

Canadian Life and  
Health Insurance  
OmbudService



Service de conciliation  
des assurances de  
personnes du Canada

**CANADIAN LIFE AND HEALTH INSURANCE  
OMBUDSERVICE**

**2002-2003 ANNUAL REPORT**

## ***The Canadian Life and Health Insurance OmbudService (CLHIO)***

The Canadian Life and Health Insurance OmbudService (CLHIO) is an independent organization that investigates consumer complaints about life and health insurance products and services. The CLHIO provides a forum for the impartial, prompt resolution of complaints for consumers who have completed the internal complaints-handling processes of their insurance companies.

The CLHIO is committed to providing service that is:

- Knowledgeable, fair and impartial
- Confidential
- Independent and objective
- Accessible
- Timely
- Courteous
- Clear
- Accurate
- Consistent

The CLHIO is governed by its own Board of Directors, the majority of whom are independent of the life and health industry. It is part of the Financial Services OmbudsNetwork (FSON) and is financed by the life and health insurance industry.

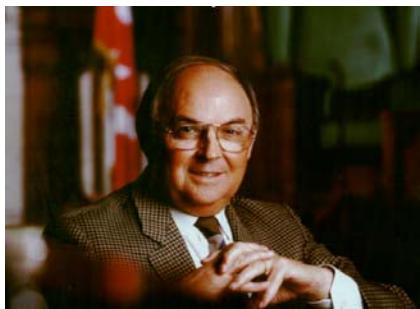
The FSON is a new industry-based integrated consumer assistance system launched in November 2002. The FSON provides Canada's financial services consumers with single-window access to recourse when they have concerns or complaints. The FSON is an independent organization endorsed by financial services regulators and sponsored by the financial services industry. It is made up of three parts:

- Company complaints-handling services;
- Industry Ombudsman services, such as the Canadian Life and Health Insurance OmbudService; and
- A Centre for the FSON (CFSON) that refers consumers to the right place to get help with their complaints, based on what their problems are, and also sets standards for the way complaints are handled by the financial services industry.

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## MESSAGE FROM THE CHAIRMAN



*Five years ago, I was approached by the life and health insurance industry to head up a newly created Advisory Board to the industry's Consumer Assistance Centre and OmbudService. I readily accepted the position because I was impressed by the industry's track record in matters of consumer complaints and by the new OmbudService initiative, launched in the fall of 1998. When in 2002, in the context of the new Financial Services OmbudsNetwork, the industry took steps to strengthen the OmbudService by creating a separate legal entity with its own Board of*

*Directors and an enhanced capacity to issue reports with non-binding recommendations if necessary, I agreed with pleasure to chair this exciting new entity.*

*Now, as I write this message, the Canadian Life and Health Insurance OmbudService (CLHIO) is off to a very promising start. After our official launch in November, 2002, we have established a presence in Toronto and Montreal, and have already assisted many consumers. Building on the industry's long-established Consumer Assistance Centre and the internal complaints-handling services of member companies, the CLHIO reinforces the commitment of Canadian life and health insurers to provide their customers with sophisticated and effective dispute resolution.*

*I am delighted to take part in the launch of this enterprise and that of the Financial Services OmbudsNetwork (FSN). On behalf of the CLHIO Board of Directors, I would like to take this opportunity to thank the federal and provincial regulators for their cooperation and support for this industry-based initiative, and congratulate the associations that created it.*

*As one of the CLHIO's Directors said at our inaugural Board meeting in October, 2002, "what we are doing, all of us, is making history. Let's make it an outstanding chapter."*

*The Hon. Gilles Loiselle*

## **MESSAGE FROM THE GENERAL MANAGER**

*The CLHIO was launched on November 29, 2002, and we hit the ground running! I am pleased to report that the foundation has been laid for an enhanced and strengthened dispute resolution mechanism for consumers of life and health insurance products in Canada.*

*As noted by our Chairman, the life and health insurance industry has an excellent track record for effective complaints-handling and the CLHIO simply builds upon this platform. Its structure and protocol are based on the principle that insurers are the first recourse for customers with complaints. In fact, 38 per cent of consumers who have contacted the CLHIO since its inception have been referred back to their insurers to initiate, or complete, their insurance companies' internal complaints-handling processes.*



*For member companies, the CLHIO is a resource that reinforces their own complaints-handling mechanisms. For consumers who have not been able to resolve their complaints using their insurers' complaints-handling services, the CLHIO provides an opportunity to have complaints reviewed by an independent third party. Many consumers who have used the CLHIO have expressed their appreciation for this opportunity "to be heard."*

*At the CLHIO, we are refining our service mandate, parameters and process in response to the realities of day-to-day operations and convergence in the financial services industry. At the same time, we have developed a good working relationship with the General Insurance OmbudService, the OmbudService for Banking Services and Investments, and the Centre for the Financial Services OmbudsNetwork to provide seamless service to consumers.*

*Much has been achieved in only a few months of operation. I would like to express my gratitude to the members of the Board of Directors for their encouragement and guidance. With their continued support and the dedication of our staff, I am confident we will meet the challenges of the coming year.*

*Barbara Waters*

## **ABOUT THE CLHIO COMPLAINTS-HANDLING PROCESS**

The CLHIO helps consumers with concerns and complaints about life and health insurance products and services that they are not able to resolve by dealing directly with their insurance companies.

After the OmbudService receives a signed authorization from a consumer, a trained OmbudService Officer with extensive knowledge of the life and health insurance industry speaks with him or her and the insurance company and—if necessary—with other parties. The OmbudService Officer tries to solve the problem by finding some common ground between the consumer and the insurance company. Quite often, concerns and complaints are resolved to everyone's satisfaction through this process. When this does not occur, the CLHIO may make a written non-binding recommendation to the consumer and the insurance company.

Before the consumer contacts the CLHIO, he or she must contact the life and health insurance company directly and try to work things out. All CLHIO member companies are required to have a consumer complaints officer. Consumers may also find it useful to call the life and health insurance industry's Consumer Assistance Centre, where Counsellors can help them decide how best to proceed with their complaints, and put them in contact with their insurance companies' consumer complaints officer or the CLHIO.

Consumers can contact the CLHIO directly by phone, fax or e-mail. Service is available in English and in French. Consumers can also visit the CLHIO website ([www.clhio.ca](http://www.clhio.ca)), which provides general information about the CLHIO, tips for using the complaint process, and contact information in both English and in French. Consumers are directed to their insurance company as the first recourse for dispute resolution, and the site has been designed to link consumers directly to their companies.

Consumers who are concerned that using the CLHIO could affect their legal rights in the future should get advice from their own lawyers before authorizing the CLHIO to contact their insurance companies. Consumers who believe they may have grounds for legal action against their insurance companies have a limited period of time in which to file claims. They may wish to get advice about the limitation period that applies to them before they contact the CLHIO.

## QUICK FACTS

- The CLHIO is an independent corporation with its own Board of Directors. The majority of these Directors are not associated in any way with the life and health insurance industry.
- The CLHIO complaint-resolution service is provided free of charge.
- The CLHIO is committed to protecting consumers' privacy. Its standards require it to maintain the confidentiality of personal information provided to the CLHIO.
- The time it takes to handle a complaint depends on how complicated it is. The CLHIO's standards require it to respond to complainants promptly and inform them of any delays.
- The CLHIO endeavours to resolve disputes through informal conciliation. When this does not prove possible, the CLHIO can make non-binding recommendations, including restitution.
- Consumers who do not agree with a recommendation may then pursue arbitration or legal action on their own. If an insurance company does not follow a CLHIO recommendation, this fact will be made public.
- The CLHIO will never refuse to discuss a consumer's problem. However, its mandate does not permit it to deal with complaints that are already before the courts, have been taken to binding arbitration, or involve breaches of law.
- The CLHIO's OmbudService Officers have extensive knowledge of the life and health insurance industry and its products and services, as well as special training for investigating and resolving consumer complaints. Typically, they are retired life and health insurance company executives with experience in areas such as marketing, claims and law. OmbudService Officers do not work on complaints that involve an insurance company that has employed them in the past.

## STATISTICAL REVIEW

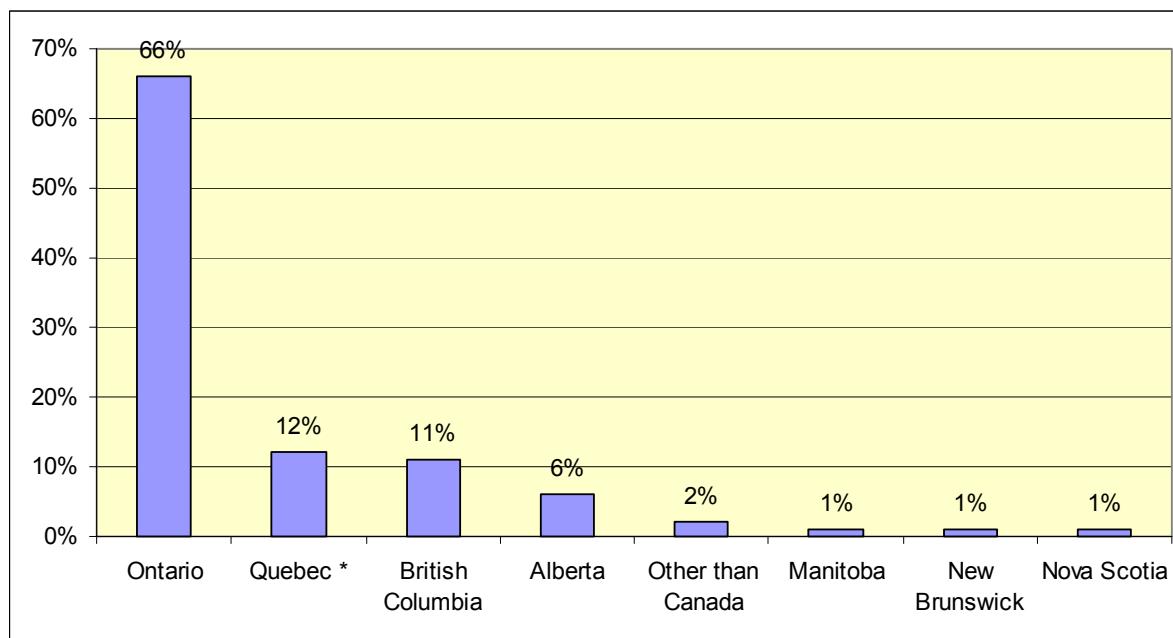
### ***Volume of enquiries/complaints***

The CLHIO has been monitoring all forms of contact since November 29, 2002.

Between that date and the end of the first fiscal year on March 31, 2003, the CLHIO received 123 requests for assistance of which 66 per cent (82 requests) were from Ontario; 12 per cent (16 requests) were from Quebec; 11 per cent (13 requests) were from British Columbia; and 6 per cent (7 requests) were from Alberta. Together, Manitoba, New Brunswick and Nova Scotia accounted for 3 per cent of requests (1 call per province). Two per cent (2 requests) were from Canadian life insurance consumers residing in the United States.

Two primary factors have contributed to the large volume of complaints in Ontario. The first is the decision by the Financial Services Commission of Ontario (FSCO) to redirect consumer complaints to the CLHIO. The second is that following the launch of the CLHIO, many member companies amended their complaints-handling protocols to include referral to the CLHIO, instead of FSCO, for those consumers who remain dissatisfied after having completed the company's internal dispute-resolution mechanism.

### ***Enquiries/complaints by region***



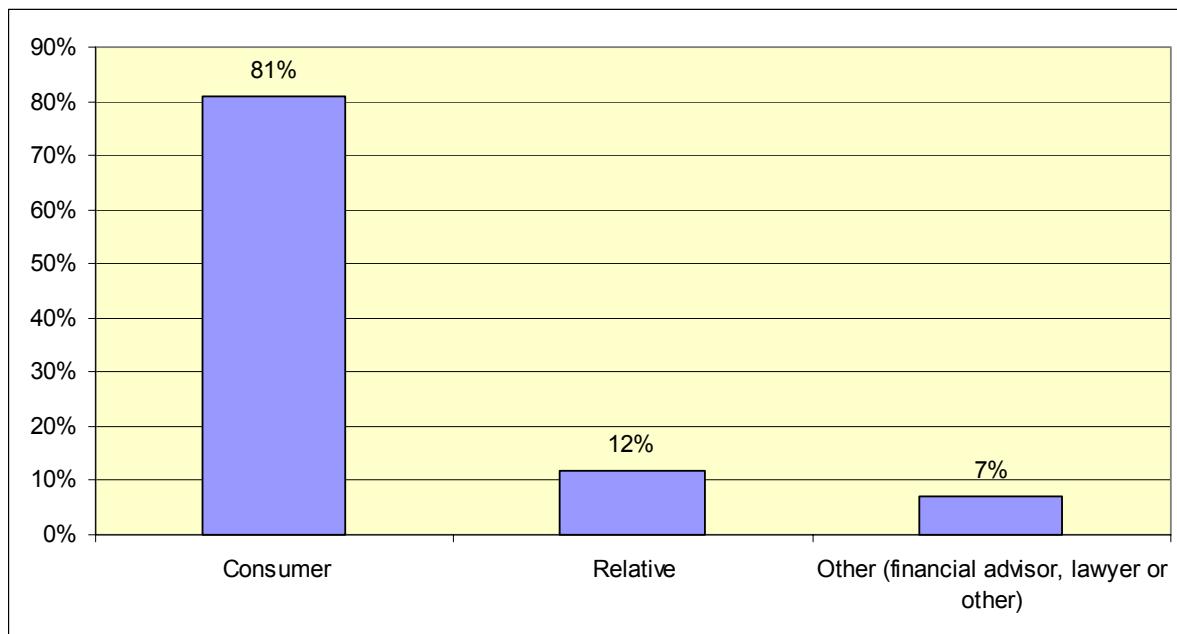
\* During the period under review, many Quebec government agencies continued to refer callers to the industry's Consumer Assistance Centre, a policy established prior to the creation of the CLHIO.

## STATISTICAL REVIEW

### **Who contacted the CLHIO?**

Eighty-one per cent of the calls received during the period under review came from consumers; 12 per cent from relatives acting for consumers; and 7 per cent from other parties (e.g., financial advisors, lawyers, and union representatives). The majority of consumers (80 per cent) contacted the CLHIO by telephone, followed by mail (11 per cent); e-mail (7 per cent); and fax (2 per cent).

**Who contacted the CLHIO**

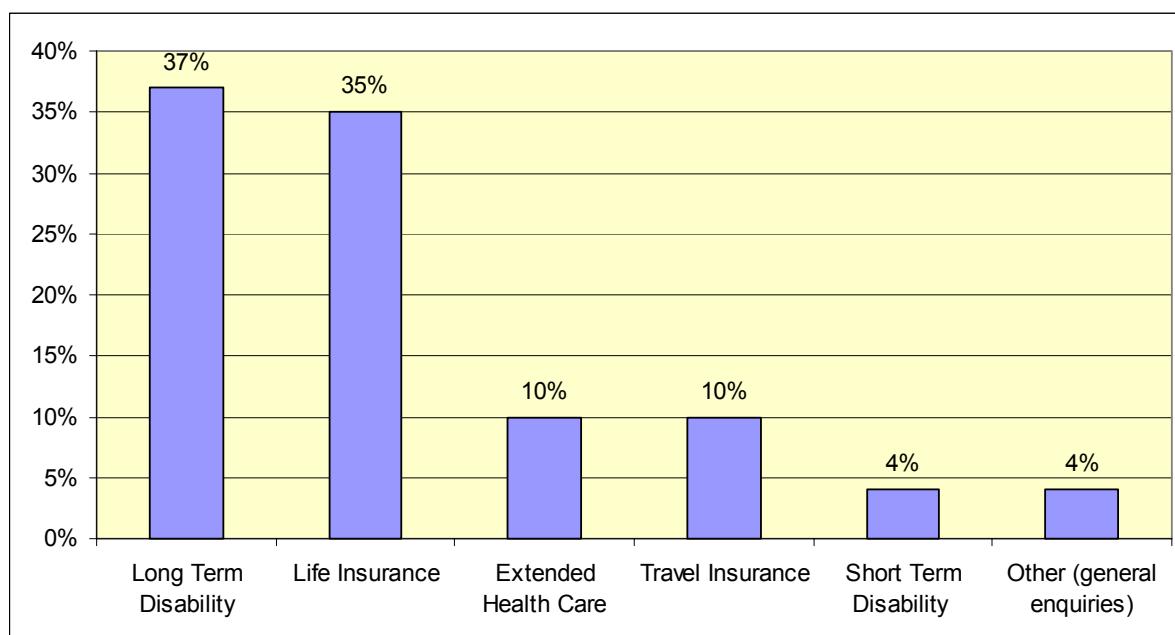


## STATISTICAL REVIEW

### **What types of enquiries and complaints are received by the CLHIO?**

Of the 123 calls received during the period under review, 37 per cent (46 calls) pertained to the denial or discontinuation of claims for **long term disability** benefits, while 35 per cent (43 calls) related to miscellaneous concerns about **life insurance** policies such as policy loans, ownership and taxation. Ten per cent (12 calls) were requests for assistance with **travel insurance** policies, with the most frequent complaint being the denial of travel insurance based on a pre-existing medical condition and/or misstatement of health by an applicant. Another ten per cent (12 calls) pertained to denial of claims for **extended health care insurance**. Four per cent (5 calls) had to do with denial of claims for **short term disability insurance** and the remaining 4 per cent (5 calls) were general enquiries that were referred to the Centre for the Financial Services OmbudsNetwork or other industry-level OmbudServices.

### **Nature of enquiries and complaints**

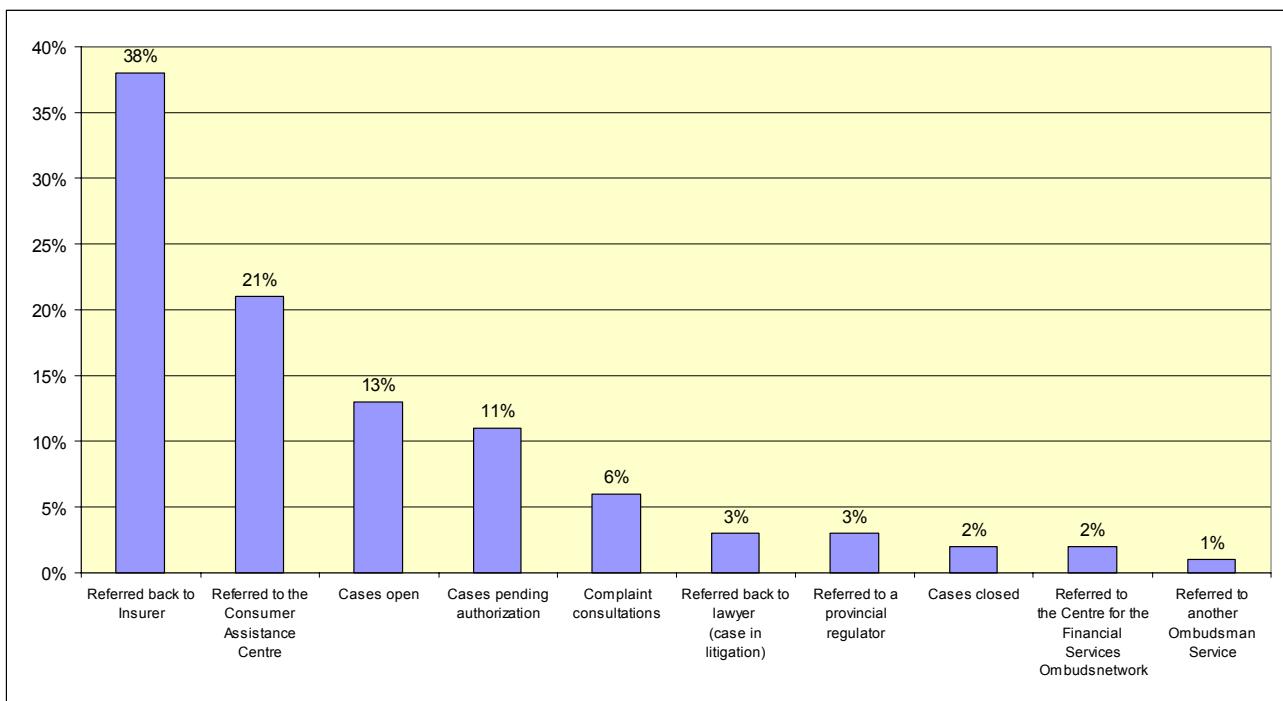


## STATISTICAL REVIEW

### ***Disposition of enquiries/complaints received by the CLHIO***

The CLHIO is designed to assist consumers, either directly by reviewing their concerns, or by guiding them to another organization for assistance. During the period under review, the 123 requests for assistance were handled as follows, under two general headings, Referrals and Complaint Cases:

### ***Disposition of enquiries/complaints received by the CLHIO***



### **Referrals**

As can be seen in the chart above, of the 123 requests for assistance, the CLHIO referred 38 per cent (47 consumers) back to the insurer to initiate, or complete, the company's internal complaints-handling processes. Twenty-one per cent of requests (26 consumers) were referred to the life and health insurance industry's Consumer Assistance Centre for information or assistance of a general nature. In 6 per cent of cases (7 consumers), the CLHIO simply advised the consumer about complaints-handling processes ("complaint consultations"). A total of 3 per cent of requests (3 consumers) were referred to the Centre for the Financial Services OmbudsNetwork or another industry-level Ombudsman service. Three per cent of requests (4 consumers) were referred to a provincial regulator, while the remaining three per cent (4 consumers) were advised that the CLHIO is unable to assist on any matter that has been, or is currently before the courts, and were referred back to their lawyers.

## **STATISTICAL REVIEW**

### ***Disposition of enquiries/complaints received by the CLHIO***

#### **Complaint cases**

Fifteen per cent of requests for assistance (18 cases) proceeded to a complaint investigation. Of these 18 cases, 16 (13 per cent of requests for assistance) remained open as at March 31, 2003, while 2 cases (2 per cent) had been closed, with the insurer maintaining its position. In both cases, the consumers declared their satisfaction with the additional explanation provided, and elected not to pursue their complaints further with the CLHIO.

At fiscal year end, 14 complaints (11 per cent) were on hold pending receipt of the consumer's signed authorization for the CLHIO to proceed.

No reports with non-binding recommendations were issued during the period under review.

## **MEMBERS OF THE 2002-2003 BOARD OF DIRECTORS**

The CLHIO is governed by an independent Board of Directors, the majority of whom have no ties with the life and health insurance industry.

### **Chairman**

**Hon. Gilles Loiselle (Chair)**  
*Former Federal Minister of Finance*

### **Independent Directors**

**Lea Algar**  
*Former Ontario Insurance Ombudsman*

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

**Sally Hall**  
*Former President of the Consumers'  
Association of Canada*

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

**Reginald Richard**  
*Former Superintendent of Insurance  
for New Brunswick*

### **Industry Directors**

**Raymond Garneau**  
*Chairman of the Board  
Industrial Alliance Insurance  
and Financial Services*

**Christopher McElvaine**  
*Former President,  
The Empire Life Insurance Company*



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