2010-2011 **Annual Report**

OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

OLHI • OAP

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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) 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**.

Front cover illustration: 'Three On The Line'
Acrylic & Oil On Canvas by Doug Forsythe
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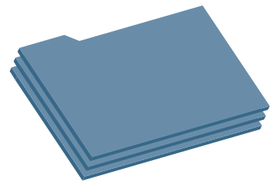
Highlights + Total Activity

Highlights:

- **Completed Year Two of Three-Year Strategic Plan**
- **53 Independent Review recommendations initiated or concluded**
- **Enhanced access to OLHI's services**
- **Improved internal complaints handling process**
- **Conducted Human Resources Review**
- **Increased Web Visitors 110%**
- **55,682 Total Contacts with the public**

Analysis of Total Activity

Enquiries 25,331



Complaints 1,989

Web Visitors 28,362

Investigations 18

Message from the Chair

Dr. Janice MacKinnon

Chair, OmbudService for Life & Health Insurance

"What helps people, helps business."
Leo Burnett, businessman (1891-1971)

It has been an exciting year marked by transition, change, and much progress.

BOARD GOVERNANCE

I assumed the position of Chair last November, at the same time that *Dieter Kays*, former CEO and President of FaithLife Financial, and *Dan Thornton*, former COO of The Cooperators Life Insurance Company, were confirmed as Industry Directors on the OLHI Board. We built on the excellent work done by retiring colleagues, Chairman *Bernard Bonin* and Director *Christopher McElvaine*.

Olga Kuplowska was hired in June 2011 to perform OLHI's corporate secretarial duties, replacing *Judy Barrie* who retired last November. Ms. Kuplowska has over 15 years experience as a Corporate Secretary in publicly funded, consumer-oriented organizations.

And, we added a new *Human Resources (HR) Committee* to our standing Board Committees. Its primary goal is to serve as the focal point for the review and streamlining of human resource policies, including salary and benefits for both staff and Directors. The *HR Committee* held its first meeting early in 2011. One of its first tasks was to adopt a Performance Management Plan as recommended by the Human Resources Review. In the year ahead, the *HR Committee* will be considering other recommendations flowing from this Review.

FISCAL RESPONSIBILITY

This year, we approved a budget that does not increase the levies to Member Companies. We will continue to exercise prudence in financial matters, while ensuring that the goals and objectives of the organization are met.

STRATEGIC PLAN

We successfully completed the 2nd year of our three-year Strategic Plan, exceeding many of our stated targets. The Strategic Plan was developed to implement the 60 recommendations emanating from the Independent Review. To date, 88% of the 60 recommendations have been completed or initiated. Of particular note are the HR Review and the Internal Complaints Handling Review.

CONSUMER AWARENESS

Consumer awareness of OLHI services has been growing at a significant rate (68% over the last two years), especially since the launch of our two websites (in French and in English) in 2009. This is not surprising since the public has been moving increasingly towards the Web as a source of information. This is an area that we will need to monitor closely to ensure that we are taking full advantage of its capabilities to promote our services.

STAKEHOLDER RELATIONS

From its inception, OLHI has worked hard to maintain open and productive relations with both regulators and Member Companies, recognizing that in the end, all parties, including the consumer, benefit from such working relationships. Among the more tangible results this year has been the successful negotiation with industry for easier, quicker and earlier access to OLHI services by consumers. OLHI has also built a closer and stronger relationship with the Financial Consumer Agency of Canada (FCAC) as a result of our involvement this year in the development of their financial literacy materials for the consumer public. We see ourselves continuing in this vein as it ties in with our overall mandate and goals. OLHI continues to be an active participant in regular meetings with the Dispute Resolution (DR) Committee of the Joint Forum of Financial Market Regulators.

LOOKING FORWARD

Among the goals for the year ahead, we plan to: **continue** to enhance consumer awareness; **continue** to build on our relationships with stakeholders; **complete** year 3 of the three-year Strategic Plan; and **develop** measures to better demonstrate OLHI's value to stakeholders.

In conclusion, we are fortunate to have such a highly qualified and committed Board and I want to thank the directors for their confidence and support. I also wish to thank Holly Nicholson, our Executive Director, for her excellent management of a well-run organization. Thank you also to the staff of OLHI for their dedicated work. And last but not least, I wish to thank the Member Companies and other industry stakeholders for their support and cooperation in furthering OLHI's mission and in making possible an independent forum for consumer protection.

Dr. Janice MacKinnon
Chair, OLHI

Message from the Executive Director

Holly Nicholson

Executive Director & General Counsel, OmbudService for Life & Health Insurance

"The road to success is always under construction"
Lily Tomlin, actress and comedian

I am pleased to report another year of significant operational achievement for OLHI.

ENHANCING AWARENESS

OLHI continues to improve consumer access to and awareness of its services. For fiscal 2010/2011, OLHI had over 55,500 contacts with the public and received over 28,000 Web visits. With the exception of the 3rd quarter this year, Web visits have grown in each of the 7 quarters since our websites were launched in 2009. This growth reflects the high percentage of Internet users in Canada who regularly use the Web as a key source of information.

We have also seen a shift by consumers away from the traditional sources of contact with OLHI by phone and in writing. This shift has been most pronounced in the Information Services side of our business which has seen a decline in the number of requests for general product and company information that is unrelated to complaints. Nevertheless, there remains a strong demand for this information as shown by the fact that the Web traffic to our "information services" page topped 12,911 visitors this past fiscal year, a 44% increase over the prior year. In addition, we experienced a growth of 90% in visits to our "complaints services" Web page.

Press releases, article publications, and presence at conferences have also contributed to OLHI's profile and we will continue to use those vehicles when appropriate and cost-effective.

In sum, within a short period of time our OmbudService has significantly improved awareness of its services among the general public, one of the key recommendations of the Independent Review. In the coming year our plan is to continue to build on this awareness by, inter alia, enhancing our Web presence through the launch of a corporate Facebook page and by continuing to reach out to consumers directly and through intermediaries.

STRATEGIC PLAN

This year saw the completion of year 2 of our three-year Strategic Plan. The focus this year has been on two major initiatives. The 1st was OLHI's first ever Human Resources Review, undertaken by an independent consultant, which examined both structural and operational HR issues. The Review produced numerous observations and recommendations that are designed to assist our organization in achieving its mandate through proper organizational structure and design, current and future workforce planning, and human resource management systems.

The 2nd major initiative involved the completion of a thorough review of OLHI's internal complaint handling procedures, including data compilation and reporting. With the support of our dedicated staff, OLHI successfully developed and implemented a modern complaints process that handled 330 written case files and over 1,600 complaint calls during the course of the year.

STAKEHOLDER OUTREACH

OLHI continues its outreach to key stakeholder groups. An important outcome this past year was an enhanced relationship with the industry-sponsored CLHIA Committee on the OmbudServices. Through a series of meetings and negotiations, OLHI and Member Company representatives have agreed upon 9 recommendations that will enhance the accessibility and quality of consumer complaints handling across the industry. Important achievements included an agreement by Member Companies to provide enhanced access to OLHI's complaint services and the establishment of benchmarks in our complaint handling process.

SUMMARY

This year OLHI has built upon its past successes and exceeded expectations in the key areas of consumer awareness, stakeholder collaboration, and implementation of the Independent Review.

It goes without saying that such operational progress could not be achieved without the full commitment of our Board members and staff. Likewise, I personally thank our Member Companies and our industry association for their strong support of our organization as demonstrated by our fruitful negotiations with the CLHIA Committee on the OmbudServices. Lastly, I am grateful for the ongoing support of our regulators who continue to show confidence in our direction and appreciation for our efforts. I remain honored to serve an organization dedicated to providing an impartial, effective and professional ombudservice. I sincerely look forward to another successful year.

Holly Nicholson, LL.B.
Executive Director & General Counsel, OLHI

OLHI Complaint Handling Process

1 Consumer Contact

- Provide general guidance to consumer on industry & OLHI complaints processes
- Refer consumer to Member Company to complete internal process, if applicable

2 Review by Complaints Counsellor

- Determine if complaint within OLHI mandate[1]
- Consumer submits final position letter and related information
- Complaints Counsellor determines if there are grounds for conciliation with insurer
- If no grounds, review letter issued and possible options identified

3 Review by OmbudService Officer

- If grounds to conciliate are present, OmbudService Officer discusses complaint with parties and obtains any additional information
- Officer seeks voluntary resolution of complaint through conciliation

4 Review by Senior Adjudicative Officer

- If grounds to pursue complaint are present, Senior Adjudicative Officer ("SAO") considers and reviews complaint
- Parties speak with SAO, if desired
- SAO prepares written report, with non-binding recommendations

[1] OLHI cannot accept complaints that:
- do not pertain to life & health insurance issues or which are not against a Member Company;
- have been previously considered by it or which have been - or are currently before - a court, tribunal or other dispute resolution process;
- are made by third party service providers or which relate to an uninsured plan that is administered by a Member Company.

Step One

A consumer contacts OLHI about a complaint. An OLHI Complaints Counsellor determines whether the consumer has received a final position letter from the insurer, indicating the completion of the insurer's own internal complaint resolution process. If no final position letter has been received, the Complaints Counsellor refers the consumer to his or her insurer's internal complaint resolution process, offering general guidance on the nature and type of information required to process the complaint through the company.

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.

Step Four

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.

Complaint Statistics

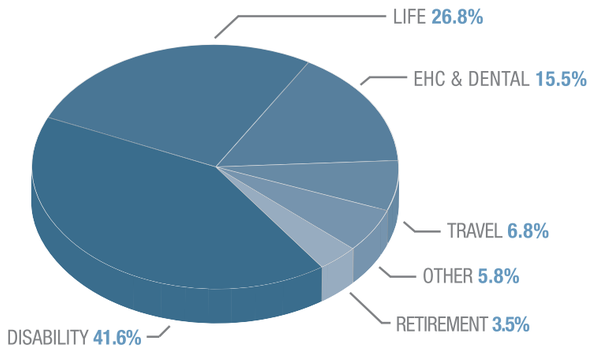
Overview

As part of our on-going efforts to improve the accuracy and efficiency of our processes, at the start of this fiscal year OLHI changed its method of recording complaint volumes. As a result of this change, only new cases received during a fiscal year will be included in our annual figures. Cases re-opened from a prior fiscal year are no longer counted in the annual volume. This recording change will provide a more accurate picture of the volume of new complaint cases received in the fiscal reporting period.

This year OLHI received 1,989 complaints, compared to 2,220 for last fiscal year. This change in volume is a direct result of the changes in our method of recording complaint volumes. Complaints re-opened from past years are now tracked separately and totaled 200 cases this past year.

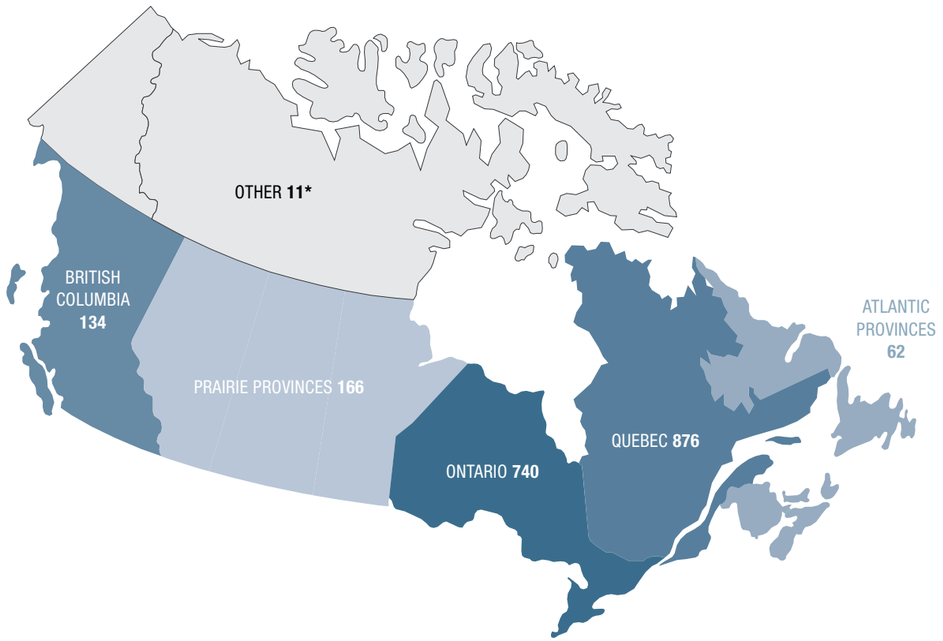
As in prior years, disability claims remain the highest category of complaints by product at 41.6%. Although there has been a slight decline in life complaints this fiscal year, these remain the second largest category of complaints by product. OLHI has experienced an increase in extended health & dental cases this year. These now comprise 15.5% of all complaints by product.

Complaints By Product



TOTAL **1,989**

Complaints By Region



TOTAL **1,989**

*Includes complaints originating from outside Canada

Overview

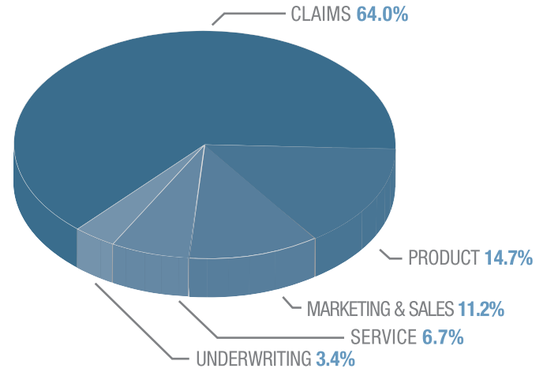
Ontario and Quebec remain the highest sources of complaints by region. For the second year in a row, the proportion of complaints originating in Quebec (44%) exceeded those in Ontario (37.2%).

By company function, the claims category continues to generate the highest proportion of complaints (64%). Complaints about product design have nearly doubled since last fiscal year, measuring 14.7% this year compared to 7.2% for the previous year. This increase in product cases was accompanied by a corresponding decrease in proportion of complaints pertaining to service matters.

The percentage of complaints OLHI receives through the Internet continued to grow this fiscal year, reaching 23.6%. It is the single highest source of complaint cases for OLHI. Government (non regulatory) and insurance companies also represent significant sources for complaint referrals at 19.2% and 14.1%, respectively.

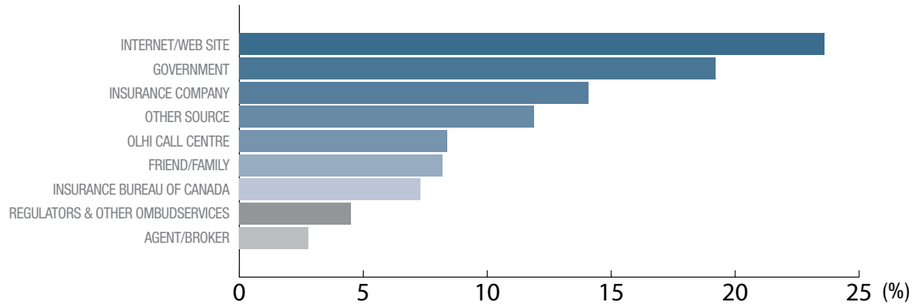
Group insurance complaints again represent the majority of complaints categorized by line of coverage (47.8%). Complaints with respect to individual insurance and creditor insurance were 41.1% and 11.2.1%, respectively. These proportions are consistent with prior years.

Complaints By Company Function



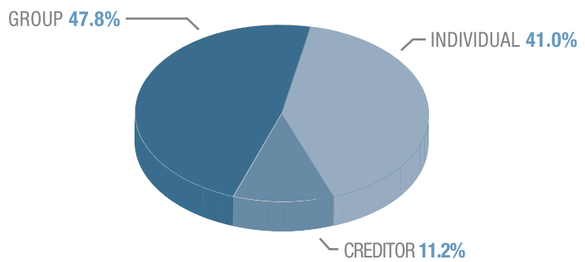
TOTAL **1,989**

Complaints By Source



TOTAL **1,989**

Complaints By Line of Coverage



TOTAL **1,989**

Case Study 1

Mistaken Meds

Mr. and Mrs. J purchased life insurance which would pay for their funeral expenses. Two years later, Mrs. J died of cancer and the family incurred funeral expenses of approximately $7,500. In due course, a claim was submitted to the insurance company for payment of these expenses. In accordance with normal practice, the insurer undertook a review of Mrs. J's health history to determine whether she had accurately reported this on her insurance application.

The claim was refused based on the insurer's belief that Mrs. J had incorrectly answered a health question on the policy application. Specifically, she answered "no" to the question: "During the past three (3) years, has the Applicant ever been treated for, or been diagnosed as having …both high blood pressure and diabetes together?" Had the question been answered accurately, the insurer would not have provided the insurance.

While it was acknowledged by Mr. J that his wife suffered from diabetes, she had never been told that she had high blood pressure. On the other hand, the insurer was relying on a note in a hospital discharge summary (for arm surgery) stating that Mrs. J had hypertension and was actively taking a medication for the treatment of angina and high blood pressure. Based on this information, the insurer felt that Mrs. J should have answered "yes" to the question on the application.

Mr. J was surprised to learn that his wife had high blood pressure and he took the insurer's letter to their family doctor. The doctor confirmed that Mrs. J did not have this condition. He also disputed the insurer's information on Mrs. J's prescribed medication. The doctor had prescribed the medication for Mrs. J's diabetes, not high blood pressure, although the medication was commonly used to treat both conditions.

Mr. J brought his complaint to the OmbudService and a Complaints Counsellor reviewed the file. In light of the family doctor's information, the Counsellor suggested that Mr. J obtain a report from the family doctor describing her medical condition at the time she completed the application for the insurance. In this report, the family doctor confirmed that Mrs. J did not have documented hypertension and that he had prescribed the medication for diabetes, not high blood pressure as alleged by the insurer. He expressed the opinion that her blood pressure may have been temporarily elevated due to the arm surgery and confirmed it had returned to normal after she recovered from the surgery.

" The claim was refused based on the insurer's belief that Mrs. J had incorrectly answered a health question on the policy application"

OLHI forwarded a copy of the family doctor's letter to the insurer with a request for it to review its decision. Upon reviewing the doctor's letter, the insurer agreed that Mrs. J had made correct disclosure of her health conditions on her insurance application. This resulted in the insurer paying the full benefit under the claim.

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

Investigation Statistics

Overview

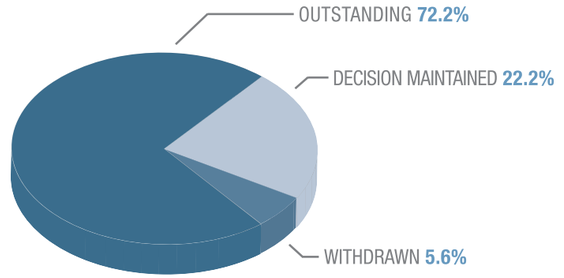
OLHI opened eighteen (18) investigations during the course of the year, slightly below the 3 year average of twenty (20) investigations per annum. Higher investigation volumes in the prior fiscal year are attributed to the larger number of marketing & sales complaints arising from market fluctuations during that period.

The ratio of retirement investigations was 33.3% this year, exceeding disability cases at 27.8 %. The decline in the percentage of disability investigations continues a three year trend. The ratio of life investigations continues to decline also. Decreases in these two categories are offset by increased investigations in the travel and retirement categories.

Categorized by company function, the marketing & sales and claims functions totaled almost 40% of all cases proceeding to the investigation stage, followed by service complaints at 27.8% and product complaints at 11.1%. This year the ratio of claims and service categories have increased, whereas the marketing & sales category has decreased.

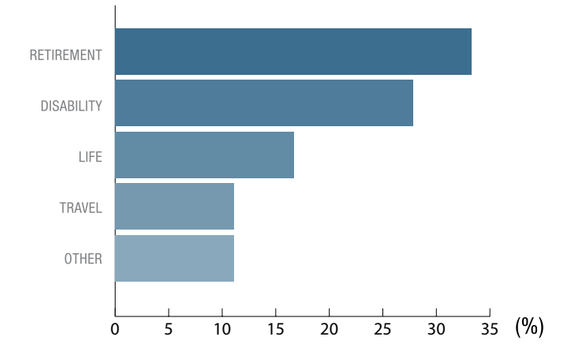
Compared to prior years, a higher percentage of investigations opened during the year remained outstanding at year end. Five of these cases have since been elevated to OLHI's third and final stage of complaint review, our Senior Adjudicative phase. These cases are expected to be resolved this coming fiscal year. Of the investigation cases that were concluded this year, investigators were successful in effecting a settlement in 14.3% of all cases.

Outcome By Cases Opened



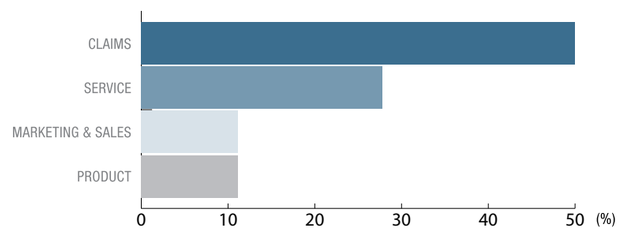
TOTAL 18

Investigations By Product



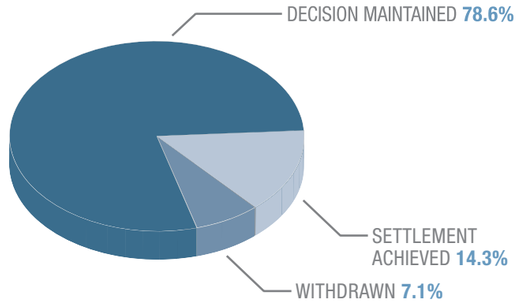
TOTAL 18

Investigations By Company Function



TOTAL 18

Outcome By Cases Completed



TOTAL 14

Case Study 2

Coverage Uncovered

An Ontario couple planned a trip to Peru for 20 days, with a departure date of April 18, 2010. The trip included air fare and a package tour throughout the country. Total cost exceeded $9,000 for two persons and was pre-paid.

At the time of booking, they purchased insurance coverage for the following risks: trip cancellation & interruption, emergency medical, baggage & personal effects, flight accident and travel accident. The contract covered re-imbursement for "the unused portion of pre-paid travel arrangements".

They departed on April 18th as planned. Unfortunately, the husband immediately fell ill upon his arrival in Lima, Peru and was hospitalized on April 19th. He was diagnosed with a heart problem and remained in hospital for nine days until his condition was stabilized and he was able to return home to Canada with his wife. Unfortunately, as a result of his hospitalization, the couple was unable to participate in the country wide tour they had previously booked since it departed from Lima on April 20th.

While her husband was in hospital, the wife was required to obtain hotel accommodation in Lima. Naturally, they also incurred a variety of medical and related expenses associated with the husband's hospital stay.

Shortly after their return to Ontario, the couple submitted a claim under their travel policy. The insurer denied a large portion of their expenses and issued a letter stating that the loss was not fully covered under the insurance policy. In its letter, the insurer quoted the following policy provision: *"What is not covered? … 2. This insurance does not cover any loss, claim or expense of any kind caused directly or indirectly from: c) pre-paid travel arrangements for which an insurance premium was not paid"*. The insurer further stated that the couple's insurance policy limited them to a maximum reimbursement of $400 per person for pre-paid travel arrangements.

Upon receipt of the insurer's letter, the husband contacted the insurer through its call centre asking why he did not have coverage for the total cost of the pre-paid travel expenses. The representative could not satisfy his enquiry and after several unsuccessful calls to the insurer, the consumer called OLHI.

In accordance with OLHI's process, his call was promptly routed to a Complaints Counsellor for assistance. She discussed the facts giving rise to the claim with him, as well as the insurer's position as described in its letter. From their conversation, she concluded that the "What is not covered", section of the contract quoted by the insurer in its letter did not apply in these circumstances because the consumers had purchased a travel policy that covered all risks, including the "unused portion of pre-paid travel arrangements". Our Counsellor advised him to respond to the insurer's letter in writing, including the documentation requested by the insurer and references to the terms of his policy applicable to his claim.

Based on our Counsellor's advice the husband sent a letter to his insurer on July 28th. A few weeks later, she received a call from the husband thanking her for her assistance and confirming that he had received a reimbursement of more than $9,000 from the insurer.

As they talked further, it appeared that an administrative error had been the cause of the earlier denials by the insurer. Once the consumer wrote back, quoting the nature and the types of coverages he had contracted for as recommended by our Complaints Counsellor, the error was quickly identified and the claim was promptly paid by the insurer.

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

"The insurer denied a large portion of their expenses and issued a letter stating that the loss was not fully covered under the insurance policy"

Enquiry Statistics

Overview

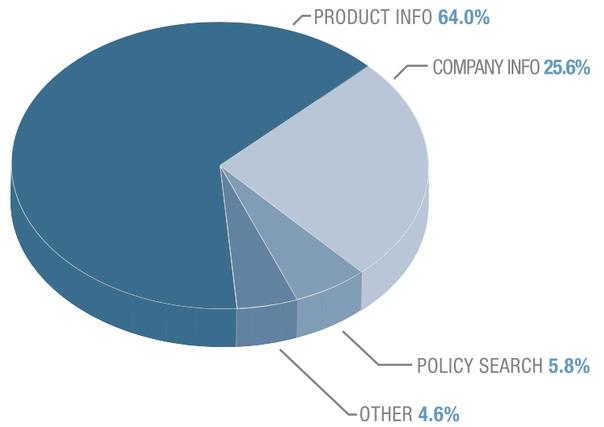
OLHI provides Canadian consumers with general information on life and health insurance products and services through our national toll-free call centers in Toronto and Montreal. In addition, we distribute numerous consumer brochures and assist consumers searching for a lost life insurance policy.

During our 2010/11 fiscal year, OLHI's information service answered 25,331 requests for information on life and health insurance products and services. This figure represents a significant decline in the volume of calls and written requests taken through our call centres as consumers increasingly turn to our Internet sites to obtain this information.

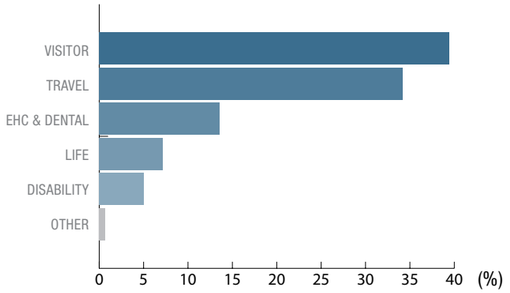
As in past years, almost 90% of the information inquiries OLHI received were for product and company information. The most popular "product" requests are for information about visitors insurance, travel insurance, and extended health & dental insurance. On the company information side, the majority of requests are for company contact information.

Ontario and Quebec continue to be the source for over 88% of all information requests. Almost 100% of all inquires originate directly from consumers, with only a small percentage coming from intermediaries such as agents or government sources. OLHI also received 1,628 life policy search requests, of which 90 met our policy search criteria.

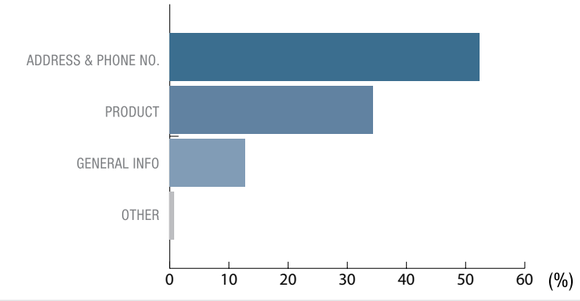
Reason for Enquiry



Analysis of Product Enquiries



Analysis of Company Enquiries



Enquiries by Region

Quebec	12,178	48.1%
Ontario	10,206	40.3%
Prairie Provinces	1,126	4.4%
British Columbia	810	3.2%
Atlantic Provinces	545	2.2%
Other	466	1.8%
Total	25,331	100%

Case Study 3

Taking A Good Hard Look at the Evidence

Ms. A wrote to OLHI seeking assistance after she had unsuccessfully appealed her insurer's decision to discontinue her disability benefits. Her group disability plan provided payments for a period of 24 months upon inability to perform her *own occupation*. In order to qualify for benefits after that period, she was required to provide evidence of inability to perform *any occupation* for which she was reasonably suited by education, training or experience.

This matter was directed to an OLHI Complaints Counsellor experienced in disability claims. He followed up with Ms. A and learned that she was a physiotherapy assistant, a highly physical job. Several years before, she had sustained a leg fracture requiring surgery. She had submitted a claim for disability payments under her group disability program and was granted benefits. He also learned that Ms. A had cooperated with the insurer's efforts to get her back to work by actively participating in a prescribed rehabilitation plan and by undergoing a functional capacities evaluation (FCE) to determine her capacity to work. Following the FCE, Ms. A received a letter from her insurer advising that her benefits would terminate in six months' time, upon conclusion of the "own occupation" period. Ms. A appealed her insurer's decision to terminate benefits on several occasions without success.

Following their conversation, our Complaints Counsellor reviewed the documentation that he had requested from her. This included correspondence with her insurer, medical reports, the FCE, and materials she had submitted to CPP in support of a claim for disability benefits. He noted that although the insurer had concluded from the FCE that Ms. A could do "sedentary work", the report itself indicated only "perceived ability at sedentary, tolerated light capacities". No Transferable Skills Analysis (TSA) had been undertaken by the insurer to support a conclusion that Ms. A had the skills and capacity to transition to a sedentary occupation, such as secretarial or receptionist duties.

He also observed that the insurer, in making its decision to end benefits, appeared to give significant weight to the fact that during the initial benefit period Ms. A had excelled in a six-week training course in medical terminology and had also responded to job advertisements in which she might apply these skills. In addition, it was noted that there was clear and credible evidence of deterioration in her medical condition in the two years following the termination of her benefits.

All of these factors were instrumental in our Counsellor concluding that there were grounds to refer this complaint to an OLHI OmbudService Officer for a more thorough review.

The OmbudService Officer reviewed the file, spoke at length with Ms. A, and determined that the next step should be a review of the insurer's claim file. In accordance with OLHI's procedures, the insurer readily produced this file upon request.

" Ms. A appealed her insurer's decision to terminate benefits on several occasions without success"

Upon reviewing the insurer's file it appeared that the denial of Ms. A's disability claim was based on an apparently successful vocational rehabilitation program and the FCE performed 18 months into her 24 month initial claim period.

On the other hand, the insured's physical and mental condition had been deteriorating and she had clearly struggled to complete her rehabilitation program to prevent loss of her benefits. Also noted were conflicting views in the insurer's own file as to the likelihood of her ability to function in any kind of work setting. Moreover, while Ms. A's original application for CPP disability benefits had been initially denied, her claim was subsequently approved.

Upon conclusion of his review, the OmbudService Officer made a detailed written submission to the insurer with a recommendation that the insurer review its decision.

In due course, the insurer responded with an offer to have Ms. A submit to an independent medical examination. This examination determined that she was, indeed, unable to function in any occupation for which she might be reasonably suited by education, training, or experience.

The insurer accepted the independent medical examiner's assessment and promptly agreed to allow benefits on a continuing basis, subject to an appropriate adjustment with respect to the CPP benefits already received.

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

Web Statistics

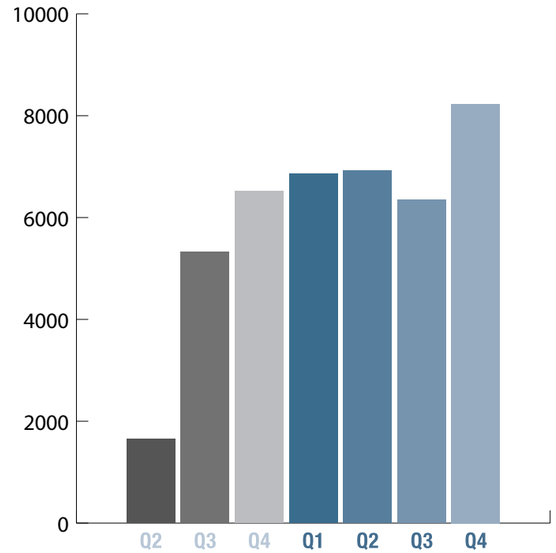
Overview

This year OLHI received 28,362 Web visits, more than double those of last year. With the exception of the third quarter, Web visits have grown in each quarter since our new French and English websites were launched in the second quarter of fiscal 2009-2010. OLHI's English site, **www.olhi.ca**, received more than twice the amount of Web traffic as our French site, **www.oapcanada.ca**. However, this year the French site showed a slightly higher growth rate.

During the past year we received a high proportion of new visitors to our sites, in comparison to returning visitors. This indicates growing public awareness of our services. We received a significant amount of traffic from referring websites (45.9%) and search engines (19.5%). More than one third of Web visits are "direct traffic", indicating that visitors are intentionally accessing our sites with an expectation that OLHI is able to provide the information they are seeking.

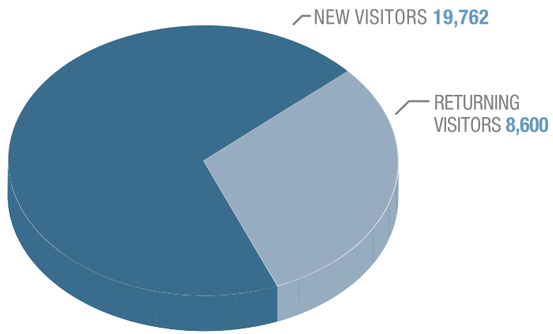
Our "Information Services" Web page is OLHI's most commonly viewed Web page, receiving 12,911 visits this year. Our "Complaint Process" Web page is the next in popularity, having received 7,181 visits. These figures represent a growth rate of 44.4% and 90%, respectively, during the year.

Web Visits Per Quarter 2009-2011



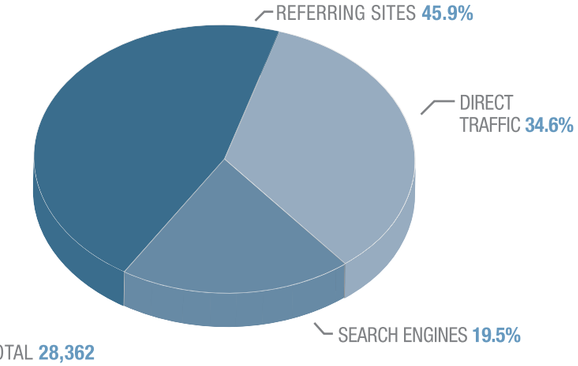
TOTAL **28,362**

New/Returning Web Visitors



TOTAL **28,362**

Web Traffic Sources



TOTAL **28,362**

Top Five Web Pages Viewed

Information Services	12,911	38.3%
Complaint process	7,181	21.2%
Participating Companies	5,797	17.1%
Policy search	4,711	13.9%
Publications	3,214	9.5%
Total	33,814*	100%

*Some visitors access multiple Web pages

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 the 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.

Financial Statements

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

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

INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Life and Health Insurance OmbudService

Report on the Financial Statements
We have audited the accompanying financial statements of Canadian Life and Health Insurance Ombudservice (operating as Ombudservice for Life & Health Insurance), which comprise the balance sheet as at March 31, 2011, the statements of operations and changes in operating fund balance and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Life and Health Insurance Ombudservice as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements
As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 23, 2011
Toronto, Canada

Financial Statements

Balance Sheet

March 31, 2011, with comparative figures for 2010

Assets

Current assets:	**2011**	**2010**
Cash and cash equivalents (note 2)	$744,522	$722,963
Recoverable expenditures and deposits	7,420	9,624
	751,942	732,587
Capital assets (note 3)	77,168	90,287
	$829,110	**$822,874**

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	$89,869	$81,524
Current portion of deferred lease inducement	8,498	2,601
	98,367	84,125
Deferred lease inducement	67,273	75,771
Fund balance:		
Operating Fund:		
Invested in capital assets	77,168	90,287
Unrestricted	586,302	572,691
	663,470	662,978
Commitments (note 5)		
	$829,110	**$822,874**

See accompanying notes to financial statements.

Statement of Operations and Changes in the Operating Fund Balance

Year ended March 31, 2011, with comparative figures for 2010

Revenue:	**2011**	**2010**
General assessment fees	$1,614,502	$1,546,058
Investment	4,161	761
	1,618,663	1,546,819
Expenses:		
Staff costs and adjudicative services	917,997	860,990
Professional fees	151,302	109,457
Rent	119,718	98,291
Board of Directors' fees	113,944	91,562
Board meetings and travel	59,080	42,296
Information technology	54,494	70,604
Management fees	43,290	39,900
Staff meetings and travel	37,180	31,694
Recruitment	32,651	–
Supplies and services	31,173	34,993
Telecommunications	21,907	27,491
Amortization of capital assets	12,800	25,080
Insurance	11,382	12,304
Facilities fees - Toronto	7,490	4,587
Loss on disposal of capital assets	1,736	7,313
Training and development	921	6,132
Translation	887	4,660
FSON-related costs	219	6,485
Moving	-	3,326
	1,618,171	1,477,165
Excess of revenue over expenses	492	69,654
Operating Fund balance, beginning of year	662,978	593,324
Operating Fund balance, end of year	**$663,470**	**$662,978**

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

Cash provided by (used in):

	2011	2010
Operating activities:		
Excess of revenue over expenses	$492	$69,654
Items not affecting cash:		
Amortization of capital assets	12,800	25,080
Amortization of lease inducement	(4,493)	(5,483)
Loss on disposal of capital assets	1,736	7,313
Change in non-cash operating working capital:		
Accounts receivable	–	71
Recoverable expenditures and deposits	2,204	8,456
Accounts payable and accrued liabilities	8,345	10,053
	21,084	115,144
Financing activities:		
Lease inducements	5,897	83,329
Investing activities:		
Additions to capital assets	(5,422)	(90,198)
Increase in cash and cash equivalents	21,559	108,275
Cash and cash equivalents, beginning of year	722,963	614,688
Cash and cash equivalents, end of year	**$744,522**	**$722,963**

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2011

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) (the "Act"), provided certain requirements of the Act are met. CLHIO commenced operating as OmbudService for Life & Health Insurance on August 17, 2009.

1. Significant accounting policies:

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

(a) Financial instruments:

CLHIO has classified its short-term investments as held-for-trading and therefore these investments are measured at fair value.

The carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturity of these financial instruments.

(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 stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the following bases and annual rates:

Asset	Basis	Rate
Office furniture	Declining balance	20%
Office equipment	Declining balance	20%
Computer equipment	Straight-line	4 years
Leasehold improvements	Straight-line	Over term of lease

(e) Lease inducement:

Inducements received from the landlord with respect to the leased premises are deferred and amortized over the lease term on a straight-line basis. Lease inducements are accounted for as a reduction of the lease expense over the term of the lease.

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 a short-term guaranteed investment certificate. Cash and cash equivalents comprise the following balance sheet amounts:

	2011		2010	
	Fair value	Carrying value	Fair value	Carrying value
Cash	$394,809	$394,809	$222,963	$222,963
Short-term investments	349,713	349,528	500,000	500,000
	$744,522	$744,337	$722,963	$722,963

The short-term investment has an aggregate principal amount of $349,713 (2010 - $500,000) with an effective interest rate of 0.85% (2010 - 0.25%). Interest is receivable at maturity.

3. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	$27,139	$14,308	$12,831	$14,655
Office equipment	3,185	319	2,866	2,170
Computer equipment	22,058	11,951	10,107	16,337
Leasehold improvements	60,485	9,121	51,364	57,125
	$112,867	$35,699	$77,168	$90,287

Financial Statements

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, which amounted to $85,470 (2010 - $96,600) including the applicable taxes.

5. Commitments:

CLHIO rents office premises in Toronto and Montreal. Future minimum payments under existing leases are as follows:

2012	$52,000
2013	52,000
2014	35,000
2015	34,000
2016	35,000
Thereafter	141,000

6. Financial instrument risk management

CLHIO has policies related to the identification, monitoring and mitigation of risks associated with financial instruments. The key risks related to financial instruments are credit risk and interest rate risk. How CLHIO manages each of these risks is described below:

(a) Credit risk:

Credit risk is the risk that the counterparty will fail to discharge its obligation to CLHIO. CLHIO's exposure to credit risk is limited as a large portion of assets are held in cash and bankers' acceptances of Schedule 1 banks with Canadian-issued instruments with ratings of AAA. The maximum credit risk exposure as at March 31, 2011 comprises cash and cash equivalents totaling $744,522 (2010 - $722,963).

(b) Interest rate risk:

Interest rate risk is the risk that the market value of CLHIO's investments will fluctuate due to changes in the market interest rates. The risk is considered insignificant given that CLHIO holds a significant portion of its assets in cash and bankers' acceptances.

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 7, 2011:

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
Assuris
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
CIBC Life Insurance Company Ltd.
CIGNA Life Insurance Company of Canada
Co-operators General Insurance Company
Co-operators Life Insurance Company
Combined Insurance Company of America
Connecticut General Life Insurance Company
CT Financial Assurance Company
CUMIS Life Insurance Company
Desjardins Financial Security Life Assurance Company
FaithLife Financial
First North American Insurance Company
Foresters
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
Knights of Columbus
L'Alternative, compagnie d'assurance sur la vie
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
Metropolitan Life Insurance Company
Munich Reinsurance Company
National Bank Life Insurance Company
New York Life Insurance Company
Optimum Reassurance Inc.
Partner Reinsurance Company Ltd.
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
Saskatchewan Blue Cross
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.
Sun Life Assurance Company of Canada
Sun Life Insurance (Canada) Limited
Swiss Reinsurance Company Ltd.
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 2010-2011 BOARD OF DIRECTORS

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Dr. Janice MacKinnon [1,3]
Professor, University of Saskatchewan and former Minister of Finance for Saskatchewan

Independent Directors
Lea Algar [2]
Chair, General Insurance OmbudService and former Ontario Insurance Ombudsman

Bruce Cran [1]
President, Consumers Association of Canada

Peter Maddaugh, Q.C. [2,3]
Professor of Law, University of Victoria and former Partner, Torys LLP

Yves Rabeau [1]
Professor of Economics, Université du Québec à Montréal (UQAM)

Reginald Richard [2,3]
Former Superintendent of Insurance for New Brunswick

Industry Directors
Claude Garcia [2]
Corporate Director and former President, Standard Life Assurance Company

Dr. Dieter Kays [1]
Former Chief Executive Officer of FaithLife Financial

Dan Thornton [3]
Former Chief Operating Officer, The Co-operators Life Insurance Company

[1] Member of Governance Committee
[2] Member of Standards Committee
[3] Member of Human Resources Committee