

# Building a Foundation for Safety

Designing a Better Tomorrow



2022 Annual Review



# To the HIROC Community,

It has been a privilege to lead the HIROC Board of Directors over the past year, to the benefit of our Subscribers – and ultimately our staff, patients, and clients.

As you will read, Catherine Gaulton's letter in this Annual Review is all about giving thanks. Thanks to HIROC's Subscribers, Board of Directors, staff, and those in the community who have supported us along the way. I fully echo those sentiments.

You, our Subscribers, are us. And we all continue to benefit from the HIROC that is growing, deepening its roots across Canada, and leaning in on safety and risk mitigation. HIROC was built by Subscribers and continues to be shaped by Subscribers – through claims knowledge sharing, through the Subscriber Advisory Council, through one- to-one discussions with CEOs, through cross-country board check-ins, and through our formal evaluation channels. HIROC was built by you and continues to find new ways to grow based on your needs.

When I joined the Board in 2015, I did so because our Canadian healthcare system helped define me. And HIROC's very deep connection to the healthcare community was a tremendous match in values. There are many unique things about HIROC, but one thing is certain. One thing I have personally experienced is that when a crisis strikes, HIROC is there for its Subscribers.

I vividly remember having to call HIROC when an incident occurred, and instantly I felt a wave of relief come over me as I was reassured and supported. In that very moment, what I'd heard for years from others in the sector held true – the experience of every HIROC Subscriber carries the exact same feeling – knowing that HIROC has our back.

I have deepened that level of connection in my role on HIROC's Board. The strong governance acumen and healthcare knowledge of this Board ensures we are in touch with the rapid and significant changes in our healthcare system – always with an eye to reduce risk, facilitate knowledge exchange, and *turn the corner on patient safety*.

The Board's governance excellence is buoyed and supported by an incredible leadership team, led by Catherine. Their innovation, their thought leadership, and their never-ending curiosity and energy have enabled the success of our strategy and goal achievement. Many thanks to the amazing team that works to keep us safe!

This year's Annual Review is a major milestone because it is the completion of HIROC's 2020-2022 strategic plan – one that has laid the foundation for the 2023 plan you've been hearing so much about.

There are many examples of our strategic imperatives. We are especially proud of the Board's adoption of an Environmental, Social and Governance (ESG) framework for HIROC, and its inclusion as a fundamental part of our strategic plan and our Board goals and oversight. You, our Subscribers, can expect to see increased reporting in relation to this work over the coming year.

We thank all of you who are working on the ground to keep Canadians safe and healthy. It is our distinct privilege to work together with you in meeting our vision of *Partnering to Create the Safest Healthcare System*. All this while HIROC's Board and staff live out our mission of "providing insurance, risk management and innovative solutions supporting safety and collaboration in healthcare". On behalf of the Board, we look forward to working alongside you in 2023.

Yours truly,

**Elizabeth Beader**

Chair, HIROC Board of Directors



# HIROC Subscribers,

During the period of the pandemic, we were clear that our health and safety was squarely in the hands of our Subscribers' employees, physicians, and leaders. While we are now able to deal more effectively with the pandemic and its effects, we are perhaps even more fully dependent on you, our frontline and leaders. We are eternally grateful and reiterate that we, at HIROC, are here to serve and support you as you do this crucial work.

Our Subscribers are the reason HIROC launched its ambitious 2020 strategic plan. And you, along with HIROC's dedicated and talented staff and our Board of Directors, are why it has been successfully achieved. As we kick-off 2023 with a refreshed strategic plan for HIROC, we are overwhelmed with the need to say thank you. Thanks to the many voices of HIROC Subscribers from coast-to-coast who helped develop the 2023 strategy. Thank you to everyone in our Subscriber organizations who were so connected to building and delivering on our last strategic plan. Our Subscriber Advisory and Staff Strategy Councils are fundamental aspects of how HIROC and its Subscribers progress.

You told us the critical pieces of HIROC's 2020-2022 plan should continue to carry the healthcare community forward - that our work together to turn the corner on patient safety should continue in full force. Because of that feedback, that plan, in essence, formed the blueprint for our new 2023-25 strategy.

The work we do over the next three years may look different. We have heard and our data confirms that the current healthcare human resources crisis is unprecedented and severe. Therefore, you will see us expand our Turning the Corner on Patient Safety work to include a focus on supporting Subscribers as you innovate to address this historic and profound issue.

We are proud of what we've accomplished together. We feature just a few of the many successes from the last three years in this Annual Review. Projects that were designed collaboratively with the team at HIROC, and with the healthcare community.

All of this work would not be possible without the boundless dedication and commitment of HIROC's 120+ leaders and the 19 Directors of our Board and board committees. Your creativity, service-first mentality and expert knowledge on all things healthcare, leadership, insurance, claims, and safety have created a unique partnership between HIROC and its Subscribers, which is key to the achievement of our mutual objectives.

Being so ingrained in the healthcare community, HIROC has had the opportunity to draw on an endless pool of talent to reach all corners of the healthcare sector, new partners, and of course, key jurisdictional leaders and stakeholders.

## **Just like your teams, we know healthcare does not stop.**

That is why building on HIROC's Blueprint for Success (something that now spans 36 years) is something we are laser focused on. We know you expect this.

Knowledge translation will continue to be a priority. We know sharing knowledge, with the goal of scaling those lessons learned across the healthcare system, supports a strong safety culture. It also supports HIROC's vision of partnering to create the safest healthcare system.

Designing through co-creation will also continue to strengthen our foundation. It's this very sort of collaboration that highlights the Reciprocal advantage.

The team and I look forward to connecting with you (in-person and virtually) over the coming months.

Your resilience, energy and ideas provide the fuel for making the lines in our ever-evolving blueprint so much more pronounced.

Thank you for your trust in us.

**Catherine Gaulton**

CEO, HIROC



# A Focus on Design Thinking

HIROC's 2020-2022 Strategic Plan provided the blueprint for what we're doing today and into the future.

But before we could get started and actually lay the foundation, we had to do some design work.

In 2020, HIROC adopted a human-centred innovation framework, known as Design Thinking. As with everything we do, Design Thinking is all about putting our Subscribers first.

“Design thinking has a human-centered core. It encourages organizations to focus on the people they're creating for, which leads to better products, services, and processes. When you sit down to create a solution for a business need, the first question should always be what's the human need behind it?”

- IDEO

From 2020 to 2022, HIROC facilitated over **40** innovation projects with staff and Subscriber involvement. Some of those projects are outlined in the pages that follow.

Thank you to HIROC's staff and Subscribers who helped design what would become the blueprint influencing HIROC's strategy going forward.



# Brick by Brick – Notable Projects from 2022

HIROC staff and Subscribers tackled a lot in 2022. Here are a few of the standout programs and services we had in focus.

## HIROC's Risk Management Residency Program + Board Residency Program

Two new brand extensions were born out of our 2020 Strategic Plan. Both programs speak to HIROC as a facilitator of shared learning and knowledge translation.

### **Risk Management Residency Program (RMRP)**

In 2021 HIROC launched a new pan-Canadian risk residency program, co-designed by healthcare risk and safety specialists.

The program provides an opportunity to learn from the experiences of others. It brings together a knowledgeable community of experts around risk management, patient safety, human factors, insurance, claims, and legal issues.

Since launch, 53 Subscriber students and mentors have worked their way through the program. These individuals have created a network of peers from across Canada – individuals with the confidence to navigate the intricacies of risk management in a healthcare environment.

### **Board Residency Program (BRP)**

In 2023 HIROC is launching a residency program specifically for healthcare board members. We spent 2022 building the walls of this program, with help from Subscribers, and cannot wait to bring it to the community.

Stay tuned!

## Customer Relationship Management

HIROC launched a brand-new Customer Relationship Management (CRM) system in 2022. Born out of a design thinking sprint in early 2019 to deconstruct HIROC's customer service model, the new CRM is already helping us deliver better, more efficient service to our Subscribers.



# Brick by Brick – Notable Projects from 2022

## Subscriber Advisory Council

Where would we be without Subscriber feedback and insights. HIROC's Subscriber Advisory Council grew in 2022 and continues to provide support and guidance to HIROC's teams.

In the past year, the council weighed in on coverage, service methodology, data collection, and HIROC strategy. Thank you to all our Subscribers who have brought their insights to the council. We could not do this without you!

## Collaborative Partnerships

2022 was a big year for HIROC and the Ontario Hospital Association (OHA). Our partnership led to the creation of a new healthcare insurance start-up, *Collaborative Benefits* (also known as Co).

Still in early days, Co will develop, provide, and manage a comprehensive, sustainable, and responsive employee health benefits strategy. The new organization is truly collaborative – co-created with and for the benefit of participating healthcare organizations in Ontario and later, the rest of Canada.

## Data Innovations

Over the past three years, as part of HIROC's 2020 Strategic Plan, we strengthened systems to better support the connectivity of our data. With the framework in place, in 2022 we were well-positioned to launch HIROC Intelligence.

HIROC Intelligence is an interactive tool where Subscribers can access up-to-date, secure, and relevant information and insights about their claims experience.

After a successful 2022 pilot season, we are excited to roll the program out to more Subscribers in 2023.

Working together with Subscribers, HIROC's data can be put into action in building a safer healthcare system.



# Designing a Better Tomorrow

## Introducing HIROC's 2023-2025 Strategic Plan

2022 was also a year for reflection at HIROC.

With our Strategic Plan reaching its end, HIROC reflected on what matters to the healthcare community now and into the future. Thanks to Subscriber feedback, we decided the work we did together from 2020-2022 needs to continue to inform our strategy in 2023 onward.

That's why HIROC's 2023 Strategic Plan features the same key priorities, but with a renewed focus. Here's a glimpse at what you'll see over the next few years.

### Patient Safety & Risk

- Supporting HIROC Subscribers as they navigate the Health Human Resources crisis
- Continuing to develop innovative cyber risk solutions
- Maintaining a relentless focus on maternal/neonate risk reduction

### Service

- Building on HIROC's customer relationship management tools
- Responding to health system changes - from post-pandemic to emerging trends
- Leveraging HIROC's world-class expertise in claims, risk and insurance to further strengthen the community
- Reviewing our processes and operations, ensuring we remain competitive in the marketplace

### Innovation & Culture

- Refining our innovation capabilities to support knowledge sharing, scaling of best practices, and driving future-forward thinking at HIROC
- Ensuring environmental, corporate and social responsibility through transparency and good governance
- Supporting Team HIROC through wellness initiatives, empowerment, and flexibility, so they are well equipped to continue providing exceptional service to Subscribers

We cannot wait to see where this new Strategic Plan takes HIROC and the healthcare community. Together we are building the safest healthcare system.



# Financials

As our Subscribers are well aware, with the war in Ukraine, inflation and interest rate adjustments, 2022 was a variable year from a finance perspective. Accordingly, HIROC's 2022 financial results and metrics reflected some of this volatility.

Overall, the Reciprocal continues to be financially stable and strong as Subscribers' Surplus grew from \$693 million to \$745 million. In addition, the Minimum Capital Test (MCT) ratio, a regulatory measure of solvency and financial strength, increased from 205% to 235%, well above the 150% regulatory requirement for commercial insurers. Operating expenses remain low at 6 cents for every dollar of claims, much lower than the insurance industry average of 22 cents.

## Investment Results

Increases in interest rates decreased investment returns. However, these decreases were largely offset by the impact on the actuarial valuation of Unpaid Claims and Claims Expenses, which takes into consideration the time value of money.

As mentioned above, rising interest rates and world geopolitical uncertainty adversely impacted both fixed income and equity investments. HIROC's total portfolio return was down 8.6% for the year, disappointing in absolute terms but on a relative basis, results were better than benchmarks which were negative for the year.

HIROC's fixed income portfolio was down -8% while the FTSE Canadian Universe Bond Index was down -11.7%. HIROC's Canadian equities were down -0.64% for the year while the S&P/TSX Capped Composite Index was down -5.84%. U.S. equity performance was particularly poor in 2022 as the S&P 500 was down over -19%.

HIROC's longer term 5-year investment return of 3.4% exceeds the benchmark of 2.5% and is in line with the long-term target range of 3.5% to 4%.

## Claims Expenses

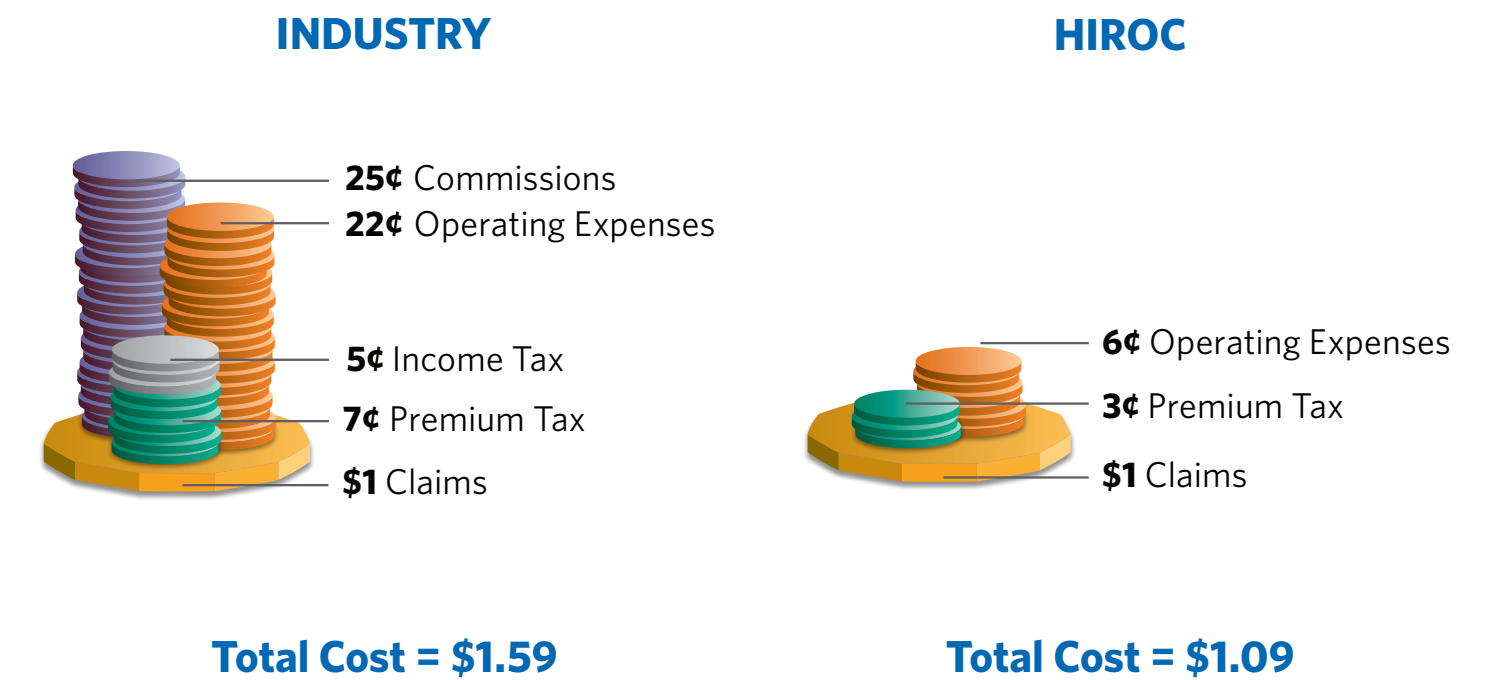
HIROC's net claims expense was negative -6.7 million as the net effect of the increase in the discount rate reduced the value of the Unpaid Claims and Expense provision by \$226 million. Due to these unusual results, Net Income for the Year was \$242.5 million. However, this is largely a result of the accounting treatment and is not necessarily a reflection of HIROC's economic results. A better measure is shown on the Statement of Comprehensive Income, which shows the aggregate of both underwriting and investment results and a Comprehensive Income of \$49.4 million.

Claims costs before any impact of discounting were consistent with prior years. The trend of increasing claims frequency appears to have stabilized and settlement costs were steady with prior years. Cyber liability claims continued to increase in frequency and severity as healthcare organizations continue to be a target for cyber criminals.

## IFRS 17

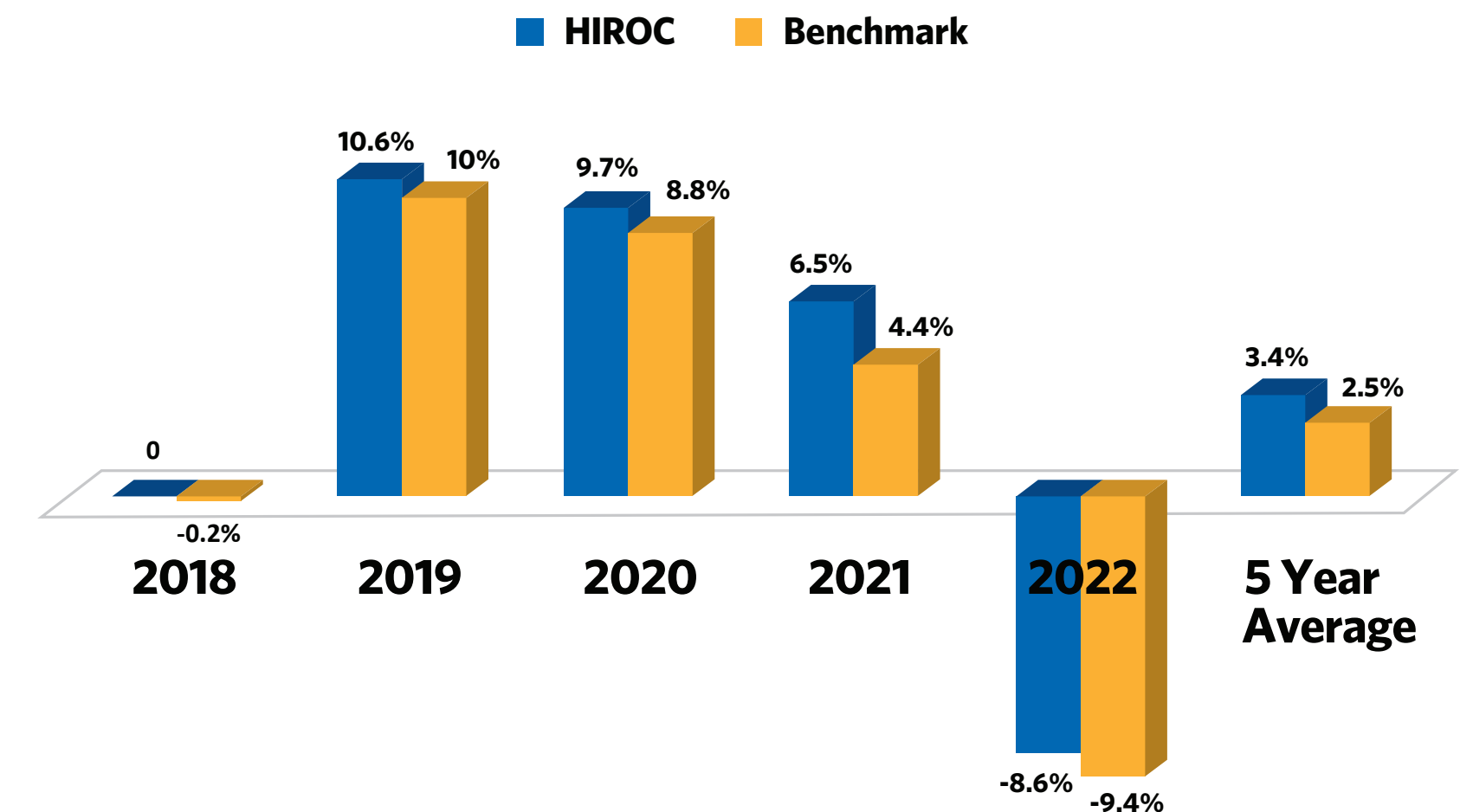
2023 will see a significant change in HIROC's financial reporting as International Financial Reporting Standards 17 (IFRS 17) Insurance Contracts came into effect as of January 1, 2023. IFRS 17 will replace IFRS 4 and will change the fundamental principles used by the Reciprocal for recognizing and measuring insurance contract liabilities. IFRS 17 will also change the presentation and related note disclosures of the Reciprocal's financial statements. Based on current information, the Reciprocal estimates that Subscribers' Surplus will increase under IFRS 17, primarily due to the impact of the change in the discount rate for insurance contract liabilities and the change in methodology used for calculating the risk adjustment on insurance contract liabilities, which replaces the provision for adverse deviation. It is important to note that these anticipated changes arising from the changes in financial reporting are also not a reflection of a change in the Reciprocal's economic results. During the transition, this will have to be considered as decisions are made in relation to HIROC's indicators of financial stability and capitalization.

## INSURANCE COST COMPARISON BASED ON \$1 OF CLAIMS\*



\* Based on 4-year average of Property & Casualty industry data (2019-2022).  
Source: Office of the Superintendent of Financial Institutions

## INVESTMENT RETURN





# 2022 Board Members

*Board Chair*  
**Elizabeth Beader**

Trustee  
Thrive Group  
Hamilton, ON

*Vice-Chair*  
**Jo-anne Marr**  
President and Chief Executive Officer  
Oak Valley Health  
Markham, ON

**Maureen Adamson**  
*Chair*  
Scarborough Health Research Institute  
Scarborough, ON

**Robert Andrews**  
*Trustee*  
Eastern Regional Integrated Health Authority  
St. John's, NL

**Kenneth Baird**  
*President and Chief Executive Officer (Interim)*  
Eastern Regional Integrated Health Authority  
St. John's, NL

**Sarah Chow**  
*VP Corporate Support and CFO*  
Michael Garron Hospital  
Toronto, ON

**Remi Ejiwunmi**  
*Senior Partner, Registered Midwife*  
Midwives of Mississauga  
Mississauga, ON

**Michael Lam**  
*Chief Program Officer, Financial Operations*  
Alberta Health Services  
Calgary, AB

**Lori Marshall**  
*President and Chief Executive Officer*  
Chatham-Kent Health Alliance  
Chatham-Kent, ON

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**Alex Munter**  
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Children's Hospital of Eastern Ontario  
Ottawa, ON

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Winnipeg Regional Health Authority  
Winnipeg, MB

**Robbie Peters**  
*Vice-President, Finance and Chief Financial Officer*  
Saskatchewan Health Authority  
Regina, SK

**Dr. David Pichora**  
*President and Chief Executive Officer*  
Kingston Health Sciences Centre  
Kingston, ON

**Marc Toppings**  
*Vice-President and Chief Legal Officer*  
University Health Network  
Toronto, ON



PARTNERING TO CREATE THE SAFEST HEALTHCARE SYSTEM



4711 Yonge Street, Suite 1600  
Toronto, ON M2N 6K8  
416.733.2773  
Toll Free: 1.800.465.7357

1200 Rothesay Street  
Winnipeg, MB R2G 1T7  
204.943.4125  
Toll Free: 1.800.442.7751

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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.