

# **NPF Employee Group Insurance Plan**

**Financial Statements**  
**March 31, 2024**

# Independent auditor's report

To the Members of the Non-Public Property Oversight and Advisory Board of  
**NPF Employee Group Insurance Plan**

## Opinion

We have audited the accompanying financial statements of **NPF Employee Group Insurance Plan** [the "Plan"], which comprise the statement of financial position as at March 31, 2024 and the statement of operations and accumulated surplus and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## 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 are independent of the Plan in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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.

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.

## 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.

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Canada  
October 22, 2024



# NPF Employee Group Insurance Plan

## Statement of Financial Position

As at March 31

	2024	2023
	\$	\$
<b>Assets</b>		
Due from Canadian Forces Central Fund <i>[note 3]</i>	5,758,044	5,004,427
Government remittances receivable	-	3,707
Deposits held by Canada Life <i>[note 4]</i>	4,929,973	224,848
Reserves held by Canada Life	3,651,309	2,440,411
<b>Total Assets</b>	<b>14,339,326</b>	<b>7,673,393</b>
<b>Liabilities and accumulated surplus</b>		
Accounts payable and accrued liabilities <i>[note 5]</i>	1,745,418	1,174,962
Group life waiver <i>[note 6]</i>	2,442	2,845
<b>Total Liabilities</b>	<b>1,747,860</b>	<b>1,177,807</b>
<b>Accumulated surplus</b>	<b>12,591,466</b>	<b>6,495,586</b>
<b>Liabilities and accumulated surplus</b>	<b>14,339,326</b>	<b>7,673,393</b>

Approved on behalf of the Non-Public Property Oversight and Advisory Board:



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Dave Patel  
Chief Financial Officer

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

## NPF Employee Group Insurance Plan

### Statement of Operations and Accumulated Surplus

Year ended March 31

	2024	2023
	\$	\$
<b>Revenue</b>		
Employee/employer contributions	\$ 20,022,714	\$ 17,451,791
Interest and other income	249,845	695
Employer contributions for <i>Government Employees Compensation Act</i>	1,346,183	1,340,780
<b>Total revenue</b>	<b>21,618,742</b>	<b>18,793,266</b>
<b>Expenses</b>		
Premiums	14,429,194	16,054,579
<i>Government Employees Compensation Act</i>	1,062,673	763,578
Professional fees and general	30,995	29,215
<b>Total expenses</b>	<b>15,522,862</b>	<b>16,847,372</b>
<b>Excess of revenue over expenses for the year</b>	<b>6,095,880</b>	<b>1,945,894</b>
Accumulated surplus, beginning of year	6,495,586	4,549,692
<b>Accumulated surplus, end of year</b>	<b>\$ 12,591,466</b>	<b>\$ 6,495,586</b>

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

## NPF Employee Group Insurance Plan

### Statement of Cash Flows

Year ended March 31

	2024	2023
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	6,095,880	1,945,894
Changes in non-cash working capital balances related to operations		
Due from Canadian Forces Central Fund	(753,617)	(352,914)
Government remittances receivable	3,707	(3,707)
Prepaid expenses	(87,575)	-
Deposits held by Canada Life	(4,617,550)	(224,848)
Reserves held by Canada Life	(1,210,898)	(1,267,119)
Accounts payable and accrued liabilities	570,456	(96,611)
Group life waiver	(403)	(695)
<b>Net increase in cash</b>	-	-
Cash, beginning of year	-	-
<b>Cash, end of year</b>	-	-

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

# NPF Employee Group Insurance Plan

## Notes to the Financial Statements

March 31, 2024

### 1. Description of plan

The NPF Employee Group Insurance Plan [the “Plan”] provides health, dental, long-term disability [“LTD”], employer-sponsored life insurance and accidental death and dismemberment and employee-paid optional life and critical illness insurance to full time Non-Public Funds [“NPF”] employees. Full-time employees are required to participate, except where exemptions are specified. The Plan is funded by employee and employer contributions. In 2024, the Plan introduced a healthcare spending account which is available to full-time employees that are enrolled in the healthcare plan and eligible part-time employees and is fully funded by the employer. Part-time employees are also eligible for employer-sponsored accidental death and dismemberment insurance.

All rights with respect to a covered person are governed solely by the group contracts issued by the insurance carriers to the Chief of Defence Staff [“CDS”] operating under Section 38 of the *National Defence Act*. Services with respect to healthcare 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 the optional life, optional critical illness insurance, accidental death and dismemberment and global medical are provided on an insured pooled non-refund basis. Services with respect to healthcare, dental care, long-term disability and life insurance are underwritten and insured by Canada Life Assurance Company. The healthcare spending account is administered on an uninsured basis by Canada Life Assurance Company with claims and expenses billed monthly. Services with respect to global medical are underwritten by Sutton Special Risk Inc. and those for accidental death and dismemberment are underwritten by the SSQ Financial Group.

Non-Public Property [“NPP”], as defined under the *National Defence Act*, consists of money and property constituted by the Canadian Forces members. The Plan operates under the authority of the Chief of the Defence Staff [“CDS”] in his NPP capacity.

In common with other non-public funds, the Plan is exempt from paying income tax under Part I of the *Income Tax Act* (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 and 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 as at the date of the financial statements and the reported amounts of revenue 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 in which they become known.

# **NPF Employee Group Insurance Plan**

## **Notes to the Financial Statements**

March 31, 2024

### **Financial instruments**

The Plan's financial instruments consist of amounts due from Canadian Forces Central Fund ["CFCF"], government remittances receivable and deposits and reserves held by Canada Life.

The Plan initially measures its financial assets and financial liabilities, issued or assumed, in an arm's length transaction at fair value.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Plan. If the consideration transferred or received has repayment terms, then the cost is determined using the undiscounted cash flows, excluding interest and dividend payments, of the financial instrument transferred as consideration. If, however, the consideration transferred is an asset or liability that does not have repayment terms, the cost is initially recognized at the carrying or exchange amount of the consideration transferred or received, depending on the circumstances. The exchange amount is used when the transaction is in the normal course of operations or the transaction is not in the normal course of operations but has commercial substance, the change in ownership interest in the related financial item transferred is substantive and the amount of consideration transferred or received is established and agreed to by the related parties and is supported by independent evidence. Otherwise, the carrying amount of the consideration transferred or received is used as the cost of the related party financial instrument.

The Plan subsequently measures its financial assets and financial liabilities, including related party financial instruments, at amortized cost.

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in excess of revenue over expenses. The previously recognized impairment loss may subsequently be reversed to a maximum of the amortized cost that would have been reported at the date of the reversal had the impairment not been recognized previously.

The carrying amount of the financial asset or liability is adjusted by the transaction costs, which are recognized in excess of revenue over expenses using the straight-line method.

### **Health Care Spending Account ["HCSA"] Float**

An interest-bearing float is maintained by the insurer on behalf of the Plan for the respective part-time employee and full-time employee healthcare spending accounts introduced on January 1, 2024. It is calculated as one-twelfth of the annual entitlement at the start of the first plan year. Paid claims, expenses, fees and taxes are applied against the float and it is topped up on a monthly basis by payments from the Plan. The float will be reviewed annually to ensure the balance held by the insurer is appropriate. Upon termination of the agreement, the balance in the float would be refunded to the Plan.

## **NPF Employee Group Insurance Plan**

### **Notes to the Financial Statements**

March 31, 2024

#### **Refund Deposit Account [“RDA”]**

An RDA is held by the insurer on behalf of the Plan. It is interest-bearing and funded from surpluses on refund benefits in excess of CFR target balances. Accounts are held for each of the Health, Life and LTD policies and may be applied to underfunded CFR balances or may be used to settle Plan deficits at the discretion of the Plan. The RDA is recorded in assets under Deposits held by Canada Life based on the balance reported by the insurer as at March 31. Although the Plan may withdraw these funds at any time, it must consider the employee contribution component in determining an acceptable alternate use of the funds. In the event of termination of the underwriting agreement, the balance in the RDA will be fully refunded to the Plan.

#### **Claims Fluctuation Reserve [“CFR”]**

A CFR is held by the insurer to stabilize the premium rates and to recover deficits declared on refund benefits. A deficit results when the sum of claims, expenses and premium taxes exceeds premiums billed plus net interest. The CFR is interest-bearing and funded by surpluses from refund benefits up to a target established annually by the insurer. Balances are maintained under the Health, Life and LTD policies and are not transferable across policies. The CFR is reported in assets under Reserves held by Canada Life and based on the balance reported by the insurer as at March 31. The Plan has discretion to transfer funds into the CFR to cover shortfalls from the CFR target subsequent to year-end. These transfers are reflected in an amended year-end financial report of the insurer released subsequent to the preparation of the Plan's financial statements. Should the underwriting agreement with the insurer be terminated, the insurer would complete a final financial review and apply any unpaid refund-billed premiums, terminal costs and any surpluses or deficits to the balance before refunding to the Plan.

#### **Incurred But Not Reported [“IBNR”]**

Health and dental claims incurred but not reported by policy holders to Canada Life [the “insurer”] by the end of the policy period are the responsibility of the insurer if the annual underwriting agreement is renewed, and the responsibility of the Plan if the agreement is terminated. Accordingly, neither the insurer nor the Plan hold an IBNR reserve for health and dental claims. The Plan records an estimate of health and dental IBNR claims as an accrued liability to capture the plan experience of claims incurred in the policy year. The estimate of the IBNR is derived from a proprietary actuarial formula of the insurer who provides a valuation 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 period. Rates are applied annually effective November 1. The contributions include amounts charged on an experience rated basis to reimburse the insurer for the prior years' deficits, if applicable, and those to fund current years' costs.

#### **Government Employees Compensation Act [“GECA”]**

Since April 7, 2014, the employer's contribution to GECA premiums is based on 0.7% of salaries.

## NPF Employee Group Insurance Plan

### Notes to the Financial Statements

March 31, 2024

#### 3. Due from Canadian Forces Central Fund

Among the other entities that operate under the authority of the CDS in his NPP capacity is the CFCF.

As at March 31, 2024, amounts 'Due from Canadian Forces Central Fund' of \$5,758,044 [2023 – \$5,004,427] represent the Plan's share of an internal consolidated bank account administered by CFCF. The amounts are non-interest bearing and have no specific terms of repayment.

#### 4. Deposits held by Canada Life

Deposits held by Canada Life consist of the following:

	2024	2023
	\$	\$
RDA	4,842,398	224,848
HCSA Float	87,575	-
	<b>4,929,973</b>	<b>224,848</b>

#### 5. Plan expenses payable

Accounts payable and accrued liabilities consist of the following:

	2024	2023
	\$	\$
General accounts payable	62,270	21,185
GECA accrual	1,054,969	615,195
IBNR accrual	628,178	538,581
	<b>1,745,417</b>	<b>1,174,961</b>

#### 6. 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.

# NPF Employee Group Insurance Plan

## Notes to the Financial Statements

March 31, 2024

### 7. Financial instruments and risk management

The Plan is exposed to various risks through its financial instruments. The following analysis provides a measure of the Plan's risk exposure as at the statement of financial position date:

#### Liquidity risk

Liquidity risk is the risk the Plan will have difficulty in meeting obligations associated with financial liabilities, which include accounts payable and accrued liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. The Plan believes that its recurring financial resources are adequate to cover all its expenditures as well as its claims incurred but not reported.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Plan is exposed to credit risk on its amount due from CFCF and its reserves and deposits held by the insurer. The Plan determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

### 8. Comparative figures

Certain figures have been reclassified to conform with the presentation for the current fiscal year.