HUMANIA ASSURANCE INC.

FINANCIAL STATEMENTS **2013**

Une filiale de

LA SURVIVANCE
MUTUELLE DE GESTION

Humania Assurance Inc.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholder of
Humania Assurance Inc.

We have audited the accompanying consolidated financial statements of Humania Assurance Inc. (formerly LS Insurance Company), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Humania Assurance Inc. as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with IFRS.

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

Québec

February 25, 2014

[1] CPA auditor, CA public accountancy permit no. A125181

HUMANIA ASSURANCE INC.
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		
Investment income (Note 4)	**10,849**	11,348
Change in fair value of financial assets designated at fair value through profit or loss (Note 4)	**(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 (Note 5)	**2,141**	2,637
General expenses	**26,158**	23,783
	69,822	86,516
EARNINGS BEFORE INCOME TAXES	**5,305**	4,955
Income taxes (Note 22)	**1,344**	1,559
NET INCOME	**3,961**	3,396
Attributable to the shareholder	**3,984**	3,404
Attributable to the non-controlling interest	**(23)**	(8)
	3,961	3,396

The accompanying notes are an integral part of the consolidated financial statements.

HUMANIA ASSURANCE INC.
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 the shareholder	**7,700**	3,102
Attributable to the non-controlling interest	**(23)**	(8)
	7,677	3,094

The accompanying notes are an integral part of the consolidated financial statements.

HUMANIA ASSURANCE INC.
Consolidated Statement of Changes in Equity
Year ended December 31, 2013 (in thousands of Canadian dollars)

2013	Members' equity	Share capital	Contributed surplus	Retained earnings	Non controlling interest	Accumulated other comprehensive income	Total equity
	$	$	$	$	$	$	$
Balance, beginning of year	**-**	**35,000**	**12,257**	**2,162**	**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	**-**	**35,000**	**12,257**	**6,146**	**(13)**	**(1,950)**	**51,440**

2012	Members' equity	Share capital	Contributed surplus	Retained earnings	Non controlling interest	Accumulated other comprehensive income	Total equity
	$	$	$	$	$	$	$
Balance, beginning of year	46,015	-	-	-	-	(115)	45,900
Adjustment relating to amendments to IAS 19 (Note 3)	-	-	-	-	-	(5,249)	(5,249)
Adjusted opening balance	46,015	-	-	-	-	(5,364)	40,651
Net income	1,242	-	-	-	(6)	-	1,236
Change in non-controlling interest	-	-	-	-	15	-	15
Balance before conversion	47,257	-	-	-	9	(5,364)	41,902
Conversion of the Company	(47,257)	35,000	12,257	-	-	-	-
Net income	-	-	-	2,162	(2)	-	2,160
Other comprehensive income	-	-	-	-	-	(302)	(302)
Balance, end of year	-	35,000	12,257	2,162	7	(5,666)	43,760

The accompanying notes are an integral part of the consolidated financial statements.

HUMANIA ASSURANCE INC.
Consolidated Statement of Financial Position
December 31, 2013 (in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
ASSETS			
Investments (Note 4)			
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 (Note 8)	**5,248**	5,278	4,416
Reinsurance assets (Note 9)	**110,628**	87,187	75,418
Deferred tax assets (Note 22)	**64**	46	30
Investments in associates (Note 10)	**1,138**	1,101	1,438
Property and equipment (Note 12)	**6,222**	6,110	5,744
Intangible assets (Note 13)	**4,127**	4,111	3,730
	147,735	122,066	108,141
	410,445	373,760	349,515

HUMANIA ASSURANCE INC.
Consolidated Statement of Financial Position
December 31, 2013 (in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
LIABILITIES			
Policy liabilities			
Policy reserves (Note 16)	**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 (Note 17)	**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 (Note 18)	**10,254**	11,992	11,536
Income taxes payable	**1,681**	85	-
Deferred tax liabilities (Note 22)	**1,594**	1,145	397
Debenture (Note 20)	**9,828**	-	-
	23,357	13,222	11,933
	359,005	330,000	308,864
EQUITY			
Members' equity	**-**	-	46,015
Share capital (Note 23)	**35,000**	35,000	-
Contributed surplus	**12,257**	12,257	-
Retained earnings	**6,146**	2,162	-
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

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Director

Director

HUMANIA ASSURANCE INC.
Consolidated Statement of Cash Flows
Year ended December 31, 2013 (in thousands of Canadian dollars)

	2013	2012
	$	$
Operating activities		
Net income	**3,961**	3,396
Non-cash items		
Change in policy reserves	**(18,006)**	17,377
Change in reinsurance assets	**(961)**	(12,074)
Depreciation and loss on disposal of property and equipment	**695**	686
Amortization of intangible assets	**403**	340
Amortization of premiums and discounts on bonds	**(4,001)**	(3,988)
Unrealized gains and losses on financial assets designated at fair value through profit or loss	**20,222**	(3,380)
Realized gains and losses on financial assets designated at fair value through profit or loss and as available for sale	**561**	(878)
Write-off of goodwill	**-**	76
Share of change in investments in associates	**(23)**	(89)
Change in employee benefits	**(1,135)**	(287)
Amortization of transaction costs	**11**	-
Deferred income taxes	**(938)**	845
	789	2,024
Change in working capital items	**1,986**	2,611
	2,775	4,635
Financing activities		
Debenture issue proceeds	**10,000**	-
Transaction costs	-	(183)
	10,000	(183)
Investing activities		
Net disposal of money market	**1,197**	1,422
Net disposal (acquisition) of bonds	**6,842**	(4,504)
Net disposal (acquisition) of shares	**(18,817)**	1,241
Net increase in policy loans	**(2)**	(53)
Acquisition of an investment in a subsidiary	**-**	(93)
Loans and advances to associates	**(59)**	91
Dividends received from associates	**45**	58
Proceeds of disposal of property and equipment	**4**	-
Acquisition of property and equipment	**(811)**	(720)
Acquisition of intangible assets	**(419)**	(721)
	(12,020)	(3,279)
Increase in cash and cash equivalents	**755**	1,173
Cash and cash equivalents, beginning of year	**8,639**	7,466
Cash and cash equivalents, end of year	**9,394**	8,639

Supplementary cash flow information (Note 25)

The accompanying notes are an integral part of the consolidated financial statements.

1. GENERAL INFORMATION

Humania Assurance Inc. (hereinafter “Humania Assurance” or the “Company”) operates in the field of life and health insurance in Canada, primarily in Quebec. The Company is governed by the *Act respecting Insurance*.

On May 1, 2013, the Company changed its name from “LS Insurance Company” to “Humania Assurance Inc.”.

Humania Assurance is incorporated under the laws of Quebec and it is headquartered at 1555 Girouard Street West, Post Office Box 10000, Saint-Hyacinthe, Quebec, Canada, J2S 7C8.

The Board of Directors approved the consolidated financial statements of Humania Assurance, the Group’s parent company, on February 25, 2014.

Humania Assurance is a wholly-owned subsidiary of LS Mutual Management, the ultimate parent company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). These standards are consistent with the requirements of the Autorité des marchés financiers.

b) Significant estimates

The preparation of consolidated financial statements requires management to use its judgment and make estimates and assumptions that impact the application of accounting policies, amounts of assets and liabilities, the presentation of contingent assets and liabilities and recognized amounts of income and expenses. Actual results could differ from those estimates.

The most significant estimates relate to the determination of policy reserves, reinsurance assets, investment contract liabilities, the fair value of financial instruments, the calculation of employee benefits and other expenses and the provision for asset impairment.

The underlying estimates and assumptions are reviewed periodically. Accounting estimate revisions are recognized in the revision period and in subsequent periods affected by the revisions. While such estimates may vary, in the opinion of management, the recognized amounts are appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main accounting policies used in the preparation of the consolidated financial statements are the following:

c) Principles of consolidation

The Company consolidates the financial statements of all its subsidiaries, that is, entities it controls. In this respect, control relates to the Company's power to direct the activities of the investee, its ability to receive variable benefits from its investment in the investee and the direct link between the power to direct activities and the ability to receive benefits. The subsidiaries' financial statements are included in consolidated earnings from the date control is determined and excluded as of the date control stops.

Inter-company transactions and balances have been eliminated.

The consolidated financial statements include the accounts of the Company and its subsidiaries: LS-Travel Insurance Company, which provides travel insurance, Les Services Financiers Surtech Inc., a financial services firm, and 9098-0061 Quebec Inc., a company providing information technology services to the Company.

d) Statement of financial position presentation

The Company has elected to present its assets and liabilities in the consolidated statement of financial position by category based on liquidity to better reflect its transactions. Assets present investments separately from other asset components. Liabilities include two categories: policy liabilities and other liability components.

Because of the nature of the Company's operations, it has not used a current, non-current basis of presentation.

Generally, investments are held on a long-term basis, even though individual securities are regularly transacted.

Investment income receivable, premiums receivable, prepaid commissions, receivables from reinsurers, receivables from agents, prepaid expenses, income taxes receivable and derivative financial instruments are generally recovered within twelve months of the year-end date.

The Company's long-term obligations consist of policy reserves, investment contract liabilities and debenture.

Benefits payable, provisions, participations and experience refunds payable, trade and other payables, derivative financial instruments and income taxes payable are generally settled within twelve months of the year-end date.

e) Business combinations

Business combinations are recognized using the acquisition method. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets transferred and the liabilities incurred. Acquisition-related costs are recognized in income as they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investments

The Company has elected to classify and designate investments matching policy reserves at fair value through profit or loss to reduce a disparity in accounting treatment, that would otherwise occur as the annual change in policy reserves and reinsurance assets is recognized in net income.

Money market

Money market investments are financial assets classified either at fair value through profit or loss or as available for sale. Money market purchases and sales are recognized or derecognized on the trade date, that is the date on which the Company commits to purchase or sell the security.

Money market investments supporting the Company's liabilities are classified at fair value through profit or loss and those that do not support liabilities, as available for sale.

At fair value through profit or loss

Money market investments at fair value through profit or loss are recognized in the statement of financial position at fair value and changes in fair value are recognized immediately in the statement of earnings. Interest is recognized in investment income. Transaction costs on the purchase of money market at fair value through profit or loss are charged to income and deducted from investment income.

Available for sale

Available for sale money market investments are recognized in the statement of financial position at fair value, and changes in fair value are recognized in unrealized gains and losses in other comprehensive income with items that may be reclassified subsequently as net income. Interest is recognized in investment income. Transaction costs are added to the value of available for sale money market investments at the time of acquisition.

Bonds

Bonds are financial assets classified either as designated at fair value through profit or loss, or as available for sale. The fair value of bonds is determined by the current bid price. Purchases and sales of bonds are recognized or derecognized on the trade date, that is the date on which the Company commits to purchase or sell the bond.

Bonds supporting the Company's liabilities are classified and designated at fair value through profit or loss and those that do not support liabilities, as available for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investments (continued)

Bonds (continued)

Designated at fair value through profit or loss

Bonds designated at fair value through profit or loss are recognized in the statement of financial position at fair value and changes in fair value are recognized immediately in income. Income from bonds designated at fair value through profit or loss is recognized in investment income. Transaction costs related to the purchase of bonds designated at fair value through profit or loss are charged to income and deducted from investment income.

Available for sale

Available for sale bonds are recognized in the statement of financial position at fair value and changes in fair value are recognized in unrealized gains and losses in other comprehensive income with items that may be reclassified subsequently as net income. Gains and losses realized on the sale of bonds classified as available for sale, which are recognized in accumulated other comprehensive income, are reclassified and recognized as income in the statement of earnings. Interest and amortization of premiums and discounts are recognized in investment income. Transaction costs are added to the value of available for sale bonds at the time of acquisition.

Shares

Shares are financial assets that are either designated at fair value through profit or loss or as available for sale. The fair value of shares is determined by the current bid price. Purchases and sales of shares are recognized and derecognized on the trade date, that is the date on which the Company commits to purchase or sell the shares.

Shares that support the Company’s liabilities are designated at fair value through profit or loss and those that do not support liabilities are designated as available for sale.

Designated at fair value through profit or loss

Shares designated at fair value through profit or loss are recognized in the statement of financial position at fair value and changes in fair value are recognized immediately in the statement of earnings. Dividends are recognized in investment income. Transaction costs on purchases of shares designated at fair value through profit or loss are charged to earnings and deducted from investment income.

Available for sale

Available for sale shares are recognized in the statement of financial position at fair value, and changes in fair value are recognized in unrealized gains and losses in other comprehensive income with items that may be reclassified subsequently as net income. Gains and losses realized on the sale of shares classified as available for sale, which are recognized in accumulated other comprehensive income, are reclassified and recognized in investment income in the statement of earnings. Dividends are recognized in investment income. Transaction costs are added to the value of available for sale shares at the time of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investments (continued)

Policy loans

Policy loans are presented at cost and are fully guaranteed by the cash surrender value of the insurance policies.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash classified at fair value through profit or loss and measured at fair value.

The investments are held on a long-term basis to cover the Company's liabilities to policyholders and, as such, are not cash and cash equivalents.

h) Derivative financial instruments

The Company uses derivative financial instruments as foreign exchange contracts in order to manage the exchange rate risk related to the payment of travel insurance benefits.

Exchange contracts are classified as cash flow hedges. The effective portion of changes in fair value of the hedging instrument is recognized in the same manner as the hedged item, either in "Gross benefits" or in "Other comprehensive income" with items that may be reclassified subsequently as net income, whereas the ineffective portion is recognized immediately in "Gross benefits". Gains and losses accumulated in "Other comprehensive income" are recognized in the period in which the hedged items affect net income.

Derivative financial instruments with a positive fair value are presented in the statement of financial position with "Other assets" and those with a negative value are presented with "Other liabilities".

i) Foreign currency translation

The Company's consolidated financial statements are prepared in Canadian dollars, which is the Company's functional and presentation currency.

Monetary items on the statement of financial position are translated at the exchange rate in effect at the end of the year and expenses are translated at the average exchange rate for the period.

j) Reinsurance assets

In the normal course of operations, the Company uses reinsurance to reduce the exposure with respect to its policyholders. Reinsurance assets are the Company's net contractual rights under reinsurance treaties relating to ceded insurance contracts.

The calculation of reinsurance assets is similar to that of policy reserves relating to the underlying insurance contracts, in accordance with the contractual provision of the reinsurance agreements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Investments in associates

Investments in associates subject to significant influence are recognized using the equity method. Generally, there is a significant influence when an investor has an interest of more than 20% without controlling the entity.

l) Other financial assets

Financial assets other than investments and investments in associates are measured at fair value when they are classified at fair value through profit or loss and at amortized cost using the effective interest method when they are classified as loans and receivables.

m) Property and equipment

Property and equipment, including the Company's head office building, are recognized using the cost model. The head office building cost was allocated into five main components, including the land, which is not amortized.

The depreciation methods and estimated useful lives are as follows:

	Methods	Rates/Periods
Building		
Foundation and structure	Straight-line	40 years
Shell and fenestration	Straight-line	20 years
Equipment	Straight-line	10-20 years
Layout	Straight-line	8-12 years
Subsidiary's building	Straight-line	20 years
Furniture and equipment	Diminishing balance	20%-30%
Computer equipment	Straight-line	5 years

n) Intangible assets

Intangible assets are recognized at cost and amortized over their estimated useful lives as follows:

	Methods	Rates/Periods
Operating systems acquired	Diminishing balance	30%
Internally developed operating systems	Straight-line	15 years
Application software acquired	Straight-line	2-5 years

o) Impairment of non-financial assets

At each year-end, the Company determines whether there is evidence that an asset is impaired. An impairment is recognized when an asset's recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less its selling cost or its value in use, which is the present value of recoverable future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Employee benefits

The Company offers a defined benefit pension plan to its employees, post-retirement benefits to eligible employees and group insurance coverage to certain retirees.

The cost of employees' accrued pension benefits is actuarially determined using the projected benefit method prorated over years of eligible service, with salary projections, based on management's best estimate assumptions regarding the expected return on plan assets, future salary increases and retirement age.

The current service cost and net interest on the net defined benefit liability (asset) are recognized in the statement of earnings under “General expenses”. Remeasurements of the net defined benefit liability (asset) are recognized under “Other comprehensive income” with items that will not be reclassified subsequently as net income. Remeasurements include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling, as applicable, excluding amounts included in net interest on the net defined benefit liability (asset) calculation.

The annual cost associated with the group insurance coverage offered to a group of retirees is actuarially determined based on management's best estimate assumptions regarding the expected cost of health care and life expectancy of retirees.

The past service cost arising from changes to employee benefits is recognized directly in profit or loss if the benefit entitlement has already vested at the time of the change. If the benefit entitlement has not vested, the past service cost is deferred and distributed on a straight-line basis until the corresponding entitlement vests.

q) Contract classification

The Company’s products are classified at contract inception as insurance or investment contracts, depending on the existence of significant insurance risk.

Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown.

When significant insurance risk exists, the contract is accounted for as an insurance contract in accordance with IFRS 4, “Insurance Contracts”.

In the absence of significant insurance risk and discretionary participating feature, the contract is classified as an investment contract in accordance with IAS 39, “Financial Instruments: Recognition and Measurement”.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in features, such as the interest rate or price of a financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Policy reserves

Insurance policy reserves represent the amount equal to the carrying value of the Company's assets that, taking into account the other pertinent items in the statement of financial position, will be sufficient without being excessive to discharge the Company's obligations over the term of the liabilities for its insurance policies and to pay expenses related to the administration of those policies.

Policy reserves are established using the Canadian Asset Liability Method (CALM) in accordance with generally accepted actuarial practices established by the Canadian Institute of Actuaries.

The Company has designated a valuation actuary who determines the liabilities required to cover the Company’s obligations to the policyholders.

s) Investment contract liabilities

Investment contract liabilities are measured at amortized cost.

t) Financial liabilities

Financial liabilities other than policy reserves, investment contract liabilities and the debenture are measured at fair value when they are classified at fair value through profit or loss and measured at amortized cost using the effective interest method in other cases.

u) Transaction costs

Transaction costs related to financial liabilities other than those classified at fair value through profit or loss are incremental costs directly attributable to the issuance of a financial liability and reduce the value of the instrument issued. They are recognized in net earnings using the effective interest method.

v) Debenture

The debenture is classified as a financial liability other than those classified at fair value through profit or loss and is initially recognized at fair value less transaction costs. Subsequently, the debenture is measured at amortized cost using the effective interest method.

w) Revenue recognition

Insurance policy premiums are recognized as income when due under existing contracts.

Investment income is recognized on the accrual basis and presented net of investment expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Income taxes

Income taxes are recognized using the tax liability method, under which the tax expense includes current and deferred taxes.

Current income taxes are the amount of taxes to be received from or paid to the tax administrations and are calculated using enacted or substantively enacted tax rates at the year-end date.

Deferred income tax assets and liabilities are recognized annually for all temporary differences between the carrying amount in the financial statements and the corresponding tax base. These deferred income tax assets or liabilities are calculated using enacted or substantively enacted tax rates in the years in which the temporary differences are expected to reverse. A deferred income tax asset is recognized when it is more likely than not that the tax benefit will be realized in the future.

3. CHANGES IN ACCOUNTING POLICIES

a) IAS 19 – 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 has been restated accordingly.

The amendments made to IAS 19R include the elimination of the corridor approach for actuarial gains and losses which resulted in those gains and losses being recognized immediately through other comprehensive income. In addition, the concepts of interest and expected return on assets have been replaced with the concept of interest cost.

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 deferred tax liabilities, a $21 increase of 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).

b) IAS 1 – Presentation of Financial Statements

Revised IAS 1, Presentation of Financial Statements, provides guidance on the presentation of other comprehensive income which must be classified in one of the following categories: items that may be reclassified subsequently as net income and items that will not be reclassified subsequently as net income.

c) IFRS 10 – Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, is based on a revised definition of control. Control relates to the Company's power to direct the activities of the investee, its ability to receive variable benefits from its investment in the investee and the direct link between the power to direct activities and the ability to receive benefits. Adoption of this standard did not have any impact on the Company's financial statements.

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

d) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities, sets out new disclosure requirements for the Company's interests in other entities. Adoption of this standard led to an increase in the disclosures required for subsidiaries and associates. However, it did not have any impact on the Company's financial results.

e) IFRS 13 – Fair Value Measurement

IFRS 13, Fair Value Measurement, further clarifies the fair value concept and related disclosures. The standard primarily addresses disclosures and did not have any impact on the Company's financial results.

4. INVESTMENTS

a) Investment value

The carrying amount, distribution and classification of investments are as follows:

December 31, 2013	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Available for sale**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Money market	**1,024**	**-**	**2,868**	**-**	**3,892**
Bonds	**-**	**210,852**	**14,867**	**-**	**225,719**
Shares	**-**	**10,156**	**21,340**	**-**	**31,496**
Policy loans	**-**	**-**	**-**	**1,603**	**1,603**
	1,024	**221,008**	**39,075**	**1,603**	**262,710**

December 31, 2012	At fair value through profit or loss	Designated at fair value through profit or loss	Available for sale	Other	Total
	$	$	$	$	$
Money market	1,522	-	3,567	-	5,089
Bonds	-	221,198	14,284	-	235,482
Shares	-	-	9,522	-	9,522
Policy loans	-	-	-	1,601	1,601
	1,522	221,198	27,373	1,601	251,694

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

4. INVESTMENTS (CONTINUED)

a) Investment value (continued)

January 1, 2012	At fair value through profit or loss	Designated at fair value through profit or loss	Available for sale	Other	Total
	$	$	$	$	$
Money market	5,513	-	998	-	6,511
Bonds	-	209,738	13,713	-	223,451
Shares	-	-	9,864	-	9,864
Policy loans	-	-	-	1,548	1,548
	5,513	209,738	24,575	1,548	241,374

b) Investment income

	2013	2012
	$	$
Money market		
At fair value through profit or loss – Interest	**7**	43
Available for sale – Interest	**47**	15
Bonds		
Designated at fair value through profit or loss		
Interest	**10,373**	9,832
Realized gains and losses	**(722)**	107
Available for sale		
Interest	**379**	434
Realized gains and losses	**(202)**	702
Shares		
Designated at fair value through profit or loss		
Dividends	**173**	-
Available for sale		
Dividends	**676**	250
Realized gains and losses	**363**	69
Policy loans	**135**	135
Share of change in investments in associates	**23**	89
Other	**212**	210
	11,464	11,886
Expenses	**(615)**	(538)
	10,849	11,348

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

4. INVESTMENTS (CONTINUED)

c) Change in fair value

The change in the fair value of assets designated at fair value through profit or loss of $20,222 (increase of $3,380 in 2012) presented in the statement of earnings relates to investments supporting the Company's liabilities.

5. EXPERIENCE REFUNDS AND PARTICIPATIONS

	2013	2012
	$	$
Experience refunds on group contracts	**2,057**	2,552
Policyholders' participations	**84**	85
	2,141	2,637

6. FAIR VALUE MEASUREMENT

Assets and liabilities recognized at fair value in the statement of financial position are categorized in a hierarchy according to the significance of the input used in making the measurements.

The fair value hierarchy comprises the following three levels:

Level 1 uses quoted prices (unadjusted) in active markets for identical financial assets to which the Company has access.

Level 2 uses input other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices). Such input includes the price of similar assets on active markets and input other than observable prices for the asset. The fair value of level 2 securities was provided by a pricing agency.

Level 3 uses input for the asset that is not based on observable market data (unobservable input).

The fair value of bonds is determined using the bid price of similar assets observed in active markets.

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

6. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the financial assets categorized using the fair value hierarchy:

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Asset				
Money market	**3,892**	**-**	**-**	**3,892**
Bonds	**-**	**225,719**	**-**	**225,719**
Shares	**31,496**	**-**	**-**	**31,496**
Cash and cash equivalents	**9,394**	**-**	**-**	**9,394**
Derivative financial instruments	**111**	**-**	**-**	**111**
	44,893	**225,719**	**-**	**270,612**

December 31, 2012	Level 1	Level 2	Level 3	Total
	$	$	$	$
Asset				
Money market	5,089	-	-	5,089
Bonds	-	235,482	-	235,482
Shares	9,522	-	-	9,522
Cash and cash equivalents	8,639	-	-	8,639
	23,250	235,482	-	258,732
Liabilities				
Derivative financial instruments	100	-	-	100

January 1, 2012	Level 1	Level 2	Level 3	Total
	$	$	$	$
Asset				
Money market	6,511	-	-	6,511
Bonds	-	223,451	-	223,451
Shares	9,864	-	-	9,864
Cash and cash equivalents	7,466	-	-	7,466
Derivative financial instruments	64	-	-	64
	23,905	223,451	-	247,356

No transfers were made between hierarchical levels of fair value during the year. In addition, evaluation techniques have not been modified.

7. FINANCIAL INSTRUMENTS' RISK MANAGEMENT

The Company has financial instruments' risk management policies, procedures and practices. Effective risk management depends on identifying, understanding, communicating and controlling risks. In this regard, the main risks to which the Company is exposed as part of its activities are:

- Credit risk;
- Liquidity risk;
- Market risk:
  - Interest rate risk,
  - Stock market risk,
  - Exchange risk.

In the normal course of its activities, the Company issued a financial liability by way of a debenture which results in minimum future payment commitments that have an impact on short- and long-term cash flows. Details of the debenture are presented in Note 20.

During the year, there were no changes in the financial instruments' risk management policies, procedures and practices.

The means used by the Company to manage each of these risks are described as follows.

a) Credit risk

Credit risk is the risk that a debtor will cause a financial loss for the Company by failing to discharge its obligations. The Company manages this risk by applying the following policies and procedures:

- Development and review of the investment policy that establishes standards for the acquisition of securities, including the following elements:
  - Establishing guidelines to ensure adequate diversification and reduce concentration in one sector;
  - Setting minimum and maximum limits to be respected for each class of assets;
  - Reviewing the inherent quality of the securities held by using, in particular, ratings by external recognized credit agencies.
- Regular monitoring and review of compliance with the investment policy by the Investment Committee and Board of Directors.

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

7. FINANCIAL INSTRUMENTS' RISK MANAGEMENT

a) Credit risk (continued)

Maximum credit risk

The Company's maximum credit risk from financial instruments corresponds to the carrying amount of the asset, net of any allowance for losses. The maximum credit risk is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Money market	**3,892**	5,089	6,511
Bonds	**225,719**	235,482	223,451
Policy loans	**1,603**	1,601	1,548
Cash and cash equivalents	**9,394**	8,639	7,466
Other financial assets	**6,234**	6,067	5,993
	246,842	256,878	244,969

Credit risk concentration

Credit risk concentration results from exposure to one debtor or one group of debtors sharing similar credit risk characteristics.

The following table presents the bond portfolio allocation by issuer category:

	December 31, 2013	**December 31, 2013**	December 31, 2012	December 31, 2012	January 1, 2012	January 1, 2012
	$	**%**	$	%	$	%
Government issued or guaranteed bonds:						
Federal government	**7,629**	**3**	5,884	2	1,904	1
Provincial governments	**130,254**	**58**	144,511	62	142,928	64
Municipalities and school boards	**2,084**	**1**	2,924	1	1,802	1
Asset-backed securities	**-**	**-**	582	-	1,200	-
Foreign governments	**283**	**-**	267	-	288	-
	140,250	**62**	154,168	65	148,122	66
Canadian corporate bonds by industry:						
Energy	**12,902**	**6**	13,628	6	5,730	3
Industrial products	**3,417**	**1**	2,800	1	6,983	3
Basic and discretionary consumption	**-**	**-**	-	-	191	-
Financial services	**49,370**	**22**	53,137	23	54,058	24
Telecommunications	**1,161**	**1**	1,014	-	1,113	-
Public services	**18,619**	**8**	10,735	5	7,254	4
	85,469	**38**	81,314	35	75,329	34
	225,719	**100**	235,482	100	223,451	100

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

7. FINANCIAL INSTRUMENTS' RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

Bond portfolio quality

The quality of the bond portfolio is determined using the ratings of recognized external credit agencies. The credit rating allocation of the bond portfolio is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
AAA	**8,734**	12,022	6,540
AA	**19,163**	19,326	18,597
A	**172,497**	183,175	193,777
BBB	**25,325**	20,959	4,537
	225,719	235,482	223,451

b) Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulties in raising the funds it needs to fulfill its obligations. Policy reserves represent 88% (90% as at December 31, 2012 and 91% as at January 1, 2012) of the Company's liabilities. The amounts relating to these policy reserves are disbursed according to the terms and conditions in the insurance contracts. The Company knows these terms and conditions and maintains the necessary liquidities to fulfil its obligations through the management of operating liquidities by matching cash flows generated by assets and liabilities.

c) Market risk

Market risk is defined as the risk that the fair value or cash flows of a financial instrument will fluctuate and result in a loss due to fluctuating market factors. These factors comprise three risks: interest rate risk, stock market risk and exchange risk.

Interest rate risk

There is an interest rate risk when interest rates fluctuate and cash flows from assets and liabilities are not perfectly matched. The Company manages this risk by applying the following policies and procedures:

- Segmentation of assets and liabilities;
- Asset management in connection with liabilities from each segment;
- Investment in assets compatible with the characteristics of insurance and investment contracts;
- Calculation of the average term of assets and liabilities by segment;
- Periodic review and analysis of the risk of mismatching terms and cash flows by the Investment Committee.

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

7. FINANCIAL INSTRUMENTS' RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

Interest rate risk (continued)

The terms of the bond portfolio are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Less than 1 year	**1,051**	2,790	2,615
Between 1 and 5 years	**27,550**	17,971	12,896
Between 6 and 10 years	**23,836**	37,021	43,959
Between 11 and 15 years	**41,783**	46,833	44,204
Between 16 and 20 years	**32,459**	39,066	44,685
More than 20 years	**99,040**	91,801	75,092
	225,719	235,482	223,451

The effective rate of return on bonds varies between 0.29% and 9.01% (between 1.09% and 6.66% in 2012).

Stock market risk

Stock market risk corresponds to the uncertainty in measuring assets as a result of stock market fluctuations. To manage this risk, the investment policy sets out the types of equity securities in which the Company can invest, as well as quantitative limits or diversification rules.

Equity securities by way of preferred shares are used to support the liabilities. Additionally, the Company’s intention is that a portion of its equity be invested in equity securities in order to increase its long-term capital. This is done as part of the investment policy that aims to maximize returns while minimizing risk.

Equity investments total $31,496 ($9,522 as at December 31, 2012 and $9,864 as at January 1, 2012) or 12.0% (3.8% as at December 31, 2012 and 4.1% as at January 1, 2012) of the Company's investments. Consequently, a 10% stock market fluctuation would lead to the recognition in the Company's equity of a gain or loss (net of income taxes) of $2,303 ($696 as at December 31, 2012 and $721 as at January 1, 2012).

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

7. FINANCIAL INSTRUMENTS' RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

Exchange risk

Exchange risk relates to the risk that the Company incurs losses from exposure to foreign currency fluctuations. Transactions denominated in foreign currencies are related to the travel insurance sector. To manage exchange rate risk, the Company uses foreign exchange contracts and acquires currencies to be able to pay benefits in the same currency. No derivative financial instrument is used for speculative purposes.

As at December 31, cash denominated in U.S. dollars is $717 ($316 as at December 31, 2012 and $454 as at January 1, 2012). In addition, the Company has foreign exchange contracts to purchase U.S. dollars. (Note 21).

A 10% positive or negative fluctuation in exchange rates would have a negligible effect on the Company's equity.

8. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Receivables from reinsurers	**1,193**	951	1,074
Receivables from agents	**136**	159	114
Prepaid expenses	**1,334**	1,226	999
Income taxes receivable	**-**	923	736
Derivative financial instruments (Note 21)	**111**	-	64
Other receivables	**2,474**	2,019	1,429
	5,248	5,278	4,416

9. REINSURANCE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Policy reserves	**107,951**	84,896	72,822
Provision for benefits	**2,677**	2,291	2,596
	110,628	87,187	75,418

Note 16 presents explanations regarding the actuarial assumptions.

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

10. INVESTMENTS IN ASSOCIATES

The Company owns 45% of the participating shares and 50% of the voting shares of Pro Vie assurances inc., a Quebec-based financial services firm.

The Company owns indirect interests in Pro Vie assurances collectives inc., a Quebec-based financial services firm which is wholly owned by Pro Vie assurances inc. and in 9290-3152 Quebec Inc., a Quebec-based financial services firm, which is owned at 50% by Pro Vie assurances inc.

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Shares	**925**	947	991
Loans	**213**	154	377
Advances	**-**	-	70
	1,138	1,101	1,438

Loans to associates bear interest at a rate of 4.00% (4.00% in 2012) and have an indefinite term.

The following table summarizes the associates' financial information:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Assets	**1,674**	1,366	1,902
Liabilities	**718**	509	963

	2013	2012
	$	$
Income	**4,537**	3,790
Net income	**71**	197
Dividends received	**45**	58

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

11. OTHER FINANCIAL ASSETS

Investment income receivable, premiums receivable, receivables from reinsurers, receivables from agents and other receivables represent the Company's financial assets other than investments, investments in associates and derivative financial instruments.

These financial assets are classified as loans and receivables. Due to their short-term maturity, the fair value of these financial assets corresponds to their cost.

12. PROPERTY AND EQUIPMENT

December 31, 2013	Land	Buildings	Furniture and equipment	Computer equipment	Total
	$	$	$	$	$
Gross carrying amount					
Balance, beginning of year	**640**	**5,560**	**1,853**	**680**	**8,733**
Additions	**-**	**490**	**152**	**169**	**811**
Disposals	**-**	**-**	**(74)**	**(94)**	**(168)**
Balance, end of year	**640**	**6,050**	**1,931**	**755**	**9,376**
Accumulated depreciation					
Balance, beginning of year	**-**	**1,095**	**1,093**	**435**	**2,623**
Depreciation	**-**	**413**	**168**	**111**	**692**
Disposals	**-**	**-**	**(68)**	**(93)**	**(161)**
Balance, end of year	**-**	**1,508**	**1,193**	**453**	**3,154**
Net carrying amount	**640**	**4,542**	**738**	**302**	**6,222**

The depreciation expense for the year is $692 ($680 in 2012) and is presented under "General expenses" in the statement of earnings.

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

12. PROPERTY AND EQUIPMENT (CONTINUED)

December 31, 2012	Land	Buildings	Furniture and equipment	Computer equipment	Total
	$	$	$	$	$
Gross carrying amount					
Balance, beginning of year	350	4,996	1,771	650	7,767
Additions	215	289	137	79	720
Additions – Subsidiary’s acquisition	75	275	16	30	396
Disposals	-	-	(71)	(79)	(150)
Balance, end of year	640	5,560	1,853	680	8,733
Accumulated depreciation					
Balance, beginning of year	-	668	975	380	2,023
Additions – Subsidiary’s acquisition	-	27	13	24	64
Depreciation	-	400	175	105	680
Disposals	-	-	(70)	(74)	(144)
Balance, end of year	-	1,095	1,093	435	2,623
Net carrying amount	640	4,465	760	245	6,110

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

12. PROPERTY AND EQUIPMENT (CONTINUED)

January 1, 2012	Land	Buildings	Furniture and equipment	Computer equipment	Total
	$	$	$	$	$
Gross carrying amount					
Balance, beginning of year	350	4,342	1,613	764	7,069
Additions	-	654	205	92	951
Disposals	-	-	(47)	(206)	(253)
Balance, end of year	350	4,996	1,771	650	7,767
Accumulated depreciation					
Balance, beginning of year	-	325	848	484	1,657
Depreciation	-	343	174	102	619
Disposals	-	-	(47)	(206)	(253)
Balance, end of year	-	668	975	380	2,023
Net carrying amount	350	4,328	796	270	5,744

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

13. INTANGIBLE ASSETS

December 31, 2013	Operating systems acquired	Internally developed operating systems	Application software acquired	Total
	$	$	$	$
Gross carrying amount				
Balance, beginning of year	859	4,735	603	6,197
Acquired additions	-	-	139	139
Internally developed additions	-	280	-	280
Disposals	-	-	(11)	(11)
Balance, end of year	859	5,015	731	6,605
Accumulated amortization				
Balance, beginning of year	855	819	412	2,086
Amortization	1	316	86	403
Disposals	-	-	(11)	(11)
Balance, end of year	856	1,135	487	2,478
Net carrying amount	3	3,880	244	4,127

The amortization expense for the year is $403 ($340 in 2012) and is presented under “General expenses” in the statement of earnings.

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

13. INTANGIBLE ASSETS (CONTINUED)

December 31, 2012	Operating systems acquired	Internally developed operating systems	Application software acquired	Total
	$	$	$	$
Gross carrying amount				
Balance, beginning of year	859	4,116	511	5,486
Acquired additions	-	-	102	102
Internally developed additions	-	619	-	619
Disposals	-	-	(10)	(10)
Balance, end of year	859	4,735	603	6,197
Accumulated amortization				
Balance, beginning of year	853	545	358	1,756
Amortization	2	274	64	340
Disposals	-	-	(10)	(10)
Balance, end of year	855	819	412	2,086
Net carrying amount	4	3,916	191	4,111

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

13. INTANGIBLE ASSETS (CONTINUED)

January 1, 2012	Operating systems acquired	Internally developed operating systems	Application software acquired	Total
	$	$	$	$
Gross carrying amount				
Balance, beginning of year	859	3,641	372	4,872
Acquired additions	-	-	157	157
Internally developed additions	-	475	-	475
Disposals	-	-	(18)	(18)
Balance, end of year	859	4,116	511	5,486
Accumulated amortization				
Balance, beginning of year	851	302	297	1,450
Amortization	2	243	79	324
Disposals	-	-	(18)	(18)
Balance, end of year	853	545	358	1,756
Net carrying amount	6	3,571	153	3,730

14. EMPLOYEE BENEFITS

The Company offers a contributory defined benefit plan to its employees and post-retirement benefits to eligible employees, and maintains group coverage (life and health insurance) for certain employees who retired before March 1, 1999.

The contributory defined benefit plan is registered under the Supplemental Pension Plans Act and the Income Tax Act of Canada.

The contributory defined benefit plan is funded, while the other employee benefits are not funded.

The Company offers a contributory defined benefit plan to its full-time employees after one year of service. Employee contributions range from 5.25% to 7.20% of salaries, up to a maximum amount. The Company makes the necessary contributions to the plan for current services and to offset the deficit. Employee annuities are a percentage of salary for each year of participation. Normal retirement date is age 65. However, participants 60 years of age with a total of age and credited years of service of 90 may retire without benefit penalties.

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

14. EMPLOYEE BENEFITS (CONTINUED)

The Company is subject to certain employee benefit related risks, including investment returns, the discount rate used in measuring the defined benefit obligation, the life expectancy of employees and future inflation. The pension committee is responsible for determining the investment policy and analyzing regulatory changes, benefits, funding and the contributory defined benefit plan's financial situation. The pension committee has retained an independent investment manager to manage the plan assets. These assets are held by a custodian in a separate fund of the plan's sponsor.

Post-retirement benefits are offered to key management to offset the benefit reduction if the employee's participation ends between ages 55 and 60.

For accounting purposes, the Company measures its accrued benefit liability and the asset fair value on December 31 of each year. The latest full actuarial valuation for funding purposes was performed as at December 31, 2012.

Minimum funding requirements are $822 ($654 in 2012).

Cash payments for employee benefits, composed of the Company's contributions to the pension plan and premiums paid for group insurance, amount to $1,513 ($1,323 in 2012).

a) Accrued defined benefit liability

December 31, 2013	**Pension plan**	**Other benefits**	**Group insurance**	**Total**
	$	**$**	**$**	**$**
Fair value of assets	**20,581**	**-**	**-**	**20,581**
Present value of obligation	**22,792**	**546**	**649**	**23,987**
Deficit	**(2,211)**	**(546)**	**(649)**	**(3,406)**
Amounts on the statement of financial position are:				
Other liabilities (Note 18)	**2,211**	**546**	**649**	**3,406**

December 31, 2012	Pension plan	Other benefits	Group insurance	Total
	$	$	$	$
Fair value of assets	16,957	-	-	16,957
Present value of obligation	21,996	521	702	23,219
Deficit	(5,039)	(521)	(702)	(6,262)
Amounts on the statement of financial position are:				
Other liabilities (Note 18)	5,039	521	702	6,262

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

14. EMPLOYEE BENEFITS (CONTINUED)

a) Accrued defined benefit liability (continued)

January 1, 2012	Pension plan	Other benefits	Group insurance	Total
	$	$	$	$
Fair value of assets	14,938	-	-	14,938
Present value of obligation	19,848	488	723	21,059
Deficit	(4,910)	(488)	(723)	(6,121)
Amounts on the statement of financial position are:				
Other liabilities (Note 18)	4,910	488	723	6,121

b) Asset fair value

2013	**Pension plan**	**Other benefits**	**Group insurance**	**Total**
	$	**$**	**$**	**$**
Balance, beginning of year	**16,957**	**-**	**-**	**16,957**
Interest income	**782**	**-**	**-**	**782**
Return in excess of interest income	**2,000**	**-**	**-**	**2,000**
Administration fees	**(71)**	**-**	**-**	**(71)**
Employer’s contributions	**1,464**	**23**	**-**	**1,487**
Employees’ contributions	**391**	**-**	**-**	**391**
Other contributions and employees’ transfers	**54**	**-**	**-**	**54**
Benefits paid	**(996)**	**(23)**	**-**	**(1,019)**
Balance, end of year	**20,581**	**-**	**-**	**20,581**

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

14. EMPLOYEE BENEFITS (CONTINUED)

b) Asset fair value (continued)

2012	Pension plan	Other benefits	Group insurance	Total
	$	$	$	$
Balance, beginning of year	14,938	-	-	14,938
Interest income	766	-	-	766
Return in excess of interest income	689	-	-	689
Administration fees	(78)	-		(78)
Employer's contributions	1,272	23	-	1,295
Employees' contributions	304	-	-	304
Other contributions and employees' transfers	71	-	-	71
Benefits paid	(1,005)	(23)	-	(1,028)
Balance, end of year	16,957	-	-	16,957

c) Accrued defined benefit liability

2013	**Pension plan**	**Other benefits**	**Group insurance**	**Total**
	$	**$**	**$**	**$**
Balance, beginning of year	**21,996**	**521**	**702**	**23,219**
Service cost	**656**	**33**	**-**	**689**
Financial cost	**992**	**23**	**19**	**1,034**
Employees' contributions	**391**	**-**	**-**	**391**
Other contributions and employees' transfers	**54**	**-**	**-**	**54**
Actuarial gains or losses due to demographic assumptions	**899**	**(12)**	-	**887**
Actuarial gains or losses due to economic assumptions	**(1,200)**	**4**	**(46)**	**(1,242)**
Benefits paid	**(996)**	**(23)**	**(26)**	**(1,045)**
Balance, end of year	**22,792**	**546**	**649**	**23,987**

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

14. EMPLOYEE BENEFITS (CONTINUED)

c) Accrued defined benefit liability (continued)

2012	Pension plan	Other benefits	Group insurance	Total
	$	$	$	$
Balance, beginning of year	19,848	488	723	21,059
Service cost	621	34	-	655
Financial cost	1,019	26	24	1,069
Employees' contributions	304	-	-	304
Other contributions and employee's transfers	71	-	-	71
Actuarial gains or losses due to demographic assumptions	76	5	-	81
Actuarial gains or losses due to economic assumptions	1,062	(9)	(17)	1,036
Benefits paid	(1,005)	(23)	(28)	(1,056)
Balance, end of year	21,996	521	702	23,219

d) Expense

2013	**Pension plan**	**Other benefits**	**Group insurance**	**Total**
	$	**$**	**$**	**$**
Service cost	**656**	**33**	**-**	**689**
Net interest	**210**	**23**	**19**	**252**
Administration fees	**71**	**-**	**-**	**71**
	937	**56**	**19**	**1,012**

2012	Pension plan	Other benefits	Group insurance	Total
	$	$	$	$
Service cost	621	34	-	655
Net interest	253	26	24	303
Administration fees	78	-	-	78
	952	60	24	1,036

The expense for the year is $1,012 ($1,036 in 2012) and is presented under "General expenses" in the statement of earnings.

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

14. EMPLOYEE BENEFITS (CONTINUED)

e) Asset composition

The pension plan's assets consist of:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Funds – Money market	**5**	5	2
Funds – Bonds	**38**	38	44
Funds – Shares	**57**	57	54
	100	100	100

The plan assets are recognized at fair value according to a hierarchy based on the significance of the input used in making the measurements. The fair value hierarchy comprises three levels, including level 1 that uses quoted prices (unadjusted) in active markets for identical financial assets to which the pension plan has access. The plan assets are level 1.

The pension plan does not own any Company-issued shares.

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

14. EMPLOYEE BENEFITS (CONTINUED)

f) Actuarial assumptions

2013	**Pension plan**	**Other benefits**	**Group insurance**
	%	**%**	**%**
Accrued defined benefit liability			
Discount rate	**4.85**	**4.85**	**2.90**
Rate of salary increase	**2.50**	**2.50**	**-**
Expense			
Discount rate	**4.50**	**4.50**	**2.70**
Rate of salary increase	**2.50**	**2.50**	**-**

2012	Pension plan	Other benefits	Group insurance
	%	%	%
Accrued defined benefit liability			
Discount rate	4.50	4.50	2.70
Rate of salary increase	2.50	2.50	-
Expense			
Discount rate	5.00	5.00	3.30
Rate of salary increase	3.00	3.00	-

The estimated remaining service life of pension plan participants is 17 years (15 years in 2012).

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

14. EMPLOYEE BENEFITS (CONTINUED)

g) History and experience adjustments

	2013	2012	2011	2010
	$	$	$	$
Pension plan				
Fair value of assets	**20,581**	16,957	14,938	14,951
Present value of obligation	**22,792**	21,996	19,848	17,590
Deficit	**(2,211)**	(5,039)	(4,910)	(2,639)
Other benefits				
Present value of obligation	**546**	521	488	421
Group insurance				
Present value of obligation	**649**	702	723	684
Experience-related asset adjustments				
Pension plan – Gain (loss)	**2,000**	689	(1,217)	173
Experience-related liability adjustments				
Pension plan – Gain (loss)	**301**	(1,138)	(1,674)	(1,966)
Other benefits – Gain (loss)	**8**	4	(40)	(26)
Group insurance – Gain (loss)	**46**	17	(42)	(30)

h) Employer's future contributions

The Company expects to make pension plan contributions amounting to $1,432 ($1,238 in 2012) during the next year.

i) Sensitivity analysis

Actuarial assumptions can have a significant impact on employee benefit amounts.

The impact of a 0.25% decrease in the discount rate would result in a $900 increase in the defined benefit liability.

The impact of using 90% of the probabilities of mortality table UP94, projected in a generational way, with a scale of future mortality improvement (level AA) would result in a $545 increase in the defined benefit liability.

The impact of a 1% variation in medical costs of group insurance would be negligible.

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

15. CREDIT FACILITIES

The Company has an unused line of credit of $1,100 bearing interest at the prime rate of 3.00% (3.00% as at December 31, 2012 and 3.00% as at January 1, 2012) and renewable in April 2014.

16. POLICY RESERVES

a) Composition of policy reserves

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Individual life insurance	**157,864**	173,267	171,251
Group life insurance	**46,321**	49,312	46,801
Individual annuities	**9,413**	11,272	12,371
Group annuities	**40**	45	52
Individual accident and health insurance	**79,684**	42,894	29,256
Group accident and health insurance	**21,743**	20,349	20,031
	315,065	297,139	279,762

b) Composition of assets backing net policy reserves

Assets are segmented to match the net cash flows of assets and liabilities for each business line. For each date presented, the first table reconciles net policy reserves, and the second presents the composition of assets covering net policy reserves.

December 31, 2013	**Life insurance**	**Annuities**	**Accident and health insurance**	**Total**
	$	**$**	**$**	**$**
Policy reserves	**204,185**	**9,453**	**101,427**	**315,065**
Reinsurance assets	**(34,622)**	**-**	**(73,329)**	**(107,951)**
	169,563	**9,453**	**28,098**	**207,114**

December 31, 2013	**Life insurance**	**Annuities**	**Accident and health insurance**	**Total**
	$	**$**	**$**	**$**
Bonds	**168,186**	**7,264**	**19,049**	**194,499**
Money market	**168**	**84**	**1,131**	**1,383**
Preferred shares	**616**	**2,064**	**3,882**	**6,562**
Other	**593**	**41**	**4,036**	**4,670**
	169,563	**9,453**	**28,098**	**207,114**

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

16. POLICY RESERVES (CONTINUED)

b) Composition of assets backing net policy reserves (continued)

December 31, 2012	Life insurance	Annuities	Accident and health insurance	Total
	$	$	$	$
Policy reserves	222,579	11,317	63,243	297,139
Reinsurance assets	(38,233)	-	(46,663)	(84,896)
	184,346	11,317	16,580	212,243

December 31, 2012	Life insurance	Annuities	Accident and health insurance	Total
	$	$	$	$
Bonds	183,629	10,645	12,255	206,529
Money market	168	628	616	1,412
Other	549	44	3,709	4,302
	184,346	11,317	16,580	212,243

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

16. POLICY RESERVES (CONTINUED)

b) Composition of assets backing net policy reserves (continued)

January 1, 2012	Life insurance	Annuities	Accident and health insurance	Total
	$	$	$	$
Policy reserves	218,052	12,423	49,287	279,762
Reinsurance assets	(38,203)	-	(34,619)	(72,822)
	179,849	12,423	14,668	206,940

January 1, 2012	Life insurance	Annuities	Accident and health insurance	Total
	$	$	$	$
Bonds	177,332	10,998	10,373	198,703
Money market	2,096	1,409	1,776	5,281
Other	421	16	2,519	2,956
	179,849	12,423	14,668	206,940

The impact of an immediate and permanent 1% increase in interest rates of investments backing net policy reserves would be an increase of about $1,300 ($1,900 in 2012) of net income.

The impact of an immediate and permanent 1% decrease in interest rates of investments backing net policy reserves would be a decrease of about $1,800 ($2,500 in 2012) of net income.

16. POLICY RESERVES (CONTINUED)

c) Assumptions

Assumptions used in calculating policy reserves are based on best estimates for the term of the policies with respect to numerous variables, including mortality, morbidity, interest rates, fees, policy lapse rate, inflation, policyholders' participations and taxes. These estimates may be revised on subsequent valuation dates.

The methods used to determine the most significant assumptions are explained below:

Mortality

The Company conducts an annual mortality study for the individual life insurance sector.

For mortality in individual life insurance, the assumption is taken from recent industry experience published by the Canadian Institute of Actuaries, adjusted in accordance with the Company's results in the last five years to recognize its actual mortality experience.

For mortality in individual annuities, the assumption is taken from recent industry experience published by the Canadian Institute of Actuaries. Also, the assumption used incorporates an improvement in the actual mortality level.

Morbidity

The assumption is based on the Company's and industry's results in recent years.

Interest rate

The Company has assets backing policy reserves. Cash flows of assets and liabilities are projected then accumulated until the end of the cash flow projection period using an assumed interest rate. Future interest rates reflect the current economic outlook and the Company's investment policy.

Fees

Policy management fees are based on internal studies on the distribution of the Company's costs by line of business.

Policy lapse rate

Assumptions concerning the policy lapse rate are based on the Company's experience and reflect a decrease in lapse rates in the insurance products line of business based on industry-forecasted lapse rate.

Margin for adverse deviations

A margin for adverse deviations was added to each assumption in order to recognize the uncertainty surrounding the establishment of best estimates, to consider a possible deterioration in experience and to provide greater assurance that the amount of policy reserves is sufficient to pay future benefits.

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

16. POLICY RESERVES (CONTINUED)

d) Change in policy reserves

Change in policy reserves is as follows:

	2013	2012
	$	$
Balance, beginning of year	**297,139**	279,762
Impact of a portfolio transfer	**35,932**	-
Normal change	**(19,892)**	19,252
Basis change	**1,886**	(1,875)
Balance, end of year	**315,065**	297,139

e) Insurance risk

Insurance risk is the risk that an insured event occur and that there be large deviations between actual results and the actuarial assumptions used.

As an insurance company, the Company is in the business of accepting risk associated with insurance contract liabilities. The Company mitigates its exposure to insurance risk through various means, including product design, product rating and the use of reinsurance treaties.

The following table provides an estimate of the impact of changes in the actuarial assumptions used on the Company's net income.

		2013		2012
	Unfavorable variance	**Impact on net income**	Unfavorable variance	Impact on net income
	%	**$**	%	$
Mortality	**2**	**634**	2	646
Morbidity	**5**	**2,795**	5	2,514
Expenses	**5**	**2,625**	5	2,806
Policy lapse rate	**10**	**4,134**	10	4,203

f) Reinsurance risk

In the normal course of its activities, the Company uses reinsurance to reduce its exposure to high amount claims. All reinsurance is underwritten by reinsurers registered with a federal or provincial authority. Reinsurance treaties also protect the Company in case of disasters or events affecting numerous policyholders. These reinsurance agreements do not release the Company from its obligations to policyholders.

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

17. PROVISIONS

In the normal course of its operations, the Company is named as defendant in connection with legal proceeding relating to insurance contracts. Each claim is analyzed and the Company determines the relevance and amount of any provision required.

The Québec Drug Insurance Pooling Corporation (hereinafter the "Pooling Corporation") is a private body under the authority of the life insurance industry. It was established following the adoption of the *Act Respecting Prescription Drug Insurance* and the creation of the basic drug insurance plan. The Pooling Corporation's role is to oversee the proper functioning of the system the industry created in order to share the risks arising from the basic plan among insurers and administrators of employee benefit plans. This pooling system is the only mechanism recognized for this purpose by the Quebec government. The Pooling Corporation determines the pooling terms and contribution for each insurer. At the end of each fiscal year, the Company recognizes a risk pooling provision.

2013	**Litigation**	**Risk pooling**	**Total**
	$	**$**	**$**
Balance, beginning of year	**300**	**718**	**1,018**
Increase	**348**	**647**	**995**
Utilizations or payments	**(150)**	**(171)**	**(321)**
Reversal of excess provisions	**(90)**	**(220)**	**(310)**
Balance, end of year	**408**	**974**	**1,382**

2012	Litigation	Risk pooling	Total
	$	$	$
Balance, beginning of year	268	457	725
Increase	358	328	686
Utilizations or payments	(245)	-	(245)
Reversal of excess provisions	(81)	(67)	(148)
Balance, end of year	300	718	1,018

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

18. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Trade and other payables	**6,800**	5,572	5,415
Employee benefits (Note 14)	**3,406**	6,262	6,121
Derivative financial instruments (Note 21)	**-**	100	-
Loan	**48**	58	-
	10,254	11,992	11,536

The loan of a subsidiary bears interest at 7.14%, and matures in 2017. Capital reimbursements will amount to $11 in 2014, $12 in 2015, $13 in 2016 and $12 in 2017.

19. FINANCIAL LIABILITIES

The Company's financial liabilities consist of benefits payable, deposits, participations and experience refunds payable, trade and other payables, the loan and the debenture.

These financial liabilities are classified in financial liabilities other than those at fair value through profit or loss (other financial liabilities). Due to their short-term maturity, the fair value of these financial liabilities corresponds to their cost.

20. DEBENTURE

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Debenture	**9,828**	-	-

The debenture, issued to an institutional investor, is not guaranteed. It bears interest at 7,00% until February 7, 2018 and, thereafter, at the rate of return of Canadian government five-year bonds plus 5.64%.

The debenture is due on February 7, 2028 and is redeemable as of its 10th anniversary. Additionally, no capital payments are due before February 7, 2028.

The carrying amount of the debenture includes transaction costs. The fair value of the debenture does not differ significantly from the carrying amount.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has foreign exchange contracts to purchase a nominal amount of five million three hundred thousand US dollars to pay travel insurance benefits. These contracts mature in less than one year. As at December 31, the fair value of this derivative financial asset is $111 (liability of $100 as at December 31, 2012 and asset of $64 as at January 1, 2012).

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

22. INCOME TAXES

a) Effective tax expense

The effective income tax expense differs from the expense that would be established using federal and provincial statutory rates for the following reasons:

	2013	2012
	$	$
Earnings before income taxes	**5,305**	4,955
Tax on investment income	**(124)**	(159)
	5,181	4,796
Income tax expense according to statutory rates	**1,394**	1,290
Change arising from the following items:		
Non-taxable income	**(186)**	(43)
Non-deductible items	**106**	113
Other differences	**(94)**	40
	1,220	1,400
Tax on investment income	**124**	159
	1,344	1,559

The tax rate used is 26.9% (26.9% in 2012) and is applicable to the Company's taxable income in Canada under the current tax legislation.

b) Tax expense

The income tax expense for the year consists of:

	2013	2012
	$	$
Current income taxes	**2,282**	714
Deferred income taxes	**(938)**	845
	1,344	1,559

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

22. INCOME TAXES (CONTINUED)

c) Deferred tax assets

The deferred tax assets presented in the statement of financial position include the following timing differences:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Employee benefits	**61**	**120**	**77**
Other	**170**	**51**	**34**
	231	**171**	**111**

Changes in the deferred tax assets, by nature, are as follows:

December 31, 2013	**Balance, beginning of year**	**Recognized in net income**	**Recognized in other comprehensive income**	**Balance, end of year**
	$	**$**	**$**	**$**
Employee benefits	**35**	**(7)**	**(11)**	**17**
Other	**11**	**(1)**	**37**	**47**
	46	**(8)**	**26**	**64**

December 31, 2012	Balance, beginning of year	Recognized in net income	Recognized in other comprehensive income	Balance, end of year
	$	$	$	$
Employee benefits	21	-	14	35
Other	9	2	-	11
	30	2	14	46

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

22. INCOME TAXES (CONTINUED)

c) Deferred tax assets (continued)

January 1, 2012	Balance, beginning of year	Recognized in net income	Recognized in other comprehensive income	Balance, end of year
	$	$	$	$
Bonds	12	(12)	-	-
Policy reserves	50	(50)	-	-
Employee benefits	-	-	21	21
Other	4	5	-	9
	66	(57)	21	30

d) Deferred tax liabilities

The deferred tax liabilities presented in the statement of financial position include the following timing differences:

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
Bonds	**215**	238	268
Policy loans	**1,603**	1,601	1,611
Property and equipment and intangible assets	**5,632**	6,134	5,508
Policy reserves	**2,774**	3,037	168
Employee benefits	**(3,345)**	(6,141)	(6,056)
Other	**(613)**	(263)	330
	6,266	4,606	1,829

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

22. INCOME TAXES (CONTINUED)

d) Deferred tax liabilities (continued)

Changes in the deferred tax liabilities, by nature, are as follows:

December 31, 2013	**Balance, beginning of year**	**Recognized in net income**	**Recognized in other comprehensive income**	**Balance, end of year**
	$	**$**	**$**	**$**
Bonds	**62**	**96**	**(103)**	**55**
Policy loans	**419**	**(11)**	**-**	**408**
Property and equipment	**1,606**	**(218)**	**-**	**1,388**
Policy reserves	**795**	**(89)**	**-**	**706**
Employee benefits	**(1,663)**	**189**	**623**	**(851)**
Other	**(74)**	**(913)**	**875**	**(112)**
	1,145	**(946)**	**1,395**	**1,594**

December 31, 2012	Balance, beginning of year	Recognized in net income	Recognized in other comprehensive income	Balance, end of year
	$	$	$	$
Bonds	69	(182)	175	62
Policy loans	416	3	-	419
Property and equipment	1,423	183	-	1,606
Policy reserves	43	752	-	795
Employee benefits	(1,639)	79	(103)	(1,663)
Other	85	12	(171)	(74)
	397	847	(99)	1,145

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

22. INCOME TAXES (CONTINUED)

d) Deferred tax liabilities (continued)

January 1, 2012	Balance, beginning of year	Recognized in net income	Recognized in other comprehensive income	Balance, end of year
	$	$	$	$
Bonds	2,247	(2,019)	(159)	69
Policy loans	425	(9)	-	416
Property and equipment	1,166	257	-	1,423
Policy reserves	(1,339)	1,382	-	43
Employee benefits	173	98	(1,910)	(1,639)
Other	(137)	168	54	85
	2,535	(123)	(2,015)	397

23. SHARE CAPITAL

Authorized

Unlimited number of shares without par value

Common shares, voting and participating
Participating shares, non-voting
Preferred shares, non-voting, issuable in series

Issued and outstanding

	December 31, 2013	December 31, 2012	January 1, 2012
	$	$	$
35 000 common shares	**35,000**	35,000	-

24. CAPITAL MANAGEMENT

The Company's capital consists of the share capital, the contributed surplus, retained earnings and other comprehensive income and is presented in the statement of financial position under “Equity”. The Company manages capital to:

i) Provide additional financial protection to its policyholders above policy reserves recognized, while maintaining sufficient capital to ensure its financial stability;

ii) Provide the necessary capital for its growth and development.

Current internal capital management policies include, among others:

- The annual filing of short- and long-term financial forecasts indicating capital requirements, for both financial and regulatory purposes, with the Board of Directors;
- An annual analysis of the payment policy with respect to policyholders’ participations;
- An investment policy providing for, in particular:

  i) Managing the maturity of liabilities and assets to limit mismatching risks and thus manage the regulatory capital required;

  ii) Qualitative elements limiting the risks related to credit, market concentration and liquidity shortage;
- Appropriate product pricing to reflect the capital used.

The Company is subject to capital ratio requirements determined by the Autorité des marchés financiers, the organization controlling financial institutions incorporated under Quebec laws. Based on the valuation rules prescribed, a life and health insurance company must maintain a minimum ratio of 100% between available capital and required capital. The Autorité des marchés financiers also expects life and health insurance companies to set capital ratio objectives that exceed established minimal requirements in order to carefully manage the funds available and allow the insurer to face risks that are not covered by the minimum ratio and to protect itself against volatile market and economic conditions.

The current solvency ratio is 224% (203% as at December 31, 2012 and 203% as at January 1, 2012) and it is well above the target ratio set by the Company.

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

25. SUPPLEMENTARY CASH FLOW INFORMATION

	2013	2012
	$	$
Interest received	**6,376**	6,473
Dividends received	**849**	250
Interest paid relating to operating activities	**57**	51
Interest paid relating to financing activities	**625**	-
Income taxes paid (recovered)	**(101)**	822

26. CONTRACTUAL COMMITMENTS

The Company's contractual commitments relate to various service agreements and operating leases on equipment. Minimum payments under the agreements are as follows:

	2013	2012
	$	$
Less than 1 year	**788**	743
Between 1 year and 5 years	**2,681**	585
More than 5 years	**323**	-
	3,792	1,328

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

27. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between the Company and its subsidiaries that are related parties have been eliminated and are not presented in this note. Details of the transactions between the Company and other related parties are presented below.

a) Business transactions

Related party business transactions are concluded in the normal course of operations and measured at the exchange amount established and accepted by the parties:

	2013	2012
	$	$
Associates		
Investment income	**8**	8
Commissions	**859**	989
Trade and other payables	**52**	78

b) Key management personnel remuneration

The Company's key management personnel include directors and members of the Management Committee. Key management personnel remuneration, as determined by the Human Resources Committee and the Board of Directors, is presented in the following table:

	2013	2012
	$	$
Short-term benefits	**2,057**	2,339
Other long-term benefits	**252**	758
	2,309	3,097

28. FUTURE ACCOUNTING CHANGES

IFRS are constantly changing and the following changes could have an impact on the Company's consolidated financial statements.

a) IAS 32 – Financial Instruments: Presentation

The Company will adopt the guidance included in the December 2011 changes to IAS 32, Financial Instruments: Presentation, as of January 1, 2014. This revised standard specifies the requirements for offsetting financial assets and liabilities.

The Company is currently assessing the impact that this standard will have on its financial statements.

b) IAS 36 – Impairment of Assets

An amendment to IAS 36, Impairment of Asset, was released in May 2013. This amendment proposes to require further disclosures on the recoverable amount of impaired non-financial assets.

The provisions of this amendment will apply as of January 1, 2014.

The Company is currently assessing the impact that this amendment will have on its financial statements.

c) IAS 39 – Financial Instruments: Recognition and Measurement

An amendment to IAS 39, Financial Instruments: Recognition and Measurement, was released in June 2013. This amendment deals with the novation of derivatives and continuation of hedge accounting.

The provisions of this amendment will apply as of January 1, 2014.

The Company is currently assessing the impact that this amendment will have on its financial statements.

d) IFRS 4 – Insurance Contracts

In June 2013, the International Accounting Standards Board (IASB) published an amended exposure draft proposing amendments to the accounting standard on insurance contracts. The amended exposure draft proposes methods to measure insurance contracts that differ considerably from the current Canadian method. This change could result in a significant change in the Company's earnings. The exposure draft also proposes changes to the presentation and disclosure requirements for financial statements.

Until a new IFRS on the measurement of insurance contracts is published, the Company will continue to measure insurance contract liabilities in accordance with the Canadian Asset Liability Method. The effective date of a definitive standard is not for many years. The Company continues to monitor developments in this matter.

28. FUTURE ACCOUNTING CHANGES (CONTINUED)

e) IFRS 9 – Financial Instruments

The new standard requires that financial assets be measured at amortized cost or at fair value on initial recognition.

The impact of IFRS 9 on the Company will be assessed in greater depth once all items of the IASB's financial instrument project have been finalized.

The effective date of a definitive standard is undetermined. The Company continues to monitor developments in this standard considering the changes to IFRS 4.

f) IAS 17 - Leases

In August 2013, the IASB published an amended exposure draft proposing a new accounting method for leases under which the lessor and the lessee will be required to recognize assets and liabilities in the statement of financial position at the discounted value of lease payments from all leases. The new classification would be based on a "right-of-use" approach that would replace the operating lease and financing-type lease basis currently in use.

The Company will conduct an in-depth assessment of the impact of the proposed changes once the final version of the standard for leases has been published.

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