



*Looking
to the future*

SSQ, Mutual Management Corporation 2006 Annual Report

SSQ Mutual Management
Corporation

We thrive on mutual trust

2006 Annual Report

SSQ, Mutual Management Corporation

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Mission Statement

SSQ, Mutual Management Corporation

SSQ, Mutual Management Corporation is a cooperative organization that is owned by its members who automatically obtain the status of member through their insurance contract with SSQ, Life Insurance Company Inc.

SSQ, Mutual Management Corporation pursues, for and in the name of its members, by working alone or in concert with partners, its social and economic objectives.

The Mutual's economic objectives are related to the financial service sector and are accomplished through SSQ, Life Insurance Company Inc. and its subsidiaries. Priority is given to ensuring quality products and services for members.

The Mutual's social objectives focus on improving the overall well-being of its members and the communities in which they work and live.

Report from the Board of Directors

Celebrating 60 years... of looking to the future

In 2006, we celebrated our 60th birthday at SSQ! We've come a long way since our modest beginnings in a working-class neighbourhood of Quebec City, starting out with the purpose of pooling financial and professional resources for the greater collective good of the community. Since then, we have consistently placed people at the heart of all of our decision-making.

Our ability to adapt to change, social progress, new demographics and the needs of our clients has enabled us to achieve steady and sustainable growth at SSQ.

Back in the 1970's, when the government introduced public insurance plans, we quickly adapted by developing new market niches and offering new types of insurance coverage. To combat the financial challenges of the 1990's and resist the wave of demutualization that swept through the insurance industry, we joined forces with a financial partner with values consistent with the co-operative principles SSQ holds dear.

It is by remaining steadfastly on course and upholding the core values SSQ was founded on that we have successfully sustained our development and growth over the past 60 years.

2006: A year marked by change

Renewing SSQ's democratic process

SSQ, Mutual Management Corporation is the guardian of the mutual values that continue to guide how business is conducted at SSQ. With 11 positions on the Board of Directors of SSQ, Life Insurance Company Inc. being allocated to SSQ, Mutual Management Corporation, client needs and expectations are given a strong voice.

However, to remain up to date, the manner in which these values are expressed must consider the new realities affecting business growth at SSQ and the diversification of our clientele. A mutual company is essentially defined as an association of people who collectively own their company, and where power is exercised democratically. The manner in which the democratic process is exercised at SSQ by members was updated in 2006 following an in-depth analysis spanning a period of 18 months.

Indeed, on April 7, 2006, there was a notable change in the democratic structure of SSQ. At the 2006 Annual General Meeting (AGM) of SSQ, Mutual Management Corporation, members democratically approved a new method of appointing delegates to represent them at the AGM. Over 180 members agreed to attend an extraordinary general meeting arranged for the purpose of presenting this new method, and answering any questions and concerns regarding this major procedural change.

The members in attendance voted by a strong majority to adopt this change into the Mutual's internal by-laws, and in doing so, recognized the need to make the democratic process more accessible and meaningful to everyone and to provide a better representation of members at the AGM.

Departure of Mr. Yves Demers

The Mutual's Chairman of the Board traditionally plays an important role in protecting SSQ's core values. Mr. Yves Demers, an ardent believer in mutualism, held this position for over 15 years. During that time, he never missed an occasion to promote the fundamental values of fairness and equality in accordance with the one-member-one-vote principle.

Satisfied with having carried out his mission on the Board of Directors for over 28 years and successfully introducing a dynamic new democratic model to SSQ, Mr. Demers decided it was time to pursue a very different path – that of retirement – with its own share of exciting goals and challenges.

With the introduction of a new democratic process and the departure of its Chairman of the Board, the Mutual is undergoing some important changes, but remains as strong as ever!

The passing of the torch

On the strength of my many years at the helm of SSQ, Life Insurance Company Inc., I was duly elected at the 2006 AGM as Chairman of the Board. My time at the head of the Solidarity Fund QFL in no way dampened my commitment to the Mutual, which I have been involved with, in one way or another, for some 20 years. I am very enthusiastic about carrying on the mission so valiantly embarked upon by my predecessors 60 years ago. As the torch is passed to me, I am honoured to take over responsibility for safeguarding the values of this vibrant organization, whose number one priority has always been, and continues to be... protecting members' interests.

Developments in 2006

As in the past few years, SSQ, Mutual Management Corporation has continued to increase SSQ employees' awareness about mutualist principles. In 2006, more than one hundred employees from the Group received a full-day training session on mutualist values and how

upholding them has been important throughout the history of SSQ.

The Mutual Life Promotion Committee, an in-house committee made up of employees dedicated to the mutual cause, was revived in 2006, offering a series of activities to promote mutualism. Management from all sectors of the Group worked with this committee to launch a campaign to sensitize employees to how small daily actions can have a positive impact on sustainable development. Employees received an environmentally friendly cloth bag with the SSQ, Mutual Management Corporation logo to get them started!

Implementing the new method for appointing delegates was one of the company's priorities for 2006, and the Mutual spared no effort to ensure the unique democratic model would meet with success.

The results of the first experience speak for themselves. In all, 116 delegates were appointed to take part in the next AGM. With some being appointed through their policyholder's group contract and others through a draw, the number of delegates attending the 2007 AGM will be similar to that of past years.

However, for the first time ever, we will be very pleased to include delegates from the provinces of Ontario and Manitoba in the AGM, in addition to members having taken out individual insurance, annuity or investment contracts with SSQ. These new delegates are the result of SSQ's brand-new democratic process. Upon being appointed, they receive a mandate to participate in two AGMs. The role of all delegates will continue to be: to attend the AGM; to receive the auditor's report and financial statements; to appoint external auditors; and, finally, to elect members of the Board of Directors.

To give these delegates a proper welcome and assist those attending the AGM for the first time, SSQ has arranged a workshop to raise delegates' awareness about mutualism and the role of delegates, and also to present different aspects of SSQ, Life Insurance Company Inc. As part of the changes to the AGM, simultaneous

interpretation of the workshop and the proceedings will be provided to help all delegates get the most out of the Mutual's AGM.

Employees from all sectors of SSQ worked very hard throughout 2006. I would like to take this opportunity to thank, in particular, the employees in our Sales and Marketing, Corporate Actuarial and Corporate Communications departments, as well as the dedicated teams in our Systems Development, Copy Centre and Internal Audit departments. I would also like to add a special word of thanks to our Corporate Secretary. All in all, I would like to thank everyone at SSQ for your unwavering commitment and dedication.

Information sessions on mutualism

Making others more aware of mutualist principles is one of the mandates SSQ, Mutual Management Corporation considers essential, particularly when it comes to employees of SSQ Financial Group. This is why the number of information sessions designed to raise employees' awareness about mutualism was increased from two to five in 2006, allowing nearly 100 employees each year to learn more about the mutualist principles SSQ upholds. These sessions were also given to the Group's various Boards of Directors as a means of putting into perspective SSQ's beginnings and how it has evolved in accordance with our mutualist values.

Conseil québécois de la coopération et de la mutualité

SSQ continues to actively support the *Conseil québécois de la coopération et de la mutualité* (CQCM), an organization whose mission is to contribute to the socio-economic development of Quebec through its promotion of the co-operative and mutual movement, in accordance with the values and principles of the International Co-operative Alliance. In Quebec, the mutualist movement is made up of 39 mutual insurance companies, including SSQ, Mutual Management Corporation. In 2006, this movement achieved greater visibility when, in response to the wishes expressed by

the mutual companies, the *Conseil de la coopération du Québec* (CCQ) changed its name to the *Conseil québécois de la coopération et de la mutualité*.

Fondation pour l'éducation à la coopération

SSQ continues to provide financial support to the *Fondation pour l'éducation à la coopération* in order to help it carry out its mission to increase awareness of co-operative values among young people. As one of the founding members of this organization, SSQ continues to follow its activities with keen interest and is actively involved in some of its committees.

Société de coopération pour le développement international

In 1985, SSQ joined forces with other co-operative and mutual organizations to create SOCODEVI, with the objective of promoting and strengthening the co-operative formula as a viable tool for sustainable international development. We share our experience and expertise with organizations from developing countries and provide technical assistance to various projects by allowing SSQ employees to participate in field missions abroad.

The Chairman of the Board of SSQ, Mutual Management Corporation is also a member of SOCODEVI's Board of Directors, taking a very active interest in its activities. SSQ organizes meetings between its employees and representatives and associates of SOCODEVI to encourage the exchange of ideas and to raise awareness about international development.

SSQ is proud to announce that SOCODEVI received the Award of Excellence in International Cooperation in 2006, for its project to support the production and marketing of non-traditional products in Bolivia.

International Cooperative and Mutual Insurance Federation

For several years now, SSQ has been a member of ICMIF, an international association of co-operative and mutual insurance companies. Our membership in ICMIF facilitates the exchange of ideas with a worldwide network of insurance companies that share the same values. In addition to taking part in this association's biannual conferences, SSQ is also involved in certain ICMIF committees, one of which is its Intelligence Committee.

Board changes

Mr. Serge Dagenais and Mr. Jean-Marie Gagnon completed their term of office on the Mutual's Board of Directors at the end of 2006. Mr. Dagenais, who sat on the Board since 1994, was a member of the Mutualism Promotion Committee; as such, he played an active role in updating the democratic process at the Mutual, which led to the adoption of a new model for appointing delegates. Mr. Gagnon, having sat on the Board since 1988, was First Vice-Chairman and Treasurer of the Board. Over his many years spent on the Board, he made a substantial contribution to the development of SSQ. As of January 1, 2007, Mr. Gagnon was replaced by Mr. Norman A. Turnbull, an advisor specializing in private placements at the *Caisse de dépôt et placement du Québec*. We are very pleased to welcome Mr. Turnbull to the SSQ family.

Financial results

The financial results of SSQ, Mutual Management Corporation represent a percentage of the overall results of SSQ Financial Group, and reflect the Mutual's holdings in the ownership of the Group. These results accrue year after year and constitute the members' consolidated equity.

Total proceeds for 2006 amount to \$7.34 million. This figure is based on the Mutual's share of the results of SSQ Financial Group, that is \$7.15 million plus investment income of \$0.19 million. After subtracting expenses of \$0.95 million, net income amounts to \$6.39 million.

As at December 31, 2006, members' equity is valued at \$52.19 million, up 14% over the previous year. The Mutual is pleased with the excellent results SSQ Financial Group has obtained while balancing the interests of members, the financial position of the Group's enterprises and shareholders' expectations for reasonable returns.

Acknowledgements

SSQ, Mutual Management Corporation would like to thank all those who believe in mutualist values and in the development of a more just and equitable society for all.

And lastly, I would like to express my sincere gratitude and thanks, on behalf of all members of the Mutual, to our delegates for their contribution to the ongoing development of the Mutual and to our board members for their dedication to advancing the interests of the Company.



Pierre Genest
Chairman of the Board

Board of Directors

Chairman

■ **Pierre Genest**
Quebec City
Chairman of the Board
SSQ, Life Insurance Company Inc.

First Vice-Chairman and Treasurer

Jean-Marie Gagnon
Quebec City
Professor
Faculté des sciences de l'administration
Université Laval

Second Vice-Chairman

■ **Kathleen Grant**
Longueuil
Director of Communications and Student Recruitment
HEC – Montréal

■ **Maggy Apollon**
Montreal
Architect
Maggy Apollon, Architecte

Normand Brouillet
Montreal
Deputy Member of Executive Committee
CSN

■ **Serge Dagenais**
Montreal
Corporate Director

Jacques Fortin
Quebec City
General Manager
Association des cadres scolaires du Québec

Carolina Gallo La Flèche
Montreal
Lawyer
Corporate Director

■ **Martin Gauthier**
Lévis
Director, Human and Financial Resources
Centrale des syndicats du Québec – CSQ

■ **Eddy Jomphe**
Lévis
Union Representative
Canadian Union of Public Employees – FTQ

Andrew MacDougall
Toronto
President
Spencer Stuart Canada

Michel Nadeau
Longueuil
Corporate Director

■ **Denyse Paradis**
Terrebonne
Treasurer
Fédération de la santé et des services sociaux (CSN)

Sylvain Picard
Wendake
Executive Director
Native Benefits Plan

Émile Vallée
Gatineau
Corporate Director

■ Member of Mutualism Promotion Committee

Management

Chairman

Pierre Genest

FCIA, FSA

First Vice-Chairman and Treasurer

Jean-Marie Gagnon

PhD, CA

Second Vice-Chairman

Kathleen Grant

MBA, BA Visual Arts

Corporate Secretary

Hélène Plante

LLB, BEPEO

Auditors' Report

To the members of
SSQ, Mutual Management Corporation,

We have audited the consolidated balance sheet of **SSQ, MUTUAL MANAGEMENT CORPORATION** as at December 31, 2006 and the consolidated statements of income and members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Mallette
L.L.P.
Chartered Accountants

Quebec City (Canada)
February 6, 2007

Consolidated Statement of Income and Members' Equity

For the year ended December 31, (in thousands of dollars)	2006 \$	2005 \$
REVENUES		
Share in income of a company subject to significant influence (Note 3)	7,151	6,482
Other investments	190	164
	7,341	6,646
EXPENSES		
Interest	927	938
Associations	15	13
Investments	1	2
Other	5	4
	948	957
NET INCOME	6,393	5,689
MEMBERS' EQUITY, beginning of year	45,792	40,103
MEMBERS' EQUITY, end of year	52,185	45,792

Consolidated Balance Sheet

As at December 31, (in thousands of dollars)	2006 \$	2005 \$
ASSETS		
INVESTMENTS		
SSQ, Life Insurance Company Inc.		
Interest investment at equity method (Note 3)	56,784	51,050
Note, 7.09%, maturing May 1, 2020	900	900
	57,684	51,950
Bonds and coupons, rates from 4.00% to 6.75%, maturing between June 2007 and November 2008 (fair value: \$4,416,686; 2005 - \$3,811,109)	4,465	3,866
	62,149	55,816
OTHER ASSETS		
Cash	131	71
Interest receivable	51	55
	182	126
	62,331	55,942

Consolidated Balance Sheet (continued)

As at December 31, (in thousands of dollars)	2006 \$	2005 \$
LIABILITIES		
Chattel mortgage, secured by a note to SSQ, Life Insurance Company Inc., 7.09%, maturing May 1, 2020	900	900
Debentures (Note 4)	8,807	8,807
	9,707	9,707
Interest payable	439	443
	10,146	10,150
MEMBERS' EQUITY		
	52,185	45,792
	62,331	55,942

On behalf of the Board,



Pierre Genest
Chairman of the Board



Jean-Marie Gagnon
Treasurer

Consolidated Statement of Cash Flows

For the year ended December 31, (in thousands of dollars)	2006 \$	2005 \$
OPERATING		
Dividends from a company subject to significant influence	1,389	1,390
Cashed interest	194	142
Paid interest	(931)	(938)
Investment fees	(1)	(2)
Other fees	(20)	(17)
	631	575
INVESTING		
Net acquisitions of investment	(599)	(627)
Decrease of investment in a company subject to significant influence	28	58
	(571)	(569)
CASH INCREASE	60	6
CASH, beginning of year	71	65
CASH, end of year	131	71

Notes to Consolidated Financial Statements

As at December 31, 2006

(All tabular figures are in thousands of dollars)

1. STATUTES AND NATURE OF ACTIVITIES

SSQ, Mutual Management Corporation is formed under “Loi concernant les Services de santé du Québec, SSQ, Mutuelle de gestion et SSQ, Société d’assurance-vie inc.” Its main activity is to hold an investment in SSQ, Life Insurance Company Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

Consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, SSQ, Mutual Holding Inc., which holds an investment in SSQ, Life Insurance Company Inc.

Investments

The investment of 27.59% (2005 - 27.60%) in a company subject to significant influence, SSQ, Life Insurance Company Inc., is accounted for using the equity method.

The other investments are accounted for at cost except coupons, which are accounted for at amortized cost.

Financial instruments

The fair value of bonds and coupons is presented in the notes to the financial statements. The fair value of other financial instruments as receivables and payables corresponds to their carrying value according to their short-term maturity.

Notes to Consolidated Financial Statements (continued)

3. INTEREST INVESTMENT

	2006 \$	2005 \$
Interest, beginning of year	51,050	46,016
Share in income	7,151	6,482
Dividends for the year	(1,389)	(1,390)
Other items	(28)	(58)
Interest, end of year	56,784	51,050

Interest as at December 31 is made up of the following items:

	2006 \$	2005 \$
Share in equity of the company subject to significant influence	56,460	50,721
Unamortized balance of the goodwill	324	329
Balance of the interest	56,784	51,050

Notes to Consolidated Financial Statements (continued)

4. DEBENTURES

	2006 \$	2005 \$
Unsecured debentures:		
Series A, bearing interest at 9.85% payable each year, repayable from 2007 to 2011 in annual installments of \$1,351,133	6,756	6,756
Series B, bearing interest at 9.35% payable each year, repayable in annual installments of \$341,934 from 2007 to 2009 and of \$512,901 for 2010 and 2011	2,051	2,051
	8,807	8,807

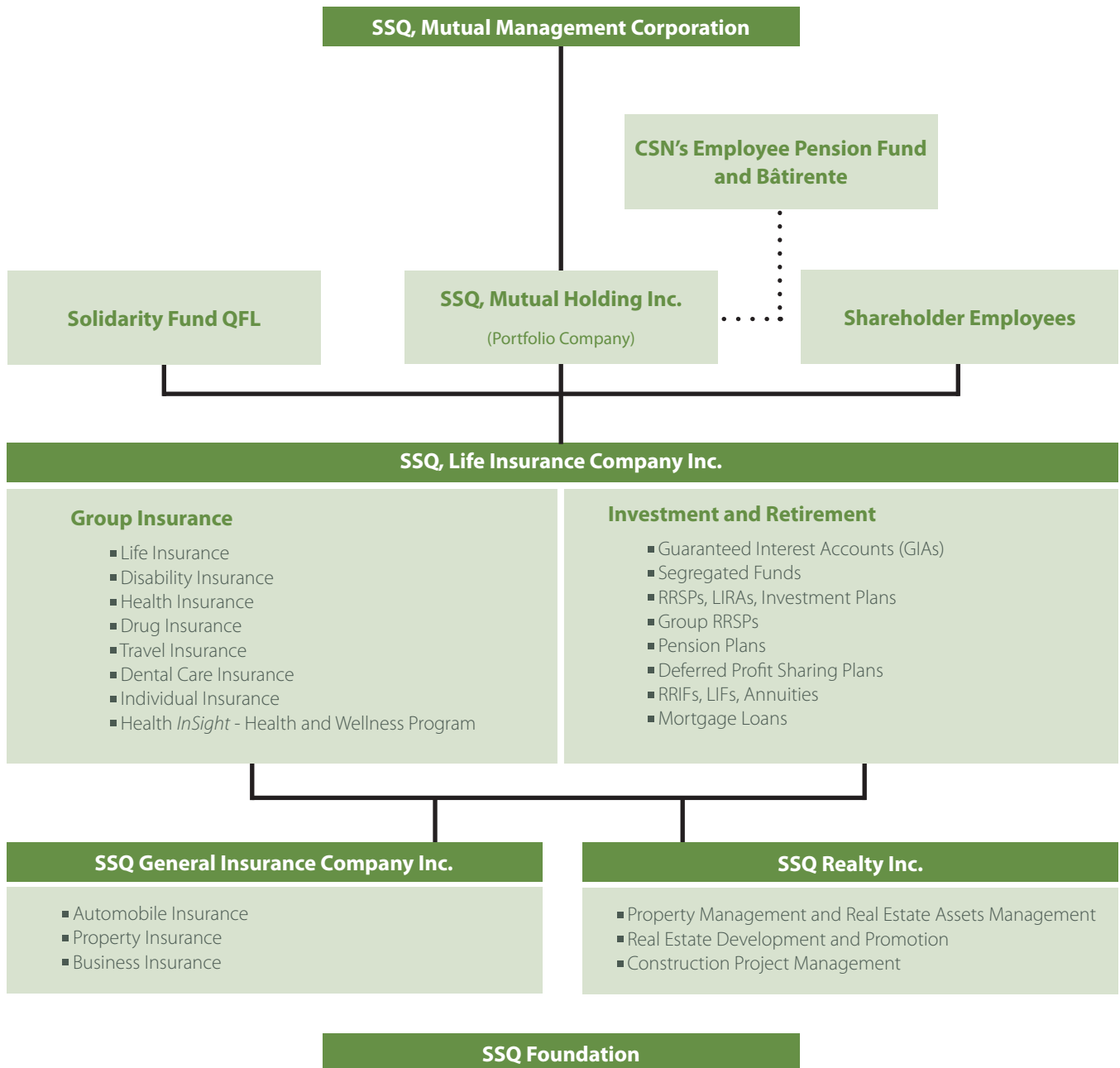
Debentures, series A and B, are convertible at anytime for Class A shares of SSQ, Mutual Holding Inc. based on 85% of the book value of these shares without being lower than \$3 until June 30, 2007.

Debentures principal repayments will be \$1,693,067 for the years 2007, 2008 and 2009 and \$1,864,034 for the years 2010 and 2011.

5. RELATED PARTY TRANSACTIONS

During the year, the Company received interest of \$69,681 (2005 - \$80,550) from a company subject to significant influence.

Organizational Structure



Contact us

Corporate Secretary

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