

ANNUAL
REPORT
2015

EXPERTISE
IN HEALTH
AND TRAVEL
INSURANCE



AT YOUR SERVICE
FOR OVER 70 YEARS

HIGHLIGHTS 4

THE BLUE CROSS CANASSURANCE GROUP 5

MESSAGE FROM MANAGEMENT 6

FINANCIAL STATEMENTS

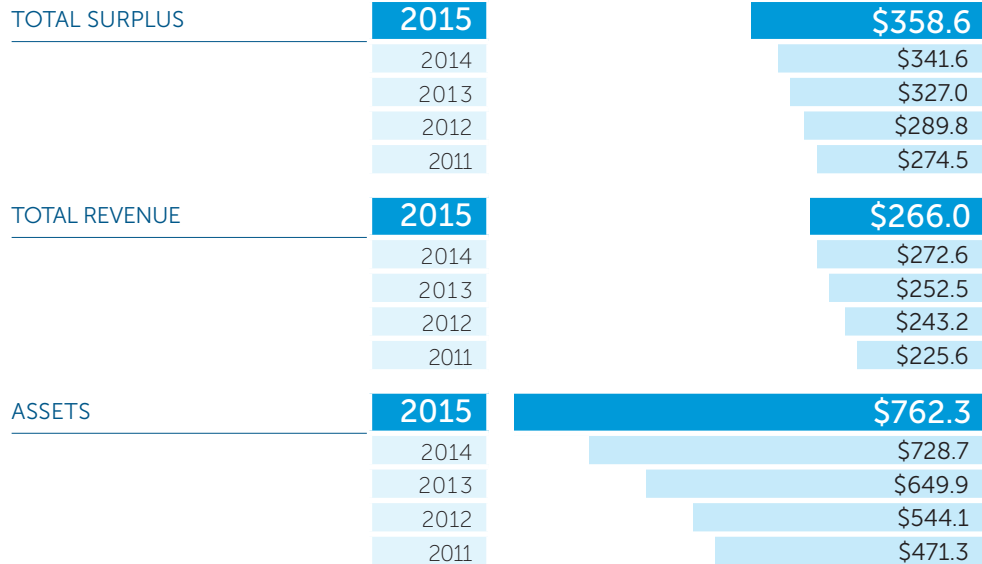
CANASSURANCE HOSPITAL SERVICE ASSOCIATION 10

GOVERNORS AND DIRECTORS 17

MANAGEMENT AND ADVISORS 18

HIGHLIGHTS

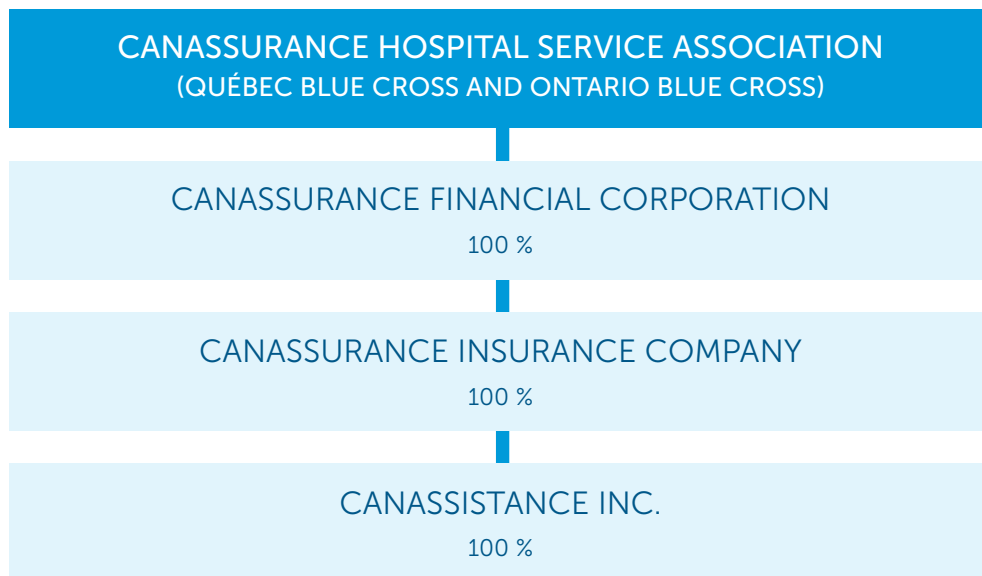
(IN MILLIONS OF DOLLARS)	2015	2014	2013	2012	2011
Net excess	22.4	26.7	20.4	16.4	15.5
Total revenue	266.0	272.6	252.5	243.2	225.6
Assets	762.3	728.7	649.9	544.1	471.3
Surplus	358.6	341.6	327.0	289.8	274.5



The highlights shown above are taken from the consolidated financial statements of The Blue Cross Canassurance Group, which are compliant with International Financial Reporting Standards.

THE BLUE CROSS CANASSURANCE GROUP

The Canassurance Hospital Service Association (“The 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. The Blue Cross Canassurance Group intends to maintain its benchmark standards of excellence by focusing on the development and training of its human resources.



MESSAGE FROM MANAGEMENT

MESSAGE FROM MANAGEMENT

In 2015, we recorded a net excess of \$22.4 million, compared to \$26.7 million in 2014. Despite the lower net excess, we are proud of these results given the challenging economic and financial environment in 2015. Investment income decreased due to poor stock market performances, particularly in Canada, where the market lost 10% of its value over the year. Our strategy of reducing our exposure to Canadian equities and adopting an overweight position on American equities has paid off. On the bond side, in light of persistent low interest rates, we continued to lengthen the duration of our bond portfolio to increase interest income.

Governance

Throughout 2015, we strengthened our governance structure to remain at the forefront of best management practices. We established an internal audit function that reports directly to the president and CEO and took steps to validate all our internal control mechanisms, a measure in line with our integrated risk management framework. We also established a compliance function reporting directly to the president and CEO. Direct reporting ensures that these two functions—which are crucial to good governance—enjoy substantial independence. As part of our usual cycle, we also updated our internal policies, including our investment, stress testing, information security, and compliance management policies.

Travel Insurance

In 2015, travel insurance sales increased by 6% across all distribution networks. These results are very good when considering that travel industry sales decreased by about 10% over the year, largely due to the continued weakness of the Canadian dollar. There were far fewer U.S.-bound travelers in 2015. Our entire distribution network contributed to this increase, but we are particularly proud of the impact direct sales have had on overall travel insurance sales growth. We introduced major improvements to our website and, in a move to better serve clients shopping for travel insurance online, we made our transactional site accessible to smart phones, generating a lot of interest in the process.

MESSAGE FROM MANAGEMENT

Personal Health Insurance

In Quebec, health insurance sales through our brokerage network were brisk in 2015. Results in Ontario, in contrast, were more modest. The Ontario market is very competitive and product offerings change quickly. In 2015, we focused on pricing and enhancing some of the coverages we provide. Next year, we will be stepping up our efforts to penetrate the Ontario health insurance market. We will concentrate on marketing new products by keeping even closer tabs on the competition and acting accordingly.

Information Technology

Over the past year, we continued to improve the security of our facilities and informational data to guard against cyber risks, a growing threat in the industry. We strive to stay up-to-date with the best standards in IT security and privacy.

Financial Results

The Blue Cross Canassurance Group reported net surplus earnings of \$22.4 million in 2015. As at December 31, 2015, consolidated assets were \$762.3 million. The consolidated surplus was \$358.6 million, representing 47% of The Blue Cross Canassurance Group's consolidated assets. Consolidated revenue from insurance subscriptions and premiums totaled \$250.4 million.

The Blue Cross Canassurance Group paid out 57% of gross revenue from insurance subscriptions and premiums to members and policyholders in the form of claims and refunds. Operating expenses were \$58.3 million and commissions totaled \$43.1 million, representing 41% of gross insurance revenue for fiscal 2015.

MESSAGE FROM MANAGEMENT

Social Involvement

The Blue Cross Canassurance Group supports children's aid agencies and ancillary services. Among some of the organizations we support:

- Centraide, which has an extensive network of agencies actively working to support youth success, meet essential needs, break social isolation, and build caring communities.
- HealthPartners, which is a group of national charities in the area of health that promotes donations in the workplace in order to improve the health of Canadians.
- Children's Wish Foundation, which helps youngsters with life-threatening illnesses experience their most heartfelt desires. Blue Cross provides travel insurance to protect children and families traveling under the Foundation's auspices.
- Fondation OLO, which furnishes nutritional assistance to help low-income pregnant women give birth to healthy babies.

We also provide Blue Cross travel insurance to The Montreal Symphony Orchestra musicians and personnel on tour.

Acknowledgements

We would like to recognize the outstanding effort put forth by our employees. 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 The 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



Louis Gosselin, FCIA, FSA
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 25, 2016

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, 2015 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 25, 2016

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, 2015 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, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 25, 2016.

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, 2015 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 25, 2016

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

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31
 (IN THOUSANDS OF DOLLARS)

	2015	2014
ASSETS		
Investments	\$456,187	\$436,298
Cash	11,848	7,342
Reinsurance assets	169,849	164,697
Receivables – insurance companies	11,975	8,898
Due and overdue subscriptions and premiums	7,329	6,482
Prepaid expenses	99,076	97,898
Capital assets	2,286	3,603
Other assets	3,705	3,447
	\$762,255	\$728,665
LIABILITIES		
Actuarial liabilities	\$227,117	\$222,319
Liabilities for claims payable, claims and settlement expenses	28,866	24,221
Deposits and refunds	13,440	13,810
Unearned commissions	90,381	87,883
Prepaid subscriptions and premiums	7,219	6,716
Accounts payable	21,820	16,573
Defined benefit plans liability	14,783	15,539
	\$403,626	\$387,061
SURPLUS		
Accumulated surplus	\$356,977	\$334,588
Accumulated other comprehensive income	1,652	7,016
	\$358,629	\$341,604
	\$762,255	\$728,665

On behalf of the Board,



Louis Gosselin, FCIA, FSA, Director



Dominique Vachon, Bsc., Msc., Director

CONSOLIDATED EARNINGS

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

	2015	2014
REVENUE		
Gross subscriptions and premiums	\$250,384	\$255,982
Ceded subscriptions and premiums	(46,791)	(62,758)
Net subscriptions and premiums	\$203,593	\$193,224
Investments	20,336	27,638
Reinsurance allocation	32,748	43,871
Other revenues	9,292	7,826
	\$265,969	\$272,559
EXPENSES		
Gross claims, liability claims and settlement expenses	\$142,579	\$131,068
Ceded claims, liability claims and settlement expenses	(12,767)	(9,847)
Net claims, liability claims and settlement expenses	\$129,812	\$121,221
Change in actuarial liabilities	2,144	22,015
Commissions	43,120	37,667
Refunds and interest on deposits	87	527
Taxes on premiums	7,769	5,596
Operating	58,253	57,083
	\$241,185	\$244,109
EXCESS BEFORE OTHER ITEM	\$24,784	\$28,450
OTHER ITEM		
Impairment loss on available-for-sale financial assets	(2,395)	(1,715)
NET EXCESS	\$22,389	\$26,735

CONSOLIDATED COMPREHENSIVE INCOME

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

	2015	2014
NET EXCESS	\$22,389	\$26,735
Other comprehensive income:		
Comprehensive income that may subsequently be reclassified to net excess		
- Unrealized gains on available-for-sale financial assets	1,720	8,902
- Reclassification to net excess of unrealized gains on disposal of available-for-sale financial assets	(8,021)	(14,950)
Total comprehensive income that may subsequently be reclassified to net excess	(6,301)	(6,048)
Comprehensive income not subject to subsequent reclassification to net excess		
- Actuarial gains (actuarial losses) on defined benefit plans	937	(6,074)
Total comprehensive income not subject to subsequent reclassification to net excess	937	(6,074)
COMPREHENSIVE INCOME	\$17,025	\$14,613

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, 2013	\$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
Balance as at December 31, 2014	\$334,588	\$(11,910)	\$18,926	\$7,016	\$341,604
Comprehensive income					
Net excess	22,389	-	-	-	22,389
Other comprehensive income	-	937	(6,301)	(5,364)	(5,364)
	22,389	937	(6,301)	(5,364)	17,025
Balance as at December 31, 2015	\$356,977	\$(10,973)	\$12,625	\$1,652	\$358,629

CONSOLIDATED CASH FLOWS

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

	2015	2014
OPERATING ACTIVITIES		
Net excess	\$22,389	\$26,735
Operating items not affecting cash		
Gross change in actuarial liabilities	4,798	35,978
Change in the value of investments and other items not affecting cash	(17,989)	(15,383)
	9,198	47,330
Change in non-cash working capital items	2,011	(32,132)
	11,209	15,198
INVESTING ACTIVITIES		
Acquisitions		
Investments	(188,418)	(174,061)
Fixed assets	(41)	(82)
Disposals		
Investments	181,756	155,733
	(6,703)	(18,410)
INCREASE (DECREASE) IN CASH	4,506	(3,212)
CASH , beginning of year	7,342	10,554
CASH , end of year	\$11,848	\$7,342

GOVERNORS AND DIRECTORS

CANASSURANCE HOSPITAL SERVICE ASSOCIATION

Ghislain Alain
Québec, Québec

Gaston R. Boyer, CPA, CA
Montréal, Québec

Florian Brissette, CPA, CA
Saint-Sauveur, Québec

André Brousseau
Trois-Rivières, Québec

Françoise P. Chagnon, MD 1,5
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
Dorval, Québec

Claude Duhamel
Montréal, Québec

Sheldon Elman, MD, CM
Montréal, Québec

Louis Gosselin, FCIA, FSA 1,2,3
Chairman of the Board
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 1,4,5
Secretary-Treasurer
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 1,2,3,4
Vice-Chairman
Québec, Québec

Louise Piché
Montréal, Québec

Rolland Roberge
Saint-Damien-de-Brandon, Québec

Michel Robillard, CPA, CA 1
Terrebonne, Québec

Claude Robitaille, LLL
Québec, Québec

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

Hugh M. Scott, MD
Montréal, Québec

François Sestier, MD,
PhD, FACC
Montréal, Québec

André St-Onge
Lanoraie, Québec

Guy Tremblay, LLL, Ad. E. 1,5
Montréal, Québec

Jocelyn Tremblay, FCIA, FSA
Montréal, Québec

Dominique Vachon 1,2
BSc, MSc
President and Chief Executive Officer
Montréal, Québec

Nelson Ward 1,4
Trois-Rivières, 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

Ghislain Alain 1,2
Lévis, Québec

Louis Gosselin FCIA, FSA 3
Chairman of the Board
Saint-Jean-Baptiste, Québec

Michel Robillard, CPA, CA 1,2
Secretary-Treasurer
Terrebonne, Québec

Daniel Savard, MD, 3
CSPQ, FRCPC
Sainte-Julie, Québec

André St-Onge 3
Lanoraie, Québec

Dominique Vachon 1
Vice-Chairman
Montréal, Québec

MEMBERS OF:

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

MANAGEMENT

Dominique Vachon
BSc, MSc
Economist
President and Chief Executive Officer

Jean-François Beaulieu
B.B.A.
Vice-President
Sales and Marketing

Christopher Crombie, 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

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 Advisor

Fatouma Guindo, MD
Family medicine
Medical Advisor

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

François Sestier, MD
PhD, FACC
Cardiologist
Medical Director

INDEPENDENT AUDITORS

Mallette
Limited Liability Partnership
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.on.bluecross.ca

