

2014 -15 Annual Report



Growing through service & collaboration

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. These include life, disability, employee health benefits, travel, and insurance investment products such as annuities and segregated funds.

OLHI's free, bilingual services are available to any consumer whose life or health insurer is an OLHI member; currently, 99% of Canadian life and health insurers are OLHI members. OLHI's operations are overseen by the Canadian Council of Insurance Regulators (CCIR). For more information, visit www.olhi.ca.

Highlights

+ Total Activity

Highest number of **contacts** with the public in OLHI's **history**

Growth of 18.2% over last year and 32.5% over three years

Internet remains the **most-used** means for the public to reach out to OLHI

Web visits up 22% over last year and 46% over three years

Investigations: **Settlement ratio** of 50%, up from 30% in prior years

Complaint volume of over 2,400 matches last year's **historic peak**

Phone information requests level off at over 13,000 as Internet enquiries grow

OLHI's **profile enhanced** by national and international media coverage

Total Contacts

87,488

Enquiries

13,732

Complaints

2,464

Web Visitors

71,292





Dr. Janice MacKinnon

OLHI's mission is to grow awareness of our organization, while improving our core complaint services. This year, we have made significant progress in both areas.

Growth & Awareness

By enhancing our public and media profiles, our visibility has increased. We have achieved the highest number of contacts with the public in our history. Whereas OLHI was once quiet on the media front, we have found ourselves this past year in outlets such as the Globe and Mail, National Post, Toronto Star, CTV, Journal de Montreal, Ming Pao (a large Chinese-Canadian daily); and newswire services such as Canadian Press.

Increasingly, we are sought out for advice and information from media, consumers and regulators. This is proof that OLHI's profile is growing and our expertise is more broadly recognized. As a result, we are revisiting the way we present ourselves: how we share our results in our Annual Report and how we engage stakeholders online.

Our Collaborative Model

OLHI is focused on providing fast, fair and impartial resolution of consumer disputes. Our model is one of striking a delicate balance, establishing trust and good faith between all parties. We know this collaborative model works, evidenced by positive results. This year, we have seen a sharp increase in the number of cases we settle at our investigation stage: our ratio is up from 30% in prior years to 50%. To date, all of our final non-binding settlement recommendations in favour of the consumer have been accepted by insurers.

Stakeholder Relations

To succeed, we need to foster collaborative, transparent relationships. We continue regular interactions with our Member Companies and our oversight body, the Canadian Council of Insurance Regulators (CCIR). Additionally, we work with other agencies and ombudservices in the broader financial services industry on issues of mutual interest and concern.

“Our model is one of striking a delicate balance, establishing trust and good faith between all parties.”

OLHI expanded its networking this year to a broader group of stakeholders, including INFO (International Network of Financial Services Ombudsmen) and the Independent Financial Brokers of Canada (IFB).

Funding & Fiscal Responsibility

OLHI’s services to consumers are funded by fees levied on Member Companies. It is appropriate that insurers, rather than individual taxpayers, pay the costs associated with solving consumer disputes. OLHI’s impartiality is not affected by this funding model for several reasons: our Board has a majority of independent directors, our budget is determined by the Board based on the advice of staff, and our operations – including our complaint review processes – are completely independent from Member Companies and industry. Nevertheless, we remain committed to conducting our operations in a cost efficient manner. This year, a modest budget increase was approved to fund initiatives which are key to our mandate.

Looking Ahead

While it is important to reflect on past accomplishments, we recognize our work ahead. Among those areas of focus in 2015/16:

- Continuing to execute strategies that enhance OLHI’s image and awareness of our services
- Developing a new case management and reporting system
- Working with stakeholders to ensure that consumers with an independent agent have access to ombudservices
- Developing a three year strategic plan

To close, I am thankful to the Board, management and employees for their commitment. I am equally appreciative of all our stakeholders for helping us to maintain an environment of fairness and cooperation.



Dr. Janice MacKinnon

Chair, OLHI



Message from the Executive Director



Holly Nicholson

This has been a busy, exciting year as OLHI handled a historic volume of business. In addition to recording over 87,000 contacts with the public, we matched last year's record-high complaint and investigation volumes.

Complaints Services

Based on findings from our 2nd Independent Review, OLHI is striving to ensure all complaints with merit are escalated to our investigation stage. Improvements to our complaints process over the past two years have made case reviews more thorough and rigorous, hence easier to identify complaints that merit negotiation. These changes have resulted in a sharp increase in our settlement ratio at the investigation stage – up from 30% in prior years to 50%.

We also enhanced our complaints processes by acting on findings from last year's Consumer Satisfaction Survey. This comprehensive study, which polled consumers who used our services in the prior year, revealed an overwhelming conclusion: consumer satisfaction increases as a direct result of increasing the frequency and quality of communications.

Some of the improvements made, flowing from the survey:

- Consumers are now consulted at the initial complaint review stage to ensure they are fully heard
- We have more frequent interactions with consumers about our time frames and case status
- We are adopting “plain language” principles to make all our communications – particularly written ones – clearer and shorter

Moving forward, OLHI will continue to find ways to further improve our processes. For example, we anticipate our new case management system will identify and address opportunities to increase efficiency of service, including quicker response times.

“Improving our service to stakeholders is integral to our business in a changing environment.”

Case Management Project

In March 2015, the Board approved a new case management and reporting system to fulfill two important needs: improve the efficiency of our case management processes and allow for better data collection to identify, and monitor, trends and emerging issues in complaints. These improvements are necessary to keep pace with stakeholder expectations and to enhance transparency. The design of the new system is a significant undertaking and will span most of the coming year. Implementation is planned for April 2016.

Looking ahead

With OLHI's increased visibility, we anticipate the coming year will generate more demand for our services. For this reason, we will continue to focus on monitoring and anticipating trends, and taking on new initiatives to advance how we serve our stakeholders.

The case management system is a key example but there are several other projects on our plate for the coming year:

We will continue with our plain language initiative, with a focus on clarifying complex insurance concepts to consumers and simplifying our promotional materials, all consumer communications and our web site.

Also ahead is the redesign of our web site. It will be more user friendly, operating on multiple platforms such as mobile devices and tablets.

The site will, in some ways, mirror our new Annual Report's user experience and interactivity.

Improving our service to stakeholders is integral to our business in a changing environment. The important advances we have made this past year wouldn't be possible without the support and collaboration of stakeholders, Board and staff. I am grateful for your ongoing commitment and support as we move into another exciting year.



Holly Nicholson

Executive Director, OLHI

Complaints

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 Dispute Resolution Officer

- Determine if complaint is within OLHI mandate¹
- Consumer submits final position letter and related information
- Dispute Resolution Officer 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 and health insurance issues or are not against a Member Company;
- have been previously considered by OLHI or have been - or are currently before - a court, tribunal or other dispute resolution process;
- are made by third party service providers or relate to an uninsured plan that is administered by a Member Company.



“ She was guaranteed a paid-up \$200,000 policy at age 65 ”

Thirty years ago, Mrs. B. purchased life insurance. The premium would change over the years and the cash surrender value would be flexible but, as she understood it, she was guaranteed a paid-up \$200,000 policy at age 65. This original policy was subsequently transferred to several insurers over the years.



Honouring a
commitment

Case Study 1

When she turned 65, Mrs. B. received a letter informing her that her policy was now paid up; no more premiums were necessary to maintain the value of \$200,000 and to keep her policy in force. Mrs. B. stopped making payments but, several years later, received a letter advising that her policy was now valued at \$158,000.

Although no further premiums were required to keep the policy in force, the insurer stated that the sum insured continued to be reviewed for adjustment. Mrs. B. disagreed and contacted OLHI for a free, independent and impartial review of her file. She provided us with the final position letter and copies of all her correspondence with the various insurers that had owned the policy over the years. We also received the current insurer's file.

OLHI's first impression was that there would likely be no grounds to negotiate as the decrease in the sum insured was likely contractual.

However, OLHI's Dispute Resolution Officer (DRO) discovered that Mrs. B. had a letter from the original insurer, guaranteeing in writing the sum insured of \$200,000, with no adjustments to that sum. For this reason, the complaint was escalated to an OmbudService Officer (OSO) for further investigation.

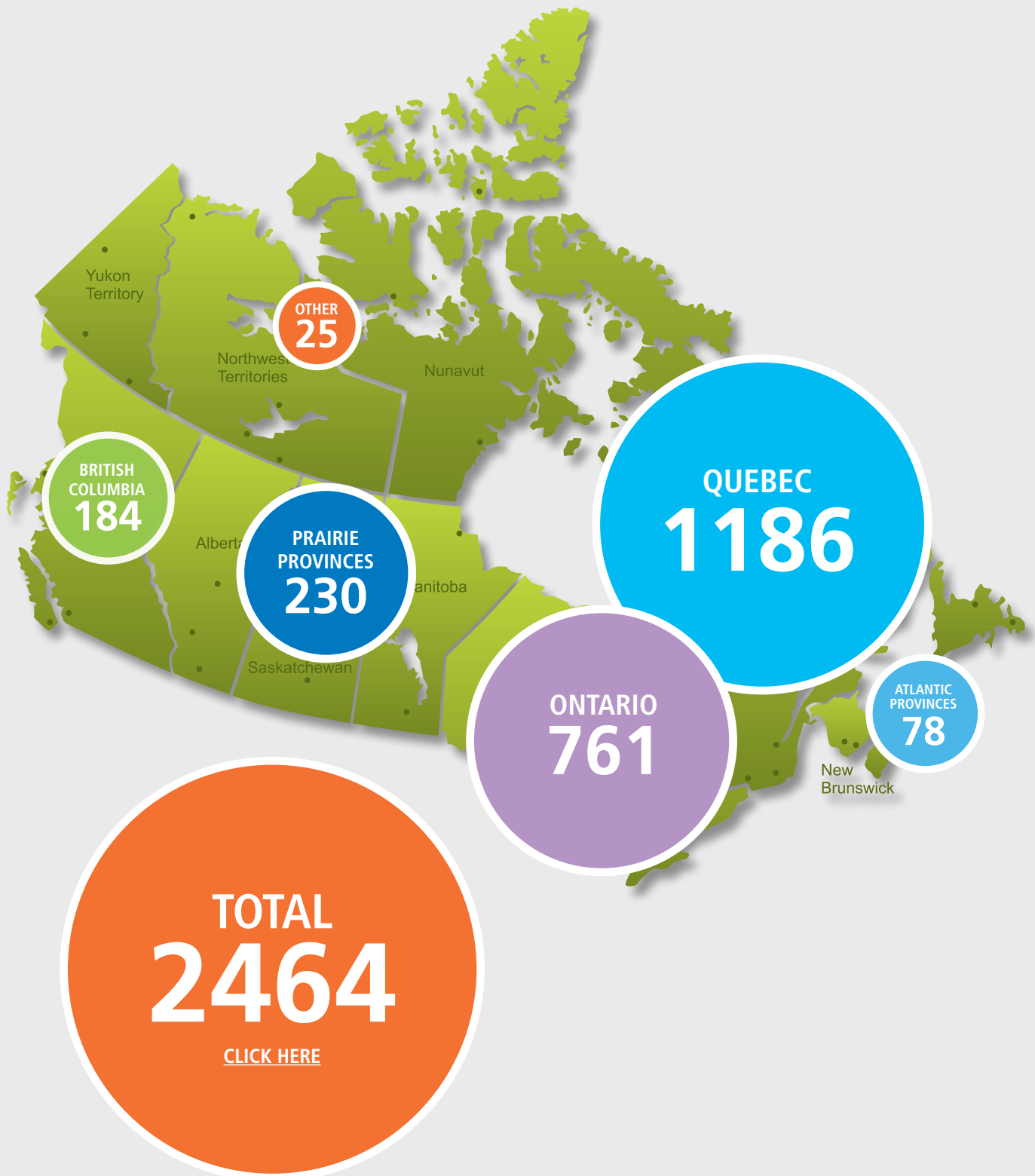
Speaking with the insurer, the OSO concurred that the policy clearly outlines the recalculations of the premiums and the fact that the sum could change after age 65. However, he also noted that the guarantee letter could not be overlooked.

The insurer, after additional review, agreed to honour the commitment that the previous insurer had made, confirming that the sum insured would not be recalculated in future.

***Disclaimer:** Names, places and facts have been modified in order to protect the privacy of the parties involved. This case study is for illustration purposes only. Each complaint OLHI reviews contains different facts and contract wording may vary. As a result, the application of the principles expressed here may lead to different results in different cases.*



Complaints by Region



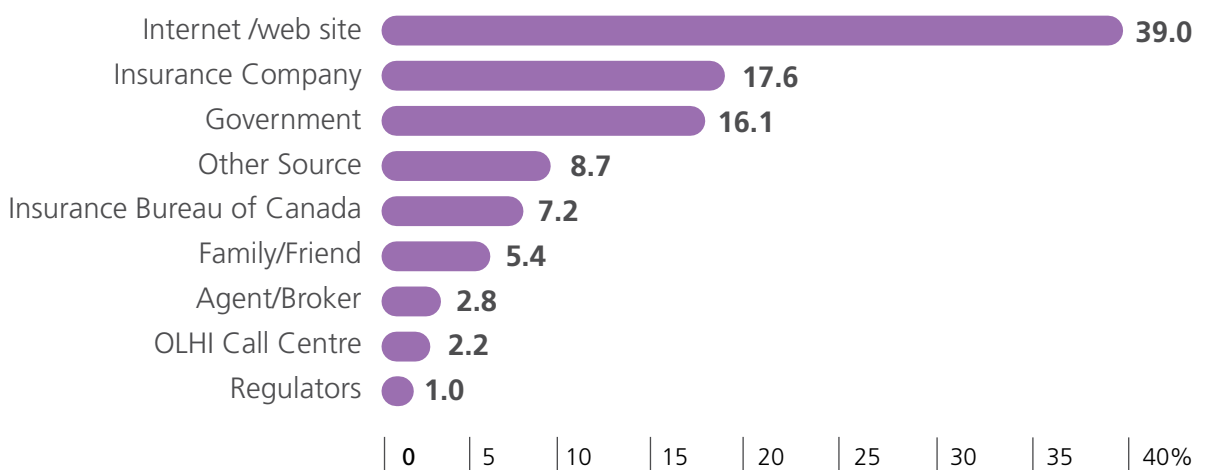
Overview | Complaints Statistics

OLHI's core mandate is to provide free, impartial dispute resolution services to Canadians who have a claim denied by their life or health insurer. In our impartial capacity, we help to guide consumers through the insurer's and OLHI's complaints processes – deconstructing complex issues with plain language and ensuring cases have been fairly reviewed.

This fiscal year, OLHI received a total of [2,464 complaints from across Canada](#) – virtually the same level as last year, when we reached a historic peak of complaints.

By region, volumes remain similar over last year, with one change of note: complaints from British Columbia have increased by 10.8%. OLHI focused part of its commitment to building consumer awareness by attending a national financial literacy conference in B.C. and reaching out to local media. Complaints continue to dominate in Quebec, accounting for roughly half at 48.1%, as has been the case for a number of years.

Complaints by Source %



Complaints Statistics

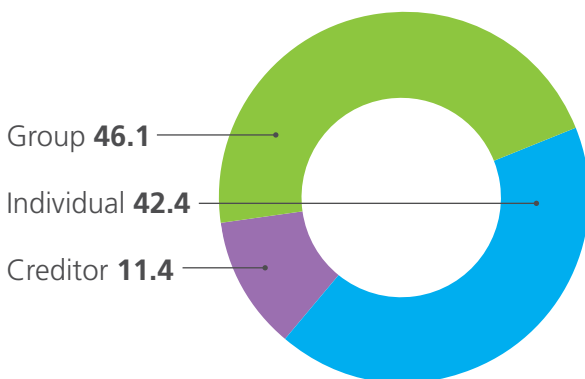
For the fourth year running, the Internet was the primary referral source (39.0%) – up 6.5% from last year (32.5%). This reinforces plans to redesign our web site in order to improve stakeholder experience and web traffic.

Distribution of complaints among Group, Individual and Creditor categories is similar to previous years.

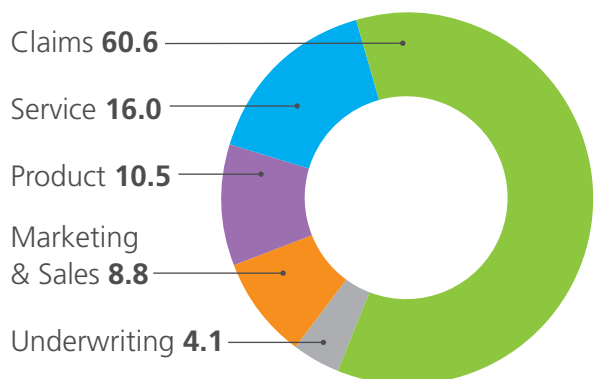
By function, Claims account for the highest proportion of complaints, at 60.6%.

OLHI's top three [product complaint categories](#) (Disability, Life and EHC & Dental) together make up 82.0% of all complaints – similar to last year.

Complaints by Line of Coverage %



Complaints by Company Function %



Complaints by Product





“ He did not receive the complete policy package, known as the fulfillment kit ”

Mr. J. was diagnosed with prostate cancer and submitted a claim against his Critical Illness policy. His insurer declined his benefit, stating that his particular type of prostate cancer was at a stage that is not covered under his policy.



Fulfilling
a policy

Case Study 2

Mr. J. contacted OLHI with his insurer's final position letter, telling our Dispute Resolution Officer (DRO) that his stage one cancer was on a list of exclusions – a list he never received from the insurer, so he was completely unaware of this detail. While Mr. J. did receive a one-page document outlining his schedule of coverage, he did not receive the complete policy package, known as the fulfillment kit, which would have also included a cover letter and detailed policy.

Upon further review by the DRO, he discovered that the insurer's records confirmed that the fulfillment kit status was "pending print in print queue." Based on this, there was reasonable doubt that Mr. J. did not get the kit. He recommended that an OmbudService Officer (OSO) investigate.

OLHI's OSO agreed that it was reasonable for Mr. J. to assume that he was covered, just based on the one-page document of information he had.

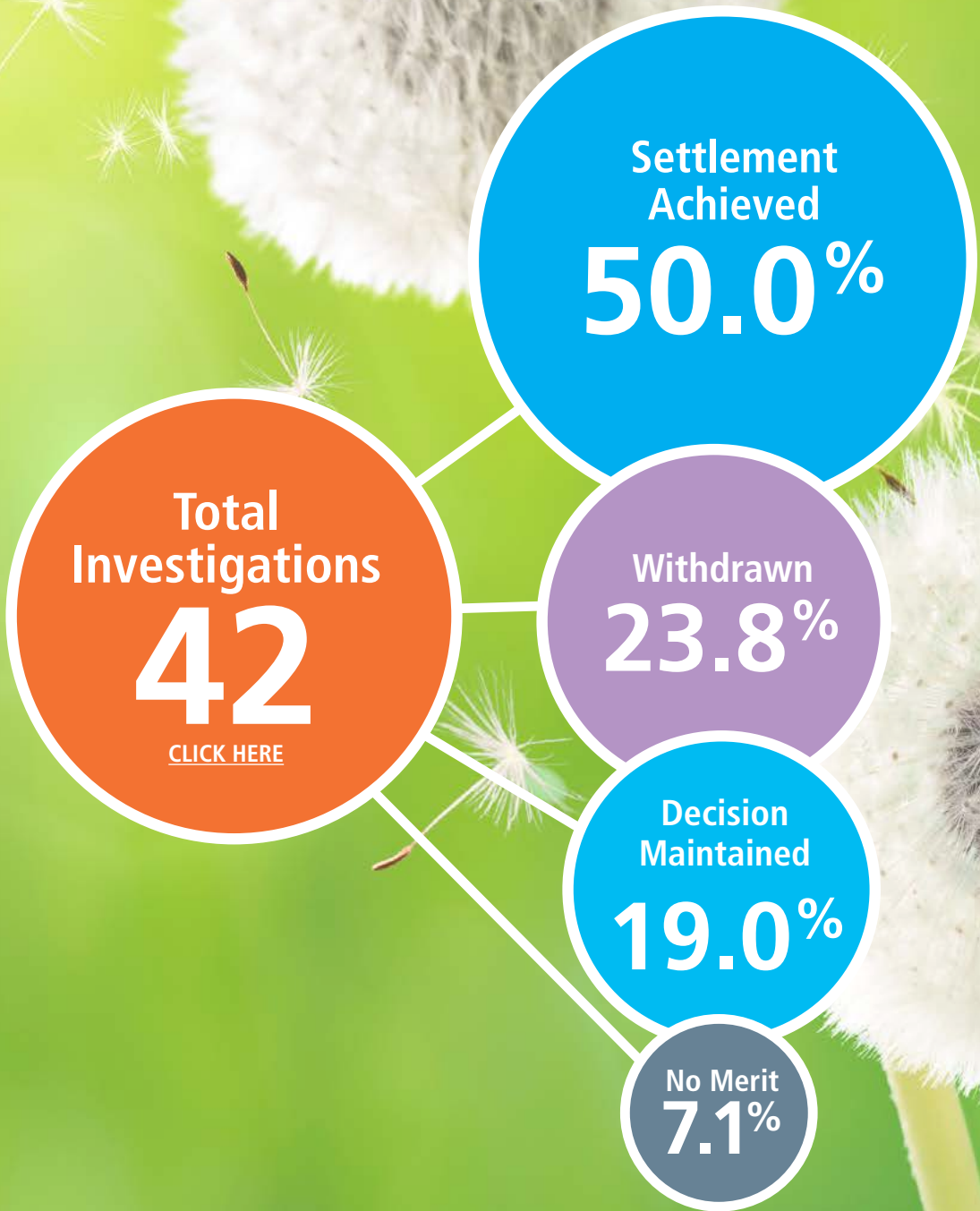
Because this one page included Mr. J.'s address and did not reference any other documents, there was logic in Mr. J. believing this page formed his complete policy. In Ontario, by law, an insurer must deliver a policy to the insured and the insured has the right and responsibility to review and agree to it. The OSO suggested that because Mr. J. did not get his fulfillment kit, he was deprived of his right to examine and agree to the complete policy.

As a result, the OSO contacted Mr. J.'s insurer and recommended they reconsider their decision, given the technical problem and reasonable doubt. As a gesture of good faith, the insurer agreed to pay out the claim.

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Investigations by Outcome



[CLICK HERE](#)

OLHI is committed to ensuring that all complaints with merit are escalated to the investigation stage.

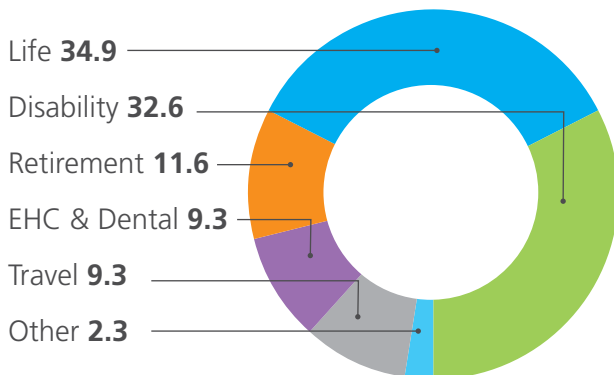
This fiscal year, we saw a sharp increase in our settlement ratio, up from 30.0% in prior years to 50.0%. A [total of 42 cases](#) were closed, with 21 settlements in favour of the consumer. This increase is mainly attributed to the improvement of our processes surrounding escalation to the investigation level.

Of those settled cases, the majority pertained to life insurance, followed by disability.

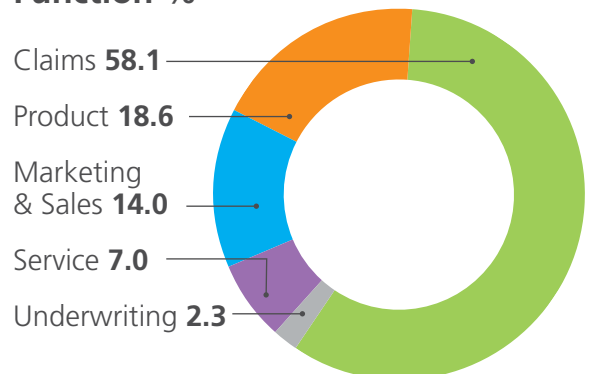
In terms of the types of cases we investigated, by product, we saw a shift from last year: Retirement cases, representing the highest category last year, decreased to 11.6% from 39.2%. Life and Disability complaints increased to 34.9% and 32.6%, respectively. EHC & Dental complaints rose from zero to 9.3%.


By company function, we also witnessed a shift as Marketing & Sales investigations decreased to 14.0%, overshadowed by Claims (58.1%) with the highest proportion of investigations.

Investigations by Product %



Investigations by Function %






“ The insurer suggested her impairment was not sufficiently severe ”



Ms. V. was being treated for major depression and anxiety disorder. Her insurer accepted her disability claim on the basis that she was not able to perform the essential duties of her job as an office manager of a busy, professional firm.



Objective
medical
evidence

Case Study3

Midway through that benefit period, the insurer discontinued her group benefits because Ms. V. opted to try to start her own business out of her home. The insurer's final position was that the objective medical evidence on file suggested that her impairment was not sufficiently severe to prevent her from returning to her pre-disability job.

Ms. V. contacted OLHI for an independent, free review of her case. Our Dispute Resolution Officer (DRO) gauged that the diagnosis, symptoms and treatment hadn't changed from the period during which Ms. V. received disability coverage. For this reason, he recommended the case be investigated by an OmbudService Officer (OSO).

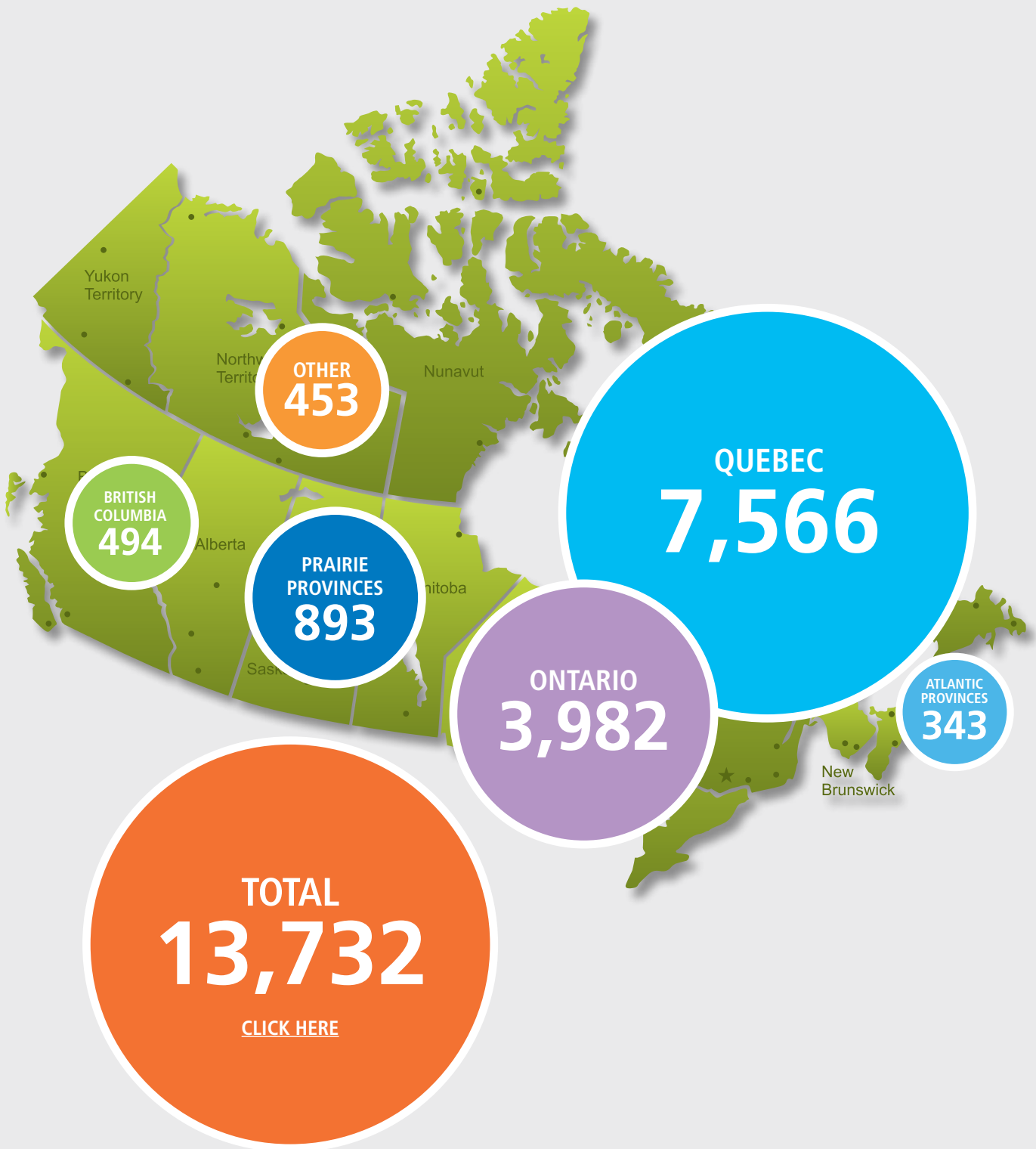
OLHI's OSO reviewed the file and questioned how, with the evidence on file, the insurer could conclude that Ms. V. was able to resume performing the skills of her prior demanding, managerial role.

The OSO contacted the insurer, asking them to consider that a job as an office manager of a busy firm could not be equated with a home business. He also suggested that the medical evidence was clear that Ms. V.'s condition had not changed between the last day of paid benefits and the first day of denied benefits.

Upon further discussion and review, the insurer agreed and provided Ms. V. with payment for the period that correlated with her inability to perform the essential duties of her job.

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Enquiries by Region



Overview

Enquiry Statistics

OLHI received 13,732 consumer telephone enquiries in fiscal 2014/15. After three years of steep declines, as web traffic rose sharply, we've seen the number of calls level off at approximately 13,000 per year for the past two years.

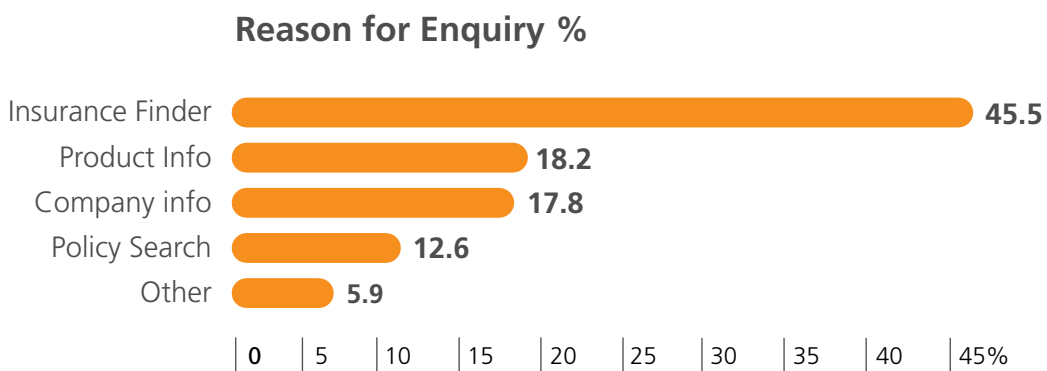
Nearly half of all enquiries (45.5%) relate to consumers asking to be referred to companies that sell the type of insurance products and services they want to buy – represented by our Insurance Finder category.

The top three product enquiry categories are Life (26.7%), Disability (20.3%) and Travel (18.5%).

For company enquiries, the majority of consumers (46.5%) contact OLHI to locate the insurer to whom their policy has been transferred as a result of insurer merger and acquisition activities. Many consumers still contact OLHI by phone to locate their insurer's address and phone number.

[Quebec and Ontario continue to drive a combined 84.1% of all information requests](#); over half (55.1%) originate from Quebec. Ontario generates 29.0%. The distribution of enquiries among other regions is similar to last year.

Consumers are referred to OLHI's services in various ways via insurance companies, brokers and web sites. Insurers/brokers are among our leading source of enquiries at 35.6%.



Top Five Web pages viewed

Insurance Finder
47,859

Information Services
35,230

Top 5 Total
110,111

[CLICK HERE](#)

What's New
6,739

Complaints Process
12,900

Policy Search
7,383



Overview | Web Statistics

Web visits continue to grow as the number one way for consumers to find out more about OLHI and to reach out to us. Visits numbered over 71,000 – an increase of 22.0% over last year and 46.1% over the prior year. Within four years, we have seen annual web visits double.

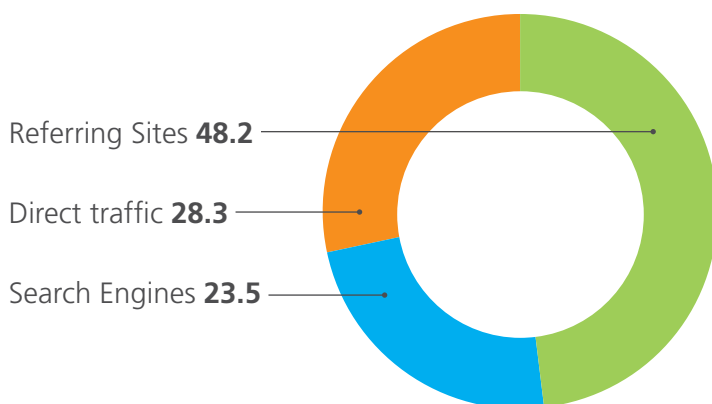
OLHI will build on this momentum by redesigning its web site in fiscal 2015/16. Not only does this speak to our desire to grow our profile; it also underlines our commitment to customer service – improving the ways we innovate, serve our stakeholders and build meaningful relationships.

The [top visited page](#) is our Insurance Finder, with 43.5%. Second-most viewed is the Information Services page, with 32.0%. The Complaints Process page received 12,900 views. In its inaugural year, our “What’s New” page received 6,739 views.

Nearly three in every four (73.7%) visitors to OLHI’s web site are new visitors.

For Web Traffic Sources, 48.2% of our visitors are arriving via referring sites, while 28.3% are direct traffic sources and 23.5% are using search engines, such as Google, to find us.

Web Traffic Sources %



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 August 10, 2015:

Acadia Life	CT Financial Assurance Company	Manulife Financial ¹
ACE INA Life Insurance	CUMIS Life Insurance Company	Medavie Blue Cross
Actra Fraternal Benefit Society	Desjardins Financial Security Life Assurance Company	National Bank Life Insurance Company
Aetna Life Insurance Company	The Empire Life Insurance Company	New York Life Insurance Company
Allianz Life Insurance Company of North America	The Equitable Life Insurance Company of Canada	Optimum Reassurance Inc.
American Bankers Insurance Company of Florida	The Excellence Life Insurance Company	Pacific Blue Cross
American Bankers Life Assurance Company of Florida	FaithLife Financial	Pavonia Life Insurance Company of Michigan
American Health and Life Insurance Company	First Canadian Insurance Corporation	Primerica Life Insurance Company of Canada
Assumption Mutual Life Insurance Company	First North American Insurance Company Foresters ¹	Principal Life Insurance Company
Assurant Life of Canada	Foresters Life Insurance Company	RBC General Insurance Company
Assurant Solutions ¹	Gerber Life Insurance Company	RBC Insurance Company of Canada
Blue Cross Life Insurance Company of Canada	Giraffe & Friends Life Insurance Company	RBC Life Insurance Company
BMO Life Assurance Company	GMS Insurance Inc.	Reliable Life Insurance Company
BMO Life Insurance Company	The Great-West Life Assurance Company	Saskatchewan Blue Cross
British Columbia Life & Casualty Company (BC Life)	Green Shield Canada	SCOR Global Life
The Canada Life Insurance Company of Canada	Group Medical Services	Scotia Life Insurance Company
Canadian Premier Life Insurance Company	Hartford Life Insurance Company	SSQ Financial Group ¹
Canassurance Hospital Service Association	Humania Assurance Inc.	SSQ Insurance Company Inc.
Canassurance Insurance Company	The Independent Order of Foresters	SSQ, Life Insurance Company Inc.
CIBC Life Insurance Company Ltd.	Industrial Alliance Insurance and Financial Services Inc.	State Farm International Life Insurance Company Ltd.
CIGNA Life Insurance Company of Canada	Knights of Columbus	Sun Life Assurance Company of Canada
Co-operators General Insurance Company	La Capitale Civil Service Insurer Inc.	Sun Life Insurance (Canada) Limited
Co-operators Life Insurance Company	La Capitale Financial Security Insurance Company	TD Life Insurance Company
Combined Insurance Company of America	La Capitale Insurance and Financial Services Inc.	Teachers Life Insurance Society (Fraternal)
CompCorp Life Insurance Company (Assuris)	Legacy General Insurance Company	Transamerica Life Canada
Connecticut General Life Insurance Company	Liberty Life Insurance Company of Boston	Triton Insurance Company
	Life Insurance Company of North America	The Union Life, A Mutual Assurance Company / UL Mutual
	London Life Insurance Company	The Wawanesa Life Insurance Company
	Manitoba Blue Cross	Western Life Assurance Company
	The Manufacturers Life Insurance Company	

¹ Tradename



Locations

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

Ombudsman des assurances de personnes
2001 boulevard Robert-Bourassa, 17th Floor
Montreal, Quebec
H3A 2A6

Members of the 2014-2015 Board Of Directors

Chair

Dr. Janice MacKinnon^{1,3}

Professor of fiscal policy, University of Saskatchewan; former Minister of Finance for Saskatchewan

Independent Directors

Lea Algar²

Former Ontario Insurance Ombudsman

Bruce Cran¹

President, Consumers Association of Canada

Yves Rabeau¹

Associate Professor of Management and Economics, Université du Québec à Montréal (UQAM)

Reginald Richard^{2,3}

Former Superintendent of Insurance for New Brunswick

Industry Directors

Claude Garcia²

Corporate Director; former President, Standard Life Assurance Company

Dr. Dieter Kays¹

Former President and Chief Executive Officer, FaithLife Financial

Dan Thornton³

Director on Assuris Board; 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

OmbudService
for Life & Health
Insurance



OLHI • OAP

Ombudsman
des assurances de
personnes



Financial Statements of

**CANADIAN LIFE AND HEALTH
INSURANCE OMBUDSERVICE**

(OPERATING AS OMBUDSERVICE FOR LIFE &
HEALTH INSURANCE)

Year ended March 31, 2015





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INDEPENDENT AUDITORS' REPORT

To the Member Companies of the Canadian Life and Health
Insurance OmbudService

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, 2015, the statements of operations and changes in operating fund balance, changes in net assets 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 (operating as OmbudService for Life & Health Insurance) as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

June 19, 2015
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Balance Sheet

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 623,236	\$ 499,205
<u>Recoverable expenditures and deposits</u>	<u>18,671</u>	<u>13,513</u>
	641,907	512,718
Capital assets (note 3)	76,597	100,808
	<u>\$ 718,504</u>	<u>\$ 613,526</u>

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	\$ 114,509	\$ 93,033
<u>Current portion of deferred lease inducement</u>	<u>8,498</u>	<u>8,498</u>
	123,007	101,531
Deferred lease inducement	33,283	41,781
Fund balance:		
Operating fund:		
Invested in capital assets	76,597	100,808
<u>Unrestricted</u>	<u>485,617</u>	<u>369,406</u>
	562,214	470,214
Commitments (note 5)		
	<u>\$ 718,504</u>	<u>\$ 613,526</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

Statement of Operations and Changes in Operating Fund Balance

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
General assessment fees	\$ 1,925,000	\$ 1,774,250
Investment	6,035	6,640
	<u>1,931,035</u>	<u>1,780,890</u>
Expenses:		
Staff and adjudicative services	1,121,237	1,092,321
Board of Directors' fees	136,819	128,784
Rent	110,000	111,113
Professional fees	120,777	173,350
Board meetings and travel	55,562	49,417
Information technology	72,641	75,889
Management fees	48,590	47,460
Staff meetings and travel	37,853	35,025
Supplies and services	42,064	37,413
Telecommunications	24,474	24,997
Insurance	11,705	11,620
Training and development	3,800	6,531
Amortization of capital assets	26,349	23,560
Facilities fees - Toronto	6,129	5,602
Translation	4,802	1,853
FSON-related costs	2,026	460
Loss on disposal of capital assets	14,207	-
	<u>1,839,035</u>	<u>1,825,395</u>
Surplus (deficiency) of revenue over expenses	92,000	(44,505)
Operating fund balance, beginning of year	470,214	514,719
Operating fund balance, end of year	<u>\$ 562,214</u>	<u>\$ 470,214</u>

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	2015			2014		
	Invested in capital assets	Unrestricted operating fund	Total	Invested in capital assets	Unrestricted operating fund	Total
Net assets, beginning of year	\$ 100,808	\$ 369,406	\$ 470,214	\$ 116,694	\$ 398,025	\$ 514,719
Surplus (deficiency) of revenue over expenses	(26,349)	118,349	92,000	(23,560)	(20,945)	(44,505)
Net change in investment in capital assets	2,138	(2,138)	–	7,674	(7,674)	–
Net assets, end of year	\$ 76,597	\$ 485,617	\$ 562,214	\$ 100,808	\$ 369,406	\$ 470,214

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Surplus (deficiency) of revenue over expenses	\$ 92,000	\$ (44,505)
Items not affecting cash:		
Amortization of capital assets	26,349	23,560
Amortization of lease inducement	(4,493)	(4,491)
Loss on disposal of capital assets	14,207	–
Change in non-cash operating working capital:		
Recoverable expenditures and deposits	(5,158)	685
Accounts payable and accrued liabilities	21,476	(34,567)
	144,381	(59,318)
Investing activities:		
Additions to capital assets	(20,350)	(11,679)
Increase (decrease) in cash and cash equivalents	124,031	(70,997)
Cash and cash equivalents, beginning of year	499,205	570,202
Cash and cash equivalents, end of year	\$ 623,236	\$ 499,205

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2015

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 by management in accordance with Canadian accounting standards for not-for-profit organizations.

(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 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, whereby the activities of the general fund and restricted fund are disclosed separately. The operating fund reports unrestricted resources.

(c) Revenue recognition:

CHLIO derives its revenue primarily through assessments fees. The fees are recognized as revenue in the membership year to which they relate.

Investment income is recognized as revenue when earned.

1. Significant accounting policies (continued):

(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	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 and high-interest savings accounts. Cash and cash equivalents comprise the following amounts:

2015	Fair value	Carrying value
Cash	\$ 198,288	\$ 198,288
Short-term investments	424,948	424,948
	\$ 623,236	\$ 623,236



2. Cash and cash equivalents (continued):

2014	Fair value	Carrying value
Cash	\$ 80,292	\$ 80,292
Short-term investments	418,913	418,913
	\$ 499,205	\$ 499,205

The short-term investments are held in high-interest savings accounts in aggregate amount of \$424,948 (2014 - \$418,923) with effective interest rates of 1.00% to 1.15% (2014 - 1.25% to 1.30%). Interest is receivable monthly.

3. Capital assets:

2015	Cost	Accumulated amortization	Net book value
Office furniture	\$ 13,279	\$ 1,328	\$ 11,951
Office equipment	8,277	2,965	5,312
Computer equipment	62,131	33,600	28,531
Leasehold improvements	64,186	33,383	30,803
	\$ 147,873	\$ 71,276	\$ 76,597

2014	Cost	Accumulated amortization	Net book value
Office furniture	\$ 29,189	\$ 21,143	\$ 8,046
Office equipment	8,918	1,817	7,101
Computer equipment	75,894	27,302	48,592
Leasehold improvements	64,186	27,117	37,069
	\$ 178,187	\$ 77,379	\$ 100,808

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

During the year, CLHIA provided management services to CLHIO, consisting mainly of administrative services, which amounted to \$48,590 (2014 - \$51,038), including the applicable taxes.

5. Commitments:

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

2016	\$ 64,000
2017	35,000
2018	35,000
2019	35,000
2020	35,000

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 high-interest savings accounts with Canadian-issued instruments with ratings of AAA. The maximum credit risk exposure as at March 31, 2015 comprises cash and cash equivalents totaling \$623,326 (2014 - \$499,205).

(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 high-interest savings accounts.

7. Subsequent events:

On May 7, 2015 CLHIO secured a \$200,000 credit facility with the Canadian Imperial Bank of Commerce for the purposes of funding anticipated capital investment projects. The revolving credit facility is subject to interest at the Prime Rate plus 1.5% per annum, with all amounts repayable on demand. As at June 19, 2015 no drawings have been made against the facility.