

MEMBER ORGANIZATIONS

The membership of The Co-operators Group Limited consists primarily of co-operative organizations, credit union centrals and representative farm organizations.

Alberta

- > Agrifoods International Cooperative Limited†
- > Alberta Federation of Agriculture
- > Alberta Federation of Rural Electrification Associations
- > Credit Union Central Alberta Limited
- > Federation of Alberta Gas Co-ops Ltd.
- > UFA Co-operative Limited

Atlantic

- > Amalgamated Dairies Limited
- > Atlantic Central
- > Canadian Worker Co-operative Federation†
- > Co-op Atlantic
- > La Fédération des caisses populaires acadiennes limitée
- > Newfoundland-Labrador Federation of Co-operatives
- > Northumberland Cooperative Limited
- > Scotsburn Co-operative Services Limited

British Columbia

- > BC Tree Fruits Cooperative
- > Central 1 Credit Union†
- > Modo The Car Co-op
- > Mountain Equipment Co-op†
- > PBC Health Benefits Society
- > Realize Strategies Co-operative

Manitoba

- > Arctic Co-operatives Limited
- > Caisse Populaire Groupe Financier Ltée
- > Credit Union Central of Manitoba
- > Granny's Poultry Cooperative (Manitoba) Ltd.
- > Keystone Agricultural Producers

Ontario

- > Co-operative Housing Federation of Canada†
- > Gay Lea Foods Co-operative Limited
- > GROWMARK, Inc.
- > L'Alliance des caisses populaires de l'Ontario limitée
- > Ontario Federation of Agriculture
- > Ontario Natural Food Co-op
- > Organic Meadow Co-operative Inc.
- > United Steelworkers – District 6

Quebec

- > Fédération des coopératives d'alimentation du Québec
- > Fédération des coopératives funéraires du Québec
- > Fédération québécoise des coopératives en milieu scolaire/COOPSCO
- > La Coop fédérée
- > La Fédération des coopératives du Nouveau-Québec

Saskatchewan

- > Access Communications Co-operative Limited
- > Agricultural Producers Association of Saskatchewan
- > Credit Union Central of Saskatchewan
- > Federated Co-operatives Limited†
- > Regina Community Clinic

†Multi-region

CO-OPERATIVE

PRINCIPLES

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community

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Available in French ~ Disponible en français / Released April 2016 / COM346 (05/16)



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2015
The Co-operators Group Limited





LETTER TO MEMBERS,
POLICYHOLDERS AND
SHAREHOLDERS

We are taking bold, innovative steps to move The Co-operators forward. We launched our 2015-2018 strategy with confidence, knowing that we created an ambitious plan that positions us for future success. There is genuine excitement for this strategy across the group of companies as we focus more closely on our clients, our co-operative difference and our competitiveness.

Our big-picture strategy enables us to embrace emerging opportunities and turn industry-wide challenges into sustainable solutions. We are focusing our efforts on areas in which we can make a real difference, areas important to building healthy, resilient communities. Examples include the issue of distracted driving and our responsibility related to the complexities of mental health.

Meeting unmet needs

Addressing unmet needs is an integral aspect of being a co-operative and a driving force for our organization. In 2015, we introduced a solution to what had quickly become Canada's most significant property insurance need — the lack of residential overland flood protection. We launched Comprehensive Water in Alberta this year, offering homeowners easy-to-understand, broad coverage for water damage, even in high-risk areas. Understanding the urgent need for Canadian flood resiliency led to this product solution and also catalyzed the creation of the Partners for Action Network at the University of Waterloo in 2015.

Clients first

With a strategic focus on client engagement, we are working to ensure that clients are always at the centre of our decision making. From changes to our claims management processes and client communications, to digital solutions that streamline the insurance and wealth management experience, we are making it easier for clients to do business with us.

We received excellent client satisfaction results in 2015, which highlight our successes to date and motivate us to continue our pursuit to become the industry leader in client engagement. We won industry-leading J.D. Power awards in Alberta and the Atlantic region (Auto Insurance Satisfaction Study) and in the Ontario/Atlantic region (Home Insurance Study). We also earned the highest Net Promoter Score® among our competitors, which was significantly above the industry average. Client growth increased for the fifth consecutive year, significantly outpacing overall industry growth.

We are committed to building a work environment where employees believe in our mission and share in our success. We are proud to have reached our target Employee Engagement score of 80% in 2015. This result contributed to our Platinum-level ranking on the 2016 Aon Best Employers in Canada list, marking our 13th consecutive year as a “Best Employer.” We also work to cultivate strong relationships with our member organizations, and so it was gratifying to receive a Member Engagement score of 91% and a Member Relationship Index score of 90% this year.

Interconnection

The increasing interconnection of global financial markets became even more evident in 2015, reminding us that we must continue to think beyond our national borders. We represented the insurance and co-operative sectors in the United Nations' Inquiry into the Design of a Sustainable Financial System in 2015. As a co-operative, we are well-positioned to provide leadership given our long-term approach and our dedication to transparency.

Addenda Capital, our investment company, joined The Co-operators as a signatory to the Montreal Carbon Pledge in 2015. This public commitment encourages a better understanding of the investment implications of climate change and is another example of the increasing integration of sustainability throughout our organization. To learn more about our sustainability journey, please see our *2015 Sustainability Report*.

Financial resilience

Volatile investment markets significantly impacted our business in 2015. Other factors at play included the weakening Canadian dollar, the ongoing low-interest rate environment, and the general level of economic uncertainty in Canada and around the world.

In spite of these external economic challenges, 2015 was a very successful year for our organization. We acquired the Premier group of companies and The Edge Benefits Inc., increasing the breadth of our insurance offerings. We continued to expand our Wealth Management business this year, enhancing our client service capabilities and launching a successful new segregated funds product, Versatile Portfolio Navigator™. Addenda Capital is emerging as a Canadian leader in sustainable investing, helping it to grow its business as an investment management services provider. Both our Life and our Property and Casualty operations experienced very strong client and premium growth in 2015, leading to solid profitability.

The Co-operators Group Limited earned net income after tax of \$198.5 million in 2015. Overall, the diversity of our operations offers financial resilience that benefits the group of companies as a whole.

Looking forward

In 2015, we completed much of the foundational work required to align our people, processes and plans with our strategy, and we made significant gains toward meeting our strategic goals. That said, we recognize we must quicken our pace in 2016, and we plan to do so.

With a focus on building resilience and meeting unmet needs, we see opportunity to be a catalyst for change and a proponent for co-operative values in Canada and beyond. We thank our members, directors, advisors, broker partners, employees and community partners for their support as we build our business and advocate for an inclusive, sustainable economy that benefits us all.

(Signed)

John Harvie
Chairperson, Board of Directors

(Signed)

Kathy Bardswick
President and Chief Executive Officer

MISSION

VISION

VALUES

Our Mission

The Co-operators: financial security for Canadians and their communities.

Our Vision

The Co-operators aspires to be valued by Canadians as ...

- > a champion of their prosperity and peace of mind,
- > a leader in the financial services industry, distinct in its co-operative character, and
- > a catalyst for a sustainable society.

Statement of Values

At The Co-operators we ...

- > strive for the highest level of integrity
- > foster open and transparent communication
- > give life to co-operative principles and values
- > carefully temper our economic goals with consideration for the environment and the well-being of society at large
- > anticipate and surpass client expectations through innovative solutions supported by mutually beneficial partnerships

BOARD OF DIRECTORS

John Harvie
Chairperson
Atlantic

Jack Wilkinson
Vice-Chairperson
Ontario

Albert De Boer *Alberta*

Jim Laverick

Denis Laverdière *Atlantic*

Michael Mac Isaac

Phil Baudin *British Columbia*

Daniel Burns

Emmet McGrath

Dave Abel *Manitoba*

Jocelyn VanKoughnet

Don Altman *Ontario*

Denis Bourdeau

Johanne Charbonneau

Roger Harrop

Geri Kamenz

Dave Sitaram

Alexandra Wilson

Louis-H. Campagna *Quebec*

Réjean Laflamme

Gilles Colbert *Saskatchewan*

Collette Robertson

COMPANY HIGHLIGHTS

The Co-operators Group Limited is the co-operative holding company for The Co-operators group of companies.

- > Earned Platinum-level recognition on the 2016 Aon Best Employers in Canada list (includes CGL, CGIC, CLIC, CUMIS and HB/COSECO).
- > Listed among *Maclean's* "Top 50 Most Socially Responsible Corporations in Canada" for the third consecutive year; placed on the *Corporate Knights* "Best 50 Corporate Citizens in Canada" list for the sixth year.
- > Earned a Member Engagement score of 91% and a Member Relationship Index score of 90%.

Co-operators Financial Services Limited is a Canadian holding company that consolidates all of The Co-operators insurance, brokerage and investment management operations.

- > Acquired The Edge Benefits Inc. and the Premier group of companies.

Addenda Capital Inc. provides discretionary investment management services to pension plans, insurance companies, endowments, foundations, governments, corporations and mutual funds, as well as the companies of The Co-operators Group Limited.

- > Became the first Canadian asset manager to sign the Montreal Carbon Pledge and disclose the carbon footprints of all equity portfolios, as required of signatories.
- > Gained Gold-level recognition as a 2016 Aon Best Small & Medium Employer.

Co-operators General Insurance Company provides Home, Auto, Farm and Commercial insurance through an exclusive advisor network across Canada. This network also distributes Life insurance and Wealth Management products for Co-operators Life Insurance Company.

- > Earned net income before tax of \$119.9 million, driven by strong underwriting income.
- > Received the 2015 J.D. Power Canada Home Insurance award in the Ontario/Atlantic region and the Auto Insurance Customer Satisfaction award in the Alberta and Atlantic regions.
- > Launched ground-breaking property insurance coverage in Alberta with Comprehensive Water, our new, easy-to-understand product that offers homeowners protection against various types of water damage.
- > Achieved unprecedented client growth, adding more than 30,000 new clients.

The Sovereign General Insurance Company is a trusted source of risk solutions for Canadian businesses.

- > Grew Specialty Operations gross written premium by 15.6%, while achieving a combined ratio of 85.4%.
- > Gained Gold-level recognition as a 2016 Aon Best Small & Medium Employer.

The Premier group of companies offers professional liability, specialty casualty, and general property coverage through a network of more than 4,000 brokers in Canada and the US.

- > Achieved 11% year-over-year growth in premiums under management.

Co-operators Life Insurance Company provides Life and Health insurance, as well as Wealth Management products, to individuals and groups across Canada.

- > Achieved a record Individual Segregated Fund year-over-year sales increase of 30%, as part of our new Wealth Management strategy.
- > Introduced Exceptional Life™ in a joint venture with Hunter McCorquodale to provide coverage to Canadians who may otherwise be declined.
- > Enhanced the client experience with the introduction of mobile apps and launched Group Elements, a refreshed small business product offering.

The CUMIS Group Limited is the leading provider of insurance-related products and services to credit unions, caisses populaires and their members in Canada.

- > Launched innovative new credit union partnerships to enhance the service experience.
- > Received strong and consistent Net Promoter Scores® as a result of our focus on client relationships with credit unions.

Credential Financial Inc. is a national wealth management firm offering a full suite of products and services to more than 200 credit unions and independent financial institutions.

- > Increased assets under administration by more than 11% to \$22.8 billion.

The Edge Benefits Inc. offers simplified disability insurance products to Canadians, with a focus on the self-employed marketplace.

- > Sold 39% more products through The Co-operators financial advisor network in 2015.

Federated Agencies Limited collaborates with strategic business partners to provide the best Personal, Commercial and Financial Services products available.

- > Leveraged our capabilities across the group of companies to meet our members' and clients' complex insurance needs, which may have previously been supported by outside providers.
- > Improved processes and efficiencies related to our financial services distribution model, resulting in high advisor engagement and strong sales.

HB Group Insurance Management Ltd. and **COSECO Insurance Company** offer Home and Auto insurance products through four contact centres to employer groups, affinity groups, associations and credit union members. Business developed by HB Group is insured primarily by COSECO.

- > Experienced positive growth, ending the year with a 3.3% increase in clients and a 7.2% increase in direct written premium.
- > Expanded the Contact Centre to Moncton to enhance bilingual client service.

COMPANY PROFILE

The Co-operators is a leading Canadian, multi-product insurance and financial services organization with \$39.9 billion in assets under administration. Our company operates in three core areas: Property and Casualty (P&C) insurance, Life insurance and institutional investments. We are supported by 4,675 employees and a dedicated financial advisor network with 2,673 licensed insurance representatives throughout Canada. We also serve approximately 300 credit unions with more than 5.5 million members.

Property and Casualty Insurance

- > Insures 771,000 homes and 1.2 million vehicles.
- > Provides coverage to 37,000 farms and 418,000 businesses.

Life Insurance

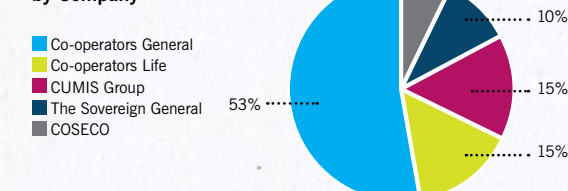
- > Protects 628,000 lives.
- > Insures 212,000 employees through Group Benefit plans.
- > Offers a wide range of Wealth Management products.
- > Provides Credit insurance to 624,000 Canadians.

Investments

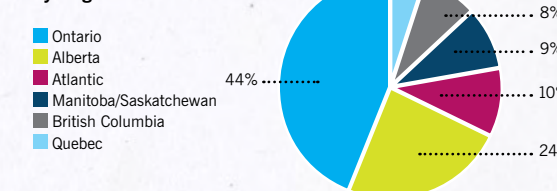
- > Provides institutional investment and asset management services.

FINANCIAL HIGHLIGHTS

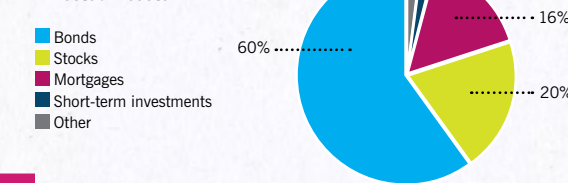
Direct Written Premium by Company



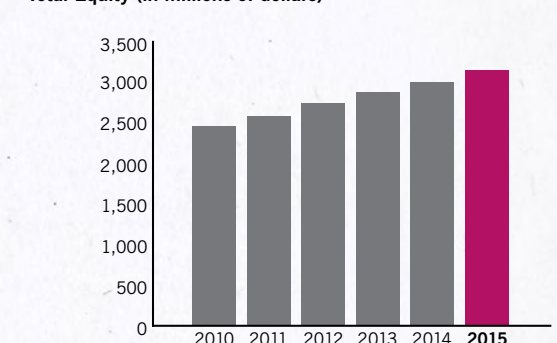
Direct Written Premium by Region



Invested Assets Mix



Total Equity (in millions of dollars)



The Co-operators Group Limited

Co-operators Financial Services Limited

Addenda Capital Inc. (72.65%)

Co-operators General Insurance Company

- > The Sovereign General Insurance Company
- > The Equitable General Insurance Company*
- > COSECO Insurance Company

Co-operators Life Insurance Company

- > The CUMIS Group Limited (72.99%)
 - CUMIS Life Insurance Company
 - CUMIS General Insurance Company
 - Credential Financial Inc. (50.00%)
- > AZGA Service Canada Inc. (45.00%)

Premier Managers Holdings Corporation

The Edge Benefits Inc. (80.99%)

Federated Agencies Limited

- > HB Group Insurance Management Ltd.
- > UNIFED Insurance Brokers Limited

*Non-operating entity

CO-OPERATIVE GOVERNANCE

Board of Directors composition and independence

The Co-operators 22-member Board of Directors (board) consists of individuals elected from our 43 member organizations across Canada. All directors are independent from management and unrelated to the day-to-day operations of the business.

Mandate of the board

The board is responsible for key governance issues such as: ensuring the organization's financial viability; articulating the mission, vision and values; setting the strategic direction; the appointment, selection and performance management of the President and CEO; and ensuring The Co-operators maintains a leadership role in the insurance industry and co-operative movement.

Performance management

Annual performance management systems assess the effectiveness of the board as a whole, the chairperson of the board, board committees and individual directors. To ensure The Co-operators ongoing relevance and effectiveness with its member organizations, the board oversees the measurement of member engagement and conducts a formal review of the democratic structure of The Co-operators Group Limited.

Board development

Every year we hold an initial orientation and a follow-up session for new directors. A competency-based Director Development Program (DDP) was established in 2013 to support ongoing learning and enhanced governance performance; roll-out of the DDP continued in 2015 with the delivery of three additional modules. In addition, directors participate in a number of internal education sessions throughout the year, which are structured to meet the development needs and interests of the board.

A substantial training and development allowance is provided to directors to fund participation in formal programs to support their individual development plan. A comprehensive website and Board of Directors Manual are in place as sources of reference information for all directors.

Member relations

The Executive Vice-President, Member Relations, Governance and Corporate Services has the specific responsibility to liaise with members to ensure ongoing, effective, two-way communication. In addition, members receive regular updates on the company's activities and financial performance throughout the year.

Board control of significant decisions

Management is responsible for the day-to-day management and operations of the company. Major decisions, such as significant investment transactions, acquisitions, business arrangements or alliances must be submitted to the board for prior approval. The board annually reviews the financial statements and strategic business plans for the company, and monitors its progress in achieving these plans throughout the year.

THREE-YEAR REVIEW

(in millions of dollars, except return on members' and shareholders' equity)	2015	2014	2013
Total assets	13,465	12,917	11,861
Insurance and investment contract liabilities	6,976	6,775	6,262
Members' and shareholders' equity	2,171	2,044	1,860
Participating policyholder account	679	660	610
Non-controlling interests	294	289	397
Total equity	3,144	2,993	2,867
Property & Casualty direct written premium	2,695	2,410	2,296
Life direct written premium	828	954	788
Net earned premium	3,176	3,156	2,888
Net investment income	319	562	161
Policyholder benefits and adjustment expenses, net of reinsurance	2,086	2,360	1,850
Net income—attributable to members and shareholders	157	130	40
Return on members' and shareholders' equity	8.1%	7.2%	2.3%