

BUILDING CAPABILITY

2016 Annual Report

OmbudService
for Life & Health
Insurance



Ombudsman
des assurances de
personnes

OLHI • OAP

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About OLHI

We are Canada's only nation-wide, independent complaint resolution service for consumers of Canadian life and health insurance.

Canadians trust us to resolve their insurance complaints about life, disability, employee health benefits, travel, and investment products such as annuities and segregated funds. We also provide general information about life and health insurance.

Our free bilingual services are available to any consumer whose insurance company is an OLHI member; currently, 99% of Canadian life and health insurers are OLHI members.

To ensure impartiality, our operations are overseen by the Canadian Council of Insurance Regulators (CCIR) as well as our independent Board of Directors. For more information, visit www.OLHI.ca.

Highlights | + Total Activity

Public contacts **match historic highs**

209 detailed complaint reviews and 58 investigations

Settlement ratio of 80%, up from 50% last year and 30% in prior years

Three in four **web visitors** are **new**

An **industry leader** in **plain language**

Record media coverage

Investments in case management and website **technologies**

Total Contacts

86,257

Enquiries

12,940

Complaints

2,136

Web Visitors

71,181



Message from the Chair



Dr. Janice MacKinnon

This year, OLHI has spent a significant amount of time looking ahead and investing in our future.

Building Capability

We continually strive to find new ways to deliver on our high customer service standards. To that end, we implemented two large infrastructure projects: a new case management and reporting system (CMS) and a new responsive website.

The CMS will build transparency with our stakeholders, allowing us to provide better-quality data and respond to additional data requests. The new website will enrich stakeholders' experience. Both technologies respond to stakeholder needs for accessibility, effectiveness and efficiency. They are true game-changers, transforming the way OLHI does business.

Building capability requires a road map with an end destination. We know where we want to take OLHI and, to get there, we have developed a five-year strategic plan with six key goals. Among these goals are a broader public profile and high stakeholder satisfaction. To accomplish these, we will work on increasing visibility outside central Canada and providing timely results in plain language.

To stay on course, this five-year road map needs to anticipate hurdles and navigate detours. For this reason, we have adopted an enterprise risk management plan in conjunction with the strategic plan.

Strengthening Stakeholder Relations

We signed an agreement with the Canadian Council of Insurance Regulators (CCIR), our oversight body, to establish an updated Framework for Collaboration. This Framework establishes guidelines that govern our operations to ensure we meet our public service mandate. We have worked hard to establish a good working relationship with the CCIR. We believe that a sign of the confidence the CCIR has in OLHI is the fact that we will now have independent reviews on a five-year cycle, instead of three years.

We continue to advance our relationships with our industry, consumer and public stakeholders through ongoing and new initiatives.

Funding, Independence and a Collaborative Working Relationship with Member Companies

OLHI's services are funded by fees paid by member companies but this does not affect our impartiality. All our operations, including our complaint review process, are conducted independent of industry.

“A key ingredient in the success of OLHI is the need to maintain our independence at the same time as we maintain a positive and collaborative working relationship with our member companies.”

Independence is key to consumers and it brings credibility to the industry. It demonstrates that insurance companies treat customers fairly and follow international principles. These principles require them to refer complaints to an independent dispute resolution service.

A key ingredient in the success of OLHI is the need to maintain our independence at the same time as we maintain a positive, collaborative working relationship with our member companies.

This year, a modest budget increase was approved to fund key projects that support our mandate. We work hard to manage the budget in a cost-effective manner without sacrificing the quality of our services.

Our Collaborative Model

OLHI's process is built on trust and fairness. Relationships are the cornerstone of our business. Each OmbudService in Canada – and around the world – has its own way of resolving complaints. The best fit for OLHI is a non-binding process where we recommend a proposed resolution. In all cases where OLHI has made a final non-binding recommendation in favour of the consumer, the insurance company has accepted it and paid the consumer quickly. In sum, our process works, it's fair and it's fast.

Looking Ahead

As we face the new challenges of the future, we will focus on:

- Growing our profile and consumer base across Canada;
- Analyzing and reporting on additional data collected by our CMS;
- Working with stakeholders on a solution for the independent agent issue;
- Implementing key aspects of our five-year strategic plan; and
- Maintaining our collaborative working relationship with our member companies and continuing to build strong relationships with regulators and stakeholders.

I am grateful to those who continually collaborate with OLHI: the Board, management, employees, our member companies and stakeholders. Our common goal is to provide timely, fair and high quality service to our clients.



Dr. Janice MacKinnon
Chair, OLHI



Message from the Executive Director



Holly Nicholson

This was a banner year for OLHI as we closed a record number of investigations, made significant improvements in our operations, and public contacts remained at historic highs.

Core Operations

We conducted 209 detailed complaint reviews and closed 58 investigations, the most in OLHI's history. This is an increase of 27.6% over last year and double the number two years ago. Our settlement ratio in favour of the consumer at the investigation stage surged to 80% from 50%.

Operational Advances

OLHI's new case management and reporting system will permit us to collect and analyze more detailed data on the complaints we receive - allowing us to identify trends more quickly. Because it is a more sophisticated system, we will also be able to produce better and more frequent reports for our stakeholders.

Our new website is easier to search and understand, and has received accolades from various stakeholders, including Canada's Financial Literacy Leader. With the launch of our new site, we have also streamlined the complaint submission process. Complaints may now be sent quickly and conveniently online, eliminating time-consuming mailing or faxing. We are proud of the fact that we are the only financial OmbudService in Canada accepting complaints online, using e-signature technology.

Building Profile

We continue to build our reputation and profile as a trusted expert on consumer complaint resolution.

This year, we attracted the highest amount of media coverage in our history, including coverage in mainstream and regional media and trade outlets. Unique tools that we have developed (such as the "Old Insurance Company Finder", our "Policy Search" and "Insurance Finder") are garnering a lot of interest in the media and on our web site.

Although traffic to our website stabilized at approximately 71,000 visits this year, three in four visitors to our website are new. This indicates that we are consistently reaching a new audience.



“Stakeholder satisfaction remains our top priority.”

Stakeholder Relations

Stakeholder satisfaction remains our top priority and this year we took some big steps forward.

We have enhanced transparency and fairness for all stakeholders by publishing details of our funding model and how we escalate complaints to the investigation level.

We communicate more clearly and now address consumers in “plain language.”

We have strengthened our relationships with industry and member companies by speaking at additional industry conferences and continuing regular meetings with the CLHIA’s Committee on the OmbudServices.

On the regulator side, we held frequent meetings with our oversight body, the CCIR, and provided them with feedback and data to assist their travel insurance and segregated funds working groups. We also continue to liaise with the Autorité des marchés financiers (AMF) on Quebec-based complaints.

Looking Ahead

Next year promises to be an exciting one. We plan to use our new case management system to measure our effectiveness and to identify areas where we can improve internal efficiencies. We anticipate growth in web and complaint volumes arising from our new mobile-enabled website. We will be taking steps to enhance OLHI’s visibility in eastern and western Canada and will continue to invest in staff training so we are well positioned to meet existing and future service expectations.

I am proud to lead an organization that is committed to providing fair and independent resolutions to consumer complaints and that is dedicated to continuously improving those services. I remain grateful to our Chair, Board of Directors, stakeholders and staff for their support and encouragement.



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 (DRO) 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 (OSO) discusses complaint with parties and obtains any additional information
- OSO 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.





“
It was reasonable
to believe he would
have reinstated the
policy...”



After Mr. J.'s father died, he claimed the benefits under several term life policies with the same insurance company. All were paid out, except one, which had lapsed several years prior for non payment of premiums. The insurance company denied the claim because they had mailed Mr. J.'s father a Notice of Premium Due before the policy lapsed.



Information lapse

Case Study 1

Mr. J. brought his final position letter to OLHI. He explained to our Dispute Resolution Officer (DRO) that his father did not receive the Notice. Acting as his father's Power of Attorney, Mr. J. had contacted the insurance company to set up automatic payments for the premiums.

At the same time, he asked the customer representative about the status of all the policies. The representative assured Mr. J. that all were in good standing.

OLHI's DRO reviewed information from Mr. J. and the insurance company. She recommended an OmbudService Officer (OSO) investigate further. In his review, the OSO noted two key details: First, not only was Mr. J. told in a phone call that all policies were in good standing, he also received a letter two years later, confirming that all the insurance policies were in force – including the lapsed policy. Second, the insurance company's

Notice was sent to the wrong address. When the mail was returned to the company, it did not check its records for the accurate address. The correct address was in fact on file with the insurance company.

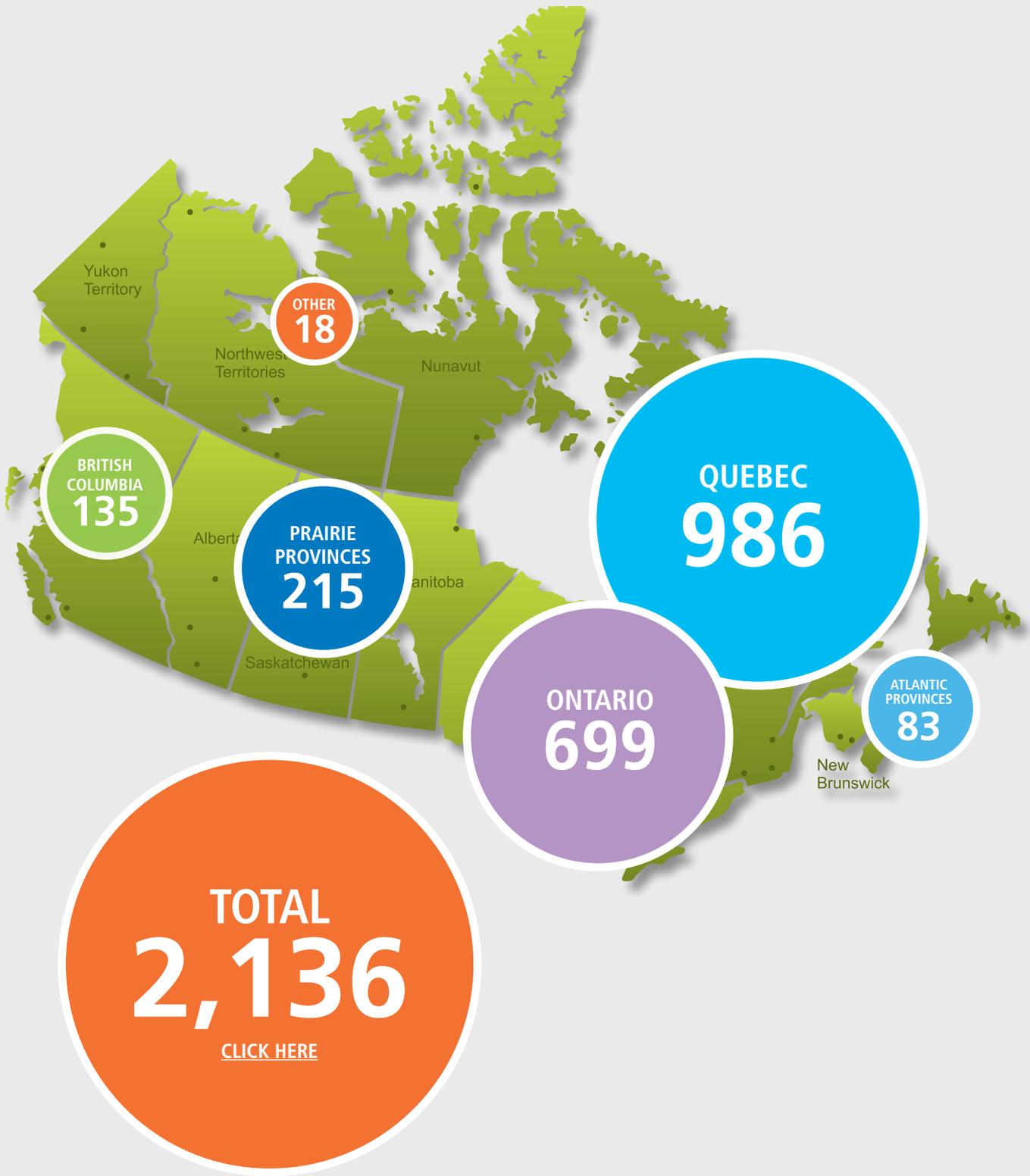
The OSO contacted Mr. J.'s insurance company to discuss the situation. He explained that Mr. J. had called the insurance company during the period of time when the policy could have been reinstated. Had he been told about the lapse then, it was reasonable to believe he would have reinstated the policy since he already had several other policies with the company. Because he was given wrong information, the window to exercise the right to reinstate had passed.

The insurance company agreed with OLHI's recommendation to pay the insurance benefit on the remaining policy.

***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 | Complaint Statistics

This fiscal year has been one of stability in our complaints business.

Regionally, the distribution of [complaints across Canada](#) remains similar to previous years: the bulk of complaints originate in Quebec (46.2%), decreasing slightly from last year's 48.1%. Ontario follows with 32.7% of complaints, an increase from last year's 30.9%. British Columbia accounts for 6.3%. Slight increases are noted in the Prairie provinces (10.1%) and the Atlantic provinces (3.9%). Other areas account for 0.8% of complaints.

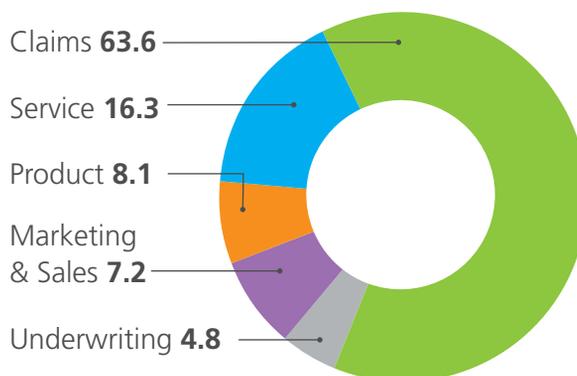
For the fifth year in a row, the Internet is the primary referral source (38.3%). Insurance companies are the next major source of complaint referrals, with 18.3%.

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 63.6%, followed by service – a distant second with 16.3%.

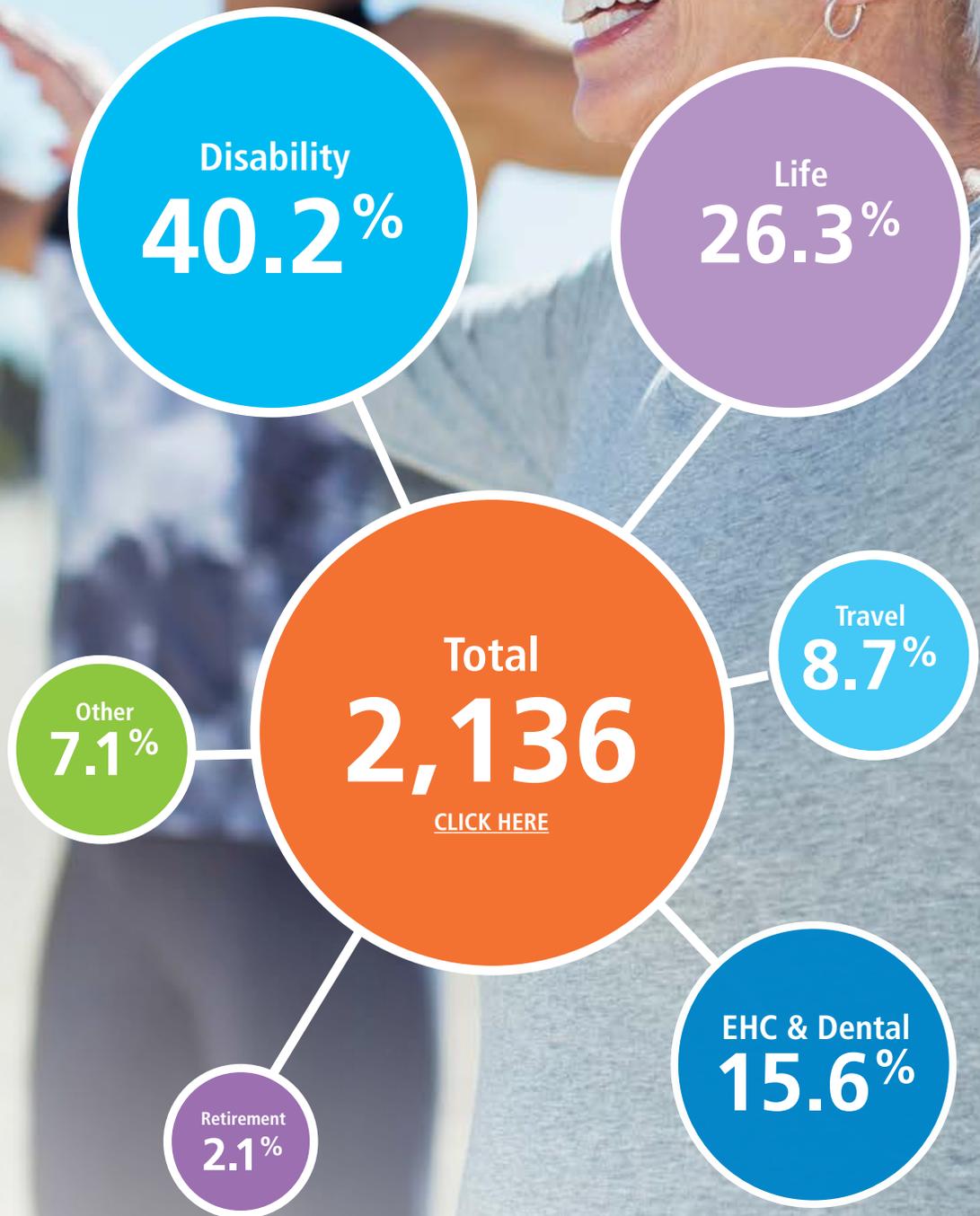
OLHI's top three [product complaint categories](#) (Disability, Life and Extended Health & Dental) together continue to make up 82.1% of all complaints.

OLHI received 2,136 complaints from across Canada – a slight dip from last year's total of 2,464.

Complaints by Company Function %



Complaints by Product



[CLICK HERE](#)





“ The insurance policy required that she travel to the closest hospital. ”



Mrs. O. had lung cancer and lived in a small, remote area. She needed radiation and chemotherapy and chose to go to a city about 400 kilometres away. Her provincial health care plan would reimburse her for travel and lodging expenses if she had to consult a specialist outside her region. Her group health insurance policy, through her employer, would reimburse her for the rest of what the provincial plan did not cover.



Going the distance

Case Study 2

When Mrs. O. submitted her claim, her employer's insurance company declined it. They said she should have gone instead to a hospital that was closer to her home by 30 kilometres. The insurance policy required that she travel to the closest hospital.

Mrs. O. brought the final position letter to OLHI for a free, independent review of the case. She told our Dispute Resolution Officer (DRO) that traveling to the other hospital would have taken longer in travel time, even if it seemed closer from a distance perspective. She also said she chose the hospital she went to because her specialist was affiliated with it.

OLHI's DRO reviewed all the information provided by Mrs. O. and by the insurance company.

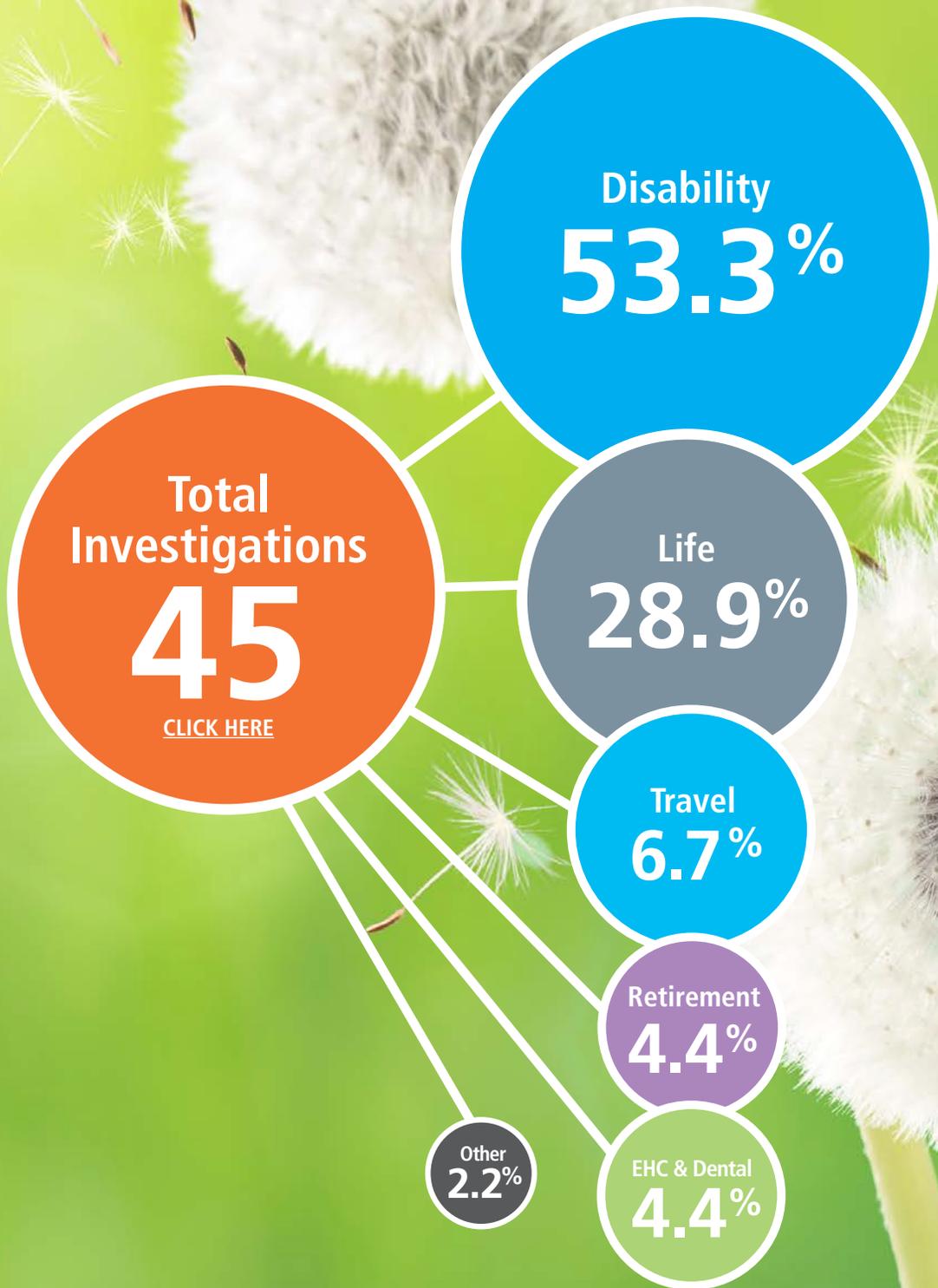
He discovered that the insurance policy carefully outlined reimbursement if a specialist was located more than 200 kilometres away from the person's home, so long as the specialist was as close as possible to the person. Proximity was based on kilometres, not travel time. The DRO also learned that the provincial plan had declined reimbursement for the same reason.

After thorough review of the policy and discussions with Mrs. O., OLHI explained what the policy said and why Mrs. O. was not able to be reimbursed. The DRO also explained that, for this reason, OLHI believed that the insurance company had made the proper decision.

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Investigations by Product



Overview

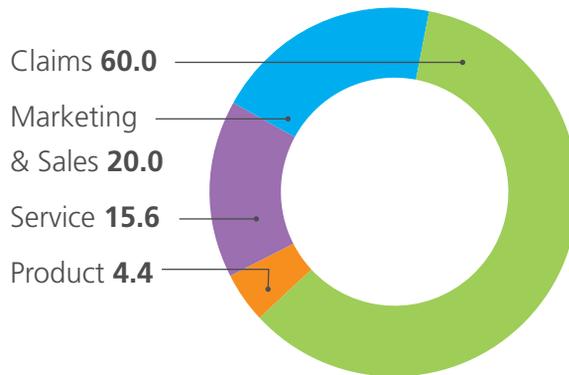
Investigation Statistics

This fiscal year, OLHI saw its settlement ratio in favour of the consumer soar to 80%, from 50% last year and 30% in prior years. This increase is mainly attributed to the processes we implemented in the last two years, to improve the way we assess complaints.

OLHI conducted 209 detailed complaint reviews and closed 58 investigations, the most in OLHI's history. Investigations are up 27.6% from last year and double the number two years ago. The majority of settled cases pertain to retirement products (41.4%), followed by disability (31.0%).

[We opened 45 new investigations this year.](#) Sixty per cent of these cases involved a denied claim. Most of the remaining investigations related to marketing and sales as well as service.

Investigations by Function %



How do cases get to the investigation level?

The vast majority (85-90%) of complaints are resolved by speaking directly with consumers without requiring a detailed review. A lot of these contacts are from consumers who have not started or completed their insurance company's internal review process. In these cases, we provide advice on how to present their complaint to their insurance company.

Once consumers have a final position letter from their insurance company, OLHI provides an independent review of the complaint. We undertake several hundred of these detailed reviews annually. Escalation from this level to the investigation stage is based on merit, fairness or complexity.





“ She needed to better understand his current limitations... ”



Mr. K. was a mechanic with chronic lower back pain. Eventually, he had to stop working. His employer's group benefits plan covered his long-term disability (LTD) for two years on the basis that he was unable to perform the duties of his "own occupation" during this time.



Sufficient evidence

Case Study 3

To continue his disability benefits, Mr. K. would need to prove that he was unable to perform "any occupation" and unable to earn at least half of his pre-disability salary. The insurance company determined that he did not meet the criteria and denied his LTD claim.

Mr. K. came to OLHI with a final position letter from the insurance company. Our Dispute Resolution Officer (DRO) went through all the supporting documents from Mr. K. and the company. It appeared that the company may have declined the claim prematurely. For this reason, he recommended an OmbudService Officer (OSO) investigate further.

Through his review, the OSO learned that the insurance company based its assessment on medical records that were nearly a year old. Also, its own medical expert stated that more information was needed before making a recommendation on LTD benefits.

Specifically, she suggested that the insurance company better understand Mr. K.'s current limitations and look into whether his doctor thought it was possible to work at a sedentary job. Our OSO also wondered why the insurance company had suggested alternate jobs for Mr. K. without fully understanding his current abilities and how much these alternate jobs paid.

OLHI contacted the insurance company and suggested that the decision to deny Mr. K.'s claim appeared to be based on insufficient evidence. He recommended that the insurance company reconsider its position. It agreed to do so and provided Mr. K. with a significant lump sum payment to settle his disability claim.

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Top Six Web Pages Viewed*

Insurance Finder
47,927

Information Services
36,964

Top 6 Total
132,212

[CLICK HERE](#)

Who is
OLHI
20,035

Complaints
Process
12,650

What's
New
6,434

Policy
Search
8,202

*Some visitors access multiple web pages



Overview | Web Statistics

OLHI saw a total of 71,181 web visitors this year. Three in four are new, underscoring our investment in a redesigned website.

The [most visited pages](#) remain the same this year: the “Insurance Finder”, with almost 50,000 visits, and the “Information Services” page, with nearly 37,000 visits. “Who is OLHI” makes its first appearance on the list, garnering over 20,000 visits. “Complaints Process” and “Policy Search” received over 12,000 and over 8,000 visits, respectively. “What’s New” rounds out the top six with over 6,000 visits.

In recent years, OLHI web traffic has exploded. This year’s steady number presents an opportunity to develop new strategies that yield even higher results. OLHI’s website was newly designed to improve user experience, making it easier to navigate and understand. We applied plain language principles and made it more interactive. We also created and refreshed tools that are unique in Canada, such as:

- [accepting complaints online](#), using e-signature technology;
- [finding old insurance companies](#);
- [searching for lost policies](#) of a deceased person online; and
- [finding insurance coverage](#), using our highly successful tool.

We anticipate the new site will create even more demand from stakeholders for this type of information.



Reason for Enquiry

Product Info
18.3%

Insurance
Finder
44.8%

Total
Enquiries
12,940

[CLICK HERE](#)

Company Info
17.8%

Other
5.0%

Policy
Search
14.2%



OLHI received [12,940 information requests](#) – a decrease of 5.8% since last year, as enquiries continue to shift to our website. For the last three years, we have seen volumes level off at approximately 13,000.

As in previous years, nearly half of all enquiries (44.8%) 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. This is the only comprehensive list of this kind in Canada.

The most popular enquiries are about life (26.4%), disability (25.1%) and EHC & dental (16.4%). Of note, disability enquiries increased by nearly 5.0% while travel enquiries decreased by 2.5%.

Consumers contacting OLHI with questions about an insurance company are most often looking for an address and a phone number (43.6%). We also receive a large volume of enquiries from people trying to find out where their old insurance policy has been transferred as a result of a merger or acquisition (41.1%).

Quebec and Ontario continue to yield a combined 83.2% of all information requests. The distribution of enquiries among other regions is similar to last year: British Columbia represents 3.8% of enquiries; Prairie provinces represent 6.9%; Atlantic provinces represent 2.9%; and other areas represent 3.2%.



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 5, 2016:

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

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 2015-2016 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





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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, 2016, 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, 2016, 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 17, 2016
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.



Financial Statements of

**CANADIAN LIFE AND HEALTH
INSURANCE OMBUDSERVICE**

(OPERATING AS OMBUDSERVICE FOR LIFE &
HEALTH INSURANCE)

Year ended March 31, 2016

Balance Sheet

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 442,453	\$ 623,236
Recoverable expenditures and deposits	12,046	18,671
	<u>454,499</u>	<u>641,907</u>
Capital assets (note 3)	61,138	76,597
Intangible assets (note 3)	89,683	–
	<u>\$ 605,320</u>	<u>\$ 718,504</u>

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,967	\$ 114,509
Current portion of deferred lease inducement	8,498	8,498
	<u>80,465</u>	<u>123,007</u>
Deferred lease inducement	24,785	33,283
	<u>105,250</u>	<u>156,290</u>
Fund balance:		
Operating fund:		
Invested in capital assets and intangibles	150,822	76,597
Unrestricted	349,248	485,617
	<u>500,070</u>	<u>562,214</u>
Commitments (note 5)		
	<u>\$ 605,320</u>	<u>\$ 718,504</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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
General assessment fees	\$ 2,000,679	\$ 1,925,000
Investment	3,179	6,035
	<u>2,003,858</u>	<u>1,931,035</u>
Expenses:		
Staff and adjudicative services	1,315,871	1,121,237
Board of Directors' fees	151,790	136,819
Rent	113,285	110,000
Professional fees	124,367	120,777
Board meetings and travel	59,887	55,562
Information technology	70,192	72,641
Management fees (note 4)	48,590	48,590
Staff meetings and travel	46,507	37,853
Supplies and services	40,300	42,064
Telecommunications	27,552	24,474
Insurance	11,798	11,705
Training and development	18,995	3,800
Amortization of capital assets	22,333	26,349
Facilities fees - Toronto	6,322	6,129
Translation	8,213	4,802
FSON-related costs	–	2,026
Loss on disposal of capital assets	–	14,207
	<u>2,066,002</u>	<u>1,839,035</u>
Surplus (deficiency) of revenue over expenses	(62,144)	92,000
Operating fund balance, beginning of year	562,214	470,214
Operating fund balance, end of year	<u>\$ 500,070</u>	<u>\$ 562,214</u>

See accompanying notes to financial statements.



Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	2016			2015		
	Invested in capital assets and intangibles	Unrestricted operating fund	Total	Invested in capital assets and intangibles	Unrestricted operating fund	Total
Net assets, beginning of year	\$ 76,597	\$ 485,617	\$ 562,214	\$ 100,808	\$ 369,406	\$ 470,214
Surplus (deficiency) of revenue over expenses	(22,333)	(39,811)	(62,144)	(26,349)	118,349	92,000
Net change in investment in capital assets and intangibles	96,558	(96,558)	–	2,138	(2,138)	–
Net assets, end of year	\$ 150,822	\$ 349,248	\$ 500,070	\$ 76,597	\$ 485,617	\$ 562,214

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Surplus (deficiency) of revenue over expenses	\$ (62,144)	\$ 92,000
Items not affecting cash:		
Amortization of capital assets	22,333	26,349
Amortization of lease inducement	(4,493)	(4,493)
Loss on disposal of capital assets	–	14,207
Change in non-cash operating working capital:		
Recoverable expenditures and deposits	6,625	(5,158)
Accounts payable and accrued liabilities	(42,541)	21,476
	(80,220)	144,381
Investing activities:		
Additions to capital assets and intangibles	(100,563)	(20,350)
Increase (decrease) in cash and cash equivalents	(180,783)	124,031
Cash and cash equivalents, beginning of year	623,236	499,205
Cash and cash equivalents, end of year	\$ 442,453	\$ 623,236

See accompanying notes to financial statements.



Notes to Financial Statements

Year ended March 31, 2016

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:

CLHIO 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 and intangibles:

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

As of March 31, 2016, certain acquired software is undergoing customization and has not yet entered use. Accordingly, amortization has not yet commenced. Once development is completed, the software will be amortized on a straight-line basis over seven years.

(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:

2016	Fair value	Carrying value
Cash	\$ 14,478	\$ 14,478
Short-term investments	427,975	427,975
	\$ 442,453	\$ 442,453



2. Cash and cash equivalents (continued):

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

The short-term investments are held in high-interest savings accounts in aggregate amount of \$427,975 (2015 - \$424,948) with effective interest rates of 0.5% to 1% (2015 - 1.00% to 1.15%). Interest is receivable monthly.

3. Capital assets and intangibles:

2016	Cost	Accumulated amortization	Net book value
Office furniture	\$ 24,158	\$ 4,806	\$ 19,352
Office equipment	8,277	4,028	4,249
Computer equipment	62,131	49,133	12,998
Leasehold improvements	64,186	39,647	24,539
	158,752	97,614	61,138
Software under development	89,683	–	89,683
	\$ 248,435	\$ 97,614	\$ 150,821

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

CLHIO purchased off-the shelf software in 2015 which is currently being customized by consultants and is expected to be ready for use in 2016. Amortization will commence once the software enters use.

4. Management fees:

During the year, the Canadian Life and Health Insurance Association provided management services to CLHIO, consisting mainly of administrative services, which amounted to \$48,590 (2015 - \$48,590), including the applicable taxes.



5. Commitments:

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

2017	\$ 70,000
2018	70,000
2019	70,000
2020	35,000

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 March 31, 2016, no drawings have been made against the credit facility.

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, 2016 comprises cash and cash equivalents totaling \$442,453 (2015 - \$623,326).

(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.

