2015 ANNUAL REPORT

75 YEARS

and **STRONGER** than ever!

La Capitale
Civil Service Mutual

Mission

Guided by the values of mutualism on which it was founded, La Capitale works with people by providing access to personalized products and services in order to build, protect and value what they feel counts for their individual and collective financial security.

Vision

By bringing together all of its components through its values, its organizational culture, its management philosophy and its strategic orientations, La Capitale will be recognized as a responsible, client-oriented corporate citizen. To this end, La Capitale will provide a unique client experience and hold a competitive position among those having influence in the Canadian market, maintaining superior market growth and maintaining a profitability rate to ensure its longevity.

Values

PEOPLE FIRST

Taking care first and foremost of the well-being of our people (Mutual members, clients and employees) by demonstrating respect and empathy and by embracing practices based on our fundamental principles of equality, fairness and democracy.

CORPORATE LONGEVITY

Ensuring profitable growth of the organization through the dynamic and prudent use of its financial capacities to foster business continuity and provide an enriched legacy for future generations.

INTEGRITY AND TRANSPARENCY

Being committed to providing Mutual members, clients and employees with a company that demonstrates sound governance and management by applying strict standards of integrity and ethics at all levels and by exhibiting transparency in our management approach.

ENGAGEMENT AND SOCIAL RESPONSIBILITY

Integrating and promoting the values of mutual aid and solidarity on which mutualism is based, supporting community or humanitarian activity and promoting sustainable development.

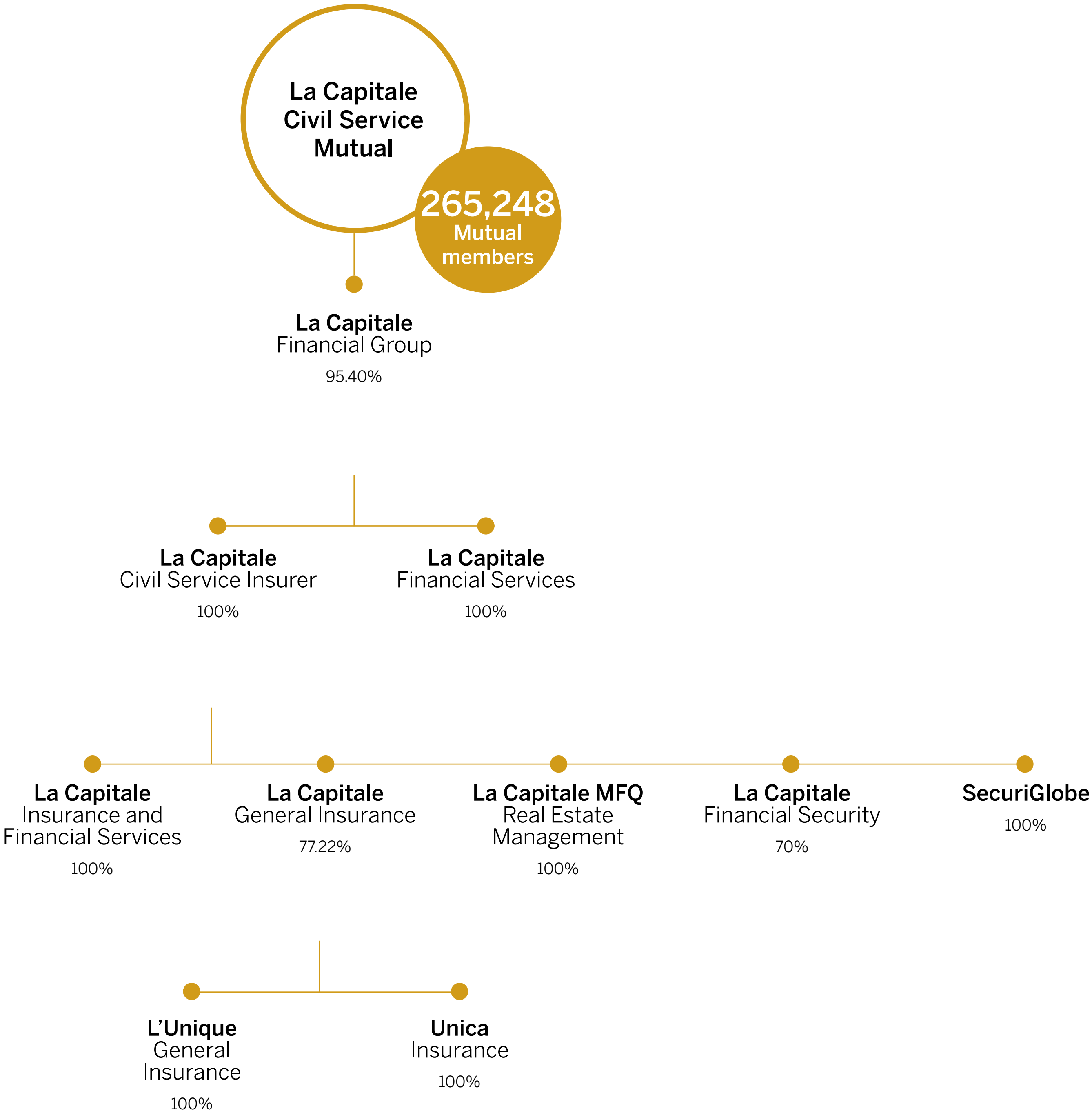
CUSTOMER-CENTRIC MINDSET

Offering attentive service at all times, characterized by a commitment to the client, an ongoing desire to provide appropriate information and advice, and financial solutions tailored to what clients feel is essential to their financial security.

VALUING THE ROLE OF QUEBEC PUBLIC SERVICE EMPLOYEES

Highlighting the value and contributions of public service employees, who play an active role in the social, cultural and economic development of Quebec.

Organizational Chart



2015 Key Facts and Figures

Consolidated information

Assets	$5.8B
Total consolidated revenue	$2B
Equity	$895M
Net income	$55.4M
Return on equity	6.4%
Participating policyholder dividends	$12.6M

Number of Mutual members	265,248
Donations to the community from the Foundation	$1.3M
Contracts and certificates in force	1,873,061
Number of employees	2,699

LIFE AND HEALTH AND FINANCIAL SERVICES SECTOR

Consolidated revenue from premiums	**$1,067.4M** up 7.4%
Consolidated net income	**$14.6M**
Sales (individual premiums and deposits)	**$369.2M** up 25.2%
Savings and investments portfolio	**$1.4B** up 17%
Group insurance premiums in force	**$615.8M**

- 576 financial information sessions attended by 8,149 public service employees
- Addition of 4 new investment accounts to the 32 already offered

PROPERTY AND CASUALTY INSURANCE SECTOR

Consolidated revenue from premiums	**$880.9M** up 2.5%
Consolidated net income	**$40.8M**
Gross written premium volume for La Capitale General Insurance	**$571.9M** up 2.6%
Gross written premium volume for L'Unique General Insurance	**$183.2M**
Gross written premium volume for Unica Insurance	**$125.8M** up 9.7%

- 11% growth in Commercial Lines insurance

Board of Directors

René **ROULEAU**
Chairman

Dominique **DUBUC** [1,* 2*]
Vice-Chairman

Alain **BRIÈRE** [1]

Danielle **CHEVRETTE** [3]

Nikolas **DUCHARME** [3]

Richard **FISET**

José **GARCEAU** [3]

Josée **GERMAIN** [1]

François **LATREILLE** [2]

Marie-Josée **LINTEAU** [2, 3*]

Jean **ST-GELAIS**

1. Human Resources and Corporate Management Committee (led by La Capitale Financial Group Inc.)
2. Enterprise Risk Management Committee
3. Mutualism, Governance and Ethics Committee

* Committee Chair

Governance

La Capitale's governance management framework, which comprises its governance policies, guidelines and rules, has been reviewed recently. The governance policy and the Code of Ethics are key elements of the management framework. The governance policy confirms the roles of the board of directors and its committees and defines their respective responsibilities. The Code of Ethics dictates the personal and professional standards of conduct that apply at La Capitale.

Board of Directors

The diverse range of competencies held by the members of the Board of Directors, who come from various sectors of the public administration and services, allows us to better understand the challenges in the industry and how La Capitale can move forward. The principal role of the Board of Directors is to establish the mission and strategic orientations of La Capitale and appoint the Chief Executive Officer. It supervises management of the Mutual and monitors the implementation and upholding of the governance policy. It directs management of commercial and socio-economic activities as well as internal affairs in the best interests of La Capitale and its mutual members in the short, medium and long terms. To this end, it ensures that senior management manages La Capitale's activities in accordance with the orientations it adopts. Finally, the Board of Directors encourages La Capitale and its employees to continue their tremendous social involvement based on mutualist values, particularly through its Foundation.

Members of the Board of Directors

The Board of Directors defines specific mandates for its committees. These committees are made up exclusively of directors, save for the Nominations Committee which is composed of mutualists who are not on the Board of Directors. The committees make periodic reports to the Board of Directors on the status of their mandates.

Human Resources and Corporate Management Committee

The Human Resources and Corporate Management Committee supervises and enforces La Capitale's human resources and corporate management polices. It ensures that all governance rules applying to management and employees are in compliance with best practices.

Mutualism, Governance and Ethics Committee

This committee was formed to assist the Mutual's Board of Directors in carrying out its mutual, governance and ethics responsibilities. It is also responsible for supervising the process for evaluating boards of directors and their members, applying the governance management framework and seeing that board of director members demonstrate probity and competency.

Enterprise Risk Management Committee

The goal of the Enterprise Risk Management Committee is to allow the Board of Directors of La Capitale Civil Service Mutual to have an overall view of the types of risk with a crosscutting impact on all subsidiaries of La Capitale.

Audit Committees

In accordance with the pertinent legislation, audit committees exist within each La Capitale insurance company. The Audit Committee's mandate is to allow the Board of Directors to carry out its responsibility on behalf of mutual members and shareholders to monitor the process of disclosing financial results, internal quality control systems, company risk evaluation, technological systems security and compliance with the laws and regulations of the insurance industry. The Audit Committee is also responsible for the internal and external audits of La Capitale.

Professional Ethics or Review Committee

In accordance with the pertinent legislation, a professional ethics or review committee is formed within each La Capitale insurance company. The mandate of this committee is to ensure that directors, officers and staff are in compliance with the Code of Ethics and that transactions between related persons are conducted in accordance with it, as well as applicable legislation and regulations.

Nomination Committee

The Nomination Committee verifies that the nomination procedure has been followed and that candidates nominated as a director of La Capitale Civil Service Mutual are eligible. It confirms or rejects nominations and submits a report to the general assembly. It is also responsible for ruling in the event eligibility is contested by candidates or their representatives.

In conclusion

The entire governance structure implemented by La Capitale demonstrates a willingness to define and apply high-level governance, while pursuing a continuous performance improvement goal. This structure is in harmony with La Capitale's mutualist values while meeting regulatory requirements. Thanks to its governance management framework, La Capitale guarantees its longevity and arms itself with the necessary measures to ensure its directors, officers and staff conduct themselves according to the best interests of its mutual members and other clients.

La Capitale's governance structure meets the highest standards with regard to integrity, equity and transparency. The regular updating of the management framework ensures that La Capitale's governance is always in accordance with best practices.

MESSAGE TO MUTUAL MEMBERS

75 years and stronger than ever!

René **ROULEAU**

Chairman of the Board
and Chief Executive Officer

Thanks to its achievements in the past year, our Mutual is, once again, pleased to report positive results. Our performance in 2015 attests to the merits of diversifying our activities, which is one of the intrinsic strengths of our organization. By being active in a number of markets, including certain niche markets, La Capitale is better able to spread out risks in the event of unexpected situations or tough economic times. In this regard, the complementarity of our lines of business and the diversity of our offering in terms of products and services, areas of operation, and markets and distribution channels, represent an undeniable asset. The benefits of our diversification served us well in 2015, by fuelling our progress.

We faced a number of challenges during the last fiscal year. 2015 was marked by an environment of strong market volatility, persistence of low interest rates and unfavourable Group Health and Disability experience. La Capitale is nevertheless able to post a consolidated net income of $55.4 million, which represents a 6.4% return on equity. Total equity reached $895 million. In 2015, a total amount of $12.6 million was paid in dividends to policyholders, up slightly from the previous year. Our total consolidated revenue, which is derived from premiums, investment income and other factors, hit $2 billion. Our consolidated assets rose to $5.8 billion, representing a 5.7% increase.

A look back at our 2011-2015 strategic plan

The five-year strategic plan, which we unveiled in 2011, centred around seven key concepts: growth, profitability, client focus, distribution, organizational capacity, innovation and public sector development. In many ways, we can say "Mission accomplished!" We hit and even went beyond most of our targets.

Reinventing our brand image, a vast operation which set us apart from our competitors from the outset, was an essential prelude to rolling out these new strategic orientations.

What's more, we achieved organic growth that surpassed the industry standard in a rapidly changing environment. We significantly increased our market share, while maintaining a profitability rate in line with our expectations, in a particularly challenging financial environment for insurers. We also optimized the distribution channels in all our business lines and increased measures to boost the quality, productivity and retention of our business partners. In line with our objectives, we also enhanced our products and services to better meet the needs of our clients and business partners.

For example, in the Property and Casualty Insurance sector, we personalized our Home insurance offering and developed new niche markets with regard to Commercial insurance. In the Life and Health Insurance sector, we added another string to our bow with Travel insurance, and set ourselves apart with the Individual Pillar Series product line for our brokerage channel.

We also achieved our objective of attracting an increasing number of Quebec public service employee clients. During a five-year period, we saw an 18.4% increase of over 41,000 new Mutual members to our client base.

All these improvements have led to our being seen today as a responsible, client-oriented corporate citizen competing alongside the influential insurers in the Canadian market.

Continuing to build on our success

Strengthened by our accomplishments, we look to the future with optimism, even though we know that the economic situation ahead will present its share of challenges. 2016 is the year that we move forward with the application of our new strategic plan, which runs until 2020.

Our growth objectives for the next five years are as ambitious as ever. To achieve them, we will continue to leverage our strengths by maintaining a solid grasp of the industry, flexibility in decision making, strong employee engagement and a leading product line. We will also focus on developing a digital culture to enhance our services and client experience.

However, profitability will remain one of our top priorities. Our focus will be on the optimal management of capital to ensure our Group's longevity.

Lastly, in line with its mutualist values, La Capitale wishes to contribute fully to the responsible development of its community. It will therefore continue to integrate into its business priorities the three fundamental pillars of sustainable development: respect for the environment, maximization of economic benefits and the well-being of society.

First and foremost: people-focused

A people-first attitude is one of La Capitale's core values. So, naturally, the quality of our employees' environment and working conditions are of primary importance to us. In the interest of having the best possible staff to meet the needs of its clients, La Capitale provided approximately 70,000 hours of training during the last fiscal year, which represents 3% of payroll. This investment goes well beyond the requirements of Quebec's Act to Promote Workforce Skills Development and Recognition.

Fully satisfying our clients' needs is among La Capitale's top priorities. That's why, in 2015, we intensified our efforts to increase our commitment toward our clients. Diversified products, original promotions, development of web-based and mobile technology, and the implementation of programs designed to monitor customer satisfaction are among the means used to increase our accessibility and adapt our offering so that it matches our clients' needs. The success of our efforts has led to growth in our business lines and greater confidence on the part of our clients, a growing number of whom are recommending us to their friends and family members. Our Mutual members have continued to enjoy the exclusive and competitive benefits specially designed to meet their needs.

One of La Capitale's priorities as a Mutual is to enable the community to benefit from its values of mutual aid and solidarity by encouraging the dynamic involvement of the organization and its employees. During the last fiscal year, 55% of La Capitale's employees and officers participated in various humanitarian causes aimed at improving the well-being and quality of life of people in a healthy environment. Moreover, our La Capitale Financial Group Foundation distributed approximately $1.3 million in the community through its support of over 270 agencies and community groups providing assistance to those less fortunate and troubled youth. The Foundation also supports associations that promote mutualism.

75th anniversary celebrations

2015 was marked by La Capitale's 75th anniversary. A number of initiatives were carried out during the year, highlighting the Mutual's existence for three quarters of a century. One of these initiatives was a large-scale "Thank You!" campaign, which focused on recognizing the passion, talent and extraordinary dedication that Quebec public service employees demonstrate to the citizens of Quebec. Following the campaign, La Capitale Recognition Awards were created to honour four individuals in Quebec's public service who distinguish themselves through their efforts and dedication to the community as a whole. As well, a caravan proudly displaying La Capitale's colours travelled throughout Quebec, promoting our products and services and increasing our brand's visibility.

Board of Directors

I would like to take this opportunity to mention the departure of Louise Potvin, one of our Mutual's board members, after 10 years of loyal service. My sincere and heartfelt gratitude goes out to Ms. Potvin for her contribution to the sound governance of our organization. The vacancy resulting from her departure has now been filled by Jean St-Gelais, a retired Quebec public service employee, to whom I extend a warm welcome. His abilities and vast expertise will serve as valuable assets to us as we move forward. I would also like to take this opportunity to thank each and every one of our board members for their contributions to La Capitale's growth during the last fiscal year.

Acknowledgements

I would be remiss if I did not thank all the employees of La Capitale for their active participation in the organization's success. The dedication, enthusiasm and know-how of each person are strengths that lead to the achievement of our objectives. A big thank-you for their steadfast daily commitment.

I also want to thank all our Mutual members for their unswerving loyalty. Knowing we have their confidence allows us to perpetuate our Mutual's fundamental values and ensure its longevity for future generations.

THE YEAR IN REVIEW

Life and Health Insurance and Financial Services Sector

Steven **ROSS**

President and Chief Operating Officer,
Life and Health Insurance and Financial Services

For the last five years, La Capitale has been Canada's leader in Life and Health insurance premium growth, with an increase of approximately 65%. Our continuing momentum propelled us into the tenth spot in the rankings of Canadian life and health insurers, according to the most recent data available. La Capitale took this giant step forward in an economic environment characterized by lower interest rates and market instability. These two factors directly impact the profitability of life and health insurers. In this context, the Life and Health Insurance and Financial Services sector again contributed to the Mutual's profitability, although to a lesser degree than in previous years. In 2015, the sector was able to record net income of $14.6 million, while its consolidated revenue from premiums increased by 7.4%, reaching close to $1.1 billion.

Individual Insurance and Financial Services

La Capitale's Individual Insurance and Financial Services division had a successful year and posted highly satisfactory results. New sales of insurance premiums and deposits hit $369.2 million, a 25% increase over the previous year. This amount can be broken down into $350.2 million in savings products and $19 million in insurance.

Our strong growth in terms of savings and investments continued, with an overall increase in sales of nearly 27% over 2014. The total portfolio value is $1.4 billion. The remarkable success of the last RRSP campaign and the growing popularity of the La Capitale Stow & Grow Account, which posted a 12.7% increase in deposits, contributed to these positive results. It is worth noting that 54% of all La Capitale Stow & Grow Account holders are active or retired Quebec service employees.

We also wish to mention that four new investment accounts have been added to our product offering. Our clients now choose from 36 investment accounts, all designed to match a variety of profiles. Seven partners are responsible for managing these accounts. The diversity of our savings products, coupled with the development and efficiency of our distribution channels, are key elements to our success.

Our customer service and the close ties we maintain with our business partners are among our top priorities. Because of our ongoing desire to offer leading-edge service that's tailored to match the buying habits of our clients and the expectations of our partners, we are always looking to come up with ways of modernizing our practices. For example, in 2015, we implemented a digital platform that enables our partner intermediaries to process all savings transactions online, including clients' electronic signature.

We have also made substantial improvements to our customer satisfaction survey tools. These tools enable us to more accurately gauge our clients' perception of our products and services, while determining our promoter score: two measurements that are essential to our advancement.

Mortgage Loans

We ended 2015 on a high note in terms of mortgage loans. The loan portfolio was up by 7% over the previous year.

Group Insurance

Group Insurance had its share of challenges in the past year. Total sales reached $85.4 million, representing an 18% decline over the previous year. Inforce premiums remained at the same level as last year, at $615.8 million. However, unfavourable disability and health claims experience had a direct adverse effect on the profitability of this sector. Nevertheless, adversity demonstrates that La Capitale is ready to meet its commitments toward its insureds in times of need. During 2015, nearly $419 million was paid in group insurance benefits.

Travel insurance is a rapidly growing niche market. Launched in 2014 following the acquisition of SecuriGlobe, Canada's largest independent travel insurance distributor, our SOLIS Travel insurance product has proven to be very popular.

We strengthened our offering for small businesses with the addition of a new product, Action 2-50. This fully digital product enables businesses with two to 50 employees to acquire a comprehensive group insurance plan that's tailored to their needs and includes the VIVA workplace health and wellness program, an exclusive option offered by La Capitale. This is just one of the many ways we continue to stand out from our competitors in a rapidly growing sector.

Public service

Since its inception 75 years ago, La Capitale has made exclusive advantages available to its founding clients, Quebec's public service employees. These advantages, which include special interest rates, preferred rates, promotions and financial education programs on specific topics, provide La Capitale's founding client base with many opportunities to improve their financial security. In this regard, 8,149 Quebec public service employee clients participated in 576 financial education sessions. The goal of this training is to help them plan their finances during their career or prior to retirement. Following the sessions, participants wishing to do so can meet with a La Capitale financial security advisor, in their workplace or at home, to fine tune their financial planning. This exclusive program is available to active and retired Quebec public service employees only. During the last five years, over 41,000 people have participated in approximately 2,500 sessions.

Outlook for 2016

Although it had its share of challenges in 2015, the Life and Health Insurance and Financial Services sector continued to hold its own in a highly competitive market, while moving forward with a large number of major projects, including some IT initiatives.

Our desire to remain among the key players in the industry and strengthen our market position is stronger than ever. We will maintain our competitiveness and profitability by continuously improving our customer experience and controlling unit costs.

In this way, we will continue to demonstrate our ability to think and act quickly in order to provide our clients with courteous and personalized service. To this end, through new products and services and more dynamic digital platforms, we will enhance our offering to bring it even more in line with our clients' expectations. These measures will be boosted by the efforts of our employees, who devote themselves daily to serving our clients in a stimulating work atmosphere and environment. A number of training and recognition programs have, moreover, been put in place to continuously enhance the quality of service provided by our employees, so that it is seen as a defining characteristic of La Capitale.

Acknowledgements

I would be remiss in closing if I did not express my heartfelt thanks to the hundreds of men and women in our organization who, each day during the year, strive for excellence to further our organization's longevity and ensure customer satisfaction. I also wish to thank our partners without whom the success we achieve year after year would simply not be possible. Finally, I would like to express my deepest gratitude to the managers and board members of the companies that make up our sector. Their unwavering cooperation and daily support contribute in no small way to the positive results obtained again this year.

THE YEAR IN REVIEW

Property and Casualty Insurance Sector

Constance **LEMIEUX**

President and Chief Operating Officer
Property and Casualty Insurance

The Property and Casualty Insurance sector, which includes La Capitale General Insurance, L'Unique General Insurance and Unica Insurance, had an excellent year. 2015 was marked by record profitability with a consolidated net income of $40.8 million, representing a 13.4% return on equity. L'Unique General Insurance achieved the highest profit level in its history, thanks to improved property loss experience and factors leveraged to ensure profitable growth in commercial insurance and surety bonds.

Growth

All of our member companies ended 2015 with a consolidated gross written premium volume of $880.9 million, a $21.1 million increase over the previous year.

La Capitale General Insurance achieved 2.6% growth, of which 10% was in commercial insurance, and posted a total gross written premium volume of $571.9 million.

Since our customer experience quality remains at the forefront of our priorities, we want to stand out even more from our competitors. To this end, we have revamped our client experience plan, which is entering a new phase and will be implemented during the years to come.

Our new slogan **We're always by your side** reflects our commitment to being there to support our clients in every facet of our business relationship. It also reflects our desire to go beyond offering them good insurance coverage. Our clients now have access to a range of services which include psychological support in the event of a loss, roadside assistance and emergency medical transportation service by helicopter and airplane, offered in partnership with Airmedic. Lastly, they have greater access to legal counsel through a legal assistance service, which enables them to know their rights, and through Legal Access insurance, which supports them when pursuing their rights, whether as a plaintiff or a defendant. This support includes help with cases that may be presented in small claims court and family mediation in addition to that received from the government.

Moreover, as part of our ongoing desire to do more to meet the expectations of our clients and keep pace with digital advances, we have adapted our insurance quote process for use with various mobile devices. It is now easier for our clients to do business with us, with whichever digital platform they use. Our desire to make things easier for our clients causes us to review a number of our processes and procedures each year. We do this in order to continue to offer our clients exceptional service.

Particularly with regard to businesses, we have noted certain segments in which we can stand out from our competitors in providing service to our small business customers. We are focusing on getting to know them better and tailoring our products to meet their specific needs.

L'Unique General Insurance ended the year with a gross written premium volume of $183.2 million, representing a $4.2 million decrease from the previous year. This decrease is mainly due to the fact that L'Unique has withdrawn from the extended benefits program, for which it provided security, in order to renew focus on the preferred niche markets for that business line. Nevertheless, gross written premiums increased by 3.2% in Personal Lines insurance and by 10% in Commercial Lines insurance.

Following a survey and diagnosis of its services to brokers, L'Unique developed an action plan aimed at distinguishing itself by the quality of the support it provides to its business partners and their clients. As part of the action plan, L'Unique obtained eDocs certification from the CSIO (Centre for Study of Insurance Operations) for electronic transfer of documents with the broker channel, for both Personal Lines and Commercial Lines insurance. As well, a number of processes have been reviewed and the telephone platform upgraded to obtain faster, more efficient service.

Unica Insurance experienced 9.7% growth, reaching $125.8 million in gross written premiums. Unica moved forward with its targeted growth in commercial insurance, posting a 12.8% increase in premiums in this fiercely competitive market. That business line now represents 32% of Unica's total volume. During 2015, Unica added construction to the specific business segments targeted by its development initiative.

As well, because of its commitment to facilitating matters for its brokers, Unica also obtained CSIO Certification for eDocs for Commercial Lines in addition to the Personal Lines certification, which it already held. It also enhanced its broker portal, U-Connect, in terms of both the interface and the types of transactions that it could process directly for policy issues and changes. Lastly, Unica continues to distinguish itself in the eyes of its brokers' clients by the quality of its claims process.

Profitability

The Property and Casualty Insurance sector's results for 2015 are based on very good performance with regard to Personal Lines and Commercial Lines Property insurance. Water damage still represents nearly half of the amounts incurred for Home insurance.

The observed deterioration in Auto insurance results from the maintenance of very competitive premium rates in the Quebec market, coupled with increased claim frequency and average cost.

Nevertheless, despite poor market performance, La Capitale General Insurance can build on its solid historical operating profits. Lastly, in addition to monitoring their underwriting, pricing and claim costs, the three sister companies are carrying out cost benchmarking studies in order to identify potential opportunities for efficiency and reduce their cost ratio while maintaining their competitive edge.

Outlook for 2016

During 2015, we prepared the Property and Casualty Insurance sector's strategic plans for 2016-2020, with respect to its Commercial Lines and Personal Lines clients.

We plan to continue to focus on what's essential to our clients and to stand out by providing a unique experience that rewards our clients' loyalty. We will expand our range of products and services to keep pace with our clients' ever-changing needs. In that regard, early in 2016, we introduced a claim forgiveness endorsement that is unlike anything else on the market. We will also tailor our offering to match the needs of our public service clients, who founded our Mutual, and facilitate their access to our services.

We will update our digital platforms based on features our clients find useful and really facilitate matters for them. Similarly, we will maintain a presence in the different distribution channels and distinguish ourselves by the quality of our relationship with our business partners.

Lastly, we plan to act in a way that makes optimal use of our resources while retaining our flexibility and remaining an employer of choice.

A big thank you to our team, our partners and our clients for their steadfast support, of which we will strive to remain worthy.

75 YEARS and STRONGER than ever!

consolidated financial statements

La Capitale Civil Service Mutual

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of **La Capitale Civil Service Mutual** (the "Mutual") have been approved by the Board of Directors of the Mutual. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and contain certain amounts based on management's best estimates and judgment within reasonable limits of materiality. In management's opinion, the significant accounting policies are appropriate and present fairly, in all material respects, the Mutual's financial position and the results of its operations.

In discharging its responsibilities with regard to the financial statements, management maintains internal control systems that provide reasonable assurance that transactions are authorized, proper financial records are maintained and assets are safeguarded. These control systems are strengthened by the work of the internal auditors who conduct a periodic review of all of the key lines of business of the Mutual.

The Appointed Actuary, designated by the Board of Directors of every insurance company, is responsible for ensuring that the assumptions made and the methods used to calculate insurance contract liabilities are in accordance with the standards of practice of the Canadian Institute of Actuaries. The Appointed Actuary must issue an opinion on the adequacy of insurance contract liabilities to meet all policyholder obligations of the Mutual at the balance sheet date.

The independent auditors, Ernst & Young LLP, appointed by the members, are responsible for carrying out an independent audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards and reporting on the fairness of the presentation of the consolidated financial statements of the Mutual.

On behalf of management,

René Rouleau
Chairman of the Board and Chief Executive Officer

Quebec City, February 23, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of
La Capitale Civil Service Mutual

We have audited the accompanying consolidated financial statements of **La Capitale Civil Service Mutual** (the "Mutual"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' 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 auditors' 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 auditors consider 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 entity'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 **La Capitale Civil Service Mutual** as at December 31, 2015, and its financial performance and its cash flows for the year ended December 31, 2015 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Quebec City, Canada
February 23, 2016

1. CPA auditor, CA, Public Accountancy Permit No. A109180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31 [in thousands of Canadian dollars]

	2015	2014
	$	$
ASSETS		
Investments *[note 4]*		
Cash and cash equivalents	**88,364**	109,697
Bonds	**1,721,148**	1,713,234
Stocks	**538,151**	648,788
Mutual funds	**1,096,178**	815,167
Mortgage loans	**568,104**	549,154
Policy loans	**35,723**	34,619
Investment properties	**159,460**	161,996
Other investments	**237,254**	170,262
	4,444,382	4,202,917
Premiums receivable	**555,969**	525,432
Reinsurance assets *[note 5]*	**246,133**	235,307
Income taxes receivable	**16,355**	16,291
Other financial assets *[note 6]*	**75,503**	85,780
Other assets *[note 6]*	**68,336**	67,930
Deferred tax assets *[note 7]*	**42,811**	27,259
Property and equipment *[note 8]*	**144,822**	148,058
Intangible assets *[note 9]*	**142,961**	112,796
Goodwill *[note 9]*	**102,572**	102,572
TOTAL ASSETS	**5,839,844**	5,524,342

On behalf of the Board of Directors,

René Rouleau, Chairman of the Board

Dominique Dubuc, Vice-Chairman of the Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [Cont'd]

AS AT DECEMBER 31

	2015	2014
	$	$
LIABILITIES		
Life and health insurance contract liabilities *[note 11]*	**3,500,096**	3,263,364
Property and casualty insurance contract liabilities *[note 12]*	**1,007,034**	959,220
	4,507,130	4,222,584
Other financial liabilities *[note 13]*	**289,585**	274,083
Other liabilities *[note 13]*	**10,109**	12,162
Income taxes payable	**2,041**	8,866
Deferred tax liabilities *[note 7]*	**19,822**	16,728
Employee future benefits *[note 14]*	**93,651**	92,345
Long-term debt *[note 15]*	**22,479**	22,986
	4,944,817	4,649,754
EQUITY		
Retained earnings attributable to members	**748,436**	706,378
Accumulated other comprehensive income attributable to members	**(13,544)**	13,376
	734,892	719,754
Participating policyholders' account	**6,037**	2,688
Non-controlling interests	**154,098**	152,146
	895,027	874,588
TOTAL LIABILITIES AND EQUITY	**5,839,844**	5,524,342

Commitments and contingencies *[note 20]*

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

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	2015	2014
	$	$
Revenues		
Premiums *[note 22]*	**1,940,119**	1,826,201
Premiums ceded to reinsurers *[note 5]*	**(86,530)**	(84,416)
Net premiums	**1,853,589**	1,741,785
Investment income *[note 18]*		
Interest and other investment income	**197,804**	220,662
Change in fair value of financial assets designated at fair value through profit or loss	**(38,528)**	206,765
	159,276	427,427
Fees and other revenues	**12,108**	9,155
Total revenues	**2,024,973**	2,178,367
Policy benefits, claims and expenses		
Gross benefits and claims	**1,180,338**	1,098,731
Benefits and claims ceded to reinsurers *[note 5]*	**(35,060)**	(27,018)
	1,145,278	1,071,713
Participating policyholder dividends	**12,648**	12,078
Experience rating refunds	**3,259**	23,218
Changes in actuarial liabilities *[note 11]*	**234,939**	470,479
Changes in reinsurance assets *[note 11]*	**(11,803)**	(47,243)
Net benefits and claims	**1,384,321**	1,530,245
General expenses *[note 19]*	**302,739**	282,001
Commissions	**190,149**	199,586
Premium taxes	**51,243**	43,114
Investment management costs	**31,507**	31,057
Finance costs	**3,391**	3,374
Total policy benefits, claims and expenses	**1,963,350**	2,089,377
Income before income taxes	**61,623**	88,990
Income taxes *[note 7]*	**6,245**	15,898
NET INCOME	**55,378**	73,092
Attributable to members of the Mutual	**31,126**	52,223
Attributable to participating policyholders	**9,663**	5,353
Attributable to non-controlling interests	**14,589**	15,516
	55,378	73,092

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	2015	2014
	$	$
Net income	**55,378**	73,092
Other comprehensive income (loss)		
Items that will be reclassified subsequently to net income		
Net unrealized (losses) gains for the year on available-for-sale financial assets	**(54,079)**	31,605
Income taxes	**14,530**	(8,492)
	(39,549)	23,113
Reclassification of net realized losses (gains) to net income	**4,022**	(39,384)
Income taxes	**(1,078)**	10,568
	2,944	(28,816)
	(36,605)	(5,703)
Items that will not be reclassified subsequently to net income		
Remeasurement of the net defined benefit liability	**11,121**	(36,030)
Income taxes	**(2,988)**	9,682
	8,133	(26,348)
Total other comprehensive loss	**(28,472)**	(32,051)
COMPREHENSIVE INCOME	**26,906**	41,041
Attributable to members of the Mutual	**9,028**	25,508
Attributable to participating policyholders	**9,749**	4,864
Attributable to non-controlling interests	**8,129**	10,669
	26,906	41,041

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	Retained earnings attributable to members $	Accumulated other comprehensive income (loss) attributable to members[1] $	Total retained earnings and accumulated other comprehensive income (loss) attributable to members $	Retained earnings attributable to participating policyholders $	Accumulated other comprehensive income (loss) attributable to participating policyholders[1] $	Total participating policyholders' account $	Non-controlling interests $	Total equity $
Balance as at January 1, 2014	660,113	18,693	678,806	14,308	(194)	14,114	147,048	839,968
Net income	52,223	—	52,223	5,353	—	5,353	15,516	73,092
Other comprehensive income (loss), net of income taxes[2]	—	(5,481)	(5,481)	—	486	486	(708)	(5,703)
Remeasurement of the net defined benefit liability	(21,234)	—	(21,234)	(975)	—	(975)	(4,139)	(26,348)
Total comprehensive income (loss)	30,989	(5,481)	25,508	4,378	486	4,864	10,669	41,041
Dividends paid to non-controlling interests	—	—	—	—	—	—	(2,488)	(2,488)
Transfer from participating policyholders to members	15,276	164	15,440	(16,117)	(173)	(16,290)	850	—
Changes in non-controlling interests	—	—	—	—	—	—	(3,933)	(3,933)
	15,276	164	15,440	(16,117)	(173)	(16,290)	(5,571)	(6,421)
Balance as at December 31, 2014	706,378	13,376	719,754	2,569	119	2,688	152,146	874,588
Balance as at January 1, 2015	**706,378**	**13,376**	**719,754**	**2,569**	**119**	**2,688**	**152,146**	**874,588**
Net income	**31,126**	**—**	**31,126**	**9,663**	**—**	**9,663**	**14,589**	**55,378**
Other comprehensive loss, net of income taxes[2]	**—**	**(28,655)**	**(28,655)**	**—**	**(244)**	**(244)**	**(7,706)**	**(36,605)**
Remeasurement of the net defined benefit liability	**6,557**	**—**	**6,557**	**330**	**—**	**330**	**1,246**	**8,133**
Total comprehensive income (loss)	**37,683**	**(28,655)**	**9,028**	**9,993**	**(244)**	**9,749**	**8,129**	**26,906**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(2,118)**	**(2,118)**
Transfer from participating policyholders to members	**6,229**	**(119)**	**6,110**	**(6,525)**	**125**	**(6,400)**	**290**	**—**
Changes in non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(4,349)**	**(4,349)**
Other	**(1,854)**	**1,854**	**—**	**—**	**—**	**—**	**—**	**—**
	4,375	**1,735**	**6,110**	**(6,525)**	**125**	**(6,400)**	**(6,177)**	**(6,467)**
Balance as at December 31, 2015	**748,436**	**(13,544)**	**734,892**	**6,037**	**—**	**6,037**	**154,098**	**895,027**

1. Accumulated other comprehensive income (loss) comprises net unrealized gains (losses) on available-for-sale financial assets.
2. These amounts exclude the amount of the remeasurement of the net defined benefit liability recycled through retained earnings.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 [in thousands of Canadian dollars]

	2015	2014
	$	$
OPERATING ACTIVITIES		
Net income	**55,378**	73,092
Items not affecting cash and cash equivalents:		
Changes in actuarial liabilities	**234,939**	470,479
Changes in gross unearned premiums	**26,567**	52,716
Changes in reinsurance assets	**(10,826)**	(34,421)
Changes in net discounts on investments	**(38,386)**	(38,172)
Losses (gains) on investments	**43,983**	(250,038)
Deferred taxes (recovery)	**(14,530)**	1,253
Amortization of deferred premium acquisition costs	**94,115**	94,677
Net employee future benefit expense	**29,732**	20,544
Amortization of property and equipment and intangible assets	**16,829**	16,034
Other items included in net income	**1,478**	1,202
	439,279	407,366
Net change in other items related to operating activities	**(85,056)**	(71,928)
Cash flows related to operating activities	**354,223**	335,438
INVESTING ACTIVITIES		
Acquisitions, issuances and advances related to investments	**(1,434,504)**	(2,451,141)
Disposals and repayments related to investments	**1,113,962**	2,182,131
Net additions to property and equipment and intangible assets	**(42,849)**	(53,342)
Cash flows related to investing activities	**(363,391)**	(322,352)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(507)**	(342)
Changes in non-controlling interests	**(4,349)**	(3,933)
Dividends paid to non-controlling interests	**(2,118)**	(2,488)
Interest paid	**(1,171)**	(1,222)
Cash flows related to financing activities	**(8,145)**	(7,985)
Net (decrease) increase in cash and cash equivalents	**(17,313)**	5,101
Cash and cash equivalents, beginning of year	**101,361**	96,260
Cash and cash equivalents, end of year[1]	**84,048**	101,361
1. Consisting of:		
Cash	**58,838**	38,132
Cash equivalents	**29,526**	71,565
Bank overdraft *[note 13]*	**(4,316)**	(8,336)
	84,048	101,361
Supplementary information on cash flows		
Interest received	**54,974**	62,595
Dividends received and distributions received	**83,812**	48,895
Taxes (paid) recovered	**(13,713)**	36,729

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

[in thousands of Canadian dollars]

1. INCORPORATING STATUTE AND NATURE OF OPERATIONS

La Capitale Civil Service Mutual ("the Mutual"), incorporated under the *Act respecting the Quebec Civil Servants Mutual Life*, is a mutual management corporation.

It operates through its subsidiaries mainly in Canada as a designer, marketer and distributor of products including individual life and health insurance, savings and loans, mortgage loans, group insurance, automobile and home insurance, commercial insurance and surety lines and travel insurance.

The Mutual is headquartered at 625 Saint-Amable Street, Quebec City, Quebec, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Mutual have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*.

These consolidated financial statements were approved for issue by the Board of Directors of the Mutual on February 23, 2016.

Basis of preparation

The consolidated financial statements have been prepared on a historic cost basis except for investment properties, financial instruments held-for-trading, financial instruments designated at fair value through profit or loss and available-for-sale financial instruments that have been measured at fair value.

The Mutual presents its consolidated statement of financial position in order of liquidity with each item comprising both current and non-current balances, if applicable.

The significant accounting policies used to prepare the consolidated financial statements are summarized below.

Consolidation

The consolidated financial statements include the accounts of the Mutual and those of its subsidiaries as at December 31, 2015. The subsidiaries are entities controlled by the Mutual. The Mutual controls a subsidiary only and only if it has:

- Power over the subsidiary (i.e., has existing rights that give it the current ability to direct the activities);
- Exposure, or rights, to variable returns from its involvement with the subsidiary;
- The ability to use its power over the subsidiary to affect the amount of its returns.

Consolidation of the financial statements of a subsidiary begins from the date the Mutual obtains control of the subsidiary and ceases when the Mutual loses control of the subsidiary.

The Mutual's consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances.

Intragroup balances and revenues and expenses arising from intragroup transactions are eliminated in the preparation of the consolidated financial statements.

The acquisition of a subsidiary is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the acquirer, liabilities incurred by the acquirer from the business's former owners and the equity instruments issued by the acquirer. Acquisition-related costs are recognized in net income and presented under general expenses.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Consolidation [Cont'd]

These financial statements include the financial statements of La Capitale Civil Service Mutual and the subsidiaries listed below. The direct parent company's percentage of ownership of voting shares for each subsidiary is detailed under "% interest."

	% interest			
	2015	2014	Location of principal place of business	Description
Subsidiary				
La Capitale Financial Group Inc.	**95.4**	94.4	Quebec City, Canada	Holding company
La Capitale Financial Services Inc.	**100.0**	100.0	Quebec City, Canada	Distribution firm
La Capitale Civil Service Insurer Inc.	**100.0**	100.0	Quebec City, Canada	Life and health insurance company
La Capitale Insurance and Financial Services Inc.	**100.0**	100.0	Quebec City, Canada	Life and health insurance company
La Capitale MFQ Real Estate Management Inc.	**100.0**	100.0	Quebec City, Canada	Real estate management company
3602214 Canada Inc.	**70.0**	70.0	Mississauga, Canada	Holding company
La Capitale Financial Security Insurance Company	**100.0**	100.0	Mississauga, Canada	Life and health insurance company
La Capitale Participations inc.	**77.2**	77.1	Quebec City, Canada	Holding company
La Capitale General Insurance Inc.	**100.0**	100.0	Quebec City, Canada	Property and casualty insurance company
L'Unique General Insurance Inc.	**100.0**	100.0	Quebec City, Canada	Property and casualty insurance company
Unica Insurance Inc.	**100.0**	100.0	Mississauga, Canada	Property and casualty insurance company
Développement informatique Unicap inc.	**100.0**	100.0	Quebec City, Canada	IT development and system improvement services
SecuriGlobe Inc.	**100.0**	100.0	Brossard, Canada	Travel insurance product distributor
Immo-Beauport S.E.C.	**70.0**	70.0	Quebec City, Canada	Real estate management company

Non-controlling interests

The following tables provide financial information on subsidiaries in which the non-controlling interests have significant holdings.

Percentage holdings of non-controlling interests

	Location of principal place of business	2015 %	2014 %
Subsidiary			
La Capitale Financial Group Inc.	Quebec City, Canada	**4.6**	5.1
La Capitale Participations inc.	Quebec City, Canada	**22.8**	22.9
3602214 Canada Inc.	Mississauga, Canada	**30.0**	30.0

Cumulative balances of significant non-controlling interests

	2015 $	2014 $
La Capitale Financial Group Inc.	**35,295**	38,714
La Capitale Participations inc.	**77,751**	73,390
3602214 Canada Inc.	**38,696**	37,814
	151,742	149,918

Net income attributable to significant non-controlling interests

	2015 $	2014 $
La Capitale Financial Group Inc.	**1,475**	2,876
La Capitale Participations inc.	**9,293**	8,484
3602214 Canada Inc.	**3,586**	3,916
	14,354	15,276

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Non-controlling interests [Cont'd]

The following tables provide summarized financial information of these subsidiaries. This information is based on amounts before the elimination of intercompany accounts and transactions.

	2015		
	La Capitale Financial Group Inc. $	La Capitale Participations inc. $	3602214 Canada Inc. $
Revenues	**32,918**	**879,919**	**116,481**
Net income	**32,597**	**40,803**	**11,954**
Other comprehensive loss	**(23,304)**	**(20,110)**	**(2,748)**
Comprehensive income	**9,293**	**20,693**	**9,206**
Dividends paid to non-controlling interests	**238**	**—**	**1,880**

	2014		
	La Capitale Financial Group Inc. $	La Capitale Participations inc. $	3602214 Canada Inc. $
Revenues	57,243	857,821	150,502
Net income	55,098	37,089	13,053
Other comprehensive loss	(28,177)	(12,792)	(1,512)
Comprehensive income	26,921	24,297	11,541
Dividends paid to non-controlling interests	264	449	1,774

	2015		
	La Capitale Financial Group Inc. $	La Capitale Participations inc. $	3602214 Canada Inc. $
Total assets	**771,507**	**1,563,462**	**527,150**
Total liabilities	**3,903**	**1,220,925**	**398,162**
Equity	**767,604**	**342,537**	**128,988**
Attributable to members of the Mutual	**732,309**	**264,786**	**90,292**
Attributable to non-controlling interests	**35,295**	**77,751**	**38,696**

	2014		
	La Capitale Financial Group Inc. $	La Capitale Participations inc. $	3602214 Canada Inc. $
Total assets	760,049	1,489,673	533,635
Total liabilities	4,022	1,167,829	407,586
Equity	756,027	321,844	126,049
Attributable to members of the Mutual	717,313	248,454	88,235
Attributable to non-controlling interests	38,714	73,390	37,814

	2015		
	La Capitale Financial Group Inc. $	La Capitale Participations inc. $	3602214 Canada Inc. $
Cash flows			
Operating activities	**312**	**86,864**	**(5,766)**
Investing activities	**3,091**	**(69,509)**	**9,976**
Financing activities	**(4,116)**	**(2,914)**	**(6,267)**
Net (decrease) increase in cash and cash equivalents	**(713)**	**14,441**	**(2,057)**

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Non-controlling interests [Cont'd]

	2014		
	La Capitale Financial Group Inc. $	La Capitale Participations inc. $	3602214 Canada Inc. $
Cash flows			
Operating activities	1,573	66,925	13,641
Investing activities	2,288	(44,647)	(10,136)
Financing activities	(3,989)	(4,874)	(5,916)
Net (decrease) increase in cash and cash equivalents	(128)	17,404	(2,411)

Investments

Investments considered as financial instruments are classified as follows according to their characteristics and the purpose for which they were acquired by the Mutual:

— Assets held-for-trading and assets designated at fair value through profit or loss with changes in fair value recognized in income;

— Assets available-for-sale recognized at fair value with changes in fair value recognized in accumulated other comprehensive income;

— Loans and receivables recognized at amortized cost using the effective interest method.

Financial instruments are recorded at fair value when initially recognized. Subsequent remeasurements will depend on the category in which financial instruments were initially classified.

The Mutual uses settlement date accounting for regular-way purchases and sales of financial assets. Under this method, any gains or losses between the transaction and settlement dates are recognized in income for assets designated at fair value through profit or loss and in other comprehensive income for available-for-sale assets.

Transaction costs of assets classified as held-for-trading and designated at fair value through profit or loss are recognized in income. Transaction costs of assets classified as available-for-sale are capitalized to the cost of the financial instruments. Transaction costs of assets classified as loans and receivables are capitalized and amortized using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents classified as held-for-trading consist of cash, short-term deposits and bankers' acceptances, and are accounted for at fair value. Short-term deposits and bankers' acceptances are classified as cash equivalents when the period between the acquisition date and maturity is less than three months.

Bonds, stocks and mutual funds

The Mutual has elected to designate bonds, stocks and mutual funds backing life and health insurance contract liabilities at fair value through profit or loss. These bonds, stocks and mutual funds are recorded at fair value. Life and health insurance contract liabilities are determined using the Canadian Asset Liability Method, and the changes in fair value of assets backing the life and health insurance contract liabilities are included directly in life and health insurance contract liabilities. Changes in fair value of assets designated at fair value through profit or loss backing the liabilities and changes in life and health insurance contract liabilities are charged directly to income, thereby avoiding an accounting mismatch. Realized and unrealized gains and losses are recognized through income under "Interest and other investment income" and "Changes in fair value of financial assets designated as at fair value through profit or loss," respectively. Interest, dividend and distribution income is recognized under "Interest and other investment income."

Bonds, stocks and mutual funds that are not used to cover life and health insurance contract liabilities are classified as available-for-sale.

Bonds, stocks and mutual funds classified as available-for-sale are recorded at fair value. Unrealized gains and losses are recognized in other comprehensive income except when there is objective evidence of impairment, in which case the impairment loss is recognized in income. Gains and losses realized on disposal are reclassified to income under "Interest and other investment income." Interest, dividend and distribution income is recognized under "Interest and other investment income."

At each reporting date, financial instruments classified as available-for-sale are tested for impairment and, when there is evidence of impairment, generally a decline in value considered significant or prolonged, any loss recognized in accumulated other comprehensive income is reclassified to income. An impairment loss recorded in the statement of income may be reversed through profit or loss, in the case of a debt instrument, if its fair value increases during a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized. Impairment losses related to equity instruments may not be reversed through the statement of income. Financial instruments continue to be recognized at fair value even if an impairment loss has been recorded. Any subsequent declines in value for impaired financial instruments are recognized in income.

Fair values for bonds and stocks are determined with reference to bid prices observed in active market where available. Where bid prices cannot be obtained, fair value is determined using valuation techniques that factor in the interest rate particular to each security and discounted cash flows, and are based on indirectly observable market data. Fair values of mutual funds are determined according to values published by the fund.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Investments [Cont'd]

Mortgage loans

Mortgage loans are classified as loans and receivables and reported at amortized cost using the effective interest method, less any allowance for losses. Commissions paid and other mortgage acquisition costs incurred are recognized and presented under mortgage loans. Amortized cost is the amount at which the mortgage loan is initially recognized less any principal repayments, plus or minus accumulated amortization determined using the effective interest method. Realized gains and losses on disposal of these securities and interest income are recognized through income under "Interest and other investment income."

The fair value of mortgage loans is determined primarily by discounting future cash flows using market interest rates for loans with similar terms and conditions to new mortgage loans.

Mortgage loan securitization

The Mutual periodically securitizes pools of insured mortgage loans that meet the criteria of the *National Housing Act* ("NHA") program of the Canada Mortgage and Housing Corporation ("CMHC"), through a trust set up for this purpose. As part of these securitization transactions and as required by the NHA's Mortgage-Backed Securities Program ("NHA MBS"), the Mutual transfers substantially all the risks and rewards related to the mortgage loans ceded to a third party and complies with the criteria of derecognizing ceded mortgage loans.

In securitization transactions, the Mutual retains a portion of the future interest that will be paid by the borrower whose mortgage loan was sold, accounting for this future revenue, net of servicing expenses, as retained interests.

The fair value of retained interests is calculated using the discounted value of expected future cash flows based on assumptions concerning prepayments, servicing expenses and discount rates. Retained interests are classified as held-for-trading and reported at fair value.

Gains and losses arising from securitization are recorded to the extent of the excess or shortfall of the consideration received over the carrying amount allocated to the assets sold. These gains and losses are recognized through income and included in investment income.

Policy loans

Policy loans classified under loans and receivables are recorded at amortized cost and are fully secured by the cash surrender value of the insurance policies on which the respective loans are granted. The fair value of policy loans approximates their carrying amount due to their short-term maturity.

Investment properties

Investment property is real estate that is held to earn rent or for capital appreciation.

Investment properties are accounted for at the transaction price on acquisition and subsequently recognized at fair value. The fair values of investment properties are determined by valuations prepared by chartered appraisers or by Mutual personnel and are revised annually. Rental income and realized and unrealized gains and losses on investment properties are recognized through income under "Interest and other investment income."

Other investments

Other investments include personal loans, other loans, properties held for resale, investments in joint ventures and associates, investments in private companies, investments in limited partnerships and derivative financial instruments. Personal loans and other loans are classified as loans and receivables and recognized at amortized cost using the effective interest method. The fair value of these personal and other loans is determined by discounting future cash flows using market interest rates for loans with similar terms and conditions.

Property held for resale is measured at the lower of fair value less costs to sell and the carrying value of underlying mortgage loans at foreclosure date. When the fair value of a property held for resale is less than the carrying value of underlying mortgage loans, less costs to sell, at the foreclosure date, losses are immediately recognized through income. Realized gains and losses on the disposal of such real estate are recognized through income for the year.

The investment in 50%-owned joint venture Société Bon Pasteur s.e.n.c. is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates are investment in entities over which the Mutual exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not as having control or joint control of those policies.

The criteria forming the basis for the principles used to determine significant influence or joint control are similar to those used to determine control over subsidiaries.

The investments in a joint venture and in associates are accounted for using the equity method.

Investments in private companies are recognized at cost, as no active market exists, making it difficult to determine a reliable fair value. The Mutual determines whether there is objective evidence that the investments in the private companies and associates are impaired at the end of each reporting period. Impairment losses on investments in private companies are recognized when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

Investments in limited partnerships are accounted for at fair value. Fair value is determined using valuation techniques that factor in the interest rate particular to this type of investment and discounted cash flows, and are based on indirectly observable market data.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Investments [Cont'd]

Loan impairment provisions

At each reporting date, the Mutual performs impairment tests on mortgage loans, personal loans and other loans. Evidence of impairment arises when there is reasonable doubt as to the timely collection of the principal or interest on a loan or if a payment is over 90 days past due under the agreement. Impairment of a loan is determined based on the net recoverable amount of the loan. An allowance is created for the difference between this amount and the carrying amount. The Mutual determines the net recoverable amount of the loan by discounting cash flows at the effective interest rate inherent in the loan. This allowance is charged immediately to income. Furthermore, interest on impaired assets is no longer accrued.

Securities lending

The Mutual engages in the lending of securities, namely stocks and bonds from its investment portfolio. These transactions are collateralized by securities received from counterparties and guaranteed by the asset custodian. The loaned securities are not derecognized since the Mutual retains the risks and rewards related to these securities. Income generated from securities lending is reported under investment income in the statement of income.

Reinsurance

Reinsurance ceded

In the normal course of business, the Mutual enters into reinsurance agreements with other insurers and reinsurers to limit its exposure to risk. Ceding insurance to a reinsurer does not relieve the Mutual of its obligations to its insureds. It remains accountable to its insureds for the amount reinsured in the event that a reinsurer should default on its reinsurance cession obligations under the reinsurance treaties.

Reinsurance assets represent balances due from insurance companies with respect to liabilities relating to ceded insurance contracts. Amounts recoverable are estimated based on actuarial liabilities and provisions for claims related to the underlying insurance contracts in accordance with reinsurance agreements.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently if an indication of impairment arises during the reporting year. An impairment loss is recognized when there is objective evidence that the Mutual may not receive all outstanding amounts due under the terms of the agreement and that the unrecoverable amount can be estimated reliably.

Ceded premiums and ceded benefits and claims are reported in the consolidated statement of income. Reinsurance assets are presented as a separate item in the consolidated statement of financial position.

Reinsurance assumed

Assumed reinsurance contracts are entered into by the Mutual to acquire a portion of the risk and pay compensation as a percentage of losses on contracts written by other insurers. The Mutual assumes the reinsurance risk in the normal course of business relating to life and health and property and casualty insurance contracts. The premiums and benefits or claims under assumed reinsurance contracts are recognized as revenues or expenses as if they were direct business, taking into account the nature of the reinsurance business. Premiums and benefits or claims are reported on a gross basis for reinsurance assumed. Liabilities under assumed reinsurance contracts are included in insurance contract liabilities. Reinsurance liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Income taxes

The Mutual uses the asset and liability method of accounting for income taxes. Income tax expense (recovery) comprises current tax expense (recovery) and deferred tax expense (recovery). Income taxes are recognized through profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities are based on income before income taxes in the current year, adjusted for items that are not taxable or not deductible. Current income tax assets and liabilities are calculated based on income tax laws and rates enacted or substantively enacted as at the reporting date. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recorded based on all temporary differences between the financial statement carrying amount and the corresponding tax basis. These deferred income tax assets and liabilities are calculated using enacted or substantively enacted tax rates at the reporting date that are expected to be in effect when the assets are realized or the liabilities settled in future years. Deferred tax assets are recognized only if management deems it probable that deferred tax assets will be realized.

Other financial assets and other assets

Other financial assets consist of retained interests in securitized loans, investment income receivable, cash in trust, due from reinsurers in the life and health insurance and property and casualty insurance segments, subrogations, other receivables and balance of sale receivable, which are classified as loans and receivables and recorded at amortized cost using the effective interest method, except for retained interests in securitized loans and cash in trust which are classified as held-for-trading and reported at fair value.

Other assets consist of deferred premium acquisition costs, prepaid expenses and tax credits. Deferred premium acquisition costs include commissions and taxes on premiums and are recorded at amortized cost over the term of the relevant insurance contract provided that they are recoverable. They are considered recoverable to the extent that unearned premiums and investment income, net of projected losses, loss adjustment expenses and administrative costs, exceed deferred charges. Prepaid expenses and tax credits are recognized at cost.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Property and equipment

Property and equipment comprise land, own-use properties, furniture and other, computer hardware and leasehold improvements. Property and equipment are recorded at cost, net of accumulated amortization and impairment losses, and are amortized on a straight-line basis over their estimated useful life.

Realized gains and losses on disposal of property and equipment are recognized through income for the year.

Property and equipment are amortized on the following basis:

Class	Method	Useful life
Own-use properties	Straight-line	20 to 100 years
Furniture and other	Straight-line	10 years
Computer hardware	Straight-line	3 years and 5 years
Leasehold improvements	Straight-line	Lease term

Amortization methods used, useful lives and the residual value of property and equipment are reviewed annually. Any changes are recognized prospectively.

Amortization is recognized under general expenses in the consolidated statement of income.

Intangible assets

Intangible assets consist of indefinite-life intangible assets, namely trademarks, and finite-life intangible assets, namely the client base, distribution networks and software, and software under development. Intangible assets are accounted for at cost at the acquisition date. Internally developed software and software under development are recorded at the lower of incurred development costs and future economic benefits. Software is amortized when implemented.

Indefinite-life intangible assets are not amortized.

Finite-life intangible assets are amortized on a straight-line basis as follows:

	Useful life
Client base and distribution networks	30 months to 18 years
Software	3 years, 5 years and 15 years

Amortization methods used, useful lives and the residual value of intangible assets are reviewed annually. Any changes are recognized prospectively.

Amortization is recognized under general expenses in the consolidated statement of income.

Impairment of property, equipment and intangible assets

Where significant circumstances or events indicate a possible impairment, the management of the Mutual remeasures the carrying amount of property and equipment and intangible assets through impairment tests. Intangible assets with indefinite useful lives and development software are tested for impairment annually. An impairment loss is recorded once the asset's carrying amount exceeds the recoverable amount. The recoverable amount of an asset represents the higher of its fair value less costs to sell and its value in use, which corresponds to the value of total discounted cash flows.

Government assistance

The Mutual receives government assistance in the form of tax credits for scientific research and experimental development. These amounts are recognized when there is reasonable assurance that the Mutual will comply with the conditions attached to these credits and the amounts will be received. The Mutual uses the cost reduction method to account for these amounts, under which credits are recorded as a reduction to general expenses or the eligible assets to which they apply. These credits are amortized according to the same method and rates as the eligible assets to which they apply.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the estimated fair value of their net identifiable assets. Goodwill is initially measured and subsequently at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least once a year for each cash-generating unit ("CGU") or group of CGUs or when events or changes in circumstances indicate that its carrying amount may not be recoverable. A CGU is the smallest group of assets that generates largely independent cash flows and corresponds either to an operating segment or to a lower level. Any impairment of goodwill is identified by comparing the recoverable amounts of a CGU or a group of CGUs with its carrying amount and is recognized in income. Impairment losses may not be reversed subsequently.

The recoverable amount of a CGU is defined as the higher of its estimated fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Classification of insurance contracts

The contracts issued by the Mutual are classified as insurance contracts, investment contracts or service contracts. Contracts under which the Mutual accepts significant insurance risk from policyholders are classified as insurance contracts. A contract is considered as transferring significant insurance risk if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario. Contracts under which the Mutual does not accept significant insurance risk are classified as investment contracts or service contracts.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Classification of insurance contracts [Cont'd]

Investment contracts are contracts that transfer financial risk but not significant insurance risk. Service contracts are contracts under which the Mutual offers administrative services. Financial risk is the risk of a possible future change in one or more of the following elements: specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk becomes significant.

Certain insurance contracts contain discretionary participation features under which policyholders are entitled to receive additional benefits.

Under the Insurance Act (Quebec), in the normal course of its business, a life and health insurance company set up as a joint stock corporation may, within a predetermined limit, allocate a portion of overall earnings attributable to participating policyholders as retained earnings attributable to members. This annual transfer is presented in the Consolidated Statement of Changes in Equity.

The unpaid balance of experience rating refunds is included in life and health insurance contract liabilities.

Life and health insurance contract liabilities

Life and health insurance contract liabilities comprise gross actuarial liabilities, provisions for benefits incurred, provisions for experience rating refunds, and policyholder amounts on deposit.

Gross actuarial liabilities represent the amount that secures current policy commitments. These actuarial liabilities are determined using the Canadian Asset Liability Method ("CALM"), which is the actuarial practice prescribed by the Canadian Institute of Actuaries ("CIA").

CALM involves projecting asset and liability cash flows for each business segment. Net cash flows are invested in new assets, if positive, or assets are sold or borrowed against to meet cash needs in accordance with the assumptions of each scenario. Reinvestment strategies are based on investment policies for each segment and the reinvestment returns are from the underlying scenarios. The insurance contract liabilities are at least as great as the liabilities determined under the worst of the scenarios tested.

This method meets the minimum requirements of the liability adequacy test, i.e. it uses current estimates of all contractual cash flows, related cash flows, and the total inadequacy is recognized in the statement of income.

Property and casualty insurance contract liabilities

Property and casualty insurance contract liabilities consist of unearned premiums and the provision for claims and loss adjustment expenses.

Unearned premiums are calculated on a pro rata basis, based on the unexpired portion of the premiums written. At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of unearned premiums. A premium deficiency results when unearned premiums are considered insufficient to cover the estimated future costs for the unexpired portion of the insurance contracts written. A premium deficiency is recognized immediately as a reduction of deferred premium acquisition costs to the extent that the aggregate amount of unearned premiums and the expected investment income is considered inadequate to cover all the deferred premium acquisition costs and related claims and insurance expenses. If the premium deficiency exceeds the unamortized deferred policy acquisition costs, a liability is recognized with regard to the excess deficiency.

The provision for claims and loss adjustment expenses is initially determined on a case-by-case basis for each claim reported and includes an additional amount based on the estimate of claims incurred but not reported. The provision is recorded on a discounted basis. Claims and loss adjustment expenses are charged to income as incurred until contract expiry, whether through settlement or termination.

The provision for claims and loss adjustment expenses is estimated on a gross basis without taking into account recoveries from reinsurers as well as net of recoveries from reinsurers. It also includes a provision for adverse deviation, as required by Canadian accepted actuarial practice. This estimate is based on the assumption that future changes in claims will be comparable to the historical experience. The analysis also includes assumptions regarding future claims, the average claim cost, inflation and other relevant factors. Provisions for internal and external loss adjustment expenses are estimated based on the historical relationship between these expenses and claims. If past experience is not applicable to current claims, either due to changes in practices or a new line of business, additional assumptions must be made to take into account three major variables or values: future claims, reinsurance recoveries and future investment income.

The provision for claims and loss adjustment expenses and the related reinsurers' share are estimates subject to variability during the year. These variations are due to events affecting the ultimate settlement of claims, but which have not yet occurred and may not occur for some time. These variations may also be caused by additional information regarding the claims, by changes in court interpretations of policies, or by significant differences in claim severity and frequency relative to historical trends. The estimates are based on the experience of the Mutual's subsidiaries.

According to management, the estimation methods used produce reasonable results based on the data currently available.

Groupement des assureurs automobiles

When certain automobile owners are unable to obtain insurance via the voluntary insurance market, they are insured via the Groupement des assureurs automobiles ("GAA"). In addition, insurers can choose to cede certain risks to the GAA-administered Risk Sharing Pool ("RSP"). Risks associated with GAA insurance contracts and contracts ceded to the RSP are shared by the Canadian property and casualty insurers in proportion to market share and volume of business ceded to the RSP. The Mutual applies the same accounting policies to those insurance contracts as it does to insurance contracts issued by the Mutual directly to policyholders.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Other financial liabilities and other liabilities

Other financial liabilities include accrued liabilities, other amounts on deposit, the loyalty, stabilization and development fund, bank overdraft, deposits for taxes, due to reinsurers in the life and health insurance and property and casualty insurance segments, deposits in trust and other, which are classified as other liabilities and recorded at cost, except for bank overdraft which is classified as held-for-trading and recognized at fair value.

Other liabilities include amounts payable under the stock appreciation rights plan recorded at fair value and deferred revenues recognized at cost. The Mutual offers a stock appreciation rights plan to certain officers. The stock appreciation rights plan is valued using the Black-Scholes model, which is based mainly on the risk-free interest rate, the expected return volatility on La Capitale Financial Group Inc. stock and the average expected life of stock appreciation rights.

Stock appreciation rights plan expense is charged to income for the year when the return on shares is earned under the plan of La Capitale Financial Group Inc. and is recognized under general expenses in the consolidated statement of income.

Employee future benefits

The Mutual offers defined benefit and defined contribution pension plans and post-employment benefits to its employees. The Mutual has set up a master trust for the purpose of managing investments of all the defined benefit pension plans of the La Capitale group. Participating units in the master trust are attributed periodically to the plans, based on contributions net of benefits and expenses net of other items reducing net assets. The cost of pension benefits under defined benefit plans and of other post-employment benefits earned by employees is determined according to actuarial calculations using the projected unit credit method and management's most likely assumptions of salary escalation, the retirement age of employees, expected health care costs and mortality rates. Plan obligations are discounted based on current market interest rates, and plan assets are recorded at fair value. The difference between the defined benefit pension plan assets and the obligation in respect of defined benefit pension plans is recognized under "Employee future benefits" in the consolidated statement of financial position.

The cost of benefits is recognized under general expenses in the consolidated statement of income.

Remeasurement of the net defined benefit liability is accounted for in the year in which it occurs through other comprehensive income.

For defined contribution plans, the Mutual pays specified contributions into a separate entity and has no legal or constructive obligation to pay further amounts. As a result, no liability appears on the Mutual's consolidated financial statements, except for the expense recognized for contributions due but not yet paid at the end of the reporting period. Contributions payable to defined contribution plans are charged to income.

Long-term debt

Long-term debt includes a subordinated debenture and a loan secured by an immovable hypothec. Long-term debt is classified as other liabilities and recorded at amortized cost using the effective interest method. Interest on long-term debt is recognized through income under "Finance costs."

The fair values of the subordinated debenture and the borrowing secured by an immovable hypothec are estimated using a valuation model based on market prices for instruments with similar terms. These fair values may fluctuate depending on interest rates and credit risks associated with such financial instruments.

Revenue recognition

Revenues are recognized when it is likely that economic benefits will flow to the Mutual and these benefits can be measured reliably. Revenues are measured at the fair value of the consideration received or receivable.

Premiums

Gross life and health insurance and annuity premiums are recorded as revenues when they fall due under existing policies. Upon the recognition of premiums, actuarial liabilities are calculated and recognized under "Life and health insurance contract liabilities" in the consolidated statement of financial position to match benefits and expenses with revenues. Net premiums include assumed premiums, net of premiums ceded to reinsurers.

Gross written premiums for property and casualty insurance are recorded as revenues over the term of each policy on a pro rata basis. The portion of unearned premiums as at the reporting date is reported under "Property and casualty insurance contract liabilities" in the consolidated statement of financial position. For certain products, unearned premiums are adjusted to take into account changes in the associated risks.

Investment income

Dividend and distribution income is recognized when the right to receive payment is established. Interest income from bonds and loans are calculated using the effective interest method. Rental income from investment properties is recognized on a straight-line basis over the lease term.

Fees and other income

Fees and other income comprise mainly management fees, rental income from own-use properties and other income and are recognized on an accrual basis as services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Derivative financial instruments

The Mutual uses derivative financial instruments to manage interest rate risk in connection with asset-liability matching and to hedge against interest rate risk related to mortgage loans that are being securitized and certain insurance products. The Mutual also uses derivative financial instruments to manage foreign currency exposure in connection with certain internally developed projects whose main cash disbursements are in foreign currencies.

Derivative financial instruments are classified as held-for-trading and recognized at fair value, and changes in fair value are recognized in income. Derivative financial instruments with a positive fair value are included in other investments, whereas derivative financial instruments with a negative fair value are included in other financial liabilities.

Foreign currency translation

The Canadian dollar is the Mutual's functional currency. Transactions in foreign currencies carried out by the Mutual are translated at the exchange rate in effect on the transaction date. At each reporting date, monetary items are translated at the rates in effect at year-end while non-monetary items are translated at historical exchange rates. Translation gains and losses are included in income for the year.

Changes in future accounting policies

The standards issued by the IASB that were not applicable as at the date of publication of the Company's financial statements are described below.

The Mutual will apply these standards in future fiscal years.

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which constitutes a single standard for the recognition of revenue from all contracts with customers, except for insurance contracts, lease contracts, financial instruments and some non-monetary exchanges. This new standard sets out a single, five-step model for recognizing revenues. In July 2015, the IASB confirmed the deferral of the effective date for this standard from January 1, 2017 to January 1, 2018. The Mutual is currently assessing the impact of this standard on its consolidated financial statements.

IAS 16 – *Property, Plant and Equipment and IAS 38 – Intangible Assets*

In May 2014, the IASB issued an amendment to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*. The amendment, *Clarification of acceptable methods of depreciation and amortization*, clarifies that revenue-based methods should not be used to calculate depreciation and amortization. The amortization of recognized assets must reflect a pattern of consumption of the assets rather than the economic benefits from the assets. This amendment will be effective for financial statements for fiscal years beginning on or after January 1, 2016, to be applied prospectively. The adoption of this amendment will have no impact on the consolidated financial statements of the Mutual.

IFRS 11 – *Joint Arrangements*

In May 2014, the IASB issued an amendment to IFRS 11, *Joint Arrangements, entitled Accounting for Acquisitions of Interests in Joint Operations*. The amendment clarifies that an acquisition of an interest in a joint operation that is a business should be accounted for and disclosed as a business combination in accordance with IFRS 3, *Business Combinations*. This amendment will be effective for fiscal years beginning on or after January 1, 2016, to be applied prospectively. The Mutual is currently assessing the impact of this amendment on its consolidated financial statements.

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which makes the following changes to the recognition of financial instruments:

- The classification and measurement approach for financial assets reflects the business model with which they are managed and their cash flow characteristics.
- Impairment is based on the expected credit loss model.
- Hedge accounting takes into account the entity's risk management practices.

This standard will be effective for fiscal years beginning on or after January 1, 2018, to be applied retrospectively. The Mutual is currently assessing the impact of this standard on its consolidated financial statements.

IAS 1 – *Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to IAS 1, *Presentation of Financial Statements*, to provide clarifications on disclosure and the use of judgment in determining what information to disclose. This amendment will be effective for financial statements for fiscal years beginning on or after January 1, 2016, to be applied prospectively. The adoption of this amendment will have no impact on the consolidated financial statements of the Mutual.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard requires most leases to be accounted for on balance sheet using a single model. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for fiscal years beginning on or after January 1, 2019. The Mutual is currently assessing the impact of this standard on its consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

In September 2014, the IASB issued *Annual Improvements to IFRSs 2012-2014 Cycle*, which affect four standards. The improvements will be effective for fiscal years beginning on or after January 1, 2016. The adoption of these improvements will have no impact on the consolidated financial statements of the Mutual.

3. SIGNIFICANT JUDGMENT, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from management's best estimates.

Judgment

In the process of applying the accounting policies, management has made the following judgment that had the most significant effect on the amounts recognized in the consolidated financial statements:

Loan securitization

The Mutual securitizes pools of mortgage loans periodically by selling them to trusts. Judgment is required to determine whether these transfers meet the conditions for the derecognition of the financial assets in question. For instance, since the Mutual retains a portion of the future interest paid by the borrower whose mortgage loan has been sold, it must assess to what extent the contractual rights over the cash flows, the risks and rewards of ownership and control over the financial asset have been substantially transferred to a third party.

Estimates and assumptions

In the process of applying the accounting policies, management has made the following estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements:

Fair value of financial instruments

For Level 3 financial instruments, the fair value of financial assets reported in the consolidated statement of financial position cannot be derived from markets considered active. The fair value of these financial instruments is determined using a variety of valuation techniques based on the use of discounted cash flow models. Since observable market data is not available, judgment is required to establish liquidity risk, credit risk and the degree of volatility. The main techniques for determining fair value are described in note 22.

Fair value of investment properties

The Mutual accounts for its investment properties at fair value and recognizes any changes in fair value through the consolidated statement of income. The Mutual relies on fair value measurements prepared by chartered appraisers or Mutual personnel as at the reporting date, i.e. December 31. They use valuation techniques based on discounted future cash flows from rental space, taking into account the lack of comparative market data for comparable properties.

The fair value of investment properties is very sensitive to the rate of return and to the overall discount rate. The main assumptions made to determine the fair value of investment properties are described in note 4.

Impairment of financial instruments

Equity and fixed income securities available-for-sale are recognized at fair market value with changes in fair value recognized in accumulated other comprehensive income. Securities are reviewed on a regular basis and any fair value decrement is transferred out of accumulated other comprehensive income and recorded in income when it is deemed probable that the Mutual will not be able to collect all amounts due according to the contractual terms of a fixed income security or when fair value of an equity security has declined significantly below cost or for a prolonged period of time. During the year, no unrealized losses on available-for-sale financial assets were reclassified from the statement of comprehensive income to the statement of income [2014: $3,851].

Provisions for impairment of mortgage loans and loans are recorded with losses reported in income when there is no longer reasonable assurance as to the timely collection of the full amount of the principal and interest. No loans were impaired during the year.

The Mutual exercises judgment to assess whether impairment exists and in determining fair values and recoverable amounts. The important issues to be considered include economic factors, new developments affecting companies and specific sectors, and particular aspects affecting certain borrowers and issuers.

Impairment of intangible assets and goodwill

Intangible assets with indefinite lives, software under development and goodwill are tested for impairment annually or when there are indications of potential impairment. Impairment tests consist in comparing the carrying amount of the asset or CGU in question with its recoverable amount. To determine the value in use of an asset or a CGU, several assumptions must be made, including the estimation of future cash flows that the Mutual expects to receive and the discount rate.

Future cash flows are determined by making financial projections over five-year periods, excluding any significant restructuring to the investment project that could influence the performance of the asset or the CGU being tested for impairment.

The determined recoverable amount is sensitive to the discount rate used for the discounted cash flow model and to the extrapolated growth rate.

The main assumptions used in impairment testing for goodwill and trademarks are described in note 9.

The carrying amounts for indefinite-life intangible assets, software under development and goodwill were, respectively, $12,639 [2014: $12,639], $78,879 [2014: $53,075] and $102,572 [2014: $102,572].

3. SIGNIFICANT JUDGMENT, ESTIMATES AND ASSUMPTIONS [Cont'd]

Estimates and assumptions [Cont'd]

Income taxes

The computation of current and deferred tax expense (recovery) is based on several factors including the interpretation of tax regulations in the jurisdictions in question, assessments regarding the recovery of deferred tax assets and how the assets and liabilities are expected to be recovered. The recovery of deferred tax assets depends, among other factors, on projected future taxable income from the Mutual's operations and the tax planning strategies developed. The Mutual establishes a provision for income tax it considers reasonable and which is based on the weighted estimate of the possible results from the adopted tax positions. When establishing the provision, the Mutual takes into consideration previous adjustments made by tax authorities, interpretation bulletins and recent rulings rendered in the relevant jurisdictions.

Life and health insurance contract liabilities

The establishment of actuarial liabilities, the related reinsurers' share, the provisions for benefits incurred and the provisions for experience rating refunds depends on various actuarial assumptions including the mortality rate, morbidity rate, investment return, contract management costs, deferred tax expense, policy lapses, participating policyholder dividends and the margins for adverse deviation. These assumptions are described in note 11.

Property and casualty insurance contract liabilities

The provision for claims and loss adjustment expenses and the related reinsurers' share are estimates subject to variability during the year. These variations are due to events affecting the ultimate settlement of claims, but which have not yet occurred and may not occur for some time. These variations may also be caused by additional information regarding the claims, by changes in court interpretations of policies, or by significant differences in claim severity and frequency relative to historical trends. The estimates are based on the experience of the Mutual's subsidiaries. These assumptions are described in note 12.

Employee future benefits

The defined benefit obligation and expense is calculated using several demographic and financial actuarial assumptions. The main assumptions include the discount rate, rate of increase in future compensation, growth rate of retiree health care costs and mortality rate. These assumptions are described in note 14.

4. INVESTMENTS

The following tables provide information on the carrying amount and fair value of the Mutual's investments.

Carrying amount and fair value of investments

	2015						
	Held-for-trading $	Designated at fair value through profit or loss $	Available-for-sale $	Loans and receivables $	Other $	Total carrying amount $	Total fair value $
Cash and cash equivalents	88,364	—	—	—	—	88,364	88,364
Bonds							
Government of Canada	—	—	20,410	—	—	20,410	20,410
Provincial governments	—	1,068,436	95,272	—	—	1,163,708	1,163,708
Municipalities, school boards and hospitals	—	6,715	21,329	—	—	28,044	28,044
Corporate	—	332,973	176,013	—	—	508,986	508,986
	—	1,408,124	313,024	—	—	1,721,148	1,721,148
Stocks							
Common shares	—	63,921	177,713	—	—	241,634	241,634
Preferred shares	—	171,331	125,186	—	—	296,517	296,517
	—	235,252	302,899	—	—	538,151	538,151
Mutual funds							
Bonds	—	30,263	236,395	—	—	266,658	266,658
Stocks	—	222,125	69,544	—	—	291,669	291,669
Loans	—	27,257	68,432	—	—	95,689	95,689
Diversified	—	409,894	—	—	—	409,894	409,894
Other	—	—	32,268	—	—	32,268	32,268
	—	689,539	406,639	—	—	1,096,178	1,096,178
Mortgage loans							
Insured	—	—	—	172,076	—	172,076	174,486
Conventional	—	—	—	396,028	—	396,028	400,938
	—	—	—	568,104	—	568,104	575,424
Policy loans	—	—	—	35,723	—	35,723	35,723
Investment properties							
Held for invesment	—	—	—	—	159,460	159,460	159,460
Other investments							
Personal loans	—	—	—	19,040	—	19,040	18,701
Other loans	—	—	—	77,476	—	77,476	78,644
Properties held for resale	—	—	—	—	296	296	296
Investments in a joint venture and associates	—	—	—	—	23,623	23,623	
Investments in the limited partnerships	—	87,438	28,284	—	—	115,722	115,722
Derivative financial instruments	1,097	—	—	—	—	1,097	1,097
	1,097	87,438	28,284	96,516	23,919	237,254	
	89,461	2,420,353	1,050,846	700,343	183,379	4,444,382	

4. INVESTMENTS [Cont'd]

Carrying amount and fair value of investments [Cont'd]

	2014						
	Held-for-trading $	Designated at fair value through profit or loss $	Available-for-sale $	Loans and receivables $	Other $	Total carrying amount $	Total fair value $
Cash and cash equivalents	109,697	—	—	—	—	109,697	109,697
Bonds							
Government of Canada	—	—	23,262	—	—	23,262	23,262
Provincial governments	—	1,035,661	102,818	—	—	1,138,479	1,138,479
Municipalities, school boards and hospitals	—	7,818	20,989	—	—	28,807	28,807
Corporate	—	338,844	183,842	—	—	522,686	522,686
	—	1,382,323	330,911	—	—	1,713,234	1,713,234
Stocks							
Common shares	—	93,196	231,500	—	—	324,696	324,696
Preferred shares	—	193,753	130,339	—	—	324,092	324,092
	—	286,949	361,839	—	—	648,788	648,788
Mutual funds							
Bonds	—	23,562	217,766	—	—	241,328	241,328
Stocks	—	171,434	50,139	—	—	221,573	221,573
Loans	—	11,924	62,098	—	—	74,022	74,022
Diversified	—	255,210	—	—	—	255,210	255,210
Other	—	—	23,034	—	—	23,034	23,034
	—	462,130	353,037	—	—	815,167	815,167
Mortgage loans							
Insured	—	—	—	182,836	—	182,836	185,244
Conventional	—	—	—	366,318	—	366,318	370,003
	—	—	—	549,154	—	549,154	555,247
Policy loans	—	—	—	34,619	—	34,619	34,619
Investment properties							
Held for invesment	—	—	—	—	161,996	161,996	161,996
Other investments							
Personal loans	—	—	—	19,949	—	19,949	19,576
Other loans	—	—	—	51,809	—	51,809	52,440
Properties held for resale	—	—	—	—	642	642	642
Investments in a joint venture and associates	—	—	—	—	22,351	22,351	
Investments in private companies	—	—	—	—	520	520	
Investments in the limited partnerships	—	50,124	24,795	—	—	74,919	74,919
Derivative financial instruments	72	—	—	—	—	72	72
	72	50,124	24,795	71,758	23,513	170,262	
	109,769	2,181,526	1,070,582	655,531	185,509	4,202,917	

4. INVESTMENTS [Cont'd]

Credit and concentration risks

The Mutual's management sets limits for each portfolio to ensure that the investment portfolios are diversified by asset class. Management monitors actual positions and credit and concentration risk exposures.

The life and health insurance companies mainly limit their investment in a company to 10% of all the corporate bonds, common shares and preferred shares. Mutual funds are not subject to this limit.

The property and casualty insurance companies limit their investments in the form of corporate bonds, preferred shares, common shares and mutual funds to $10,000 per issue, and a single issuer cannot represent more than 10% of all corporate bonds, preferred shares, common shares and mutual funds held.

The following table provides information on the credit quality of bonds.

Bonds by credit quality

	Fair value			
	2015		2014	
Credit rating	$	%	$	%
AAA	**40,288**	**2.3**	65,165	3.8
AA	**424,829**	**24.7**	353,510	20.6
A	**1,166,351**	**67.8**	1,233,734	72.0
BBB	**89,680**	**5.2**	60,825	3.6
	1,721,148	**100.0**	1,713,234	100.0

The following tables show the breakdown of the corporate bond portfolio by sector.

Corporate bonds by sector

	2015			
	Designated at fair value through profit or loss $	Available-for-sale $	Total $	% of total
Energy	**32,833**	**5,052**	**37,885**	**7.5**
Industrials	**40,813**	**5,737**	**46,550**	**9.1**
Consumer staples and discretionary	**7,312**	**6,256**	**13,568**	**2.7**
Health care	**16,977**	**3,876**	**20,853**	**4.1**
Financials	**91,549**	**137,165**	**228,714**	**44.9**
Technology	**6,823**	**—**	**6,823**	**1.3**
Communications	**39,849**	**8,544**	**48,393**	**9.5**
Utilities	**96,817**	**2,836**	**99,653**	**19.6**
Other	**—**	**6,547**	**6,547**	**1.3**
	332,973	**176,013**	**508,986**	**100.0**

	2014			
	Designated at fair value through profit or loss $	Available-for-sale $	Total $	% of total
Energy	27,742	4,992	32,734	6.2
Industrials	30,398	2,523	32,921	6.3
Consumer staples and discretionary	9,203	5,908	15,111	2.9
Health care	17,257	3,869	21,126	4.0
Financials	107,622	124,794	232,416	44.5
Technology	9,332	15	9,347	1.8
Communications	35,929	8,504	44,433	8.5
Utilities	101,361	4,706	106,067	20.3
Other	—	28,531	28,531	5.5
	338,844	183,842	522,686	100.0

The life and health insurance companies limit their corporate bond investments to 35% of their bond portfolio with a maximum per sector or issuer, based on the specific features of the Canadian market.

4. INVESTMENTS [Cont'd]

Credit and concentration risks [Cont'd]

The following table discloses information regarding the quality of preferred shares.

Preferred shares by credit quality

	Fair value			
	2015		2014	
Credit rating	$	%	$	%
P1	426	0.1	43,298	13.4
P2	276,216	93.2	280,794	86.6
P3	19,875	6.7	—	—
	296,517	100.0	324,092	100.0

The following table shows the breakdown of the stock portfolio by sector.

Stocks by sector

	2015			
	Common shares $	Preferred shares $	Total $	% of total
Energy	39,618	32,190	71,808	13.3
Materials	10,014	—	10,014	1.9
Industrials	11,609	—	11,609	2.1
Consumer staples and discretionary	19,424	—	19,424	3.6
Health care	2,308	—	2,308	0.4
Financials	120,704	243,977	364,681	67.8
Technology	1,999	—	1,999	0.4
Communications	28,946	—	28,946	5.4
Utilities	7,012	20,350	27,362	5.1
	241,634	296,517	538,151	100.0

	2014			
	Common shares $	Preferred shares $	Total $	% of total
Energy	89,958	40,473	130,431	20.0
Materials	28,500	—	28,500	4.4
Industrials	15,701	—	15,701	2.4
Consumer staples and discretionary	18,970	—	18,970	2.9
Health care	4,318	—	4,318	0.7
Financials	130,766	268,022	398,788	61.5
Technology	2,027	—	2,027	0.3
Communications	27,598	—	27,598	4.3
Utilities	6,858	15,597	22,455	3.5
	324,696	324,092	648,788	100.0

The following table shows the carrying amount and fair value of mortgage loans by property class.

Mortgage loans by property class

	2015			2014		
	Carrying amount $	Fair value $	CMHC secured $	Carrying amount $	Fair value $	CMHC secured $
Residential	523,876	530,660	156,417	500,853	506,962	165,827
Other	44,228	44,764	15,659	48,301	48,285	17,009
	568,104	575,424	172,076	549,154	555,247	182,836

The carrying amount of mortgage loans secured by CMHC represented 30.3% [2014: 33.3%] of the total carrying amount of the mortgage loan portfolio as at December 31, 2015.

The Mutual limits its investment to $800 for a new borrower and $800 for a related group of borrowers for new loans.

4. INVESTMENTS [Cont'd]

Credit and concentration risks [Cont'd]

Doubtful accounts

A loan is deemed impaired when the counterparty has failed to make a payment by the contractual due date. Doubtful accounts not impaired are detailed in the following tables.

	2015			
	30-59 days in arrears $	60-89 days in arrears $	90 days or more in arrears or in foreclosure $	Total $
Insured mortgage loans	1,151	414	431	1,996
Conventional mortgage loans	807	189	470	1,466
Personal loans	399	—	31	430
	2,357	603	932	3,892

	2014			
	30-59 days in arrears $	60-89 days in arrears $	90 days or more in arrears or in foreclosure $	Total $
Insured mortgage loans	411	1,062	196	1,669
Conventional mortgage loans	953	319	149	1,421
Personal loans	17	75	40	132
	1,381	1,456	385	3,222

Interest rate risk

The following tables indicate the maturity dates and overall average effective interest rate of the Mutual's investments.

Carrying amount

		Fixed rate					2015	
	Variable rate $	Maturing in under 1 year $	Maturing in 1 to 5 years $	Maturing in 6 to 10 years $	Maturing in over 10 years $	No specific maturity $	Total carrying amount $	Overall average effective interest rate %
Bonds								
Government of Canada	—	12,919	6,198	—	1,293	—	20,410	0.7
Provincial governments	—	5,640	109,060	203,437	845,571	—	1,163,708	2.9
Municipalities, school boards and hospitals	—	3,438	15,534	2,357	6,715	—	28,044	2.3
Corporate	642	16,630	133,636	68,411	289,667	—	508,986	3.4
	642	38,627	264,428	274,205	1,143,246	—	1,721,148	3.0
Stocks								
Preferred shares	10,478	67,514	135,212	1,234	—	82,079	296,517	5.0
Mortgage loans								
Insured	214	53,536	113,711	2,766	1,849	—	172,076	3.3
Conventional	34,676	91,603	257,152	12,597	—	—	396,028	3.3
	34,890	145,139	370,863	15,363	1,849	—	568,104	3.3
Policy loans	—	—	—	—	—	35,723	35,723	6.0
Other investments								
Personal loans	13,936	794	2,128	2,182	—	—	19,040	4.5
Other loans	508	142	60,606	10,496	5,216	508	77,476	3.0
	14,444	936	62,734	12,678	5,216	508	96,516	3.1
	60,454	252,216	833,237	303,480	1,150,311	118,310	2,718,008	3.3

4. INVESTMENTS [Cont'd]

Interest rate risk [Cont'd]

Carrying amount [Cont'd]

		Fixed rate					2014	
	Variable rate $	Maturing in under 1 year $	Maturing in 1 to 5 years $	Maturing in 6 to 10 years $	Maturing in over 10 years $	No specific maturity $	Total carrying amount $	Overall average effective interest rate %
Bonds								
Government of Canada	600	14,000	4,964	2,654	1,044	—	23,262	1.1
Provincial governments	—	8,924	91,701	247,079	790,775	—	1,138,479	2.9
Municipalities, school boards and hospitals	—	2,204	17,418	1,367	7,818	—	28,807	2.4
Corporate	141	14,565	139,033	78,357	290,590	—	522,686	3.2
	741	39,693	253,116	329,457	1,090,227	—	1,713,234	3.0
Stocks								
Preferred shares	4,408	109,361	136,324	11,526	—	62,473	324,092	4.5
Mortgage loans								
Insured	209	55,694	125,742	1,191	—	—	182,836	3.5
Conventional	36,085	86,834	232,247	11,152	—	—	366,318	3.4
	36,294	142,528	357,989	12,343	—	—	549,154	3.4
Policy loans	—	—	—	—	—	34,619	34,619	6.0
Other investments								
Personal loans	14,408	976	2,075	2,490	—	—	19,949	4.7
Other loans	609	98	33,832	11,065	5,675	530	51,809	3.3
	15,017	1,074	35,907	13,555	5,675	530	71,758	3.7
	56,460	292,656	783,336	366,881	1,095,902	97,622	2,692,857	3.3

Securities lending

The Mutual engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for short periods. The asset custodian guarantees the replacement of loaned securities in the event of counterparty default. Moreover, collateral representing a minimum of 102% of the fair value of the loaned securities is pledged by the borrower and held in escrow by the asset custodian until the underlying securities have been returned to the Mutual. The fair value of loaned securities is monitored on a daily basis with additional collateral obtained or refunded as market values fluctuate. Accordingly, the Mutual benefits from two levels of protection in the event of default. As at December 31, 2015, the Mutual had loaned securities, which are included in investments, with a carrying amount of $184,646 [2014: $121,849].

Investment properties

	2015	2014
	$	$
Balance as at January 1	**161,996**	177,482
Subsequent capital expenditures	**1,221**	1,803
Disposals	**—**	(16,971)
Change in fair value	**(3,757)**	(318)
Balance as at December 31	**159,460**	161,996

Investment properties are recorded at fair value as determined by independent external appraisers or Mutual personnel.

The fair value of investment properties was not determined using observable market inputs given the specific features of the properties and the lack of comparable data. To determine fair value, the Mutual used a valuation model applicable to the industry. The main assumptions used are as follows:

	2015	2014
Rate of return	**7.00% – 9.50%**	7.25% – 9.50%
Overall discount rate	**6.00% – 10.50%**	6.25% – 10.50%
Weighted average vacancy rate	**6.83%**	5.41%

Rental income from investment properties in the amount of $23,252 [2014: $26,319] is reported under investment income. The direct operating costs of investment properties generating rental income amounted to $15,630 for the year [2014: $16,542] and are reported under investment management fees.

Under an emphyteutic lease right to an investment property granted by a third party, the property will be surrendered without compensation to the third party at the end of the emphyteutic lease period, in December 2050. The asset related to the emphyteutic lease right had a carrying amount of $17,358 [2014: $17,620].

4. INVESTMENTS [Cont'd]

Other investments

Investments in a joint venture and associates

The Mutual has a 50% interest in joint venture Société Bon Pasteur s.e.n.c. whose principal place of business is located in Quebec City. This joint venture manages two commercial and residential rental buildings.

Investments in associates consist of private placements in property and casualty insurance brokers.

The Mutual's net assets and share of net income in the joint venture and associates are disclosed below.

	2015	2014
	$	$
Allocation of net assets		
Joint venture	**18,089**	16,945
Associates	**5,534**	5,406
	23,623	22,351
Allocation of the share of		
Net income of the joint venture	**1,420**	1,350
Net (loss) income of the associates	**(163)**	587
	1,257	1,937

The fiscal year of the joint venture ends on December 31.

5. REINSURANCE ASSETS

To reduce the risk related to insurance claims and benefits, the insurance companies have entered into reinsurance agreements for policies whose insured and coverage amounts exceed certain maximums as well as reinsurance agreements enabling them to share certain risks with reinsurers on a pro rata basis. The insurance and reinsurance companies share insurance risks among themselves.

Failure of reinsurers to honour their obligations could result in losses to these ceding companies. The companies have adopted a review process to verify the solvency of the companies to which they cede. The companies have no knowledge of any information leading them to believe that a reinsurer with which they currently do business is insolvent; consequently, no provision for bad debts has been recorded. Further, business is spread across a number of reinsurers to reduce reinsurance concentration and coverage risk.

	2015	2014
Reinsurance assets	$	$
Life and health insurance *[note 11]*	**230,232**	218,429
Property and casualty insurance *[note 12]*	**15,901**	16,878
	246,133	235,307

The following table shows the effect of external ceded reinsurance on the statement of income.

	Life and health insurance[1]		Property and casualty insurance		Total	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Reduction in insurance and premiums acquired	**(58,530)**	(55,583)	**(28,405)**	(28,908)	**(86,935)**	(84,491)
Reduction (increase) in benefits and claims incurred	**30,867**	29,994	**4,193**	(2,976)	**35,060**	27,018
Change in actuarial liabilities	**11,803**	47,243	**—**	—	**11,803**	47,243
Reduction in commissions	**11,885**	11,872	**1,815**	2,159	**13,700**	14,031
(Unfavourable) favourable effect before income taxes	**(3,975)**	33,526	**(22,397)**	(29,725)	**(26,372)**	3,801

1. This effect does not represent the aggregate impact of reinsurance on income, as it does not take into account movements in market value arising from the write-down of assets from reinsurance.

5. REINSURANCE ASSETS [Cont'd]

Property and casualty reinsurance

The companies carried out reinsurance transactions in respect of new policies issued and policies renewed in fiscal 2015 and 2014, as well as the related claims incurred.

The following table shows the companies' net retentions and coverage limits by nature of risk.

	2015	2014
	$	$
Single risk losses		
Net retentions:		
Property:		
– Personal insurance	**2,000**	2,000
– Commercial insurance	**2,000**	2,000
Civil liability	**2,250**	2,250
Multiple risk losses and catastrophes		
Net retentions	**7,500**	7,500
Coverage limits	**375,000**	350,000

6. OTHER FINANCIAL ASSETS AND OTHER ASSETS

	2015	2014
	$	$
Other financial assets		
Retained interests – Securitization *[note 10]*	**4,226**	3,909
Investment income receivable	**16,413**	13,588
Cash in trust	**2,865**	3,840
Due from reinsurers – Life and health insurance segment	**8,488**	13,777
Due from reinsurers – Property and casualty insurance segment	**3,253**	8,950
Subrogations *[note 12]*	**19,649**	21,829
Other receivables	**18,035**	16,884
Balance of sale receivable	**2,574**	3,003
	75,503	85,780
Other assets		
Deferred premium acquisition costs	**53,757**	52,193
Prepaid expenses	**13,362**	11,012
Tax credits receivable	**1,217**	4,725
	68,336	67,930

Deferred premium acquisition costs

	2015	2014
	$	$
Balance as at January 1	**52,193**	46,865
Addition	**95,679**	100,005
Amortization	**(94,115)**	(94,677)
Balance as at December 31	**53,757**	52,193

7. INCOME TAXES

	2015	2014
	$	$
Income tax expense as reported in the consolidated statement of income:		
Current taxes	**20,775**	14,645
Deferred taxes (recovery)	**(14,530)**	1,253
	6,245	15,898

7. INCOME TAXES [Cont'd]

	2015	2014
	$	$
Income tax expense reported in the consolidated statement of income attributable to:		
Members of the Mutual	**(2,257)**	6,075
Participating policyholders	**4,823**	6,244
Non-controlling interests	**3,679**	3,579
	6,245	15,898

	2015	2014
	$	$
Income tax recovery reported in other comprehensive income:		
Current taxes	**(12,536)**	(2,525)
Deferred taxes (recovery)	**2,072**	(9,233)
	(10,464)	(11,758)

	2015	2014
	$	$
Income tax recovery reported in other comprehensive income attributable to:		
Members of the Mutual	**(8,276)**	(10,339)
Participating policyholders	**(202)**	(180)
Non-controlling interests	**(1,986)**	(1,239)
	(10,464)	(11,758)

Income tax expense differs from the expense that would be determined under applicable legislation in Canada for the following reasons:

	2015		2014	
	$	%	$	%
Income before income taxes	**61,623**		88,990	
Income tax expense based on statutory rates	**16,576**	**26.9**	23,938	26.9
Increase (decrease) in income taxes resulting from:				
Non-taxable items	**(11,617)**	**(18.8)**	(10,241)	(11.5)
Prior year adjustment	**(711)**	**(1.2)**	1,689	1.9
Reversal of temporary differences related to an asset transfer	**—**	**—**	(560)	(0.6)
Unrecognized tax loss applied against current taxes	**—**	**—**	(258)	(0.3)
Other	**615**	**1.0**	(4)	—
	4,863	**7.9**	14,564	16.4
Income taxes on investment income	**1,382**	**2.2**	1,334	1.5
Income taxes and effective rates	**6,245**	**10.1**	15,898	17.9

7. INCOME TAXES [Cont'd]

The tax consequences of the temporary differences that generate deferred income tax assets or liabilities are as follows:

	2015	2014
	$	$
Deferred tax assets		
Actuarial liabilities	**32,910**	25,566
Provision for claims and loss adjustment expenses	**4,071**	3,749
Other liabilities	**9,301**	9,706
Employee future benefits	**25,924**	25,946
Unused tax losses	**8,480**	2,528
Other	**3,059**	3,118
	83,745	70,613
Deferred tax liabilities		
Policy loans	**9,576**	9,285
Investment properties	**14,358**	14,051
Investment in a joint venture	**3,711**	3,773
Property and equipment	**13,116**	7,884
Intangible assets	**8,157**	11,203
Deferred net tax gains	**7,152**	8,000
Other	**4,686**	5,886
	60,756	60,082
Net deferred tax assets	**22,989**	10,531
Reported as:		
Deferred tax assets	**42,811**	27,259
Deferred tax liabilities	**19,822**	16,728

The Mutual has accumulated tax losses from the operations of a subsidiary amounting to $18,367 that can be used to offset future taxes payable. The accumulated tax losses will expire between 2019 and 2034.

The deferred tax assets related to the recovery of tax losses have not been recognized by the Mutual as it is not probable that the subsidiary will have future taxable income against which the accumulated tax losses can be used.

8. PROPERTY AND EQUIPMENT

	Land $	Own-use properties $	Furniture and other $	Computer hardware $	Leasehold improvements $	Total $
Cost						
Balance as at January 1, 2014	11,378	127,107	23,326	46,225	5,947	213,983
Purchases	—	165	530	2,974	565	4,234
Disposals	—	—	(794)	(567)	(246)	(1,607)
Balance as at December 31, 2014	11,378	127,272	23,062	48,632	6,266	216,610
Purchases	**—**	**140**	**444**	**2,908**	**1,606**	**5,098**
Disposals	**—**	**—**	**(59)**	**(299)**	**(434)**	**(792)**
Balance as at December 31, 2015	**11,378**	**127,412**	**23,447**	**51,241**	**7,438**	**220,916**
Accumulated amortization						
Balance as at January 1, 2014		3,984	15,684	38,361	3,988	62,017
Amortization		2,428	952	3,998	589	7,967
Disposals		—	(620)	(567)	(245)	(1,432)
Balance as at December 31, 2014		6,412	16,016	41,792	4,332	68,552
Amortization		**2,456**	**1,131**	**4,108**	**639**	**8,334**
Disposals		**—**	**(59)**	**(299)**	**(434)**	**(792)**
Balance as at December 31, 2015		**8,868**	**17,088**	**45,601**	**4,537**	**76,094**
Net carrying amount						
December 31, 2015	**11,378**	**118,544**	**6,359**	**5,640**	**2,901**	**144,822**
December 31, 2014	11,378	120,860	7,046	6,840	1,934	148,058

9. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Intangible assets are detailed as follows:

	Indefinite useful life	Finite useful life				
	Trademarks $	Clients and distribution networks $	Purchased software $	Internally developed software $	Software under development $	Total $
Cost						
Balance as at January 1, 2014	3,239	36,855	24,483	26,455	48,250	139,282
Purchases	9,400	3,000	4,170	281	12,123	28,974
Internally developed software	—	—	—	—	10,428	10,428
Disposals	—	—	—	(153)	—	(153)
Transfer from software under development to software	—	—	4,857	12,869	(17,726)	—
Balance as at December 31, 2014	12,639	39,855	33,510	39,452	53,075	178,531
Purchases	**—**	**—**	**2,287**	**60**	**25,704**	**28,051**
Internally developed software	**—**	**—**	**—**	**—**	**9,700**	**9,700**
Disposals	**—**	**(3,943)**	**—**	**—**	**—**	**(3,943)**
Transfer from software under development to software	**—**	**—**	**2,436**	**6,843**	**(9,279)**	**—**
Tax credits and other changes	**—**	**—**	**—**	**1,230**	**(321)**	**909**
Balance as at December 31, 2015	**12,639**	**35,912**	**38,233**	**47,585**	**78,879**	**213,248**
Accumulated amortization						
Balance as at January 1, 2014	—	27,834	13,489	16,498	—	57,821
Amortization	—	3,554	2,604	1,909	—	8,067
Disposals	—	—	—	(153)	—	(153)
Balance as at December 31, 2014	—	31,388	16,093	18,254	—	65,735
Amortization	**—**	**2,100**	**3,513**	**2,480**	**—**	**8,093**
Disposals	**—**	**(3,943)**	**—**	**—**	**—**	**(3,943)**
Tax credits and other changes	**—**	**—**	**—**	**402**	**—**	**402**
Balance as at December 31, 2015	**—**	**29,545**	**19,606**	**21,136**	**—**	**70,287**
Net carrying amount						
December 31, 2015	**12,639**	**6,367**	**18,627**	**26,449**	**78,879**	**142,961**
December 31, 2014	12,639	8,467	17,417	21,198	53,075	112,796

Goodwill

The carrying amount of goodwill is allocated as follows:

	2015 $	2014 $
Balance as at January 1	**102,572**	92,733
Business acquisition	**—**	9,839
Balance as at December 31	**102,572**	102,572

9. INTANGIBLE ASSETS AND GOODWILL [Cont'd]

Impairment test

The Mutual tests goodwill and trademarks for impairment annually. Testing was performed on September 30, 2015.

The following table shows the goodwill and trademarks by group of CGUs and the significant asset valuation assumptions used in the group of CGUs.

			Assumptions	
	Goodwill $	Trademarks $	Pre-tax discount rate %	Terminal value growth rate %
Life and health insurance				
December 31, 2015	**57,315**	**10,739**	**12.6 and 18.0**	**2.0 and 4.0**
December 31, 2014	57,315	10,739	13.3	4.0
Property and casualty insurance				
December 31, 2015	**45,257**	**1,900**	**12.6**	**4.0**
December 31, 2014	45,257	1,900	12.5	4.0
Total				
December 31, 2015	**102,572**	**12,639**		
December 31, 2014	102,572	12,639		

The recoverable amount of each CGU is based on value in use. The Mutual has used an actuarial valuation method for impairment testing purposes. Under this method, the value is determined using results expected to be realized in the future. Future results are derived from the budgets and a financial plan approved by management covering a five-year period. Management has based its projects on an in-depth analysis of markets and projects under implementation in each CGU. Accordingly, this value reflects the economic value of the potential earnings of each CGU under certain assumptions. The main assumptions used are terminal value growth rate and the pre-tax discount rate. The model also relies on other assumptions such as the revenue growth rate, the inflation rate for expenses, new product marketing, operational synergies. As the impairment tests indicated that the recoverable amounts of the CGUs exceeded their carrying amounts, no impairment loss on goodwill or intangible assets was recognized for the year ended December 31, 2015.

Furthermore, management believes that a 1% change in a key assumption used to determine a recoverable amount would have no impact on the impairment of goodwill and trademarks.

10. SECURITIZATION

During the year, the Mutual securitized residential mortgage loans. The following table shows aggregate balances related to securitization.

	2015	2014
	$	$
Retained interests reported within other assets		
NHA MBS	**4,226**	3,909
Securitized and derecognized mortgage loans		
NHA MBS	**320,623**	280,236
Derecognized mortgage bonds in trust		
NHA MBS	**320,339**	279,936
Mortgage loans over 90 days past due secured by CMHC		
NHA MBS	**535**	600

Securitization transactions

	2015	2014
	NHA MBS $	NHA MBS $
Proceeds from new securitization transactions	**102,664**	94,825
Transaction costs	**(153)**	(222)
Net proceeds	**102,511**	94,603
Pre-tax (losses) gains	**(282)**	644
Cash flows from retained interests in securitization operations and related financial instruments	**462**	2,491
Net results from all securitization operations	**180**	1,446

10. SECURITIZATION [Cont'd]

Key assumptions

The key assumptions used to determine the value of the loans sold and retained interests at the securitization date are as follows:

	2015	2014
	%	%
Prepayment rate	**21.7**	22.0
Excess spread	**1.3**	1.4
Discount rate	**1.5**	2.0

As at December 31, 2015, the sensitivity of the current fair value of retained interests to 10% and 20% adverse changes in the key assumptions was as follows:

Sensitivity of key assumptions to adverse changes

	2015		2014	
	Assumption %	Impact on fair value $	Assumption %	Impact on fair value $
Prepayment rate				
Impact on fair value of 10% adverse change	**23.9**	**(159)**	24.2	(149)
Impact on fair value of 20% adverse change	**26.1**	**(313)**	26.4	(294)
Excess spread (net of credit losses)				
Impact on fair value of 10% adverse change	**1.2**	**(449)**	1.2	(419)
Impact on fair value of 20% adverse change	**1.1**	**(823)**	1.1	(769)
Discount rate				
Impact on fair value of 10% adverse change	**1.7**	**(11)**	2.2	(13)
Impact on fair value of 20% adverse change	**1.8**	**(22)**	2.4	(27)

These sensitivities are hypothetical and should be used with caution. As shown by the tabular figures, the effect on fair value of a 10% adverse change generally cannot be extrapolated because the relationship between the change in assumption and the change in fair value may not be linear. Also, in this table, the impact of a change in a particular assumption on the fair value of retained interests is calculated without changing any other assumption. Generally, changes in one given factor could result in changes in another, which may magnify or counteract the sensitivities.

11. LIFE AND HEALTH INSURANCE CONTRACT LIABILITIES

The Boards of Directors name the Appointed Actuary, who is responsible for the valuation of life and health insurance contract liabilities in accordance with the standards of practice of the Canadian Institute of Actuaries and for expressing an opinion regarding their adequacy to meet all policyholder obligations at the statement of financial position date. In addition, the Appointed Actuary is required each year to prepare a report for the Boards of Directors on the capital adequacy of the life and health insurance companies.

The assets backing life and health insurance contract liabilities are detailed as follows:

	2015	2014
	$	$
Gross actuarial liabilities	**3,348,259**	3,113,320
Provisions for benefits incurred	**46,128**	43,568
Provisions for experience rating refunds	**14,925**	24,787
Policyholder amounts on deposit	**90,784**	81,689
	3,500,096	3,263,364

11. LIFE AND HEALTH INSURANCE CONTRACT LIABILITIES [Cont'd]

As at December 31, life and health insurance contract liabilities and the assets backing such liabilities are summarized as follows:

	2015				
Life and health insurance contract liabilities	Participating $	Non-participating $	Total before reinsurance ceded $	Reinsurance ceded $	Net total $
Individual					
Life and health insurance	**780,594**	**703,108**	**1,483,702**	**118,293**	**1,365,409**
Annuities	**1,056**	**1,333,581**	**1,334,637**	**—**	**1,334,637**
Group					
Life and health insurance	**—**	**676,594**	**676,594**	**111,939**	**564,655**
Annuities	**—**	**5,163**	**5,163**	**—**	**5,163**
	781,650	**2,718,446**	**3,500,096**	**230,232**	**3,269,864**

	2014				
	Participating $	Non-participating $	Total before reinsurance ceded $	Reinsurance ceded $	Net total $
Individual					
Life and health insurance	774,925	717,734	1,492,659	120,098	1,372,561
Annuities	1,132	1,152,285	1,153,417	—	1,153,417
Group					
Life and health insurance	—	612,209	612,209	98,331	513,878
Annuities	—	5,079	5,079	—	5,079
	776,057	2,487,307	3,263,364	218,429	3,044,935

	2015				
	Individual		Group		
Assets backing life and health insurance contract liabilities	Life and health insurance $	Annuities $	Life and health insurance $	Annuities $	Total $
Participating					
Bonds	**583,292**	**759**	**—**	**—**	**584,051**
Policy loans	**32,455**	**47**	**—**	**—**	**32,502**
Investment properties	**69,745**	**101**	**—**	**—**	**69,846**
Own-use properties and land	**84,667**	**123**	**—**	**—**	**84,790**
Other	**17,846**	**26**	**—**	**—**	**17,872**
	788,005	**1,056**	**—**	**—**	**789,061**
Non-participating					
Bonds	**452,180**	**128,803**	**181,220**	**1,647**	**763,850**
Stocks	**22,169**	**144,669**	**67,798**	**616**	**235,252**
Mutual funds	**2,157**	**655,268**	**26,698**	**243**	**684,366**
Mortgage loans	**1,570**	**309,603**	**132,589**	**1,205**	**444,967**
Policy loans	**3,049**	**—**	**—**	**—**	**3,049**
Investment properties	**35,054**	**14,062**	**—**	**—**	**49,116**
Own-use properties and land	**8,558**	**88**	**—**	**—**	**8,646**
Other	**52,667**	**81,088**	**156,350**	**1,452**	**291,557**
	577,404	**1,333,581**	**564,655**	**5,163**	**2,480,803**
	1,365,409	**1,334,637**	**564,655**	**5,163**	**3,269,864**
Reinsurance ceded	**118,293**	**—**	**111,939**	**—**	**230,232**
Total before reinsurance ceded	**1,483,702**	**1,334,637**	**676,594**	**5,163**	**3,500,096**

11. LIFE AND HEALTH INSURANCE CONTRACT LIABILITIES [Cont'd]

	2014				
	Individual		Group		
Assets backing life and health insurance contract liabilities	Life and health insurance $	Annuities $	Life and health insurance $	Annuities $	Total $
Participating					
Bonds	578,779	838	—	—	579,617
Mutual funds	8,031	12	—	—	8,043
Policy loans	31,494	46	—	—	31,540
Investment properties	68,983	99	—	—	69,082
Own-use properties and land	86,188	125	—	—	86,313
Other	8,352	12	—	—	8,364
	781,827	1,132	—	—	782,959
Non-participating					
Bonds	457,136	133,971	162,598	1,613	755,318
Stocks	24,060	194,203	68,012	674	286,949
Mutual funds	1,779	440,529	11,663	116	454,087
Mortgage loans	1,739	300,690	139,430	1,383	443,242
Policy loans	2,922	—	—	—	2,922
Investment properties	37,185	14,917	—	—	52,102
Own-use properties and land	8,745	86	—	—	8,831
Other	57,168	67,889	132,175	1,293	258,525
	590,734	1,152,285	513,878	5,079	2,261,976
	1,372,561	1,153,417	513,878	5,079	3,044,935
Reinsurance ceded	120,098	—	98,331	—	218,429
Total before reinsurance ceded	1,492,659	1,153,417	612,209	5,079	3,263,364

The estimated fair value of the assets backing liabilities before reinsurance ceded was $3,276,765 [2014: $3,050,484].

ASSUMPTIONS

In computing life and health insurance contract liabilities, the assumptions were determined using the Appointed Actuary's best estimates at the time of valuation as to contract terms regarding numerous variables, such as mortality, morbidity, investment return, contract management expenses, deferred tax expense, policy lapses and participating policyholder dividends. Assumptions are periodically reviewed and reflect the most recent experience, as well as current life and health insurance company data. In certain cases, industry data are used. The Appointed Actuary then factors margins for adverse deviations into these best estimates that take into account the uncertainty in determining best estimates. Those that prove most likely depending on various possibilities are used.

The following methods were used to determine the most significant assumptions:

Mortality

Mortality is the occurrence of death in a given population. It is a key assumption used in life insurance and certain types of annuities.

For life insurance mortality, the assumption stems from a combination of the most recent experience of the life and health insurance companies and recent industry experience published by the Canadian Institute of Actuaries. For individual life insurance, the assumption differs based on the risk of tobacco use, classification at selection, as well as the age of insureds.

For annuity mortality, the assumption is derived from the most recent industry data published by the Canadian Institute of Actuaries adjusted to reflect the business of the life and health insurance companies. Moreover, the assumption used incorporates an improvement with regard to the current mortality level.

A 2% increase in mortality for all insureds of the life and health insurance companies would result in an increase in life and health insurance contract liabilities and a decrease in net income of the life and health insurance companies amounting to $4,121 [2014: $3,503]. A 2% reduction in mortality for all insureds of the life and health insurance companies would result in a decrease in life and health insurance contract liabilities and an increase in net income of the life and health insurance companies amounting to $3,856 [2014: $3,500].

Morbidity

Morbidity refers to the occurrence of accidents or illnesses among the risks insured.

The morbidity assumption is based on industry tables, which are modified to reflect the recent experience of the life and health insurance companies. The assumptions are different based on the duration since the onset of disability, age and sex.

11. LIFE AND HEALTH INSURANCE CONTRACT LIABILITIES [Cont'd]

ASSUMPTIONS [Cont'd]

Morbidity [Cont'd]

A 5% increase in the incidence of morbidity and a 5% decrease in termination rates would result in an increase in life and health insurance contract liabilities and a decrease in net income for the life and health insurance companies amounting to $33,656 [2014: $34,178]. A 5% decrease in the incidence of morbidity and a 5% increase in termination rates would result in an decrease in life and health insurance contract liabilities and an increase in net income for the life and health insurance companies amounting to $30,012 [2014: $30,375].

Return on investments

The life and health insurance companies hold assets backing the life and health insurance contract liabilities. The expected rates of return for these assets are estimated based on current economic prospects, the investment policy of the companies and anticipated cash flows by business line.

No assets backing life and health insurance contract liabilities are classified as available-for-sale: for accounting purposes, this matches investment income to changes in actuarial liabilities recognized in the statement of income. As for life and health insurance contract liabilities other than actuarial liabilities, the accounting mismatch is low.

To reflect interest rate risk, consisting of the financial loss that may arise from fluctuations in interest rates, the companies match each group of assets to the life and health insurance contract liabilities they back. This matching, which consists in managing spreads in maturities between assets and liabilities as well as expected net cash flows, minimizes potential losses related to interest rate risk.

An immediate 1% decline over the entire yield curve would result in a $32,092 [2014: $32,820] decrease in net income. An immediate 1% rise over the entire yield curve would result in a $32,642 [2014: $32,482] increase in net income.

The companies manage credit risk through detailed credit and underwriting policies, and by placing aggregate limits on each issuer in their investment portfolios. An allowance for impaired loans was established and set off against the value of these loans. Moreover, actuarial liabilities include an amount to cover any potential payment defaults in respect of assets currently held by the companies. Potential payment defaults are factored in by reducing the expected rate of return of the asset. The reduction in rate of return is based on the risk of payment default for each asset class.

Contract maintenance expenses

Contract maintenance expenses are determined using internal cost allocation analysis of the individual life and health insurance companies, based on the actual or budgeted general expenses for the following fiscal year. These expenses are indexed for future years.

A 5% increase in contract management expenses would result in a $9,836 [2014: $9,032] decrease in net income.

Deferred taxes

Actuarial liabilities include amounts reflecting the interest generating nature of the assets backing the deferred tax liabilities recorded in the consolidated statement of financial position. Actuarial liabilities as at December 31, 2015 were reduced by $7,522 [2014: $10,465] as a result of the impact of this discounting, which is carried out only for deferred tax liabilities related to life and health insurance contract liabilities.

Policy lapses

Policyholders may allow their policies to lapse prior to the end of the contractual coverage period by not paying the premiums or by surrendering their policy for the cash surrender value, as the case may be.

Assumptions regarding policy lapses are based on an analysis of the recent experience of life and health insurance companies for each business line.

A 10% deterioration in policy lapse assumptions would result in a $26,189 [2014: $23,489] decrease in net income.

Participating policyholder dividends

Actuarial liabilities include amounts relating to future dividends to be paid to policyholders. The dividend scales are in keeping with policyholders' reasonable expectations and the assumptions used in measuring actuarial liabilities.

Margins for adverse deviations

The basic assumptions used to determine life and health insurance contract liabilities are the best estimates as to a range of possible results. Each assumption must include an additional margin for adverse deviations in order to recognize the uncertainty regarding the preparation of best estimates and to take into account potential policy liability deterioration. These margins provide better assurance that life and health insurance contract liabilities are adequate to cover future policy benefit payments.

The Canadian Institute of Actuaries prescribes minimum standards for determining the margin in the interest rate assumption. The margins in other assumptions must fall within a range prescribed by the Canadian Institute of Actuaries and are determined based on the risk profile of the insurance companies.

11. LIFE AND HEALTH INSURANCE CONTRACT LIABILITIES [Cont'd]

CHANGES IN NET ACTUARIAL LIABILITIES

	2015	2014
	$	$
Balance, beginning of year	**2,894,891**	2,471,655
Change due		
To the passing of time	**(24,452)**	39,943
To new business	**269,662**	212,034
To changes in assumptions and policies	**(22,074)**	171,259
	223,136	423,236
Balance, end of year	**3,118,027**	2,894,891
Gross actuarial provisions	**3,348,259**	3,113,320
Reinsurance assets *[note 5]*	**230,232**	218,429
Net actuarial liabilities	**3,118,027**	2,894,891

The key changes made to actuarial assumptions are detailed as follows:

	2015	2014
	$	$
Mortality	**(29,046)**	(5,527)
Return on investments	**9,518**	159,665
Methods and other	**(2,546)**	17,121
	(22,074)	171,259

In 2015, the main changes made to actuarial assumptions and methods concern economic assumptions, including the change in fair value of assets.

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES

Actuarial liabilities are established to reflect estimated total insurance contract liabilities as at the consolidated statement of financial position date, including claims incurred but not reported. The ultimate cost of these liabilities will vary from the best estimate for a variety of reasons, including obtaining additional information with respect to the facts and circumstances of the claims incurred. There was no premium deficiency as at the consolidated statement of financial position date.

The assets backing property and casualty insurance policy liabilities are detailed as follows:

	2015	2014
	$	$
Unearned premiums	**672,358**	645,791
Provision for claims and loss adjustment expenses	**334,676**	313,429
	1,007,034	959,220

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES [Cont'd]

Unearned premiums

The following table details unearned premiums per business line.

	2015		
	Gross unearned premiums $	Reinsurance ceded $	Net unearned premiums $
Personal insurance			
Automobile:			
Civil liability	**151,532**	**—**	**151,532**
Accident	**15,725**	**—**	**15,725**
Other	**229,094**	**—**	**229,094**
Property and civil liability	**190,929**	**—**	**190,929**
Other	**3,981**	**—**	**3,981**
	591,261	**—**	**591,261**
Commercial insurance			
Automobile:			
Civil liability	**9,289**	**—**	**9,289**
Accident	**1,677**	**—**	**1,677**
Other	**7,667**	**—**	**7,667**
Property and civil liability	**57,445**	**2,205**	**55,240**
Other	**5,019**	**1,327**	**3,692**
	81,097	**3,532**	**77,565**
Balance, end of year	**672,358**	**3,532**	**668,826**

	2014		
	Gross unearned premiums $	Reinsurance ceded $	Net unearned premiums $
Personal insurance			
Automobile:			
Civil liability	144,488	—	144,488
Accident	15,272	—	15,272
Other	223,402	—	223,402
Property and civil liability	174,003	—	174,003
Other	3,777	—	3,777
	560,942	—	560,942
Commercial insurance			
Automobile:			
Civil liability	8,650	—	8,650
Accident	1,636	—	1,636
Other	7,087	—	7,087
Property and civil liability	61,560	2,105	59,455
Other	5,916	1,832	4,084
	84,849	3,937	80,912
Balance, end of year	645,791	3,937	641,854

Changes in unearned premiums

The following table presents movements in the Mutual's unearned premiums during the year.

	2015		
	Gross unearned premiums $	Reinsurance ceded $	Net unearned premiums $
Balance, beginning of year	**645,791**	**3,937**	**641,854**
Premiums written during the year	**899,717**	**28,000**	**871,717**
Premiums earned during the year	**(873,150)**	**(28,405)**	**(844,745)**
Balance, end of year	**672,358**	**3,532**	**668,826**

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES [Cont'd]

Changes in unearned premiums [Cont'd]

	2014		
	Gross unearned premiums $	Reinsurance ceded $	Net unearned premiums $
Balance, beginning of year	593,075	4,012	589,063
Premiums written during the year	885,365	28,833	856,532
Premiums earned during the year	(832,649)	(28,908)	(803,741)
Balance, end of year	645,791	3,937	641,854

Provision for claims and loss adjustment expenses

The provision for claims and loss adjustment expenses is detailed as follows:

	2015	2014
Provision for claims and loss adjustment expenses	$	$
Gross provision for claims and loss adjustment expenses	**315,027**	291,600
Subrogations *[note 6]*	**19,649**	21,829
	334,676	313,429

The following table details the gross provision for claims and loss adjustment expenses including assumed reinsurance and the net provision for claims and loss adjustment expenses (net of subrogations) by business line.

	2015		
	Gross provision for claims and loss adjustment expenses $	Reinsurance ceded $	Net provision for claims and loss adjustment expenses $
Personal insurance			
Automobile:			
Civil liability	**85,412**	**735**	**84,677**
Accident	**41,828**	**2,617**	**39,211**
Other	**29,780**	**—**	**29,780**
Property and civil liability	**58,909**	**33**	**58,876**
Other	**1,567**	**—**	**1,567**
	217,496	**3,385**	**214,111**
Commercial insurance			
Automobile:			
Civil liability	**15,605**	**254**	**15,351**
Accident	**7,264**	**410**	**6,854**
Other	**906**	**30**	**876**
Property and civil liability	**63,226**	**1,693**	**61,533**
Other	**10,530**	**6,597**	**3,933**
	97,531	**8,984**	**88,547**
Balance, end of year	**315,027**	**12,369**	**302,658**

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES [Cont'd]

Provision for claims and loss adjustment expenses [Cont'd]

	2014		
	Gross provision for claims and loss adjustment expenses $	Reinsurance ceded $	Net provision for claims and loss adjustment expenses $
Personal insurance			
Automobile:			
Civil liability	86,133	511	85,622
Accident	42,236	1,814	40,422
Other	24,927	—	24,927
Property and civil liability	55,032	136	54,896
Other	1,807	—	1,807
	210,135	2,461	207,674
Commercial insurance			
Automobile:			
Civil liability	12,512	—	12,512
Accident	4,185	—	4,185
Other	867	34	833
Property and civil liability	50,677	756	49,921
Other	13,224	9,690	3,534
	81,465	10,480	70,985
Balance, end of year	291,600	12,941	278,659

Reinsurance assets are detailed as follows:

	2015	2014
Reinsurance ceded	$	$
Unearned premiums	**3,532**	3,937
Provision for claims and loss adjustment expenses	**12,369**	12,941
	15,901	16,878

Changes in provision for claims and loss adjustment expenses

The following table summarizes the changes in the provision for claims and loss adjustment expenses of the Mutual for the year.

	2015		
	Gross provision for claims and loss adjustment expenses $	Reinsurance ceded $	Net provision for claims and loss adjustment expenses $
Balance, beginning of year	**291,600**	**12,941**	**278,659**
Current year claims	**536,165**	**4,658**	**531,507**
Prior year favourable claims development	**(5,539)**	**(375)**	**(5,164)**
Increase due to changes in discount rate	**1,836**	**(90)**	**1,926**
Total claims incurred	**532,462**	**4,193**	**528,269**
Claims paid	**509,035**	**4,765**	**504,270**
Balance, end of year	**315,027**	**12,369**	**302,658**

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES [Cont'd]

Changes in provision for claims and loss adjustment expenses [Cont'd]

	2014		
	Gross provision for claims and loss adjustment expenses $	Reinsurance ceded $	Net provision for claims and loss adjustment expenses $
Balance, beginning of year	302,694	25,688	277,006
Current year claims	474,938	4,628	470,310
Prior year unfavourable (favourable) claims development	37,045	(7,850)	44,895
Increase due to changes in discount rate	947	246	701
Total claims incurred	512,930	(2,976)	515,906
Claims paid	524,024	9,771	514,253
Balance, end of year	291,600	12,941	278,659

Effect of time value of money and provision for adverse deviation

The following table shows the effect of the time value of money and the provision for adverse deviation on the carrying amount of the net provision for claims and loss adjustment expenses.

	2015		
	Gross provision for claims and loss adjustment expenses $	Reinsurance ceded $	Net provision for claims and loss adjustment expenses $
Undiscounted value	**303,900**	**12,520**	**291,380**
Effect of time value of money using a rate of 3.8%	**(16,349)**	**(1,038)**	**(15,311)**
Provision for adverse deviations	**27,476**	**887**	**26,589**
Carrying amount	**315,027**	**12,369**	**302,658**

	2014		
	Gross provision for claims and loss adjustment expenses $	Reinsurance ceded $	Net provision for claims and loss adjustment expenses $
Undiscounted value	282,308	13,003	269,305
Effect of time value of money using a rate of 3.9%	(15,724)	(693)	(15,031)
Provision for adverse deviations	25,016	631	24,385
Carrying amount	291,600	12,941	278,659

Since the time value of money is considered when determining the provision for claims and loss adjustment expenses, an increase or decrease in the discount rate would result in a decrease or increase in the provision for claims and loss adjustment expenses, respectively. A 1% decrease in the discount rate would have a $4,507 [2014: $4,142] impact on the fair value of the provision for claims and loss adjustment expenses and on net income as at December 31, 2015.

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES [Cont'd]

The following table shows estimated cumulative gross claims and loss settlement expenses incurred in the past nine accident years and the subsequent changes during the years, as well as current cumulative payments. The estimates of the initial provision are assessed to determine whether there is an excess or deficiency.

Gross claims development

	Accident year									
	2007 and prior $	2008[1] $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
Estimated amount of undiscounted claims and loss adjustment expenses before external reinsurance, net of subrogation										
At end of accident year	278,151	477,996	365,529	407,719	401,862	398,892	467,411	473,611	494,628	
Revised estimates										
1 year later	277,213	498,322	373,300	395,484	399,260	402,347	458,654	465,483		
2 years later	277,380	505,753	377,671	398,419	401,496	404,537	457,673			
3 years later	274,936	512,732	377,504	398,215	400,785	403,552				
4 years later	276,641	514,065	378,256	400,069	399,789					
5 years later	279,481	515,822	377,985	400,880						
6 years later	278,728	515,766	378,581							
7 years later	277,961	516,193								
8 years later	277,858									
Current estimates	**277,858**	**516,193**	**378,581**	**400,880**	**399,789**	**403,552**	**457,673**	**465,483**	**494,628**	**3,794,637**
Claims paid during prior periods										
At end of accident year	213,714	269,616	263,633	267,904	287,935	289,669	331,715	345,019	354,614	
1 year later	256,549	381,338	335,066	348,650	357,135	372,029	418,536	414,886		
2 years later	262,629	420,852	351,431	360,306	367,731	380,485	427,674			
3 years later	266,330	452,368	359,332	371,719	376,492	389,951				
4 years later	268,547	473,464	366,448	381,556	383,254					
5 years later	269,311	487,779	370,273	387,349						
6 years later	270,355	499,795	372,463							
7 years later	274,315	505,585								
8 years later	274,412									
Current cumulative payments	**274,412**	**505,585**	**372,463**	**387,349**	**383,254**	**389,951**	**427,674**	**414,886**	**354,614**	**3,510,188**
Undiscounted provision for claims and loss adjustment expenses before external reinsurance	**3,446**	**10,608**	**6,118**	**13,531**	**16,535**	**13,601**	**29,999**	**50,597**	**140,014**	**284,449**
Provision for internal expenses and risk pooling arrangement										19,451
Effect of time value of money and provision for adverse deviations										11,127
Gross provision for claims and loss adjustment expenses										**315,027**

Excess (insufficiency) of initial provision relative to re-estimated final cost as at December 31, 2015

	2007 and prior	2008	2009	2010	2011	2012	2013	2014
Amount	293	(38,197)	(13,052)	6,839	2,073	(4,660)	9,738	8,128
Percentage	0.1%	(8.0)%	(3.6)%	1.7%	0.5%	(1.2)%	2.1%	1.7%

The amounts relating to Unica Insurance Inc. are included as of its acquisition by La Capitale General Insurance Inc. on September 30, 2008.

1. The operations of Unica Insurance Inc. were integrated into a subsidiary of the Mutual in September 2008. The total liability for gross claims includes an amount of $174,677 for all accident years related to Unica Insurance Inc.

12. PROPERTY AND CASUALTY INSURANCE CONTRACT LIABILITIES [Cont'd]

The following table shows estimated cumulative net claims and loss settlement expenses incurred in the past nine accident years and the subsequent changes during the years, as well as current cumulative payments. The estimates of the initial provision are assessed to determine whether there is an excess or deficiency.

Net claims development

	Accident year									
	2007 and prior $	2008[1] $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
Estimated undiscounted amount of claims and loss adjustment expenses after external reinsurance										
At end of accident year	273,853	464,245	363,222	397,328	390,459	381,790	449,581	468,986	491,073	
Revised estimates										
1 year later	273,043	483,402	366,331	383,993	385,332	374,527	445,903	461,234		
2 years later	273,227	489,671	368,745	386,572	388,418	377,833	444,940			
3 years later	270,705	497,703	367,242	385,922	389,086	376,533				
4 years later	272,477	500,668	367,651	387,703	388,596					
5 years later	272,459	501,986	368,688	387,976						
6 years later	271,943	502,698	368,459							
7 years later	271,937	503,147								
8 years later	271,893									
Current estimates	**271,893**	**503,147**	**368,459**	**387,976**	**388,596**	**376,533**	**444,940**	**461,234**	**491,073**	**3,693,851**
Claims paid during prior periods										
At end of accident year	212,644	264,422	259,014	265,656	283,078	280,553	324,488	343,580	354,329	
1 year later	255,729	370,686	327,561	339,322	347,473	346,699	409,774	412,358		
2 years later	261,820	409,055	342,001	350,193	358,057	354,676	417,351			
3 years later	265,418	440,752	351,228	360,923	366,714	363,285				
4 years later	267,608	461,678	357,988	371,035	373,174					
5 years later	268,402	475,458	361,335	376,707						
6 years later	268,153	487,301	363,231							
7 years later	268,389	493,038								
8 years later	268,468									
Current cumulative payments	**268,468**	**493,038**	**363,231**	**376,707**	**373,174**	**363,285**	**417,351**	**412,358**	**354,329**	**3,421,941**
Undiscounted provision for claims and loss adjustment expenses after external reinsurance	**3,425**	**10,109**	**5,228**	**11,269**	**15,422**	**13,248**	**27,589**	**48,876**	**136,744**	**271,910**
Provision for internal expenses and risk pooling arrangement										19,470
Effect of time value of money and provision for adverse deviations										11,278
Net provision for claims and loss adjustment expenses										**302,658**

Excess (insufficiency) of initial provision relative to re-estimated final cost as at December 31, 2015

	2007 and prior	2008	2009	2010	2011	2012	2013	2014
Amount	1,960	(38,902)	(5,237)	9,352	1,863	5,257	4,641	7,752
Percentage	0.7%	(8.4)%	(1.4)%	2.4%	0.5%	1.4%	1.0%	1.7%

The amounts relating to Unica Insurance Inc. are included as of its acquisition by La Capitale General Insurance Inc. on September 30, 2008.

1. The operations of Unica Insurance Inc. were integrated into a subsidiary of the Mutual in September 2008. The total liability for net claims include an amount of $166,766 for all accident years related to Unica Insurance Inc.

13. OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

	2015	2014
	$	$
Other financial liabilities		
Accrued liabilities	**137,396**	114,706
Other amounts on deposit	**91,870**	85,515
Loyalty, stabilization and development fund	**37,899**	39,523
Bank overdraft	**4,316**	8,336
Deposits for taxes	**4,261**	3,959
Due to reinsurers – Life and health insurance segment	**9,925**	14,941
Due to reinsurers – Property and casualty insurance segment	**990**	1,127
Deposits in trust	**2,865**	3,840
Other	**63**	2,136
	289,585	274,083
Other liabilities		
Stock appreciation rights plan payable	**8,904**	10,919
Deferred revenues	**1,205**	1,243
	10,109	12,162

The Mutual offers a stock appreciation rights plan to certain officers. Under this plan, participants are entitled to receive cash compensation based on the increase in value of the shares of La Capitale Financial Group Inc. relative to the initial value as defined under the plan. The rights must be exercised when participants leave the position that renders them eligible for the plan. The accumulated amounts are payable under terms that vary according to the participant's departure type (transfer, retirement, permanent disability, death or voluntary termination) over a maximum term of four years following the year of departure or at the end of the quarter following departure.

Plan recovery for the year amounted to $644 [2014: $1,376 plan expense].

The fair value of stock appreciation rights is estimated at the grant dates using the Black-Scholes method. The model uses the following key assumptions:

	2015	2014
Risk-free interest rate	**1.2%**	1.7%
Expected volatility of dividend yield	**6.7%**	6.4%
Average expected life of rights	**6.9 years**	7.6 years

14. EMPLOYEE FUTURE BENEFITS

The Mutual has four defined benefit plans providing pension benefits to most of its employees as well as defined contribution plans.

The defined benefit plans are based on years of service and use final average earnings or annually indexed pension credits. Pension benefits are increased based on the consumer price index up to a maximum of 3% each year. Generally, employees contribute a set percentage of their annual salary to the pension plans. The employer contributes the balance required to fund pension plan obligations, as determined by actuarial valuations. These plans are funded. The Mutual has additional unfunded plans for senior management.

The defined contribution plans were set up in 2002 and 2011. Current-year expense for these plans totalled $1,152 [2014: $1,207].

Other future benefits include retirees' contributory health insurance plans for which employee contributions are adjusted annually, life insurance plans and celebration costs and retirements. These plans are unfunded.

14. EMPLOYEE FUTURE BENEFITS [Cont'd]

Information related to the pension plans and other future benefits is as follows:

	Pension plans		Other future benefits	
	2015	2014	2015	2014
	$	$	$	$
Defined benefit obligation				
Balance, beginning of year	**519,970**	405,028	**25,612**	20,300
Employee contributions	**10,861**	10,185	**—**	—
Current service costs	**23,689**	16,189	**2,013**	1,719
Transfers	**453**	473	**—**	—
Financial cost	**21,794**	19,634	**1,128**	1,074
Actuarial losses (gains) arising from plan experience	**4,433**	(2,217)	**(5,302)**	(3)
Actuarial losses arising from changes in demographic assumptions	**—**	5,109	**—**	48
Actuarial (gains) losses arising from changes in financial assumptions	**(3,586)**	76,026	**414**	2,796
Benefits paid	**(15,698)**	(10,443)	**(707)**	(322)
Impact of changes in assumptions	**—**	(14)	**—**	—
Balance, end of year	**561,916**	519,970	**23,158**	25,612

The defined benefit obligation is detailed as follows:

	Pension plans		Other future benefits	
	2015	2014	2015	2014
	$	$	$	$
Funded plans	**549,166**	509,939	**—**	—
Unfunded plans	**12,750**	10,031	**23,158**	25,612
	561,916	519,970	**23,158**	25,612

	Pension plans		Other future benefits	
	2015	2014	2015	2014
	$	$	$	$
Net assets				
Fair value, beginning of year	**453,346**	373,176	**—**	—
Actual return on plan assets	**26,029**	63,716	**—**	—
Employer contributions	**16,600**	16,239	**707**	322
Employee contributions	**10,861**	10,185	**—**	—
Transfers	**453**	473	**—**	—
Benefits paid	**(15,698)**	(10,443)	**(707)**	(322)
Fair value, end of year	**491,591**	453,346	**—**	—

	Pension plans		Other future benefits	
	2015	2014	2015	2014
	$	$	$	$
Funded status – deficit	**70,325**	66,624	**23,158**	25,612
Impact on asset ceiling	**168**	109	**—**	—
Net defined benefit liability	**70,493**	66,733	**23,158**	25,612

Pension plan assets were measured as at December 31, 2015 and accrued defined benefit obligations were measured as at December 31, 2014 and projected to December 31, 2015.

Pension plan assets do not include securities of the Mutual and its subsidiaries.

14. EMPLOYEE FUTURE BENEFITS [Cont'd]

The following table shows the allocation of assets at fair value by main asset class:

	Pension plans	
	2015	2014
	%	%
Asset classes		
Stocks	**2.5**	2.7
Bonds	**29.4**	34.5
Mutual funds	**51.0**	52.4
Investments in private companies	**16.6**	9.8
Other	**0.5**	0.6
	100.0	100.0

Stocks are quoted in an active market and are classified as Level 1. Fair values of bonds are determined using market bid prices and are classified as Level 2. Equity mutual funds are quoted in an active market and are classified as Level 1, while bond and other mutual funds are valued based on observable inputs and are classified as Level 2. Investments in private companies are valued using inputs that are not based on observable market inputs and are classified as Level 3.

The pension plan investment policy calls for a portfolio structure diversified by investment category and economic sector. The following table shows the allocation by economic sector for each asset class.

	2015				2014			
	Stocks %	Bonds %	Mutual funds %	Investments in private companies %	Stocks %	Bonds %	Mutual funds %	Investments in private companies %
Governments, municipalities, school boards and hospitals	**—**	**33.8**	**4.2**	**—**	—	36.6	—	—
Communications	**7.2**	**3.9**	**4.3**	**—**	8.4	3.9	5.0	—
Consumer discretionary	**8.8**	**—**	**11.8**	**—**	7.8	0.1	13.4	—
Consumer staples	**8.1**	**3.3**	**9.4**	**—**	8.3	3.6	12.1	—
Energy	**8.5**	**4.9**	**7.7**	**—**	9.7	3.2	10.2	—
Real estate	**—**	**—**	**7.0**	**47.8**	—	—	—	75.6
Infrastructure	**—**	**—**	**—**	**42.2**	—	—	—	23.7
Manufacturing	**7.7**	**3.2**	**10.9**	**3.9**	6.9	3.0	11.4	—
Materials	**6.4**	**—**	**5.1**	**—**	8.1	—	5.8	—
Financials	**30.7**	**8.6**	**21.0**	**—**	31.5	11.1	21.2	—
Utilities	**7.1**	**42.3**	**11.9**	**2.8**	6.5	38.3	14.0	—
Technology	**15.4**	**—**	**6.2**	**3.3**	12.8	—	6.9	0.7
Asset-backed securities	**—**	**—**	**0.2**	**—**	—	—	—	—
Mortgage-backed securities	**—**	**—**	**0.3**	**—**	—	0.2	—	—
Other	**0.1**	**—**	**—**	**—**	—	—	—	—
	100.0	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0	100.0

The following table summarizes the weighted average actuarial assumptions used to calculate defined benefit obligation and expense:

	Pension plans		Other future benefits	
	2015	2014	2015	2014
	%	%	%	%
To determine defined benefit obligation				
Discount rate	**4.0**	4.1	**4.0**	4.1
Rate of increase in future compensation	**3.3**	3.3	**3.3**	3.3
To determine defined benefit expense				
Discount rate	**4.1**	4.9	**4.1**	4.9
Rate of increase in future compensation	**3.3**	3.3	**3.3**	3.3

14. EMPLOYEE FUTURE BENEFITS [Cont'd]

	2015		
	Other future benefits		
Health care cost trend rate assumptions	Drugs %	Health %	Dental %
Initial health care cost trend rates	**6.5**	**5.0**	**3.5**
Cost trend rates decline to	**3.5**	**3.5**	**3.5**

	2014		
	Other future benefits		
	Drugs %	Health %	Dental %
Initial health care cost trend rates	7.0	5.0	3.0
Cost trend rates decline to	3.0	3.0	3.0

	Pension plans	
	2015	2014
	Years	Years
Human life expectancy		
Males	**86**	86
Females	**89**	89

Canadian mortality rates have been established in accordance with the public sector table and improvement scale published in 2015 by the Canadian Institute of Actuaries following its Canadian pensioner mortality study.

The Mutual's net expense in respect of employee pension plans and other employee future benefits is as follows:

	Pension plans		Other future benefits	
	2015	2014	2015	2014
	$	$	$	$
Current service costs	**23,689**	16,189	**2,013**	1,719
Net interest on net defined benefit obligation	**2,891**	1,514	**1,128**	1,074
Administrative costs	**11**	48	**—**	—
Net expense	**26,591**	17,751	**3,141**	2,793

Net employee future benefit expense is included under general expenses in the consolidated statement of income.

The dates of the most recent and the next required actuarial valuations for funding purposes are December 31, 2014 and December 31, 2015, respectively.

Sensitivity analysis

The following tables summarize the sensitivity analysis for each of the significant actuarial assumptions used to calculate defined benefit obligation.

	2015			
Assumptions:	Health care cost trend rate		Discount rate	
Sensitivity level:	1% increase $	1% decrease $	1% increase $	1% decrease $
	3,424	**(2,687)**	**(101,496)**	**137,011**

	2015			
Assumptions:	Rate of increase in future compensation		Human life expectancy	
Sensitivity level:	1% increase $	1% decrease $	1 year increase $	1 year decrease $
	42,068	**(33,887)**	**13,068**	**(12,806)**

14. EMPLOYEE FUTURE BENEFITS [Cont'd]

Sensitivity analysis [Cont'd]

	2014			
Assumptions:	Health care cost trend rate		Discount rate	
Sensitivity level:	1% increase $	1% decrease $	1% increase $	1% decrease $
	4,628	(3,528)	(95,446)	128,936

	2014			
Assumptions:	Rate of increase in future compensation		Human life expectancy	
Sensitivity level:	1% increase $	1% decrease $	1 year increase $	1 year decrease $
	39,406	(31,827)	10,175	(10,046)

Sensitivity analysis were determined using a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in significant assumptions arising at the end of the reporting period.

The Mutual expects to contribute $15,853 to the defined benefit pension plans during the following fiscal year.

The weighted average duration of the defined benefit obligation is 22 years [2014: 22 years] for the pension plans and 15 years [2014: 16 years] for other future benefits.

15. LONG-TERM DEBT

	2015 $	2014 $
Subordinated debenture maturing on September 29, 2016 and bearing interest at a rate of 4.9% per annum payable semi-annually.	**7,000**	7,000
Borrowing secured by a $20,000 first immovable hypothec primarily concerning an investment property valued at $22,869, bearing interest at the bankers' acceptance rate plus 2.2% [2014: 3.1%], totalling 5.4% renewable in 2016 and maturing in 2036.	**15,479**	15,986
	22,479	22,986

The maturities for long-term debt are as follows:

	Subordinated debenture $	Borrowing secured by an immovable hypothec $	Total $
Current portion	**7,000**	**404**	**7,404**
Portion from 1 to 5 years	**—**	**15,075**	**15,075**
	7,000	**15,479**	**22,479**

The interest on long-term debt amounted to $1,171 [2014: $1,222].

The subordinated debenture, constituting an unsecured direct claim on the Mutual, ranks after the rights of policyholders and other creditors of the Mutual. Repayment of the subordinated debenture in whole or in part is subject to approval by the *Autorité des marchés financiers*.

	2015 $	2014 $
Fair value		
Subordinated debenture	**7,103**	7,260
Borrowing secured by an immovable hypothec	**15,518**	16,079
	22,621	23,339

16. CAPITAL MANAGEMENT

The Mutual's capital management objectives are to ensure capital preservation, development and growth, and to meet the requirements of the authorities that regulate the operations of its insurance subsidiaries.

To meet its objectives, the Mutual has implemented sound business and financial practices with respect to capital management. The policies and procedures described in these practices enable the Mutual and its subsidiaries to support strategic directions and performance goals while meeting the set capital adequacy target.

The Mutual and its subsidiaries regularly review capital using various tools including the dynamic capital adequacy testing and capital position monitoring reports. These documents are reviewed and approved each year by the Boards of Directors.

In Quebec, insurance companies must comply with the *Autorité des marchés financiers* (AMF) capital adequacy requirements (CAR) guideline to provide a guarantee of their solvency. The consolidated regulatory capital of the subsidiary La Capitale Civil Service Insurer Inc., determined in accordance with this guideline, constitutes its capital funds and is different from the equity reported in the statement of financial position. It consists of two tiers of capital.

Tier 1 capital comprises more permanent components of capital than Tier 2, and consists primarily of equity attributable to members.

The following table provides a summary of total available capital:

	2015	2014
	$	$
Tier 1 capital	**496,658**	510,919
Tier 2 capital	**23,148**	24,605
Total available capital	**519,806**	535,524

Under regulatory authority guidelines, the insurance subsidiaries must set capital targets which exceed capital requirements. As at December 31, 2015, the insurance subsidiaries were in compliance with the applicable capital requirements of regulatory authorities.

In 2015, items resulting primarily in an increase in capital consisted of net income and changes in available-for-sale financial instruments.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Mutual uses derivative financial instruments in the normal course of risk management.

The following table shows the notional amounts of these derivative financial instruments and their related fair values.

	2015	2014
	$	$
Notional amount by maturity		
Under one year – interest rate contracts	**102,200**	98,000
Under one year – foreign exchange forward contracts	**3,577**	—
	105,777	98,000
Reported as an asset at fair value		
Interest rate contracts	**860**	72
Foreign exchange forward contracts	**237**	—
	1,097	72

The notional amount is the amount to which the rate or price is applied to determine the amounts to be exchanged periodically.

The fair value recognized in other investments is the estimated amount that the Mutual expects to receive at the end of the year to close out its positions.

18. INVESTMENT INCOME

	2015					
	Held-for-trading $	Designated at fair value through profit or loss $	Available-for-sale $	Loans and receivables $	Other $	Total $
Cash and cash equivalents						
Interest	4,051	—	—	—	—	4,051
Bonds						
Interest	—	57,716	6,783	—	—	64,499
Net realized gains	—	—	4,099	—	—	4,099
Change in fair value	—	8,123	—	—	—	8,123
Stocks						
Dividends	—	11,307	14,823	—	—	26,130
Net realized losses	—	—	(8,909)	—	—	(8,909)
Change in fair value	—	(33,266)	—	—	—	(33,266)
Mutual funds						
Distribution income	—	38,249	16,539	—	—	54,788
Net realized gains	—	—	788	—	—	788
Change in fair value	—	(15,987)	—	—	—	(15,987)
Mortgage loans						
Interest	—	—	—	19,094	—	19,094
Policy loans						
Interest	—	—	—	2,112	—	2,112
Investment properties						
Rental income	—	—	—	—	23,252	23,252
Change in fair value	—	—	—	—	(3,757)	(3,757)
Other investments						
Interest	663	—	—	3,009	81	3,753
Distribution income	—	3,895	1,677	—	—	5,572
Change in fair value	1,025	2,602	—	—	—	3,627
Share of income of the joint venture and affiliates	—	—	—	—	1,257	1,257
Net realized gains	—	—	—	—	42	42
Other	—	—	—	—	8	8
	5,739	72,639	35,800	24,215	20,883	159,276
SUMMARY						
Interest	4,714	57,716	6,783	24,215	81	93,509
Dividends	—	11,307	14,823	—	—	26,130
Distribution income	—	42,144	18,216	—	—	60,360
Rental income	—	—	—	—	23,252	23,252
Share of income of the joint venture and affiliates	—	—	—	—	1,257	1,257
Net realized (losses) gains	—	—	(4,022)	—	42	(3,980)
Change in fair value	1,025	—	—	—	(3,757)	(2,732)
Other	—	—	—	—	8	8
Interest and other investment income	5,739	111,167	35,800	24,215	20,883	197,804
Changes in fair value of financial assets designated at fair value through profit or loss	—	(38,528)	—	—	—	(38,528)
	5,739	72,639	35,800	24,215	20,883	159,276

18. INVESTMENT INCOME [Cont'd]

	2014					
	Held-for-trading $	Designated at fair value through profit or loss $	Available-for-sale $	Loans and receivables $	Other $	Total $
Cash and cash equivalents						
Interest	3,476	—	—	—	—	3,476
Bonds						
Interest	—	58,747	9,118	—	—	67,865
Net realized gains	—	—	10,461	—	—	10,461
Change in fair value	—	164,522	—	—	—	164,522
Stocks						
Dividends	—	12,724	14,585	—	—	27,309
Net realized gains	—	—	24,780	—	—	24,780
Change in fair value	—	15,154	—	—	—	15,154
Mutual funds						
Distribution income	—	12,043	11,425	—	—	23,468
Net realized gains	—	—	4,143	—	—	4,143
Change in fair value	—	25,765	—	—	—	25,765
Mortgage loans						
Interest	—	—	—	21,591	—	21,591
Policy loans						
Interest	—	—	—	2,034	—	2,034
Investment properties						
Rental income	—	—	—	—	26,319	26,319
Change in fair value	—	—	—	—	(318)	(318)
Net realized loss	—	—	—	—	(410)	(410)
Other investments						
Interest	—	—	—	2,322	8	2,330
Distribution income	—	2,174	1,052	—	—	3,226
Change in fair value	1,952	1,324	—	—	(166)	3,110
Share of income of the joint venture and affiliates	—	—	—	—	1,937	1,937
Net realized gains	—	—	—	—	412	412
Other	—	—	—	—	253	253
	5,428	292,453	75,564	25,947	28,035	427,427
SUMMARY						
Interest	3,476	58,747	9,118	25,947	8	97,296
Dividends	—	12,724	14,585	—	—	27,309
Distribution income	—	14,217	12,477	—	—	26,694
Rental income	—	—	—	—	26,319	26,319
Share of income of the joint venture and affiliates	—	—	—	—	1,937	1,937
Net realized gains	—	—	39,384	—	2	39,386
Change in fair value	1,952	—	—	—	(484)	1,468
Other	—	—	—	—	253	253
Interest and other investment income	5,428	85,688	75,564	25,947	28,035	220,662
Changes in fair value of financial assets designated at fair value through profit or loss	—	206,765	—	—	—	206,765
	5,428	292,453	75,564	25,947	28,035	427,427

19. GENERAL EXPENSES

General expenses by nature

	2015	2014
	$	$
Salaries and employee benefits	**235,106**	214,655
Amortization of property and equipment *[note 8]*	**8,334**	7,967
Amortization of intangible assets *[note 9]*	**8,495**	8,067
Fees, rent and other	**50,804**	51,312
	302,739	282,001

20. COMMITMENTS AND CONTINGENCIES

Commitments

Leases

As lessee

As at December 31, 2015, the Mutual is committed under operating leases for the use of office premises and service contracts expiring at various dates through 2025.

The following table details future minimum payments under non-cancellable operating leases:

	2015	2014
	$	$
Under 1 year	**5,609**	5,713
1–5 years	**12,222**	12,848
Over 5 years	**4,064**	4,824
	21,895	23,385

These leases have terms ranging from one to ten years and may include a renewal option at expiry.

Rental costs expensed during the year totalled $7,206 [2014: $6,795].

As lessor

Operating leases pertain to the rental of investment properties held by the Mutual. These leases have terms ranging from one to 21 years and may include a renewal option at expiry. There is no purchase option available under current lease terms.

Future rent payments receivable under non-cancellable leases are as follows:

	2015	2014
	$	$
Under 1 year	**19,991**	20,026
1–5 years	**60,436**	62,974
Over 5 years	**27,892**	34,713
	108,319	117,713

Investment commitments

In the normal course of the Mutual's business, various outstanding contractual commitments related to residential and personal loan offers are not reflected in the consolidated financial statements and may not be fulfilled.

Expiring in	
45 days $	46–365 days $
14,399	**11,684**

As at December 31, 2015, the Mutual is committed to subscribe, on demand, an amount of $101,201 [2014: $57,838] for various mutual funds.

20. COMMITMENTS AND CONTINGENCIES [Cont'd]

Commitments [Cont'd]

Structured settlements

The Mutual has entered into annuity contracts with several Canadian life and health insurance companies to provide for fixed and periodic benefit payments to beneficiaries. Under these agreements, the Mutual has ceded its commitments to the beneficiaries of annuity contracts; however, it remains exposed to credit risk to the extent that the life and health insurance companies might not be able to meet their financial obligations to these beneficiaries. To reduce its exposure to this credit risk, the Mutual has purchased annuity contracts from insurance companies with a Standard and Poor's credit rating of at least A+. The residual credit risk assumed by the Mutual is the credit risk related to the Canadian life and health insurance companies with which it does business. This residual credit risk is mitigated by the protection provided by Assuris to life and health insurance policyholders.

As at December 31, 2015, none of the insurance companies from which the Mutual had acquired annuity contracts were in default and accordingly, no provision for credit risk was recorded in the financial statements. Exposure to credit risk is evaluated as total purchases of annuity contracts that are not provided for as a liability of the Mutual, which amounted to $26,120 [2014: $25,170] over a maximum period of 52 years [2014: 52 years]. The risk adjusted balance is determined by applying the standard measures of counterparty risk defined by the regulatory authority to the credit equivalent amount.

The Mutual's management considers the risk of financial default by the insurance companies with which it does business to be very low.

Credit facilities

As at December 31, 2015, the Mutual had a $10,000 credit facility [2014: $10,000] bearing interest at the prime rate, as well as a $2,000 credit facility [2014: $2,000] for the issuance of letters of credit at a cost of 0.625% of the dollar amount.

As at December 31, 2015, the Mutual had issued a $500 standby letter of credit [2014: $500] to Liberty Mutual Insurance Company.

The Mutual also had a $40,000 commercial line of credit [2014: $20,000] to enable it to finance its mortgage loan operations, bearing interest at the prime rate.

The lines of credit were undrawn as at December 31, 2015 and 2014.

Pledged assets

In the normal course of business, certain subsidiaries of the Mutual have pledged assets in respect of obligations contracted, strictly to serve as collateral to the counterparty. In the event of default by the Mutual, the counterparty is entitled to apply the collateral to settle the debt. No defaults occurred during the fiscal year. Pledged assets comprise bond holdings in the amount of $85,000 [2014: $75,000].

Other

The Mutual acquired emphyteutic lease rights on April 5, 1989, expiring on December 31, 2050. As at December 31, 2015, annual lease payments totalled $363 [2014: $352] indexed at 3% per annum until December 31, 2020. Subsequently, annual lease payments will be adjusted on December 31, 2020, based on the value of the land and the average yield of Quebec long-term savings bonds. Total commitments amount to $1,925 from 2016 to 2020 [2015 to 2020: $2,277].

As at December 31, 2015, the Mutual is committed under agreements with charities to pay a total amount of $712 [2014: $955]. The minimum payments for the next two fiscal years amount to $605 and $107, respectively.

Contingencies

The Mutual is involved in certain legal claims arising in the normal course of business. Management believes that the Mutual has set aside sufficient provisions to cover potential losses in relation to such lawsuits.

21. RELATED PARTY INFORMATION

Compensation of key management personnel

Compensation of key management personnel for the year was as follows:

	2015	2014
	$	$
Short-term employee benefits	**22,666**	22,612
Post-employment benefits	**4,808**	5,858
Termination benefits	**28**	238

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS

Principles and responsibilities of risk management

The guiding principle of risk management is to identify, understand and report the Mutual's risk exposures to its various stakeholders. A variety of policies have been implemented and approved by the Board of Directors with various committees in place to monitor risk exposures. These policies are reviewed on an annual basis.

The Board of Directors is responsible for establishing the Mutual's level of risk tolerance and for implementing the policies required to ensure monitoring and understanding of the risk it assumes. The Board of Directors is also responsible for governance. The audit committees of the insurance companies are responsible for liaising between the Boards of Directors and the various committees. The Internal Audit function, which reports to the audit committees of the insurance companies, is responsible for assessing compliance with the policies.

The Enterprise Risk Management Committee reports directly to the Board of Directors. The Regulatory Compliance Committee and the Investment Committee report to senior management, which liaises with the Board of Directors and the Audit Committees of the insurance companies.

The risk management policy falls under the purview of the Enterprise Risk Management Committee. Coordinated by the Office of the Executive Vice-President, Financial Affairs, Real Estate and IT Infrastructure, this policy provides a framework for the Mutual's key risks, consisting of insurance risks, financial risks, operational risks and strategic risks.

The Mutual monitors insurance risks pertaining to product design and pricing, as well as to underwriting and liabilities. Financial risks consisting of market, exchange rate, credit, real estate, liquidity and capital management risks are measured and managed. For operational risks, standards designed to limit the risks of administrative deficiencies are set out and followed. Strategic risk exposures are managed by the implementation and stringent monitoring of a strategic plan, as well as by monitoring the Mutual's business.

The financial stability of the Mutual's insurance subsidiaries is validated annually by dynamic capital adequacy testing ("DCAT") conducted by the Appointed Actuaries, which includes a formal opinion as to the financial soundness of the Mutual's insurance subsidiaries.

Insurance risks – Life and health insurance

By selling insurance contracts to its insureds, the Mutual assumes insurance risks. Risk arises when an insured event materializes differently than anticipated. Such variances are minimized through selection, pricing and reinsurance.

The Mutual's life and health insurance risk is not concentrated in a single region or product. The catastrophe reinsurance treaty makes it possible to manage the risk concentration of group business. An analysis is conducted each year to review concentration levels and adjust the required catastrophe treaty coverage.

Measuring the actuarial liabilities associated with insurance contracts is complex and requires the use of several assumptions and valuation methods. The most sensitive assumptions for the Mutual pertain to mortality, morbidity and the economic environment. During the first annual DCAT, sensitivity tests were conducted to better identify the Mutual's exposure to volatility and provide a basis to establish mitigation techniques.

The Mutual is also exposed to credit and liquidity risks under risk transfers to its different reinsurers. To mitigate these risks, the Mutual carefully diversifies the reinsurers with which it does business. The Mutual also reviews the financial strength of its reinsurers annually or more often as necessary and does not do business with reinsurers rated lower than A– by Standard and Poor's or AM Best.

Scheduled cash outflows (inflows) related to life and health insurance contract liabilities net of reinsurance ceded are illustrated as follows:

	2016 $	2017 $	2018 $	2019 $	2020 $	2021 and thereafter $	Total $
Life and health – Individual	16,860	(4,726)	4,442	14,947	20,340	1,313,546	1,365,409
Annuities – Individual	164,614	125,944	110,766	106,779	136,325	690,209	1,334,637
Life and health – Group	190,267	54,215	45,946	38,349	32,868	203,010	564,655
Annuities – Group	289	331	360	363	361	3,459	5,163
	372,030	175,764	161,514	160,438	189,894	2,210,224	3,269,864

Insurance risks – Property and casualty insurance

The Mutual identified the following risks that may have a material effect on its bottom line, such as the risk of a significant rise in claim frequency and severity, the risk of multiple catastrophes combined with reinsurer payment defaults, the risk of a change in premium volume in a soft market with significant premium reductions and the risk of adverse development of claims reserves for long-tail business classes.

Underwriting standards are set out and applied by the Mutual. These standards provide for diversified risk selection in line with the Mutual's objectives. Together, contract terms and conditions and rates appropriately reflect the inherent risks in the policies written.

The use of reinsurance plays a key role in managing the Mutual's risks and exposures. Various catastrophe excess of loss treaties per risk and per event are in place to limit the adverse income effect of major claims, on both a separate and cumulative basis, on occurrence of a catastrophic event.

Use of other types of reinsurance (optional or treaty for a given business line) is also possible to manage specifically identified risks.

A 10% increase in the net loss index would result in a decrease in net income and equity of $61,800 [2014: $58,800].

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Concentration risk

The Mutual's concentration risk exposure is mitigated by the use of reinsurance contracts, and the rigorous selection and implementation of underwriting strategies, which are adhered to mainly through sector diversification.

Insurance concentration risk by product is described below based on the allocation of premiums written.

	Premiums	
	2015	2014
	$	$
Individual insurance	**487,782**	414,454
Group insurance	**579,592**	579,173
Property and casualty insurance	**872,745**	832,574
	1,940,119	1,826,201

Financial risks

Market risk is defined as the risk that fluctuations in market prices of financial instruments arising from stock market or interest rate changes will result in a loss.

The Investment Committee is responsible for monitoring the investment policy, which is reviewed annually. The Board of Directors approves amendments, if any. Investment policy limits are set prudently to mitigate the Mutual's exposure to risk. Yield spread risk between assets and liabilities is limited, as the portfolios are managed according to the matching principle.

The use of derivative financial instruments for economic hedging purposes is permitted under the investment policy as part of a prudent management framework. No derivative products are used to create speculative market exposure. The Investment Committee plays a key role with respect to the understanding of derivative product strategies by senior management and the Board of Directors.

A stock market downturn reduces the management fees generated by the insurer from market-linked insurance policies. As these liabilities are fully matched, lower management fees could, in such situations, increase the insurer's cost to guarantee capital. Furthermore, a market downturn has a direct impact on the value of marketable securities invested in the Mutual's surplus.

A 10% stock market downturn as at December 31, 2015 would result in an $18,086 decrease [2014: $20,968] in the Mutual's after-tax comprehensive income. A 10% stock market upturn as at December 31, 2015 would have the opposite effect, resulting in an $18,086 increase [2014: $20,812] in the Mutual's after-tax comprehensive income.

An immediate rise in interest rates would have an unfavourable short-term impact on surplus portfolios invested in bonds but would make it possible, over the long term, to match premium inflows at more attractive interest rates. A decrease in interest rates would have the opposite effect.

A 1% rise in interest rates as at December 31, 2015 would result in a $19,309 decline [2014: $19,796] in the Mutual's after-tax comprehensive income. A 1% decline in interest rates as at December 31, 2015 would result in a $21,454 increase [2014: $20,912] in the Mutual's after-tax comprehensive income.

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Financial instruments

Classification of financial instruments

Financial assets and financial liabilities are recorded at fair value or amortized cost. The table below shows the classification and carrying amounts of financial instruments:

	2015	2014
	$	$
FINANCIAL ASSETS		
Held-for-trading		
Cash and cash equivalents	**88,364**	109,697
Other financial assets	**7,091**	7,749
Other investments	**1,097**	72
	96,552	117,518
Designated at fair value through profit or loss		
Bonds	**1,408,124**	1,382,323
Stocks	**235,252**	286,949
Mutual funds	**689,539**	462,130
Other investments	**87,438**	50,124
	2,420,353	2,181,526
Available-for-sale		
Bonds	**313,024**	330,911
Stocks	**302,899**	361,839
Mutual funds	**406,639**	353,037
Other investments	**28,284**	24,795
	1,050,846	1,070,582
Loans and receivables		
Mortgage loans	**568,104**	549,154
Policy loans	**35,723**	34,619
Other investments	**96,516**	71,758
Premiums receivable	**555,969**	525,432
Other financial assets	**68,412**	78,031
	1,324,724	1,258,994
Total financial assets	**4,892,475**	4,628,620
FINANCIAL LIABILITIES		
Held-for-trading		
Other financial liabilities	**7,181**	12,176
Other liabilities		
Other financial liabilities	**282,404**	261,907
Long-term debt	**22,479**	22,986
	304,883	284,893
Total financial liabilities	**312,064**	297,069

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Fair value hierarchy

The following table classifies fair value measurements of financial assets and financial liabilities using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices [unadjusted] in active markets for identical assets or liabilities.

Level 2: Inputs observable for the asset or liability, either directly [i.e., prices] or indirectly [i.e., derived from prices].

Level 3: Inputs for the asset or liability that are not based on observable market data.

Assets and liabilities measured at fair value

	2015			
	Level 1 $	Level 2 $	Level 3 $	Total $
ASSETS				
Cash and cash equivalents	58,838	29,526	—	88,364
Bonds				
Government of Canada	—	20,410	—	20,410
Provincial governments	—	1,163,708	—	1,163,708
Municipalities, school boards and hospitals	—	28,044	—	28,044
Corporate	—	508,986	—	508,986
	—	1,721,148	—	1,721,148
Stocks				
Common shares	241,634	—	—	241,634
Preferred shares	296,517	—	—	296,517
	538,151	—	—	538,151
Mutual funds				
Bonds	—	266,658	—	266,658
Stocks	291,669	—	—	291,669
Loans	—	95,689	—	95,689
Diversified	—	409,894	—	409,894
Other	—	32,268	—	32,268
	291,669	804,509	—	1,096,178
Investment properties	—	—	159,460	159,460
Other investments				
Investments in the limited partnerships	—	—	115,722	115,722
Derivative financial instruments	—	1,097	—	1,097
	—	1,097	115,722	116,819
Other financial assets				
Retained interests – Securitization	—	—	4,226	4,226
LIABILITIES				
Other liabilities				
Bank overdraft	4,316	—	—	4,316

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Fair value hierarchy [Cont'd]

Assets and liabilities measured at fair value [Cont'd]

	2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
ASSETS				
Cash and cash equivalents	38,132	71,565	—	109,697
Bonds				
Government of Canada	—	23,262	—	23,262
Provincial governments	—	1,138,479	—	1,138,479
Municipalities, school boards and hospitals	—	28,807	—	28,807
Corporate	—	522,686	—	522,686
	—	1,713,234	—	1,713,234
Stocks				
Common shares	324,696	—	—	324,696
Preferred shares	324,092	—	—	324,092
	648,788	—	—	648,788
Mutual funds				
Bonds	—	241,328	—	241,328
Stocks	221,573	—	—	221,573
Loans	—	74,022	—	74,022
Diversified	—	255,210	—	255,210
Other	—	23,034	—	23,034
	221,573	593,594	—	815,167
Investment properties	—	—	161,996	161,996
Other investments				
Investments in the limited partnerships	—	—	74,919	74,919
Derivative financial instruments	—	72	—	72
	—	72	74,919	74,991
Other financial assets				
Retained interests – Securitization	—	—	3,909	3,909
LIABILITIES				
Other liabilities				
Bank overdraft	8,336	—	—	8,336

Assets and liabilities whose fair value is disclosed in the notes to financial statements

	2015			
	Level 1 $	Level 2 $	Level 3 $	Total $
ASSETS				
Mortgage loans	**—**	**575,424**	**—**	**575,424**
Policy loans	**—**	**35,723**	**—**	**35,723**
Other investments				
Personal loans	**—**	**18,701**	**—**	**18,701**
Other loans	**—**	**78,644**	**—**	**78,644**
Properties held for resale	**—**	**296**	**—**	**296**
	—	**97,641**	**—**	**97,641**
LIABILITIES				
Long-term debt	**—**	**22,621**	**—**	**22,621**

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Fair value hierarchy [Cont'd]

Assets and liabilities whose fair value is disclosed in the notes to financial statements [Cont'd]

	2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
ASSETS				
Mortgage loans	—	555,247	—	555,247
Policy loans	—	34,619	—	34,619
Other investments				
Personal loans	—	19,576	—	19,576
Other loans	—	52,440	—	52,440
Properties held for resale	—	642	—	642
	—	72,658	—	72,658
LIABILITIES				
Long-term debt	—	23,339	—	23,339

For the assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements, the Mutual determines whether the date of the transfer from one level to another is the date of the change in circumstances that triggered the transfer.

The Vice-President, Investments determines the fair value measurement policies and procedures and analyzes the changes that occur from period to period in relation to those measurements for the financial assets classified in Level 3 of the hierarchy. In addition, the Vice-President, Investments selects an appropriate valuation model, as well as the inputs for each of those investments.

Valuation techniques for financial instruments classified in Level 2 or Level 3

Bonds

Bonds are valued using market prices based on the average of bid prices quoted by Canada's top twelve brokers. The bid price is then compared to another external pricing source. The external source uses the latest quoted market or closing price. Where there is a spread between the two sourced prices, a comparison is made with a further source specialized in market financial information to determine the price that is most representative of fair value. Where quoted prices are not available, fair value is estimated using a valuation method based on discounted future cash flows for securities with a similar risk profile and comparable terms and conditions. Significant inputs to this method consist of the discount rate, and credit and liquidity risks.

Bond mutual funds

The fair value of bond mutual funds is determined using the value published by the fund. If no value is available, the bond mutual funds' underlying bonds are measured using the bond valuation technique.

Loan mutual funds

The fair value of the loan mutual funds is determined using the value published by the fund. If no value is available, the loan mutual funds' underlying loans are measured using the fair value method based on discounted future cash flows. The method's significant inputs consist of the discount rate, and credit, liquidity and prepayment risks.

Diversified mutual funds

The fair value of diversified mutual funds is determined using the value published by the fund. If no value is available, the diversified mutual funds' underlying shares are measured using closing market bid prices. Their underlying bonds are measured using the bond valuation technique.

Other mutual funds

The fair value of other mutual funds is determined using the value published by the fund. If no value is available, the other mutual funds' underlying securities are measured using the fair value method based on discounted future cash flows. Significant inputs to this method consist of the discount rate, and credit, liquidity and foreign currency risks.

Investment properties

Investment properties are measured using a valuation technique based primarily on discounted future cash flows from rental space. The main variables affecting fair value are the rate of return and overall discount rate.

Sensitivity analysis

A 0.25% increase in the rate of return and overall discount rate would result in a $6,287 [2014: $6,276] decline in the fair value of the investment properties. A 0.25% decline in the rate of return and overall discount rate would result in a $6,287 [2014: $6,276] increase in the fair value of the investment properties.

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Valuation techniques for financial instruments classified in Level 2 or Level 3 [Cont'd]

Other investments

Investments in the limited partnerships

The following table shows the breakdown of the investments in limited partnerships by sector:

	2015	2014
	$	$
Investments in the limited partnerships by sector		
Infrastructure – private debt	**21,547**	—
Infrastructure – equity	**72,132**	67,898
Real estate	**16,040**	—
Other	**6,003**	7,021
	115,722	74,919

Infrastructure – private debt

The investment in a limited partnership that invests in private debt is measured using the future discounted cash flow method, including the interest income and capital distributions from private debt. This measurement is based on an unobservable input, namely the discount rate. An increase (decrease) in the discount rate would result in a decrease (increase) in the fair value of this investment.

A 1% increase in the discount rate would result in a $2,304 decrease in the fair value of the investment in the limited partnership. A 1% decrease in the discount rate would result in a $2,304 increase in the fair value of the investment in the limited partnership.

Infrastructure – equity

The investment in limited partnerships that invests in equity is measured using the discounted future cash flow method, including the estimate of the residual value of the infrastructure assets. This valuation method is based on unobservable inputs, namely the discount rate and the growth rate. An increase (decrease) in the discount rate would result in a decrease (increase) in the fair value of the investment. An increase (decrease) in the growth rate would result in an increase (decrease) in the fair value of the investment.

A 1% increase in the discount rate would result in a $7,379 [2014: $6,430] decline in the fair value of the investment in the limited partnership. A 1% decrease in the discount rate would result in an $8,859 [2014: $6,973] increase in the fair value of the investment in that limited partnership.

Real estate

The investment in the real estate sector is measured using the discounted future cash flow method, including the estimation of the residual value of the investment properties. This measurement is based on unobservable inputs, such as the capitalization rate, growth rate and vacancy rate. Taken individually, an increase (decrease) in the capitalization rate and vacancy rate would result in a decrease (increase) in the fair value of the investment. An increase (decrease) in the growth rate would result in an increase (decrease) in the fair value of the investment.

A 1% increase in the capitalization rate would result in a $5,300 [2014: $1,058] decrease in the fair value of the investment in the limited partnership. A 1% decline in the capitalization rate would result in a $5,002 [2014: $1,058] increase in the fair value of the investment in that limited partnership.

Derivative financial instruments

The fair value of derivative financial instruments, such as interest rate contracts, is the difference between the price at maturity of the underlying instrument at the measurement date and the price at maturity at the position's inception. The closing prices used in calculating the value of the position are externally sourced.

Other financial assets

Retained interests – Securitization

Retained interests are measured using the expected discounted cash flows of securitized mortgages. The model uses inputs such as the pool maturity date and balance, coupon rate, weighted average mortgage rate, average remaining amortization, average term to maturity and expected term at maturity and within the preceding five months.

The model factors in projections of total wind-ups, partial prepayment and anticipated defaults, as well as budget data such as management fees and acquisition costs based on the issuer's historical data.

The sensitivity analysis of retained interests is disclosed in note 10.

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Changes in Level 3 financial instruments measured at fair value

The table below reconciles opening and closing balances for Level 3 fair value measurements.

	Investment properties $	Investments in the limited partnerships $	Retained interests – Securitization $
Balance as at January 1, 2015	**161,996**	**74,919**	**3,909**
Losses recognized in income	**—**	**—**	**(2,043)**
Issuances	**—**	**—**	**2,360**
Purchases	**1,221**	**38,400**	**—**
Change in fair value through profit or loss	**(3,757)**	**2,602**	**—**
Unrealized losses recognized in other comprehensive income	**—**	**(199)**	**—**
Balance as at December 31, 2015	**159,460**	**115,722**	**4,226**

	Investment properties $	Investments in the limited partnerships $	Retained interests – Securitization $
Balance as at January 1, 2014	177,482	46,984	3,679
Decrease	—	—	(1,689)
Issuances	—	—	1,919
Purchases	1,803	24,992	—
Sales	(16,971)	—	—
Change in fair value through profit or loss	(318)	1,324	—
Unrealized gains recognized in other comprehensive income	—	1,619	—
Balance as at December 31, 2014	161,996	74,919	3,909

Foreign exchange risk is the unfavourable impact of a currency mismatch between assets and liabilities or the difference between foreign currency revenues and expenses.

Where the Mutual is exposed to foreign currency insurance contract liabilities, investments are made in these currencies for policy liability matching purposes. Other foreign currency investments are hedged in whole or in part with derivative products to convert exposure to foreign currencies into Canadian dollars.

Given the performance of foreign currency matching and since the Mutual's foreign currency revenues and expenses are insignificant, foreign currency fluctuations have little impact on the Mutual's bottom line.

Credit risk is the risk of financial loss, despite realization of principal or collateral security or property, resulting from the failure of a debtor to honour its obligations to the Mutual.

Credit risk management is the process of controlling the impact of credit risk-related events on the Mutual and consists in identifying, understanding and quantifying the risk of loss and taking appropriate measures.

Credit risk may also arise when there is a concentration of investments involving one or more entities with similar characteristics. The Mutual's investment policy aims to reduce this risk by ensuring sound diversification.

The Mutual is exposed to credit risk on mortgage, personal and commercial loans as well as on corporate bonds and term preferred shares held in its portfolios, to counterparty risk on derivative products and to risk related to its reinsurers. The Mutual considers counterparty default risk when measuring the fair value of derivative financial instruments. Strict monitoring of credit risk is performed with respect to mortgage, personal and commercial loans. Corporate bonds and preferred shares are managed to ensure a diversified, low-risk portfolio by maintaining minimum Dominion Bond Rating Service (DBRS) credit ratings of BBB on 100% of bonds and P2 on at least 90% of preferred shares to limit default concentration risk. Derivative product counterparties have minimum DBRS credit ratings of AA for reinsurance counterparties, and credit and credit quality ratings are verified annually or when warranted by market events.

To manage the risk of potential credit losses, the Mutual maintains specific allowances for impaired mortgage and personal loans and real estate held for resale. When credit risk exposure arises on a loan and the Mutual is uncertain of principal or interest recovery, the loan is deemed impaired. Specifically, a loan that is more than 90 days past due or in foreclosure proceedings is deemed impaired. The allowance reduces the value of the asset to reflect the amount the Mutual believes it can recover.

Another allowance is established through actuarial liabilities to safeguard the Mutual against potential credit losses.

The Mutual's maximum credit risk exposure for its financial instruments is equal to the carrying amount of cash and cash equivalents, bonds, term preferred shares, mortgage loans, policy loans, other investments, premiums receivable, reinsurance assets and other receivables included in other financial assets totalling $3,602,995 [2014: $3,586,672].

22. MANAGEMENT OF FINANCIAL INSTRUMENT AND INSURANCE CONTRACT RISKS [Cont'd]

Financial risks [Cont'd]

Except for loans for which there are non-provisioned amounts past due discussed in note 4, there are no significant financial assets past due that have not been provisioned.

Real estate risk is the possibility of incurring significant financial losses subsequent to an inaccurate appraisal or a potential decline in value of real estate acquired for investment purposes, held subsequent to a loan default or pledged as collateral for a loan receivable. Real estate risk also includes the possibility of deterioration in cash flows provided by real estate operations as a result, for instance, of increased vacancy or physical degradation requiring major maintenance.

The Mutual's real estate inventory is used primarily to match long-term insurance liabilities. A portion of the real estate inventory is used for the Mutual's own purposes, which significantly reduces vacancy risk.

The portion of the Mutual's investment portfolio allocated to real estate is limited in relation to total assets, and individual property yields are monitored by the Investment Committee.

Changes in the real estate properties have no significant impact on the Mutual's results since the properties are mostly matched to the Mutual's business lines and the results are thereby offset by the insurance contract liability reserves.

Liquidity risk is the risk that the Mutual will fail to honour its financial obligations, anticipated or otherwise, when due.

The Mutual relies on asset-liability matching to generate the funds required to honour its obligations when they fall due. Effective cash management minimizes the cost of raising funds and honouring financial obligations. Moreover, nearly 100% of the Mutual's bonds are readily marketable, further underpinning the Mutual's cash resources. Lastly, the Mutual can avail itself of credit facilities to meet unexpected cash requirements.

The Mutual's maximum liquidity risk exposure for its financial instruments and insurance contracts is detailed by contractual maturity as follows:

	Under 1 year $	1 year to 5 years $	6 years to 10 years $	Over 10 years $	No specific maturity $	Total $
Provision for claims and loss adjustment expenses	170,562	134,750	27,505	1,859	—	334,676
Other financial liabilities	251,686	—	—	—	37,899	289,585
Long-term debt	7,404	15,075	—	—	—	22,479
	429,652	149,825	27,505	1,859	37,899	646,740

75 YEARS

and **STRONGER** than ever!

our **member companies**

As at December 31, 2015

La Capitale Civil Service Mutual

Life and Health Insurance and Financial Services

SECTOR COMPANIES

LA CAPITALE CIVIL SERVICE INSURER

La Capitale Civil Service Insurer provides financial products to ensure the economic well-being of Quebec's public administration employees. Clients benefit from the unique expertise La Capitale Civil Service Insurer has developed in life and health insurance, savings and investments, and mortgage loans. Its teams of specialists design attractive, flexible financial solutions that are tailored to clients' needs. And, to simplify the payment of premiums, it also offers the exclusive Payroll Deduction Privilege to public service employees working in some 800 institutions across Quebec's public and parapublic sectors.

Products and services offered

- Life insurance
- Disability insurance
- Critical illness insurance
- Long-term care insurance
- Savings and investment products
- Mortgage loans
- Payroll Deduction Privilege

LA CAPITALE INSURANCE AND FINANCIAL SERVICES

Established in 1989, La Capitale Insurance and Financial Services is a subsidiary of La Capitale Civil Service Insurer. It provides group insurance products directly to the Quebec public service and serves groups in the Canadian private sector in partnership with selected financial services firms. It also offers individual insurance products and services to clients outside the Quebec public service. La Capitale Insurance and Financial Services is renowned for its integrated take-charge approach by providing human, preventative and innovative solutions, such as the VIVA workplace health and wellness program, to it clients. It began distributing individual credit insurance products across Canada in 2014, in partnership with third party administrators.

Products and services offered

- Life, health and disability insurance
- Critical illness, dental care and vision care insurance
- Travel and trip cancellation insurance
- Credit insurance
- Employee and manager assistance programs
- Home care and assistance services
- Health insurance claims profile
- Overall integrated approach to health
- Online administrative services
- Health spending account
- CAP Medical Assistance
- VIVA Workplace Health and Wellness Program

LA CAPITALE FINANCIAL SERVICES

La Capitale Financial Services is a financial services firm whose primary role is offering insurance and investment and savings products to individuals working in the Quebec public service. It is dedicated to providing them with the best financial security available, thanks to its unique financial planning tools. The firm is represented by 179 financial service advisors who serve Quebec government employees in their workplaces.

Products and services offered

- Term, permanent and universal life insurance
- Health, long-term care, critical illness and disability insurance
- Registered and non-registered investment products (e.g. GICs, investment accounts, retirement incomes, RRSPs, RESPs and TFSAs)
- Investment funds
- Referrals for car, home and legal access insurance and mortgage loans
- Financial situation evaluations
- Personalized financial planning
- Financial education sessions
  - Presentations (RREGOP, PPMP, mortgage loans...)
  - Educational sessions
    - Building Your Future
    - Mid-career
    - Retirement Preparation
    - Legal Aspects

Life and Health Insurance and Financial Services

SECTOR COMPANIES [Cont'd]

LA CAPITALE FINANCIAL SECURITY

Based in Mississauga, Ontario, La Capitale Financial Security (formerly Penncorp Life Insurance Company) offers simplified, personal disability insurance products and financial solutions designed to fit the unique needs of small business owners, self-employed workers, skilled tradespeople and other individuals who do not have easy access to traditional insurance and financial products. La Capitale Financial Security has a network of 190 career agents with branch offices and field representatives across Canada, and also relies on an independent distribution channel.

Products and services offered

- Short- and long-term disability insurance
- Long-term care insurance
- Hospital care insurance
- Critical illness and cancer insurance
- Life insurance

LA CAPITALE MFQ REAL ESTATE MANAGEMENT

This subsidiary is responsible for implementing the Group's real estate strategy and managing its real estate holdings. The real estate portfolio it manages covers approximately 1.4 million sq. ft., including 201 residential units under management, spread out over 10 buildings in Quebec and Ontario, plus office space leased by the branch offices of La Capitale General Insurance and La Capitale Financial Services across Quebec, and the regional branch offices of La Capitale Financial Security outside Quebec. La Capitale MFQ Real Estate Management manages assets worth a total of $340.2 million, including commercial and residential buildings, office space and a seniors' residence located in Quebec.

Products and services offered

- Construction and interior design
- Property management and leasing
- Green buildings
- Quality fit-up services for rental units

SECURIGLOBE

SecuriGlobe, which is Canada's largest independent distributor of travel insurance, was acquired by La Capitale Civil Service Insurer in June 2014. Founded in 1999, SecuriGlobe relies on a network of more than 2,000 active partners across Canada and the United States and represents 14 different insurance carriers. It has developed unique expertise by specializing in products for retirees and pre-retirees.

Products and services offered

- Multiple travel insurance products–emergency health care, cancellation, interruption, baggage and special risk insurance
- Cruise insurance packages
- Extension of travel insurance
- Visitors to Canada coverage
- International student coverage
- Expatriates coverage
- Health and dental care insurance
- Credit card coverage

Life and Health Insurance and Financial Services

OFFICERS

La Capitale Civil Service Insurer

La Capitale Insurance and Financial Services

Senior Management

Steven Ross, C. Adm.
President and Chief Operating Officer

Corporate Actuarial

Eric Marcoux, FSA, FICA
Vice-President and Appointed Actuary

Guy Harvey, ASA
Senior Director, Corporate Actuarial

Information Technology

Claude Gaboury
Vice-President

Patrick Bolduc, ASA, FLMI, ACS
Senior Director, Operational Performance

Lyne Groleau
Senior Director, IT Development Group Insurance

Francine Hampleman, FLMI
Senior Director, IT Development Individual Insurance and Financial Services

Maxime Morin, BSc A.
Senior Director, Architecture and Project Management

Raymond St-Gelais
Senior Director, Systems Maintenance and Management

Group insurance

Jean Guay
Executive Vice-President

Eveline Keable, BSc Act.
Senior Director, Claims Management, Life and Disability Insurance

Sales and Marketing

Martin Bédard
Vice-President

Administration and Customer Relations

Dean Bergeron, BSc Act.
Vice-President

Actuarial and Underwriting

Richard Fecteau, FSA, FCIA
Vice-President

Anne Morency, FSA, FICA
Senior Director, Underwriting

Individual Insurance and Financial Services

Christian Dufour, FSA, FCIA
Vice-President

Dany LeBœuf, FLMI, FLHC, ALHC, ACS, UND, AIAA
Senior Director, Savings and Financial Services

Diane Moreau, FLMI
Senior Director, Individual Life and Health Insurance

Product Development and Marketing

Michel Lafrance, FSA, FCIA
Vice-President

Sales – Exclusive Distribution Channels

Eli Pichelli, MBA, CLU
Vice-President

Ghassan Barakat
Regional Director North-West and South-West Regional Financial Centres

Nathalie Desjardins, BBA, F. Pl.
Regional Director East Regional Financial Centre

Pierre Maltais, BBA, RLU
Regional Director Saguenay – Lac-Saint-Jean – North Shore Regional Financial Centre

Sales – Brokerage Channel

Kim Oliphant, BBA
Vice-President

La Capitale Financial Security

Steven Ross, C. Adm.
President and Chief Operating Officer

Scott Hunt
Vice-President, Operations

Eli Pichelli, MBA, CLU
Vice-President, Sales – Exclusive Distribution Channels

Neil Brown
Assistant Vice-President, Finance

Chris Kitagawa, BA
Assistant Vice-President, Underwriting, Contract Management and Agency Services

Cristine Y. Chan, BA, CHRP
Assistant Vice-President, Human Resources and Shared Services

Mark Turkiewicz
Assistant Vice-President, Claims

SecuriGlobe

Mathieu Laplante
President

Life and Health Insurance and Financial Services

POINTS OF SERVICE

La Capitale Civil Service Insurer

625 Saint-Amable St
Quebec QC G1R 2G5
418 747-7600 or 1 800 463-5549

La Capitale Insurance and Financial Services

625 Saint-Amable St, PO Box 1500
Quebec QC G1K 8X9
418 644-4200 or 1 800 463-4856

POINTS OF SERVICE

Montreal
425 de Maisonneuve Blvd W, Suite 820
Montreal QC H3A 3G5
514 873-2402 or 1 800 463-4856

Quebec City
625 Saint-Amable St, PO Box 1500
Quebec QC G1K 8X9
418 644-4200 or 1 800 463-4856

La Capitale Financial Services

Sales – Advisor Network and CFS
7333 Place des Roseraies, Suite 200
Anjou QC H1M 2X6
514 687-2964 or 1 866 279-9394

East Regional Financial Centre
Delta 1 Building
2875 Laurier Blvd, Suite 650
Quebec QC G1V 2M2
418 644-0038 or 1 866 279-9396

**Saguenay – Lac-Saint-Jean –
North Shore Regional Financial Centre**
874 de l'Université Blvd E, Suite 320
Chicoutimi QC G7H 6B9
418 615-0694 or 1 800 713-8271

South-West Regional Financial Centre
7055 Taschereau Blvd, Suite 300
Brossard QC J4Z 1A7
514 864-4189 or 1 866 279-7384

Sherbrooke Financial Centre
1802 King St W, Suite 104
Sherbrooke QC J1J 0A2
819 780-4697 or 1 800 713-8236

North-West Regional Financial Centre
1950 Maurice-Gauvin St, Suite 201
Laval QC H7S 1Z5
514 873-9364 or 1 866 279-0489

Trois-Rivières Financial Centre
Le Trifluvien Building
4450 des Forges Blvd, Suite 240
Trois-Rivières QC G8Y 1W5
819 374-3539 or 1 866 318-8016

La Capitale MFQ Real Estate Management

625 Saint-Amable St
Quebec QC G1R 2G5
418 644-4267 or 1 800 463-5549

Life and Health Insurance and Financial Services

POINTS OF SERVICE [Cont'd]

La Capitale Financial Security

Head Office
7150 Derrycrest Drive
Mississauga ON L5W 0E5
905 795-2300 or 1 800 268-2835

BRANCHES

ALBERTA

Calgary
12111 40th Street SE, Suite 137
Calgary AB T2Z 4E6
403 252-7757 or 1 800 267-0192

Edmonton
4466 97th Street
Edmonton AB T6E 5R9
780 438-2420 or 1 800 955-3250

BRITISH COLUMBIA

Surrey
13889 104th Ave, Suite 300
Surrey BC V3T 1W8
604 589-1381

MANITOBA

Winnipeg
2140 Pembina Highway, Suite B
Winnipeg MB R3T 6A7
204 985-1580 or 1 800 670-1911

MARITIMES

1550 Bedford Highway, Suite 700
Bedford NS B4A 1E6
902 835-9203 or 1 800 835-9203

ONTARIO

Barrie
431 Huronia Road, Suite 2
Barrie ON L4N 9B3
705 728-5580 or 1 800 268-5168

GTA
7045 Edwards Blvd, Suite 300
Mississauga ON L5S 1X2
905 565-9996

London
4026 Meadowbrook Drive, Suite 127
London ON N6L 1C7
519 652-0255 or 1 800 934-6128

Niagara
36 Hiscott St, Suite 105
St. Catharines ON L2R 1C8
905 685-4805

Ottawa
223 Colonnade Road, Suite 112
Ottawa ON K2E 7K3
613 224-0991

QUEBEC

Montérégie
7005 Taschereau Blvd, Suite 305
Brossard QC J4Z 1A7
450 443-8585 or 1 855 443-8585

Montreal
425 de Maisonneuve Blvd W, Suite 820
Montreal QC H3A 3G5
514 798-6511

Quebec City
2875 Laurier Blvd, Suite 250
Quebec QC G1V 2M2
418 687-2058 or 1 800 463-4632

Saguenay
3875 Harvey Blvd
Jonquière QC G7X 0A6
418 615-0727

SASKATCHEWAN

Saskatoon
2345 Avenue C North, Suite 5
Saskatoon SK S7L 5Z5
306 955-3000 or 1 800 955-3250

Property and Casualty Insurance

SECTOR COMPANIES

LA CAPITALE GENERAL INSURANCE

La Capitale General Insurance is one of the leading property and casualty insurance companies in Quebec. It distributes its products directly through a network of 19 branch offices and 154 affiliated agents based in all four corners of the province. La Capitale General Insurance stands out from its competitors by constantly providing attentive and personalized service, preventing claims and losses and looking out for its clients' safety. That's why its range of products includes many exclusive assistance services, offered at no cost to its clients.

Products and services offered

(DIRECT DISTRIBUTION)

- Automobile insurance
- Leisure vehicle insurance (motorcycles, snowmobiles, ATVs, boats, motorhomes, travel trailers and stationary trailers)
- Home insurance
- Legal Access Insurance
- Professional liability insurance
- Commercial insurance
- Airmedic coverage
- Roadside assistance
- Legal Access Assistance

L'UNIQUE GENERAL INSURANCE

L'Unique General Insurance was acquired by La Capitale General Insurance in October 2004. It continues to be independently managed and distributes its products through a network of close to 2,300 brokers in 339 brokerage firms operating from more than 450 outlets. L'Unique's Head Office is located in Quebec City and the company has branch offices in Montreal. In 2005, L'Unique acquired Orleans General Insurance Company, a company specializing in surety products in Canada. L'Unique offers its brokers a diverse line of products for individuals and businesses, along with a complete line of contractor and commercial bonding services. L'Unique is renowned for the quality of its service and the close links it maintains with its distribution network.

Products and services offered

(BROKER DISTRIBUTION)

- Automobile insurance (personal and fleet)
- Leisure vehicle insurance (motorcycles, snowmobiles, ATVs, trailers, motorhomes and watercraft)
- Home insurance
- Commercial insurance
- Legal Access Insurance
- Surety bonds for contractors
- Commercial bonding
- Roadside assistance

UNICA INSURANCE

Unica was acquired by La Capitale General Insurance in September 2008. Unica offers home and auto insurance to individuals, as well as a wide range of products created specifically for businesses. From its head office in Mississauga, it continues to operate independently through a network of 123 brokers in Ontario.

Products and services offered

(BROKER DISTRIBUTION)

- Commercial insurance
- Automobile insurance
- Home insurance
- Leisure vehicle insurance

Property and Casualty Insurance

OFFICERS

La Capitale General Insurance

Senior Management

Constance Lemieux
President and Chief Operating Officer

Sales and Client Retention

Marie-Claude Dulac, FCIP
Vice-President

Dominique Bergeron, CIP
Senior Director, Branch Office Network

Sylvie Chartrand, RLU, F. Pl.
Senior Director, Public Sector Development

Céline Daigle, LL B
Senior Director, Legal Access Insurance

Marc Roy, BSc
Senior Director, Sales and Client Retention Support

Hélène Tremblay, FCIP
Senior Director, Client Retention and Specialized Teams

Claims

Christian Fournier, FCIA, FCAS
Vice-President

Hubert Auclair, LL B
Senior Director, Legal Affairs and Specialized Risks

Christian Charest, MBA, LL. B.
Senior Director, Appraisal and Commercial Partnerships

Isabelle Circé, MBA, FCIP
Senior Director, Claims, Client Contact Centres

Lynda Mercier, FCIP
Senior Director, External Claims

Business Development

Sylvain Simard, BBA, CIP
Vice-President

Actuarial, Insurance and Business Intelligence

François Dumas, FCIA, FCAS
Vice-President

Isabelle Gingras, FCIA, FCAS
Senior Director, Ratemaking, Insurance and Products – Quebec

Isabelle Périgny, FCIA, FCAS
Senior Director, Corporate Actuarial and Business Intelligence

Marketing and E-Commerce

Frédérique Leclerc, BBA, MSc, FLMI
Vice-President

Yves Watier
Senior Director, Business Development and Marketing

Information Technology

Richard Gagné
Vice-President

Jean Boulé
Senior Director, General Insurance Systems Development – Direct Channel

Liette Labrie
Senior Director, Corporate Systems Development

Éric Marcoux
Senior Director, Architecture and Production Support

Sales and Commercial Insurance

Éric Champagne, Eng., MBA
Vice-President

Michel Talbot, FCIP
Senior Director, Commercial Insurance

Daniel Sauro, BBA
Senior Director, Affiliated Agents Network

L'Unique General Insurance

Senior Management

Mario Cusson, CPA, CA, MBA
President and Chief Operating Officer

Sales and Development

Yves Gagnon, BA, CIP
Vice-President

Martin Simard, MBA
Senior Director, Personal-Lines Insurance

Commercial Insurance and Surety Lines

Bruno Perrino, BA
Vice-President

Daniel Carrier, CIP, FPT
Senior Director, Commercial Insurance

Martin Sohier, CPA, CA
Senior Director, Surety Lines

Finance

André Boucher, CPA, CMA
Assistant Vice-President, Finance

Information Technology

Michel Lévesque
Senior Director, Systems Development – Brokers

Unica Insurance

Senior Management

Martin Delage, BA, CHRP
President and Chief Operating Officer

Operations

Dave Smiley, CA, FCIP
Vice-President

Nancy Covel, CIP, ABC
Assistant Vice-President, Marketing and Communications

Jim Cutler, FCIP, CRM
Senior Director, Commercial Insurance

Steve Lewicki, BES, CIP
Assistant Vice-President, Claims

Jennifer Ronca, BA, CIP
Assistant Vice-President, Personal Insurance

Chris Weston, MBA
Assistant Vice-President, Business Development

Finance

Katherine Evans, CPA, CA
Executive Vice-President and Chief Financial Officer

Legal Services and Legal Counsel

Mark H. Fonseca, BA, LLB
Senior Director

Human Resources and Shared Services

Cristine Y. Chan, BA, CHRP
Assistant Vice-President

Property and Casualty Insurance

POINTS OF SERVICE

La Capitale General Insurance

Head Office
625 Saint-Amable St, PO Box 17100
Quebec QC G1K 9E2
418 474-7600

BRANCHES

Alma
310 du Pont Ave N, Suite 120
Alma QC G8B 5C9
418 668-0066

Anjou
7333 Place des Roseraies, Suite 200
Anjou QC H1M 2X6
514 906-1700

Baie-Comeau
337 Lasalle Blvd, Suite 203
Baie-Comeau QC G4Z 2Z1
418 294-6300

Brossard
7055 Taschereau Blvd, Suite 300
Brossard QC J4Z 1A7
514 906-1700

Drummondville
350 Saint-Jean St, Suite 120
Drummondville QC J2B 5L4
819 475-1799

Gatineau
290 Saint-Joseph Blvd, Suite 201
Gatineau QC J8Y 3Y3
819 420-1700

Granby
400 Principale St, Suite 301
Granby QC J2G 2W6
450 777-1750

Laval
1950 Maurice-Gauvin St, Suite 201
Laval QC H7T 1Z5
514 906-1700

Mont-Laurier
530 Albiny-Paquette Blvd, Suite 3
Mont-Laurier QC J9L 3W8
1 800 391-7141

Montreal
425 de Maisonneuve Blvd W, Suite 500
Montreal QC H3A 3G5
514 906-1700

Pointe-Claire
755 Saint-Jean Blvd, Suite 140
Pointe-Claire QC H9R 5M9
514 906-1700

Quebec City
625 Saint-Amable St, PO Box 17100
Quebec QC G1K 9E2
418 266-1700

Rimouski
287 Pierre-Saindon St, Suite 505
Rimouski QC G5L 9A7
418 724-0777

Rouyn-Noranda
176 Principale Ave
Rouyn-Noranda QC J9X 4P7
819 764-2700

Saguenay
874 de l'Université Blvd E, Suite 320
Saguenay QC G7H 6B9
418 698-5900

Saint-Jérôme
373 Lamontagne St
Saint-Jérôme QC J7Y 0L7
450 710-2222

Sept-Îles
802 de Quen Ave
Sept-Îles QC G4R 2S2
418 968-0044

Sherbrooke
1802 King St W, Suite 104
Sherbrooke QC J1J 0A2
819 822-0060

Trois-Rivières
Le Trifluvien Building
4450 des Forges Blvd, Suite 200
Trois-Rivières QC G8Y 1W5
819 374-3050

L'Unique General Insurance

Head Office
625 Saint-Amable St, PO Box 17050
Quebec QC G1K 0E1
418 683-2711 or 1 800 463-4800

Montreal
425 de Maisonneuve Blvd W, Suite 750
Montreal QC H3A 3G5
514 787-0777 or 1 855 587-0777

Unica Insurance

Head Office
7150 Derrycrest Drive
Mississauga ON L5W 0E5
905 677-9777 or 1 800 676-0967

Shared Services

OFFICERS

These divisions serve both the Life and Health Insurance and Financial Services and the Property and Casualty Insurance sectors.

Senior Management

René Rouleau
Chairman of the Board and Chief Executive Officer

Human Resources and Organizational Development

Shirley Brown, BA, CHRP
Vice-President

Geneviève Drouin, MSc, CHRP
Senior Director, Human Resources

Linda Gaboury, BA, CHRP
Senior Director, Administration and Total Compensation

Corporate Affairs

Marie-Josée Guérette
Executive Vice-President

Pierre Carpentier
Senior Director, Communications and Marketing

Marc Ouellet, CPA, CA
Senior Director of Oversight

Legal Affairs and Corporate Secretary

Pierre Marc Bellavance, LLM
Vice-President and Corporate Secretary

Finance, Real Estate and Technological Infrastructure

Marthe Lacroix, FCIA, FCAS
Executive Vice-President

Sylvie L. Beaudoin
Senior Director, Material Resources

Finance

Lucie Garneau, CPA, CA
Vice-President

Yann Bernier, CPA, CA
Senior Director of Fiscal and Taxation Services

René Duchesne, CPA, CA
Senior Director of Finance Systems and Accounting

Annie Larochelle, CPA, CA
Senior Director, Financial Disclosure and Standards

Johanne Gauthier, CPA, CGA
Senior Director, Account Collection Services

Hélène Myrand, CPA, CA
Senior Director, Finance

Technological Infrastructure

Jean-Pierre Boutet
Vice-President

André Paquet, MBA, FLMI
Senior Director, Infrastructure Operations

Danny Redmond
Senior Director, IT Help Desk

Investments

Michel Lévesque, FSA, FCIA, CFA
Vice-President

For information about La Capitale, please call 418 747-7600 or 1 800 463-5549, or visit our website at **lacapitale.com**.

La Capitale Civil Service Mutual
Head Office
625 Saint-Amable St
Quebec QC G1R 2G5

La Capitale