Creating a New Model:

A Case Study of the Definity Insurance Foundation

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The Definity Insurance Foundation is a unique case of a new public foundation in Canada funded by the proceeds of a Canadian business going public, but not controlled by the business. This case study describes the origins and early stages of the Definity Insurance Foundation as a significant independent funder in the Canadian philanthropic landscape.

1. The Beginning: Demutualizing Economical Insurance

In 2011, Economical Mutual Insurance Company ("Economical"), a 140-year-old Canadian company founded in 1871, began a process to demutualize[1]. The board of the company had decided that demutualization might make sense to give the company more financial flexibility and to enable it to make the necessary investments to compete effectively in the market. It asked the federal government to design a legislative framework and demutualization process as required by law.

As part of the demutualization process, two appointed groups of policyholders (mutual and non-mutual) were to decide whether any group other than policyholders would be eligible to receive demutualization benefits, and on the allocation of benefits among eligible recipients.

In 2017, as the two groups began their work, they began to consider the idea of allocating funds to a charitable foundation. From very early days, the company said to the government that it might be good for the rules to provide for "other parties", which could include charities, to receive part of the benefits. The concept of an independent foundation was actively discussed by the two committees. In 2018, the committees and the company agreed to a conversion plan that included the establishment of an independent charitable foundation and the allocation of $100 million to start it off, once the demutualization was complete. The foundation, to some degree, created the common ground that helped to facilitate the agreement of the mutual and non-mutual policyholders on a conversion plan and get the company to a successful outcome. As the final Conversion Plan stated, "the policyholder committees recognized the unique opportunity to make a meaningful and lasting philanthropic contribution. It is a legacy for policyholders past and present who have contributed to the company's past success

[1] Demutualization is the regulated transformation of a mutual insurance company which is governed by mutual policy holders/members into a share company with voting shareholders

over many years and respects its history as a community-minded mutual insurer."[2] The historical roots of Economical as a mutual insurance company supporting the communities in which it was based proved to be important to the foundation that grew from its roots.

2. Creating a Foundation 2018-2020

In early 2018, a new public foundation was incorporated and registered with the Canada Revenue Agency with the provisional name of 10551635 Canada Foundation. The four initial board members had all served on one or the other of the two policyholder committees and had volunteered to continue the work of creating the new foundation. Willy Robinson, a former cooperative credit executive who served on the committee of non-mutual policy holders, was appointed Chair. Her leadership, alongside the board, was instrumental over the following six years in establishing the foundation, recruiting its inaugural CEO, and transitioning the board from an operational body to one focused on governance.

In June 2018, the foundation was renamed the Economical Insurance Heritage Foundation as part of the conversion plan. The four initial directors continued to organize the foundation. An important part of this was to negotiate the terms of an agreement to formalize their ongoing relationship with Economical. The company agreed to front the costs of helping to incubate and stand up the foundation as a professional organization. Those costs were to be paid back once the foundation received its funding.

Through the rest of 2018 and 2019, the four founding directors and representatives of the company worked on an agreement. Importantly, the foundation board and the company agreed that the foundation should function autonomously as an independent organization, i.e. not as a corporate foundation controlled by the company. The company and the founding board members were aligned in their vision for the foundation as a "professionalized instrument for good". The company said that it wanted to participate in and help to guide but not control the foundation. So, it was agreed that the foundation would stand at arm's length from the company. The company would retain the right to name two directors. These two directors would wear their foundation "hat" when attending board meetings rather than acting as company representatives.

The company remained connected with the foundation through two further provisions: funding and branding. On the issue of funding, it was agreed that the foundation would receive a hybrid financing: an endowment of $100 million from the proceeds of the demutualization (together with future investment returns on that endowment), plus an

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[2] Economical Mutual Conversion Plan (2018), P. A-10

annual flow of funds from the company. Any amount beyond a minimum $250,000 would be granted to charities designated by the company. In effect, this was a donor-advised fund to be held within the foundation.

On the issue of branding, the shared name of the foundation and the company reflected the historical connection and legacy of the original policy holders. The shared name also meant that the company would want to incorporate a trademark license agreement into its broader agreement with the foundation and the foundation would need to get the consent of Economical to any legal name change or branding change.

3. Setting Priorities 2020-2021

The foundation and the company finalized and signed an agreement in February 2020. The four directors then rolled up their sleeves to prepare the foundation for its operational start in 2021. They were joined by the two directors nominated by the company in February 2021. These six directors knew each well through the demutualization discussions and there was a feeling of mutual goodwill and an ability to work together that proved extremely important. This spirit of teamwork and consensus-building facilitated decision making as they continued to work on setting up the foundation.

In the run up to the demutualization to take place towards the end of 2021, the board engaged Watermark Philanthropic Counsel to help develop a statement of guiding purpose, values and priorities for future granting. The directors did not have direct experience in the foundation sector, but they were very open to learning as much as possible about philanthropic practice, including both grantmaking and impact investing. There was strong agreement among them on the underlying values of the foundation: community, integrity, justice. Their shared intent was to continue to uphold the values and priorities of the thousands of past employees of the company and contributors in local communities served by Economical over its 150 years. The directors agreed on a vision of a healthy, equitable and flourishing world and a mission of working with charitable partners across Canada to tackle inequity, barriers to good health and opportunity, and climate-related challenges.

By August 2021, the board had chosen three funding pillars: healthy people, thriving communities, and livable planet. The directors agreed that they wanted the foundation to focus specifically on the health and well-being of marginalized people and to help communities reduce the effects of social and economic inequality. They also agreed that the foundation should aim to tackle the inequitable impacts of climate change in communities and economies.

The next step was to recruit an Executive Director. With an ambitious set of priorities and an imminent infusion of capital, a full-time staff leader for the foundation was needed urgently. The board developed a position description and posted it under the heading "Builder Needed to Knock Down Inequality." The job posting specified that the foundation was looking for a leader with at least eight years of senior management experience in the philanthropic space. It also noted that the board was particularly interested in a leader who had experience in advancing the principles of justice, diversity, equity and inclusion, including through their own lived experience. In December 2021, the board selected Arti Freeman as the first President and CEO. This was a major turning point. The board's selection of Arti was a choice in favour of a leader committed to doing things differently, building on her own deep experience but eager to try a new approach in philanthropy.

As 2021 ended, and after the successful IPO, the agreed allocation of $100 million was made to the foundation. The new company was rebranded as the Definity Insurance Company and the foundation changed its name to the Definity Insurance Foundation. The new foundation was underway.

4. Solidifying A Framework: 2022-2023

Beginning in January 2022, Arti Freeman initiated a phase of whirlwind activity for the foundation. The vision and the three funding pillars had been set by the board in 2021. But much more work was needed to build a detailed framework to guide decision making on the distribution of charitable funds. Meeting with her board, still composed of the original six directors, Arti presented a first hundred-day plan. The board had been carrying the operational load of establishing the foundation and decided that this was a time to slow down a little and help the foundation "walk before it ran."

In practical terms, the foundation needed to focus on a near term business plan which included setting up internal policies and operations, developing the working relationship between the CEO and the board, acquiring more staff and formalizing ongoing relations with Definity Insurance. But the board also agreed that Arti should proceed with developing a granting strategy (based on a theory of change and decisions on focus areas), types and duration of funding, and partnership opportunities. Over the next year, the foundation could begin to disburse its funds, working with known intermediaries and platforms.

From February to April 2022, Arti embarked on a series of conversations with individuals in the philanthropic and social sectors. She had long experience as a grantmaker with the Ontario Trillium Foundation and was able to reach out to her broad network. Arti engaged Colbeck Strategy Advisors, a social sector consulting firm, to support her in developing a community investment framework (CIF). The individuals consulted by Arti and Colbeck were leaders of private foundations or public foundations, leaders of philanthropic networks and new platform organizations run by young, Indigenous and racialized leaders. The conversations were open-ended and designed to answer questions about the needs and trends that other leaders were seeing, about what and what wasn't working, and what high impact initiatives the foundation should consider. The intent was to gather advice on the how and what of philanthropic practice, particularly philanthropy intended to support efforts towards equity, social justice and support for the underserved.

In April 2022, Arti shared insights with the board from the conversations held to that point. The advice was distilled into eight high-level suggestions:

- Take time *now* to define your desired impact; without it, dilution risk is high
- Experiment with different funding models to test ideas, harvest learning and get to know the players in fields across Canada
- Strengthen the charitable sector by supporting initiatives where umbrella groups are coming together to collectively address sector needs (e.g. digital transformation, data strategy, voluntary sector labour research, advocacy for pandemic relief)
- Invest in changing the systems that cause the issues you are trying to change
- Find others who have similar goals; partner to amplify impact, tap into expertise
- Bring new players, voices and ideas to the table; philanthropy in Canada is often seen as insular
- Have clear and measurable goals, but be flexible in how you measure
- For some outcomes, integrated funding may be optimal

Arti had seven hypotheses that suggested directions for the evolving approach of the foundation. The next step was to test these in conversation with other organization leaders. The hypotheses were:

- We need to centre underrepresented/ equity-seeking groups in our approach to grantmaking to shift power dynamics that drive inequities.
- A collaborative approach will lead to a greater social return on our investment, increasing leverage and impact.
- Our bull's eye is where our three priorities intersect.
- We want to find solutions to root causes because this will lead to more long-lasting, sustainable impact.
- We need to invest in strengthening the capacity of organizations to have meaningful and sustained impact.
- Funding "umbrella organizations" doing critical work to support the charitable sector will have amplified impact; this work is chronically underfunded.
- Experimenting with different funding models will lead to more innovation in the sector.

In May, Arti updated the board on the testing and validation of these hypotheses, suggesting revisions based on feedback. By this time, she had consulted 33 leaders with diverse backgrounds and experiences. The revised hypotheses were beginning to add nuance and depth to the initial thinking about the foundation's approach. The advice from many of those consulted (and from reading of philanthropic literature) was solidifying Arti's views that the foundation could best act on its three areas of focus through taking a social justice approach, building relations over time with a group of community-based organizations working with racialized populations.

The suggested revised hypotheses described this approach more clearly:

- Taking a racial equity lens to all our work will enable us to target our efforts on the needs of particular groups that systems are most failing and for whom the impacts are most inequitable.
- Choose areas of concern and let the community tell you what is needed and where good work is happening.
- Prioritize opportunities that drive at multiple areas of concern/funding priorities.
- Offer long term and flexible funding to allow organizations to allocate resources where they are most needed, making room for innovation, emergence, and impact.
- Take a relational approach to philanthropy to gain a deeper understanding of the work, to reduce power imbalance, and to take up less time.
- Fund sector strengthening organizations, approaches, and infrastructure.
- Experimenting with different funding models will facilitate learning, build trust, and ultimately lead to greater impact.

Arti (working closely with the Colbeck team) then met with a further 19 people, including other foundation leaders, network leaders and philanthropy consultants. They were beginning to zero in on the funding mechanisms that the foundation might use as part of its framework. They were also developing their thinking about outcomes, performance indicators, evaluation tools and learning approaches going forward.

At the end of June Arti and the Colbeck team met with the board to present a community investment framework (CIF) grounded in the discussions and advice received as well as in Arti's own philosophy of philanthropy as social justice. Articulating the goal of the foundation as "addressing the roots of health, social economic and climate inequalities" and based on six principles (equity, diverse and inclusive, leverage resources, collaborative, community-led and shared learning), the framework connected the three original impact areas (healthy people, thriving communities, livable planet) to specific outcomes, strategies and priority populations. The framework also set out five granting approaches: partnership grants, program-related investments, research, convening and sector strengthening. Finally, the framework included a learning approach aligned with the six principles of the community investment approach: using stories, data and evidence provided by grantees and communities to share, learn and adapt strategies as needed. After six months of learning and hard work by Arti and her board, this proposed CIF was approved.

By August 2022, the foundation had developed a robust granting and due diligence process, as well as a grant budget cycle and policies, and internal financial systems. In September Arti reinforced to the board the themes coming out of her multiple conversations with peers over the year:

- *Bring in community / expert voices:* make decisions with and for community. This could include setting up external reviewers or advisors to help guide our grantmaking to communities, help us learn about specific areas and help us reflect on our processes.
- *Signal intention through action and demonstrate willingness to do things differently:* We can deploy funds to also learn and not being restrictive about it.
- *Take risks:* If all our projects are successful, we are funding the wrong projects and not taking sufficient risk. Sometimes we need out-of-the-box ideas to push the envelope further.
- *Place the needs of Black and Indigenous communities at the center of our work:* We can learn from the experiences of others to build a path anchored in justice and equity from the start. Definity Foundation can become a leader in righting relations with Black and Indigenous communities and set the template for how to partner and work with these communities.
- *Flow funds to grassroots:* We need to weigh in and join the chorus on legal structures standing in the way of community groups accessing funds. We can get money to communities by using intermediaries, trustee and mentor models or by changing our objects to make this possible.

At the end of October 2022, the foundation announced a first round of over $7 million in grants (disbursed over one to five years). Many of them were meant to strengthen the work of intermediaries and to support the work of organizations and initiatives which addressed inequities and barriers to good health, socio-economic opportunities and climate-related challenges. These "partnership" grants were directed to intermediary organizations such as MakeWay, the Indigenous Peoples Resilience Fund, Community Foundations of Canada, Environment Funders Canada, Tamarack and the Rideau Hall Foundation, with the intention that they would redistribute to grantees working under their umbrellas. Three of the grants also had co-investing commitments from Definity Insurance. Arti said in a release communicating these grants: "We believe people closest to the issue are those who truly understand the need, challenge, and the opportunities to address them. As philanthropists and as a new Foundation, we are here to learn, listen and support communities in meeting their self-defined needs." In a sign of more action to come, in November the foundation also made its first impact investment to Raven Indigenous Capital Partners.

Finally, in 2022 the board also moved to expand and diversify its membership. The original six board directors were a relatively homogeneous group in age and demographic identity, although they had different backgrounds and lived in different parts of the country. The foundation issued a public call for new directors, stressing its interest in candidates who had engagement and experience with underrepresented communities or with the areas of priority to the foundation such as climate mitigation and adaptation, health equity, food security, inclusive economic opportunities or knowledge of impact investing. The board was clear that it wanted to ensure that it reflected the communities served by the foundation and that it encouraged applications from Indigenous, Black and other racialized communities. Through this process, five new directors all of whom were professionals in the nonprofit sector joined the board in January 2023.

5. Taking Shape: 2023-2024

The new group of directors quickly formed a collegial bond with the first group around their shared boldness of vision and their commitment to supporting systemic change in communities. The directors were eager to move away from an operational to a more strategic role as the foundation's governance matured. The expanded board embarked immediately on a discussion around a formal Strategic Plan for the foundation, taking advantage of the insights, experience and networks brought by the new directors. Discussions through 2023 culminated in the approval of a three-year Strategic Plan at the October 2023 board meeting.

In this new plan, the board restated the original vision, mission and values of the foundation with a clearer focus on social justice and equity, with community at the core. It also identified four imperatives or critical goals that it must achieve to fulfill its mission: flow capital to underfunded regions and communities; take a holistic approach; advance collaborative innovation; and support all of this through organizational effectiveness. The vision and values, approaches, imperatives, and impact were visually captured and connected in a circular strategy map (which was made public on the foundation's website). However, while the strategic plan was a step toward concretizing the foundation's direction, the board also had a clear understanding that the foundation was still in a learning phase with its decisions.

The foundation continued to make new grants and capital investments, making nine multi-year grants to organizations focused on increasing the health and well-being of equity-deserving communities, building community resilience to climate change, reducing the effects of social and economic inequality and strengthening the non-profit sector. Importantly, the foundation also began to make much more active efforts to understand the landscape of social finance and to become more active as an impact investor, sponsoring meetings such as the Future of Good/SVX Social Finance Forum and the Raven Outcomes Finance Summit, and making $2.25 million in investments in three organizations (one of which, Windmill Microlending, was also supported by a grant from Definity Insurance). In parallel, the foundation prepared itself through revisions to its charitable objects to broaden the scope of its activity by making grants to "non-qualified donees" or organizations not registered as charities.

The foundation staff and board were committed to "embracing a culture of learning", building on all opportunities. The foundation used many channels for its learning. It engaged in funder collaboratives, gathered feedback from grantee partners, engaged more external advisors, invited partners and subject matter experts to share learnings with board and staff, held focus groups with leaders, and commissioned research. The foundation was actively learning and implementing ways to use all its assets for impact, "not only our grants but our investments and our ability to influence policy, mobilize knowledge, conduct research, convene and leverage our networks and expertise" (2023 Annual Report).

The foundation was intentionally expanding its activity as a field builder and thought leader in the philanthropic sector. In 2022, Arti and her board chair participated in interviews for *The Philanthropist Journal* for an article in September 2022, Looking for the 'good way': Definity Insurance Foundation aims for systems-level change. Arti expressed the role of the foundation "as a grantmaker is to leverage the foundation's brand as a leader to engage public and private organizations and their resources to support programs that will advance equity in the charitable sector, as well as advance practices of the philanthropic sector."

In June 2023, the foundation released its first Annual Report, summarizing the work of the foundation through 2022. This was an important piece of public communication aimed at the foundation's partners and the broader philanthropic sector. It was also a signal of the foundation's commitment to transparency and accountability about its strategic thinking and approach. Arti and her colleagues accepted many invitations to speak publicly about the foundation's goals and strategies, demonstrating their commitment to sharing learning with their peers and with the wider sector.

The foundation also used its funding of research to support and disseminate data reports. It commissioned Jillian Witt and *The Philanthropist Journal* to produce a report on spending pathways for foundations, released through *The Philanthropist* in November 2023. It also partnered with Data For Good to do an analysis of capital flows to charities in Canada to identify underfunded regions. In 2024, the foundation made another investment in knowledge mobilization with a Senior Fellows Program "to bring together subject matter experts, thought leaders and visionaries to advance community-led solutions that further climate, health and socio-economic justice". The first Senior Fellow was Shauna Sylvester, focusing on equitable climate action.

In June of 2024, the board elected as its new Chair, Justin Wiebe, one of the directors who joined in 2023. The election of a younger Indigenous leader was an important message to the foundation's partners of its commitment to diversity and inclusion and its eagerness to listen and to understand community perspectives. Willy Robinson had worked closely with Justin Wiebe as Vice-Chair for over a year before transitioning off the board and she had mentored him and the other new directors as the foundation began to gain confidence and to expand its activities. This collaboration helped to ensure a smooth governance direction as the foundation moved into its third year of operation.

The foundation's second Annual Report covering its 2023 activities and initiatives was released in mid-2024. It summarized the remarkable journey, and the ground covered in two years. In 2022 and 2023, the foundation had made a total of $15.3M in multi-year grant commitments and $3M in direct impact investments. It had solidified its commitment to flowing capital to underserved and under resourced communities and to using its assets for mission. It had clarified and strengthened its purpose through a new strategic plan and reinforced its skills and expertise with new staff and board members. The foundation has created a culture of collaborative learning which has enabled it to move forward quickly and to set itself ambitious goals which it can build upon as it enters its next five years. Its early success is based on the unusual combination of trusting relationships among board and staff with a shared commitment to structured learning and public accountability. According to John Bowey, one of the directors, "we are learning to do things together in a unique but also very aspirational way. We want the partnership to continue and remain sensitive to each other's needs; it won't be perfect, but we can work through any frustrations… We have agreed right from the beginning that we want to break the mold, we want to have impact, to take risks, to innovate and to really make a difference. This is the essence of the foundation's beginnings as a legacy and connection back to the community founders of the company and their goals." The foundation is moving forward with a conscious approach to combining strategy with trust, recognizing that community has many of the answers already, and the role of the foundation is to invest and support its partners in alignment with their intention.

Operational Lessons Learned

- Strong alignment of values and shared sense of purpose among the founders is essential to the successful launch of a foundation.

- Taking time to prepare the ground in terms of both governance and operational policies is important and shouldn't be rushed.
- Consulting widely with potential partners and experienced philanthropy practitioners and observers will accelerate learning.
- Early and consistent public communication of mission and strategy helps to clarify priorities.
- The choice of an experienced staff leader at an early stage makes an important difference.
- A commitment to learning from the outset strengthens the capacity for impact by combining thoughtful action with structured reflection—enabling agility, deepening understanding, and driving more responsive, relevant strategies that reflect the needs of the people served.

Strategic Lessons Learned

- Advancing equity and justice requires intentionality—naming inequities, recognizing diverse expertise, and centering the voices of those most impacted. It demands commitment, openness to sharing insights, and boldness to take risks and support experimentation for meaningful change.

- Being both trust-based and strategic means recognizing communities as holders of knowledge and solutions. Impact requires intentional investment, deep listening, and supporting community-led visions with humility and alignment to long-term outcomes.

- A shared sense of purpose and partnership—rather than a traditional Board–CEO dynamic—strengthens leadership, impact, and governance. Built on trust, openness, and respect, this relationship fosters honest dialogue, co-creation, and collective accountability.

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