



Risk Management and Insurance

2024 – 2025



ANNUAL REPORT

Table of Contents

Message from the Minister	2
Overview	3
Mandate:	3
General Principles:	3
Mission Statement:	3
Vision Statement:	3
Legislated Powers:	3
Deputy Head's Overview	4
Year in Review – Highlights and Key Achievements	5
New Position and Proactive Risk Management Services	5
New Support Offerings	5
Organizational Chart	6
PEI Self-Insurance and Risk Management Fund Advisory Committee	6
Risk Management and Insurance Section	6
Future Goals and Action Plans	7
Section Accountability - Results/Outcomes Achieved	8
Provision and Placement of Insurance Coverages	8
Claims Handling Services	8
Contract Review Advice	8
Risk Management Advice	8
Section Activity and Information	9
Self-Insurance Property Insurance Program	9
Self-Insurance Auto Insurance Program	10
Self-Insurance Liability Insurance Program	11
Financial Statements	12

Message from the Minister

The Honourable Wassim Salamoun
Lieutenant Governor of Prince Edward Island



May It Please Your Honour:

Pursuant to the *Financial Administration Act* it is my privilege to submit the Risk Management and Insurance section's Annual Report and the PEI Self-Insurance and Risk Management financial statement for the period ending March 31, 2025.

Respectfully submitted,

A handwritten signature in black ink, reading "Jill Burridge". The signature is written in a cursive, flowing style.

Honourable Jill Burridge
Minister of Finance

Overview

Mandate:

Operating as a section within the Department of Finance, our mandate is to develop, implement and maintain the Government of Prince Edward Island's risk management and self-insurance programs.

One of our key objectives is to provide a quality service that protects public sector assets and programs while proactively managing and mitigating risk. Through continuous quality improvement processes, we aim to identify potential risks early and implement preventative strategies, thereby reducing potential damages.

General Principles:

"The responsibility for all insurance and risk management provided by Government rests with the Risk Management & Insurance Section of the Treasury Board Secretariat (RM&I). In order to reduce the cost of risk (defined as 'the sum of insurance premiums, self-insured losses and loss control cost'), a risk management and insurance process has been developed, which includes:

- (a) the application of sound loss prevention and safety procedures; and,
- (b) the provision of funds to pay an insurable loss covered by the Insurance Policies, when it occurs."¹

Mission Statement:

Our mission is to provide a fulsome insurance program and claims services to our client partners, along with informed and timely risk management services.

Vision Statement:

To work collaboratively with departments, crown corporations, agencies, and commissions towards a goal of eliminating or minimizing the potential for loss for the Government of Prince Edward Island.

To provide a quality service that protects public sector assets and supports public sector employees and programs while also mitigating risks before and after they occur.

Legislated Powers:

The PEI Self-Insurance and Risk Management Fund is established under Part II of the *Financial Administration Act*.

¹ Section 11.02 – Policy Statement, Treasury Board Policies and Procedures Manual, December 2023.

Deputy Head's Overview

The Honorable Jill Burridge
Minister of Finance



Dear Minister Burridge,

It is my privilege to submit the annual report for the Risk Management and Insurance (RMI) section of Finance. Included in this report are the audited financial statements of the PEI Self-Insurance and Risk Management Fund (“the Fund”) for the year ending March 31, 2025.

Climate change, an increasingly litigious society and escalating financial uncertainty are making managing public sector risks more challenging than ever. Our RMI section continues to work hard to expand its programs, services, and expertise to better help our client partners navigate, mitigate, and avoid risks.

Respectfully submitted,

A handwritten signature in blue ink, which appears to read "C. Harris".

Cindy Harris
Secretary to Treasury Board

Year in Review – Highlights and Key Achievements

New Position and Proactive Risk Management Services

Quality Risk Consultant

RMI has hired a Quality Risk Consultant who has been working with departments on a variety of proactive risk management initiatives. This includes updates to incident reporting, drafting and implementation of new policies, and generalized risk management supports. Feedback from our client partners has been very positive.

New Support Offerings

Provision of risk advice and legal supports for employees facing regulatory body complaints

RMI determined that employees facing complaints with their regulatory or licensing body arising out of their employment duties were often responding to these complaints without defined supports from their employer. Our section is now providing this important assistance with the goal of supporting staff through these regulatory processes.

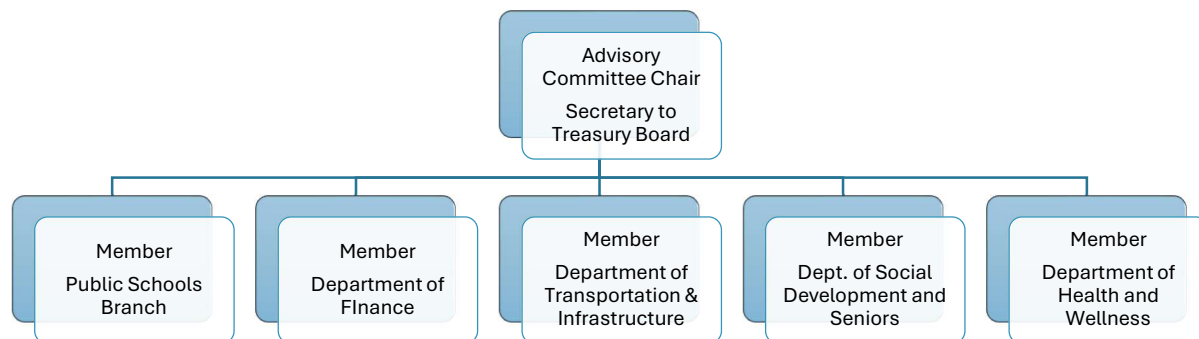
Key Achievements to Date

- We continue to provide presentations to our client partners on a variety of topics including insurance requirements in contracts, insurance certificate reviews, risk management and the significance of claim and incident reporting.
- We continue to work with Information Technology Shared Services to procure a more effective and innovative Risk Management Information System, which we expect to proceed in 2025-2026. This will be foundational in supporting and managing our information systems.
- We maintain an active network with our national counterparts in the insurance and risk management community to stay well-informed on current and emerging risk management and insurance issues.
- Ongoing assessment of client needs and development of strategies to support our client partners needs, including climate change, employee retention, providing information on legal processes, and assist in providing investigations support and expertise.
- We have implemented an annual appraisal process that includes procuring valuation reports and physical hazard assessments for a variety of Government assets. The primary focus for 2024-2025 was on properties with historical significance.

Organizational Chart



PEI Self-Insurance and Risk Management Fund Advisory Committee



Risk Management and Insurance Section



Future Goals and Action Plans

We continue to strive to provide excellent service to our clients. We continue to commit to:

- Developing our team to meet the need for proactive risk management advice in effort to mitigate or avoid losses. This goal will be actioned by:
 - hiring a Risk Management Officer to fill an existing vacancy; and,
 - continually assessing the need for additional services or supports that can be offered through RMI.
- Educate and support our insureds in risk management activities to demonstrate the need for all employees to be risk minded. This goal will be actioned through:
 - engaging with our client partners to promote our services;
 - offering practical, educational presentations to our client partners on insurance and risk management topics; and,
 - assistance in the implementation of effective incident reporting systems.
- Further develop internal processes to support our team and ensure consistent decision making and increased efficiency. This goal will be actioned through:
 - implementation of a new Risk Management Information System; and,
 - development of internal policies and procedures.
- Further assessment and development of RMI's existing portfolio of insurance offerings. This goal will be actioned through:
 - active involvement in industry learning and engagement to ensure staff are kept up-to-date on trends and solutions; and
 - engagement with our client partners to identify potentially uninsured or unassessed risks and suggest solutions to mitigate or avoid losses that could arise from these risks.

Section Accountability - Results/Outcomes Achieved

Risk Management and Insurance (RMI) carries out its mandate of working collaboratively with its client partners towards a goal of eliminating or minimizing the potential for loss by offering specific services and programs, including:

Provision and Placement of Insurance Coverages

Self-Insurance program coverages, as well as private market insurance policy placements

The RMI team works with client partners to assess their insurance needs and either offer coverages through the Self-Insurance and Risk Management Fund (Fund) or assist in sourcing and providing advice on insurance available through the insurance market.

Claims Handling Services

Experienced claims management services for government's unique risks

The RMI team also provides claims handling services for all matters that fall under the Fund programs. Our staff are uniquely qualified in handling claims that arise out of public sector operations, and are sensitive to the financial, reputational, and operational harm that a claim or lawsuit may create. RMI works closely with other experts, such as independent adjusters, external and internal legal counsel, and subject matter experts to ensure claims against client partners are investigated and settled in a timely and fair manner. We also have expertise in recognizing when alternative dispute resolution pathways may be appropriate in resolving difficult disputes.

Contract Review Advice

Feedback on Insurance requirements in contracts

The RMI team receives and reviews contracts from its client partners daily. The team will review the potential risks of a contract and provide advice on appropriate types and limits of insurance that should be requested based on the analysis of each individual contract. RMI reviews various types of contracts across government organizations, which include funding agreements, professional service agreements, rental and lease agreements, and Canadian Construction Documents Committee contracts.

Risk Management Advice

Proactive risk management to avoid potential or future claims

The RMI team is engaged by client partners to review programs and operations, and to provide advice on how better to assess, mitigate and avoid operational risks. Risk management advice is often contemplated after a loss has occurred in the context of avoiding future losses, but RMI endeavors to offer risk management advice prior to a loss occurring.

Section Activity and Information

Self-Insurance Property Insurance Program

Total property insurance values and claim/incident data

Risk Management and Insurance (RMI) insures buildings, equipment, and contents through the Self-Insurance and Risk Management Fund (Fund). Aside from the Fund coverages, RMI is also able to assist in securing insurance coverage from private insurers for those properties that are ineligible for coverage under the Fund. Details of properties and limits insured under the Fund for 2024-2025 are as follows:

Insured	# of Buildings	Building Values	Contractors' Equipment Values	Content Values	Total
Schools	78	\$1,090,198,105	\$0	\$109,019,810	\$1,199,217,915
Health PEI	30	\$880,415,839	\$0	\$175,105,947	\$1,055,521,786
General Government	578	\$931,977,164	\$59,134,028	\$104,157,241	\$1,095,268,433
Crown Corporations	57	\$64,920,395	\$2,506,574	\$36,223,000	\$103,649,969
TOTAL	743	\$2,967,511,503	\$61,640,602	\$424,505,998	\$3,453,658,103

RMI is also responsible for the claim handling function for the Fund's property insurance program. This function includes claims that require adjusting services and insurance payouts, or incidents that are simply recorded for data/risk management purposes. The five-year overview of the Fund's property claims and incidents are as follows:

	2020-2021	2021-2022	2022-2023*	2023-2024	2024-2025
Claims	36	25	156	33	42
Incidents	8	17	29	23	21
TOTAL:	44	42	185	56	63

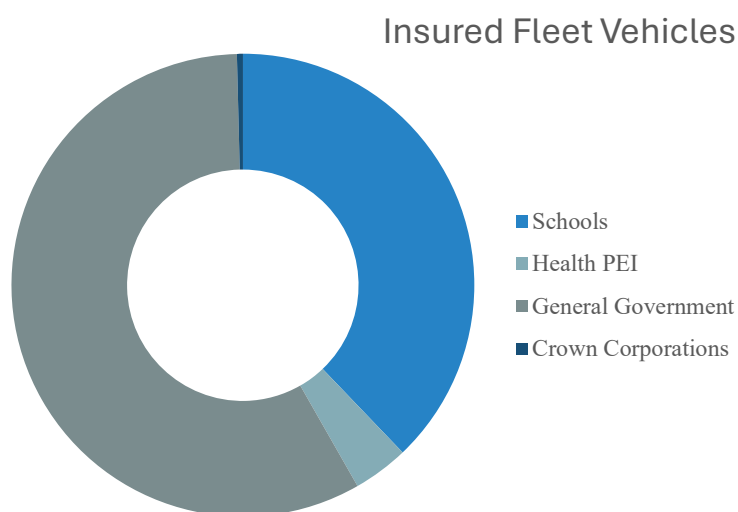
*2022-2023 saw a large increase in claims reported largely due to the impact of Hurricane Fiona on government infrastructure.

Self-Insurance Auto Insurance Program

Fleet counts and claim/incident data

Through the Fund, Risk Management and Insurance (RMI) insures fleet vehicles owned by government and operated by government employees. The fleet includes private passenger vehicles, medium and heavy-duty vehicles, and even off-road vehicles. Aside from the PEI Self-Insurance and Risk Management Fund (Fund) coverages, RMI can assist in securing insurance coverage from private insurers for those Government owned vehicles that are not operated by Government employees (e.g. coroner transport vehicles, forest fire trucks placed with volunteer fire departments). Details of fleet vehicles insured under the Fund for 2024-2025 are as follows:

Insured	Number of Vehicles
Schools	388
Health PEI	47
General Government	622
Crown Corporations	4
TOTAL	1061



RMI is also responsible for the claims adjusting function for the Fund's automobile insurance program. This function includes claims that require adjusting services and insurance payouts, or incidents that are simply recorded for data/risk management purposes. The five-year overview of the Fund's auto claims and incidents are as follows:

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Claims	49	80	69	65	88
Incidents	58	63	77	57	53
TOTAL:	107	143	146	122	141

Self-Insurance Liability Insurance Program

Summary of liability losses and claim/incident data

Risk Management and Insurance (RMI) insures the liability arising out of Government's various operations through the Self-Insurance and Risk Management Fund (Fund). Insureds under this program include core government, crown corporations, school boards, and tribunals. Claims arising out of Government's liability vary from road hazard claims to medical malpractice to breach of contract to discrimination.

Aside from the Fund's coverages, RMI can assist in securing insurance coverage from private insurers for liability exposures not covered under the Fund's liability program including harbour and wharfinger's liability, aviation liability, wrap-up liability coverage for construction projects, etc.

RMI is also responsible for the claims adjusting function for the Fund's liability insurance program. This function includes claims that require adjusting services and insurance payouts, or incidents that are simply recorded for data/risk management purposes. The five-year overview of the Fund's liability claims and incidents are as follows:

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Claims	81	64	67	79	101
Incidents	1,493	1,154	1,613	1,834	1,707
TOTAL:	1,574	1,218	1,680	1,913	1,808

Financial Statements

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Financial Statements
March 31, 2025

Contents

MANAGEMENT’S REPORT	3
INDEPENDENT AUDITOR’S REPORT	4
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS.....	8
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS.....	9
STATEMENT OF CASH FLOW	10
NOTES TO FINANCIAL STATEMENTS	11

Management's Report

Management's Responsibility for the Financial Statements

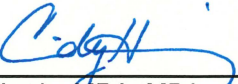
The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.


Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

Treasury Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Office of the Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses their opinion on the financial statements. The Office of the Auditor General has full and free access to financial information and management of the Prince Edward Island Self-Insurance and Risk Management Fund to meet as required.

On behalf of the Prince Edward Island Self-Insurance and Risk Management Fund.


Cindy Harris, MPA, MBA
Secretary to Treasury Board


Lori Ellis, LLB, LLM (ADR)
Director, Risk Management and Insurance


Barry Galloway, MBA, CPA
Director of Finance, Department of Finance



Office of the Auditor General
Prince Edward Island

Prince Edward Island

Office of the
Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du
vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Members of Treasury Board

Opinion

We have audited the financial statements of the **Prince Edward Island Self-Insurance and Risk Management Fund** (the Fund), which comprise the statement of financial position as at March 31, 2025, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2025, and the results of its operations, changes in net financial assets, and cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted the audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was most significant in our audit of the Fund's financial statements for the fiscal year ended March 31, 2025. This matter was addressed in the context of our audit of the Fund's financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on this matter.

The Fund recognized a reserve for unsettled claims of \$13,589,750 as at March 31, 2025 (2024 - \$13,523,077). The reserve was identified as a key audit matter because of the extensive judgement required in estimating costs expected to be paid in relation to unsettled claims and the inherent complexity of the estimate methodology. Notes 2(a) and 2(e) of the financial statements outline the nature of the liability and the challenges around its estimation. Information on the reserve balance is disclosed in Note 7. Management engages an actuarial expert to measure the reserve. The selection of assumptions and methodologies requires significant judgements and given the magnitude of the estimate, these impacts could be material.

Our audit work to address this key audit matter included assessing the appropriateness of the methodology, data, and assumptions used by management to determine the estimate. We tested on a sample basis the completeness and accuracy of the reserve's underlying data that was updated during the year and used in the actuarial review. Additionally, we performed a review of subsequent data to assess the completeness and accuracy of the reserve. This is relevant since subsequent information may provide more certainty related to existing incidents and claims.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or cease the operations of the Fund, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

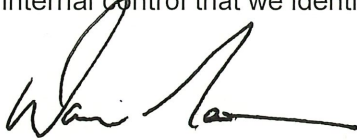
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read 'Darren Noonan', with a stylized, sweeping underline.

Darren Noonan, CPA, CA
Auditor General

A handwritten signature in blue ink, appearing to read 'Elvis Alisic', with a stylized, sweeping underline.

Elvis Alisic, CPA, CA
Assistant Auditor General

Charlottetown, Prince Edward Island
June 30, 2025

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**

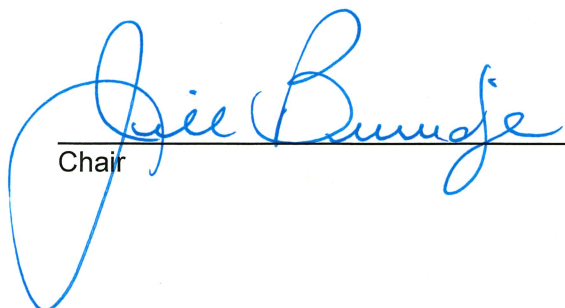
Statement of Financial Position

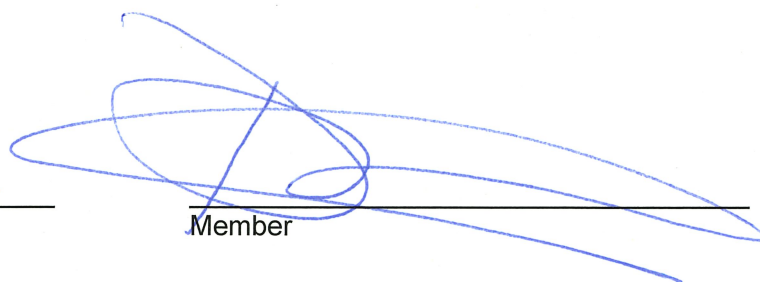
March 31, 2025

	2025	2024
	\$	\$
Financial Assets		
Accounts receivable (Note 4)	125,971	208,229
Due from the Province of Prince Edward Island (Note 5)	<u>46,793,665</u>	<u>44,202,129</u>
	<u>46,919,636</u>	<u>44,410,358</u>
Liabilities		
Accounts payable and accrued liabilities	77,810	48,602
Excess insurer advance (Note 6)	276,277	1,047,094
Reserve for unsettled claims (Note 7)	<u>13,589,750</u>	<u>13,523,077</u>
	<u>13,943,837</u>	<u>14,618,773</u>
Net Financial Assets	<u>32,975,799</u>	<u>29,791,585</u>
Non-Financial Assets		
Prepaid expenses	<u>122,283</u>	<u>122,283</u>
Accumulated Surplus	<u>33,098,082</u>	<u>29,913,868</u>

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of Treasury Board:


Chair


Member

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2025

	Budget 2025	2025	2024
	\$	\$	\$
Revenues			
Insurance premiums (Note 8)	13,153,100	13,212,416	12,070,412
Grant in lieu of interest (Note 5)	175,000	-	-
Claim recoveries (Note 9)	<u>100,000</u>	<u>323,478</u>	<u>214,035</u>
	<u>13,428,100</u>	<u>13,535,894</u>	<u>12,284,447</u>
Expenses			
Claims (Note 7)	3,000,000	5,965,392	2,960,644
Consulting	212,500	157,581	123,338
Insurance premiums (Note 10)	3,652,700	3,699,911	3,311,555
Office and travel	25,000	18,375	24,796
Salary and benefits	<u>637,900</u>	<u>510,421</u>	<u>446,075</u>
	<u>7,528,100</u>	<u>10,351,680</u>	<u>6,866,408</u>
Annual Surplus	<u>5,900,000</u>	<u>3,184,214</u>	<u>5,418,039</u>
Accumulated Surplus, beginning of year	<u>29,913,868</u>	<u>29,913,868</u>	<u>24,495,829</u>
Accumulated Surplus, end of year	<u>35,813,868</u>	<u>33,098,082</u>	<u>29,913,868</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Statement of Changes in Net Financial Assets
for the year ended March 31, 2025

	Budget 2025	2025	2024
	\$	\$	\$
Net Financial Assets, beginning of year	29,791,585	29,791,585	24,335,944
Change in year:			
Annual surplus	5,900,000	3,184,214	5,418,039
Prepaid expenses	-	-	37,602
	<u>5,900,000</u>	<u>3,184,214</u>	<u>5,455,641</u>
Net Financial Assets, end of year	<u>35,691,585</u>	<u>32,975,799</u>	<u>29,791,585</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Statement of Cash Flow
for the year ended March 31, 2025

	2025	2024
	\$	\$
Cash provided (used) by:		
Operating Activities		
Annual surplus	3,184,214	5,418,038
Changes in:		
Accounts receivable	82,258	(48,194)
Due from the Province of Prince Edward Island	(2,591,536)	(7,350,720)
Accounts payable and accrued liabilities	29,208	26,832
Excess insurer advance	(770,817)	813,509
Reserve for unsettled claims	66,673	1,102,933
Prepaid expenses	-	37,602
Cash provided by operating activities	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2025

Notes to Financial Statements

1. Nature of Operations

The Prince Edward Island Self-Insurance and Risk Management Fund (the Fund) was established under Part II of the *Financial Administration Act*. The Fund provides risk management services as well as general liability, errors and omissions, primary property, crime, and automobile liability insurance for government entities. The Fund has risk management obligations that cause it to incur expenses related to claims. Treasury Board administers the Fund.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Since the Fund has no unrealized remeasurement gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses has not been prepared.

The following is a summary of the significant accounting policies used in the preparation of these financial statements.

a) Reserve for Unsettled Claims

The reserve for unsettled claims represents management's best estimate of the total costs, including investigation, litigation, and the projected final settlement of specific claims incurred as of the financial statement date. It also includes a general reserve to cover claims incurred as of the financial statement date but not yet reported to management.

b) Prepaid Expenses

Prepaid expenses include payments for insurance and are expensed over the periods expected to benefit.

c) Revenues and Expenses

Revenues and expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue or expense occurred. Insurance premiums are recognized over the policy term as the performance obligations are met.

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2025

d) Recoveries

Recoveries represent management's best estimate of the full amount of costs that may be recovered or are receivable, less any amounts that are uncollectible. Claim recoveries include amounts recovered or receivable from both first and third parties in relation to individual claims.

e) Use of Estimates and Measurement Uncertainty

The preparation of the Fund's financial statements, in conformity with Canadian Public Sector Accounting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

The items requiring the use of significant estimates are the reserve for unsettled claims and claim recoveries. Claim recoveries are estimated based on management's best estimate of amounts expected to be recovered in relation to claims. The reserve for unsettled claims arises from estimates of anticipated costs such as professional expenses and damages to settle claims that are currently open. The amount also represents an estimate for those incidents that have been incurred but not reported to management as of the financial statement date. An actuarial review of the Fund's reserve for unsettled claims is performed annually as at March 31. The actuarial review is based on claim data as at December 31 of the previous year and is rolled forward to March 31 based on common actuarial methodologies. The estimate was determined using Canadian accepted actuarial practices. After consultation with the Fund's actuary, management approved the estimate.

3. Financial Instruments

Financial instruments consist of accounts receivable, amounts due from the Province of Prince Edward Island, accounts payable and accrued liabilities, and excess insurer advances. They are carried at cost, less any provisions on accounts receivable. Provisions are calculated on a specific basis. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value. The Fund is exposed to market, credit, and liquidity risk in relation to their financial instruments as disclosed in Note 11.

4. Accounts Receivable

	<u>2025</u> \$	<u>2024</u> \$
Recoveries	124,971	184,158
Other	<u>1,000</u>	<u>24,071</u>
	<u>125,971</u>	<u>208,229</u>

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2025

5. Due from the Province of Prince Edward Island

The amount due from the Province of Prince Edward Island of \$46,793,665 (2024 - \$44,202,129) includes \$6,887,571 that was invested in Provincial Deposit Receipts until March 31, 1997. At that time, Treasury Board directed the investment be redeemed and replaced by a non-interest bearing account receivable from the province. The Fund does not maintain its own bank account. All transactions of the Fund are processed through the province's bank account with the net change reflected in the due from the Province of Prince Edward Island account. The amount due from the Province of Prince Edward Island has no set repayment terms and is due on demand. Since 2023-24 an amount has been budgeted for interest but not calculated and received.

6. Excess Insurer Advance

Post-tropical storm Fiona caused considerable damage to insured properties on September 24, 2022, exceeding the Fund's self-retention limits. The excess insurers requested that the Fund process the payments on their behalf due to the volume of claims. The excess insurers advanced the Fund \$7,346,898 (2024 - \$7,346,898) and as of March 31, 2025, a balance remains of \$276,277 (2024 - \$1,047,094). Any advanced funds that are not used to pay claims covered by the excess insurers must be returned to them.

7. Reserve for Unsettled Claims

	<u>Liability</u> \$	<u>Property</u> \$	<u>Auto</u> \$	<u>Total</u> <u>2025</u> \$	<u>Total</u> <u>2024</u> \$
Reserve, beginning of year	<u>11,980,984</u>	<u>343,453</u>	<u>1,198,640</u>	<u>13,523,077</u>	<u>12,420,145</u>
Changes in year:					
Settlement costs paid	(3,089,371)	(470,588)	(1,233,655)	(4,793,614)	(1,049,243)
Professional fees paid	(973,889)	(73,101)	(58,116)	(1,105,106)	(808,468)
Increase in claims expense	<u>4,305,385</u>	<u>1,247,196</u>	<u>412,811</u>	<u>5,965,392</u>	<u>2,960,643</u>
Net change in reserve	<u>242,126</u>	<u>703,507</u>	<u>(878,960)</u>	<u>66,673</u>	<u>1,102,932</u>
Reserve, end of year	<u>12,223,110</u>	<u>1,046,960</u>	<u>319,680</u>	<u>13,589,750</u>	<u>13,523,077</u>

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Notes to Financial Statements
March 31, 2025

8. Revenue - Insurance Premiums

	<u>2025</u> \$	<u>2024</u> \$
General liability, errors, and omissions	5,538,748	5,538,748
Primary property and crime	5,982,620	4,844,524
Automobile liability	1,551,048	1,547,140
General government	140,000	140,000
	<u>13,212,416</u>	<u>12,070,412</u>

9. Claim Recoveries

	<u>2025</u> \$	<u>2024</u> \$
General liability, errors, and omissions	38,301	7,983
Change in estimated recoveries	<u>41,000</u>	<u>(2,833)</u>
	<u>79,301</u>	<u>5,150</u>
Primary property and crime	258,928	142,109
Change in estimated recoveries	<u>(43,318)</u>	<u>45,706</u>
	<u>215,610</u>	<u>187,815</u>
Automobile liability	26,249	22,320
Change in estimated recoveries	<u>2,318</u>	<u>(1,250)</u>
	<u>28,567</u>	<u>21,070</u>
	<u>323,478</u>	<u>214,035</u>

10. Insurance Premiums Expense

	<u>2025</u> \$	<u>2024</u> \$
General liability, errors, and omissions	933,149	979,341
Primary property and crime	2,351,325	1,942,982
Automobile liability	<u>415,437</u>	<u>389,232</u>
	<u>3,699,911</u>	<u>3,311,555</u>

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2025

11. Financial Management

The Fund is exposed to market, credit, and liquidity risk from its financial instruments. An analysis of these risks is provided below.

Market Risk

Market risk is comprised of currency, interest rate, and price risk. The Fund does not hold or operate in foreign currency and thus market risk is derived from interest rate and price risk. Changes in interest rates significantly impact insurance companies and thus could increase the cost of premiums paid by the Fund. This risk is mitigated using independent consultants and brokers to negotiate rates from reputable insurers and to monitor the marketplace for changes that could impact the Fund.

Credit Risk

The Fund has exposure to credit risk with respect to accounts receivable. The Fund mitigates this credit risk through a regular monitoring process and the receivables are mostly due from the Province of Prince Edward Island who controls 100 percent of the Fund. The Fund has no impaired accounts receivable as at March 31, 2025.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet all its cash outflow obligations as they come due. The Fund mitigates this risk by monitoring the level of its financial assets and its growth and by purchasing excess insurance to provide additional liability coverage on individual claims.

The self-retention limits for the Fund per claim in the current fiscal year were:

Commercial General Liability	\$5,000,000	and	\$1,000,000 (Medical Malpractice)
Errors & Omissions Liability	\$5,000,000	and	\$1,000,000 (Medical Malpractice)
Directors & Officers Liability	\$5,000,000	and	\$1,000,000 (Health PEI)
Property	\$ 250,000	and	\$ 100,000 (Health PEI)
Auto	\$1,000,000		

Additional coverage from excess insurers:

Commercial General Liability	\$10,000,000	and	\$ 19,000,000 (Medical Malpractice)
Errors & Omissions Liability	\$10,000,000	and	\$ 19,000,000 (Medical Malpractice)
Directors & Officers Liability	\$10,000,000	and	\$ 10,000,000 (Medical Malpractice)
Property	\$100,000,000	and	\$464,111,444 (Health Facilities)
Property	\$57,359,419 (PEILCC and PEICMC ¹)		
Auto	\$19,000,000		

¹ PEI Liquor Control Commission and PEI Cannabis Management Corporation

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2025

Excess Property insurance that increased from \$50 million to \$100 million, this was done in two phases:

- Effective April 1/24, the per occurrence limit was increased from \$50 million to \$65 million
- On August 12/24, the Fund purchased an additional \$35 million layer of coverage, bringing the total to \$100 million

12. Employee Future Benefits

a) Sick Leave

Under existing employment agreements, employees are credited 1.25 days per month (excluded employees 1.5 days per month) for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated, and no accrual has been recorded in these financial statements. The related liability is recorded by the province.

b) Pension

Permanent employees of the Fund participate in the Province of Prince Edward Island Public Sector Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the best three-year average salary times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost-of-living adjustments after 2013. Indexing is subject to the funded level of the Plan after December 31, 2016. The Province of Prince Edward Island administers the Plan. The Fund's annual portion of the contributions to the Plan was paid by the province and recognized on the province's financial statements. Any unfunded liability of the Plan is the responsibility of the province therefore no liability was recognized in these financial statements.

c) Retirement Allowance

The Fund provides a retirement allowance to its classified employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the province and not included in these financial statements.

13. Related Party Transactions

Premiums collected and first party claims paid are with government entities. Certain costs incurred by the province on behalf of the Fund are not reflected in these financial statements. These costs include office accommodations, equipment and support, other employee benefits, and administrative expenses.



The Province of Prince Edward Island

Risk Management and Insurance

PO Box 2000, Charlottetown, PE C1A 7N8

Tel 902-368-6170

PrinceEdwardIsland.ca