



CANADIAN LIFE AND HEALTH INSURANCE

OMBUDSERVICE

2007-2008 ANNUAL REVIEW

The Canadian Life and Health Insurance OmbudService (CLHIO)

The Canadian Life and Health Insurance OmbudService (CLHIO) is an independent organization that provides single-window access to consumers who have an enquiry or a complaint 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 a Board of Directors, the majority of whom are independent of the life and health insurance industry. It is part of the Financial Services OmbudsNetwork (FSON), an industry-based integrated consumer assistance system launched in November 2002 to provide 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 two parts:

- company complaints-handling services; and
- industry ombudsman services, such as the Canadian Life and Health Insurance OmbudService.

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MESSAGE FROM THE CHAIRMAN



I am pleased to present the *Annual Review* of the Canadian Life and Health Insurance OmbudService for the period April 1, 2007 - March 31, 2008, a year which marks an important milestone in the history of the CLHIO – five years of helping Canadian consumers with an enquiry, concern or a complaint about a life and health insurance product or service. Our organization has the opportunity to make a difference, and that is what motivates and guides us.

Indeed, during the year, the CLHIO commissioned an independent survey to measure the satisfaction of consumers who had used our dispute resolution services. The results were not only encouraging, showing that the vast majority of consumers contacted believed they were treated fairly, in a professional and courteous manner, but also provided us with valuable feedback on performance as measured against our service standards.

And as the year drew to a close, we were already building upon this important benchmark survey with the launch of a comprehensive third-party evaluation of the CLHIO's operations. The report from this independent assessment, expected early in the new fiscal year, will form the basis of a three-year strategic plan.

As a member of the Financial Services OmbudsNetwork (FSON), the CLHIO has continued its productive dialogue with the Joint Forum of Financial Market Regulators, resulting in two important developments during the year.

First, after a thorough process of consultation with, and input from, the members of FSON, the Joint Forum produced a framework for ongoing collaboration among the regulators and the three OmbudServices, whose main feature is a series of Guidelines designed to ensure that third party dispute resolution services such as ours fulfill the public interest objectives of complaint resolution.

And as part of this process, the Joint Forum established the Standing Committee on Dispute Resolution with members from both federal and provincial governments, which serves as the main point of regular contact and dialogue with the members of FSON on matters of common interest.

All in all, these are important developments which serve to reinforce the importance attached to consumer dispute resolution by private and public sector alike, and the need to pursue this shared objective in a cooperative and mutually respectful way.

MESSAGE FROM THE CHAIRMAN

It continues to be a privilege to chair the CLHIO Board of Directors, in particular, to have the opportunity to work with such a talented and thoughtful group of men and women, each of whom, whether from the industry, the regulatory community, government or academia, brings to the table a special blend of knowledge and commitment.

On behalf of the Board of Directors, I would like to thank Barbara Waters, General Manager, for her dedication and sound stewardship of this organization over the past five years, and to wish her well in retirement. Ever since its inception, Barbara has been the cornerstone in CLHIO's edifice. Through her constant efforts, our organization not only has made progress over the past five years, but it has benefited from the solid industry support. I would also like to recognize the CLHIO's talented staff for their hard work and commitment to the principles of this organization.

Bernard Bonin

MESSAGE FROM THE GENERAL MANAGER



It is my pleasure to present the sixth *Annual Review* of the Canadian Life and Health Insurance OmbudService for the year ending March 31, 2008.

Much has changed during the five years that I have served with the CLHIO, and as I prepare to turn over the reins to my successor, I look back with pride at what the organization has accomplished. Established in 2002 as an independent entity for the resolution of consumer complaints in the life and health insurance industry, the CLHIO has evolved into a full-service organization, providing Canadian consumers with not only access to impartial and effective dispute resolution, but also information and assistance in all matters of life and health insurance.

Our founding Board had a vision of delivering a first class, independent and accessible dispute resolution system and this overriding goal has guided the CLHIO in everything we do. Canadian consumers need only make one telephone call to get the assistance they need at no cost whatsoever and life and health insurance companies are able to refer consumers who wish to pursue a complaint to a professional and recognized service.

It has been an honour to serve such a distinguished Board and Chairman, and I want to convey to all of them my gratitude for their support, inspiration and guidance.

The OmbudsNetwork, of which the CLHIO is a member, has been, in my view, a significant achievement in the financial services sector, and I feel privileged to have been a part of this. The CLHIO's best efforts would not have been successful, however, were it not for both the support of CLHIO's participating firms and the federal and provincial regulators who stood by their commitment to this industry-based approach to dispute resolution. I'd like to take this opportunity to extend my thanks and appreciation for their confidence in the system and especially - for their support.

It has also been a pleasure to work with the CLHIO's Senior Adjudicative Officer, who, in those very few cases requiring it, makes a non-binding recommendation regarding a complaint. He is a gentleman of great integrity, and a spirited defender of the principle of fairness to all parties. I feel privileged to have been the recipient of his wise counsel and to have had the pleasure of working with him.

In closing, I think it is fair to say that the CLHIO has established itself as a credible third party dispute resolution organization fulfilling the needs of its stakeholders, and that I think I speak for everyone involved when I say that its prospects for continuing success look very bright indeed.

B.A. Waters

MEMBERS OF THE 2007-2008 BOARD OF DIRECTORS

Chairman

Bernard Bonin (Chair) *

Former Senior Deputy Governor of the Bank of Canada

Independent Directors

Lea Algar**

Chair, General Insurance OmbudService, and former Ontario Insurance Ombudsman

Dr. Janice MacKinnon *

Professor, University of Saskatchewan and former Minister of Finance for Saskatchewan

Yves Rabeau **

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

Reginald Richard **

Former Superintendent of Insurance for New Brunswick

Peter Maddaugh, Q.C. *

Professor of Law, University of Victoria and former Partner, Torys LLP

* Member of Governance Committee

** Member of Standards Committee

Industry Directors

Claude Garcia **

Corporate Director, and former President, Standard Life Assurance Company

Christopher McElvaine *

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

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.

When consumers contact the CLHIO, they will immediately be put in touch with an experienced Counsellor who can help them decide how best to deal with their complaint and, if required, will put them in touch with their insurance company Consumer Complaints Officer. Many complaints are quickly resolved in this way without the need of a formal complaint investigation. If the Counsellor is unable to resolve the problem, or feels that the matter requires an investigation, the consumer will be referred to an OmbudService Officer specializing in informal conciliation.

After the OmbudService receives a signed authorization from a consumer, the OmbudService Officer speaks with the consumer 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. If this does not occur, the CLHIO may make a written non-binding recommendation to the consumer and the insurance company.

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) 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 and are encouraged to get advice about the limitation period that applies to them before they contact the CLHIO.

ABOUT THE CLHIO COMPLAINTS-HANDLING PROCESS

The CLHIO assists consumers in resolving concerns and complaints about life and health insurance products and services. These products include life insurance, retirement products such as annuities and RRSPs, disability insurance and supplementary health insurance plans.

Assistance is tailored to meet the specific needs of the individual who has contacted the CLHIO. The CLHIO will never refuse to talk to a consumer and always tries to assist. Depending on the situation at hand, the CLHIO's assistance to a consumer can include one or more of the following services:

- Providing clarification and information to consumers who have general concerns arising from the marketing and administration of life and health insurance products and industry practices.
- Assisting consumers who have not yet contacted the company with their complaint by advising them on how to get in touch with the right department or person in order to have their complaint addressed.
- Assisting consumers who have already pursued all avenues of recourse within their company but remain dissatisfied. For these consumers, the CLHIO provides proactive, informal conciliation between the consumer and the company with a view to arriving at a mutually agreeable outcome.

QUICK FACTS

- The CLHIO is an independent corporation governed by a 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 any court of law, a tribunal or arbitrator, or another independent dispute resolution body.
- 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 underwriting, marketing, and claims. OmbudService Officers do not work on complaints that involve an insurance company that has employed them in the past.

STANDARDS

The CLHIO has committed to abide by a voluntary code of service standards that guide the work and activities of its staff of qualified professionals who have the skills, experience and subject expertise required to address consumer concerns and complaints.

The CLHIO's promise to consumers includes service in accordance with the following standards:

- Accessibility** The CLHIO provides convenient ease of contact for consumers to express and pursue their concerns. Consumers wishing to access our services may contact the CLHIO in a variety of ways, including our national toll-free telephone number 1.888.295.8112, mail, electronic mail, facsimile and through our website, www.clhio.ca. Our services are offered in both English and French and are provided at no cost whatsoever to consumers.
- Timeliness** The CLHIO will respond promptly to consumer enquiries and complaints. Most telephone calls are answered immediately by an attendant, and any telephone, fax, or e-mail messages will be returned within one business day.
- Courtesy** Consumers contacting the CLHIO will be treated courteously, professionally and with respect.
- Clarity** The CLHIO provides consumers with clear and succinct information by telephone and/or correspondence to ensure their complete understanding of the complaint issues and the positions of each party.
- Accuracy** All information collected by the CLHIO relevant to the complaint will be kept as accurate, complete and up-to-date as necessary for the purpose of assisting with the resolution of the complaint.
- Fairness & Impartiality** All decisions made by the CLHIO are based on factual information gathered during the complaint investigation process. The CLHIO is impartial, free of bias, and independent of both industry and government.
- Consistency** The CLHIO will treat similar cases in a similar fashion and in accordance with its mandate and protocol.
- Knowledge** The information provided to consumers contacting the CLHIO will reflect a thorough knowledge and understanding of the subject.
- Privacy/Confidentiality** Any information collected during the course of the CLHIO process will remain confidential and proprietary to the CLHIO. The CLHIO uses prudent business practices when communicating by e-mail and will not provide personal or sensitive information by e-mail to any party directly or indirectly by an attachment even if authorized to do so.
- Independence & Objectivity** The CLHIO is a non-profit corporation independent of government and industry, governed by a Board of Directors, the majority of whom are Independent Directors.

CLIENT SATISFACTION SURVEY

Executive Summary

The CLHIO believes that feedback from consumers is key to measuring its performance, and in early 2007, commissioned an independent third-party to conduct a client satisfaction survey to objectively assess consumers' satisfaction with the dispute-resolution services of the CLHIO.

CLHIO's service was rated as exceptional or good by 77 per cent and fair or poor by 23 per cent. While consumers tended to rate the service based on the outcome of their complaint, the majority (83 per cent) expressed confidence in the service and said they would recommend CLHIO's services to a friend.

Consumers identified many advantages of having CLHIO's help including the following major benefits:

- ✓ Sound advice based on knowledge of the life and health insurance industry
- ✓ Quicker progress, faster results
- ✓ Emotional support
- ✓ Avoiding legal costs
- ✓ Receiving an objective opinion

Consumers also offered some suggestions and observations for enhancing the service. For example, some consumers felt there should be a greater public awareness of the CLHIO and that more visibility was needed. Others suggested that the CLHIO reinforce its role as a neutral third-party provider of dispute-resolution services overseen by an independent Board of Directors and a few consumers said they would welcome the opportunity to meet CLHIO staff in person.

TESTIMONIALS

“Sometimes it’s easy to forget how many kind and thoughtful people there are in this world... thank you so much for working on my behalf.”

G. – British Columbia

“You took the time to understand the details and circumstances of this file always maintaining a fair and open mind. You have restored my clients’ faith in the industry and have added to their peace of mind.”

R. A. – Québec

“My husband and I want to thank you for your ongoing attention to this matter. I appreciated your prompt response to my inquiries and your mediation efforts with the company. It was a lengthy process, however, we are satisfied with the outcome which is due in no small part to your work on our behalf. We appreciated having the option of being able to contact the Canadian Life and Health Insurance OmbudService to assist us with our concerns.”

S. – British Columbia

« Je vous remercie de l’attention que vous avez accordée à ma requête pour m’aider à solutionner le litige. Votre intervention fut sans aucun doute utile pour régler ce conflit. »

B. – Québec

“Thank you for the time and effort you put into this process. Your thoroughness was always evident in the questions you raised and the comments you made. The end result is the product of your efforts and means so much to Mrs. M. It will give her some breathing room at a very difficult time.”

G. A. – Nova Scotia

« N’eût été votre aide, j’aurais probablement eu besoin de faire appel aux tribunaux pour faire reconnaître mes droits. J’ai passé une longue période d’insécurité très difficile mais votre compréhension des faits et les actions que vous avez posées m’ont grandement aidé à traverser cette épreuve. »

O. – Québec

« Vous avez su faire reconnaître nos droits et nous vous en sommes très reconnaissants, mon fils et moi. Vous avez su montrer beaucoup de détermination et d’humanité envers notre cause. Vous avez aussi par votre professionnalisme su régler le dossier dans un court laps de temps. Je remercie Dieu de vous avoir mis sur mon chemin... continuez votre bon travail, c’est bon de savoir qu’il existe encore des personnes compétentes prêtes à se battre pour faire respecter la justice. »

P. – Québec

STATISTICAL REVIEW

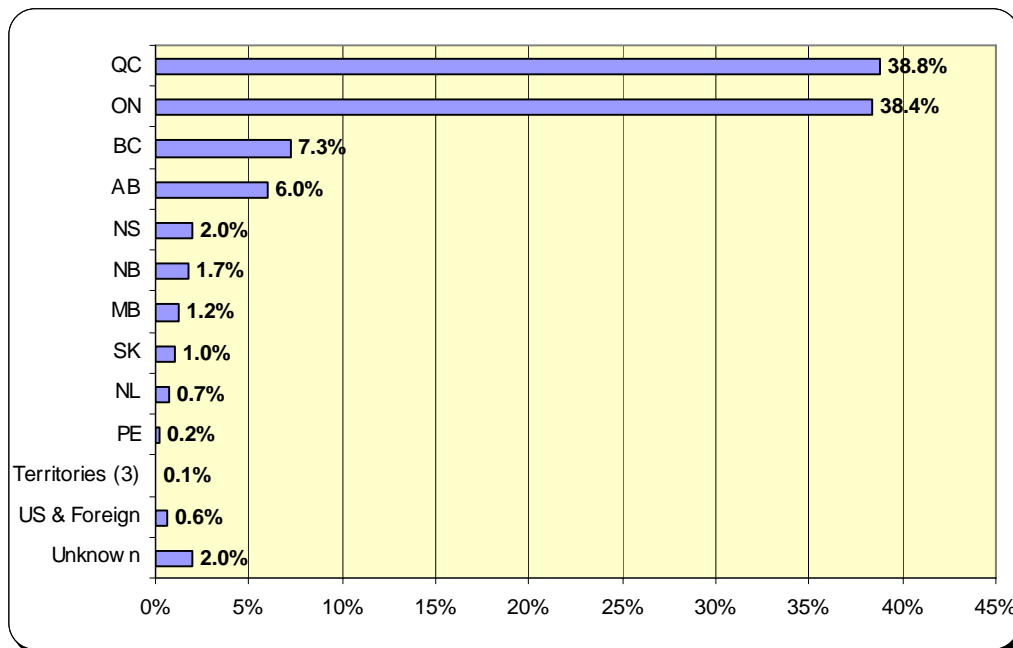
Volume of enquiries/complaints

The CLHIO has been monitoring all forms of contact since the service commenced on November 29, 2002.

Between that date and March 31, 2008, the CLHIO received 9,526 requests for assistance.

Where did they call from?

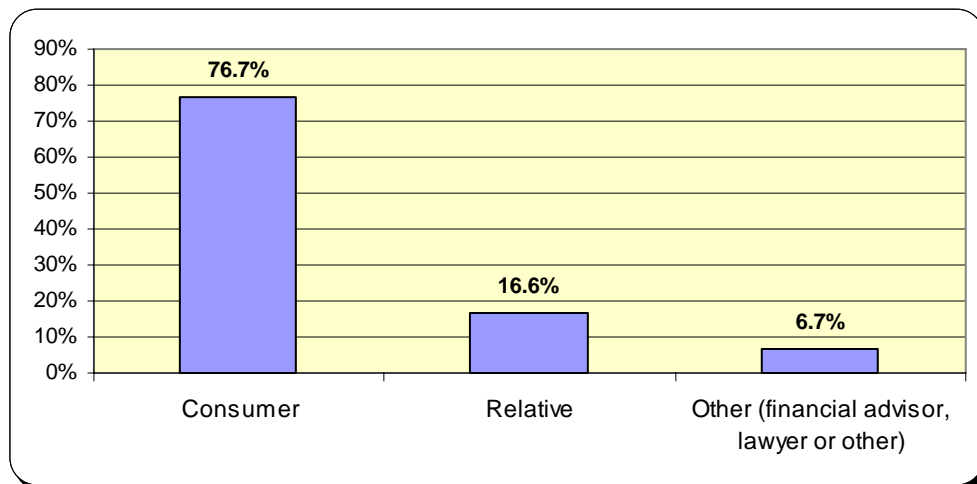
As the following chart demonstrates, just over 77 per cent of all requests for assistance originated in central Canada, that is, Ontario and Quebec. Overall, the geographical distribution of calls is roughly commensurate with the distribution of premium income across Canada with the exception of Quebec where historically the percentage of calls is far greater than that province's share of premium income. According to industry research, in 2006 Ontario accounted for 49.3 per cent of premium income; Quebec 21.3 per cent; the Prairie Provinces 14.0 per cent; British Columbia 10.1 per cent; and Atlantic Canada 5.3 per cent.



STATISTICAL REVIEW

Who contacted the CLHIO?

Most requests for assistance, at approximately 77 per cent, were from consumers and just under 17 per cent were from a relative or friend enquiring on behalf of a consumer. Professionals such as financial advisors, constituency offices, lawyers and union representatives calling on behalf of their consumer clients or constituents accounted for 6.7 per cent.



How did they first contact the CLHIO?

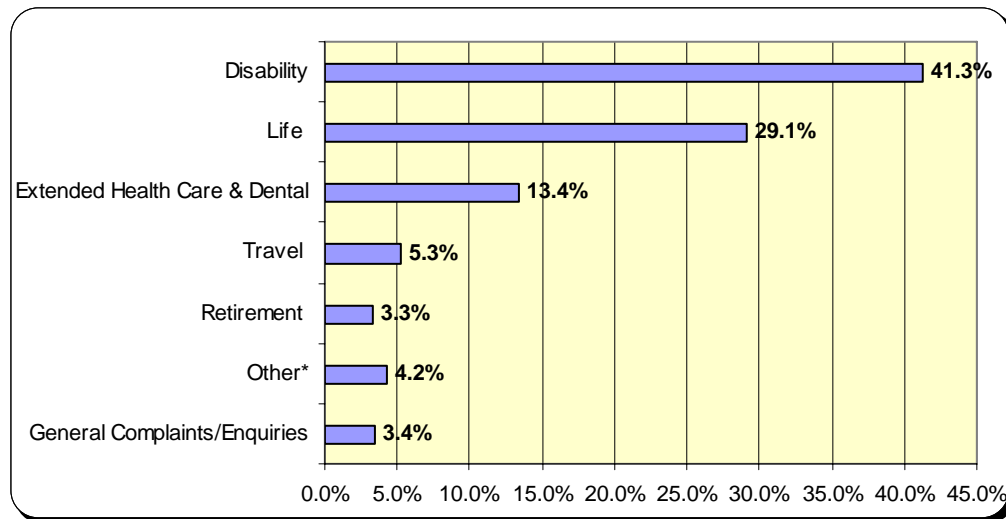
The predominant method of contact is by telephone and calls accounted for just over 86 per cent of all initial contacts with CLHIO followed by traditional mail and electronic mail at 11.6 per cent, and faxes at 1.5 per cent. In addition, 23 consumers have visited the CLHIO offices to discuss their concerns in person with a Counsellor.

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Why did they contact the CLHIO?

As the following chart shows, approximately 41 per cent of all enquiries and complaints concerned disability insurance with claims-related issues involving the denial or discontinuation of benefits dominating this category.

Life insurance made up just under 30 per cent and tended to be evenly distributed across all aspects of the business, that is, claims, marketing & sales, service, product and underwriting.



* Includes Accident & Sickness, Involuntary Job Loss, Critical Illness

Enquiries and complaints related to extended health care and dental coverage (13.4 per cent), travel insurance (5.3 per cent), and “other” products (4.2 per cent), which include accident and sickness insurance, critical illness and involuntary job loss mostly involved claims-related issues.

Retirement products such as annuities and segregated funds, at just over 3 per cent, involved service-related issues, and marketing and sales-related concerns.

General enquiries and complaints which did not involve an identifiable product or company or required referral to another industry-level OmbudService made up the balance of just over 3 per cent.

STATISTICAL REVIEW

The following section is a statistical overview of the handling and resolution of consumer concerns and complaints under three headings:

- by Counsellors who endeavour to resolve a concern quickly without the need of an investigation
- by OmbudService Officers who pursue a formal investigation of a complaint
- by the Senior Adjudicative Officer who will review cases not resolved after the investigative phase and issue a report with a non-binding recommendation if necessary

Counsellor Activity

General Statistics

On April 1, 2004, the complaint-handling functions of the life and health insurance industry's Consumer Assistance Centre (CAC) were amalgamated with the complaint-resolution services offered by the Canadian Life and Health Insurance OmbudService. Between April 1, 2004 and March 31, 2008, CLHIO Counsellors responded to a total of 8,967 enquiries and requests for assistance. Of these, 7,509 were concerns and complaints and 1,458 were enquiries. The following is an analysis of complaints handled by Counsellors broken down by company function, line of coverage and by insurance category.

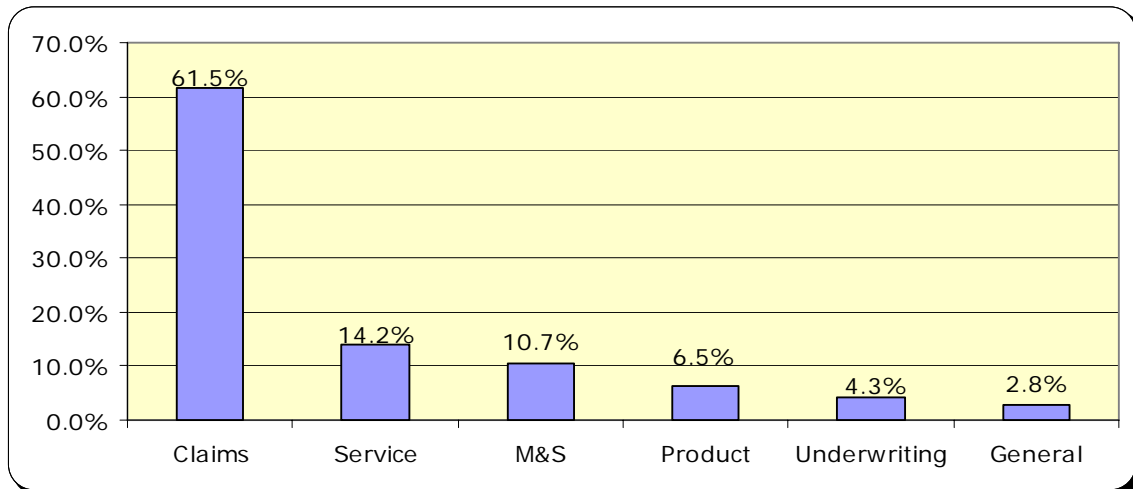
Complaints by company function

As the following chart demonstrates, 61.5 per cent of the 7,509 complaints involved claims-related issues. These included but were not limited to the denial of claims; the discontinuation of benefits; claims procedures; delays; and privacy-related issues. Service-related matters, making up 14.2 per cent, encompassed disputes arising from administrative problems; billings; tax receipts; delays; cancellations or surrenders; annual statements; and the alleged failure of the company to respond. Marketing and

STATISTICAL REVIEW

Complaints by company function (continued)

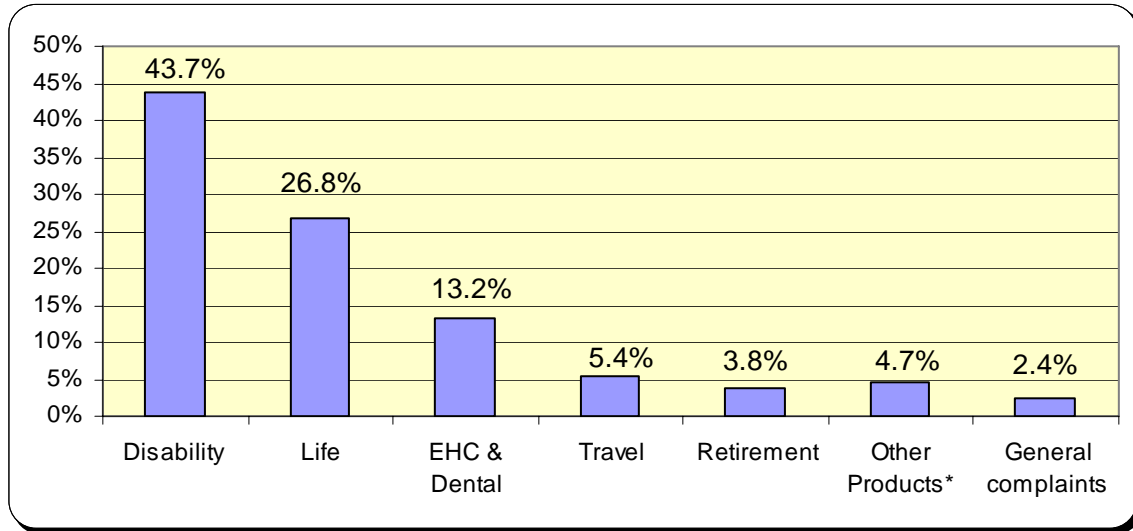
sales-related complaints, at 10.7 per cent, involved problems concerning alleged agent misconduct, alleged misleading statements or misrepresentation on the part of an agent; illustration of cost or return; policy replacements; and mass marketing. Product-related complaints, at 6.5 per cent, involved disputes on investment returns, suitability; low early cash values; policy provisions or exclusions; premiums; and product misunderstanding. Underwriting complaints, at 4.3 per cent, typically involved problems arising from a decline or rating; policy issuance or underwriting delay; privacy issues; underwriting procedures; and alleged discrimination. The balance, at 2.8 per cent, involved complaints not specifically related to a company function.



STATISTICAL REVIEW

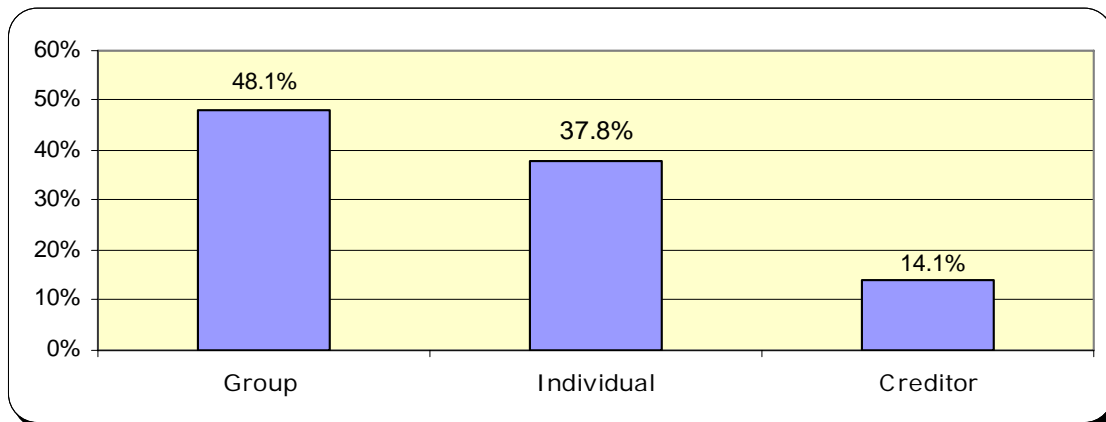
Complaints by line of coverage

Just over 70 per cent of complaints involved disability insurance, and life insurance products.



* Includes Accident & Sickness, Involuntary Job Loss, Critical Illness and Long Term Care

Just over 48 per cent of complaints involved group insurance and most of these concerned employer-sponsored disability and supplementary health and dental insurance plans. Life insurance products accounted for most individual insurance complaints.

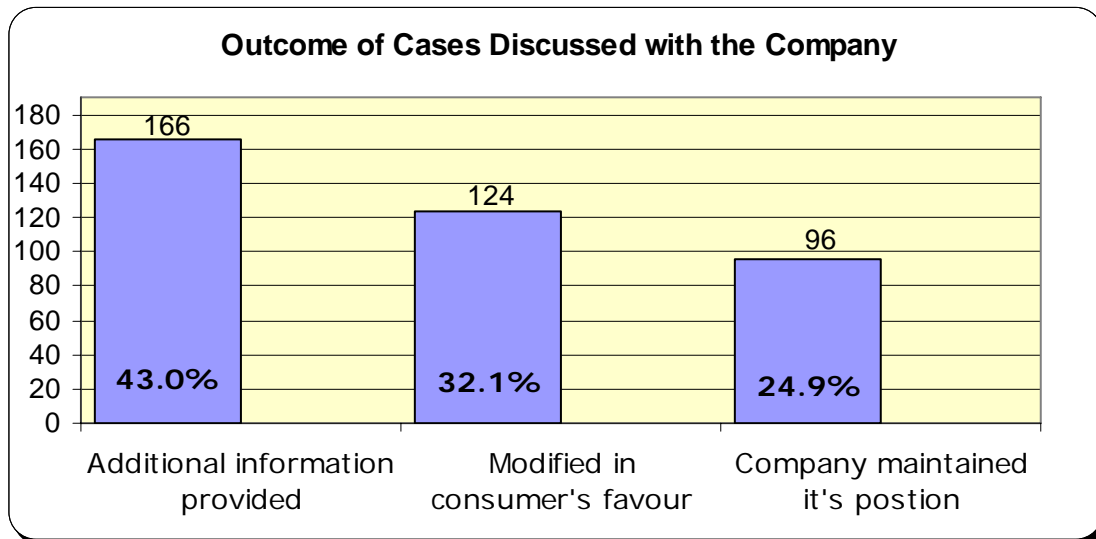


STATISTICAL REVIEW

Disposition of complaints handled by Counsellors

Of the 7,509 complaints received between April 1, 2004 and March 31, 2008, CLHIO Counsellors were able to assist 6,999 consumers (93.2 per cent) directly without having to contact their insurance company on their behalf. Many of these cases involved extensive telephone discussions, an exchange of correspondence, and the provision of a policy or documentation to the CLHIO for review by the Counsellor.

Of the remaining 510 complaints, Counsellors transferred 114 cases (22.4 per cent) to an OmbudService Officer for further investigation; contacted the insurance company on the consumer's behalf in 396 cases or 77.6 per cent; and ten cases were outstanding as of March 31, 2008. Of the 386 completed cases, the company modified its position in favour of the consumer in 124 cases (32.1 per cent), and in another 166 cases, (43.0 per cent) provided additional information satisfactory to the consumer. In the remaining 96 cases, (24.9 per cent), the company maintained its position.



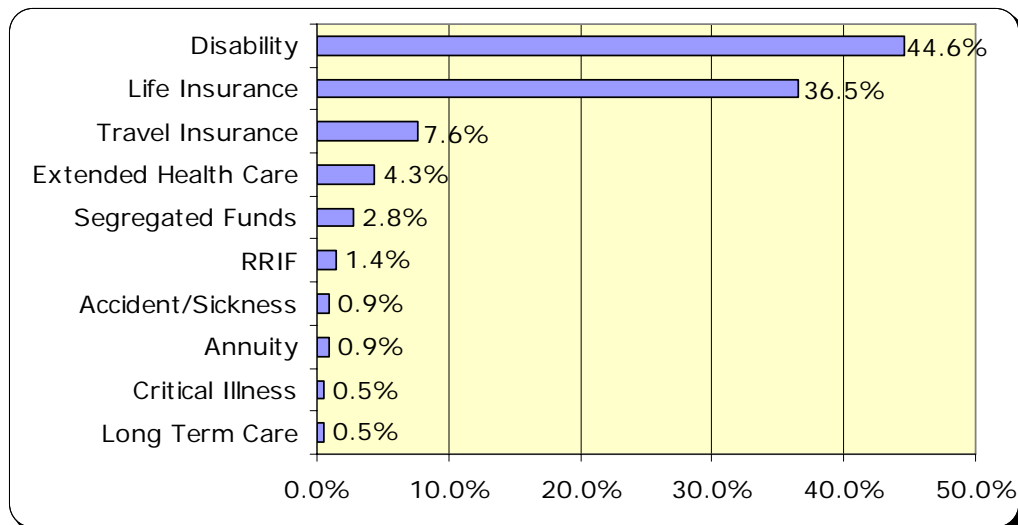
STATISTICAL REVIEW

OmbudService Officer Activity

If the CLHIO Counsellor is unable to resolve the problem, the consumer is sent a CLHIO Information Kit containing an Authorization and Agreement form. Upon receipt of the signed Authorization and Agreement form, an OmbudService Officer is assigned to deal with the complaint.

General Statistics

During the CLHIO's first 5.5 years of operation, an OmbudService Officer was assigned to review 214 cases which were the subject of a complaint investigation and of these, 210 cases were closed during the period under review. The following chart provides an overview of these complaint investigations by product.



Disposition of complaints handled by OmbudService Officers

Of the 214 complaint investigations, 4 cases remained open as of March 31, 2008. Of the 210 completed investigations, just over 60 per cent (127 cases) were closed with the insurer maintaining its position, and in all of these cases the consumers declared their satisfaction with the additional information provided and elected not to pursue their complaint further with the CLHIO. Fifty-six cases, or just under 27 per cent, were closed when the matter was resolved by the company in the consumer's favour, and 25 cases, or just under 12 per cent, were closed when the request for assistance was withdrawn by the consumer.

STATISTICAL REVIEW

Senior Adjudicative Officer Activity

Reports issued with non-binding recommendations

Most complaints are resolved by working closely with a Counsellor or an OmbudService Officer but if the subject matter warrants a further review, or if the consumer requests it, and there is a basis to do so, the file will be transferred to the Senior Adjudicative Officer for review and issuance of a report with non-binding recommendations.

During the period April 1, 2004 to March 31, 2008, three cases were transferred to the Senior Adjudicative Officer for review. Two cases related to a life insurance dispute involving the payment of premiums, and both reports found in favour of the company. The third case related to a dispute over the discontinuation of long-term disability benefits and a report was issued with a non-binding recommendation in favour of the consumer. The company subsequently confirmed that they had followed the recommendation.

CLHIO Consumer Assistance Centre

Profile

The life and health insurance industry's Consumer Assistance Centre (CAC) is a national consumer education and help service available in both English and French. The service operates out of the Canadian Life and Health Insurance OmbudService (CLHIO) offices in Toronto and Montreal, and is accessed by consumers through toll-free telephone lines, the internet, traditional and electronic mail, and fax.

Since its inception in 1973, the CAC has handled more than 1,190,000 calls, providing assistance to Canadians of all ages, from all walks of life, from all across the country. In 1998, the service was enhanced with the addition of an OmbudService that provided the capacity for informal conciliation. By 2002, the OmbudService was transformed into the Canadian Life and Health Insurance OmbudService, an independent entity with its own Board of Directors, and part of the newly created Financial Services OmbudsNetwork. In 2006, all consumer assistance services were brought under the CLHIO, providing single-window access to assistance for life and health insurance consumers across Canada including the following services:

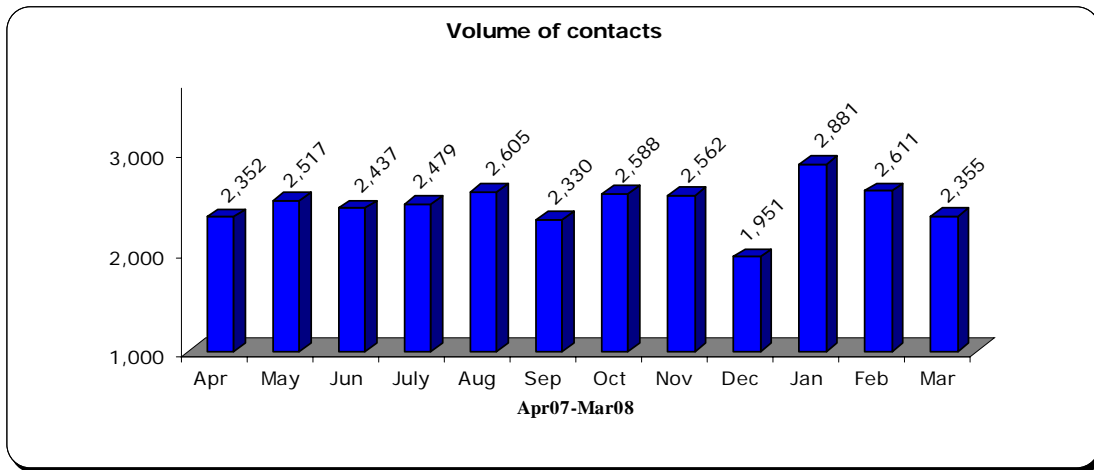
- **information** about life and health insurance products and services
- **information** about life and health insurance companies;
- **information** about industry practices
- **assistance** with life and health insurance concerns and complaints
- **publications** about life and health insurance and financial/retirement planning; and
- **policy search assistance**, or help locating life insurance policies that may have been misplaced.

CLHIO CONSUMER ASSISTANCE CENTRE

Activity Highlights

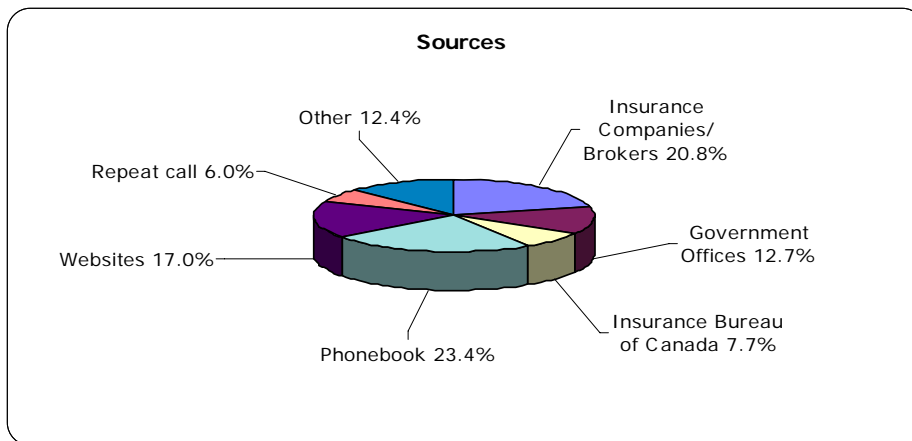
Volume of contacts

In the twelve month period ending March 31, 2008, the CAC received 29,668 enquiries about life and health insurance products and services.



How did they hear of the CLHIO's Consumer Assistance Centre?

Callers learned of the CAC through a variety of sources, including life and health insurance agents, government and constituency offices, insurance companies, related trade and industry associations and website search engines.



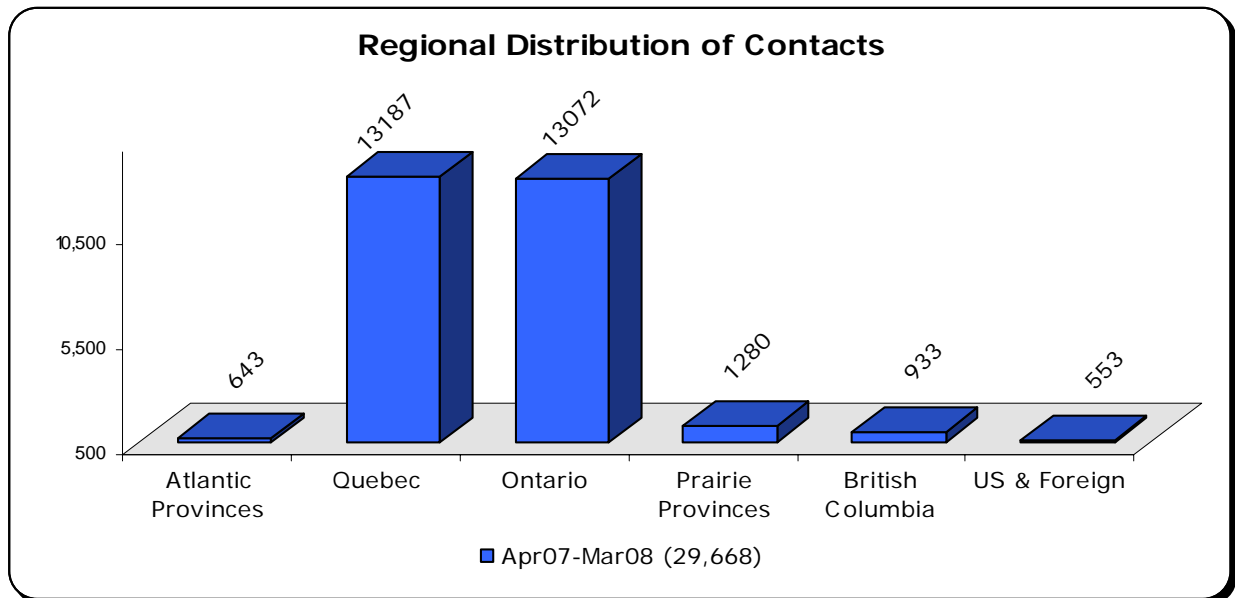
CLHIO CONSUMER ASSISTANCE CENTRE

Who contacted us?

The CAC's clientele consists first and foremost of consumers who accounted for just over 94 per cent of the contacts made over the twelve month period ending March 31, 2008. The balance was from business professionals, insurance companies and agents.

Where did they call from?

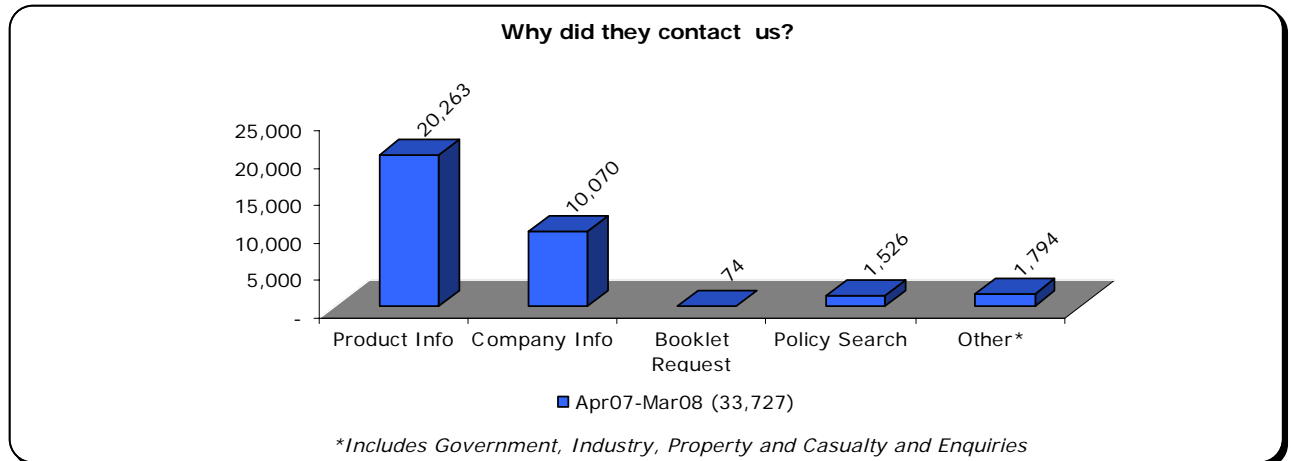
As the following chart demonstrates, over 88 per cent of all requests for assistance or information originated in central Canada, that is, Québec and Ontario.



CLHIO CONSUMER ASSISTANCE CENTRE

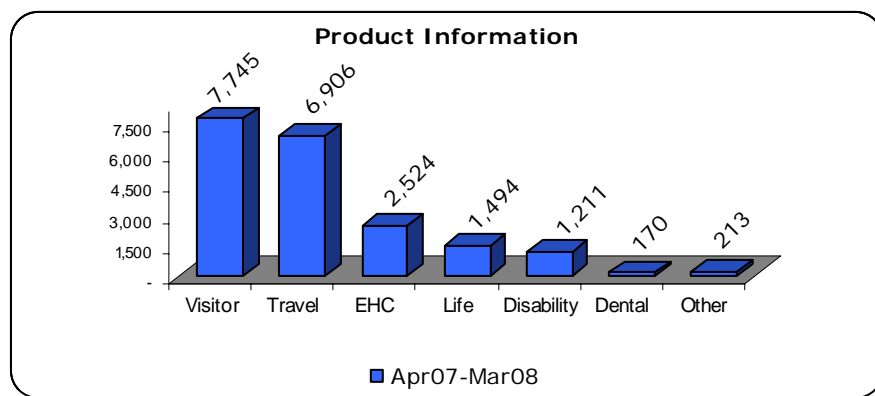
Why did they call us?

In the course of 29,668 calls to the CAC over the last year, 33,727 individual topics were addressed as callers often enquired about more than one topic. As shown in the chart below, just over 60 per cent involved requests for product information. Another 30 per cent were requests for information about life and health insurance companies.



Product Enquiries

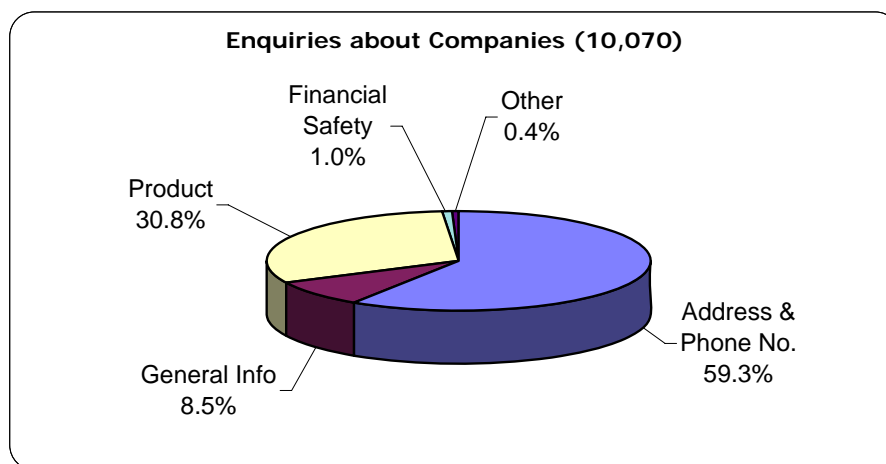
Over 70 per cent of all product information requests involved health insurance for visitors and travel insurance and 95 per cent of these enquiries involved questions from callers interested in purchasing these products.



CLHIO CONSUMER ASSISTANCE CENTRE

Company Enquiries

Most company information enquiries were requests for addresses and telephone numbers (59.3 per cent) and other queries of a general nature (8.5 per cent). Product information enquiries, at just over 30 per cent, involved questions on products specific to a particular company. For the most part, company product information enquiries concern disability and life insurance.



Policy Searches

During the twelve month period ending March 31, 2008, the CAC received more than 1,500 requests from individuals pursuing possible life insurance coverage on recently deceased persons. In 63 of these cases, sufficient evidence existed to carry out formal searches. Seven policies were discovered, resulting in a positive “find” ratio of 11 per cent.

CASE STUDIES

The following cases have been selected to illustrate the nature and disposition of complaints reviewed over the past year by CLHIO Counsellors and OmbudService Officers. In each case, the names have been altered to protect the privacy of the individuals and companies involved.

Building Bridges

Mr. B's broker contacted the CLHIO for assistance in pursuing his claim that his client was financially injured by the insurer's disregard for their written investment instructions when transferring funds from another financial institution.

The Counsellor was advised that Mr. B. had decided to transfer his retirement account to the insurer from another financial institution, and had accepted his advisor's recommendation to do so on a Dollar Cost Average basis so as to reduce any potential volatility of investing a large sum on one set date. On this basis, the funds would be transferred in full to the insurer's money market fund, and thereafter, the company would effect a series of monthly withdrawals from the money market fund to their equity fund. The insurer was provided with a completed application and a detailed covering letter setting out specific instructions for the immediate and future application of the transferred funds. The insurer completed the transfer to the money market fund, but did not set up a system to carry out the subsequent switches to the equity fund.

The company acknowledged that they had not initiated the transfers to the equity fund but stated that this administrative error was not brought to their attention until two years later. In the meantime, the company verified that they had provided semi-annual statements to the client and the broker as well as a confirmation notice each time a transaction had been made. The company maintained that they were not prepared to backdate the transactions stating that it would have been evident that the monthly transfers to the equity fund had not occurred, and that they provided both the client and the broker with sufficient information to have identified the problem in a timely manner.

The file was transferred to an OmbudService Officer for further review and investigation. The issue at hand was not that an error had occurred, but rather, if the consumer and/or his financial advisor should also bear some responsibility to mitigate losses resulting from an error by the financial institution. After discussing the matter with both parties, the company and Mr. B's financial advisor both recognized their part in the error, and agreement was reached to split the loss as the means to make the client whole and resolve the matter.

CASE STUDIES

Deciphering the Code

Mrs. L contacted the CLHIO after the insurance company denied a life claim on her late husband submitted under a group creditor insurance plan.

In October 2005, Mrs. L and her husband took out a personal line of credit (PLC). At the same time, they were offered life insurance on the loan and since the credit limit was greater than \$50,000, Mr. L was required to complete a health questionnaire. The life insurance was automatically issued because Mr. L. responded negatively to all of the health questions.

On the same day that the couple arranged to take out the insured PLC, Mr. L. was rushed to the hospital for symptoms which subsequently were attributed to cancer. Mr. L. received continuous care for this condition until his death from cancer in February 2007.

Mrs. L. submitted the life claim to the insurer who, after conducting an investigation, voided the coverage and returned all premiums on the basis that Mr. L had failed to disclose material medical information in the health questionnaire. The insurer sent a letter to Mrs. L. stating that had they been aware of her husband's health history, his application for insurance would not have been approved. Prior to contacting the CLHIO, Ms. L. consulted with a lawyer who advised her that she had an arguable case but it would cost upwards of \$35,000 to take the matter to court.

After reviewing all of the documentation regarding the disputed claim, the CLHIO Counsellor discussed the matter at length with Mrs. L and learned that she and her husband did not actually borrow on the PLC until some four months after it was taken out. As a result, the Counsellor asked Ms. L. to provide a copy of the insurance certificate which sets forth the conditions under which benefits would have been paid.

After reviewing the certificate, the Counsellor was able to point out to Ms. L. that even if she was able to convince the insurer that the coverage had been unfairly voided, the claim would still not be payable as the relevant contract provision stipulated that the life insurance benefit amount would be "...the highest end-of-day balance of the PLC owing to the creditor in the 12 months preceding the date on which you first consulted a licensed physician or other health care practitioner, received advice, care and/or service provided by a licensed physician or other health care practitioner or took medication or injections for the condition or health problem..."

Since the balance on the PLC prior to her husband's first medical consultation for his final illness was "zero", no benefit would have been payable in any event based on this policy provision. Ms. L. expressed appreciation to the Counsellor for bringing this to her attention, and elected not to pursue the matter.

CASE STUDIES

A Failure to Communicate

Ms. C wrote to the CLHIO concerned that the actions of an agent far exceeded her original service request and were not in her best interests.

Ms. C had contacted the insurer to change the beneficiary designation on her life insurance policy. The agent subsequently traveled to her home to provide the necessary form to complete this change, and during the meeting, Ms C mentioned she wanted to reduce taxes payable on her death in order to leave more money to her children. The agent recommended she transfer \$25,000 from her RRSP to a RRIF and set up monthly RRIF withdrawals of \$400 which were to be deposited in her bank account. These deposits were then to be used to purchase a non-registered plan with the insurance company.

A year later, during a meeting with her accountant, she was told that the RRIF income negatively affected the Guaranteed Income Supplement (GIS) she was receiving. Dismayed by this news, Ms. C concluded that the agent had not acted in her best interests. Specifically, she contended she was losing investment profit on the amounts paid out as RRIF income and being taxed on the non-registered investment profits. In her letter to the CLHIO, she complained “the agent never conducted a fact finding interview” and “instead of paying taxes now, I could have taken advantage of the tax deferral and earned tax deferred investment income.”

The Counsellor’s review confirmed that the monthly withdrawals from the RRIF would be taxed at lower marginal rates than the tax applicable from the deemed disposition of the entire RRSP at her death and this strategy satisfied the need for lower taxes on Ms. C’s estate. As well, the reinvestment of the monthly withdrawals in a non-registered account would result in lower taxes on future gains.

Based on the information provided, the Counsellor concluded that the agent had conducted a fact-finding interview, and while the RRIF did have a detrimental impact on Ms. C’s GIS, he was able to demonstrate to Ms. C that the agent had designed a strategy to fully satisfy her financial objectives based on the information she had disclosed. In the end, agreement was reached that the agent had acted in her best interest.

CASE STUDIES

Knowing When to Ask the Right Question

Ms. R was referred to the CLHIO from her insurance company following the termination and subsequent unsuccessful appeals of her disability claim.

Benefits had been paid to *Ms. R* for a period of two years and then stopped on the basis that the medical information was insufficient to substantiate that she was under a physician's care for a condition that prevented her from working in any occupation. In our Counsellor's discussions with *Ms. R*, it was clear that the complainant believed she was entitled to benefits for an additional 10 month period, the last three of which she spent successfully completing a day treatment program for her chronic depressive symptoms.

Under most group disability plans, benefits are paid for a period of 24 months if a claimant can demonstrate total disability from her own or pre-disability occupation. Thereafter, a claimant must show that she is totally disabled from performing the duties of any occupation for which she is reasonably fitted by previous education, training or experience. Based on the information provided to the CLHIO Counsellor, there was little evidence to support *Ms. R*'s position that her condition was severe enough to prevent her from engaging in a gainful occupation for an additional 10 months. However, the claim documentation provided by *Ms. R* suggested to the Counsellor that *Ms. R*'s file had not been the subject of a senior-level review by either the insurer's psychiatric consultant and/or its appeals committee. As a result, CLHIO's Counsellor promptly contacted the insurer's Complaints Officer and was advised, after making this inquiry, that indeed *Ms. R*'s claim file had not been vetted by the company's appeal committee.

As a result of this contact, the insurance company promptly referred the matter to its appeals committee –together with a medical consultation. Upon hearing this news, *Ms. R* advised the Counsellor that, regardless of the eventual outcome, she felt she received knowledgeable and objective assistance in the appeals process and appreciated CLHIO's assistance in advancing her claim to a higher level of appeal within her insurance company

As it turned out, there was no need for *Ms. R* to prepare herself for a negative outcome because, less than a month later, the insurer wrote to her confirming that the contractual definition of Total Disability had been met and that her benefits were approved for the additional 10 month period. *Ms. R* was understandably thrilled with the positive outcome.

CLHIO PRIVACY STATEMENT

The Canadian Life and Health Insurance OmbudService (CLHIO) is committed to protecting consumers' privacy. With the written authorization of the consumer that is making the complaint, the CLHIO will collect information from the consumer, the financial institution, and any relevant third parties, if applicable, to facilitate the investigation and resolution of complaints filed with the CLHIO. The CLHIO will only collect personal information, including medical information, to the extent necessary to investigate the complaint. Unless otherwise directed by the complainant, the CLHIO shall keep confidential any information that comes into its possession in the course of the complaint investigation. Any information collected during the course of the CLHIO review process will remain confidential and proprietary to the CLHIO. The files of the CLHIO, including any notes, or other written material, information, or evidence are confidential, and will not be provided directly or indirectly to the parties involved in the complaint process except to the extent required by law. Complaint files are retained in a secure facility, and can be accessed only by authorized CLHIO staff.

The CLHIO is a confidential process during which consumers entrust us with private information in return for our agreement that all information will be held secure. To ensure that there is no erosion of that trust, the CLHIO will not discuss a consumer's concern or complaint with any third-party except with the consumer's consent. The CLHIO will not discuss the consumer's concern or complaint with the media, even with the consent of the consumer.

The CLHIO may use information for the purpose of statistical reporting. Any information collected for this purpose will be on an aggregate industry basis only, and will not identify the consumer or the insurer.

Personal Information Protection and Electronic Documents Act

The Personal Information Protection and Electronic Documents Act (PIPEDA) protects the privacy of Canadians with respect to the collection, use and disclosure of personal information. The CLHIO abides by the ten principles developed for the protection of personal information as follows:

1. **Accountability:** the CLHIO is responsible for information provided to it, and has designated an individual who is accountable for compliance with the principles.
2. **Identifying Purpose:** the CLHIO will identify to the consumer the purpose of collecting information before or at the time the information is collected.
3. **Consent:** the collection, use and disclosure of personal information will only be done with the knowledge and consent of the consumer.
4. **Limiting Collection:** the collection of personal information will be limited to that which is necessary for the CLHIO to investigate the complaint.

CLHIO PRIVACY STATEMENT

Ten principles developed for the protection of personal information (continued)

5. **Limiting Use, Disclosure and Retention:** the CLHIO will only use or disclose personal information for the purpose for which it was collected. The CLHIO will only retain personal information for as long as it is necessary to fulfill that purpose.
6. **Accuracy:** personal information will be kept as accurate, complete and up-to-date as necessary for the purpose for which it is to be used.
7. **Safeguards:** personal information will be protected by security appropriate to the sensitivity of the information.
8. **Openness:** the CLHIO will make readily available to consumers specific information about policies and practices related to the CLHIO's management of personal information.
9. **Individual Access:** the CLHIO will, upon request, inform a consumer of the existence, use and disclosure of his or her personal information. Consumers will be given access to their personal information, and will be able to challenge its accuracy and completeness. However, as outlined in paragraph one above, and in the CLHIO Authorization and Agreement form, a consumer will not have access to any information collected during the course of the CLHIO review process, and the files of the CLHIO, including any notes, or other written material, information, or evidence will remain confidential.
10. **Challenging Compliance:** a consumer will be able to challenge the compliance with the above principles with the CLHIO's designated individual.

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