



HUMANIA
ASSURANCE INC.

ANNUAL REPORT **2013**



A subsidiary of

LS MUTUAL
MANAGEMENT



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2013 SNAPSHOT

Earnings before taxes:	\$5.3 M
Growth in net earnings:	16.6%
Growth in gross revenue:	10.2%
Growth in gross insurance premiums:	12.0%
Growth in gross benefits paid to insureds:	14.9%
Growth in assets:	9.8%
Growth in equity:	17.6%

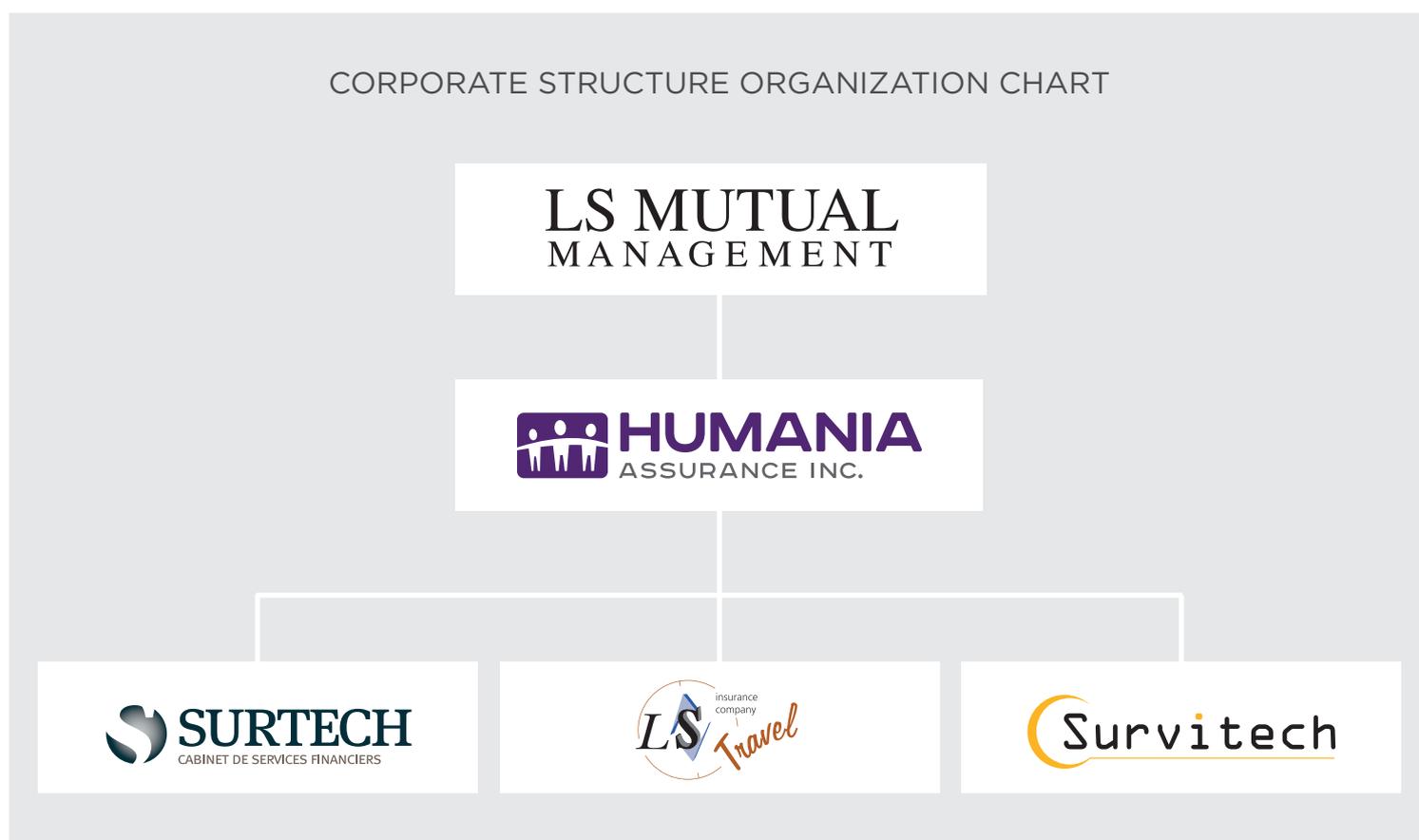


MISSION AND CORPORATE STRUCTURE

Humania Assurance is dedicated to helping its insureds meet their financial obligations, primarily when health problems or accidental disabilities arise, or when death occurs. To accomplish that mission, it offers quality insurance products for both groups and individuals through a range of distribution channels suited to the needs of a varied clientele.

Because of the mutual structure that defines it, Humania Assurance places a focus on providing quality services to its insureds while maintaining reasonable profitability to ensure its financial soundness.

CORPORATE STRUCTURE ORGANIZATION CHART



LS MUTUAL MANAGEMENT

LS Mutual Management groups all individuals and organizations that have directly entered into an insurance contract with Humania Assurance Inc.

Upon purchasing an insurance policy with Humania Assurance, the policy owner automatically becomes a member of LS Mutual Management (a mutualist).

LS Mutual Management wholly owns the shares of Humania Assurance Inc., its subsidiary.

HUMANIA ASSURANCE INC.

Humania Assurance Inc. is a capital stock company owned by LS Mutual Management.

It develops, distributes and manages personal insurance products, primarily health insurance.

Humania Assurance Inc. is licensed to operate in all Canadian provinces.

LS-TRAVEL, INSURANCE COMPANY

LS-Travel, Insurance Company is a capital stock company wholly owned by Humania Assurance Inc.

It develops, distributes and manages travel insurance products.

LS-Travel is licensed to operate in most Canadian jurisdictions. More than 35% of its book of business is outside Québec.

LES SERVICES FINANCIERS SURTECH INC.

Les Services Financiers Surtech Inc. is a capital stock company majority-owned by Humania Assurance Inc.

It distributes financial products and is licensed as an agency for the distribution of financial products and services.

SURVITECH

Survitech is a capital stock company wholly owned by Humania Assurance Inc.

It is responsible for all computer services for Humania Assurance Inc.



CHAIRMAN OF THE BOARD'S MESSAGE

HUMANIA ASSURANCE CONTINUED TO FORGE AHEAD IN 2013 IN LINE WITH ITS 2011-2016 STRATEGIC ORIENTATIONS.

Once again, 2013 saw its share of accomplishments, each just as important as the other for the future of our Company. Following the legal conversion in 2012, the Board of Directors authorized the change of the insurance company's name to reflect the values of modernity and humanity that guide it and to drive its growth outside Québec. The change of names, well planned and broadly accepted, ensured that the Company's past and history were honoured while maintaining the name LS Mutual Management for our mutual corporation, which owns the insurance company.

Moreover, the Board of Directors authorized, in 2013, the acquisition of an insurance portfolio that represents a solid beginning for our Company's desired presence in all Canadian provinces.

These key areas of focus for our future were addressed as we supported substantial growth in our volume of business and maintained a healthy level of profitability year-to-year. In 2013, Humania Assurance thus generated a 16.6% growth in its net earnings to total \$4 million.

↑ 16.6%
net earnings

As we know, in addition to determining the Company's key orientations and making decisions to enable the implementation of those orientations, the Board of Directors also has the important mandate of supervising the work of senior management and ensuring that our Company complies at all times with the requirements of the standards and obligations imposed by legislation and regulations. Four Board committees shared that task, to which we attach the utmost importance, and I invite you to review their activity reports at the end of this document.

Following this annual meeting, I will be standing down as Chairman of the Board of Directors of Humania Assurance and LS Mutual Management.

With the constant contribution and support of the Board of Directors, a dynamic and extremely competent President and CEO, and his executive team, it has been an honour for me to serve our mutual members as Chairman of the Board for the past 10 years and as a Board director since 1996.

Over the years, I have witnessed the extraordinary progress made by Humania Assurance: a recognized niche player offering health insurance products in target markets, an insurer active in an evolving distribution network, consistent performance year after year, and a company dedicated to serving its members and contributing to economic and social development.

“It has been an honour for me to serve our mutual members as Chairman of the Board for the past 10 years and as a Board director since 1996.”

Thank you to the members of the Board, with special mention of two new colleagues, Johanne Cassis and Guylaine Leclerc, who quickly forged a place for themselves in 2013. Thank you to Richard Gagnon and his team, and thank you to the countless mutual members for having given me the opportunity to serve their interests.

Jacques Desmeules
Chairman of the Board of Directors

JACQUES DESMEULES' CAREER PATH AT HUMANIA ASSURANCE





PRESIDENT AND CHIEF EXECUTIVE OFFICER REPORT

THE PAST TWO YEARS HAVE BEEN ESPECIALLY IMPORTANT FOR CARRYING OUT THE COMPANY'S DEVELOPMENT PLAN

In 2012, a corporate restructuring was completed so that new financial instruments could be tapped to support the Company's long-term growth. The insurance company thus became a capital stock company owned by a mutual management corporation.

In 2013, the Company took a further step, this time towards revitalizing and rejuvenating its corporate image. In the process, LS Life Insurance Company became Humania Assurance Inc.

While carrying out these major changes, the Company successfully maintained its growth and improved its earnings.

**"LS Life Insurance Company
became Humania Assurance Inc."**

OUR NEW NAME IS WARMLY RECEIVED

Many reasons drove our decision to change the Company's name, not least of which was the opinion expressed by our clients themselves, who told us in surveys that the time was right to adopt a name that better evoked the modern, dynamic organization we are today.

Moreover, our desire to achieve a stronger presence in English-speaking markets had to be accompanied by proactive marketing. Greater market penetration could not be achieved if we continued to use the old English version of our Company name, LS Mutual Insurance Company, which lacked personality and had no positive connotation.

Also, the greater use that is being made of technological tools today to interact directly with the Company, via the Internet in particular, is providing greater visibility and widening our audience, so in that context a modern, evocative name is important.

And finally, amongst the proposals that emerged from our collective thinking, one name in particular seemed to be the perfect fit for the Company and was unanimously acclaimed: Humania Assurance Inc. A perfectly bilingual name that not only affirms the human values that drive us,

but at the same time is more evocative of the nature of our product offering, which is primarily health insurance.

In order to remain true to our history and our origins, however, we were careful to preserve the name “LS Mutual Management” for the entity that groups together all our mutual members. LS Mutual Management is the parent corporation and sole shareholder of the insurance company, Humania Assurance Inc.

This important change was rolled out on April 17, 2013, during the gala to celebrate the Company’s 75 years of operation. The occasion was well chosen to celebrate both the Company’s past and its future.

FINANCIAL RESULTS

From a financial standpoint, 2013 saw the Company achieve the objectives it had set for itself. Despite non-recurring expenses slightly higher than forecast and benefit payouts greater than anticipated, the net result surpassed expectations.

Earnings

In 2013, the Company’s earnings before taxes totalled \$5.3 million. Net earnings amounted to \$4 million, up 16.6% from the previous year, and resulting in a 9.1% return on equity. That result is more than satisfactory considering the investments the Company is currently making to expand its distribution methods by using new technologies more effectively and gradually expand its presence outside Québec.

Revenue

For 2013, Humania Assurance’s gross revenue totalled nearly \$119.5 million, a more than 10% increase over 2012. Insurance premiums accounted for 91% of the Company’s revenue and were up 12% in 2013 after increasing by 13% in 2012. For its part, investment income totalled \$10.8 million after expenses, down slightly from the previous year.

As a result, when excluding the change in the market value of investments used to match actuarial liabilities, the Company’s net revenue totalled \$95.3 million in 2013.

Expenses

Changes in the market value matched to the Company’s liabilities can generate sharp changes in revenue and expenses from one year to the next. This year, actuarial liabilities fell \$18 million, bringing the Company’s total expenses to \$69.8 million. In 2012, that budget item saw an increase of \$17.4 million, driving total expenses to \$86.5 million. That volatility, however, has little impact on annual earnings, as it is correlated with revenue.

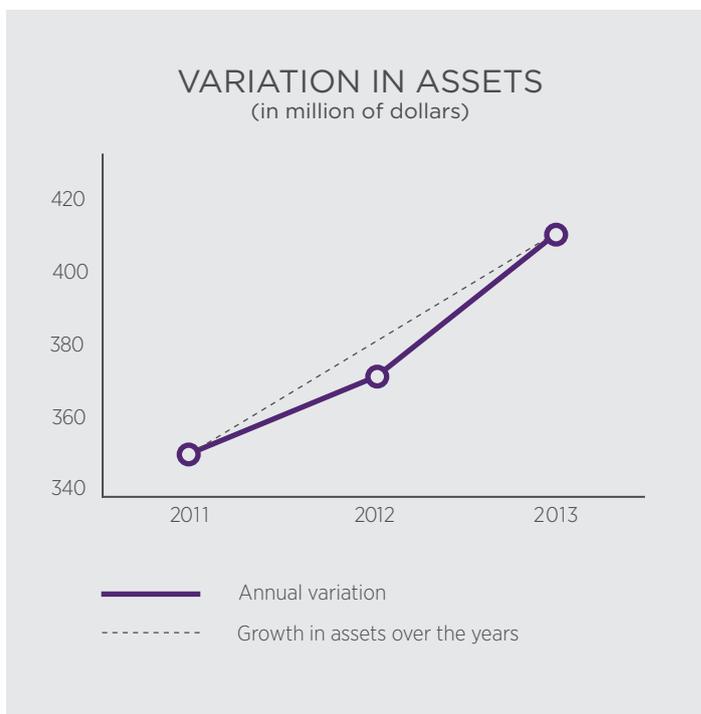
Benefits paid to our insureds in 2013 totalled \$53.9 million, up by nearly 15% over last year. That increase was greater than what we had forecast. The experience on our life insurance products sold several years ago and on travel insurance products deteriorated somewhat. However, a substantial portion of the increase in our benefit payouts can be attributed to the growth in our volume of business.

Our general expenses amounted to \$26.2 million, up 10% over last year and due primarily to the growth in variable costs associated with our business development. General expenses relating to our operations remained stable.

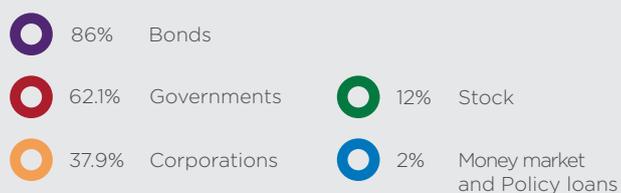
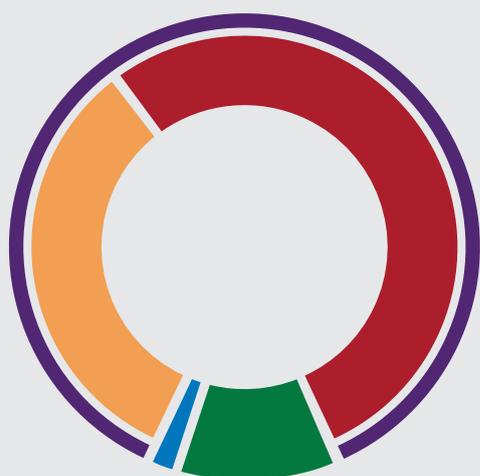
Balance Sheet

Humania Assurance’s assets grew by 9.8% in 2013 to total \$410.5 million. The portion attributable to reinsurance assets is 27%, while the remainder is comprised primarily of investments.

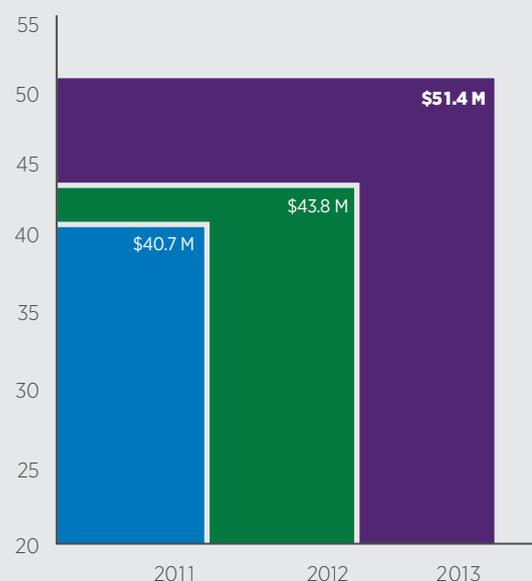
**Assets up
by 9.8%**



INVESTMENT DISTRIBUTION



GROWTH IN EQUITY (in million of dollars)



The Company's liabilities totalled \$359 million and actuarial liabilities accounted for 88% of those liabilities.

The Company's equity amounted to \$51.4 million, up more than 17%. It must be borne in mind, however, that equity fell \$5.2 million in 2012 owing to the adoption of new accounting standard IAS 19 as it relates to pension plans.

BUSINESS DEVELOPMENT

We focused our attention on a number of key areas in 2013.

Travel Insurance

Humania Assurance is the sole shareholder of LS Travel, Insurance Company, which distributes travel insurance products under an exclusive partnership with Tour+Med Assistance. Since it was implemented six years ago, the business model has met with considerable success, generating a more than 20% growth in average annual sales. In addition, 36% of sales are made outside Québec. Against that backdrop, LS Travel and Tour+Med Assistance enthusiastically signed an agreement for the long-term renewal of their partnership.

New Product

We are extremely proud as well with the launch of our first fully digitally

Available only via the Internet
"Humania Assurance - Insurance Without Medical Exam"

distributed and managed product: "Humania Assurance - Insurance Without Medical Exam." With it, our brokers can offer their clients a quality product, accessible only via the Internet, providing a variety of coverages such as disability insurance, life insurance and critical illness insurance. The positive response with which this special distribution channel has been met is proof that our distributors are interested in using the modern tools we are placing at their disposal to improve their effectiveness and reach a more diversified clientele.

Our other disability insurance products demonstrated continued success, thereby enabling us to surpass the sales targets we had set at the start of the year. These results are all the more impressive, as rate increases had to be implemented for some of our products owing to low interest rates.

Our group insurance unit also performed slightly better than targeted. Our groups' retention rate deserves honourable mention as it reached a peak this year.

Operations and Technology Management

Our new product “*Humania Assurance – Insurance Without Medical Exam*” enabled the Company to increase operational efficiencies. Indeed, the product was developed to limit data manipulation to a strict minimum. That strategy produced the anticipated results, and our contract volume rose substantially without adding to the workload of our insurance administration teams. As a result, and despite the change to the Company’s name, the integration of a portfolio acquired from Transamerica Life Canada and a constantly growing volume of business, our teams were able to maintain the high standards of quality we target in the service provided to our clients, policyholders and distributors. I should also stress the special contribution made this year by our technology team, who had to go above and beyond the call of duty to successfully implement all these projects.

CHALLENGES FOR 2014

Expectations remain high for all our teams in 2014. In terms of technology, a number of initiatives involving our operations will need to move forward if we are to maintain the pace of growth we hope to achieve and the efficiency gains needed to attain our profitability targets.

Our presence outside Québec also continues to be an important challenge for our future development. In line with our strategy, we need to move forward slowly in building our presence. However, our teams have more and more tools at their disposal to drive the Company in that direction.

Ever increasing regulatory requirements demand that we exercise considerable rigour and discipline in managing our risks and framing our compliance processes. Although the mechanisms put in place in recent years have enabled us to meet those requirements, we need to continue improving them and integrating them into our operational processes.

TRIBUTE TO JACQUES DESMEULES

I cannot end this report without saying a special word about Jacques Desmeules, who has decided to leave the Board of Directors after chairing it for more than 10 years and serving as a Board director since February 3, 1996.

“It has been an immense privilege for me to be able to rely on a person of his stature to advise me.”

It has been an immense privilege for me to be able to rely on a person of his stature to advise me, counsel me and support me as the Company’s President and CEO. Over the course of his term of office, Jacques has guided me with his great wisdom and his vast experience. He has deftly played the most important role that needs to be fulfilled by a Chairman of the Board of Directors, that of creating and maintaining a climate of openness and respect in which directors and the management team can confidently and constructively share their ideas and their vision of the Company’s development. Thank you Jacques!

ACKNOWLEDGMENTS

This year, more than ever, our Company has had the audacity to question itself and to explore new avenues through ambitious and risky initiatives. I would like to thank all of the Company’s employees and officers for their contribution to carrying out those initiatives and their openness to the important changes we have made.

I would also like to thank the members of the Board of Directors for their invaluable input and advice, which serve to stimulate the further reflection that is often needed before implementing an initiative or deciding on a new strategy.

To our mutual members, I would like to thank you once again for your trust and loyalty and assure you of our continued support.



Richard Gagnon
President and Chief Executive Officer



75TH ANNIVERSARY FESTIVITIES

FOR MORE PHOTOS
RA.HUMANIA.CA/EN



On April 17, 2013, the Company commemorated its 75 years of existence at a gala evening hosted at the Hôtel Mortagne de Boucherville and attended by 350 guests—employees and business partners.

Here are a few photos of that colourful evening...



Chairman of the Board of Directors, *Jacques Desmeules*, welcoming guests.



President and Chief Executive Officer *Richard Gagnon*, briefly relates the Company's 75-year history and announces that "LS Mutual Life Insurance Company is changing names and becoming Humania Assurance."

TRIBUTE TO OUR POLICYHOLDERS



One of the first individual insurance policyowners, whose policy was signed on June 2, 1938, *Aimé Guilmaine*, accompanied by his daughter.



One of our group insurance policyholders, served by us for more than 40 years, *Bottes Boulet*, represented by Alain Gravel, Director, Finance, Administration and Corporate Affairs.

TRIBUTE TO OUR INDIVIDUAL INSURANCE BROKERS



The broker with the oldest distribution contract and actively licensed, and the largest book of insurance in force at December 31, 2012, *Régis Soucy*.



The top producer in terms of placed premium at December 31, 2012, *Vincent Bolduc*.

TRIBUTE TO OUR INDIVIDUAL INSURANCE BROKERAGE FIRMS



The firm with the largest book of insurance in force at December 31, 2012, *Pro Vie assurances inc.*, represented by its President, Raymond Dostie.



The firm with the largest volume of placed premium at December 31, 2012, *Groupe Cloutier*, represented by its President, Gilles Cloutier.

TRIBUTE TO OUR GROUP INSURANCE BROKERAGE FIRMS



The firm with the largest volume of insurance premium placed in 2012, *Les conseillers en avantages sociaux SAGE inc.* represented by its President, Denis Plante.



The firm with the largest book of insurance in force at December 31, 2012, *Groupe Premier Médical Inc.*, represented by its President, Frank Devito.

TRIBUTE TO OUR EMPLOYEES



The occasion was used to underscore the contribution by employees with 35 years of service or more.

From left to right:

Fernand Messier, 38 years of service
Linda Bousquet, 36 years of service
Sylvie Gionet, 41 years of service
Solange L. Tremblay, 39 years of service
Yolande Audette, 37 years of service

Josée Courteau, 37 years of service
Sylvette C. Falardeau, 38 years of service
Serge Falardeau, 39 years of service
Diane Desrosiers, 36 years of service

FOR THE ENJOYMENT OF OUR GUESTS, ENTERTAINMENT WAS PROVIDED THROUGHOUT THE EVENING



France D'Amour presents her show
"Bubble Bath and Champagne."



Aerial silk show presented by Sanya Quirion.



LS MUTUAL MANAGEMENT

SUMMARY CONSOLIDATED
FINANCIAL STATEMENTS

SUMMARY CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 2013 (in thousands of Canadian dollars)

	2013	2012
	\$	\$
INCOME		
Premiums		
Gross premiums	108,063	96,533
Premiums ceded to reinsurers	(23,563)	(19,790)
Net premiums	84,500	76,743
Investments		
Change in fair value of financial assets designated	10,849	11,348
Change in fair value of financial assets designated at fair value through profit or loss	(20,222)	3,380
Net investment income	(9,373)	14,728
	75,127	91,471
EXPENSES		
Gross benefits	53,914	46,925
Benefits ceded to reinsurers	(8,465)	(6,901)
Change in policy reserves	(18,006)	17,377
Change in reinsurance assets	(961)	(12,074)
Gross commissions	20,113	19,654
Commissions ceded to reinsurers	(6,739)	(6,395)
Gross premium taxes	2,113	1,882
Taxes on premiums ceded to reinsurers	(446)	(372)
Experience refunds and participations	2,141	2,637
General expenses	26,158	23,783
	69,822	86,516
EARNINGS BEFORE INCOME TAXES	5,305	4,955
Income taxes	1,344	1,559
NET INCOME	3,961	3,396
Attributable to policyholders	3,984	3,404
Attributable to the non-controlling interest	(23)	(8)
	3,961	3,396

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2013 (in thousands of Canadian dollars)

	2013 \$	2012 \$
NET INCOME	3,961	3,396
Other comprehensive income		
Items that may be reclassified subsequently as net income		
Unrealized gains and losses on available for sale financial assets [net of income taxes of \$721 (\$256 in 2012)]	1,961	690
Unrealized gains and losses on cash flow hedges [net of income taxes of \$37 (\$41 in 2012)]	100	(108)
Reclassification as net income of realized gains and losses on available for sale financial assets [net of income taxes of \$44 (\$207 in 2012)]	(119)	(563)
Reclassification as net income of realized gains and losses on cash flow hedges [net of income taxes of \$21 (\$4 in 2012)]	53	(10)
	1,995	9
Items that will not be reclassified subsequently as net income		
Remeasurement of net defined benefit liability [net of income taxes of \$634 (\$117 in 2012)]	1,721	(311)
	3,716	(302)
COMPREHENSIVE INCOME	7,677	3,094
Attributable to policyholders	7,700	3,102
Attributable to the non-controlling interest	(23)	(8)
	7,677	3,094

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2013 (in thousands of Canadian dollars)

	Members' equity \$	Non controlling interest \$	Accumulated other comprehensive income \$	Total equity \$
2013				
Balance, beginning of year	49,419	7	(5,666)	43,760
Net income	3,984	(23)	-	3,961
Change in non-controlling interest	-	3	-	3
Other comprehensive income	-	-	3,716	3,716
Balance, end of year	53,403	(13)	(1,950)	51,440
2012				
Balance, beginning of year	46,015	-	(115)	45,900
Adjustment relating to amendments to IAS 19	-	-	(5,249)	(5,249)
Adjusted opening balance	46,015	-	(5,364)	40,651
Net income	3,404	(8)	-	3,396
Change in non-controlling interest	-	15	-	15
Other comprehensive income	-	-	(302)	(302)
Balance, end of year	49,419	7	(5,666)	43,760

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013 (in thousands of Canadian dollars)

	December 31, 2013 \$	December 31, 2012 \$	January 1, 2012 \$
Assets			
Investments			
Money market	3,892	5,089	6,511
Bonds	225,719	235,482	223,451
Shares	31,496	9,522	9,864
Policy loans	1,603	1,601	1,548
	262,710	251,694	241,374
Other asset components			
Cash and cash equivalents	9,394	8,639	7,466
Investment income receivable	1,049	918	1,993
Premiums receivable	2,058	2,020	1,383
Prepaid commissions	7,807	6,656	6,523
Other assets	5,248	5,278	4,416
Reinsurance assets	110,628	87,187	75,418
Deferred tax assets	64	46	30
Investments in associates	1,138	1,101	1,438
Property and equipment	6,222	6,110	5,744
Intangible assets	4,127	4,111	3,730
	147,735	122,066	108,141
	410,445	373,760	349,515

SUMMARY CONSOLIDATED STATEMENT OF POSITION

December 31, 2013 (in thousands of Canadian dollars)

	December 31, 2013 \$	December 31, 2012 \$	January 1, 2012 \$
LIABILITIES			
Policy liabilities			
Policy reserves	315,065	297,139	279,762
Investment contract liabilities	1,630	1,755	1,876
Deposits	6,354	6,276	5,098
Benefits payable	10,368	9,116	7,977
Provisions	1,382	1,018	725
Participations and experience refunds payable	849	1,474	1,493
	335,648	316,778	296,931
Other liability components			
Other liabilities	10,254	11,992	11,536
Income taxes payable	1,681	85	-
Deferred tax liabilities	1,594	1,145	397
Debenture	9,828	-	-
	23,357	13,222	11,933
	359,005	330,000	308,864
EQUITY			
Members' equity	53,403	49,419	46,015
Non-controlling interest	(13)	7	-
Accumulated other comprehensive income	(1,950)	(5,666)	(5,364)
	51,440	43,760	40,651
	410,445	373,760	349,515

On behalf of the Board,



Richard Gagnon, Director



Jacques Desmeules, Director

NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2013 (in thousands of Canadian dollars)

1. CRITERIA FOR THE PREPARATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

LS Mutual Management (hereinafter the “Company”) prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were approved by the Board of Directors on February 25, 2014. The independent auditor expressed an unmodified opinion on these consolidated financial statements in the independent auditor’s report dated February 25, 2014.

The Company elected to prepare summary consolidated financial statements using the following criteria:

- a) Presentation of one set of consolidated financial statements, except for the consolidated statement of cash flows and the notes to consolidated financial statements;
- b) Use of the same format in the summary consolidated financial statements as that used for the consolidated financial statements, except for the references to the notes;
- c) Exclusion of the notes to consolidated financial statements, unless their omission prevents users from obtaining a structured view of the Company’s economic resources and obligations at a given time or of any changes during a period.

2. CHANGE IN ACCOUNTING POLICY – EMPLOYEE BENEFITS

Effective January 1, 2013, the Company adopted revised IAS 19, Employee Benefits (IAS 19R). In accordance with the required transitional provisions, the Company retrospectively applied the revised standard. The 2012 comparative financial information in the financial statements and notes to the financial statements have been restated accordingly.

As at January 1, 2012, retroactive application of IAS 19R led to a \$7,180 increase of the defined benefits liability, a \$1,910 decrease of the deferred tax liabilities, a \$21 increase of the deferred tax assets and a \$5,249 reduction of accumulated other comprehensive income.

For the 2012 year, retroactive application of IAS 19R reduced the employee benefit expense by \$5, increased net income by \$4 and reduced accumulated other comprehensive income by \$311 (net of income taxes).

3. AVAILABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements are available on Humania Assurance Inc.’s website (www.humania.ca) after they have been presented at the general meeting.

Additionally, a paper copy of the consolidated financial statements may be obtained by contacting Humania Assurance Inc.



REPORTS

AND COMMITTEES

INDEPENDENT AUDITOR'S REPORT

To Policyholders of LS Mutual Management,

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2013 and the summary consolidated statements of earnings, comprehensive income and changes in equity for the year then ended, and related notes to summary consolidated financial statements, are derived from the audited consolidated financial statements of LS Mutual Management for the year ended December 31, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 25, 2014.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of LS Mutual Management.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of a summary of the consolidated financial statements in accordance with the criteria described in Note 1.

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 LS Mutual Management for the year ended December 31, 2013 are a fair summary of those consolidated financial statements, in accordance with the criteria described in Note 1.

*Raymond Chabot Grant Thornton S.E. N.C. R. L.*¹

Québec,
February 25, 2014

¹ CPA auditor, CA public accountancy permit no. A125181

MANAGEMENT'S REPORT

The condensed consolidated financial statements of LS Mutual Management contained in this annual report are the responsibility of management and have been approved by the Board of Directors. They have been derived from the consolidated financial statements of LS Mutual Management.

The Corporation 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 primarily through its Audit Committee, composed entirely of independent directors, which meets periodically with management and the independent auditor. The independent auditor may, at its discretion, meet with the Audit Committee, in the presence or absence of management, to discuss matters pertaining to auditing and financial reporting.

On behalf of management,



Richard Gagnon F.Adm.A.
President and Chief Executive Officer



Jocelyne Desloges, CPA, CA, MBA, FLMI, ACS, AIAA, ARA
Vice-President, Finance and Administration

Saint-Hyacinthe, February 25, 2014

APPOINTED ACTUARY'S REPORT

To the policyholders of LS Mutual Management,

I have valued the policy liabilities and reinsurance recoverables of LS Mutual Management for its consolidated balance sheet at December 31, 2013, and their change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate valuation assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables 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 Act respecting insurance (Québec) and its regulations.



Gisèle Bergeron, F.I.C.A., F.S.A.
Appointed Actuary

Montréal, February 25, 2014

SENIOR MANAGEMENT

PRESIDENT AND VICE-PRESIDENTS

Richard Gagnon, F.Adm.A.
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Luc Bergeron, F.I.C.A., F.S.A.
VICE-PRESIDENT
ACTUARIAL AND RISK MANAGEMENT

Jocelyne Desloges, CPA, CA, MBA, FLMI, ACS, AIAA, ARA
VICE-PRESIDENT
FINANCE AND ADMINISTRATION

Tony Di Stavolo, FLMI, FALU, ACS
VICE-PRESIDENT
INSURANCE OPERATIONS

Éric Levac, B. Sc., MBA, PMP
VICE-PRESIDENT
INFORMATION TECHNOLOGY

Stéphane Rochon, B. Com., A.V.A., Adm.A., CHS, Pl. Fin., CAAS, ASC
VICE-PRESIDENT
SALES AND MARKETING

ADVISOR

Marc Bourduas, CPA, CA
ADVISOR TO THE PRESIDENT

Isabelle Émond, CRHA
ADVISOR
HUMAN RESOURCES

DIRECTORS

Gina Arcand, A.L.H.C.
DIRECTOR
CLAIMS

Yolande Audette
DIRECTOR
COMPLIANCE

Nicole Beaulieu
DIRECTOR
REPRESENTATIVE AND CUSTOMER SERVICES

Lyne M. Bienvenue, B. Sc. Ecn.
DIRECTOR
ADMINISTRATION, GROUP INSURANCE

Lynda Brunet, B. Sc. Gestion., FLMI
DIRECTOR
UNDERWRITING, GROUP INSURANCE

Jean-Patrice Dozois, B.A., LL. B.
SENIOR DIRECTOR
COMPLIANCE

Sylvie Fontaine, CPA, CMA, FLMI/M, ACS
DIRECTOR
MANAGEMENT ACCOUNTING

Daniel F. Gravel, CHS
ASSISTANT VICE-PRESIDENT
SALES AND MARKETING

Valérie Le Roux, ACS
DIRECTOR
ADMINISTRATION, INDIVIDUAL INSURANCE

Alain Lussier, B. Sc.
DIRECTOR
AUXILIARY SERVICES

BOARD OF DIRECTORS



Jacques Desmeules
M. Sc. Compt., CPA, CA
BOARD CHAIRMAN
Corporate Director



Jacques Martineau
M. Sc., Adm.A., FCMC
BOARD VICE-CHAIRMAN
Corporate Director



Richard Gagnon
F.Adm.A.
PRESIDENT AND CHIEF
EXECUTIVE OFFICER



Johanne Cassis
FCPA, FCA
Corporate Director



Michel Côté
MBA, F.Adm.A., FCMC
President and Chief Executive Officer
CRC Sogema



Gaëtan Couture
Ph. D.
Corporate Director



René Delsanne
M. Sc., F.I.C.A., F.S.A., CFA
Professor
Université du Québec à Montréal



Guylaine Leclerc
FCPA, CPA, CA-EJC, CFE
Managing Partner
Accuracy, Canada



Joanne Vézina
MBA, ASC
Corporate Director

M^e René R. Poitras, LL. L.
BOARD SECRETARY

ETHICS AND GOVERNANCE COMMITTEE

Composition:

The Ethics and Governance Committee is composed of independent directors. It must comprise at least three members of which the majority do not sit on another committee of the Board of Directors.

Members:

Joanne Vézina, Chairwoman
Jacques Desmeules
Gaëtan Couture

Mandate:

The Ethics and Governance Committee is responsible primarily for establishing the rules of ethics and professional conduct applicable within the Company and ensuring that they are communicated to the persons for whom they are intended. It must also be informed of any breach of those rules, as the case may be, and take the appropriate action under the circumstances.

Activity Report:

In performing its annual review of the rules of ethics and professional conduct, the committee concluded that the rules in place were adequate and no changes were proposed to the Board of Directors.

As regards enforcement, the committee received a report from management indicating that the rules of ethics and professional conduct had been adequately communicated across the Company and its subsidiaries, and that no breach of ethics had been documented during the year. The committee further studied the directors' declarations of interest and determined that no outside director was either related to the Company or in a potential conflict of interest situation. Only the President and Chief Executive Officer is a related director within the meaning of the law.

Governance and Compliance:

The committee reviewed the results of the monitoring visit by the Autorité des marchés financiers in late 2012, which dealt primarily with governance and compliance oversight mechanisms. That report called for no substantial corrective action, and the committee discussed with management what follow-ups were needed.

The committee reviewed the results of the monitoring visit by the Autorité des marchés financiers in late 2012, which dealt primarily with governance and compliance oversight mechanisms. That report called for no substantial corrective action, and the committee discussed with management what follow-ups were needed.

The committee also proposed to the Board of Directors that its rules of governance be amended to better define the term of office and age limit for directors. As a result, a director cannot sit for more than 20 years on the Board of Directors and cannot be elected or re-elected if he or she is 72 years of age or older.

Finally, in accordance with its mandate, the committee worked with the Chairman of the Board of Directors on the recruitment of new Board directors.



Joanne Vézina
Chairwoman

HUMAN RESOURCES COMMITTEE

Composition:

The Human Resources Committee is composed of at least three members, including the Chairman of the Board of Directors, who also chairs the committee.

Members:

Jacques Desmeules, Chairman
Michel Côté
Jacques Martineau

Mandate:

The Human Resources Committee is responsible for conducting an annual evaluation of the President and Chief Executive Officer's performance and recommending his compensation to the Board of Directors.

In addition, the committee receives and approves the President and Chief Executive Officer's recommendations on aggregate compensation for vice-presidents.

It updates the Company's management succession plan.

Activity Report:

In accordance with its mandate, the committee conducted an evaluation of the President and Chief Executive Officer and submitted its report to the Board of Directors. It further recommended to the Board the President's compensation for 2013 and determined the targets that needed to be achieved in relation to that compensation.

The committee also ratified the President and Chief Executive Officer's recommendations on the vice-presidents' compensation for 2013 and the targets that needed to be achieved in relation to that compensation. It also evaluated the extent to which 2012 objectives had been achieved and examined the value of management staff's retirement benefits.

In addition, the committee conducted an annual review of the Company's management succession plan.



Jacques Desmeules
Chairman

AUDIT COMMITTEE

Composition:

The Audit Committee is composed of independent directors. It must be comprised of at least three members of which the majority do not sit on another committee of the Board of Directors. Each committee member must have appropriate knowledge on financial matters, and at least one member must have accounting or financial management expertise.

Members:

Jacques Martineau, Chairman
Johanne Cassis
Guylaine Leclerc

Mandate:

The Audit Committee is responsible for examining the presentation of financial information and ensuring that the financial statements are presented in accordance with International Financial Reporting Standards (IFRS). It must also ensure that an adequate internal control system is in place, audit the management of financial risks, propose to the Board the Company's risk profile and corresponding action plan, and supervise the audit process and procedures implemented by the Company to ensure compliance with legislation and regulations.

Activity Report:

The committee studied the recommendations arising from the 2012 audit report and reached an agreement with management on the follow-up actions that were needed. It also established with the independent auditor the audit plan for 2013.

The committee members also analyzed the year's financial statements and the appointed actuary's report concerning the valuation of actuarial liabilities before reporting back to the Board of Directors.

With regard to internal controls, the committee reviewed the results of controls performed during the year and the measures in place to improve identified weaknesses. The committee members also studied the audit reports from other Company partners, including reinsurers and specialized computer security firms, and approved the action plans proposed to correct the reported weaknesses.

The committee also analyzed the key risks identified by management and the measures to mitigate those risks, and it recommended to the Board of Directors that the Company's risk profile be adopted. In response to a new guideline issued by the Autorité des marchés financiers, the committee recommended, for adoption by the Board of Directors, a policy for the management of risks relating to financial crime.

In addition, the committee gave special attention to an analysis of the financial position of the employee supplemental pension plan and submitted its report to the Board of Directors.

In accordance with their mandate, the committee members held the necessary meetings with management, the independent auditor and the appointed actuary.



Jacques Martineau
Chairman

INVESTMENT COMMITTEE

Composition:

The Investment Committee is composed of six members and comprised of directors, officers and external experts appointed by the Board of Directors. The President and Chief Executive Officer is a member and chairs the committee.

Members:

Richard Gagnon, Chairman

Luc Bergeron, Vice-President, Actuarial and Risk Management

Jocelyne Desloges, Vice-President, Finance and Administration

René Delsanne, Director

Clément Albert, External Expert

Jean-Louis Gauvin, External Expert

Mandate:

The Investment Committee is responsible for recommending to the Board of Directors the Company's investment policy and ensuring that it is updated periodically. It must ensure compliance with that policy and implement appropriate investment and matching strategies, in accordance with the policy. Moreover, it analyzes the actual results and ensures that the degree to which the Company's assets match its financial commitments is consistent with the objectives being sought.

The committee is also responsible for recommending the choice of investment managers to the Board of Directors, receiving their reports, ensuring they adhere to the Company's investment policy and evaluating their performance on the basis of pre-determined objectives.

In addition, under the terms of an agreement between Humania Assurance and its subsidiary LS Travel, the Humania Assurance Investment Committee acts as the investment committee for LS Travel and fulfils, on its behalf, the same responsibilities as indicated above.

Activity Report:

Throughout the year, the committee analyzed the managers' performance in respect of the investment portfolios of the Company and its subsidiary LS Travel.

In addition, the committee conducted a quarterly review of the investment policy compliance reports prepared by the managers and reported back to the Board of Directors.

The committee members tracked the degree to which the Company's assets aligned with its liabilities. Quarterly matching reports were submitted to the Board of Directors.

During the year, the committee members proposed an updated investment policy to the Board of Directors. The quantitative limits of certain financial instruments were reviewed and the use of new financial instruments was authorized by the Board of Directors. The committee also recommended the creation of a segment of its investment portfolio specific to the management of a debenture issued in 2013.

In 2014, the committee will continue its work towards identifying and analyzing new financial instruments that will enable it to maintain a quality matched position while maximizing its returns.



Richard Gagnon
Chairman

GOVERNANCE, COMPLIANCE AND INTEGRATED RISK MANAGEMENT

Governance

Governance is the body of rules and principles to which the Company, its directors and its officers must adhere in the performance of their functions to ensure the organization's sound management and financial profitability. It defines the role and responsibilities of the Boards of Directors, directors and senior management, as well as the competencies needed to be a director.

Humania Assurance applies governance rules that recognize the essential contribution of the Board of Directors to the organization's success. Those rules define, among other things, the mandate and operational standards of its Board of Directors, the responsibilities of its directors and the mandates of statutory committees, and ensure that officers meet the highest ethical standards. They divide tasks among the Board of Directors, the Board Chairman and the President and Chief Executive Officer, and they establish a variety of mechanisms to ensure integrated risk management, adequate internal controls and independent supervision of certain activities.

Compliance Policy

As an insurance company, Humania Assurance operates in a constantly evolving legislative, regulatory and normative environment. Management places the utmost importance on legislative and regulatory compliance and on prudent, sound management practices.

Humania Assurance has developed a compliance management policy towards establishing a management framework that includes measures to oversee and mitigate the risk of non-compliance with the regulatory environment. It enables members of the Board of Directors to obtain reasonable assurance that Humania Assurance's operations are carried out in accordance with the regulatory environment to which the Company is subject.

The compliance management policy serves to:

- outline the principles and components of the compliance management framework;
- define the roles and responsibilities in the area of compliance;
- meet the requirements established by regulatory authorities while adapting them to the reality of Humania Assurance;
- build a common culture and shared vision of compliance.

Integrated Risk Management Policy

Humania Assurance operates in an environment where risk management is essential and intrinsic to the conduct of business. Risk management is not a new concept for Humania Assurance; however, the existence of formal, integrated practices enables it to manage its risks in a uniform, progressive and dynamic approach.

Integrated risk management at Humania Assurance serves to:

- identify, assess, manage and monitor, uniformly and consistently year-to-year, the risks that may hinder achievement of the Company's strategic and operational objectives;
- provide the necessary feedback to promote collaboration and horizontal risk management and facilitate the sharing of information on risk across the entire organization;
- create a risk management culture that uniformly and explicitly facilitates resource allocation and decision-making.

The integrated risk management policy provides a management framework that includes risk identification, assessment, oversight and mitigation measures, within a perspective of good governance.

CODE OF ETHICS OF CANADIAN LIFE INSURANCE COMPANY (CLHIA) MEMBERS

As a condition of membership, all CLHIA members are committed to conducting their business in accordance with the following principles:

1. To engage in keen, fair competition so that the public can obtain the products and services it needs at reasonable prices.
2. To advertise products and services clearly and straightforwardly, and to avoid practices that might mislead or deceive.
3. To ensure that illustrations of prices, values and benefits are clear and fair, and contain appropriate disclosure of amounts that are not guaranteed.
4. To write all contracts in clear, direct language without unreasonable restrictions.
5. To use underwriting techniques that are sound and fair.
6. To pay all valid claims fairly and promptly and without unreasonable requirements.
7. To ensure competent and courteous sales and service.
8. To respect the privacy of individuals by using personal information only for the purposes authorized and not revealing it to any unauthorized person.



HUMANIA ASSURANCE AND INTERNATIONAL COOPERATION

FOR THE PAST THREE YEARS, HUMANIA ASSURANCE HAS PARTNERED WITH SOCODEVI, A COOPERATION SOCIETY FOR INTERNATIONAL DEVELOPMENT. BY PROVIDING SUPPORT IN A SPIRIT OF SOLIDARITY, HUMANIA ASSURANCE IS COMMITTED TO CONTRIBUTING AS MUCH AS IT CAN TO THE FORMATION AND GROWTH OF COOPERATIVES AND MUTUAL SOCIETIES IN DEVELOPING COUNTRIES.

Since the start of its partnership in 2011, the company has supported projects in Senegal (Africa) and Peru (South America). In 2013 in particular, it took part in helping Serviperu obtain a license to operate as an insurer accredited by Peru's inspector of financial institutions.



Richard Gagnon on a brief mission for SOCODEVI in Peru.

That assistance took the form of collaboration to develop and implement the compliance and risk management policies required by Peruvian authorities. At the request of SOCODEVI, President and Chief Executive Officer Richard Gagnon travelled to Peru last spring to collaborate on the project. He used the opportunity to see first-hand the results that had been achieved with Humania Assurance's support for the installation of coffee dryers to help family cooperatives.

Humania Assurance is continuing its commitment in Peru today; a new initiative is focusing on improving the health of hundreds of underprivileged families in isolated communities in the Andes. With support through this initiative, many rudimentary ovens producing fumes harmful to the health of families will be replaced—a useful preventive measure. The new equipment will improve air quality in homes, as well as diversify the revenues of a Peruvian cooperative.



AVAILABILITY OF REPORT

For a copy of our Annual Report, please visit our website at:
www.humania.ca

or contact:

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