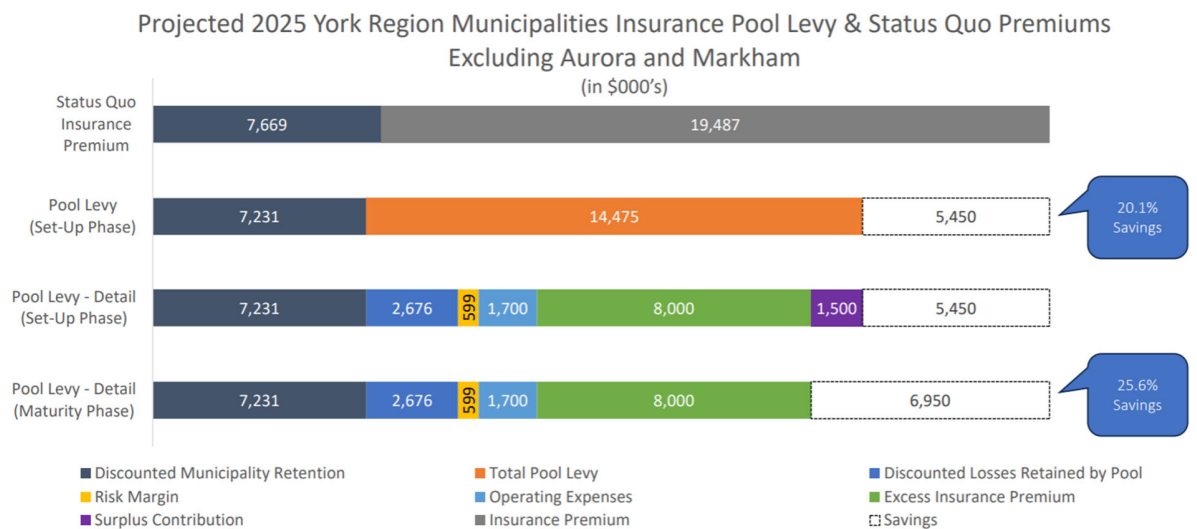


Axxima

Actuaries and Insurance Management Advisors

1. What drives the Pool Levy?

The Pool Levy, in aggregate, is built up from the costs associated with the claims, operation, excess insurance protections, as well as a discrete amount necessary to build 'surplus', which is effectively a buffer to ensure year over year stability for the Pool.



From the above chart:

The total Levy for 2025 was projected to be \$14,475,000, as compared with the commensurate insurance spend of the municipalities of \$19,487,000. As can be seen in the "Pool Levy-Detail" columns above, this is made up of:

- 'Discounted Expected Losses' - the claims expected to be paid
- 'Risk Margin' – provision for unexpected claims determined by the actuaries
- 'Operating Expenses' – pool staffing, expenses, and professional services
- 'Excess Insurance Premium' – insurance for losses excess of the Pool's retained losses (\$500,000)
- 'Surplus' – short-term provision for surplus reserves to foster stability for the Pool

It should be noted that the municipalities also carry a deductible on their policies and will continue to do so under the Pool. This, too has been considered in the Pooling analysis. Deductible amounts expected to be paid under the current policies are \$7,669,000, under the Pool, deductibles are standardized, and in aggregate the amount paid for directly by the municipalities goes down to \$7,231,000.



The identified 20.1% savings is found over the total cost of claims, inclusive of the deductible and insurance portion. The Levy savings vs. insurance premiums is actually 25.7%, which expands to 33.4% at maturity, once adequate surplus levels are achieved.

The split of the Levies by municipality is based on the 2024 actual premiums paid to the insurance market, adjusted for changes in the deductible, in order to ensure all municipalities would proportionally share in the savings generated.

The assumption is that the insurance marketplace has properly assessed the relative risks of the municipalities (higher risk profile municipalities have higher premiums). In the longer term (year 4 and beyond), the Pool will transition to cost-plus approach for each municipality, as is done for the total Levy.

2. What is included in the number of vehicles from each municipality, snowplows, fire trucks, etc (i.e., are we comparing apples to apples)?

Yes, all plated vehicles are included. The losses related to the vehicles are what drive the loss financial analysis. Total losses of vehicles over \$500,000 in values will continue to be largely born by the excess insurance, not the Pool.

3. How is the Total Insured Value determined and why are there major differences across municipalities of comparable size?

Total insured values were provided by the municipalities and is based on the data provided to current insurers – there should not be any material discrepancies. If there were discrepancies, this will be adjusted for once updated exposure data is provided ahead of Pool launch and the Pool can view the data at the individual property and equipment level.

4. Why are the deductibles increasing/decreasing and staying the same for others?

Using the exposures, the deductibles were standardized so that all the municipalities were accessing the Pool in the same way relative to their size.

The deductible being standard is important to ensure that municipalities of roughly the same size are bearing the same relative costs for their claims and are similarly motivated to focus on risk management.

5. Who is double checking these values and numbers to ensure our due diligence?

The values were provided by the municipalities based on the application data provided to their insurers. The data was reviewed by actuarial consultants for consistency between policy years, as well.



The Pool feasibility analysis was conducted three times since the start of the Pooling project, and the actuaries are confident that the data is adequately accurate for the analysis.

Prior to start up, a full data collection and vetting at the individual property level will be undertaken. Under Pooling, more standardization of values can be fostered, including routine valuations of properties to ensure all members are insuring to value in the same manner.

6. How were the projected savings achieved?

The savings is achieved by self-insuring the majority of the losses under a not-for-profit Pooling arrangement and reducing the use of for-profit insurance.

Based on the data provided and the analysis conducted, only about 22 cents of every dollar of insurance was going towards paying claims – so this approach captures some of the remaining 78 cents and returns it to the municipalities. Largely this is being achieved by reducing broker compensation and insurer profit.

By using the Pool structure, municipalities benefit from the stability of sharing risk (as is currently done via the commercial insurance market), but with absolute transparency and control. Further, by grouping together, the municipalities can negotiate better terms with commercial market for the excess insurance so that the Pool is not exposed to extreme claims, excess of the Pool's \$500,000 retention.

It should also be noted that any surplus held by the Pool is equity for the member municipalities, not profit paid out to insurer shareholders, and if claims emerge favourably excess surplus will be returned to members via levy reductions, or used to fund new or improved coverages.