

FINANCIAL STATEMENTS
For
NPF EMPLOYEE GROUP INSURANCE PLAN
For year ended
MARCH 31, 2009

AUDITORS' REPORT

To the Non-Public Property Board

NPF EMPLOYEE GROUP INSURANCE PLAN

We have audited the statement of financial position of the NPF Employee Group Insurance Plan as at March 31, 2009 and the statement of operations and reserves (deficit) available for future claims for the year then ended. These financial statements are the responsibility of the Plan'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 Plan as at March 31, 2009 and the changes in its reserves (deficit) available for future claims and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Welch LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
May 29, 2009.

NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Deposit with Canadian Forces Central Fund	\$ 593,724	\$ 923,110
Accounts receivable	<u> -</u>	<u> 9,075</u>
	<u>\$ 593,724</u>	<u>\$ 932,185</u>
<u>LIABILITIES AND DEFICIT AVAILABLE FOR FUTURE CLAIMS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 333,766	\$ 149,285
Group life waiver (note 4)	57,315	48,524
Claims incurred but not reported	<u>264,021</u>	<u>235,412</u>
	655,102	433,221
RESERVES (DEFICIT) AVAILABLE FOR FUTURE CLAIMS (note 5)	<u>(61,378)</u>	<u>498,964</u>
	<u>\$ 593,724</u>	<u>\$ 932,185</u>

Signed:

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(See accompanying notes)

NPF EMPLOYEE GROUP INSURANCE PLAN
STATEMENT OF OPERATIONS AND RESERVES (DEFICIT) AVAILABLE FOR FUTURE CLAIMS
YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
Income		
Employee/employer contributions	\$ 5,577,985	\$ 4,790,793
Interest and other income	29,069	126,716
Employer contributions for Government Employees Compensation Act	<u>141,000</u>	<u>141,000</u>
	<u>5,748,054</u>	<u>5,058,509</u>
Expenses		
Premiums paid	5,657,256	5,655,973
Government Employees Compensation Act	604,940	509,165
Professional fees and general	17,591	22,142
Claims incurred but not reported	<u>28,609</u>	<u>15,536</u>
	<u>6,308,396</u>	<u>6,202,816</u>
Net expense	(560,342)	(1,144,307)
Reserves available for future claims at beginning of year	<u>498,964</u>	<u>1,643,271</u>
Reserves (deficit) available for future claims at end of year	<u>\$ (61,378)</u>	<u>\$ 498,964</u>

(See accompanying notes)

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

1. DESCRIPTION OF PLAN

The Non-Public Funds (NPF) Employee Group Insurance Plan provides health, dental, long-term disability and employer sponsored life insurance to full-time NPF/Canadian Forces Personnel and Family Support Services ("CFPFSS(NPF)") employees. Full-time employees who have completed three months employment 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 Great-West Life Assurance Company (Great-West) to the Chief of the Defence Staff operating under section 38 of the National Defence Act. Great-West's services with respect to hospital, major medical and dental benefits are provided on an administrative basis only. All other benefits are underwritten and insured by Great-West except for sick leave benefits which are self insured by CFPFSS(NPF).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee and employer contributions (Premiums)

Employee and employer contributions are the amount of premiums estimated and requested by the insurer to meet cash expenses anticipated to be incurred in the upcoming twelve month period. The premiums include amounts collected on an experience rated basis to reimburse the insurer for prior years' deficits, if applicable, and those to fund current and subsequent years' deficits. These premiums are paid in advance for the following month.

Claims incurred but not reported

The group Plan does not include an amount for claims incurred by policyholders but not reported to the insurer by the end of the policy period. These amounts, on termination, are the direct responsibility of the plan. This provision is estimated by an actuarial formula on an annual basis.

Government Employees Compensation Act (GECA)

Effective January 1, 1999, the employer contributions for GECA have been reduced until the surplus is at a reasonable level.

Services provided without charge

Canadian Forces Personnel and Family Support Services provides administrative services to the Plan. Because of the difficulty of determining the fair market value and the amount not being significant, these services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NPF EMPLOYEE GROUP INSURANCE PLAN
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2009

3. FINANCIAL INSTRUMENTS

The Plan's financial instruments consist of deposit with Canadian Forces Central Fund and accounts payable and accrued liabilities. The fair value of these amounts approximates their carrying values due to their short-term nature.

4. 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 the CFPFSS (NPF) would continue to pay the premiums on behalf of these members. CFPFSS (NPF) established a provision to protect the Agency against the increased risk of insurance payouts on this group of members based upon 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 clause was reinstated effective March 1, 2000 and will eventually be eliminated as these members retire or terminate LTD benefits.

5. RESERVES (DEFICIT) AVAILABLE FOR FUTURE CLAIMS

The reserves (deficit) available for future claims are comprised of the following:

	<u>2009</u>	<u>2008</u>
Reserve LTD 1 (Non Taxable)	\$ 163,451	\$ 163,451
Reserve GECA	224,452	653,935
Deficit Dental	(234,170)	(206,228)
Deficit Medical	(351,670)	(310,942)
Reserve LTD 2 (Taxable)	107,229	110,431
Reserve Group Life	86,645	136,841
Group Life Waiver	<u>(57,315)</u>	<u>(48,524)</u>
Total	<u>\$ (61,378)</u>	<u>\$ 498,964</u>

Management is currently reviewing the anticipated level of premiums for the 2009 fiscal year year-end such that the employee and employer contributions can be adjusted accordingly to ensure that the Plan will be funded adequately for fiscal 2010. Furthermore, consideration is also being given to have additional contributions charged to fund the deficits that currently exist for dental and medical.

6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been provided as information about significant funding and investing activities is readily available from other financial statements.