

for **you**



You are our priority. Year after year, Blue Cross keeps on improving its offering of products and services so as to be a reassuring presence in your daily life.

You are our concern. Blue Cross cares about your well-being and really listens to your experiences so as to better respond to the needs of each and every one of you.

Our commitment is to you! When it comes to health and travel, Blue Cross enables you to get proper and timely care. Blue Cross works... for you.

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HIGHLIGHTS

(In millions of dollars)	2011	2010	2009	2008	2007
Consolidated net excess	15.5	16.9	17.5	11.1	20.5
Consolidated total revenue	225.4	203.2	190.9	180.7	173.2
Consolidated assets	453.4	408.3	374.4	312.8	314.9
Consolidated surplus	274.5	263.1	244.0	214.5	218.2

CONSOLIDATED SURPLUS



CONSOLIDATED TOTAL REVENUE



CONSOLIDATED ASSETS



Blue Cross Canassurance Group adopted International Financial Reporting Standards on January 1, 2011 and prepared its opening balance sheet as at the transition date, January 1, 2010. Therefore, consolidated net excess and consolidated total revenue for 2007, 2008 and 2009, as well as consolidated assets and consolidated surplus for 2007 and 2008 presented above, were prepared in accordance with Canadian generally accepted accounting principles. Consolidated net excess and consolidated total revenue for 2010 and 2011, as well as consolidated assets and consolidated surplus for 2009, 2010 and 2011 were prepared in accordance with International Financial Reporting Standards.

The Canassurance Hospital Service Association, which operates under the names Ontario Blue Cross™ (1941) and Québec Blue Cross® (1942), is a legally independent corporation without pecuniary gain that is entirely Canadian owned. 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 Association's mandate is to offer quality personal and group health insurance, travel insurance, and assistance services. Blue Cross 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)

CANASSURANCE FINANCIAL
CORPORATION
100%

CANASSURANCE INSURANCE
COMPANY
100%

CANASSISTANCE INC.
100%

The year 2011 was marked by the final phase of extensive information system redesign begun in 2008. Blue Cross Canassurance Group is now fully equipped for optimizing the quality of its services, developing new products, and fulfilling the multiple needs of the population in health and travel insurance.

MESSAGE FROM MANAGEMENT

Blue Cross Canassurance Group is well aware of its economic and social role. In the early 1940s, we developed programs to finance hospital and medical services, later taken over by the government. We have always worked hand in hand with our healthcare institutions and subsequently with the governments of Québec and Ontario.

Today, our governments must deal with constantly rising healthcare costs and the need to find budgetary balance by reducing the increase in expenses in all sectors.

How can we ensure the sustainability of our healthcare system when needs are increasing and new sources of funding are becoming increasingly scarce? The challenge is substantial:

- an aging population whose life expectancy will prolong retirement, inevitably bringing an increased demand for health services;
- insufficient reception and intake facilities that will require more investment to accommodate the elderly in institutions;
- increasing demand for home support and caregivers.

Greatly concerned about the difficulties of the system, more and more citizens are agreeing to pay directly for some services. Think tanks are already working to find a balance between sound management of public resources and opportunities for privatization. What remains to be done is to establish a political consensus to open the door to change.

Blue Cross Canassurance Group intends to continue to play a leading role in the development of parallel or intermediate services to complement public coverage in Québec and Ontario and to contribute to a system that is the envy of many countries.

DEVELOPMENT OUTLOOK

Transition services after hospitalization and home care can be provided by resources other than those of the healthcare system. They can be easily funded by private health insurance products that would lighten the load of the public network.

A number of these new services will be required by the older population or by healthy baby boomers who will soon cease to work and who with their high expectations will be more active after retirement than the previous generation, and will certainly travel frequently. Insurance plans combining diagnostic services, disability insurance, home support, and long-term care are under study.

Among younger workers, there is the need for financial security—ensuring that income meets the needs of a small business or a young family. Many workers have no group insurance and represent an attractive pool for personal health insurance and for disability insurance, whether or not related to a specific investment such as a mortgage or buying a vehicle.

MESSAGE FROM MANAGEMENT

HEALTH INSURANCE

Health insurance sales in Ontario rose significantly, mainly due to new marketing strategies and advertising placements, and to the active presence of our representatives in the field.

In Québec, the sustained efforts of our distribution networks and the commitment of our partners led to increased sales of life insurance and disability insurance for automobile creditors. With regard to personal health insurance, joint campaigns with key business partners have been successful.

The transactional Web sites qc.croixbleue.ca and useblue.com were updated to boost coverage taken out online; we also added an information section on our products available from insurance brokers in Québec and Ontario, as well as a referral tool.

The personal health insurance market is increasingly competitive; and to maintain our advantage, we must consolidate the privileged ties we have developed with our partners.

TRAVEL INSURANCE

The travel industry is highly sensitive to economic turmoil, and uncertainty in many countries resulted in a decline in demand. Nevertheless, thanks to the reputation we have built in travel insurance over the years and to the diversity of our distribution channels, we have had good results.

In 2012, to better meet the needs of travellers, we plan to deploy new Internet and mobile application tools to facilitate access to our insurance and assistance services.

ASSISTANCE

Our subsidiary CanAssistance has highly diversified experience in travel assistance to serve Canadians in need around the world. With this recognition, we are studying the opportunity to offer various specialized health support services to guide our policyholders through the Canadian health system.

At the Salon sur les meilleures pratiques d'affaires 2011, CanAssistance won the gold medal in the Skills and Recognition category. We are very proud of this distinction, and we thank our CanAssistance employees who are dedicated to continuous improvement of intervention in health assistance at home and in travel assistance abroad.

SKILLS DEVELOPMENT

We continue to develop the skills of our employees, who are at the core of our success. Thus, everyone at Blue Cross becomes an ambassador of our corporate values of respect, empathy, and professionalism.

These values must inspire all members of the organization. Training sessions and continuous improvement programs have been added for this purpose, and these were accepted and followed with great interest at all levels.

MESSAGE FROM MANAGEMENT

INFORMATION SYSTEM REDESIGN

This major project was completed with the participation and commitment of stakeholders and users in all our sectors. The objectives of improving service quality and business development demanded a reorganization of our insurance operations. The collaboration of all those directly involved during the deployment and fine-tuning of new computer tools enabled us to meet deadlines in processing settlements for our policyholders.

GOVERNANCE, COMPLIANCE, AND SOUND RISK MANAGEMENT

The guidelines for sound risk management set by the Autorité des marchés financiers which apply to Québec chartered insurers of persons were required implementations in 2011. During the year, we re-evaluated all our practices, and in the process the Board of Directors adopted a new governance framework. Our new integrated risk management policy will ensure front-line monitoring of our internal control mechanisms.

FINANCIAL RESULTS

For 2011, net excess of Blue Cross Canassurance Group was \$20.9 million before the impairment loss on available-for-sale financial assets for operations as a whole. The substantial slump in financial markets during the past year and the significant decline in the value of certain stock holdings required a \$5.4 million write-down on our investments.

As at December 31, 2011, consolidated assets totalled \$453.4 million. Consolidated surplus was \$274.5 million, representing 60.5% of the Group's consolidated assets. Gross consolidated income from insurance contributions and premiums of Blue Cross Canassurance Group totalled \$209.8 million.

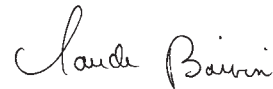
Blue Cross Canassurance Group paid benefits and refunds to its members and policyholders amounting to 60.4% of gross income from insurance contributions and premiums. Consolidated investment income totalled \$20.4 million. Finally, operating expenses were \$51.7 million and commissions totalled \$21.2 million, representing 34.7% of gross insurance income.

ACKNOWLEDGEMENTS

Blue Cross Canassurance Group depends on the commitment and hard work of everyone to achieve our objectives. We acknowledge the dedicated involvement of our employees and our managers, for which we are grateful.

We appreciate the informed advice of the members of the Board of Directors and our governors; we are pleased to be able to rely on their participation for which we thank them.

Thanks to the sustained trust and loyalty of our partners, our members, and our policyholders we can look forward to 2012 with optimism.



Claude Boivin, CA
President and Chief Executive Officer



André Brousseau
Chairman of the Board

FINANCIAL STATEMENTS

MANAGEMENT REPORT

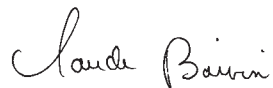
The financial statements of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross) and the financial information contained in this annual report are the responsibility of management and have been approved by the Board of Directors.

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 the firm Mallette L.L.P., Chartered Accountants, and the report they have prepared indicates the scope of their audit and their opinion on the financial statements.



Claude Boivin, CA
President and Chief Executive Officer



Éric Sénécal, CA
Corporate Controller

Montréal, February 22, 2012

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, 2011 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 22, 2012

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 sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, and the summary consolidated statements of earnings, comprehensive income, change in surplus and cash flows for the years ended December 31, 2011 and December 31, 2010, are derived from the audited consolidated financial statements of CANASSURANCE HOSPITAL SERVICE ASSOCIATION (Québec Blue Cross and Ontario Blue Cross) for the years ended December 31, 2011 and December 31, 2010. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 22, 2012.

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 sheets 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 years ended December 31, 2011 and December 31, 2010, 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., Chartered Accountants

Québec, Canada, February 22, 2012

¹ CA auditor permit No. 12506

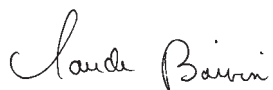
CONSOLIDATED BALANCE SHEETS

As at (in thousands of dollars)

On behalf of the Board,



André Brousseau, Director



Claude Boivin, CA, Director

	December 31 2011	December 31 2010	January 1 2010
ASSETS			
Investments	\$357,932	\$335,362	\$315,619
Cash	9,323	9,223	4,273
Reinsurance assets	36,223	31,671	29,786
Receivables – insurance companies	4,379	4,176	3,404
Due and overdue subscriptions and premiums	7,405	5,639	3,856
Prepaid expenses	29,207	14,809	11,928
Capital assets	5,888	4,492	2,393
Other assets	3,039	2,920	3,137
	\$453,396	\$408,292	\$374,396
LIABILITIES			
Actuarial liabilities	\$100,872	\$77,785	\$70,124
Liabilities for claims payable, claims and settlement expenses	19,596	19,264	18,497
Unearned subscriptions and premiums	14,835	14,629	14,564
Prepaid subscriptions	2,646	2,881	3,346
Deposits and refunds	19,164	17,071	10,973
Accounts payable	11,812	7,715	9,126
Defined benefit plans liability	10,012	5,850	3,761
	178,937	145,195	130,391
SURPLUS			
Accumulated surplus	263,990	252,964	238,658
Accumulated other comprehensive income	10,469	10,133	5,347
	274,459	263,097	244,005
	\$453,396	\$408,292	\$374,396

	2011	2010
CONSOLIDATED EARNINGS		
For the years ended December 31, 2011 and 2010 (in thousands of dollars)		
REVENUE		
Gross subscriptions and premiums	\$209,803	\$186,590
Ceded subscriptions and premiums	(27,802)	(11,195)
Net subscriptions and premiums	\$182,001	\$175,395
Investments	20,368	17,034
Other revenues	22,987	10,762
	225,356	203,191
EXPENSES		
Gross claims, liability claims and settlement expenses	111,801	108,733
Ceded claims, liability claims and settlement expenses	(5,560)	(4,870)
Net claims, liability claims and settlement expenses	106,241	103,863
Net change in actuarial liabilities	18,540	5,776
Commissions	21,206	18,836
Refunds and interest on deposits	1,942	2,236
Taxes on premiums	4,871	4,579
Operating	51,669	48,577
	204,469	183,867
EXCESS BEFORE OTHER ITEM	20,887	19,324
OTHER ITEM		
Impairment loss on available-for-sale financial assets	(5,388)	(2,463)
NET EXCESS	\$15,499	\$16,861

	2011	2010
CONSOLIDATED COMPREHENSIVE INCOME		
For the years ended December 31, 2011 and 2010 (in thousands of dollars)		
NET EXCESS	\$15,499	\$16,861
Other comprehensive income:		
Unrealized gains and losses on available-for-sale financial assets	7,109	11,857
Reclassification to net excess of unrealized gains and losses on disposal of available-for-sale financial assets	(6,773)	(7,071)
Actuarial losses on defined benefit plans	(4,473)	(2,555)
COMPREHENSIVE INCOME	\$11,362	\$19,092

	Accumulated surplus	Accumulated other comprehensive income Available-for-sale financial assets	Total
CHANGE IN CONSOLIDATED SURPLUS			
For the years ended December 31, 2011 and 2010 (in thousands of dollars)			
Balance as at January 1, 2010	\$238,658	\$5,347	\$244,005
Comprehensive income			
Net excess	16,861	–	16,861
Other comprehensive income	(2,555)	4,786	2,231
	14,306	4,786	19,092
Balance as at December 31, 2010	252,964	10,133	263,097
Comprehensive income			
Net excess	15,499	–	15,499
Other comprehensive income	(4,473)	336	(4,137)
	11,026	336	11,362
Balance as at December 31, 2011	\$263,990	\$10,469	\$274,459

	2011	2010
CONSOLIDATED CASH FLOWS		
For the years ended December 31, 2011 and 2010 (in thousands of dollars)		
OPERATING ACTIVITIES		
Net excess	\$15,499	\$16,861
Operating items not affecting cash:		
Gross change in actuarial liabilities	23,087	7,661
Change in the value of investments and other items not affecting cash	(1,879)	(4,119)
	36,707	20,403
Net change in non-cash working capital	(14,545)	(1,939)
	22,162	18,464
INVESTING ACTIVITIES		
Acquisitions		
Investments	(611,438)	(264,702)
Fixed assets	(1,057)	(135)
Intangible assets	(1,407)	(2,820)
Disposals		
Investments	591,840	254,143
	(22,062)	(13,514)
INCREASE IN CASH	100	4,950
CASH , beginning of year	9,223	4,273
CASH , end of year	\$9,323	\$9,223

GOVERNORS AND DIRECTORS CANASSURANCE HOSPITAL SERVICE ASSOCIATION

Claude Boivin, CA ^{1,2}
President and CEO
Montréal, Québec

Gaston R. Boyer, CA
Montréal, Québec

Florian Brissette, CA
Saint-Sauveur, Québec

André Brousseau ^{1,2}
Chairman of the Board
Trois-Rivières, Québec

Raymond Carignan, MD
Montréal, Québec

Françoise P. Chagnon, MD
Montréal, Québec

Michael J. Churchill-Smith,
MD, CM, FRCPC
Montréal, Québec

Serge De Gagné, MBA, CHRP
Montréal, Québec

Charles de Jocas
Montréal, Québec

Jean-Louis Deschênes
Montréal, Québec

Raymond Desrosiers
Montréal, Québec

G rard R. Douville ^{1,2,4,5}
Honorary Secretary-Treasurer
Dorval, Qu bec

Claude Duhamel
Monr al, Qu bec

Sheldon Elman, MD, CM
Monr al, Qu bec

Louis Gosselin, FCIA, FSA ¹
Saint-Jean-Baptiste, Qu bec

Maurice H bert
Monr al, Qu bec

Barry E. Katsof
Monr al, Qu bec

Gilles Lagac , MD,
CSPQ, FRCPC
Qu bec, Qu bec

L o-Paul Landry, MD
Boucherville, Qu bec

Normand Laurin, CA ^{1,4}
Mont-Saint-Hilaire, Qu bec

Gilles Marcil, MD, ^{1,5}
CSPQ, CRCS, FRCSC
Monr al, Qu bec

Edmond D. Monaghan,
MD, CD, FRCSC, FACS
Mont-Tremblant, Qu bec

Jacques Nolet
Monr al, Qu bec

Philip M. O'Brien, CM ^{1,3,5}
Monr al, Qu bec

Gaston Pellan ^{1,2,3}
Qu bec, Qu bec

Louise Pich 
Monr al, Qu bec

Rolland Roberge
Saint-Damien-de-Brandon,
Qu bec

Michel Robillard, CA
Terrebonne, Qu bec

Claude Robitaille, LLL
Qu bec, Qu bec

Andr  St-Onge
Lanoraie, Qu bec

Daniel Savard, MD,
CSPQ, FRCPC
Sainte-Julie, Qu bec

Hugh M. Scott, MD
Monr al, Qu bec

Fran ois Sestier, MD,
PhD, FACC
Monr al, Qu bec

Guy Tremblay
Monr al, Qu bec

Denis Turgeon, DDS
Ville Mont-Royal, Qu bec

Dominique Vachon, ^{1,3,4}
BSc, MSc
Monr al, Qu bec

BOARD OF DIRECTORS CANASSURANCE INSURANCE COMPANY

Claude Boivin, CA ^{1,2}
President and CEO
Monr al, Qu bec

Andr  Brousseau ^{1,2}
Chairman of the Board
Trois-Rivi res, Qu bec

Fran oise P. Chagnon, MD ⁴
Monr al, Qu bec

Maurice H bert ^{2,4}
Monr al, Qu bec

Gilles Lagac , MD, ^{3,4}
CSPQ, FRCPC
Qu bec, Qu bec

Gaston Pellan ^{1,3}
Secretary-Treasurer
Qu bec, Qu bec

Michel Robillard, CA ³
Terrebonne, Qu bec

Members of:

- 1.** Executive Committee **2.** Investment Committee
3. Audit Committee **4.** Ethics Committee

Members of:

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

SENIOR MANAGEMENT

Claude Boivin, CA
President and Chief Executive Officer

Louis Gosselin, FCIA, FSA
Senior Vice-President, Strategic
Planning and Actuarial Services

Richard Lachance, C. Adm.
Vice-President
Development and Assistance

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

Guy Jr. Papillon, BSc
Vice-President
Sales and Special Projects

Louise Sauvé, CA
Vice-President
Insurance Operations

Dominique Vachon, BSc, MSc
Economist
Vice-President
Investment and Risk Management

MANAGEMENT

Colette Chabot, CIRC
Director, Human Resources
and Internal Communication

Michel Courtemanche
Director, Sales and Development
Travel Insurance

Nancy Dionne
Director, Customer Contact Centre

Nadine Eustache
Director, Claims

Jean-Pierre Fortin
Director, Information Technologies

Incoronata Greco
Director, Development
International Assistance

Fabienne Lavoie, RN, BSc, MSc
Director, Operations &
Claims International Assistance

Pierre Parenteau, FCAS
Director, Actuarial Services

Julie Saucier
Director, Administration
Individual Insurance

Éric Senécal, CA
Corporate Controller

William Walker
Manager, Individual Products

CONSULTANTS

Élizabeth Bergeron, DDS
Dentist

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

Maciej (Mathias) Kalina, MD,
CSPQ, FRCPC
Family medicine

Gilles Marcil, MD,
CSPQ, CRCS, FRCSC
Ophthalmologist

Daniel Savard, MD,
CSPQ, FRCPC
Cardiologist
Associate Medical Director

François Sestier, MD, PhD,
FACC
Cardiologist
Medical Director

Jean Thibault, LPh
Pharmacist

INDEPENDENT AUDITOR

Mallette
Limited Liability Partnership
Chartered Accountants

Québec Blue Cross®
Ontario Blue Cross™
Canassurance Insurance Company
CanAssistance Inc.

MONTREAL – HEAD OFFICE

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