

COLLECTIVFIDE ANNUAL REPORT

20
22



collectivfide

TRUST IS MUTUAL

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A MESSAGE FROM THE CHAIR



CHRISTINE VAN DAELE

BOARD CHAIR

COLLECTIVFIDE INSURANCE GROUP

What a year 2022 was for Collectivfide and our group. Despite unforeseen challenges and conflicts, our organization showcased its true strength by forging through with our goals to grow and protect Mutual volume. The Board remains committed to this objective, and I am proud to announce that we have protected \$20 million in Mutual volume so far of the original goal of \$100 Million within 10 years.

Congratulations to Collectivfide and all our partners for reaching this milestone.

As we continue to work towards our \$100 Million target, we must understand the drastically different landscape for broker distribution channels and adjust our thinking and strategy. With mass consolidations affecting small and medium-sized brokerages, we must act to ensure the viability and continuation of our Mutual values within our industry. The Board has taken time to analyze all options to determine how to achieve our original objective while becoming a significant

"The Board remains committed to this objective, and I am proud to announce that we have protected \$20 million in Mutual volume so far of the original goal of \$100 Million within 10 years."

contender in the M&A space. From these analyses, since Mutual investments are limited, the Board confidently feels that finding an external investor that aligns with us and our values is the most viable option. Our unique value proposition sets us apart and gives us an advantage over our competitors to offer brokers looking to sell. However, we need to act soon as the supply of brokerages will dry up in this fast-paced acquisition landscape. We have an opportunity to be a relevant player, and to control our distribution, and we cannot let this opportunity pass us.

What happens if we don't act? Collectivfide will continue to purchase brokerages where we can; however, it will take us longer than 10 years to reach our \$100 Million goal, and consolidators will purchase our brokerages that may eventually end up in the hands of competitors. This year is a turning point for our organization to determine what the future will hold, not only for Collectivfide, but also for our Mutual community. I'm confident in the Collectivfide team and our Mutual group that 2023 will be a strong and perhaps the most crucial year for us all.

A MESSAGE FROM THE PRESIDENT & CEO



TONY NGO

PRESIDENT & CEO

COLLECTIVFIDE INSURANCE GROUP

In a year filled with challenges, I could not be happier with the organization's progress in this ever-growing competitive environment. Both our staff and brokers are aligned with the vision of growing Collectivfide and promoting our Mutual values. Our focus has been, and always will be, protecting our Mutual volume and growing it to ensure our legacy is preserved.

Our team has gained invaluable experience and insight over the past year from our most recent acquisitions. From supporting brokerages from the ground up to structuring purchase agreements, the staff has worked hard to grow the network and support Collectivfide brokers. Our partnership has also increased with the Mutual community, collaborating in such initiatives as the Mutual Agent Referral Program, which has seen some great traction and will wrap up the pilot phase at the end of Q1, 2023.

As of the end of the year, our brokerages have grown by three for a total of nine brokerages. All acquisitions have flourished under the Collectivfide network as they have benefited from our industry expertise and synergies, such as contingent profit commission grouping. Carrier-related issues and human resources matters remain our most requested services to our partners.

The current pipeline for acquisitions looks strong as we continue to negotiate with brokerages that align with our values and vision. We are excited about the opportunity to be at the bargaining table with these target brokerages but can only continue to do so with the necessary capital for acquisition.

Looking ahead, 2023 will be another busy and transformational year for Collectivfide with our acquisition strategy ramping up, our plans to add additional services to our brokers and our objective to double the current volume by the end of the year. Our priorities will be on many fronts, including securing additional capital for acquisitions, growing our brokerages organically, hiring for the entire network and a focus on enterprise risks at both the Collectivfide and brokerage levels. Make no mistake; this will require a well-executed plan to deliver on our promises to both our shareholders and partners, but I can assure you that we have the best team in place to win!

WHO WE ARE

Mission

Our mission is to become a force for collective good in the communities we serve.

Vision

We help communities thrive by building meaningful relationships through locally owned insurance providers.



INCLUSION, DIVERSITY, EQUITY & ACCESSIBILITY STATEMENT

Collectivfide is focused on building a community through conscious action. Leading by example, we nurture our culture to ensure that everyone is supported and encouraged to speak safely and openly. We foster an environment where the diversity, integrity, and dignity of all are valued, and we look to partner with those who reflect and uphold these values.

We will continuously strive to adapt to a changing social landscape in which individuals are mindful of their role in creating an inclusive culture.



OUR VALUES



Relationships

We believe in nurturing and strengthening relationships with our partners and developing people in our communities.



Trust

We believe that trust is earned and there is no substitute for doing the right thing.



Innovation

We believe in finding innovative solutions. Creativity, thinking differently, and challenging the status quo are how we do this.



Agility

We believe in encouraging agility by being dynamic and responsive in all aspects of our organization.



Respect

We believe in respect through honesty and openness. We enable a culture where the diversity, integrity and dignity of each individual is valued.

COLLECTIVFIDE COMMUNITY PROGRAM

Community and relationships are fundamental pillars that make Collectivfide and our broker network who we are, and therefore we proudly launched our Community & Charity Giving Program in 2022. Giving back to the communities we operate within ensures we live up to our values and enhances our already special and unique culture.

Last year, together with our broker partners, the organizations we supported included:

- Alliston Food Bank
- Big Brothers Big Sisters
- Cambridge Food Bank
- Canadian Red Cross in support of the Hurricane Fiona Relief Fund
- Donation to Ukraine
- Simcoe Christmas Panorama
- StuffIn Stocking





84

Total employees across
Collectivfide and
our network

17

New employees
from 2022 acquisitions

11

Net new hires in 2022
across Collectivfide and
our network





COLLECTIVFIDE OUTLOOK; CONNECTIONS MATTER

The winds of change are starting to blow in the P&C broker landscape. The next twelve months will bring forth various challenges our industry must manage. Macro environmental factors such as geopolitical and economical may dramatically impact operations and the consolidation activity level this year.

As some of you are well aware, our world is a complex web of interconnections, and this has become more apparent with the fallout of regional banks in the United States. Those connections are crucial in the Financial Services industry and even more so within our insurance sector. We are dependent on the ecosystem of policyholders, sales distribution and reinsurers. When there is a disruption in the chain, the rest of the ecosystem is impacted.

Understanding how relevant externalities are linked will help mitigate any risks that present themselves in the P&C broker industry. For example, a year into the

"Macro environmental factors such as geopolitical and economical may dramatically impact operations and the consolidation activity level this year."

Russian-Ukraine war, there is still no path to peace and set against a backdrop of rising tensions between the world's two largest economic powers, we have the makings of a potential for further global instability that may lead to disruptions to supply chains, food shortages, and political unrest. An outlook that in itself presents many challenges, but should we be worried about these risks that do not immediately impact our daily operations?

The reality is that the fallout from these externalities will evolve into exposures that we will have to mitigate at our doorstep, and the key is to figure out the interconnections between risks. We understand that the potential of supply chain disruptions due to

the war and geopolitical tensions may not directly impact the sale and servicing of P&C insurance, but what may not be as apparent are the hazards that manifest from these disruptions.

COVID has taught us that our society rests on a foundation of interconnectedness that remains fragile, especially with the global supply chain. Shortages of toilet paper, disinfecting alcohol and semiconductors started to make headlines on our shores. The invasion of Ukraine further increased the instability of the movement of goods. A tight supply chain coupled in the past with robust consumer consumption has resulted in an imbalance of supply and demand. This has led us down the path of a rapid rise in inflation, which is well beyond the Bank of Canada's (BOC) target of 2%. In response, the BOC has used their power through monetary policy to increase interest rates over the last year to cool down the economy. This slowdown may seem counter-intuitive, but it is a tool that many global central banks utilize to reduce high inflation, which is seen as more problematic in the future than a slowdown. Short-term pains for long-term gains, as the saying goes, or we hope that is the case!

How will our industry be impacted? With interest rates the highest in over a decade, we are seeing significant pressure on policyholders and consolidators. As premiums continue to increase, and the hard market persists both on the personal and commercial side, potential exposure of non-payments, increased claims and cancellation of policies are more likely. The current economic environment also poses a recession risk in which the severity and length are yet to be realized. The hope is for a "soft landing" with inflationary pressures

decreasing over the remainder of this year. Sustaining a profitable book and retaining policyholders will challenge many brokerages this year.

On the M&A landscape, the industry remains well-capitalized, and we do not foresee any significant changes to activity levels in 2023. That being said, acquirers may become more selective in pursuing opportunities as thresholds for measuring success have changed. For example, consolidators that have utilized debt as part of their acquisition strategy may revise their purchase criteria to include additional structured earn-outs and lower-based purchase multiples to achieve the desired return on investments. There will be additional pressures to drive profitability at the operational level for private equity investors.

Collectivfide is well positioned to weather these winds of change if and when they materialize. We have built a rock-solid foundation of profitable and sustainable brokerages with a proven record of best-in-class retention rates by servicing and establishing those lasting relationships with our policyholders. We continue to support our broker partners at the operational level and utilize best practices, such as data analytics, to identify opportunities and threats. Lastly and most importantly, Collectivfide has created a unique culture in the brokerage distribution space based on our shared Mutual DNA. Through the promotion of our core values in our communities and employee engagement, we believe this will be the defining factor for winning in this competitive space. Our culture, people and communities remain the focus of our long-term commitment to building a truly remarkable organization.



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FINANCIAL HIGHLIGHTS

2022 was a successful year for Collectivfide. We welcomed three new brokerages to our network for a total of nine. Our 2022 highlights include the following:

\$20M

Protection of \$20 million in Mutual volume over 9 acquisitions

**POSITIVE
EBITDA**

In fourth year of operations

19%

Revenue Growth

29%

Asset Growth

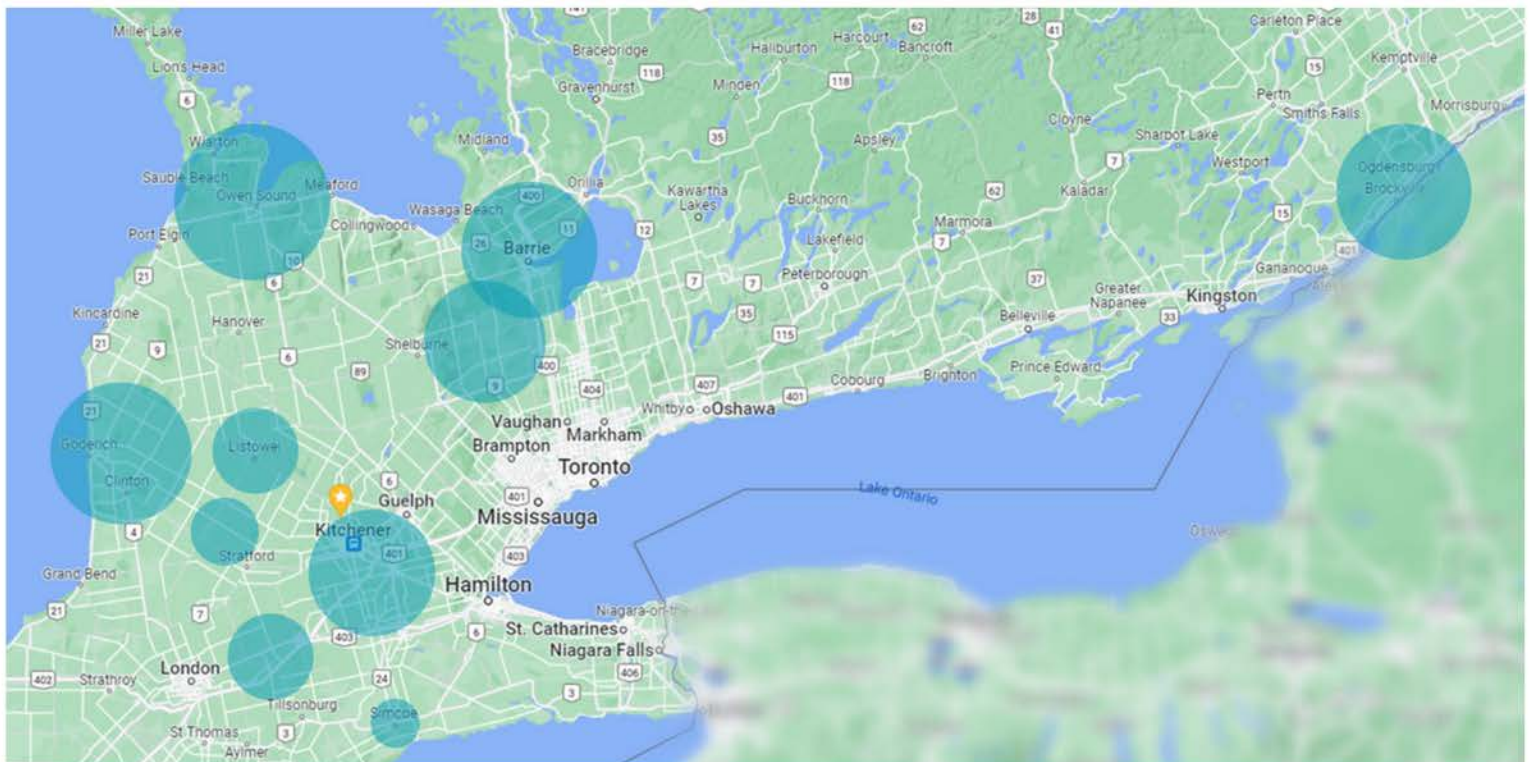
35%

Organic Brokerage Net Profit Growth

COLLECTIVFIDE NETWORK

Collectivfide Portfolio Coverage Includes:

- Alliston and surrounding area
- Ayr
- Barrie
- Brockville
- Dorchester and surrounding area
- Dublin
- Goderich
- Kitchener
- Listowel
- Lucknow
- Owen Sound and surrounding area
- Paris
- Simcoe



RISK OVERVIEW

Climate Change

Climate change continues to pose significant risks to the industry as a whole. Increased weather activity, like the derecho that impacted Ontario in May 2022, and other severe weather events will continue to occur.

Severe weather events can significantly impact claims costs, premiums, coverages a carrier offers, broker results and CPCs. At Collectivfide, we continue to reduce our risk by partnering with brokers across Ontario, reducing our geographic concentration. We also work alongside carriers to better understand how we can reduce our exposure.

Economic Pressures

The current economic environment has changed dramatically over the past 12 months. Primarily driven by high inflation, central banks have adapted their monetary policy to combat inflation with increased borrowing costs. Inflation will directly impact overall loss ratios as replacement costs continue to rise while policy premiums catch up. Recessionary pressures continue to mount with the potential of layoffs that could affect household spending.

Labour Market

People and talent have been a challenge for the past number of years as the industry continues to face shortages in skilled employees. Collectivfide will continue to search for and train new hires and enhance the skills of existing talent within our broker network.

Insurance Market

The current marketplace continues to have service-level challenges, specifically regarding claims. Many claims are delayed due to a lack of resources, whether it be adjusters, repair shop backlogs, demand for contractors, or materials in general. Add inflationary pressures and weather events such as May's 2022 derecho, and claims departments may be overwhelmed. This trend may continue into 2023 as claims frequency increases to pre-pandemic levels. Our geographical footprint will help reduce some of these pressures as impacts from these risks could be concentrated in specific locations. Collectivfide will continue monitoring carriers to ensure service levels are adequate and build solutions if required.

Acquisition Market

Mergers and acquisitions are expected to continue at a high pace in 2023. Current competitors are driving this along with new entrants in recent months. The increased competition will continue to pressure Collectivfide as the number of brokers to acquire will reduce, and the potential for increased multiples in the future. However, there are challenges that acquirers will need to address in the coming year, including a higher interest rate environment. Collectivfide is well-positioned to achieve our goals this year and in the future.

Regulatory

We continue monitoring recent regulatory changes, such as Ontario's "take-all-comers" rule. The framework Collectivfide developed in previous years has worked well for our broker partners. We continue to keep a close eye on this regulation, ensuring that Collectivfide is focused on our customers by providing them with the best coverage they require.

Technology

Technology continues to advance in the insurance space at a rapid pace. New entrants have come into the market that offer more advanced systems than prior legacy systems. Couple this with carriers willing to work with these new entrants to create efficiencies at the carrier and broker levels. Brokerages that rely on legacy systems will be at risk as these systems may not be supported in the future. Collectivfide is at a point of taking advantage of some of the technological capabilities in the marketplace to help support our overall growth plan while building continuity across our network.



DORCHESTER
INSURANCE BROKERS LTD.

M^{oore}
H^{emsworth}

TG 

 **DELMARSPROUL**
Insurance Brokers Inc.

B **E. BOLLENBACH**
INSURANCE BROKERS LTD.

Meet our Partners





DELMAR SPROUL

Insurance Brokers Inc.



Managed By: David Sproul

Location: Goderich, Lucknow and South Bruce Peninsula, ON

Acquisition Date: December 2022

About Delmar Sproul Insurance Brokers Inc.

Delmar Sproul Insurance Brokers Inc. has a long-standing history of serving communities in Goderich, Luckow, South Bruce Peninsula, and surrounding areas. Providing home, auto, farm and commercial insurance, the Sproul family has been leading the brokerage since 1972, with son, David Sproul, as Principal Broker. Formerly part of McConville Omni.



Managed By: Jon Hemsworth
Location: Dublin and Listowel, ON
Acquisition Date: October 2022

About Moore Hemsworth Insurance Brokers Group Inc.

Moore Hemsworth has a long-standing history of serving its community, getting their start as Hemsworth Insurance in 1886. The Moore family has been selling insurance since 1968. The two joined forces in 2009 and formed what is now Moore Hemsworth Insurance Group Inc.

B E. BOLLENBACH INSURANCE BROKERS LTD.



Managed By: Angie de Haan
Location: Kitchener, ON
Acquisition Date: October 2022

About E Bollenbach Insurance Brokers Ltd.

For more than 45 years, E. Bollenbach Insurance Brokers Ltd. has served insurance customers in the Kitchener Waterloo Region by providing a variety of insurance services from home and auto to commercial. Bollenbach Insurance Brokers Ltd. has always believed that relationships matter and taking the time to get to know your customers so you can tailor solutions to align with what is important to them is the key.

DORCHESTER

INSURANCE BROKERS LTD.



Managed By: Owen Wallace & Derek Thornton

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.



Managed By: Greg Foan
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.



Managed By: Randy Mooney

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. 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 TG GROUP INC.



Managed By: Taylor Graham
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.



Managed By: Trent and Tyler Brown
Location: Ayr, Paris, Goderich & Simcoe, 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.



Managed By: Tamina Shiels
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.



Tony Ngo
President and CEO



Anita Caswell
Sr. Manager, UW & Quality



Bettina Urban
HR Business Partner

Meet our Team



Martina Restek
HR Generalist



Gary Sumak
**Broker Analytics & Initiatives
Manager**



Lana Triemstra
Controller



Rachel Kinzel
Assistant Controller



Michelle Morant
Operations Manager



Fiona Hamilton
Finance & Payroll Analyst



Phillip Downie
M&A and Finance Analyst



Jenanne Hadad
Marketing Specialist



Harvin Singh
Marketing Coordinator

COLLECTIVFIDE BOARD OF DIRECTORS

Christine Van Daele (Board Chair)

President, Westminster Mutual Insurance Company

Brian Downie

Chief Integration Officer, Salus Mutual Insurance Company

Shawn Durnin

President and CEO, Axiom 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

Marg Torrance

President & CEO, Halwell Mutual Insurance Company



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