



COLLECTIVFIDE

2021

ANNUAL REPORT

2021



collectivfide

TRUST IS MUTUAL

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We expect more good things to come in the year ahead for Collectivfide and are thankful for the solid base of mutual support we have garnered to date.

A MESSAGE FROM THE CHAIR

I am incredibly proud and privileged to have served as Board Chair for the past three years and what an exciting and successful three years it has been!

Being a part of Collectivfide from “discussion” to “study group” to “company”, has been inspiring and exhilarating, as we have seen the organization grow and flourish. Collectivfide’s mission from the beginning was to protect and grow mutual volume, supporting the local independent broker channel while staying true to the mutual values upon which the company is founded. I want to start by thanking and congratulating our President and CEO, Tony Ngo. Due to Tony’s incredible leadership at Collectivfide, we have proudly welcomed six brokerages as part of the Collectivfide network, resulting in over \$11 million in protected mutual volume, with plans to continue this growth trajectory in 2022 and beyond. In addition to this, Tony has built an amazing team of talented professionals who provide essential services and leadership to enhance the brokerages in the Collectivfide family.

I also want to thank all the Directors of the Board for their knowledge, commitment, and collaboration. Each of their expertise has allowed us to develop sound governance structures and policies to ensure the company’s success now and in the future.

Consolidation in the market is accelerating as new entrants emerge with greater frequency than ever before. As a result, Collectivfide continues to grow its expertise in the service offerings provided to its broker partners in Marketing, Underwriting, Analytics,

Technology, HR, and Operational Excellence. This unique value proposition allows our broker partners to succeed in this increasingly competitive landscape and thrive in their local communities.

Covid 19 has continued to be a factor this past year, but with restrictions lifting, we are witnessing a shift back to in-person events and engagement, and we know that we will come through the other side even more resilient than before. We expect more good things to come in the year ahead for Collectivfide and are thankful for the solid base of mutual support we have garnered to date. However, with the current pace of M&A activity taking place in our industry, more support is needed if we are going to make a significant impact in protecting our mutual volume and culture. The more capital we have, the more opportunities to protect and grow mutual volume, which is critical to the success of our mutuals across Ontario.

As with the optimism of Covid severity easing, I am even more optimistic about the future of Collectivfide and what lies ahead. We have a talented team, an effective Board, and a solid group of brokerages to build and grow upon.

It has been an absolute honour to serve you, the shareholders, as Chair of the Board for Collectivfide.

MARG TORRANCE
BOARD CHAIR

COLLECTIVFIDE INSURANCE GROUP

Our commitment to creating an organization focused on servicing the brokerages has been on full display as our team continues to grow and provide much-needed resources.



A WORD FROM THE PRESIDENT AND CEO

The past year has been truly transformational for our organization. The success of Collectivfide has exceeded our expectations in both operational and financial targets at the consolidated level. In a mere few years, we have created a very special and unique organization for our employees and broker partners alike. Collectivfide is considered a viable and preferred option for brokerages looking for a trusted partner or to develop a succession plan.

Since our first two partnerships in 2020, we have added four brokerages to our group and have earned the respect and trust of our brokers. Our commitment to creating an organization focused on servicing the brokerages has been on full display as our team continues to grow and provide much-needed resources. Through a collaborative approach, we work closely with our partners on issues that are impacting client service levels and the business. Where required, we have added assistance to support our partners that have worked relentlessly in a year full of uncertainty and disruptions.

Our brokerages have seen solid profitability in 2021 even against the backdrop of COVID and rate relief. As society has become accustomed to living with the virus and restrictions are starting to lift, driving behaviours and other risk exposures have increased. We work closely with all of our markets to ensure that we write profitable and acceptable risks.

We have assembled a united and cohesive group of brokerages that share the same goal and vision as our team. Inspired by Collectivfide's vision, our partners believe that relationships are paramount to the success of the business and their communities.

Over the coming year, our organization will be building on a culture that is critical to the future of Collectivfide and our brokers as we continue to grow. As a foundational building block, culture is at the centre of any successful organization. One of my favourite quotes is, "culture eats strategy for breakfast" and I couldn't agree more. Whatever plans or projects an organization may have, cannot succeed without the support of its employees. This is why we are investing considerable resources to create an agile and inclusive environment for all.

Furthermore, our group is committed to improving fundamental principles in underwriting and operational efficiency as a part of continued efforts of growing the organization. It is also worth noting that the company's objective of protecting Mutual volume will be a priority over the next few years. This is accomplished through organic growth and acquisitions. Our M&A activity will be increasing over the next few years in an effort to become a dominant player in our industry.

TONY NGO

PRESIDENT AND CEO

COLLECTIVFIDE INSURANCE GROUP

OUR PURPOSE

Driven by our purpose, to secure and grow our mutual volume, while supporting the independent broker distribution channel, we believe that mutual insurers and their broker partners are stronger when we work together; and by being a force for the collective good, our mutual and local communities, will prosper and thrive.



"Together, with the leaders in the [Collectivfide network], we have formed a very cohesive and inclusive team with a strong willingness to share information, strategy and find solutions for difficult to place risks.

We now have better health benefits and were able to roll out a pension plan which is a great retention point and our employees are just delighted to have these in place."

Laurie Hadwen
Doner-Horsley Insurance Brokers Ltd.

An aerial photograph of a town with a river and a bridge. The town features a mix of brick and stone buildings, some with flat roofs and others with gabled roofs. A large bridge with a stone pier and a metal truss structure spans the river. The background is filled with lush green trees and hills under a clear blue sky.

4.1/5

Overall averaged employee engagement score across Collectivfide's network.

75%

of Collectivfide's leadership team is female.



COLLECTIVFIDE OUTLOOK

As the last of the pandemic restrictions are being lifted, the business world begins to return to normalcy, and we begin to reconnect on lost relationships in person. The next twelve months will be critical to the growth of our organization. Collectivfide sees growth potential, along with challenges, in many areas of its business.

In many ways, COVID has become a lightning rod that has accelerated succession planning for brokerage owners and their businesses. Challenges include:

- External pressures from carriers with recent revisions to their CPC tiering, and
- Larger competitors, who have access to a variety of resources.

"In many ways, COVID has become a lightning rod that has accelerated succession planning for brokerage owners and their businesses."

These have made it increasingly difficult for small brokerages to operate and sustain profitability.

Brokerages have fewer options to compete including:

- Continue with limited options in a crowded merger and acquisition space;
- Be acquired and absorbed by a large consolidator; or
- Take a chance and operate as a small brokerage.

Consolidation

The P&C insurance broker landscape has experienced a large amount of consolidation over the past year and this trend will most likely continue indefinitely for the foreseeable future. With an influx of foreign investors, particularly from the United States in the form of private equity, the industry has seen an increase in well-capitalized consolidators participating in this space. The effects of brokerage consolidation will impact many aspects of the distribution channel.

Investor Impacts

There has been an increase in activity from investment firms, primarily from the US with large capital purchasing brokerages and being absorbed into a larger entity. Private equity firms acquire brokerages to build a portfolio of companies that are used to generate returns through economies of scale, as an example. In addition, investors have an investment period with which they expect returns; this timeline ranges from 5 to 10 years depending. There is uncertainty about the potential sale of this portfolio as there are a limited number of acquirers who have the capacity for such a transaction (e.g., larger stock carriers).

Collectivfide Value

We see our position in the marketplace as a differentiated and unique option (100% Canadian owned and backed) for brokerage owners as our model provides flexibility and autonomy at the local level. The Collectivfide team offers value-added support in many of the back-end functions which allows our broker partners to focus on what matters and what they do best, building relationships with their policyholders. Relationships and providing trusted advice in this business are paramount to the success of the brokerage, especially in rural and small communities.

2022 Outlook

The following year we will see our broker network grow and potentially double in size as we look for partnerships with brokerages that align with our culture and values. We have made significant progress with our branding and reputation amongst the broker community and have had many productive conversations with broker-owners looking for a succession option or assistance in growing their business. Additionally, our team and brokers will work closely with all our carrier partners in growing volume while increasing profitability and managing risks.





We see our position in the marketplace as a differentiated and unique option for brokerage owners as our model provides flexibility and autonomy at the local level



FINANCIAL HIGHLIGHTS

2021 was another successful year for Collectivfide and by meeting our goal of 6 brokerages purchased by 2021 our highlights include:

\$11M

Protection of over \$11 million in Mutual volume over 6 acquisitions

POSITIVE NET INCOME

In third year of operations

482%

Revenue Growth

54%

Asset Growth



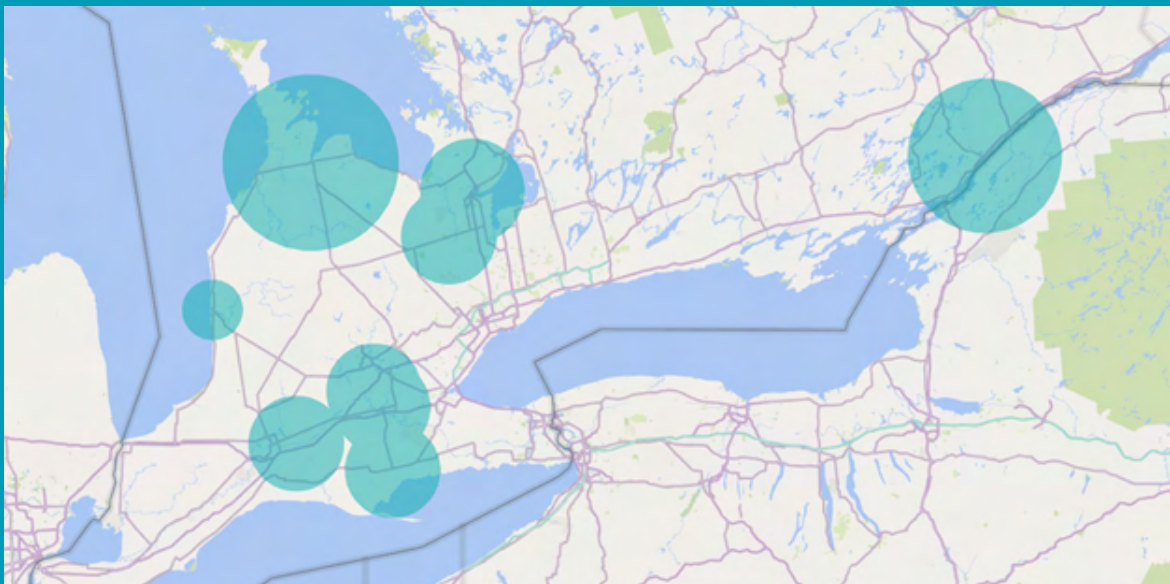
COLLECTIVFIDE NETWORK COVERAGE

Geographic diversification remains one of the main objectives in fulfilling Collectivfide's vision and mitigation of risk.

Our brokerages are committed to engaging in their communities through supporting local events and sponsorships. Active involvement by Collectivfide and our partners is key to ensuring we do our part in helping our communities thrive throughout the province. Diversification of geography will also assist in the mitigation of risk from catastrophic events such as the recent flooding and tornados in Southern Ontario and Barrie.

Collectivfide Portfolio Coverage Includes:

- Alliston and surrounding area
- Ayr
- Barrie
- Brockville
- Dorchester and surrounding area
- Goderich
- Owen Sound and surrounding area
- Paris
- Simcoe



RISK OVERVIEW

Labour Market

People and talent remain one of our biggest challenges in this tightening labour market for the upcoming year. As we accelerate our growth plans, we anticipate an increased need for talent on the support and distribution side. Collectivfide and our brokers will continue to search for exceptional talent in addition to upskilling and educating our current employees.

Current Market

The hard market will also pose a risk with the ability to place volume with specific risks. Price increases, stricter underwriting rules, reduced coverage, and restricted or shrinking capacity have been challenging. Our team will continue to build strategies to help alleviate some of these pressures, like building and maintaining strong relationships with our markets and offering our best-in-class risks. Through collaborative efforts with the standard markets, we ensure there is alignment with our brokers' needs. When applicable, our team will also provide alternative options for hard-to-place risks.

Regulatory Changes

With industry regulatory changes, such as new guidance's set out by FSRA regarding the "Take-All-Comers rule", brokers now have more duties when quoting and delivering auto insurance to consumers. We not only reintroduced this requirement, but we also established a robust compliance framework across all our brokerages. We have implemented internal processes to provide customers with the best coverage suggestions.

Changing Landscape

The changing landscape by way of increased consolidation of brokerages will be a challenge for our organization over the next several years. Additional investments, particularly by foreign investors in an already well-capitalized industry, will result in higher purchase multiples as there will be an increased demand for brokerages and fewer available for purchase. Collectivfide is pursuing opportunities to ensure that we stay competitive in the acquisition space, now and in the future.

External Risk

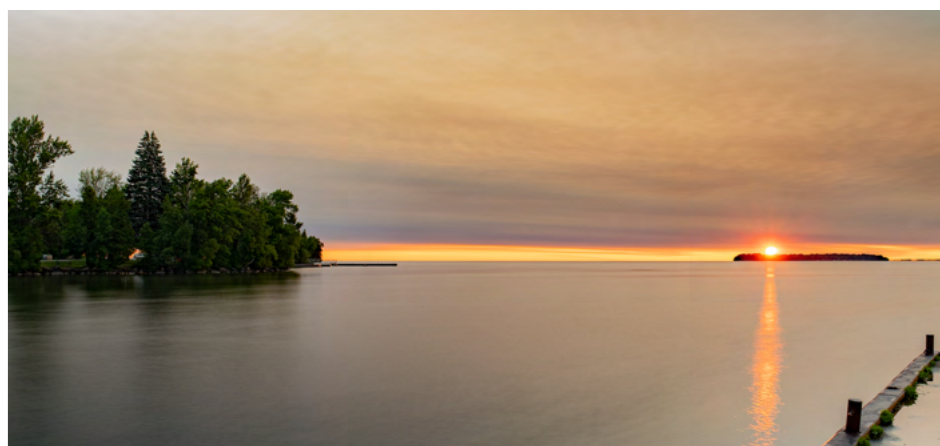
Externalities such as economic, climate, and geopolitical are all risks we need to manage as an organization. Although the current geopolitical risks may not directly impact our industry, the implications of the conflict in Ukraine may have a trickle-down effect on many sectors. For example, sanctions on oil imports will increase gas prices; reduce household budgets, and potentially increase the risk of a non-payment.

Technology

Technology in the industry has progressed over the last decade and serves as an enabler to increase productivity and value-add to policyholders. Our brokerages are embarking on technology updates and initiatives to gain efficiencies, enhance the customer experience, and improve overall business and operational metrics.

Cyber

The cyber threat landscape has changed dramatically, and the pandemic has accelerated the digital transformation. Along with bringing many benefits, it has also amplified the risk for cyber-attacks. Cyber risk is a threat to customers but also internally to us and our brokers. Our focus is to not only offer cyber coverage to broker clients but to educate our brokers. We will begin implementing security awareness training to our broker partners and their employees.





DORCHESTER
INSURANCE BROKERS LTD.

Meet our
Partners

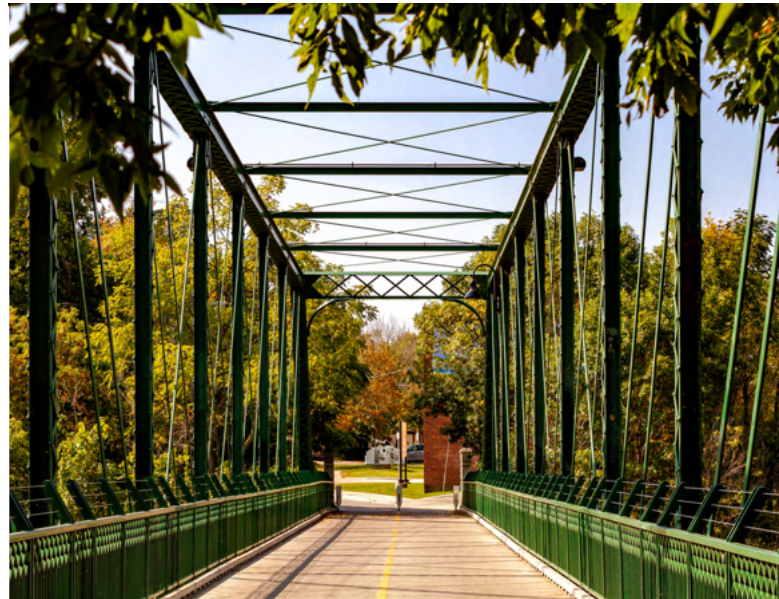


RKM



DORCHESTER

INSURANCE BROKERS LTD.



Location: Dorchester, ON

Acquisition Date: December 2021

About Dorchester Insurance Brokers Ltd.

Formed in 1989 and now under a second generation of family ownership, the team at Dorchester Insurance Brokers Ltd. continues to provide professional, friendly, and highly personalized service for individuals, families, and businesses across Ontario. With family at its core, Dorchester values maintaining personal relationships with its clients and the insurance partners it works with daily. For more than 30 years the company has evolved into a dominant and well-regarded player in Dorchester and area.

W.C. BURGESS INSURANCE SERVICES LTD.



Location: Brockville, ON

Acquisition Date: October 2021

About W.C. Burgess Insurance Services Ltd.

Specializing in personal property, farm, auto, and commercial insurance, W.C. Burgess Insurance Services Ltd. was founded in 1988 under the name of Brayton Insurance Services Ltd. In 1990, the company purchased the business of Owen R. Davis Insurance, a well-established brokerage in Brockville. In 1991, the company name was changed to W.C. Burgess Insurance Services Ltd. and moved to its present location. In 2002, the company purchased the business of Heritage Insurance Brokers Ltd. Burgess was purchased by Greg Foan and Max Patterson, in 2014. W.C. Burgess operates under the philosophy that the strength of its customer relationships has been built on a foundation of strong ethical practices, excellent staff, unfailing courtesy, and a sincere attitude of helpfulness.

R.K. MOONEY INSURANCE BROKERS LTD.



RKM



Location: Barrie, ON

Acquisition Date: May 2021

About R.K. Mooney Insurance Brokers Ltd.

For more than 30 years, R.K. Mooney Insurance Brokers Ltd. has helped individuals and businesses protect their property and loved ones in locations throughout Simcoe County. The company provides a full range of insurance products that include both personal and commercial lines, as well as a range of life and disability products. Since its inception, it has been the goal of R.K. Mooney to listen to the concerns of its clients and provide effective solutions that will allow them to manage risk at an affordable price.

TG GROUP INC.



Location: Owen Sound, ON
Acquisition Year: February 2021

About TG Group Inc.

Formed in 1991 as Graham Slade Insurance Brokers, Owen Sound, Ontario-based TG Group is recognized as an industry leader in commercial insurance and insurance programs, specializing in marine, aviation, consulting/risk management and VIP personal lines for commercial clients. With over 30 years of experience and solid Canadian insurance partners, the company has evolved into a dominant player in Owen Sound and area.

DBI BROKERS LTD.



Location: Ayr, ON

Acquisition Date: September 2020

About dbi Brokers Ltd.

dbi Brokers Ltd. is a family owned property and casualty insurance broker that has been serving the Southwestern Ontario region for almost 90 years. With offices in Simcoe, Paris, Ayr and Goderich, the brokerage offers its customers a full range of personal and commercial lines property and casualty insurance coverage as well as travel and life insurance designed to insure risk exposures of individuals, families, farms and businesses. The broker's staff live and work in the towns in which it operates and support community activities through sponsorship of community events and organizations.

DONER-HORSLEY INSURANCE BROKERS LTD.



Location: Alliston, ON

Acquisition Date: June 2020

About Doner- Horsely Insurance Brokers Ltd.

Alliston, Ontario-based Doner-Horsley Insurance Brokers Ltd. has been serving the insurance and financial services needs for people in the South Simcoe area for over 100 years. Originated by S.W. Knight in the early 1900s, followed by Bob and Don Doner as Doner Brothers Insurance and Ken Horsley as Ken Horsley Insurance, the service and advice tradition has been continued as Doner-Horsley Insurance since 1987. Doner-Horsley's service areas include but are not limited to: Alliston, Cookstown, Tottenham, New Tecumseth, New Lowell, Creemore, Stayner, Beeton, Angus, Newton Robinson, Bond Head, King City, Barrie, Bradford, Newmarket, Schomberg, Nobleton, Kleinburg, Caledon and Orangeville.



Meet our Team



COLLECTIVFIDE TEAM

Tony Ngo

President and CEO, Collectivfide Insurance Group

Bettina Urban

Human Resources Business Partner

Lana Triemstra

Controller

Gary Sumak

Broker Analytics and Initiatives Manager

Phillip Downie

M&A and Finance Analyst

Fiona Hamilton

Finance & Payroll Analyst

Anita Caswell

Senior Manager, UW & Quality

Michelle Morant

Operations Manager

Jenanne Hadad

Marketing Specialist



COLLECTIVFIDE BOARD OF DIRECTORS

Marg Torrance (Board Chair)

President and CEO, Halwell Mutual Insurance Company

Brian Downie

President and CEO, West Elgin Mutual Insurance Company

Shawn Durnin

President and CEO, HT&C Mutual Insurance Company

Ed Forbes

President and CEO, Dufferin Mutual Insurance Company

Alex Gallacher (Independent Director)

Managing Director, ENGAGE HR

Mary Garriock

Director, West Wawanosh Mutual Insurance Company

Kevin Inglis

President and CEO, Howick Mutual Insurance Company

Glenn McGillivray (Independent Director)

Managing Director, Institute for Catastrophic Loss Reduction

Doug Patton

Director, Dumfries Mutual Insurance Company

Christine Van Daele

President, Westminster Mutual Insurance Company



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