

REDEFINING
OUR FUTURE



ANNUAL REPORT

2017

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About OLHI

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

Canadians trust us to 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



HIGHLIGHTS + TOTAL ACTIVITY

Highest number of **complaints** in
OLHI's **history**

Complaint **volume up** in Quebec,
Prairie provinces and British
Columbia

Public **contacts** in line with
historic highs

Web visits **up** 19%

Western office established in
Edmonton

Total contacts
87,428

Complaints
2,632

Web visits
84,796



Dr. Janice MacKinnon

MESSAGE FROM THE CHAIR

This fiscal year has been one of discovery and opportunity as we continue to redefine our business and our future.

Redefining our future

Implementing the case management and reporting system (CMRS) and launching a new website in Q1 enabled us to take a fresh look at how we do business – and how we want to do business in the future.

As a result, we discovered many things about ourselves this past year: we are small yet influential; we are experts in our field; we are strategic and forward-thinking; and we are ready to redefine our future.

How?

The CMRS gives us a new approach to data collection and reporting, allowing us to provide much more finite detail going forward for our stakeholders, including the industry, the media and public.

Establishing an office in Edmonton is another step we have taken to redefine our future. At our last annual general meeting, we spoke about increasing visibility outside central Canada. From a media perspective, for the first time this past fiscal year, we received interest from the Prairies and the west – with pickup of our news release on websites for the Regina Leader-Post, Saskatoon StarPhoenix, Edmonton Journal, Calgary Herald, Vancouver Sun and Vancouver Province. From a consumer perspective, we saw our complaint volumes increase in the Prairies and the west.

"Not only is it important for us to be able to say and show that we are independent, it is equally important for our stakeholders and the public to view us as such."



Closing our Information Services call centre in Q4 changes the way we share information with Canadians. This business decision reflects our commitment to fiscal responsibility without impeding our mandate to resolve consumer complaints. While not our core business, we recognize that our informational tools and materials are important to consumers and so many others. They serve as a toolkit for agents and advisors, resources for consumers, and background information for reporters. Our Information Services are now readily available on a robust website that is interactive and easy to digest – accessible at any time, on any device.

It is our hope that these changes to our operations and our profile will positively contribute to a successful, redefined future.

Strengthening stakeholder relations

One of the most important aspects of our mandate is independence – actual and perceived: not only is it important for us to be able to say and show that we are independent, it is equally important for our stakeholders and the public to view us as such.

How do we collaborate and work with others on the one hand, and operate independently on the other? Our role is a delicate balancing act. We are firmly committed to maintaining open and collaborative relations with our member companies, regulators and consumers. At the same time, our governance

and operations must be deeply rooted in independence. All the recommendations we make in our complaints business and all the overall operational decisions we make must be independent of industry influence.

We are pleased that we are able to achieve this balance, as noted in our second Independent Review completed five years ago. The review confirmed that OLHI is fulfilling its public interest mandate and is meeting independence and governance guidelines. This year, we will undergo our third review, to ensure we continue to meet our mandate and guidelines. We've already begun work on the third review with The Honorable Robert Wells, Q.C., who conducted the last one. We look forward to this next review and to incorporating any resulting recommendations into our strategic plan and future goals.

An opportunity for us to further strengthen stakeholder relations is in our influence on how our industry handles complaints about independent agents. We submitted a request to our oversight body, the Canadian Council of Insurance Regulators (CCIR), to review this issue. The CCIR has found that independent agent complaints are predominantly covered by Errors & Omissions insurance. OLHI is reviewing its internal processes and is also working with member companies to try and facilitate the transfer of complaints to E&O insurance providers.



Funding and independence

While OLHI is funded by fees paid by member companies, our operations and complaint review process are managed independent of industry. We are mindful of our fee structure, striving to carefully manage the budget and make the most cost-effective decisions that will benefit our services to our stakeholders. This year, a very modest budget increase was approved to fund key projects that support our mandate. This increase represents the lowest one in OLHI's history.

On the horizon

We will continue to provide a successful non-binding process, recommending proposed resolutions. Since our inception, all our final non-binding recommendations in favour of the consumer have been accepted by member companies.

Also among our goals:

- ❑ Continuing to build on our reach across Canada – particularly the Prairies and West;
- ❑ Deepening our knowledge and identifying best ways to utilize our CMRS; and
- ❑ Completing our third Independent Review and beginning work on ensuing recommendations.

Thank you to all those who helped contribute to a successful year for OLHI. I look forward to redefining the future together.

Dr. Janice MacKinnon
Chair, OLHI



Brigitte Kent

“We continue to measure our effectiveness and efficiency, exploring new ways to accelerate service speed without sacrificing high-quality, thorough reviews.”

MESSAGE FROM THE ACTING EXECUTIVE DIRECTOR

This fiscal year has been a successful one, with some notable achievements.

Core business

Complaints rose 23.2% this year, marking a historic high for OLHI, with increased volumes in Quebec, the Prairie provinces and British Columbia. We received 2,632 complaints leading to 26 cases opened at the investigation level. Web visits improved by 19.1% over last year, reaching nearly 85,000.

Operations

For the past year, we’ve been familiarizing ourselves with the case management and reporting system (CMRS) implemented in June 2016. We continue to discover the many intricacies of a sophisticated data collection tool. Taking on something so large and new presents us with ample opportunity to fine-tune the way we measure and report on information to allow for even more transparency.

In Q4, we opened an OLHI office in Edmonton, as part of our plans for growth outside Central Canada. It is important for us to be a part of the communities where we do business, as a means of boosting profile. With offices already in Montreal and Toronto, we have strong consumer bases there and it is our hope that this idea will translate elsewhere. This is why we are particularly pleased with the higher volume of complaints in the Prairie provinces and



British Columbia this year.

In Q4, we closed our Information Services call centre due to a steady decrease in volume. We have been monitoring a down-shift in calls in recent years, translating to an increase in web traffic. In response to this, we made all information previously shared on calls available online.

Recently, we started a specialized advice project. One of the recommendations from our last Independent Review was that OLHI have access to specific legal, medical or tax advice, when needed to achieve a greater level of expertise during a review. We are consulting with stakeholders to identify some sample cases to help us assess how specialized advice would work within our complaints process. We will continue to update the Canadian Life and Health Insurance Association's Committee on the OmbudService on our progress.

Profile

Developing our reputation as a reliable, impartial and independent dispute resolution service remains key. We are focused on growing our visibility. Coverage in national, regional and trade media is making an important contribution to profile – as evidenced by higher consumer complaint volumes and web visits.

Stakeholder relations

Much work has gone into further strengthening our

relationships with stakeholders.

We meet regularly with industry and member companies, as well as with our oversight body, the Canadian Council of Insurance Regulators (CCIR). We are speaking more than ever before at conferences, called upon as a thought leader on dispute resolution and incorporating plain language into every-day business activities.

OLHI would not be successful without the continued support of stakeholders and the respect we receive as an independent, impartial organization. This support and collaborative spirit enables us to meet our benchmark of closing 80% of overall complaints within 120 days.

Looking ahead

We continue to measure our effectiveness and efficiency, exploring new ways to accelerate service speed without sacrificing high-quality, thorough reviews. Our CMRS is an important part of this endeavour. While technology is an important component, we can't forget the most important part of our business: people. We will invest in employee career development and skills training, in order to meet high standards of service.

This year, we will undergo our third Independent Review. As we head into this review, we are pleased to confirm that, over the past five years, we have implemented all recommendations stemming



from the last review.

Building profile outside Central Canada is another priority as we find new ways to reach consumers and build relationships with media and industry stakeholders.

As we prepare to redefine our future, I look forward to the coming year of work with such a motivated, passionate organization committed to providing fair dispute resolutions. I sincerely thank the Chair, Board of Directors, stakeholders and employees for their full support.

A handwritten signature in black ink, appearing to read 'Brigitte Kent', enclosed in a light grey rectangular box.

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 mandate¹
- Consumer submits final position letter and related information
- Dispute Resolution Officer (DRO) determines if there are grounds for conciliation with insurer
- If no grounds, review letter issued and possible options identified

3

REVIEW BY OMBUDSERVICE OFFICER

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

4

REVIEW BY SENIOR ADJUDICATIVE OFFICER

- If grounds to pursue complaint are present, senior Adjudicative Officer (SAO) considers and reviews complaint
- Parties speak with SAO, if desired
- SAO prepares written report with non-binding recommendations

¹ OLHI cannot accept complaints that:

- do not pertain to life and health insurance issues or are not against a Member Company;
- have been previously considered by OLHI or have been - or are currently before - a court, tribunal or other dispute resolution process;
- are made by third party service providers or relate to an uninsured plan that is administered by a Member Company.



“They gathered the high iron was not important...”



An important conversation

Mr. and Mrs. H. applied for life insurance and were approved. When her husband died several months later, Mrs. H. claimed the benefits under the policy. The insurance company denied the claim for failing to disclose information about Mr. H.'s health.

Mrs. H. brought her final position letter to OLHI. She explained to our Dispute Resolution Officer (DRO) that a nurse had come to their home on behalf of the insurance company to collect blood and urine samples and fill out a questionnaire. During their conversation, Mr. H. told her about his high iron levels and his visits to a hematologist. The nurse noted "blood work normal" in her report despite his disclosure. Mrs. H. and her husband gathered the high iron was not important since the nurse did not take it into account, nor did the insurance

company analyze his blood for this.

After his review of the information from Mrs. H. and the insurance company, the DRO recommended an OmbudService Officer (OSO) investigate further.

The OSO discovered that the company had not contacted the nurse to find out more about her visit with Mr. and Mrs. H. He recommended Mrs. H. contact this nurse, to see if she could validate their conversation. The nurse was unable to recall the specifics of their meeting.

While Mr. H.'s medical records showed he had been diagnosed with a blood condition, it was not disclosed in his insurance application. However, Mr. H. had signed this application, along with the report that the nurse prepared, confirming that all

CASE STUDY

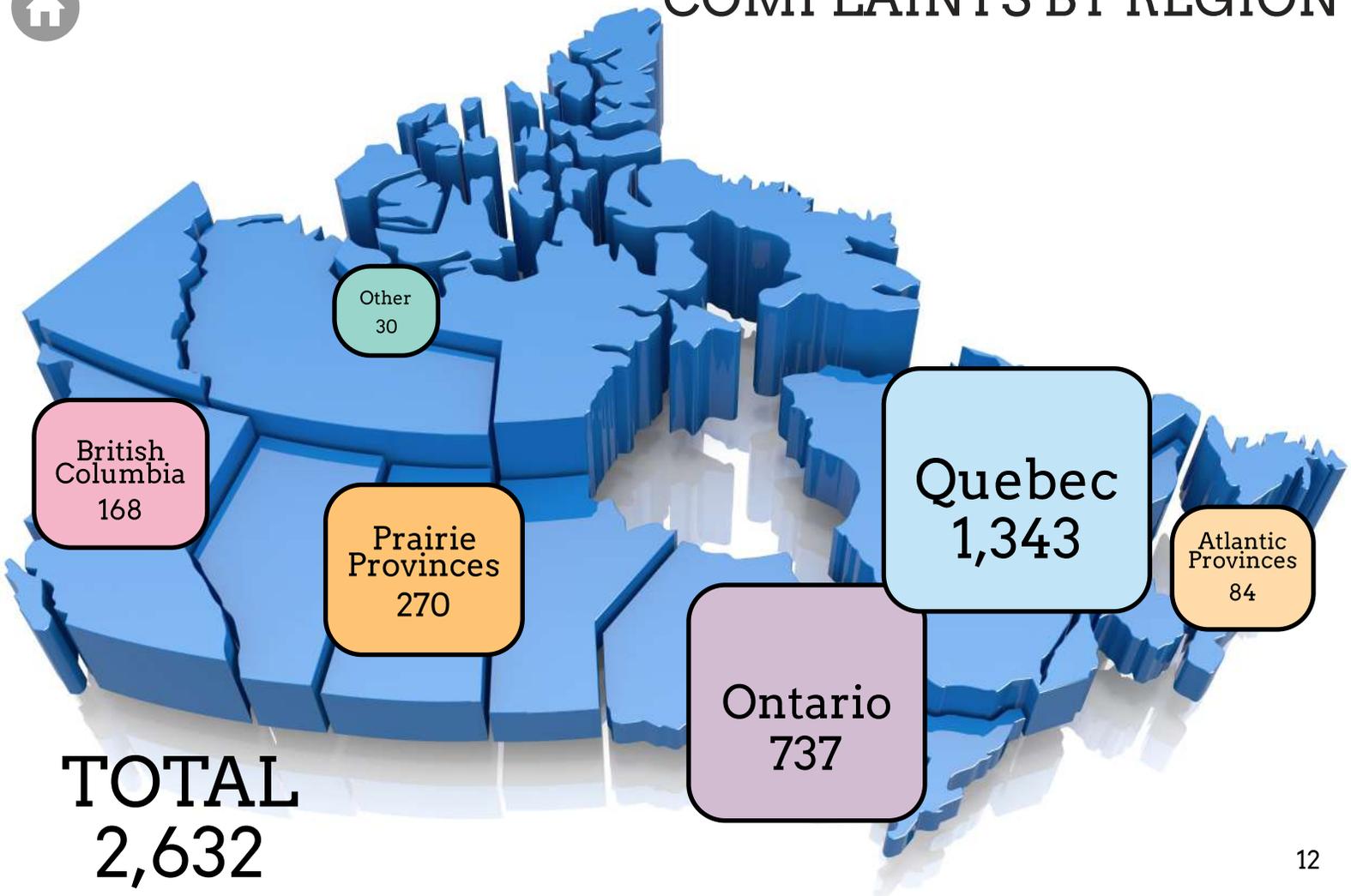
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information provided was accurate. For this reason, the OSO recommended that there was no reason to further pursue this complaint.

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



COMPLAINTS BY REGION





COMPLAINT STATISTICS

Each year, OLHI receives over 2,000 requests from Canadians to impartially review life and health insurance complaints. Of these, most come from consumers who have not yet started or finished their insurance company's own review process. It is one of OLHI's roles to provide guidance on how to present a complaint to a company. After we guide them, consumers are better able to reach a resolution with their company.

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

This fiscal year, complaint volume rose to 2,632 – up 23.2% from last year's total of 2,136 and up 6.8% from fiscal 2014/15.

Regionally, the distribution of complaints across the country saw some notable changes: Complaints surged in Quebec, increasing from last year's 986 to 1,343 – a change of 36.2%. Our Quebec consumer base now represents more than half (51.0%) of all complaints. This is up 4.8% from last year. Our second-largest consumer base is in Ontario, with 27.9% of all complaints – down 4.8%.

Complaints also surged in the Prairie provinces (up 25.6% to 270 complaints, over last year's 215) and in British Columbia (up 24.4% to 168 complaints, over last year's 135).

Complaint volumes in the rest of Canada are consistent with previous years.

For the sixth year in a row, the Internet is the primary referral source (30.3%). The second source is insurance companies, with 18.5%.

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

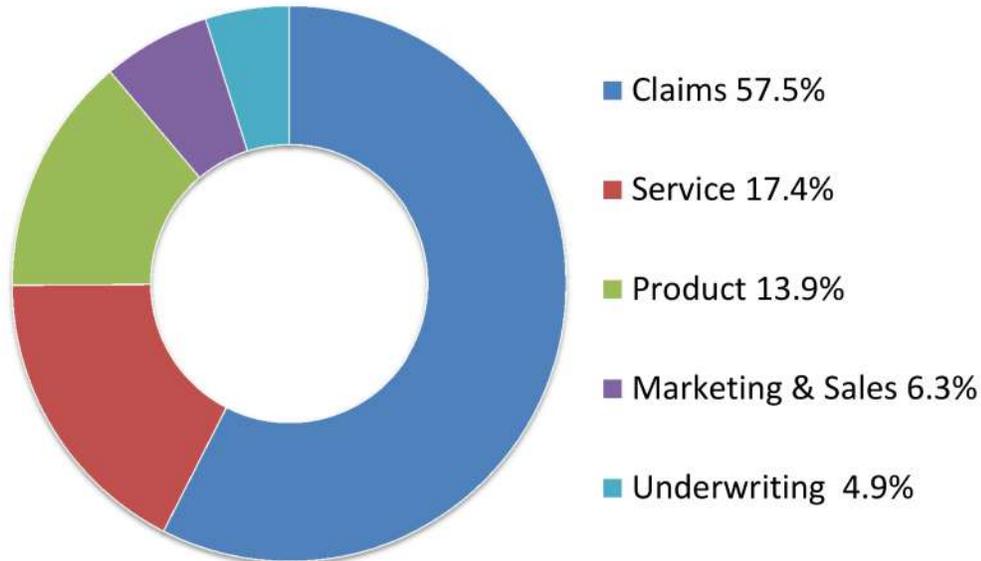


COMPLAINT STATISTICS (CONT'D...)

By function, Claims consistently account for the highest proportion of complaints year over year, with a total of 57.5%.

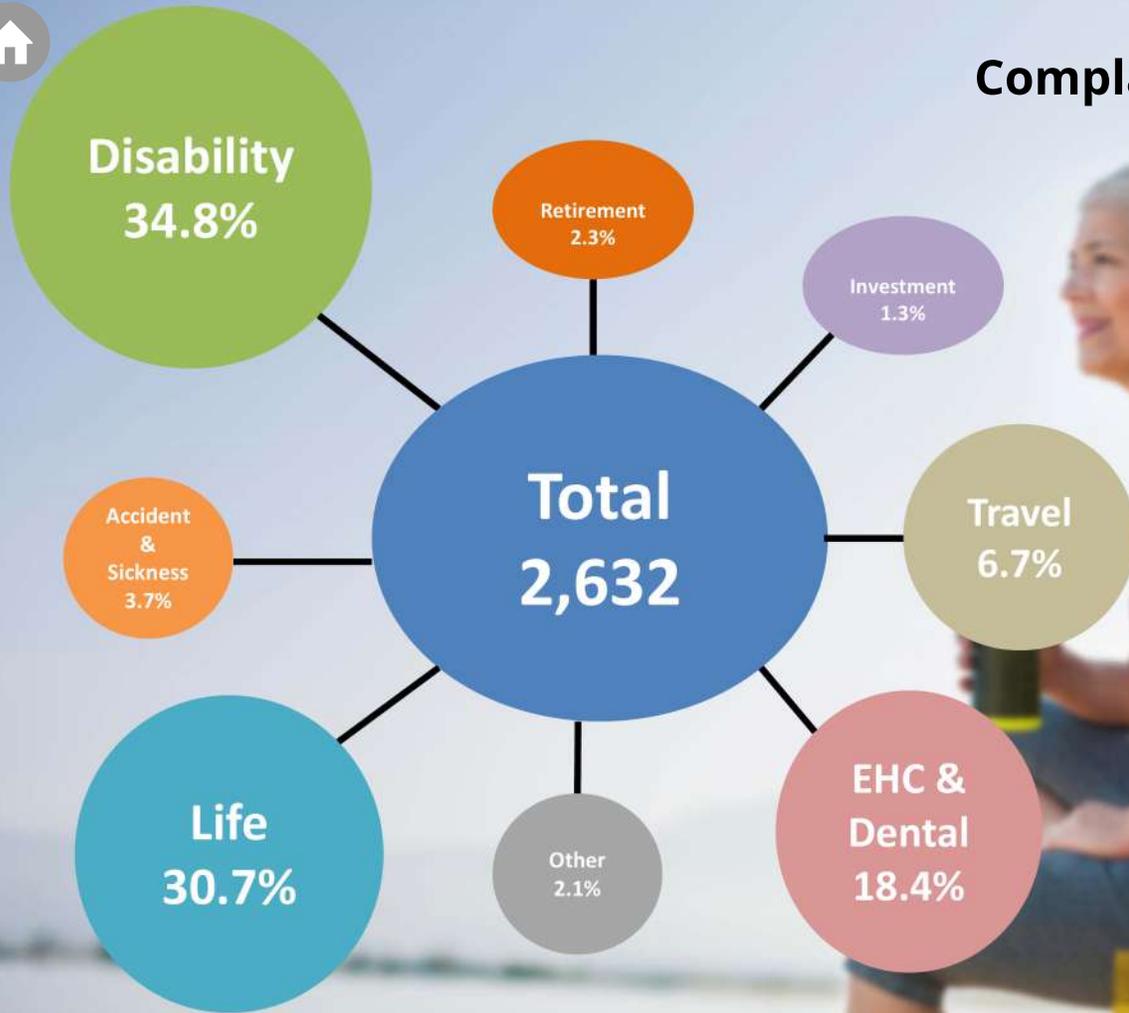
OLHI's top three product categories (Disability, Life and EHC & Dental) together continue to make up 83.9% of all complaints. This year, we introduced two new product categories with our new case management and reporting system. Accident & Sickness and Investment will be reflected in our statistics going forward, hence the lack of data for previous years. In the past, Accident & Sickness was wrapped into our "Other" category, while Investment was included in the "Retirement" category.

Complaints by Company Function



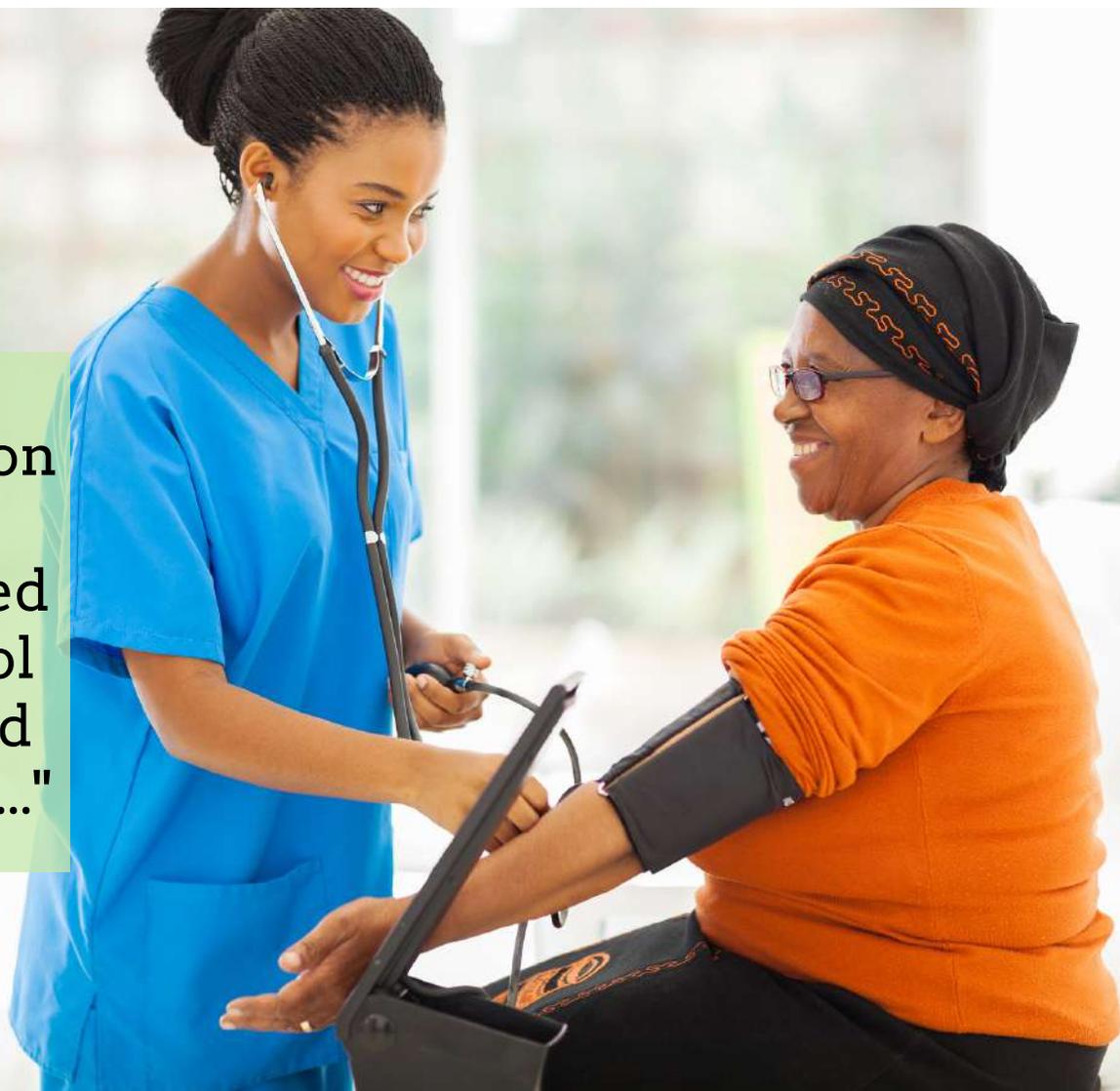


Complaints by Product





"The medication was prescribed to control her blood pressure..."





Under pressure

Mrs. T. purchased medical travel insurance ahead of a trip abroad. On that holiday, she fell ill and had to be treated in hospital. Afterward, she submitted her claim. It was declined because the insurance plan did not cover anyone who had been treated for three specific medical conditions. In its final position letter, the insurance company wrote that Mrs. T. had been treated for these conditions.

Mrs. T. contacted OLHI, asking for a free, independent review of her case. She told our Dispute Resolution Officer (DRO) that she had been diagnosed and treated for two of the medical conditions. But she had never been diagnosed or treated for the third condition: hypertension/high blood pressure.

OLHI's DRO asked Mrs. T. and her insurance company to provide all

their information relating to this case. In his review, he found that Mrs. T. was taking a medication for stroke management. The medication prescribed is also used to treat blood pressure. However, this was not the reason why it was prescribed for Mrs. T. In her case, it was for stroke management.

The DRO recommended that the case be escalated to an OmbudService Officer (OSO) for further investigation. Looking at all the files, the OSO read that Mrs. T.'s doctor had confirmed with the insurance company that she had never been diagnosed with high blood pressure. Although it was acknowledged that this particular medication is often prescribed for hypertension, Mrs. T. was taking it to control her history with strokes– and not hypertension/

CASE STUDY



high blood pressure.

The OSO reached out to Mrs. T.'s insurance company and recommended they revisit the case. Because of a history of strokes, controlling blood pressure was necessary but it did not mean that she was hypertensive. The insurance company agreed with the OSO's suggestion and paid out Mrs. T.'s claim for her hospital expenses.

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Investigations by Product

Disability
50.0%

Life
42.3%

Travel
7.7%

Total
investigations
26



INVESTIGATION STATISTICS

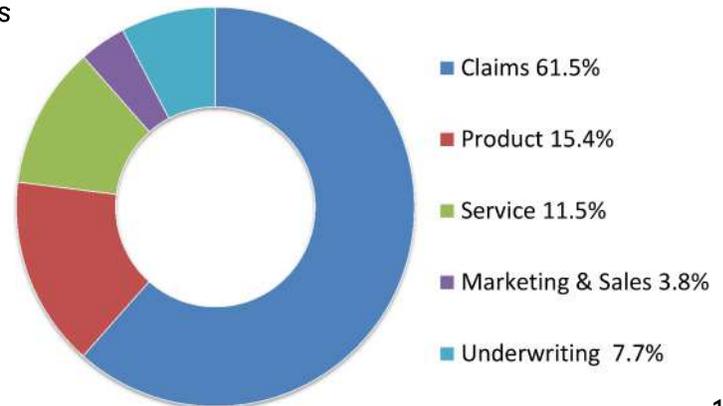
This fiscal year, OLHI opened 26 new investigations and closed 25 – representing a drop from last year’s 45 opened and 58 closed. This is because a number of cases last year originated from a group of consumers with shared issues centred on a specific insurance product. This issue created an outside-the-norm rise in our statistics.

Of the 26 opened cases, the majority related to disability (13), followed by life (11) and travel (2). Of the 25 closed cases, seven were settled in favour of the consumer, representing a settlement ratio of 28.0%. Four decisions were maintained. Upon further investigation, nine of the cases were closed with no merit to continue pursuing negotiation with the insurance company. One case was escalated to our Senior Adjudicative Officer and, in four instances the consumers withdrew their cases.

By product, the majority (50.0%) of new investigations pertained to disability, followed by life with 42.3% and travel with 7.7%.

By function, Claims remain the highest source of new investigations, with 61.5%. Next are Product (15.4%) and Service (11.5%). Underwriting and Marketing & Sales rounded out the category, with 7.7% and 3.8%, respectively.

Investigations by Company Function





“...unable to perform any job that matched his level of training, education and experience.”





Defining "totally disabled"

One year after starting his job, Mr. G. was diagnosed with adjustment disorder and depression. He received short-term disability (STD) coverage through his employer's group benefits plan. When his STD period ended, he applied for long-term disability (LTD).

To continue his disability benefits, Mr. G. needed to prove that he met the "totally disabled" definition in his LTD insurance policy. This meant that he was unable to perform any job that matched his level of training, education and experience. In its final position letter, the insurance company said Mr. G. did not meet this definition and denied his LTD claim. The company told him that he could contact OLHI.

When Mr. G. contacted OLHI, a Dispute Resolution Officer (DRO)

went through all the supporting documents from Mr. G. and the company. She also spoke with Mr. G., who explained to her that his work environment had been a very stressful one. The DRO read the notes in Mr. G.'s medical files, from his doctor and his psychologist. Early in his treatment, both agreed that he had major depression brought on by work. The doctor recommended a new job, noting that his depression was strictly due to his situation. Later on in his treatment, his psychologist wrote that Mr. G.'s health had improved and that he could look for new work.

OLHI's DRO carefully assessed the medical notes against the disability policy's definition of "totally disabled." She found that there was no reason to support Mr. G.'s claim for LTD because he

CASE STUDY

3

did not meet the policy's definition. For this reason, she recommended the case not be escalated to an OmbudService Officer (OSO) for further investigation and negotiation.

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OLHI received 84,796 web visits this fiscal year – up 19.1% from last year’s 71,181. This surge can be principally attributed to three things:

1. Our efforts to enhance media exposure and public profile continue to succeed at attracting more consumer interest. Throughout the year, we were positively positioned in online columns and articles hyperlinking to our website. For example, one column yielded over 1,800 visits to our website in one day, while another article brought over 500 visitors. News alerts we send to our online subscriber list also push visitors to check out what’s new at www.olhi.ca.
2. Our redesigned website, launched in Q1, better meets consumer needs. Over the past year, we’ve surmised that our site not only improves user experience with ease of navigation and plain language – it has also become an important resource for people seeking solutions to their problems:
 - ❑ the **online complaint** tool helps people 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 died; and
 - ❑ our most popular **find insurance** tool helps identify which companies sell the products/services consumers want.

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

3. In February 2017, we closed our Information Services call centre, pointing callers to our website instead – which contributed to an increase in traffic of approximately 6,000 for Q4.



WEB STATISTICS (CONT'D...)

The list of most visited web pages has changed this year, given the addition of new pages in our Complaints section, including the new “Submit Complaint” feature. The creation of the “Old Insurance Policy” tool is also generating a healthy amount of traffic and the number is steadily growing. We anticipate this tool will continue to be key as Canadians increasingly turn to OLHI to find out whether their old policy has switched hands through a merger or an acquisition.

Despite the introduction of new features, our “Find Insurance” tool remains OLHI’s most visited page, with nearly 60,000 visits.





INFORMATION ENQUIRIES

On February 1, 2017, we closed the Information Services portion of our call centre.

Technology is always evolving. While a call centre is of great value in our Complaints business, over the years we've watched our Information business consumers shift to our website to find answers to their questions. As calls declined, when we did get one, we were increasingly reciting information found online. Ultimately, it became clear to point all information calls to our website. Now, when consumers call us for general information, our automated phone system walks them through how to find it on our website.

For example, every year, the most popular call we field is from consumers asking us which companies sell specific insurance products and services they want to buy. This detail can be found on our [Insurance finder](#), the only comprehensive list of this kind in Canada.

Closing the Information call centre meets our commitments to fiscal responsibility and to best serve our stakeholders and members, without impeding our mandate to resolve consumer complaints.

The closure has contributed to a shift in volume: the approximate 13,000 annual calls to our Information call centre have shifted to an increase in web traffic.

One aspect of our information business that remains open to telephone queries is our [Search for the policy of a deceased](#) service – unique to OLHI as the only place in Canada to offer this. Last year, we received 1,442 requests. Of these, 170 were approved for a search and 62 searches were successful. 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.



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, 2017.

Acadia Life	Canassurance Insurance Company	Foresters Life Insurance Company 1
Actra Fraternal Benefit Society	Chubb Life Insurance Company of Canada	Gerber Life Insurance Company
Aetna Life Insurance Company	CIBC Life Insurance Company Ltd.	GMS Insurance Inc. 1
Alberta Blue Cross	CIGNA Life Insurance Company of Canada	The Great-West Life Assurance Company / London Life Insurance Company / Canada Life 1
Allianz Life Insurance Company of North America	Co-operators General Insurance Company 1	Green Shield Canada
American Bankers Insurance Company of Florida	Co-operators Life Insurance Company	Group Medical Services
American Bankers Life Assurance Company of Florida 1	Combined Insurance Company of America	Hartford Life Insurance Company
American Health and Life Insurance Company / Triton Insurance Company 1	Connecticut General Life Insurance Company 1	Humania Assurance Inc.
Assumption Mutual Life Insurance Company	CUMIS Life Insurance Company	The Independent Order of Foresters 1
Assurant Life of Canada	Desjardins Financial Security Life Assurance Company	Industrial Alliance Insurance and Financial Services Inc.
Assurant Solutions 2	The Empire Life Insurance Company	ivari
Assuris	The Equitable Life Insurance Company of Canada	Knights of Columbus
BMO Life Assurance Company	FaithLife Financial	La Capitale Civil Service Insurer Inc. 1
BMO Life Insurance Company	First Canadian Insurance Corporation	La Capitale Financial Security Insurance Company 1
Brookfield Annuity	First North American Insurance Company 1	La Capitale Insurance and Financial Services Inc.
Canadian Premier Life Insurance Company	Foresters 1	Liberty Life Insurance Company of Boston
Canassurance Hospital Service Association		



MEMBER COMPANIES (CONT'D...)

Manitoba Blue Cross
The Manufacturers Life Insurance Company 1
Manulife Assurance Company of Canada 1
Manulife Financial 1
Medavie Blue Cross
National Bank Life Insurance Company
New York Life Insurance Company
Pacific Blue Cross
Payonia Life Insurance Company of Michigan
Primerica Life Insurance Company of Canada
RBC General Insurance Company
RBC Insurance Company of Canada 1
RBC Life Insurance Company
Reliable Life Insurance Company
Saskatchewan Blue Cross
Scotia Life Insurance Company
SSQ Financial Group 1
SSQ Insurance Company Inc. 1
SSQ, Life Insurance Company Inc. 1
Sun Life Assurance Company of Canada 1
Sun Life Financial 1
Sun Life Insurance (Canada) Limited 1
TD Life Insurance Company

Teachers Life Insurance Society (Fraternal)
The Union Life, A Mutual Assurance Company / UL Mutual
The Wawanesa Life Insurance Company
Western Life Assurance Company

1 Associated company
2 Tradename



LOCATIONS + BOARD MEMBERS

OmbudService for Life & Health
Insurance

401 Bay Street, PO Box 7

Toronto, Ontario

M5H 2Y4

Ombudsman des assurances de
personnes

2001 boulevard Robert-Bourassa, 17th
Floor

Montreal, Quebec

H3A 2A6

OmbudService for Life & Health
Insurance

First Edmonton Place

10665 Jasper Avenue, 14th Floor

Edmonton, Alberta

T5J 3S9

Members of the 2016-2017 Board Of Directors

Chair

Dr. Janice MacKinnon^{1,3}

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

Independent Directors

Lea Algar²

Former Ontario Insurance Ombudsman

Bruce Cran¹

*President, Consumers Association of
Canada*

Yves Rabeau¹

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

Reginald Richard^{2,3}

*Former Superintendent of Insurance
for New Brunswick*

Industry Directors

Claude Garcia²

*Corporate Director; former President,
Standard Life Assurance Company*

Dr. Dieter Kays¹

*Former President and Chief Executive
Officer, FaithLife Financial*

Dan Thornton³

*Director on Assuris Board; former Chief
Operating Officer, The Co-Operators
Life Insurance Company*

1 Member of Governance Committee

2 Member of Standards Committee

3 Member of Human Resources Committee





FINANCIAL STATEMENTS

Canadian Life and Health Insurance OmbudService
(Operating as OmbudService for Life & Health Insurance)

Year ended March 31, 2017

Independent auditors' report prepared by KPMG LLP



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

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

We have audited the accompanying financial statements of Canadian Life and Health Insurance OmbudService (operating as OmbudService for Life & Health Insurance), which comprise the statement of financial position as at March 31, 2017, 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 & Health Insurance) as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants, Licensed Public Accountants

June 16, 2017

Toronto, Canada



STATEMENT OF FINANCIAL POSITION

March 31, 2017, with comparative information for 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	\$ 403,843	\$ 442,453
Prepaid expenses and deposits	18,367	12,046
	<hr/>	<hr/>
	422,210	454,499
Capital assets (note 3)	40,654	61,138
Intangible assets (note 3)	91,450	89,683
	<hr/>	<hr/>
	\$ 554,314	\$ 605,320
	<hr/>	<hr/>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director



STATEMENT OF FINANCIAL POSITION (CONT'D...)

March 31, 2017, with comparative information for 2016

	2017	2016
LIABILITIES AND FUND BALANCE		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 130,713	\$ 71,967
Current portion of deferred lease inducement	8,498	8,498
	<hr/>	<hr/>
	139,211	80,465
Deferred lease inducement	16,287	24,785
	<hr/>	<hr/>
	155,498	105,250
Fund balance		
Operating fund		
Invested in capital assets and intangible assets	132,104	150,822
Unrestricted	266,712	349,248
	<hr/>	<hr/>
	398,816	500,070
Commitments (note 5)		
	<hr/>	<hr/>
	\$ 554,314	\$ 605,320

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director



STATEMENT OF OPERATIONS

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
General assessment fees	\$ 2,099,119	\$ 2,000,679
Investment	2,732	3,179
	<hr/>	<hr/>
	2,101,851	2,003,858
Expenses:		
Staff and adjudicative services	1,384,394	1,315,871
Professional fees	172,654	124,367
Board of Directors' fees	169,771	151,790
Rent	114,799	113,285
Information technology	66,030	70,192
Board meetings and travel	63,718	59,887
Staff meetings and travel	56,959	46,507
Management fees (note 4)	51,980	48,590
Supplies and services	32,118	40,300
Telecommunications	30,962	27,552
Amortization of capital assets and intangible assets	30,412	22,333
Insurance	12,253	11,798
Training and development	7,720	18,995
Facilities fees - Toronto	6,290	6,322
Translation	3,045	8,213
	<hr/>	<hr/>
	\$ 2,203,105	\$ 2,066,002
Deficiency of revenue over expenses	\$ (101,254)	\$ (62,144)

See accompanying notes to financial statements.



STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2017, with comparative information for 2016

	2017			2016		
	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	\$ 150,822	\$ 349,248	\$ 500,070	\$ 76,597	\$ 485,617	\$ 562,214
Deficiency of revenue over expenses	(30,412)	(70,842)	(101,254)	(22,333)	(39,811)	(62,144)
Net change in investment in capital assets and intangible assets	11,694	(11,694)	—	96,558	(96,558)	—
Net assets, end of year	\$ 132,104	\$ 266,712	\$ 398,816	\$ 150,822	\$ 349,248	\$ 500,070

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (101,254)	\$ (62,144)
Items not affecting cash:		
Amortization of capital assets and intangible assets	30,412	22,333
Amortization of lease inducement	(4,493)	(4,493)
Change in non-cash operating working capital:		
Prepaid expenses and deposits	(6,321)	6,625
Accounts payable and accrued liabilities	58,746	(42,541)
	(22,910)	(80,220)
Investing activities:		
Additions to capital assets and intangible assets	(15,700)	(100,563)
Decrease in cash and cash equivalents	(38,610)	(180,783)
Cash and cash equivalents, beginning of year	442,453	623,236
Cash and cash equivalents, end of year	\$ 403,843	\$ 442,453

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

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 assessments fees. The fees are recognized as revenue in the membership year to which they relate.

Investment income is recognized as revenue when earned.

(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.



NOTES TO FINANCIAL STATEMENTS (CONT'D...)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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:

2017	Fair value	Carrying value
Cash	\$ 73,137	\$ 73,137
Short-term investments	330,706	330,706
	<u>\$ 403,843</u>	<u>\$ 403,843</u>

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

The short-term investments are held in high-interest savings accounts in aggregate amount of \$330,706 (2016 - \$427,975) with effective interest rates of 0.7% to 1.0% (2016 - 0.5% to 1.0%). Interest is receivable monthly.



NOTES TO FINANCIAL STATEMENTS (CONT'D...)

Year ended March 31, 2017

3. Capital assets and intangible assets:

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

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

CLHIO purchased off-the shelf software in 2016, which was customized by consultants. The software was put into use and amortized in the 12 months ended March 31, 2017.

During the year, CLHIO wrote off \$48,276 (2016 - nil) 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 \$51,980 (2016 - \$48,590), 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:

2018: \$80,000

2019: \$56,000

2020: \$35,000



NOTES TO FINANCIAL STATEMENTS (CONT'D...)

Year ended March 31, 2017

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, 2017, 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, 2017

comprises cash and cash equivalents totaling \$403,843 (2016 - \$442,453).

(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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