Building on our Strengths

Annual Report 2018

OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

OLHI • OAP

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**

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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. Most phone calls are answered immediately – and voice mail, fax, or web messages are answered promptly.

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 or an inquiry is accurate, complete and up-to-date so that we can best help resolve a complaint or answer any inquiries.

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. This means OLHI is not an advocate for either the consumer or the insurance company. 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.

2018 Highlights

Highest number of contacts in OLHI's history, **18 % increase**

Complaints volume is very consistent with last year's

Quebec complaints **still exceed 50%**, Ontario is still the second highest

Web visits **up by almost 19%**

Complaints

2,636

Total Contacts

103,402

Web Visits

100,766

Message from the Chair

It has been a year of renewal, building and strengthening our relationships and enhancing the way we do business.

Our Third Independent Review conducted by the Honourable Robert Wells, Q.C. is a testament to the progress we have made not only for this fiscal year but over the last five years. The last Review, also conducted by Justice Wells, in 2011 was a thorough review of OLHI's operations that resulted in several recommendations to enhance the services we provide. The Third Independent Review is more of a review of the implementation of the recommendations of the Second Review. As will be apparent when the review is released this fall, the results are very positive and it specifically commends the board for its governance practices.

In the last two years board governance practices have been updated and improved and board renewal has resulted in the recruitment of two new board members. Long serving board members Yves Rabeau and Bruce Cran retired and we want to thank them for their service. After a thorough recruitment process, two new independent directors were chosen and their names will be submitted to the Annual General Meeting for election. Geoff Plant is a former British Columbia Attorney General, who has also served as Chair of the Canada West Foundation. His profile and experience in

"we are very pleased with our progress and continue to work with our stakeholders to provide effective and timely services"

Message from the Chair (cont'd...)

Western Canada will be major assets in our plan to expand into the region. Louise. Shiller is from Montreal and she served as Senior Advisor, Rights and Responsibilities at Concordia University. She will bring to the board extensive experience in Alternative Dispute Resolution and mediation.

Our reach has grown over the years with offices in Toronto, Montreal and Edmonton. We continue to build upon this by making our expansion and outreach initiatives a top priority for the coming year. To date, our services are available to thousands of Canadians annually and our membership extends to 99% of Canadian Life and Health Insurers. We have established a presence in Edmonton in order to build strategic relationships with important provincial and regional partners. To further strengthen our presence in the Western Region, we have updated our Communication Plan for 2018-2019 to focus on ensuring that more consumers are aware of our services.

While there is still much work to be done, we are very pleased with our progress and continue to work with our stakeholders to provide effective and timely services to our customers.

I want to thank the Board of Directors and our staff for their hard work and commitment to helping consumers. I also want to thank our member companies for their support and cooperation, which is essential to our success.

Janice MacKinnon

Dr. Janice MacKinnon

Chair, OLHI

Message from the Acting Executive Director

"At OLHI we hold ourselves to very high standards in the way we resolve disputes"

As I consider OLHI's evolution over the past year, there is much to be proud of. This annual report describes our accomplishments as set out in our 2016 – 2021 Strategic Plan for this fiscal year and other activities we undertook during the year.

This year brought us many achievements including improvements made as an organization in the way we do business. We have strengthened our capabilities in our core business by further enhancing and solidifying our complaints review and escalation processes as well as increased the expertise of our staff in all areas, especially in the Insurance Industry and Alternative Dispute Resolution.

Among our achievements this year, was the completion of our Third Independent Review, conducted by the Honorable Robert Wells, Q.C. We look forward to sharing the results of his assessment in the fall of 2018.

Additionally, we are now equipped with the experience and knowledge of our new Case Management and Reporting System (CMRS) that is now fully implemented. This will enable us to start extracting and utilize data to assess and further improve our processes.

At OLHI we hold ourselves to very high standards in the way we resolve disputes and as a result, we are called upon as a thought leader on many occasions to address stakeholders at various forums. Over the year we have attended events such as the Canadian Life and Health Insurance Association (CLHIA) CCO conferences, various CLHIA working groups, Consumer

Message from the AED (cont'd...)

Groups like the Union des Consommateurs in Quebec, among others.

We continue to work with stakeholders and oversight bodies to strengthen our relationship. In agreement with the CLHIA, we have adjusted our membership offering to accommodate smaller insurance companies. This not only makes our services affordable to this category of insurers, but it also furthers our goal of expanding our reach and serving more Canadians. Our Western Expansion project being part of that goal is at the forefront of our agenda for the 2018 - 2019 fiscal year.

The level of interest in our services continues to grow. For the fiscal year 2017-2018, we saw a significant increase in web traffic with over 16,000 new visitors to our website. This has led to an increase in the overall contact made to OLHI by 15,974. While the number of complaints for this year has only increased by 4, we were successful in closing 38 investigations. We have also been increasing awareness of OLHI by taking advantage of the increased media coverage on OLHI's complaints process and online information tools that are being referenced in various articles and stories.

As we embark into the 2018 - 2019 fiscal year, we are mindful of the work that is yet to be done to enhance our reputation as a reliable, impartial and independent dispute resolution body. This remains our key focus, along with the need to be fiscally and socially responsible. I would like to thank the Chair, Board of Directors, Stakeholders and employees for their immense support over the year and I look forward to a productive year ahead.

Brigitte Kent
Acting Executive Director, OLHI

Complaint Handling Process

1 Consumer Contact

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

2 Review by Dispute Resolution Officer

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

3 Review by Ombudservice Officer

- If grounds to conciliate are present, OmbudService Officer (OSO) discusses complaint with parties and obtains any additional information
- OSO seeks voluntary resolution of complaint through conciliation

4 Review by Senior Adjucative 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

Incapacity to work

"Disabling stress is a sickness ... the source of the stress is in fact irrelevant, as long as it is totally disabling."

Case Study 1

Incapacity to work

Following a succession of close family bereavements, Mrs. N was diagnosed by her family physician with “situational stress”. In her opinion, as well as her physician's, she was unable to continue to work as her job provided care for other people. As a result, Mrs. N submitted a claim for short term disability. Although it was acknowledged by Mrs. N’s Insurance Company that she was suffering from bereavement with symptoms and impairment similar to those that arise from a diagnosed psychiatric disorder, her claim was denied. Two review panels from the Insurance Company reviewed Mrs. N’s claim and both came to the decision that her claim would be denied. The Insurance Company was of the opinion that there was insufficient medical evidence to support that the diagnostic criteria for a medical illness had been met.

Following the denial of her claim by her Insurance Company, Mrs. N filed a complaint with OLHI requesting a free, independent review of her case.

After a complete and thorough review of the information submitted by Mrs. N and the insurance company, the Dispute Resolution Officer (DRO) at OLHI recommended the case be escalated to the second level in their review process and be further assessed by one of OLHI’s OmbudService Officers (OSO).

The OSO’s review determined that the policy required that the claimant be unable to work as a result of a sickness. Mrs. N’s physician had certified stress to the point where she was not able to work. Further more, she was a liability to herself, her co-workers and patients. Disabling stress is a sickness. The sickness arose from the stress, while the bereavement(s) was/were evidently the trigger, the source of the stress is in fact irrelevant, as long as it is totally disabling. The review showed that the claim assessment did not take into account the effect that the timing and nature of the claimant’s personal bereavement history had on her ability to carry out her work duties. OLHI’s OSO therefore recommended that the insurance company reconsider its position. The insurer accepted OLHI’s resolution and sent Mrs. N the settlement for her disability claim soon after.

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

Complaints Statistics

Canadians from across the country contact OLHI to impartially review their life and health insurance complaints. Most of these complaints however come from consumers who have not yet started or finished their insurance company's own review process. OLHI offers guidance to consumers on how to present a complaint to a company. After we guide them, consumers are better able to reach a resolution with their insurance company.

Once consumers receive a final position letter from their insurance company, OLHI may review the complaint in depth, requesting information from the consumer and the insurance company.

Although there is a slight variation, the number of complaints received this year is fairly consistent with last year's. We received a total of 2,636 complaints this year. Quebec complaints still exceed 50% of the total complaints received and Ontario is still the 2nd highest at 28.3%. Complaints volume in the rest of Canada is consistent with last year.

Insurance companies now represent our highest source for referrals at 21.7 %. Although the internet is now our second highest referral source, it still represents a significant source for consumers with OLHI website at 17.6 % and other websites at 7.3% for a combined 24.9%.

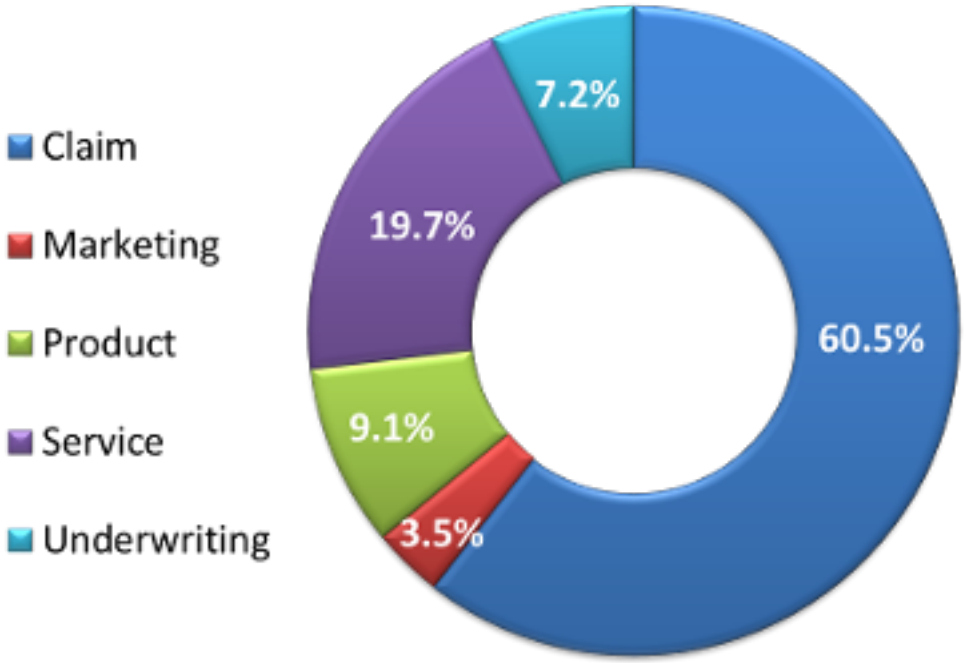
The distribution of complaints among Group, Individual and Creditor is similar to previous years.

By Function, Claims consistently account for the highest proportion of complaints year over year, with a total of 60.6% this year.

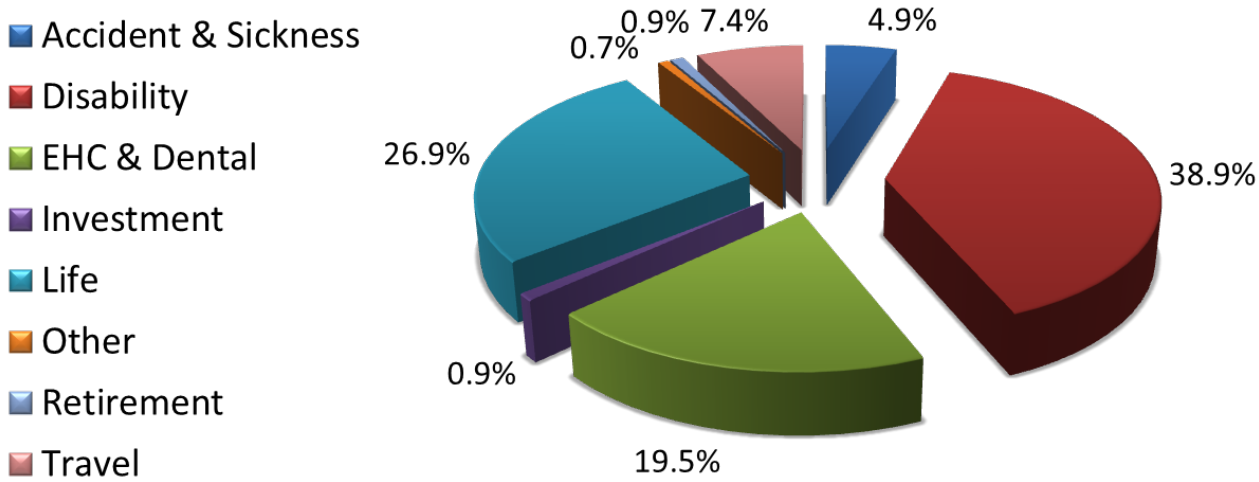
Disability, Life and EHC & Dental still topped our product categories list making up 85.3% of all complaints, with disability being the highest at 38.9%.

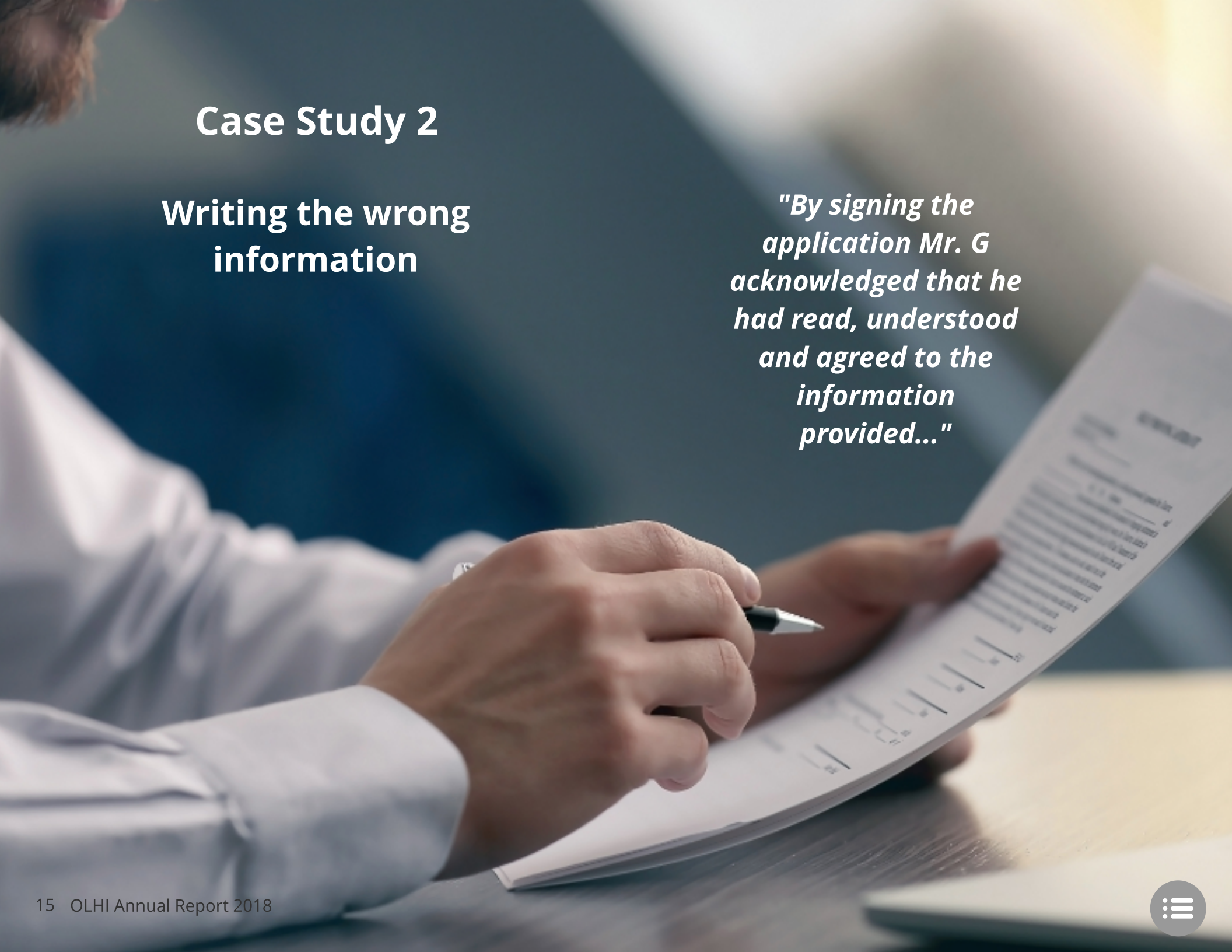
Complaints by Region

Complaints by Function



Complaints by Product





Case Study 2

Writing the wrong information

"By signing the application Mr. G acknowledged that he had read, understood and agreed to the information provided..."

Case Study 2

Writing the wrong information

Mr. G purchased Creditor Insurance on his mortgage loan. He completed and signed an Application for Disability Insurance at that time. Six months later, his doctor recommended a medical leave of absence since Mr. G was diagnosed with cardiovascular issues and works in a high risk job. Following that, Mr. G submitted a disability claim.

The insurance company requested medical records for the past year before making a decision. It was noted that Mr. G was previously diagnosed with a medical condition that he didn't declare in his insurance application at the time of the purchase. The file was submitted to underwriting for review, which recommended the disability insurance coverage to be invalidated on the grounds of misrepresentation.

Mr. G contacted OLHI asking for a free, independent review of his case. OLHI asked both parties to submit all their information relating to this case. A health questionnaire was part of the application and Mr. G answered "No" to every question. When an applicant responds "No" to the Health Questions, the application is automatically approved. However, the insurer reserves the right to review the answers provided on the health questionnaire in the event of a claim. By signing the application Mr. G acknowledged that he had read, understood and agreed to the information provided in the Application. The insurer voided the disability insurance coverage and reimbursed the premiums. The review of total disability was not pursued.

There appeared to have been a misunderstanding of the health questions. Mr. G was under the impression that since he did not receive medical treatment or consult for a disease he was right to respond "No" to the questions. It is clearly documented that Mr. G consulted his doctor, received advice and follow-up on a specific issue that was included in the health questionnaire. Moreover the consultations and investigations were within the 24 month investigation period.

Based on the review, the insurer had taken a reasonable position in voiding Mr. G's disability insurance coverage, declining his disability claim and refunding his premiums. OLHI proceeded to the closure of the file and informed both parties of its decision.

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Investigations Statistics

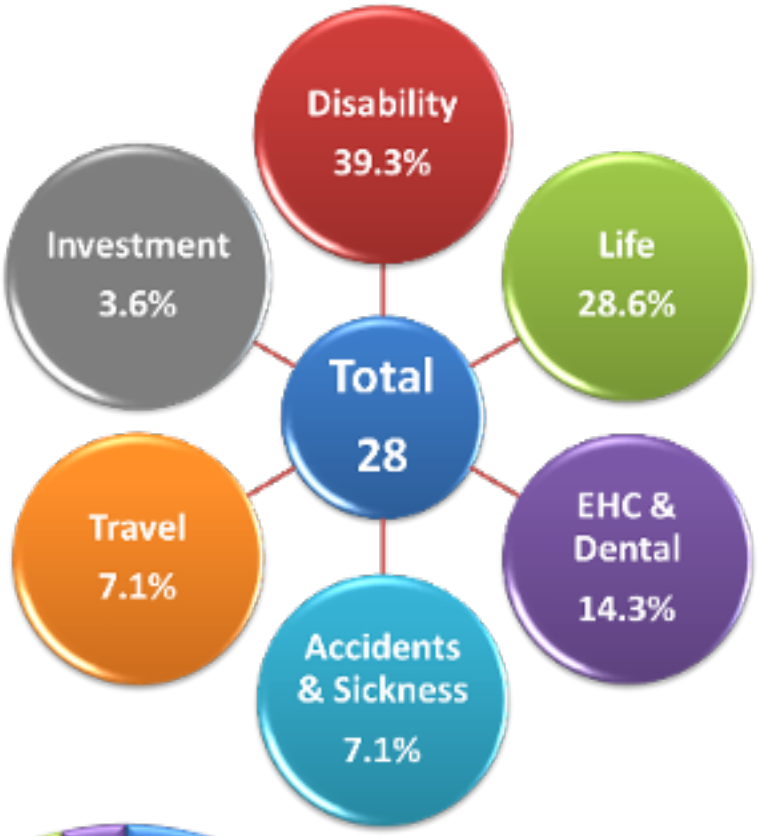
This fiscal year, OLHI opened 28 new investigations and closed 38. These numbers are fairly consistent with last year's results; 26 opened and 25 closed. Of the 28 opened cases, disability was still the highest source (11), followed by Life (8). EHC & Dental is slightly higher this year with 4 cases.

By Function, Claims remain the highest source of new investigations with 78.6% of the volume.

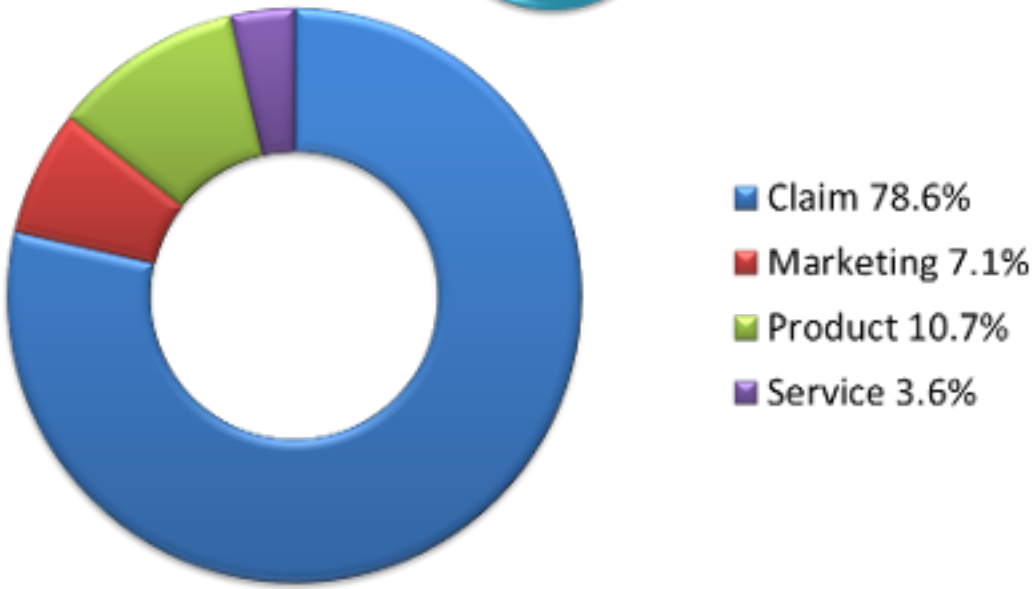
Of the 38 closed investigations, 6 were closed with No Merit as we didn't find sufficient ground to continue pursuing negotiations and 6 were withdrawn by the customer. This year, 2 disability cases were escalated to our Senior Adjucative Officer (SAO). One of which was settled in favour of the consumer while the other was closed with No Merit.

Of the 24 cases negotiated at the OmbedService Officer (OSO) level: 19 were settled and 5 maintained. This represents a settlement ratio of 79%.

Investigations by Product



Investigations by Function



Web Statistics

This fiscal year OLHI received 100,766 web visits – up 18.8% from last year with 77,560 of them being new visitors.

Since the launch of our redesigned website in February 2017, consumers are redirected online for information inquiries as well as to submit their complaints. Our website continues to improve user experience with ease of navigation and plain language. It is also an important resource for people seeking solutions to their problems.

Important features of the website include:

- The online **Complaint** tool helps people to submit complaints quickly and easily;
- The **Old insurance policy** tool helps find which company now holds decades-old insurance policies;
- The **Policy of a deceased** tool helps people submit requests to search for lost policies of those who have passed away and;
- Our most popular **Find insurance** tool helps identify which companies sell the products/services consumers want;

All these solutions unique to OLHI, are offered free of charge and can not be found elsewhere in Canada.

This indicates that our ongoing efforts to build on our reach across Canada is leading to more consumers knowing about the services OLHI offers.

OLHI's "**Find insurance**" tool remains our most visited page with 64,069 visits.

Web Statistics

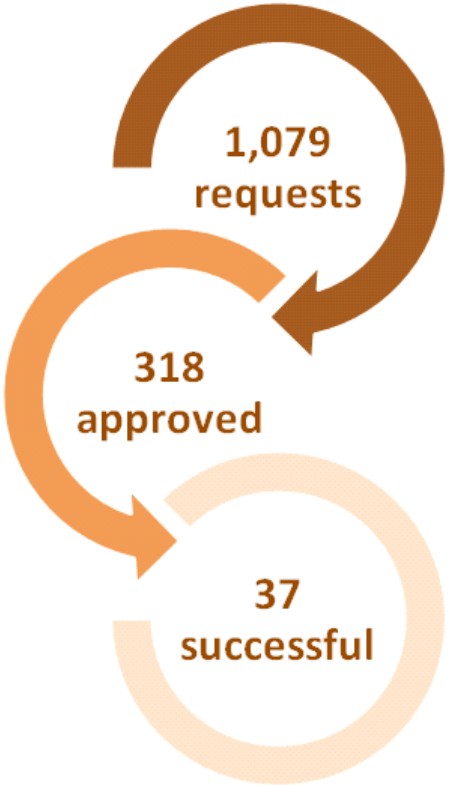
Most Common Pages Viewed

Policy Searches

One additional service that OLHI offers is our "Search for Policy of a Deceased" – unique to OLHI as the only place in Canada to offer this free of charge to consumers.

We carefully review each request to determine whether it is feasible for us to contact our member companies and request that each one, individually, conduct a search. Each search requires ample time and resources so we must have a reasonable belief that a policy exists somewhere.

This fiscal year, we received 1,079 requests. Of these, 318 were approved for a search and 37 searches were successful.



Case Study 3

A false sense of security

While on a trip to the United States, Mr. V fell sick and was hospitalized. As was indicated in Mr. V's policy and on his travel card, Mr. V called the Assistance Centre (AC), within 24 hours and prior to incurring any medical expenses. In this case, the AC had been designated by the insurance company to manage, coordinate and approve medical tests and treatments.

During Mr. V's call with the AC, he was advised that he did have coverage and that approval of tests and treatments would be made by them in coordination with the hospital. The AC also advised Mr. V that they would be providing their contact information to the hospital for billing purposes.

When Mr. V received a significant invoice for the treatments he received, he submitted it to his insurance company for payment. He was surprised when he was told that his claim had been denied.

The insurance company stated the claim was denied due to a pre-existing medical condition. The insurer's investigations revealed that Mr. V had suffered the

Case Study 3 A false sense of security

same symptoms, condition and received the same treatment some months prior.

Mr. V asked his insurance company to reconsider their decision. In his opinion, he followed the insurance company's instructions to contact the AC. Furthermore, because the AC advised him that he had coverage as well as coordinated and approved the tests he received, his claim should be paid. At no time was Mr. V advised that even if approved, some or all of the expenses may still be denied by the insurance company.

Upon receipt of his insurer's Final Position letter maintaining their decision to deny Mr. V's claim, Mr. V asked OLHI to conduct an impartial review of his complaint.

OLHI's Dispute Resolution Officer (DRO) proceeded to gather information from both parties and did a thorough review of the case. Upon consultation and with the approval of OLHI's Deputy Ombudsman, the case was escalated to the second level in our process; a review by one of OLHI's OmbudService Officers (OSO). The decision to escalate the case was based on the opinion that the consumer was given the false impression that his expenses would be covered when the AC confirmed he had coverage and gave approval for the medical tests.

Although the insurance company did follow the standard procedure and were correct in denying the claim due to a pre-existing condition, on the basis of fairness, OLHI's OSO contacted the insurance company to try and negotiate a settlement.

The basis for this was that the AC acted as the authority and consultant for giving approval to the hospital regarding test, treatments and expenses and in doing so, removed Mr. V's opportunity to contribute to the decision making process. Also, the consumer was never given any indication that they may end up having to pay the expenses. It did not seem fair to ask the consumer to pay for expenses that were coordinated and approved by the insurance company.

The Insurance Company agreed with OLHI's assessment of the case and agreed to pay for Mr. V's medical expenses.

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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, 2018.

Acadia Life

Actra Fraternal Benefit Society

Aetna Life Insurance Company

Alberta Blue Cross

Allianz Life Insurance Company of North America

American-Health and Life Insurance Company (AHLIC)

Assumption Life

Assurant Life of Canada

Assuris

BMO Life Assurance Company

BMO Life Insurance Company

Brookfield Annuity

Canadian Premier Life Insurance Company

Canassurance Insurance Company

Chubb Life Insurance Company of Canada

CIBC Life Insurance Company Limited

CIGNA Life Insurance Company of Canada

Combined

Co-operators 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

Hartford Life Insurance Company

Humania Assurance Inc.

Industrial Alliance Insurance and Financial Services Inc.

Ivari

Knights of Columbus

La Capitale assureur de l' administration publique

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

Member Companies (cont'd...)

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 Vie (SSQ, Societe d'assurance)

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 Great-West Life Assurance Company

The Union Life, A Mutual Assurance Company / UL Mutual

The Wawanesa Life Insurance Company

Transglobal Insurance Company

OLHI Locations

Toronto:

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

Montreal:

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

Edmonton:

OmbudService for Life & Health Insurance
First Edmonton Place
10665 Jasper Avenue, 14th Floor
Edmonton, Alberta
T5J 3S9

Board Members

Chair:

Dr. Janice MacKinnon[1,3]

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

Independent Directors:

Lea Algar[2]

Former Ontario Insurance Ombudsman

Bruce Cran[1]

President, Consumers Association of Canada

Yves Rabeau[1]

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

Reginald Richard[2,3]

Former Superintendent of Insurance for New Brunswick

Industry Directors:

Claude Garcia[2]

Corporate Director; former President, Standard Life Assurance Company

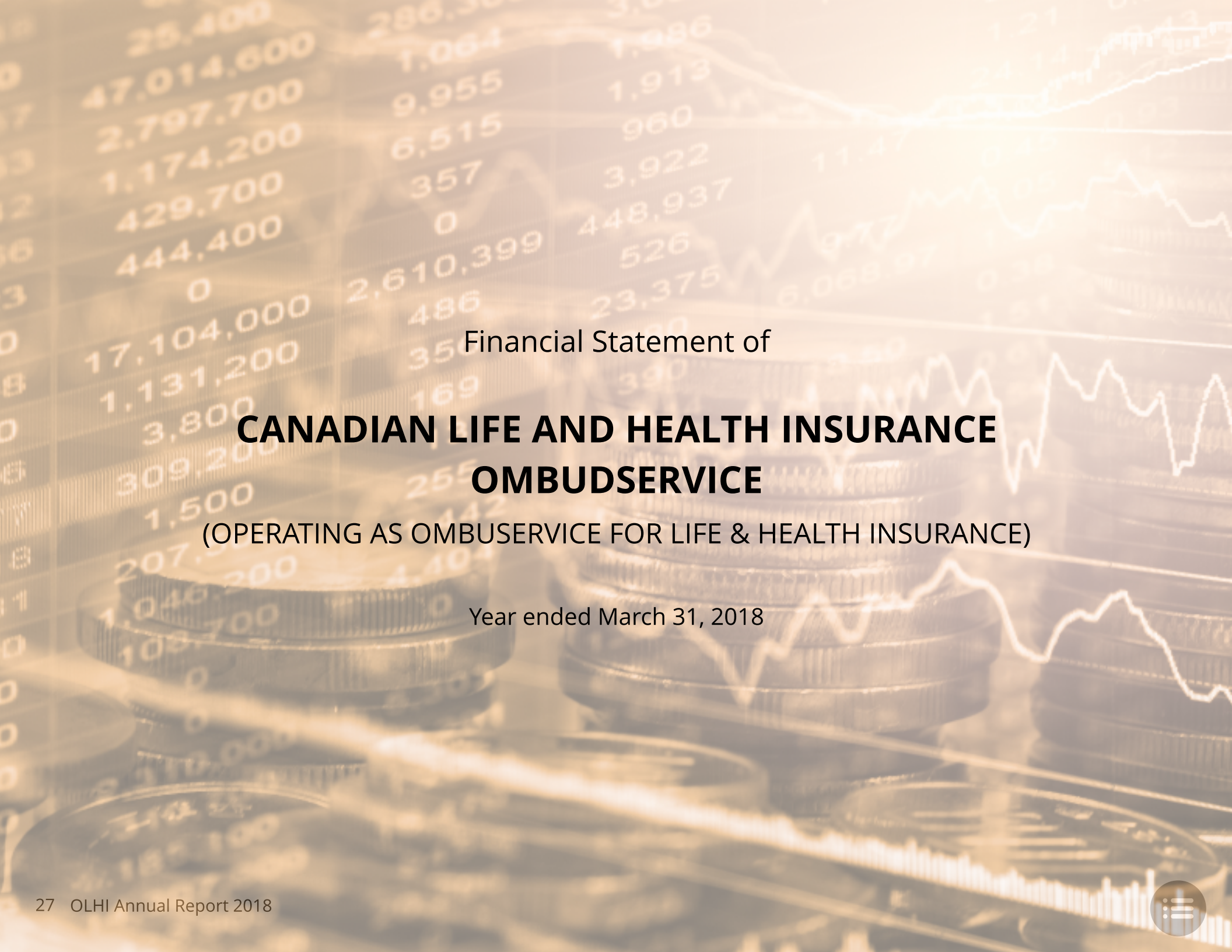
Dr. Dieter Kays[3]

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



Financial Statement of

CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE

(OPERATING AS OMBUSERVICE FOR LIFE & HEALTH INSURANCE)

Year ended March 31, 2018

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

We have audited the accompanying financial statements of Canadian Life and Health Insurance OmbudService (operating as OmbudService for Life and Health Insurance), which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Life and Health Insurance OmbudService (operating as OmbudService for Life and Health Insurance) as at March 31, 2018, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2018
Toronto, Canada

CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 440,877	$ 403,843
Prepaid expenses and deposits	27,913	18,367
Accounts receivable	17,870	–
	486,660	422,210
Capital assets (note 3)	29,331	40,654
Intangible assets (note 3)	76,395	91,450
	$ 592,386	$ 554,314
Liabilities and Fund Balance		
Current liabilities:		
Accounts payable and accrued liabilities	$ 110,525	$ 130,713
Current portion of deferred lease inducement	8,498	8,498
	119,023	139,211
Deferred lease inducement	7,789	16,287
	126,812	155,498
Fund balance:		
Operating fund:		
Invested in capital assets and intangible assets	105,726	132,104
Unrestricted	359,848	266,712
	465,574	398,816
Commitments (note 5)		
	$ 592,386	$ 554,314

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
General assessment fees	$ 2,127,534	$ 2,099,119
Investment income	941	2,732
	2,128,475	2,101,851
Expenses:		
Staff and adjudicative services	1,182,624	1,384,394
Professional fees	227,873	172,654
Board of Directors' fees	170,006	169,771
Rent	90,809	114,799
Management fees (note 4)	87,575	51,980
Board meetings and travel	70,754	63,718
Staff meetings and travel	63,943	56,959
Information technology	63,227	66,030
Supplies and services	25,960	32,118
Amortization of capital assets and intangible assets	23,897	30,412
Telecommunications	16,831	30,962
Training and development	15,675	7,720
Insurance	12,377	12,253
Facilities fees - Toronto	6,284	6,290
Translation	3,882	3,045
	2,061,717	2,203,105
Surplus (deficiency) of revenue over expenses	$ 66,758	$ (101,254)

See accompanying notes to financial statements.

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

Year ended March 31, 2018, with comparative information for 2017

	2018			2017		
	Invested in capital assets and intangible assets	Unrestricted operating func	Total	Invested in capital assets and intangible assets	Unrestricted operating fund	Total
Net assets, beginning of year	$ 132,104	$ 266,712	$ 398,816	$ 150,822	$ 349,248	$ 500,070
Surplus (deficiency) of revenue over expenses	(23,897)	90,655	66,758	(30,412)	(70,842)	(101,254)
Net change in investment in capital assets and intangible assets	(2,481)	2,481	–	11,694	(11,694)	–
Net assets, end of year	$ 105,726	$ 359,848	$ 465,574	$ 132,104	$ 266,712	$ 398,816

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Surplus (deficiency) of revenue over expenses	$ 66,758	$ (101,254)
Items not affecting cash:		
Amortization of capital assets and intangible assets	23,697	30,412
Amortization of lease inducement	(4,493)	(4,493)
Change in non-cash operating working capital:		
Prepaid expenses and deposits	(9,546)	(6,321)
Accounts receivable	(17,870)	–
Accounts payable and accrued liabilities	(20,188)	58,746
	38,558	(22,910)
Investing activities:		
Additions to capital assets and intangible assets	(1,524)	(15,700)
Increase (decrease) in cash and cash equivalents	37,034	(38,610)
Cash and cash equivalents, beginning of year	403,843	442,453
Cash and cash equivalents, end of year	$ 440,877	$ 403,843

See accompanying notes to financial statements.

CANADIAN LIFE AND HEALTH INSURANCE OMBUDSERVICE
Notes to Financial Statements

Year ended March 31, 2018

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.

1. Significant accounting policies (continued):

(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:

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

2. Cash and cash equivalents (continued):

2017	Fair value	Carrying value
Cash	$ 73,137	$ 73,137
Short-term investments:		
High interest savings accounts	330,706	330,706
	$ 403,843	$ 403,843

The short-term investments are held in high-interest savings accounts and GICs in aggregate amount of $331,647 (2017 - $330,706) with effective interest rates of 0.85% to 1.00% (2017 - 0.7% to 1.0%). Interest is receivable monthly on the savings accounts, and annually on the GICs.

3. Capital assets and intangible assets:

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

3. Capital assets and intangible assets (continued):

2017	Cost	Accumulated amortization	Net book value
Office furniture	$ 24,158	$ 8,676	$ 15,482
Office equipment	8,277	4,877	3,400
Computer equipment	13,855	10,355	3,500
Leasehold improvements	64,186	45,914	18,272
	110,476	69,822	40,654
Software	105,383	13,933	91,450
	$ 215,859	$ 83,755	$ 132,104

During the year, CLHIO wrote off $6,783 (2017 - $48,276) 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 (2017 - $51,980), 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 are as follows:

2019	$ 87,000
2020	35,000

(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, 2018, no drawings have been made against the credit facility.

6. Financial instrument risk management:

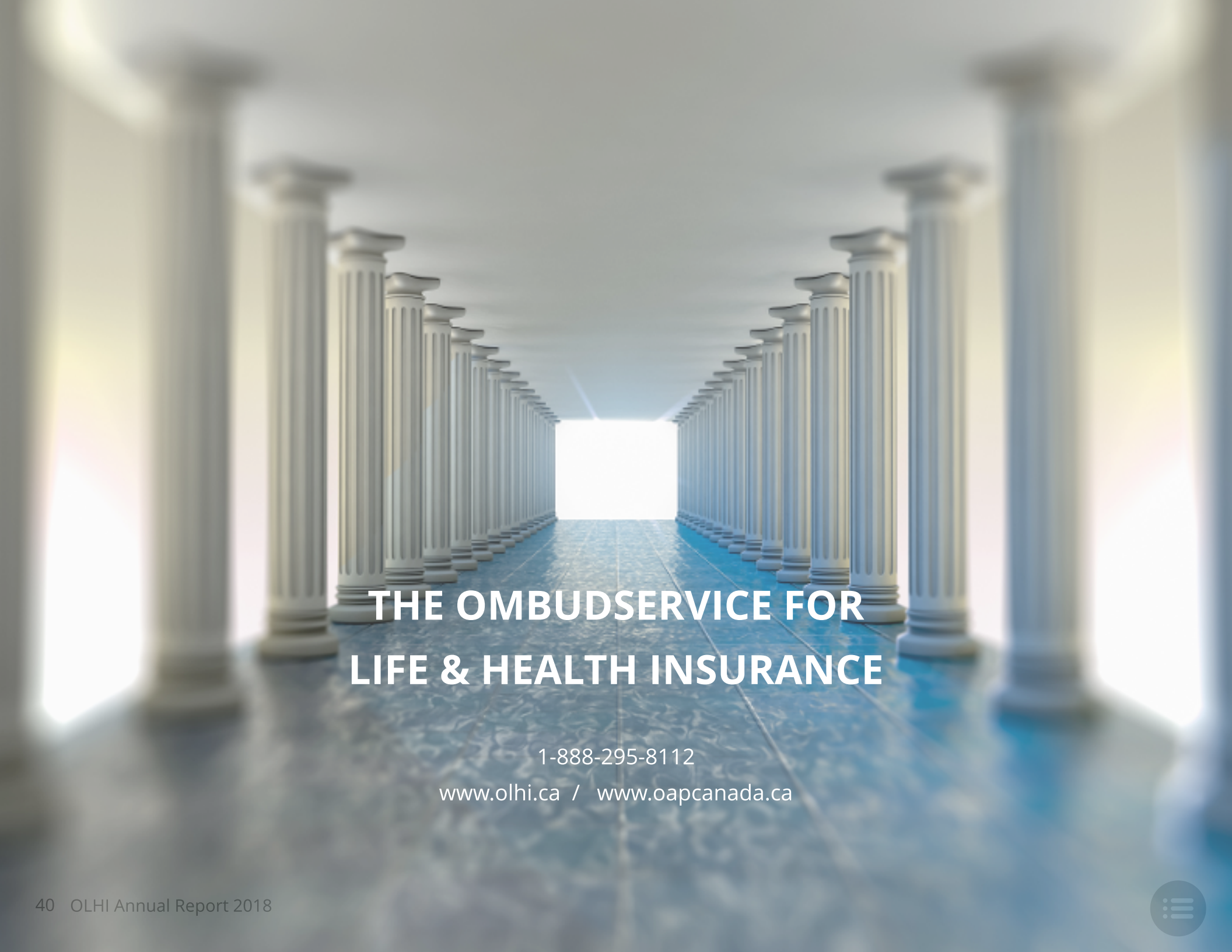
CLHIO has policies related to the identification, monitoring and mitigation of risks associated with financial instruments. The key risks related to financial instruments are credit risk and interest rate risk. CLHIO manages each of these risks, described below:

(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, 2018 comprises cash and cash equivalents totaling $440,877 (2017 - $403,843).

(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.



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