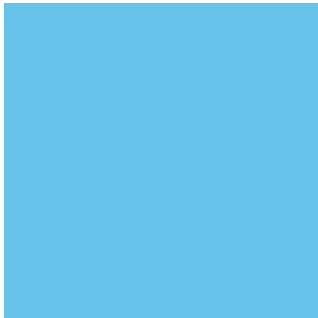
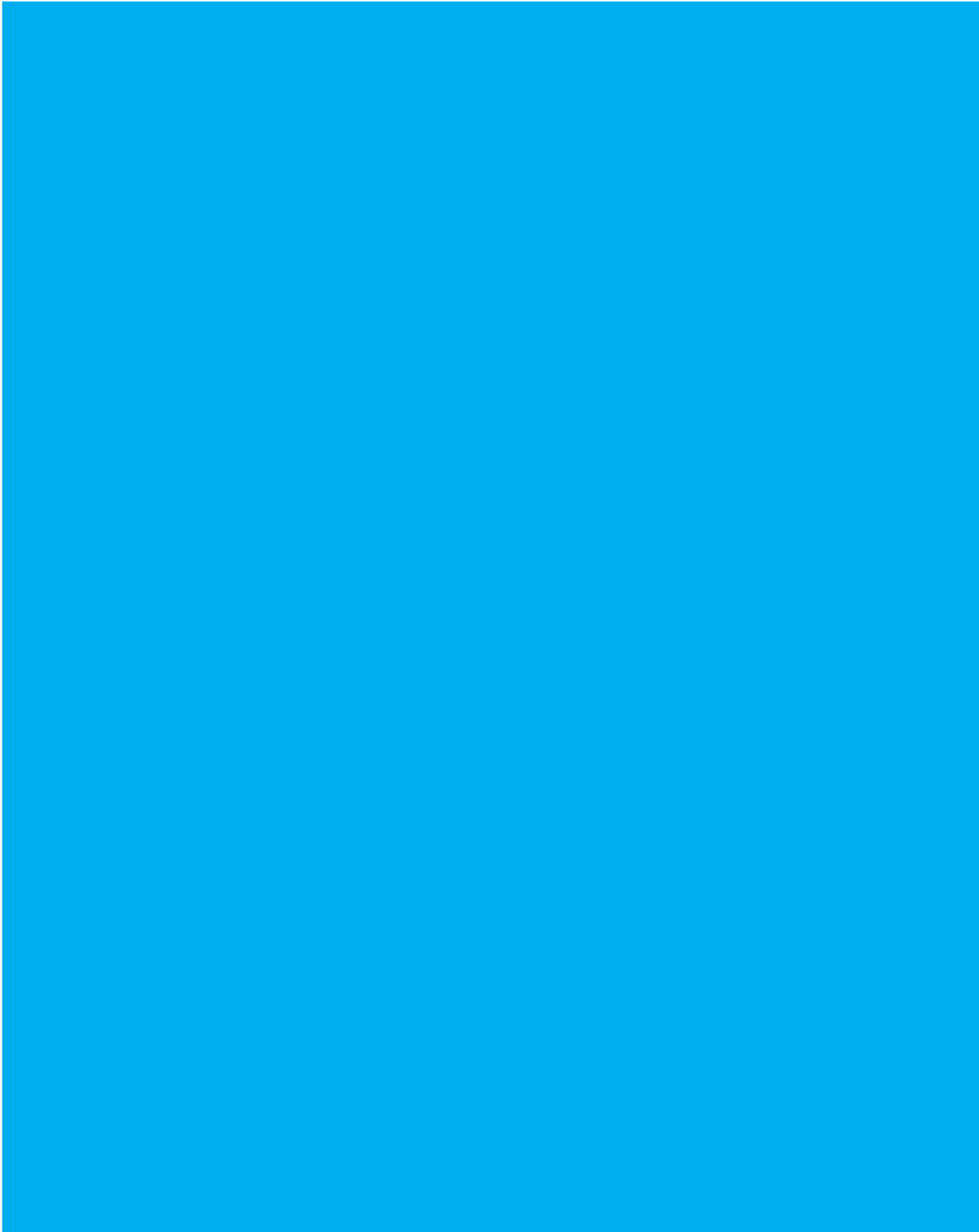


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## **FINANCIAL STATEMENTS**

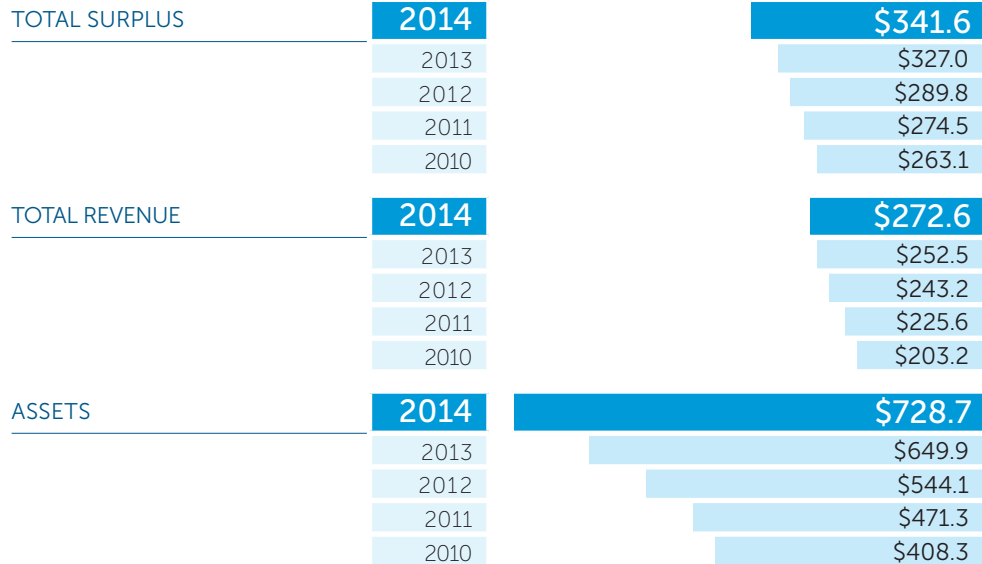
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# HIGHLIGHTS

(IN MILLIONS OF DOLLARS)	2014	2013	2012	2011	2010
Net excess	26.7	20.4	16.4	15.5	16.9
Total revenue	272.6	252.5	243.2	225.6	203.2
Assets	728.7	649.9	544.1	471.3	408.3
Surplus	341.6	327.0	289.8	274.5	263.1



The highlights shown above are from the consolidated financial statements of Blue Cross Canassurance Group, which were prepared in accordance with International Financial Reporting Standards.

# BLUE CROSS CANASSURANCE GROUP

The Canassurance Hospital Service Association (“Blue Cross Canassurance Group” or the “Association”), which operates under the names Ontario Blue Cross™ (1941) and Québec Blue Cross® (1942), is a legally independent corporation without pecuniary gain. It is licensed by the Blue Cross network to operate in Québec and Ontario. Its relationship with other Blue Cross organizations in Canada and the United States is based on the exchange of information and services, and compliance with high-quality standards. The Blue Cross Canassurance Group’s mandate is to offer quality personal and group health insurance, travel insurance, and assistance services. Blue Cross Canassurance Group intends to maintain its benchmark standards of excellence by focusing on its human resources development and training.

CANASSURANCE HOSPITAL SERVICE ASSOCIATION  
(QUÉBEC BLUE CROSS AND ONTARIO BLUE CROSS)

100% CANASSURANCE FINANCIAL CORPORATION

100% CANASSURANCE INSURANCE COMPANY

100% CANASSISTANCE INC.

# MESSAGE FROM MANAGEMENT

## MESSAGE FROM MANAGEMENT

I was very honored to accept the presidency of Blue Cross Canassurance Group in May 2014. It is also my pleasure to work closely with Claude Boivin, who has served as Chairman of the Board since March 2014. His long years of service at Blue Cross Canassurance have made his support invaluable. We are further fortunate to have a board of directors that is exceptionally committed and experienced. Together, we are continuing to exceed expectations in the areas of good governance and strategic development.

We also benefit from the vast expertise of our management team and the growing synergies its members bring to the table, as well as a clearly structured and well-understood organizational environment.

We are very pleased with Blue Cross Canassurance Group's financial results for the 2014 fiscal year. Our investments delivered in terms of revenue, and there was considerable growth in the sale of both travel and health insurance.

Active management of our investments led to excellent returns in 2014. The U.S. stock market gained 24% while its Canadian counterpart improved 10.5%. We were therefore well served by the investment strategy we implemented in 2013, which is weighted more heavily in favor of U.S. stocks than Canadian ones.

We acted on two key priorities of our sales strategy as 2013 drew to a close: stake out greater media visibility and boost sales via our direct distribution channels. Our efforts here paid off. This year's advertising campaign greatly heightened awareness of Blue Cross Canassurance and burnished our reputation. We will continue to seek greater visibility this year, especially among target clienteles. In addition, our direct sales network turned in a great performance throughout the year.

### Travel Insurance

In 2014, travel insurance sales grew 12% across our markets and distribution channels. Results were especially positive in Ontario, where sales were up 20%. Direct sales rose 18% in 2014 and online sales accounted for slightly more than a quarter of total growth across our distribution channels.

## MESSAGE FROM MANAGEMENT

### Personal Health Insurance

Sales of personal health insurance also grew substantially in 2014, adding 15% during the period. Direct sales contributed greatly to overall growth. In addition, we acquired valuable competitive insight that enabled us to make significant improvements in our product offerings.

### Information Technology

In the technology area, we continue investing to ensure that our information architecture satisfies the requirements of best industry practices and ever-tighter security standards. During the past year we put great effort into bolstering our computer system security against potential intrusions. Our priorities for the coming year include responding better to client needs, making our websites more efficient, and further improving our mobile application platforms to facilitate access to our entire product line.

### Financial Results

Blue Cross Canassurance Group reported net surplus earnings of \$26.7 million in 2014. As at December 31, 2014, consolidated assets were \$728.7 million. The consolidated surplus was \$341.6 million, representing 46.9% of Blue Cross Canassurance Group's consolidated assets. Consolidated revenue from insurance subscriptions and premiums totaled \$256 million.

The Blue Cross Canassurance Group paid out 51.4% of gross revenue from insurance subscriptions and premiums to members and policyholders in the form of claims and refunds. Operating expenses were \$57.1 million and commissions totaled \$37.7 million, representing 37% of gross insurance revenue for fiscal 2014.



## MESSAGE FROM MANAGEMENT

### Social Involvement

Blue Cross Canassurance Group focuses its efforts on organizations involved in helping children and providing ancillary services. Our main partners include:

- Blue Cross provides travel insurance to protect children and families traveling under the auspices of The Children's Make a Wish Foundation, which helps youngsters with life-threatening illnesses experience their most heartfelt desires.
- We also provide Blue Cross travel insurance for Montreal Symphony Orchestra musicians and personnel when on tour.
- And we support Fondation OLO, which furnishes nutritional assistance to help low-income pregnant women give birth to healthy babies.

### Acknowledgements

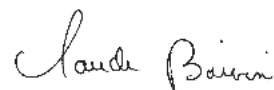
We would like to recognize the outstanding effort put forth by our entire staff. Their hard work and steadfast dedication have made the results in this report possible.

We also express our gratitude to our management team, board members, and governors, who play an important role in the success of Blue Cross Canassurance Group.

And finally, we are grateful to all our clients, members, and partners for their loyalty and trust.



**Dominique Vachon**, Bsc., Msc.  
President and Chief Executive Officer



**Claude Boivin**, CPA, CA  
Chairman of the Board

# FINANCIAL STATEMENTS

## MANAGEMENT'S REPORT

The financial statements of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross) and the financial information contained in this annual report are the responsibility of management and have been approved by the Board of Directors.

The Association has an adequate internal control and auditing system, within acceptable cost limits. The purpose of these mechanisms is to ensure a reasonable degree of certainty that financial transactions are correctly recorded and carried out with the required authorization, that the financial statements are properly prepared, and that assets are well protected.

The Board of Directors fulfils its responsibilities with regard to financial reporting and the financial statements contained in this annual report primarily through its Audit Committee, which is composed of three Board members who are not managing officers of the Association.

The Audit Committee meets periodically with management and also meets with the independent auditor. Their main mandate is to review the financial statements and to recommend their approval. The independent auditor may, at its discretion, meet with the Audit Committee in the presence or absence of management to discuss questions pertaining to the auditing and financial reporting.

The actuarial liabilities have been evaluated by Mr. Luc Farmer, FCIA, FSA, Actuary, and his report certifies the actuarial liabilities. The financial statements have been audited by Mallette L.L.P., partnership of chartered professional accountants and the report they have prepared indicates the scope of their audit and their opinion on the financial statements.



**Dominique Vachon**, BSc, MSc  
President and Chief Executive Officer



**Martin Nguyen**, CPA, CA  
Vice-President, Finance and Control

Montréal, February 26, 2015

## OPINION OF THE APPOINTED ACTUARY

I have valued the policy liabilities in the consolidated balance sheet of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross) as at December 31, 2014 and its change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate valuation assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.

The valuation is in conformity with the Québec *Insurance Act* and its regulations.



**Luc Farmer**, FCIA, FSA  
Appointed Actuary

Montréal, February 26, 2015

## INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### To the Members of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross)

The accompanying summary consolidated financial statements, which include the summary consolidated balance sheet as at December 31, 2014 and the summary consolidated statements of earnings, comprehensive income, change in surplus and cash flows for the year then ended, are derived from the audited consolidated financial statements of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross) for the year ended December 31, 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 26, 2015.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Association.

### Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements. Management presents the summary consolidated balance sheet and the summary consolidated statements of earnings, comprehensive income, change in surplus and cash flows. The notes are not reproduced.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810 *Engagements to Report on Summary Financial Statements*.

### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross) for the year ended December 31, 2013 are a fair summary of those consolidated financial statements in accordance with criteria established in the section on management's responsibility for the summary consolidated financial statements.

*Mallette L.L.P.*<sup>1</sup>

Mallette L.L.P.

Partnership of chartered professional accountants

Québec, Canada, February 26, 2015

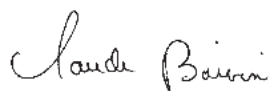
<sup>1</sup>CPA auditor, CA, public accountancy permit No. A107995

## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31  
(IN THOUSANDS OF DOLLARS)

	2014	2013
<b>ASSETS</b>		
Investments	\$436,298	\$406,924
Cash	7,342	10,554
Reinsurance assets	164,697	129,520
Receivables – insurance companies	8,898	7,972
Due and overdue subscriptions and premiums	6,482	7,617
Prepaid expenses	97,898	78,725
Capital assets	3,603	4,874
Other assets	3,447	3,702
	\$728,665	\$649,888
<b>LIABILITIES</b>		
Actuarial liabilities	\$222,319	\$186,341
Liabilities for claims payable, claims and settlement expenses	24,221	21,593
Deposits and refunds	13,810	14,097
Unearned commissions	87,883	66,669
Prepaid subscriptions and premiums	6,716	5,230
Accounts payable	16,573	19,860
Defined benefit plans liability	15,539	9,107
	\$387,061	322,897
<b>SURPLUS</b>		
Accumulated surplus	\$334,588	307,853
Accumulated other comprehensive income	7,016	19,138
	\$341,604	326,991
	\$728,685	\$649,888

On behalf of the Board,



Claude Boivin, CPA, CA, Director



Dominique Vachon, Bsc., Msc., Director

## CONSOLIDATED EARNINGS

FOR THE YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF DOLLARS)

	2014	2013
<b>REVENUE</b>		
Gross subscriptions and premiums	\$255,982	\$249,650
Ceded subscriptions and premiums	(62,758)	(65,638)
Net subscriptions and premiums	\$193,224	\$184,012
Investments	27,638	17,418
Reinsurance allocation	43,871	44,191
Other revenues	7,826	6,913
	<b>\$272,559</b>	<b>\$252,534</b>
<b>EXPENSES</b>		
Gross claims, liability claims and settlement expenses	\$131,068	\$124,619
Ceded claims, liability claims and settlement expenses	(9,847)	(8,407)
Net claims, liability claims and settlement expenses	121,221	\$116,212
Change in actuarial liabilities	22,015	24,147
Commissions	37,667	30,084
Refunds and interest on deposits	527	623
Taxes on premiums	5,596	5,392
Operating	57,083	54,706
	<b>\$244,109</b>	<b>\$231,164</b>
<b>EXCESS BEFORE OTHER ITEM</b>	<b>\$28,450</b>	<b>\$21,370</b>
<b>OTHER ITEM</b>		
Impairment loss on available-for-sale financial assets	(1,715)	(958)
<b>NET EXCESS</b>	<b>\$26,735</b>	<b>\$20,412</b>

## CONSOLIDATED COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF DOLLARS)

	2014	2013
<b>NET EXCESS</b>	<b>\$26,735</b>	\$20,412
Other comprehensive income:		
Comprehensive income that may subsequently be reclassified to net excess		
- Unrealized gains on available-for-sale financial assets	8,902	17,154
- Reclassification to net excess of unrealized gains on disposal of available-for-sale financial assets	(14,950)	(6,126)
Total comprehensive income that may subsequently be reclassified to net excess	(6,048)	11,028
Comprehensive income not subject to subsequent reclassification to net excess		
- Actuarial gains (actuarial losses) on defined benefit plans	(6,074)	5,724
Total comprehensive income not subject to subsequent reclassification to net excess	(6,074)	5,724
<b>COMPREHENSIVE INCOME</b>	<b>\$14,613</b>	\$37,164

## CHANGE IN CONSOLIDATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF DOLLARS)

	ACCUMULATED SURPLUS	ACTUARIAL LOSSES	ACCUMULATED OTHER COMPREHENSIVE INCOME		TOTAL
			AVAILABLE-FOR-SALE FINANCIAL ASSETS	TOTAL	
<b>Balance as at December 31, 2012</b>	\$287,441	(\$11,560)	\$13,946	\$2,386	\$289,827
Comprehensive income					
Net excess	20,412	-	-	-	20,412
Other comprehensive income	-	5,724	11,028	16,752	16,752
	20,412	5,724	11,028	16,752	37,164
<b>Balance as at December 31, 2013</b>	\$307,853	(\$5,836)	\$24,974	\$19,138	\$326,991
Comprehensive income					
Net excess	26,735	-	-	-	26,735
Other comprehensive income	-	(6,074)	(6,048)	(12,122)	(12,122)
	26,735	(6,074)	(6,048)	(12,122)	14,613
<b>Balance as at December 31, 2014</b>	<b>334,588 \$</b>	<b>(\$11,910)</b>	<b>\$18,926</b>	<b>\$7,016</b>	<b>\$341,604</b>

## CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31  
 (IN THOUSANDS OF DOLLARS)

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net excess	\$26,735	\$20,412
Operating items not affecting cash		
Gross change in actuarial liabilities	35,978	39,961
Change in the value of investments and other items not affecting cash	(15,383)	(3,099)
	47,330	57,274
Change in non-cash working capital	(32,132)	(38,296)
	15,198	18,978
<b>INVESTING ACTIVITIES</b>		
Acquisitions		
Investments	(174,061)	(205,661)
Fixed assets	(82)	(863)
Disposals		
Investments	155,733	188,083
	(18,410)	(18,441)
<b>INCREASE (DECREASE) IN CASH</b>	(3,212)	537
<b>CASH</b> , beginning of year	10,554	10,017
<b>CASH</b> , end of year	\$7,342	\$10,554



## GOVERNORS AND DIRECTORS

### CANASSURANCE HOSPITAL SERVICE ASSOCIATION

**Ghislain Alain**  
Québec, Québec

**Claude Boivin, CPA, CA** <sup>1,2</sup>  
Chairman of the Board  
Montréal, Québec

**Gaston R. Boyer, CPA, CA**  
Montréal, Québec

**Florian Brissette, CPA, CA**  
Saint-Sauveur, Québec

**André Brousseau**  
Trois-Rivières, Québec

**Françoise P. Chagnon, MD** <sup>1,5</sup>  
Montréal, Québec

**Serge De Gagné, CRHP**  
MBA,  
Montréal, Québec

**Charles de Jocas**  
Montréal, Québec

**Jean-Louis Deschênes**  
Montréal, Québec

**Raymond Desrosiers**  
Montréal, Québec

**Gérard R. Douville** <sup>1,2,4,5</sup>  
Vice-Chairman  
Dorval, Québec

**Claude Duhamel**  
Montréal, Québec

**Sheldon Elman, MD, CM**  
Montréal, Québec

**Louis Gosselin, FCIA, FSA** <sup>1,2,3</sup>  
Saint-Jean-Baptiste, Québec

**Maurice Hébert**  
Montréal, Québec

**Barry E. Katsof**  
Montréal, Québec

**Gilles Lagacé, MD,**  
CSPQ, FRCPC  
Québec, Québec

**Léo-Paul Landry, MD**  
Boucherville, Québec

**Normand Laurin, CPA, CA** <sup>1,4</sup>  
Mont-Saint-Hilaire, Québec

**Gilles Marcil, MD,**  
CSPQ, CRCS, FRCSC  
Montréal, Québec

**Edmond D. Monaghan**  
MD, CD, FRCSC, FACS  
Mont-Tremblant, Québec

**Jacques Nolet**  
Montréal, Québec

**Philip M. O'Brien, CM**  
Montréal, Québec

**Gaston Pellan** <sup>1,2,3</sup>  
Honorary Secretary-Treasurer  
Québec, Québec

**Louise Piché**  
Montréal, Québec

**Rolland Roberge**  
Saint-Damien-de-Brandon,  
Québec

**Michel Robillard, CPA, CA**  
Terrebonne, Québec

**Claude Robitaille, LLL**  
Québec, Québec

**André St-Onge**  
Lanoraie, Québec

**Daniel Savard, MD,**  
CSPQ, FRCPC  
Sainte-Julie, Québec

**Hugh M. Scott, MD**  
Montréal, Québec

**François Sestier, MD,**  
PhD, FACC  
Montréal, Québec

**Guy Tremblay, LLL, Ad. E.** <sup>1,5</sup>  
Montréal, Québec

**Jocelyn Tremblay, FCIA, FSA**  
Montréal, Québec

**Dominique Vachon** <sup>1,3</sup>  
BSc, MSc  
President and Chief Executive  
Officer  
Montréal, Québec

#### MEMBERS OF:

1. Board of Directors | 2. Executive Committee | 3. Investment Committee  
4. Audit Committee | 5. Ethics Committee

## BOARD OF DIRECTORS

### CANASSURANCE INSURANCE COMPANY

**Claude Boivin, CPA, CA** <sup>1</sup>  
Chairman of the Board  
Montréal, Québec

**Gérard R. Douville** <sup>3</sup>  
Vice-Chairman  
Dorval, Québec

**Dominique Vachon** <sup>1,2</sup>  
BSc, MSc  
President and Chief Executive Officer  
Montréal, Québec

**Michel Robillard, CPA, CA** <sup>1,2</sup>  
Terrebonne, Québec

**Daniel Savard, MD,** <sup>3</sup>  
CSPQ, FRCPC  
Sainte-Julie, Québec

**André St-Onge** <sup>3</sup>  
Lanoraie, Québec

**Nelson Ward** <sup>2</sup>  
Trois-Rivières, Québec

#### MEMBERS OF:

1. Investment Committee | 2. Audit Committee | 3. Ethics Committee

## MANAGEMENT

**Dominique Vachon**  
BSc, MSc  
Economist  
President and Chief Executive Officer

**Claude Ferguson**, FCIA, FSA  
Vice-President, Actuarial Services

**Marc Lamirande**  
MSc, FLMI, FLHC, ACS  
Vice-President  
Organizational Efficiency

**Martin Nguyen**, CPA, CA  
Vice-President, Finance and Control

**Marc Roussin**,  
BComm  
Vice-President  
Sales and Marketing

**Jean-François Beaulieu**  
B.B.A.  
Director, Web Optimization

**Nancy Dionne**  
B.B.A., ACS  
Director  
Customer Contact Centre

**Nadine Eustache**  
BSc, D.E.S.S.  
Director, Claims

**Guillaume Fauteux**  
B.A.  
Director, Brokerage Québec  
Health Insurance

**Jean-Pierre Fortin**  
B.A.  
Director,  
Information Technologies

**Yvan Fortin**  
F.L.M.I.  
Director, Compliance

**Incoronata Greco**  
B.Com.  
Director, Development  
International Assistance

**Fabienne Lavoie**,  
RN, BSc, MSc  
Director, Operations and Claims  
International Assistance

**Joanne Parent**  
Director  
Sales and Development  
Travel Insurance

**Nathalie Rousseau**  
MSc  
Director  
Human Resources  
and Internal Communication

**Josée Roy**  
Director, Underwriting

**William Walker**  
Director, Brokerage Ontario  
Health Insurance

## ADVISORS

**Élizabeth Bergeron**, DDS  
Dentist

**James Brophy**, MD,  
PhD, M.Eng., FRCP, FACC, CSPQ  
Cardiologist  
Medical Adviser

**Maurice Bosembo**, MD,  
MSc  
General Practitioner  
Medical Adviser

**Tuong Minh Nguyen**, MD  
Family medicine  
Emergency medicine specialist  
Medical Adviser

**François Sestier**, MD,  
PhD, FACC  
Cardiologist  
Medical Director

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CANASSISTANCE INC.

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