2009-2010 **Annual Report**

OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

OLHI • OAP

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About OLHI

The OmbudService for Life & Health Insurance (OLHI) is a national independent complaint resolution and information service for consumers of Canadian life and health insurance products and services, including life, disability, employee health benefits, travel, and insurance investment products such as annuities and segregated funds.

We were established in 2002 as a Not for Profit corporation and operated under the name "Canadian Life and Health Insurance OmbudService" until August 17, 2009. Our Board of Directors approved a name change to the OmbudService for Life & Health Insurance (OLHI) to emphasize our role as an independent information and dispute resolution service.

OLHI is a member of the Financial Services OmbudsNetwork (FSON), a Canada wide dispute resolution service supported by Canada's financial services regulators and financial services firms. Our information and complaints handling staff have extensive knowledge of life and health insurance products, services, and practices and are available to promptly respond to consumer concerns, questions or complaints in both official languages, free of charge, during normal business hours and through our website **www.olhi.ca**.

Front cover illustration: 'Light at Cape Spear' (Newfoundland), original oil painting by Doug Forsythe (www.dougforsythegallery.com)
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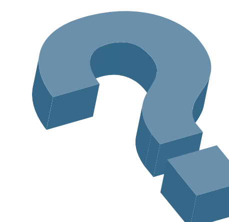
Highlights:

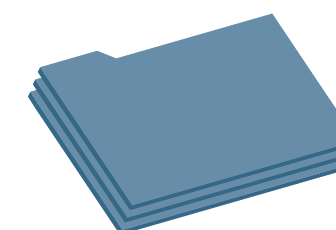
- **Completed Year One of Three Year Strategic Plan**
- **33 Independent Review recommendations** initiated or concluded
- **Complaints increased 6.5%**
- **Investigations increased 41.2%**
- **Disability claims** represent the majority of Complaints & Investigations
- **Over 90% of enquiries** are for company & product information
- **1,666 New Visitors** per month to OLHI's websites*

*Monthly average September 1, 2009 to March 31, 2010

Analysis of Total Activity



Enquiries 30,152



Complaints 2,220

New Web Visitors* 9,976

Investigations 24

*September 1, 2009 to March 31, 2010

Message from the Chairman

Bernard Bonin

Chairman, OmbudService for Life & Health Insurance

NOTEWORTHY DEVELOPMENTS OF THE PAST YEAR

Access to OLHI and its services
In keeping with an overall communications plan developed by the Board of Directors, OLHI took major steps during the year to improve and increase awareness of and access to OLHI and its services, as recommended by last year's independent review. These initiatives included the launch of new websites in English and French, development of a new consumer brochure, and outreach to elected representatives and regulators.

Independence
Other recommendations of the review centred on steps OLHI should take to increase its independence. A number of these, such as our new name and corporate identity, were implemented last year. Another has to do with voting rights, in particular whether Member companies, which currently have voting rights, should continue to do so, a matter which we are actively discussing with the industry. These are important, and sensitive, discussions and I have every expectation that they will conclude in a way that is satisfactory not only to OLHI and the industry, but also the regulators.

Relationships with regulators
Suffice to say that regardless of one's line of work, relationships with the relevant regulatory body are equally important and sensitive, involving that inevitable tension between the need for oversight and the desire for autonomy. I am very pleased to report that as OLHI has solidified and grown, so too have our relationships with regulators, in particular the Dispute Resolution (DR) Committee of the Joint Forum of Financial Market Regulators, with whom we meet annually for honest and balanced exchanges. In this regard I would especially like to recognize David Wild, Chair of the Saskatchewan Financial Services Commission, who chairs the DR Committee, for his strong commitment to this process.

BOARD OF DIRECTORS

Representing consumer interests
I am pleased to report that the Board once again has solid representation from the consumer constituency, in the person of new Director Bruce Cran, President of the Consumers Association of Canada. We are delighted that he has joined us.

Comings and goings
After more than eight years as one of two Industry Directors on the Board of the OLHI, Christopher McElvaine, former President of Empire Life and a Director of Foresters and Unity Life, is stepping down. Chris will be sorely missed, not only for his experience, wisdom and profound understanding of consumer issues in the life and health insurance industry, but also his unerring ability to cut to the truth. We are in his debt.

To replace Chris, the industry has appointed Dan Thornton, former COO of The Cooperators Life Insurance Company and also added a third Industry Director in the person of Dieter Kays, former CEO and President of FaithLife Financial. In sum, moving forward OLHI will now have seven Independent and three Industry Directors. On behalf of my fellow Board members, I would like to offer a warm welcome to Dan and to Dieter who will officially join us during the course of the annual meeting.

Our Corporate Secretary, Judy Barrie, will also retire in November. I have had the pleasure of working with her very closely over the last ten years. Her contribution to the Board, and particularly to the Chair, has been nothing but an unqualified success. She too will be missed.

LOOKING AHEAD

After 10 years of involvement with OLHI and its predecessor organization, first as a member of the Advisory Board to the CLHIA's Consumer Assistance Centre, and later as an OLHI Director and Chairman of its Board of Directors, I am stepping down and handing over the reins to one of our longstanding and extremely able Directors, who will be appointed following the Annual Meeting.

I am very proud of our accomplishments in what, in the greater scheme of things, has been a relatively short period of time. We have grown from a fledgling organization greeted with some skepticism by the industry and regulators alike, to a well-established and credible OmbudService dealing with more than 30,000 enquiries and 2,200 consumer complaints per annum, enjoying productive working relationships with our stakeholders and carrying out our mandate with financial and administrative efficiency. It has been a pleasure and a privilege to have been part of this bold initiative whereby, in a striking example of effective public-private cooperation, the industry took the lead, with government support, in the creation of a social good.

Bernard Bonin (signature)

Bernard Bonin
Chairman, OLHI

Message from the Executive Director

Holly Nicholson

Executive Director & General Counsel,
OmbudService for Life & Health Insurance

This has been a year of significant operational achievement for OLHI during which we have completed or initiated more than 30 recommendations contained within the independent review.

COMMUNICATIONS

The OLHI staff and I are especially proud of several communications initiatives which have served to improve access to and awareness of our services.

Website
In the seven full months following the launch of our new English and French websites last August, we received some 10,000 new visitors. About 350 consumers consult our 'complaint process' page every month and can now, if they wish, take advantage of downloadable documents and interactive communication to facilitate that process. This constitutes a major improvement in access to OLHI which was one of the leading recommendations of the independent review.

Consumer brochures
This year we developed and produced a new brochure, in English and French, describing OLHI and its services. This brochure was the primary tool in a significant outreach to elected officials whereby all federal Members of Parliament and all provincial MPPs and MLAs were sent a personalized letter and multiple copies of the brochure. This initiative has already begun to produce tangible results as witnessed by an increasing number of consumers who are referred through their elected officials, as well as additional brochure requests received through our on line order form.

Member company E-bulletin
During the year we launched an e-bulletin to facilitate direct, periodic communication with member companies. This publication is designed to keep Consumer Complaints Officers and Ombudsmen, as well as the industry association, up to date on OLHI activities and new developments. The initial response from the membership and industry has been very positive and we continue to add interested parties to our mailing list.

COMPLAINTS HANDLING PROCESS

As part of OLHI's continuing commitment to providing consumers with effective and timely service, on January 1st we launched a thorough review of our internal complaint handling procedures. This review is designed to address various recommendations in the independent review and focuses on internal complaint handling practices and procedures, as well as data compilation and reporting. Much progress has been made and I am confident that by the end of the coming year we will attain our goal of better identifying and serving consumer needs and obtaining more meaningful data for our stakeholders.

STAKEHOLDER OUTREACH

The biggest news in stakeholder relations this year is OLHI's participation in the re-constituted CLHIA Committee on the OmbudService. This Committee serves as the forum through which OLHI obtains member and industry input on matters of concern and importance, such as the various recommendations in the independent review requiring their collaboration. OLHI also continues to maintain its ongoing outreach to key stakeholder groups through established channels, such as presentations at industry conferences and seminars and annual meetings with the regulators and our sister OmbudServices.

SUMMARY

Of necessity, much of the previous fiscal year was devoted to quickly absorbing the 60 recommendations of the independent review and developing a three year strategic plan in response. This year has been one of action during which we have fulfilled many recommendations in the independent review and launched many others involving external collaboration with stakeholders.

In a relatively short period of time, we have made significant and tangible progress in the areas of communications and stakeholder outreach. The result, I believe, is that OLHI has become a more integral, accessible, and recognizable feature of the life and health insurance landscape.

Holly Nicholson (signature)

Holly Nicholson
Executive Director & General Counsel, OLHI

OLHI Standards

OLHI has committed to abide by a voluntary code of service standards that guide the work and activities of its qualified professional staff. OLHI's promise to consumers includes service in accordance with the following standards:

Accessibility

OLHI provides convenient ease of contact for consumers through our national toll-free telephone number (1-888-295-8112), mail, email (info@olhi.ca), facsimile (416-777-9750) and website (www.olhi.ca). Our services are offered in both English and French and are provided at no cost whatsoever to consumers.

Timeliness

OLHI will respond promptly to consumer enquiries and complaints. Most telephone enquiries are answered immediately by an attendant and any telephone, fax, or email messages will be returned promptly.

Courtesy

Consumers contacting OLHI will be treated courteously, professionally and with respect.

Clarity

OLHI provides consumers with clear and succinct information by telephone or in writing. Our aim is to ensure the consumer has a full and complete understanding of the issues and the positions of each party.

Accuracy

All information collected by OLHI relevant to a complaint or enquiry will be accurate and as complete and up-to-date as necessary for the purpose of assisting with the resolution of the enquiry or complaint.

Fairness & Impartiality

OLHI provides unbiased and impartial assistance with consumer complaints and enquiries. OLHI is not an advocate for either the consumer or the life and health insurance company.

Consistency

OLHI processes complaints in accordance with its mandate and terms of reference and strives to treat similar cases in a similar fashion.

Knowledge

The information provided to consumers contacting OLHI will reflect a thorough knowledge and understanding of the subject. OLHI's staff have the skills and specialized knowledge of life and health insurance products, services, and practices necessary to address consumer enquiries and complaints.

Privacy/Confidentiality

Any information collected by OLHI will remain confidential and proprietary to the OLHI in accordance with OLHI's Privacy Statement.

Independence & Objectivity

OLHI is a non-profit corporation independent of government and industry. It is governed by a Board of Directors, the majority of whom are Independent Directors with no ties to the life and health insurance industry.

OLHI Complaint Handling Process

Step One

A consumer contacts OLHI about a complaint. An OLHI Complaints Counsellor determines whether the consumer has received a "final position letter" from the insurer, indicating the completion of the insurer's own internal complaint resolution process. If no final position letter has been received, the Complaints Counsellor refers the consumer to his or her insurer's internal complaint resolution process, offering general guidance on the nature and type of information required to process the complaint through the company.

Step Two

A consumer who has received a final position letter from a life and health insurance company that is an OLHI Member Company and who is not satisfied with the result, may access OLHI's independent cost free complaints resolution process.

At this stage an experienced Complaints Counsellor reviews the complaint from an independent perspective, collects all relevant facts and information, and advises the consumer how the complaint might be resolved. With OLHI's assistance, this may involve providing additional information to the consumer's life and health insurer or communicating with the insurer.

Step Three

If the complaint is not resolved at Step Two, at the discretion of OLHI it may be referred to an OmbudService Officer ("Officer") for investigation and conciliation. The Officer works with the consumer and the Member Company to attempt a voluntary resolution of the complaint. The Officer contacts both parties to collect any necessary additional information and then assesses the complaint to try to find some common ground between the parties.

Step Four

Where warranted, a complaint may be referred for a further review. This review results in a non binding settlement recommendation to the consumer and the Member Company.

Complaint Statistics

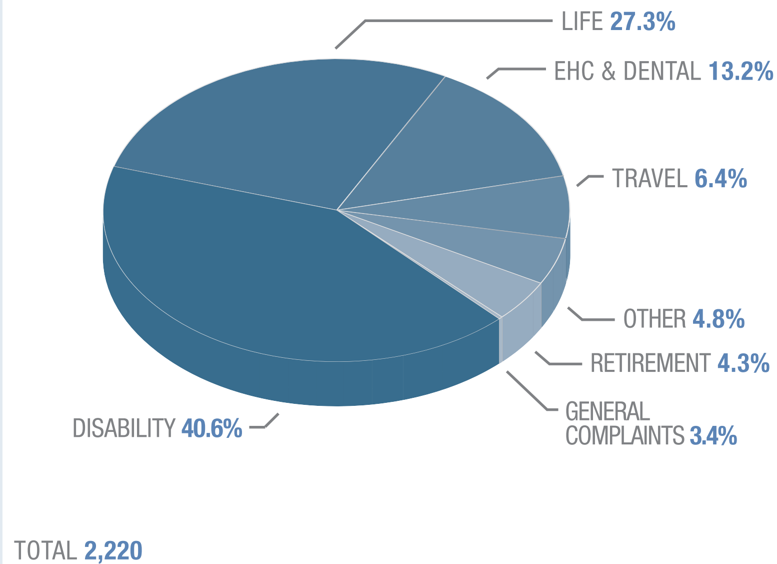
Overview

This fiscal year OLHI received 2,220 complaints, representing a 6.5% increase from last fiscal year and nearly 10% over the last three years. Case files were opened for 570 written complaints, the same number as last year.

The majority of complaints (78.9%) continue to originate in Ontario and Quebec. For the first time in three years, Quebec has the highest percentage of complaints by province at 40.1%.

Consistent with past years, the majority of complaints by product category are in the area of disability insurance, although there was a 7.3% decrease in disability complaints this fiscal year. This decline has been picked up by increases in the "Life" and "Other" product categories.

Complaints By Product



TOTAL 2,220

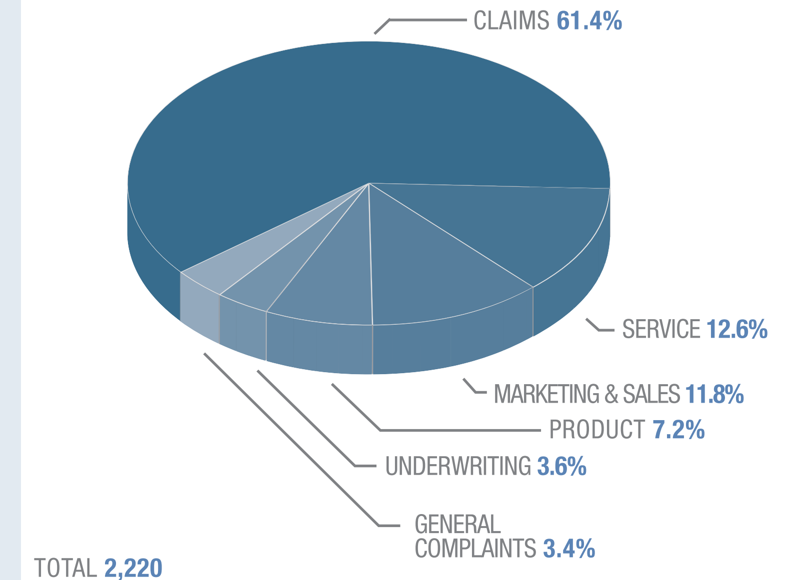
Overview

The "Claims" area generated 61.4% of complaints categorized by company function, declining 4% over the last three years. Increases in the "Product" and "Marketing & Sales" categories have compensated for this decline in complaints originating from the Claims function. "Service" complaints represent the next highest category of complaints by company function at 12.6%.

This fiscal year, group insurance complaints represent the majority of complaints categorized by line of coverage (46.5%). Complaints with respect to individual insurance and creditor insurance were 39.5% and 12.1%, respectively.

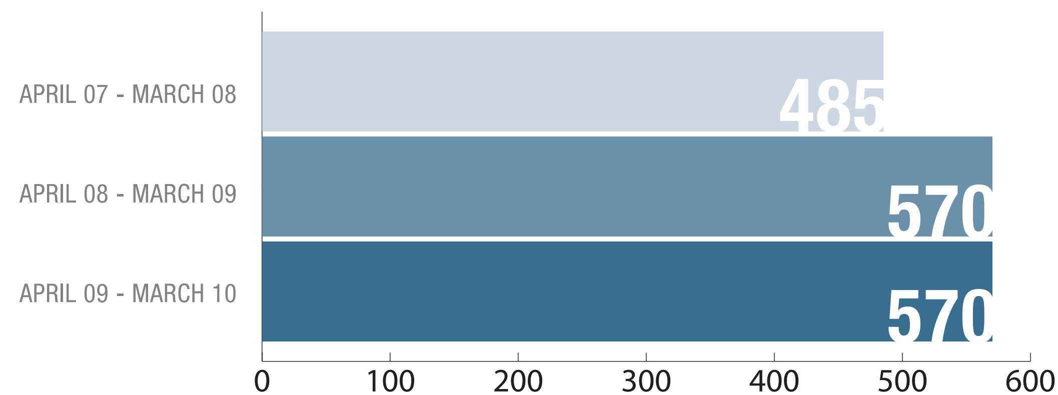
22.1% of all complaints originate by consumers locating OLHI through the internet. Government (non regulatory) and insurance companies also represent significant sources for complaint referrals at 18.1% and 15.9%, respectively.

Complaints By Company Function

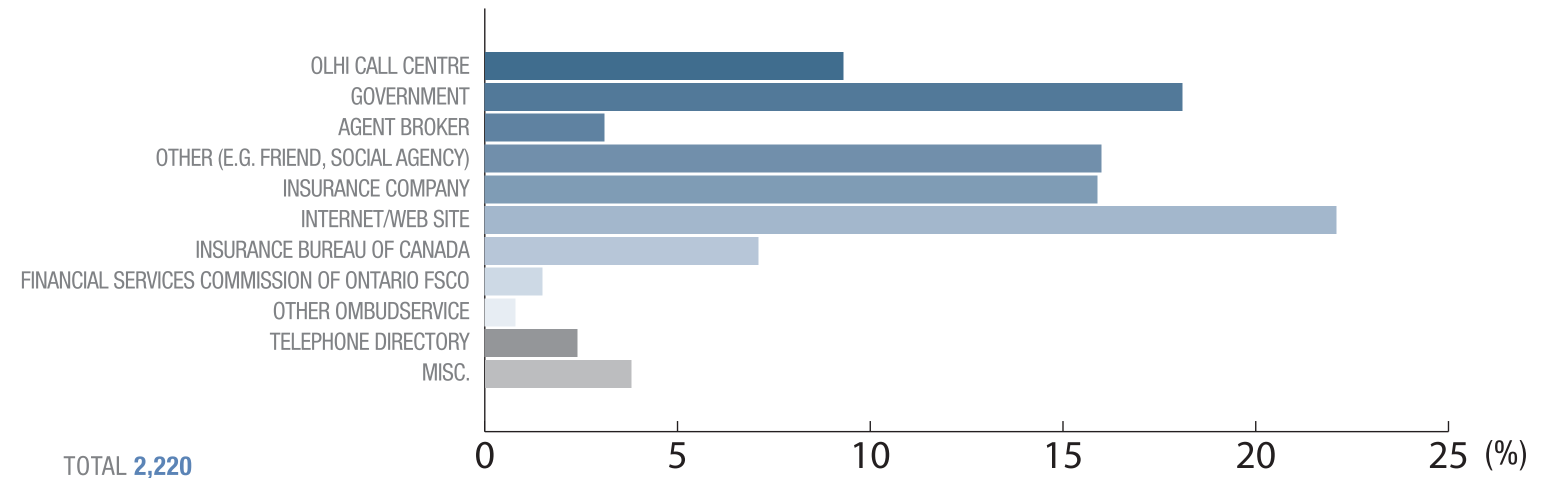


TOTAL 2,220

Volume of Written Complaints



Complaints By Source

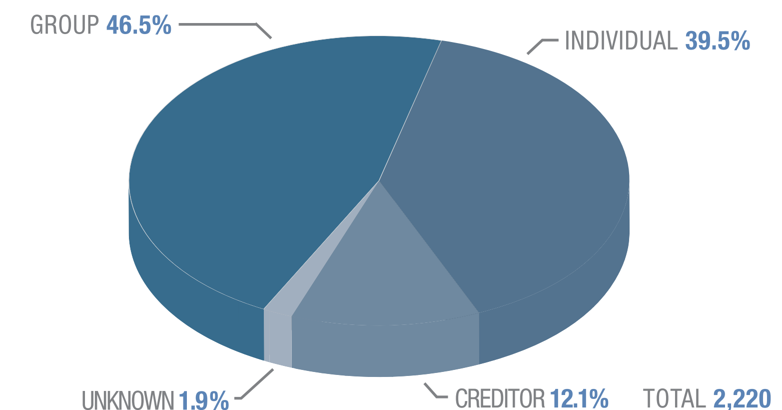


TOTAL 2,220

Complaints By Province

Quebec	890
Ontario	861
British Columbia	168
Alberta	122
Manitoba	50
Nova Scotia	32
Saskatchewan	29
New Brunswick	28
US & Foreign	19
Newfoundland	19
Prince Edward Island	1
Territories (3)	1
Total	2,220

Complaints By Line of Coverage



TOTAL 2,220

Case Study

Mis-Adventures in Paradise

Mr. A contacted OLHI when he was denied reimbursement for a cancelled trip to the Caribbean. By the time he called, his request for payment had been turned down three times with the identical "form letter" and he was, understandably, frustrated. His frustration was exacerbated by the fact that his travelling companion had been reimbursed the cost of her cancelled trip many months before.

The OLHI Complaints Counsellor who spoke to Mr. A learned that in late September he had booked a trip to the Caribbean for himself and his common-in-law wife, with a departure date in December. He paid for his trip on his credit card. One of the benefits afforded to holders of the credit card was automatic "trip cancellation insurance" that permitted card holders to be reimbursed if a trip paid for through the credit card was cancelled in certain circumstances. The specific clause permitted full reimbursement of the cost of the trip in the event of "The unexpected death, sickness, injury or quarantine of you, your immediate family member, your travel companion or your travel companion's immediate family member. Sickness and injury must require the care and attendance of a physician and the physician recommends interruption of the trip".

Unbeknownst to both Mr. A and his common law wife, her daughter had seen a physician in early September, before their trip was booked, with a general complaint of abdominal pain. The daughter was in her mid 20s, self supporting, and did not live with her mother and Mr. A. In fact, they had no idea that she had even visited the doctor until two months thereafter when test results arrived and the daughter advised them that her doctor recommended surgery to remove a cancerous growth. As is typical, the daughter was put on a waiting list for surgery "as soon as possible", with no specific date. The daughter's operation was eventually scheduled for a few days after Mr. A and his wife were booked to fly to the Caribbean and hence they decided to cancel their trip.

Before cancelling the trip, Mr. A called the claims administrator and obtained the forms required to submit a claim for reimbursement of his cancelled vacation. A file was opened and he promptly filled out and submitted both his form and the form required to be completed by the attending physician.

Approximately 6 weeks later he received a response from the administrator of the claim denying his reimbursement application on the basis that "The cancellation of your trip is not covered by the terms of your insurance policy".

Although he called the claims administrator several more times asking for an explanation why the claim was "not covered", the company's response was to issue two further letters with the same explanation. Eventually, he was told in a phone call that his claim was denied because his wife's daughter had sought medical attention before he and his wife booked their trip. Mr. A did not understand this explanation because neither he nor his wife had any knowledge that the adult daughter had been to

> ***" ...his request for payment had been turned down three times with the identical 'form letter'... "***

the doctor until her diagnosis was confirmed, several months after they booked their vacation. His lack of understanding was further compounded by the fact that his common law wife, who had submitted a trip cancellation claim through her own insurance company, was reimbursed the cost of her trip within a month of submitting her claim.

Eventually Mr. A contacted OLHI. Our Complaints Counsellor recommended that he write to the manager of his insurer's claim department, rather than continue calling the claims administrator. He wrote this letter but called OLHI back two months later when he had not received a response. At this point our Complaints Counsellor wrote directly to the insurer's Ombudsman asking that Mr. A be provided with a response to his letter. Within two days the Ombudsman's office replied to Mr. A, with a copy to OLHI.

It was finally explained to Mr. A that his insurer was not willing to pay the claim because it did not consider the daughter's condition to qualify as a "Sickness" under the policy because it was not a "sudden illness or disease" since she had symptoms that caused her to see her physician before the trip was booked. This is a common interpretation by insurers, who take the view that any medical condition that is diagnosed after a trip is booked, but which is the subject of a doctors visit beforehand, is a pre existing condition not covered under the travel insurance policy.

However, the good news for Mr. A was that his credit card company agreed to reimburse him the full cost of his trip in any event, in view of the circumstances and the fact that he was a long standing and good customer!

Disclaimer: *Names, places and facts have been modified in the above example in order to protect the privacy of the individuals involved.*

Investigation Statistics

Overview

OLHI opened twenty four (24) investigation cases, an increase from 18 last fiscal year.

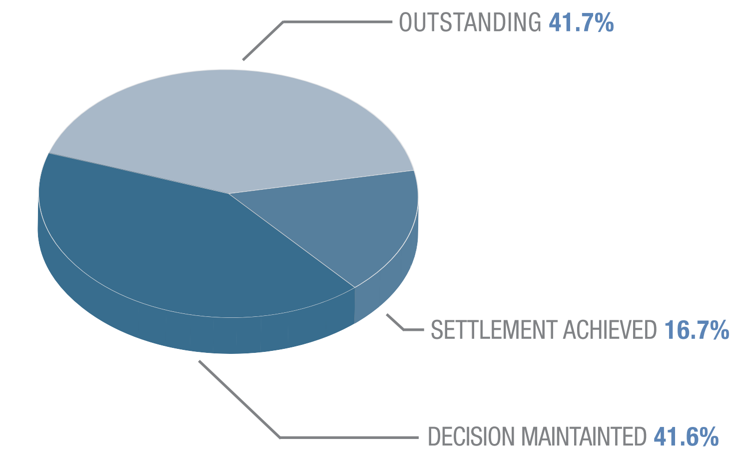
Consistent with prior years, disability cases represent the highest volume of cases proceeding to the investigation stage. However, there was a sharp decline this year in the ratio of disability cases as a percentage of total investigation complaints (29.2% this year versus 35.3% in fiscal 2009). This decrease in disability cases was set off, in the most part, by a strong increase in the number of segregated fund complaints.

Categorized by company function, the "Marketing & Sales" and "Claims" functions total 70.8% of all cases proceeding to the investigation stage, followed by "Service" complaints at 16.7% and "Product" complaints at 12.5%.

58.3% of investigations were concluded during the year. Of these, investigators were successful in effecting a settlement in just under 30% of all cases. Of the investigation cases outstanding at the end of the fiscal year, two had proceeded to the next phase in OLHI's dispute resolution process and were eventually resolved in favour of the consumer, thereby increasing the settlement ratio to 37.5%.

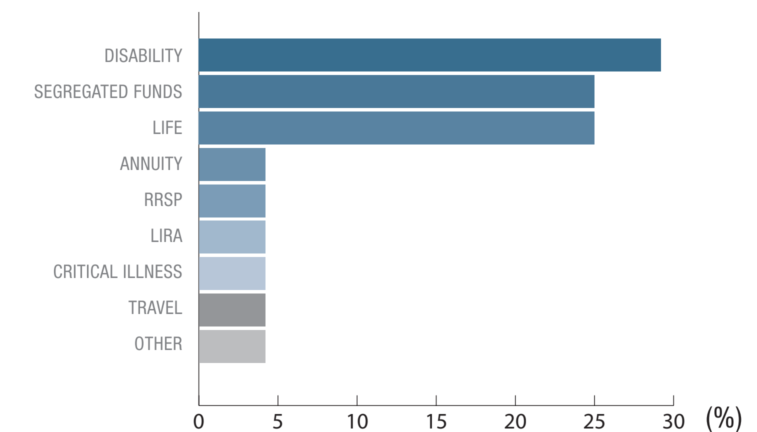
OLHI is currently working with industry stakeholders to establish external benchmarks for its investigation process, with the aim of reducing the length of time required to resolve complaint investigations.

Outcome By Cases Opened



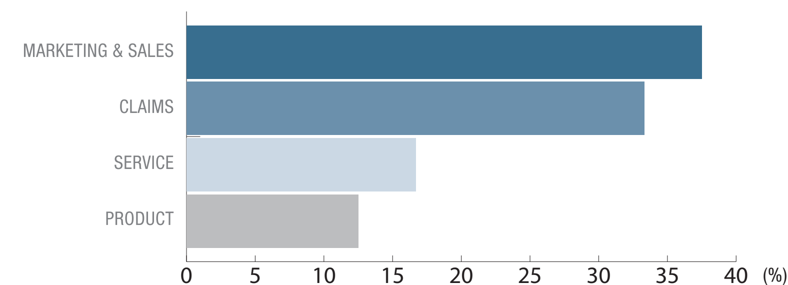
TOTAL 24

Investigations By Product



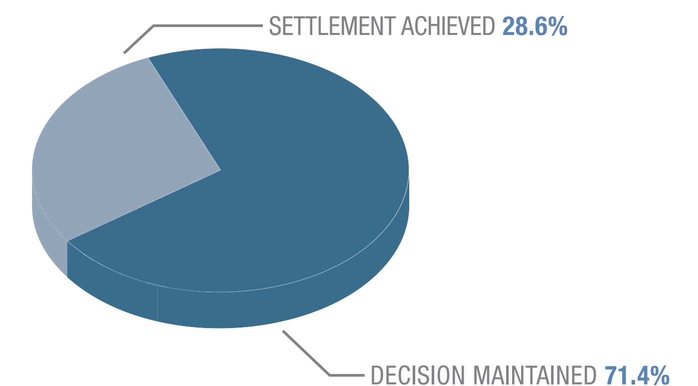
TOTAL 24

Investigations By Company Function



TOTAL 24

Outcome By Cases Completed



TOTAL 14

Case Study

Clearing Away the Doubts

Ms. F called OLHI on behalf of a member of her family, Mr. L, to seek assistance with reinstatement of disability benefits that had been discontinued under his group policy. Mr. L could not act for himself due to his state of disability. The OLHI Complaints Counsellor learned that short-term disability benefits had been paid for a period of six months. Long term disability benefits were paid, on a trial basis, for a year and were then discontinued following an independent medical examination conducted on behalf of the insurer. In sum, based on the medical examination the insurer suspected that the insured was feigning his disability. The insurer also queried whether Mr. L met the condition of "total disability" as per his insurance contract. Ms. F called OLHI seeking assistance with the reinstatement of benefits. The complaint was initially reviewed by a Complaints Counsellor and was then referred to an OmbudService Officer for a more detailed examination.

As is usual, Mr. L's group disability plan provided benefits for a period of 24 months if a claimant can demonstrate disability from his or her own pre-disability occupation. In order to qualify for benefits after that period, the claimant must provide evidence to support his or her inability to perform any occupation for which he is reasonably suited by education, training or experience.

OLHI's OmbudService Officer reviewed the extracted documents from the claims file previously provided to Ms. F by the insurer. He then spoke at length with her to ascertain the chronology of events and the extent of her involvement to date. Taking into account the information already available, he determined that this case would best be served by a review of the insurer's claim file. The insurer readily agreed, and co-operatively provided the complete claim file.

A review of the insurer's claim file and the additional information provided by the insured's representative disclosed that Mr. L had subsequently left his minimum wage type work in the hospitality industry in order to be closer to his family. The file also revealed a history of progressively worsening mental health, culminating in Mr. L's hospitalization by the time of the OmbudService Officer's review.

The OmbudService Officer appreciated the reasons for the insurer's concerns about proof of disability, which were based on anecdotal evidence that suggested Mr. L was physically active and had made some efforts to find a job. However, our Officer's review of the claim history led him to conclude that the insured was indeed suffering from a serious deteriorating mental disability. This disability had not been clearly diagnosed at the time of the insurer's decision to terminate benefits but had been conclusively diagnosed by the time OLHI's Officer was reviewing the case.

> ***"...based on the medical examination the insurer suspected that the insured was feigning his disability."***

Upon conclusion of his review, the OmbudService Officer made a detailed written submission to the insurer. He acknowledged the insurer's concerns and the fact that this was a challenging and complex claim. However, his view was that the evidence did not support a conclusion of feigning on the part of the insured. He suggested that the totality of the subsequent circumstances, which indicated a progressive deterioration in mental health, also be taken into account.

Upon receipt of our Officer's analysis, the insurer referred the case back to its business unit for further consideration. In due course the insurance company offered Mr. L a lump sum settlement or reinstatement of the claim back to a point in time where the insurer accepted that Mr. L was unquestionably totally disabled from any occupation. This offer was considered fair by OLHI's OmbudService Officer and the reinstatement of claim option was eventually accepted.

Disclaimer: *Names, places and facts have been modified in the above example in order to protect the privacy of the individuals involved.*

Enquiry Statistics

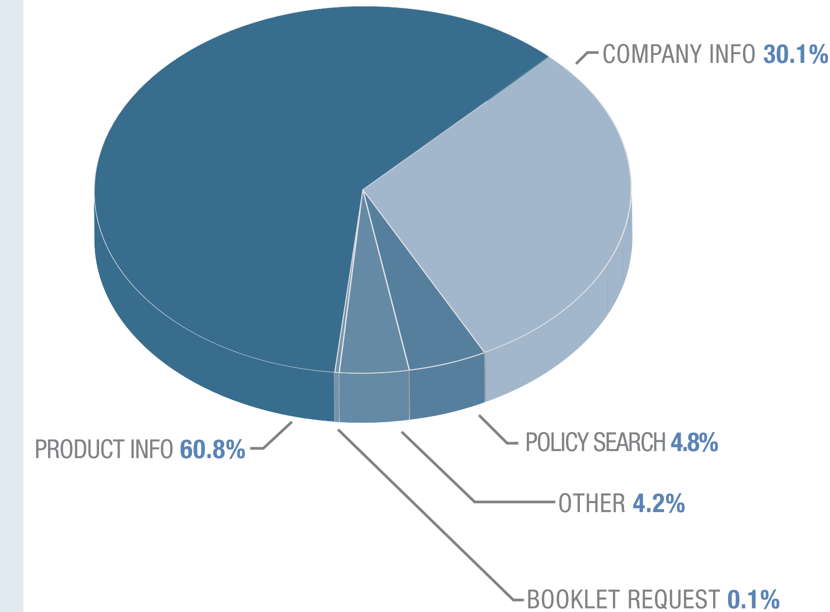
Overview

OLHI provides Canadian consumers with general information on life and health insurance products and services through our national toll-free call centers in Toronto and Montreal. In addition, we distribute numerous consumer brochures and assist consumers searching for a lost life insurance policy.

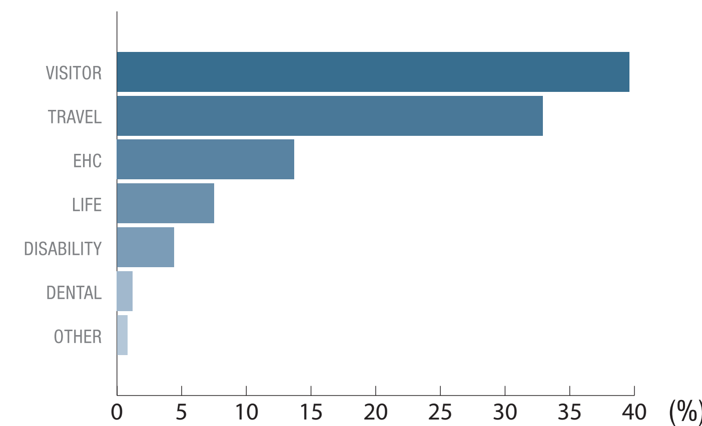
During our 2010 fiscal year, OLHI's information service answered 30,152 requests for information covering 33,820 topics pertaining to life and health insurance. The majority of these enquiries were requests for product information on travel, visitors, and employee health insurance (60.8%), followed by company contact information (30.1%). OLHI also received 1,634 life policy search requests.

Our newly redesigned English and French websites were launched in mid August 2009, expanding the accessibility of our consumer information services to 24/7. During the seven (7) full months the new OLHI websites were operational this fiscal year, we received almost 10,000 new visitors with a steady increase in new web visitors each month.

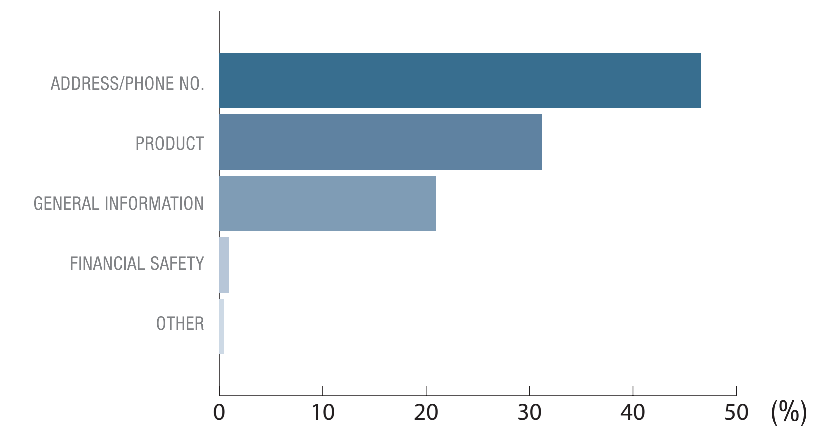
Reason for Enquiry



Analysis of Product Enquiries



Analysis of Company Enquiries



Enquiries by Region

Region	Enquiries	%
Ontario	13,921	46.2%
Quebec	12,542	41.6%
Prairie Provinces	1,448	4.8%
British Columbia	1,041	3.5%
Atlantic Provinces	634	2.0%
US & Foreign	566	1.9%
Total	30,152	100%

A Missing Dividend Option

In 2003 Mrs. C purchased two whole life insurance policies, one for each of her children, A and D. Both policies were purchased at the same time and had face values of $300,000 each. The policies were to have the same dividend options - bonus additions - which allowed for the face and cash values of the policies to grow if the insurer declared dividends. As is usual, at the time the policies were purchased Mrs. C's life insurance agent showed her several written sales illustrations demonstrating how the various dividend options, although not guaranteed, would perform under various assumptions.

Mrs. C's intent was to select the same dividend option for each of the two policies based on the sales illustration she chose with the assistance of her agent. Mrs. C did not speak or read English well and relied on her agent to fill in the application forms, including the selected dividend option.

Both policies were issued and annual statements were delivered to Mrs. C. After two years she noticed that the type of bonus addition on her son's policy was quite different from those for her daughter's policy. She suspected that something was amiss and promptly called her agent to inquire about the discrepancy. She was advised to await her next annual statements.

When the third annual statements continued to show discrepancies between the two policies, Mrs. C instructed her agent to look into the matter. His inquiries revealed that the dividend options were different for A and D's policies. It appeared that A's policy was issued in accordance with the dividend option selected by Mrs. C and indicated on A's application. In contrast, the dividend option section in D's application was left blank and hence the insurer applied the "default" dividend option as permitted by the contract.

The agent pointed out the mistake to the insurer, who agreed to correct the dividend option in D's policy, but only on a "go forward basis". Shortly thereafter Mrs. C's daughter contacted OLHI with a request that we assist in securing an adjustment to the dividend option from the date D's policy was issued.

Our Complaints Counsellor quickly ascertained the facts, reviewed the necessary documents, and recommended that a letter be written to the insurer's Ombudsman. He advised her to emphasize that the two policies were clearly to be identical, that an innocent error by the agent caused the problem, and that no steps were taken by the insurer to notify Mrs. C that the policy issued for D was issued with a dividend option that differed from that of the sales illustration.

This letter led to a detailed investigation by the insurance company. The insurer's Ombudsman agreed with our Complaints Counsellor that the policy ought to have been issued in conformity with the sales

" ...the investigation of this case led to modifications to the insurer's procedures... "

illustration that accompanied the applications, failing which any discrepancy between the illustration and the policy issued for the son, D, should have been brought to Mrs. C's attention.

The insurer agreed that the most appropriate remedy was to correct the dividend option retroactively to the start of the policy, with resulting increases to the face and cash values of D's policy. The insurer also advised that the investigation of this case led to modifications to the insurer's procedures to ensure that any similar cases in the future would be more promptly identified and resolved.

Disclaimer: *Names, places and facts have been modified in the above example in order to protect the privacy of the individuals involved.*

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AUDITORS' REPORT

To the Members of Canadian Life and Health Insurance OmbudService

We have audited the balance sheet of Canadian Life and Health Insurance OmbudService (operating as OmbudService for Life & Health Insurance) as at March 31, 2010 and the statements of revenue and expenses and changes in the operating fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 17, 2010

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.
KPMG Canada provides services to KPMG LLP.

Financial Statements

Balance Sheet

As at March 31, 2010, with comparative figures for 2009

Assets

	2010	2009
Current assets:		
Cash and cash equivalents (note 2)	$722,963	$614,688
Accounts receivable	-	72
Prepaid rent	9,624	18,080
	732,587	632,840
Capital assets (note 3)	90,287	34,818
	$822,874	**$667,658**

Liabilities and Fund Balance

	2010	2009
Current liabilities:		
Accounts payable and accrued liabilities	$81,524	$71,472
Deferred lease inducement	2,601	2,862
	84,125	74,334
Deferred lease inducement	75,771	-
Fund balance:		
Operating Fund:		
Invested in capital assets	90,287	34,818
Unrestricted	572,691	558,506
	662,978	593,324
Commitments (note 5)		
	$822,874	**$667,658**

See accompanying notes to financial statements.

Statement of Revenue and Expenses and Changes in the Operating Fund Balance

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
General assessment fees	$1,546,058	$1,485,000
Investment	761	12,417
	1,546,819	1,497,417
Expenses:		
Staff costs and adjudicative services	860,990	776,680
Board of Directors fees	91,562	121,979
Board meetings and travel	42,296	39,304
Staff meetings and travel	31,694	16,131
Rent	98,291	89,699
Management fees (note 4)	39,900	77,490
Information technology	70,604	69,761
Amortization of capital assets	25,080	37,880
Telecommunications	27,491	25,744
Professional fees	109,457	102,135
FSON-related costs	6,485	17,412
Supplies and services	34,993	19,987
Insurance	12,304	10,833
Translation	4,660	7,587
Facilities fees – Toronto	4,587	5,320
Training and development	6,132	943
Moving expenses	3,326	-
Communications	-	6,179
Recruitment	-	16,734
Loss on disposal of capital assets	7,313	-
	1,477,165	1,441,798
Excess of revenue over expenses	69,654	55,619
Operating Fund balance, beginning of year	593,324	537,705
Operating Fund balance, end of year	**$662,978**	**$593,324**

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

Cash provided by (used in):

	2010	2009
Operating activities:		
Excess of revenue over expenses	$69,654	$55,619
Items not affecting cash:		
Amortization of capital assets	25,080	37,880
Amortization of lease inducement	(5,483)	(6,869)
Loss on disposal of capital assets	7,313	-
Change in non-cash balances relating to operations:		
Accounts receivable	71	5,314
Recoverable expenditures and deposits	8,456	(9,624)
Accounts payable and accrued liabilities	10,053	(7,015)
	115,144	75,305
Investing activities:		
Additions to capital assets	(90,198)	(1,683)
Financing activities:		
Lease inducements	83,329	-
Increase in cash and cash equivalents	108,275	73,622
Cash and cash equivalents, beginning of year	614,688	541,066
Cash and cash equivalents, end of year	**$722,963**	**$614,688**

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2010

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), 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:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Financial instruments:

CLHIO has classified its short-term investments as held-to-maturity and therefore these investments are measured at amortized cost.

As a non-for-profit organization, CLHIO has chosen to apply Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861, Financial Instruments – Disclosure and Presentation, in place of CICA Handbook Section 3863, Financial Instruments – Presentation under the CICA Handbook Section 3862, Financial Instruments - Disclosure.

(b) Fund accounting:

These financial statements follow the restricted fund method of accounting. The operating fund reports unrestricted resources.

(c) Revenue recognition:

General assessments are recognized as revenue of the operating fund in the year received or receivable.

(d) Capital assets:

Capital assets are carried at cost less accumulated amortization. Office furniture and equipment are amortized on the declining balance basis at the annual rate of 20%. Computer equipment is amortized on a straight-line basis over four years. Leasehold improvements are amortized on a straight-line basis over the remaining lease term.

(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 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.

2. Cash and cash equivalents:

Cash and cash equivalents consist of the cash balance with the bank and a short-term guaranteed investment certificate. Cash and cash equivalents comprise the following balance sheet amounts:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	$222,963	$222,963	$214,861	$214,861
Short-term investments	500,000	500,000	399,827	399,827
	$722,963	$722,963	$614,688	$614,688

The short-term investment has an aggregate principal amount of $500,000 (2009 - $399,827) with an effective interest rate of 0.25% (2009 - 0.40% to 3.63%). Interest is receivable at maturity.

3. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	$25,909	$11,254	$14,655	$6,372
Office equipment	5,298	3,128	2,170	4,355
Computer equipment	28,448	12,111	16,337	15,167
Leasehold improvements	60,485	3,360	57,125	8,924
	$120,140	$29,853	$90,287	$34,818

4. Transactions with Canadian Life and Health Insurance Association Inc. (CLHIA):
During the year, CLHIA provided management services to CLHIO consisting mainly of administrative and information technology services, which amounted to $96,600 (2009 - $137,235) including the applicable taxes.

5. Commitments:
The CLHIO rents office premises in Toronto and Montreal. On March 12, 2009 the organization entered into a new agreement for its Toronto premises as the current lease is due to expire on August 31, 2009. Future minimum annual rentals under the new and existing leases are as follows:

Year ending March 31	Office premises
2011	$46,000
2012	52,000
2013	52,000
2014	35,000
2015	34,000
2016 and thereafter	176,000

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 risks and interest rate risks and how CLHIO manages each of these risks is 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 short-term investments which are primarily a guaranteed investment certificate ("GIC") and banker's acceptances of Schedule 1 banks with Canadian-issued instruments with ratings of AAA. The maximum credit risk exposure as at March 31, 2010 is comprised of cash and short-term investments totaling $722,963, of which $500,000 is invested in CDIC-insured and/or guaranteed investments.

(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 as significant portion of its assets in cash, GIC and bankers' acceptances.

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 September 7, 2010:

Acadia Life
ACE INA Life Insurance
Actra Fraternal Benefit Society
Aetna Life Insurance Company
Allianz Life Insurance Company of North America
American Bankers Insurance Company of Florida
American Bankers Life Assurance Company of Florida
American Health and Life Insurance Company
Assumption Mutual Life Insurance Company
Assurant Life of Canada
Assurant Solutions
Assuris
AXA Assurances Inc.
Blue Cross Life Insurance Company of Canada
BMO Life Assurance Company
BMO Life Insurance Company
Canadian Premier Life Insurance Company
Canassurance Hospital Service Association
Canassurance Insurance Company
CIBC Life Insurance Company Ltd.
CIGNA Life Insurance Company of Canada
Co-operators General Insurance Company
Co-operators Life Insurance Company
Combined Insurance Company of America
Connecticut General Life Insurance Company
CT Financial Assurance Company
CUMIS Life Insurance Company
Desjardins Financial Security Life Assurance Company
FaithLife Financial
First North American Insurance Company
Foresters
Gerber Life Insurance Company
GMS Insurance Inc.
Green Shield Canada
Group Medical Services
Groupe Promutuel
Hartford Life Insurance Company
Household Life Insurance Company
Industrial Alliance Insurance and Financial Services Inc.
Industrial Alliance Pacific Insurance and Financial Services
Knights of Columbus
L'Alternative, compagnie d'assurance sur la vie
La Capitale Civil Service Insurer Inc.
La Capitale Insurance and Financial Services Inc.
Legacy General Insurance Company
Life Insurance Company of North America
London Life Insurance Company
LS Mutual Life Insurance Company
Lutheran Life Insurance Society of Canada
Manulife Canada Ltd.
Manulife Financial
MD Life Insurance Company
Medavie Blue Cross
Metropolitan Life Insurance Company
Munich Reinsurance Company
National Bank Life Insurance Company
New York Life Insurance Company
Optimum Reassurance Inc.
Partner Reinsurance Company Ltd.
Penncorp Life Insurance Company
Primerica Life Insurance Company of Canada
Principal Life Insurance Company
Promutuel Vie Inc.
RBC General Insurance Company
RBC Insurance Company of Canada
RBC Life Insurance Company
Reassure America Life Insurance Company
Reliable Life Insurance Company
Saskatchewan Blue Cross
SCOR Global Life
Scotia Life Insurance Company
SSQ Financial Group
SSQ, Life Insurance Company Inc.
Standard Life Assurance Limited
Standard Life Trust Company
State Farm International Life Insurance Company Ltd.
Sun Life Assurance Company of Canada
Sun Life Insurance (Canada) Limited
Swiss Re Life & Health Canada
Swiss Reinsurance Company Ltd.
TD Life Insurance Company
Teachers Life Insurance Society (Fraternal)
The Canada Life Assurance Company
The Canada Life Insurance Company of Canada
The Empire Life Insurance Company
The Equitable Life Insurance Company of Canada
The Excellence Life Insurance Company
The Great-West Life Assurance Company
The Independent Order of Foresters
The International Life Insurance Company
The Manufacturers Life Insurance Company
The Standard Life Assurance Company (2006)
The Standard Life Assurance Company of Canada
The Union Life, A Mutual Assurance Company / UL Mutual
The Wawanesa Life Insurance Company
TIC Travel Insurance Coordinators Ltd.
Transamerica Life Canada
Triton Insurance Company
Union of Canada Life Insurance
Unity Life of Canada
Western Life Assurance Company

OLHI Locations + Board Members

LOCATIONS

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

Ombudsman des assurances de personnes
1001, boul. de Maisonneuve O. Bureau 640
Montreal, Quebec
H3A 3C8

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