

2011-2012 Annual Report



OmbudService
for Life & Health
Insurance



Ombudsman
des assurances de
personnes

OLHI • OAP

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for Life & Health
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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.

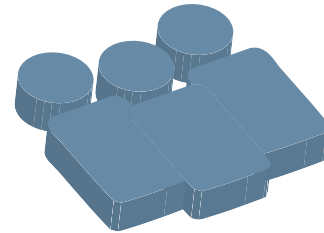
Front cover illustration: ‘Shimmering Waters’
Hand Pulled Intaglio Collagraph by Doug Forsythe
(www.dougforsythegallery.com) © Doug Forsythe 1989

Highlights + Total Activity

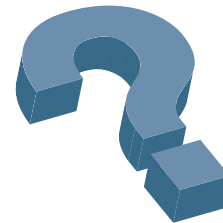
Analysis of Total Activity

Highlights:

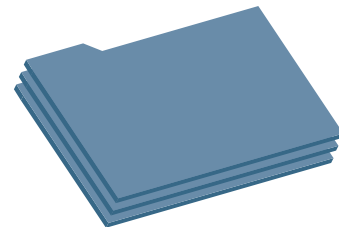
- Completed Year Three of Three-Year Strategic Plan
- Concluded 56/60 Independent Review Recommendations
- Implemented New Complaint Handling Process
- Adopted Three-Year Stakeholder Consultation Plan
- Enhanced Governance Procedures
- Increased Total Contacts with Public 26%
- Welcomed Two New Member Companies



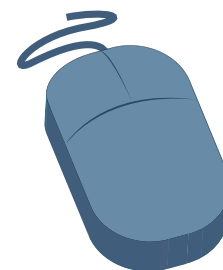
Total Contacts 70,140



Enquiries 31,579



Complaints 2,444



Web Visitors 36,117

Message from the Chair

Dr. Janice MacKinnon

Chair, OmbudService for Life & Health Insurance

“High achievement always takes place in the framework of high expectation.”
Charles F. Kettering (Inventor, engineer, businessman)

It has been an incredibly busy and productive year with many achievements.

STRATEGIC PLAN

We successfully completed the final year of our three-year Strategic Plan. A central component of this plan was the implementation of 60 recommendations from the 1st Independent Review and, by the end of March, all but four had been addressed. The remaining four were deferred to 2012/13 because of external circumstances. We also laid the groundwork for our 2nd Independent Review, to be conducted in the upcoming year.

BOARD GOVERNANCE

The Board was particularly busy this year especially at the Committee level. Its three standing Committees met a total of six times to deal with major issues requiring the Board's input and approval. Among the items addressed were a three-year Stakeholder Consultation Plan, Consumer Consultation mechanisms, the 2nd Independent Review, and the OLHI Human Resources Policy Manual. Having key issues discussed first at Committee level before bringing them to the Board for approval ensures an extra level of due diligence and also a more efficient use of Board time.

The Board also looked at improving its own processes and procedures. As a result, this past year we implemented a Code of Ethics and Conflict of Interest Policy for Directors and Officers and developed terms of reference for our Governance Committee. The Board intends to address one or two improvement areas each year.

FISCAL RESPONSIBILITY

Exercising prudence in financial matters, while ensuring that the goals and objectives of the organization are met, continues to be a priority for the Board. This year the Board approved a very modest increase to the annual budget, necessitated primarily by the increase in the number of Board and Committee meetings and the projected costs of the 2nd Independent Review.

CONSUMER AWARENESS

As you will read in the Executive Director's Report, OLHI's total contacts with the public have increased sharply each year during the last three years. This is the result of a concerted effort on the part of OLHI to promote its services through various means, such as its English and French websites, intermediaries who deal with consumers, and Member Companies who now distribute OLHI's consumer brochure. We continue to monitor this aspect of the business very closely to ensure that all opportunities are fully exploited. The independent Customer Satisfaction Survey that will be launched in the next fiscal year will be our first formal evaluation measure of these efforts with consumers.

STAKEHOLDER RELATIONS

Stakeholder relations and the general role of the OmbudServices were a major preoccupation for the Board this year, given the developments and discussions playing out on the larger stage. Accordingly, OLHI's Board and management have



taken every opportunity to reconfirm OLHI's strong commitment to a careful balancing of the rights of the Member Companies with our public interest mandate. In practice, this means that we must work closely with Member Companies and all stakeholders to ensure a quick and effective consumer dispute resolution process that does not amount to a parallel court system. The adoption of our new Complaints Handling Process and new Stakeholder Consultation Plan testifies to that commitment. Furthermore, OLHI continues to be an active participant in regular meetings with the Dispute Resolution (DR) Committee of the Joint Forum of Financial Market Regulators.

LOOKING FORWARD

The year ahead promises to be as exciting, if not more, and will include such major initiatives as the 2nd Independent Review and our 1st independent Customer Satisfaction Survey.

In conclusion, we are fortunate to have such a highly qualified and committed Board and an equally dedicated and hard working management and staff. I thank them all for their confidence and support. I also wish to acknowledge the Member Companies and other stakeholders for their support and cooperation in furthering OLHI's mission and in making possible an independent forum for consumer protection.

A handwritten signature in black ink that reads "Janice MacKinnon".

Dr. Janice MacKinnon

Chair, OLHI

OLHI lost a much valued Board member and colleague when Peter Maddaugh passed away suddenly on June 20, 2012. The Board is profoundly grateful for his many years of exemplary service to OLHI and its mandate. He will be missed.

Message from the Executive Director

Holly Nicholson

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

“Coming together is a beginning, staying together is progress, and working together is success”

Henry Ford (Innovator, engineer, businessman)

This past year has been one of the most successful ever for OLHI as we experienced the tangible rewards of collaboration with our stakeholders.

STRATEGIC PLAN

The most significant achievement this year on the operations side was the completion of the final year of our three-year Strategic Plan. This Plan was approved by our Board in 2009 and designed to implement the recommendations in our first Independent Review. A total of 56 recommendations were completed within the last three years. Key initiatives undertaken this year included the adoption of a three year Stakeholder Consultation Plan, development of consumer consultation mechanisms, and the implementation of new complaint handling processes.

I am particularly proud of the success we have experienced in working with our industry and Member Companies to implement the new complaint handling processes. These processes are designed to improve awareness and effectiveness of OLHI's consumer complaints services and required both OLHI and Member Companies to make changes to their respective complaint handling procedures.

As a result of these changes, consumers now have recourse to OLHI's services if their complaint is not resolved by the insurer within 90 days and are also notified of OLHI's services by insurers when their complaint is escalated. In addition, OLHI has adopted benchmarks for completion of complaints and Member Companies have agreed to cooperate in attaining these benchmarks by providing all relevant complaint documentation to OLHI within 30 days.

These new complaint processes have been overwhelmingly successful. Recent statistics confirm that 88% of complaints received by OLHI are closed within 60 days, well exceeding our benchmark of 80% within 120 days. Statistics also confirm that Member Companies are providing complaint documentation requested by OLHI within an average of 25 days.

ENHANCING AWARENESS

This past year saw a sharp increase in general public and consumer awareness of OLHI's services, continuing a three year trend. Total contacts with the public exceeded 70,000, representing a 25.9% increase over last year and a 52.9% increase over three years. Growth is being experienced both in the areas of Web visits and Complaints which have increased 27.3% and 22.9%, respectively, since fiscal 2010/11.

Of particular note is that OLHI received 2,444 complaints this year, the highest volume ever in its ten year history. The number of visits to OLHI's "Complaint Process" pages on its websites has increased 27.3% compared to last year. Over 9,100 visits were made to these pages for the year.



The significant increases in total contacts with the public are the result of OLHI's collaborative efforts to promote its services through a variety of methods, including consumer-focused websites and intermediaries who deal with consumers, such as Members of Parliament and provincial legislators. In addition, this past year OLHI reached out directly to the general public by exhibiting at the "Zoomer" trade show, Canada's largest lifestyle show for ages 45+ where our services were promoted to over 27,000 attendees.

Increases in complaint volumes this year are the culmination of these general promotional efforts, as well as collaboration with industry and our Member Companies.

SUMMARY

Over the last three years, the OLHI Board, staff, and stakeholders have worked diligently and collaboratively towards the goal of implementing the recommendations of the first Independent Review. As each of the recommendations has been implemented, OLHI has come closer to its goal of transforming itself into an efficient, effective, and independent alternative dispute resolution organization.

As we prepare for the second Independent Review to be conducted in fiscal 2012/13, we look forward to a critical assessment of how far we have come in attaining this goal and how we can continue to improve our organization to ensure fulfillment of our "public purpose" mandate to the satisfaction of all stakeholders.

A handwritten signature in black ink that reads "Holly Nicholson".

Holly Nicholson, LL.B.

Executive Director & General Counsel, OLHI

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 Complaints Counsellor

- Determine if complaint within OLHI mandate¹
- Consumer submits final position letter and related information
- Complaints Counsellor 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 discusses complaint with parties and obtains any additional information
- Officer 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 & health insurance issues or which are not against a Member Company;
- have been previously considered by it or which have been - or are currently before - a court, tribunal or other dispute resolution process;
- are made by third party service providers or which relate to an uninsured plan that is administered by a Member Company.

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

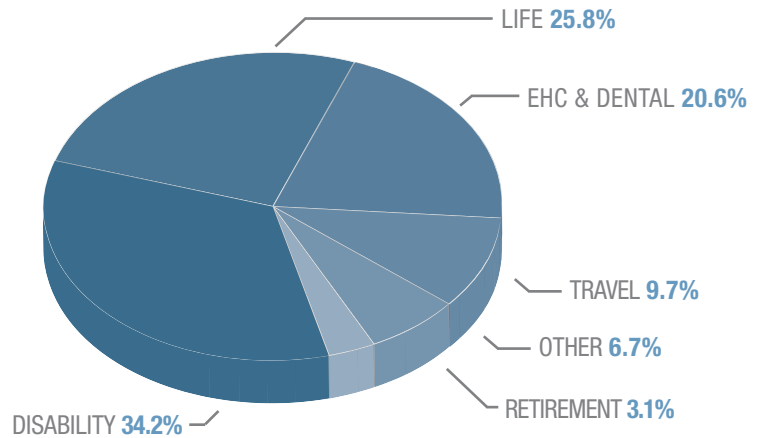
This year OLHI received a total of 2,444 complaints, compared to 1,989 last fiscal year. This figure represents our highest complaint volume ever and an increase of 22.9% over fiscal 2010/11. This increase in volume is directly related to various initiatives that were undertaken this past year to improve awareness of OLHI's services. These initiatives include additional notifications to consumers during the internal complaint handling processes of our Member Companies.

As in past years, the top three categories of product complaints are those related to Disability, Life, and Extended Health & Dental. Together, they account for 80.6% of all complaints.

Disability complaints, however, have declined from 41.6% in fiscal 2010/11 to 34.2% this year. This decrease has been offset, in the most part, by an increase in Extended Health & Dental claims which now represent 20.6% of all product complaints. Life complaints remained relatively steady at 25.8% this fiscal year.

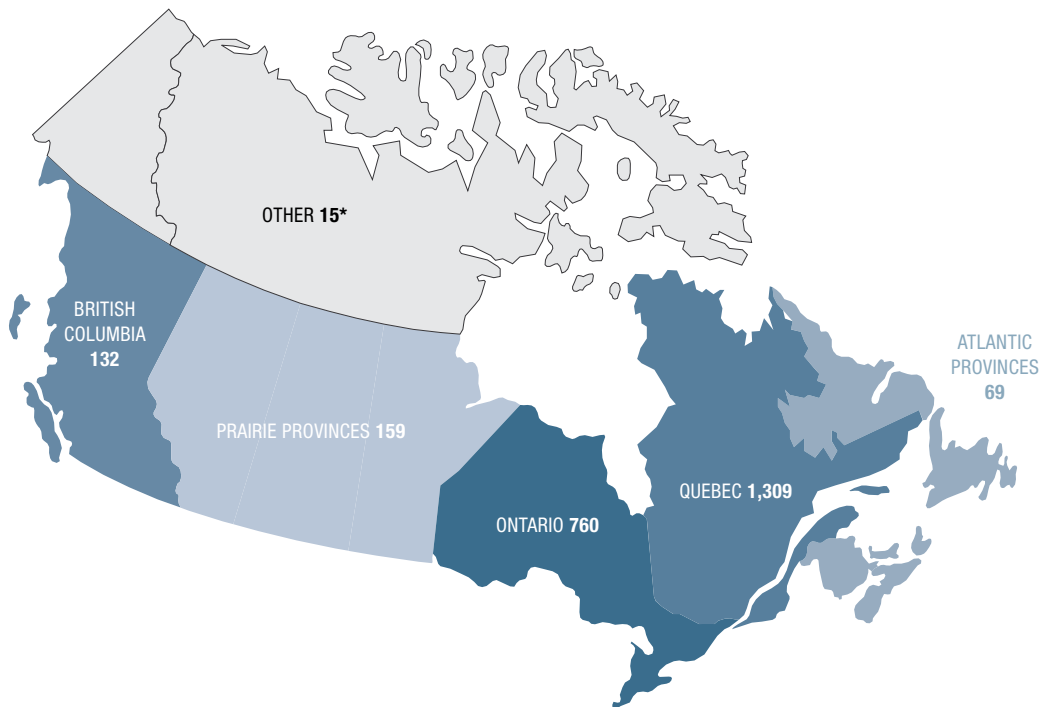
As in prior years, Ontario and Quebec remain the highest sources of complaints by region. However, for the third consecutive year complaints originating in Quebec have increased and those from Ontario have declined. Complaints originating from other regions remained relatively steady.

Complaints By Product



TOTAL 2,444

Complaints By Region



TOTAL 2,444

*Includes complaints originating from outside Canada

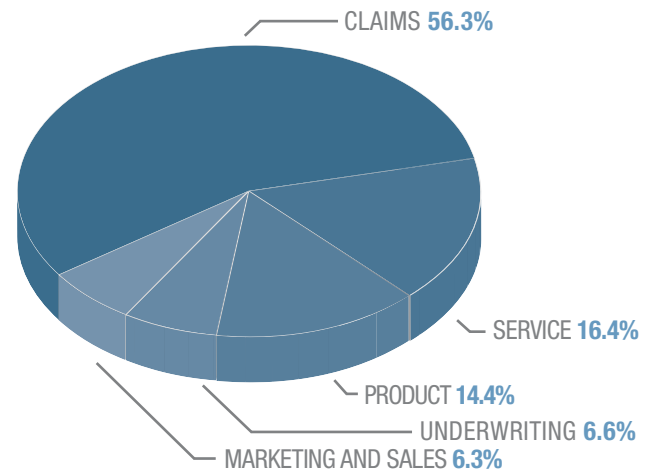
Overview

By company function, the Claims category continues to generate the highest proportion of complaints (56.3%) but has decreased somewhat since last year (64%). Service and Underwriting complaints have more than doubled since last year and now represent 23% of all complaints by company function. In contrast, Marketing & Sales complaints have decreased by almost half. Complaints about product design have remained relatively stable at 14.4%.

This fiscal year, the Government (non regulatory) category is the highest referral source for complaints (27%), followed by Internet/Web (22.1%) and Insurers (12.8%). Complaint referrals from OLHI's Information Call Centres measured 2.4% this year, representing a sharp decline from last year and a three year average of 6.5%.

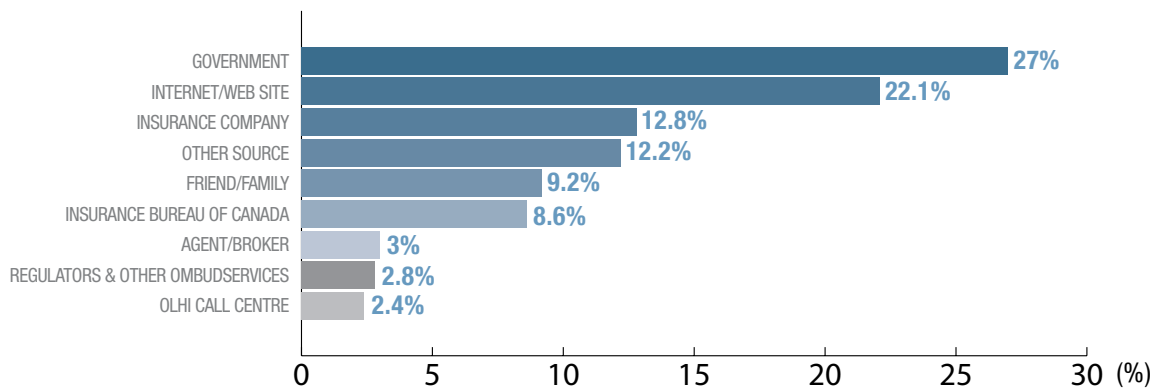
Throughout the last three years, the distribution of complaints among Group, Individual and Creditor products has remained relatively stable. The proportions this year are 47.1%, 43.2% and 9.7%, respectively.

Complaints By Company Function



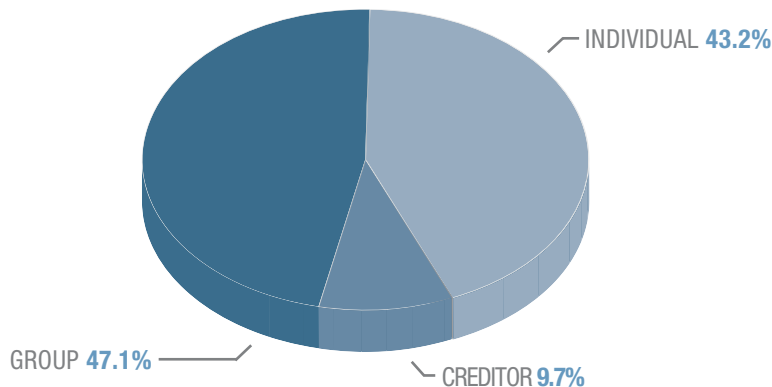
TOTAL 2,444

Complaints By Source



TOTAL 2,444

Complaints By Line of Coverage



TOTAL 2,444

Case Study 1

Mortgage Relief

Mr. S called OLHI in early 2012. The Complaints Counsellor who took the call learned that he was currently 61 years of age and had worked as a horticulturist all his life until four years earlier, when he hurt his back. He was unable to work since the injury and had been declared “totally disabled” by the Régie des Rentes du Québec (“RRQ”). To obtain benefits from the RRQ, Mr. S was required to demonstrate that he had a “severe and permanent disability”.

The consumer owed \$20,000 in principle under his mortgage. Following his injury, his insurer covered his monthly mortgages under the credit insurance he purchased when he took out his mortgage. This insurance provided that, in the event of disability, the insurer would pay 150% of all mortgage related expenses. This meant that in addition to covering 100% of the monthly mortgage payments, Mr. S received an additional 50% for other mortgage related costs such as home insurance, realty taxes, etc. Monthly premiums on Mr. S’s credit insurance were also waived. After 12 months, however, the insurer stopped all payments and Mr. S was charged his monthly credit insurance premiums.

Mr. S approached OLHI seeking to have his mortgage paid off in full. He believed this was appropriate because he was certified as being “totally disabled” by the RRQ in 2008. His medical condition had not improved since that date and he thought he was unable to work at any occupation.

Our Counsellor explained that it was typical that disability benefits would be paid for an initial period (in this case 12 months) based on inability to perform one’s own occupation. However, after that period Mr. S would need to demonstrate that he was unable to perform any occupation for the benefits to continue. She further explained that the RRQ’s determination that he was totally disabled did not necessarily prove that he was “unable to perform any occupation”, the standard for receiving benefits under the policy.

The Counsellor advised Mr. S that before accessing OLHI’s complaint process he would first have to complete the insurer’s internal complaints process. She suggested he write the insurer and formally ask for a review of his file, including all the facts he had shared with OLHI.

Approximately a month later, Mr. S called OLHI again and advised he had received a call from the insurer offering to pay off a portion of the mortgage debt. He did not understand on what basis the amount was offered or whether the insurer had accepted his disability. Our Counsellor suggested Mr. S submit his outstanding questions to the insurer and consider making a counter-offer.

Several months later, Mr. S called our Counsellor to update her on the matter. He reported that over the preceeding months he and the insurer had a series of discussions. Several offers and counter-offers were made on both sides. Eventually his complaint was escalated through the insurer’s internal complaint process to its Ombudsman. In the end, the insurer

“After 12 months, however, the insurer stopped all payments and Mr. S was charged his monthly credit insurance premiums”

agreed to pay the consumer’s \$20,000 mortgage in full. In exchange, Mr. S agreed to waive his entitlement to payment of the additional 50% benefits under the contract and to forgo reimbursement of the credit insurance premiums.

Mr. S was pleased that he no longer had to worry about making his mortgage payments, given his age and inability to work, and thanked our Counsellor for her assistance in explaining how to proceed through the insurer’s complaint process.

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

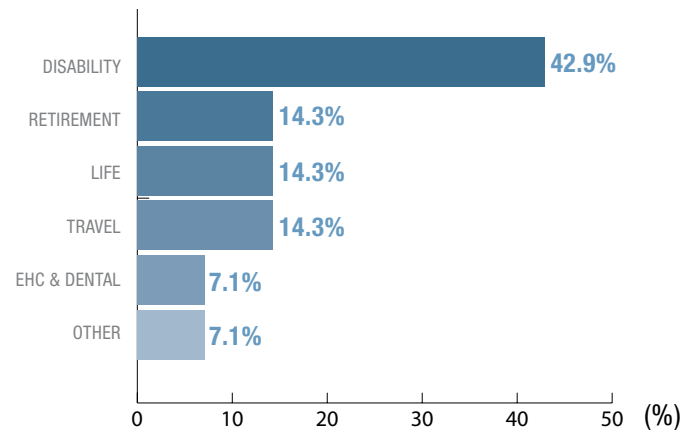
OLHI opened fourteen (14) investigation cases during this fiscal year in comparison to eighteen (18) cases in fiscal 2010/11. The lower number of investigations this year is attributable to improvements made to OLHI's complaint handling process at the initial level of review.

Categorized by product, Disability cases represented 42.9% of all investigations as compared to 27.8% last fiscal year. This reverses a three-year trend of annual declines. Increases were also noted in both Travel and Extended Health & Dental investigations. In contrast, Retirement investigations dropped significantly to 14.3%, compared to 33.3% for fiscal 2010/2011. Life investigation cases also continued to decline for the third year in a row.

By company function, investigations pertaining to Claims show a steady increase over the last three years. Marketing & Sales cases remain at the same level as last year.

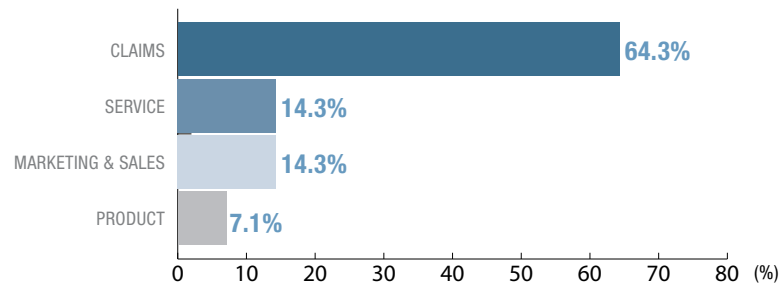
Thirteen (13) investigation cases were closed during this fiscal year, including five (5) cases referred to the Senior Adjudicative Officer (SAO). Settlements were achieved in 38.5% of all investigations, including SAO cases. This represents the highest settlement ratio since OLHI's inception. As in past years, all non binding recommendations made by our Senior Adjudicative Officer were accepted by Member Company insurers.

Investigations By Product



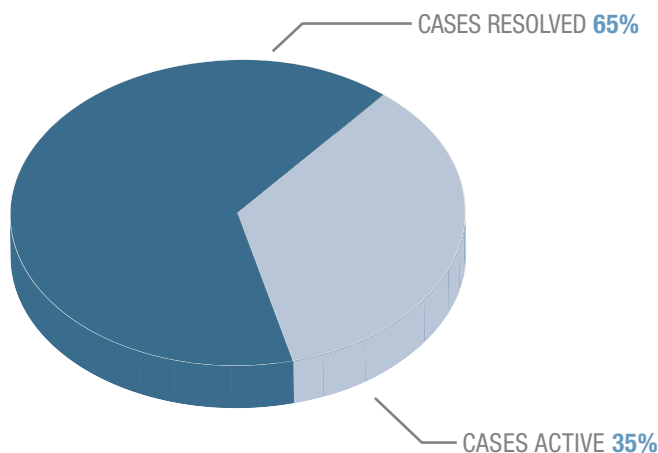
TOTAL 14

Investigations By Company Function



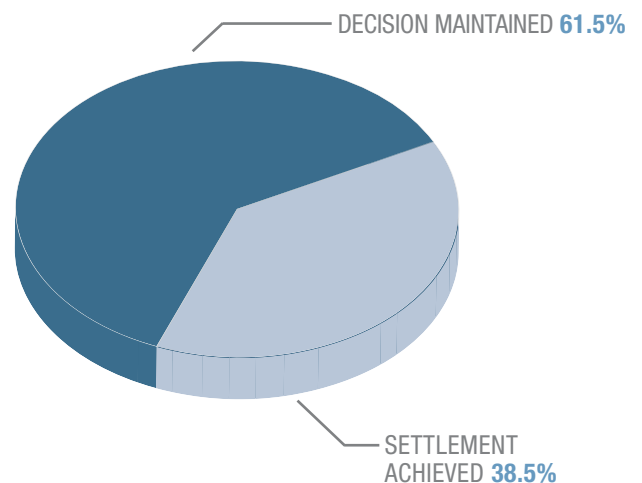
TOTAL 14

Year End Status



TOTAL 20

Outcome By Cases Completed



TOTAL 13

Case Study 2

Jogging Some Memories

Mr. T contacted OLHI to seek assistance with reinstatement of his retirement group life insurance benefit. The Complaints Counsellor who took the call learned that this benefit had been allowed some years ago as part of an early retirement package negotiated with his employer. The employer was a life and health insurer and OLHI Member Company.

OLHI learned that all had proceeded smoothly for several years until Mr. T's former employer sent him a letter which he did not receive because it was mailed to an out-dated postal address. This letter contained a notice advising the consumer that a medical certification of total disability was required to maintain his life insurance benefit. That letter was followed by another from his former employer, a month later, advising that his life insurance benefit had been cancelled for lack of the required medical certificate. This second letter was sent to Mr. T's current address.

OLHI was told that Mr. T had immediately called his former employer to discuss the situation, at which point he learned that the letters had been sent to different addresses because separate data bases had been used to locate his contact information. As it turns out, the data base used to send the first notification letter had not been appropriately updated. Upon learning of this administrative glitch, Mr. T sought written confirmation that his life insurance benefit would continue as part of his retirement package. Much to his dismay, several months later the company confirmed that it would not continue the benefit on the basis that there was no commitment to do so.

Fortunately, Mr. T's former employer elected to treat the situation as an insurance matter, rather than an employment issue. As a result, it provided Mr. T with a "final position letter" inviting him to contact OLHI if he was dissatisfied. As is customary, the insurer's final position letter provided OLHI's contact details and a brief explanation of OLHI's independent role in assisting life and health insurers and consumers to resolve their differences.

Following the conversation with Mr. T and review of the insurer's final position letter, it was decided that the facts of the case warranted further investigation by an OLHI OmbudService Officer. The OmbudService Officer reviewed the information collected to-date and then spoke at length with the consumer. He ascertained that the agreement to provide Mr. T with early group retirement benefits had been made some years ago and that it was an oral commitment made with his employment superiors of the day. The consumer was very concerned because he now believed himself to be uninsurable and because some of the subscribers to the original agreement were no longer with the company.

Subsequently, the OmbudService Officer prepared a written submission to the consumer's employer, setting out the facts and issues as he understood them. He suggested that, although there was no written confirmation on the part of the company to provide Mr. T with retirement group benefits, the fact that coverage had been provided for many years was evidence of that commitment. It was suggested that the commitment could not be voided by

“Mr. T’s former employer sent him a letter which he did not receive because it was mailed to an out-dated postal address”

a notification error for which the consumer was not responsible.

In due course the consumer's employer replied, advising that it had reconsidered its original position and had arranged with the employer's group benefits insurer to reinstate the consumer's group life insurance benefit. As before, the life insurance benefit was subject to ongoing medical certification of total disability.

The employer thanked OLHI for bringing the issue of conflicting address data bases to its attention and confirmed that it had undertaken an internal review of its employee address records. This review resulted in the company changing its policy on record keeping practices for employee addresses so that problems of this nature would not occur in the future with Mr. T and other current or former employees.

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

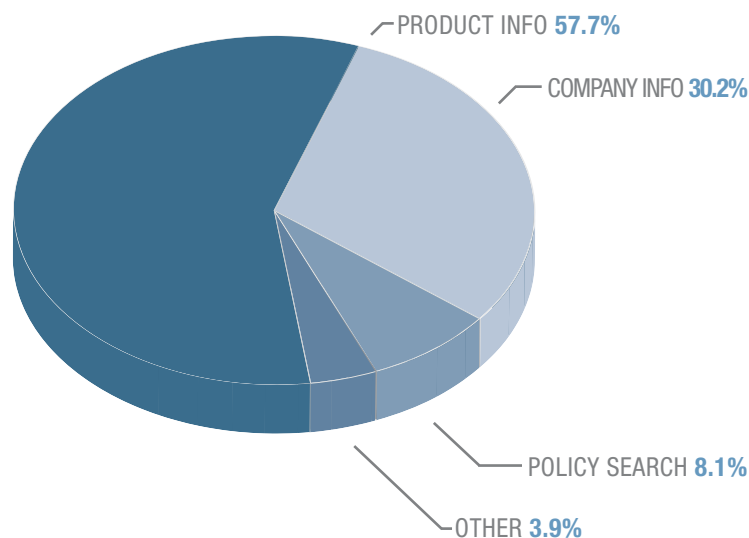
OLHI provides Canadian consumers with general information on life & health insurance products and services through its national toll-free call centers and its English and French websites. In addition, we distribute numerous consumer brochures and assist consumers searching for a lost life insurance policy.

This fiscal year, OLHI answered 31,579 requests for information. Although total enquiry volumes have increased from last fiscal year, the proportion of live calls received by OLHI's Information Counsellors has declined 8.3%. This data confirms that consumers are increasingly turning to our automated call enquiry centres, as well as OLHI's websites, to obtain general information.

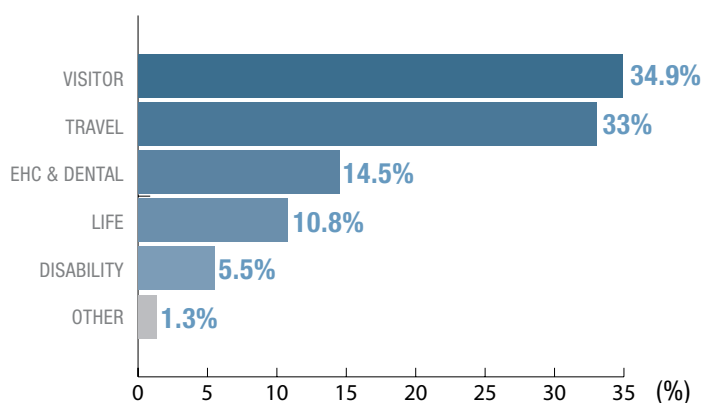
Product and company information account for the majority of topics for which enquiries are received. Ontario and Quebec remain the major sources of enquiries. As in past years, virtually 100% of enquiries originate directly from consumers.

This fiscal year OLHI received 1,290 policy search requests. Of these, 53 met OLHI's policy search criteria and 25 produced results, a significant increase in the success ratio compared to past years.

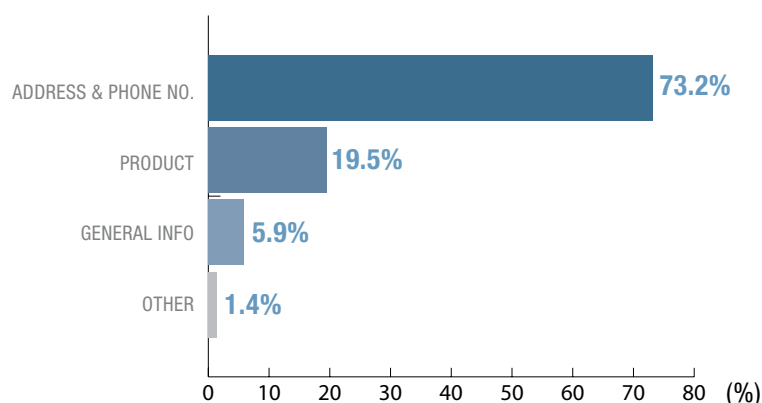
Reason for Enquiry



Analysis of Product Enquiries



Analysis of Company Enquiries



Enquiries by Region

Quebec	55.6%
Ontario	30.4%
Prairie Provinces	5.3%
British Columbia	3.2%
Atlantic Provinces	2.1%
Other	3.3%
Total	100%

Case Study 3

A Matter of Timing

Mr. and Mrs. D each purchased a segregated fund investment for a ten year term. The principal amounts invested were 100% guaranteed if held to maturity.

The investments were placed in Registered Retirement Savings Plans (RRSPs) and therefore governed by the terms of the federal Income Tax Act ("the Act") pertaining to those investments. The Act requires that an annual minimum withdrawal be made from the RRSP from the date the consumer attains 71 years of age. This annual minimum payment is known as a "RIF Payment".

The consumers retained their investments until maturity. Several months later, they contacted OLHI alleging they had not received the full guaranteed amounts because their insurer had taken their annual RIF payments immediately prior to maturity, contrary to their instructions. The complaints were escalated to an OLHI OmbudService Officer to obtain further information. He received copies of the relevant contracts from the insurer and undertook research into the RRSP provisions of the Act. He also spoke to both the insurer and the consumers.

The insurer acknowledged that there had been a reduction in the guaranteed amounts paid to the consumers. However, it believed Act required it to take the annual RIF payment prior to maturity. It also relied on provisions in its contract which stated that withdrawals prior to maturity resulted in a proportional reduction of the guarantee, based on the current market value.

When our Officer spoke with the consumers, he learned that they had instructed the insurer to transfer the entire guaranteed amounts at maturity to another financial institution and to pay their annual RIF payments after maturity. These instructions, if followed, would have resulted in the consumers retaining an additional \$5,000. The insurer did not reply to those instructions. The couple found out that the RIF payments had been taken prior to maturity only when they received their final investment statements. This prompted an immediate complaint to the insurer.

Thereafter, our OmbudService Officer attempted to reach a settlement between the parties. He pointed out that the Act does not require withdrawal of the annual RIF payment prior to maturity of the investments. The insurer, however, contended that its contract required it to do so. OLHI believed that the insurer's contract was unclear on this key issue. A settlement was not reached and the complaints were transferred to OLHI's Senior Adjudicative Officer.

In accordance with OLHI's complaints procedures, our Adjudicator reviewed all documents and interviewed the parties. She then delivered a written Report containing findings and non-binding recommendations.

She concluded that Mr. and Mrs. D purchased the segregated funds because they were guaranteed investments. They also knew it was not

"...their insurer had taken their annual RIF payments immediately prior to maturity, contrary to their instructions"

in their interest to take out any money before the maturity date and no withdrawals were made, except the minimum annual RIF payments from age 71 onwards.

The Adjudicator found that it was not appropriate for the insurer to take Mrs. D's annual RIF payment before maturity. By contract, Mrs. D had elected this annual payment to be made 9 months later and, in all prior years, the insurer had made the RIF payments during the agreed month. She concluded that Mrs. D was entitled to the full guarantee amount and recommended that the insurer pay the shortfall.

However, in the case of Mr. D, the chosen date for his annual RIF payment was 2 months before the maturity date of his investment. The insurer had not taken this annual withdrawal by the date the investment matured. It was therefore appropriate for it to take the annual RIF payment at maturity, and to reduce the guaranteed amount proportionally as per the contract, as this adjustment in the guaranteed amount should have occurred 2 months earlier. Accordingly, no compensation was recommended.

The insurer promptly agreed to comply with the Adjudicator's non-binding recommendations and paid Mrs. D the shortfall amount. Although he was disappointed not to receive any compensation, Mr. D also accepted the recommendations of the Adjudicator.

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

Web Statistics

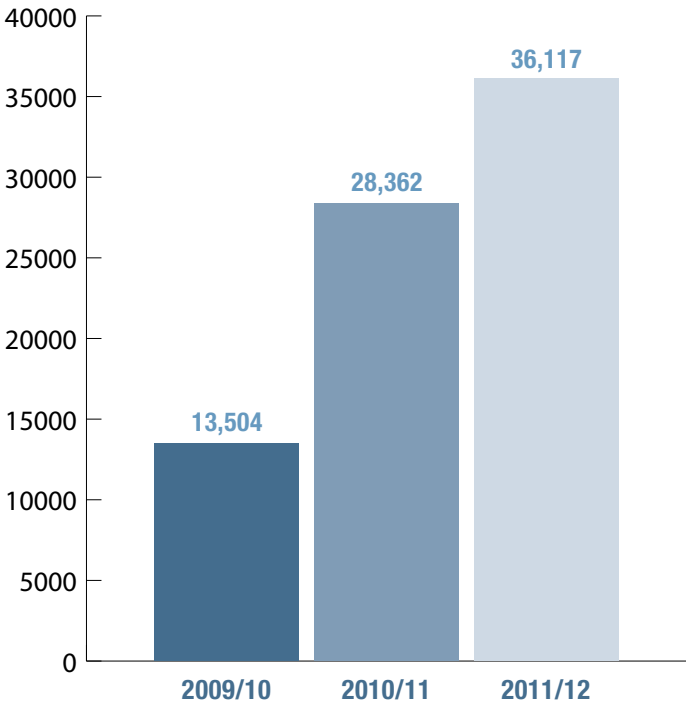
Overview

This year OLHI had 36,117 visits to its websites, a 27.3% increase over last year. This continues the trend of double digit increases in annual Web visits since we launched our new websites in 2009.

In fiscal 2011/12, we continued to receive a high proportion of new visitors to our sites, indicating growing public awareness of our services. During this period, we also received a significant amount of traffic from referring sites (42.9%) and search engines (23.1%). Google remains the most popular search engine used, whereas most referrals are from government, industry and Member Company websites. Direct traffic represents 34% of all visitors to our sites. This indicates that visitors have become familiar with OLHI's services through our various public communication efforts.

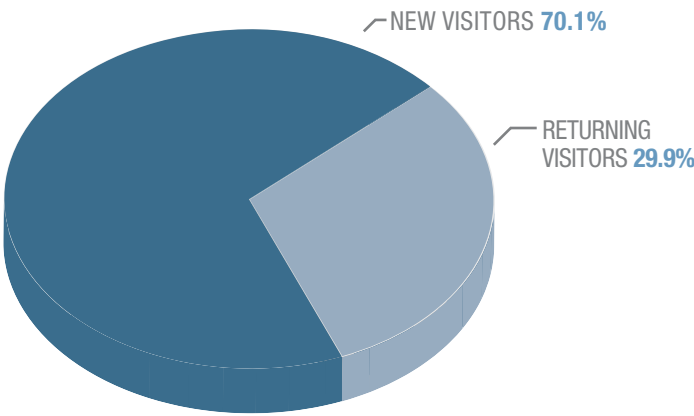
The Information Services page is the most common page viewed for both websites and visits to that page have grown by 52.2% since last fiscal year. Visits to the Complaint Process pages have also shown a 27.3% increase over fiscal 2010/11.

Web Visits 2009-2012



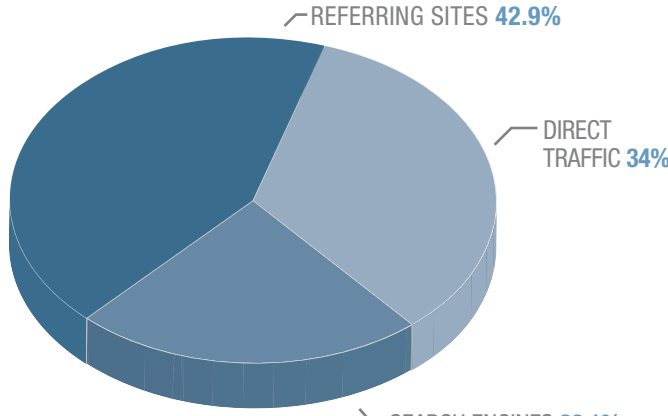
TOTAL 77,983

New/Returning Web Visitors



TOTAL 36,117

Web Traffic Sources



TOTAL 36,117

Top Five Web Pages Viewed

Information Services	19,648	44.2%
Complaint Process	9,144	20.6%
Participating Companies	6,684	15.0%
Policy Search	5,338	12.0%
Insurance Finder	3,634	8.2%
Total	44,448*	100%

*Some visitors access multiple Web pages

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.



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INDEPENDENT AUDITORS' REPORT

To the Member Companies of Canadian Life and Health Insurance OmbudService

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Life and Health Insurance OmbudService (operating as OmbudService for Life & Health Insurance), which comprise the balance sheet as at March 31, 2012, the statements of operations and changes in operating fund balance 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 generally accepted accounting principles, 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 as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants, Licensed Public Accountants

June 21, 2012
Toronto, Canada

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

Financial Statements

Balance Sheet

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$753,805	\$744,522
Recoverable expenditures and deposits	6,186	7,420
	759,991	751,942
Capital assets (note 3)	64,289	77,168
	\$824,280	\$829,110

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	\$84,278	\$89,869
Current portion of deferred lease inducement	8,498	8,498
	92,776	98,367
Deferred lease inducement	58,775	67,273
Fund balance:		
Operating Fund:		
Invested in capital assets	64,289	77,168
Unrestricted	608,440	586,302
	672,729	663,470
Commitments (note 5)		
	\$824,280	\$829,110

See accompanying notes to financial statements.

Statement of Operations and Changes in the Operating Fund Balance

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
General assessment fees	\$1,614,732	\$1,614,502
Investment	6,264	4,161
	1,620,996	1,618,663
Expenses:		
Staff costs and adjudicative services	902,964	917,997
Board of Directors' fees	172,444	113,944
Rent	121,930	119,718
Professional fees	96,320	151,302
Board meetings and travel	69,172	59,080
Information technology	59,860	54,494
Management fees	44,070	43,290
Staff meetings and travel	42,629	37,180
Supplies and services	36,887	31,173
Telecommunications	22,150	21,907
Insurance	11,210	11,382
Training and development	10,479	921
Amortization of capital assets	10,126	12,800
Facilities fees - Toronto	7,135	7,490
Translation	4,165	887
FSON-related costs	196	219
Recruitment	-	32,651
Loss on disposal of capital assets	-	1,736
	1,611,737	1,618,171
Excess of revenue over expenses	9,259	492
Operating Fund balance, beginning of year	663,470	662,978
Operating Fund balance, end of year	\$672,729	\$663,470

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$9,259	\$492
Items not affecting cash:		
Amortization of capital assets	10,126	12,800
Amortization of lease inducement	(4,493)	(4,493)
Loss on disposal of capital assets	–	1,736
Change in non-cash operating working capital:		
Recoverable expenditures and deposits	1,234	2,204
Accounts payable and accrued liabilities	(5,591)	8,345
	10,535	21,084
Financing activities:		
Lease inducements	–	5,897
Investing activities:		
Additions to capital assets	(1,252)	(5,422)
Increase in cash and cash equivalents	9,283	21,559
Cash and cash equivalents, beginning of year	744,522	722,963
Cash and cash equivalents, end of year	\$753,805	\$744,522

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2012

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:

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-for-trading and, therefore, these investments are measured at fair value.

The carrying amounts of other financial assets and liabilities approximate their fair values due to the short-term maturity of these financial instruments.

(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 stated 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	Over term of lease

(e) Lease inducement:

Inducements received from the landlord with respect to the leased premises are deferred and amortized over the lease term on a straight-line basis. Lease inducements are accounted for as a reduction of the lease expense over the term of the lease.

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

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 amounts:

	2012		2011	
	Fair value	Carrying value	Fair value	Carrying value
Cash	\$49,769	\$49,769	\$394,809	\$394,809
Short-term investments	704,036	704,036	349,713	349,528
	\$753,805	\$753,805	\$744,522	\$744,337

The short-term investments have an aggregate principal amount of \$704,036 (2011 - \$349,713) with effective interest rates of 1.20% to 1.30% (2011 - 0.85%). Interest is receivable monthly.

3. Capital assets:

	2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$27,139	\$16,874	\$10,265	\$12,831
Office equipment	3,186	892	2,294	2,866
Computer equipment	19,867	13,741	6,126	10,107
Leasehold improvements	60,485	14,881	45,604	51,364
	\$110,677	\$46,388	\$64,289	\$77,168

Financial Statements

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 \$87,010 (2011 - \$85,470), including the applicable taxes.

5. Commitments:

CLHIO rents office premises in Toronto and Montreal. Future minimum payments under existing leases are as follows:

2013	\$52,000
2014	35,000
2015	34,000
2016	35,000
2017	35,000
Thereafter	106,000

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 risk and interest rate risk. 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 bankers' acceptances of Schedule 1 banks with Canadian-issued instruments with ratings of AAA. The maximum credit risk exposure as at March 31, 2012 comprises cash and cash equivalents totalling \$753,805 (2011 - \$744,522).

(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.

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 September 7, 2012:

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

MEMBERS OF THE 2011-2012 BOARD OF DIRECTORS

Chair

Dr. Janice MacKinnon ^{1,3}

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

Independent Directors

Lea Algar ²

Chair, General Insurance OmbudService and former Ontario Insurance Ombudsman

Bruce Cran ¹

President, Consumers Association of Canada

Peter Maddaugh, Q.C. ^{2,3}

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Yves Rabeau ¹

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

Reginald Richard ^{2,3}

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Industry Directors

Claude Garcia ²

Corporate Director and former President, Standard Life Assurance Company

Dr. Dieter Kays ¹

Former Chief Executive Officer of FaithLife Financial

Dan Thornton ³

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