

THE STANDARD OF EXCELLENCE
IN HEALTH AND TRAVEL



2013
ANNUAL REPORT



AT YOUR SERVICE
FOR OVER 70 YEARS

HIGHLIGHTS **4**

BLUE CROSS CANASSURANCE GROUP **5**

MESSAGE FROM MANAGEMENT **6**

FINANCIAL STATEMENTS

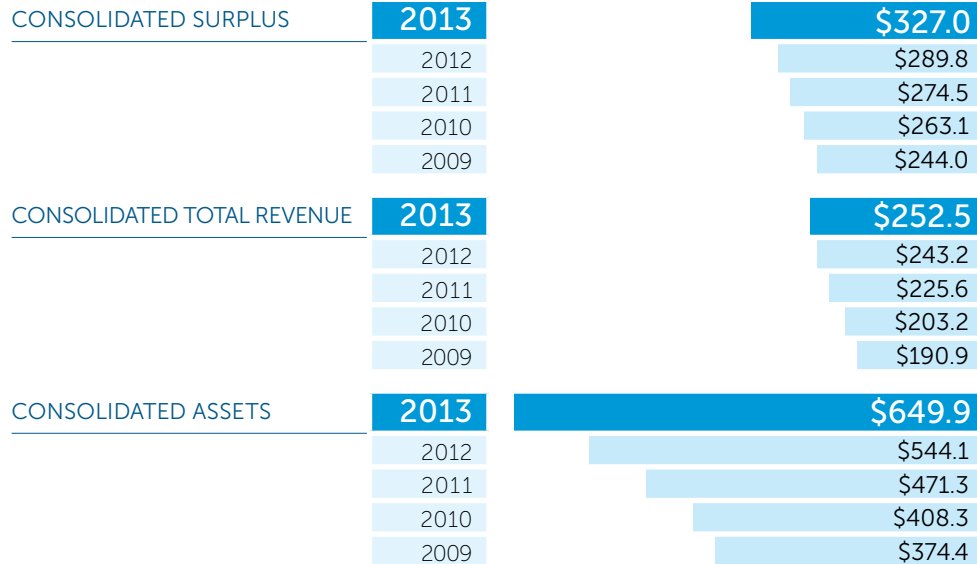
CANASSURANCE HOSPITAL SERVICE ASSOCIATION **10**

GOVERNORS AND DIRECTORS **17**

MANAGEMENT **18**

HIGHLIGHTS

(IN MILLIONS OF DOLLARS)	2013	2012	2011	2010	2009
Consolidated net excess	20.4	16.4	15.5	16.9	17.5
Consolidated total revenue	252.5	243.2	225.6	203.2	190.9
Consolidated assets	649.9	544.1	471.3	408.3	374.4
Consolidated surplus	327.0	289.8	274.5	263.1	244.0



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 2009 presented above were prepared in accordance with Canadian generally accepted accounting principles. Consolidated net excess and consolidated total revenue from 2010 to 2013, as well as consolidated assets and consolidated surplus from 2009 to 2013 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

All around the world, the economy showed signs of renewed vigor in 2013, as some of the concerns that had been casting a pall over the economic recovery gradually waned over the course of the year. Markets responded with solid returns, driven by the U.S. index, which posted a 29% gain in 2013. In Canada, progress was somewhat more tentative, but the Canadian index was still up 13% on the year. European markets also turned in strong performances despite the high levels of public debt and unemployment that continue to act as a drag on the regional economy.

Strong markets combined with more active management of our investments this year allowed us to generate excellent investment income. Our excellent profitability aside, we are also proud of the initiatives taken over the course of the year to achieve our strategic planning goals. We stepped up our sales efforts in the area of direct product distribution, creating a new dedicated team for online distribution.

To further boost Blue Cross brand awareness and promote our products, we ran a TV ad campaign in Québec and Ontario throughout the fall and into early 2014. All of these elements have left us well positioned for profits and growth in the new year.

Personal Health Insurance

Governments throughout the industrialized world are facing difficult trade-offs as they struggle to contain healthcare costs and meet increasingly growing demand for health services. In Québec, the challenge is further compounded by the fact that the population is aging faster than in most countries. Throughout the healthcare system, stakeholders are searching for innovative ways to deal with these difficult challenges.

In this context, Blue Cross Canassurance Group is positioned as a partner of choice to provide a full range of health insurance protections and coverage to supplement public coverage. New government approaches, especially in Québec with its autonomy insurance plan, will require more active involvement on the part of new partners.

MESSAGE FROM MANAGEMENT

Travel Insurance

Blue Cross' outstanding reputation and leadership in the field of travel insurance were confirmed once again in a survey conducted in fall 2013.

Our travel insurance offerings were overhauled to make them more competitive for both our direct sales channels and our distributors. We also renewed our distribution agreement with CAA-Quebec, a major sales partner for our travel insurance products. We anticipate steady sales growth in all our markets in the year ahead.

Financial Results

Blue Cross Canassurance Group posted a net excess of \$20.4 million in 2013. As at December 31, 2013, assets totaled \$649.9 million and the surplus stood at \$327 million, representing 50.3% of the assets of Blue Cross Canassurance Group. Gross revenue from insurance subscriptions and premiums was \$249.7 million.

The Blue Cross Canassurance Group paid out 56.5% of gross revenue from insurance subscriptions and premiums to its members and policyholders in the form of claims and refunds. Investment revenue totaled \$17.4 million. Operating expenses were \$54.7 million and commissions totaled \$30.1 million, representing 34% of gross insurance revenue for fiscal 2013.

MESSAGE FROM MANAGEMENT

Social Involvement

Blue Cross Canassurance Group focuses its efforts on organizations involved in helping sick children and providing ancillary health services, while also supporting excellence.

Our main partners include:

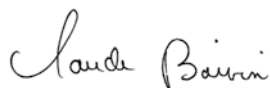
- The Children's Wish Foundation, which provides children living with life-threatening illnesses the opportunity to realize their most heartfelt wishes.
- The Montreal Symphony Orchestra, touring this year in Europe with Blue Cross travel insurance coverage for the musicians and tour personnel.
- Fondation OLO, which supports low income pregnant women by helping them give birth to healthy babies.
- Le Grand défi Pierre Lavoie, which encourages young people to develop healthy lifestyle habits.
- Olivier Rochon, former world champion and winner of the Freestyle Ski World Cup, who was kept from qualifying for the Sochi Olympics due to injury.

Acknowledgements

Blue Cross Canassurance Group owes its success to the hard work of all our staff, and we thank them for their dedication.

We also would like to express our thanks to our management team, board members, and governors for their invaluable contributions to our success.

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



Claude Boivin, CPA, CA
President and Chief Executive Officer



André Brousseau
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.



Claude Boivin, CPA, CA
President and Chief Executive Officer



Dominique Vachon, BSc, MSc
Economist
Executive Vice-President
Investment

Montréal, February 26, 2014

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, 2013 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, 2014

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, 2013 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, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 26, 2014.

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.*¹

Mallette L.L.P.

Partnership of chartered professional accountants

Québec, Canada, February 26, 2014

¹CPA auditor, CA, public accountancy permit No. A107995

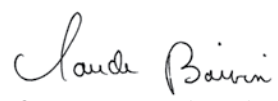
CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31
 (IN THOUSANDS OF DOLLARS)

	2013	2012
ASSETS		
Investments	\$406,924	\$373,570
Cash	10,554	10,017
Reinsurance assets	129,520	83,380
Receivables – insurance companies	7,972	6,227
Due and overdue subscriptions and premiums	7,617	7,013
Prepaid expenses	78,725	55,150
Capital assets	4,874	5,269
Other assets	3,702	3,514
	\$649,888	\$544,140
LIABILITIES		
Actuarial liabilities	\$186,341	\$146,380
Liabilities for claims payable, claims and settlement expenses	21,593	20,439
Deposits and refunds	14,097	16,593
Unearned commissions	66,669	36,343
Prepaid subscriptions and premiums	5,230	5,239
Accounts payable	19,860	14,879
Defined benefit plans liability	9,107	14,440
	322,897	254,313
SURPLUS		
Accumulated surplus	307,853	287,441
Accumulated other comprehensive income	19,138	2,386
	326,991	289,827
	\$649,888	\$544,140

On behalf of the Board,


André Brousseau, Director


Claude Boivin, CPA, CA, Director

CONSOLIDATED EARNINGS

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

	2013	2012
REVENUE		
Gross subscriptions and premiums	\$249,650	\$231,493
Ceded subscriptions and premiums	(65,638)	(40,821)
Net subscriptions and premiums	\$184,012	\$190,672
Investments	17,418	19,047
Reinsurance allocation	44,191	27,017
Other revenues	6,913	6,495
	252,534	243,231
EXPENSES		
Gross claims, liability claims and settlement expenses	124,619	120,125
Ceded claims, liability claims and settlement expenses	(8,407)	(7,019)
Net claims, liability claims and settlement expenses	116,212	113,106
Change in actuarial liabilities	24,147	25,709
Commissions	30,084	23,640
Refunds and interest on deposits	623	556
Taxes on premiums	5,392	5,346
Operating	54,706	55,049
	231,164	223,406
EXCESS BEFORE OTHER ITEM	21,370	19,825
OTHER ITEM		
Impairment loss on available-for-sale financial assets	(958)	(3,402)
NET EXCESS	\$20,412	\$16,423

CONSOLIDATED COMPREHENSIVE INCOME

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

	2013	2012
NET EXCESS	\$20,412	\$16,423
Other comprehensive income:		
Comprehensive income that may subsequently be reclassified to net excess		
- Unrealized gains on available-for-sale financial assets	17,154	11,994
- Reclassification to net excess of unrealized losses on disposal of available-for-sale financial assets	(6,126)	(8,517)
Total comprehensive income that may subsequently be reclassified to net excess	11,028	3,477
Comprehensive income not subject to subsequent reclassification to net excess		
- Actuarial gains (actuarial losses) on defined benefit plans	5,724	(4,532)
Total comprehensive income not subject to subsequent reclassification to net excess	5,724	(4,532)
COMPREHENSIVE INCOME	\$37,164	\$15,368

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	
Balance as at December 31, 2011	\$271,018	\$(7,028)	\$10,469	\$3,441	\$274,459
Comprehensive income					
Net excess	16,423	-	-	-	16,423
Other comprehensive income	-	(4,532)	3,477	(1,055)	(1,055)
	16,423	(4,532)	3,477	(1,055)	15,368
Balance as at December 31, 2012	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
Balance as at December 31, 2013	\$307,853	\$(5,836)	\$24,974	\$19,138	\$326,991

CONSOLIDATED CASH FLOWS

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

	2013	2012
OPERATING ACTIVITIES		
Net excess	\$20,412	\$16,423
Operating items not affecting cash		
Gross change in actuarial liabilities	39,961	29,223
Change in the value of investments and other items not affecting cash	(3,099)	(2,006)
	57,274	43,640
Change in non-cash working capital	(38,296)	(33,306)
	18,978	10,334
INVESTING ACTIVITIES		
Acquisitions		
Investments	(205,661)	(225,068)
Fixed assets	(863)	(1,189)
Disposals		
Investments	188,083	216,617
	(18,441)	(9,640)
INCREASE IN CASH	537	694
CASH , beginning of year	10,017	9,323
CASH , end of year	\$10,554	\$10,017

GOVERNORS AND DIRECTORS

CANASSURANCE HOSPITAL SERVICE ASSOCIATION

Claude Boivin, CPA, CA^{1,2}
President and
Chief Executive Officer
Montréal, Québec

Gaston R. Boyer, CPA, CA
Montréal, Québec

Florian Brissette, CPA, CA
Saint-Sauveur, Québec

André Brousseau^{1,2,4}
Chairman of the Board
Trois-Rivières, Québec

Françoise P. Chagnon, MD
Montréal, Québec

Serge De Gagné, MBA, CRHP
Montréal, Québec

Charles de Jocas
Montréal, Québec

Jean-Louis Deschênes
Montréal, Québec

Raymond Desrosiers
Montréal, Québec

Gérard R. Douville^{1,2,4,5}
Honorary Secretary-Treasurer
Dorval, Québec

Claude Duhamel
Montréal, Québec

Sheldon Elman, MD, CM
Montréal, Québec

Louis Gosselin, FCIA, FSA^{1,3,5}
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^{1,4}
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^{1,3,5}
Montréal, Québec

Gaston Pellan^{1,2,3}
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
Montréal, Québec

Dominique Vachon¹
BSc, MSc
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^{1,2}
President and
Chief Executive Officer
Montréal, Québec

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

Françoise P. Chagnon, MD⁴
Montréal, Québec

Maurice Hébert^{2,4}
Montréal, Québec

Gilles Lagacé, MD, CSPQ, FRCPC^{3,4}
Québec, Québec

Gaston Pellan^{1,3}
Secretary-Treasurer
Québec, Québec

Michel Robillard, CPA, CA³
Terrebonne, Québec

MEMBERS OF:

1. Executive Committee | 2. Investment Committee | 3. Audit Committee | 4. Ethics Committee

SENIOR MANAGEMENT

Claude Boivin, CPA, CA
President and
Chief Executive Officer

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

Marc Roussin, BAA
Vice-President
Sales and Marketing

Dominique Vachon
BSc, MSc
Economist
Executive Vice-President
Investment

MANAGEMENT

Jean-François Beaulieu
Director, Web Optimization

Nancy Dionne
Director
Customer Contact Centre

Nadine Eustache
Director, Claims

Guillaume Fauteux
Director, Brokerage Québec
Health Insurance

Jean-Pierre Fortin
Director,
Information Technologies

Jules Fortin
Director, Underwriting

Incoronata Greco
Director, Development
International Assistance

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

Martin Nguyen, CPA, CA
Corporate Controller

Joanne Parent
Director
Sales and Development
Travel Insurance

William Walker
Director, Brokerage Ontario
Health Insurance

CONSULTANTS

Élizabeth Bergeron, DDS
Dentist

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

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

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

François Sestier, MD, PhD,
FACC
Cardiologist
Medical Director

Jean Thibault, LPh
Pharmacist

INDEPENDENT AUDITOR

Mallette L.L.P.
Partnership of chartered
professional accountants

QUÉBEC BLUE CROSS®
ONTARIO BLUE CROSS™
CANASSURANCE INSURANCE COMPANY
CANASSISTANCE INC.

MONTRÉAL – HEAD OFFICE
550 Sherbrooke Street West
Montréal, Québec H3A 3S3
514-286-8400 www.qc.bluecross.ca

TORONTO
185 The West Mall, Suite 610, P.O. Box 2000
Etobicoke, Ontario M9C 5P1
416-626-1688 www.useblue.com

