SSQ insurance

Communities make us

75 years. Millions of people. One community.

2019 Annual Report

Summary

The year 2019 marked a milestone in the history of SSQ Insurance. The company's 75th anniversary was an opportunity to recognize the day-to-day contributions of millions of people who have worked together to ensure the long-term viability of our collective spirit and an ever-stronger community.

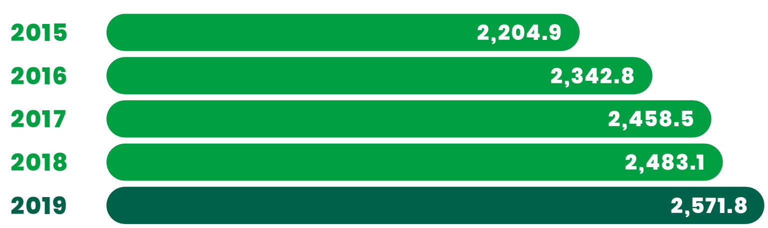
Those millions of people are our members, customers and partners. They have placed their trust in us since day one and they remain at the heart of everything we do. They are also our employees who, over the years, have helped to build a company that makes a positive impact within our community of insureds.

To all of those people,
we say "thank you"!

2019 Financial Highlights

Consolidated Data ($M)	**2019** $	2018 $	Variation %
Gross premiums	**2,571.8**	2,483.1	3.6
Assets under management and administration	**13,419.6**	12,307.9	9.0
Equity attributable to shareholders	**1,060.8**	974.2	8.9
Net income attributable to shareholders	**101.8**	94.6	7.6
Number of employees	**2,031**	2,020	0.5

Gross premiums
($M)



Assets under management and administration
($M)

Equity attributable to shareholders
($M)

Chair of the Boards' Message

René Hamel

For SSQ, 2019 was a year in which a number of milestones were reached. The company marked its 75th anniversary and took that opportunity to thank its members, customers, partners and employees for the road traveled.

2019 was also dedicated to revitalizing SSQ's governance system in order to ensure that it remains relevant and up to date. A number of important steps were taken, including ratifying new bylaws and redefining the roles and responsibilities of various governance committees. These moves are a tangible sign of the Mutual's desire to contribute even more significantly to SSQ Insurance's mission, in the interests of its members.

A large number of administrators and delegates attended the 2019 Annual Meeting, held under the theme of the 75th anniversary.

Promoting mutualism

During the year, three issues of the InfoDelegates newsletter were released to keep the delegates informed about their Mutual and SSQ Insurance. The topics covered ranged from the company's business and social commitment to mutualism and the delegates' role.

In addition, the new process for being designated an individual delegate and for attending the annual meeting was described in the June issue. From now on, individual delegates will only have to fill out an online registration form. In September of each year, they will be selected in a random draw from all registrations received.

The delegates' opinion and satisfaction level regarding their SSQ Insurance experiences was surveyed in the September issue. To ensure that SSQ's mutualist model continues to be a driving force, it is essential that members contribute to the company's democratic life.

Revitalized governance system

At the annual meeting in April, the delegates ratified SSQ, Mutual Management Corporation's bylaws. This primarily involved updating the wording and ensuring consistency with the legislative framework governing companies. In particular, these modifications pertained to the length of the Board members' mandates, the delegates designation process, including delegates' eligibility and mandate length, as well as the definition and categorization of each group. All modifications will take effect on January 1, 2020.

The year ended with the merger of SSQ Insurance Company Inc. and SSQ, Life Insurance Company Inc., with an effective date of January 1, 2020. The legal name of the merged company is SSQ, Life Insurance Company Inc.; all customers will do business with this entity in the future. This merger will not result in any changes for customers: the contracts and coverage in effect at the time of the merger remain fully valid. The SSQ Insurance business name, however, will be maintained.

The merger has multiple objectives. First and foremost, it provides a concrete expression of the decision to make SSQ Insurance a single entity. It will expand the mutualist base, which now includes individual contract holders. It will also serve to optimize the company's capital structure while fostering synergies, particularly in terms of expenses and consent management.

Important work of the Board

The Mutual's Board also reflected on its current roles and responsibilities and how it could play a more proactive role with its members. This gave rise to deliberations on the Mutual's mission, vision and values, concluding with the adoption of the following:

Mission

Drawing inspiration from its mutualist values, SSQ Mutual's mission is to promote its members' interests and needs at SSQ Insurance in the areas of health care, health services and financial security throughout their lifetimes.

Vision

For members to recognize the value added of mutualism and its values, at the collective and individual levels.

Values

- Social commitment
- Equity
- Democratic governance
- Integrity
- Respect
- Solidarity

In addition to safeguarding and promoting mutualist values at SSQ, the Board considered potential ways to revitalize preferred links with its members and identified various democratic practices in this regard, in keeping with SSQ Insurance's mission. Social action is another route that the Board intends to focus on as a complement to SSQ Insurance's initiatives.

Besides these efforts, which will be ongoing in 2020, the Board also devoted a good deal of energy to the merger project with La Capitale Insurance and Financial Services.

New structure for Board committees

In 2018, SSQ indicated that it had begun a process of reflection on the company's governance framework with a view to updating it and ensuring its relevance. Concrete steps were taken in 2019 and the redefinition of certain committees and their respective roles and responsibilities was completed in April.

Since April 2019, the responsibilities of the Executive and Human Resources Committee have been redistributed among the Strategic Orientation Committee and the Governance, Human Resources and Ethics Committee. The latter now handles the responsibilities of the former Ethics Committee as well. In addition, the Audit and Risk Management Committee was split into two separate committees, to create the Audit Committee and the Risk Management Committee. The Investment Committee has the same roles and responsibilities as it previously did.

Strategic Orientation Committee

The Strategic Orientation Committee is now responsible for recommending the adoption of the 2020 budget to the Board. This step was completed in November 2019. The Committee also examines strategic matters for submission to the Board.

Governance, Human Resources and Ethics Committee

The Committee fulfilled its annual obligations in accordance with the governance program and received the conflict-of-interest declarations by directors and officers. It also reviewed the declarations regarding Code of Ethics compliance and submitted reports to the regulatory authorities.

The Governance, Human Resources and Ethics Committee continued the work of the former Executive Committee concerning talent management, employee compensation and the organizational structure. It also contributed to continuous updates to the governance program.

Audit Committee

The Committee recommended that the Board accept SSQ, Life Insurance Company Inc.'s audited consolidated financial statements and received the independent auditor's report. It also took part in the nomination of the independent auditor for 2020. The Committee also reviewed project status reports and various internal audit and designated actuary reports, in addition to approving the Internal Audit Charter.

Risk Management Committee

The Risk Management Committee completed multiple projects in 2019. Since this Committee is tasked with overseeing the compliance monitoring process within the company, it received the annual regulatory compliance report. It also received and approved various accountability reports pertaining in particular to information security, crisis simulations and operational incidents. New policies were recommended for approval to the Board, including a policy on general insurance indemnities and a policy on fraud, abuse or wrongdoing, as well as related directives.

Fraud risk

In 2019, SSQ Insurance strengthened its fraud risk governance framework. In this regard, two documents were approved: a policy on fraud, abuse or wrongdoing and a directive on reporting concerns pertaining to fraud, abuse or wrongdoing. The objectives were to ensure confidential file handling, facilitate anonymous reporting, protect whistleblowers against the threat of reprisals and ensure fair treatment of everyone involved.

Please note that the Risk Appetite and Tolerance Statement reads as follows:

> *The Company will not tolerate any dishonest or unethical behaviour. SSQ Insurance will not tolerate any actions or omissions done in bad faith, deception, corruption or intentional falsification by employees, managers, partners, suppliers, senior management or board members, in collusion or not with any individual, internal or external. The Company will seek to minimize as much as possible losses resulting from insurance fraud by strengthening its alerting and reporting mechanisms. All allegations of or suspected insurance fraud will be taken seriously and processed fairly.*

In addition, all SSQ Insurance employees were asked to complete an online training session aimed at raising their awareness and clearly explaining the essential role they can play in fighting fraud.

Investment Committee

The Investment Committee began the year with a number of major projects. Its work focused largely on making modifications to the investment policy in the run-up to the merger between SSQ, Life Insurance Company Inc. and SSQ Insurance Company Inc. on January 1, 2020, in addition to ensuring the policy's compliance with Quebec's new *Insurers Act*, which took effect in June 2019. Updating policies, repatriating the management of Canadian equities and developing a quantitative model were among the other projects presented and approved by the Investment Committee.

Training and planning sessions

In addition to attending regular meetings, the Board members took part in various training sessions, one of which focused on the new *Insurers Act*; another dealt with the new IFRS 17 accounting standard. The latter topic was also covered during in-depth training sessions for the Audit and Risk Management Committees. The Board members also took part in preparatory work for the company's three-year strategic plan.

Board member changes

On the Board of SSQ, Mutual Management Corporation, Patrick Audy was elected to the position left vacant by the departure of Lucie Martineau. On the Board of SSQ, Life Insurance Company Inc., Andrew MacDougall and Norman A. Turnbull left their positions since their mandates had expired. They were replaced by Marthe Lacroix and Élyse Léger.

On behalf of myself and the other Board members, I would like to offer my warm thanks to Andrew MacDougall, Lucie Martineau and Norman A. Turnbull for their hard work and dedication over the years.

Board member attendance

Year after year, SSQ's Board members take their roles and responsibilities very seriously, as evidenced by their high levels of attendance and preparation for meetings. In 2019, their attendance at meetings of the various governing bodies was 97%, a remarkable result.

All of the changes proposed and planned in 2019 for implementation in 2020 required numerous additional Board meetings. I would like to pay tribute to the Board members' attendance record and their consummate professionalism. Together, they contributed significantly to the process of reflection and were important drivers of change.

Board member attendance record

SSQ, Mutual Management Corporation, SSQ, Life Insurance Company Inc. and SSQ Insurance Company Inc.

For the year ended December 31, 2019

Board members	Attendance	Board members	Attendance
Audy, Patrick *(as of April 27, 2019)*	85%	Martineau, Jude	100%
Brouillet, Normand	100%	Martineau, Lucie *(until April 27, 2019)*	100%
Chalifoux, Jean-François	100%	Morin, Gaétan	91%
Choquette, Claude	89%	Nadeau, Michel	97%
Dubé, Carolle	84%	Paradis, Denyse	95%
Dutil, Marie-Josée	100%	Paré, Sylvain	100%
Hamel, René	100%	Perron, Jean	100%
Jomphe, Eddy	100%	Picard, Sylvain	100%
Lacroix, Marthe *(as of April 28, 2019)*	100%	Piché, Bernard	100%
Léger, Élyse *(as of April 28, 2019)*	100%	Turnbull, Norman A. *(until April 27, 2019)*	100%
MacDougall, Andrew *(until April 27, 2019)*	100%	Vallée, Émile	100%
Overall average			**97%**

Major honour for Pierre Genest

On April 11, 2019, the Conseil québécois de la coopération et de la mutualité (CQCM) bestowed a major honour on Pierre Genest: he is now a member in the fourth degree of the Ordre du mérite coopératif et mutualiste québécois. This award recognizes Mr. Genest's exceptional service at the provincial level and his contribution to shaping and promoting Quebec's cooperative and mutualist movement.

Mr. Genest played a pivotal role in the history of SSQ Insurance. In addition to being the founder and CEO of SSQ General Insurance Company Inc. and then CEO of SSQ, Life Insurance Company Inc., he served as Board chair of SSQ, Mutual Management Corporation and of the company's insurance subsidiaries. Mr. Genest has always made it his duty to promote the values of equality, equity and solidarity among his governance principles.

Loyal ambassador of the cooperative and mutualist movement in Quebec, Pierre Genest was honoured by the CQCM in April 2019.

Jean-François Chalifoux elected chair of Puissance Onze

In November 2019, the board of directors of the Centre de développement en assurances et services financiers, better known as "Puissance Onze – Québec Lévis", elected Jean-François Chalifoux as chair of the organization.

Mr. Chalifoux is well placed to guide the activities of Puissance Onze as it pursues its mission of attracting qualified workers to its member companies, while promoting the industry's economic and social impacts and fostering bilingualism among current and future employees so member companies can better serve their respective customers in all regions across Canada.

The importance of giving back to the community

Year after year, SSQ Insurance and its employees demonstrate their community spirit in various ways, with the main one being the United Way Centraide campaign, the only corporate cause for which a national fundraising initiative is organized among the company's employees and retirees. By donating to this campaign, they bring the collective spirit to life and bring significant benefits to each local community.

The United Way Centraide campaign was a resounding success in 2019. In combination with the institutional contribution, the donations made by company employees and retirees surpassed the target, raising close to $412,000, a 12% increase from the previous year.

At this year's United Way Centraide campaign launch, the red carpet was quite literally rolled out for the employees!

The Centre Jacques-Cartier received a $75,000 donation to help it continue its mission of helping young adults.

Donation campaign marking SSQ's 75th anniversary

In November 2018, SSQ Insurance's partners, delegates, employees and customers were invited to nominate an organization whose mission spoke to them specifically. The preferred sectors were health, well-being, disease prevention and youth support, in particular countering school dropout and addiction problems and fostering labour market reinsertion. This universal appeal was a resounding success!

A total of 27 organizations received support from the SSQ Foundation in Quebec and across Canada. The SSQ Foundation made donations of more than $500,000, some of which were announced during the activities surrounding SSQ, Mutual Management Coporation's annual meeting in Quebec City. On that occasion, the Centre Jacques-Cartier in Quebec City, Covenant House in Toronto and Vancouver, and Leucan shared a $225,000 donation. La Fondation des Auberges du cœur, Le Pignon Bleu, SPOT Clinique communautaire de santé et d'enseignement, Motivaction Jeunesse and SOCODEVI are among the other organizations that benefited from SSQ Foundation's generosity.

It is important to note that the Foundation's donations in connection with SSQ's 75th anniversary were in addition to SSQ Insurance's charitable activities. All told, more than $1 million was given back to the community in 2019. This was a source of pride for many, as well as being a tangible demonstration of SSQ's positive impact within the community.

SSQ Foundation appointments

The SSQ Foundation was created in 1996 to facilitate the company's major commitment to organizations whose charitable activities are devoted to young people, in particular efforts to counter school dropout and addiction problems and foster labour market reinsertion.

A number of new members joined the SSQ Foundation's Board, leading to a redefinition of roles and responsibilities. The current Board members are Philippe Lalande (chair), Céline Saucier (vice-chair), Sarah Nadeau (treasurer), Marie Lamontagne (secretary), France LeBlanc, François Boisjoli and Pierre Métivier.

I would like to take this opportunity to extend our warm thanks to Maurice Savoie, who left the Board in April 2019 after 15 years of service, including the last 6 as chair.

Collective Entrepreneurship Initiation Cooperative

In the summer of 2019, 15 young people between the ages of 13 and 15 who have a parent working at SSQ Insurance were given a unique experience: they formed the inaugural cohort of the Collective Entrepreneurship Initiation Cooperative (CEIC) in the workplace. This is a new and improved version of the SSQ Youth Cooperative (CJSSQ), which gives its members an opportunity to benefit from a rewarding experience and to learn teamworking while running their collective enterprise. These young people created their own summer jobs as they developed their entrepreneurial skills.

Previously focused primarily on the cooperative model, the CEIC now emphasizes collective entrepreneurship. In the summertime, these young people carried out various self-funded activities within the company, enabling them to learn more about managing a cooperative, accounting, event organization and teamworking.

Through the SSQ CEIC, young people become familiar with the values of mutualism: mutual responsibility, self-help, equality, solidarity and, of course, cooperation.

CQCM (Quebec Council on Cooperation and Mutualism)

SSQ continues to play an active role in CQCM's activities and is represented on the organization's Board by Marie Lamontagne. The CQCM is made up of 35 cooperatives and mutuals that seek to foster social and economic development while promoting the cooperative and mutualist movement. Through the CQCM, SSQ is also a member of Cooperatives and Mutuals Canada.

FECM (Foundation for Cooperative and Mutualist Education)

As a founding member of FECM, SSQ helps in the training of the citizens of tomorrow. FECM's mission is to promote the cooperative and mutualist model among young people.

SOCODEVI (Society for Cooperation and International Development)

SSQ Insurance has financially supported SOCODEVI's projects for nearly 35 years. As a founding member of the organization, SSQ helps developing countries to flourish so that local populations can take charge of their own lives, particularly as regards health care delivered via mutualist and cooperative initiatives.

I am pleased to continue my involvement with SOCODEVI by serving on its Board and chairing its Audit and Risk Management Committee. It should also be noted that Patrick Cyr, SSQ Insurance's Senior Vice-President - Finance, serves as the SOCODEVI Foundation's secretary/treasurer.

SOCODEVI concretely and sustainably improves the living conditions in communities across the globe.

Sustainable development and societal responsibility

Sustainable development and societal responsibility, which have been an integral part of SSQ Insurance's approach for decades, are accompanied by an array of concrete measures. For example, SSQ Insurance takes pride in the fact that its annual meeting has been an increasingly green event, dating back to 2009. In this regard, SSQ Insurance annually offsets the greenhouse gas emissions produced during this event. In 2019, a total of 172 trees were planted thanks to SSQ Insurance's participation in the SOCODEVI Foundation's Tree of Intercooperation program, offsetting nearly 43.4 tons of CO_2 equivalents.

SSQ Insurance is also pleased to note that it was the first Canadian insurance company to become a signatory in 2008 to the United Nation's Principles for Responsible Investment (PRI) for its portfolio of general funds, which means that it is formally committed to adopting and incorporating the PRI within its fiduciary responsibilities. In addition, in accordance with the environmental, social and sound governance values set out in its investment practices, SSQ Insurance adopted a socially responsible investment policy.

To accurately measure its environmental impact in 2019, SSQ Insurance had the carbon footprint of its general funds' bond portfolio calculated by a specialized firm. The result was conclusive, indicating that this footprint was 49% lower than that of the benchmark index.

For more information, please consult the sustainable development and societal responsibility report.

SSQ, Mutual Management Corporation's financial results

SSQ, Mutual Management Corporation's financial results represent a percentage of the consolidated results of SSQ, Life Insurance Company Inc., in accordance with its ownership stake. Accumulating over the years, these results constitute the consolidated equity attributable to the members.

The total revenues for 2019 were $29.5 million, composed mainly of the proportional share of SSQ, Life Insurance Company's net income, which amounted to $29.4 million. After allocating the net surplus of $12.5 million to a non-controlling interest, the net income attributable to the members was $16.9 million.

As at December 31, 2019, the members' equity totalled $177.6 million, up 9.1% from the previous year. The Mutual is delighted with the results obtained by SSQ, Life Insurance Company Inc. as it endeavoured to strike a fair balance between members' rights, financial stability and reasonable expectations regarding returns.

Acknowledgments

The festivities marking SSQ Insurance's 75th anniversary provided an opportunity to recall the important contributions made by so many people to the company's development. I am very grateful to all.

I would also like to pay tribute to the contribution of all Board members, past and present. You have guided the company masterfully, as evidenced by the major decisions reached in 2019.

I am also grateful for the work of the delegates, who are so eager to bring the mutualist spirit to life. In addition, I would like to thank our members, partners and employees, who also uphold SSQ Insurance's values with a sense of conviction.

Sincerely,

René Hamel
Chair of the Boards
SSQ, Mutual Management Corporation
SSQ Insurance

CEO's Message

Jean-François Chalifoux

SSQ Insurance celebrated its 75th anniversary this year. What a feeling of pride! The company continues to adapt to market requirements and to innovate while remaining solidly anchored in its values. It owes its success to millions of people who have helped to build a solid business and ensure its ongoing vitality.

The year offered the company an opportunity to thank its members, customers and partners for their contributions. In the spring, celebrations were held in all SSQ Insurance offices to thank employees for their daily role in the company's success.

To mark the 75th anniversary of SSQ Insurance, employees were given a warm welcome by senior management.

2017-2019 strategic plan: mission accomplished!

SSQ Insurance carried out its 2017-2019 strategic plan and the assessment of its results was very positive. The plan's objectives were ambitious and the many related achievements helped to move the company forward in several important ways.

SSQ Insurance has fulfilled its goal of becoming a customer-centric company while making great strides towards becoming the insurance destination of choice for its members and customers. A number of strategic targets were achieved or exceeded, including significant recurring annual savings, while the return on equity, net promoter score and employee mobilization were maintained. The company introduced a new brand image and adopted its Customer Promise, in addition to reviewing its operational processes and improving the digital experience for its customers. In light of the achievements stemming from the 2017-2019 strategic plan, SSQ Insurance's 2,000 employees can say "mission accomplished"!

Building a new company together

La Capitale Insurance and Financial Services and SSQ Insurance announced on January 29, 2020, their decision to combine operations. The new company will become an influential player and the largest mutual insurance company in Canada. From day one, it will have 4,700 employees and more than 3.5 million members and customers.

Although the announcement took place in January 2020, work and discussions had already begun in 2019. Combining the two companies together as equals, the merger will be a driving force for each organization. The new company will be poised for faster growth and increased competitiveness at a time when the insurance industry is evolving rapidly.

Main financial results and highlights for 2019

SSQ Insurance finished the year with its net income up 7.6%, topping the $100 million mark and generating a return of 9.9%. This profitability is in line with the growth level of its insurance volume of 4.2% and of its investment products of over 6%.

In the area of group insurance, 2019 marked a return to growth in a highly competitive market. Not only was the company's business volume up 2.5%, but its sales also increased by 25.7%. Against that backdrop and despite margin pressure, the overall results are positive and made a significant contribution to SSQ Insurance's returns. The performance of short-term products and life insurance offset the difficulties experienced in the disability insurance sector, which remains a source of concern for the industry as a whole.

Individual insurance volume was up by nearly 7%, with product modernization no doubt contributing to this growth. Individual insurance's contribution to net income in 2019 was also positive. The unfavourable impact of low interest rates was offset by good stock market returns and experience gains.

The growth in general insurance volume was exceptional in 2019, up more than 15%. Price adjustments at SSQ Insurance, as well as industry-wide, did not affect sales or customer retention. They even created movement within the market, which helped to generate new sales and demonstrate SSQ's competitiveness to its customers. However, the general insurance sector is still subject to the effects of difficult climate conditions and high compensation costs. Rate increases helped to mitigate, but not fully offset, weather-related insurance losses in 2019. This situation was observed industry-wide.

In the investment sector, funds under management grew by 6.2%, in line with stock market performance. Sales, however, were lower than their exceptional level in 2018. As regards the sector's net income, the adverse impact of lower interest rates was more than offset by stock market performance. Therefore, the sector ended the year with an excellent result.

SSQ Insurance's financial position remains rock-solid as equity exceeded $1 billion, income topped $100 million and insurance volume surpassed $2.5 billion. The solvency ratio of 153%, an enviable level in the industry, also demonstrates that the company is well capitalized. Buoyed by this balance sheet, SSQ Insurance is clearly able to continue investing to support its growth while embracing innovation.

Higher credit ratings

SSQ Insurance's robust financial position has been recognized by the A.M. Best agency every year for the past eight years. In 2019, the agency increased the company's creditworthiness, raising its financial strength rating from "**A-**" to "**A** (excellent)" and its issuer credit rating from "**a-**" to "**a**". In addition, A.M. Best assigned a stable outlook to these ratings.

	2019	2018
	$	$
Business Volume – Insurance ($M)		
Group insurance	**2,055.0**	2,005.0
Individual insurance	**214.0**	200.1
General insurance	**304.9**	264.2
Total	**2,573.9**	2,469.3
Funds under management, including segregated funds, annuities and guaranteed products ($M)	**5,405.6**	5,091.5
Sales ($M)		
Group insurance	**195.9**	155.8
Individual insurance	**32.1**	33.9
General insurance	**80.4**	68.5
Total – Insurance	**308.4**	258.2
Investment	**479.3**	646.8
Consolidated net income ($M)	**101.8**	94.6
Return on equity	**9.9%**	10.2%
Comprehensive income ($M)	**89.0**	89.5
Assets under management and administration ($M)		
General funds	**8,248.4**	7,440.4
Segregated funds	**5,171.2**	4,867.5
Total	**13,419.6**	12,307.9

$2.6B Business volume — Insurance

$1B Equity attributable to shareholders

$102M Consolidated net income

10% Return on equity

153% Solvency ratio

The new IFRS 17 accounting standard

The International Financial Reporting Standard IFRS 17 – Insurance Contracts (IFRS 17) deals with the measurement and recognition of revenues relating to insurance contracts, as well as financial statement presentation.

The year kicked off with the signing of a partnership agreement with SAS to acquire an IFRS 17 software solution. The implementation process continued throughout 2019 and will extend into 2020. At the same time, a major initiative has been undertaken to ensure that the company's systems will be able to produce all of the additional financial information required under IFRS 17. This process will also be ongoing in 2020.

During the year, SSQ Insurance, together with its independent auditor, strengthened its accounting positions with respect to IFRS 17. These positions, however, may be influenced by the issuance of the final standard by the International Accounting Standards Board (IASB) and the guidance material by the Canadian Institute of Actuaries (CIA), both of which are awaiting publication. SSQ Insurance also deepened its understanding of IFRS 17's impacts on its products and began reviewing its processes and controls.

The IASB postponed once again by one year the effective date of IFRS 17 to January 1, 2023, with a parallel production year in 2022. SSQ will make the most of this additional year to take full advantage of IFRS 17.

It is important to note that IFRS 17 will have major impacts on financial statements. Readers will require a period of adaptation in order to feel fully familiar with the information disclosed.

Noteworthy sales and distribution activities

Back in 2018, a new five-year master plan was put in place to oversee the Sales and Distribution sector.

Related activities gained fresh momentum in 2019 as policyholders and intermediaries were segmented, the value proposal was developed and strategies were mapped out to facilitate the achievement of the sector's business objectives. A strategic marketing plan was also approved in support of the Canada-wide growth plan.

Here are some highlights for 2019:

- The sale of a major group insurance contract was concluded with Hydro-Québec, valued at $145 million in annual premiums, for a minimum of 15 years.
- Group insurance quotes outside Quebec grew strongly.
- A new and promising partnership was entered into involving the Mercer365 platform.
- Brokerage offices and private wealth management firms posted record sales.
- There was a 100% retention rate for public-sector groups in the group insurance sector.

SSQ Insurance capitalized on its 75th anniversary to thank its partners and customers during various meetings and special events designed to recognize their contributions. The company is honoured to have gained the trust of a number of major partners over the years. In 2019, the company celebrated the following anniversaries related to group insurance:

- 30th anniversary of the plan for members of unions affiliated with the Centrale des syndicats du Québec.
- 30th anniversary of the plan for management personnel of the Quebec public and parapublic sectors.
- 20th anniversary of the plan for support personnel in the education sector who are members of unions affiliated with the FEESP (CSN).

Innovation is a top priority

Innovation is among SSQ Insurance's top priorities. The company is convinced that its future will be assured by implementing new offers and processes while continuing to step off the beaten track and set itself apart from the competition.

To that end, SSQ Insurance established an innovation roundtable to evaluate multiple emerging technological solutions and determine how they might be adapted to meet customers' expectations. Proofs of concept and methodologies are being developed to continuously improve interactions between the insurer and its customers, either digitally or via automation.

A key emerging field is digital health. SSQ Insurance continued to roll out its digital health strategy by teaming up with HALEO and MindBeacon Group with a view to providing insureds with access to digital cognitive behavioural therapy. By adopting this cutting-edge, fully online professional approach, SSQ Insurance is focusing on prevention while swiftly addressing issues relating to stress, anxiety, depression and sleep disorders.

At the same time, SSQ Insurance partnered with HEC Montréal's Pôle santé on a study aimed at measuring links between health and wellness management practices in the workplace and the insurance claim profiles of companies. By taking part in this multi-year study, the company hopes to contribute directly to the advancement of knowledge concerning the impact of organizational practices on individual health.

Promising partnerships

In addition to developing digital health partnerships, the company announced the conclusion of an agreement with flightclaim.ca, under which SSQ Insurance will offer its insureds an innovative solution aimed at providing compensation in the event of cancelled, delayed or overbooked flights.

The partnership agreement signed with nesto.ca, a young company offering high-tech innovation in the form of a 100% online mortgage platform, will enable SSQ Insurance to market its life insurance products to Nesto's customers.

These partnerships demonstrate SSQ Insurance's commitment to tailoring its practices to reflect changing consumer habits while offering its customers relevant and timely insurance solutions.

Evolving coverage

SSQ Insurance is now offering coverage for pharmacogenetic testing, which is a group insurance option. These tests are used to anticipate how patients will respond to a given medication based on certain characteristics of their genetic code, thereby making it easier for the attending physician to identify the most appropriate medication.

In 2019, SSQ Insurance combined the best features of its term life insurance products when it launched the new and improved Term Plus, which is a more comprehensive and more flexible product. As a result, the company's financial security advisors now have a single term life insurance product to present to their customers. The product itself boasts a number of improvements, including significantly lower rates, the addition of a 40-year term and a simplified underwriting process.

In the general insurance sector, the project to revamp the home insurance offering was aimed at updating all available products to meet the latest Insurance Bureau of Canada requirements, in addition to improving the offering and enhancing customer experience. Furthermore, automating the home/auto insurance underwriting process allows the company to serve its customers even more efficiently.

The investment sector also set itself apart from the competition by launching a new family of turnkey portfolios, known as the Smart Beta Plus Portfolio funds. SSQ Insurance is the first company in Canada to offer this unique and innovative product, which is geared towards customers wishing to benefit from maximum diversification and low market volatility, while seeking to improve their risk-adjusted returns.

Embracing digital development

In 2019, SSQ Insurance reaffirmed its commitment to positioning itself as a digital services leader among Canadian insurers when it unveiled new versions of its Customer Centre interface and its mobile app, in addition to introducing a new online application.

Already used for general insurance services, the Customer Centre is now the portal for all online group insurance services. Thanks to a unique and simplified authentication system, SSQ Insurance customers can easily consult information for all their coverage. These additions are also available in SSQ Insurance's mobile app, which boasts new state-of-the-art features, including a virtual assistant and connection via facial recognition or digital fingerprints.

In addition to its electronic application form launched in 2018 for health and accident insurance products, SSQ Insurance now has an online application form for life insurance and critical illness insurance products. Thanks to this new tool, financial security advisors can now access an online form when completing an insurance application remotely or in person, depending on the customer's preference. User-friendly and practical, this easy-to-use tool is tailored to advisors' and customers' realities.

The company also applied a digital solution that makes it possible to take out an individual life insurance directly. This process is aimed at evaluating the market's receptiveness to this distribution model while learning more about individual behaviour when making online purchases.

Protecting personal information

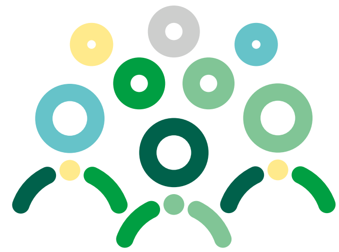
Protecting the personal information of SSQ Insurance's members and customers is a top priority. For that reason, stringent security measures have been put in place to prevent incidents, whether stemming from malicious acts by employees or external intrusions.

These measures include:

- Continued efforts to raise employee awareness of cybercrimes and cyberthreats.
- Ongoing strengthening of high-tech measures to protect against cyberattacks.
- Protecting customers' passwords via the latest encryption technologies.
- Restricting the number of employees with database access privileges and conducting frequent audits. Access privileges are also subject to periodic review.
- Using the services of a specialized firm to monitor clandestine online networks (Dark Web) and to ensure that they contain no SSQ Insurance data.

These security measures are subject to continuous technological and process improvements.

A customer-centric company



SSQ Insurance is highly sensitive to its customers' expectations and needs. Now more than ever, continuous improvement processes in the areas of customer service and customer experience play a key role in how business is conducted.

In 2019, customers responded to over 65,000 individual surveys following group insurance and general insurance transactions. These surveys were designed to determine the net promoter score, which was in the recognized excellence zone once again this year.

Much work was required to maintain this result, including the following:

- Some 100 initiatives were developed to implement the Customer Promise.
- Thousands of customer service calls were analyzed, enabling managers to target areas for potential improvement while providing employees with feedback.
- The telephone menu system was redesigned to simplify matters for customers and to ensure a more consistent telephone experience.
- Current and target customer journeys were developed to enhance operational performance.

Workday, a byword for systems modernization

In 2019, SSQ Insurance carried out an important implementation of Workday, offering a range of integrated business software solutions for financial management and human resources management. Interestingly, SSQ Insurance is one of the few companies that decided to implement both modules simultaneously. This is because frequent interactions and major links between these sectors confirmed the need to work with a single management system. Beginning on January 1, 2020, Workday is set to transform the company's practices by simplifying its business processes, offering an integrated financial reporting approach and providing secure access to information. It will also make a major contribution to the employee experience.

Collective identity

The cultural development program was among the major initiatives set out in the 2017-2019 strategic plan. The desire to renew the company's culture is rooted in the transformation that SSQ Insurance began in 2016, during which seven companies with at times different cultures were merged. This cultural shift was aimed at fostering a collective identity among employees and to enable them to develop and adopt the required behaviours in support of the company's strategic objectives.

In particular, several initiatives were aimed at creating this target culture:

- A new skills portfolio was launched.
- Talent acquisition tools were updated.
- A new management process for individual performance was rolled out.
- The dress code underwent significant changes.
- The onboarding process for new employees was revised.
- A new iteration of the talent review and the framework of competencies was released.

The cultural development program came to a successful conclusion in late 2019. Based on various measures, employees have adopted this new corporate culture.

According to a recent MobilizAction survey, the participation rate was 90%, an excellent indicator of the employees' interest and trust in the company. The employee mobilization rate rose one point since it was last measured and at that time, the rate was already deemed to be in the performance zone. Plus, there is more good news: key indicators such as support for change, organizational loyalty and quality of communications were all up significantly.

Officevibe, an interactive survey platform, was gradually introduced across the various teams throughout the year. Every week, all employees were asked five random questions. Managers can track changes in various indicators in real time using a dashboard, thereby opening the door to team-based communication. The information gathered will be used to collectively foster a positive work experience for SSQ Insurance employees.

In the fall of 2019, SSQ Insurance was presented with a plaque marking the 10-year anniversary of its "Healthy Enterprise" certification, issued by the provincial standards board (Bureau de normalisation du Québec/BNQ), which is known for its rigorous selection process. This certification confirms that the company's organizational practices serve to foster a healthy workplace. The BNQ also conducted a year-end audit and renewed SSQ Insurance's certification of compliance with the "Healthy Enterprise – Elite" standard since the company met all 63 related requirements.

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Realty sector news

Installing an urban garden on the roof of SSQ's 2505 building in Quebec City certainly attracted attention. In keeping with other environmental initiatives such as green roofs and beehives, the garden will be used to grow vegetables, fruits and herbs in the summertime. In addition to fostering sustainable development, this project is a way of giving back to the community. In 2019, 400 kg of fresh produce was donated to children and families involved with Le Pignon Bleu community organization.

SSQ Insurance's buildings on Laurier Boulevard in Quebec City were honoured in connection with RECYC-QUÉBEC's "ICI on recycle +" program, designed to recognize proactive organizations that are committed to improving their waste management performance. SSQ's "Performance" certification represents the program's second level. The company will be pursuing its efforts to adopt environmental best practices.

SSQ Insurance's real estate portfolio includes more than one million square feet of rental space, with an overall occupancy rate of 94%. A marketing campaign was conducted in the fall of 2019 to rent out the remaining space.

SSQ Insurance continues to work on the overall development project for its Quebec City buildings. The "benching" concept was successfully tested in 2019 and will be rolled out in 2020. This workspace layout is designed for operational teams combining collaboration and concentration. SSQ Insurance also signed new leases in the Calgary and Vancouver areas with a view to offering its employees and customers cutting-edge and functional premises beginning in 2020.

The urban garden project was done in collaboration with Les Urbainculteurs, an organization specializing in urban agriculture since 2009, that has been working toward making agriculture productive and accessible in an urban context.

Getting involved

SSQ Insurance continues to offer its employees a chance to show their solidarity by taking part in volunteer activities in United Way Centraide-supported organizations. This year, various employees stepped forward and donated their time to a wide range of organizations, including Quebec City's Service d'entraide Basse-ville and Joujouthèque Basse-ville, as well as Montreal-based Maison Marguerite. This initiative is much appreciated!

In June 2019, SSQ Insurance was a senior partner in a benefit concert for organizations fighting sexual exploitation, a growing problem in the Longueuil area. Taking part in the initiative were the municipal police (Service de police de l'agglomération de Longueuil), the Longueuil Symphony Orchestra (OSL) and various boroughs in the municipality.

The 2019 edition of the Cyclo-Défi at Quebec's Heart and Lung Institute raised $200,000.

Employees are all smiles during a half-day of volunteering at the Maison Marguerite de Montréal, a residential centre that supports women in difficulty.

The 28th edition of the Adaptavie gourmet buffet was held in November 2019, and I served as honorary chair of the event. Adaptavie is dedicated to preventing, maintaining, improving and promoting health and wellness among individuals with functional limitations. In the same spirit, I served as honorary co-chair of the 10th edition of Cyclo-Défi in September 2019, organized by Quebec's Heart and Lung Institute (IUCPQ). Over 600 cyclists took to the streets in support of a hospital centre that in addition to being the only one of its kind in Canada is also a world leader in the fields of cardiology, pneumology and obesity treatment. Being involved in such great causes is a wonderful way to make a difference.

Promoting a healthy lifestyle

SSQ Insurance is committed to promoting healthy lifestyle habits by supporting various initiatives, including the SSQ Insurance Quebec City Marathon. This event is a tangible way of upholding the company's values of solidarity and social commitment.

Over 300 SSQ Insurance employees and family members took part in events during the latest edition of the Marathon. In addition to setting themselves personal challenges, they ran in support of Motivaction Jeunesse, and the company donated $2 for each kilometre completed.

Once again this year, SSQ Insurance looked after the 13th refreshment station in the 42.2 km event, located in front of the company's headquarters. Amid a highly festive atmosphere, the runners took advantage of this energy boost to complete the last stretch before the finish line.

Employees can be doubly proud because in addition to completing the course, a donation was made to the Marathon's official charity for each kilometre completed.

Employees and their families gathered in front of the head office to cheer on the passing marathon runners.

Representatives of SSQ Insurance and the Rouge et Or volleyball team announcing the start of the season at a press conference.

Another landmark event, in which more than 100 employees and family members took part, was the SSQ Marathon in Longueuil that was held in May. In October, many employees from the Toronto office proudly wore the company colours in the Toronto Waterfront Marathon.

In October, employees came together to participate in the Toronto Waterfront Marathon.

As a contributor to Université Laval's major fundraising campaign, SSQ Insurance has been a proud partner for three years running in the SSQ Insurance "Les escaliers ça marche" challenge. This activity is an initiative of Mon équilibre UL designed to promote healthy lifestyle habits. The partnership with Université Laval is further reflected through the company's support and involvement with the university's Rouge et Or volleyball team such as the SSQ Insurance Volleyball Challenge, which kicks off the season.

For a 4th year, SSQ Insurance was the title sponsor of the SSQ Insurance Marathon in Longueuil.

A word on national pharmacare

SSQ Insurance is a member of the Canadian Life and Health Insurance Association (CLHIA), as are all companies in this industry. SSQ Insurance fully subscribes to the CLHIA's position on the implementation of a national pharmacare program. The CLHIA expressed its desire to work closely with the federal government, as well as with elected officials and the provincial and territorial governments, to find ways to enhance coverage, reduce costs and provide more Canadians with access to prescription drugs.

The CLHIA strongly supports the changes announced by the federal government before the 2019 elections, which were aimed at controlling the cost of patented drugs via the Patented Medicine Prices Review Board (PMPRB), an initiative that is essential to a sustainable system. The CLHIA also recommends that public and private plans should jointly negotiate better prices via the pan-Canadian Pharmaceutical Alliance. The CLHIA and its members continue to believe that any reform must use public funds wisely while drawing on the current system's strengths.

SSQ Insurance is proud to be a part of a united industry that cares deeply about access to affordable prescription drugs and the long-term viability of Quebec's public prescription drug insurance plan.

Acknowledgments

SSQ Insurance is a solid and high-performing company that I have been proud to lead for nearly five years.

I have gotten to know our motivated employees, who are open to change, together with our involved and confident delegates and partners, our competent and visionary board members, not to mention our loyal members and customers whose well-being and financial security are so important.

To all of you, I would like to express my gratitude, not only for the past five years, but also for the 70 years of history that preceded. Together, we have turned the company into what it is today; and together, we are charting a course towards a very promising future.

Jean-François Chalifoux
Chief Executive Officer
SSQ Insurance

Sustainable Development and Societal Responsibility Report

Sustainable Development and Societal Responsibility

SSQ Insurance's mission is to serve the interests of its members and customers by offering high-quality products and services designed to plan and protect their financial security throughout their lifetimes.

To fulfil its mission, SSQ Insurance has pledged to combine its business activities with a focus on social and environmental issues and to be a socially responsible company known for its community involvement. This is the path that SSQ Insurance has followed for the past 75 years.

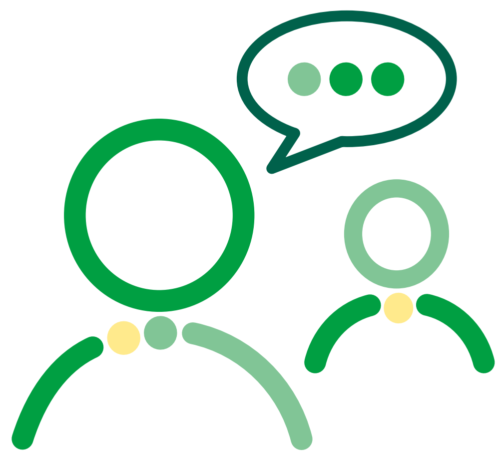
Thanks to its sustainable development and societal responsibility plan, the company formalizes this commitment to continue to build a promising world for future generations.

Many achievements marked 2019.

Customer experience, a distinctive feature

The overall results of the satisfaction survey were in the excellence zone of the Net Promoter Score (NPS) standard.

The customer experience evaluation program continued to get feedback from customers, particularly regarding general insurance.



Numerous satisfaction surveys were analyzed to gain a better understanding of customers' expectations and to identify areas for improvement.

The Customer Promise was rolled out and a concrete action plan was developed in all sectors to improve the customer experience.

Digital offering continues to grow

The email authentication process was simplified

and contributed to an increase in the number of customers registered for online services.

The new electronic application

for life insurance and critical illness insurance means that individual applications can be completed online.

More than 53,000 customers

have signed up for the paperless option and now consult their documents online.

Environmental considerations included in business practices

A new policy governs the acquisition of goods and services and incorporates environmental, social and economic criteria with a view to fostering a responsible procurement model.

Criteria relating to environmentally responsible practices are applied in calls for tenders and contract award processes.

LED lighting is used in new company installations, reducing electricity consumption in SSQ Insurance's offices.

TREE OF INTER-COOPERATION

The Annual Meeting is more environmentally responsible thanks to the reduction of printed documents and SSQ Insurance's participation in SOCODEVI's Tree of Intercooperation program aimed at offsetting CO_2 emissions.

Initiatives to reduce the environmental footprint

Participation in BOMA Quebec's building energy challenge

in order to reduce greenhouse gas emissions in SSQ's 2505 building.

BOMA BEST certification was renewed

for SSQ Insurance's headquarters and the company qualified for the Bronze level.

The partnership with ridesharing.com has been maintained

with a view to promoting alternative transportation options.

Laptop computers have been distributed

to nearly 50% of employees, thus reducing the volume of printed documents.

A stimulating work environment

All HR programs and practices were reviewed

and a new performance management process was created in line with the company's culture.

officevibe

Officevibe survey platform

was launched. This interactive questionnaire tracks employee engagement in real time.

The general mobilization index

remains in the organizational performance zone, demonstrating employee adherence to company values.

More than half of management positions are held by women which reflects the importance of career development for women in the company.

A plaque was presented to SSQ Insurance by BNQ in recognition of its 10 years of the "Healthy Enterprise" certification.

Giving back to the community

Over $500,000 was donated by the SSQ Foundation to 27 organizations to mark SSQ Insurance's 75th anniversary.

Nearly $500,000 was distributed by SSQ Insurance

to various organizations and foundations promoting health, well-being and disease prevention.

Motivaction Jeunesse was the cause supported as part of the SSQ Insurance Quebec City Marathon.

417
employees and family members

took part in various activities during the SSQ Insurance marathons in Quebec City and in Longueuil.

+12%

The 2019 United Way Centraide campaign

raised nearly $412,000, 12% more than the previous year.

The United Way Centraide Ambassadors network

demonstrated its strength by delivering a record-breaking 2019 campaign while raising employee awareness.

Being a socially engaged corporate citizen

Brand new IKEA furniture

was donated to two organizations affiliated with United Way Centraide: L'Évasion Saint-Pie X and Projets Bourlamaque.

Employees took part in a half-day of volunteering activities

in organizations sponsored by United Way Centraide.

An urban garden was set up

on the rooftop of SSQ's 2505 building with a view to promoting sustainable development and giving back to the community. The entire harvest was donated to Le Pignon Bleu.

Responsible waste disposal practices

SSQ Insurance Green Committee

A Green Committee was created and tasked with gathering suggestions from employees and putting in place environmentally responsible initiatives.

ICI on recycle

Établissement attesté
Performance

Certification awarded by RECYC-QUÉBEC for the Quebec City offices.

Reset electronic devices and used furniture were donated to non-profit organizations.

Sustainable and responsible investments

Evaluation criteria for external managers

when selecting and monitoring each external investment manager, the overall evaluation takes into account whether the company is a PRI signatory (Principles for Responsible Investment) and whether it adheres to a responsible investment policy.

Responsible investing was on the agenda during each of the periodic meetings with external investment managers.

-49%

The carbon footprint of SSQ Insurance's general funds' bond portfolio

is 49% lower than that of the benchmark index.

In-house expertise was developed by analyzing environmental, social and governance issues, thus facilitating direct dialogue with companies on these issues.

SSQ, Mutual Management Corporation

Consolidated Financial Statements

As at December 31, 2019

Together with
Independent Auditor's Report

Independent Auditor's Report

To the Members of SSQ, Mutual Management Corporation

Opinion

We have audited the consolidated financial statements of SSQ, Mutual Management Corporation (the "Mutual"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Mutual as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Mutual in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

The consolidated financial statements of the Mutual for the year ended December 31, 2018 have been audited by another auditor who expressed an unqualified opinion on these consolidated financial statements on February 27, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Mutual's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Mutual or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mutual's financial reporting process.

Independent Auditor's Report (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Mutual's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mutual's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mutual to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Mutual to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP [1]

Quebec, Quebec
February 26, 2020

[1] *CPA auditor, CA, public accountancy permit No. A121501*

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31,
(in thousands of dollars)

	2019	2018
	$	$
REVENUES		
Share in the net income of the Associate (Note 4)	29,438	27,350
Interest income (Note 5)	82	66
	29,520	27,416
EXPENSES		
Interest expense	121	89
	121	89
NET INCOME	29,399	27,327
NET INCOME ATTRIBUTABLE TO:		
Non-controlling interests	12,454	11,588
Members	16,945	15,739

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31,
(in thousands of dollars)

	2019	2018
	$	$
NET INCOME	29,399	27,327
Share in the other comprehensive income (loss) of the Associate (Note 4)		
Items that may be reclassified subsequently to net income (includes an income tax expense of ($2,544), 2018 – $2,515)	6,981	(6,875)
Items that will not be reclassified to net income (includes an income tax expense of $3,845, 2018 – ($1,966))	(10,694)	5,399
	(3,713)	(1,476)
COMPREHENSIVE INCOME	25,686	25,851
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Non-controlling interests	10,882	10,964
Members	14,804	14,887

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31,
(in thousands of dollars)

	2019	2018
	$	$
ASSETS		
Cash (Note 5)	101	103
Account receivable from the Associate (Note 5)	26	94
Interest receivable (Note 5)	—	11
Note (Note 5)	—	900
Interest in the Associate (Note 4)	331,348	305,623
TOTAL ASSETS	331,475	306,731
LIABILITIES		
Accrued interest payable (Note 5)	—	11
Advances from the Associate (Note 5)	1,132	949
Chattel mortgage (Note 5)	—	900
TOTAL LIABILITIES	1,132	1,860
EQUITY		
Attributable to members		
Retained earnings	190,470	173,525
Accumulated other comprehensive loss	(12,829)	(10,688)
	177,641	162,837
Attributable to non-controlling interests	152,702	142,034
TOTAL EQUITY	330,343	304,871
TOTAL LIABILITIES AND EQUITY	331,475	306,731

Subsequent events (Note 10)

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

On behalf of the Board,

René Hamel

René Hamel
Chair of the Board

Émile Vallée

Émile Vallée
Vice-Chair of the Board

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31,
(in thousands of dollars)

	2019	2018
	$	$
MEMBERS		
Retained earnings		
Balance, beginning of year	173,525	157,786
Net income	16,945	15,739
	190,470	173,525
Accumulated other comprehensive loss		
Balance, beginning of year	(10,688)	(9 836)
Other comprehensive income (loss)	(2,141)	(852)
	(12,829)	(10,688)
Total equity attributable to members, end of year	177,641	162,837
Non-controlling interests		
Balance, beginning of year	142,034	131,152
Net income	12,454	11,588
Other comprehensive income (loss)	(1,572)	(624)
Net capital injections	(214)	(82)
Total equity attributable to non-controlling interests, end of year	152,702	142,034
TOTAL EQUITY	330,343	304,871

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31,
(in thousands of dollars)

	2019	2018
	$	$
OPERATING ACTIVITIES		
Interest received	93	66
Interest paid (Note 8)	(96)	(64)
Cash flows from operating activities	(3)	2
INVESTING ACTIVITIES		
Proceeds from the note	900	—
Cash flows from investing activities	900	—
FINANCING ACTIVITIES		
Advances from the Associate	147	219
Net capital injections [1]	(146)	(220)
Repayment of the chattel mortgage	(900)	—
Cash flows from financing activities	(899)	(1)
NET INCREASE (DECREASE) IN CASH	(2)	1
CASH, beginning of year	103	102
CASH, end of year	101	103

[1] *As at December 31, 2019, an amount of $26 related to capital repayments is included in the account receivable from the Associate (2018 – $94).*

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

1. Governing Statutes and Nature of Activities

SSQ, Mutual Management Corporation (the "Mutual") was incorporated under the *Act respecting Quebec Health Services.* The Mutual's main activity is to hold an investment in SSQ, Life Insurance Company Inc. (the "Associate"). The Mutual and the Associate are headquartered at 2525 Laurier Blvd., Quebec City, Quebec, Canada.

The Mutual's consolidated financial statements were approved by the Board of Directors on February 26, 2020.

2. Significant Accounting Policies

Presentation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable as at December 31, 2019, as issued by the *International Accounting Standards Board* ("IASB"). The consolidated financial statements include the accounts of the Mutual and those of SSQ, Mutual Holding Inc. (the "Subsidiary"), owned at 57.70% (2018 – 57.60%), whose principal office is located in Quebec City, Quebec, Canada and which holds an investment in the Associate. The Mutual's consolidated financial statements are presented in Canadian dollars, which correspond to its functional currency.

The Mutual has not presented its consolidated statement of financial position on a current and non-current basis, generally presenting it by order of liquidity instead. Assets and liabilities that are expected to be realized and settled, respectively, within the Mutual's normal operating cycle are considered to be current. Non-current assets include the interest in the Associate presented in Note 4 whereas total liabilities are considered to be current.

The non-controlling interests refer to the share of net income and of net assets not held by the Mutual. These interests are identified separately in the Mutual's consolidated financial statements and correspond to the non-controlling interests in the Subsidiary.

Use of estimates and Management's judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to rely on best estimates and assumptions that are described in the significant accounting policies and notes to the consolidated financial statements set out below. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting year. Actual results may differ from these estimates. Those estimates are periodically reviewed, and adjustments are made, if needed, to the year's results in which they are known. Management uses its judgment to prepare the consolidated financial statements.

Revenue recognition

The share in the net income of the Associate is recognized when it is earned, i.e., when the Associate recognizes its operating revenues and expenses in its own accounting books.

The interest income on the note is calculated using the effective interest rate method.

Interest in the Associate

The Mutual accounts for its 28.91% interest in the Associate (2018 – 28.91%) using the equity method. Of this ownership interest, 16.68% (2018 – 16.65%) is attributable to members.

Impairment is recognized in respect of this interest if there is objective evidence of an impairment loss as a result of one or more loss events that have occurred after initial recognition and have had an impact on the estimated future cash flows of this interest. At the end of each financial reporting period, the Mutual determines whether there is any objective evidence that this interest has been impaired. As at December 31, 2019 and 2018, no impairment loss was recognized in respect of this interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Interest in the Associate (cont'd)

An amendment to IFRS 4, "Insurance Contracts," issued by the IASB on September 12, 2016 sets out measures giving companies whose business model is predominantly to issue insurance contracts the option to defer the effective date of IFRS 9 until January 1, 2021, which is the effective date of IFRS 17, "Insurance Contracts" ("IFRS 17"). In June 2019, the IASB issued an exposure draft entitled "Amendments to IFRS 17," which proposes to postpone the effective date of IFRS 17 until January 1, 2022, which also serves to postpone the exemption from adopting IFRS 9 until this date. The Associate in which the Mutual holds an interest is eligible for this postponement since the percentage of the total carrying amount of the insurance-related liabilities versus the total carrying amount of all its liabilities was greater than 90% at the time of the temporary exemption as at December 31, 2015. The Associate expects to avail itself of the postponement for as long as permitted. The amendment also sets out certain measures to allow investors who hold an investment in an associate and who are able to use the postponement not to adjust the application of the equity method to make the associate's accounting practices uniform with those of the investor, as would be required by IAS 28, "Investments in Associates and Joint Ventures." The Mutual is eligible for this temporary exemption and plans to apply it until IFRS 9 comes into effect for the Associate. The Associate is currently assessing the impact of this new standard on its consolidated financial statements. For financial assets classified as loans and receivables or available for sale, an amount of $302,000 as at December 31, 2019 (2018 – $251,900) does not meet contractual cash flow characteristics test under IFRS 9. In addition, the Associate plans to use the low credit risk exemption in calculating the expected credit losses in respect of the bonds.

Financial instruments – classification and recognition

A financial instrument is a contract that gives rise to a financial asset or a financial liability. When financial instruments are initially recognized, the Mutual records them at their fair value. The subsequent measurement of financial instruments depends on their classification.

The Mutual has adopted a model for classifying and measuring financial assets, which aims to determine whether an asset should be classified at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income. This model is based on the Mutual's business model for managing its assets as well as the cash flow characteristics of these assets. The classification of debt instruments for which cash flows are solely payments of principal and interest ("SPPI") will be determined, on initial recognition, based on the business model for managing these financial assets, i.e., to collect contractual cash flows, to collect contractual cash flows and sell financial assets or to be held for trading.

The Mutual determines whether a financial liability should be classified at amortized cost or at fair value through profit or loss based on its characteristics and management's intentions at the time of initial recognition.

a) Note

Amortized cost

The note to the Associate, which is classified as loans and receivables, is classed and accounted for at amortized cost using the effective interest rate method. The fair value disclosed for the note is determined by discounting the anticipated cash flows at the rate currently required by the market for this type of receivable and for a term corresponding to the maximum maturity date provided for the note.

b) Cash

Amortized cost

Cash is made up of bank account balances held with financial institutions. It is classified as loans and receivables and is classed and recorded at amortized cost using the effective interest rate method. Due to their short-term nature, the carrying amount of cash approximates its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Financial instruments – classification and recognition (cont'd)

c) Chattel mortgage

Amortized cost

The chattel mortgage is classed and evaluated as other financial liabilities at amortized cost and valued at amortized cost using the effective interest rate method. The fair value of the chattel mortgage disclosed is measured using an expected discounted future cash flows model. The discount rate used corresponds to a rate of return of a benchmark index that has a similar risk profile as the underlying assets and a term matching the maximum term for the chattel mortgage.

d) Other financial assets and liabilities

Other financial assets and liabilities are classed and accounted at amortized cost using the effective interest rate method. The carrying amount of the other financial assets and liabilities approximates fair value due to their characteristics or short-term maturities.

Other financial assets include the account receivable from the Associate as well as interest receivable. Other financial liabilities include the account payable to the Associate, accrued interest payable and the advances from the Associate.

Financial instruments – impairment

The Mutual is required to account for the expected credit losses relating to cash flows from its financial assets classified at amortized cost or at fair value through other comprehensive income as well as from certain off-balance sheet items, if applicable. The Mutual has adopted a three-stage impairment model to determine its expected credit losses:

- Stage 1: An allowance for expected credit losses for the next 12 months should be recognized for financial instruments in respect of which no credit issues were identified upon initial recognition or where credit has not deteriorated significantly since initial recognition.

- Stage 2: An allowance for lifetime expected credit losses should be recognized for financial instruments in respect of which credit has deteriorated significantly since initial recognition, but where no credit loss as such has been incurred.

- Stage 3: An allowance for lifetime expected credit losses should continue to be recognized in respect of financial instruments for which credit losses are incurred. Financial instruments in respect of which credit losses are incurred are those for which payment is in default, taking both quantitative and qualitative factors into account.

To classify the financial instruments in one of the afore-mentioned stages, the change in the instrument's credit risk between the reporting date and the date of initial recognition is compared, in addition to analyzing the risks of default.

The allowance for expected credit losses requires management to exercise judgment. This allowance is determined by discounting the difference between cash flows that are due and the cash flows that the Mutual actually expects to receive. The Mutual considers information based on past events as well as current and future circumstances.

As at December 31, 2019 and 2018, the allowance for expected credit losses on the financial assets held by the Mutual is negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

3. Changes in Accounting Policies

Application of a new accounting standard

Investments in associates and joint ventures

In October 2017, the IASB issued an amendment to IAS 28, "*Investments in Associates and Joint Ventures*." This amendment clarifies the situation when a Company holds an interest accounted for using the equity method in addition to long-term interests that would be considered long-term net investments. More specifically, this amendment addresses the share of losses that must be absorbed by long-term interest. The provisions of this amendment apply retrospectively to periods beginning on or after January 1, 2019. The changes to this standard had no impact on the Company's consolidated financial statements.

Future accounting standards

Conceptual framework for financial reporting

In March 2018, the IASB issued an overhaul of the *Conceptual Framework for Financial Reporting.* This conceptual framework helps entities to develop their accounting policies when no IFRS apply in particular circumstances. A new section was issued on measurement. Guidance for reporting financial performance and improved definitions for assets and liabilities have also been included. The provisions will apply prospectively to financial statements for periods beginning on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this amendment on its consolidated financial statements.

Business combinations

In October 2018, the IASB issued an amendment to IFRS 3, "*Business Combinations,*" entitled "Definition of a Business." This amendment clarifies the definition of a business to determine whether a transaction is a business combination or an acquisition of assets. The provisions of this standard will apply to transactions for which the acquisition date is on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this new standard on its consolidated financial statements.

Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued an amendment to IAS 1, "*Presentation of Financial Statements," and* IAS 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*." The amendment clarifies the definition of material in IAS 1, provides explanations regarding this definition and aligns the definitions used in the various IFRS. The provisions of this amendment will apply prospectively to financial statements for periods beginning on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this amendment on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

4. Interest in the Associate

	2019	2018
	$	$
Balance, beginning of year	305,623	279,749
Share in net income	29,438	27,350
Share in other comprehensive income (loss)	(3,713)	(1,476)
Balance, end of year	331,348	305,623

The following table presents summarized financial information for the Associate:

	2019	2018
	$	$
Consolidated statement of financial position		
Cash and equivalents	340,000	248,600
Total assets	13,419,600	12,307,900
Total liabilities [1]	12,358,800	11,333,700
Total equity	1,060,800	974,200
Consolidated statement of income		
Interest income	138,700	128,300
Total revenues	2,524,300	2,181,900
Amortization of intangible assets and depreciation of fixed assets and investment properties	35,500	33,400
Interest expenses	9,800	10,500
Income taxes	33,100	29,600
Net income	101,800	94,600
Consolidated statement of comprehensive income		
Other comprehensive income (loss)	(12,800)	(5,100)
Comprehensive income	89,000	89,500

[1] *Includes a financial liability in the amount of $544,200 (2018 – $515,400).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

5. Financial Instruments

a) Carrying value and fair value of financial assets and liabilities

	2019		2018	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Financial assets				
Cash, bearing interest at prime rate less 1.78% (2018 – 1.72%)	**101**	**101**	103	103
Account receivable from the Associate	**26**	**26**	94	94
Interest receivable	**—**	**—**	11	11
Note, 7.09%, received in November 2019[1]	**—**	**—**	900	918
	127	**127**	1,108	1,126
Financial liabilities				
Accrued interest payable	**—**	**—**	11	11
Advance from the Associate, 3.08% (2018 – 3.08%), without repayment terms	**247**	**247**	240	240
Advances from the Associate, prime rate, without repayment terms	**885**	**885**	709	709
Chattel mortgage, 7.09%, repaid in November 2019[1]	**—**	**—**	900	918
	1,132	**1,132**	1,860	1,878

[1] *The chattel mortgage was secured by the note.*

Financial instruments for which the fair value is disclosed in the notes to the consolidated financial statements are classified according to a three-level hierarchy that reflects the importance of the inputs used to determine their valuation:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – A valuation based on inputs observable in markets for the asset or liability, obtained either directly or indirectly;
- Level 3 – A valuation based on inputs other than inputs observable in markets for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

5. Financial Instruments (cont'd)

a) Carrying value and fair value of financial assets and liabilities (cont'd)

The following table, as at December 31, 2018, presents assets and liabilities whose fair values are disclosed in the notes to the consolidated financial statements are classified into the levels of the fair value measurement hierarchy as follows:

				2018
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Note, 7.09%, received in November 2019	—	—	918	918
	—	—	918	918
Financial liabilities				
Chattel mortgage, 7.09%, repaid in November 2019	—	—	918	918
	—	—	918	918

As at December 31, 2019 and 2018, no financial instrument is recognized at fair value in the Consolidated Statement of Financial Position.

b) Interest income

	2019	2018
	$	$
Note	**79**	64
Cash	**3**	2
	82	66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

6. Financial Instruments Risk Management

The Mutual adopted control policies and procedures to manage risks related to financial instruments. The Board of Directors approves the investment policy and its objective is to supervise investment decision-making. The procedures arising from this policy ensure sound management of the risks related to investments.

Risks related to Mutual's financial instruments consist of credit risk, liquidity risk and interest rate risk.

Credit risk corresponds to the risk of financial loss for the Mutual if a debtor does not respect its commitments. The Mutual is exposed to credit risk, primarily in terms of the note and the account receivable, which are classified in stage 1 of the impairment hierarchy. This risk is mitigated by the fact that the note and the account receivable are issued to the Associate.

The Mutual is exposed to interest rate risk through its advances from the Associate bearing interest at variable rates. Therefore, the Mutual incurs an interest rate risk depending on the fluctuation of the prime interest rate.

Liquidity risk refers to the risk that the Mutual may have difficulty generating sufficient cash flows to cover its financial liabilities. The Mutual manages liquidity risk by matching cash flows from its note with those required to cover its chattel mortgage.

The following tables present contractual maturities of the cash flows of the Mutual's financial liabilities:

				2019
	Payable on demand	**From 1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Advances from the Associate	**1,132**	**—**	**—**	**1,132**

				2018
	Payable on demand	From 1 to 5 years	Over 5 years	Total
	$	$	$	$
Accrued interest payable	11	—	—	11
Advances from the Associate	949	—	—	949
Chattel mortgage	—	900	—	900
	960	900	—	1,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

7. Capital Management

In terms of capital management, the Mutual's objective is to preserve its assets. The Mutual defines its capital as the chattel mortgage and members' equity. The Mutual achieves its objective through careful management of the capital generated by internal growth and by making optimal use of low-cost capital.

Composition of the capital

	2019	2018
	$	$
Chattel mortgage	—	900
Member's equity	177,641	162,837
	177,641	163,737

8. Related Party Transactions

In the normal course of operations, the Mutual carries out transactions with the Associate. These transactions are measured at the exchange amount, which is the amount agreed upon by the parties.

During the year, the Mutual received interest of $79 (2018 – $64) from the Associate. As at December 31, 2019, a balance of $0 (2018 – $11) is included under interest receivable. This amount was not guaranteed and has been settled in cash.

During the year, the Mutual capitalized interest of $36 (2018 – $25) to the advance from the Associate, which constitutes a non-cash transaction.

The Associate offers an opportunity to participate in an investment fund to some of its employees. This investment fund owns a non-controlling interest in the Subsidiary.

9. Interests in the Subsidiary

The following table presents the impact of the consolidation of the Subsidiary in which the non-controlling interest is substantial.

	2019	2018
	$	$
Statement of financial position		
Total assets	331,447	306,636
Total liabilities	247	1,151
Statement of income		
Revenues	29,520	27,416
Net income	29,428	27,345
Statement of comprehensive income		
Other comprehensive income (loss)	(3,713)	(1,476)
Comprehensive income	25,715	25,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in thousands of dollars, unless otherwise indicated)

10. Subsequent Events

Corporate restructuring

On September 12, 2019, the Company's Board of Directors approved Phase 2 of the corporate restructuring for which the main goal is to simplify the corporate structure and encourage synergies between the business lines.

On January 1, 2020, a minority shareholder of SSQ Financial Corporation Inc. will transfer all of its Class B participating shares in the Associate to SSQ Financial Corporation Inc. in exchange for additional Class B participating shares of SSQ Financial Corporation Inc. Following this transfer, this shareholder will hold a majority of shares and will control SSQ Financial Corporation Inc. whereas SSQ Mutual will hold 16.48% (2019 – 57.70%) of SSQ Financial Corporation Inc. shares. Given this change of control, SSQ Mutual will no longer present consolidated financial statements effective January 1, 2020. However, this transaction was carried out in a manner that maintains the initial direct and indirect ownership stake held by the Associate's shareholders.

Business combination

On January 28, 2020, the Associate entered into a consolidation agreement with La Capitale Insurance and Financial Services. The closing of this agreement is scheduled for the second quarter of 2020. As of the date of publication of the consolidated financial statements, this combination is still subject to the approval of the regulatory authorities, meetings of the mutuals, the Competition Bureau of Canada and the amendments to the private laws, which constitute the two mutuals.

SSQ, Life Insurance Company Inc.

Consolidated Financial Statements

As at December 31, 2019

Together with
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of SSQ, Life Insurance Company Inc.

Opinion

We have audited the consolidated financial statements of SSQ, Life Insurance Company Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

The consolidated financial statements of the Company for the year ended December 31, 2018 have been audited by another auditor who expressed an unqualified opinion on these consolidated financial statements on February 27, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP[1]

Quebec, Quebec
February 26, 2020

[1] *CPA auditor, CA, public accountancy permit No. A121501*

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31,
(in millions of dollars)

	2019	2018
	$	$
REVENUES		
Gross premiums (Note 21)	**2,571.8**	2,483.1
Premiums ceded to reinsurers	**(503.9)**	(453.5)
Net premiums	**2,067.9**	2,029.6
Change in unearned premiums (Note 13)	**(33.1)**	(17.5)
Investment income (Note 4)	**394.0**	76.1
Revenue on property (Note 26)	**22.4**	20.3
Administration fees and other revenues	**73.1**	73.4
	2,524.3	2,181.9
BENEFITS AND EXPENSES		
Insurance and annuities		
Gross benefits	**1,849.6**	1,756.4
Benefits recovered from reinsurers	**(413.2)**	(368.3)
Change in actuarial reserve of life and health insurance contracts	**591.3**	152.6
Change in actuarial reserve of ceded reinsurance assets	**(278.9)**	(114.3)
Interest on deposits	**8.5**	3.5
	1,757.3	1,429.9
Selling and administrative expenses (Notes 20, 21 and 23)	**365.1**	352.0
General fund investment expenses	**12.2**	12.0
Property expenses (Note 21)	**17.7**	17.0
Commissions and fees on sales	**156.5**	162.0
Premium taxes	**79.4**	75.7
	2,388.2	2,048.6
INCOME BEFORE EXPERIENCE REFUNDS AND INCOME TAXES	**136.1**	133.3
Experience refunds	**1.2**	9.1
INCOME BEFORE INCOME TAXES	**134.9**	124.2
Income taxes (Note 19)	**33.1**	29.6
NET INCOME	**101.8**	94.6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31,
(in millions of dollars)

	2019	2018
	$	$
NET INCOME	**101.8**	94.6
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on available-for-sale financial assets	**48.7**	(29.6)
Income tax expense (Note 19)	**(13.0)**	7.9
Reclassification to net income of gains on disposal	**(15.8)**	(2.9)
Income tax expense (Note 19)	**4.2**	0.8
	24.1	(23.8)
Items that will not be reclassified to net income		
Actuarial gains (losses) arising from employee retirement benefits and impact of asset celling (Note 20)	**(50.2)**	25.5
Income tax expense (Note 19)	**13.3**	(6.8)
	(36.9)	18.7
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(12.8)**	(5.1)
COMPREHENSIVE INCOME	**89.0**	89.5

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31,
(in millions of dollars)

	2019	2018
	$	$
ASSETS		
Investments (Note 4)	**5,179.6**	4,673.8
Outstanding premiums	**292.9**	284.7
Ceded reinsurance assets (Notes 12 and 13)	**2,165.2**	1,888.5
Property under development	**13.5**	16.8
Income taxes receivable	**—**	14.8
Other assets (Note 8)	**142.4**	156.8
Investment property (Note 9)	**63.7**	51.9
Fixed assets (Note 10)	**195.1**	178.2
Intangible assets (Note 11)	**132.1**	127.7
Goodwill (Note 11)	**14.1**	14.1
Deferred income tax assets (Note 19)	**49.8**	33.1
Total general fund assets	**8,248.4**	7,440.4
Segregated fund investments (Note 24)	**5,171.2**	4,867.5
TOTAL ASSETS	**13,419.6**	12,307.9
LIABILITIES		
Life and health insurance contracts (Note 12)	**6,101.2**	5,536.0
Property and casualty insurance contracts (Note 13)	**313.0**	275.7
Accounts payable	**148.1**	148.9
Income taxes payable	**11.7**	—
Subordinated debt (Note 15)	**156.1**	157.0
Other liabilities (Note 16)	**421.7**	308.7
Deferred income tax liabilities (Note 19)	**35.8**	39.9
Total general fund liabilities	**7,187.6**	6,466.2
Segregated fund insurance contracts (Note 24)	**1,838.3**	1,751.2
Segregated fund investment contracts (Note 24)	**3,332.9**	3,116.3
TOTAL LIABILITIES	**12,358.8**	11,333.7
EQUITY		
Share capital (Note 17)	**343.2**	343.2
Retained earnings	**780.7**	681.3
Accumulated other comprehensive loss	**(63.1)**	(50.3)
TOTAL EQUITY	**1,060.8**	974.2
TOTAL LIABILITIES AND EQUITY	**13,419.6**	12,307.9

Contingencies and commitments (Note 25)
Subsequent events (Note 27)
The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board:

René Hamel
Chair of the Board

Jean-François Chalifoux
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31,
(in millions of dollars)

	2019	2018
	$	$
Share capital, beginning and end of year	**343.2**	343.2
Retained earnings		
Balance, beginning of year	**681.3**	586.7
Adoption IFRS 16 (Note 3)	**(2.4)**	—
Net income	**101.8**	94.6
Balance, end of year	**780.7**	681.3
Accumulated other comprehensive loss		
Balance, beginning of year	**(50.3)**	(45.2)
Other comprehensive income (loss)	**(12.8)**	(5.1)
Balance, end of year	**(63.1)**	(50.3)
TOTAL EQUITY	**1,060.8**	974.2

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31,
(in millions of dollars)

	2019	2018
OPERATING ACTIVITIES	$	$
Income before income taxes	134.9	124.2
Income taxes (paid) recovered	(24.2)	(65.7)
Items not affecting cash		
Losses (gains) on investments and change in fair value	(231.2)	70.1
Impairment loss on property under development	—	1.9
Impairment loss on intangible assets	—	0.5
Amortization of discounts and premiums on bonds	(21.9)	(21.5)
Depreciation of investment property	1.0	1.0
Depreciation and amortization of fixed assets and intangible assets	34.5	32.4
Life and health insurance contracts	565.2	101.9
Other items included in net income	(9.4)	(5.7)
	448.9	239.1
Net change in other operating assets and liabilities	(184.6)	21.2
Cash flows from operating activities	264.3	260.3
INVESTING ACTIVITIES		
Purchase of investments	(1,675.9)	(1,555.2)
Sales, maturities and repayments of investments	1,558.1	1,315.1
Purchase of investment property	(12.8)	(5.9)
Purchase of fixed assets and intangible assets	(39.8)	(28.0)
Disposals of intangible assets	—	0.1
Cash flows from investing activities	(170.4)	(273.9)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(1.6)	—
Issue of subordinated debt	—	80.0
Subordinated debt repayment	(0.9)	(30.0)
Cash flows from financing activities	(2.5)	50.0
NET INCREASE IN CASH AND CASH EQUIVALENTS	91.4	36.4
CASH AND CASH EQUIVALENTS, beginning of year	248.6	212.2
CASH AND CASH EQUIVALENTS, end of year	340.0	248.6
Cash and cash equivalents include (Note 4):		
Cash	336.3	238.9
Cash equivalents	3.7	9.7
	340.0	248.6
Additional cash flow information		
Interest received	84.5	78.6
Dividends and distributed income received	21.8	15.6

Cash flows from operating activities include interest paid on subordinated debt in the amount of $9.0 (2018 — $10.5) and on lease liabilities in the amount of $0.8.

As at December 31, 2019, investment property in the amount of $0.1 (2018 — $0.1) and fixed assets and intangible assets in the amount of $0.4 (2018 — $2.1) were included in accounts payable. As part of the adoption of IFRS 16, acquisitions of fixed assets totalling $17.1 as well as the issuance of $20.2 of lease liabilities were recognized in fiscal 2019. Finally, intangible assets in the amount of $0.6 were financed by other liabilities (2018 — $0.7).

The Company reimbursed $50.0 in subordinated debt in 2018 through the investment fund ($40.8) and receivables ($9.2).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

1. Governing Statutes and Nature of Activities

SSQ, Life Insurance Company Inc., majority owned by the Fonds de solidarité des travailleurs du Québec, was incorporated under a private law and is governed by the *Insurance Act*. SSQ, Life Insurance Company Inc. and its subsidiaries (the "Company") offer a complete range of financial services including financial protection in the event of death, disability, illness or retirement through a variety of individual and group insurance products as well as savings, retirement and investment products. The Company is also active in property and casualty insurance and real estate management. The Company's head office is located at 2525 Laurier Boulevard, Quebec City, Quebec, Canada.

The Company's consolidated financial statements were approved by the Board of Directors on February 26, 2020.

2. Significant Accounting Policies

Presentation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable as at December 31, 2019 as issued by the *International Accounting Standards Board* ("IASB"). The consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries. The following table presents the subsidiaries held by the Company:

	Participation %	Principal place of business
SSQ Insurance Company Inc.	100	Quebec (Quebec), Canada
SSQ Reality Inc.	100	Quebec (Quebec), Canada
9338-2083 Quebec inc.	100	Quebec (Quebec), Canada

In accordance with industry practice for insurance companies, the Company has not presented its consolidated statement of financial position on a current and non-current basis, generally presenting it by order of liquidity instead. Assets and liabilities expected to be realized and settled in the Company's normal operating cycle are considered current. The Company's other assets and liabilities, considered to be non-current, include property under development, investment property, fixed and intangible assets, goodwill, deferred income tax assets, subordinated debt, deferred income tax liabilities as well as the non-current portions of investments, outstanding premiums, financial liabilities, ceded reinsurance assets and the liability related to insurance contracts presented in Notes 4, 6, 12 and 13.

Use of estimates and Management's judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to rely on best estimates and assumptions that are described in the significant accounting policies and notes to the consolidated financial statements set out below. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates. The most important estimates involve determining:

- the liability related to life and health insurance contracts, property and casualty insurance contracts and ceded reinsurance assets;
- fair values of financial instruments in the general funds and segregated funds and insurance and investment contracts liabilities in the segregated funds;
- assumptions used in determining provisions, income taxes and write-downs of financial instruments and non-financial assets;
- retirement benefits asset and liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Use of estimates and Management's judgments (cont'd)

Management used its judgment to evaluate the exercise of control for consolidation purposes, to classify insurance and investment contracts and financial instruments. Management's judgment is also required in the recognition of investment property, fixed assets, intangible assets and goodwill and lease liabilities presented in other liabilities.

Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars, which correspond to its functional currency. Fund units and bonds and cash denominated in foreign currencies are converted at the exchange rate in effect at the date of the financial statements. Foreign exchange gains and losses are recognized in net income, except for financial instruments classified as available for sale that are excluded from fair value hedging. These unrealized exchange gains and losses are instead recognized in other comprehensive income.

Insurance contracts, investment contracts and service contracts – classification

The Company issues contracts that transfer an insurance risk, a financial risk, or both. Insurance contracts are contracts that involve a significant insurance risk. A significant insurance risk exists when the Company agrees to indemnify policyholders or policy beneficiaries should a specified uncertain future event have an adverse effect on the policyholder. Investment contracts are contracts that carry a financial risk with no significant insurance risk. Service contracts are contracts that involve no significant insurance risk and no financial risk and under which the Company only provides administrative services.

Life and health and segregated fund insurance contracts

Revenue recognition and related expenses

Life and health insurance premiums are recognized as revenues when they become due. Once premiums are recognized, liability related to life and health insurance contracts is computed in a manner such that expenses are matched with such revenues. Claims are recognized when a notice is received of an event that gives entitlement to compensation. Furthermore, commissions and premium taxes are recognized on the same basis as life and health insurance premiums.

The Company collects commission revenues on individual contracts ceded to reinsurance. The commissions are recorded when the contracts are ceded to reinsurance and are posted uniformly to the consolidated statement of income of income over the term of the corresponding ceded contracts. Unearned reinsurance commissions correspond to the portion of the commissions for the unexpired period of the corresponding contracts, prorated over the remaining number of days. The portion attributable to subsequent periods is recognized in liabilities related to life and health insurance.

Liability related to life and health insurance contracts

The actuarial reserve, provisions for claims and experience refunds, and deposits related to life and health insurance contracts are established by the actuary in accordance with the standards of practice of the Canadian Institute of Actuaries and reflect the amounts required to meet obligations resulting from insurance contracts in force. The actuarial reserve is calculated according to the Canadian asset liability method, a recognized actuarial method established by the Canadian Institute of Actuaries. This method requires the use of assumptions based on best estimates of future experience, according to the Company's own experience and that of the industry, and includes additional amounts for plausible adverse deviations related to assumptions made on the different factors considered.

Some insurance contracts may contain embedded derivative instruments. These derivative instruments either meet the definition of insurance contracts themselves or correspond to an option to surrender an insurance contract for a fixed amount and, therefore, are not valued separately from the host contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Life and health and segregated fund insurance contracts (cont'd)

Segregated fund insurance contracts

Liabilities for segregated fund insurance contracts include the deposit portion of these contracts, recognized in the same manner as investment contracts. The guaranteed portion recognized from the life and health insurance contracts liability, which is determined by the actuary in accordance with the practice standards of the Canadian Institute of Actuaries, corresponds to the amount required to cover current insurance contract commitments. The insurance contract liabilities of segregated funds are calculated according to the Canadian asset liability method and include additional amounts for plausible adverse deviations related to assumptions made on the different factors considered.

Segregated fund insurance premiums related to the insurance component of the contract are recognized as revenue when they become due.

Liability adequacy test

On each date of the financial statements, a liability adequacy test is performed to ensure the adequacy of liability related to life and health insurance contracts, net of deferred acquisition costs. Since the concept of liability adequacy is an integral part of the Canadian asset liability method, any inadequacy of provisions is immediately carried to profit or loss in order to ensure compliance.

Property and casualty insurance contracts

Revenue recognition and related expenses

Property and casualty insurance premiums are recognized as revenue when they are due, in prorata to the duration of the policies. Unearned premiums represent the portion of written premiums for the unexpired in-force policies, according to the daily prorata method. For some products, unearned premiums are adjusted to account for changes in the related risks. Furthermore, commissions and premium taxes are recognized on the same basis as property and casualty insurance premiums.

Unpaid claims

Unpaid claims are attributable to events associated with the ultimate settlement of claims. The amount of unpaid claims is established in accordance with the standards of practice of the Canadian Institute of Actuaries. It is presented on a discounted basis, based on the experience of the Company and the industry. Claims are recognized when a notice is received of an event that gives entitlement to compensation.

Claims liability adequacy test

The claims liability adequacy analysis is done on each reporting date and reviewed as necessary, if an event that could affect results occurs. To this end, past claims development by business sector are analyzed in order to project anticipated claims at the time of the valuation. Assumptions regarding the rate of payment of liabilities are necessary to value obligations on a discounted basis. Finally, margins for adverse deviations in interest rates, claims development and reinsurance are added to consider the uncertainties related to the assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Property and casualty insurance contracts (cont'd)

Premiums liability adequacy test

Premiums liability adequacy is evaluated on each reporting date. Unearned premiums are decreased by deferred acquisition costs, reinsurance premium, claims and adjustment costs anticipated between the valuation date and the expiry of the contracts, and expected maintenance costs to administer the contracts. In addition, the impact of the time value of money is considered. Finally, margins for adverse deviations in interest rates, claims development and reinsurance are added to consider the uncertainties related to the assumptions.

Ceded reinsurance assets

In the normal course of business, the Company uses reinsurance to manage its level of risk exposure. The risk and the corresponding premium are transferred to duly registered reinsurers that are subject to the same regulatory bodies as the Company. The ceded reinsurance assets are valued in a similar manner to the liabilities related to life and health insurance contracts and property and casualty insurance contracts and in accordance with the terms and conditions of each reinsurance contract. Ceded reinsurance assets represent amounts due to the Company with respect to the liabilities of the ceded policies. Ceding a risk does not release the Company from its obligation to fully comply with the commitments made to its insureds. These assets are subject to an impairment test and, if they are impaired, their carrying value is reduced and the impairment loss is recognized to profit and loss.

Investment contracts

Revenue recognition

Investment contracts fall under the scope of IAS 39, "*Financial Instruments: Recognition and Measurement*". Deposit accounting applies to these contracts, which involves recording the premiums received and benefits paid on these contracts as deposits and withdrawals, with no impact on the income statement. Revenues from these contracts consist of fees related to contract issue, administration and surrender as well as asset management, and are recognized in Administration fees and other revenues.

Investment contract liability

All investment contracts are designated at fair value through profit or loss, since changes in net income are offset by changes in the value of investments related to the general funds and segregated funds and are managed on a fair value basis.

Recognition of revenue on property

Revenue on property is recognized in net income on a straight-line basis over the term of the lease.

Recognition of administration fees and other revenues

Fees for the management of segregated funds and for the management of administrative service contracts are recognized when earned in Administration fees and other revenues.

Other revenues mainly include gains on disposal of fixed assets and are recognized when earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Financial Instruments – classification and recognition

On initial recognition of its financial instruments, the Company records them at their fair value. The subsequent measurement of financial instruments depends on their classification. The Company classifies financial assets into one of the following categories: at fair value through profit or loss, held to maturity, available for sale and loans and receivables. The fair value through profit or loss category includes financial assets held for trading and financial assets designated at fair value through profit or loss. The Company classifies financial liabilities into one of the following categories: designated at fair value through profit or loss and at amortized cost.

Financial instruments are classified based on their nature and the Company's use of the financial instrument at the time of its initial recognition.

a) Fund units and bonds

Designated at fair value through profit or loss

Fund units and bonds backing liability related to life and health insurance contracts are designated at fair value through profit or loss, since changes in their fair value on the income statement are offset by changes in liability related to life and health insurance contracts.

Available for sale

Fund units and bonds, except for those backing liability related to life and health insurance contracts, are classified as assets available for sale. Purchases and disposals of fund units and bonds are recognized at trade date. They are recognized at fair value. Changes in fair value of these fund units and bonds are recorded in other comprehensive income (loss). Upon disposal or upon the recognition of any impairment loss, the gain or loss is reclassified from accumulated other comprehensive income (loss) to net income. Reversals of impairment losses may occur and are recognized in profit or loss when there is objective evidence of recovery.

b) Loans

Loans and receivables

Loans are classified as loans and receivables and are carried at amortized cost according to the effective interest rate method, less the allowance for investment losses. The allowance for investment losses is established on an individual basis from the estimated realizable value measured by discounting the expected future cash flows.

Commissions paid on issuance of new loans are recognized with loans and amortized according to the effective interest rate method.

c) Fund units and shares

Designated at fair value through profit or loss

Fund units and shares backing liability related to life and health insurance contracts are designated at fair value through profit or loss, since changes in their fair value on the income statement are offset by changes in liability related to life and health insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Financial Instruments – classification and recognition (cont'd)

c) Fund units and shares (cont'd)

Available for sale

Fund units and shares, except for those backing liability related to life and health insurance contracts, are classified as asset available for sale. Purchases and disposals of fund units and shares are recognized at trade date. They are recognized at fair value. Changes in fair value of these fund units and shares are recorded in other comprehensive income (loss). Transaction costs paid upon purchase, if any, are capitalized at cost. Upon disposal of these fund units and shares, or upon the recognition of any impairment loss, the gain or loss is reclassified from accumulated other comprehensive income (loss) to net income. No reversal of impairment losses is allowed.

d) Investment fund

Held for trading

The investment fund is held for trading and includes Canadian equity securities acquired with the proceeds from the offering of certain debentures. In accordance with the debenture acts, the excess fair value of these securities over the capital of the debentures is recorded to the liability account of the Company. When fair value of the securities is less than the capital value of the debentures, the Company records a receivable from the decline in value equal to the difference.

e) Cash and cash equivalents

Cash and cash equivalents are made up of bank accounts and money market securities held with financial institutions.

Held for trading

Money market securities are designated as held for trading. These include money market securities that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value or with a maturity of three months or less from the date of acquisition.

Loans and receivables

The bank accounts are classified as loans and receivables and are carried at amortized cost according to the effective interest rate method.

f) Interest-bearing deposits

Held for trading

Interest-bearing deposits are monetary market securities that are not readily convertible into known amounts of cash or with a maturity of more than three months from the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Financial Instruments – classification and recognition (cont'd)

g) Derivative financial instruments

Held for trading

Derivative financial instruments include foreign exchange contracts, stock index contracts settled daily, bond futures and interest rate and currency swaps. Futures contracts, which are negotiated contracts in an organized market, represent firm commitments to buy or sell financial instruments at a given date. Swaps are contracts in which the Company and a third party commit to paying flows based on a notional amount, during a set time period and frequency.

Derivative financial instruments with a positive fair value are presented as investments while derivative financial instruments with a negative fair value are presented as other liabilities.

The Company uses derivative financial instruments in support of the liability related to life and health insurance contracts. Gains and losses related to these contracts are recognized in net income under investment income.

The Company also uses foreign exchange contracts under its currency risk management strategy. Such financial instruments hedge fair value of U.S. equity fund units and their effectiveness is reviewed on a monthly basis. Foreign exchange gains and losses on forward contracts and changes in fair value related to exchange rate fluctuations of hedge assets are recognized in net income under investment income.

h) Other investments

Other investments include an investment in an associate, investments in joint venture arrangements and investments in limited partnerships. The investment in an associate is accounted for using the equity method, since the Company exercises significant influence over this entity. Significant influence is defined as the power to participate in decisions relating to the financial and operating policies of an entity without exercising control or joint control over these policies. The Company accounts for its share of net assets and its share of the results of the investee using uniform accounting methods for similar transactions and events.

The Company recognizes arrangements over which it has joint control and rights to net assets using the equity method. Joint control is a contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The investments in limited partnerships that are not controlled are classified as available for sale.

i) Subordinated debt

Other financial liabilities at amortized cost

Subordinated debt is classified as other financial liabilities at amortized cost and measured at amortized cost using the effective interest rate method. Interest expense is recognized in the consolidated statement of income under selling and administrative expenses.

The fair value of subordinated debt disclosed is measured using an expected discounted future cash flows model. The discount rate used corresponds to the rate of return of a benchmark index that has a similar risk profile as the underlying assets and a term matching the maximum term for the subordinated debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Financial Instruments – classification and recognition (cont'd)

j) Other financial assets and liabilities

Other financial assets and liabilities are recognized at amortized cost and classified respectively as loans and receivables and other financial liabilities at amortized cost. The carrying amount of other financial assets and liabilities approximates fair value due to their characteristics or their short-term maturities.

Other financial assets include other receivables and investment income due and accrued described in Note 8. Other financial liabilities include accounts payable and commitments under repurchase agreements described in Note 16.

Financial instruments – impairment

A financial asset is impaired if there is objective evidence of impairment as a result of one or more loss events after initial recognition and that event has an impact on the estimated future cash flows of the financial asset.

At the end of each reporting period, the Company determines whether there is objective evidence that a financial asset or a group of financial assets, other than those classified or designated at fair value through profit or loss, is impaired. Such financial assets are written off using an impairment model for debt securities, equity interests, or loans and receivables.

The appropriate impairment model is determined based on the specifications of each instrument, the ability of the issuer to pay dividends or interest and the Company's intention to hold long-term financial assets or sell them.

Impairment model for debt securities

The impairment model for debt securities is used to measure impairment of the Company's bonds and preferred shares. Under this impairment model, a security is impaired when future cash flows are unlikely to be recovered, based on credit considerations.

Impairment model for equity interests

The impairment model for equity interests is used to measure impairment of the Company's fund units. Under this impairment model, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investment below cost.

Impairment model for loans and receivables

The impairment model for loans and receivables is used to measure impairment of the Company's loans. Under this impairment model, loans and receivables are tested for impairment in the event of default or if there is objective evidence that the counterparty will not meet its obligations. When it is determined that a financial asset in this class is impaired, its carrying amount is adjusted to the highest of its estimated realizable value or the fair value of collateral, if applicable.

Securities lending and repurchase agreements

The Company makes securities lending to generate additional revenue, which is recognized in net income under investment income. The Company receives collateral, as securities, for at least 102% of the fair value of the loaned securities. This collateral is deposited by the borrower with a custodian where it is kept until the loaned securities have been returned to the Company. The fair value of the loaned securities is monitored daily. Additional collateral is required or a portion of the collateral provided is refunded based on changes in the value of the underlying loaned securities. The loaned securities are not derecognized since the Company retains the risk and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Securities lending and repurchase agreements (cont'd)

The Company sells securities and simultaneously commits to repurchase them in the short term, at a specified date and price. These repurchase agreements are recognized in the consolidated statement of financial position at the consideration received plus accrued interest. Commitments related to securities sold under repurchase agreements are recognized at amortized cost according to the effective interest rate method. Interest related to repurchase operations is recorded in investment income in the consolidated statement of income. Securities sold for repurchase are not derecognized, given that the Company retains the related risks and rewards.

Recognition of investment income

Interest income and amortization of discounts and premiums are calculated using the effective interest rate method.

Dividend income and distributed income are recognized when the right to receive payment is established.

Investments fair value

Cash and cash equivalents

Due to their short-term maturities, the carrying value of bank account balances represents their fair value.

Money market securities are measured at bid prices observed in active markets.

Interest-bearing deposits

The fair value of fixed-rate deposits is determined by discounting expected cash flows at current interest rates available on the market for deposits with essentially the same period and takes into account estimated repayments that are expected to be made. The fair value of deposits with variable-rate features or whose maturity has not been determined is deemed to be equivalent to the cost.

Fund units and bonds

Fund units and bonds are measured at bid prices observed in active markets. If prices in active markets are not available, fair value is established by using a valuation technique that makes maximum use of inputs observed from the markets.

Loans

The fair value of loans is established by discounting expected cash flows at rates currently required by the market for this type of receivable and for a term equal to the term of the loan.

Fund units and shares and investment funds

Fair value is based on bid prices observed in active markets.

Other investments – Investments in limited partnerships

The fair value of investments in limited partnerships is based on the value published by the limited partnership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Investments fair value (cont'd)

Derivative financial instruments

Futures contracts are measured at bid prices observed in active markets. The fair value of derivative financial instruments bought or sold by private contract, the value of which is not observable from the market, is established by using a valuation technique that makes maximum use of inputs observed from the markets.

Deferred acquisition costs

Deferred acquisition costs include commissions, premium taxes and the costs related directly to premium acquisitions. Deferred acquisition costs are tested for recoverability at each year-end, comparing the amounts to unearned premiums after taking into account claims, related costs and investment income from premiums. Deferred acquisition costs are amortized according to the recognition in net income of earned premiums.

Non-consolidated structured entities

The Company has commitments to non-consolidated structured entities, via some of its bonds and its bond and equity fund units, created for the purpose of generating investment income. While it is entitled to receive a substantial portion of the returns generated due to the units held, these units do not provide authority over the relevant activities of these entities. Control over the entity is therefore not determined based on voting rights held. The maximum exposure to the risk of loss attributable to the Company's interests does not exceed the value of the investment in these non-consolidated structured entities.

Property under development

Investment property under development consists of portion of real estate properties under construction held for resale. These properties are valued at the lower of cost and net realizable value. Cost is determined according to the specific identification method, and net realizable value corresponds to the estimated disposal price of the property less estimated completion costs and disposal costs.

Investment property

Investment property held by the Company, real estate properties held either to earn rentals or for capital appreciation, are recognized at acquisition cost less impairment losses. The cost of property is depreciated by major component, using each component's estimated useful life and according to the straight-line method. Useful lives, residual values and the depreciation method are reviewed at the end of each year. The impact of any change in estimates is recorded prospectively.

The fair value of investment property is measured using a present value of expected cash flows method. The discount rate used is based on the market's expected rate of return, which is determined based on the type and geographical location of the property. Measurements are made on an annual basis by the Company's qualified personnel.

The profit or loss on the disposal or retirement of an investment property, which is the difference between proceeds on the asset's disposal and its carrying value, is recognized in profit or loss.

Based on the components, the useful lives used in calculating depreciation vary between 20 and 100 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Government grants

The Company receives government grants to build properties under development and investment properties. It recognizes the grants to reduce the carrying amount of these assets. The grants related to properties under development are recognized in income when the assets are sold and are presented to reduce gains. The grants related to investment properties are recognized in income in proportion to the depreciation of the assets, and presented to reduce the depreciation expense.

Foreclosed assets

Property acquired by foreclosure and held for resale are recorded at the lower of either the investment in the mortgage foreclosed or the estimated net proceeds from the disposal of the property. Gains and losses on resale of these properties are recorded in income in the period in which they arise.

Fixed assets

Fixed assets are recognized at acquisition cost less impairment losses. The cost of these fixed assets is depreciated by major component, using each component's estimated useful life and according to the straight-line method except for lands, which are not depreciated. Useful lives, residual values and the depreciation method are reviewed at the end of each year. The impact of any change in estimates is recorded prospectively.

The profit or loss on the disposal or retirement of a fixed asset, which is the difference between proceeds on the asset's disposal and its carrying value, is recognized in profit or loss.

Depreciation is calculated using the following useful lives:

Buildings	20 to 100 years
IT equipment	5 years
Office furniture and equipment	10 years
Leasehold improvements	10 years or leases term
Right-of-use assets	Lease term

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately include application software acquired separately and are recorded at acquisition cost less impairment losses.

Intangible assets resulting from business combinations

Intangible assets resulting from business combinations include finite life intangible assets, i.e., a portfolio of in-force policies, application software acquired separately, distribution networks, and other items as well as an indefinite life intangible asset, i.e., a trademark. These intangible assets are initially recognized at their fair value at the date of the business combination.

Subsequent to initial recognition, intangible assets resulting from business combinations are recognized at cost less impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Intangible assets (cont'd)

Internally developed intangible assets

Internally developed intangible assets include internally developed application software and meet the criteria for recognition.

The amount initially recognized as an internally developed intangible asset is equal to the sum of expenses incurred from the date that the asset first met the recognition criteria. When no internally developed intangible asset can be recognized, development expenses are charged to income in the year in which they were incurred.

Following their initial recognition, internally developed intangible assets are recognized at cost less impairment losses.

Amortization periods and method

Intangible asset with indefinite life is not amortized but is tested annually for impairment.

Intangible assets with finite lives are amortized on a straight-line basis over the following expected useful lives:

Application software acquired separately	5 to 10 years
Internally developed application software	5 to 10 years
Portfolio of in-force policies	27 years
Distribution networks and other	5 to 20 years

Useful lives and the amortization method of intangible assets are reviewed at the end of each year, and the impact of any change in estimates is recognized prospectively.

Impairment of investment property, fixed assets and intangible assets with finite useful lives

At each reporting date, the Company reviews the carrying values of investment property, fixed assets and intangible assets to determine whether there is any evidence that these assets are impaired. If such evidence exists, an estimate is made of the recoverable amount of the asset to determine the amount of the impairment loss.

If the estimated recoverable value of an asset is less than its carrying value, the asset's carrying value is reduced to its recoverable value. An impairment loss is immediately recognized in profit or loss.

If an impairment loss is subsequently reversed, the carrying value of the asset is increased to the revised estimate of its recoverable value up to a maximum of its amortized cost. The reversal of impairment is immediately recognized in profit or loss.

At each year-end date, intangible assets with finite useful lives not yet available for use are subject to an annual impairment test. For purposes of the impairment test, if the estimated recoverable value of an asset is less than its carrying value, the asset's carrying value is reduced to its recoverable value. An impairment loss is immediately recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Goodwill and intangible asset with indefinite useful life

Goodwill represents the excess of the fair value of the transferred consideration over the identifiable assets acquired and liabilities assumed and is deemed to have an indefinite useful life. An intangible asset with an indefinite useful life is classified as such when the Company determines that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Goodwill and intangible asset with indefinite useful life are not amortized but are tested for impairment at least annually.

For purposes of the impairment test, goodwill and intangible asset with indefinite useful life are allocated to cash-generating units ("CGU"), which are the smallest groups of assets for which the identifiable cash inflows are independent.

Within each CGU, net carrying value is compared with the recoverable amount. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use corresponding to estimated discounted future cash flows. The recoverable amount is measured based on management's judgments and assumptions. Impairment losses related to the CGU are recognized in profit or loss and applied against the carrying value of the goodwill and intangible assets with indefinite useful lives allocated to the CGU. No impairment loss reversal is allowed on goodwill. If an impairment loss is subsequently reversed in respect of intangible assets with indefinite useful lives, the carrying value of the asset is increased to the revised estimate of its recoverable value up to a maximum of its amortized cost. The reversal of impairment is immediately recognized in profit or loss.

Segregated fund investments

Segregated fund investments are the accumulated net assets of the segregated funds, including inter-fund eliminations. They include bonds, shares, investment fund units and other assets and liabilities, including derivative financial instruments.

The investments are designated at fair value through profit or loss since they are managed and valued on a fair value basis in accordance with the investment strategy approved by Management.

Other assets and liabilities are classified as loans and receivables and other liabilities at amortized cost, respectively, and are recognized at amortized cost except for derivative financial instruments, which are held for trading and recognized at their fair value.

Employee retirement benefits

The Company offers its employees pension plans and other retirement benefits such as severance pay and life and health insurance coverage. The cost of pensions and other retirement benefits earned by employees is actuarially determined according to the projected benefit method prorated on services and Management's best estimate of salary increases, retirement ages of employees and expected health care costs. Actuarial gains or losses are recorded immediately in other comprehensive income (loss). The cost of past services is included in the statement of income when a modification arises. The plans' assets are carried at fair values and are held in separate trustee pension funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

Income taxes

The income tax expense includes current and deferred taxes. It is recognized in profit or loss, except for income tax on items included under other comprehensive income (loss) or equity. In these specific cases, the income tax expense is recognized in other comprehensive income (loss) and equity, respectively.

Income taxes receivable and payable are obligations to or claims by tax authorities for prior years or the current year that have not been received or paid at the end of the year. Current income taxes are calculated based on taxable income, which is different from net income. The calculation is made based on the tax rates and laws in force at the end of the year.

The Company recognizes income taxes using the deferred tax asset and liability method. According to this method, deferred tax assets and liabilities are determined based on the difference between the carrying value and the taxable value of the assets and liabilities. Any change in the net amount of deferred assets and liabilities is posted to income and accumulated other comprehensive income (loss). Deferred tax assets and liabilities are determined based on currently applicable or applied tax rates and laws which, to the extent that can be predicted, will apply to the taxable income in the periods in which the assets and liabilities will be recovered or paid. Deferred tax assets are recognized when it is probable that they will be realized.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities relating to the same legal entity and levied by the same taxation authority and if the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Operating leases - Lessor

Leases under which the Company is acting as the lessor and that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases. Revenues from operating leases are recognized on a straight-line basis over the lease term and are reported as revenue on property. Future rents under operating leases are presented in the note on leases (Note 26).

The Company changed the presentation of its property revenue and expenses in 2019 to eliminate related party rental revenue and expenses. Moreover, certain property expenses were also reclassified as selling and administrative expenses on the consolidated statement of income so that expenses relating to the portion of property for the Company's own use are reported as selling and administrative expenses. The previous year's comparative figures have been adjusted to reflect this new presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

3. Changes in Accounting Policies

Application of new accounting standards

Leases

In January 2016, the IASB issued IFRS 16, "Leases", which replaced IAS 17, "Leases". This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard applies retrospectively to periods beginning on or after January 1, 2019.

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognizes the lease payments as selling and administrative expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not made at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate. The lease liability is presented in a note under other liabilities in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation period used corresponds to the lease period. Depreciation starts at the commencement date of the lease. The right-of-use asset is presented in a note under fixed assets in the consolidated statement of financial position.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs. They are included in selling and administrative expenses in the consolidated statement of income.

Given that IFRS 16 replaces straight-line recognition for operating leases with a depreciation charge for right-of-use assets and an interest expense on lease liabilities, the nature of these lease costs changes. The Company applied the modified retrospective method and recognized the cumulative effect of the adoption of IFRS 16 as an opening adjustment to equity as at January 1, 2019 without restating the comparative figures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

3. Changes in Accounting Policies (cont'd)

Application of new accounting standards (cont'd)

Leases (cont'd)

The following table summarizes the impacts on the Company's consolidated financial statements resulting from the adoption of this standard on January 1, 2019.

	December 31, 2018	Impacts of IFRS 16	**January 1, 2019 with the adoption of IFRS 16**
	$	$	**$**
Fixed assets			
Right-of-use assets (Note 10)	—	16.0	**16.0**
Deferred income tax assets	—	0.8	**0.8**
Other liabilities			
Lease liabilities (Note 16)	—	19.2	**19.2**
Equity			
Retained earnings	681.3	(2.4)	**678.9**

The difference between the discounted operating lease commitments as at December 31, 2018 and the lease liabilities recognized as at January 1, 2019 is attributable to contracts with a lease term of less than 12 months or leases of low-value assets as well as lease payments not included in the measurement of right-of-use assets and lease liabilities.

However, lessor accounting remains largely unchanged, and the distinction between operating and finance leases is retained. Refer to Note 2 "Significant Accounting Policies" for the accounting policy applied to leases in which the Company is the lessor.

Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23, "*Uncertainty over Income Tax Treatments*". This interpretation clarifies some issues regarding the application of IAS 12, "*Income Taxes*" regarding the recognition and measurement of uncertainty concerning income taxes. The provisions of this interpretation apply retrospectively for annual periods beginning on or after January 1, 2019. The changes in this standard will have no significant impact on the Company's consolidated financial statements. This new standard had no impact on the Company's consolidated financial statements.

Employee benefits

In February 2018, the IASB published amendments to IAS 19, "*Employee Benefits*" with regard to the plan amendments, curtailments or settlements. These amendments provide that, if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions that served as the basis for the remeasurement. The changes apply to plan amendments or curtailments that occur in fiscal periods beginning on or after January 1, 2019. The changes to this standard had no impact on the Company's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

3. Changes in Accounting Policies (cont'd)

Application of new accounting standards (cont'd)

Investments in associates and joint ventures

In October 2017, the IASB issued an amendment to IAS 28, "*Investments in Associates and Joint Ventures.*" This amendment clarifies the situation when a Company holds an interest accounted for using the equity method in addition to long-term interests that would be considered long-term net investments. More specifically, this amendment addresses the share of losses that must be absorbed by long-term interest. The provisions of this amendment apply retrospectively to periods beginning on or after January 1, 2019. The changes to this standard had no impact on the Company's consolidated financial statements.

Future accounting standards

Financial instruments

In July 2014, the IASB issued IFRS 9, "*Financial Instruments*" ("IFRS 9"), which replaces IAS 39, "*Financial Instruments: Recognition and Measurement*". IFRS 9:

- Establishes a new model for the classification and measurement of financial assets to determine whether an asset should be classified at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income. This is based on the entity's business model for managing its assets and the cash flow characteristics of these assets. The classification of debt instruments for which cash flows are solely payments of principal and interest ("SPPI") will be determined, on initial recognition, based on the business model for managing these financial assets, i.e., to collect contractual cash flows, to collect contractual cash flows and sell financial assets or to be held for trading;

- Proposes a new accounting model for recognizing expected credit losses rather than incurred losses, as required under the current impairment model. The Company will therefore be required to account for expected credit losses in cash flows;

- Changes recognition of financial liabilities measured using the fair value option;

- Also changes hedge accounting, whose objective is to present the impacts of risk management activities in the financial statement.

The Company is currently assessing the impact of this new standard on its consolidated financial statements. An amendment to IFRS 4, "*Insurance Contracts*" issued by the IASB on September 12, 2016 sets out measures giving companies whose business model is predominantly to issue insurance contracts the option to defer the effective date of IFRS 9 until January 1, 2021, which is the effective date of IFRS 17 "*Insurance Contracts*" ("IFRS 17"). In June 2019, the IASB issued an exposure draft entitled "Amendments to IFRS 17," which proposes to postpone the effective date of IFRS 17 until January 1, 2022, which also serves to postpone the exemption from adopting IFRS 9 until this date. The Company is eligible for this postponement since the percentage of the total carrying value of insurance-related liabilities versus the total carrying amount of all liabilities was greater than 90% at the time of the temporary exemption as at December 31, 2015. The Company expects to avail itself of the postponement for as long as permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements. Regarding financial assets that are classified as loans and receivables or as available for sale, an amount of $302.0 as at December 31, 2019 (2018 — $251.9) does not meet the test for contractual cash flow characteristics as per IFRS 9. Moreover, the Company plans to use the low credit risk exemption in calculating the expected credit losses in respect of the bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

3. Changes in Accounting Policies (cont'd)

Future accounting standards (cont'd)

Insurance contracts

In May 2017, the IASB issued IFRS 17, "*Insurance Contracts*" ("IFRS 17"), which replaces IFRS 4, "*Insurance Contracts*". IFRS 17 establishes the principles for the recognition, measurement and presentation of insurance contracts. The standard establishes a general recognition model, which applies to all insurance and reinsurance contracts. It also proposes a variable fee approach for insurance contracts that meet certain criteria. Finally, the standard allows for a simplified approach for insurance and reinsurance contracts that meet certain criteria. IFRS 17 will come into effect on January 1, 2021. In June 2019, the IASB issued an exposure draft entitled "Amendments to IFRS 17," which proposes to postpone the effective date of IFRS 17 until January 1, 2022. The provisions of this standard will apply retrospectively as of this date. In cases were retrospective application is impracticable, the standard proposes alternative methods. The Company is currently assessing the impact that this new standard will have on its consolidated financial statements, in particular the presentation, disclosure and valuation of insurance and reinsurance contracts.

Conceptual framework for financial reporting

In March 2018, the IASB issued an overhaul of the Conceptual Framework for Financial Reporting. This conceptual framework helps entities to develop their accounting policies when no IFRS apply in particular circumstances. A new section was issued on measurement. Guidance for reporting financial performance and improved definitions for assets and liabilities have also been included. The provisions will apply prospectively to financial statements for periods beginning on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this amendment on its consolidated financial statements.

Business combinations

In October 2018, the IASB issued an amendment to IFRS 3, "*Business Combinations,*" entitled "Definition of a Business." This amendment clarifies the definition of a business to determine whether a transaction is a business combination or an acquisition of assets. The provisions of this standard will apply to transactions for which the acquisition date is on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this new standard on its consolidated financial statements.

Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued an amendment to IAS 1, "*Presentation of Financial Statements," and* IAS 8, "*Accounting Policies, Changes in Accounting Estimates and Errors.*" The amendment clarifies the definition of material in IAS 1, provides explanations regarding this definition and aligns the definitions used in the various IFRS. The provisions of this amendment will apply prospectively to financial statements for periods beginning on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this amendment on its consolidated financial statements.

Financial instruments related to the interbank offered rate reform

In September 2019, the IASB issued an amendment to IFRS 9, "*Financial Instruments,*" IAS 39, "*Financial Instruments: Recognition and Measurement*" and IFRS 7, "*Financial Instruments: Disclosures.*" This amendment is an initial response to the potential impact of the interbank offered rate reform on financial reporting. The amendment includes some temporary exceptions for applying certain provisions of IFRS 9 and IAS 39 for hedge accounting. Interest rate risk hedging relationships impacted by the interbank rate reform must also be simplified. The provisions will apply retrospectively to financial statements for fiscal periods beginning on or after January 1, 2020. Early application is permitted. The Company is evaluating the impact of this amendment on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

4. Investments

a) Carrying value and fair value of general fund investments

	At fair value through profit or loss						2019
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Other	Total	Fair value[1]
	$	$	$	$	$	$	$
Fund units and bonds							
Canada, Quebec and other provinces	—	1,412.5	247.8	—	—	1,660.3	
Municipal and subsidized	—	466.3	122.3	—	—	588.6	
Canadian corporations	—	906.4	257.9	—	—	1,164.3	
U.S. corporations	—	50.3	0.5	—	—	50.8	
	—	2,835.5	628.5	—	—	3,464.0	3,464.0
Loans							
Residential mortgages	—	—	—	409.3	—	409.3	
Non-residential mortgages	—	—	—	26.0	—	26.0	
Other	—	—	—	334.8	—	334.8	
	—	—	—	770.1	—	770.1	769.5
Fund units and shares							
Canada	—	95.9	77.3	—	—	173.2	
U.S.	—	47.8	76.6	—	—	124.4	
International	—	9.3	21.1	—	—	30.4	
Emerging markets	—	0.1	18.8	—	—	18.9	
Preferred shares	—	73.7	108.2	—	—	181.9	
	—	226.8	302.0	—	—	528.8	528.8
Cash and cash equivalents	3.7	—	—	336.3	—	340.0	340.0
Interest-bearing deposits	26.7	—	—	—	—	26.7	26.7
Other investments							
Investment in an associate	—	—	—	—	5.5	5.5	
Investment in a joint venture	—	—	—	—	1.9	1.9	
Investments in limited partnerships	—	—	5.5	—	—	5.5	5.5
	—	—	5.5	—	7.4	12.9	5.5
Derivative financial instruments	37.1	—	—	—	—	37.1	37.1
	67.5	3,062.3	936.0	1,106.4	7.4	5,179.6	5,171.6

[1] *Refer to Note 5 "Fair value of assets and liabilities" for details on the fair value hierarchy levels.*

As at December 31, 2019, the carrying values of loaned securities and repurchased securities of the Company presented in investments were $420.7 (2018 — $329.8) and $195.7 (2018 — $189.6), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

4. Investments (cont'd)

a) Carrying value and fair value of general fund investments (cont'd)

	At fair value through profit or loss						2018
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Other	Total	Fair value
	$	$	$	$	$	$	$
Fund units and bonds							
Canada, Quebec and other provinces	—	1,319.2	202.1	—	—	1,521.3	
Municipal and subsidized	—	485.7	144.0	—	—	629.7	
Canadian corporations	—	819.1	276.8	—	—	1,095.9	
U.S. corporations	—	31.2	—	—	—	31.2	
	—	2,655.2	622.9	—	—	3,278.1	3,278.1
Loans							
Residential mortgages	—	—	—	387.2	—	387.2	
Non-residential mortgages	—	—	—	17.9	—	17.9	
Other	—	—	—	288.3	—	288.3	
	—	—	—	693.4	—	693.4	685.6
Fund units and shares							
Canada	—	74.8	60.6	—	—	135.4	
U.S.	—	39.0	64.7	—	—	103.7	
International	—	6.2	16.7	—	—	22.9	
Emerging markets	—	0.1	16.2	—	—	16.3	
Preferred shares	—	32.3	93.7	—	—	126.0	
	—	152.4	251.9	—	—	404.3	404.3
Cash and cash equivalents	9.7	—	—	238.9	—	248.6	248.6
Interest-bearing deposits	19.6	—	—	—	—	19.6	19.6
Other investments							
Investment in a joint venture	—	—	—	—	1.1	1.1	
Investments in limited partnerships	—	—	4,8	—	—	4.8	4.8
	—	—	4.8	—	1.1	5.9	4.8
Derivative financial instruments	23.9	—	—	—	—	23.9	23.9
	53.2	2,807.6	879.6	932.3	1.1	4,673.8	4,664.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

4. Investments (cont'd)

a) Carrying value and fair value of general fund investments (cont'd)

Other investments – Investment in a joint venture

The Company holds a 32.3% (2018 – 32.3%) interest in Fonds d'aide à la rénovation de l'habitation communautaire, S.E.C., a joint venture whose principal place of business is in Montreal. This joint venture, whose year-end is December 31, manages an investment fund whose objective is to finance the renovation of multiple unit residential buildings owned by housing cooperatives and non-profit organizations through loans.

The Company's estimated net assets in the joint venture are as follows:

	2019	2018
	$	$
Net assets	1.9	1.0

Derivative financial instruments

The following tables detail the notional principal amounts and remaining terms to expiration and the fair value of the Company's derivative financial instruments:

						2019
	Notional				Fair value	
	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
	$	$	$	$	$	$
Foreign exchange contracts	96.4	—	—	96.4	2.2	—
Stock index contracts	71.5	—	—	71.5	—	(0.7)
Bond futures	20.5	—	—	20.5	0.8	—
Interest rate swaps	95.0	293.0	461.8	849.8	34.1	(11.3)
Currency swaps	—	—	35.6	35.6	—	(10.1)
	283.4	293.0	497.4	1,073.8	37.1	(22.1)

						2018
	Notional				Fair value	
	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
	$	$	$	$	$	$
Foreign exchange contracts	97.1	—	—	97.1	—	(2.3)
Stock index contracts	88.6	—	—	88.6	0.9	—
Bond futures	10.5	—	—	10.5	—	(0.2)
Interest rate swaps	32.3	328.0	379.5	739.8	23.0	(9.6)
Currency swaps	—	—	26.9	19.7	—	(7.8)
	228.5	328.0	406.4	955.7	23.9	(19.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

4. Investments (cont'd)

b) General fund investment income

						2019
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Other	Total
	$	$	$	$	$	$
Fund units and bonds						
Interest	—	88.2	18.4	—	—	106.6
Realized gains (losses)	—	—	10.5	—	—	10.5
Change in fair value	—	199.8	—	—	—	199.8
Loans						
Interest	—	—	—	23.1	—	23.1
Change in allowance for investment losses	—	—	—	1.9	—	1.9
Fund units and shares						
Dividends	—	2.3	7.2	—	—	9.5
Distributed income	—	5.2	7.4	—	—	12.6
Realized gains	—	—	5.3	—	—	5.3
Change in fair value [1]	—	21.2	(2.5)	—	—	18.7
Cash and cash equivalents						
Interest	0.1	—	—	6.0	—	6.1
Interest-bearing deposits						
Interest	0.5	—	—	—	—	0.5
Derivative financial instruments						
Interest	2.3	—	—	—	—	2.3
Change in fair value [2]	(3.1)	—	—	—	—	(3.1)
Other investments						
Distributed income	—	—	0.1	—	—	0.1
Interest	—	—	—	—	0.1	0.1
	(0.2)	316.7	46.4	31.0	0.1	394.0

[1] *The change in fair value for fund units and shares classified as available for sale results from gains on U.S. fund units recognized in net income in connection with fair value hedging related to the currency.*

[2] *Includes a gain of $2.4 (2018 – $3.3 loss) relating to foreign exchange contracts used as hedging instruments.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

4. Investments (cont'd)

b) General fund investment income (cont'd)

					2018
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Total
	$	$	$	$	$
Fund units and bonds					
Interest	—	86.0	14.3	—	100.3
Realized gains (losses)	—	—	(1.4)	—	(1.4)
Change in fair value	—	(59.5)	—	—	(59.5)
Loans					
Interest	—	—	—	20.9	20.9
Change in allowance for investment losses	—	—	—	(0.4)	(0.4)
Fund units and shares					
Dividends	—	1.5	3.9	—	5.4
Distributed income	—	4.7	5.7	—	10.4
Realized gains	—	—	4.3	—	4.3
Change in fair value	—	(9.3)	3.2	—	(6.1)
Investment fund					
Dividends	2.5	—	—	—	2.5
Cash and cash equivalents					
Interest	0.5	—	—	4.1	4.6
Interest-bearing deposits					
Interest	0.4	—	—	—	0.4
Derivative financial instruments					
Interest	2.1	—	—	—	2.1
Change in fair value	(7.4)	—	—	—	(7.4)
	(1.9)	23.4	30.0	24.6	76.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

5. Fair Value of Assets and Liabilities

Assets and liabilities recorded at fair value in the consolidated statements of financial position or whose fair values are disclosed in the notes to the consolidated financial statements are classified according to a hierarchy that reflects the importance of the inputs used to determine their valuation:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – A valuation based on inputs observable in markets for the asset or liability, obtained either directly or indirectly;
- Level 3 – A valuation based on inputs other than inputs observable in markets for the asset or liability.

The following tables show the classification of financial assets and liabilities recorded at fair value based on the fair value hierarchy:

				2019
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets at fair value through profit or loss				
Fund units and bonds				
Canada, Quebec and other provinces	6.7	1,405.8	—	1,412.5
Municipal and subsidized	0.2	466.1	—	466.3
Canadian corporations	2.8	903.6	—	906.4
U.S. corporations	—	50.3	—	50.3
Fund units and shares				
Canada	95.9	—	—	95.9
U.S.	47.8	—	—	47.8
International	9.3	—	—	9.3
Emerging markets	0.1	—	—	0.1
Preferred shares	73.7	—	—	73.7
Cash and cash equivalents	—	3.7	—	3.7
Interest-bearing deposits	—	26.7	—	26.7
Derivative financial instruments	0.7	36.4	—	37.1
	237.2	2,892.6	—	3,129.8
Available-for-sale financial assets				
Fund units and bonds				
Canada, Quebec and other provinces	—	247.8	—	247.8
Municipal and subsidized	—	122.3	—	122.3
Canadian corporations	—	257.9	—	257.9
U.S. corporations	—	0.5	—	0.5
Fund units and shares				
Canada	77.3	—	—	77.3
U.S.	76.6	—	—	76.6
International	21.1	—	—	21.1
Emerging markets	18.8	—	—	18.8
Preferred shares	108.2	—	—	108.2
Other investments				
Investments in limited partnerships	—	—	5.5	5.5
	302.0	628.5	5.5	936.0
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	0.7	21.4	—	22.1
General fund investment contracts	22.2	—	—	22.2
	22.9	21.4	—	44.3

The determination of the fair value hierarchy levels is performed at the end of each financial year. During the years ended December 31, 2019 and 2018, there were no transfers of financial assets between levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

5. Fair Value of Assets and Liabilities (cont'd)

				2018
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets at fair value through profit or loss				
Fund units and bonds				
Canada, Quebec and other provinces	6.8	1,312.4	—	1,319.2
Municipal and subsidized	0.2	485.5	—	485.7
Canadian corporations	2.7	816.4	—	819.1
U.S. corporations	—	31.2	—	31.2
Fund units and shares				
Canada	74.8	—	—	74.8
U.S.	39.0	—	—	39.0
International	6.2	—	—	6.2
Emerging markets	0.1	—	—	0.1
Preferred shares	32.3	—	—	32.3
Cash and cash equivalents	—	9.7	—	9.7
Interest-bearing deposits	—	19.6	—	19.6
Derivative financial instruments	0.9	23.0	—	23.9
	163.0	2,697.8	—	2,860.8
Available-for-sale financial assets				
Fund units and bonds				
Canada, Quebec and other provinces	—	202.1	—	202.1
Municipal and subsidized	—	144.0	—	144.0
Canadian corporations	—	276.8	—	276.8
Fund units and shares				
Canada	60.6	—	—	60.6
U.S.	64.7	—	—	64.7
International	16.7	—	—	16.7
Emerging markets	16.2	—	—	16.2
Preferred shares	93.7	—	—	93.7
Other investments				
Investments in limited partnerships	—	—	4.8	4.8
	251.9	622.9	4.8	879.6
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	1.0	18.9	—	19.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

5. Fair Value of Assets and Liabilities (cont'd)

The following tables present the classification of financial assets and liabilities whose fair values are disclosed in the notes to the consolidated financial statements based on the fair value hierarchy:

				2019
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Loans	**—**	**—**	**769.5**	**769.5**
Investment property	**—**	**—**	**72.7**	**72.7**
Liabilities				
Subordinated debt	**—**	**170.9**	**—**	**170.9**

				2018
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Loans	—	—	685.6	685.6
Investment property	—	—	60.0	60.0
Liabilities				
Subordinated debt	—	160.7	—	160.7

Fair value measurement of assets classified in Level 3

Where investments in limited partnerships measured at fair value and classified in Level 3 are concerned, the Company put in place procedures to ensure that the fair value measurement of these assets is reliable.

The technique for measuring the fair value of these investments is described in Note 2. It makes it possible to identify and analyze various quantitative and qualitative information, available since the acquisition, which could have an impact on the investments' fair value measurement. It uses unobservable inputs corresponding to the value published by the limited partnership.

Changes in assets measured at fair value and classified in Level 3 – Investments in limited partnerships classified as available for sale

	2019	2018
	$	$
Fair value, beginning of year	**4.8**	—
Acquisition	**0.3**	4.8
Unrealized gains in other comprehensive income	**0.4**	—
Fair value, end of year	**5.5**	4.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

6. Financial Instruments Risk Management

The Company has adopted control policies and procedures to manage risks related to financial instruments. An investment policy was approved by the Board of Directors to provide a framework for making investment decisions. The control procedures arising from this policy ensure sound management of investment risks.

Segregated funds are excluded from the financial instruments risk management analysis since the policyholders assume the risks and benefit from the rewards of the segregated fund contracts.

Risks related to financial instruments are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a debtor fails to honour its obligations. The Company is exposed to this type of risk through its investment portfolios and, in particular, through credit extended as loans, with the exception of investment in an associate, joint venture arrangements and limited partnerships. The Company is also exposed to credit risk with regard to outstanding premiums, amounts receivable from reinsurers and other assets. Securities lending operations also expose the Company to credit risk. It manages credit risk by applying the following control procedures:

- utilization guidelines that set minimum and maximum limits are established for each class of investment to meet the specific needs of each business sector;

- the guidelines allocate bonds among various quality Canadian issuers with credit ratings from recognized sources of BBB or higher at trade date;

- an overall limit is established for each credit rating quality level;

- an overall limit is also established for investments of a related issuer or group of issuers to mitigate concentration risk;

- a detailed mortgage loan policy specifies the requirements for guarantees and credit;

- loans to insureds, included in other loans, correspond to the unpaid capital balances of policy loans and are fully secured by the cash surrender value of the insurance contracts on which the respective loans are made;

- the Investment Committee of the Board of Directors carries out regular reviews of the investment portfolio and its transactions;

- the Company enters into reinsurance agreements with certified and non-certified reinsurers that have undergone an independent financial analysis. In addition, no non-traditional reinsurance agreements are entered into;

- for securities lending operations, credit risk is considered to be minimal since the value of the assets held as collateral by the Company represents at least 102% of the fair value of the securities loaned.

Exposure to credit risk is mainly mitigated by the minimum quality levels for bond issuers imposed by the investment policy, the consideration payable for futures contracts and the monitoring of the reinsurance process. In addition, the Company's cash is invested with Canadian chartered banks and recognized financial institutions with superior credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

6. Financial Instruments Risk Management (cont'd)

Credit risk (cont'd)

Maximum exposure to credit risk

	2019	2018
	$	$
Fund units and bonds	**3,464.0**	3,278.1
Loans	**770.1**	693.4
Preferred shares	**181.9**	126.0
Cash ans cash equivalents	**340.0**	248.6
Interest-bearing deposits	**26.7**	19.6
Derivative financial instruments	**37.1**	23.9
Outstanding premiums	**166.9**	172.4
Ceded reinsurance assets	**2,165.2**	1,888.5
Other assets (Note 8)		
Other receivables	**42.0**	37.7
Investment income due and accrued	**21.1**	20.0
	7,215.0	6,508,2

Bond portfolio quality

	2019		2018	
Fund units and bonds	**$**	**%**	$	%
Canada, Quebec and other provinces	**1,660.3**	**47.9**	1,521.3	46.4
Municipal and subsidized	**588.6**	**17.0**	629.7	19.2
Canadian corporations, per credit rating				
AAA	**53.8**	**1.6**	26.3	0.8
AA	**132.1**	**3.8**	157.0	4.8
A	**627.0**	**18.1**	637.2	19.5
BBB	**351.4**	**10.1**	275.4	8.4
U.S. corporations				
AAA	**12.4**	**0.4**	11.3	0.3
AA	**38.4**	**1.1**	19.9	0.6
	3,464.0	**100.0**	3,278.1	100.0

Loan portfolio quality

	2019	2018
	$	$
Insured loans	**560.9**	505.5
Conventional loans	**209.2**	187.9
	770.1	693.4

As at December 31, 2019, the current portion of bonds and loans amount to $195.6 (2018 — $311.4) and to $193.8 (2018 — $152.9) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

6. Financial Instruments Risk Management (cont'd)

Credit risk (cont'd)

Allowance for investment losses

The allowance for investment losses is established based on the Company's assessment of its financial assets, considering all objective evidence of impairment. Such evidence stems from the financial difficulties of the issuer or from defaults on principal or interest payments. Obligations towards insureds also include an allowance to cover any potential loss on loans and investments in debt securities.

The Company maintains an allowance for credit losses relating to the carrying value of its loans. A loss provision is established when the Company entertains doubt regarding the full recovery of the principal or interest on a loan. For allowance purposes, estimated realizable loan value takes into account recovery forecasts, guarantee valuations and market conditions.

The following table summarizes impaired loans and allowances for investment losses:

	2019		2018	
	Impaired loans	**Allowance for investment losses**	Impaired loans	Allowance for investment losses
	$	**$**	$	$
Other loans	**0.9**	**0.4**	28.0	2.3

Past due financial assets

A financial asset is deemed past due when the counterparty has failed to make a payment when contractually due. A financial asset that is past due is subject to a provision for loss to adjust its accounting value in relation to its estimated net realizable value when the Company doubts its recovery. As at December 31, 2019, the Company has financial assets past due before allowance for doubtful accounts receivable for $6.7 (2018 — $4.3). The allowance for losses amounted to $0.5 as at December 31, 2019 (2018 — $0.4).

Liquidity risk

Liquidity risk refers to the risk that the Company might experience cash flow difficulties arising from its obligations and financial liabilities. The Company manages liquidity risk by applying the following control procedures:

- the Company manages its liquidities by matching cash flows from its operations and investments to those required to meet its obligations and to meet the needs of the different business sectors;

- its cash position is analyzed on short and medium term horizons to meet the needs of the different business sectors;

- the Company ensures that an appropriate proportion of its investments is held in readily negotiable securities so it can meet any immediate liquidity needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

6. Financial Instruments Risk Management (cont'd)

Liquidity risk (cont'd)

The following tables present contractual maturities of financial liabilities and unsettled claims of the liabilities related to the Company's property and casualty insurance contracts.

					2019
	Payable on demand	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Unpaid claims and stabilization funds (Note 13)	**1.1**	**41.6**	**2.5**	**—**	**45.2**
Accounts payable	**—**	**148.1**	**—**	**—**	**148.1**
Subordinated debt (Note 15)	**—**	**6.3**	**95.2**	**125.0**	**226.5**
Other liabilities (Note 16)					
Lease liabilities	**—**	**2.5**	**7.4**	**15.9**	**25.8**
Other [1]	**—**	**200.0**	**11.9**	**77.8**	**289.7**
Loan commitments (Note 25)	**—**	**55.0**	**5.0**	**—**	**60.0**
	1.1	**453.5**	**122.0**	**218.7**	**795.3**

[1] *Includes an amount of $78.5 (2018 – $58.2) corresponding to contractual cash outflows on derivative financial instruments with gross settlement. These cash outflows are backed by expected inflows of $67.6 (2018 – $46.5) not reported above.*

					2018
	Payable on demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$	$
Unpaid claims and stabilization funds (Note 13)	0.9	36.6	3.5	—	41.0
Accounts payable	—	148.9	—	—	148.9
Subordinated debt (Note 15)	—	—	7.7	228.7	236.4
Other liabilities (Note 16)	—	194.7	8.4	60.5	263.6
	0.9	380.2	19.6	289.2	689.9

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to market factors. Market risk includes three types of risk: interest rate risk, market price risk and currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

6. Financial Instruments Risk Management (cont'd)

Market risk (cont'd)

a) Interest rate risk

The Company matches its assets with liabilities from obligations in each of its business sectors. Interest rate risk exists when interest rates fluctuate due to widening spreads in matching expected cash flows between assets and liabilities.

In managing interest rate risk, the Company focuses on matching expected cash flows of assets and liabilities in selecting the investments backing its obligations. It uses different measures and performs sensitivity analyses to evaluate the spreads between the cash flows generated by investments held and those required to meet obligations according to various future interest rate scenarios. The Company's investment policy sets maximum spread limits for those measures as applied to assets and liabilities. This information is disclosed to the Investment Committee on a quarterly basis.

The results of the interest rate sensitivity analyses also serve to establish the amounts to be included in the valuation of obligations towards insureds for interest rate risk. A change of 1% in the interest rate curve would have an impact of $9.8 on net income of 2019 (2018 — $3.3).

For its available-for-sale financial assets not matched to obligations towards insured, the Company believes that a 1% increase in the interest rate curve would result in a decrease of $34.8 (2018 — $28.2) in other comprehensive income (loss).

b) Market price risk

The Company is exposed to market price risk through its available-for-sale fund units and shares. The investment policy puts restrictions on equity investments and fund units and sets out their limits.

Changes in the fair value of these investments are recognized in comprehensive income (loss). A sudden 10% decrease in the value of such investments would result in an estimated decrease of $22.2 (2018 — $18.5) in other comprehensive income (loss).

The Company is also exposed to market price risk in respect of fees it receives for managing investment funds and charges resulting from the capital guarantee offered on segregated funds. A sudden 10% decrease in securities markets would result in an estimated decrease of $3.0 (2018 — $5.0) on net income.

c) Currency risk

Currency risk exists when transactions in currencies other than the Canadian dollar are affected by unfavourable exchange rate changes.

The Company uses derivative financial instruments to hedge, in whole or in part, the currency risk related to financial instruments denominated in foreign currencies.

Thus, a 10% adverse change in the exchange rate would have a net negative impact of $4.3 on the Company's other comprehensive income (loss) as at December 31, 2019 (2018 — $3.6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

7. Right of Offset, Collateral Held and Transferred

The Company negotiates financial instruments in accordance with the Credit Support Annex ("CSA") of the International Swaps and Derivative Association's ("ISDA") Master Agreement and in accordance with the Supplemental Terms and Conditions Annex of the Global Master Repurchase Agreement ("GMRA"). These agreements require guarantees by the counterparty or by the Company. The amount of assets received/pledged is based on changes in fair value of financial instruments. Under those agreements, the Company has the right to offset in the event of default, insolvency, bankruptcy or other early termination. The Company does not offset financial instruments in the consolidated statement of financial position due to conditional rights. The following tables present the impact of conditional compensation and that of other similar agreements, namely the GMRA and the CSA.

				2019
	Financial instruments presented in the consolidated statement of financial position	**Amount covered by an enforceable offsetting framework agreement**	**Financial collateral received or pledged [1]**	**Net amount**
	$	**$**	**$**	**$**
Financial assets				
Derivative financial instruments [2] (Note 4)	**38.7**	**13.6**	**25.1**	**—**
Financial liabilities				
Derivative financial instruments [3] (Note 16)	**22.6**	**13.6**	**9.0**	**—**
Commitments under repurchase agreements (Note 16)	**195.7**	**—**	**193.9**	**1.8**
Total financial liabilities	**218.3**	**13.6**	**202.9**	**1.8**

[1] *Financial collateral received/pledged exclude initial margin on derivative financial instruments settled in an organized market and oversizing. These are not offset in the consolidated statement of financial position.*

[2] *Financial assets in the table above include accrued interest of $1.6 (2018 — $1.5).*

[3] *Financial liabilities in the table above include accrued interest of $0.5 (2018 — $0.6).*

				2018
	Financial instruments presented in the consolidated statement of financial position	Amount covered by an enforceable offsetting framework agreement	Financial collateral received or pledged [1]	Net amount
	$	$	$	$
Financial assets				
Derivative financial instruments [2] (Note 4)	25.4	7.1	18.1	0.2
Financial liabilities				
Derivative financial instruments [3] (Note 16)	20.5	7.1	12.1	1.3
Commitments under repurchase agreements (Note 16)	189.6	—	189.6	—
Total financial liabilities	210.1	7.1	201.7	1.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

8. Other Assets

	2019	2018
	$	$
Prepaid expenses	32.5	59.2
Deferred acquisition costs (Note 13)	46.8	38.6
Other receivables	42.0	37.7
Investment income due and accrued	21.1	20.0
Employee retirement benefits (Note 20)	—	1.3
	142.4	156.8

9. Investment Property

	2019	2018
	$	$
Cost		
Balance, beginning of year	55.6	49.7
Additions	12.8	5.9
Balance, end of year	68.4	55.6
Accumulated depreciation		
Balance, beginning of year	3.7	2.7
Depreciation expense	1.0	1.0
Balance, end of year	4.7	3.7
Carrying value, end of year	63.7	51.9
Fair value (Note 5)	72.7	60.0

As at December 31, 2019, revenue generated by investment property totals $8.1 (2018 – $5.6) while the related expenses amount to $8.2 (2018 – $8.5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

10. Fixed Assets

							2019
	Lands	Buildings[1]	IT equipment	Office furniture and equipments	Leasehold improvements	Right-of-use assets[2]	Total
	$	$	$	$	$	$	$
Cost							
Balance, beginning of year	19.6	161.3	29.5	17.8	19.5	—	247.7
Adoption IFRS 16 (Note 3)	—	—	—	—	—	16.0	16.0
Additions	—	4.0	7.9	0.4	1.0	1.1	14.4
Disposals	—	—	(6.4)	(0.9)	(0.2)	(0.2)	(7.7)
Balance, end of year	19.6	165.3	31.0	17.3	20.3	16.9	270.4
Accumulated depreciation							
Balance, beginning of year	—	39.2	16.6	6.5	7.2	—	69.5
Disposals	—	—	(6.4)	(0.9)	(0.2)	(0.2)	(7.7)
Depreciation expense	—	3.3	5.1	1.7	1.6	1.8	13.5
Balance, end of year	—	42.5	15.3	7.3	8.6	1.6	75.3
Carrying value, end of year	19.6	122.8	15.7	10.0	11.7	15.3	195.1

[1] *As lessor, the Company leases the buildings under operating leases (Note 26).*

[2] *Right-of-use assets include two categories of underlying assets, namely automotive equipment and premises with carrying values of $1.3 and $14.0 respectively as at December 31, 2019 and a depreciation expense of $0.6 and $1.2 for the year ended December 31, 2019 (Note 3).*

						2018
	Lands	Buildings	IT equipment	Office furniture and equipments	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, beginning of year	19.6	158.3	29.5	16.2	17.5	241.1
Additions	—	3.0	6.0	2.2	2.2	13.4
Disposals	—	—	(6.0)	(0.6)	(0.2)	(6.8)
Balance, end of year	19.6	161.3	29.5	17.8	19.5	247.7
Accumulated depreciation						
Balance, beginning of year	—	36.0	17.9	5.4	5.9	65.2
Disposals	—	—	(6.0)	(0.6)	(0.2)	(6.8)
Depreciation expense	—	3.2	4.7	1.7	1.5	11.1
Balance, end of year	—	39.2	16.6	6.5	7.2	69.5
Carrying value, end of year	19.6	122.1	12.9	11.3	12.3	178.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

11. Intangible Assets and Goodwill

a) Intangible assets

						2019
	Indefinite useful life	**Finite useful life**				
	Trademark	**Application software acquired separately**	**Application software developed internally**	**Portfolio of in-force policies**	**Distribution networks and other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Balance, beginning of year	**1.7**	**79.5**	**42.0**	**75.9**	**30.0**	**229.1**
Additions	**—**	**—**	**24.7**	**—**	**0.7**	**25.4**
Disposals	**—**	**(11.9)**	**(2.5)**	**—**	**(0.2)**	**(14.6)**
Balance, end of year	**1.7**	**67.6**	**64.2**	**75.9**	**30.5**	**239.9**
Accumulated amortization						
Balance, beginning of year	**—**	**51.7**	**16.8**	**19.6**	**13.3**	**101.4**
Disposals	**—**	**(11.9)**	**(2.5)**	**—**	**(0.2)**	**(14.6)**
Amortization expense	**—**	**9.5**	**6.8**	**2.8**	**1.9**	**21.0**
Balance, end of year	**—**	**49.3**	**21.1**	**22.4**	**15.0**	**107.8**
Carrying value, end of year	**1.7**	**18.3**	**43.1**	**53.5**	**15.5**	**132.1**

Application software developed internally in the amount of $18.4 (2018 — $8.0) is not amortized since it is not ready for use.

						2018
	Indefinite useful life	Finite useful life				
	Trademark	Application software acquired separately	Application software developed internally	Portfolio of in-force policies	Distribution networks and other	Total
	$	$	$	$	$	$
Cost						
Balance, beginning of year	1.7	90.6	35.9	75.9	30.6	234.7
Additions	—	0.3	13.4	—	0.8	14.5
Disposals	—	(10.9)	(7.0)	—	(1.4)	(19.3)
Radiations	—	(0.5)	(0.3)	—	—	(0.8)
Balance, end of year	1.7	79.5	42.0	75.9	30.0	229.1
Accumulated amortization						
Balance, beginning of year	—	51.6	18.4	16.8	12.8	99.6
Disposals	—	(10.9)	(7.0)	—	(1.3)	(19.2)
Radiations	—	(0.3)	—	—	—	(0.3)
Amortization expense	—	11.3	5.4	2.8	1.8	21.3
Balance, end of year	—	51.7	16.8	19.6	13.3	101.4
Carrying value, end of year	1.7	27.8	25.2	56.3	16.7	127.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

11. Intangible Assets and Goodwill (cont'd)

b) Goodwill

The carrying value and changes in goodwill are broken down as follows:

	Cost
	$
Balance as at December 31, 2018 and 2017	14.1
Changes	—
Balance as at December 31, 2019	**14.1**

Goodwill does not present any accumulated impairment loss and is not deductible for tax purposes.

c) Impairment test

The Company performs an annual impairment test for the goodwill and the trademark. No impairment was recorded in 2019 and 2018.

The following table presents the allocation of goodwill and trademark to the various CGU based on the same assumptions as the allocation of the purchase prices.

	2019		2018	
	Trademark	**Goodwill**	Trademark	Goodwill
	$	**$**	$	$
Individual insurance	**1.7**	**4.8**	1.7	4.8
Group insurance	**—**	**6.3**	—	6.3
Property and casualty insurance	**—**	**3.0**	—	3.0
	1.7	**14.1**	1.7	14.1

Individual insurance

The recoverable amount of CGUs in the individual insurance sector was determined based on the value in use calculation. The value in use takes into account the discounted projected cash flows before income taxes which are based on the expected future profitability of in-force business approved by the Board of Directors.

Property and casualty and group insurance

The property and casualty insurance and group insurance CGU's recoverable amounts were determined based on the value in use calculation. The value in use takes into account the discounted projected cash flows before income taxes which are based on the financial budgets approved by the Board of Directors, which cover a four-year period and a terminal value. The projections are based on the Company's past experience and forecasts in accordance with published information.

The discount rates used for each CGU are as follows:

	2019	2018
	%	%
Individual insurance	**13.1**	13.5
Group insurance	**13.1**	13.5
Property and casualty insurance	**13.1**	13.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts

	2019	2018
	$	$
Composition of assets backing the net general fund obligations		
Fund units and bonds	2,723.5	2,599.3
Fund units and shares	226.8	152.4
Loans	656.1	608.4
Interest-bearing deposits	16.5	18.8
Cash and cash equivalents	140.0	118.7
Derivative financial instruments[1]	23.3	12.8
Investment property	12.6	12.6
Fixed assets	127.0	115.4
Other assets	11.8	9.3
	3,937.6	3,647.7

[1] *As part of its matching process, the Company considers the net value of its derivative financial instruments, which include both assets and liabilities.*

Breakdown of liability related to life and health insurance contracts and of ceded reinsurance assets

						2019
	Actuarial reserve	Provision for claims	Provision for experience refunds	Deposits	Prepaid and unearned premiums	Total
	$	$	$	$	$	$
Liability related to life and health insurance contracts						
Individual life	2,127.8	8.9	—	—	0.5	2,137.2
Group life	242.6	47.1	—	20.6	2.8	313.1
Individual annuities	222.7	—	—	—	—	222.7
Group annuities	51.8	—	—	2.1	—	53.9
Individual accident and health	97.1	1.9	—	—	0.3	99.3
Group accident and health	2,955.9	62.5	(13.8)	256.9	13.5	3,275.0
	5,697.9	120.4	(13.8)	279.6	17.1	6,101.2
Ceded reinsurance assets						
Individual life	887.5	5.0	—	—	—	892.5
Group life	48.0	10.3	0.5	3.7	—	62.5
Individual accident and health	62.7	0.8	—	—	—	63.5
Group accident and health	1,106.7	11.3	(5.6)	32.7	—	1,145.1
	2,104.9	27.4	(5.1)	36.4	—	2,163.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts (cont'd)

Breakdown of liability related to life and health insurance contracts and of ceded reinsurance assets (cont'd)

						2018
	Actuarial reserve	Provision for claims	Provision for experience refunds	Deposits	Prepaid and unearned premiums	Total
	$	$	$	$	$	$
Liability related to life and health insurance contracts						
Individual life	1,788.5	12.1	—	0.1	0.6	1,801.3
Group life	226.9	46.4	(7.3)	32.7	3.4	302.1
Individual annuities	237.1	—	—	—	—	237.1
Group annuities	51.8	—	—	1.1	—	52.9
Individual accident and health	84.9	2.5	—	—	0.3	87.7
Group accident and health	2,717.4	61.8	8.8	248.8	18.1	3,054.9
	5,106.6	122.8	1.5	282.7	22.4	5,536.0
Ceded reinsurance assets						
Individual life	741.4	8.3	—	—	—	749.7
Group life	46.1	8.0	(2.1)	5.7	—	57.7
Individual accident and health	51.9	0.8	—	—	—	52.7
Group accident and health	986.6	7.0	(0.8)	35.4	—	1,028.2
	1,826.0	24.1	(2.9)	41.1	—	1,888.3

Change in liability related to life and health insurance contracts and of ceded reinsurance assets

	2019	2018
	$	$
Liability related to life and health insurance contracts		
Balance, beginning of year	**5,536.0**	5,434.1
Normal change due to the passage of time	**(668.0)**	(621.3)
Normal change due to new businesses	**870.4**	837.0
Normal change due to updated assumptions	**335.1**	(135.9)
Basic changes	**27.7**	22.1
Balance, end of year	**6,101.2**	5,536.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts (cont'd)

Change in liability related to life and health insurance contracts and of ceded reinsurance assets (cont'd)

	2019	2018
Ceded reinsurance assets	$	$
Balance, beginning of year	1,888.3	1,778.0
Normal change due to the passage of time	(183.4)	(140.6)
Normal change due to new businesses	315.4	291.5
Normal change due to updated assumptions	133.1	(48.5)
Basic changes	10.2	7.9
Balance, end of year	2,163.6	1,888.3

Fair value of actuarial reserve

The fair value of the actuarial reserve is determined based on the fair value of assets supporting the liabilities it represents. Insofar as the assets supporting the actuarial reserve are recorded on the statement of financial position at fair value, the carrying value of the actuarial reserve reflects fair value.

Nature of obligations

The liability related to life and health insurance contracts are amounts that, added to future premiums and investment revenues, will allow the Company to respect its commitment to pay future claims, experience refunds and corresponding expenses originating from contracts in force. The liability related to life and health insurance contracts are periodically reviewed and allow for additional amounts required to cover risks originating from plausible adverse deviations in experience as compared to the most probable assumptions. These amounts take into account the uncertainty included in the valuation assumptions.

Inherent uncertainty of the valuation process

In order to estimate the liability related to life and health insurance contracts, assumptions are required regarding future events related to mortality, morbidity, lapses, investment returns and operating expenses. These assumptions also include a provision for adverse deviations attributable to the inherent uncertainty of the valuation process.

Mortality and improvement in mortality

Mortality represents death that occurs in a given population. Assumptions pertaining to mortality and improvement in mortality are based on a combination of the Company's most recent experience and the recent industry experience published by the Canadian Institute of Actuaries.

Morbidity

The morbidity assumptions used are those published by the industry adjusted to consider the Company's own experience over a long period of time. Each year, the actual experience is compared to the one anticipated to ensure that the morbidity assumptions used are adequate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts (cont'd)

Investment returns

The investment returns considered in the valuation of liability related to life and health insurance contracts are based mostly on those of the assets held to back these obligations. In this context, cash inflows from assets are compared to those of the liability related to life and health insurance contracts to detect any mismatch taking properly into account the reinvestment or disinvestment risks inherent to such situations. To ensure that the amount of assets will be sufficient to cover all the obligations, a multi-scenario analysis is performed regarding future evolution of interest rates when cash flow mismatches are expected.

Losses due to credit impairment have impacts on the future cash flows of assets backing the obligations. In addition to the allowance for investment losses already deducted from the carrying value of investments, additional credit risk, whose level is close to the one experienced by the Company or determined through analysis performed by the industry, is considered in the determination of future cash flows from invested assets.

Lapses and withdrawals

Policyholders may choose to let their contracts lapse by ceasing to pay their premiums. The Company bases its estimate of the lapse rate on past results of each of its business portfolios. A business portfolio is considered to be lapse-supported if an increase in the ultimate lapse rate is associated with increased profitability. On the other hand, if a decrease in the ultimate lapse rate is associated with increased profitability, the business portfolio is not considered to be lapse-supported.

Operating expenses

The assumptions regarding operating expenses are drawn from internal analyses performed yearly by the Company, with adjustments for expected future inflation.

Inputs and methods

Changes and updates in the Company's systems and calculations methods, which allow for more relevant information and valuation, may affect the valuation of liabilities related to life and health insurance contracts.

Impact of changes in assumptions

Using the same assumptions as those used in to establish priors year's liability related to life and health insurance contracts would have had the following impact on net income as at December 31:

	2019	2018
	$	$
Mortality	**(7.7)**	(5.5)
Morbidity	**1.0**	(11.9)
Investment returns	**156.0**	(47.5)
Lapses and withdrawals	**10.0**	11.4
Operating expenses	**(1.8)**	(1.5)
Inputs and methods	**3.3**	1.7
	160.8	(53.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts (cont'd)

Sensitivity analysis

Changing the assumptions used to establish the liability related to the life and health insurance contracts would have had the following impacts on net income, as at December 31:

Assumptions	Adverse variation	2019 $	2018 $
Mortality	**1%**	**(3.7)**	(3.6)
Morbidity	**5%**	**(50.4)**	(54.7)
Lapses	**1%**	**(4.3)**	(3.6)

Insurance risk

Individual contracts

The insurance risk to which the Company is exposed through its individual insurance contracts is the risk of loss arising from actual results that differ from the results anticipated when the product was designed and priced, depending on the rates of mortality, morbidity and lapses, policyholders' behaviour and expenses. Insured events may occur at any time during the coverage period and may result in varying amounts of losses. The Company's objective is to ensure that provisions are adequate to cover its future obligations. The Company manages this risk by implementing appropriate risk selection policies and procedures and ensuring that they are properly applied.

Group contracts

Through its insurance contracts, the Company is exposed to insurance risk, which consists of price risk and selection risk.

Price risk arises from potential differences between the actual experience associated with the assumptions described above and the experience originally anticipated when the contracts were priced. A review of experience and financial results is conducted on a regular basis for each guarantee offered within the contracts. The pricing of new contracts and contracts up for renewal reflects recent experience and observed trends. The pricing and contractual terms of the Company's products reflect market conditions, and market developments are monitored for this purpose. For certain contracts subject to contractual limits, the premium may be changed during the life of the contract. This allows for a partial reduction in price risk. Furthermore, a risk control procedure is applied to new products before they are launched.

Selection risk is the risk that the Company will inadequately assess the risks associated with an insured, thereby agreeing to provide coverage to an insured that does not meet the criteria for an acceptable risk profile. The Company manages this risk by implementing appropriate selection risk policies and procedures as well as by ensuring that these policies and procedures are properly applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts (cont'd)

Reinsurance risk

The Company makes use of reinsurance agreements related to individual and group contracts in order to limit its exposure to insurance risk, which does not, however, release the Company from its obligations towards insureds. In particular, the Company enters into reinsurance agreements for contracts for which the sum insured exceeds a maximum amount or percentage established on the basis of criteria regarding the nature of risks, and also to share the risks of large group contracts. It also uses reinsurance to protect itself against major disasters. However, its recourse to reinsurance agreements exposes the Company to a risk of default by the reinsurers. In order to control this risk, the Company adopted a risk management policy related to reinsurance approved by the Board of Directors. In addition, the Company deals with reinsurers with high credit ratings and diversifies its reinsurance treaties.

Mortality and morbidity risk

Mortality and morbidity risk represents the risk of loss for the Company in the event that the number and/or severity of claims for life, accident and health insurance are higher than estimated. This might happen as a result of an epidemic, a natural disaster or a change in the population's living habits.

The Company manages this risk by implementing procedures to collect information on policyholders that is used for pricing insurance contracts and by setting up procedures to examine claims in order to identify unfounded or fraudulent claims.

Lapse risk

For lapse-supported policies, this represents the risk of loss for the Company in the event that the number of insureds who decide to let their contracts lapse by ceasing to pay their premiums is lower than estimated. For non-lapse-supported policies, it represents the risk of loss for the Company in the event that the number of insureds who decide to let their contracts lapse by ceasing to pay their premiums is higher than forecast. The Company takes this risk into account in setting its actuarial reserve.

Investment income risk

This is the risk of loss for the Company in the event that actual investment income is lower than estimated. The projected future investment income is an essential element in establishing the amount of the actuarial reserve. Thus, future disbursements are discounted on the basis of the anticipated rate of return on the investments supporting the actuarial reserve.

Segregated fund risk

The Company offers individual annuity contracts in its segregated funds, guaranteeing a level of income or a value upon death or contract maturity. Policyholder behaviour risk is combined with market risk to define the presence of risk, which emerges from the combination of maintaining contracts in force and a market decline. In order to limit the Company's exposure by association to policyholder mortality risk and behaviour risk, the Company has implemented a program to hedge the market risk. The Company regularly monitors the effectiveness of this program.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

12. Life and Health Insurance Contracts (cont'd)

Maturity analysis of cash flows

The following tables present an analysis, by expected maturity, of estimated undiscounted cash flows related to liability related to life and health insurance contracts and ceded reinsurance assets:

					2019
	Payable on demand	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Actuarial reserve	**139.5**	**480.2**	**1,502.9**	**7,376.9**	**9,499.5**
Provision for claims	**—**	**115.0**	**5.4**	**—**	**120.4**
Provision for experience refunds	**—**	**(14.6)**	**0.8**	**—**	**(13.8)**
Deposits	**168.8**	**27.5**	**23.4**	**60.4**	**280.1**
	308.3	**608.1**	**1,532.5**	**7,437.3**	**9,886.2**

					2018
	Payable on demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$	$
Actuarial reserve	127.2	475.6	1,435.3	6,925.2	8,963.3
Provision for claims	—	117.1	5.9	—	123.0
Provision for experience refunds	—	0.3	1.2	—	1.5
Deposits	166.7	26.1	16.1	74.4	283.3
	293.9	619.1	1,458.5	6,999.6	9,371.1

	2019	2018
	$	$
Ceded reinsurance assets		
Current portion	**154.3**	145.2
Non-current portion	**3,497.4**	3,170.0
	3,651.7	3,315.2

13. Property and Casualty Insurance Contracts

Breakdown of property and casualty insurance contracts	**2019**	2018
	$	$
Unearned premiums	**267.8**	234.7
Unpaid claims	**44.2**	40.1
Stabilization fund	**1.0**	0.9
	313.0	275.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

13. Property and Casualty Insurance Contracts (cont'd)

Changes in liability related to unearned premiums

	2019	2018
	$	$
Balance, beginning of year	234.7	217.2
Additional liabilities generated during the year	299.6	259.8
Premiums recognized during the year	(266.5)	(242.3)
Balance, end of year	267.8	234.7
Current portion	112.2	96.7
Non-current portion	155.6	138.0

Changes in liability related to unpaid claims

	2019		2018	
	Provision for reported claims	Provision for incurred but not reported claims	Provision for reported claims	Provision for incurred but not reported claims
	$	$	$	$
Balance, beginning of year	36.1	4.0	29.3	3.7
Additional provisions generated during the year	172.3	10.3	157.5	9.1
Claims paid	(174.0)	(4.5)	(150.7)	(4.5)
Change in prior years provisions	4.3	(4.3)	—	(4.3)
Balance, end of year	38.7	5.5	36.1	4.0

Nature of obligations

Liabilities related to property and casualty insurance contracts represent the amounts that, increased by future investment income, will enable the Company to honour the appraised amount of future claims and the corresponding fees under the terms of the contracts in force. Liabilities related to property and casualty insurance contracts are periodically reviewed and include additional amounts representing possible adverse deviations in relation to the most probable assumptions; these additional amounts vary based on the degree of uncertainty inherent in the assumptions used.

Inherent uncertainty of the valuation process

In calculating the liability related to property and casualty insurance contracts, assumptions are made regarding probable future events related to materialization and the discount rate. These assumptions also include a margin for adverse deviations attributable to the inherent uncertainty of the valuation process.

Margin for claims development

The margin for claims development assumption is used to take several factors into account such as the frequency and severity of claims. This assumption is based on the Company's experience and on forecasts made in accordance with the requirements of the Canadian Institute of Actuaries.

Discount rates

Discount rates are used in calculating the liability related to property and casualty insurance contracts to take the time value of money into account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

13. Property and Casualty Insurance Contracts (cont'd)

Impacts of changes in assumptions

Using the same assumptions as those used to establish the prior year's provision for claims would not have had a significant impact on net income for 2019 and 2018.

Sensitivity analysis

Changing the assumptions used to establish the provision for claims would have had the following impacts on net income, as at December 31:

		2019	2018
		$	$
Assumptions	Variation		
Margin for claims development	+ 1%	(0.3)	(0.3)
Discount rates	+ 1%	0.2	0.2

Insurance risk

Through its insurance contracts, the Company is exposed to insurance risk, which consists of price risk and selection risk.

Price risk arises from potential differences between the actual experience associated with the assumptions described above and the experience originally anticipated when the contracts were priced. The experience and financial results of each type of coverage offered in the contracts are examined regularly. The prices for new contracts and contracts up for renewal reflect recent experience and observed trends. The pricing and contractual terms and conditions of the Company's products reflect the market, and market developments are monitored for this purpose.

Selection risk is the risk that the Company will inadequately assess the risks associated with an insured, thereby agreeing to provide coverage to an insured who does not meet the criteria for an acceptable risk profile. The Company manages this risk by implementing appropriate risk selection policies and procedures and ensuring that they are properly applied.

Investment-related risk

Investment-related risk results from the probability that the value of the investments held by the Company will decrease, thus reducing the capital available to honour its liability related to property and casualty insurance contracts. An overall increase in interest rates, resulting in a decrease in the fair value of the fund units and bonds portfolio, and a sharp decline in stock markets, with an adverse impact on the fund units portfolio and shares, represent the two events that could significantly affect the value of the Company's investments.

To limit this risk, the Company invests in compliance with an investment policy that considers the capital required by the various classes of investments. In addition, the actuary appointed by the Board of Directors in accordance with the *Act respecting Insurance* performs an annual review to measure the impact of adverse fluctuations in interest rates and markets on the Company's financial soundness and its ability to honour its liability related to property and casualty insurance contracts.

Reinsurance risk

The Company employs reinsurance treaties to protect itself against major losses in property damage and civil liability in excess of a maximum amount. It also uses reinsurance as protection against major catastrophic events. These treaties mitigate the insurance risk to which the Company is exposed. Using reinsurance treaties nevertheless exposes the Company to the risk of default by a reinsurer. In order to control this risk, the Company adopted a risk management policy related to reinsurance approved by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

13. Property and Casualty Insurance Contracts (cont'd)

Claims development by year of occurrence

	2012	2013	2014	2015	2016	2017	2018	**2019**	**Total**
	$	$	$	$	$	$	$	**$**	**$**
Undiscounted net unpaid claims, end of year of occurrence	21.1	26.6	26.6	26.8	27.8	25.4	32.8	32.2	
Cumulative net claims paid									
One year later	19.2	25.0	25.5	23.7	26.6	24.0	30.0		
Two years later	19.9	26.7	27.0	24.9	28.7	26.8			
Three years later	20.4	27.5	26.6	25.5	28.6				
Four years later	20.5	27.5	26.1	25.2					
Five years later	20.3	27.5	26.0						
Six years later	20.3	27.8							
Seven years later	20.8								
	20.8	27.8	26.0	25.2	28.6	26.8	30.0	—	
Revaluation of undiscounted net final cost									
One year later	20.8	27.1	26.7	26.6	29.1	26.2	34.2		
Two years later	19.8	27.2	27.4	25.9	29.2	27.2			
Three years later	21.4	27.9	26.0	25.1	30.2				
Four years later	21.6	27.6	26.1	25.1					
Five years later	21.4	27.4	25.8						
Six years later	20.7	27.8							
Seven years later	20.9								
	20.9	27.8	25.8	25.1	30.2	27.2	34.2	32.2	
Excess of initial provision over revalued net final costs									
Amount	0.2	(1.2)	0.8	1.7	(2.4)	(1.8)	(1.4)	—	
Percentage	0.9 %	(4.5 %)	3.0 %	6.3 %	(8.6 %)	(7.1 %)	(4.3 %)	—	
Undiscounted net unpaid claims	**0.1**	**—**	**(0.2)**	**(0.1)**	**1.6**	**0.4**	**4.2**	**32.2**	**38.2**
Undiscounted net unpaid claims, 2011 and earlier									**—**
Undiscounted net unpaid claims									**38.2**
Discounting									**(0.3)**
Provision for adverse deviations									**3.5**
Risk sharing plan									**1.2**
Discounted net unpaid claims									**42.6**
Ceded reinsurance assets									**1.6**
Discounted gross unpaid claims									**44.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

13. Property and Casualty Insurance Contracts (cont'd)

Changes in ceded reinsurance assets

	2019	2018
	$	$
Balance, beginning of year	0.2	0.3
Additional assets generated during the year	2.8	0.4
Claims recognized during the year	(1.4)	(0.5)
Balance, end of year	1.6	0.2
Current portion	1.5	0.2
Non-current portion	0.1	—

Changes in deferred acquisition costs

	2019	2018
	$	$
Balance, beginning of year	38.6	32.3
Acquisition costs for the year	30.2	25.1
Vested costs of the year	(22.0)	(18.8)
Balance, end of year	46.8	38.6

14. Bank Loans

The Company has authorized lines of credit with financial institutions amounting to $6.0 (2018 — $6.0) bearing interest at prime rate, unsecured and renewable yearly.

As at December 31, 2019 and 2018, no amount had been taken on these bank loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

15. Subordinated Debt

	2019	2018
	$	$
Debenture, maturing in 2028, 4.8%, payable semi-annually until 2023, then bearing interest at the three-month CDOR (Canadian Dealer Offered Rate) rate plus 2.1%, payable quarterly and redeemable by the Company as of November 29, 2023	**80.0**	80.0
Debenture to majority shareholder, 7.4%, payable semi-annually, maturing in 2032 and redeemable by the Company under certain conditions	**10.0**	10.0
Debenture, 6.3%, payable semi-annually, maturing in 2030 and redeemable by the Company under certain conditions	**20.0**	20.0
Debenture, 6.0%, payable semi-annually, maturing in 2032 and redeemable by the Company under certain conditions	**20.0**	20.0
	130.0	130.0
Subordinated notes, maturing in 2020, 7.1%, payable semi-annually [1]		
Majority shareholder	**6.1**	6.1
Shareholder, repaid during the year	**—**	0.9
	6.1	7.0
Subordinated note to majority shareholder, 7.4%, payable semi-annually, maturing in 2032, and redeemable by the Company under certain conditions	**20.0**	20.0
	20.0	20.0
	156.1	157.0
Fair value (Note 5)	**170.9**	160.7

[1] *Convertible at the discretion of the holder into shares under certain circumstances such as change in control, merger, public offering or default in the payment of interest and principal at maturity.*

16. Other Liabilities

	2019	2018
	$	$
Employee retirement benefits (Note 20)	**149.5**	88.3
Commitments under repurchase agreements	**195.7**	189.6
Derivative financial instruments (Note 4)	**22.1**	19.9
General fund investment contracts	**22.2**	—
Lease liabilities	**18.6**	—
Other	**13.6**	10.9
	421.7	308.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

17. Share Capital

Authorized

Class A

150,000,000 shares, with no par value, with participating and voting right

Class B

150,000,000 shares, with no par value, with participating and voting right, convertible at the discretion of the holder in whole or in part into Class A shares, one Class A share for each Class B share exchanged, redeemable by mutual agreement in whole or in part

Class C

100,000,000 shares, with a par value of one dollar each, non-voting, giving the right to fixed preferred dividends before Class A and B shares, issuable in one or several series

	2019	2018
	$	$
Issued, beginning and end of year		
20,615,293 Class A shares	**95.4**	95.4
50,690,905 Class B shares	**247.8**	247.8
	343.2	343.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

18. Capital Management

The Company's capital management policy is designed to satisfy the laws, regulations, guidelines of the *Autorité des marchés financiers* ("*Autorité*") and applicable instructions regarding capital management. To ensure sound and prudent capital management, the Company is required to comply with capital adequacy requirements guideline for life insurers ("CARLI").

According to the *Autorité's* guideline on CARLI, two capital adequacy ratios must be submitted. The total ratio is calculated by dividing available capital, attributed equity and eligible deposits by the overall solvency buffer. The basic ratio is calculated by dividing Tier 1 available capital, 70% of attributed equity and 70% of eligible deposits by the overall solvency buffer. This required solvency buffer is determined based on certain risk factors.

To maintain a capital amount that satisfies the criteria of the *Autorité*, the Company makes annual financial forecasts for the next five years; among the data reviewed are the CARLI ratio and changes to the CARLI ratio. The actuary, appointed by the Board of Directors in conformity with *An Act respecting insurance*, prepares an annual assessment of the financial position of the Company; he carries out dynamic capital adequacy testing ("DCAT") of which one objective is to verify the capital adequacy of the Company despite but plausible unfavourable events. These documents are submitted and presented to the Board of Directors.

The *Autorité's* guideline states that the Company must set a target total ratio that exceeds the minimum requirements. The Company's current ratios exceeds minimum requirements and the total ratio exceeds the target as at December 31, 2019 and 2018.

	2019	2018
	$	$
Equity	**1,060.8**	974.2
Subordinated debt	**156.1**	157.0
Prescribed reductions and other adjustments	**(154.1)**	(168.6)
Available capital	**1,062.8**	962.6

Concerning its subsidiary, SSQ Insurance Company Inc., the Company's policy is to maintain a higher target level of capital than required under the *Autorité's* guidelines on CARLI and on capital adequacy requirements, namely "MCT", which apply to the subsidiary. The subsidiary's CARLI and MCT of the subsidiary as at December 31, 2019 and 2018 exceed the level required under the guidelines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

19. Income Taxes

	2019	2018
	$	$
Income tax expenses for the year — Net income		
Current income taxes	39.8	39.6
Deferred income taxes	(6.7)	(10.0)
	33.1	29.6
Reconciliation of income tax expense for the year — Net income		
Base income taxes of 26.7% (2018 – 26.8%)	36.0	33.2
Increase (decrease) caused by differences between accounting and tax treatment		
Investments	(3.3)	(3.3)
Other	0.4	(0.3)
	33.1	29.6
Tax expense for the year — Comprehensive income (loss)		
Current income taxes	8.8	(8.7)
Deferred income taxes	(13.3)	6.8
	(4.5)	(1.9)
Deferred income tax assets		
Investment property, fixed assets and intangible assets	12.9	—
Life and health insurance contracts	22.0	20.4
Employee retirement benefits	39.5	23.2
Other	2.6	2.0
	77.0	45.6
Deferred income tax liabilities		
Investments	(10.7)	(13.5)
Investment property, fixed assets and intangible assets	(48.7)	(35.0)
Other	(3.6)	(3.9)
	(63.0)	(52.4)
Presented as:		
Deferred income tax assets	49.8	33.1
Deferred income tax liabilities	(35.8)	(39.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

20. Employee Retirement Benefits

The Company offers its employees contributory defined benefit pension plans based on years of service and final average salary. It also offers its eligible employees retirement benefits such as severance payments as well as health and life insurance coverage. The following tables show the amounts recorded in the Company's consolidated financial statements under other assets and other liabilities, as well as selling and administrative expenses:

	2019		2018	
	Pension plans	**Other benefits**	Pension plans	Other benefits
	$	**$**	$	$
Defined benefit obligation				
Obligation, beginning of year	**540.4**	**48.6**	558.9	50.4
Employee contributions	**11.0**	**—**	10.4	—
Transfers between plans	**2.0**	**—**	3.5	—
Current service cost	**18.3**	**3.1**	21.4	3.4
Past service cost	**0.6**	**—**	—	—
Interest	**22.1**	**2.0**	20.2	1.9
Experience	**4.1**	**(1.0)**	(0.5)	(1.3)
Actuarial loss (gain) arising from changes in financial assumptions	**101.3**	**10.8**	(54.1)	(4.6)
Actuarial loss (gain) arising from changes in demographic assumptions	**4.6**	**0.7**	—	—
Benefits paid	**(20.0)**	**(0.9)**	(19.4)	(1.2)
Obligation, end of year	**684.4**	**63.3**	540.4	48.6
Pension plan assets				
Fair value, beginning of year	**502.0**	**—**	511.3	—
Interest	**19.4**	**—**	17.3	—
Difference between actual return and interest	**70.3**	**—**	(35.0)	—
Employer contributions	**13.5**	**0.9**	13.9	1.2
Employee contributions	**11.0**	**—**	10.4	—
Transfers between plans	**2.0**	**—**	3.5	—
Benefits paid	**(20.0)**	**(0.9)**	(19.4)	(1.2)
Fair value, end of year	**598.2**	**—**	502.0	—
Defined benefit liability including the effect of asset ceiling				
Funded plans deficit	**86.2**	**—**	13.8	—
Unfunded plans deficit	**—**	**63.3**	24.6	48.6
Net defined benefit liability	**86.2**	**63.3**	38.4	48.6
Effect of timing net defined benefit asset to asset ceiling	**—**	**—**	—	—
	86.2	**63.3**	38.4	48.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

20. Employee Retirement Benefits (cont'd)

Reconciliation of the net defined benefit liability

	2019	2018
	$	$
Employee retirement benefits		
Other assets (Note 8)	—	(1.3)
Other liabilities (Note 16)	149.5	88.3
Net defined benefit liability, end of year — Pension plans and other benefits	149.5	87.0

	2019		2018	
	Pension plans	Other benefits	Pension plans	Other benefits
	$	$	$	$
Employee retirement benefit expenses				
Current service cost	18.3	3.1	21.4	3.4
Past service cost	0.6	—	—	—
Net interest	2.7	2.0	2.9	1.9
Expenses for the year — Net income	21.6	5.1	24.3	5.3
Actuarial loss (gain) for the year and effect of asset ceiling — Other comprehensive income (loss)	39.7	10.5	(19.6)	(5.9)

Cash payments for employee retirement benefits for the year totalled $15.7 (2018 — $15.0). The Company expects to pay contributions in the amount of $14.7 into defined benefit plans during the next year.

	2019	2018
	%	%
Actuarial assumptions used for calculation of obligation and cost according to the weighted average		
Discounted rate – obligation	3.2	4.0
Discounted rate – cost	4.0	3.5
Rate of salary increase – obligation	3.3	3.3
Rate of salary increase – cost	3.3	3.0
Rate of increase in cost of covered health care (decreasing linearly at 4.0% in 2026)	7.0	7.0

An unfavourable change of 1% in the assumptions used would have the following impact on the defined benefit obligation:

	2019	2018
	$	$
Discount rate	174.3	127.3
Rate of salary increase	58.2	43.7
Rate of increase in cost of covered health care	12.0	8.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

20. Employee Retirement Benefits (cont'd)

Valuation date

The Company measures its defined benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. An actuarial valuation of pension plan funding is also performed as at December 31 of each year. This assessment includes evaluating the financial viability of the pension plans to fulfill their commitments to all of the actual participants and their survivors, depending on the asset values of the plans and the future contributions to the pension plans by the participants and the Company.

Pension plans' assets

The pension plans apply an investment policy with the objective of providing the optimal return on their assets while respecting the main attributes of the plans' liabilities and the restrictions imposed on by the *Supplemental Pension Plans Act*. Pension plans' assets are invested in the Company's segregated funds. Asset allocation as at December 31 is as follows:

	2019	2018
	%	%
Bonds	**42.0**	46.9
International shares	**29.4**	32.0
Canadian shares	**5.1**	4.7
Infrastructure	**11.4**	6.4
Real estate	**9.7**	7.5
Other	**2.4**	2.5

21. Components of the Consolidated Statement of Income

	2019	2018
	$	$
Gross premiums		
Life and health insurance	**2,217.9**	2,168.0
Property and casualty insurance	**299.4**	259.5
Savings	**54.5**	55.6
	2,571.8	2,483.1
Selling and administrative expenses		
Employee benefits	**210.8**	198.3
Depreciation and amortization of fixed assets and intangible assets	**34.5**	32.4
Interest on lease liabilities	**0.8**	—
Interest on subordinated debt payable to the majority shareholder	**2.7**	4.2
Interest on subordinated debt	**6.3**	6.3
Investment property expenses		
Depreciation of investments property	**1.0**	1.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

22. Related Party Transactions

During the year ended December 31, 2019, the Company entered into transactions with an associate and its shareholders, which are recorded at the exchange amount, i.e., the amount of the consideration agreed to between the parties. The intercompany items in the consolidated statement of income and the consolidated statement of financial position resulting from these transactions are presented in the following table:

	2019
	$
Investments - Loans	2.0
Commissions and fees on sales	0.6

23. Remuneration of Key Management Personnel

Key management personnel includes directors and senior executives. The following table summarizes cumulative remuneration of key management personnel:

	2019	2018
	$	$
Short-term employee benefits	5.4	5.5
Post-employment benefits	1.3	1.2
	6.7	6.7

24. Segregated Funds

a) Carrying value of segregated fund investments

	2019	2018
	$	$
Investments fund units	4,154.6	3,812.7
Bonds	441.5	475.8
Cash and cash equivalents	0.9	44.3
Shares	541.7	512.6
Derivative financial instruments	—	0.3
Total investments	5,138.7	4,845.7
Other assets and liabilities	32.5	21.8
	5,171.2	4,867.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

24. Segregated Funds (cont'd)

b) Fair value of segregated fund investments

The following tables present investments in segregated funds classified according to the fair value hierarchy as defined in Note 5 "*Fair value of assets and liabilities*" and exclude all other financial assets except derivative financial instruments:

				2019
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Segregated fund financial assets at fair value through profit or loss				
Investments fund units	**3,550.3**	**604.3**	**—**	**4,154.6**
Bonds	**—**	**441.5**	**—**	**441.5**
Cash and cash equivalents	**—**	**0.9**	**—**	**0.9**
Shares	**530.2**	**—**	**11.5**	**541.7**
	4,080.5	**1,046.7**	**11.5**	**5,138.7**

During the year ended December 31, 2019, the fair value of an investment in fund units changed from Level 2 to Level 1 following a change in the valuation of this unit fund. The fair value of this investment is $78.5 as at December 31, 2019. In 2018, there were no transfers of investments related to segregated funds between Levels 1 and 2.

				2018
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Segregated fund financial assets at fair value through profit or loss				
Investments fund units	3,230.6	582.1	—	3,812.7
Bonds	—	475.8	—	475.8
Cash and cash equivalents	—	44.3	—	44.3
Shares	501.8	—	10.8	512.6
Derivative financial instruments	0.3	—	—	0.3
	3,732.7	1,102.2	10.8	4,845.7
Segregated fund financial liabilities at fair value through profit or loss				
Derivative financial instruments	1.6	—	—	1.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

24. Segregated Funds (cont'd)

b) Fair value of segregated fund investments (cont'd)

Change in the fair value measurement of financial assets classified Level 3

	Shares
	$
Fair value as at December 31, 2017	10.1
Acquisition	—
Disposal	(0.3)
Realized gains	0.1
Unrealized gains	0.9
Fair value as at December 31, 2018	10.8
Acquisition	**0.2**
Disposal	**(0.3)**
Realized gains	**0.1**
Unrealized gains	**0.7**
Fair value as at December 31, 2019	**11.5**

c) Changes in segregated fund insurance contracts and investment contracts

	2019		2018	
	Insurance contracts	**Investments contracts**	Insurance contracts	Investments contracts
	$	**$**	$	$
Balance, beginning of year	**1,751.2**	**3,116.3**	1,858.1	3,070.8
Amounts collected from policyholders	**234.9**	**225.4**	273.4	343.8
Investment income	**208.1**	**454.3**	(110.3)	(97.2)
Amounts paid to policyholders	**(355.9)**	**(463.1)**	(270.0)	(201.1)
Balance, end of year	**1,838.3**	**3,332.9**	1,751.2	3,116.3

In accordance with the contractual maturities of cash flows, segregated fund insurance contracts and investment contracts are payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

25. Contingencies and Commitments

Contingencies

The Company and its subsidiaries are subject to legal actions, including proposed class actions in the normal course of business. The Company does not expect that settlement of current legal actions will have a material adverse effect on its consolidated financial position.

Letters of credit

In the normal course of business, banking institutions issue letters of credit on the Company's behalf. As at December 31, 2019, these letters of credit amount to $1.8 (2018 — $2.0). No assets were pledged against these letters of credit as at December 31, 2019 and 2018.

Contractual commitments

The Company has a commitment under various leases or contracts that are difficult to terminate, in respect of which no lease liability was recognized in the consolidated statement of financial position, for the use of premises, automotive equipment, computer hardware, application software and services, expiring on various dates until 2026.

The expected payments on the leases are as follows:

	Less than 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
Basic rents	5.3	10.2	0.1	15.6

Investment commitments

The Company is committed to invest $15.0 in a limited partnership in the normal course of its operations. As at December 31, 2019, an amount of $5.0 was invested (2018 — $4.7). The remaining disbursements are expected to be made between now and 2028.

The Company also entered into a loan commitment in 2019 with private companies for a total amount of $80.0 of which $20.0 was invested as at December 31. The Company plans to spend $55.0 in 2020 and $5.0 in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(in millions of dollars, unless otherwise indicated)

26. Leases

The Company leases as lessor its investment property and certain fixed assets under operating leases. These leases mature between 2020 and 2028. During the year, the Company's rental revenue from its investment property and fixed assets totalled $18.7 (2018 — $18.8).

Expected receipts from operating leases are as follows:

	Less than 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
Basic rents	8.5	19.1	10.1	37.7

27. Subsequent Events

Corporate restructuring

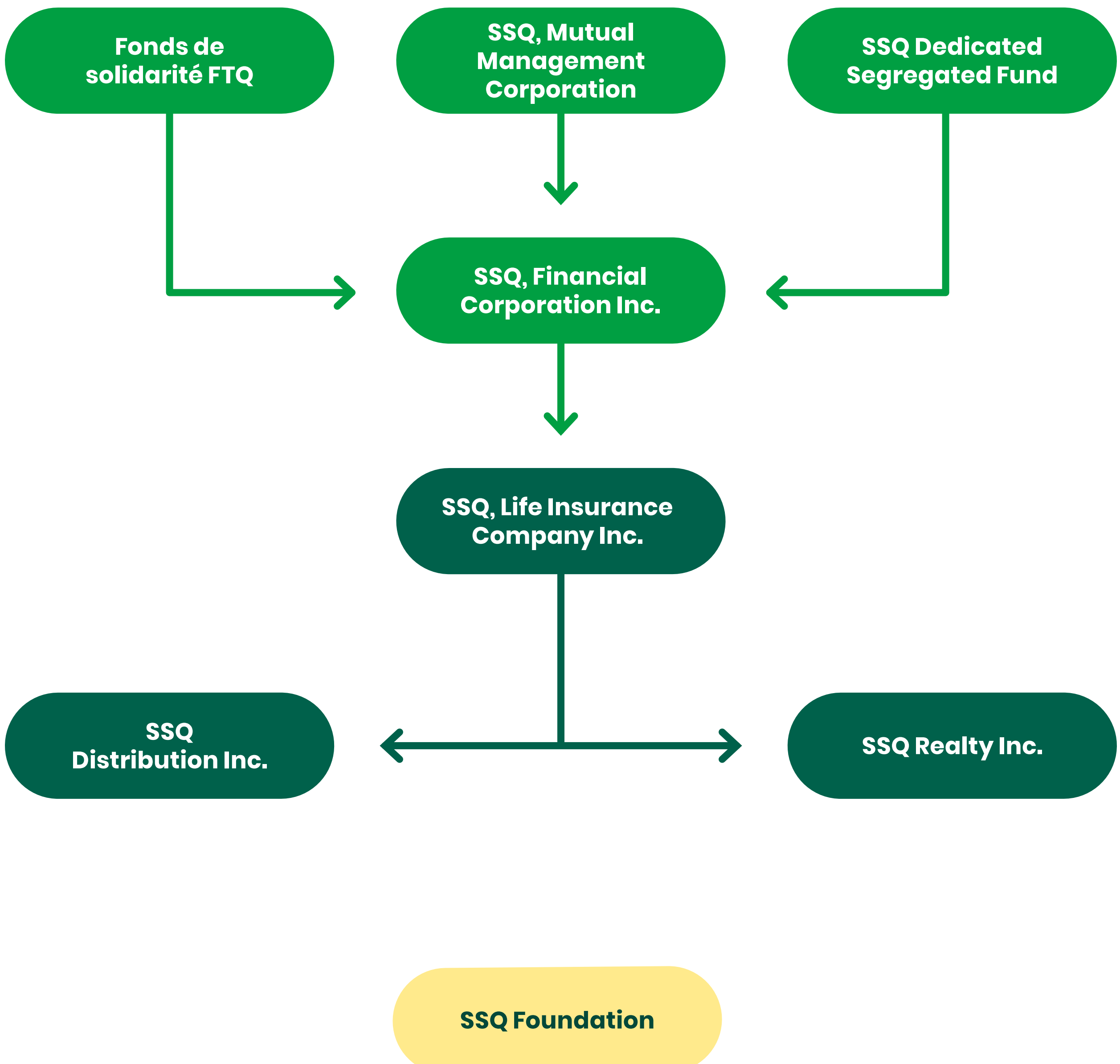
On September 12, 2019, the Company's Board of Directors approved Phase 2 of the corporate restructuring for which the main goal is to simplify the corporate structure and encourage synergies between the business lines.

The Company merged with its subsidiary, SSQ, Insurance Company Inc. on January 1, 2020. The merged entity is named SSQ, Life Insurance Company Inc. This transaction had no impact on the Company's consolidated results and financial position.

Business combination

On January 28, 2020, the Company entered into a consolidation agreement with La Capitale Insurance and Financial Services. The closing of this agreement is scheduled for the second quarter of 2020. As of the date of publication of the consolidated financial statements, this combination is still subject to the approval of the regulatory authorities, meetings of the mutuals, the Competition Bureau of Canada and the amendments to the private laws, which constitute the two mutuals.

Ownership Structure as at January 1, 2020



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Chair of the Board
SSQ, Mutual Management Corporation

VICE-CHAIR

⬬ ■ **Émile Vallée* / Gatineau**
Retiree
Fédération des travailleurs et travailleuses du Québec (FTQ)

DIRECTORS

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Vice-President
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IT and Technical Director
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Fonds de solidarité FTQ

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● ◆ **Sylvain Picard / Wendake**
Executive Director
Native Benefits Plan

▲ ◆ **Bernard Piché / Montreal**
Corporate Director

CORPORATE SECRETARY

Élise Poulin

* Member of the Board of Directors of SSQ, Mutual Management Corporation

★ Member of Mutualism Promotion Committee
⬬ Member of Strategic Orientation Committee
■ Member of Governance, Human Resources and Ethics Committee
● Member of Audit Committee
▲ Member of Investment Committee
◆ Member of Risk Management Committee

MANAGEMENT TEAM

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Chief Executive Officer

Patrick Cyr
Senior Vice-President - Finance

France LeBlanc
Risk Management Lead

Denis Légaré
Senior Vice-President - Human Resources and Corporate Affairs

Michel Loranger
Senior Vice-President - Organizational Performance and Technology

Gilles Mourette
Senior Vice-President - Customer Experience and Operational Management

François Joseph Poirier
Senior Vice-President - Sales and Distribution (interim)

Éric Trudel
Senior Vice-President - Strategy and Product Management

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Vice-President - Operational Excellence Support

Marie-Claude Harvey
Vice-President – Contracts Administration

Amélie Meilleur
Vice-President - Benefits and Claims

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Carl Cleary
Vice-President - Capital and Financing

Hugo Drouin
Vice-President - Finance and Investments

France Rodrigue
Vice-President - Realty and Strategic Supply

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Élise Poulin
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Martin Robert
Vice-President - Talent, Culture and Communications

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Éric Savard
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Éric Thériault
Vice-President - Customer Experience and Performance

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David Fortier
Vice-President - Sales, Affinity Groups and Partners

Diane Gaulin
Vice-President - Sales, Groups Public Sector

Douglas Paul
Vice-President - Sales, Individual and Investments

François Joseph Poirier
Vice-President - Business Development and Partner Experiences

Marc Trépanier
Vice-President - Sales, Groups Private Sector

STRATEGY AND PRODUCT MANAGEMENT

Donald Cyr
Vice-President - Actuarial and Product Expertise

Annie Lafond
Vice-President - Marketing and E-Business

Louis Régimbal
Vice-President - Strategy and Innovation

INTERNAL AUDIT

Josée Grondines
Internal Auditor

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ISSN-1700-0688
Legal Deposit – 2nd Quarter 2020
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BMG115A (2020-04)