

# **NPF Employee Group Insurance Plan**

Financial Statements  
**March 31, 2019**



## *Independent auditor's report*

To the Non-Public Property Board

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NPF Employee Group Insurance Plan (the Plan) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **What we have audited**

The Plan's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of income and surplus for the year then ended;
- the statement of cash flows; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

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

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### *Responsibilities of management and those charged with governance for the financial statements*

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
November 25, 2019

# NPF Employee Group Insurance Plan

## Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Due from Canadian Forces Central Fund (note 4)	2,876,897	2,230,925
Accounts receivable	778	1,244
	<u>2,877,675</u>	<u>2,232,169</u>
<b>Liabilities and Surplus</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	238,520	226,415
Group life waiver (note 3)	5,102	6,725
Claims incurred but not reported	351,275	304,174
	<u>594,897</u>	<u>537,314</u>
<b>Surplus (note 5)</b>	<u>2,282,778</u>	<u>1,694,855</u>
	<u>2,877,675</u>	<u>2,232,169</u>

**Approved on Behalf of the Non-Public Property Board**



Shirley Tang-Jassemi, Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

# NPF Employee Group Insurance Plan

## Statement of Income and Surplus

For the ended March 31, 2019

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	2019 \$	2018 \$
<b>Income</b>		
Employee/employer contributions	11,892,787	10,446,227
Interest and other income	121,113	76,458
Employer contributions for Government Employees Compensation Act	1,183,524	1,073,062
	<hr/> 13,197,424	<hr/> 11,595,747
<b>Expense</b>		
Premiums	11,781,474	10,307,678
Government Employees Compensation Act	814,738	739,392
Professional fees and general	13,289	19,943
	<hr/> 12,609,501	<hr/> 11,067,013
<b>Net income for the year</b>	587,923	528,734
<b>Surplus – Beginning of year</b>	<hr/> 1,694,855	<hr/> 1,166,121
<b>Surplus – End of year</b>	<hr/> 2,282,778	<hr/> 1,694,855

The accompanying notes are an integral part of these financial statements.

# NPF Employee Group Insurance Plan

## Statement of Cash Flows

For the ended March 31, 2019

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	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	587,923	528,734
Net change in non-cash working capital items		
Due from Canadian Forces Central Fund	(645,972)	(577,263)
Accounts receivable	466	467
Accounts payable and accrued liabilities	12,105	29,912
Group life waiver	(1,623)	(1,674)
Claims incurred but not reported	47,101	19,824
	<hr/>	<hr/>
<b>Net change in cash for the year</b>	-	-
<b>Cash – Beginning of year</b>	<hr/>	<hr/>
<b>Cash – End of year</b>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

# **NPF Employee Group Insurance Plan**

## Notes to Financial Statements

March 31, 2019

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### **1 Description of Plan**

The NPF Employee Group Insurance Plan (the Plan) provides health, dental, long-term disability (LTD) and employer sponsored life insurance to full time Non-Public Fund (NPF) employees. Full-time employees are required to participate, except where exemptions are specified. The Plan is funded by employee and employer contributions.

All rights with respect to a covered person are governed solely by the group contracts issued by the insurance carriers to the Chief of the Defence Staff (CDS) operating under Section 38 of the National Defence Act. Services with respect to hospital, major medical and dental benefits as well as long-term disability and basic life insurance are provided on an insured cross experience rated refund basis. Services with respect to optional life insurance are provided on a pooled non-refund basis. Services with respect to healthcare, dental care, long-term disability and life insurance are underwritten and insured by Great West Life Assurance Company. Services with respect to accidental death and dismemberment and global medical are underwritten by the AIG Insurance Company of Canada.

### **2 Summary of significant accounting policies**

#### **Basis of presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Use of estimates**

The preparation of financial statements in conformity with the significant accounting policies in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. The estimates are reviewed annually and as adjustments become necessary they are recognized in the financial statements in the period that they become known.

#### **Claims incurred but not reported**

Health and dental claims incurred but not reported by policy holders to the insurer by the end of the policy period are the direct responsibility of the Plan. This provision is estimated by an actuarial formula on an annual basis.

#### **Employee and employer contributions**

Employee and employer contributions are based on the amount of premiums that are reviewed and negotiated by the insurer and Canadian Forces Morale and Welfare Services (CFMWS) and ultimately approved by CFMWS. These contributions are the anticipated cash expenses to be incurred in the upcoming 12-month

# NPF Employee Group Insurance Plan

## Notes to Financial Statements

March 31, 2019

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period. The contributions include amounts charged on an experience rated basis to reimburse the insurer for prior years' deficits, if applicable, and those to fund current and subsequent years' costs.

### Government Employees Compensation Act (GECA)

Since January 1, 2010, the employer's contribution to GECA premiums is based on 0.7% of salaries.

### 3 Group life waiver

In 1987, a decision was made to discontinue the Premium Waiver provision of the life insurance policy. This provision was replaced by an agreement whereby CFMWS would continue to pay the premiums on behalf of these members. CFMWS established a provision to protect NPF employees against the increased risk of insurance payouts on this group of members based on their increased mortality and morbidity rates. This agreement covers all employees who commenced LTD benefits between March 1, 1987 and February 29, 2000. The Premium Waiver provision was reinstated effective March 1, 2000 and the Group Life Waiver will eventually be eliminated as these members retire or terminate LTD benefits.

### 4 Due from Canadian Forces Central Fund

Non-Public Property (NPP), as defined on the National Defence Act, consists of money and property contributed by Canadian Forces members. Among the entities that operate under the authority of the CDS in his NPP capacity are the Plan, CFMWS and Canadian Forces Central Fund. Amounts due from Canadian Forces Central Fund are non-interest bearing and have no specified terms of repayment.

### 5 Surplus

	2019 \$	2018 \$
LTD	649,253	554,796
Dental	(233,439)	(240,512)
Medical	(283,758)	(291,190)
Group Life	111,070	86,935
Group Life Waiver	(5,102)	(6,725)
	<hr/> 238,024	<hr/> 103,304
GECA	2,044,754	1,591,551
	<hr/> <b>2,282,778</b>	<hr/> <b>1,694,855</b>

### 6 Government remittances

Government remittances of \$nil (2018 – \$nil) are included in accounts payable and accrued liabilities.