

20
16



La Capitale
Insurance and
Financial Group



LA CAPITALE
AT A GLANCE



In our
clients' shoes





In 1940, La Capitale was founded in Quebec City by provincial public employees who wanted to provide financial security to their families. Today our Mutual has grown to close to 270,000 members and has hundreds of thousands of clients across Canada. In spite of its growth, La Capitale has remained true to its values of mutual aid and solidarity.

For over 75 years now, we take care first and foremost of the well-being of the people we work with to build and protect what they feel counts for their financial security at each stage of their lives. This compassionate approach allows La Capitale to have an unrivalled understanding of its clients' reality and needs.

For these reasons we decided that this document would feature the close ties uniting La Capitale personnel with their clients. The goal is to illustrate how people in all the entities of our Mutual are committed to putting themselves in their clients' shoes in order to provide first class service and advantageous products.

This compassionate approach allows La Capitale to have **an unrivalled understanding of its clients' reality and needs**

Sylvie put herself in the shoes of a teacher who recently returned to work.

SHE SHOWED GREAT EMPATHY AS SHE WORKED WITH A TEACHER WHO WAS ON LEAVE DURING A ROUGH PATCH IN HER LIFE. **SYLVIE'S LISTENING SKILLS AND GREAT COMPASSION** CONTRIBUTED TO A SUCCESSFUL RETURN TO WORK.



SYLVIE TÊTU
DISABILITY AND
REHABILITATION TECHNICIAN
Quebec City

A word from the **Chairman of the Board and Chief Executive Officer**

Once again, our Mutual continued to gain ground by posting positive results in 2016.



A handwritten signature in black ink that reads "Jean St-Gelais".

JEAN ST-GELAIS

Chairman of the Board and Chief Executive Officer

Consolidated assets
\$6.4B
9.2% increase
over 2015

This year's excellent performance by our Property and Casualty Insurance sector with record breaking net profits compensated for the difficulties encountered by our other business sectors, which again proves that the diversification of La Capitale's activities, the strength of our distribution networks, our presence in numerous markets and the quality of our employees are invaluable advantages.

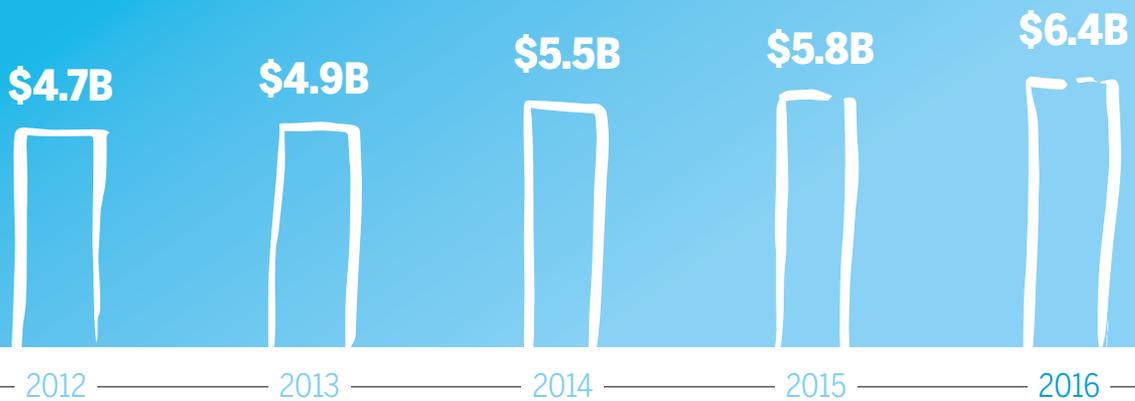
All property and casualty business lines contributed to the exceptional results posted by this sector that prioritizes the continuous improvement of client experience.

In spite of its sustained growth, especially in savings and investments, the Life and Health Insurance and Financial Services sector faced some tough challenges in 2016, particularly with regard to group insurance. This division experienced difficulties due to big increases in disability benefits and health care costs. All our teams were called on to help develop a plan to meet these challenges. In fact, many of our initiatives have already produced results.

The digital culture in which we currently operate and the rapid development of financial technology compel our whole industry to respond and innovate. Fortunately, La Capitale has a solid foundation in this regard, and we will spare no efforts to enhance our services and client experience.

All these improvements will help us achieve our objectives for the coming years without ever losing sight of our core mission: serving our clients. Our advantage as a mutual company is having a long-term framework, rather than being forced to answer to shareholders' quarterly expectations. This has been a huge asset in a rapidly changing environment. We plan on using this leverage and adhering to this model based on a prudent, systematic and rigorous approach in order to maximize the benefits for our mutual members and clients.

The year in review for the Mutual



\$45.2M CONSOLIDATED NET INCOME

\$960.3M CONSOLIDATED EQUITY

5% RETURN ON EQUITY

\$2.2B CONSOLIDATED REVENUE TOTALS

\$12.1M DIVIDENDS PAID TO MUTUAL MEMBERS

1,922,758 INFORCE CONTRACTS

269 755

MUTUAL MEMBERS

A word from **the President and Chief Operating Officer** **Life and Health Insurance and Financial Services Sector**

The Life and Health Insurance and Financial Services sector maintained its momentum of recent years with strong growth of premium income again in 2016. It now ranks ninth in market share among life and health insurers in Canada and third for individual annuities.



A handwritten signature in black ink that reads "Steven Ross".

STEVEN ROSS

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

**Consolidated revenue
from premiums**

\$1,163.4M

9% increase
over 2015

In spite of this progress, two elements substantially reduced our profitability: a marked increase in group insurance prescription drug and disability benefits and a significant reinforcement of our reserves. We have already implemented a plan to turn this situation around. This plan includes investments in technological infrastructure and concrete measures for improving our processes and containing our costs.

The sale and implementation of a group insurance plan for the biggest private group in the history of La Capitale coupled with the renewal of two groups who have been with us for 42 years were highlights of the year for group insurance.

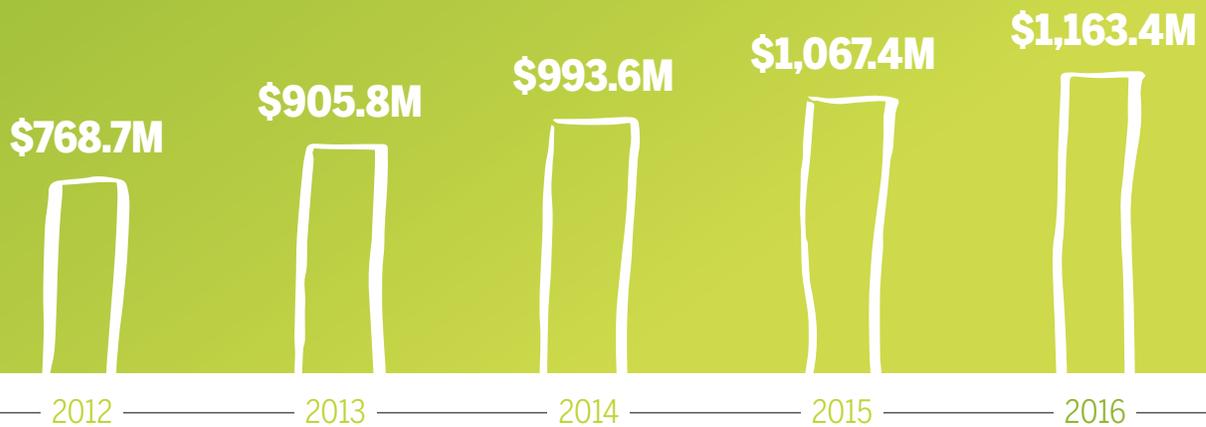
With regard to individual insurance and financial services, new sales of insurance premiums and deposits jumped by 15.2% while the savings and Investments portfolio also grew by close to 22%. Our sustained growth in these tough economic times can be attributed to our ongoing desire to make the best products available to our clients, the efficiency of our distribution channels and the competency of our teams and partners.

Implementation of the Quartz Program, one of the most ambitious IT projects that La Capitale has ever embarked upon, has allowed us to replace all the old individual insurance processing systems of our Ontario subsidiary. This vast project, accomplished on time and on budget, was a huge success. The new system will serve as a stepping stone for modernizing all of our operations in individual insurance.

We plan on remaining one of the major players in the industry. That's why we will continue to enhance our products and services, in particular for public service employees who are our original client base. And it's why we strive to maintain and improve the relationship of trust that we have with our clients and business partners.

The year in review

Life and Health Insurance and Financial Services Sector



\$2.3M CONSOLIDATED NET INCOME

\$639.8M TOTAL BENEFITS PAID TO OUR INSURED

\$1.77B SAVINGS AND INVESTMENTS PORTFOLIO

\$425.2M INDIVIDUAL INSURANCE PREMIUM AND DEPOSIT SALES

Increase of 22% in 2016

\$650.5M INFORCE GROUP INSURANCE PREMIUMS

7,693 participants in **534** financial education sessions

96.4 M\$

RECORD RRSP SALES



Angela put herself
in the shoes of
an electrician
whose hands are
vital to her job

SHE UNDERSTANDS BETTER THAN MOST THE REALITY OF SELF-EMPLOYED WORKERS WHOM MOST INSURANCE COMPANIES HESITATE TO INSURE. SHE **IS DEDICATED TO HER CLIENTS** WHO HAVE DISABILITY INSURANCE IN THE EVENT OF AN ACCIDENT OR ILLNESS.



ANGELA ASIM
CLIENT SERVICES REPRESENTATIVE
Mississauga



Products and services **that meet your needs**

La Capitale is more committed than ever to offering insurance products, financial services and attractive complementary products that are tailored to suit its clients' needs.



LIFE AND HEALTH INSURANCE AND FINANCIAL SERVICES

INDIVIDUAL INSURANCE

Life insurance
Health and disability insurance
Travel and trip cancellation insurance

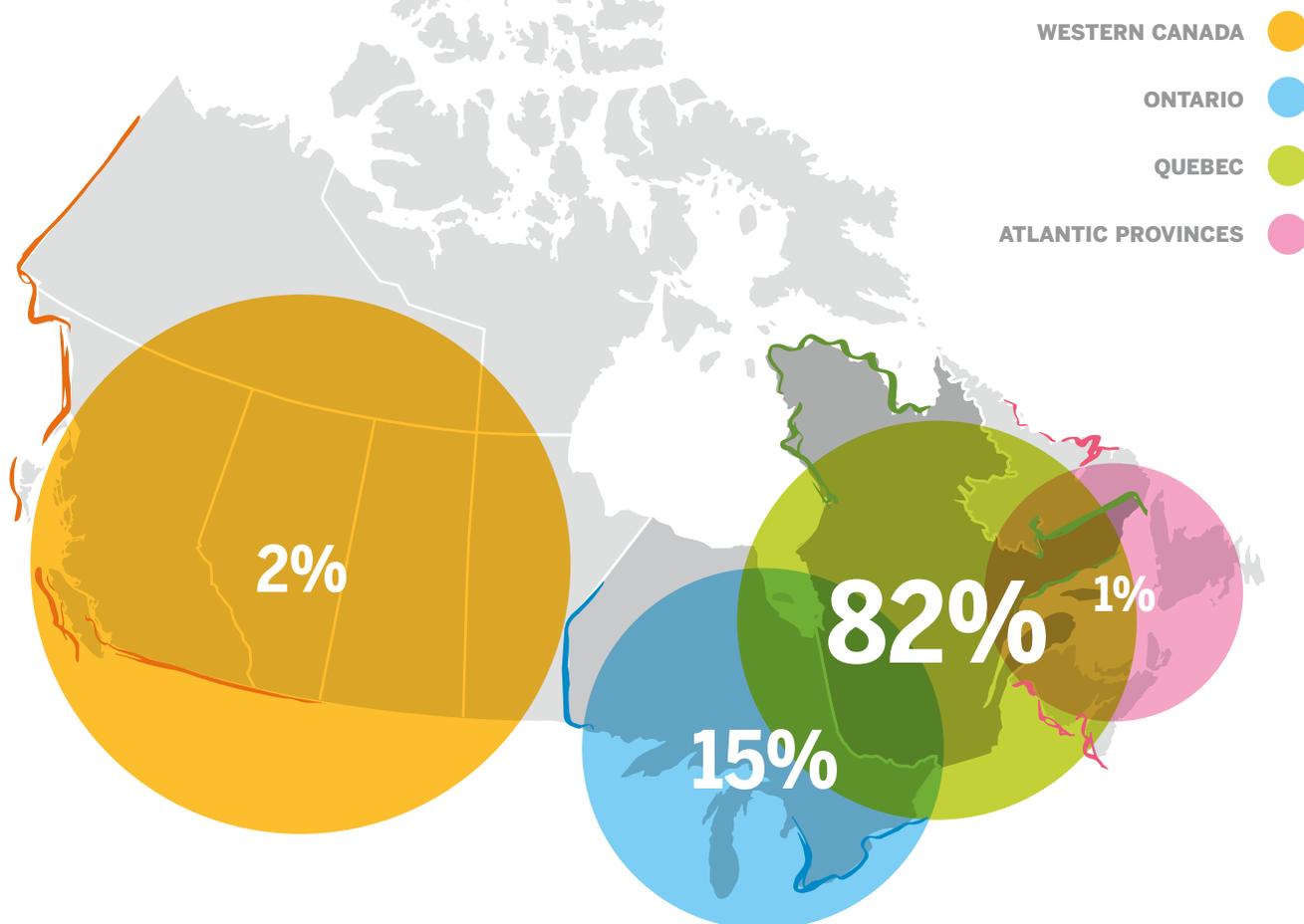
GROUP INSURANCE

Life insurance
Health and disability insurance
VIVA Workplace Program

FINANCIAL SERVICES

Savings products
Investment risk
Mortgage loans

Geographic business distribution



Our distribution network

LIFE AND HEALTH INSURANCE AND FINANCIAL SERVICES

20 financial centres and branches

17 general agents in Quebec

2,635 brokers in Quebec

424 financial security advisors and partner agents

66 general agents in English Canada

2,939 brokers in English Canada



THE LA CAPITALE BUILDING

Class A building with an avant-garde architectural style and LEED®-NC Gold certification. The head office was expanded to accommodate all its employees in the Quebec City area.

Real Estate Inventory

Through La Capitale MFQ Real Estate Management, La Capitale has a real estate portfolio of nearly 1.6 million square feet spread over office, commercial, residential and retirement buildings in Quebec and Ontario.

DELTA 3 BUILDING, Quebec City



This LEED®-NC Gold-certified office and commercial complex (Delta 3) is located at the crossroads of Quebec City's main transport arteries and in the heart of the business centre.

THE LOMER-GOUIN BUILDING, Quebec City



This prestigious building is located on Parliament Hill, just next to La Capitale's head office, in a prominent area of Quebec City.

THE 425 de Maisonneuve Blvd W building, Montreal



Located in the heart of Montreal's downtown and entertainment district. It offers its tenants a choice location at the crossroads of the main transportation networks.

THE HECTOR-FABRE BUILDING, Quebec City



A Class-A office building, near the Grand Théâtre de Québec. It enjoys exceptional visibility with many attractions close by.

THE 7150 Derrycrest Drive building, Mississauga, Ontario



A high-quality LEED® certified office building, strategically located close to major highways.

THE MARIE-FITZBACH BUILDING, Quebec City



A BOMA BEST-certified office building with 64 residential units. This building is located in a very popular tourist area.

PARC DES BRAVES RESIDENCE, Quebec City



A building with 137 independent and assisted living units for seniors.

A look back at 2016

Last year was marked by many achievements, big **and small**

Once again, La Capitale did not hold back when it came to providing for the well-being of its employees, meeting its commitments to those in need and lending its support to cultural and other community-building events.



997 | LIFE AND HEALTH INSURANCE AND FINANCIAL SERVICES

1,269 | PROPERTY AND CASUALTY INSURANCE

419 | SHARED SERVICES

WE TAKE CARE OF OUR PEOPLE

La Capitale has always stood out because it puts its employees first. Our supportive workplace environment and close-knit teams are not a result of luck.

Our 7.1% staff turnover rate is among the lowest in the industry in Quebec.

- 121 promotions
- 246 permanent positions filled
- 51% of our managers are female
- 29 trainees
- 2.78% of the payroll is invested in training

BEAUTY BRINGS JOY

Our massive office re-organization project was the subject of much discussion in 2016.

The new spaces were designed to facilitate exchanges and improve the sense of well-being. Talk to the 165 employees of the Information Technology Department who enjoy this new collaborative environment in the Lomer-Gouin building, next to head office.



The new collaborative environment in the Lomer-Gouin building

Philanthropic activities

In 2016, the La Capitale Financial Group Foundation donated \$1.2M to more than 200 organizations in Quebec and across Canada. Our objective is to improve the quality of life for individuals, in particular those with an autism spectrum disorder or an intellectual disability as well as vulnerable seniors.

1,2 M\$

was donated to more than
200 organizations

We also contributed to the *Fondation des Musées de la civilisation*, through our support of the 2016 Grand Banquet, which raised an unprecedented amount of \$300,000.

In addition, our organization supported mental health through the *Fondation de l'Institut universitaire en santé mentale de Québec*, which collected \$110,000 with a fund-raising dinner.



Participants in the Flash project for the Amalgame youth home at the La Capitale building.

49% OF OUR PEOPLE DID VOLUNTEER WORK IN THE COMMUNITY.

It's also important to highlight that year after year our employees engage in our long tradition of mutual aid and solidarity with our community.

In 2016, close to \$220,000 was collected internally for the benefit of three charities, and 49% of our people did volunteer work.



Participants in The Canadian National Autism Foundation's Walk-O-thon

Our 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.



Our vision

By bringing together all of our components through our values, our organizational culture, our management philosophy and our strategic orientations, La Capitale will be recognized as a responsible, client-oriented corporate citizen. To this end, we 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 which ensures our longevity.

Our 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 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

lacapitale.com

f  in    G+ BLOG 