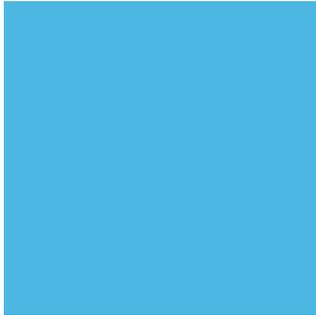


THE STANDARD OF EXCELLENCE  
**IN HEALTH AND TRAVEL**



2013  
ANNUAL REPORT



AT YOUR SERVICE  
**FOR OVER 70 YEARS**

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## **FINANCIAL STATEMENTS**

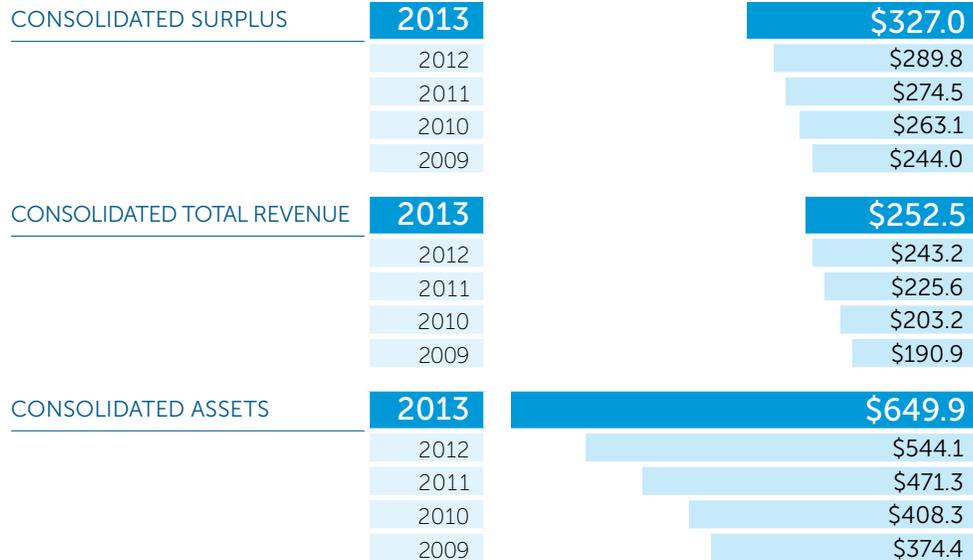
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# HIGHLIGHTS

(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:

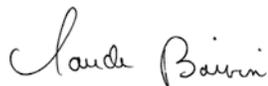
- The Children's Wish Foundation, which provides children living with life-threatening illnesses the opportunity to realize their most heartfelt wishes.
- The Montreal Symphony Orchestra, touring this year in Europe with Blue Cross travel insurance coverage for the musicians and tour personnel.
- Fondation 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

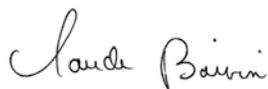
The financial statements of Canassurance Hospital Service Association (Québec Blue Cross and Ontario Blue Cross) and the financial information contained in this annual report are the responsibility of management and have been approved by the Board of Directors.

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.*<sup>1</sup>

Mallette L.L.P.

Partnership of chartered professional accountants

Québec, Canada, February 26, 2014

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

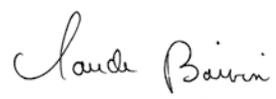
## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31  
 (IN THOUSANDS OF DOLLARS)

	2013	2012
<b>ASSETS</b>		
Investments	<b>\$406,924</b>	\$373,570
Cash	<b>10,554</b>	10,017
Reinsurance assets	<b>129,520</b>	83,380
Receivables – insurance companies	<b>7,972</b>	6,227
Due and overdue subscriptions and premiums	<b>7,617</b>	7,013
Prepaid expenses	<b>78,725</b>	55,150
Capital assets	<b>4,874</b>	5,269
Other assets	<b>3,702</b>	3,514
	<b>\$649,888</b>	\$544,140
<b>LIABILITIES</b>		
Actuarial liabilities	<b>\$186,341</b>	\$146,380
Liabilities for claims payable, claims and settlement expenses	<b>21,593</b>	20,439
Deposits and refunds	<b>14,097</b>	16,593
Unearned commissions	<b>66,669</b>	36,343
Prepaid subscriptions and premiums	<b>5,230</b>	5,239
Accounts payable	<b>19,860</b>	14,879
Defined benefit plans liability	<b>9,107</b>	14,440
	<b>322,897</b>	254,313
<b>SURPLUS</b>		
Accumulated surplus	<b>307,853</b>	287,441
Accumulated other comprehensive income	<b>19,138</b>	2,386
	<b>326,991</b>	289,827
	<b>\$649,888</b>	\$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
<b>REVENUE</b>		
Gross subscriptions and premiums	<b>\$249,650</b>	\$231,493
Ceded subscriptions and premiums	<b>(65,638)</b>	(40,821)
Net subscriptions and premiums	<b>\$184,012</b>	\$190,672
Investments	<b>17,418</b>	19,047
Reinsurance allocation	<b>44,191</b>	27,017
Other revenues	<b>6,913</b>	6,495
	<b>252,534</b>	243,231
<b>EXPENSES</b>		
Gross claims, liability claims and settlement expenses	<b>124,619</b>	120,125
Ceded claims, liability claims and settlement expenses	<b>(8,407)</b>	(7,019)
Net claims, liability claims and settlement expenses	<b>116,212</b>	113,106
Change in actuarial liabilities	<b>24,147</b>	25,709
Commissions	<b>30,084</b>	23,640
Refunds and interest on deposits	<b>623</b>	556
Taxes on premiums	<b>5,392</b>	5,346
Operating	<b>54,706</b>	55,049
	<b>231,164</b>	223,406
<b>EXCESS BEFORE OTHER ITEM</b>	<b>21,370</b>	19,825
<b>OTHER ITEM</b>		
Impairment loss on available-for-sale financial assets	<b>(958)</b>	(3,402)
<b>NET EXCESS</b>	<b>\$20,412</b>	\$16,423

## CONSOLIDATED COMPREHENSIVE INCOME

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

	2013	2012
<b>NET EXCESS</b>	<b>\$20,412</b>	\$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)
<b>COMPREHENSIVE INCOME</b>	<b>\$37,164</b>	\$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	TOTAL	
<b>Balance as at December 31, 2011</b>	\$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
<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>	<b>\$307,853</b>	<b>\$(5,836)</b>	<b>\$24,974</b>	<b>\$19,138</b>		<b>\$326,991</b>

## CONSOLIDATED CASH FLOWS

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

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

## GOVERNORS AND DIRECTORS

### CANASSURANCE HOSPITAL SERVICE ASSOCIATION

**Claude Boivin, CPA, CA**<sup>1,2</sup>  
President and  
Chief Executive Officer  
Montréal, Québec

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

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

**André Brousseau**<sup>1,2,4</sup>  
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

**G rard R. Douville**<sup>1,2,4,5</sup>  
Honorary Secretary-Treasurer  
Dorval, Qu bec

**Claude Duhamel**  
Montr al, Qu bec

**Sheldon Elman, MD, CM**  
Montr al, Qu bec

**Louis Gosselin, FCIA, FSA**<sup>1,3,5</sup>  
Saint-Jean-Baptiste, Qu bec

**Maurice H bert**  
Montr al, Qu bec

**Barry E. Katsof**  
Montr al, Qu bec

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

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

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

**Gilles Marcil, MD,**  
CSPQ, CRCS, FRCSC  
Montr al, Qu bec

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

**Jacques Nolet**  
Montr al, Qu bec

**Philip M. O'Brien, CM**<sup>1,3,5</sup>  
Montr al, Qu bec

**Gaston Pellan**<sup>1,2,3</sup>  
Qu bec, Qu bec

**Louise Pich **  
Montr al, Qu bec

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

**Michel Robillard, CPA, 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**  
Montr al, Qu bec

**Fran ois Sestier, MD,**  
PhD, FACC  
Montr al, Qu bec

**Guy Tremblay, LLL**  
Montr al, Qu bec

**Dominique Vachon**<sup>1</sup>  
BSc, MSc  
Montr al, Qu bec

#### 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>1,2</sup>  
President and  
Chief Executive Officer  
Montr al, Qu bec

**Andr  Brousseau**<sup>1,2</sup>  
Chairman of the Board  
Trois-Rivi res, Qu bec

**Fran oise P. Chagnon, MD**<sup>4</sup>  
Montr al, Qu bec

**Maurice H bert**<sup>2,4</sup>  
Montr al, Qu bec

**Gilles Lagac , MD, CSPQ, FRCPC**<sup>3,4</sup>  
Qu bec, Qu bec

**Gaston Pellan**<sup>1,3</sup>  
Secretary-Treasurer  
Qu bec, Qu bec

**Michel Robillard, CPA, CA**<sup>3</sup>  
Terrebonne, Qu bec

#### 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.**

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