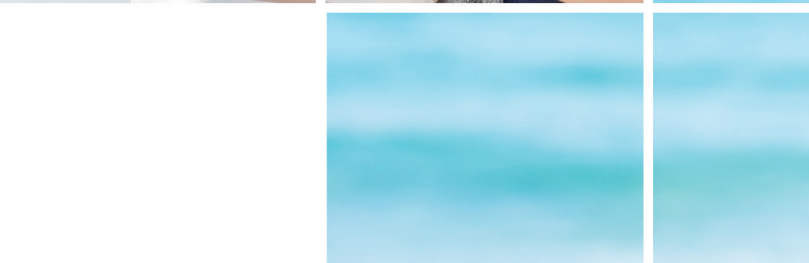




# 75 YEARS OF INSURANCE EXPERTISE

**2016**  
Annual Report





**75 YEARS**  
OF INSURANCE  
EXPERTISE

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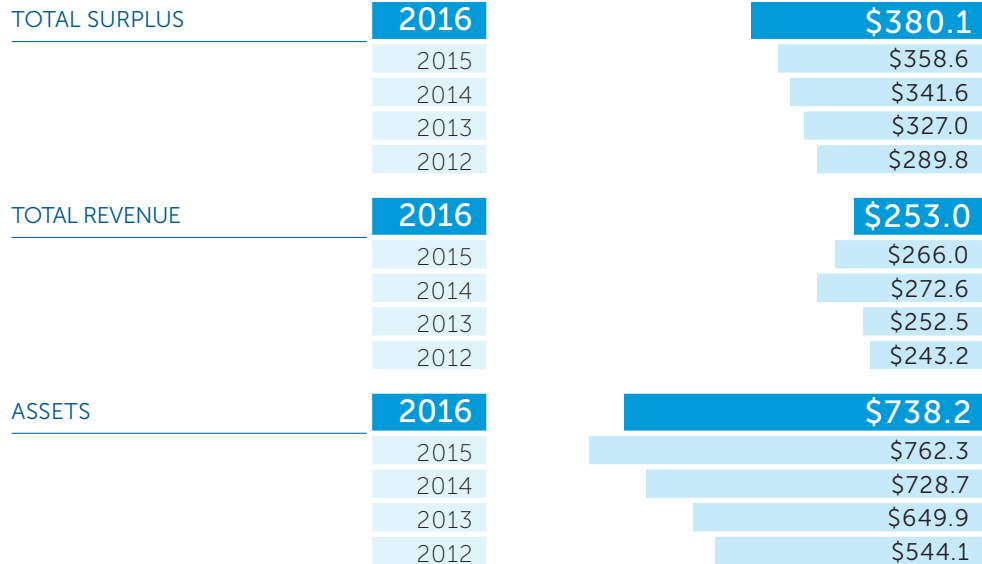
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# HIGHLIGHTS

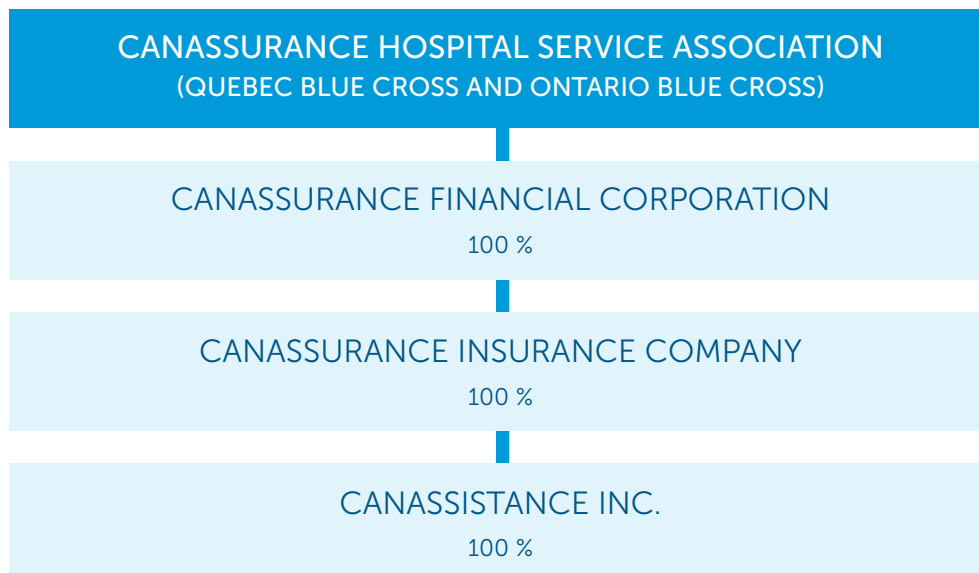
(IN MILLIONS OF DOLLARS)	2016	2015	2014	2013	2012
Net excess	24.5	22.4	26.7	20.4	16.4
Total revenue	253.0	266.0	272.6	252.5	243.2
Assets	738.2	762.3	728.7	649.9	544.1
Surplus	380.1	358.6	341.6	327.0	289.8



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 Quebec Blue Cross® (1942), is a legally independent corporation without pecuniary gain. It is licensed by the Blue Cross network to operate in Ontario and Quebec. 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 small business 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

In 2016 we made significant strides toward our strategic goals. As you will see in this report, we continued to grow in a market undergoing major transformations sparked by growth in digital services and increasingly fierce competition.

This spring, the Blue Cross Canassurance Group celebrates its 75th anniversary. Building on our tradition of excellence, we look to the future with confidence, determined to remain the reference in health and travel insurance by meeting the many needs of our diverse clientele.

### Governance

Governance is a dynamic process and we strive to constantly stay abreast of industry best practices. We regularly review the organization's administrative performance in accordance with our obligation to adopt and maintain effective, efficient, and transparent governance policies and practices.

Throughout 2016 we continued strengthening our governance structure to remain at the forefront of best management practices. We completed an internal risk and solvency assessment in compliance with regulatory requirements and best industry practices around the world. This assessment confirmed our solid financial footing and our sound internal management of the risks facing our organization. As part of our normal business operations, in 2016 we also updated our internal policies, including our investment, stress testing, information security, and management policies, and our code of ethics.

### Travel Insurance

Blue Cross travel insurance unquestionably has one of the best reputations in the market. Our multiple distribution channels give consumers quick access to our diverse insurance solutions.

In 2016 we improved our travel insurance offers to better meet our clients' changing needs. A more competitive travel insurance portfolio in our various market segments helped drive our sales growth in 2016.

From a technology standpoint, the introduction of new tools enabling clients to purchase insurance online via their smartphones was an immediate success that translated into an increase in our direct channel sales. We continued investing in marketing campaigns to showcase our expertise and strengths in travel insurance and to boost visibility with our target clientele. We also stepped up efforts to increase our presence in the Ontario travel agency distribution network, with promising results.

## MESSAGE FROM MANAGEMENT

### Health Insurance

Our personal health insurance plans complement provincial healthcare coverage in Quebec and Ontario. In 2016 we made a sustained effort to increase our rate of penetration in the Ontario brokerage network, which led to a notable boost in sales in this market. We also rolled out a new ad campaign in Ontario to promote our health insurance products to self-employed workers and young retirees.

To better serve our clients on the Web, we enhanced our websites by adding a blog with articles on nutrition and on preventive measures in health and travel. Our social networks provided content aimed at helping our clients stay healthy, both at home and while traveling.

### Information Technology

Over the course of 2016, we provided new tools to brokers, giving them access to the information they need to streamline the sales process. For example, we launched a portal giving representatives access to our online insurance quote tools and various useful documents and forms, including the new Advisor Guide.

We ensured continuity of service by moving our backup site to a specialized center. In addition, we supported internal teams working to make our line of products more widely available across various distribution channels. We also established a three-year information technology plan to support the organization's sales and client service objectives. In the area of administrative services, we launched a project to replace our accounting system and implemented an automated external recruitment tool.

In 2017 we hope not only to continue building on and developing our IT assets, but also to implement initiatives to support the organization's objectives. One such step is to continue our digital transition by introducing new functionalities to facilitate electronic communications with our clients. We will also leverage information technology to change the way we do things, with an emphasis on improving our client services.

### Financial Results

The Blue Cross Canassurance Group reported net surplus earnings of \$24.5 million in 2016. As at December 31, 2016, consolidated assets were \$738.2 million. The consolidated surplus was \$380.1 million, representing 51% of the Blue Cross Canassurance Group's consolidated assets. Consolidated revenue from insurance subscriptions and premiums totaled \$229 million.

The Blue Cross Canassurance Group paid out 63% of gross revenue from insurance subscriptions and premiums to members and policyholders in the form of claims and refunds. Operating expenses were \$61.9 million and commissions totaled \$45.4 million, representing 47% of gross insurance revenue for fiscal 2016.

## MESSAGE FROM MANAGEMENT

### Awards and distinctions

In its first year in the Leger ranking of Canada's most reputable companies, the Blue Cross brand debuted as the #1 health insurance provider. It also ranked in the top three best known brands in Canada.

Measured against other health insurance providers, Blue Cross received top marks for its reputation in the areas of corporate citizenship, quality, integrity, and transparency. The brand also earned an awareness rating of 89%.

Blue Cross was also named Canada's most trusted travel insurance company in the Reader's Digest 2017 Trusted Brand™ survey.

### Corporate citizenship

The Blue Cross Canassurance Group fully embraces its role as a corporate citizen through a variety of initiatives aimed at helping those most in need. Here are some of the organizations we support:

- Centraide, which supports an extensive network of organizations dedicated to promoting mutual aid, social engagement, and self-reliance as effective ways to improve the quality of life of the community and its neediest members.
- HealthPartners, a group of national charities in the area of health that encourages people to make donations in the workplace to improve the health of Canadians.
- The Children's Wish Foundation, which is dedicated to helping children, families, and communities by granting wishes to children suffering from a serious or life-threatening illness. Blue Cross provides travel insurance for the children and families served by the Foundation.
- Fondation OLO, which provides nutritional assistance to help low-income pregnant women give birth to healthy babies.
- The Juvenile Diabetes Research Foundation. In 2016 we increased our participation in the "Ride for Diabetes Research."
- Moisson Montréal – In December 2016, a donation was made to fund a Christmas meal for underprivileged people.
- We also provide Blue Cross travel insurance to Orchestre symphonique de Montréal musicians and personnel on tour.



## MESSAGE FROM MANAGEMENT

### In memoriam

It was with great sadness that we learned of the passing of Mr. Gaston Pellan and Ms. Dominique Vachon. Mr. Pellan was a member of our board of directors for over 25 years. His expertise and diligence will sorely be missed. Ms. Vachon served as president and chief executive officer of the Blue Cross Canassurance Group. Her contribution was valuable in helping our organization maintain its leadership for the quality and value of its services.

### Acknowledgements

We would like to recognize the outstanding efforts put forth by our employees. Without their hard work and dedication, the results presented in this report would not have been possible.

We also express our gratitude to our management team, board members, and governors for contributing to 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.



**Louis Gosselin**, FCIA, FSA  
Acting President and Chief Executive Officer



**Guy Tremblay**, LL.L., Ad. E.  
Acting Chairman of the Board

# FINANCIAL STATEMENTS

## MANAGEMENT'S REPORT

The financial statements of Canassurance Hospital Service Association (Quebec 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.



**Louis Gosselin**, FCIA, FSA  
Acting President and Chief Executive Officer



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

Montreal, February 23, 2017

## OPINION OF THE APPOINTED ACTUARY

I have valued the policy liabilities in the consolidated balance sheet of Canassurance Hospital Service Association (Quebec Blue Cross and Ontario Blue Cross) as at December 31, 2016 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 Quebec *Insurance Act* and its regulations.



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

Montreal, February 23, 2017

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

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

The accompanying summary consolidated financial statements, which include the summary consolidated balance sheet as at December 31, 2016 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 (Quebec Blue Cross and Ontario Blue Cross) for the year ended December 31, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 23, 2017.

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 (Quebec Blue Cross and Ontario Blue Cross) for the year ended December 31, 2016 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

Quebec City, Canada, February 23, 2017

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

## CONSOLIDATED BALANCE SHEET

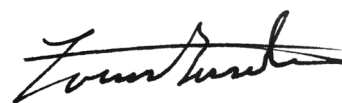
AS AT DECEMBER 31  
(IN THOUSANDS OF DOLLARS)

	2016	2015
<b>ASSETS</b>		
Investments	\$463,368	\$456,187
Cash	23,420	11,848
Reinsurance assets	143,664	169,849
Receivables – insurance companies	11,881	11,975
Due and overdue subscriptions and premiums	9,245	7,329
Prepaid expenses	78,942	99,076
Capital assets	2,238	2,286
Other assets	5,417	3,705
	\$738,175	\$762,255
<b>LIABILITIES</b>		
Actuarial liabilities	\$202,563	\$227,117
Liabilities for claims payable, claims and settlement expenses	31,311	28,866
Deposits and refunds	17,674	13,440
Unearned commissions	69,543	90,381
Prepaid subscriptions and premiums	8,438	7,219
Accounts payable	14,275	21,820
Defined benefit plans liability	14,300	14,783
	\$358,104	\$403,626
<b>SURPLUS</b>		
Accumulated surplus	\$381,504	\$356,977
Accumulated other comprehensive income	(1,433)	1,652
	\$380,071	\$358,629
	\$738,175	\$762,255

On behalf of the Board,



Guy Tremblay, LL.L., Ad. E., Director



Louis Gosselin, FCIA, FSA, Director

## CONSOLIDATED EARNINGS

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

	2016	2015
<b>REVENUE</b>		
Gross subscriptions and premiums	\$229,007	\$250,384
Ceded subscriptions and premiums	(15,922)	(46,791)
Net subscriptions and premiums	\$213,085	\$203,593
Investments	20,815	20,336
Reinsurance allocation	10,025	32,748
Other revenues	9,108	9,292
	<b>\$253,033</b>	<b>\$265,969</b>
<b>EXPENSES</b>		
Gross claims, liability claims and settlement expenses	\$144,811	\$142,579
Ceded claims, liability claims and settlement expenses	(13,601)	(12,767)
Net claims, liability claims and settlement expenses	131,210	\$129,812
Change in actuarial liabilities	(19,207)	2,144
Commissions	45,413	43,120
Refunds and interest on deposits	145	87
Taxes on premiums	7,309	7,769
Operating	61,918	58,253
	<b>\$226,788</b>	<b>\$241,185</b>
<b>EXCESS BEFORE OTHER ITEM</b>	<b>\$26,245</b>	<b>\$24,784</b>
<b>OTHER ITEM</b>		
Impairment loss on available-for-sale financial assets	(1,718)	(2,395)
<b>NET EXCESS</b>	<b>\$24,527</b>	<b>\$22,389</b>

## CONSOLIDATED COMPREHENSIVE INCOME

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

	2016	2015
<b>NET EXCESS</b>	<b>\$24,527</b>	\$22,389
Other comprehensive income:		
Comprehensive income that may subsequently be reclassified to net excess		
- Unrealized gains on available-for-sale financial assets	3,584	1,720
- Gain on cash flow hedging instruments	86	-
- Gain from changes in fair value of hedging instruments reclassified to net income	(7)	-
- Reclassification to net excess of unrealized gains on disposal of available-for-sale financial assets	(7,751)	(8,021)
Total comprehensive income that may subsequently be reclassified to net excess	<b>(4,088)</b>	(6,301)
Comprehensive income not subject to subsequent reclassification to net excess		
- Actuarial gains on defined benefit plans	1,003	937
Total comprehensive income not subject to subsequent reclassification to net excess	<b>1,003</b>	937
<b>COMPREHENSIVE INCOME</b>	<b>\$21,442</b>	\$17,025

## CHANGE IN CONSOLIDATED SURPLUS

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

	ACCUMULATED OTHER COMPREHENSIVE INCOME					TOTAL
	ACCUMULATED SURPLUS	ACTUARIAL LOSSES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	CASH FLOW HEDGING	TOTAL	
<b>Balance as at December 31, 2014</b>	\$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
<b>Balance as at December 31, 2015</b>	\$356,977	\$(10,973)	\$12,625	\$ -	\$1,652	\$358,629
Comprehensive income						
Net excess	24,527	-	-	-	-	24,527
Other comprehensive income	-	1,003	(4,167)	79	(3,085)	(3,085)
	24,527	1,003	(4,167)	79	(3,085)	21,442
<b>Balance as at December 31, 2016</b>	<b>\$381,504</b>	<b>\$(9,970)</b>	<b>\$8,458</b>	<b>\$79</b>	<b>\$1,433</b>	<b>\$380,071</b>

## CONSOLIDATED CASH FLOWS

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

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net excess	\$24,527	\$22,389
Operating items not affecting cash		
Gross change in actuarial liabilities	(24,554)	4,798
Change in the value of investments and other items not affecting cash	821	(17,989)
	794	9,198
Change in non-cash working capital items	22,300	2,011
	<b>23,094</b>	<b>11,209</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions		
Investments	(230,836)	(188,418)
Fixed assets	(430)	(41)
Intangible assets	(964)	-
Disposals		
Investments	220,708	181,756
	(11,522)	(6,703)
<b>INCREASE IN CASH</b>	<b>11,572</b>	<b>4,506</b>
<b>CASH</b> , beginning of year	<b>11,848</b>	<b>7,342</b>
<b>CASH</b> , end of year	<b>\$23,420</b>	<b>\$11,848</b>



## GOVERNORS AND DIRECTORS

### CANASSURANCE HOSPITAL SERVICE ASSOCIATION

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

**Françoise P. Chagnon**, MD <sup>1,2,5</sup>  
Acting Vice-Chairman  
Montreal, Quebec

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

**Raymond Desrosiers**  
Montreal, Quebec

**Gérard R. Douville**  
Dorval, Quebec

**Claude Duhamel**  
Montreal, Quebec

**Sheldon Elman**, MD, CM  
Montreal, Quebec

**Louis Gosselin**, FCIA, FSA <sup>1,2,3</sup>  
Acting President and Chief  
Executive Officer  
Saint-Jean-Baptiste, Quebec

**Maurice Hébert**  
Montreal, Quebec

**Barry E. Katsof**  
Montreal, Quebec

**Gilles Lagacé**, MD  
CSPQ, FRCPC  
Quebec City, Quebec

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

**Suzanne Landry**, PhD  
M.Fisc., FCMA, FCPA, FCA, ASC  
Montreal, Quebec

**Normand Laurin**, CPA, CA <sup>1,4,5</sup>  
Secretary-Treasurer  
Mont-Saint-Hilaire, Quebec

**Gilles Marcil**, MD,  
CSPQ, CRCS, FRCSC  
Montreal, Quebec

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

**Jacques Nolet**  
Montreal, Quebec

**Philip M. O'Brien**, CM  
Montreal, Quebec

**Louise Piché**  
Montreal, Quebec

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

**Claude Robitaille**, LLL  
Quebec City, Quebec

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

**Hugh M. Scott**, MD  
Montreal, Quebec

**François Sestier**, MD  
PhD, FACC  
Montreal, Quebec

**André St-Onge** <sup>1,3,4</sup>  
Lanoraie, Quebec

**Guy Tremblay**, LL.L., Ad. E. <sup>1,2,5</sup>  
Acting Chairman of the Board  
Montreal, Quebec

**Jocelyn Tremblay**, FCIA, FSA  
Montreal, Quebec

**Nelson Ward** <sup>1,3,4</sup>  
Trois-Rivières, Quebec

#### MEMBERS OF:

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

## BOARD OF DIRECTORS

### CANASSURANCE INSURANCE COMPANY

**Louis Gosselin** FCIA, FSA <sup>3</sup>  
Acting President and Chief  
Executive Officer  
Saint-Jean-Baptiste, Quebec

**Suzanne Landry**, PhD  
M.Fisc., FCMA, FCPA, FCA, ASC  
Montreal, Quebec

**Michel Robillard**, CPA, CA <sup>1,2</sup>  
Secretary-Treasurer  
Terrebonne, Quebec

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

**André St-Onge** <sup>1,3</sup>  
Lanoraie, Quebec

**Guy Tremblay**, LL.L., Ad. E. <sup>2,3</sup>  
Acting Chairman of the Board  
Montreal, Quebec

#### MEMBERS OF:

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

## MANAGEMENT

**Louis Gosselin**

FCIA, FSA  
Acting President and  
Chief Executive Officer

**Jean-François Beaulieu**

B.B.A.  
Vice-President,  
Sales and Marketing

**Christopher Crombie**

FCIA, FSA  
Vice-President,  
Actuarial Services

**Nadine Eustache**

B.Sc., D.E.S.S.  
Vice-President,  
Insurance Operations

**Marc Lamirande**

M.Sc, FLMI, FLHC, ACS  
Vice-President,  
Organizational Efficiency

**Martin Nguyen**

CPA, CA  
Vice-President,  
Finance and Control

**Sasha Opacic**

Vice-President,  
Sales, Health Insurance, Ontario

**Nancy Dionne**

B.B.A., ACS  
Director,  
Customer Contact Centre

**Jean-Pierre Fortin**

B.A.  
Director,  
Information Technologies

**Yvan Fortin**

F.L.M.I.  
Director,  
Compliance

**Fabienne Lavoie**

RN, B.Sc., M.Sc.  
Director,  
Operations and Claims  
International Assistance

**Joanne Parent**

Director,  
Sales and Development  
Travel Insurance

**Nathalie Rousseau**

M.Sc.  
Director,  
Human Resources  
and Internal Communication

**Josée Roy**

Director,  
Underwriting

## 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

**QUEBEC BLUE CROSS®**  
**ONTARIO BLUE CROSS®**  
**CANASSURANCE INSURANCE COMPANY**  
**CANASSISTANCE INC.**

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**Toronto**

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Etobicoke, Ontario M9C 5P1  
416-626-1688 [www.on.bluecross.ca](http://www.on.bluecross.ca)

