

NPF Employee Group Insurance Plan

Financial Statements

March 31, 2025



Shape the future
with confidence

Independent practitioner's review engagement report

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

We have reviewed the financial statements of **NPF Employee Group Insurance Plan** which comprise the statement of financial position as at March 31, 2025, and the statement of operations and accumulated surplus, and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of **NPF Employee Group Insurance Plan** as at March 31, 2025, 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
October 22, 2025



NPF Employee Group Insurance Plan

Statement of Financial Position

As at March 31

	2025	2024
	\$	\$
Assets		
Due from Canadian Forces Central Fund <i>[note 3]</i>	6,073,901	5,758,044
Accounts receivable <i>[note 4]</i>	90,775	-
Deposits held by Canada Life <i>[note 5]</i>	7,650,356	4,929,973
Reserves held by Canada Life	3,567,897	3,651,309
	17,382,929	14,339,326
Liabilities and accumulated surplus		
Liabilities		
Accounts payable and accrued liabilities <i>[note 6]</i>	1,227,955	1,745,417
Group life waiver <i>[note 7]</i>	1,552	2,443
	1,229,507	1,747,860
Accumulated surplus	16,153,422	12,591,466
	17,382,929	14,339,326

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



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

	2025	2024
	\$	\$
Revenue		
Employee/employer contributions	21,151,990	20,022,714
Interest and other income	413,697	249,845
Employer contributions for <i>Government Employees Compensation Act</i>	1,455,408	1,346,183
	<u>23,021,095</u>	<u>21,618,742</u>
Expenses		
Premiums	18,513,428	14,429,194
<i>Government Employees Compensation Act</i>	907,224	1,062,673
Professional fees and general	38,487	30,995
	<u>19,459,139</u>	<u>15,522,862</u>
Excess of revenue over expenses for the year	3,561,956	6,095,880
Accumulated surplus, beginning of year	<u>12,591,466</u>	6,495,586
Accumulated surplus, end of year	<u>16,153,422</u>	<u>12,591,466</u>

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

NPF Employee Group Insurance Plan

Statement of Cash Flows

Year ended March 31

	2025	2024
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	3,561,956	6,095,880
Changes in non-cash working capital balances related to operations		
Due from Canadian Forces Central Fund	(315,857)	(753,617)
Accounts receivable	(90,775)	-
Government remittances receivable	-	3,707
Deposits held by Canada Life	(2,720,383)	(4,705,125)
Reserves held by Canada Life	83,412	(1,210,898)
Accounts payable and accrued liabilities	(517,462)	570,456
Group life waiver	(891)	(403)
Cash provided by operating activities	-	-
Net increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

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

NPF Employee Group Insurance Plan

Notes to the Financial Statements

March 31, 2025

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 ["HCSA"] 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. In 2025, the Return to Work Support Program ["RTWSP"] and the health and wellness platform were transferred from the Human Resources Division of the Canadian Forces Morale and Welfare Services entity ["CFMWS"] into the Plan. These programs are fully funded by the employer. The RTWSP is available to full-time employees. The health and wellness platform is available to all employees, though the services offered vary based on employment status.

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* (Canada). 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. The healthcare spending account is administered on an uninsured basis by Canada Life 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. The health and wellness platform is provided by Dialogue Health Technologies Inc., and services for the RTWSP are contracted through Canada Life.

Non-Public Property ["NPP"], is defined under the *National Defence Act* (Canada). The Plan operates under the authority of the CDS in their 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.

Healthcare spending account float

An interest bearing float is maintained by Canada Life on behalf of the Plan for the respective part-time employee and full-time employee HCSAs. It is calculated as one-twelfth of the annual entitlement at the start of the 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 is reviewed annually to ensure the balance held by Canada Life is appropriate. The float will be adjusted if there are increases or decreases in the number of lives covered by a set increment or if there are major changes to the benefits under the program. 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, 2025

Refund deposit account [“RDA”]

An RDA is held by Canada Life on behalf of the Plan. It is interest bearing and funded from surpluses on refund benefits in excess of claims fluctuation reserve [“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

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 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 holds 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 Canada Life and 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 Canada Life 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, 2025

Financial instruments

The Plan's financial instruments consist of amounts due from the Canadian Forces Central Fund ["CFCF"], accounts receivables, accounts payables and accrued liabilities, 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.

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.

3. Due from Canadian Forces Central Fund

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

As at March 31, 2025, amounts due from Canadian Forces Central Fund of \$6,073,901 [2024 – \$5,758,044] 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.

NPF Employee Group Insurance Plan

Notes to the Financial Statements

March 31, 2025

4. Related party transactions

Among the other entities that operate under the authority of the CDS in their NPP capacity are CFMWS, CFCF and Staff of the Non-Public Funds ["SNPF"]. Accounts receivable from related parties are non-interest bearing and have no specific terms of repayment. They consist of the following:

	2025	2024
	\$	\$
Due from SNPF	85,500	-
Due from CFMWS	5,275	-
	<u>90,775</u>	<u>-</u>

5. Deposits held by Canada Life

Deposits held by Canada Life consist of the following:

	2025	2024
	\$	\$
RDA	7,562,781	4,842,398
HCSA float	87,575	87,575
	<u>7,650,356</u>	<u>4,929,973</u>

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2025	2024
	\$	\$
General accounts payable	131,009	62,270
GECA accrual	377,503	1,054,969
IBNR accrual	719,443	628,178
	<u>1,227,955</u>	<u>1,745,417</u>

7. 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.

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8. 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.

9. Comparative figures

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