



LET'S TALK  
ABOUT THE  
**FUTURE**



ANNUAL REPORT **2015**



A subsidiary of LS Mutual Management

# MISSION

Design and provide health insurance products that rely on innovation to meet the changing needs of Canadians.

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# VALUES

**INNOVATION**  
the only path to a promising future.

**EMPATHY**  
an integral part of our mutual company culture.

**TEAM SPIRIT**  
our ability to trust our colleagues and foster solidarity.

**COMPETENCE**  
giving it our best.

**INTEGRITY**  
key to developing a client relationship built on trust.

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# VISION

To become the inevitable choice for health insurance products.

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# 2015 OVERVIEW



Humania Assurance  
sales completed online  
by independent advisers

**22%**



Individual insurance sales completed  
outside of Quebec by Humania Assurance  
and its subsidiary LS-Travel

**31%**

Growth in  
net revenue

**13.2%**

Growth in  
net premiums

**9.1%**

Growth in  
assets

**7.7%**

Growth in  
equity

**32.5%**

Net  
earnings

**\$4.5M**

Solvency  
ratio

**209%**

Return  
rate

**8.6%**

A man with grey hair, wearing a grey suit, white shirt, and patterned tie, stands in front of a large window. The window looks out onto a cityscape with buildings and a clear sky. The man is smiling slightly and has his hands in his pockets.

# CHAIRMAN OF THE BOARD'S MESSAGE

**AS IN YEARS PAST, THE BOARD OF DIRECTORS CLOSELY FOLLOWED THE COMPANY'S DEVELOPMENT THIS YEAR. WE ARE BOUND BY THE FIDUCIARY DUTY ENTRUSTED TO US BY THE MUTUAL MEMBERS TO DILIGENTLY FULFIL OUR MANDATE.**

Despite a slight drop in earnings compared to last year, the Board of Directors fully backs the Company's solid strategic orientations and subsequent action plans. This year, we again focus on the conclusive results from market development in the ROC and new online product sales.

In 2015, there was, however, a slight decline in our net earnings, from \$4.9 down to \$4.5 million. According to the Board of Directors, the factors contributing to this decline are well identified and under control, as illustrated in the President and Chief Executive Officer's report.



“ **The Board and management will continue to invest in the development plan.** ”

It is true that, for several years now, the financial services industry, particularly the insurance sector, has had to adapt to a low interest rate environment, which limits insurers' latitude for action. Despite this, Humania Assurance's management team is forging ahead with its development plan, with the full support of the Board of Directors. It was under these circumstances that the Board gladly welcomed the Fonds de solidarité des travailleurs du Québec's (F.T.Q.) interest in investing in the Company by becoming a minority shareholder. Starting in 2012, the Board of Directors authorized management to proceed with a legal restructuring of the Company in order to gain access to external capital to support its development initiatives.

Again in response to the low interest rates, the directors completed a thorough analysis of the situation and then agreed to make changes to the investment policy by adopting new financial instruments to generate the greatest possible returns on the management of our equity while exercising a healthy degree of caution. The impact analyses of these new measures are already showing positive results.

“ **Generating a greater return on our equity while exercising a healthy degree of caution.** ”

The Board also places great importance on identifying and managing the Company's risks. The Board of Directors and the Audit Committee made a point of reviewing the acceptable risk tolerance level for the Company in accordance with the risk management policy, which provides the framework for the Company's operations.

With the same discipline, we monitored our operations to ensure the Company's compliance with legal and regulatory requirements. Action plans proposed by management were carried out in accordance with the Board's expectations.

The directors are making every effort necessary to ensure the Board of Directors adds real value to the Company. The Company must be able to depend on directors who are competent, upstanding and committed to the success of Humania Assurance. Each member is aware of this reality and is fully invested again this year in advising, supporting and overseeing the management team. In addition, the activity reports drawn up by the Board's various committees, found at the end of the annual report, demonstrate the dedication of each committee.

I thank my colleagues on the Board of Directors, as well as the Company's employees and our management team for their ongoing dedication.

*Jacques Martineau*

**Jacques Martineau**  
Chairman of the Board



# PRESIDENT AND CHIEF EXECUTIVE OFFICER'S **REPORT**

**OUR BIGGEST ACHIEVEMENT IN 2015  
WAS THE PROGRESS WE MADE TOWARD  
OUR STRATEGIC GOALS, DESPITE THE  
UNSTABLE ENVIRONMENT WITHIN WHICH  
WE CURRENTLY FIND OURSELVES.**

To achieve this, we had to sacrifice some growth in favour of responsible management, which required a premium increase for some of our products that were particularly vulnerable to low interest rates and maintaining important investments that are part of our strategic development plan.

This boosted our sales in the ROC in our individual insurance segment to just over 30% for 2015. In addition, if we exclude the sales of our subsidiary, LS-Travel, over 20% of the Company's sales occurred online. We are delighted by these results, which are central to the Company achieving the main targets of our development plan.

## BUSINESS DEVELOPMENT

While our total sales grew by nearly 10% last year, they remained stable in 2015. Despite this, some segments made marked progress, such as our travel insurance sector, which has maintained steady growth despite the increasing competition in this line of business. Once again, I would like to underline the exceptional work of our partner Tour+Med.

“ Our second product, *Children360*, that is only available online ”

The Company has forged ahead with its individual insurance strategy to develop markets outside of Quebec and web distribution by proposing a second product available only online, *Children360*, to our advisor network. This product is aligned with our strategy and targets a very specific market. Our goal was to offer better protection for children ages 0 to 15 diagnosed with a critical illness and to increase support for their parents. On the heels of our commercial and technological success, *Insurance Without Medical Exam*, this new, innovative product has confirmed that our teams are fully capable of developing and marketing reliable, high-quality online products.

In group insurance, our sales have significantly declined due to our reluctance to enrol groups with rather uncertain profitability. Instead, we focused on supporting select strategic partnerships that help us meet the needs of groups seeking long-lasting relationships. Although this strategy lowered our sales volume in this line of business, we believe it will prove more profitable for the Company in the long run.

“ Our most valued strategic partnership is that which connects us to our advisor network. ”

In terms of distribution, we reiterate our full faith in our advisor networks' ability to distribute our products. We are well aware of the many challenges facing distribution firms. We are a proud partner of the advisor network and readily invest in it to support the development of firms seeking financial assistance. It is our intention to maintain and further develop what we feel is our most valuable strategic

partnership - that which connects us to the advisor network. It is with this in mind that, in 2015, Humania Assurance strengthened its over 15-year association with Pro Vie Insurance by acquiring a majority of its shares.

“ Our partnership with the Fonds de solidarité des travailleurs du Québec (F.T.Q.) brings added financial depth to the Company. ”

## FINANCIAL ANALYSIS

Another highlight this past year was the association we established with the Fonds de solidarité des travailleurs du Québec (F.T.Q.). To recap, in 2012, Humania Assurance undertook legal restructuring to enable the Company to issue share capital, while ensuring that members retained majority ownership of their insurance company. The purpose of this restructuring was to improve the Company's access to external capital to finance our ambitious web development projects, boost sales in the ROC and support the advisor network. Over the course of 2015, Humania Assurance issued a minority portion of its share capital to the Fonds de solidarité des travailleurs du Québec (F.T.Q.). Our Board of Directors and management team have no doubt that this partnership adds financial depth to the Company in a time when it is investing heavily in its future.

### Results

In 2015, the Company generated earnings before taxes of \$5.1 million, with net earnings of \$4.5 million, down from last year's \$4.9 million. The primary factors contributing to our drop in earnings include the strengthening of our actuarial reserves derived from components of some of our products' premium returns and the ongoing investments within our development plan.

### Revenue

Our gross revenue jumped by 12.1% to a total of \$152.5 million in 2015. This figure does not include investment income generated by the change in fair value of our investments, as this change is duly reflected in our expenses. It does, however, include the results from the Pro Vie Insurance firm, which has been a subsidiary of the Company since January 1, 2015.

A strong majority of our revenue came from gross insurance premiums, which brought in \$130.9 million, an 8.7% increase over last year. This growth is explained by our sales performance in 2015 and our high contract retention rate.

“ Our net earnings increased by 13.2%. ”

Our net investment earnings reached \$15.7 million, the same level as last year. As a result, if we exclude the change in fair value of investments matched to actuarial liabilities, Humania Assurance's 2015 net revenue totalled \$124.8 million, up by 13.2%.

### Expenses

Company expenses in 2015 totalled \$115.8 million. This includes the \$14.1 million change in actuarial liabilities. Our general expenses rose to \$33.4 million, a significant increase from last year that can be largely attributed to the consolidation of our financial statements due to the acquisition of an additional subsidiary in 2015. By excluding this factor, the increase in our general expenses matches our initial forecast.

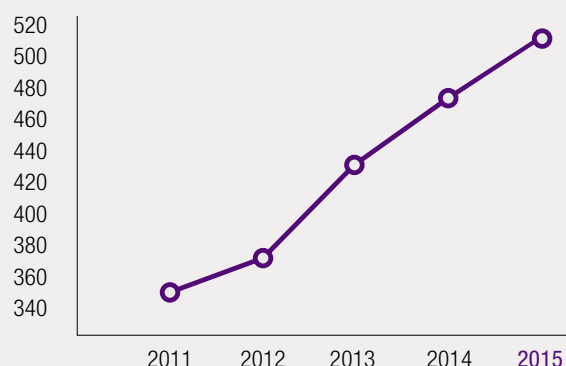
Benefits paid to our insureds reached \$66.2 million, up nearly 3% compared to last year.

### Balance Sheet

The Company's assets as at December 31, 2015, rose by 7.7%, totalling \$514 million, versus \$477.2 million in 2014.

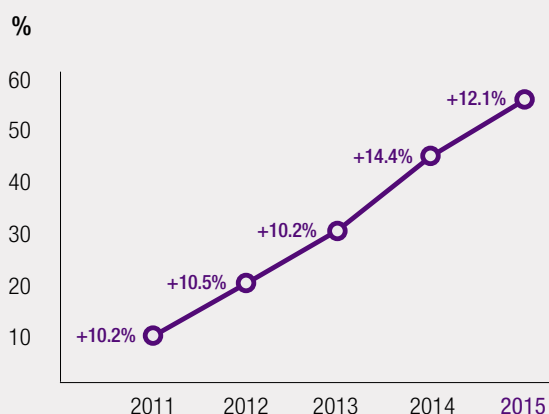
## VARIATION IN ASSETS

Million \$

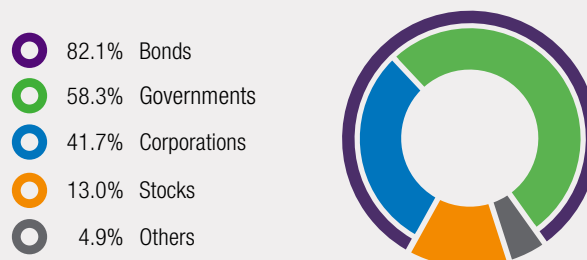


## GROWTH IN GROSS REVENUE

(excluding the market value change of investments tied to actuarial liabilities)



## INVESTMENT DISTRIBUTION





Our liabilities grew to \$444.5 million, 86.8% of which were actuarial.

Humania Assurance is equity saw significant growth, rising from \$52.5 million last year to \$69.6 million as at December 31, 2015. This increase of over 32% is largely due to the Company's issuing of shares valued at \$15 million to the Fonds de solidarité des travailleurs du Québec (F.T.Q.).

## CHALLENGES FOR 2016

The Company has reached the halfway mark for implementing its 2015-2018 development plan. The development plan is intended to help the Company overcome some major challenges, such as expanding our market in order to maintain growth and reforming our customer service model to meet the new expectations of our web-based clients.

### Expand our Market to Maintain Steady Growth

As previously stated, the specialized nature of our products and our desire to target specific lines of business demonstrate how important it is to expand our market in order to maintain steady growth over the long term. Despite highly encouraging results over the last two years and over 30% individual insurance sales volume in the ROC, we must continue to focus heavily on expanding our market for several years to come. We will therefore continue our efforts to develop tools which make us stand out by automating our processes for faster, more efficient service to better meet the changing needs of our clients.

Furthermore, in the short term, we will continue to build upon the success of our web-based products, *Insurance Without Medical Exam* and *Children360*, in order to expand our penetration of the ROC. We will also expand our presence in other provinces by improving manager support in Western Canada and Ontario. Their contribution is key to the ongoing development of our Canada-wide advisor network.





## Reviewing our customer service model to better meet web-based service challenges.



### Reform our Customer Service by Leveraging New Tools

We also plan to reform our customer service model to continue meeting the needs of our growing English-speaking client base comprised of insureds and distributors, and to better meet web-based service challenges.

We believe that the inclusion of web-based sales in our distribution strategy should also mean streamlining transactions and customer relations with these new clients. This will be a multi-phase project to be carried out over several years. Our ultimate goal is to implement a cutting-edge customer relationship management (CRM) platform enabling us to better leverage our system data to facilitate information access and improve the quality of our communications and services. The implementation of this multi-channel service centre will continue to be one of our main focuses in 2016.



## Our Company is continuously evolving.



Our many projects show that our Company is constantly evolving and adapting. They are a reflection of our belief that the only way for us to earn our current position as a market leader and to generate growth is to accept change and transform along with it at the pace and to the extent set by the consumer. This is the challenge Humania Assurance has been rising to meet in recent years, with all the boldness required to innovate and astound, a challenge that we take on yet again in 2016.

### THANKS

We could not maintain such ambition and enthusiasm for the Company's future without the steadfast dedication of our staff. Dedication that, once again, merits sincere thanks to each and every employee for their exceptional work.

I would also like to thank the management team. Each member demonstrates exemplary leadership, inspiring us all to invest in the Company's development.

Humania Assurance also relies on an exceptional Board of Directors, who inspire trust and respect. I wish to thank every manager and the Chairman of the Board, Jacques Martineau.

I would also like to extend a very special thanks to our colleague, Stéphane Rochon, who, after dedicating thirteen years of his career as Vice-President, Sales and Marketing at Humania Assurance, has decided to take on a new career opportunity. Thank you, Stéphane, for making such a positive impact on Humania Assurance. I wish you every success in the future.

**Richard Gagnon**  
President and Chief Executive Officer

# SENIOR MANAGEMENT

## PRESIDENT AND VICE-PRESIDENTS

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**Richard Gagnon**, F.AdM.A.  
President and Chief Executive Officer

**Luc Bergeron**, FCIA, FSA  
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

**Daniel F. Gravel**, CHS  
Vice-President as interim | Sales and Marketing  
(since January 25, 2016)

**Éric Levac**, B. Sc., MBA, PMP  
Vice-President | Information Technology

## DIRECTORS

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**Yolande Audette**  
Director | Compliance

**Nicole Beaulieu**  
Director | Representative and Customer Services

**Lynda Brunet**, B. Sc. Management, FLMI  
Director | Operations, Group Insurance

**Jean-Patrice Dozois**, B.A., LL. B.  
Senior Director | Compliance

**Alina Dudau**, A.S.A.  
Director | Actuarial

**Sylvie Fontaine**, CPA, CMA, FLMI/M, ACS  
Director | Management Accounting

**Danielle Lacombe**, B.A.A., CRHA  
Director | Human Resources

**Élisabeth Landry**, B.A.A.  
Director | Product Development and Marketing

**Valérie Le Roux**, ACS  
Director | Administration, Individual Insurance

**Alain Lussier**, B. Sc.  
Director | Auxiliaries Services

**Nathalia Wosik**, B. Sc.  
Director | Claims

## SALES TEAM

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### Directors

**Jason Broadfoot**, B.A.  
Regional Manager, British Columbia  
Individual Insurance

**Isabelle Girard**  
Provincial Director of Sales, Quebec  
Group Insurance

**Amélie Jodoin**  
Sales Manager, Quebec  
Individual Insurance

### Sales Representatives

**Mélina Gauthier**, C.A.A.S.  
Sales Representative, Quebec  
Group Insurance

**Roberta Lust**, B. Mgmt, CHS  
Regional Manager, Alberta  
Individual Insurance

**Michael J. Suska**, B. Sc., CFP, CHS  
National Sales Director, Outside Quebec  
Individual Insurance

**Charles Tremblay**, B. Sc.  
Provincial Director of Sales, Quebec  
Individual Insurance

**Brian M. Paivo**  
Sales Representative, Ontario  
Group Insurance

# SUMMARY CONSOLIDATED **FINANCIAL STATEMENTS**

LS MUTUAL MANAGEMENT





## SUMMARY CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 2015 (in thousands of Canadian dollars)

	2015 \$	2014 \$
<b>INCOME</b>		
<b>Premiums</b>		
Gross premiums	130,889	120,366
Premiums ceded to reinsurers	(27,715)	(25,773)
Net premiums	103,174	94,593
<b>Investments</b>		
Investment income	15,682	15,693
Change in fair value of financial assets designated at fair value through profit or loss	(3,972)	31,695
Net investment income	11,710	47,388
<b>Distribution revenues</b>	5,945	-
	120,829	141,981
<b>EXPENSES</b>		
Gross benefits	66,189	64,317
Benefits ceded to reinsurers	(13,709)	(13,047)
Change in policy reserves	14,104	56,832
Change in reinsurance assets	(6,965)	(21,166)
Gross commissions	25,174	23,009
Commissions ceded to reinsurers	(7,528)	(7,157)
Gross premium taxes	3,693	2,424
Taxes on premiums ceded to reinsurers	(757)	(497)
Experience refunds and participations	2,200	2,469
General expenses	33,357	28,000
	115,758	135,184
<b>EARNINGS BEFORE INCOME TAXES</b>	5,071	6,797
Income taxes	550	1,916
<b>NET INCOME</b>	<b>4,521</b>	<b>4,881</b>
Attributable to the policyholders	4,381	4,912
Attributable to the non-controlling interests	140	(31)
	<b>4,521</b>	<b>4,881</b>

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2015 (in thousands of Canadian dollars)

	2015 \$	2014 \$
<b>NET INCOME</b>	<b>4,521</b>	<b>4,881</b>
<b>Other comprehensive income</b>		
<b>Items that will be reclassified subsequently as net income</b>		
Unrealized gains and losses on available for sale financial assets [net of income taxes of \$367 (\$416 in 2014)]	(996)	1,132
Unrealized gains and losses on cash flow hedges [net of income taxes of \$363 (\$176 in 2014)]	987	477
Reclassification as net income of realized gains and losses on available for sale financial assets [net of income taxes of \$17 (\$962 in 2014)]	47	(2,615)
Reclassification as net income of realized gains and losses on cash flow hedges [net of income taxes of \$276 (\$73 in 2014)]	(750)	(199)
	(712)	(1,205)
<b>Items that will not be reclassified subsequently as net income</b>		
Remeasurement of net defined benefit liability [net of income taxes of \$241 (\$961 in 2014)]	(656)	(2,607)
	(1,368)	(3,812)
<b>COMPREHENSIVE INCOME</b>	<b>3,153</b>	<b>1,069</b>
Attributable to the policyholders	3,013	1,100
Attributable to the non-controlling interests	140	(31)
	<b>3,153</b>	<b>1,069</b>

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2015 (in thousands of Canadian dollars)

	Members' equity	Non controlling interests	Accumulated other comprehensive income	Total equity
2015	\$	\$	\$	\$
<b>Balance, beginning of year</b>	58,315	(46)	(5,762)	52,507
Net income	4,381	140	-	4,521
Other comprehensive income	-	-	(1,368)	(1,368)
	4,381	140	(1,368)	3,153
Change in non controlling interests	-	13,922	-	13,922
<b>Balance, end of year</b>	<b>62,696</b>	<b>14,016</b>	<b>(7,130)</b>	<b>69,582</b>

	Members' equity	Non controlling interest	Accumulated other comprehensive income	Total equity
2014	\$	\$	\$	\$
<b>Balance, beginning of year</b>	53,403	(13)	(1,950)	51,440
Net income	4,912	(31)	-	4,881
Other comprehensive income	-	-	(3,812)	(3,812)
	4,912	(31)	(3,812)	1,069
Change in non controlling interest	-	(2)	-	(2)
<b>Balance, end of year</b>	<b>58,315</b>	<b>(46)</b>	<b>(5,762)</b>	<b>52,507</b>

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015 (in thousands of Canadian dollars)

	2015 \$	2014 \$
<b>ASSETS</b>		
<b>Investments</b>		
Money market	3,667	4,937
Bonds	255,832	258,047
Shares	40,399	32,540
Infrastructure funds	10,133	-
Policy loans	1,630	1,640
	311,661	297,164
<b>Other asset components</b>		
Cash	13,524	11,389
Investment income receivable	1,587	1,119
Premiums receivable	2,132	1,969
Prepaid commissions	7,885	8,583
Other assets	10,107	9,266
Reinsurance assets	141,500	133,914
Deferred tax assets	400	157
Investments in associates	154	1,512
Property and equipment	10,156	7,360
Intangible assets	14,941	4,798
	202,386	180,067
	<b>514,047</b>	<b>477,231</b>



## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015 (in thousands of Canadian dollars)

	2015 \$	2014 \$
<b>LIABILITIES</b>		
<b>Policy liabilities</b>		
Policy reserves	386,001	371,897
Investment contract liabilities	1,408	1,407
Deposits	8,272	6,880
Benefits payable	19,034	15,700
Provisions	1,690	1,660
Participations and experience refunds payable	1,035	1,174
	417,440	398,718
<b>Other liability components</b>		
Other liabilities	19,461	14,881
Income taxes payable	88	690
Deferred tax liabilities	2,548	594
Debenture	4,928	9,841
	27,025	26,006
	444,465	424,724
<b>EQUITY</b>		
Member's equity	62,696	58,315
Non-controlling interests	14,016	(46)
Accumulated other comprehensive income	(7,130)	(5,762)
	69,582	52,507
	<b>514,047</b>	<b>477,231</b>

On behalf of the Board,



Richard Gagnon, Director



Jacques Martineau, Director

## NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2015 (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 and authorized for issue by the Board of Directors on February 25, 2016. The independent auditor expressed an unmodified opinion on these consolidated financial statements in the independent auditor’s report dated February 25, 2016.

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. AVAILABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements are available on Humania Assurance Inc.’s website ([www.humania.ca](http://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, 2015 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, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 25, 2016.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards (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, 2015 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.<sup>1</sup>*

Raymond Chabot Grant Thornton

Quebec, February 25, 2016

<sup>1</sup> CPA auditor, CA public accountancy permit n° A125181





## MANAGEMENT'S REPORT

The summary 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, 2016

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## 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, 2015, 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* (Quebec) and its regulations.



Gisèle Bergeron, FCIA, FSA  
Appointed Actuary

Montreal, February 25, 2016

# BOARD OF DIRECTORS

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- 1 **Jacques Martineau**, M. Sc., Adm.A., FCMC  
CHAIRMAN  
Corporate Director
- 2 **Gaëtan Couture**, Ph. D.  
VICE-CHAIRMAN  
Corporate Director
- 3 **Richard Gagnon**, F.Adm.A.  
PRESIDENT AND CHIEF EXECUTIVE OFFICER
- 4 **Johanne Cassis**, FCPA, FCA  
Corporate Director
- 5 **Michel Côté**, MBA, F.Adm.A., FCMC  
President and Chief Executive Officer  
CRC Sogema
- 6 **René Delsanne**, M. Sc., FCIA, FSA, CFA  
President  
Delsanne conseil inc.
- 7 **Daniel McMahon**, FCPA, FCA  
President and Chief Executive Officer  
Ordre des comptables professionnels agréés  
du Québec  
(until February 8, 2016)
- 8 **Joanne Vézina**, MBA, ASC  
Corporate Director

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**M<sup>e</sup> René R. Poitras**, LL. L.  
SECRETARY



# DECLARATION OF 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 Board 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 Chairman of the Board 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. 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 based on the Company's risk appetite as determined by the Board.

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

# ETHICS AND GOVERNANCE COMMITTEE

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## Composition

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

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## Members

Joanne Vézina, Chairwoman

Michel Côté

Jacques Martineau

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## Mandate

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

With regard to governance, the committee is responsible for proposing governance rules that promote the Company's sound management to the Board of Directors, in addition to ensuring such rules are enforced and updated.

## Activity Report

In performing its annual review of the rules of ethics and professional conduct, the committee made some changes aimed at including new provisions regarding sound commercial practices for Humania Assurance and the use of social media by the Company and its personnel.

In terms of 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' statements of interest and determined that no outside director was tied to the Company or in a potential conflict of interest. Only the President and Chief Executive Officer is a director tied to the Company within the meaning of the law.

## Governance and Compliance Activity Report

The committee received and approved changes to the Audit Committee's charter, as proposed by the committee members.

The committee considered an overhaul of the compliance policy and updates to the outsourcing and workplace respect policies and recommended these changes to the Board of Directors.

Furthermore, the committee received and reviewed the compliance reports and monitored the progress of the 2015 compliance action plan.

In addition, as per their mandate, the committee members advised the Chairman of the Board of Directors on issues related to the appointment of new directors and the competency profiles to be emphasized on the Board of Directors. The committee also ensured adherence to the policy and compliance with regard to ethical standards and the competence of Board members and officers of Group Humania Assurance's companies.

In conclusion, as requested by the Board, the committee considered an update of the Company's mission, vision and values.



Joanne Vézina  
Chairwoman

# AUDIT COMMITTEE

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## Composition

The Audit Committee is composed of independent directors. It must comprise at least three members, the majority of whom 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 must have accounting or financial management expertise.

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## Members

Johanne Cassis, Chairwoman  
René Delsanne  
Daniel McMahon

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## Mandate

The Audit Committee is responsible for overseeing the financial reporting process and ensuring financial statements are reported in compliance with the International Financial Reporting Standards (IFRS). Furthermore, the committee ensures a suitable internal control system is in place, monitors risk management processes, recommends the Company's risk profile and corresponding action plan to the Board of Directors, and oversees the audit process as well as procedures implemented by the Company to ensure compliance with legislation and regulations in the areas of accounting and finance.

## Activity Report

Following the departure of Guylaine Leclerc to fulfil the role of Auditor General of Quebec, Daniel McMahon was elected as a new committee member.

With regard to financial information, the committee primarily reviewed the independent auditor's report for the financial year ending December 31, 2014, received the Dynamic Capital Adequacy Testing (DCAT) report from the actuary responsible for assessing actuarial liabilities, recommended to the Board of Directors that the audited financial statements be adopted, and approved the proposed 2015 audit plan. The committee also received statements from management concerning the Company's compliance with statutory requirements and policies relating to investment management and IT security.

Committee members also examined existing internal control procedures and studied submitted reports. These reports touched on the internal audit activities carried out by the finance team and audits conducted by the Company's external partners, such as reinsurers and specialized firms.

In accordance with the mandate conferred by the Board of Directors, the committee studied the process leading to the preparation and monitoring of the Company's risk profile, including related action plans, and recommended its adoption to the Board of Directors. The committee also studied the crisis simulation report prepared by the actuarial team, and proposed a target ratio and the level of risk appetite for the Company to the Board of Directors. In addition, the committee reviewed the actuarial assessment of the Company's complementary pension plan and submitted appropriate recommendations to the Board of Directors.

With regard to computer security, the committee reviewed audits and action plans carried out by the Company to ensure the security of its systems and the protection of its data.

Lastly, it recommended to the Board of Directors that certain policies be updated and adopted.

In order to carry out its mandate, the committee held private meetings with management, the independent auditor and the actuary who was assigned the evaluation.



Johanne Cassis  
Chairwoman



# HUMAN RESOURCES COMMITTEE

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## Composition

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

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## Members

Jacques Martineau, Chairman  
Michel Côté  
Gaëtan Couture

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## 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, reviews and approves the President and Chief Executive Officer's recommendations on the total compensation for vice-presidents.

The committee also 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 2015 and the targets to be attained in relation to that compensation.

The committee also ratified recommendations made by the President and Chief Executive Officer on the vice-presidents' compensation for 2015 and the targets to be reached in relation to that compensation. It also assessed the Company's results and evaluated to what extent 2014 objectives had been reached. Moreover, the committee reviewed pension benefit values for members of management.

Lastly, the committee conducted an annual review of the Company's management succession plan and discussed it with the Board of Directors.



Jacques Martineau  
Chairman

# INVESTMENT COMMITTEE

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## 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.

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## 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

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## Mandate

The Investment Committee is responsible for recommending a company investment policy to the Board of Directors and updating it when necessary. The committee must ensure compliance with the policy and implement appropriate investment and matching strategies, in accordance with said policy. Moreover, the committee analyzes results and ensures that the Company's assets match its financial commitments to an extent that is consistent with objectives.

The committee must also recommend its choice of investment managers to the Board of Directors, receive their reports, ensure they comply with the Company's investment policy and evaluate their performance based on established 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 assessed managers' performance with respect to 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 presented by the managers and reported back to the Board of Directors.

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

During the year, committee members proposed modifications to the investment policy to the Board of Directors in order to permit the use of new financial instruments, in particular real estate investments. These changes, like those implemented in recent years, are part of an effort to counter currently very low interest rates. The main objective is to optimize returns on equity while minimizing risk. An analysis of returns generated by the new financial instruments added to our portfolio in recent years revealed a strong return-risk tradeoff.

In 2016, the committee will continue to pay specific attention to returns generated by the new financial instruments that have been added over the last few years, while maintaining adequate matching of its assets and actuarial liabilities.



Richard Gagnon  
Chairman

# SOCIAL RESPONSIBILITY

## **GUIDED BY OUR VALUES AS A MUTUAL COMPANY, HUMANIA ASSURANCE BELIEVES IN COMMUNITY INVOLVEMENT.**

The Company and its employees are proud contributors to local youth, humanitarian and charitable organizations.

Every year employees and the Company come together to contribute to the annual Centraide Richelieu-Yamaska campaign. The generosity of our employees, their participation in the activities and the Company's contribution to the 2015 campaign made it a resounding success! For several years now, Humania Assurance and its employees have been among the top donating company for the greater Richelieu-Yamaska region.

Since 2000, Humania Assurance has supported the Cégep de Saint-Hyacinthe's week of activities promoting professional behaviour for students in various programs. The Company has also been generously contributing to the 2011-2016 fundraising campaign for the Fondation du Cégep de Saint-Hyacinthe, which provides financial aid to students.

In addition, the Company provides support to l'Hôtel-Dieu's Fondation Aline-Letendre de Saint-Hyacinthe as a major sponsor of the Défi Vélo Santé (cycling fundraiser) organized during the summer. The Fondation's mission is to improve the living environment of residents in the long-term care facility.

In 2014, Humania Assurance agreed to forge a partnership with the City of Saint-Hyacinthe to support a cultural centre that brings the region's sociocultural organizations together under one roof. The Company pledged a total of \$300,000 toward the municipal building which is called Centre culturel Humania Assurance.



## HUMANIA ASSURANCE IS PROUD TO BE AN ACTIVE MEMBER OF SOCODEVI.

The Société de coopération pour le développement international (SOCODEVI) is a Canadian network of cooperatives and mutuals that share their technical expertise and know-how with their partners in developing countries. The goal: to create, protect and distribute wealth among the poorest populations.

SOCODEVI's mission is to improve living conditions for the poorest populations particularly in Africa, Latin America and Asia. For example, thanks to SOCODEVI's support in Bolivia, over 2,000 families growing oregano increased their revenue by 200%. In Vietnam, 1,500 families are now members of a dairy cooperative (founded just a few years ago) that produces 30,000 kilos of milk on a daily basis. In the Ivory Coast, over 10,000 women are developing economic activities with backing from a savings and credit mutual funded by SOCODEVI.

There are many examples attesting to the positive impact that SOCODEVI's initiatives are making around the world. In the Americas, for example, a program supporting mutuals and insurance cooperatives has helped enhance the professional product offering and facilitated access to insurance services, benefiting over three million people. In Guatemala, El Salvador, Honduras, Panama, Paraguay and the Dominican Republic, organizations backed by SOCODEVI have improved indicators of economic viability and wealth.

In Peru, a support program primarily aimed at the coffee and cocoa sectors is underway. The goal is to strengthen the performance of cooperatives and improve service quality for members. Humania Assurance has helped optimize these services, particularly through the installation of improved wood stoves, which have a direct effect on family health.

In addition to the financial contributions provided by Humania Assurance, Richard Gagnon, President and Chief Executive Officer, is involved as a member of SOCODEVI's Board of Directors.

To learn more about SOCODEVI and its activities, go to [www.socodevi.org](http://www.socodevi.org) or like its Facebook page at [www.facebook.com/socodevi](https://www.facebook.com/socodevi).



## DECLARATION OF FAIR TREATMENT OF CONSUMERS

The principles of sound commercial practice and fair treatment of consumers govern all of Humania Assurance's commercial practices, and should guide the decision-making and day-to-day actions of all its employees. For Humania Assurance, having sound commercial practices means acting in a fair and responsible manner.

To this effect, the following statement of fair treatment clearly establishes Humania Assurance's position.

### Statement of Equitable Treatment

*Humania Assurance follows the highest standards with respect to the fair treatment of consumers. We are committed to providing our clients with clear and comprehensive information, fair and equitable treatment, a diligent claims process, and strict protection of their personal information.*

*Every client can expect to receive clear information about any insurance policy, the coverage it provides, and the claims process. Clients seeking complementary information are invited to consult their insurance policy, talk to their financial advisor or browse our website.*

*Any client wishing to file a complaint about the service received is invited to use the Humania Assurance complaint process.*

## 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.



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