

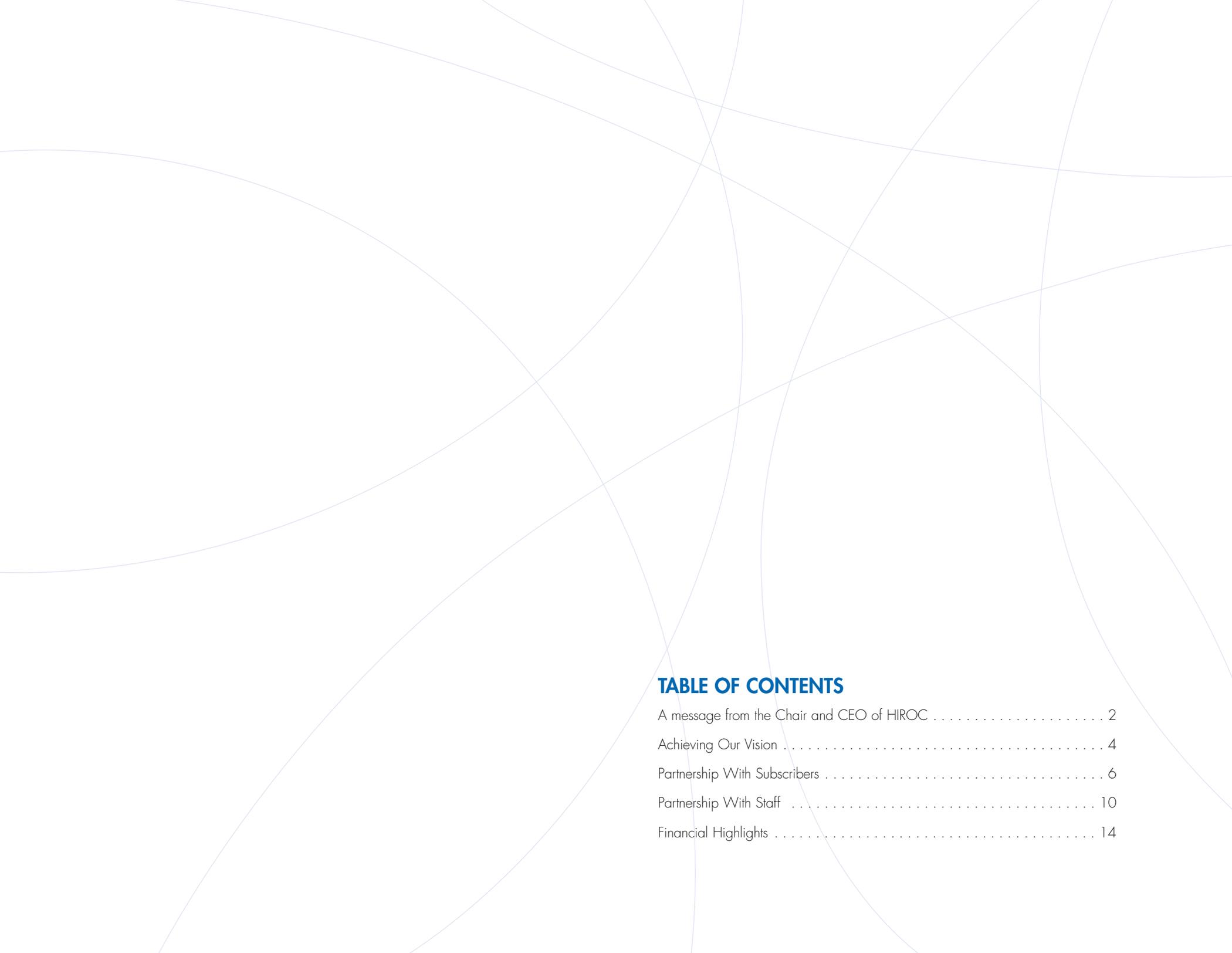
2007

ANNUAL  
REPORT



PARTNERING

TO CREATE THE SAFEST HEALTHCARE SYSTEM



## TABLE OF CONTENTS

A message from the Chair and CEO of HIROC . . . . .	2
Achieving Our Vision . . . . .	4
Partnership With Subscribers . . . . .	6
Partnership With Staff . . . . .	10
Financial Highlights . . . . .	14

## Healthcare Insurance Reciprocal of Canada (HIROC)

is Canada's leading provider of healthcare liability insurance. Together with our brokerage, HIROC Insurance Services Limited, and management company, HIROC Management Limited, we provide our subscribers with a comprehensive range of insurance services, including industry leading risk management programs and education, innovative insurance products and unparalleled claims management expertise.

### Our Vision:

Partnering to Create the Safest Healthcare System.

### Our Focus:

For more than two decades, HIROC has distinguished itself from other providers by proactively working with subscribers and partner organizations to reduce claims and positively impact the provision of healthcare services throughout Canada. Reciprocal is widely recognized as one of the most efficient and cost-effective methods of managing risk, the underlying principle of all insurance. By working in tandem with subscribers to encourage easier reporting, disclosure and the effective use of claims information to forecast losses, HIROC is helping transform and champion change for a safer, more stable and cost-effective Canadian healthcare system.

**20**  
YEARS

HIROC was pleased to mark the organization's 20<sup>th</sup> anniversary in 2007 with a variety of celebratory events aimed at sharing and acknowledging our success with our many stakeholders and partners. Throughout the past year, HIROC has been the beneficiary of countless warm wishes and support, be it at our Annual General Meeting and Risk Management Conference, various anniversary events, regular conferences and meetings or simply subscribers taking a moment to pick up the phone or send an email. In many ways that spirit of camaraderie serves to reinforce the partnership that has been the most important driver of HIROC's enduring success.



**A Message from  
the Chair and CEO of HIROC**

# **The Power**

Looking back at the past year, it's hard not to be struck by the pace of change affecting Canadian healthcare. Economic, political and cultural forces are transforming long held beliefs and practices and in doing so, are challenging organizations to rethink the ways in which they bring value to their clients.

For HIROC the situation is no different. Like our subscribers, we have long recognized that one of the keys to continued success is the ability to regularly reassess our services with an eye towards our subscribers' needs and our business objectives. In 2007, HIROC embarked on a three-year plan highlighted by initiatives in support of our vision - Partnering to Create the

# of Partnership

Safest Healthcare System. HIROC does not take those words lightly. Successful partnerships, be they at an individual or organizational level, mean recognizing and capitalizing on opportunities to leverage resources, costs, skills and information towards tangible results. For HIROC, that means positioning the organization to dramatically impact healthcare both as a partner to our subscribers and as a key resource to other organizations and individuals working to improve the safety of healthcare for all Canadians.

In the pages that follow you will learn more about the many initiatives that are not only advancing our vision but also supporting our core business and opening new avenues for opportunity and impact. These include the formation of a new organization, Salus Global Corporation, in partnership with The Society of Obstetricians and Gynaecologists of Canada; the announcement that we will expand access to our proprietary risk management products and services to non-subscribers as part of a new

membership program; and investments in information technology that will allow us to strategically use claims and risk management data to enhance subscriber services while supporting efficiency, education and our external advocacy efforts. At the same time, HIROC continues to make significant strides in supporting dialogue and the sharing of best practices across the healthcare continuum and developing resources for the provision of future research grants aimed at broadening the scope of our healthcare safety vision. These efforts have been strengthened by the analysis, cooperation and support of HIROC's Board of Directors. In 2007, the Board continued its focus on maximizing accountability and the promotion of leading practices in Board governance, thus ensuring a well functioning Board that challenges itself and the organization to continually improve.

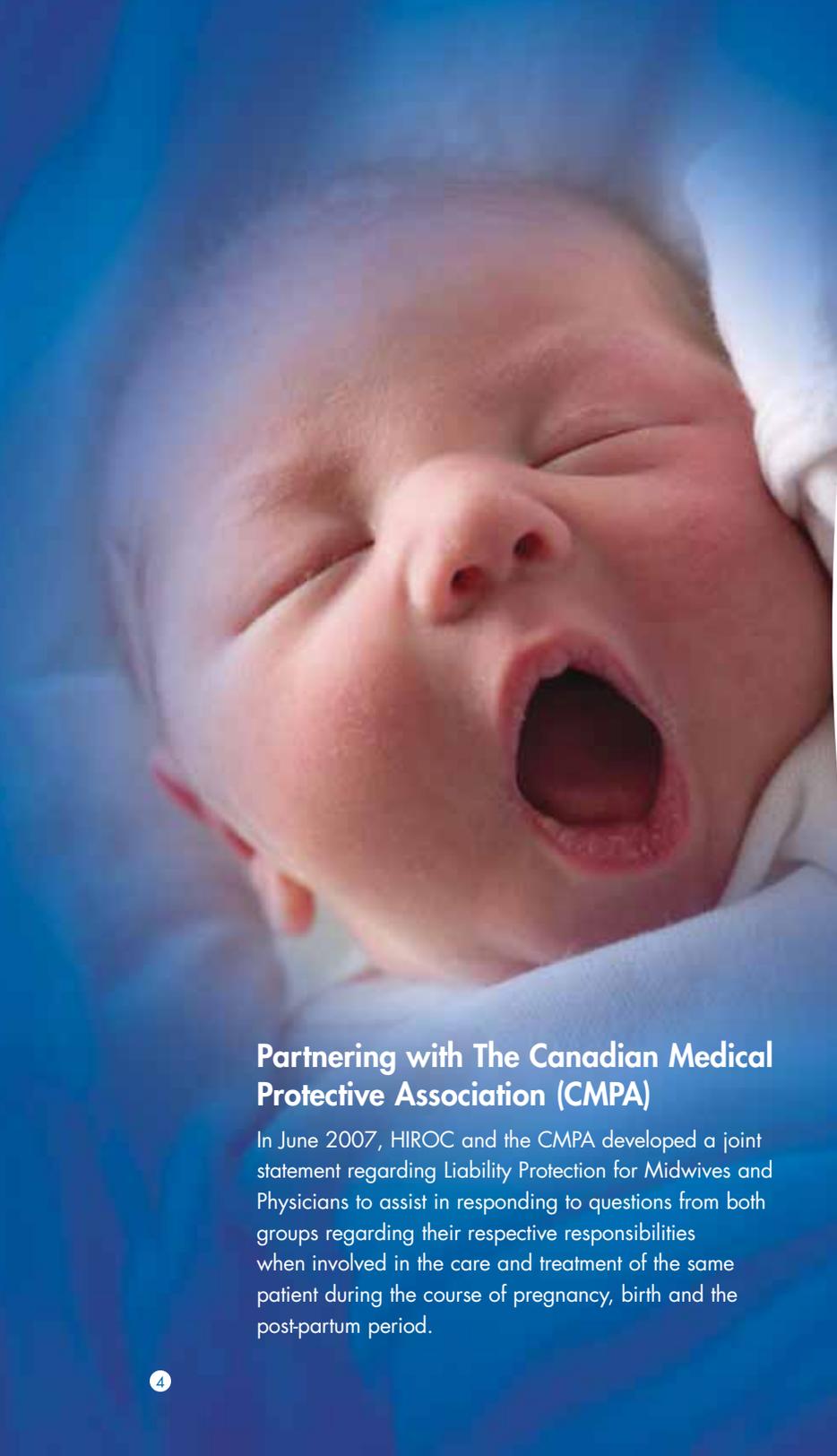
HIROC remains the largest healthcare liability insurer in Canada. If it can be said that the whole is greater than the sum of its parts, our position remains the result of hard work by staff, subscribers and a large number of supporters with whom we work daily, including: legal representatives, other healthcare and related organizations, advisors, educational organizations and government, as well as those we support through sponsorship of specific programs and events aimed at furthering our goal of safer healthcare. As 2007 has shown us, the power of partnership lies in our shared willingness to continually ask new questions and offer new solutions for the benefit of us all.



Peter Flattery  
CHIEF EXECUTIVE OFFICER



Ronald D. K. Haines  
CHAIR



## Partnering with The Canadian Medical Protective Association (CMPA)

In June 2007, HIROC and the CMPA developed a joint statement regarding Liability Protection for Midwives and Physicians to assist in responding to questions from both groups regarding their respective responsibilities when involved in the care and treatment of the same patient during the course of pregnancy, birth and the post-partum period.

## Partnership Achieving Our Vision

Partnerships are rarely easy. They take time to establish and nurture. As HIROC grows as an organization so too does the nature and scope of its stakeholder relationships. For the past several years, HIROC has slowly expanded upon its value-driven insurance to subscribers, investing further in risk management and patient safety initiatives and education. In taking these steps, HIROC has recognized that in many cases it is more efficient and fiscally responsible to leverage its efforts through partnership with other organizations thus providing greater voice, understanding and impact. By moving in this direction, HIROC becomes an agent of change, providing leadership and creating opportunities for innovative solutions and ongoing discussion.

## Partnership With Other Organizations

### Canadian Patient Safety Institute (CPSI)

HIROC is a voting member of the CPSI and has played an active role in promoting patient safety initiatives for several years. The two organizations formally signed a Letter Of Understanding on April 11, 2007. Both agree that a true culture of safety in healthcare will positively impact the system, providing a ripple effect in many diverse areas. In light of the fact that both organizations are working towards a similar vision, the logical step was to combine efforts and share information where possible. HIROC representatives also currently sit on a number of CPSI committees.

**Safer Healthcare Now! (SHN)** – In 2007, HIROC expanded its role as a key sponsor of CPSI's SHN initiatives in Ontario and Atlantic Canada. HIROC supported the Ontario Node's "Passport to Safety Workshop Series" - seven one-day workshops and one, two-hour Ontario Telehealth Network (OTN) broadcast offered across all Ontario Local Health Integration Networks (LHINs) in May and June. The workshops were designed for organizations and teams currently enrolled in one or more of the six SHN interventions, both newly enrolled and those considering new or additional enrollment. Each workshop was hosted by a leading organization known to have significant success in implementing one or more of the six SHN interventions and was located where most

participants could attend within an hour's drive. SHIN's use of HIROC's telemedicine facilities further allowed representatives to access remote locations, bringing together fourteen unique organizations in the Northeast LHIN (L13) and Northwest LHIN (L14), where geography made access a particular challenge.

### **The Society of Obstetricians and Gynaecologists of Canada (SOGC)**

– In July, HIROC and SOGC announced the formation of a new organization, Salus Global Corporation. Building upon the success of the MORE<sup>OB</sup> obstetrical patient safety program, the new company combines the patient and healthcare safety expertise of each organization for the benefit of the North American and International marketplace. Salus Global Corporation's business focus is the development, marketing and operational support of programs and tools to improve healthcare performance and safety. The organization operates under a new business structure with its own Board of Directors.

To learn more about the formation of Salus Global Corporation, please visit [www.hiroc.com/pressreleases\\_16jul07\\_sogc.asp](http://www.hiroc.com/pressreleases_16jul07_sogc.asp)

### **Institute for Safe Medication Practices Canada (ISMP Canada)**

– HIROC is currently in the final negotiation stages of a partnership agreement with ISMP Canada aimed at maximizing the reach of each organization's healthcare safety vision. This agreement will recognize several areas of mutual benefit including joint marketing initiatives, the sharing of selected anonymous aggregate data and potential refinements to type of data collected to ensure consistency. HIROC currently provides support to ISMP Canada through sponsorship of the ISMP Canada Safety Bulletin.

Joanna Noble  
Supervisor, Risk Management

### **Ontario Hospital Association (OHA)**

Throughout its history, HIROC has maintained a strong partnership with the OHA. The association played a key role in HIROC's formation during the mid 1980s, supporting the organization during its development period. HIROC staff sit on several different OHA committees and HIROC is a regular sponsor of various OHA events and seminars, often providing speakers and/or consultation support. Both organizations joined the CMPA and the College of Physicians and Surgeons of Ontario (CPSO) in developing and co-sponsoring a video conference series aimed at physicians wishing to learn more about upcoming regulatory and legal guidelines related to disclosure. This conference took place in April 2008.

For a full listing of OHA events sponsored by HIROC or supported through participation as an exhibitor or speaker, please visit: [www.hiroc.com/events.asp](http://www.hiroc.com/events.asp)



Frank Scarano  
Relationship Executive

## Canadian Council on Health Services Accreditation (CCHSA)

Following an extensive review of HIROC's interactive web-based self-appraisal application, RMSAM™, the CCHSA announced that it will reference RMSAM™ within its revised standards, available in April 2008 for organizations being surveyed in 2009. RMSAM™ will be noted in the "Governance" section through the CCHSA's development of a guideline, referencing RMSAM™ in the section related to the governing body's role in working with senior management to identify risks to the organization. In the "Supportive and Proactive organization" section a similar guideline will appear related to an organization's requirement to define and coordinate a performance management system - and to use an integrated risk management approach to identify, report, assess and manage risks.

## Ontario Healthcare Risk Management Network (OHRMN)

HIROC is one of several founding members of the OHRMN. This network encourages closer cooperation amongst healthcare risk management and patient safety personnel by encouraging the exchange of ideas and information relative to risk management and patient safety, promoting professional development and acting as a resource for healthcare organizations interested in initiating or improving their risk management capability. Healthcare personnel from across the country participate in the OHRMN list-serve, of which HIROC is the web-master. In the year ahead, HIROC will take over as host of an ongoing community forum, which will encompass an improved list-serve and enhanced archiving capabilities for the sharing of risk management and patient safety policies and best practices.

# Partnership With Subscribers

## Getting Face-to-Face with Subscribers

HIROC continued its popular subscriber relations program in 2007 including site visits where possible, reviews of past claims experience along with enhanced dialogue, presentations and discussions regarding all aspects of service provision and client needs. In a recent HIROC subscriber survey, 100% of respondents noted that they would recommend the company to non-subscribers, with 95% indicating their interactions with HIROC were either good (45%) or excellent (55%).



Penny DiClemente  
Coordinator, Claims

## Risk Management Self-Appraisal Modules (RMSAM™)

### A proactive approach to identifying problems before they become claims

The success of RMSAM™, HIROC's interactive web-based self-appraisal application continued throughout 2007 with further additions and refinements to the program aimed at supplementing the impressive range of appraisal content developed in partnership with subscribers, members and external partners over the past 20 years. Additionally, HIROC partnered with the Federation of Medical Regulatory Authorities of Canada (FMRAC) to create several new modules for medical regulatory bodies. Looking ahead, three midwifery specific modules (designed to reflect midwifery association operations and the out-of-hospital birth experience) are scheduled for revision soon. As of the end of 2007, RMSAM™ was being used by more than 50 subscribers (representing diverse types of organizations - many now in years two and three of the four-year RMSAM™ cycle). As part of HIROC's new Membership Program, three non-subscribers are currently piloting the tool. In 2008, fee-based access to RMSAM™ and HIROC's Risk Management Advisory Services will be available to non-subscriber organizations. Revenue generated through the Membership Program will be funneled into patient safety initiatives, including research and new product development. Other highlights include:

- The Association of Ontario Midwives (AOM) and its midwives became the first to complete the three midwifery-specific modules of RMSAM™
- The Victorian Order of Nurses (VON Canada) and its branches became the first national home care organization to participate in RMSAM™
- RMSAM™ video is available at [www.hiroc.com](http://www.hiroc.com)

### Risk Management Claims Analysis Report

2007 represented the fifth year that the Risk Management Claims Analysis Reports (RMCAR) were distributed to all subscribers. Along with "Loss Ratio Reports" and peer group comparison reports, RMCAR provides HIROC subscribers with valuable data from which to compare their own claims activity against that experienced by their peers, and against the entire HIROC database.

## Putting Claims Information To Work

At HIROC, when a claim is closed, it represents more than an ending; it also represents a beginning. Each of our claims takes on new life as it is coded, aggregated, and analyzed. The knowledge we have gained from our more than twenty years of claims analysis has provided us with a unique ability to identify and focus on the highest areas of risk, and is at the foundation of our successful subscriber relationship, our education programs and our relationships with other organizations.

With the aim of further enhancing its risk management and claims data reporting capabilities, HIROC conducted a RMCAR survey in 2007. This activity was then supplemented by a day-long focus group including representation from a diverse range of HIROC subscribers and stakeholders. The information gleaned from these activities will play a key part in the development of HIROC's new core information system throughout 2008 and will better position HIROC to meet the growing information needs of subscribers and partners.

### Subscriber Survey

With an eye towards continued improvement of products and services, HIROC refined its subscriber survey process in 2007, resulting in more frequent surveys without over sampling the same group of individuals. This new web based approach uses a rotating series of surveys emailed to small groups of HIROC subscribers three times per year (a different group each time). Regular surveys help us to ensure the organization continuously updates and reviews its processes for subscriber benefit.



Gordon Slemko  
Internal Counsel

### Among the highlights of our last survey...

- **100% indicate they would recommend the company to non-subscribers**
- 95% of respondents rate their interaction with HIROC as either "good" (45%) or "excellent" (55%)
- 81% satisfaction with communication tied to HIROC's vision, with 15% strongly satisfied
- Individual commentary indicating support for activities related to HIROC's vision
- 92% of respondents indicating that the use of HIROC services and programs improved their ability to support a culture of risk management and patient safety in their organization – specifically a better understanding of issues (78%) and identifying areas of concern (67%)
- Subscribers indicated that they valued "day to day interaction" with HIROC staff (61%)
- 75% of subscribers indicated satisfaction with timeliness of communications; 23% were strongly satisfied
- HIROC's news service, Axiom News is currently only read by 17% of subscribers, indicating more promotion is needed or an alternative approach to dissemination
- 60% of respondents indicated that they had read the HIROC Annual Review
- 41% of subscribers had never used HIROC's online forms to request service, indicating more education related to this service is required
- 53% of subscribers felt confident that key individuals within their office knew the claims reporting requirements for adverse events occurring outside of regular working hours
- 69% of respondents would prefer additional education related to "how to report a claim". (HIROC has enhanced access to this information on its website, [www.hiroc.com](http://www.hiroc.com))
- 73% of respondents use HIROC Risk Management services (specifically the HIROC Connection - 67%, RMSAM™ – 61% and Risk Management conference – 53%)
- 92% of respondents suggest that their leadership team and Board of Directors would be open to additional HIROC Risk Management support or consultation
- 64% of respondents also indicated that their organization would benefit from additional HIROC Risk Management education resources and teleconferences

## Composite Healthcare Insurance Policy

HIROC adapted its Composite Healthcare Insurance Policy wording to better reflect the needs of subscribers. In 2007, HIROC made 11 policy refinements aimed at providing subscribers with greater support while also improving the clarity of wording and policy functionality.

## Bringing Communications to the Forefront

HIROC works collaboratively with subscribers to ensure they are kept up-to-date regarding industry specific news, subscriber service developments, marketing and special events. Our communications efforts also play a key role in promoting HIROC activities and messaging to the general public as they relate to achievements linked to HIROC's vision of "Partnering to Create the Safest Healthcare System".

In 2007, HIROC launched several new communications initiatives focused on better supporting subscriber needs. The first was a revised website ([www.hiroc.com](http://www.hiroc.com)) intended to streamline the user experience through an improved user interface and design, the introduction of new features including a daily news service provided by Axiom News (an independent third party news service) and search capabilities intended to assist visitors in getting the information they need, while minimizing wasted time and effort. HIROC supplemented these efforts by re-releasing its popular "Explorer" newsletter and further enhancing the content and design of "The HIROC Connection" newsletter.

## HIROC Risk Management Conference '07

Last May, HIROC staged its fifth annual Risk Management Conference, an event focused on providing subscribers with a clear and informative examination of risk management issues prominent within the Canadian healthcare landscape. With a diverse attendance of more than 200, including healthcare CEOs, Executive Directors, Risk Managers, Board Members, CFOs, Auditors, Quality Managers, Patient Safety Officers, Physicians and In-house Counsel, the event provided an excellent opportunity for attendees to exchange views and perspectives, develop and nurture collaboration and friendships, dialogue with a distinguished panel of speakers, and review the wide array of HIROC services and programs available to them. For the first time, HIROC provided online access to conference presentation videos for subscribers who were unable to attend the event in person – of value particularly to those in remote healthcare settings. Subscribers are able to view the password protected presentations by visiting

[http://www.hiroc.com/5th\\_Annual\\_RM\\_Conf.asp](http://www.hiroc.com/5th_Annual_RM_Conf.asp)



Arlene Kraft  
Manager, Risk Management

Ed Corcoran  
Senior Claims Examiner

Duke Nguyen  
Network Supervisor

Alex Szabo  
Risk Management  
Specialist

## Canadian Patient Safety Week

In 2007, HIROC partnered with CPSI to develop a public service announcement (PSA) for national radio broadcast during Canadian Patient Safety Week (October 8 – 13). The announcement received prominent airplay – particularly in the major urban markets of Toronto, Vancouver, Edmonton, Winnipeg and Halifax. Although advertising is typically quite expensive, HIROC was able to reduce costs by sharing

development fees with CPSI and distribution costs with the Health Quality Council of Alberta and the Manitoba Institute for Patient Safety. HIROC currently sits on the Canadian Patient Safety Week Communications Committee and will look to increase exposure of the PSA in 2008 through the involvement of additional supporters and broadcast partners.

## Increasing Access

HIROC increased its usage of the Ontario Telemedicine Network (OTN) significantly in 2007. We provided subscriber educational sessions aimed at raising awareness of HIROC services, Claims, Risk Management and Insurance Operations as well as demonstration and support of the Risk Management Self-Appraisal Modules. During the course of the past year, HIROC provided 10 OTN sessions.

## Partnership With Staff

Since its beginnings, HIROC has understood that organizational success is measured by more than the financial bottom line. It touches upon stakeholder analysis, internal efficiency and productivity and most importantly staff development, accountability and engagement. With this in mind, HIROC refined its strategic human resources plan in 2007, further linking accomplishments to the organization's strategic objectives as represented in HIROC's Balanced Scorecard. Through these efforts, HIROC improved its ongoing management of goals and objectives and supported improved understanding of the relationship between corporate aims and employee goals as well as the need for open communication to ensure staff input into decisions, and the consideration of personal growth needs.

As part of its monitoring efforts in 2007, HIROC measured the percentage of personal objectives achieved. The company enjoyed a success rate greater than 80% (113 of 131 objectives).

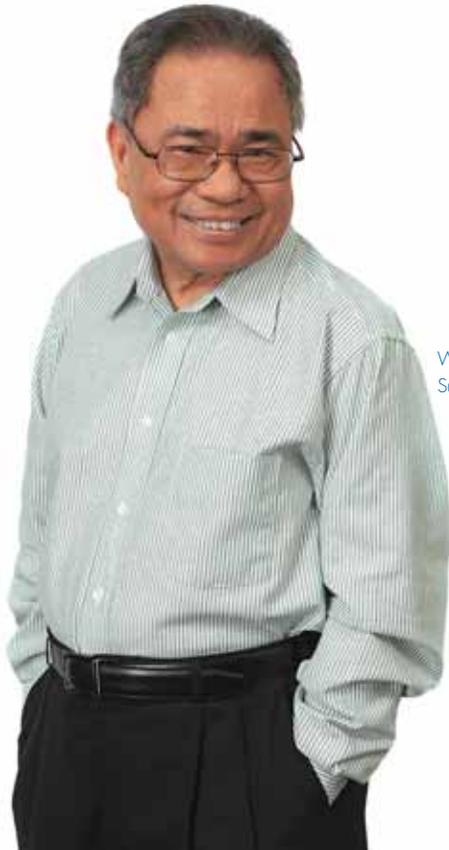
## System Selection Task Force

As HIROC continues to grow and evolve as an organization, the ability of its technology infrastructure to meet the needs of staff and subscribers is paramount. In 2007, it was determined that in order to position the organization for continued growth and enhancement of subscriber services, HIROC would undertake a process for selecting and implementing a new core information technology system. Following more than nine months of extensive interviews and negotiations, final selection of a vendor took place in January. The scope of this project involves every member of HIROC's staff as well as consultation with subscribers and third party service providers. It is expected that customization and programming will occur throughout 2008 with full implementation in 2009. The new system promises to allow marked improvements in policy and claims

management, workflow automation and business intelligence, improving virtually all aspects of internal and external operations.

### **Hiring To Better Meet Subscriber Needs**

HIROC was pleased to announce the hiring of six additional staff in 2007. These additions reflect HIROC's judicious approach to ensuring processes and staff are proactively in place to support the organization's continued evolution and the establishment of new programs. Notable in 2007 was the establishment of an in-house General Counsel and Legal department to provide advice to HIROC on a wide range of legal issues, act as liaison with outside counsel and represent subscribers in specific legal proceedings.



Wally Yerro  
Supervisor, Insurance Operations

## Partnership With Government

HIROC understands that the key to effective government relations lies in managing the ever changing relationship between issues, governmental needs and corporate objectives. As such, HIROC continues to play an important role in promoting discussion and debate among those shaping the future of Canadian health services, specifically at the government level. Our advocacy efforts, particularly within the areas of subrogation and tort reform, have laid a solid foundation from which to expand our voice in the year ahead. Beginning in 2008, HIROC will increase the scope of its government relations efforts through proactive issues management and public policy monitoring aimed at ensuring the critical balance between bureaucracy, relationship development, message management and public opinion, to position HIROC for continued success in the years ahead.

## Partnership With The Board of Directors

Like the organizations they help to govern, Boards have also faced mounting pressure during the past few years to ensure accountability, relevance and perspective within their governance mandate. In 2007, the HIROC Board of Directors continued to advance its efforts aimed at enhancing effectiveness and accountability through its yearly Board assessment process and individual Board member assessments (every two years), a renewed focus on attendance and engagement, and on the recruitment of new members - stressing diversity of skills and experience. The most recent Board assessment determined that HIROC's Board of Directors continues to function at a high level, including all committees, guideline and objective setting and input into strategic direction and monitoring activities. Member attendance at 2007 Board meetings was 91%.

# Partnership

## With Students

HIROC believes that healthcare students exposed to risk management and patient safety knowledge prior to their entry into professional practice will find the transition into a patient safety focused culture easier. With this in mind, HIROC's Risk Management Department expanded its number of presentations to universities and colleges in 2007 and will begin a program aimed at furthering awareness at universities and colleges across Canada throughout 2008.

### Healthcare Insurance Reciprocal of Canada Award

The Healthcare Insurance Reciprocal of Canada Award for highest mark in the "Best Practice" paper submitted to the Canadian Healthcare Association's Risk Management and Safety in Health Services Program in 2007 was presented to

Andrew MacDougall, Quality/Risk Manager, PEI Department of Health, Charlottetown, PEI. Mr. MacDougall's winning paper was titled, "Hands on Risk Management – Standardizing Glove Utilization in the Prince Edward Island Department of Health." Students from all over Canada participated in the program. Congratulations to Andrew and all of the other graduating students.

# Partnership

## With Canadian Healthcare

### Sharing our Risk Management Solutions with All Healthcare Organizations

In alignment with HIROC's vision, "Partnering to Create the Safest Healthcare System", the organization announced in 2007 that it will expand access to its proprietary risk management products and services to non-subscribers, as part of its new Membership Program,

The program, administered through HIROC's management company, HIROC Management Limited, will offer non-subscribers fee-based access to various HIROC products and services aimed at supporting their risk management and patient safety objectives. HIROC subscribers currently have access to these products and services included as part of their premium.

Program expansion to non-subscribers will enhance HIROC's existing knowledge of best practice activities. This information will then be made available to benefit all HIROC subscribers. Profits from this initiative will be directed toward various Canadian patient safety initiatives, including research and new product development.

Products highlighted in the Membership Program include: Risk Management Advisory Services (including consultation in a variety of areas), education, professional development, "The HIROC Connection" newsletter and access to HIROC's industry leading Risk Management Self-Assessment Modules. HIROC began offering RMSAM™ and Risk Management Advisory Services to select pilot locations during 2007. Thus far, the program has been enthusiastically received by each pilot site and is providing excellent feedback to support a larger rollout in 2008.



Jessica Hanna  
Claims Department  
Administrative Assistant

Brian Main  
Vice President, Insurance Operations

## About HIROC

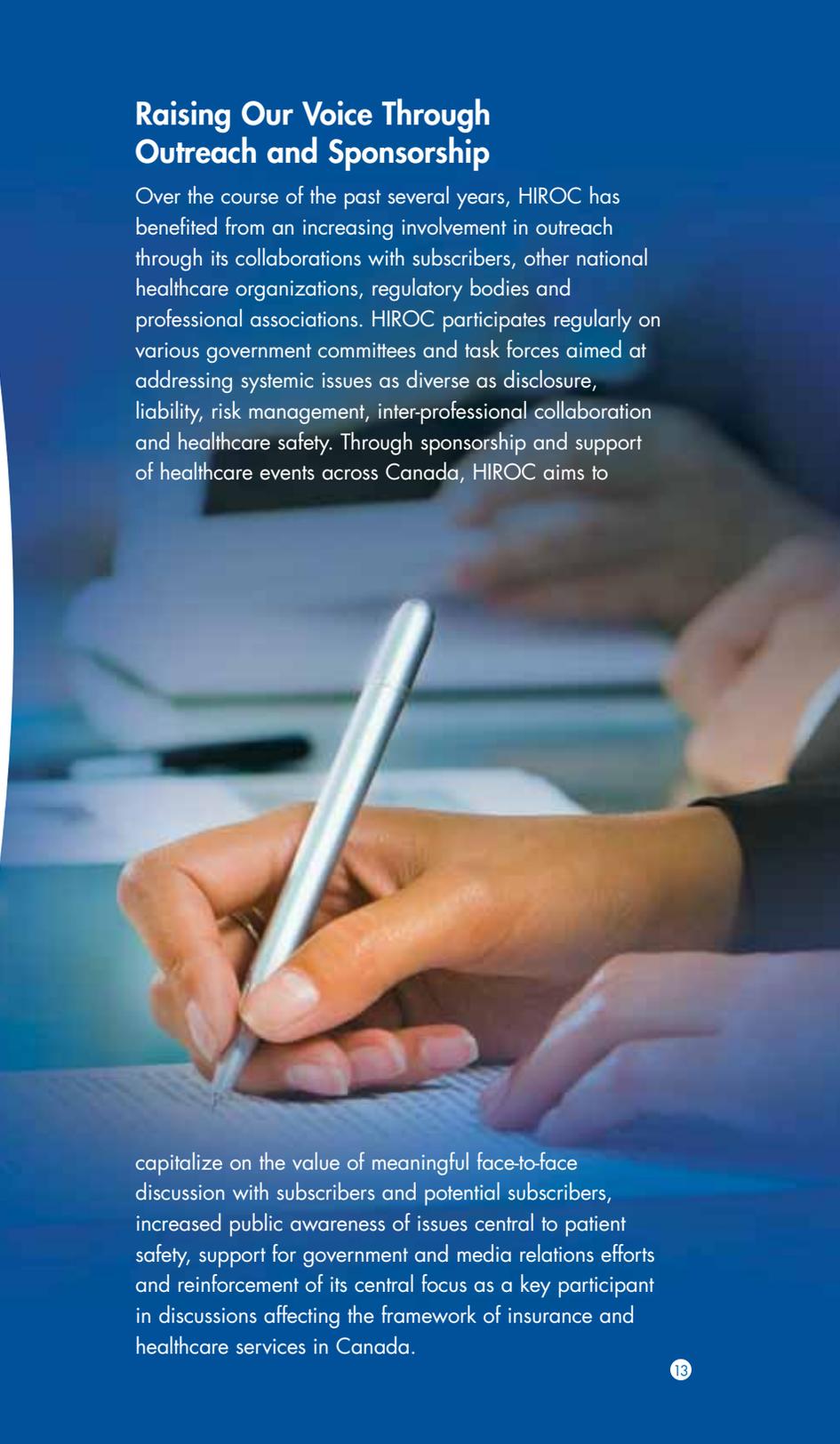
HIROC is Canada's healthcare liability insurance leader, owned and governed entirely by its subscribers. For more than 20 years, HIROC has provided its subscribers with cost effective insurance protection, comprehensive risk management programs, critical resources and research information and claims management expertise.

HIROC provides a stable, financially sound and practical alternative for the healthcare industry's liability and property insurance needs. The strength of our program comes from a comprehensive range of services, exemplary customer service and a steadfast commitment to leading edge patient safety focused strategies.

Services include programs that promote efficiency and innovation, delivered through a cooperative approach that identifies and addresses subscriber needs and mutual interests.

## Raising Our Voice Through Outreach and Sponsorship

Over the course of the past several years, HIROC has benefited from an increasing involvement in outreach through its collaborations with subscribers, other national healthcare organizations, regulatory bodies and professional associations. HIROC participates regularly on various government committees and task forces aimed at addressing systemic issues as diverse as disclosure, liability, risk management, inter-professional collaboration and healthcare safety. Through sponsorship and support of healthcare events across Canada, HIROC aims to



capitalize on the value of meaningful face-to-face discussion with subscribers and potential subscribers, increased public awareness of issues central to patient safety, support for government and media relations efforts and reinforcement of its central focus as a key participant in discussions affecting the framework of insurance and healthcare services in Canada.

## Financial Highlights

### 2007 In Review

On behalf of the Board and staff of HIROC, we are pleased to report an operating profit of approximately \$23 million for the year 2007 representing an underwriting loss of \$1.5 million and investment income of \$24.7 million.

These results reflect the prudent and proactive approach taken by HIROC in responding to the external pressures within the healthcare insurance marketplace during the past several years. The performance of HIROC's investment portfolio in 2007 was influenced by weakening markets in Canada and overseas and increased volatility of interest rates and foreign exchange rates. These market conditions, coupled with HIROC's defensive asset mix, caused HIROC's overall investment return to drop to 2.4% in 2007 compared to 7.1% in 2006. Bonds generated an investment return of 3.1%. Canadian equities generated a return of 6.2%. US equities and overseas equities were adversely affected by foreign exchange rates and experienced losses of 12% and 9.4%, respectively. HIROC's average return for the last four years was 6.7%.

HIROC's success and strength can be attributed to two significant factors: the quality of its subscriber base and its continued focus on the delivery of value driven service. In 2007, HIROC welcomed 26 new subscribers. These additions bring HIROC's total subscriber base to 446 subscribers representing more than 550 organizations across Canada.



Greg King  
Vice President, Finance  
& Administration

### Balance Sheet

as at December 31, 2007, with comparatives for 2006  
IN THOUSANDS OF DOLLARS

	2007 \$	2006 \$
<b>Assets</b>		
Investments		
Cash and cash equivalents	32,392	2,865
Bonds	325,464	297,115
Mortgage pooled fund	21,511	18,911
Common and preferred shares	82,261	65,616
	461,628	384,507
Due from reinsurers	52,324	43,904
Other assets	2,514	3,460
<b>Total assets</b>	<b>516,466</b>	<b>431,871</b>
<b>Liabilities and subscribers' surplus</b>		
Accounts payable and accrued liabilities	4,866	4,632
Premium taxes payable	3,460	3,164
Unearned premiums	7,374	7,010
Unpaid claims and claims expenses	381,864	330,271
	397,564	345,077
Subscribers' surplus	107,956	86,794
Accumulated other comprehensive income	10,946	-
<b>Total liabilities and subscribers' surplus</b>	<b>516,466</b>	<b>431,871</b>

Note: In accordance with new CICA standards, effective January 1, 2007, investments are carried at fair value.

### Statement of Income

For the year ended December 31, 2007, with comparatives for 2006  
IN THOUSANDS OF DOLLARS

	2007 \$	2006 \$
<b>Underwriting revenue</b>		
Gross premiums written	113,659	106,069
Net premiums written	99,873	93,414
Net premiums earned	99,649	92,586
<b>Expenses</b>		
Claims and claims expenses	91,314	90,660
Premium taxes	3,557	3,252
Operating expenses	6,282	5,697
	101,153	99,609
Underwriting loss	(1,504)	(7,023)
Net investment income	24,668	25,723
<b>Net income for the year</b>	<b>23,164</b>	<b>18,700</b>

## Statement of Subscribers' Surplus

For the year ended December 31, 2007, with comparatives for 2006  
IN THOUSANDS OF DOLLARS

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Balance – beginning of year	86,794	66,979
Opening adjustment	(4,433)	–
Net income for the year	23,164	18,700
Surplus contributions	2,716	2,344
Refund of surplus premiums	(285)	(1,229)
Balance – end of year	<u>107,956</u>	<u>86,794</u>

## Statement of Comprehensive Income

For the year ended December 31, 2007, with comparatives for 2006  
IN THOUSANDS OF DOLLARS

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net income for the year	23,164	18,700
Change in unrealized gains and losses	(6,951)	–
Reclassification of realized gains and losses to net income	(7,489)	–
Total other comprehensive income (loss)	(14,440)	–
Total comprehensive income	<u>8,724</u>	<u>18,700</u>

## Statement of Accumulated Other Comprehensive Income

For the year ended December 31, 2007, with comparatives for 2006  
IN THOUSANDS OF DOLLARS

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Balance – beginning of year	–	–
Opening adjustment	25,386	–
Net unrealized investment gains and losses	(14,440)	–
Balance – end of year	<u>10,946</u>	<u>–</u>

## Statement of Cash Flows

For the year ended December 31, 2007, with comparatives for 2006  
IN THOUSANDS OF DOLLARS

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net income for the year	23,164	18,700
Items not affecting cash:		
Amortization of capital assets	671	565
Amortization of bond premium	350	427
Gain on sale of investments	(8,300)	(10,759)
Investment valuation write-down	811	253
	<u>16,696</u>	<u>9,186</u>
Increase in unpaid claims and claims expenses	47,160	59,946
Increase in due from reinsurers	(8,420)	(20,390)
Decrease (increase) in accrued income	(269)	973
Increase in unearned premiums	364	1,202
Change in other non-cash items	1,313	290
	<u>56,844</u>	<u>51,207</u>
<b>Investing activities</b>		
Purchase of investments	(834,775)	(662,758)
Proceeds on sales of investments	805,535	608,940
Purchase of capital assets	(508)	(736)
	<u>(29,748)</u>	<u>(54,554)</u>
<b>Financing activities</b>		
Subscribers' surplus contributions	2,716	2,344
Refund of surplus premiums	(285)	(1,229)
	<u>2,431</u>	<u>1,115</u>
Increase (decrease) in cash and cash equivalents during the year	29,527	(2,232)
Cash and cash equivalents – beginning of the year	2,865	5,097
Cash and cash equivalents – end of year	<u>32,392</u>	<u>2,865</u>

## Board of Directors

HIROC is governed by a Board of Directors that is elected by our subscribers and that is representative of the various institutional classifications, sizes and geographical locations of Reciprocal members.

### Board Member List

**Ronald D. K. Haines, Chair**

Trustee  
Trillium Health Centre  
Mississauga, Ontario

**Giles R. Meikle, Vice-Chair**

Trustee  
Toronto East General Hospital  
Toronto, Ontario

**Elizabeth A. Bardon**

Director of Development & Community  
Relations  
Hotel Dieu Hospital  
Kingston, Ontario

**Keith J. F. Jobbitt**

Trustee  
Thunder Bay Regional Health Sciences  
Centre  
Thunder Bay, Ontario

**Bryan T. Leier**

Trustee  
Regina Qu'Appelle Health Region  
Regina, Saskatchewan

**Brian C. Lemon**

Chief Executive Officer  
Lakeridge Health Corporation  
Oshawa, Ontario

**Randy Lock**

Executive Director  
Regional Health Authorities of Manitoba  
Winnipeg, Manitoba

**Bella Martin**

General Counsel  
University Health Network  
Toronto, Ontario

**Murray T. Martin**

President and Chief Executive Officer  
Hamilton Health Sciences Corporation  
Hamilton, Ontario

**Bruce K. Peterkin**

Hamilton Urban Core Community Health  
Centre  
Hamilton, Ontario

**Glenna Raymond**

Chief Executive Officer  
Whitby Mental Health Centre  
Whitby, Ontario

**Cathy Szabo**

Executive Director  
Central Community Care Access Centre  
Newmarket, Ontario

**Catherine Tolton**

General Counsel  
Winnipeg Regional Health Authority  
Winnipeg, Manitoba

**Adam R. Topp**

Chair, Nominating Committee



Paula Rosser  
Claims Examiner

## HIROC Departments

HIROC's expert staff are available to help you determine the best solution for your healthcare insurance needs.

### Claims

Claims management is provided through our Claims Department, which manages the investigation, assessment and resolution of the claims reported by our subscribers. Whether this involves the use of lawyers, adjusters or other professionals, our Claims staff strive to be fair and efficient, and to ensure our subscribers are presented as reputable members of the healthcare community.

We make prompt, fair settlements where warranted, and we resist settling where no fault exists. Our service does not start only after a Statement of Claim is served on our subscriber. We believe in being proactive and regularly resolve matters before any formal legal proceedings have been instituted.

**Mike Boyce, Vice President, Claims**

### Communications

HIROC works collaboratively with subscribers to ensure they are kept up-to-date regarding industry specific news, organizational program and service developments, marketing and special events.

Communications also plays a key role in promoting organizational activity and messaging to the general public as it relates to the achievement of HIROC's vision of "Partnering to Create the Safest Healthcare System".

**Anthony Fuchs, Manager, Communications and Marketing**

### Finance

HIROC's subscribers benefit from our consistently strong financial results. Our sound financial performance is largely the result of our subscribers and HIROC staff working together to improve operations and reduce claims.

The Reciprocal's cost efficiency results, in part, from the fact it does not pay broker commissions or income tax, and its operating expenses are considerably lower than the industry average. These savings are passed on directly to our subscribers and are not lost to the commercial insurance market. Subscribers benefit from these savings, as surplus is credited to subscriber surplus accounts.

**Greg King, Vice President, Finance & Administration**

## Insurance Operations

Confirmation of coverage is provided by our Insurance Operations Department, which gathers and maintains your coverage information. The Reciprocal offers subscribers complete protection, with high limits and comprehensive insurance. Payment of all legal costs is in addition to limits of insurance chosen. Additional coverages can be purchased through our affiliated brokerage, HIROC Insurance Services Limited.

**Brian Main, Vice President, Insurance Operations**

### Risk Management

HIROC Risk Management staff members provide advisory services to subscribers looking for definitive guidance on a wide range of clinical and operational issues. We regularly critique and advise on policy matters, loss control and patient relation issues. We offer a range of risk management advisory services at no charge to our subscribers including software based risk management self-appraisal solutions, education, risk management reports, The HIROC Connection newsletter, an annual risk management conference and a video lending library.

**Eleanor Morton, Vice President, Risk Management**

### Western Region

HIROC is pleased to represent the interests of subscribers across a broad spectrum of the health communities from coast to coast. Our Winnipeg office provides extensive services to our Western Canada and Northern regions – a specialized and personal approach that has proven successful for more than fifteen years.

**Susan Bowen, Vice President, Western Region**



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