

The Wawanesa Mutual Insurance Company

# Resilient Together

## 2019 Annual Report



#TAMWAWANESA



**Wawanesa**  
Insurance

#TAMWAWANESA

Wawanesa is a Canadian mutual company owned by its policyholders. With assets of \$10.5 billion and over two million policies in force, Wawanesa is one of the 10 largest property and casualty insurers in Canada.

Wawanesa has a rich history dating back to September 25, 1896, when it was founded in the Village of Wawanesa, Manitoba. Today, our head office continues to be located in the Village of Wawanesa with the executive office located in Winnipeg, Manitoba.

**The Wawanesa Mutual Insurance Company**

900 - 191 Broadway  
Winnipeg, Manitoba R3C 3P1

Wawanesa has 100% ownership of three subsidiary companies.

**The Wawanesa Life Insurance Company**

400 - 200 Main Street  
Winnipeg, Manitoba R3C 1A8

**Wawanesa General Insurance Company**

9050 Friars Road  
San Diego, California 92108

**Trimont Financial Ltd.**

900 - 191 Broadway  
Winnipeg, Manitoba R3C 3P1



**Wawanesa**  
**Insurance**

## OUR MISSION

As Canada's largest mutual and a diversified North American insurer, our mission is to maximize our value to policyholders who trust us to insure their lives and assets, service claims fairly, and be a positive force in the community.

## OUR VALUES

### **Service**

We strive for exceptional customer service delivered with empathy.

### **Openness**

We're proudly sincere in how we do business.

### **Fairness**

In good times and bad, we do right by people.

### **Collaboration**

Working as one team, we respect what everyone brings to the table.

### **Community**

Supporting our communities is the essence of who we are.





#TEAMWAWANESA





## A MESSAGE FROM JEFF GOY PRESIDENT & CEO

2019 was a solid year of progress in Wawanesa's continuing transformation as a diversified North American insurer with improved capabilities to serve our growing number of policyholders. The Company had assets of \$10.5 billion, and 5,750 employees at year-end. While our 2019 business performance is the focus of this report, the unprecedented worldwide upheaval caused by the COVID-19 pandemic has become a material factor in the outlook for the insurance sector and our Company. Even though the longer-term economic impacts of the pandemic are yet to be fully determined, what we know today with some certainty is that the insurance services we provide to people and businesses will continue to be essential to the resilient functioning of our communities.

Our commitment to our policyholders, brokers and communities is one we will uphold through good times and bad.

This is not the first time in our 124-year history we have been called on to provide an essential service during a significant socio-economic disruption. As a mutual insurer of considerable financial strength, and a proven ability to adapt to challenging circumstances, we have taken action in recent years to:

- **strengthen our business** through investments in technology and systems in excess of \$300 million;
- **develop our talent base** at all levels of the Company;
- **simplify products and processes** to improve our customers' experience;
- **continue to strengthen our relationships** with brokers; and
- **upgrade and expand** all our operational capabilities.

With the benefit of hindsight, if there is one 2019 business highlight that stands out, it relates to our continuing growth as an organization that has

enabled us to operate seamlessly through the pandemic. With 98% of our people now working remotely from home, all our key business metrics and systems are performing at pre-pandemic levels. We are immensely proud of the responsiveness and fortitude of our people. On behalf of the Company, I offer our employees and broker partners our most sincere thanks.

Although 2019 is now very much past us, it was another year of change in the insurance sector marked by increased competition, rising claims costs for vehicles and homes, and new technology. In that context, Wawanesa focused last year on growing our business and organizational capabilities towards providing excellent service to our policyholders and brokers while supporting the essential needs of the communities where we live and work.

## 2019 FINANCIAL SUMMARY

Gross premiums written at \$3.9 billion increased 12.2% over last year, primarily due to premium growth in our Canadian P&C operations and retention of existing business. Net premiums earned of \$3.6 billion represented a 9.6% increase. Net investment income of \$475 million increased significantly by \$217 million over the previous year due to increases in realized gains on fixed income securities and fair value through profit and loss investments. Operating profitability was challenged, resulting in a combined ratio (COR) of 106.3%. Despite these headwinds, we are pleased overall with our financial results of a consolidated profit of \$120 million and a return on equity (ROE) of 3.5%. We remain committed to improving our COR through increasing the sophistication in our pricing and underwriting of risk, along with continuing to develop stronger broker partnerships in Canada and better claims adjudication practices. We ended the year with \$10.5 billion in assets, up from \$9.6 billion in 2018. Policyholder equity increased \$155 million to \$3.5 billion.

Our policy count at 2.2 million grew 1.9% during the year. Property and casualty gross premiums written increased to \$3.7 billion, an increase of 14.6% while net premiums earned increased 11.4%. In Canada, policy counts grew by 1.4% and in the U.S. by 5.2%. Our independent brokerage business met expectations for the year, delivering strong results based on earnings from Western Financial Group.

In our Life business, we had a strong year of earnings by delivering an operating ROE of 10.2%. We maintained consistent premiums across all core lines of business and grew our total general and segregated fund assets by 12% to over \$1.6 billion.

At year-end, Wawanesa's capital position remained strong. The P&C minimum capital test (MCT) ratio of 251% remains well above the requirements set by the Office of the Superintendent of Financial Institutions (OSFI), even though the ratio decreased slightly due to a planned change in the asset mix of our investment portfolio. We continue to be rated A (Excellent) with a stable outlook by A.M. Best.

The Life Company's Life Insurance Capital Adequacy Test (LICAT) ratio remained unchanged from last year, at 178%, significantly above the requirements set by OSFI. Our Life company also continues to be rated A (Excellent) with a stable outlook by A.M. Best.

## 2019 OPERATING HIGHLIGHTS

### Canadian Property & Casualty (P&C) Operations

The strategic focus on growth in 2019 saw Wawanesa's Canadian P&C operations successfully grow premium by 15.4%, with Alberta exceeding \$1 billion in written premium for the first time. The focus on expanding our footprint in Ontario continued with 30% growth, as well we added \$100 million to our Commercial portfolio. During the year we completed the transition of our direct business model in Quebec to the broker distribution model, enabling Wawanesa to be 100% broker-distributed across Canada. At the same time, we went live with Guidewire Insurance Suite across Ontario and the Maritimes, part of our broader Strategic Systems Renewal (SSR) initiative. We continue to improve operational processes, moving forward with digital solutions for customers and brokers, while focusing on stronger underwriting and claims practices to deliver targeted financial results.

### Canadian Life Operations

Our Canadian Life Operations completed the legal amalgamation of Wawanesa Life and Western Life, effective January 1, 2020 – an important milestone in the transformation of our Life business.

During the year we also delivered operational enhancements and progress against key metrics, especially as it relates to cross-selling life and health products into P&C markets. During the year, 86% of new sales came in through P&C channels, a slight increase from the prior year.

### U.S. Property & Casualty (P&C) Operations

Our direct-to-consumer Wawanesa General business in the United States had a strong year of written premium growth, along with increased customer retention and new business sales. Thanks to a large uptake in customers using our new digital capabilities in our U.S. claims process, our cycle times improved significantly for both collision and comprehensive claims. Along with other measures, these improvements to the customer experience materially improved customer satisfaction metrics.

### 2019 Community Highlights

As a mutual insurer, supporting our communities is truly the essence of who we are at Wawanesa. In 2019, in addition to our wide range of community sponsorships and donation commitments, our people broke internal records for employee giving as part of our fundraising campaign for United Way. Through a dollar-for-dollar matching program, we delivered in excess of \$1.4 million to our United Way partners across Canada and the U.S. Specific to United Way of Winnipeg, I was honoured to serve as their volunteer Campaign Chair and be part of the team that raised \$21.6M for our community. We also launched a new community initiative, the Wawanesa Toy Drive, collecting more than 11,000 toys which were donated to Canadian families through local charities.

## OUR COVID-19 RESPONSE AND ONGOING STRATEGY

2020 will continue to be affected by challenges related to the COVID-19 crisis. In the first quarter of 2020, when it became apparent that an economic lockdown was imminent in North America, in an effort to contain and reduce community spread of the virus, we deployed our business-continuity pandemic plan in transitioning our employees to a virtual work environment. Our top priority was to protect the health and well-being of our people while, as an essential service provider, continuing to support our policyholders, brokers and our communities.

We have taken comprehensive action to support our policyholders through this unprecedented period by offering financial relief and deferral options, providing greater flexibility around payments and change-of-use provisions in our policies, and doing what we can to avoid policy cancellations for non-payment.

In response to guidance from public-health authorities around social distancing, we have also implemented new broker and customer-facing technologies that reduce the need for paper, cheques and in-person interactions.

Our responsibility to contribute to the well-being of our communities during this challenging time has also involved increasing donations to charitable organizations, including an initial \$100,000 allocation to food banks across Canada and the U.S. We expect to increase our community support during 2020 by an additional \$1.5 million on top of our annual \$3.5-million program.

## RESILIENT TOGETHER

For many decades, Wawanesa has taken pride in being a positive force in our communities and being there for our policyholders when they need us. We are confident that Wawanesa has the resilience to operate effectively and empathetically towards all our stakeholders during this unprecedented period. In doing so we take inspiration from our core values and operating structure as a mutual insurance company that provides the means for a longer-term operating perspective. These are real strengths in finding ways to support our two million policyholders and our broker community.

Ultimately, where we go from here in 2020 as a company, and in our communities, will be a team effort, the result of our people collaborating with our brokers, policyholders, business partners – everyone connected to Wawanesa.

To go forward successfully, we need to be, and will be, resilient together.



**Jeff Goy**  
President & CEO  
May 11, 2020



## MESSAGE FROM THE CHAIR

I am pleased by the continuing growth and transformation of Wawanesa in 2019. The Company performed solidly against its key business and operating indicators while navigating challenging market conditions and rising industry-wide claims costs.

From our perspective on the Board, the Company moved forward into 2020 as a financially strong organization fully resourced and capable of providing excellent service to its policyholders and broker partners.

Wawanesa is resilient financially, strategically and operationally to function effectively through the economic upheaval caused by the COVID-19 pandemic.

While this is a challenging time in our industry and across the economy, we are proud of the way the Company has supported its employees, policyholders, brokers, and communities through the crisis.

After sixteen years on the Board, serving the past eight as Board Chair, and witnessing the outstanding contributions

made by 24 fellow directors, I am retiring from the Company. During my years on the Board, the Company has grown in significant ways that bodes well for its future as a competitive, innovative mutual insurance company. Several milestones include: the implementation of the Strategic Systems Renewal technology, our acquisition of Western Financial and our recent commitment to building Wawanesa's new headquarters in downtown Winnipeg – a significant achievement for a Company with such a proud history and a deep commitment to its Manitoba roots.

I am immensely proud of the Board members and Company executives who I have been so privileged to work with. Notably, I would like to thank Gregg Hanson, a former Wawanesa CEO, for his role in my nomination to the Board. I would also pay tribute to Barry Harrison, former Board Chair, and Ken McCrea, former CEO, both of whom passed away in recent months. They left their mark on Wawanesa's success and will be missed.

Looking ahead, the Board is in very capable hands. I congratulate Catherine "Kay" Best on her appointment as our incoming Board Chair. I am confident she has the perspective and experience to effectively lead the Board. I am pleased to welcome Paul Soubry as a Board Director.

In closing I would like to thank the Company employees for their dedication to Wawanesa. Specifically, I am honored to acknowledge Jeff Goy, our President & CEO. Over the past six years as CEO, we have developed an excellent relationship and I have been impressed by his leadership and strategic thinking. Thanks, Jeff, I wish you and your team all the very best.

A handwritten signature in black ink that reads "Richard Bracken".

**Richard Bracken**  
Chair, Board of Directors  
May 11, 2020



# REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## TO THE POLICYHOLDERS OF THE WAWANESA MUTUAL INSURANCE COMPANY

### Our Opinion

In our opinion, the accompanying summary consolidated financial statements of The Wawanesa Mutual Insurance Company and its subsidiaries (together, the Company) are a fair summary of the audited consolidated financial statements, on the basis described in Note 1 to the summary consolidated financial statements.

### The Summary Consolidated Financial Statements

The Company's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2019 comprise:

- the summary consolidated balance sheet as at December 31, 2019;
- the summary consolidated statement of comprehensive income for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 26, 2020.

### Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 1.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, *Engagements to Report on Summary Financial Statements*.

*PricewaterhouseCoopers LLP*

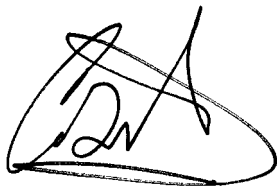
Chartered Professional Accountants  
Winnipeg, Manitoba  
February 26, 2020

# APPOINTED ACTUARY'S REPORT

## TO THE POLICYHOLDERS OF THE WAWANESA MUTUAL INSURANCE COMPANY

I have valued the policy liabilities and reinsurance recoverables of the Company for its summary consolidated balance sheet as at December 31, 2019 and their change in the summary consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the summary consolidated financial statements fairly present the results of the valuation.

A handwritten signature in black ink, appearing to read 'CP', enclosed within a large, loopy, handwritten flourish.

**Cosimo Pantaleo**

Fellow Canadian Institute of Actuaries

Toronto, Ontario

February 26, 2020

## THE WAWANESA MUTUAL INSURANCE COMPANY

### Founded in 1896

Incorporated May 1, 1929

### Head Office

107 - 4th Street  
Wawanesa, Manitoba

### Executive Office

900 - 191 Broadway  
Winnipeg, Manitoba

## OFFICERS AND CORPORATE MANAGEMENT

**S. J. Goy**, ACAS, CIP  
President and  
Chief Executive Officer

**C. J. Jardine**, FCIP, CRM  
President,  
Canadian P&C Operations

**M. K. Nemeth**, CPA, CA,  
FLMI, GBA, CEA  
Senior Vice President and  
Chief Financial Officer

**E. T. Johnston**, LLB, CFA,  
B.Comm.(Hons.)  
Senior Vice President,  
Chief Legal and Strategy Officer  
and Corporate Secretary

**J. E. Carradice**, BSc, CPHR, CIP  
Senior Vice President and  
Chief People and Culture Officer

**M. A. Brisebois**, FCIA, FSA  
Senior Vice President and  
Chief Risk Officer

**C. R. Loeppky**, BScCS  
Senior Vice President and  
Chief Information Officer

**C. M. Low**, FCAS, FCIA,  
MAAA, CFA, FCIP, CRM  
Vice President,  
Corporate Actuarial

**K. P. Boyd**, CPA, CA, CIP  
Vice President,  
Finance and Controller

## REGIONAL OFFICES

### British Columbia

400 - 1985 West Broadway  
Vancouver, British Columbia

**L. Bullock**, CAIB  
Vice President,  
British Columbia Region

### Alberta

100, 8657 - 51st Avenue  
Edmonton, Alberta

**K. E. Hartry**, FCIP, MBA  
Vice President, Alberta Region

### Central

107 - 4th Street  
Wawanesa, Manitoba

**K. W. Bailey**, FCIP  
Vice President, Central Region

### Ontario

100 - 4110 Yonge Street  
Toronto, Ontario

**J. Porto**, BA, FCIP  
Vice President, Ontario Region

### Québec

8585 Décarie Boulevard  
Mont-Royal, Québec

**P. L. Faubert**, BSc, BBA, CIP  
Vice President, Eastern Region

### Maritime

1010 St. George Boulevard  
Moncton, New Brunswick

**P. L. Faubert**, BSc, BBA, CIP  
Vice President, Eastern Region

### United States

9050 Friars Road  
San Diego, California

**C. M. Henn**  
President,  
U.S. Operations



# SUMMARY CONSOLIDATED BALANCE SHEET

As at December 31  
(in thousands of Canadian dollars, except as otherwise noted)

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 377,950	\$ 336,661
Accrued investment income	32,082	28,664
Investments including securities on loan	6,818,130	6,217,038
Intangible assets	440,990	451,017
Goodwill	515,992	499,978
Other assets	2,275,029	2,050,419
<b>Total assets</b>	<b>\$ 10,460,173</b>	<b>\$ 9,583,777</b>
<b>LIABILITIES</b>		
Insurance contract liabilities	\$ 5,482,387	\$ 5,055,798
Other liabilities	1,483,042	1,196,048
<b>Total liabilities</b>	<b>6,965,429</b>	<b>6,251,846</b>
<b>Equity</b>	<b>3,494,744</b>	<b>3,331,931</b>
<b>Total liabilities and equity</b>	<b>\$ 10,460,173</b>	<b>\$ 9,583,777</b>

**Note 1:** These summary consolidated financial statements have been derived from the audited consolidated financial statements of The Wawanesa Mutual Insurance Company (the Company) for the year ended December 31, 2019, which are prepared in accordance with International Financial Reporting Standards (IFRS).

The criteria developed by management for the preparation of the summary consolidated financial statements is as follows: that the information included in the summarized consolidated financial statements is in agreement with the related information in the complete consolidated financial statements, and that the summarized

consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete consolidated financial statements, including the notes thereto, in all material respects.

*A full set of the audited consolidated financial statements is available from the Company or at [wawanesa.com](http://wawanesa.com).*

# SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31  
(in thousands of Canadian dollars, except as otherwise noted)

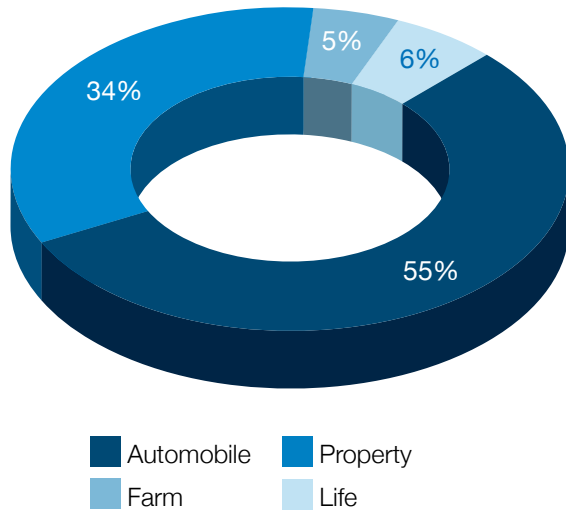
	2019	2018
<b>REVENUE</b>		
<b>Net premiums written</b>	\$ 3,768,921	\$ 3,336,170
Change in unearned premiums	(218,024)	(95,503)
Net premiums earned	3,550,897	3,240,667
Net investment income	474,931	258,296
Revenue from service contracts and other revenue	241,171	221,963
	<b>4,266,999</b>	<b>3,720,926</b>
<b>EXPENSES</b>		
Net claims and insurance benefits incurred	\$ 2,805,339	\$ 2,385,571
Other expenses incurred	1,304,367	1,189,820
	<b>4,109,706</b>	<b>3,575,391</b>
<b>Profit before income taxes</b>	<b>157,293</b>	<b>145,535</b>
<b>Provision for (recovery of) income taxes</b>	<b>37,066</b>	<b>(5,817)</b>
<b>Profit for the year</b>	<b>120,227</b>	<b>151,352</b>
Other comprehensive income (loss), net of taxes	42,586	(137,291)
<b>Total comprehensive income for the year</b>	<b>\$ 162,813</b>	<b>\$ 14,061</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO:</b>		
Policyholders of the Company	\$ 154,928	\$ 13,041
Participating policyholders	7,885	1,020
	<b>\$ 162,813</b>	<b>\$ 14,061</b>

A full set of the audited consolidated financial statements is available from the Company or at [wawanesa.com](http://wawanesa.com).

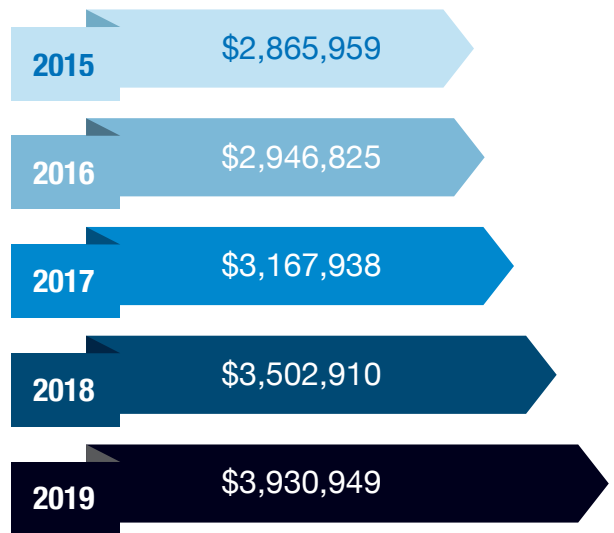
# CONSOLIDATED SUPPLEMENTARY INFORMATION

(in thousands of Canadian dollars, except as otherwise noted)

## GROSS PREMIUMS WRITTEN 2019



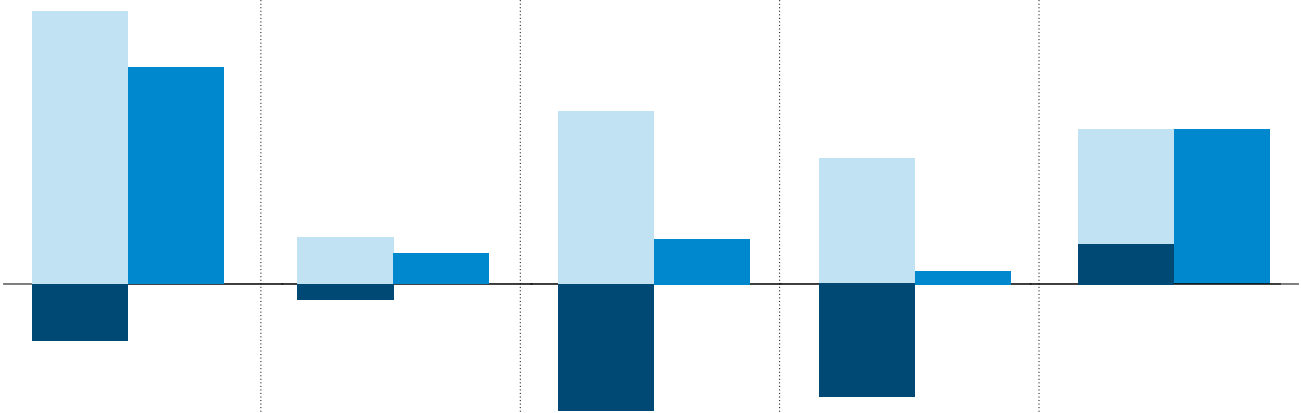
## GROSS PREMIUMS WRITTEN 5 YEAR HISTORY



## TOTAL COMPREHENSIVE INCOME

Profit    Other Comprehensive Income (Loss)    Total Comprehensive Income

2015	2016	2017	2018	2019
\$287,343	\$55,848	\$200,567	\$151,352	\$120,227
(\$58,995)	(\$18,838)	(\$153,832)	(\$137,291)	\$42,586
\$228,348	\$37,010	\$46,735	\$14,061	\$162,813

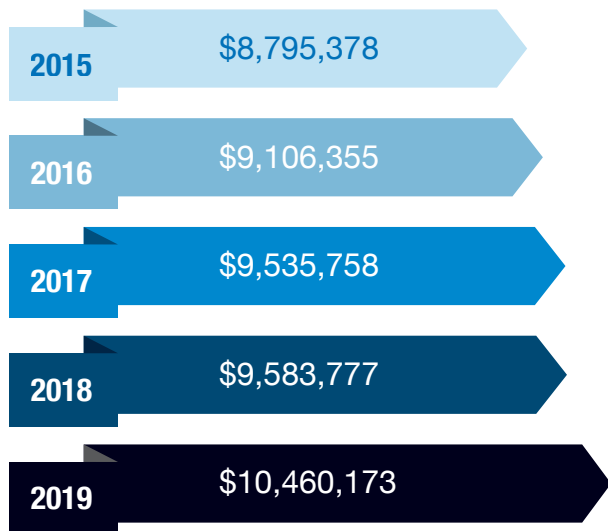




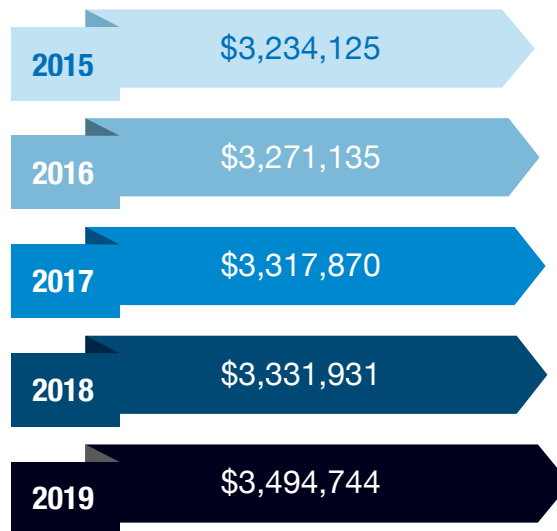
# CONSOLIDATED SUPPLEMENTARY INFORMATION

(in thousands of Canadian dollars, except as otherwise noted)

## TOTAL ASSETS

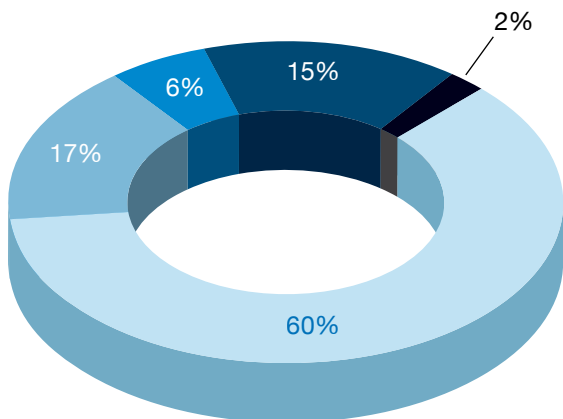


## EQUITY



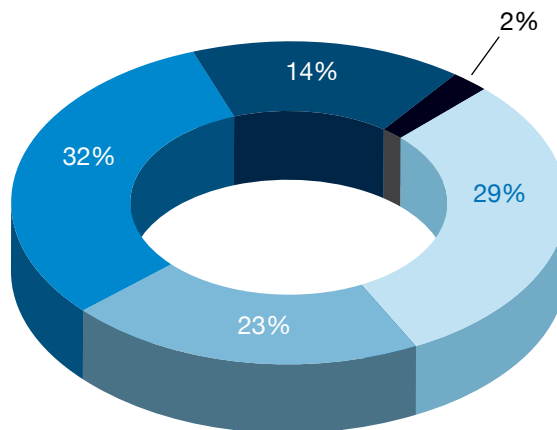
## INVESTMENTS 2019

Investments are managed in a conservative manner to provide steady, consistent investment income to support the cash flow and liquidity needs of Wawanesa.



- Canadian Fixed Income Securities – \$4,074,397
- Foreign Fixed Income Securities – \$1,182,070
- Canadian Stocks – \$382,348
- Foreign Stocks – \$1,029,211
- Other – \$150,104

## FIXED INCOME SECURITIES CREDIT QUALITY 2019



- AAA – \$1,523,754
- AA – \$1,203,720
- A – \$1,688,379
- BBB – \$730,344
- Below BBB – \$110,270

# PROPERTY AND CASUALTY (P&C) OPERATIONS PROFILE

**OUR P&C OPERATIONS HAVE CONDUCTED BUSINESS IN CANADA AND THE U.S. FOR OVER 123 YEARS AND 44 YEARS, RESPECTIVELY.**

P&C Operations consist of The Wawanesa Mutual Insurance Company and Trimont Financial Ltd. in Canada and Wawanesa General Insurance Company in the U.S.

P&C Operations provide automobile, personal and commercial property, and farm insurance products in all major areas of Canada as well as in California and Oregon. Wawanesa's P&C insurance products are distributed by independent insurance brokers in Canada and by company agents in the U.S.

Trimont Financial Ltd., which owns the Western Financial Group, is dedicated to supporting and strengthening the insurance broker channel in Canada.

## **Key Facts**

- Total assets of \$9.0 billion
- Strong financial position with equity of \$3.4 billion
- Over \$3.7 billion in annual policy premiums
- Over 5,500 employees across Canada and in the U.S.

## **Key Financial Measures**

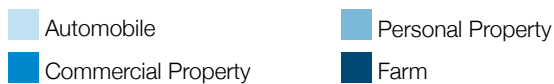
The following information and charts may not be IFRS measurements, but are derived from elements of the financial statements and are consistent with financial measures used in the P&C insurance industry.

# P&C OPERATIONS

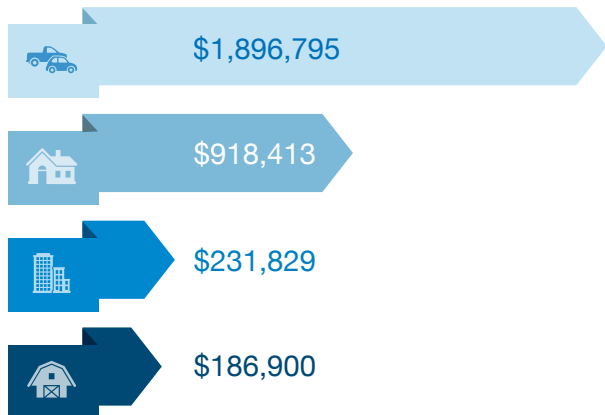
(in thousands of Canadian dollars, except as otherwise noted)

## GROSS PREMIUMS WRITTEN

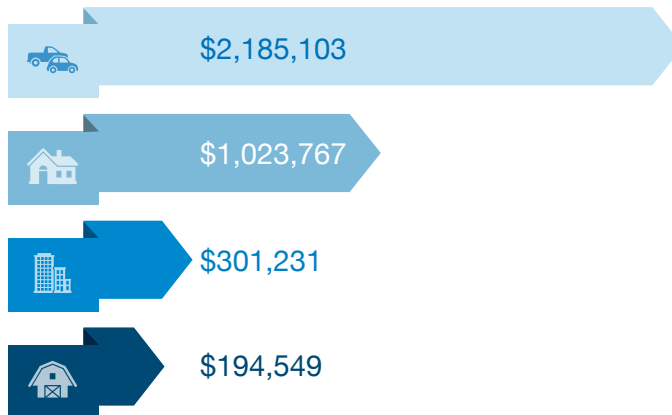
Gross premiums written are the premiums for all insurance policies placed during the period, including new policies and renewals.



### 2018

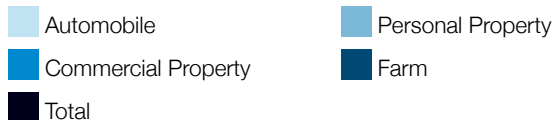


### 2019

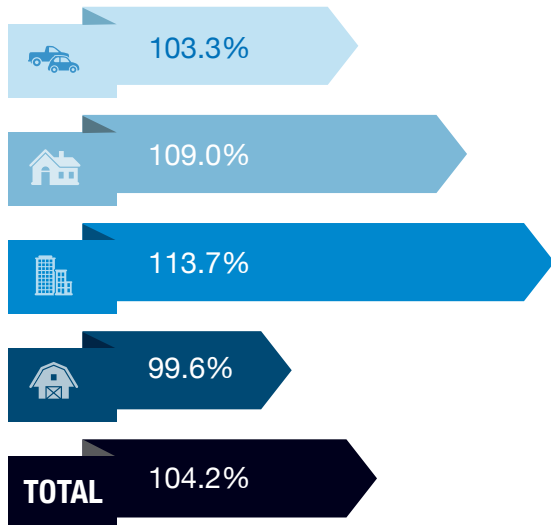


## COMBINED RATIO

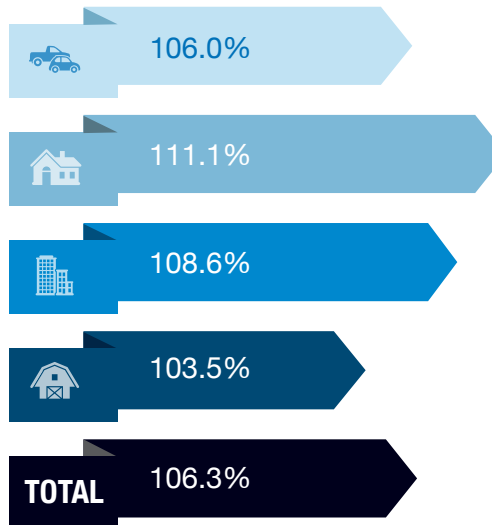
The combined ratio is a measure of the underwriting performance. It is the relationship between claims and other expenses incurred and premiums earned for the year expressed as a percentage. When there is an underwriting profit, the combined ratio will be less than 100%. When there is an underwriting loss, the combined ratio will be greater than 100%.



### 2018



### 2019



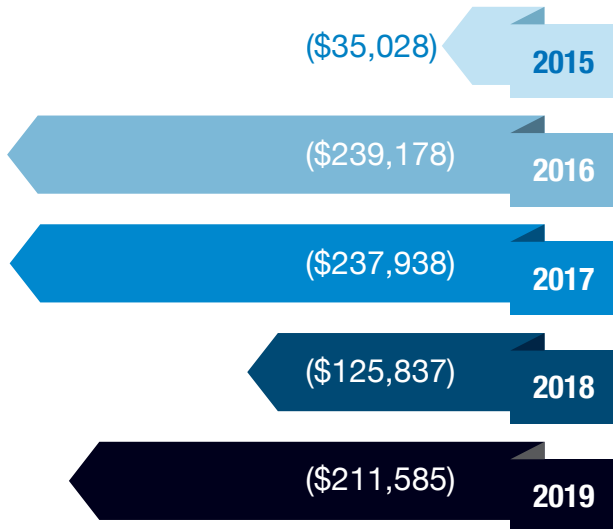


# P&C OPERATIONS

(in thousands of Canadian dollars, except as otherwise noted)

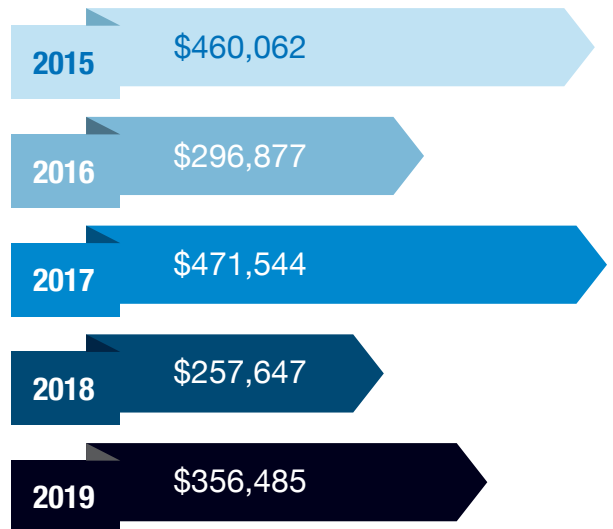
## UNDERWRITING RESULTS

Underwriting profit (loss) represents the profit (loss) from insurance operations.



## NET INVESTMENT INCOME

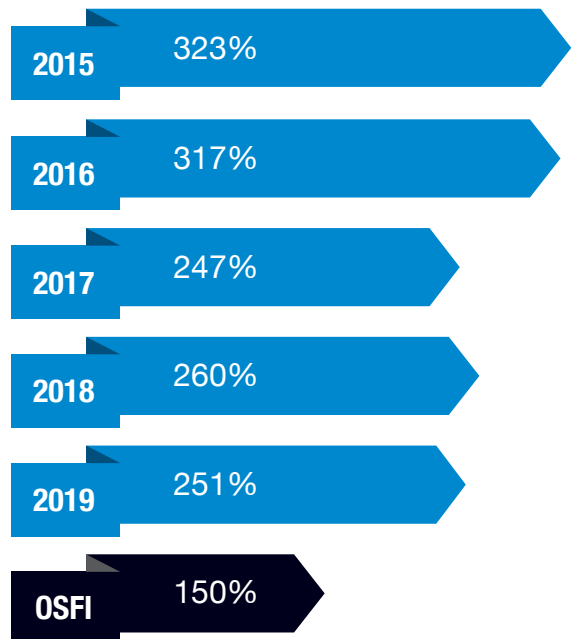
Net investment income is comprised of interest income, dividends and distributions from pooled funds, the net realized gain (loss) on sale of available-for-sale (AFS) financial assets, the change in fair value of AFS fixed income securities from changes in foreign currency, the change in fair value of foreign currency forward contracts, and other investment income less expenses.



## CAPITAL RATIO MCT

The Minimum Capital Test (MCT) is a calculation established by OSFI to measure the financial strength of P&C insurance companies. The MCT ratio is determined by dividing capital available by capital required, expressed as a percentage.

- MCT
- OSFI Minimum Requirement



# LIFE OPERATIONS PROFILE

**OUR LIFE INSURANCE OPERATIONS ARE CONDUCTED BY THE WAWANESA LIFE INSURANCE COMPANY AND ITS WHOLLY-OWNED OPERATING SUBSIDIARY, WESTERN LIFE ASSURANCE COMPANY (WESTERN LIFE).**

These entities comprise the consolidated entity of The Wawanesa Life Insurance Company (Wawanesa Life). It is a Canadian life and health insurance company that has been in operation for 59 years.

Wawanesa Life provides term, permanent and critical illness insurance plus investment product options including segregated funds to individuals through its independent broker channel. Group life and health insurance products are designed to service the needs of employers, associations and unions by working with group benefit brokers. Wawanesa Life maintains a network of Regional Managers across the country to support its many broker and client relationships.

## Key Facts

- Total assets in excess of \$1.6 billion
- Individual life insurance volume of \$28.0 billion insured through 113,000 policies
- Insures over 122,000 employees through group benefit plans

## Key Financial Measures

The following information and charts may not be IFRS measurements, but are derived from elements of Wawanesa Life's consolidated financial statements and are consistent with financial measures used in the life insurance industry.

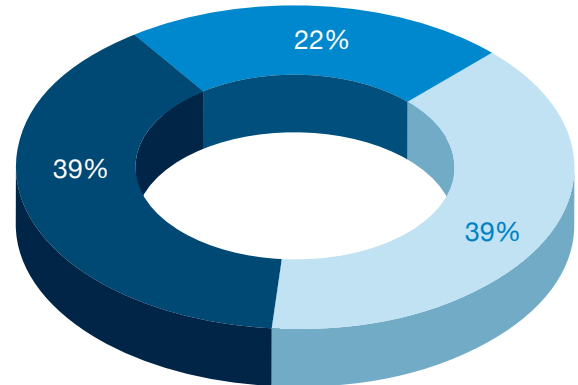
# LIFE OPERATIONS

(in thousands of Canadian dollars, except as otherwise noted)

## NET PREMIUMS AND EQUIVALENTS 2019

Net premiums and equivalents are the sum of billed insurance premiums, contributions received for investment in annuities or segregated funds, management fees earned on segregated fund balances and fee income earned from the administration of group business where the policyholder retains the insurance risk.

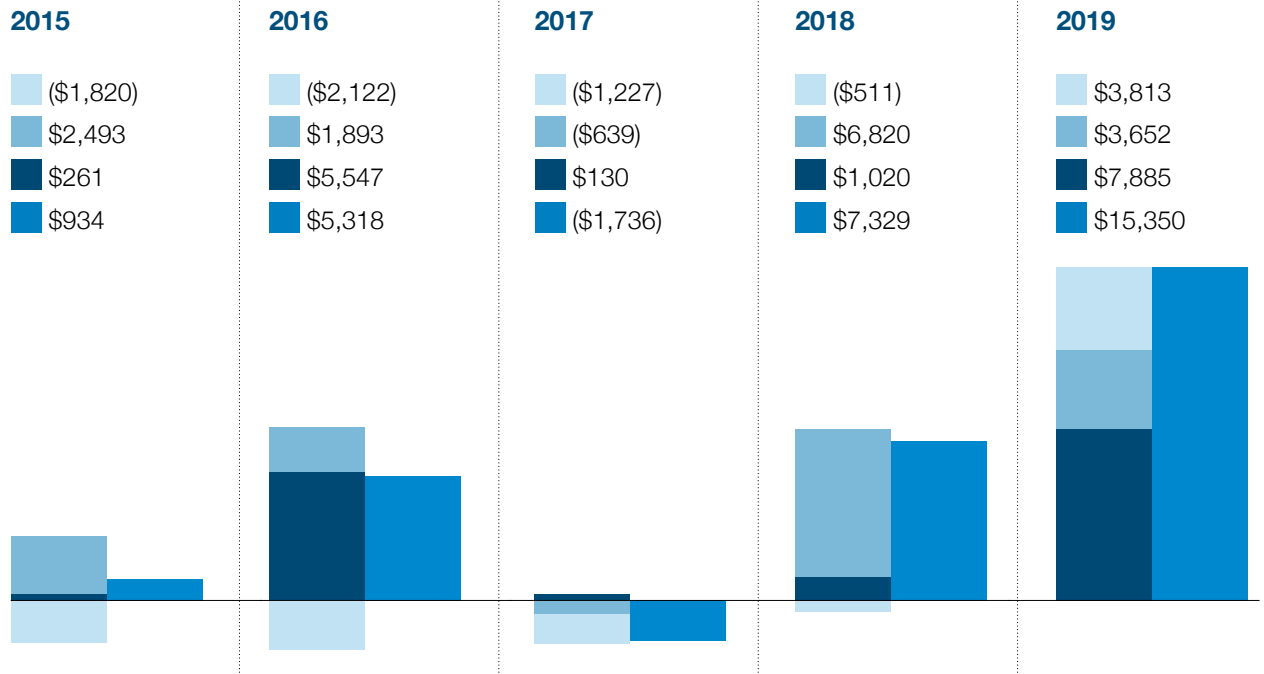
- Individual — \$76,154
- Group — \$77,242
- Annuity — \$42,645



## TOTAL COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) attributed to the participating policyholders (PAR Account) and the shareholder is shown in the following chart.

- Shareholder Other Comprehensive Income (Loss)
- Shareholder Profit (Loss)
- PAR Account Total Comprehensive Income
- Total Comprehensive Income (Loss)

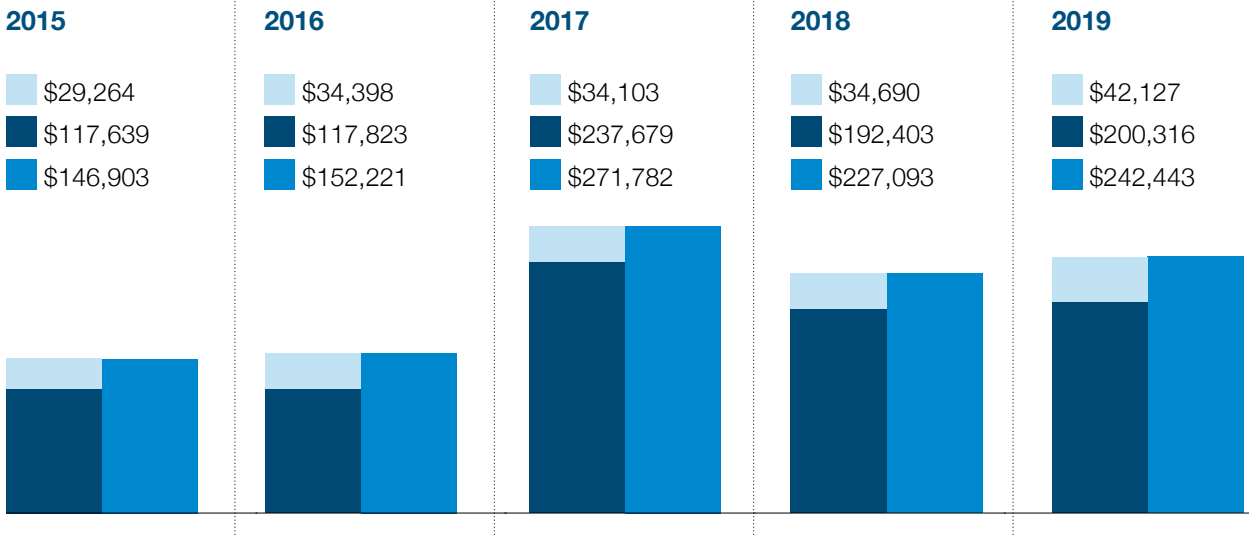
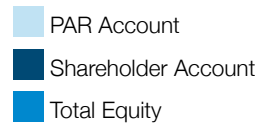


# LIFE OPERATIONS

(in thousands of Canadian dollars, except as otherwise noted)

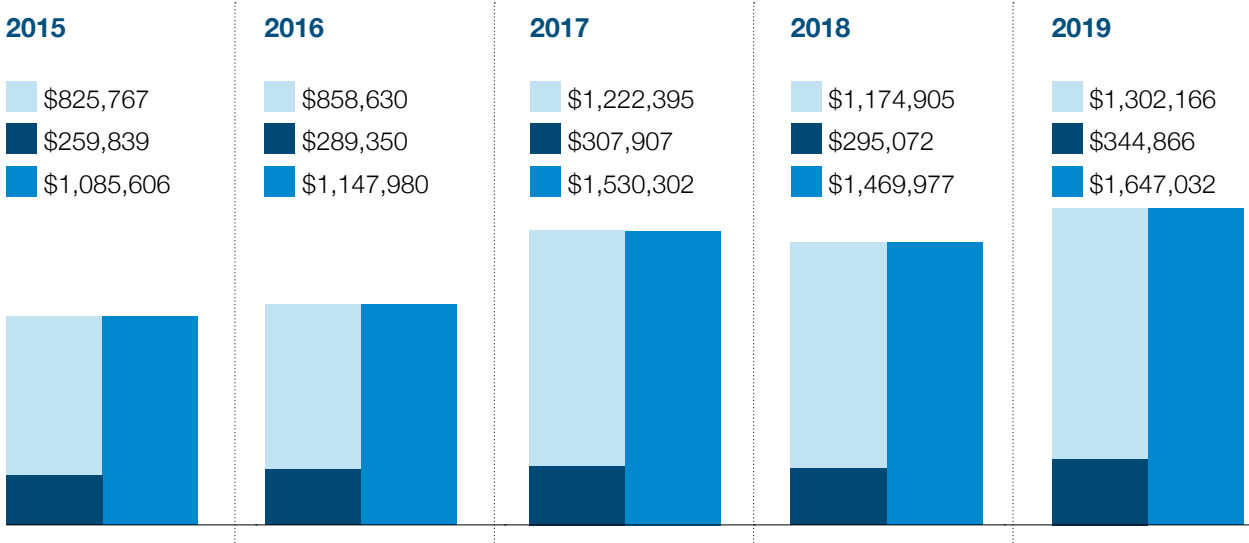
## EQUITY

Equity includes amounts related to the shareholder account and the participating account. Shareholder equity supports the non-participating business and participating equity supports participating business. A summary of Wawanesa Life's Participating Account Management Policy and Participating Policyholder Dividend Policy can be found on pages 28 and 29.



## TOTAL ASSETS

Total assets managed by Wawanesa Life include its general fund assets and annuity contractholder contributions to the segregated funds that are held separate and apart from the general fund assets.

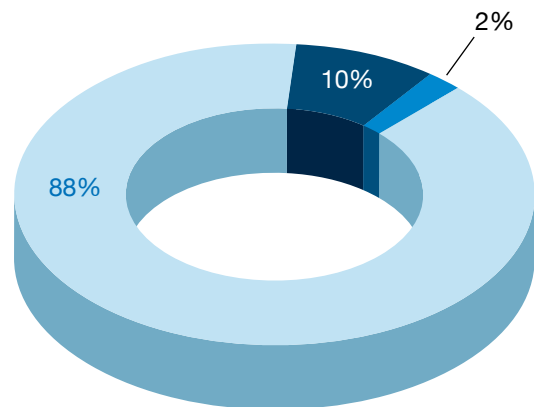


# LIFE OPERATIONS

(in thousands of Canadian dollars, except as otherwise noted)

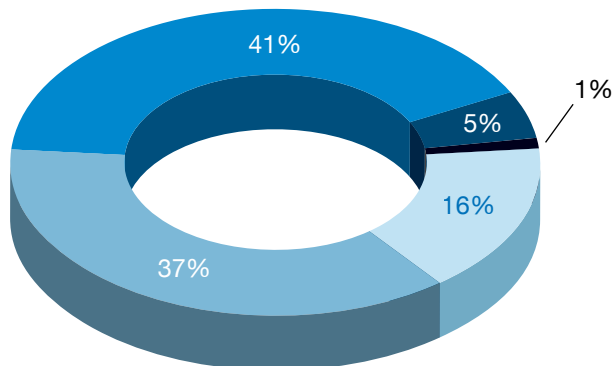
## INVESTMENTS 2019

Investments are managed in a conservative manner to provide steady, consistent investment income to support the cash flow and liquidity needs of Wawanesa Life.



- Fixed Income Securities – \$1,052,126
- Stocks – \$114,260
- Policy Loans – \$19,292

## FIXED INCOME SECURITIES CREDIT QUALITY 2019



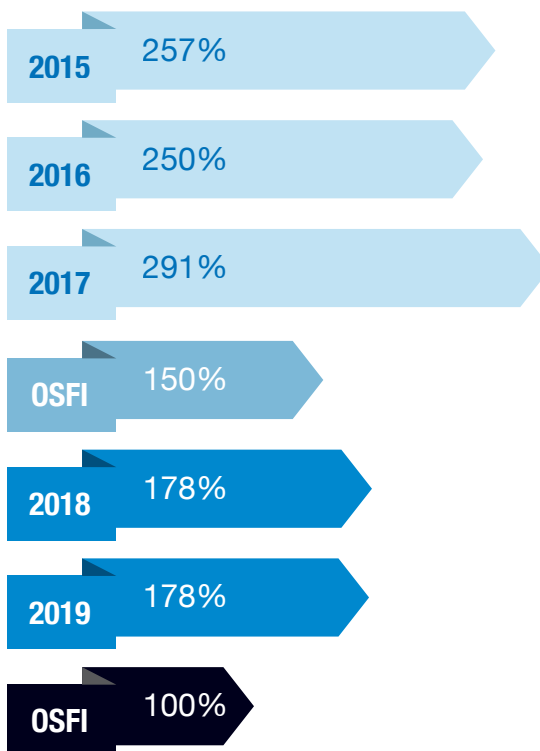
- AAA – \$168,392
- AA – \$393,678
- A – \$436,249
- BBB – \$52,737
- Fixed Income Pooled Funds – \$1,070

## CAPITAL RATIO

Effective January 1, 2018, the Life Insurance Capital Adequacy Test (LICAT) replaced the Minimum Continuing Capital and Surplus Requirements (MCCSR) as OSFI's established measurement of capital adequacy for life insurance companies.

The LICAT guidelines defines regulatory capital resources and Base Solvency Buffer or required capital. The LICAT Ratio is calculated by dividing the Total Capital Resources by the Base Solvency Buffer. OSFI expects life insurance companies to establish internal target ratios above the supervisory target ratios.

- MCCSR
- OSFI Minimum Requirement MCCSR
- LICAT
- OSFI Supervisory Target LICAT





# REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## TO THE SHAREHOLDER AND POLICYHOLDERS OF THE WAWANESA LIFE INSURANCE COMPANY

### Our Opinion

In our opinion, the accompanying summary consolidated financial statements of The Wawanesa Life Insurance Company and its subsidiaries (together, the Company) are a fair summary of the audited consolidated financial statements, on the basis described in Note 1 to the summary consolidated financial statements.

### The Summary Consolidated Financial Statements

The Company's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2019 comprise:

- the summary consolidated balance sheet as at December 31, 2019;
- the summary consolidated statement of comprehensive income for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 26, 2020.

### Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 1.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, *Engagements to Report on Summary Financial Statements*.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants  
Winnipeg, Manitoba  
February 26, 2020

# APPOINTED ACTUARY'S REPORT

## TO THE SHAREHOLDER AND POLICYHOLDERS OF THE WAWANESA LIFE INSURANCE COMPANY

I have valued the policy liabilities and reinsurance recoverables of The Wawanesa Life Insurance Company for its summary consolidated balance sheet at December 31, 2019 and their change in the summary consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the summary consolidated financial statements fairly present the results of the valuation.



**Jacques Tremblay**

Fellow, Canadian Institute of Actuaries  
Toronto, Ontario  
February 26, 2020

## THE WAWANESA LIFE INSURANCE COMPANY

Incorporated July 7, 1960

### Head Office

107 - 4th Street  
Wawanesa, Manitoba

### Executive Office

400 - 200 Main Street  
Winnipeg, Manitoba

## OFFICERS AND CORPORATE MANAGEMENT

**S. J. Goy**, *ACAS, CIP*  
President and  
Chief Executive Officer

**L. Mitchell**  
President,  
Life Operations

**M. K. Nemeth**, *CPA, CA,  
FLMI, GBA, CEA*  
Senior Vice President and  
Chief Financial Officer

**E. T. Johnston**, *LLB, CFA,  
B.Comm.(Hons.)*  
Senior Vice President,  
Chief Legal and Strategy Officer  
and Corporate Secretary

**J. E. Carradice**, *BSc, CPHR, CIP*  
Senior Vice President and  
Chief People and Culture Officer

**M. A. Brisebois**, *FCIA, FSA*  
Senior Vice President and  
Chief Risk Officer

**C. R. Loeppky**, *BScCS*  
Senior Vice President and  
Chief Information Officer

**P. M. Horncastle**, *CPA, CGA*  
Vice President and  
Chief Operating Officer

**E. Elvebo**, *CPA, CA*  
Vice President,  
Finance and Controller

**T. S. Watson**, *FCIA, FSA*  
Vice President,  
Risk Management and  
Chief Actuary

## REGIONAL OFFICES

### British Columbia

400 - 1985 West Broadway  
Vancouver, British Columbia

**S. F. Engmann**, *BA*

Regional Manager

**B. R. Wyne**, *MBA*

Regional Manager

### Alberta

100, 8657 - 51st Avenue  
Edmonton, Alberta

600, 708 - 11th Avenue S.W.  
Calgary, Alberta

### P. Brass

Regional Manager

**B. R. Galarnyk**

Regional Manager

### Saskatchewan

201, 3501 - 8th Street East  
Saskatoon, Saskatchewan

### Manitoba

400 - 200 Main Street  
Winnipeg, Manitoba

### S. Rimban

Regional Manager

### Ontario

100 - 4110 Yonge Street  
Toronto, Ontario

### D. Ashley

Regional Manager

**B. I. Lang**, *RHU*

Regional Manager

**J. Loucks**

Regional Manager

### Maritime

1010 St. George Boulevard  
Moncton, New Brunswick

**S. B. Brydges**, *CFP, CHS*

Regional Manager

# SUMMARY CONSOLIDATED BALANCE SHEET

As at December 31  
(in thousands of Canadian dollars, except as otherwise noted)

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,726	\$ 30,729
Investments including securities on loan	1,185,678	1,053,312
Other assets	84,762	90,864
General fund assets	1,302,166	1,174,905
Segregated funds net assets	344,866	295,072
<b>Total assets</b>	<b>\$ 1,647,032</b>	<b>\$ 1,469,977</b>
<b>LIABILITIES</b>		
Other liabilities	\$ 28,943	\$ 31,450
Insurance contract liabilities	1,030,780	916,362
General fund liabilities	1,059,723	947,812
Segregated funds contract liabilities	344,866	295,072
<b>Total liabilities</b>	<b>1,404,589</b>	<b>1,242,884</b>
<b>Equity</b>	<b>242,443</b>	<b>227,093</b>
<b>Total liabilities and equity</b>	<b>\$ 1,647,032</b>	<b>\$ 1,469,977</b>

**Note 1:** These summary consolidated financial statements have been derived from the audited consolidated financial statements of The Wawanesa Life Insurance Company (the Company) for the year ended December 31, 2019, which are prepared in accordance with International Financial Reporting Standards (IFRS).

The criteria developed by management for the preparation of the summary consolidated financial statements is as follows: that the information included in the summarized consolidated financial statements is in agreement with the related information in the complete consolidated financial statements, and that the summarized

consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete consolidated financial statements, including the notes thereto, in all material respects.

*A full set of the audited consolidated financial statements is available from the Company or at wawanesa.com.*

# SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31  
(in thousands of Canadian dollars, except as otherwise noted)

	2019	2018
<b>Net premiums and equivalents</b>	\$ 196,041	\$ 229,830
Net investment income	118,446	649
<b>Total revenue</b>	<b>314,487</b>	230,479
Net claims and benefits incurred	100,335	108,940
Net change in insurance contract liabilities	121,684	(374)
Expenses incurred	77,991	110,563
<b>Total benefits and expenses</b>	<b>300,010</b>	219,129
<b>Profit before income taxes</b>	<b>14,477</b>	11,350
<b>Provision for income taxes</b>	<b>3,485</b>	3,384
<b>Profit for the year</b>	<b>10,992</b>	7,966
Other comprehensive income (loss), net of taxes	4,358	(637)
<b>Total comprehensive income for the year</b>	<b>\$ 15,350</b>	\$ 7,329
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO:</b>		
Shareholder	\$ 7,465	\$ 6,309
Participating policyholders	7,885	1,020
	<b>\$ 15,350</b>	<b>\$ 7,329</b>

A full set of the audited consolidated financial statements is available from the Company or at [wawanesa.com](http://wawanesa.com).



# SOURCES OF EARNINGS

The Sources of Earnings (SOE) is prepared following regulatory guidelines provided by OSFI requiring SOE disclosure. SOE is a non-IFRS financial measure. There is no standard SOE methodology. The calculation of SOE is dependent on, and sensitive to, the methodology, estimates and assumptions used.

SOE identifies and quantifies the various sources of IFRS profit. It provides an analysis of the difference between actual profit and expected profit based on business inforce and assumptions made at the beginning of the reporting period. The terminology used in the discussion of sources of earnings is described below:

## Expected Profit on Inforce Business

This includes the release of the Provision for Adverse Deviations (PfADs) plus the expected profit on Segregated Funds. The release of the PfADs is the profit arising on the inforce business if the expected assumptions used in calculating the insurance contract liabilities are realized.

## Impact of New Business

This represents the overall loss during the first year on new business. The PfADs in the insurance contract liabilities contribute to an overall initial loss on issuing new business. These PfADs are anticipated to be released into profit in future years to the extent they are not required to cover future adverse experience.

## Experience Gains and Losses

The experience gains and losses result from items such as investment returns, claims and expenses where the actual experience during the year differs from the expected experience assumed in the insurance contract liabilities. It also includes the amount by which the fee income generated on Segregated Funds differs from expected.

## Management Action and Changes in Assumptions

This section includes specific management actions and the impact of changes in assumptions used to calculate insurance contract liabilities.

## Other

This represents all other sources of earnings on operations not included above.

## Earnings on Surplus

This reflects the earnings on the surplus and capital of the Company.

# SOURCES OF EARNINGS

For the year ended December 31  
(in thousands of Canadian dollars, except as otherwise noted)

<b>CONSOLIDATED SOURCES OF EARNINGS 2019</b>	<b>Total Company</b>	<b>Individual Life</b>	<b>Individual Annuity</b>	<b>Group Life and Health</b>
Expected profit on inforce business	\$ 29,710	\$ 10,761	\$ 3,422	\$ 15,527
Impact of new business	(11,970)	(9,330)	(632)	(2,008)
Experience gains and losses	(1,583)	5,221	(346)	(6,458)
Management action and changes in assumptions	(1,629)	(2,043)	8	406
Other	(9,157)	(3,871)	38	(5,324)
Earnings on operations	5,371	\$ 738	\$ 2,490	\$ 2,143
Earnings on surplus	9,106			
Profit before income taxes	14,477			
Provision for income taxes	3,485			
Profit for the year	\$ 10,992			

<b>CONSOLIDATED SOURCES OF EARNINGS 2018</b>	<b>Total Company</b>	<b>Individual Life</b>	<b>Individual Annuity</b>	<b>Group Life and Health</b>
Expected profit on inforce business	\$ 17,073	\$ 10,920	\$ 3,586	\$ 2,567
Impact of new business	(9,074)	(5,753)	(329)	(2,992)
Experience gains and losses	2,390	(8,102)	405	10,087
Management action and changes in assumptions	3,569	4,204	(45)	(590)
Other	(6,884)	(2,094)	(4)	(4,786)
Earnings (loss) on operations	7,074	\$ (825)	\$ 3,613	\$ 4,286
Earnings on surplus	4,276			
Profit before income taxes	11,350			
Provision for income taxes	3,384			
Profit for the year	\$ 7,966			

## SUMMARY OF THE PARTICIPATING ACCOUNT MANAGEMENT POLICY\*

A Participating Account is maintained in respect of the Company's participating business, which is separate from the Shareholder Account. Revenue and expenses that are directly related to participating business are recorded to the Participating Account. Allocation methods are also used to record certain expense and revenue items to the Participating Account.

The Expense Allocation Method is designed to allocate expenses and taxes fairly and equitably between the Participating Account and the Shareholder Account.

The Investment Income Allocation Method is designed to allocate investment income fairly and equitably between the Participating Account and the Shareholder Account.

The Investment Policy Statement (IPS) governs the investment activities of the Company. Assets have been segmented into funds to facilitate managing assets with liabilities. The IPS specifies the investment objectives, investment risks and management of these risks for each of the funds.

Surplus exists in the Participating Account for the needs of the current inforce business and future new business. Surplus is managed to meet the continuing financial stability of the Participating Account and to exceed any minimum regulatory requirements.

Participating policyholders are eligible to receive distributions from the Participating Account when experience justifies their payment. The Board of Directors determines the amount of dividends to be paid in accordance with the Company's Dividend Policy.

The Company is allowed to transfer an amount from the Participating Account to the Shareholder Account each year as described in the Insurance Companies Act. The Company intends to transfer an amount equal to the lesser of 10% of the amount of the dividends paid to the participating policyholders during the year and the maximum permitted by the Insurance Companies Act.

*\*The complete policy is available upon request.*

# SUMMARY OF THE PARTICIPATING POLICYHOLDER DIVIDEND POLICY\*

## PARTICIPATING INDIVIDUAL LIFE INSURANCE

Participating Earnings are generated when collective experience related to investment, mortality, lapse, expenses and taxes is more favourable than assumed in developing the premiums. The Company may distribute a portion of the Participating Account earnings to the participating policyholders. The distribution is in the form of dividends payable to the policyholders. The amount available to be paid as dividends is determined based on various factors including the Company's earnings, any regulatory requirements and the amount of surplus required to ensure the continuing financial stability of the Participating Account.

The dividend scale sets out a formula for the allocation of distributable earnings to the participating policies. The primary factors used to distribute earnings are investment earnings, mortality and expense experience. The dividend scale allocates distributable earnings among policies in the same proportion as the policies are considered to have contributed to distributable earnings. Dividends are credited to the policies on their policy anniversary date. The distribution of dividends is designed to maintain reasonable equity between classes of participating business.

Dividends are declared at the discretion of the Board of Directors.

*\*The complete policy is available upon request.*



Leadership Day, June 2019

## INVESTMENT IN OUR PEOPLE

We're dedicated to providing a stimulating work environment that features professional development and training support to strengthen our employees' capabilities and our business.

### 2019 HIGHLIGHTS

- **In 2019, as measured in our annual survey, we saw a 9-point increase in overall employee engagement to 67 per cent.** Our engagement surveys provide invaluable feedback for planning and decision-making to ultimately improve the employee experience.
- **As part of our total rewards approach, we continually review our programs in this area to ensure we're market-competitive and relevant to an increasingly diverse workforce.** We offer our employees competitive compensation and bonus plans, health and wellness benefits, flexible work hours and paid time-off programs for community volunteer work. Additionally, we regularly evaluate our recruitment processes to improve our ability to attract talent.
- **We launched new leadership development and team-building programs** that engage our top 150 leaders in conversations and activities focused around the Company's strategic direction.
- **We completed our first graduation cycle of our leadership development program** that equips leaders with better skills and knowledge to more effectively lead their teams. In total, 383 directors, managers and supervisors completed the program last year.
- **We digitized our core people processes to better track and measure our effectiveness** in areas such as training and development, recruitment, and onboarding of new hires. This included our performance management program, making it easier for leaders and employees to have ongoing conversations about goals, career development and corporate direction.
- **We introduced new health and wellness initiatives for our people.** These include training leaders in mental-health issues in the workplace, launching an online mental health portal with videos, resources and live chat with specialists. During the year, we expanded our wellness programming available to our workforce to include fitness classes, massage therapy and information seminars on well-being.





16th Annual United Way Winnipeg Plane Pull and Campaign Kickoff, September 2019

## INVESTMENT IN OUR COMMUNITY

**As a mutual insurer, we value being a positive force in our communities through a diverse range of programs and partnerships.**

Today we support more than 400 organizations through our charitable giving program, community sponsorships and the time-off we provide our employees to do volunteer work. We primarily provide support in five areas:

- Arts & Culture
- Community Activities
- Education
- Health
- Social Services

### 2019 HIGHLIGHTS

- **\$3 million provided to community organizations** across Canada and the in United States.
- **Our annual United Way fundraising campaign raised more than \$740,000** in employee and retiree donations matched dollar-for-dollar by the Company for a total contribution in excess of \$1.4 million. CEO Jeff Goy also served as the Volunteer Campaign Chair for the City of Winnipeg's United Way Campaign which, in 2019, produced record contributions.
- **Our My Community Day program** provides employees one paid day per year to volunteer in their communities. In 2019, our people volunteered 1,405 days on paid Company time.
- A new initiative last year was the Wawanesa Toy Drive undertaken in Canada where we partnered with 208 independent insurance brokerages, 36 Canadian charities and 36 Canadian Hockey League (CHL) teams. **For the holiday season, the drive collected some 11,000 toys and \$28,000 in cash for local charities.**
- In response to severe flooding in Quebec, New Brunswick and Ontario, **Wawanesa donated \$30,000 to the Canadian Red Cross to aid in disaster relief in the impacted communities.**

## BOARD OF DIRECTORS



**S.J. Goy**



**R.R. Bracken** 1,2,3,4,5  
Chair, Board of Directors



**K.A. Bardswick** 4,5



**E.J. Beale** 2,3



**C.M. Best** 1,2



**N.A. Everett** 2,3



**B.W.J. Jack** 1,4,5



**R.O. Landry** 3,5



**N.R. Logan** 1,4



**A.S. Penman** 1,3



**M.M. Szel** 2,4

1. Member of the Audit Committee
2. Member of the Conduct Review and Corporate Governance Committee
3. Member of the Investment Committee
4. Member of the Human Resources Committee
5. Member of the Risk Committee





**Wawanesa Insurance**  
**Executive Office**  
900 - 191 Broadway  
Winnipeg, Manitoba R3C 3P1

Telephone: 204-985-3923  
Fax: 204-942-7724  
[wawanesa.com](http://wawanesa.com)

#TEAMWAWANESA

#TEAMWAWANESA

#TE



**Wawanesa**  
**Insurance**