OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

OLHI • OAP

# LOOKING AHEAD

## 2019 ANNUAL REPORT

# About OLHI

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

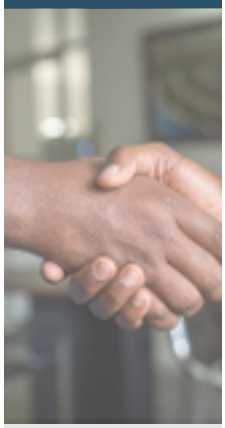
Canadians trust us to review their insurance complaints about life, disability, employee health benefits, travel, and investment products such as annuities and segregated funds. Our free bilingual services are available to any consumer whose insurance company is an OLHI member and, currently, 99% of Canadian life and health insurers are.

We also have online resources that provide general information about life and health insurance. 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

# Contents

# OLHI's Service Promise



**Accessibility:** OLHI can be reached conveniently and easily via national toll- free telephone numbers, mail, fax and web site. Our bilingual services are free to consumers.

**Timeliness:** OLHI will respond promptly. Our standards are to return voice mail messages within 48 hours. Fax or web messages are answered within three business days.

**Courtesy:** We treat everyone with courtesy, professionalism and respect.

**Clarity:** Our goal is to communicate in plain language so that consumers fully understand anything we say or any correspondence we send.

**Accuracy:** All the information OLHI collects about a complaint is accurate, complete and up-to-date so that we can best help resolve a complaint.

**Fairness & Impartiality:** OLHI is unbiased and impartial. We are not advocate for either the consumer or the insurance company.

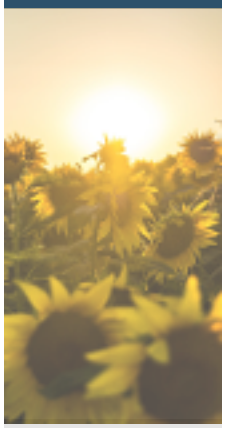
**Consistency:** OLHI follows a rigorous, consistent complaints handling process that meets our mandate and Terms of Reference.

**Knowledge:** Our staff have specialized knowledge of life and health insurance and are experienced in dispute resolution.

**Privacy & Confidentiality:** All the information we collect remains confidential and proprietary to OLHI, in accordance with our Privacy Statement.

**Independence & Objectivity:** OLHI is a non-profit corporation, independent of government and industry. Our Terms of Reference require us to be impartial. To ensure impartiality, our operations are overseen by the Canadian Council of Insurance Regulators (CCIR) as well as our independent Board of Directors. Most of our Board members have no ties to the life and health insurance industry.

# 2019 Highlights



- Number of contacts **up** by 5.9 % reaching **historic high**
- Total number of **Complaints** is 2,290
- Web visits **up by 6.4 %**
- Quebec complaints still **highest at 54.5 %**, Ontario remains second

**Total Contacts**

**109,454**

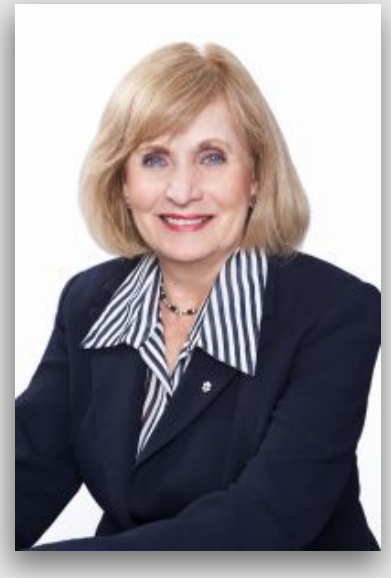
**Complaints**

**2,290**

**Web Visits**

**107,164**

# Message from the Chair



Each year, OLHI manages to build on one success after another. This year is no exception. Let me begin by highlighting some of our most notable 2019 accomplishments.

## Strengthening Stakeholder Relations

Over the course of the past year, we held numerous meetings with stakeholders to carry on OLHI's well established tradition of constructive dialogue. These exchanges provide valuable information and insights that build a shared understanding of opportunities to continue the work of improving on our best practices. When collaborating with stakeholders, our focus is on transparency and developing constructive relationships. To achieve our mission we must continually focus on building trust and good faith among all parties involved to provide a reliable forum for efficient, impartial and independent resolution of consumer disputes.

## Our Numbers Speak for Themselves

A quick look at a few high-level indicators show the progress OLHI has made over the past year. Our goal is to provide fast, fair and efficient service that demonstrates our commitment to collaboration and our dedication to transparency. We are proud to report the following key achievements:

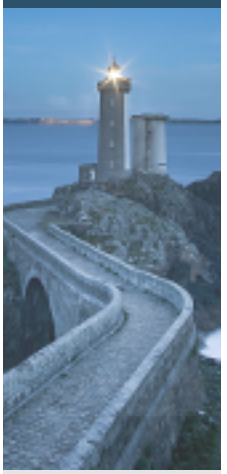
- 80% settlement ratio at the Investigation level; 100% at the Senior Adjudicative level;
- 109,454 contacts – the highest number of contacts in OLHI's history; and
- Registered an impressive 6.4% increase in website visits over the previous year.

By taking steps to boost traffic to our website, we have increased awareness of the numerous ways in which OLHI supports consumers, members and regulators. Moving forward, this winning public awareness strategy will be continuously reviewed and fine-tuned under the leadership of our new CEO.

## Glenn O'Farrell joins as CEO and Ombudsman

On August 19th, after an exhaustive search and recruitment process conducted by the Board of Directors, Glenn O'Farrell was appointed Chief Executive Officer and Ombudsman of OLHI. We're confident that his vast experience will drive future development by promoting our many services while strengthening our various stakeholder relationships.

# Message from the Chair (Continued)



Glenn is a skilled communicator with deep leadership capabilities and has a proven track record of execution. His extensive background in management, collaborating with partners and leading organizational change in this age of technology are essential attributes in executing OLHI's mission.

A native of St-Malachie, Québec, Glenn's previous roles include President of Global Television Québec, President and CEO of the Canadian Association of Broadcasters, and CEO of Groupe Média TFO. He is also a member of the Québec Bar and Institute of Corporate Directors. Before that, he studied economics, law business and corporate governance at St. Francis Xavier University, Université Laval, the Johnson School of Management at Cornell University, and Rotman School of Management at University of Toronto.

## Thanks to Marjolaine Cantin

We owe a special debt of gratitude to Marjolaine Cantin for assuming the role of Interim Executive Director over the course of the past year. During a number of busy months, Marjolaine played a critical role in providing professional executive leadership to the organization while also diligently carrying out her permanent role as Deputy Ombudsman. On behalf of the Board, I offer our very sincere thanks to Marjolaine for her unwavering commitment and dedication to OLHI.

## Looking Forward to a Brighter Future

OLHI will continue to execute and improve strategies that enhance awareness of our services. We are confident that Glenn's leadership will help us realize these goals.

In closing I want to thank the Board, management and employees at OLHI for their commitment to OLHI and the important consumer services that it provides.

I also want to thank our companies, who are critical to our success. We are dedicated to maintaining OLHI's independence while working with companies that share our goal of providing timely and fair service to consumers.

Janice MacKinnon

**Dr. Janice MacKinnon**
Chair, OLHI

# Message from the Acting Executive Director

In November 2018, I had the pleasure of stepping into the role of Acting Executive Director at OLHI and can report that the last fiscal year was one of solid success in professional development and operational stability.

## Service Accessibility

Enhancing our service to consumers, company members and other stakeholders is essential in this era of evolving and accelerating technology.The world of self-serve options is increasing its footprint across all industries, becoming a preferred communication method.

According to Harvard Business Review, 81% of all consumers show a preference for platform-enabled access to services. In 2009, OLHI adopted a strategy to move to a self-serve friendly platform. We remain dedicated to updating and augmenting our interactive services and finding new ways to improve our online presence for consumers. We continue to work on user-friendly initiatives including providing clear and comprehensive online answers to commonly asked questions and information requests. Our overall web visits have risen to 107,164 visitors this year, with a little over 90,000 new visitors. This is a significant new milestone and achievement for OLHI

However, we realize that for complex problems, further support is needed. People continue to want to talk to people. In order to provide a broad range of solutions to respond to the various needs of consumers, we offer phone support in addition to our online information. Consumers who call to raise complaint questions or to lodge complaints, receive personalized phone support from our team of experts.

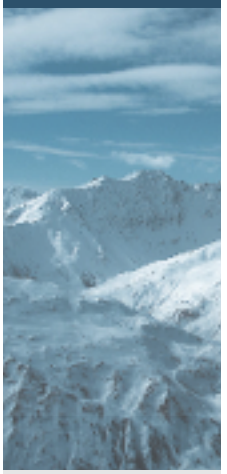
## Core Operations

Our self-service oriented strategy has resulted in a reduction in the total number of complaint enquiries, totaling 2,290 complaints this fiscal year, the main reduction coming from telephone complaint enquiries.

OLHI also opened 21 new investigations and closed 17 this fiscal year, while maintaining a settlement ratio of 80%.

Two complaints were escalated to our Senior Adjudicative Officer and her settlement recommendations were followed on both occasions by our members.

# Message from the Acting Executive Director (Continued)



I am also pleased to report that improvements were made to OLHI's complaint review process by increasing our staff's expertise level with new industry experts on our team, additional training opportunities and our commitment to communicating in plain language. We are confident that clear and concise responses are of outmost importance to consumers.

## Stakeholder Outreach

OLHI strives to strengthen its relationship with industry and member companies, as well as our oversight body, the Canadian Council of Insurance Regulators (CCIR). We operate under the Cooperation and Oversight Framework established by CCIR that provides guidelines and principles to follow, while ensuring the independence and impartiality of our operations. OLHI has had several meetings with CCIR and other stakeholders this year that have all been productive and constructive. We will continue our work with our stakeholders in the spirit of open dialogue and are convinced that cooperation is of ultimate importance, along with maintaining OLHI's impartiality and independence.

## Future outlook

In the future, we are looking forward to realize our full potential as a leading dispute resolution forum serving Canadian consumers and life and health insurers. OLHI is aligned towards stakeholder collaboration, hard work and new strategies to enhance our services and consumer awareness.

In that spirit, I extend a warm welcome to Glenn O'Farrell, our new Chief Executive Officer and Ombudsman to the team, and wish to thank the Board for the trust and confidence placed in me, the staff for their dedication and commitment to OLHI and the consumers, and our member companies for their ongoing support and collaboration over the course of this fiscal year.

**Marjolaine Cantin, LL. B.**
Acting Executive Director, OLHI

# Complaint Handling Process

## Step 1: Consumer Contact

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

## Step 2: Review by Complaints Analyst

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

## Step 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

## Step 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

# Case Study 1
## Double premium, single benefit

### Summary

When Ms. B purchased her home several years ago, she applied for mortgage insurance through the lender. Two monthly bank withdrawals resulted, one for the insurance and the other for the mortgage payment. What the consumer did not realize was that the mortgage payment also included a premium for life insurance on the same mortgage, resulting in two separate coverages for the mortgage liability in the event of her death. When she did (ten years later), she notified the insurer, who was the same for both insurances. The consumer requested that the premiums for the second life insurance be refunded.

The insurer agreed to a partial refund, but Ms. B insisted that she should receive all of the premiums back on the duplicate coverage. After obtaining a final position letter from the insurer, the consumer contacted OLHI to review her situation.

### Findings

In a discussion with Ms. B and on review of the pertinent documents, OLHI's Complaints Analyst determined that

- The first coverage was a life insurance and disability protection plan, effective as of the same date as the mortgage approval. The insurance was confirmed to be in place three (3) months before its effective date
- The second coverage was life protection only, issued by the same insurer, but administered through the lender
- The confirmation about the second plan being in force was sent to consumer one month past the mortgage effective date
- There was no copy of the application for the second life insurance in the records provided however, a letter confirming issue of the second coverage had been sent to the consumer
- The first insurance premium was a stand alone payment from the bank account
- The second insurance premium was deducted along with the mortgage payment in one withdrawal
- The consumer received annual statements that included the breakdown of the two premiums

### Conclusions

- It would have been hard for Ms. B to know she was paying two premiums because the mortgage payment included the premium for the duplicate coverage
- Nevertheless, this problem should have been brought up by the consumer earlier, as the payment breakdown was indicated in every annual statement sent to Ms. B
- Given however that both coverages were for the same mortgage, in the event of death only one certificate would have paid benefits
- The life and disability protection plan pre-dated the second coverage. Therefore, it was the second coverage that should not have been issued

### Result

OLHI contacted the insurer to discuss these observations. The insurer agreed to refund all of the premiums charged for the second life coverage and canceled it. The resolution was accepted by the consumer.

# Complaints Statistics


To streamline the process for consumers, general complaint information enquiries received via phone are now re-directed to our website to improve user experience efficiency, in accordance with our business strategy.

With fewer complaints enquiries received by phone, the total number of complaints is at 2,290 this fiscal year. At the same time, the overall number of contacts received for this year saw an increase of 5.9 %.

Quebec remains with the highest volume by region, and is now at 54.5%. Ontario has decreased by 2.6%, and other regions are relatively stable.

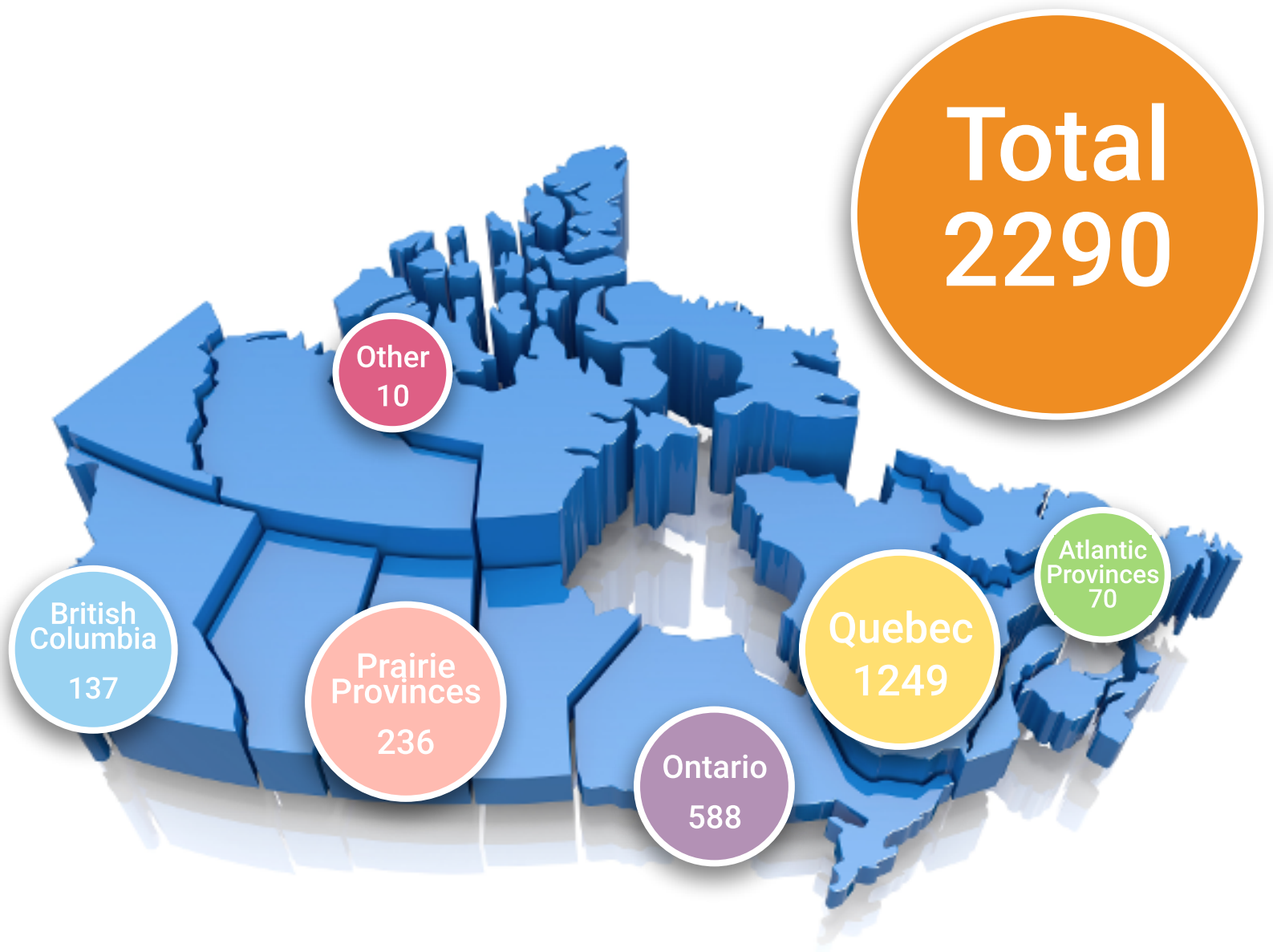
By Company Function, Claims and Service represent more than 80% of the total number of complaints, 62.2% and 20.2% respectively.

By Company Product, disability-related complaints have decreased slightly from 38.9% to 36.6%, but remain the highest volume. Accident & Sickness product complaints have increased from 4.9% to 6.4%.

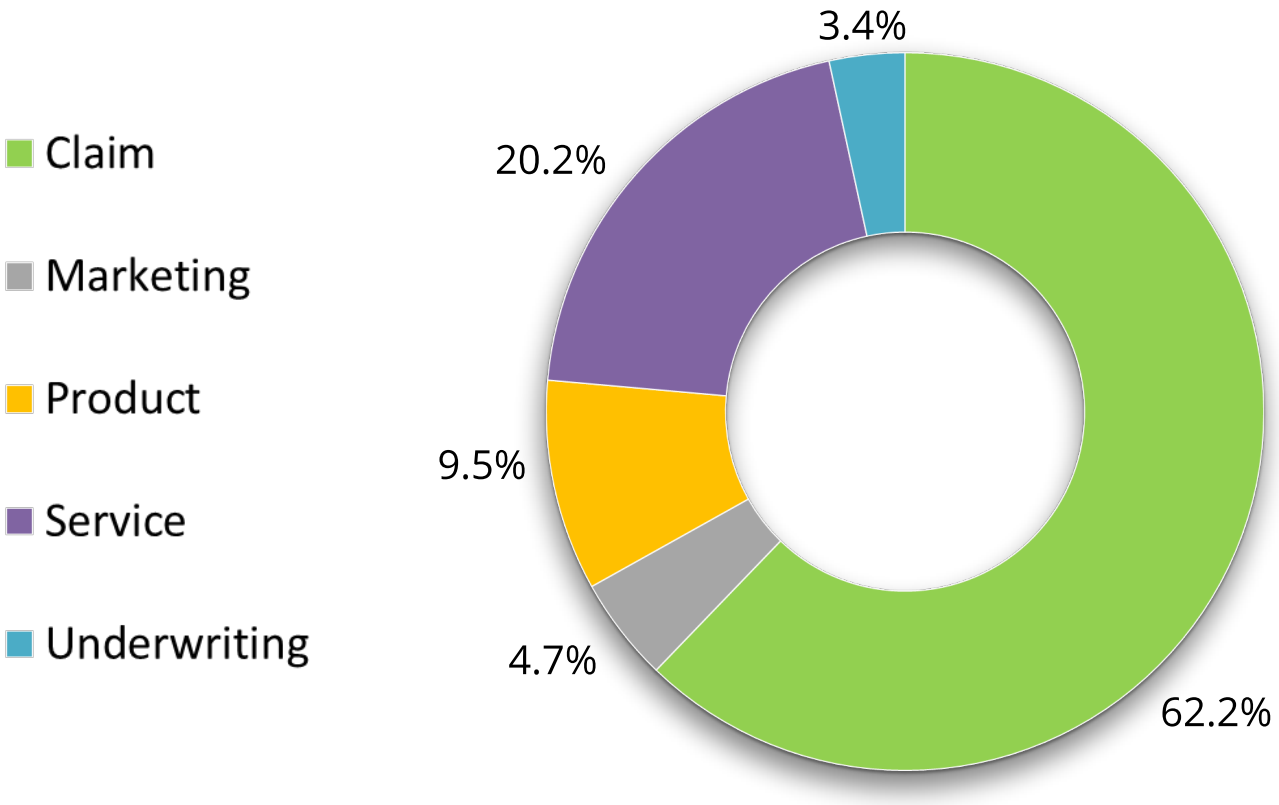
Distribution of complaints among Group, Individual and Creditor categories is similar to previous years.

Complaints by Referral Source show that our highest source of referrals is now the OLHI/OAP website (25%). This is consistent with our strategy, as noted above. Referrals from insurance companies have also increased to 23.7% from 21.7% last year, showing continuous support from our member companies while referrals from other sources have decreased from 31.9% to 24.5%.

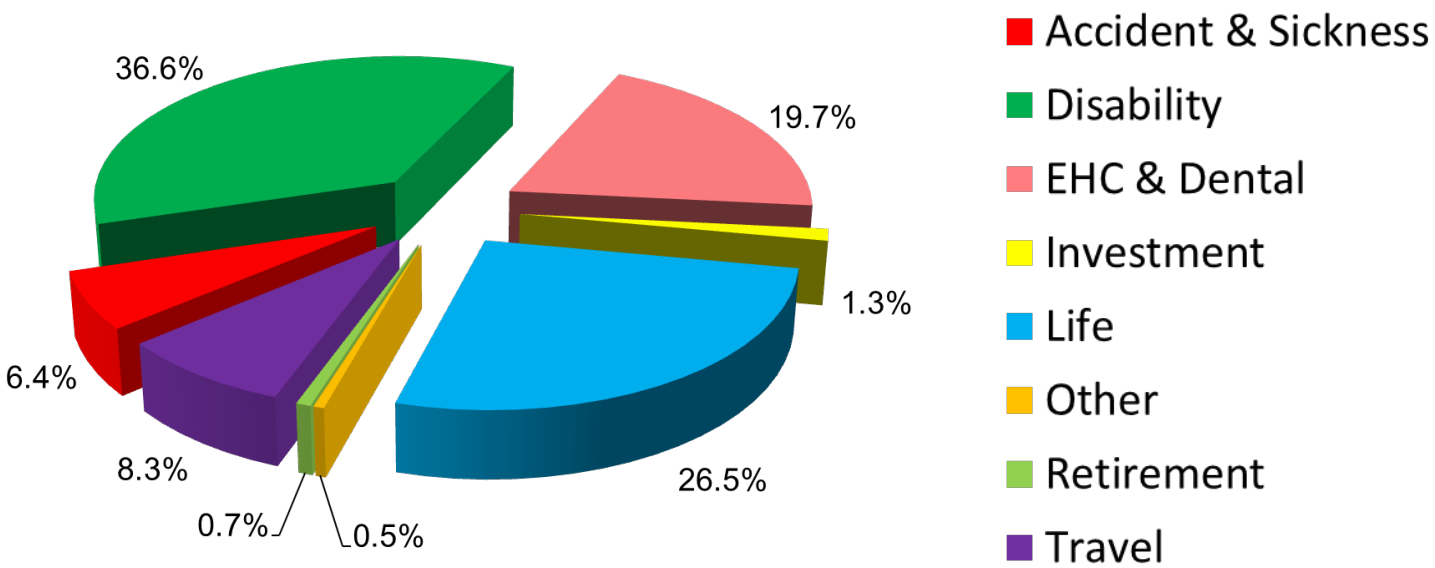
# Complaints by Region



# Complaints by Function




# Complaints by Product



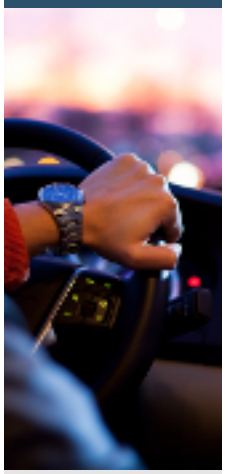
# Case Study 2
# One accident, two claims

## Summary

Ms. M.'s car was hit in a T-bone motor vehicle accident. Ms. M had two disability coverages and filed the claims. The short term disability benefits under her auto insurance policy were approved and paid.

However, in order to qualify for group long term disability benefits at her place of work, Ms. M had to be "totally disabled" during and at the end of the elimination period. "Total disability" was defined as the inability to perform the material and substantial duties of her "own occupation". The insurer determined that she did not meet the criteria and denied her LTD claim.

Ms. M submitted her complaint to OLHI after obtaining the final position letter from the insurer. Our Complaints Analyst reviewed all records provided by the parties. The case was escalated to an OmbudService Officer (OSO) as it appeared that not all limitations and conditions Ms. M experienced were considered during the claim assessment.



## Findings

- The policy required that total disability exist during and at the end of the elimination period, in order to be eligible for benefits
- The elimination period was for four months and began as of the date of the accident
- The medical evidence applicable as of the end of the elimination period was limited in scope:
    - The medical reports from a specialist's office indicated partial recovery two months after the accident, and the family doctor's notes from the same period reflected that the consumer had no pain or discomfort
    - Further medical testing performed at the end of the fourth month revealed normal results. No correlation between the accident and symptoms was found
    - The underlying condition or specific diagnosis for Ms. M's reported symptoms remained unconfirmed
- However, Ms. M experienced worsening pain and psychological symptoms for some time after the elimination period, and she did not return to work per her doctor's advice for two years after the accident

## Conclusions

- The medical information provided did not support that Ms. M was unable to perform the duties of her "own occupation", as required as of the end of the elimination period
- The subsequent deterioration of the consumer's overall symptoms following the elimination period was reviewed and recognized by the insurer and by OLHI. However, the policy required the consumer to be totally disabled during, and at the end of, the elimination period, which was not supported by the totality of the medical information as of that time

## Result

Oadvised Ms. M that there was no basis to support her complaint as the medical evidence received did not support the contractual criteria under the policy. The insurer was advised that there were insufficient grounds to allow negotiation between the parties.

# Investigations Statistics

OLHI opened 21 new investigations and closed 17 investigations this fiscal year.

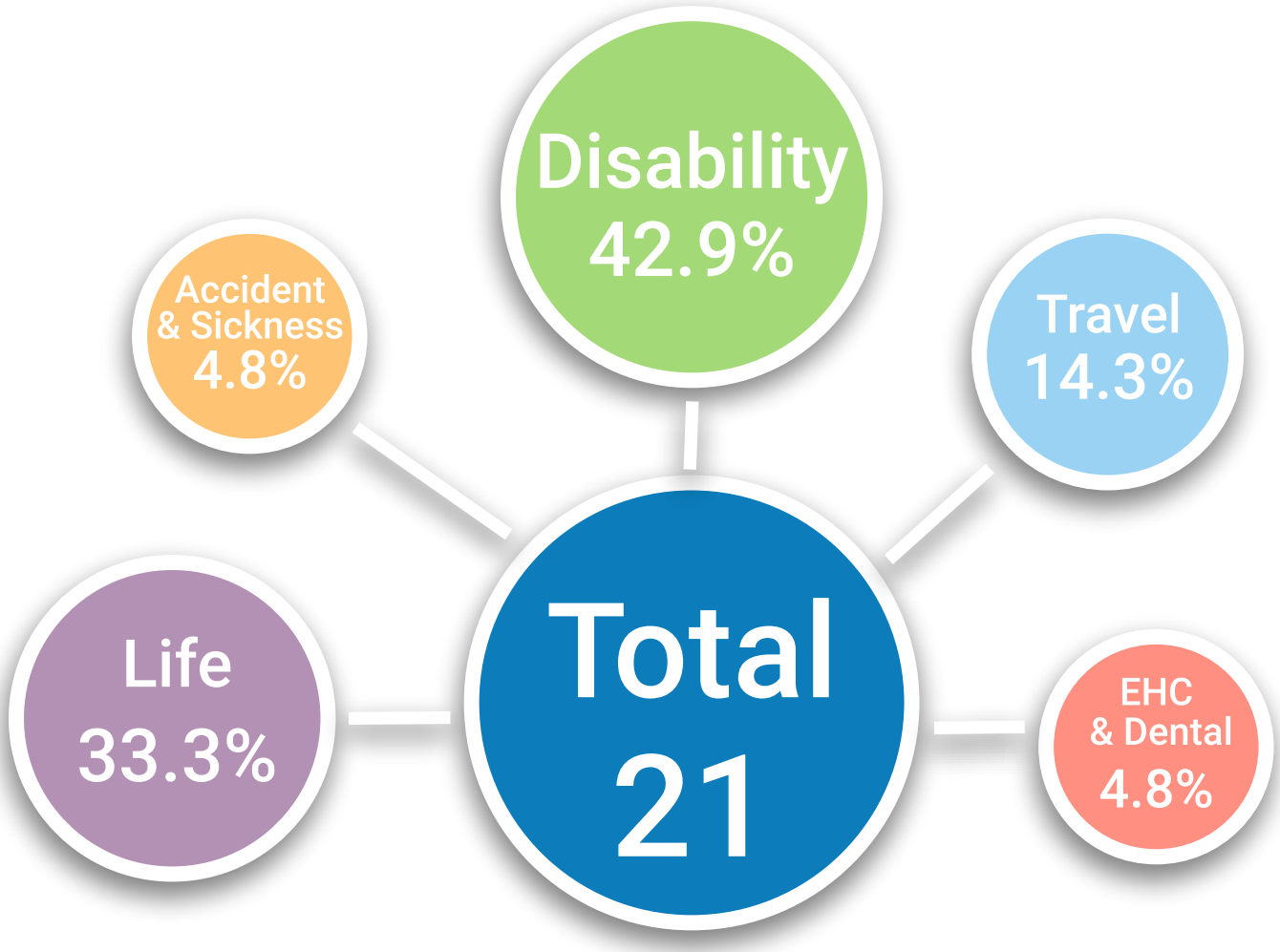
By Company Product, of the 21 new cases, Disability remains the highest product volume at nine cases, followed by Life with seven cases, three investigations in EHC & Dental and one each for Accident & Sickness and Travel.

By Company Function, the largest increase is with the Service function which has increased to 23.8% from 3.8% in 2018 fiscal year. Claims remain the highest at 66.7%.

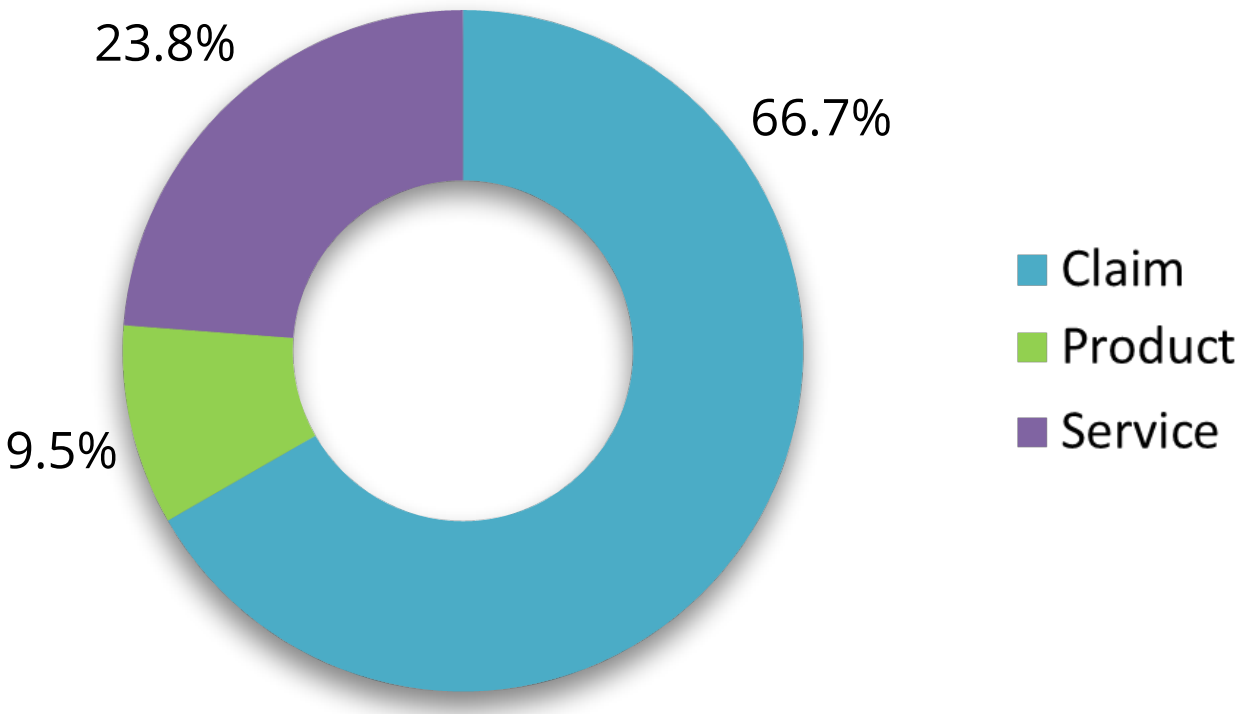
Of the 17 closed investigations:

- Four were found to have no merit
- One complaint was withdrawn
- Settlement recommendations were made by OmbudService Officers (OSOs) in 10 cases, and were followed by the insurers in eight cases, resulting in a settlement ratio of 80%
- Two investigations were escalated to the Senior Adjudicative Officer (SAO) and resulted in the SAO confirming the OSO's recommendations for settlement. The recommendations were accepted by the insurers in both cases.

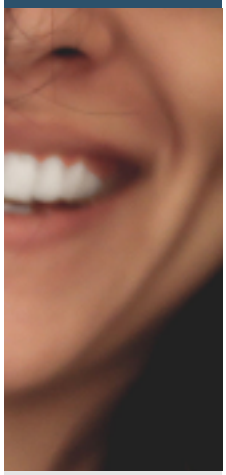
## Investigations by Product




## Investigations by Function



# Case Study 3
## Drilling down on the crown



### Summary

Mr. S became covered for group dental benefits with a new employer and a new insurer.

He submitted a claim for the placement of a dental crown and the associated laboratory and other costs for a total of around $1,700.

The tooth in question had been extracted prior to coverage with the new employer, and the insurer accordingly declined the claim because the process had started before the dental coverage came into effect.

The insured had unsuccessfully offered to "split the bill" with the insurer, and then came to OLHI for assistance.

### Findings

A claims analyst (CA) reviewed the file, and identified

- The essential facts as to the date of the prior extraction,
- The scope of the predetermination and the insurer's reason for denying the claim,
- That the policy did not have the same criteria for coverage as between crowns and dental appliances

The file was accordingly referred to an OmbudService Officer (OSO) for further investigation.

### Conclusions:

The OSO reviewed the findings of the CA and confirmed the following:

- That there was indeed a weakness in the policy wording
- That there was no coverage for the placement of crowns as part of the insurance with his former employer
- OSO wrote to the insurer, drawing to its attention its responsibility for unambiguous policy language

### Result:

While maintaining that the claim was not eligible for payment, in the interest of good customer relations, the insurer agreed to allow on a one-time exception basis the policy schedule 50 per cent of the standard cost of a crown, which the consumer accepted.

# Web Statistics

OLHI saw a total of 107,164 visitors this year, with a little over 90,000 being new. The increase in new online visitors is a continuous trend since the implementation of our website in 2009.

As in previous fiscal years, the fourth quarter registered the highest volume of visits, this year's being at 30,725.

Compared to last year's data, there is a small decrease in the most visited pages on our website with the exception of the page Search for Lost Policy of Deceased, which has increased by 2.8%.

The Find Insurance page remains the most commonly viewed at 63,229.

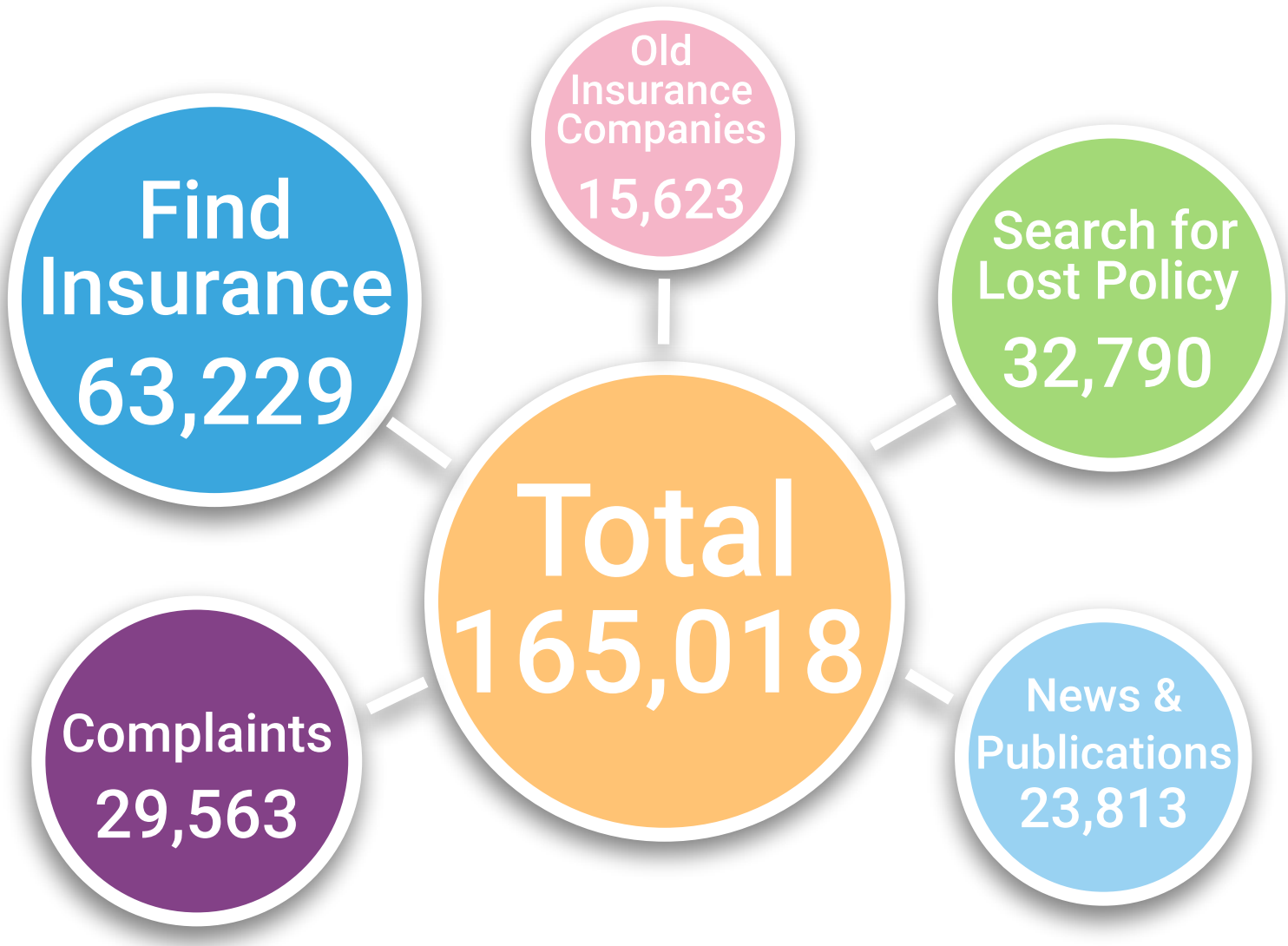
OLHI's website is an important resource for people seeking solutions to their problems:

- The online Complaint tool allows for submitting complaints quickly and easily
- The Old Insurance Policy tool helps find which company now holds decades-old insurance policies
- The Search for Lost Policy of a Deceased tool allows consumers to look for lost or unknown policies of those who have passed away
- Our most popular Find Insurance tool helps find companies that sell the products and services consumers need

All these solutions are unique to OLHI and can't be found elsewhere in Canada.

# Web Statistics

## Most Common Pages Viewed



# Policy Searches

Currently, OLHI is the only organization that offers Policy Search of a Deceased free of charge for consumers in Canada. Once received, the request is carefully reviewed in order to determine if required criteria are met prior to contacting our member companies.

Once the request is approved, OLHI contacts each insurer, who will in turn conduct a search. Every request necessitates generous amounts of time and resources, therefore there must exist a reasonable belief that a policy was contracted.

OLHI has also created a list of recommendations on what steps consumers should take to search for a policy of a deceased, available 24/7 on our website.

This fiscal year we received 1,481 requests, representing an increase of 402 compared to last year. The number of successful searches is also larger when compared to last year's data, with 51 successful searches.

# Case Study 4
# Terminal VS Critical

## Summary

Mr. V had a term life insurance policy to cover his mortgage. He had a heart attack resulting in open heart surgery, as well as other invasive procedures which had a significant impact on his quality of life. Upon his return home from the hospital, Mr. V called the insurer's customer service to ask if he had any eligible benefits through his policy. He was advised that his policy had no benefits for his situation. A month later, Mr. V. discovered he had a terminal illness benefit in his policy, and filed a claim. The insurer denied it because Mr. V's condition was not considered terminal under the policy.

Upon receipt of the final position letter, OLHI's Complaints Analyst (CA) contacted the consumer. Mr. V explained that the emergency room physician indicated that he would not survive a few days unless an emergency open heart surgery was performed. The consumer believed that his situation was critical and qualified as a terminal illness at the time of hospitalization. The CA proceeded with the complaint review.

## Findings

- The consumer has no critical illness benefit in his policy
- The policy pays a terminal benefit only in the event that the insured is diagnosed with an illness that will cause his death within one year from the date of diagnosis
- Upon admission to the hospital, doctors had to perform emergency open-heart surgery on Mr. V
- Mr. V recovered well after the surgery and was discharged in stable condition. There were no indications that his life was at risk any longer
- A follow up note done 18 months later noted that Mr. V was doing relatively well post-surgery, and that the next appointment was booked with a cardiologist for a year later

## Conclusions

- The terminal illness benefit only considers the projected lifespan following a diagnosis in this policy, and not the severity of the symptoms and effects of the condition
- The consumer had a heart attack that was resolved by immediate medical intervention and hospitalization
- Follow up visits with cardiology demonstrated stable and progressive recovery for a period of at least 18 months
- Despite the interventions, the doctors did not indicate any prognosis during Mr. V's treatment that would suggest a lifespan of less than one year from the date he experienced the heart attack

## Result

OLHI acknowledged that Mr. V's condition was serious and likely had significant impact on his life; however, that it did not respond to the definition of a terminal illness under the policy. Both parties were informed that there was no basis for negotiation, and the case was closed.

# 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 July 31, 2019.

Acadia Life
Actra Fraternal Benefit Society
Aetna Life Insurance Company
Alberta Blue Cross
Allianz Care
Allianz Life Insurance Company of North America
American-Health and Life Insurance Company (AHLIC)
American Bankers Insurance Company of Florida
American Bankers Life Assurance Company of Florida
Assumption Life
Assurant Solutions
Assuris
BMO Life Assurance Company
BMO Life Insurance Company
Brookfield Annuity Company
Canadian Premier Life Insurance Company
CANADA Life (Great West, London Life, Canada Life)
Canassurance Insurance Company
Chubb Life Insurance Company of Canada
CIBC Life Insurance Company Limited
CIGNA Life Insurance Company of Canada
Combined Insurance Company of America
Co-operators Life Insurance Company
CUMIS Life Insurance Company
Desjardins Financial Security Life Assurance Company
Faith Life Financial
First Canadian Insurance Corporation
Foresters Financial
Foresters Life Insurance Company
Gerber Life Insurance Company
Green Shield Canada
Group Medical Services
Humania Assurance Inc.
Industrial Alliance Insurance and Financial Services Inc.
Ivari
Knights of Columbus
La Capitale Civil Service Insurance Inc.
La Capitale FInancial Security Insurance Company
Liberty Life Assurance Company of Boston
Manitoba Blue Cross
Manulife Canada Ltd
Medavie Blue Cross
National Bank Life Insurance Company
New York Life Insurance Company
Old Republic Insurance Company of Canada
Pacific Blue Cross
Pavonia Life Insurance Company of Michigan
Primerica Life Insurance Company of Canada
RBC Life Insurance Company
Reliable Life Insurance Company
Saskatchewan Blue Cross
Scotia Life Insurance Company
SSQ Financial Group
Sun Life Financial
TD Life Insurance Company
Teachers Life Insurance Society (Fraternal)
The Empire Life Insurance Company
The Equitable Life Insurance Company of Canada
The Union Life, A Mutual Assurance Company / UL Mutual
The Wawanesa Life Insurance Company
Transglobal Insurance Company
Western Life Assurance Company
Zurich Life

# Board Members

## Chair:

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

## Independent Directors:

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

Lea Algar [2]
Former Ontario Insurance Ombudsman

Geoff Plant
Former Attorney General in British Columbia and past Chair of the Canada West Foundation

Louise Shiller
Former Director and Senior Advisor, Rights and Responsibilities, Concordia University

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

## Industry Directors:

Claude Garcia [2]
Corporate Director; former President, Standard Life Assurance Company

Dr. Dieter Kays [1,3]
Former President and Chief Executive Officer, FaithLife Financial

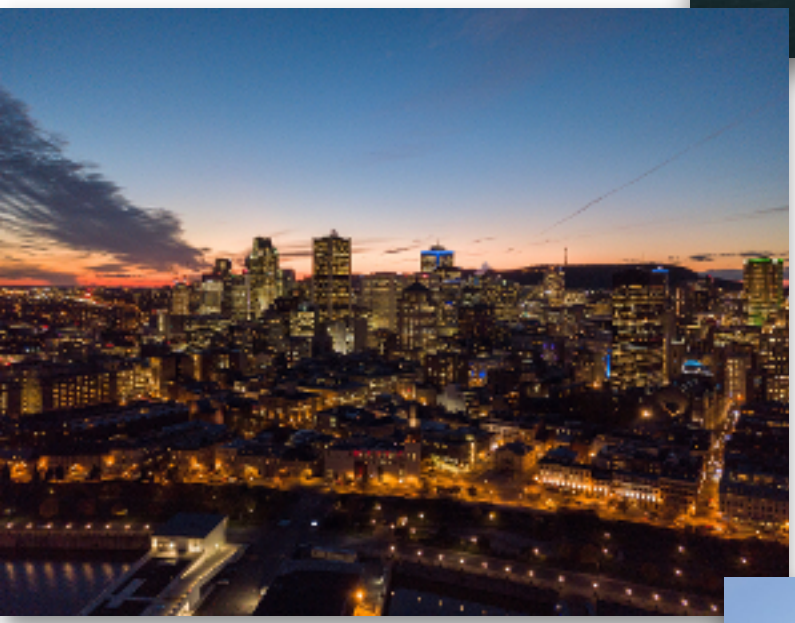
Frank Swedlove [1]
President of Swedlove Consulting Inc. former President and CEO, Canadian Life and Health Insurance Association (CLHIA)

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

# Our Offices

## Toronto

OmbudService for Life & Health Insurance
401 Bay Street, PO Box 7, Suite 1507
Toronto, Ontario
M5H 2Y4



## Montreal

Ombudsman des assurances de personnes
2001 Robert-Bourassa Boulevard, Suite 1700
Montreal, Quebec
H3A 2A6

## Edmonton

OmbudService for Life & Health Insurance
10665 Jasper Ave, Suite 1400
Edmonton, Alberta
T5J 3S9

OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

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FINANCIAL STATEMENTS

# CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE

(OPERATING AS OMBUDSERVICE FOR LIFE & HEALTH INSURANCE)

Year ended March 31, 2019

Independent auditors' report prepared by KPMG LLP

KPMG

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

# INDEPENDENT AUDITORS' REPORT

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

## *Opinion*

We have audited the financial statements of the Canadian Life and Health Insurance OmbudService (operating as OmbudService for Life and Health Insurance) (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## *Auditors' Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 13, 2019

## CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE
Statement of Financial Position

March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents (note 2) | $ 658,430 | $ 440,877 |
| Prepaid expenses and deposits | 28,900 | 27,913 |
| Accounts receivable | 50,256 | 17,870 |
| | 737,586 | 486,660 |
| Capital assets (note 3) | 18,724 | 29,331 |
| Intangible assets (note 3) | 61,341 | 76,395 |
| | $ 817,651 | $ 592,386 |
| **Liabilities and Fund Balance** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 128,230 | $ 110,525 |
| Current portion of deferred lease inducement | 7,789 | 8,498 |
| | 136,019 | 119,023 |
| Deferred lease inducement | – | 7,789 |
| | 136,019 | 126,812 |
| Fund balance: | | |
| Operating fund: | | |
| Invested in capital assets and intangible assets | 80,065 | 105,726 |
| Unrestricted | 601,567 | 359,848 |
| | 681,632 | 465,574 |
| Commitments (note 5) | | |
| | $ 817,651 | $ 592,386 |

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

## CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE
### Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Revenue: | | |
| General assessment fees | $ 2,191,002 | $ 2,127,534 |
| Investment income | 2,124 | 941 |
| | 2,193,126 | 2,128,475 |
| Expenses: | | |
| Staff and adjudicative services | 1,171,925 | 1,182,624 |
| Professional fees | 164,720 | 227,873 |
| Board of Directors' fees | 156,286 | 170,006 |
| Rent | 97,936 | 90,809 |
| Board meetings and travel | 90,528 | 70,754 |
| Management fees (note 4) | 87,575 | 87,575 |
| Information technology | 62,934 | 63,227 |
| Staff meetings and travel | 41,695 | 63,943 |
| Supplies and services | 22,853 | 25,960 |
| Telecommunications | 22,087 | 16,831 |
| Amortization of capital assets and intangible assets | 21,656 | 23,897 |
| Insurance | 13,136 | 12,377 |
| Training and development | 12,856 | 15,675 |
| Facilities fees - Toronto | 6,277 | 6,284 |
| Translation | 4,604 | 3,882 |
| | 1,977,068 | 2,061,717 |
| Surplus of revenue over expenses | $ 216,058 | $ 66,758 |

See accompanying notes to financial statements.

## CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE
## Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Invested in capital assets and intangible assets | Unrestricted operating fund | Total | Invested in capital assets and intangible assets | Unrestricted operating fund | Total |
| Net assets, beginning of year | $ 105,726 | $ 359,848 | $ 465,574 | $ 132,104 | $ 266,712 | $ 398,816 |
| Surplus (deficiency) of revenue over expenses | (21,656) | 237,714 | 216,058 | (23,897) | 90,655 | 66,758 |
| Net change in investment in capital assets and intangible assets | (4,005) | 4,005 | – | (2,481) | 2,481 | – |
| Net assets, end of year | $ 80,065 | $ 601,567 | $ 681,632 | $ 105,726 | $ 359,848 | $ 465,574 |

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Surplus of revenue over expenses | $ 216,058 | $ 66,758 |
| Items not affecting cash: | | |
| Amortization of capital assets and intangible assets | 21,656 | 23,897 |
| Amortization of lease inducement | (4,493) | (4,493) |
| Change in non-cash operating working capital: | | |
| Prepaid expenses and deposits | (987) | (9,546) |
| Accounts receivable | (32,386) | (17,870) |
| Accounts payable and accrued liabilities | 17,705 | (20,188) |
| | 217,553 | 38,558 |
| Investing activities: | | |
| Additions to capital assets and intangible assets | – | (1,524) |
| Increase in cash and cash equivalents | 217,553 | 37,034 |
| Cash and cash equivalents, beginning of year | 440,877 | 403,843 |
| Cash and cash equivalents, end of year | $ 658,430 | $ 440,877 |

See accompanying notes to financial statements.

# CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE
## Notes to Financial Statements

Year ended March 31, 2019

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:**

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(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 general assessment 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 intangible assets:

Capital assets and intangible assets are carried 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 |
| Intangible assets | Straight line | 7 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.

(g) Cash and cash equivalents:

Cash and cash equivalents are comprised of deposits in banks and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Income taxes:

CLHIO is exempt from income taxes provided certain requirements of the Act continue to be met. As a result, no provision for income taxes is required in these financial statements.

## 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 as at March 31:

| 2019 | Fair value | Carrying value |
|---|---|---|
| Cash | $ 324,668 | $ 324,668 |
| Short-term investments: | | |
| High interest savings accounts | 33,717 | 33,717 |
| GIC 30 day cashable | 300,045 | 300,045 |
| | $ 658,430 | $ 658,430 |

| 2018 | Fair value | Carrying value |
|---|---|---|
| Cash | $ 109,230 | $ 109,230 |
| Short-term investments: | | |
| High interest savings accounts | 31,647 | 31,647 |
| GIC 30 day cashable | 300,000 | 300,000 |
| | $ 440,877 | $ 440,877 |

The short-term investments are held in high-interest savings accounts and GICs in the aggregate amount of $333,762 (2018 - $331,647) with effective interest rates of 0.75% to 0.80% (2018 - 0.85% to 1.00%). Interest is receivable monthly on the savings accounts, and annually on the GICs.

## 3. Capital assets and intangible assets:

| 2019 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Office furniture | $ 24,158 | $ 14,250 | $ 9,908 |
| Office equipment | 8,277 | 6,101 | 2,176 |
| Computer equipment | 1,524 | 571 | 953 |
| Leasehold improvements | 64,186 | 58,499 | 5,687 |
| | 98,145 | 79,421 | 18,724 |
| Software | 105,383 | 44,042 | 61,341 |
| | $ 203,528 | $ 123,463 | $ 80,065 |

**3. Capital assets and intangible assets (continued):**

| 2018 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Office furniture | $ 24,158 | $ 11,773 | $ 12,385 |
| Office equipment | 8,277 | 5,557 | 2,720 |
| Computer equipment | 8,595 | 6,378 | 2,217 |
| Leasehold improvements | 64,186 | 52,177 | 12,009 |
| | 105,216 | 75,885 | 29,331 |
| Software | 105,383 | 28,988 | 76,395 |
| | $ 210,599 | $ 104,873 | $ 105,726 |

During the year, CLHIO wrote off $7,071 (2018 - $6,783) of fully amortized computer equipment.

**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 $87,575 (2018 - $87,575), including the applicable taxes.

**5. Commitments:**

(a) Lease and other commitments:

CLHIO rents office premises in Toronto, Montreal and Edmonton, along with other commitments made under the normal course of operations. Future minimum payments under existing leases and other agreements is as follows:

| | |
|---|---|
| 2020 | $ 51,000 |

**5. Commitments (continued):**

(b) Bank guarantees:

CLHIO has 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, 2019, 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. CLHIO manages each of these risks, 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, 2019 comprises cash and cash equivalents and accounts receivable totaling $708,686 (2018 - $458,747).

(b) Interest rate risk:

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

**7. Contingencies:**

CLHIO has been named as the defendant in two litigation matters related to a former employee, one alleging constructive dismissal and one claiming disability benefits. Based on information presently known, it is not possible to estimate the outcome of these proceedings at this time.