

Connecting Healthcare COMMUNITIES



2021 Annual Review



HIROC SUBSCRIBERS,

Last year, I said something like “what an unprecedented year 2020 was.” Unfortunately, I’m saying it again in relation to 2021, particularly as we think about the impact the pandemic has had on healthcare professionals and staff, healthcare leaders, organizations, and those who are served by our system. Fortunately, we also saw caring, professionalism, unprecedented collaboration and innovation.

At HIROC, we were privileged to have the opportunity to do our part in supporting the entire healthcare system. We did this through our responsiveness to specific requests for assistance from our Subscribers, through our partnerships with other organizations that were intervening on behalf of our system, and through a ramped-up focus on communication (including our COVID Risk Forums and ever-popular COVID Q&A Bulletins). Through our Subscriber Engagement Survey, you let us know how much you valued these resources and that you want us to continue this beyond the pandemic. We will definitely do so. Work is underway to transition the COVID Bulletins into Emerging Trends Bulletins. Stay tuned for more exciting details.

This year saw significant growth in our Subscriber base. We welcome these Subscribers to a mutually beneficial relationship. We all learn from the breadth of your expertise and experience, and you in turn have access to HIROC’s support – built out of the expertise of over 700 fellow Subscribers.

2021 also saw the return of the HIROC Conference. With the move to virtual we knew we needed to increase accessibility and the variety of topics offered. We went big, hosting four days of learning. And after the event, we heard you loud and clear – you also want us to continue with this format. Again, we will definitely do so.

In July 2022, HIROC celebrates its 35th anniversary – the Reciprocal has never been stronger. A not-for-profit reciprocal that started with just 53 Subscribers in Ontario, now boasts over 700 Subscribers in almost every province and territory across Canada.

There are many reasons why we at HIROC are very optimistic for what’s to come. First, because we are energized by the resiliency we continue to see from you, the phenomenal individuals who keep the healthcare system moving. We feel so privileged that you allow HIROC into your organizations and provide us the opportunity to listen, learn and collaborate. This allows us to not only live our vision of partnering to create the safest healthcare system, but it keeps us motivated to meet your current and future needs. Our goal is to continue taking things off the plate of Subscribers so that we can help you free up time and resources to do what you do best – provide safe and high-quality care to Canadians.

When we get that call saying, “We need to make a decision right now so that services to clients can happen tomorrow morning,” HIROC moves quickly to expedite a response. We know that this is not necessarily the usual insurance company response, but HIROC is not just any insurer. We are guided by Subscribers and consider ourselves to be an extension of you.

Behind every email, call, Zoom, Webex or event is a dedicated HIROC employee. Our staff continue to amaze me each and every day. This is a team that listens to your needs and takes action, while keeping the pulse of the system. Our responsiveness to your needs is evidenced in many ways but a few notables include the Risk Management Residency Program, HIROC’s Intelligence Platform, interactive cyber risk forums, and tapping into the tremendous wealth of knowledge from guests on our award-winning podcast, Healthcare Change Makers.

Finally, we heard that our current strategic plan resonates with you, and so work is well underway to refresh the current plan. Rest assured that we will address trending topics such as health human resources shortage implications, cyber, perinatal care, deteriorating patient condition, water damage losses on the property side of things, and many more.

We thank you for your trust in us. And thank you for working with us on our shared journey to turn the corner on patient safety.

Catherine Gaulton
CEO, HIROC

FELLOW SUBSCRIBERS,

When I accepted the role of Chair of the HIROC Board of Directors, I could not have imagined that I would not chair a single meeting in person. Like all of you, we moved to virtual in 2020, but HIROC's unique culture continues to be as alive as the first day I joined the board.

Now, as I gather my thoughts for my last official duty as Chair, my heart warms with gratitude. Catherine and I are grateful to our Subscribers, to HIROC staff, and to my fellow Directors. Thank you for everything you are doing to keep Canadians safe and healthy.

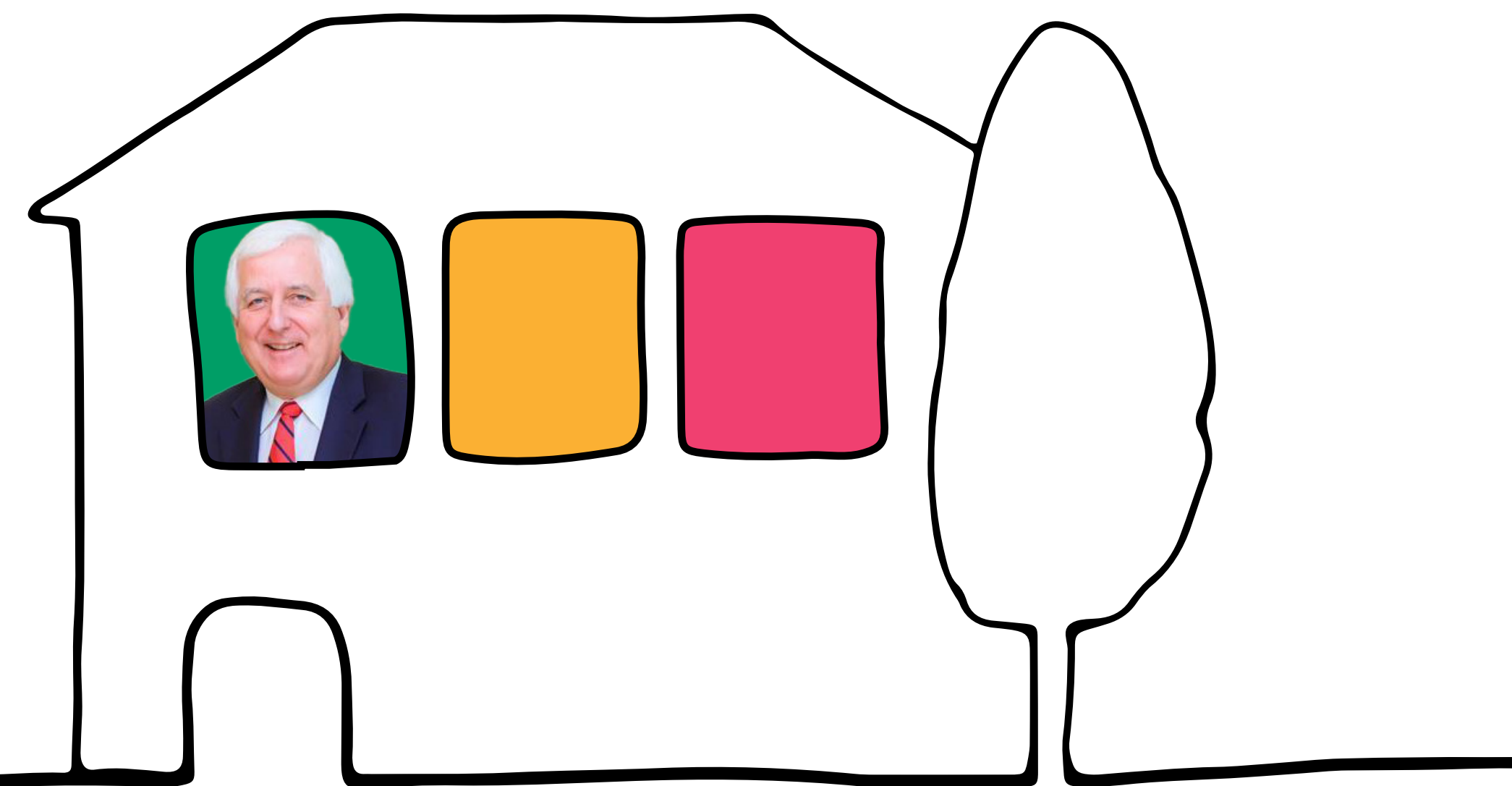
As a member of the Board of Trustees at Eastern Regional Health Authority in St. John's Newfoundland, I've been fortunate to see firsthand how the healthcare community is making a positive impact. Despite the many challenges, our HIROC Subscribers continue to show strength and resiliency. The inspiration and guidance we receive from Subscribers is unparalleled.

The Reciprocal model is all about partnership and knowledge sharing, it's what drives the team at HIROC. The Board and I have been in awe of HIROC staff and their commitment to service, especially during these ever-evolving times. That service translated into Subscribers knowing at their core that HIROC is there for them. I personally hear it around the boardroom table at Eastern Health, and I know I am not alone. Keep up the great work!

It's been a pleasure serving as Chair of the HIROC Board alongside my fellow Directors. These talented individuals, representatives from across the breadth of the Reciprocal, have a keen lens on how HIROC can support Subscribers today and into the future. Thank you for your knowledge, expertise, commitment, and camaraderie – all of which are crucial aspects of how we continue to keep the needs of those we serve at the forefront of our work.

Sincerely,

Robert Andrews
Board Chair, HIROC



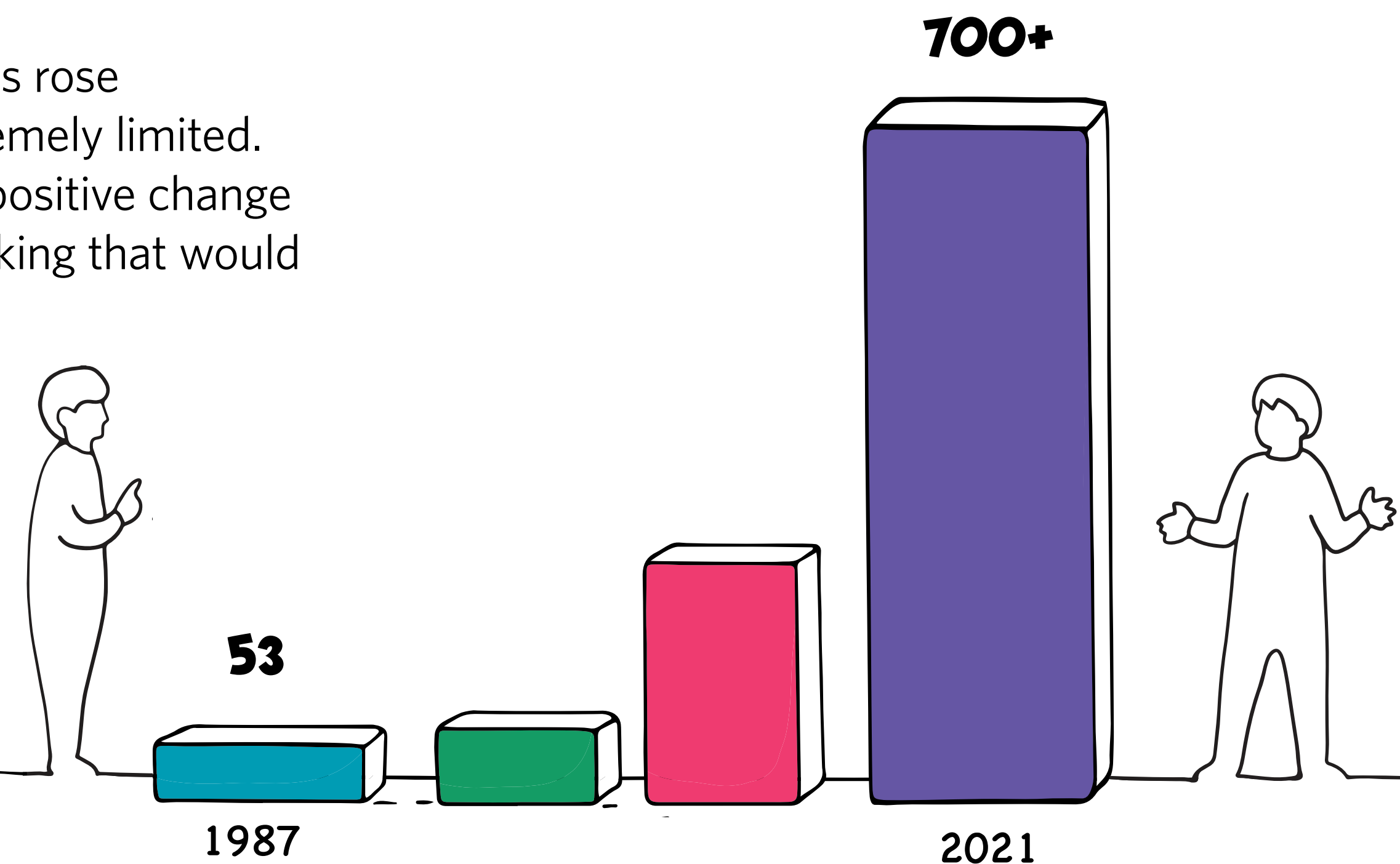
HIROC Celebrates  Years of Impact

HIROC Celebrates **35** Years of Impact

RIISING FROM A CRISIS

In the mid-1980s, Ontario hospitals faced a crisis when liability premiums rose dramatically, and the market for medical malpractice coverage was extremely limited. As a result, 53 healthcare organizations came together in 1987 to bring positive change to the sector. The newly formed not-for-profit was an ambitious undertaking that would disrupt the insurance industry.

It's because of that ambition that we're still thriving today - working with over 700 Subscribers across Canada to build the safest healthcare system.



HIROC Celebrates **35** Years of Impact

INNOVATIVE RISK MANAGEMENT TOOLS

HIROC's first Risk Management Assessment Program was introduced in 1992. The modules were groundbreaking, helping Subscribers recognize high-risk areas and providing a tool for managing risk.

In 2012, the program evolved into today's Risk Assessment Checklists (RAC) program - with over 260 active organizations. In 2015, the Integrated Risk Management program was introduced, over 4,000 risks have been entered into the Risk Register system to date. As a proactive partner in safety, in 2021 HIROC launched the Risk Management Residency Program to support learning, mentoring and capacity building.



HIROC Celebrates **35** Years of Impact

GIVING BACK TO HEALTHCARE

As a not-for-profit reciprocal, HIROC has always looked for ways to give back to healthcare. Since 1987, HIROC has put over \$200 million back into the system through surplus distributions.

With scaling safety projects across healthcare as our overarching purpose, in 2018, the HIROC Foundation launched its Safety Grants Program. Since inception, HIROC has awarded a total of \$360,000 to 17 Subscriber organizations.

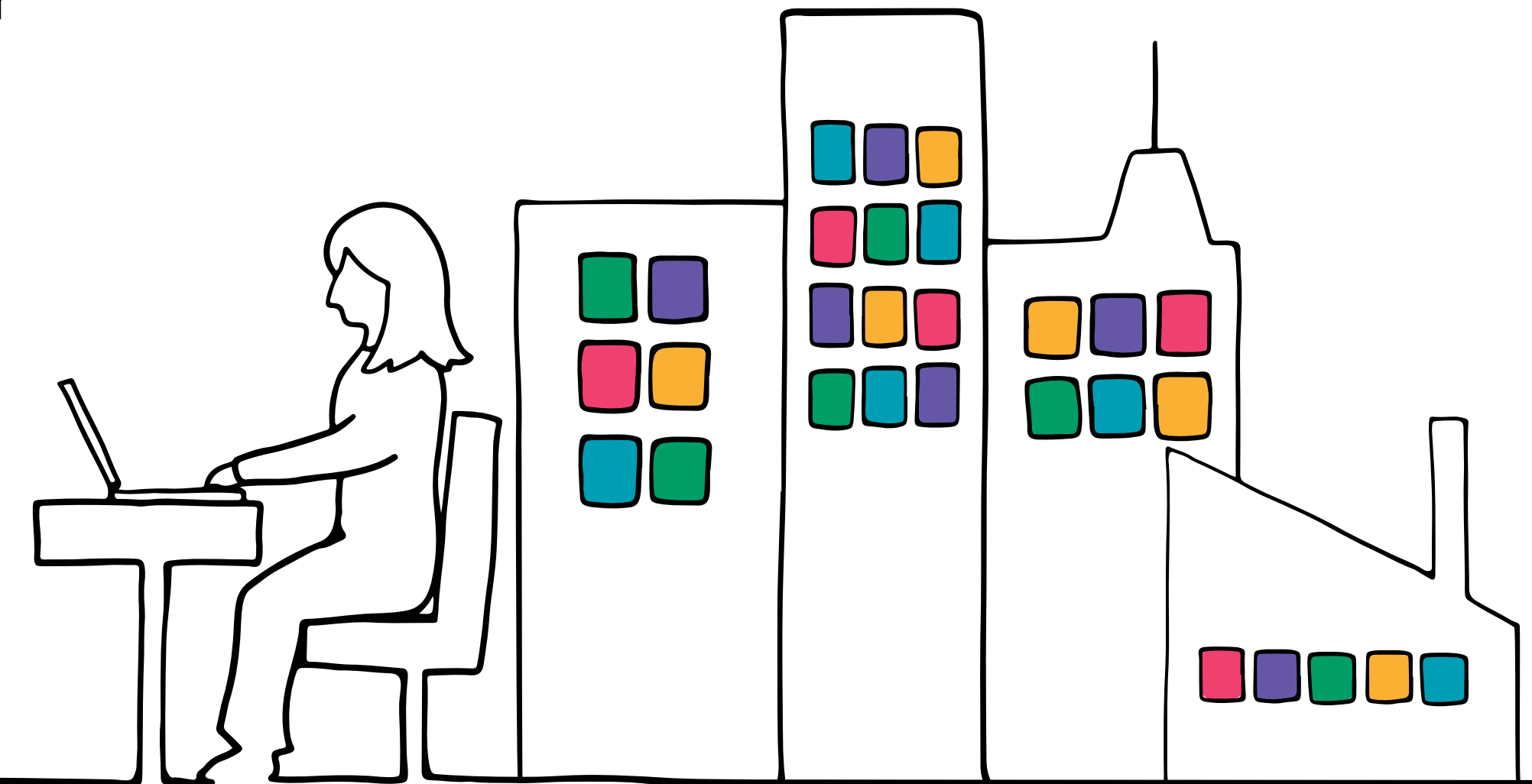


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SCALING LEARNINGS ACROSS THE SECTOR

2021 saw HIROC host its first fully virtual conference. But the HIROC Conference has been around for much longer, bringing change makers together to talk about challenges and successes, and to share lessons learned.

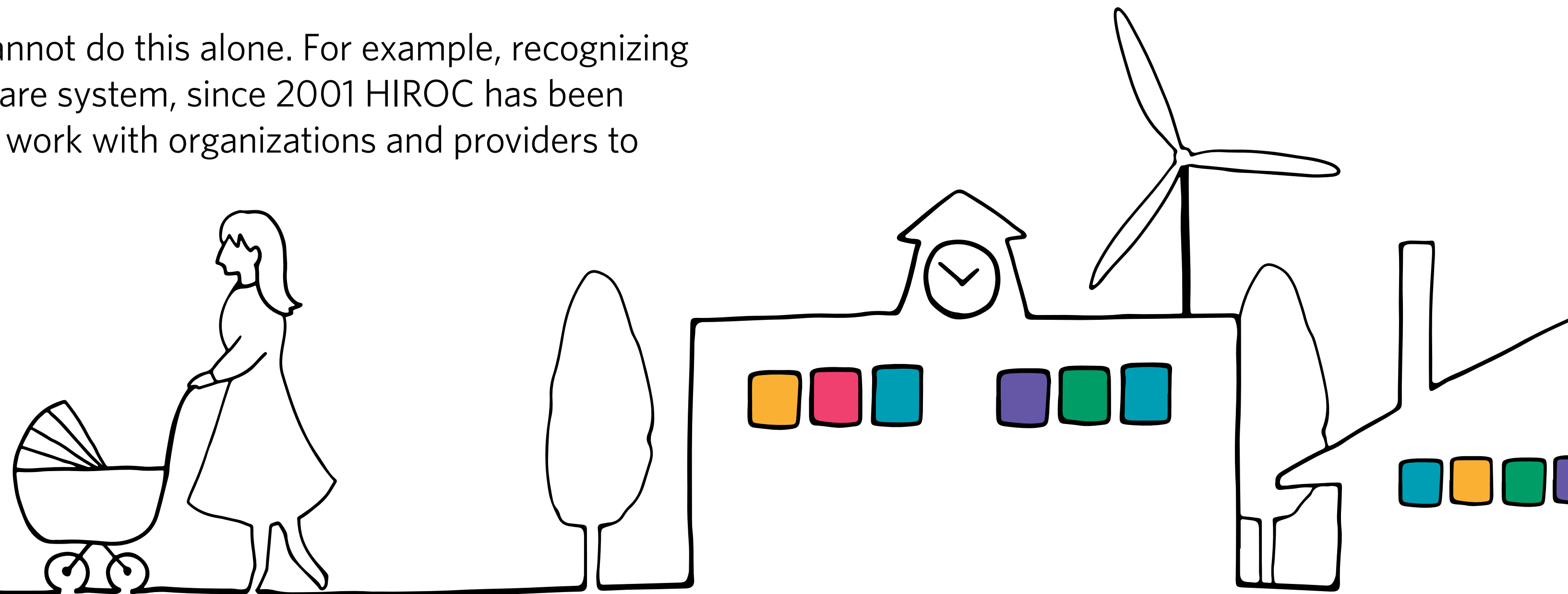
HIROC also leverages its award-winning podcast, LinkedIn Live series, and library of over 375 resources to scale learnings across Canada.



HIROC Celebrates **35** Years of Impact

PARTNERING TO CREATE THE SAFEST HEALTHCARE SYSTEM

Since day one, HIROC has believed that we cannot do this alone. For example, recognizing the value that midwifery brings to our healthcare system, since 2001 HIROC has been partnering with midwives across Canada. We work with organizations and providers to support safe perinatal care.



**"HIROC IS US – IT WAS CREATED BY SUBSCRIBERS,
FOR SUBSCRIBERS."**

– Paul Heinrich, *President and CEO , North Bay Regional Health Centre* –

FINANCIALS

We are pleased to report that HIROC’s financial position continues to be strong, and the Reciprocal has been able to withstand the capital market upheaval and challenges caused by the COVID pandemic.

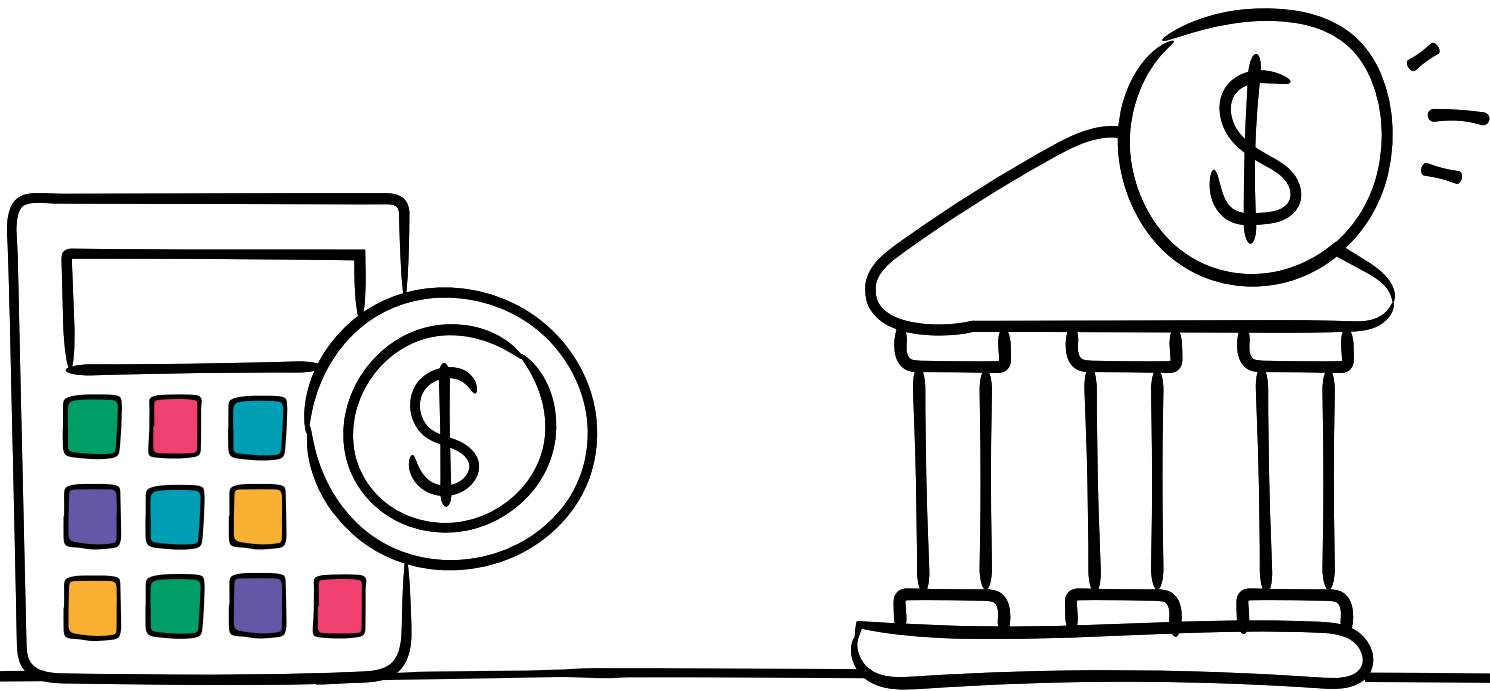
Surplus grew during 2021 by 19% to \$693 million. At year-end the Minimum Capital Test (MCT), a ratio that regulators use to measure the financial strength of insurance organizations, is 205%, in line with HIROC’s target of 210% and above HIROC’s internal threshold of 175%.

During 2021, the trend of increasing medical malpractice claims costs continued. Maternal/neonate claims remained the costliest individual claims with escalating settlement costs. Cyber liability claims frequency also increased as healthcare organizations continue to be a target for cyber criminals. In addition, property claims costs increased as more volatile and extreme weather patterns led to flooding and other water-related losses.

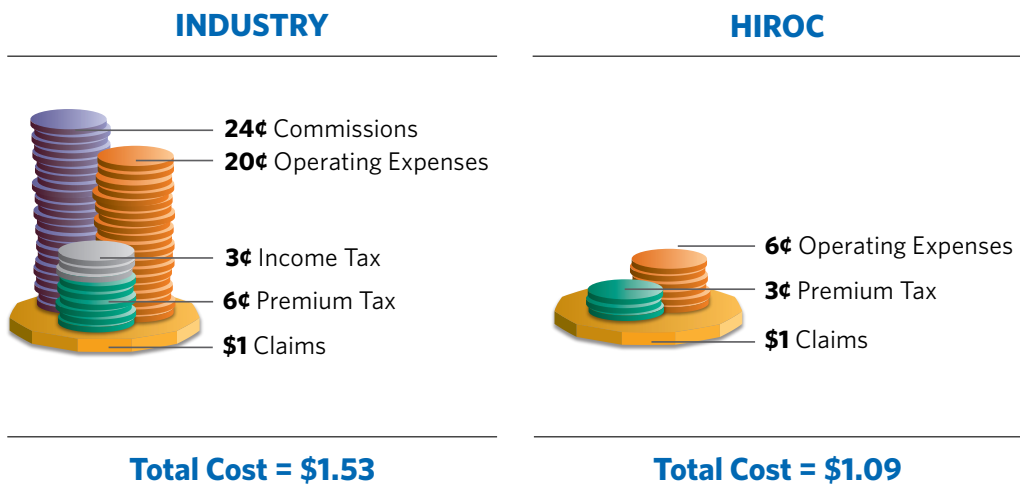
Total investment return for 2021 was 6.4% led by Canadian and U.S. equities, which were up 30% and 27% respectively. Fixed income assets faced challenges as interest rates increased and HIROC’s fixed income return was down slightly at -0.2%. While disappointing, this was well ahead of our benchmark return which was -1.5%. Inflationary pressures and ongoing volatility factors from the pandemic continued to put upward pressure on interest rates during 2021. Markets expect negative fixed income returns will continue during 2022.

HIROC’s longer term 5-year investment return of 6.4% exceeds both the 5-year benchmark return of 5.5% and our target range of 3.5% to 4%. Operating expenses remain low at 6 cents for every dollar of claims, which is much better than the insurance industry average of 20 cents.

While surplus continues to be strong, as previously reported due to capital market volatility and increasing claims costs, HIROC suspended surplus distributions during 2021. Decisions as to surplus distribution are made in June and December of each year. Given continued market volatility and the applicable MCT target, it is not currently expected that there will be a distribution in the near future. HIROC will continue to be transparent and readily communicate with its Subscribers on this front.

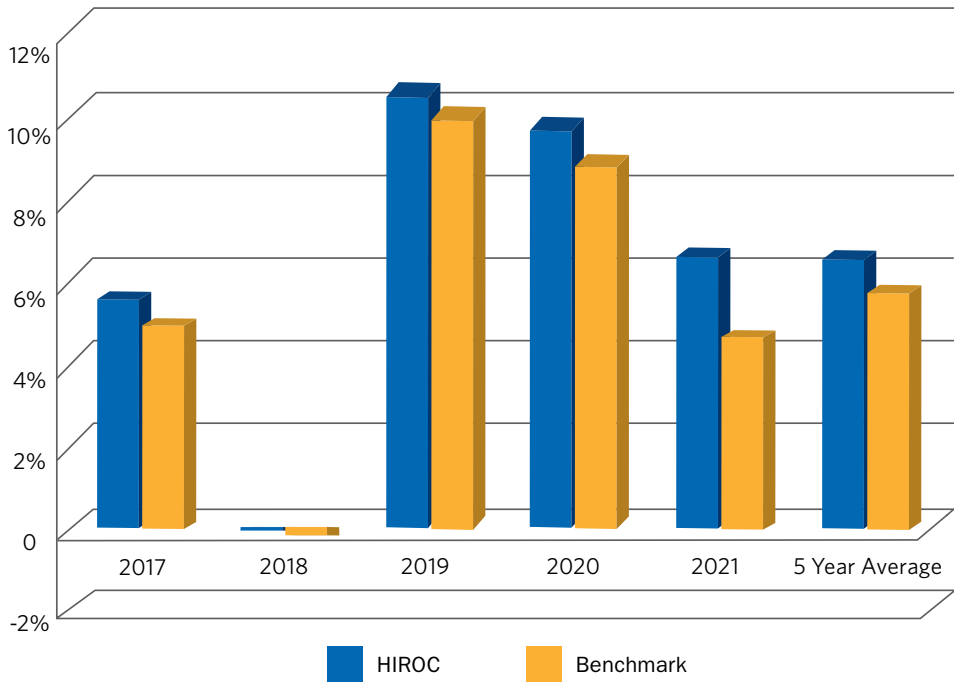


INSURANCE COST COMPARISON BASED ON \$1 OF CLAIMS*



* Based on 4-year average of Property & Casualty industry data (2018-2021).
Source: Office of the Superintendent of Financial Institutions

INVESTMENT RETURN



2021 BOARD MEMBERS



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HIROC.com

HIROC is a trusted healthcare safety advisor, committed to offering a full spectrum of insurance products and support throughout a claim. Combined with sage counsel and risk management solutions, HIROC works with its partners to increase safety.