Canadian Market Update

May 7, 2025

Confidential

Content

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Market Update

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The Canadian P&C Industry 2024

$86.9B

DWP

15% increase

$9.4B

Profit

1% decrease

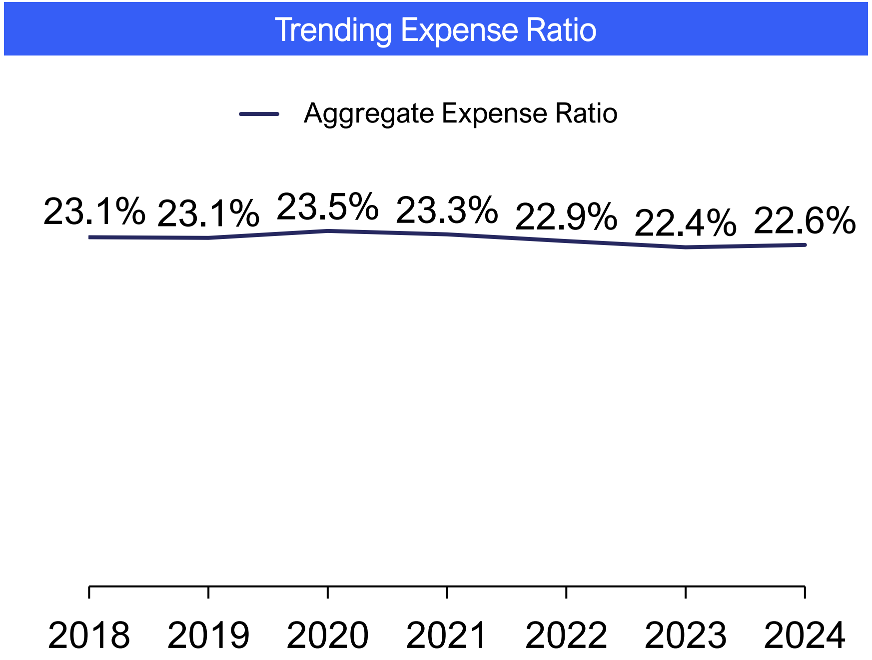
$8.5B

Cat Losses

increase

Source: IBC Fact Book, 2023

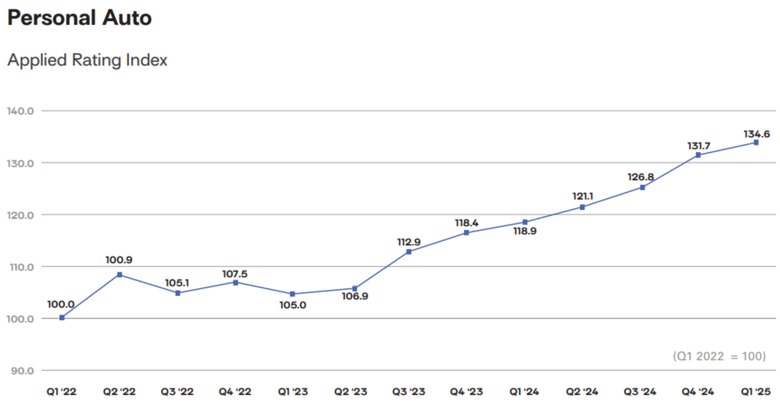
Carriers Continue to Face a Cost Challenge with Limited Success in Reducing Expense Ratios

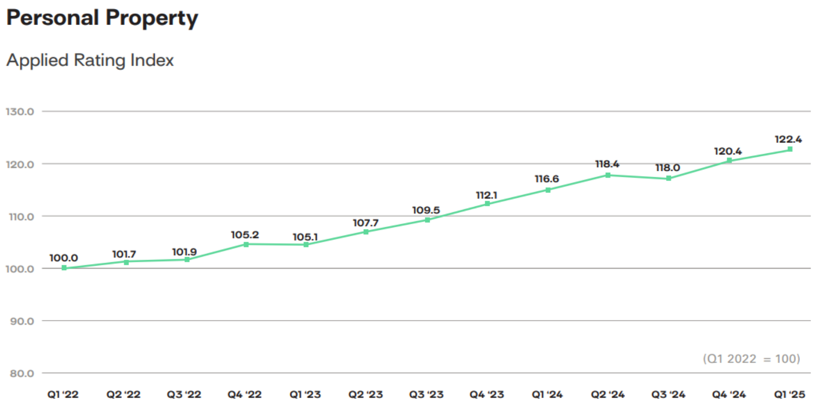


Source: Pythia

Rate Update

Evolution of Insurance Rates, Canada, 2022-Q1 2025



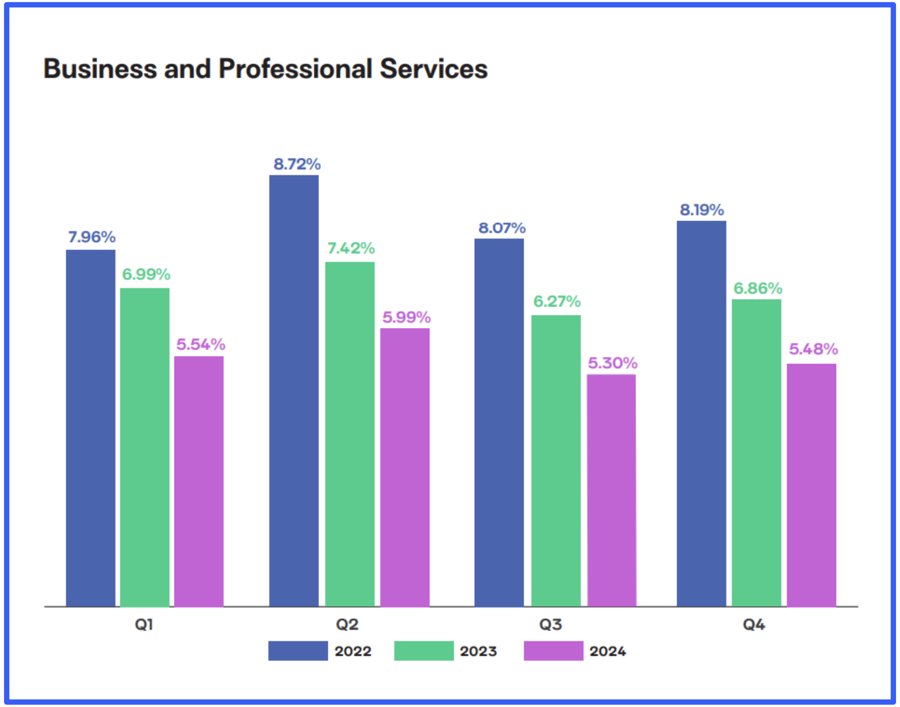


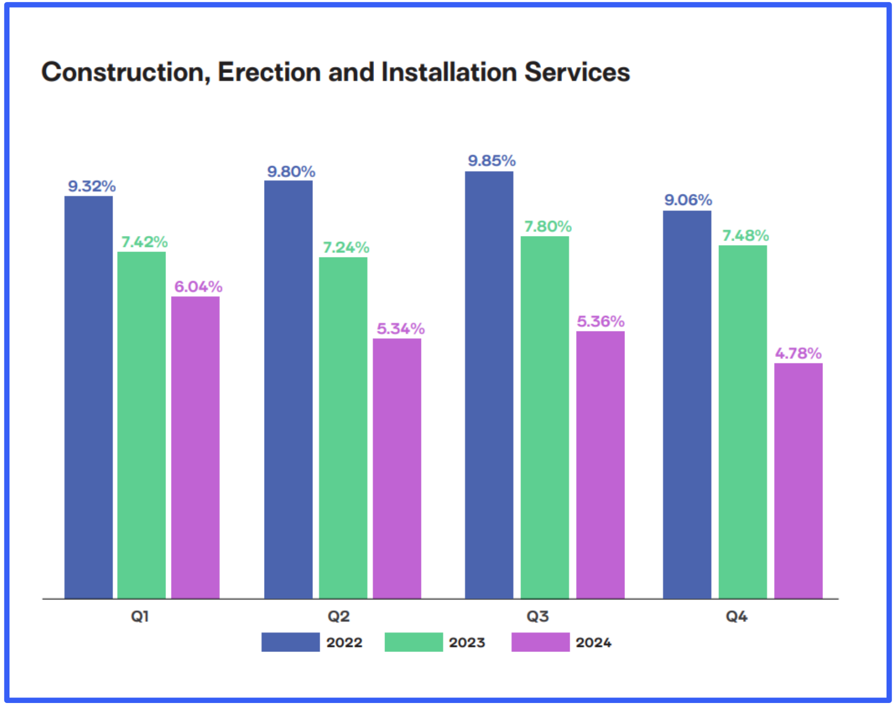
Rate increases have somewhat dissipated limiting the tailwind they provided over the three years and putting a focus on margins

Source: Applied Systems PL Rating Index

The Same Focus on Margins Holds True for Commercial Lines

Evolution of Insurance Rates, Canada, 2022-2024





Source: Applied Systems CL Rating Index

Affordability and Fair Treatment of Customers is a Concern……

"We are moving forward with auto-insurance reforms that would provide more choice and flexibility to drivers in order to keep their premiums more affordable"
- Finance Minister Peter Bethlenfalvy

"Insurance costs have become a top concern for over two-thirds (68%) of Canadian small businesses, and half have experienced an increase of 10% or more in their insurance premiums over the last 12 months"
- Canadian Federation of Independent Business (CFIB)

"Canadians need affordable flood insurance to protect those at risk while reducing the financial burden on taxpayers especially since the impacts of our changing climate and severe weather continue to grow."
- IBC

"Intermediaries typically play a significant role in insurance distribution, but may also be involved in other areas. Their interactions with both Customers and Insurers give them a key role, and their conduct in performing the services in which they are involved is critical in building and justifying public trust and confidence in the insurance sector."
- CCIR

"The industry should take us seriously," - Premier Danielle Smith

As is Risk…..Attention from Regulators is Increasing

- Automobile Insurance Reform in Ontario and Alberta
- Office of the Superintendent of Financial Institutions (OSFI)
  - *“The risk landscape is becoming more complicated for Canada, which has historically thrived in a competitive, open trade environment"* – OSFI
    - Guideline B-10 Third-Party & Supply Chain Risk Management
    - Guideline B-13 Technology & Cyber Risk Management Guideline

- Registered Insurance Brokers of Ontario (RIBO)
  - Review on the use of AI
  - Findings will guide RIBO in developing future regulatory strategies that uphold consumer protection and ensure responsible innovation.

Canadian M&A Market Update

82

Publicly announced Canadian M&A in 2024

Source: Canadian M&A Market Update, Smyth, 2025

"This increased consolidation will drive incumbents to optimize operations and embrace technology to facilitate growth."

Andrew Mathias
Senior Vice President, Corporate Finance,
KPMG in Canada

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Shifting Workforce Dynamics

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The Talent War

69%

Believe the top concern plaguing P&C Insurance is fixing the labour shortage

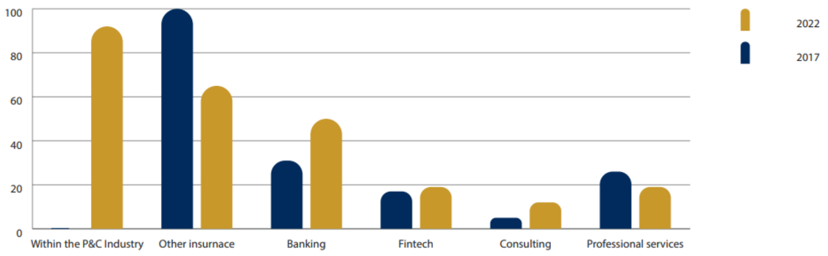
1/4

Of the Canadian insurance workforce will retire by 2027. Succession is a problem

Strongest competition for labour comes from within the P&C industry[27]

Q: Do you face more competition from within the P&C industry or from external industries? (Select all that apply.)

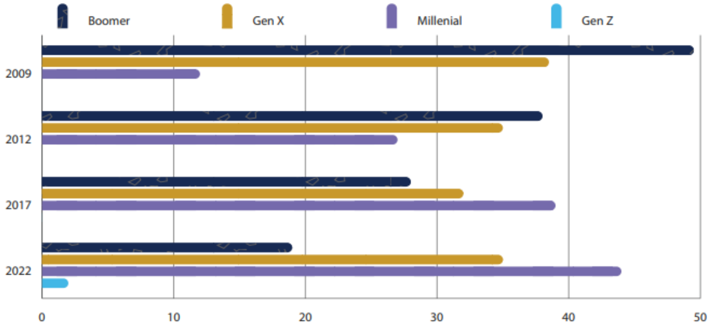
(percentage of respondents, n=26)



Source: The Conference Board of Canada

Millennials account for the largest generational share of the workforce

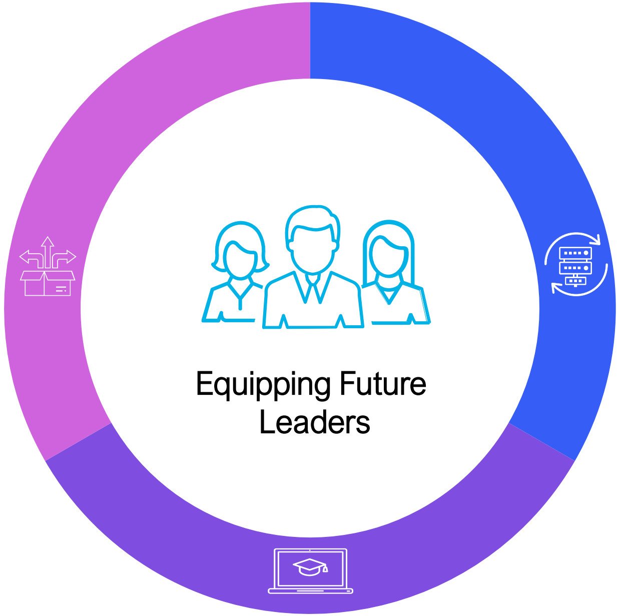
(percentage of respondents, by survey year)



Source: The Conference Board of Canada

Source: National Broker Survey, Canadian Underwriter, 2024, & P&C Demographics Study 2017-2027, Insurance Institute of Canada

Attracting and Retaining Top Talent to the Broker Channel



Post Graduate Program Brings Top Talent to the Industry

Each Semester Applied Canada Provides Personal & Commercial Lines Technology & Training Offering a 360-degree View of the Digital Ecosystem

- 70% of the students' overall Insurance Management Program grade is attributed of Applied software and training.
- Since launching the Insurance Management Program, we've partnered on a Commercial Lines Certificate Program to support specialization.
- In 2023, Applied Systems and Humber College partnered once again on the Commercial Account Manager Certificate.

Applied Solutions are Core Components of the Programs

HUMBER

"What sparked the insurance management program was? The Insurance Institute's demographic research, after analyzing the retirement boom and a series of different thought leaders leaving the industry with that 27% team to retire within 5 to 10 years, we looked at designing a program that would look to leverage and get students into the industry as fast as we could but providing them with the knowledge and the skills and to the technology points."

John McNeil, Associate Dean, Humber College

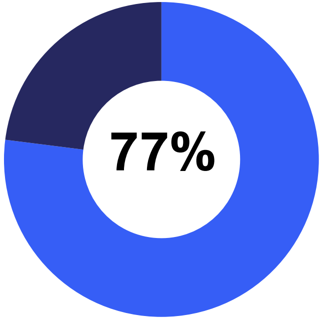
Partnership Impact

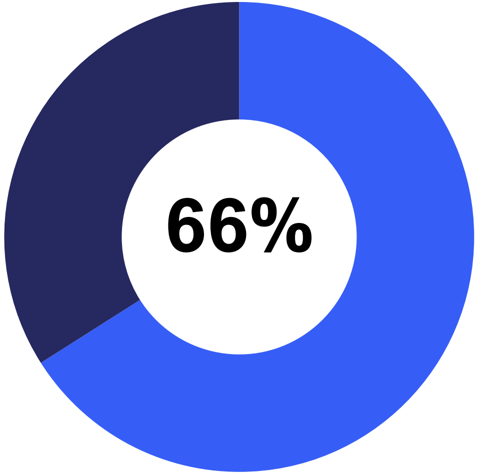
Graduates selecting the broker channel

70%

AI is Becoming a Key Element in Hiring Decisions

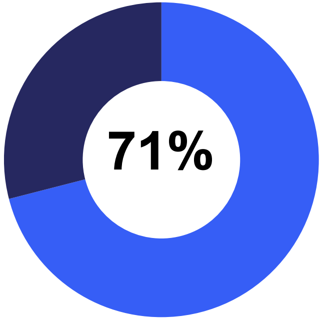
Leaders say early-in-career talent will get greater responsibilities due to AI





Leaders would not hire someone without AI skills

Leaders are more likely to hire a less experienced candidate with AI skills than a more experienced one without them



Source: Microsoft 2024 Work Trend Index Annual Report

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What's Shaping our Investment Strategies and Opportunities

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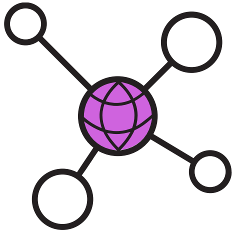
Forces Pushing Our Industry into the Next Generation of Insurance

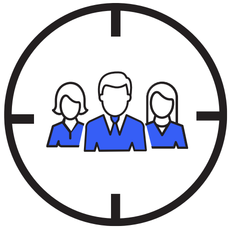
Better Employee and Customer Experiences



Growth Opportunities through new LOBs, Upsell & Services

Intelligence & Insights

Security and Compliance



Enable Talent

2025 Brings Data and AI-Powered Broker Management

Connected Personal & Commercial Lines

Financial Management

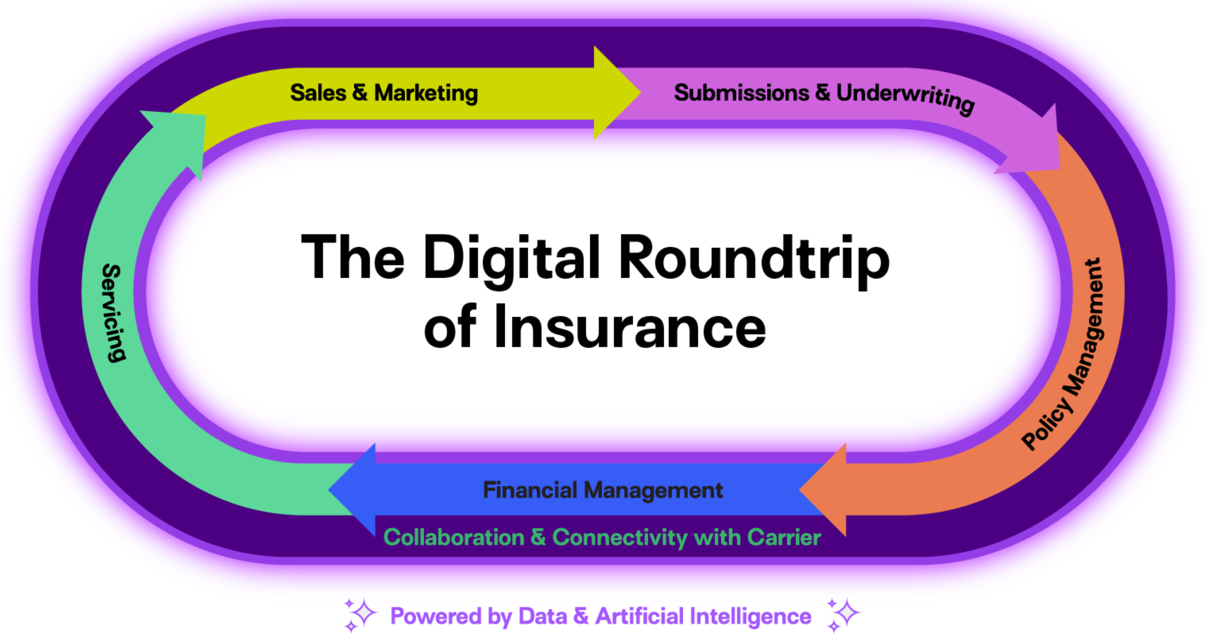
Employee Benefits

APPLIED Epic

Core Innovation & Connectivity

Data and AI

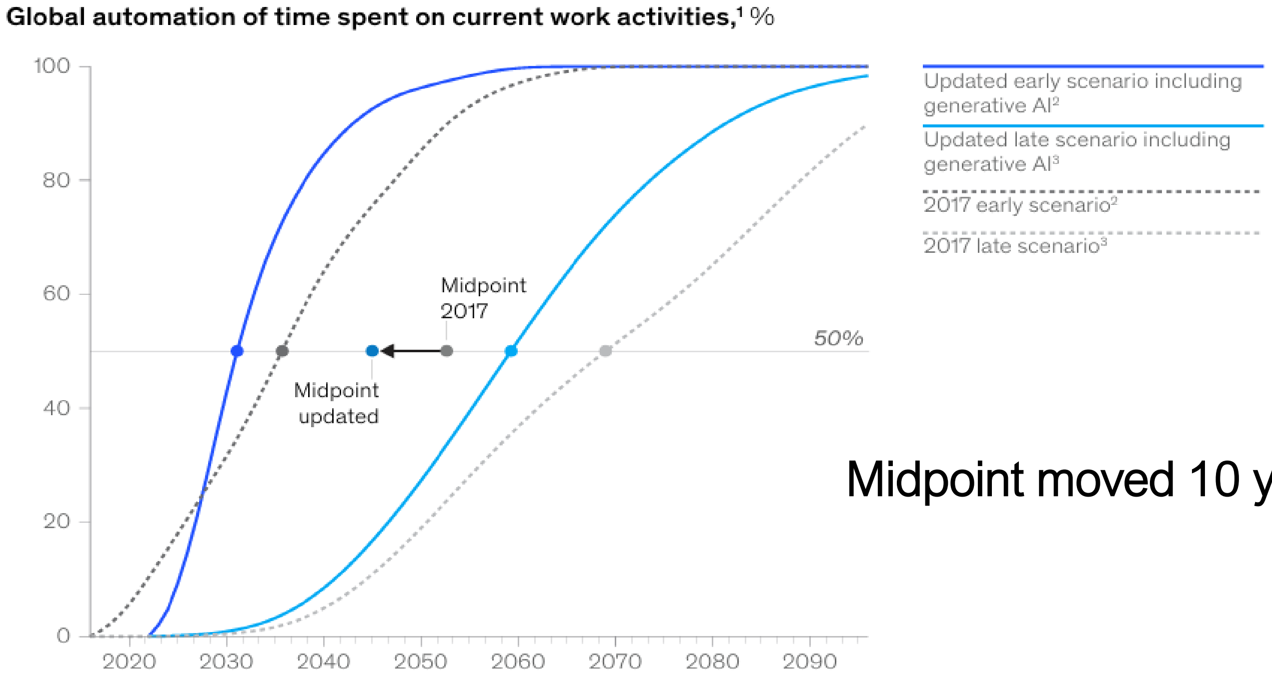
Bringing AI to Life in a Highly Integrated and Collaborative Digital Roundtrip of Insurance



Industry Data and our Customer Research shows AI will have a Meaningful Impact on Broker's P&L

Increased Revenue	Improved Productivity	Reduce E&O	Trained-Up Workforce
30%	**40-50%**	**90%**	**50%**
Revenue boost from effective cross-selling boost	Elimination in time spent on historically manual tasks like policy checking	Reduction in task error through prefill and automation	Less time spent upskilling and onboarding new employees

Generative AI is Acting as an Accelerant on How AI will Reshape Work



Midpoint moved 10 years sooner!

Source: McKinsey – Economic potential of generative AI (2023)

Applied's AI Journey

AI LAB

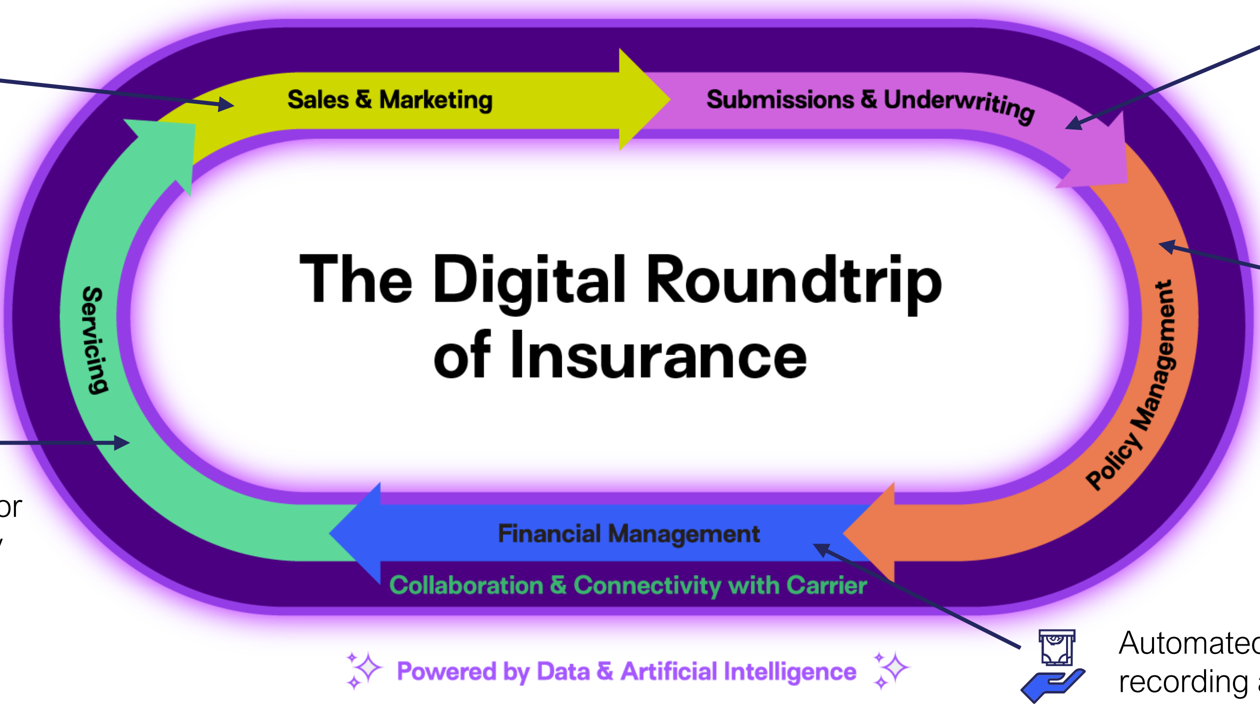
- 10+ user research and pilot programs
- 200+ agencies and brokers participated
- Feedback received from more than 3,000 users

PLANCK

Applied acquired the insurance industry's best AI asset

AI has been a journey for Applied, and one that we have hit the gas on over the past 12 months

Applied's Vision is to Embed Practical, Intelligent Automation Throughout the Insurance Lifecycle



Email content creation assistance

Quick answers for customer inquiry management

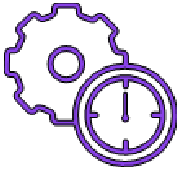
Collaboration between agency and carrier underwriting

Commercial cross-sell/ upsell risk coverage suggestions

Automated carrier statement recording and reconciliation

The Applied Difference: Integrated Digital Platform Connecting the Ecosystem

Single View of Customer
Continuously investing in more capabilities in Benefits, Epic and Extended Solutions to maintain a single view for all customers, across all lines



Platform Approach
Extending the digital solution portfolio across roles and personas to enable specialization and new models for growth

Increasing Connectivity
Taking an API-first approach to development and utilizing a standard but flexible data model to automate the exchange of information between brokers, insurers and insureds

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Canadian Solution Roadmap

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Enhancing Workflows

Certification for Retail, BPS, Contractors & Real Estate

Updated eDocs codes and descriptions have been implemented in the BMS for personal and commercial lines.

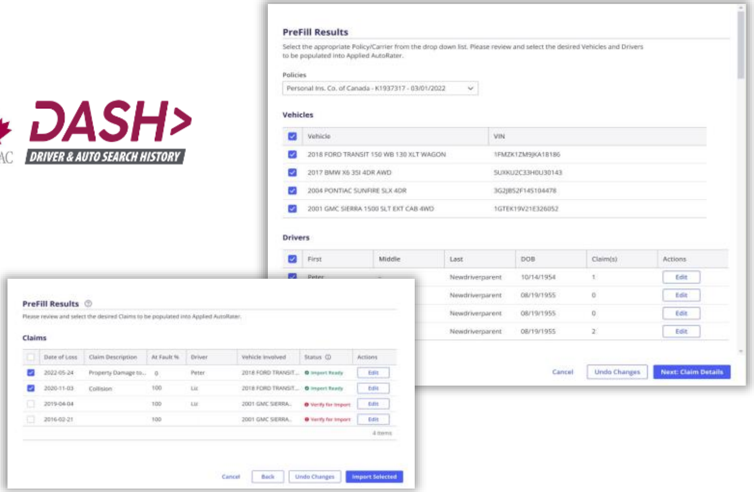
IBC DASH - Auto PPV

- Partnering with the industry to not only provide our broker partners with choice but also increased insights and efficiencies.
- DASH will prefill policy and claims data within an auto quote, saving our brokers time, providing better insights for risk assessment, enabling informed decisions and time for relationship building.

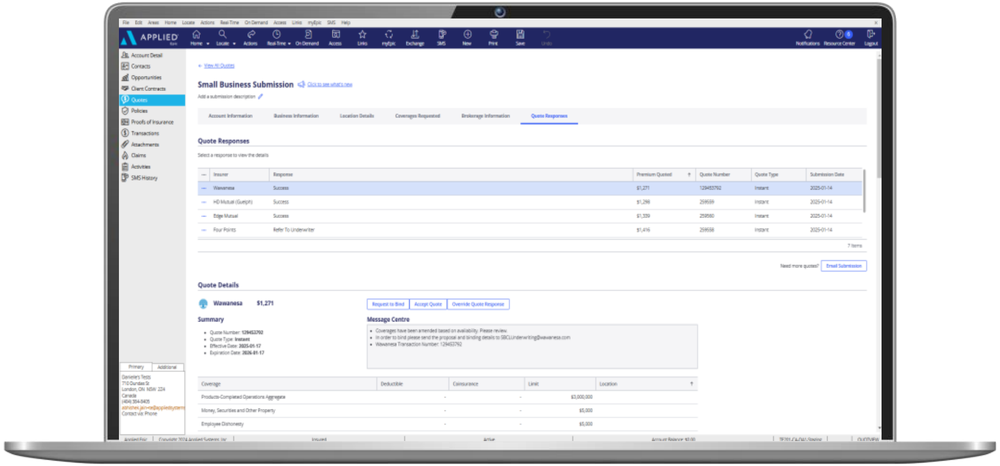
Benefits

- Eliminate manual entry of data from IBC's DASH portal
- Intuitive and modern and simplified User Experience
- Additional data points:
    - Covering all Provinces & Territories (except Quebec)
    - **The Driver Claim data** received from DASH will populate on the underwriting screens.

IBC | BAC DASH> DRIVER & AUTO SEARCH HISTORY



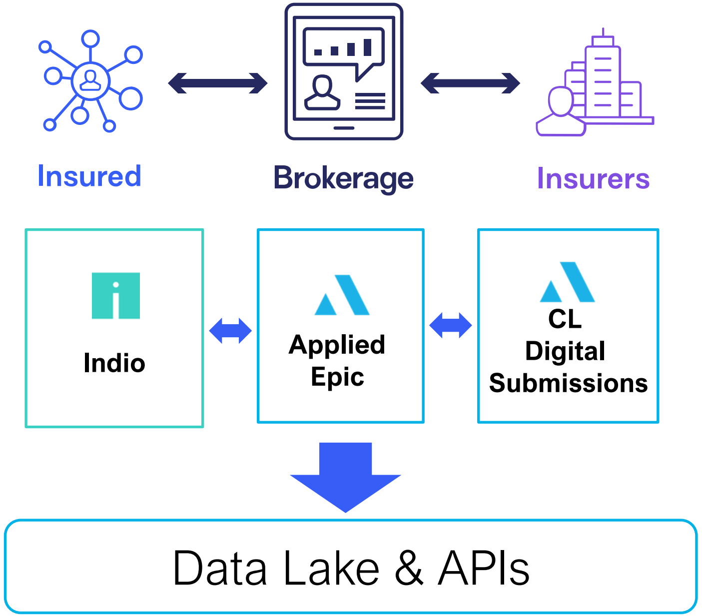
Commercial Lines



"It's no secret that brokerages are the commercial lines superpower in Canada," "As a market leader, we have always had the upper hand, but others are also looking to get a piece of the pie - We see direct writers announcing their interest in the small commercial space, and regulators are open to discussion."

Becci Taylor, executive director of the Insurance Brokers Association of New Brunswick

Connected Commercial Lines



Why this Matters to Brokers

- ✓ Process and close a simple CL application within hours instead of days or weeks
- ✓ Embedded experience in Epic, no duplicate entries
- ✓ Data collection directly from client through Indio, with updates tracking to prevent broker E&O
- ✓ Upsell & cross-sell opportunities identified through Epic Dashboards or Data Lake
- ✓ Productivity increase with superior client satisfaction

Indio Empowers Collaboration with Prospects and Insureds for New Business and Renew / Remarketing

Connect with Customers Digitally from Prospecting to Renewals

- ✓ Collect or verify underwriting information
- ✓ Track customer updates
- ✓ Provide a secure, one-stop digital shop to clients, make it easy to connect digitally
- ✓ Indio-Epic Forms Integration – Supporting 4,300+ Canadian commercial lines data fields for **both Applied Provided Forms & Broker Customized Forms**

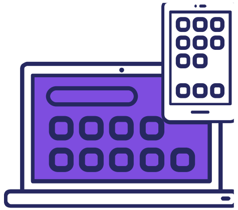
Massive Form Library

Schedule Workbooks

Intelligent Activity Tracking

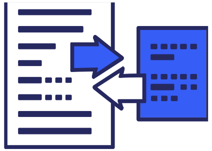
Collaborative Environment

Enhanced Modern & Smart Digital Submissions in Epic for ALL Small Commercial Packages Going Live in Early Q3



Unified workflow for real-time and email submissions for *ALL* small commercial packages

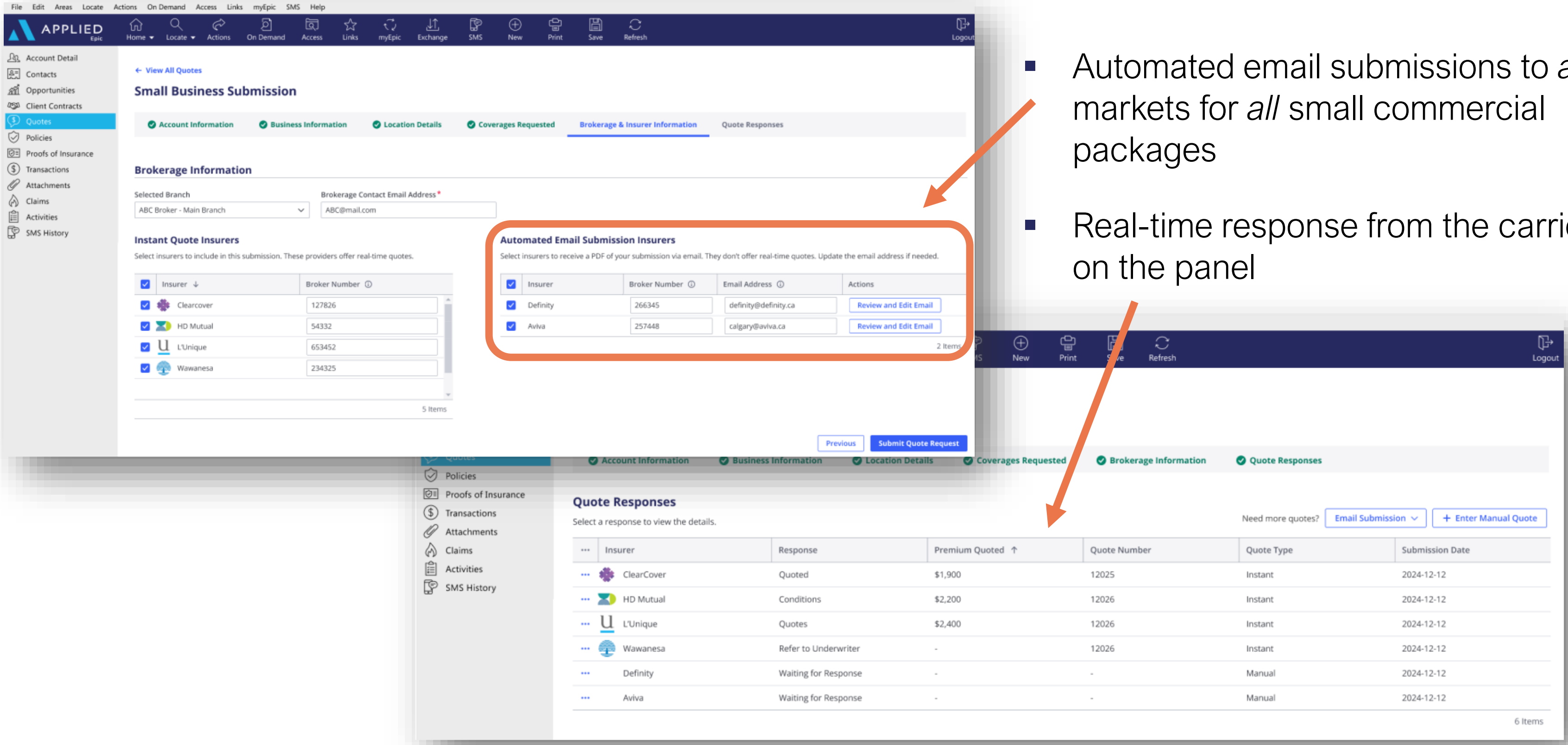
Modern & smart UI with dynamic questions



Eliminate double entry. Smooth transition between Indio and Epic Policy Forms

Data retained in Epic for enterprise-level BI & AI requirements

Canadian EQCL - Automated Email Submission



- Automated email submissions to *all* markets for *all* small commercial packages
- Real-time response from the carriers on the panel

Building the New Personal Lines Rater Fully Embedded in Epic

Insurance Lifecycle Management

Quoting, Digital Submission, Renew/ Remarketing, Client Proposal, Certificates, etc.

User Experience

Modern UI, Persona based Customer Journey, Seamlessly Integrated Systems, No Double Entry, etc.

- Standardize & simplify the Personal Lines journey
- Start and end your workflow in Epic
- The data lives where you expect it (in Epic)

- Less clicks that also aid the journey to bind
- Minimize data loss with new integrations
- A new workflow shaped directly by you

EQPL New Capabilities Highlights

Embedded in Epic

- Built upon Epic structure, permissions and security
- The data lives where you expect it
- Insurer list within the quote flow, easily add or remove insurers

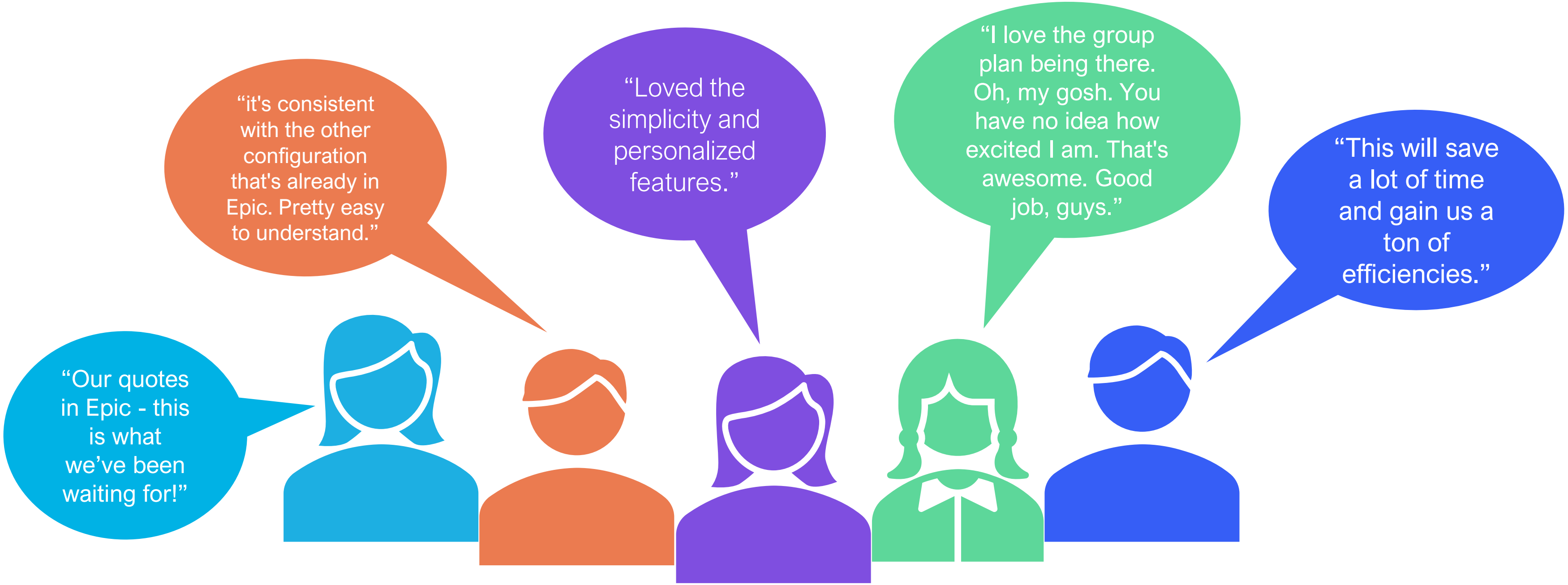
Improved User Experience

- All coverages and endorsements on the same tab including Accident benefits
- Claims, convictions, suspensions, lapse and fraud all contained on the new incidents tab
- Prefills functionality is contained within the workflow
- Driver Assignments are easier to navigate and simple

Enhanced Quote Results

- Asynchronous quoting, no more waiting
- More flexibility with dynamically driven insurer coverages, discounts and surcharges to start.
- Expanded quote details with 2 message centers

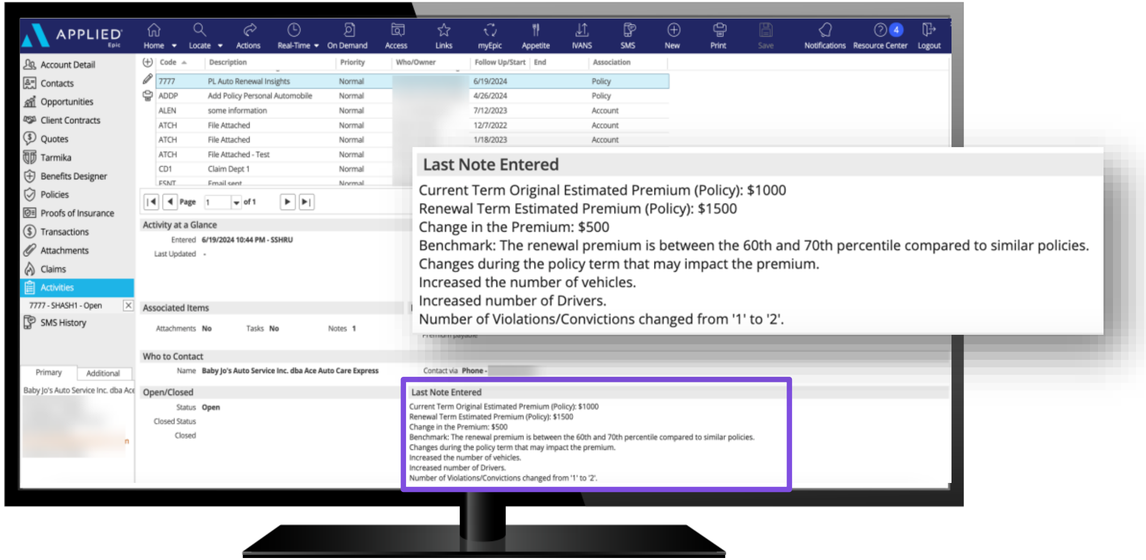
Broker Feedback - 34 UX Session held since last year



Thank you, our broker customers, for providing us invaluable feedback!

Canadian PL Renewal Insights Upcoming

- Summary of current vs. renewed policy premium displayed in an Epic activity note, including factors that may have impacted premium change
- Insights also benchmark premiums against other similar policies to inform decisions about remarketing (or not); that is critical when margins are tight, but retention is crucial.
- Starting with personal Auto (June/July 2025), and Home is coming soon (2H 2025)



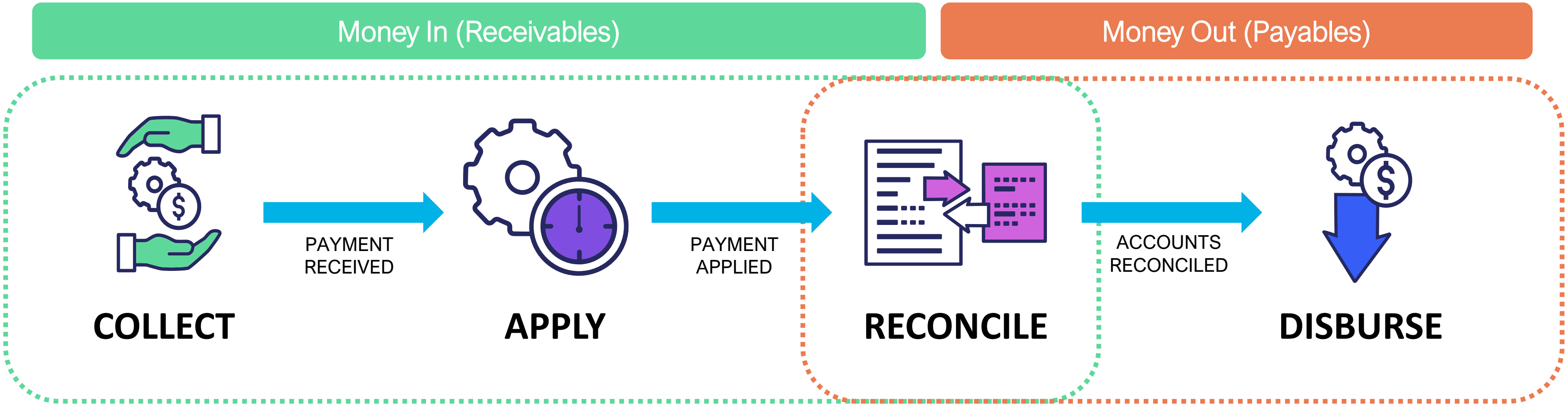
Changing the Perspective of the Payment Process: Applied Financial Management

- Cloud-based digital payments hub that enables brokers to provide their clients a secure, online way to pay premiums from any device.
  - Customized business dashboards give detailed reporting all in one place.
  - Permission-based controls allow admins to assign visibility and roles to designated individuals in simple or complex hierarchy structures
  - Control company branding, manage convenience fees, and monitor statements with ease
  - Offer refunds, send receipts, issue notifications, and export batch reports all from one easy-to-navigate panel
  - Mobile optimized. Viewable on all devices. Drill downs for deeper clarity

APPLIED Pay

C.A.R.D Framework

Mapping Agency Bill Management



CC & ACH
Premium Finance
Lockbox

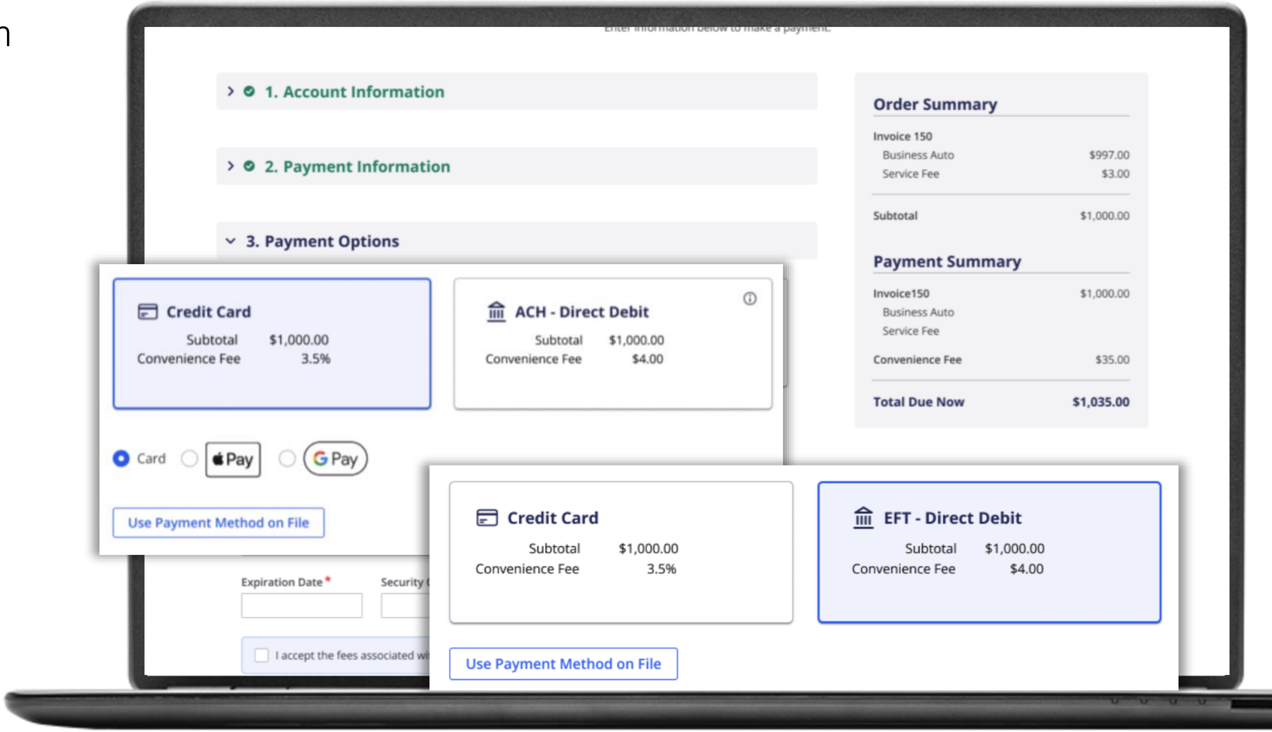
Credit to transaction & account

Smart match receipt reconciliation
AI powered statement extraction & auto matching and reconciliation

NACHA disbursement
Controls & audit trails (upcoming)
ACH disbursement (upcoming)

Enhanced Checkout

- Simplify payment collection from your clients with **AutoPay**
- Expanding our digital payment method offering in **Canada** - Electronic Funds Transfer, or EFT.
- **Apple Pay & Google Wallet** available at checkout
- ACH & EFT **Double Entry**



GROWTH:ENHANCING SERVICE IN THE POLICY LIFECYCLE VALUE PROPOSITION

Applied Pay is Ready to Take You Digital

Applied Pay is redefining the digital payment journey, resulting in 78+% month-over-month growth from customers seeking to enhance their customer offering.

Over $2B in Processing Volume Under Management

Enhancements Released Every 4 Weeks

Future Roadmap Setting Pace for Industry

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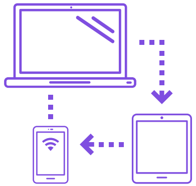
Take Aways

APPLIED®

Supporting our Customers and the Channel on a Transformation Journey

Workforce Transformation

Data & Insights to Inform Decision Making



Digitization Strategy is Core to Efficiency & Growth

Focus on Customer Value & Activities Driving Profitability & Purpose for Long-Term Success

Epic Browser Usage is Growing Significantly

Adopt Epic Brower!

+17K

Browser Users already in Canada!

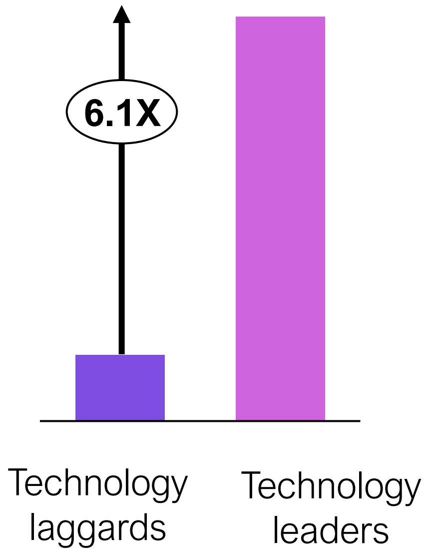
Goal: 100% adoption by end of 2025

Bring Your People and Processes Along the Journey

Invest in Optimization & Change Management

Implementing AI and technology successfully can yield significant impact

CAGR for TSR, Insurance, 2018-2022, %



Close & Questions