ANNUAL REPORT 2020

TRISURA® GROUP LTD.

Letter to Shareholders

At Trisura, we are building a leading international specialty insurance provider. Despite challenges mounted by the extraordinary circumstances of 2020, we have made significant strides in developing our platform. Before delving into results, we must recognize the incredible contributions of essential workers and medical professionals throughout this pandemic. I would also like to highlight the strong effort and performance of our team as they navigated new working arrangements, maintained our service-oriented culture, and delivered growth and profitability in a year defined by volatility and uncertainty.

This year demonstrated the potential of a multi-line and multijurisdictional specialty insurance platform, with diversified sources of income. Momentum in Canada delivered unprecedented growth, and our focus on underwriting supported industry-leading returns. Our US business maintained its trajectory, showcasing the value of our participatory fronting model to distribution partners, reinsurers, and shareholders. We took advantage of internal reinsurance capabilities to improve our flexibility and generate returns in our international entity, previously in run off. Following our acquisition in November 2019, expansion of critical admitted licenses will enhance our offering in fronted products, and introduce our Surety practice to the US. Despite volatile conditions, in May we reinforced our growth trajectory with a second equity raise, building a stronger base of capital to fund growth in the US and providing a signal to our partners that we are here to stay. Through volatility, we enhanced portfolio returns and grew interest and dividend income, managing capital across Canada, the US and Europe to support underwriting. We remain focused on maintaining the culture, principles and disciplined underwriting standards that have made us preferred partners for our specialty insurance distribution networks in Canada – and now the US – for many years.

Financial Highlights

For the full year, net income of $32.4 million, or $3.28 per share, is reflective of growth in premium and profitability in our North American entities, combined with improved asset liability matching of the European life annuity reserve. The increase in net income is striking, growing by 6x over 2019 as US profitability ramped, Canadian net income increased 25.4% and we managed asset liability matching appropriately. Book value per share rose to $28.23, an increase of 30.8% over December 31, 2019, supported by earnings as well as our accretive capital raise in the second quarter.

Specialty P&C operations delivered strong performance, with $926.4 million in gross premiums written, more than double what we wrote last year – on the heels of a doubling in premium from 2018 to 2019. Growth in premiums was led by maturation of programs and new business from our US fronting platform – increasing premium by over $350 million vs. 2019. Through the year, our commitment to specialty lines and stable presence generated momentum with distribution partners. Coupled with a hardening market in Corporate Insurance, new programs in Risk Solution and market share gains in Surety, our Canadian platform grew premiums by 51.5% for the full year. Importantly, net income from all entities grew materially, benefitting from growth in premiums, maturation in earned fee income, strong underwriting, and growing investment income. In the context of a doubling in revenues, expansion of our capital base, and uncertain operating environments, we generated a 13.4% return on equity, approaching our mid-teens target.

Our balance sheet is conservatively managed and growing. With $289.9 million in equity and a consolidated debt to capital ratio of 8.7%, we feel well positioned to fund future growth.

COVID-19

We have recently observed a rise in cases around the world leading to a reversal in earlier reopening trends, especially in urban regions.

Our team has transitioned to working remotely well. Productivity has been strong through this period and our results reflect that. With the introduction of a vaccine our focus has turned to re-entry, ensuring that staff are re-integrated safely, and that the advantages of in-person interactions are enjoyed again.

Premium growth and claims have yet to observe a material impact related to COVID-19, although the ultimate impact of the pandemic and related shutdown is not yet clear, and we have increased reserving levels in certain instances to reflect this uncertainty.

Insurance Operations

We continue to be a leader in the speciality commercial insurance market. Our Canadian subsidiary is our longest operating business and is led by an experienced and skilled management team. In Canada, we achieved a combined ratio of 85.5%, which coupled with investment income drove a strong 19.9% return on equity. 2020 showcased the strength of our Surety lines, and the potential for growth in our Corporate Insurance practice. Risk Solutions continues to be a consistent engine of growth as we expand our fronting activities.

If 2019 demonstrated the potential of our US fronting entity, 2020 achieved much of what was promised in our early years. Following acceleration of premium in 2019, consecutive capital injections and significant growth in the team, the fronting platform increased fee income and produced healthy returns despite its early stage of maturity. We have grown premium and net income in every quarter and anticipate growth to continue. Introducing admitted capabilities through the acquisition and expansion of new licenses is expected to support this growth.

In 2020 we reoriented the international entity to enable it to assume premium from our North American businesses. This captive channel provides flexibility to our retention, and a catalyst for profitability in our reinsurance arm. In the year we ceded $13.0 million of premium from our US fronting model to our own reinsurance arm, a figure we expect to grow in 2021. Our asset liability matching was an opportunity for improvement vs. prior year and we focused on rationalizing unacceptable volatility in our earnings related to our asset liability matching. The adoption of better duration-matched strategies and appointment of a specialist manger produced better results in 2020, specifically in Q3 and Q4.

Investments

Despite the volatility experienced in March, our investment portfolio performed well, benefitting from conservative allocations to liquid investment grade bonds and opportunistic rebalancing through market dislocation. Due to the currency hedging facilities established last year, we were well-positioned to protect and enhance book value through some dramatic movements in foreign exchange markets. We continue to increase our exposure to alternatives, including infrastructure debt and senior secured credit products. These are investments that we feel are both appropriate and attractive for insurance portfolios, today more than ever in the context of low prevailing interest rates.

Our portfolios remain primarily allocated to high quality, investment grade bonds, complemented by preferred shares, alternative investments, and defensive, dividend paying equities. Corporate spreads continued to tighten in 2020, coupled with strong equity performance despite a difficult first quarter. The volatility experienced in March and our ability to deploy through market dislocations enabled us to rotate selectively and add positions at attractive valuations. Although we made this observation last year, it remains true: prevailing interest rates are lower than ever, corporate spreads are historically tight, and equity valuations are approaching record highs. Economic health in the coming months and years will depend upon safely navigating to a post-pandemic world. Much is uncertain, and we remain committed to managing our capital prudently for the long term.

During the year we made two minority investments in technology-driven insurance vehicles, a digital MGA, and an ai-enabled claims processing platform. Although early stage, we felt the business models were compelling, and that beyond any financial gain, we could benefit from strategic, technology-enabled partnerships.

TRISURA

Strategic Priorities

Following another successful equity raise, and expansion of our credit facility we are better positioned than ever to provide our subsidiaries with the resources to grow. We continue to expand our reach in Canada and the US through both organic and acquisitive growth supported by our history of profitability, disciplined underwriting and investment returns. We also maintain a firm focus on culture and recognize the importance of our people. We're proud of our Canadian subsidiary for once again being recognized as one of Canada's Top Small and Medium Employers, demonstrating the special culture our organization has fostered and providing a strong foundation for Trisura's future.

Closing

Our business continues to demonstrate exciting potential. Profitability in Canada has strengthened, as we benefit from a growing footprint and increased profile. Our US platform has exceeded expectations and provides a complimentary trajectory to the more mature business in Canada. Importantly, a significant concern has been mitigated through the adoption of better asset liability matching in our Reinsurance entity, demonstrated through a reduction in earnings volatility.

The hardening market accelerated through the events of early 2020. With the introduction of admitted capabilities, and launch of a US Surety strategy, we have ample opportunities to grow.

It would be naive to assume a return to normal will be a smooth process following COVID-19 closures. I expect the economic scarring of this event will be felt for years to come. For us, that means renewed vigilance in our underwriting, especially on accounts that could be affected through an uneven reopening. It means proactively monitoring government support programs to anticipate the impact of their normalization. We must view pockets of volatility as opportunities to enhance our position in the market, investing in distribution relationships in specialty lines while others step back. In US fronting, increased reinsurance capacity and competition means that we must defend operational metrics and reiterate our value proposition with partners.

As we begin 2021, I would like to thank our employees, partners and shareholders for their continued support. We have enjoyed a strong first three years as a public company, and the next five will be a critical evolution from a sub-scale entity to one of greater institutional sophistication.

Sincerely,

David Clare
President and CEO
Trisura Group Ltd.
February 10, 2021

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This letter to shareholders contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "likely," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of our Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: developments related to COVID-19, including the impact of COVID-19 on the economy and global financial markets; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; changes in capital requirements; changes in reinsurance arrangements; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Trisura Group Ltd.

Management's Discussion and Analysis

For the year ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations and financial condition of Trisura Group Ltd. for the three and twelve months ended December 31, 2020. This MD&A should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2020.

Unless the context indicates otherwise, references in this MD&A to the "Company" refer to Trisura Group Ltd. and references to "us," "we" or "our" refer to the Company and its subsidiaries and consolidated entities.

The Company's Consolidated Financial Statements are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In this MD&A, all references to "$" are to Canadian dollars unless otherwise specified or the context otherwise requires.

This MD&A is dated February 10, 2021. Additional information is available on SEDAR at www.sedar.com.

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SECTION 1 - OVERVIEW

OUR BUSINESS

Our Company is a leading international specialty insurance provider operating in the Surety, Risk Solutions, Corporate Insurance, Fronting and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, a US specialty insurance company and an international reinsurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 14 years of operation. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus lines insurer in Oklahoma with the ability to write business across 50 states. Our US specialty insurance company can also write business on an admitted basis in most states. Our international Reinsurance business has been in operation in Barbados for more than 18 years and has commenced writing new business in support of our US subsidiary.

Our Company has an experienced management team, strong partnerships with brokers, program administrators and reinsurers, and a specialized underwriting focus. We plan to grow by building our business in the US and through expansion of our Canadian business both organically and through strategic acquisitions. We believe our Company can capitalize on favourable market conditions through our multi-line and multi-jurisdictional platform.

In 2019, the Company closed its acquisition of 21st Century Preferred Insurance Company and completed its re-domestication from Pennsylvania to Oklahoma. We have expanded our admitted licenses, which now includes licenses in 46 states. We continue the process of applying for licenses in the remaining states.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q4 AND FULL YEAR 2020

- ✓ $10.9 million of net income in the quarter and $32.4 million for the full year, a substantial improvement over the previous periods, driven by stronger results in Canada, accelerating profitability in the US, and improved asset liability matching in our Reinsurance business.
- ✓ EPS of $1.05 the quarter and $3.28 for the full year compared to $0.47 and $0.69 respectively in 2019.
- ✓ ROE of 13.4% increased from 3.5% at Q4 2019. Consolidated ROE approached our mid-teens target despite dilution from our equity raise in May 2020 and was achieved in the context of significant growth.
- ✓ BVPS of $28.23 was an increase of 30.8% over the previous year, the result of strong earnings and a book-value accretive equity raise.
- ✓ Continued strong performance of our operations in Canada and the US.
    - Canada:
        - GPW and NPE growth of 116.5% and 53.9% respectively in Q4 2020 reflected accelerating growth in challenging markets through strengthened distribution relationships, and the benefit of hardening conditions in certain lines of business.
        - NUI growth of 14.4% over Q4 2019 and 58.5% for the full year, was a result of sustained premium growth across all lines and strong claims experience in Surety.
        - In the context of significant growth, combined ratios remained strong with ratios of 87.3% and 85.5% for Q4 2020 and the full year. Full year results compare well to the corresponding 2019 full year of 87.8%, the result of a similar loss ratio and an improved expense ratio.
        - Q4 2020 NI of $6.0 million increased 22.7% over Q4 2019 and full year NI of $19.9 million grew by 25.4%, generating a strong 19.9% ROE.
    - United States:
        - Sustained growth in GPW reaching a new high of $210.7 million in the quarter, a $39.6 million increase over Q3 2020. Full year premiums grew by $383.3 million or 145.2% over 2019.
        - Net income of $5.7 million in the quarter and $16.4 million for the full year, demonstrate the potential of the fronting model; quarterly net income almost matched Canada after three years of operations.
        - Accelerating profitability generated an ROE of 11.7% despite an increase in the capital base.
        - Continued growth in deferred fee income, a precursor to earned fees, reached $18.3 million at December 31, 2020.
        - The fronting operational ratio of 68.5% in the quarter and 70.6% for the full year is materially improved versus the corresponding periods in 2019 reflecting growth in NPE and fronting fees as the business builds scale.
- ✓ Improved asset liability matching for the full year in our Reinsurance business resulted in better profitability, mitigated by volatility through redeployment of investments in Q2.
- ✓ Interest and dividend income in our Canadian and US portfolios increased by 25.8% in Q4 2020 and 28.2% in the full year, despite a continued reduction in yields in the fixed income markets.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. To date, there have been restrictions on the conduct of business in many jurisdictions and the global movement of people and certain goods. We are closely monitoring developments related to COVID-19, including the existing and potential impact on the economy and global financial markets. Although COVID-19 has had minimal impact on our business to date, given the ongoing and dynamic nature of the circumstances surrounding COVID-19 and continuing uncertainty of its magnitude, outcome and duration, the longer-term impact of the COVID-19 pandemic on our Company, our insurance business or our financial results, if any, is difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making. See Section 7 – Risk Management.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q4 2020	Q4 2019	$ variance	% variance	2020	2019	$ variance	% variance
Gross premiums written	314,200	143,212	170,988	119.4%	926,442	448,262	478,180	106.7%
Net premiums written	88,400	39,656	48,744	122.9%	241,324	142,628	98,696	69.2%
Net premiums earned	51,091	29,710	21,381	72.0%	160,684	107,504	53,180	49.5%
Fee income	9,659	3,575	6,084	170.2%	29,719	12,206	17,513	143.5%
Net investment income (loss)	5,922	(3,868)	9,790	nm	27,779	16,243	11,536	71.0%
Settlement from structured insurance assets	-	-	-	n/a	-	8,077	(8,077)	nm
Net gains (losses)	2,822	(92)	2,914	nm	8,450	1,572	6,878	437.5%
Total revenues	69,494	29,325	40,169	137.0%	226,632	145,602	81,030	55.7%
Net claims and loss adjustment expenses	(23,096)	(687)	(22,409)	nm	(72,562)	(49,936)	(22,626)	45.3%
Net commissions	(17,484)	(9,677)	(7,807)	80.7%	(55,915)	(37,516)	(18,399)	49.0%
Operating expenses	(14,037)	(12,464)	(1,573)	12.6%	(57,560)	(45,590)	(11,970)	26.3%
Interest expense	(222)	(341)	119	(34.9%)	(1,113)	(1,361)	248	(18.2%)
Total claims and expenses	(54,839)	(23,169)	(31,670)	136.7%	(187,150)	(134,403)	(52,747)	39.2%
Income before income taxes	14,655	6,156	8,499	138.1%	39,482	11,199	28,283	252.5%
Income tax expense	(3,706)	(1,984)	(1,722)	86.8%	(7,040)	(6,105)	(935)	15.3%
Net income	10,949	4,172	6,777	162.4%	32,442	5,094	27,348	536.9%
Other comprehensive income (loss)	2,800	(1,188)	3,988	nm	96	808	(712)	(88.1%)
Comprehensive income	13,749	2,984	10,765	360.8%	32,538	5,902	26,636	451.3%
Earnings per common share - diluted - in dollars	1.05	0.47	0.58	123.9%	3.28	0.69	2.59	375.4%
Adjusted earnings per common share - diluted - in dollars (1)	0.96	0.57	0.39	68.4%	3.68	1.92	1.76	91.7%
Book value per share - in dollars	28.23	21.58	6.65	30.8%	28.23	21.58	6.65	30.8%
ROE(1)	13.4%	3.5%	n/a	9.9pts	13.4%	3.5%	n/a	9.9pts
Adjusted ROE(1)	15.0%	9.4%	n/a	5.6pts	15.0%	9.4%	n/a	5.6pts

(1) See Non-IFRS financial measures in Section 10 – Accounting and Disclosure Matters.

Premium Revenue and Fee Income

Premium growth continued for the quarter and full year period with GPW more than doubling over the comparable periods in 2019 driven by continued acceleration in the US and growth in Canada. NPW growth for the quarter and the full year was significant, but full year growth was lower than growth in GPW due to the high percentage of business ceded to reinsurers. Strength in NPE growth for the quarter and the full year was supported by the US as earned premium in 2019 was comparatively lower during the US business' first years of operation. NPE growth was also supported by our Canadian lines, where strong growth continued. The increase in fee income in both the quarter and full year periods was driven primarily by fronting fees from the US, supported by consistent fee income in Canada.

Net Claims

Net claims in the quarter were greater than 2019, reflecting claims expense in 2020 associated with our life annuity reserves. Importantly, a significant portion of these reserve increases associated with the annuity reserves are offset by investment income (see Section 5 – Investment Performance Review). Net claims in the quarter grew for the US and Canada primarily reflecting growth in the business. With the exception of the impact of the life annuity reserves, net claims expense grew in the full year period in line with growth of the business with a majority of the increase represented by the US operations and Corporate Insurance, mitigated by strong claims experience in Surety.

Operating Expenses

Operating expenses in Q4 2020 were comparable to Q4 2019. The increase in operating expenses for the full year was driven by share-based compensation, as the increasing value of our share price led to an increase in the value of certain outstanding options. Excluding share-based compensation, operating expenses increased 20.3% in the quarter and 15.8% in the YTD periods, reflective primarily of growth in the US operations. Management expects that the impact of share-based compensation should be mitigated going forward as we have completed a program to hedge market exposure of share-based compensation.

Net Commissions

Net commissions expense has grown for the quarter by 80.7% and for the full year by 49.0% as a result of growth in GPW. Growth of Net commissions is in line with the growth in Net premiums earned, which is to be expected.

Net Investment Income

See Section 5 – Investment Performance Review.

Other Comprehensive Income (Loss)

See Section 5 – Investment Performance Review.

Income Tax Expense

In Q4 2020, the effective tax rate was approximately 25.2% which is in line with expectations. For the full year, the effective tax rate was 17.8% due to the recognition of a Deferred tax asset in Q1 2020 related to previously unrecognized tax losses. For additional information see Note 27 of the Consolidated Financial Statements.

Net Income

Net income for the quarter and full year was higher than prior year primarily as a result of maturation of the US platform, and strong growth in Canada. For the full year period, results were also supported by improved asset liability matching in the Reinsurance business compared to the prior year.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

EPS, Adjusted EPS, BVPS, Adjusted ROE and ROE

Quarterly diluted EPS of $1.05 compares favourably to $0.47 in Q4 2019 and improved as a result of growth, a stronger contribution from our fronting operations in the US, and realized gains, and mitigated by an increase in the average number of shares outstanding following our equity raise in May 2020. EPS of $3.28 was greater than $0.69 in the prior year, as a result of growth in the Canadian and US operations, as well as improved asset liability matching in the Reinsurance operations. BVPS of $28.23 was an increase of 30.8% over Q4 2019, as a result of an increase in net income over the prior year, as well as an equity raise in 2020 which was accretive to BVPS.

We have introduced Adjusted EPS, a measure meant to adjust for non-recurring items and normalize earnings for core operations to reflect the potential of our North American specialty operations. A detailed bridge between EPS and Adjusted EPS is included in Section 10 – Accounting and Disclosure Matters. Adjusted EPS grew by 68.4% in Q4 2020 compared to Q4 2019, less than growth in EPS, due to the impact of Net gains (losses). For the full year, Adjusted EPS grew by 91.6%, less than growth in EPS primarily as a result of the adjustment for the impact of the annuity reserves.

BALANCE SHEET ANALYSIS

As at	December 31, 2020	December 31, 2019	$ variance
Cash and cash equivalents	136,519	85,905	50,614
Investments	503,684	392,617	111,067
Premiums and accounts receivable, and other assets	178,883	86,669	92,214
Recoverable from reinsurers	676,972	293,068	383,904
Deferred acquisition costs	188,190	104,197	83,993
Capital assets and intangible assets	13,907	14,477	(570)
Deferred tax assets	8,577	1,460	7,117
Total assets	1,706,732	978,393	728,339
Accounts payable, accrued and other liabilities	57,343	40,916	16,427
Reinsurance premiums payable	151,707	80,186	71,521
Unearned premiums	592,711	328,091	264,620
Unearned reinsurance commissions	100,281	51,291	48,990
Unpaid claims and loss adjustment expenses	487,271	257,880	229,391
Loan payable	27,555	29,700	(2,145)
Total liabilities	1,416,868	788,064	628,804
Shareholders' equity	289,864	190,329	99,535
Total liabilities and shareholders' equity	1,706,732	978,393	728,339

Total assets at December 31, 2020 were $728.3 million higher than at December 31, 2019 as a result of growth across our Specialty P&C businesses as well as our equity raise in May 2020. The growth in the US has led to increases across a number of categories, particularly Recoverables from reinsurers which has grown alongside growth in premium and ceded premium. The nature of the fronted operations of the US business generate significant Recoverables from reinsurers, which increase alongside an increase in Unearned premiums and Unpaid claims and loss adjustment expenses. These recoverables are regularly monitored in accordance with the Company's reinsurance risk management policies and are generally owing from reinsurers with A.M. Best ratings of A- or higher or are otherwise fully collateralized. Investments also increased significantly as funds from the equity raise were invested.

Deferred tax assets increased as a result of the recognition of the deferred tax asset associated with previously unrecognized tax losses (see Note 27 of the Consolidated Financial Statements).

The main drivers of liability increases were Unearned premiums, and Unpaid claims and loss adjustment expenses primarily as a result of business growth in the US. These increases are partially offset by an increase in Recoverable from reinsurers.

SHARE CAPITAL

Our authorized share capital consists of: (i) an unlimited number of common shares; (ii) an unlimited number of non-voting shares; and (iii) an unlimited number of preference shares (issuable in series).

In Q2 2020, the Company completed a $65.1 million equity raise, to support growth in the US. The Company issued an additional 1,449,250 shares.

In Q3 2019, the Company completed a $55.7 million equity raise, to support growth in the US, as well as to further improve asset liability matching at Trisura International. The Company issued an additional 2,197,939 shares.

As at December 31, 2020, 10,268,869 common shares were issued and outstanding.

LIQUIDITY

Both short-term and long-term liquidity sources are available to the Company. Short-term liquidity sources immediately available include: (i) cash and cash equivalents, (ii) our portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include receipt of net premiums, fee income and investment income and; (iv) bank loan facilities including our revolving credit facility (see Note 20 to the Consolidated Financial Statements). These funds are used primarily to pay claims and operating expenses, service the Company's credit facility and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio of Trisura Canada was 249% at December 31, 2020 (258% as at December 31, 2019), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI, as well as the Company's internal targets.

Trisura US's capital and surplus of $122.6 million USD as at December 31, 2020 ($83.3 million USD as at December 31, 2019) was in excess of the various Company Action Levels of the states in which it is licensed.

Trisura International's capital of $10.3 million USD as at December 31, 2020 ($14.2 million USD as at December 31, 2019) was sufficient to meet the FSC's regulatory capital requirement.

The Company's debt-to-capital ratio of 8.7% as at December 31, 2020 (13.5% as at December 31, 2019), was below our long-term target debt-to-capital ratio of 20.0% as a result of our May equity raise and growth in book value from strong earnings.

The Company is well-capitalized and we expect to have sufficient capital to meet our regulatory capital requirements, fund our operations and support our current business plans.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 4 – PERFORMANCE REVIEW

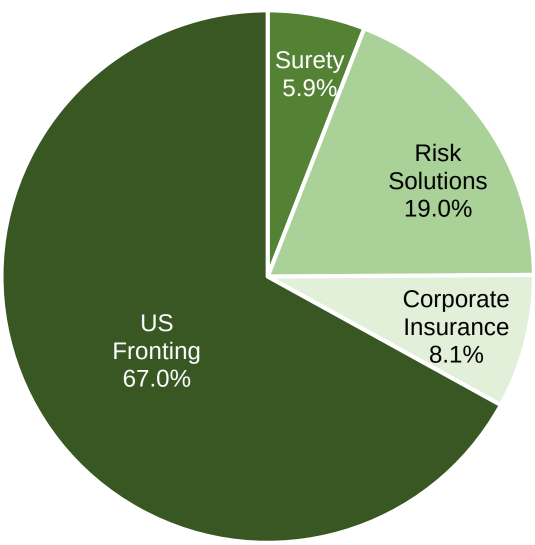
SPECIALTY P&C

Our Specialty P&C business consists of our Surety, Risk Solutions, and Corporate Insurance business lines which we write in Canada and a broad range of surplus lines in the US written through a fronting model, referred to as US Fronting.

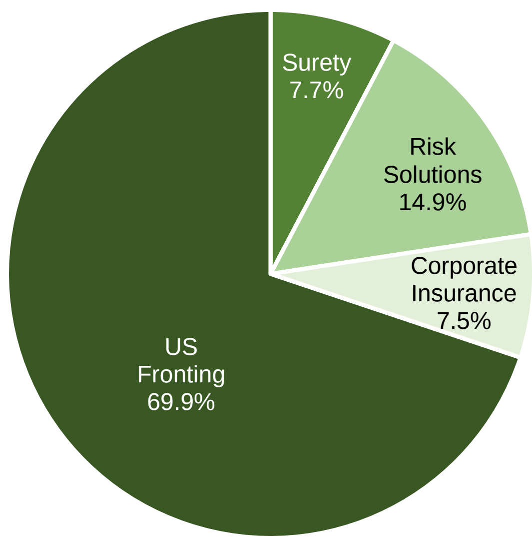
The tables and charts below provide a segmentation of our Specialty P&C GPW and NPW for the fourth quarter and full year of 2020 and 2019, respectively. Our US operation produced 69.9% of GPW in 2020 having commenced writing business in Q1 2018. Premium growth was also supported by momentum in Canada across all lines in the quarter and full year periods.

GPW	Q4 2020	Q4 2019	% growth over prior year	2020	2019	% growth over prior year
Surety	18,572	14,514	28.0%	71,575	59,028	21.3%
Risk Solutions	59,432	19,565	203.8%	137,717	77,838	76.9%
Corporate Insurance	25,519	13,730	85.9%	69,843	47,373	47.4%
US Fronting	210,654	95,371	120.9%	647,183	263,911	145.2%
Total GPW	314,177	143,180	119.4%	926,318	448,150	106.7%

**Gross Premiums Written
Q4 2020**



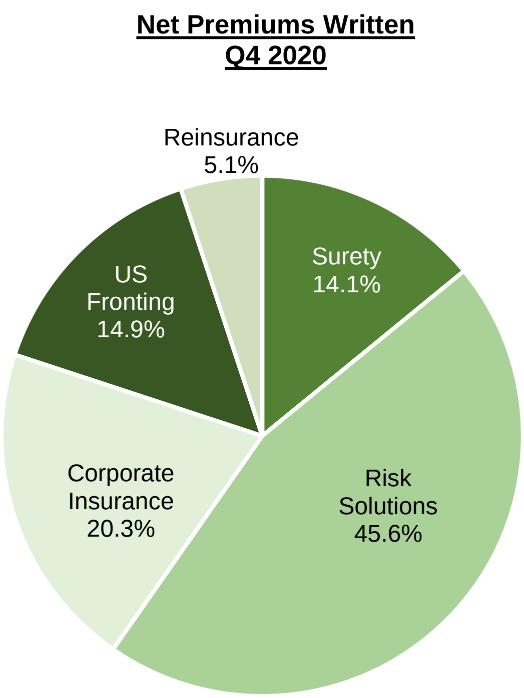
**Gross Premiums Written
2020**

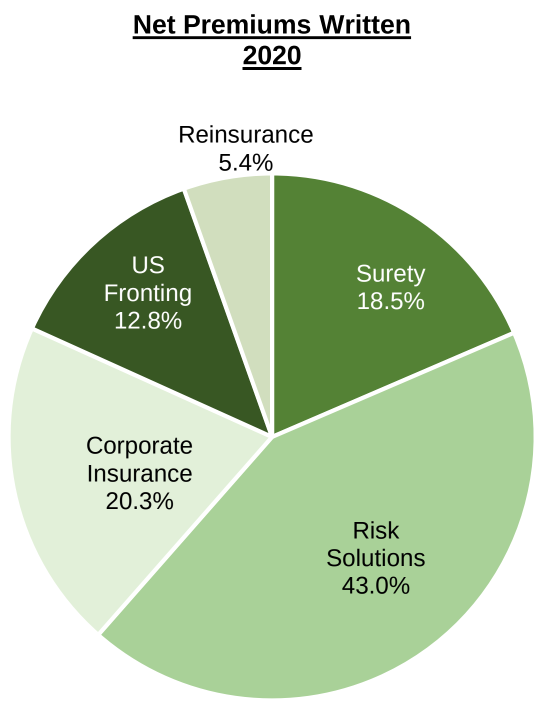


(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Total NPW more than doubled in the quarter and grew by 69.7% in the full year period, with growth led by US Fronting, Risk Solutions and Corporate Insurance. Our US operations continued to cede premium to our Reinsurance business in the quarter, resulting in premium generation for our Reinsurance business in 2020 for the first time since entering run-off. In certain tables, the premiums ceded to the reinsurance business are grouped with US Fronting to better reflect the result of the business, and are identified as such.

NPW	Q4 2020	Q4 2019	% growth over prior year	2020	2019	% growth over prior year
Surety	12,447	9,213	35.1%	44,723	40,400	10.7%
Risk Solutions	40,329	15,119	166.7%	103,622	52,444	97.6%
Corporate Insurance	17,996	9,711	85.3%	48,941	34,995	39.9%
US Fronting	13,151	5,228	151.5%	30,922	14,328	115.8%
Reinsurance	4,477	-	nm	13,116	-	nm
Total NPW	88,400	39,271	125.1%	241,324	142,167	69.7%





(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

CANADA

The table below presents financial highlights for our Canadian operations.

	Q4 2020	Q4 2019	$ variance	% variance	2020	2019	$ variance	% variance
Gross premiums written	103,523	47,809	55,714	116.5%	279,135	184,239	94,896	51.5%
Net premiums written	70,772	34,043	36,729	107.9%	197,286	127,839	69,447	54.3%
Net premiums earned	41,177	26,754	14,423	53.9%	133,535	100,510	33,025	32.9%
Fee income	1,046	472	574	121.6%	5,027	4,246	781	18.4%
Net underwriting revenue	42,223	27,226	14,997	55.1%	138,562	104,756	33,806	32.3%
Net underwriting income	5,215	4,562	653	14.3%	19,433	12,265	7,168	58.4%
Net investment income	1,863	2,010	(147)	(7.3%)	7,842	7,796	46	0.6%
Net income	5,965	4,864	1,101	22.6%	19,865	15,842	4,023	25.4%
Comprehensive income	12,136	5,883	6,253	106.3%	19,419	19,242	177	0.9%
Loss ratio: current accident year	25.2%	25.0%		0.2pts	27.6%	27.1%		0.5pts
Loss ratio: prior years' development	4.8%	(3.2%)		8.0pts	(2.3%)	(2.6%)		0.3pts
Loss ratio	30.0%	21.8%		8.2pts	25.3%	24.5%		0.8pts
Expense ratio	57.3%	61.1%		(3.8pts)	60.2%	63.3%		(3.1pts)
Combined ratio	87.3%	82.9%		4.4pts	85.5%	87.8%		(2.3pts)
ROE	19.9%	19.1%		0.8pts	19.9%	19.1%		0.8pts

In the quarter and full year periods GPW growth was substantial across all lines led by Risk Solutions and Corporate Insurance. Risk Solutions continued to benefit from the addition of new programs and fronting relationships. Corporate insurance has benefitted from a hardening insurance market with improved pricing and growth in distribution partnerships. Growth in Surety primarily reflects continued expansion of our market share as well as product expansion.

In Q4 2020 and for the full year 2020, growth in NPE was the result of the factors discussed above.

Increases in Fee income in Q4 2020 reflected product expansion in Surety, specifically into new home warranty products. Growth in fee income for 2020 was the result of growth in surety accounts, as well as expansion of certain new home warranty products that generate fee income.

The loss ratio of 30.0% for Q4 2020 and 25.3% for full year increased over both periods for 2019. This was primarily driven by an increase in the loss ratio in Corporate Insurance which offset the strong improvement in the Surety loss ratio for both Q4 and the full year. The expense ratio decreased to 57.3% for Q4 2020 compared to 61.1% for Q4 2019, as a result of operational leverage and increased profit sharing from Surety reinsurers. The expense ratio fell to 60.2% for 2020 compared to 63.3% for 2019. The improved expense ratio for the full year reflects improved operational leverage, a reduction in certain operational costs due to the COVID-19 shutdown, as well as the impact of profit sharing arrangements with our reinsurers. In Q4 2020, the combined ratio was greater than Q4 2019 as a result of a higher loss ratio, and for the full year 2020 the combined ratio was lower than 2019 as a result of the lower expense ratio.

Net underwriting income for Q4 2020 experienced growth of 14.3% and full year 2020 experienced growth of 58.4%, a result of growth across all lines, an improved loss ratio in surety and the impact of profit sharing arrangements with our reinsurers.

Investment income for both Q4 2020 and full year 2020 was comparable to the corresponding periods in 2019. See Section 5 – Investment Performance Review for further discussion.

Strong operating results resulted in strong growth in net income of 22.6% for Q4 2020 and 25.4% for the full year.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Surety

The main products offered by our Surety business line are:

- ✓ Contract surety bonds, such as performance and labour and material payment bonds, primarily for the construction industry;
- ✓ Commercial surety bonds, such as license and permit, tax and excise, and fiduciary bonds, which are issued on behalf of commercial enterprises and professionals to governments, regulatory bodies or courts to guarantee compliance with legal or fiduciary obligations; and
- ✓ Developer surety bonds, comprising mainly bonds to secure real estate developers’ legislated deposit and warranty obligations on residential projects.

In Q4, Surety accounted for 5.9% and 14.1% of our overall GPW and NPW, respectively. For the full year, Surety accounted for 7.7% and 18.5% of overall GPW and NPW, respectively.

	Q4 2020	Q4 2019	$ variance	% variance	2020	2019	$ variance	% variance
Gross premiums written	18,572	14,514	4,058	28.0%	71,575	59,028	12,547	21.3%
Net premiums written	12,447	9,213	3,234	35.1%	44,723	40,400	4,323	10.7%
Net premiums earned	10,232	9,425	807	8.6%	40,103	37,358	2,745	7.4%
Fee income	1,046	472	574	121.6%	5,027	4,241	786	18.5%
Net underwriting revenue	11,278	9,897	1,381	14.0%	45,130	41,599	3,531	8.5%
Net underwriting income	4,914	1,364	3,550	260.3%	14,789	5,543	9,246	166.8%
Loss ratio: current accident year	8.5%	35.2%		(26.7pts)	14.6%	31.4%		(16.8pts)
Loss ratio: prior years' development	3.4%	(9.1%)		12.5pts	(4.2%)	(7.0%)		2.8pts
Loss ratio	11.9%	26.1%		(14.2pts)	10.4%	24.4%		(14.0pts)

Q4 2020 Surety GPW demonstrated strong 28.0% growth over Q4 2019. Full year premiums growth was significant, at 21.3% over 2019. The growth has been primarily driven by our expansion of our Developer surety products in western Canada and continued growth in Commercial Surety attributed to large bonds issued for new accounts, as well as growth with distribution partnerships.

The growth in NPW was strong in Q4 as a result of the growth in new home warranty products, a component of the developer surety business, in the quarter. Growth in NPW for the year was primarily a result of growth in Commercial and Developer surety, and was lower than growth in GPW as a result of a number of large bonds which have been issued during the period where proportionately more premium is ceded to reinsurers. Growth in NPE for Q4 2020 and full year was primarily the result of growth in Commercial and Developer surety.

For Q4 2020 and full year, Surety experienced a lower claims ratio than Q4 2019 and full year 2019, as a result of fewer claims than the prior period. Since the beginning of the COVID-19 pandemic, most construction projects have been deemed essential through the economic shutdowns and contractors have continued working. This has had a positive impact on the loss ratio.

Net underwriting income for the quarter increased to $4.9 million compared to $1.4 million in Q4 2019 driven by growth, and an improved loss ratio in the quarter. 2020 net underwriting income reflected both our growth and improvements in loss ratios over 2019.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, in some cases through fronting arrangements, to meet the specific requirements of program administrators, managing general agents, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs.

In 2018, the Company incorporated Trisura Warranty Services Inc. (“Trisura Warranty”), and in Q1 2019 purchased an existing book of warranty contracts from a third party, which Trisura Warranty will continue to administer. Trisura Warranty has begun to sell warranty products which will serve as a complimentary business to the insurance products sold through Trisura Canada. Financial results of Trisura Warranty are currently not material and are grouped with the Canadian Specialty P&C results, as part of Risk Solutions for the purpose of the MD&A.

In Q4 2020, Risk Solutions accounted for 19.0% and 45.6% of our overall GPW and NPW, respectively. For the full year, Risk Solutions accounted for 14.9% and 43.0% of our overall GPW and NPW, respectively.

	Q4 2020	Q4 2019	$ variance	% variance	2020	2019	$ variance	% variance
Gross premiums written	59,432	19,565	39,867	203.8%	137,717	77,838	59,879	76.9%
Net premiums written	40,329	15,119	25,210	166.7%	103,622	52,444	51,178	97.6%
Net premiums earned	18,120	8,768	9,352	106.7%	51,696	31,193	20,503	65.7%
Fee income	-	-	-	nm	-	5	(5)	nm
Net underwriting revenue	18,120	8,768	9,352	106.7%	51,696	31,198	20,498	65.7%
Net underwriting income	572	974	(402)	(41.3%)	4,788	3,131	1,657	52.9%
Loss ratio: current accident year	22.0%	31.2%		(9.2pts)	23.8%	29.8%		(6.0pts)
Loss ratio: prior years' development	4.9%	(9.8%)		14.7pts	(1.2%)	(8.3%)		7.1pts
Loss ratio	26.9%	21.4%		5.5pts	22.6%	21.5%		1.1pts

Risk solutions GPW and NPW for Q4 2020 increased significantly over Q4 2019 from the addition of new programs in the warranty space, and revenue from fronting arrangements. Year over year growth has been primarily due to the addition of new programs, supplemented by growth in existing programs as economic shutdowns normalized in the latter half of the year.

Year over year growth in NPE was driven by maturation of the portfolio resulting in greater earned premiums from programs written in prior years, as well as the impact of the new programs.

In Q4 2020 the loss ratio increased compared to the same period in the prior year, largely due to an adjustment to an existing reserve for a program that is in run-off. Claims on active programs continued to be in line with expectations. The 2020 loss ratio for the full year was similar to that of 2019.

Net underwriting income in Q4 2020 was below Q4 2019 primarily as a result of an increase in the loss ratio. Net underwriting income for 2020 was ahead of 2019 as a result of growth in the business, and in particular related to maturation of longer term policies written in prior years where earnings have been deferred.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Corporate Insurance

The main products offered by our Corporate Insurance business line are Directors’ & Officers’ insurance for public, private and non-profit enterprises, professional liability insurance for both enterprises and professionals, technology and cyber liability insurance for enterprises commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial enterprises and financial institutions.

In Q4 2020 Corporate Insurance represented 8.1% and 20.3% of our overall GPW and NPW respectively. For the full year, Corporate Insurance represented 7.5% and 20.3% of our overall GPW and NPW respectively.

	Q4 2020	Q4 2019	$ variance	% variance	2020	2019	$ variance	% variance
Gross premiums written	25,519	13,730	11,789	85.9%	69,843	47,373	22,470	47.4%
Net premiums written	17,996	9,711	8,285	85.3%	48,941	34,995	13,946	39.9%
Net premiums earned	12,825	8,563	4,262	49.8%	41,736	31,960	9,776	30.6%
Net underwriting revenue	12,825	8,563	4,262	49.8%	41,736	31,960	9,776	30.6%
Net underwriting (loss) income	(271)	2,226	(2,497)	(112.2%)	(144)	3,591	(3,735)	(104.0%)
Loss ratio: current accident year	43.1%	27.6%		15.5pts	44.6%	35.4%		9.2pts
Loss ratio: prior years' development	5.7%	(10.0%)		15.7pts	(1.7%)	(8.1%)		6.4pts
Loss ratio	48.8%	17.6%		31.2pts	42.9%	27.3%		15.6pts

GPW, NPW and NPE grew strongly in Q4 and on a full year basis. This was due to new business growth, stable policy retention, increasing rates in many lines of business as well as business from partnerships with certain MGAs, where the Company cedes a larger portion of the business to reinsurers on some of the partnerships.

In the quarter, the loss ratio increased from Q4 2019, with higher current accident year losses as well as an increase in prior years’ development. Current accident year loss ratio has increased, in part to reflect the uncertainty related to potential COVID-19 related claims. An increase in certain claims from prior accident years resulted in an increase in prior years’ development loss ratio. The magnitude of growth experienced by Corporate Insurance also impacted the current accident year loss ratio, as new business bound was reserved for at a higher rate than prior years to reflect the uncertainty related to the current economic environment. Should the economic climate become more certain, the current year loss ratio may return to previous levels. For the full year, the loss ratio increased due to increased severity of certain claims and less favourable prior years’ development. It is important to note that a portion of this prior years’ development accrued under an older reinsurance structure where our net retention was higher. This structure was amended in 2016.

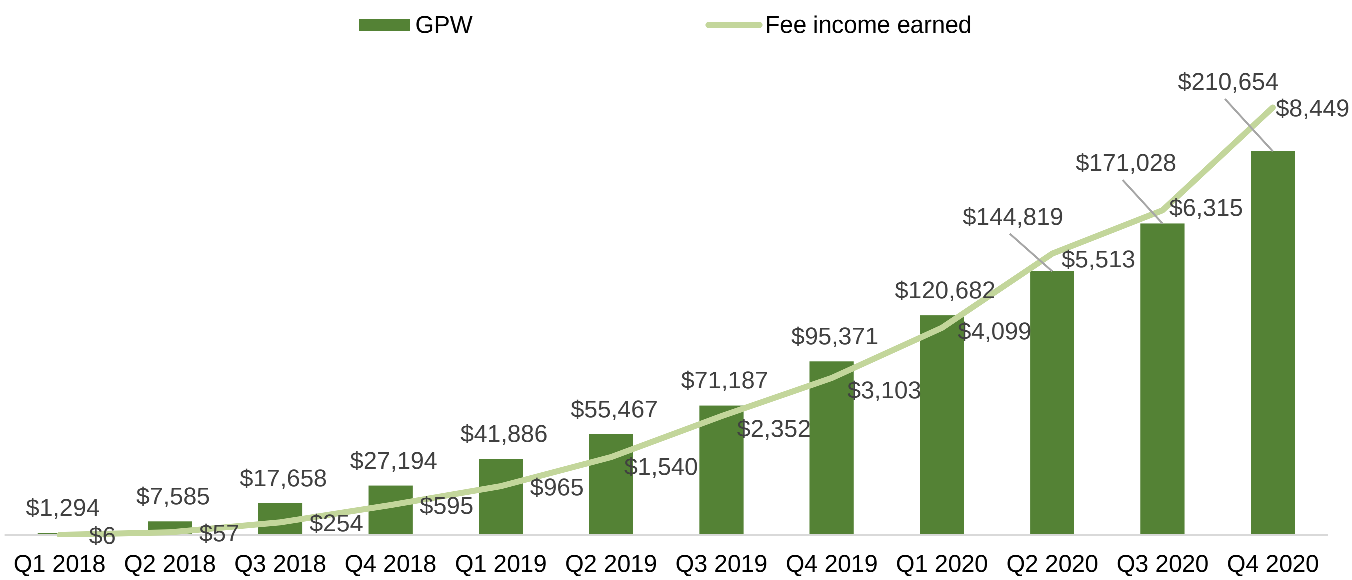
The dynamics described above resulted in a small Net underwriting loss in Q4 2020 and the full year period.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

UNITED STATES

Our US company is a non-admitted surplus line insurer in all states, operating as a hybrid fronting carrier with a fee-based business model. We are actively expanding our admitted licenses, with licenses in 46 states and the intention of gaining admitted licenses across all 50 states in time.

Our US company continued to accelerate premium generation, producing GPW of $210.7 million in Q4 2020 across 48 programs. The graph below shows the evolution of GPW, fee income earned [1], and the number of programs bound in the US.

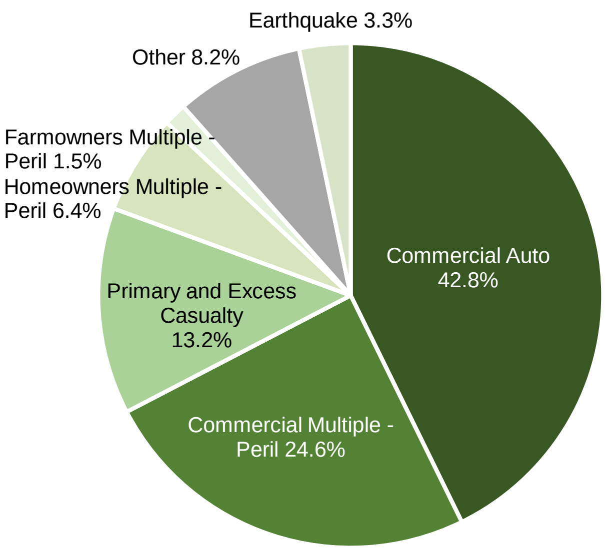


Number of Programs bound	4	11	11	14	16	23	25	29	35	38	40	48

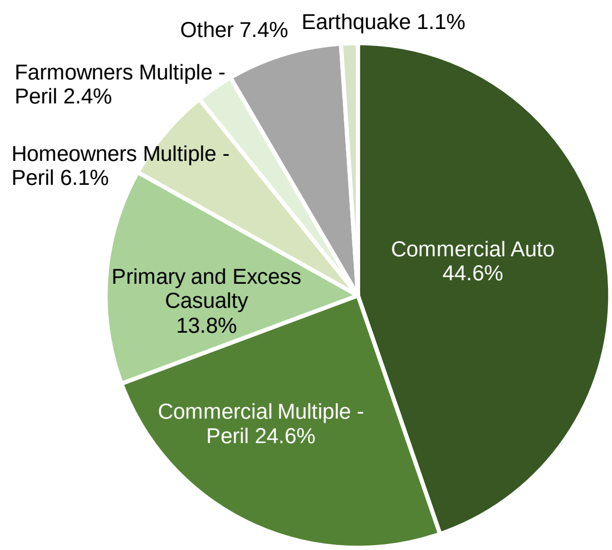
(1) Fee income earned excludes fees earned on premiums ceded to captive reinsurance operations.

The charts below provide a segmentation by class of business of our US GPW and NPW for Q4 2020 and 2020. The charts include premiums ceded to the captive reinsurance operations.

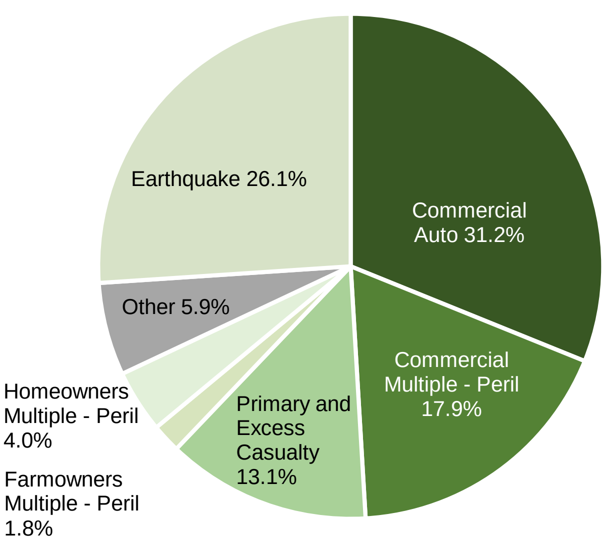
Gross Premiums Written Q4 2020(1)



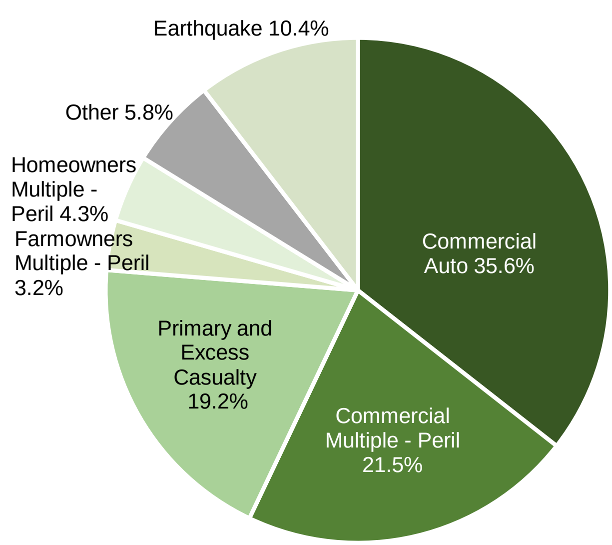
Gross Premiums Written 2020(1)



Net Premiums Written Q4 2020(1)



Net Premiums Written 2020(1)



(1) "Other" includes Auto Physical Damage, Allied Lines – Flood, MonoLine Property and Inland Marine.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

The table below presents financial highlights for our US operations. The table includes premiums ceded to the captive reinsurance operations, and excludes fronting fees earned on premiums ceded to the captive reinsurance operations.

	Q4 2020	Q4 2019	$ variance	% variance	2020	2019	$ variance	% variance
Gross premiums written	210,654	95,371	115,283	120.9%	647,183	263,911	383,272	145.2%
Net premiums written	17,605	5,583	12,022	215.3%	43,915	14,683	29,232	199.1%
Net premiums earned	9,891	2,924	6,967	238.2%	27,026	6,887	20,139	292.4%
Fee income	8,449	3,103	5,346	172.3%	24,375	7,960	16,415	206.2%
Net underwriting revenue	18,340	6,027	12,313	204.3%	51,401	14,847	36,554	246.2%
Net underwriting income	5,780	1,272	4,508	354.4%	15,113	2,252	12,861	571.1%
Net investment income	1,158	896	262	29.2%	3,880	2,112	1,768	83.7%
Net income	5,710	1,570	4,140	263.7%	16,382	3,816	12,566	329.3%
Comprehensive income (loss)(1)	2,136	(281)	2,417	nm	14,908	2,239	12,669	565.8%
Loss ratio	75.9%	60.9%			74.0%	63.2%		
Retention rate	8.4%	5.9%			6.8%	5.6%		
Fees as percentage of ceded premium	6.0%	5.8%			5.8%	5.7%		
Fronting operational ratio	68.5%	78.9%			70.6%	84.8%		
ROE(2)	11.7%	5.0%			11.7%	5.0%		

(1) Comprehensive income (loss) includes the impact of cumulative translation adjustments.
(2) ROE excludes premiums ceded to the captive reinsurance operations.

The table below shows Deferred fee income as at Q4 2020, compared to Q4 2019.

As at	December 31, 2020	December 31, 2019	$ variance
Deferred fee income	18,306	8,286	10,020

GPW and NPW grew significantly over the prior year period for both the quarter and full year. The increase was a result of the addition of new programs as well as maturation of existing programs. Growth in NPW was higher than growth in GPW in Q4 2020 and for the full year as our US operations wrote more business in the period with a higher retention. In the quarter, $11.2 million USD of premium were generated by admitted programs.

The US operations retained 8.4% of GPW in Q4 2020 and 6.8% for the full year inclusive of GPW retained by our reinsurance operations. The remainder of which was ceded to third party reinsurers. The increase in retention in both periods reflects a more mature business mix and selective increased retention on renewed programs. We continue to target retention between 5.0% and 10.0% on all new programs, after which we contemplate ceding to our captive reinsurer. Fees as a percentage of ceded premium were 6.0% in Q4 2020 and 5.8% for the full year which is comparable to 2019. The results in this section are inclusive of any premiums ceded to our Reinsurance operations.

NPE has grown significantly in both the quarter and full year periods over 2019 as a result of the growth in premium written throughout 2019 and 2020 from both new and maturing programs. Fee income in the US reflects fronting fees received from reinsurers which are recognized over the life of the insurance contracts with which they are associated. The earnings pattern of fee income is similar to that of net premium earned. Earned fronting fees (Fee income) have grown strongly over the comparable periods in 2019 reaching $8.4 million in the quarter, and $24.4 million for the full year, a result of the significant growth in premiums in 2020 and their associated fee income.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

The loss ratio increased for Q4 and the full year as US property business experienced losses associated with civil unrest and storm activity in the quarter. Excluding these events which are associated with more volatile lines of business, the loss ratio continues to be in line with expectations, supporting profitability.

The fronting operational ratio continued to improve to 68.5% in the quarter and 70.6% for the full year, significantly better than in 2019 reflecting growth in NPE and fronting fees as the business builds scale.

Increases in investment income reflect a larger pool of assets as a result of the equity raises as well as reinvested earnings. Net Income increased in Q4 and in the full year over the same periods in 2019, primarily as a result of increased fee income as program volume and program partners continued to grow.

Our US operations continued its trend of growing profitability, achieving an 11.7% ROE, following a significant increase in equity in Q2 2020.

REINSURANCE

Our Reinsurance business ceased writing third party business in 2008 but previously wrote quota share reinsurance (prospective), loss portfolio transfers (retrospective) and niche, specialty contracts covering international risks across multiple commercial lines. Currently our international Reinsurance business is managing its remaining portfolio of in-force reinsurance contracts, and has commenced writing business in support of our US operations.

The remaining in-force portfolio of third-party reinsurance contracts is dominated by one large life annuity reinsurance contract denominated in Euros. We measure the performance of our Reinsurance business by reference to net income in order to capture (i) the change in annuity reserves which is included in claims expense; (ii) the offsetting change in the value of the supporting assets, which is included in net investment income as these supporting assets are designated FVTPL.

	Q4 2020	Q4 2019	$ variance	2020	2019	$ variance
Net (loss) income from life annuity	(611)	163	(774)	(4,588)	(15,773)	11,185
Settlement from structured insurance assets	-	-	-	-	8,077	(8,077)
Operating expenses and other (1)	(731)	(531)	(200)	(2,131)	(786)	(1,345)
Net loss from legacy reinsurance	(1,342)	(368)	(974)	(6,719)	(8,482)	1,763
Net income from reinsurance assumed from US Fronting	168	21	147	501	3	498
Net loss before tax	(1,174)	(347)	(827)	(6,218)	(8,479)	2,261

(1) Includes operating and other expenses, operational income from legacy property casualty business currently in run-off, and certain gains/losses.

Net loss from legacy reinsurance in the quarter was driven by a slight mismatch in asset liability matching, and updated actuarial assumptions adopted in the quarter. Our asset liability matching is a market-based program and can experience volatility alongside volatile markets. Net loss from legacy reinsurance for the full year 2020 was lower than 2019 as a result of improved asset liability matching over the course of the year. To further strengthen our asset liability matching in 2020 we appointed a specialist external investment manager for this portfolio effective April 1, 2020. Following volatility experienced through the transition in Q2 2020, our new portfolio manager achieved improved matching in the remainder of the year, demonstrated by the improved full year results.

Operating expenses and other in the quarter were higher than 2019 due to higher FX losses in 2020, as well as the impact of greater investment income in 2019 than 2020. In the full year period, Operating expenses and other was higher than 2019 as the prior year benefitted from higher investment income and FX gains.

In Q4 2020 and for the full year 2020, positive net income has been generated from the reinsurance assumed in support of the US operations.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

CORPORATE

Our corporate results represent expenses that do not relate specifically to any one business line of the Company as well as debt servicing costs and certain derivative gains and losses on hedging instruments.

In Q4 2020 and full year periods corporate expenses were lower than Q4 2019 and full year 2019 due to lower compensation costs, which were higher in prior periods as a result of certain staffing transition costs, as well as an updated allocation of certain expenses to subsidiaries.

Share-based compensation includes payment to directors and senior management and is impacted by movement in the share price. Share-based compensation was lower in Q4 2020 compared to Q4 2019 because of the comparatively lower increase in the value of our share price, and the increased effectiveness of our share-based compensation hedging program. Importantly, we have completed the hedging program for share-based compensation and expect that it will mitigate future share-based compensation volatility. Derivative gains of $0.6 million for Q4 2020 and $2.3 for the full year are included in the Share-based compensation line below. Derivative gains and losses are presented in Net gains on the Consolidated Financial Statements.

Debt servicing costs declined in Q4 and full year period as we benefitted from lower prevailing interest rates on our revolving credit facility.

	Q4 2020	Q4 2019	$ variance	2020	2019	$ variance
Corporate expenses	(240)	(327)	87	(1,109)	(2,102)	993
Share-based compensation	(180)	(1,231)	1,051	(5,184)	(2,099)	(3,085)
Debt servicing	(120)	(257)	137	(663)	(1,039)	376
Corporate	(540)	(1,815)	1,275	(6,956)	(5,240)	(1,716)

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

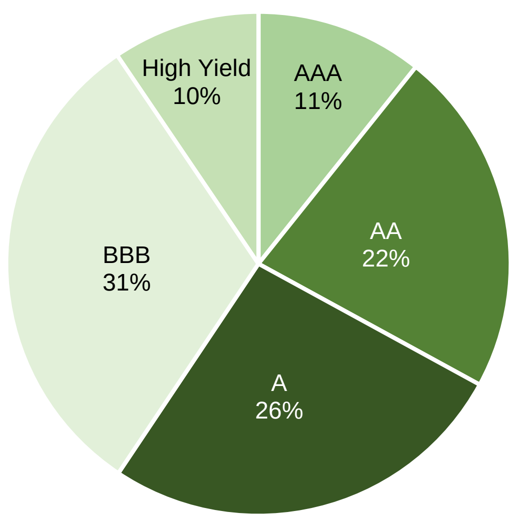
OVERVIEW

The Company's investment policy seeks to achieve attractive total returns without incurring an undue level of investment risk while supporting our liabilities and maintaining strong regulatory and economic capital levels. We take a centralized investment approach across all subsidiary portfolios and invest with a global posture.

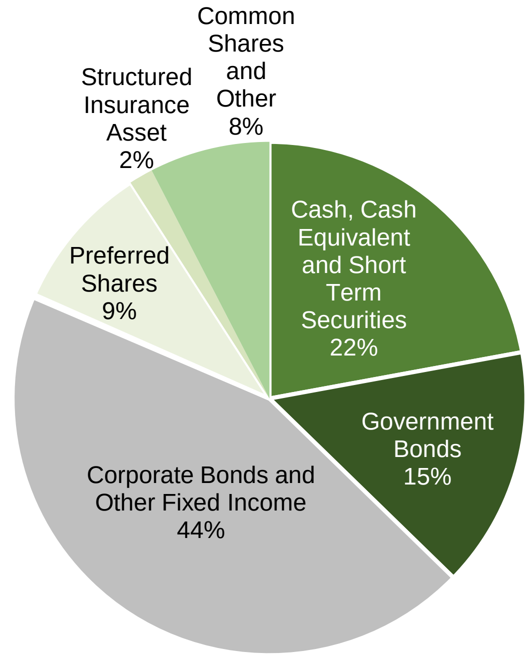
SUMMARY OF INVESTMENT PORTFOLIO

Our $640.2 million investment portfolio consists of cash and cash equivalents, short-term securities, government and corporate bonds, preferred shares, common shares and a small amount of alternative investments. Over ninety percent of our fixed income holdings are highly liquid, investment grade bonds.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

INVESTMENT PERFORMANCE

Investment Income

	Q4 2020	Q4 2019	$ variance	2020	2019	$ variance
Canada	1,863	2,010	(147)	7,842	7,796	46
United States	1,158	665	493	3,880	2,112	1,768
Reinsurance Operations	2,689	(6,543)	9,232	15,594	6,335	9,259
Corporate	212	-	212	463	-	463
Investment income (loss)	5,922	(3,868)	9,790	27,779	16,243	11,536
Net gains (losses)	2,822	(92)	2,914	8,450	1,572	6,878
Net investment income (loss)	8,744	(3,960)	12,704	36,229	17,815	18,414
Settlement from structured insurance assets	-	-	-	-	8,077	(8,077)
Total	8,744	(3,960)	12,704	36,229	25,892	10,337

The Company's operations currently include Specialty P&C insurance in Canada and the US, and international reinsurance. These businesses focus on different market segments, geographic regions and risks and can be subject to different regulatory investment requirements and accordingly, hold different assets and currencies to support their liabilities. Consequently, investment returns are most appropriately viewed at a business unit level.

Following the equity raise in May 2020, and subsequent deployment of funds to support growth in the US, some excess capital is being managed at Trisura Group in a conservative manner. Net Investment income is driven by interest and dividend income on portfolio assets. The market-based yield of the Trisura Group portfolio as at December 31, 2020 was 3.4%. We expect to allocate additional capital to the US platform from Trisura Group as growth continues.

Canadian investment income is driven by interest and dividend income on portfolio assets. Net investment income in the quarter and for the year was stable, benefitting from increased interest and dividend income in the full year, partially offset by an adjustment to cost allocation associated with investment management fees charged from Trisura Group. The market-based yield of the Canadian portfolio as at December 31, 2020 was 3.6% (Q4 2019 – 4.1%). We continue to diversify the Canadian portfolio, having introduced additional alternative investments in Q4 2020, which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

In the quarter we continued to normalize the US portfolio to include allocations to asset classes beyond investment grade bonds. The market-based yield of the US portfolio as at December 31, 2020 was 3.4% (Q4 2019 – 3.5%). Investment income, which is primarily driven by interest income on this portfolio of bonds, grew in Q4 2020 and for the year as growth in operations led to an increase in the size of our investment portfolio, alongside the deployment of new capital from the equity raise in Q2 2020.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment income increased as interest rates fell through Q4 and full year 2020. Importantly, these investment gains were offset by reserve strengthening on the life annuity reserves. The market-based yield of the Reinsurance portfolio as at December 31, 2020 was 1.5% (Q4 2019 – 1.7%).

Net gains include realized gains and losses from sales of investments in the investment portfolio, the impact of foreign exchange related to the investment portfolio and the operations of the business, impairments and any derivative gain or loss. Net gains were greater in Q4 2020 and for the year as a result of favourable foreign exchange movements and greater realized gains.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Other Comprehensive Income (Loss) ("OCI")

	Q4 2020	Q4 2019	$ variance	2020	2019	$ variance
Unrealized gains in OCI	10,853	936	9,917	4,942	5,717	(775)
Cumulative translation	(8,053)	(2,124)	(5,929)	(4,846)	(4,909)	63
Other Comprehensive Income (Loss)	2,800	(1,188)	3,988	96	808	(712)

The Company records unrealized gains and losses in the market value of its AFS assets through OCI. The mark to market impact of these assets on OCI was positive in Q4 2020 and for the year, driven by unrealized gains in the fixed income, preferred share and equity portfolios in both Canada and the US.

Foreign exchange differences arising from the translation of the financial statements of Trisura International and Trisura US to Canadian dollars are recognized as cumulative translation gains or losses, which are also a component of OCI. Cumulative translation losses in Q4 2020 and for the year were due to the strengthening of the Canadian currency against the US dollar, driving lower Canadian dollar valuations of capital held outside of Canada.

Refer to Notes 7 and 8 in the Consolidated Financial Statements for more detail on the components of investment returns.

SECTION 6 – OUTLOOK & STRATEGY

INDUSTRY

The specialty insurance market offers products and services that are not written by most insurance companies. The risks covered by specialty insurance policies generally require specialist underwriting knowledge and technical financial and actuarial expertise. Specialty lines are niche segments of the market that tend to involve more complex risks and a more concentrated set of competitors. Consequently, these risks are difficult to place in the standard insurance market where many carriers are unable or unwilling to underwrite them. As a result, specialty insurers have more pricing and policy form flexibility than traditional market insurers whose prices and policy forms are subject to authorization and approval by insurance regulators. Specialty lines are less commoditized areas of the market where relationships, product expertise and product structure are not easily replicated. For this reason, specialty insurers have historically, and are expected to continue to outperform the standard markets by having lower claims ratios and combined ratios than traditional insurance companies.

In contrast to the standard P&C insurance market, which is divided almost evenly between personal and commercial lines, specialty insurers are focused almost exclusively on commercial lines. Even within the commercial sector, the business mix of the specialty insurers can vary significantly from that of the overall P&C industry. Although no standard definition for the specialty insurance market exists, some common examples of business written by specialty insurers include non-standard insurance, niche market segments (such as Surety, D&O and E&O) and products that require tailored underwriting. Many insurance groups with a specialty focus have several different carriers and licenses and allocate business between these carriers depending on market conditions and regulatory requirements. The agency channel is the primary distribution channel for specialty insurance. Managing general agents often serve an important role in helping carriers distribute specialty insurance products.

In the US, the excess and surplus insurance industry is more fragmented than the standard marketplace. It is estimated that the top ten players capture just under 40% of market share, with the top 25 players averaging two percent market share positions. An estimated $55.5 billion of excess and surplus insurance direct premiums were written in 2019, exhibiting significant growth compared to the broader P&C industry, expanding by 11.2%. From 2000 until 2019, the average combined ratio for excess and surplus markets was 97.0% versus 101.7% for the P&C industry.

OUTLOOK AND STRATEGY

Our Company has an experienced management team with strong industry relationships and excellent reputations with rating agencies, insurance regulators and business partners. We have operated in the Canadian specialty P&C insurance market for more than 14 years and in the international specialty reinsurance market for over 18 years, establishing a conservative underwriting and investing track record.

In Canada, we have built our brand through serving our clients, brokers and institutional partners as a leading provider of niche specialty insurance products. We will continue to build out our product offerings in existing and new niche segments of the market with suitably skilled underwriters and professionals. We remain committed to our broker distribution channel to promote and sell insurance products. We are selective in partnering with a limited brokerage force, focusing its efforts on leading brokerage firms in the industry with expertise in specialty lines. This distribution network currently comprises over 150 major international, national and regional brokerage firms operating across Canada in all provinces and territories as well as boutique niche brokers with a focus on specialty lines.

Our US business is now fully operational and demonstrating scale and profitability. It is licensed as a domestic excess and surplus lines insurer in Oklahoma operating as a non-admitted surplus lines insurer in all states, and as an admitted carrier in 46 states. We are in the process of obtaining admitted licenses in all remaining states. It is our belief that conditions are favourable for the continued growth of our US platform, which operates as a hybrid fronting carrier using a fee-based business model. Our focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our experience to date these program administrators welcome our new capacity as there is currently a lack of fronting carriers and the products and arrangements currently offered to them by the existing market do not always meet the needs of their business and clients.

Furthermore, we continue to benefit form a strong supply of highly rated international reinsurance capacity keen to partner with us to gain exposure to this business, allowing us to cede the majority of the risk on policies to these reinsurers on commercially favourable terms. This belief has been supported by our experience in the market through 2019 and 2020. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, right-sizing underwriting risk and aligning our interests with our program distribution partners and capacity providers. Our US business is already the largest component of GPW, and as we continue to grow, we expect that it will become an increasingly significant contributor to profitability.

We will continue to develop our distribution network, building on our existing partner network in Canada and our core base of program administrators in the US. Our Company will strive to increase the penetration of our products with our partners by providing the support they require to enhance the effectiveness of their sales and marketing efforts.

We also intend to consider acquisitions on an opportunistic basis and pursue those that fit with our strategic plan. Building on the knowledge and expertise of our existing operations, we intend to initially target businesses in the US that operate in similar niches of the specialty insurance market, or that can expand our licensing. The closing of 21st Century Preferred Insurance Company is a demonstration of the willingness and capabilities our team has to pursue these acquisitions. Additionally, our Reinsurance business has commenced writing new business in support of our US operations.

SECTION 7 – RISK MANAGEMENT

Our Company has developed an enterprise risk management framework and internal controls processes to identify, measure, monitor and mitigate risk. This framework is central to our business decision making including the business we choose to write and the business we choose to decline. Furthermore, for the business we write the risk management framework informs our determination of whether to retain the risk fully or to apply risk mitigation measures such as reinsurance.

CORPORATE GOVERNANCE

The Board of Directors is responsible for oversight of risk management and internal control systems and policies. The Board of Directors has established Board of Directors level risk committees at group and subsidiary levels, whose members are mostly independent of management. These committees meet quarterly to oversee and challenge the development and effectiveness of risk management frameworks and priorities and to review risk reporting. The Group Risk Management function, under the direction of the Group Chief Risk Officer, promotes sound and effective risk management across the Company by (i) ensuring that effective processes are in place to identify, assess, monitor, manage and report the risks to which the Company is or might be exposed, (ii) facilitating the setting of risk tolerances, limits and appetite by the Board and (iii) providing comprehensive and timely information on material risks which enables the Board and the Risk Committee to understand the overall risk profile of the Company. The Group Chief Risk Officer liaises with Risk Officers at subsidiary levels to develop consistency of approach with respect to risk identifying, assessing, monitoring, managing and reporting tailored to the operations of the subsidiaries. All Risk Officers at group and subsidiary levels report directly to their relevant risk committees. In addition, there are management level risk and underwriting committees at group and subsidiary levels with escalation processes to Board of Directors level committees.

The following factors in addition to the other information set forth in this MD&A and in the Company's Consolidated Financial Statements and Annual Information Form should be considered in assessing the risks to the Company and the industry and markets in which we operate. If any of the following risks occur our financial condition and results of operations would likely suffer. The following list of risks are those that the Company believes are the most significant. They are not the only risks that we face or may face in the future and other risks may emerge that could have a material adverse effect on our financial condition and results of operations.

RISKS AND UNCERTAINTIES

Highly Competitive Specialty Insurance Business

The specialty insurance business is highly competitive. Elements of competition include pricing, availability and quality of products, capacity, quality and speed of service, ratings, financial strength, distribution and technology systems and technical expertise. Our Company competes with many other insurance companies. Many of these competitors are larger and have greater financial resources than are available to our Company and have a greater ability to compete on the basis of price. Some of our competitors may offer a broader range of policy administration or other services or be willing to take on significantly more underwriting risk. Any increase in competition in this segment, especially by one or more larger companies, could materially and adversely affect our Company's business, financial condition, results of operations and prospects. Competitors may also acquire distributors to our detriment. Consolidation amongst insurance companies and distribution partners could also impact our ability to compete. As competitors introduce new products and as new competitors enter the market, our Company may encounter additional and more intense competition. Technological change implemented by insurers or new market entrants can result in a change to the competitive landscape and adversely impact our ability to compete. There can be no assurance that we will continue to increase revenues or be profitable. To a large degree, future revenues of our Company are dependent upon our ability to continue to develop and market our products and to enhance the capabilities of our products to meet changes in customer needs. We seek to manage competition risks by fostering strong relationships with our distribution partners and by focusing on their needs, delivering excellence in service and providing valuable product expertise.

Cyclical and Volatile Nature of Insurance Industry

The financial performance of the insurance industry has historically tended to fluctuate in cyclical patterns of ''soft'' markets characterized generally by increased competition, resulting in lower premium rates and underwriting standards, followed by ''hard'' markets characterized generally by lessening competition, stricter underwriting standards and increasing premium rates. Our Company's profitability tends to follow this cyclical market pattern with profitability generally increasing in hard markets and decreasing in soft markets. These factors could result in fluctuations in the underwriting results and net income of our Company. Historically, the results of companies in the specialty insurance industry have been subject to significant fluctuations and uncertainties. Many of these factors are beyond our Company's control. The profitability of specialty insurers can be affected significantly by many factors, including regulatory regimes, developing trends in tort and class action litigation, adoption of consumer initiatives regarding premium rates or claims handling procedures, and privacy and consumer protection laws that prevent insurers from assessing risk, or factors that have a high correlation with risks considered, such as credit scoring. An economic downturn in those jurisdictions in which our Company writes business or otherwise conducts business activities, or adverse political conditions, could result in less demand for specialty insurance and lower policy premiums.

Risks Associated with the COVID-19 Pandemic

The rapid spread of the COVID-19 coronavirus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken by government authorities globally in response to COVID-19, have interrupted business activities and supply chains; disrupted travel; contributed to significant volatility in the financial markets; resulted in lower interest rates; impacted social conditions; and adversely impacted local, regional, national and international economic conditions as well as the labour market. As a result of the rapid spread of COVID-19, many companies and various governments have imposed restrictions on business activity and travel which may continue and could expand. The Company has largely transitioned to a remote work environment as a result of the COVID-19 pandemic, with limited impact to the

Company’s workforce. Governments and central banks around the world have enacted fiscal and monetary stimulus measures to counteract the effects of the COVID-19 pandemic and various other response measures, however, the overall magnitude and long-term effectiveness of these actions remain uncertain. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and our Company or for how long any disruptions are likely to continue.

The nature and extent of such impacts will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19. Additional actions may be taken to contain COVID-19 or treat its impact, such as re-imposing previously lifted measures or putting in place additional restrictions. The pace, availability, distribution and acceptance of effective vaccines could also affect the impact of COVID-19. Such developments may result in a material adverse effect on our assets, liquidity, financial condition and the operating results of our insurance business due to its impact on the economy and global financial markets there can be no assurance that strategies to address these risks will mitigate the adverse impacts related to the outbreak.

Reliance on distribution partners, capacity providers and program administrators (“PAs”)

Trisura Guarantee distributes its products primarily through a network of distribution partners. These distribution partners also sell our competitors’ products and may, subject to certain limitations, reduce or stop selling our products altogether. Strong competition exists among insurers for distribution partners with demonstrated ability to sell insurance products. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of distribution partners that choose to sell our Company’s products. Trisura Specialty offers fronting arrangements to capacity providers that want to access specific US specialty insurance business. Capacity providers may be under common control with a particular PA or may be independent. An independent capacity provider may reinsure a single book or multiple books with various PAs. A single PA may control a single book with one capacity provider or multiple books with various capacity providers. Other specialty insurance companies may compete with Trisura Specialty for this business. These capacity providers and PAs may choose to enter into fronting arrangements with Trisura Specialty’s competitors or PAs, or capacity providers may terminate fronting arrangements with Trisura Specialty if they no longer need access to its fronting capacity or for other reasons.

Consolidation among capacity providers could also reduce the availability of capacity available to our Company. A significant decrease in business from any of these distribution partners, capacity providers or PAs would cause our Company to lose premiums and require us to find other partners to replace those lost premiums. We seek to manage these risks by using a diversified group of distribution partners, capacity providers and program administers. We further foster strong relationships with our business partners by delivering excellence in service and product expertise. Where we have granted binding authority to our distribution partners and PAs we limit such authority to agreed underwriting guidelines and monitor the business underwritten. Nonetheless, situations could arise where binding authority business could result in losses and have a have a significant impact on our results of operations and financial condition.

A.M. Best Ratings

Rating agencies evaluate insurance companies based on their ability to pay claims. The ratings of A.M. Best are subject to periodic review using, among other things, proprietary capital adequacy models, and are subject to revision or withdrawal at any time. A.M. Best ratings are directed toward the concerns of policyholders and insurance agencies and are not intended for the protection of investors or as a recommendation to buy, hold or sell securities. Ratings are an important factor in establishing and maintaining our competitive position in the specialty insurance market and especially in commercial insurance. Each of Trisura Guarantee and Trisura Specialty have been assigned a financial strength rating of A- (Excellent) by A.M. Best with stable outlook. There can be no assurances that Trisura Guarantee or Trisura Specialty will be able to maintain these ratings. Any downgrade in these ratings would likely adversely affect our business through the loss of certain existing and potential policyholders to other companies with higher ratings, and through certain insurance brokerage firms with which we now do business seeking a higher rated issuing carrier to write their business.

Insurance Risks:

Insurance risk is the risk that the ultimate cost of claims and loss adjustment expense, as well as acquisition expenses, related to insurance contracts will exceed premiums received in respect of those contracts. This could occur where the frequency or severity of claims is greater than expected. For Life and Annuity policies, insurance risk may also include differences between expected and actual experience for policyholder behaviour, lapse, longevity, mortality, morbidity and the timing of claims. Some additional components of insurance risk such as product and pricing risk, concentrations of insurance risk and exposure to large losses, and estimates of loss reserves are described below.

For more information on insurance risk and the management of insurance risk see Note 2.4 (Insurance contracts), Note 11 (Unearned premiums), Note 9 (Unpaid claims and loss adjustment expenses), and Note 15.1 (Insurance risk) to the Consolidated Financial Statements.

1 - Product and Pricing

The pricing process relies on estimates of future loss costs and loss adjustment expenses. If we do not accurately assess and price for the risks assumed in our insurance policies, profitability could be negatively affected. On the other hand, setting premiums too high could impact competitiveness and growth. We price our products considering numerous factors, including claims frequency and severity trends, product line expense ratios, special risk factors, reinsurance costs, the capital required to support the product line, the investment income earned on that capital, and the competitive landscape of the insurance markets where we compete. Our Company's pricing processes are designed to ensure an appropriate return on capital. These factors are reviewed and adjusted periodically to ensure they reflect the current environment. Our Company seeks to manage this risk through the effective use of underwriting policies and guidelines, and by disciplined risk selection. Careful oversight is applied and guidelines are reviewed to reflect emerging trends. Insurance risk is further mitigated through effective claims and expense management and through the use of reinsurance. Technological change implemented by insureds could change the profile of the risks insured by our policies.

2 - Concentration of insurance risk and exposure to large losses

Concentration risk is the risk that our Company's insurance products are concentrated within a particular geographic area, industry, class of business, or insured, thereby increasing the exposure of our Company to a single event or a series of related events. Unexpected large losses may result from events such as the unforeseen failure of a large contractor, as a result of accumulations of large numbers of insurance or reinsurance contracts exposed to similar perils, adverse economic conditions, exposure to mass torts, terrorism, or natural or man-made catastrophes. Climate change may increase the frequency or severity on natural catastrophes. Large losses could also be the result of future unforeseen changes in the legal environment that could broaden our insurance coverage beyond the policy's original intent. Exposure could also aggregate through cyber-attacks where directly covered under our policies or through "silent cyber" where potential losses are not specifically included nor excluded in the policy wording. Certain policy exclusions could also be found to be unenforceable. When a large loss is identified, we may be required to strengthen reserves which could decrease earnings in that period. We seek to mitigate this risk through monitoring and modeling techniques to review the portfolio for concentration and aggregation of risks and through the purchase of reinsurance. We make adjustments as needed in order to ensure exposures are within tolerances. The active management of our reinsurance programs and collateral requirements is also an important element in maintaining net claims exposures within the Company's risk tolerance.

3 - Estimates of Loss Reserves

The liability for unpaid claims and loss adjustment expense ("LAE") represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. The reserving process employed in determining future claims and LAE payments includes consideration of individual case claims and LAE estimates on open reported claims as well as provisions for future development of such estimates and claims and LAE related to incurred but not reported claims. In some instances, further provisions are made for the time value of money by applying discount rates based on projected investment income from the assets supporting this liability. The Company uses qualified actuaries in its reserving processes.

In estimating unpaid claims and LAE, a range of actuarial techniques are used. Typically, these techniques consider historical loss development factors and payment patterns. They require the use of assumptions relating to future development of claims and LAE, future rates of claims frequency and severity, claims inflation, the level of insurance fraud, payment patterns and reinsurance recoveries, taking into consideration the nature of the insurance policies. For Life and Annuity policies, the reserve process typically includes estimates of lapse, future policyholder behaviour, longevity, mortality, morbidity, the timing of claim payments and discount rates. Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our Company's ability to accurately assess the reserves required for the policies that we write. Typically, the delay to ultimate settlement of claims increases the uncertainty of the estimate of the ultimate cost of those claims and LAE. The uncertainty in estimation tends to be higher for long-tail lines where information typically emerges over time. For the reinsurance business, the time lag in obtaining information from ceding insurers as well as differing reserve practices employed by ceding insurers can further increase the uncertainty of the estimate. In certain circumstances, explicit actuarial margins are included in the reserves in recognition of the inherent uncertainty of the estimates and the possibility of deterioration in experience relative to expectation in relation to claims development, investment return rates and recoverability of reinsurance balances. The reserves for unpaid claims and LAE are reviewed regularly and evaluated in light of emerging claims experience and changing circumstances. Nonetheless, although our Company's management believes our overall reserve levels as at the date of the financial statements are adequate to meet our obligations under existing policies, actual losses may deviate, perhaps substantially, from the reserves reflected in our Company's financial statements. To the extent reserves prove to be inadequate, our Company would have to increase such reserves and incur a charge to earnings.

Availability of Reinsurance

Our reinsurance arrangements are with a limited number of reinsurers. A decline in the availability of reinsurance or increases in the cost of reinsurance could increase costs or materially impact the amount of business we could underwrite. There can be no assurance that developments may not occur in the future which might cause a shortage of reinsurance capacity in those classes of business which we underwrite.

Ability to recover amounts due from reinsurers

Our Company uses reinsurance in the ordinary course of business to reduce its exposure to any one claim or event under the policies we issue. Reinsurance is also a key component of the Trisura Specialty hybrid fronting model. Reinsurance does not relieve our Company of its obligations to policyholders. Our Company is ultimately at risk on the limits of coverage provided under insurance policies we write, regardless of whether we have ceded a portion of this exposure to reinsurers. If a reinsurer is unwilling or unable to satisfy its obligations, our Company does not have the right to correspondingly reduce its claims payment obligations.

If our Company fails to realize a reinsurance recoverable owed under these arrangements our financial condition could be materially and adversely affected. The Company has a reinsurance risk management policy in place to manage the credit risk associated with recoverables from reinsurers including requirements for using licensed reinsurers, minimum credit ratings and concentration limits. When the Company uses un-registered or un-rated reinsurers, collateral is used to manage credit risk.

For more information on reinsurance and the Company's management of its recoverable amounts due from reinsurers, see Note 15.2 (Credit risk) and Note 16 (Reinsurance) to the Consolidated Financial Statements.

Financial Risks:

The significant financial risks are credit risk, liquidity risk and market risk (comprising currency risk, interest rate risk and other price risks such as equity risk). The notes to our Company's Consolidated Financial Statements provide further detail on these risks and the ways in which we monitor and control these risks. To the extent that those risks emerge, they could have a material adverse effect on our Company's business, financial condition and performance.

1 - Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause our Company to incur a financial loss. Credit risk arises mainly from investments in bonds and short-term securities, the structured insurance assets, and balances receivable from insurance brokers and reinsurers. Concentrations of credit risk can arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar risk characteristics, for example they may operate in the same or similar industries. For premiums receivable, our Company uses insurance brokers, managing general agents, and PAs as intermediaries for the distribution of its product offerings and is therefore subject to the risk that these agents fail to remit the premiums they have collected on its behalf. With respect to credit risk associated with recoveries under reinsurance contracts, see the section "Ability to recover amounts due from reinsurers". Our investment policies mitigate credit risk through requirements relating to type, credit quality, size and duration of permitted investments among other factors. Management monitors credit quality on an ongoing basis. For premiums receivable, the Company monitors accounts receivable and follows-up all past due amounts to ensure satisfactory collection arrangements are in place. See Note 15.2 (Credit risk) to the Consolidated Financial Statements for more information on the management of credit risk.

2 – Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Generally, our Company's financial liabilities are settled by delivering cash from the cash flow generated from its operations to satisfy its liquidity requirements, which are primarily operating expenses and claims and loss adjustment payments. By their nature, the timing and quantum of claims and loss adjustment payments are subject to significant uncertainty and are estimated actuarially. Although our Company has reinsurance treaties in place under which a portion of the claim payments may be recovered, including by way of set off against premiums payable to the reinsurers, such recoveries usually follow the making of payments and often delays of a number of months can occur. Hence our Company must have access to sufficient liquid resources to fund gross amounts payable when required. Our Company periodically pledges assets under insurance and reinsurance trust arrangements which are therefore not readily available for general use by our Company. To manage its liquidity requirements, the Company keeps some of its assets in cash and cash equivalents and has a highly rated, highly liquid investment portfolio. The Company's investment policy sets out credit quality criteria and has limits on single issuer exposures. In addition, the investment policy stipulates average duration of bonds relative to average duration of claim liabilities. See Note 15.3 (Liquidity risk) to the Consolidated Financial Statements for more information on the management of liquidity risk.

3 - Market Risk

Exposure to this risk results from business activities including investment transactions involving the purchase or sale of financial instruments. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which could be driven by financial market conditions, general economic conditions, political conditions, or other factors. Market risk includes currency risk, interest rate risk and other price risks such as equity risk. See Note 15.4 (Market risk) of the Consolidated Financial Statements for more information on the management of market risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our Company has operations in the United States and Canada, as well as European exposure through its reinsurance operations and therefore has exposure to currency risk arising from fluctuations in exchange rates of the Canadian dollar and Euro against the USD. The Company also has currency risk as a result of holding investments in the Company's Canadian operations denominated in USD. The foreign currency positions of the Company are monitored regularly and the Company may use derivatives to manage foreign exchange risks where material unmatched foreign exchange positions exist in the investment portfolio.

ii) Interest Rate Risk

Interest rate risk is the potential for financial loss resulting from changes in interest rates. Bonds, structured insurance assets and preferred shares are subject to interest rate risk although, in the case of bonds, to the extent they are held to maturity, the risk is limited to the reinvestment yield being different from the original yield to maturity. The fair value of bonds generally changes inversely with changes in market rates of interest, with greater impact to bonds with longer durations. The Company's unpaid claims balance is also subject to interest rate risk, in particular the Company's life annuity reserves which have longer durations. The Company manages its interest rate risk through its investment policy which considers average duration of bonds held and maximum maturity limit as well as asset liability matching.

iii) Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's exposure to equity price risk is managed and mitigated through its investment policy which sets out maximum exposures to equities at aggregate and per issuer levels as well as requiring diversification across different industry sectors.

Negative Publicity in the Specialty Insurance Industry

A number of our Company's products and services are ultimately distributed to individual consumers. From time to time, consumer advocacy groups or the media may focus attention on products and service of the specialty insurance industry or our Company, thereby subjecting the specialty insurance industry or our Company to periodic negative publicity. Negative publicity may also result in increased regulation and legislative scrutiny of practices in the specialty insurance industry as well as increased litigation. Such consequences may increase our Company's costs of doing business and adversely affect our Company's profitability by impeding our ability to market our products and services or increasing the regulatory burdens under which our Company operates.

Reliance on Key Personnel

The success of our Company depends upon the personal efforts of our senior management. The loss of the services of such key personnel could have a material adverse effect on the operations of our Company. In addition, our Company's continued growth depends on our ability to attract and retain skilled management and employees and the ability of our key personnel to manage our Company's growth. Recruiting and retaining skilled personnel is costly and highly competitive. If our Company fails to retain, hire, train and integrate qualified employees and contractors, we may not be able to maintain and expand our business. Certain key personnel are not bound by non-competition covenants. If such personnel depart our

Company and subsequently compete with our Company or determine to devote significantly more time to other business interests, such activities could have a material adverse effect on our Company's business, financial condition and performance. The Company's strategies to manage this risk include succession planning for key employees, employee engagement surveys and third-party compensation reviews.

Litigation Risk

The Company is subject to claims and litigation in the ordinary course of business resulting from alleged errors and omissions in placing specialty insurance and handling claims. The placement of specialty insurance and the handling of claims involve substantial amounts of money. Since negligence claims against our Company may allege our Company's potential liability for all or part of the amounts in question, claimants may seek large damage awards and these claims can involve significant defense costs. Claims of negligence against our Company could include, for example, errors and omissions or intentional wrongful acts by the Company's employees or agents, in the adjudication of claims, in the placing of coverage, in the handling of consumer complaints, in failing to appropriately and adequately disclose insurer fee arrangements to consumers, or in the handling of funds that we hold for our customers on a fiduciary basis. It is not always possible to prevent or detect errors and omissions, and the precautions our Company takes may not be effective in all cases. In addition to litigation associated with our insurance policies, we also face risk associated with general corporate and commercial litigation. To the extent that these risks emerge, they could have a material adverse effect on our Company's business, financial condition and performance. In addition, litigation may harm our Company's reputation or divert management resources away from operating our business.

Holding Company

Trisura Group is a holding company and its material assets consist primarily of interests in our operating subsidiaries. Consequently, we depend on distributions and other payments from our operating businesses to provide us with the funds necessary to meet our holding company financial obligations. Our operating businesses are legally distinct from Trisura Group and some of them are or may become restricted in their ability to pay dividends and distributions or otherwise make funds available to Trisura Group pursuant to local law, regulatory requirements and their contractual agreements, including agreements governing their financing arrangements. Our operating businesses are generally required to meet their policyholder and other obligations before making distributions to Trisura Group.

Adverse Effects of Regulatory Changes

The specialty insurance industry is heavily regulated. Changes in the regulations governing the specialty insurance industry in any jurisdiction in which we operate, or increased regulations, may significantly affect the operations and financial results of our Company. Our Company is subject to the laws, rules and regulations of the jurisdictions in which we carry on business, including Canada, the US and Barbados. These laws, rules and regulations cover many aspects of our business, the assets in which we may invest, the levels of capital and surplus and the standards of solvency that we must maintain, and the amounts of dividends which we may declare and pay. Changes to laws, rules or regulations are difficult to predict and could materially adversely affect our Company's business, results of operations and financial condition. In addition, more restrictive laws, rules or regulations may be adopted in the future that could make compliance more difficult or expensive. Trisura Guarantee is regulated by OSFI and other provincial regulators in the provinces in which it conducts business. Trisura Specialty is regulated by the Department of Insurance in Oklahoma, as well as other state regulatory agencies in which it conducts business. Trisura International Insurance is regulated by the Financial Services Commission in Barbados. Each of these regulators has broad supervisory and regulatory powers available to them in connection with licenses, solvency capital requirements, investments, dividends, corporate governance, requirements for key personnel, conduct of business rules, periodic examinations and reporting requirements. The regulators have the authority to take enforcement actions and impose sanctions, including directing the regulated entity to refrain from a course of action or to perform acts necessary to remedy situations, imposing fines and the withdrawal of authorization. In certain circumstances, the regulators may take control of regulated insurance or reinsurance companies. There is no guarantee that these regulators would not take such actions under certain circumstances with respect to Trisura Guarantee, Trisura Specialty or Trisura International Insurance. The imposition of such actions could have a material adverse effect on our business, financial condition and performance.

Change of Control Restrictions of US Insurance Laws

The laws of the State of Oklahoma, where Trisura Specialty is domiciled, require prior approval by the Department of Insurance in Oklahoma of any change of control of an insurer. ''Control'' is defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the regulated insurance company, whether through the ownership of voting securities, by contract or otherwise. Control is presumed to exist through the direct or indirect ownership of 10% or more of the voting securities of an insurance company domiciled in Oklahoma or any entity that controls an insurance company domiciled in Oklahoma. Any person wishing to acquire ''control'' of our Company would first be required to obtain the approval of the Department of Insurance in Oklahoma or file appropriate disclaimers. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions (and in particular, unsolicited transactions), that some or all of our shareholders might consider to be desirable.

Regulatory Challenges to Use of Fronting Arrangements

Trisura Specialty enters into arrangements under which it permits its licensed status to be used in partnerships with high quality and collateralized reinsurers to issue insurance policies originated by PAs. The PA underwrites (consistent with rates and forms agreed to by Trisura Specialty and its reinsurers), and administers the business, a third party administrator is hired by Trisura Specialty to settle all claims, and the reinsurer(s) reinsure, on average, 90% to 100% of the risks. This is considered a hybrid "fronting" arrangement. Trisura Specialty receives a ceding fee, and shares its proportionate share in the profits or losses of the business it writes with the reinsurer(s). Some state insurance regulators may object to Trisura Specialty's fronting arrangements.

Notwithstanding these state law restrictions on ceding insurers, the Nonadmitted and Reinsurance Reform Act contained in the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the ''NRRA'') provides that all laws of a ceding insurer's nondomestic state (except those with respect to taxes and assessments on insurers or insurance income) are pre-empted to the extent that they otherwise apply the laws of the state to reinsurance agreements of nondomestic ceding insurers. The NRRA places the power to regulate reinsurer financial solvency primarily with the reinsurer's domiciliary state and requires credit for reinsurance to be recognized for a nondomestic ceding company if it is allowed by the ceding company's domiciliary state. A state insurance regulator might not view the NRRA as pre-empting a state regulator's determination that an unauthorized reinsurer must obtain a license or that a statute prohibits Trisura Specialty from engaging in a fronting business. However, such a determination or a conflict between state law and the NRRA could cause regulatory uncertainty about Trisura Specialty's fronting business, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Future Acquisitions

A key part of our Company's growth strategy involves seeking acquisition opportunities. We face competition for acquisitions, including from our competitors, many of whom will have greater financial resources than us. There can be no assurance that we will complete acquisitions. In addition, future acquisitions will likely involve some or all of the following risks, which could materially and adversely affect our Company's business, financial condition or results of operations: the difficulty of integrating the acquired operations and personnel into our current operations; potential disruption of our current operations; diversion of resources, including our Company's management's time and attention; the difficulty of managing the growth of a larger organization; the risk of not attaining expected benefits; the risk of entering markets in which we have little experience; the risk of becoming involved in labour, commercial or regulatory disputes or litigation related to the new enterprise; the risk of environmental or other liabilities associated with the acquired business; and the risk of a change of control resulting from an acquisition triggering rights of third parties or government agencies under contracts with, or authorizations held by, the operating business being acquired. It is possible that due diligence investigations into businesses being acquired may fail to uncover all material risks, or to identify a change of control trigger in a material contract or authorization, or that a contractual counterparty or government agency may take a different view on the interpretation of such a provision to that taken by us, thereby resulting in a dispute.

Inability to Generate Necessary Amount of Cash to Service Existing Debt

Our Company's ability to pay principal and interest on our credit facility will depend on its future financial performance. Our Company's ability to generate cash will depend on many factors, some of which may be beyond its control, including general economic, financial and regulatory conditions. If our Company cannot generate enough cash flow in the future to service its debt or cannot renew the credit facility on its existing terms, it may need to refinance its debt, obtain additional financing (on terms that may be less favourable than existing financing terms) or sell assets. Our Company might not be able to implement any of these strategies on satisfactory terms or on a timely basis, if at all. If our Company is unable to meet its debt service obligations or comply with its covenants, a default under the credit facility would result.

Future Capital Requirements

Our Company's future capital requirements will depend upon many factors, including the performance of Trisura Guarantee, continued development of our US business, and the status of competition and regulatory and rating agency requirements. There can be no assurance that financing will be available to our Company on acceptable terms, or at all. If additional funds are raised by issuing equity securities, dilution to our existing shareholders will result. If adequate funds are not available, our Company may be required to delay, scale back or abandon growth plans. An inability to obtain financing or similar financial support could have a material adverse effect on our Company's business, financial condition and results of operations.

Potential Volatility of Common Share Price

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our Company's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in our Company's quarterly results of operations; (ii) changes in estimates of our Company's future financial performance; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to our Company; (v) the addition or departure of our executive officers and other key personnel; (vi) sales or anticipated sales of additional Common Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our Company or our competitors; (viii) actual or prospective changes in government laws, rules or regulations affecting our businesses; (ix) the general state of the securities markets; (x) changes and developments in general economic, political, or social conditions, including as a result of COVID-19 and the global economic shutdown; (xi) the depth and liquidity of the market for the Common Shares; (xii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets; and (xiii) the materialization of other risks described in this section.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if our Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our Company's governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our Company's operations and the trading price of the Common Shares may be materially adversely affected.

Small Company Liquidity Risk

Trisura Group is a relatively small company in terms of market capitalization. As such, the share price of the Common Shares may be more volatile than the shares of larger, more established companies. The Common Shares may trade less frequently and in smaller volume than shares of large companies. As a result, it may be difficult to buy or sell the Common Shares in a timely fashion relative to buying or selling shares of large companies on the secondary market. We may also have relatively few Common Shares outstanding at any given time, so a sale or purchase of Common Shares may have a greater impact on the price of the Common Shares.

Future Sales of Substantial Amount of Share Capital

The articles of incorporation, as amended, of Trisura Group provide that Trisura Group may issue an unlimited number of Common Shares, an unlimited number of non-voting shares and an unlimited number of preference shares (issuable in series), subject to the rules of any stock exchange on which Trisura Group's securities may be listed from time to time. If Trisura Group was to issue any additional Common Shares, non-voting shares or preference shares, or such other classes of authorized shares that are convertible or exchangeable for Common Shares, the percentage ownership of existing holders may be reduced and diluted. We cannot foresee the terms and conditions of any future offerings of our securities nor the effect of such offerings on the market price of the Common Shares. Any issuance of a significant percentage of Trisura Group's securities, or the perception that such issuances may occur, could have a material adverse effect on the market price of the Common Shares and limit our ability to fund our operations through capital raising transactions in the future. The Board of Directors has the authority to issue non-voting shares and preference shares and determine the price, designation, rights (including voting and dividend rights), preferences, privileges, restrictions and conditions of the preference shares, and to determine to whom non-voting and preference shares shall be issued.

Business Interruption from Unpredictable Catastrophic Events

Our company's operations may be subject to losses resulting from the disruption in operations. Regular functioning of our operations may be disrupted by natural catastrophes such as hurricanes, windstorms, earthquakes, hailstorms, explosions, severe winter weather and fires, by man-made catastrophic events include hostilities, terrorist acts, riots, crashes and derailments, by a disruption in key suppliers for example power grids, internet service providers, and cloud computing providers, or by an epidemic or pandemic. Certain events may also cause damage to our Company's physical property or may impact key personnel or trading positions. Our Company maintains business continuity plans and technology disaster recovery plans. If these plans cannot be put into action or are in-effective or do not take such events into account, losses may further increase.

Dependence on Technology

Our Company is heavily dependent on systems technology to process large volumes of transactions and our business would suffer if the technology employed is inadequate or inappropriate to support current and future business needs and objectives. To ensure our Company is able to effectively respond to potential technology failures and mitigate the inherent risk, our Company maintains technology disaster recovery plans for each of our operating companies.

Cyber-Security

Our information technology systems may be subject to cyber terrorism intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer malware, social engineering, cyber-attacks and other means, and could originate from a wide variety of sources, including internal or unknown third parties. If our information systems are compromised, do not operate or are disabled, this could have a material adverse effect on our business prospects, financial condition, or results of operations. Additionally, if our information systems are compromised and personally identifiable information is released, there could be regulatory reporting obligations leading to material reputational harm or even litigation. We seek to mitigate this risk through strong network security, network monitoring, third party vulnerability assessments, employee training and awareness, data backups, disaster recovery planning, and privacy breach planning.

Other Operational Risks

Through the course of our business we rely on employees, systems, distribution partners, third party vendors and service providers. We are exposed to the potential failure on the part of any of these parties, whether through error, fraud, crime, failure to comply with regulatory standards, failure to comply with internal policies or otherwise. It is not always possible to identify and correct these failures and the internal processes that we have in place may not be effective in all cases at identifying or mitigating these situations in time. In such a case, our reputation, financial condition and results of operations could be negatively impacted. We rely on estimates and models in the course of our business whether internal models or vendor models. These models have a high degree of uncertainty and are based on historical data, scenarios and judgement that may not accurately reflect future conditions. For example, models are used in the estimation of Probable Maximal Loss for contract surety account, in informing reinsurance purchase decisions, in investment decisions, in pricing, and in reserving. Models estimates could deviate materially from actual experience and thereby have a material negative impact on our financial condition and results of operations.

Taxation Risk

Our Company is subject to income taxes and premium taxes in the jurisdictions in which we carry on business, including Canada, the US and Barbados. Changes to tax laws or the interpretation of these tax laws by government authorities prospectively or retrospectively could have a material adverse impact our profitability. Deferred tax assets are only recognized to the extent that it is probable that they will be realized. Estimates are used to determine the value of the deferred tax asset balance based on the assumption that the Company will generate taxable income in future years. Estimates are used to determine the taxes payable balance based on applicable tax legislation. If our Company were not to achieve the expected level of profitability, the deferred tax asset may not be realized which could have a material negative impact on our financial condition and results of operations.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 8 – OTHER INFORMATION

RATINGS

Trisura Canada has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in November 2020. Trisura US obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was reaffirmed in November 2020. A.M Best increased the financial size category of Trisura US from VII to VIII (US $50 million to US $100 million capital) in November 2020.

CASH FLOW SUMMARY

	Q4 2020	Q4 2019	$ variance	2020	2019	$ variance
Net income from operating activities	10,949	4,172	6,777	32,442	5,094	27,348
Non-cash items	(3,439)	11,544	(14,983)	3,107	10,400	(7,293)
Change in working capital	23,958	9,744	14,214	81,412	49,726	31,686
Realized gains on investments	(1,223)	(60)	(1,163)	(22,666)	(2,860)	(19,806)
Income taxes paid	(1,860)	(114)	(1,746)	(9,808)	(2,573)	(7,235)
Interest paid	(223)	(354)	131	(1,144)	(1,410)	266
Net cash from operating activities	28,162	24,932	3,230	83,343	58,377	24,966
Proceeds on disposal of investments	37,776	13,805	23,971	238,827	55,452	183,375
Purchases of investments	(50,152)	(79,741)	29,589	(331,933)	(170,817)	(161,116)
Net purchases of capital and intangible assets	(673)	(2,723)	2,050	(1,296)	(3,131)	1,835
Net cash used in investing activities	(13,049)	(68,659)	55,610	(94,402)	(118,496)	24,094
Dividends paid	-	(24)	24	-	(96)	96
Shares issued	-	-	-	65,143	55,669	9,474
Preferred shares redeemed	-	(1,600)	1,600	-	(1,600)	1,600
Loans received	11,459	-	11,459	44,159	-	44,159
Repayment of loan payable	(11,459)	-	(11,459)	(44,159)	-	(44,159)
Lease payments	(318)	(266)	(52)	(1,515)	(1,026)	(489)
Net cash (used in) from financing activities	(318)	(1,890)	1,572	63,628	52,947	10,681
Net increase (decrease) in cash	14,795	(45,617)	60,412	52,569	(7,172)	59,741
Cash at beginning of the period	124,875	131,913	(7,038)	85,905	95,212	(9,307)
Currency translation	(3,151)	(391)	(2,760)	(1,955)	(2,135)	180
Cash at the end of the period	136,519	85,905	50,614	136,519	85,905	50,614

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Net cash used in investing activities in Q4 2020 and 2020 as well as Q4 2019 and 2019 reflected the purchase and disposal of portfolio investments in all three principal operating subsidiaries. In Q4 2020, purchases of investments were lower than Q4 2019, as Q4 2019 included a number of new investments associated with the equity raise in Q3 2019. Disposals of investments were greater in Q4 2020 than in Q4 2019 as a result of a higher rotation of investments in the portfolio than in the prior year. In 2020 purchases and disposals of investments increased relative to 2019 reflecting a larger investment portfolio following the equity raises in 2019 and 2020, and a higher rotation of securities throughout the investments portfolios relative to the prior year.

Net cash (used in) from financing activities was lower in Q4 2020 than Q4 2019, as Q4 2019 included funds used to redeem the outstanding preferred shares. In Q4 2020, there was movement in Loans received and Repayment of loans payable, which reflected a shift in borrowing from the Company's credit facility, to its margin facility with the same bank. The purpose of the shift was to achieve a lower borrowing rate. In 2020 movement in Net cash (used in) from financing activities was greater than Q4 2019 YTD as a result of a larger equity offering in 2020 than in 2019. Full year 2020 also included the repayment of the outstanding CAD denominated Loan payable balance, which was replaced with a new Loan payable balance denominated in USD.

In Q4 2020 the increase in Net cash from operating activities was primarily related to an increase in cash generated from operating activities at our Canadian operations. In 2020 the increase in Net cash from operating activities was primarily related to an increase in cash generated from operating activities at our US operations, which generated more cash from operations in 2020 than in 2019, largely as a result of growth in the business. Net cash from operating activities was lower in 2020 in our Reinsurance operations as a result of higher cash inflows associated with the repayment of certain outstanding receivables in Q3 2019.

SEGMENTED REPORTING

As at	December 31, 2020				
	Trisura Canada	Trisura US	Trisura International	Corporate (1)	Total (2)
Assets	541,603	1,021,020	121,347	22,762	1,706,732
Liabilities	431,858	864,983	108,295	11,732	1,416,868
Shareholders' Equity	109,745	156,037	13,052	11,030	289,864
Book Value Per Share, $ (3)	10.69	15.20	1.27	1.06	28.23

(1) Corporate includes consolidation adjustments.
(2) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(3) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at December 31, 2020.

As at	December 31, 2019				
	Trisura Canada	Trisura US	Trisura International (1)	Corporate (2)	Total (3)
Assets	424,009	444,763	104,169	5,452	978,393
Liabilities	333,681	336,608	85,766	32,009	788,064
Shareholders' Equity	90,328	108,155	18,403	(26,557)	190,329
Book Value Per Share, $ (4)	10.24	12.26	2.09	(3.01)	21.58

(1) Includes the assets and liabilities of its intermediary holding company.
(2) Corporate includes consolidation adjustments.
(3) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(4) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at December 31, 2019.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

CONTRACTUAL OBLIGATIONS

As at December 31, 2020	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Loans payable (1)	27,555	11,459	16,096	-
Interest payments on debt (2)	995	397	598	-
Lease liabilities	10,278	1,566	6,212	2,500
Total contractual obligations	38,828	13,422	22,906	2,500

(1) See Note 20 in the Company's Consolidated Financial Statements for details on Loan payable.
(2) Based on the Company's most recent borrowing rate on the outstanding loan payable.

On April 1, 2020, the Company's five-year revolving credit facility was amended to increase the Company's borrowing capacity from $35,000 to $50,000.

As at December 31, 2019	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Loans payable	29,700	-	29,700	-
Interest payments on debt (1)	3,258	1,019	2,239	-
Lease liabilities	11,132	1,656	6,650	2,826
Total contractual obligations	44,090	2,675	38,589	2,826

(1) Based on the Company's most recent borrowing rate on the outstanding loan payable.

FINANCIAL INSTRUMENTS

See Notes 4, 5, 6, 7, and 8 in the Company's Consolidated Financial Statements for financial statement classification of the change in fair value of financial instruments, significant assumptions made in determining the fair values, amounts of income, expenses, gains and losses associated with the instruments.

RELATED PARTY TRANSACTIONS

See Note 25 in the Company's Consolidated Financial Statements.

ACCOUNTING ESTIMATES

See Note 3 in the Company's Consolidated Financial Statements for accounting estimates on unpaid claims, level 3 investments, as well as the provisions on income taxes.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 9 – SUMMARY OF RESULTS

SELECTED QUARTERLY RESULTS

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross premiums written	314,200	239,607	202,683	169,952	143,212	114,354	109,313	81,383
Net premiums written and other revenue	98,059	71,195	52,748	49,041	43,231	39,959	38,885	32,759
Total revenues	69,494	60,095	52,455	44,588	29,325	42,752	34,038	39,487
Net income (loss) attributable to shareholders	10,949	6,535	6,587	8,371	4,172	2,543	(4,138)	2,517
EPS, basic (in dollars)	1.07	0.64	0.69	0.95	0.47	0.37	(0.63)	0.38
EPS, diluted (in dollars)	1.05	0.62	0.68	0.94	0.47	0.37	(0.63)	0.37
Distributions or cash dividends per-share	-	-	-	-	$ 0.375	$ 0.375	$ 0.375	$ 0.375
Total assets	1,706,732	1,517,516	1,327,613	1,143,064	978,393	886,893	750,472	667,922
Total non-current financial liabilities (1)	16,096	28,869	29,494	33,704	29,700	29,700	29,700	29,700

SELECTED ANNUAL RESULTS

	2020	2019	2018
Gross premiums written	926,442	448,262	103,278
Net premiums written and other revenue	271,043	154,834	120,199
Total revenues	226,632	137,525	103,278
Net income attributable to shareholders	32,442	5,094	8,638
EPS, basic (in dollars)	3.33	0.69	1.29
EPS, diluted (in dollars)	3.28	0.69	1.27
Distributions or cash dividends per-share	-	1.50	1.50
Total assets	1,706,732	978,393	600,982
Total non-current financial liabilities (1)	16,096	29,700	29,700

(1) See Note 20 in the Company’s Consolidated Financial Statements for details on Loan payable.

SECTION 10 – ACCOUNTING AND DISCLOSURE MATTERS

DISCLOSURE CONTROLS AND PROCEDURES

We maintain information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. Management of the Company, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in "National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings"* ("NI 52-109")) as at December 31, 2020, and have concluded that the disclosure controls and procedures are operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain "internal control over financial reporting" (as defined in NI 52-109) and the Chief Executive Officer and the Chief Financial Officer of the Company have concluded that the internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated whether there were changes in our internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting and has determined that there have been no such changes.

OPERATING METRICS

We use operating metrics to assess our operating performance.

Operating Metrics	Definition
Combined Ratio	The sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of NPE, or underwriting margin. A combined ratio under 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
Expense Ratio	All expenses incurred (net of fee income in our Canadian operations) as a percentage of NPE.
Fees as Percentage of Ceded Premium	Written fee income divided by ceded written premium.
Fronting Operational Ratio	The sum of claims, acquisition costs and operating expenses divided by the sum of NPE and fronting fees.
Loss Ratio	Net claims and loss adjustment expenses incurred as a percentage of NPE.
ROE	Net income for the twelve month period preceding the reporting date, divided by the average common shareholders' equity over the same period, adjusted for significant capital transactions, if appropriate.
Adjusted ROE	ROE calculated using Adjusted net income.
Adjusted Net Income	Net income, adjusted to remove impact of non-recurring items and normalize earnings for core operations.
MCT	Our Canadian operations report the results of its MCT as prescribed by OSFI's Guideline A — Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies, as amended, restated or supplemented from time to time. MCT determines the supervisory regulatory capital levels required by our Canadian operations.
Retained Premium (%)	NPW as a percentage of GPW.
Rolling average equity	Shareholders' equity over twelve month period, adjusted for significant capital transactions, if appropriate.
Net Underwriting Revenue	The sum of net premiums earned and fee income earned.
Net Underwriting Income	Net underwriting revenue, less net claims and loss adjustment expenses, net commissions, and operating expenses.

These operating metrics are operating performance measures that highlight trends in our core business or are required ratios used to measure compliance with OSFI and other regulatory standards. Our Company also believes that securities analysts, investors and other interested parties use these operating metrics to compare our Company's performance against others in the specialty insurance industry. Our Company's management also uses these operating metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Such operating metrics should not be considered as the sole indicators of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.

NON-IFRS FINANCIAL MEASURES

We report certain financial information using non-IFRS financial measures. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. They are used by management and financial analysts to assess our performance.

Further, they provide users with an enhanced understanding of our results and related trends, and increase transparency and clarity into the core results of the business.

Adjusted Earnings per Common Share

	Q4 2020	Q4 2019	2020	2019
Net income	10,949	4,172	32,442	5,094
Adjustments, net of tax				
Add: impact of share-based compensation expenses (net of tax)	548	1,042	5,490	1,727
Less: net (gains) losses (net of tax)	(2,050)	107	(6,119)	(1,291)
Less: settlement from structured insurance assets (net of tax)	-	-	-	(7,293)
Add: impact of Annuity reserve losses (gains)	592	(191)	4,588	15,773
Adjusted net income	10,039	5,130	36,401	14,010
Less: dividends declared on preferred shares, net of tax	-	(24)	-	(96)
Adjusted net income attributable to shareholders	10,039	5,106	36,401	13,914
Weighted-average number of common shares outstanding - basic (in thousands of shares)	10,269	8,820	9,733	7,213
Adjusted earnings per common share – basic - in dollars	$ 0.98	$ 0.58	$ 3.74	$ 1.93
Weighted-average number of common shares outstanding - diluted (in thousands of shares)	10,474	8,884	9,893	7,245
Adjusted earnings per common share – diluted - in dollars	$ 0.96	$ 0.57	$ 3.68	$ 1.92

ROE and Adjusted ROE

	2020	2019
Rolling net income attributable to shareholders	32,442	5,094
Adjusted net income attributable to shareholders	36,401	13,914
Rolling average equity	241,488	147,153
ROE	13.4%	3.5%
Adjusted ROE	15.0%	9.4%

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "likely," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of our Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: developments related to COVID-19, including the impact of COVID-19 on the economy and global financial markets; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; changes in capital requirements; changes in reinsurance arrangements; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AFS	Available for Sale Financial Asset
BVPS	Book Value Per Share
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Earnings Per Share
FVTPL	Fair Value Through Profit & Loss
GPW	Gross Premium Written
MCT	Minimum Capital Test
MGA	Managing General Agent
n/a	not applicable
nm	not meaningful
NPE	Net Premiums Earned
NPW	Net Premium Written
NUI	Net Underwriting Income
OCI	Other Comprehensive Income
pts	Percentage points
Q1, Q2, Q3, Q4	The three months ended March 31, June 30, September 30 and December 31 respectively
Q2 YTD	The six months ended June 30
Q3 YTD	The nine months ended September 30
Q4 YTD	The twelve months ended December 31
ROE	Return on Shareholders' Equity
USD	United States Dollar
YTD	Year to Date

Trisura Group Ltd.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Trisura Group Ltd.

Opinion

We have audited the consolidated financial statements of Trisura Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Company 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unpaid claims and loss adjustment expenses for the property and casualty insurance business - Refer to Notes 2.4(d) and 9 to the financial statements

Key Audit Matter Description

The Company conducts insurance operations including a property and casualty insurance business through Trisura Guarantee Insurance Company, Trisura Specialty Insurance Company, and Trisura International Insurance Ltd. In the property and casualty business, the liability for unpaid claims and loss adjustment expenses represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. This estimation process includes consideration of individual case estimates of claims and loss adjustment expenses on reported claims, provision for future development of case estimates on reported claims, and provision for claims and loss adjustment expenses related to incurred but not reported ("IBNR") claims.

In estimating the IBNR claims, the Company uses a range of actuarial methodologies which consider assumptions related to historical loss development factors and payment patterns. While there are several assumptions that go into determining the IBNR claims, significant management judgment is applied regarding the use of assumptions relating to future development of claims and loss adjustment expenses that have not yet been reported, future rates of claim frequency and severity, payment patterns and reinsurance recoveries ("significant assumptions"). Auditing the selection of the actuarial methodologies and the significant assumptions involves a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the selection of the actuarial methodologies and the significant assumptions used to value the IBNR claims for the property and casualty insurance business included the following audit procedures, among others:

- Tested the underlying data that served as the basis for the actuarial analysis, including historical claims and loss adjustment expenses data used to develop future expectations, to evaluate the reasonableness of key inputs to the actuarial estimate.
- With the assistance of actuarial specialists:
  - Evaluated management's actuarial methodologies and the significant assumptions in accordance with actuarial principles and practices under generally accepted actuarial standards of practice.
  - Independently estimated the claim liabilities for selected lines of business, focusing on the largest IBNR claims liabilities, and compared the recalculated results to those recorded by the Company.
  - Performed a retrospective assessment to determine whether management judgments and assumptions relating to the significant estimates indicated a possible bias on the part of management.

Unpaid claims and loss adjustment expenses for the life reinsurance business — Refer to Notes 2.4(d) and 9 to the financial statements

Key Audit Matter Description

The Company conducts insurance operations including a life reinsurance business through Trisura International Insurance Ltd. In the life reinsurance business, the liability for unpaid claims and loss adjustment expense represents a closed block of deferred annuities with guaranteed annuity conversion options which is denominated in Euros and has been in run-off since 2008. The Company uses an actuarial model to determine the claims liability.

While there are several assumptions that go into determining the liability on the life reinsurance business, significant management judgment is applied regarding the use of assumptions relating to the guaranteed annuity option future take-up rates, changes in the European Insurance and Occupational Pensions Authority ("EIOPA") published interest rates for use in discounting claims liability, and a volatility adjustment ("significant assumptions"). The significant assumptions require subjective auditor judgment when historical trends may not accurately reflect future results and future changes in annuitant policyholders' needs are unpredictable. Auditing the selection of the actuarial methodologies and the significant assumptions involves a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the selection of the actuarial methodology and the significant assumptions used to value the liability for the life reinsurance business included the following audit procedures, among others:

- With the assistance of actuarial specialists:
  - Evaluated management's actuarial methodologies and the significant assumptions in accordance with actuarial principles and practices under generally accepted actuarial standards of practice.
  - Assessed the reasonableness of the guaranteed annuity option future take-up rates, applicable EIOPA published interest rates, and the volatility adjustment, by considering industry and other external sources of data, where applicable.
  - Analyzed management's use of stochastic modelling in the methodology, including an assessment of the selection of the number of scenarios used, and evaluated the results of the model.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report
- Financial Supplement

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and Financial Supplement prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 GAAS, we exercise professional judgment 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 Company'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 Company'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 Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ratan Ralliaram.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February 10, 2021

TRISURA GROUP LTD.
Consolidated Financial Statements

Table of contents for the Consolidated Financial Statements of Trisura Group Ltd.

TRISURA GROUP LTD.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars, except as otherwise noted)

As at	*Note*	**December 31, 2020**	December 31, 2019
Assets			
Cash and cash equivalents		**136,519**	85,905
Investments	*4, 6*	**503,684**	392,617
Premiums and accounts receivable, and other assets	*13*	**178,883**	86,669
Recoverable from reinsurers	*16*	**676,972**	293,068
Deferred acquisition costs	*10*	**188,190**	104,197
Capital assets and intangible assets	*12, 17, 18*	**13,907**	14,477
Deferred tax assets	*27*	**8,577**	1,460
Total assets		**1,706,732**	978,393
Liabilities			
Accounts payable, accrued and other liabilities	*14*	**57,343**	40,916
Reinsurance premiums payable	*13*	**151,707**	80,186
Unearned premiums	*11*	**592,711**	328,091
Unearned reinsurance commissions	*10*	**100,281**	51,291
Unpaid claims and loss adjustment expenses	*9*	**487,271**	257,880
Loan payable	*20*	**27,555**	29,700
		1,416,868	788,064
Shareholders' equity			
Common shares	*21*	**285,731**	219,251
Contributed surplus	*28.1, 28.4*	**1,332**	815
Accumulated retained earnings (deficit)		**4,133**	(28,309)
Accumulated other comprehensive loss		**(1,332)**	(1,428)
		289,864	190,329
Total liabilities and shareholders' equity		**1,706,732**	978,393

See accompanying notes to the Consolidated Financial Statements

On behalf of the Board

George Myhal
Director

David Clare
Director

TRISURA GROUP LTD.
Consolidated Statements of Income
(in thousands of Canadian dollars, except as otherwise noted)

For the years ended December 31,	*Note*	2020	2019
Gross premiums written		**926,442**	448,262
Reinsurance premiums ceded		**(685,118)**	(305,634)
Net premiums written		**241,324**	142,628
Change in unearned premiums		**(80,640)**	(35,124)
Net premiums earned		**160,684**	107,504
Fee income		**29,719**	12,206
Net Investment Income	*7*	**27,779**	16,243
Net gains	*8*	**8,450**	1,572
Settlement from structured insurance assets	*4.4*	**-**	8,077
Total revenues		**226,632**	145,602
Net claims and loss adjustment expenses	*9*	**(72,562)**	(49,936)
Net commissions	*10*	**(55,915)**	(37,516)
Operating expenses		**(57,560)**	(45,590)
Interest expense	*20*	**(1,113)**	(1,361)
Total claims and expenses		**(187,150)**	(134,403)
Income before income taxes		**39,482**	11,199
Income tax expense	*27*	**(7,040)**	(6,105)
Net income attributable to shareholders		**32,442**	5,094
Weighted average number of common shares outstanding during the year (in thousands) – basic		**9,733**	7,213
Earnings per common share (in dollars) – basic	*22*	**3.33**	0.69
Earnings per common share (in dollars) – diluted	*22*	**3.28**	0.69

See accompanying notes to the Consolidated Financial Statements

TRISURA GROUP LTD.
Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars, except as otherwise noted)

For the years ended December 31,	*Note*	2020	2019
Net income attributable to shareholders		**32,442**	5,094
Net unrealized gains on available-for-sale investments		**7,629**	7,379
Income tax expense		**(1,597)**	(1,178)
Items that may be reclassified subsequently to net income		**6,032**	6,201
Net realized gains		**(6,258)**	(499)
Impairment loss	*4.2*	**4,144**	-
Income tax benefit		**1,024**	15
Items reclassified to net income		**(1,090)**	(484)
Items other than cumulative translation loss		**4,942**	5,717
Items that will not be reclassified subsequently to net income – Cumulative translation loss		**(4,846)**	(4,909)
Other comprehensive income		**96**	808
Total comprehensive income		**32,538**	5,902

See accompanying notes to the Consolidated Financial Statements

TRISURA GROUP LTD.
Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars, except as otherwise noted)

	Note	**Common shares**	**Contributed surplus**	**Accumulated retained earnings**	**Accumulated other comprehensive loss (net of income taxes)**	**Total**
Balance at January 1, 2020		219,251	815	(28,309)	(1,428)	**190,329**
Net income		-	-	32,442	-	**32,442**
Other comprehensive income		-	-	-	96	**96**
Comprehensive income		-	-	32,442	96	**32,538**
Issuances, net of taxes	*21*	66,480	-	-	-	**66,480**
Share based payments	*28*	-	517	-	-	**517**
Balance at December 31, 2020		**285,731**	**1,332**	**4,133**	**(1,332)**	**289,864**

	Note	Common shares	Preferred shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss (net of income taxes)	Total
Balance at January 1, 2019		163,582	1,600	313	(33,307)	(2,236)	129,952
Net income		-	-	-	5,094	-	5,094
Other comprehensive income		-	-	-	-	808	808
Comprehensive income		-	-	-	5,094	808	5,902
Share issuance	*21*	55,669	-	-	-	-	55,669
Share redemption	*21*	-	(1,600)	-	-	-	(1,600)
Share based payments	*28*	-	-	502	-	-	502
Dividends paid	*21*	-	-	-	(96)	-	(96)
Balance at December 31, 2019		219,251	-	815	(28,309)	(1,428)	190,329

See accompanying notes to the Consolidated Financial Statements

TRISURA GROUP LTD.
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars, except as otherwise noted)

For the years ended December 31,	2020	2019
Operating activities		
Net income	**32,442**	5,094
Items not involving cash:		
Depreciation and amortization	**2,628**	2,500
Unrealized (gains) loss	**(4,957)**	7,927
Impairment loss	**4,992**	-
Payment in kind	**(285)**	(529)
Stock options granted	**729**	502
Change in working capital	**81,412**	49,726
Realized gains on investments	**(22,666)**	(2,860)
Income taxes paid	**(9,808)**	(2,573)
Interest paid	**(1,144)**	(1,410)
Net cash flows from operating activities	**83,343**	58,377
Investing activities		
Proceeds on disposal of investments	**238,827**	55,452
Purchases of investments	**(331,933)**	(170,817)
Purchases of capital assets	**(1,086)**	(386)
Purchases of intangible assets	**(210)**	(2,745)
Net cash flows used in investing activities	**(94,402)**	(118,496)
Financing activities		
Dividends paid	**-**	(96)
Shares issued	**65,143**	55,669
Preferred shares redeemed	**-**	(1,600)
Loans received	**44,159**	-
Repayment of loans payable	**(44,159)**	-
Principal portion of lease payments	**(1,515)**	(1,026)
Net cash flows from financing activities	**63,628**	52,947
Net increase (decrease) in cash and cash equivalents during the year	**52,569**	(7,172)
Cash, beginning of year	**68,208**	93,152
Cash equivalents, beginning of year	**17,697**	2,060
Cash and cash equivalents, beginning of year	**85,905**	95,212
Impact of foreign exchange on cash and cash equivalents	**(1,955)**	(2,135)
Cash, end of year	**120,538**	68,208
Cash equivalents, end of year	**15,981**	17,697
Cash and cash equivalents, end of year	**136,519**	85,905

See accompanying notes to the Consolidated Financial Statements

Note 1 – The Company

Trisura Group Ltd. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) (the "Act") on January 27, 2017. The Company's head office is located at 333 Bay Street, Suite 1610, Box 22, Toronto Ontario, M5H 2R2.

The Company owns three principal subsidiaries through which it conducts insurance operations. These subsidiaries are Trisura Guarantee Insurance Company ("Trisura Guarantee"), Trisura Specialty Insurance Company ("Trisura Specialty") and Trisura International Insurance Ltd. ("Trisura International"), which was wholly-owned through the intermediary holding company Trisura International Holdings Ltd. ("TIHL"). TIHL was wound up on May 21, 2020 (see Note 23), and Trisura International is now owned directly by the Company.

Trisura Guarantee operates as a Canadian property and casualty insurance company. Trisura Specialty is licensed by the Oklahoma Insurance Department as a domestic surplus lines insurer and can write business as a non-admitted surplus line insurer in all states within the United States and through its subsidiary can also write admitted business in certain states. Trisura Specialty operates as a hybrid fronting carrier where a large portion of its premium is ceded to reinsurers. Trisura Specialty earns fee income from the reinsurers to whom it ceded premium. Trisura International is currently managing its in-force portfolio of specialty reinsurance contracts and assumes some premium from Trisura Specialty.

The common shares of the Company are publicly traded on the Toronto Stock Exchange under the symbol "TSU".

Note 2 – Summary of significant accounting policies

2.1 Basis of presentation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Consolidated Financial Statements comprise the financial results of the Company and all entities controlled by the Company, on a consolidated basis of presentation. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In accordance with IFRS, presentation of assets and liabilities on the Consolidated Statements of Financial Position is in order of liquidity. The Company's functional and presentation currency is Canadian dollars.

These Consolidated Financial Statements were authorized for issuance by the Company's Board of Directors on February 10, 2021.

2.2 Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. The Company has classified cash and cash equivalents along with loans and receivables, at amortized cost, which approximates fair value.

2.3 Financial instruments

a) Categories of financial instruments

i) Fair Value Through Profit or Loss ("FVTPL")

FVTPL financial instruments are carried at fair value and recognized on the trade date, with the changes in fair value recognized in net income. Certain investments are designated as FVTPL to reduce the volatility within net income associated with the movement of the underlying claims which are supported by these investments. Structured insurance assets consisting of purchased commission arrangements are designated on inception as FVTPL. Transaction costs related to FVTPL financial instruments are expensed in investment income.

ii) Available-for-sale ("AFS")

AFS financial instruments are carried at fair value and recognized on the trade date, with changes in fair value recorded as unrealized gains or losses in other comprehensive income. Fixed income securities and equities are classified as AFS, unless they have been classified or designated otherwise. Transaction costs related to financial instruments classified as AFS are capitalized on initial recognition and, where applicable, amortized to interest income using the effective interest method.

2.3 Financial instruments (continued)

a) Categories of financial instruments (continued)

iii) Loans and receivables

Financial instruments are categorized as Loans and receivables when they have fixed or determinable payments and are not quoted in an active market. Loans and receivables are carried at amortized cost. Transaction costs are capitalized on initial recognition and are recognized in investment income using the effective interest rate method. The Company has classified Premiums and accounts receivable, and other assets as Loans and receivables. Derivative assets which are grouped with Premiums and accounts receivable, and other assets are carried at fair value as described in Note 2.3(c). The Company has also classified certain investments as Loans and receivables, which meet the criteria to do so.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in realized gains or losses on investments.

iv) Other financial liabilities

Other financial liabilities are measured at amortized cost. Loan payable, Reinsurance premiums payable, and Accounts payable, accrued and other liabilities are classified as Other financial liabilities. Derivative liabilities and cash-settled Share based payments, which are grouped with Accounts payable, accrued and other liabilities are carried at fair value as described in Note 2.3(c) and Note 2.9.

b) Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values by management, which includes input from the Company's external investment manager.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Investments carried at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable, other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs, some of which are not based on observable market data.

Significant unobservable inputs and valuation adjustments are regularly reviewed. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the evidence obtained from the third parties is assessed in light of the requirements of IFRS, including the level in the fair value hierarchy in which such investments should be classified.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

c) Derivative financial instruments

Derivative financial instruments are classified as held for trading. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are recorded at fair value. Based on market prices, fair value adjustments and realized gains or losses are recognized in Net gains or losses in the Consolidated Statements of Comprehensive Income (Note 5 and Note 8).

2.3 Financial instruments (continued)

d) Impairment of financial assets

The Company's financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

When an unrealized loss on an AFS investment results from objective evidence of impairment, the difference between the acquisition cost (net of any principal repayment and amortization) of the investment and its fair value is recognized as a realized loss in net income and a corresponding adjustment is made to other comprehensive income. For debt securities, impairment could occur if there is objective evidence of impairment as a result of a loss event and that loss event has an impact on future cash flows, and for equity securities, impairment could occur as a result of a significant or prolonged decline in the fair value below its cost. In determining whether there is objective evidence of impairment, the factors considered are, primarily, the term of the unrealized loss and the amount of the unrealized loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss is reversed, with the amount of the reversal recognized in net income.

The carrying amounts of the Company's non-financial assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of an impairment charge to net income. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

e) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statements of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.4 Insurance contracts

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* ("IFRS 4"). Significant insurance risk exists when the Company agrees to compensate policyholders of the contract or ceding companies for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured or reinsured event were to occur. In the absence of significant insurance risk, the contract is classified as an investment contract.

a) Premiums, premiums receivable, and unearned premiums

Premiums are earned over the terms of the related policies or surety bonds, generally on a pro rata basis. There are some instances where premiums are earned over the term of the policy in accordance with the risk profile of those policies with more premiums being earned when the risk exposure from the policy is greatest. Unearned premiums represent the unexpired portion of premiums written.

In the normal course of business, the Company enters into fronting arrangements with third parties, whereby the Company assumes the insurance risk but then cedes all or most of the risk to other insurers and reinsurers. Where appropriate, security arrangements are established to offset the Company's risk exposure. Premiums related to those fronting arrangements are recognized over the term of the related policies on a pro rata basis.

Premiums receivable consist of premiums due to the Company for insurance contracts sold.

b) Fees

Fees charged by Trisura Guarantee to insureds are recognized in the period in which they are charged provided that no significant obligations to insureds exist and reasonable assurance exists regarding collectability, in accordance with IFRS 15 *Revenue from contracts with customers*. Fees charged by Trisura Specialty to reinsurers are recognized over the same period as the related insurance contract.

2.4 Insurance contracts (continued)

c) Deferred acquisition costs

Acquisition costs comprise commissions and premium taxes. These costs are deferred to the extent they are recoverable from unearned premiums and are amortized on the same basis as the related premiums are earned. If unearned premiums are not sufficient to pay expected claims and expenses, including the deferred acquisition costs, after taking into consideration anticipated investment income, the resulting premium deficiency is recognized in the current period by first reducing, to a corresponding extent, the deferred amount of the acquisition costs. Any residual amount is recorded in Deferred acquisition costs in the Consolidated Statements of Financial Position as a provision for premium deficiency.

d) Unpaid claims and loss adjustment expenses

The liability for unpaid claims and loss adjustment expense (“LAE”) represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. The estimation process employed in determining future claims and LAE payments includes consideration of individual case estimates of claims and LAE payments on reported claims, provision for future development of case estimates on reported claims, and provision for claims and LAE related to incurred but not reported (“IBNR”) claims. In some instances, further provisions are made for the time value of money by applying discount rates based on projected investment income from the assets supporting this liability. Unpaid claims and LAE of Trisura Specialty are not discounted. The unpaid claims and LAE related to the property and casualty reserves of Trisura International are not discounted. The unpaid claims and LAE of Trisura Guarantee and the life reserves of Trisura International are discounted. The Company uses qualified actuaries in its reserving processes.

In estimating the IBNR claims, the Company uses a range of actuarial methodologies which consider assumptions related to historical loss development factors and payment patterns. While there are several assumptions that go into determining the IBNR claims, significant management judgment is applied regarding the use of assumptions relating to future development of claims and LAE that have not yet been reported, future rates of claims frequency and severity, claims inflation, payment patterns and reinsurance recoveries, taking into consideration the circumstances of the Company and the nature of the insurance policies. Typically, the delay to ultimate settlement of claims increases the uncertainty of the estimate of the ultimate cost of those claims and LAE. In certain circumstances, explicit actuarial margins are included in the liability in recognition of the inherent uncertainty of the estimates and the possibility of deterioration in experience relative to expectation in relation to claims development, investment return rates and recoverability of reinsurance balances.

In the life reinsurance business, the liability for unpaid claims and LAE represents a closed block of deferred annuities with guaranteed annuity conversion options which is denominated in Euros and has been in run-off since 2008. The Company uses an actuarial model to determine the claims liability. While there are several assumptions that go into determining the liability on the life reinsurance business, significant management judgment is applied regarding the use of assumptions relating to the guaranteed annuity option future take-up rates, changes in the European Insurance and Occupational Pensions Authority published interest rates for use in discounting claims liability, and a volatility adjustment.

As a result of the uncertainly in estimation, actual future claims and LAE payments may deviate in quantum and timing, perhaps materially, from the liability recorded in the Company’s provision for unpaid claims and LAE as recorded on the Consolidated Statements of Financial Position. The liability for unpaid claims and LAE is reviewed regularly and evaluated in light of emerging claims experience and changing circumstances. Any resulting adjustments to the estimates of the ultimate liability are recorded as claims and LAE in the period in which such changes are made.

e) Recoverable from reinsurers and Unearned reinsurance commissions

The reinsurers’ share of unearned premiums and their estimated share of unpaid claims and LAE are presented as Recoverable from reinsurers on a basis consistent with the methods used to determine the unearned premium liability and the unpaid claims liability, respectively.

Unearned reinsurance commissions are deferred and earned using principles consistent with the method used for deferring and amortizing acquisition costs.

(in thousands of Canadian dollars, except as otherwise noted)

2.4 Insurance contracts (continued)

f) Investment contracts

Contracts issued to policyholders that transfer financial risk, but do not transfer significant insurance risk to the Company are classified as investment contract liabilities. The contributions received from policyholders on these contracts are recorded as investment contract liabilities, and not as premiums written, and claim payments made are recorded as adjustments to the investment contract liabilities.

Investment contract liabilities are carried at amortized cost and are measured at the date of initial recognition as the fair value of consideration received, less payments for transaction related costs. At end of each reporting period, the liability is measured based on the estimated future cash flows relating to all claims expected to be settled on the contracts. Gains or losses associated with the measurement are recorded in Claims and LAE. Investment contract liabilities are included in Accounts payable, accrued and other liabilities in the Consolidated Statements of Financial Position.

2.5 Capital assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of these assets using the following rates and methods:

Office equipment	30% – 40%, declining balance
Furniture and fixtures	20% – 25%, declining balance
Leasehold improvements	4 to 16 years, straight-line over the term of the lease

2.6 Intangible assets

Intangible assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of those assets. A 40% amortization rate and the declining balance method of amortization are applied to computer software. A 20% amortization rate and the declining balance method of amortization are applied to the customer lists recorded as intangible assets. Licenses have indefinite useful lives and are not amortized.

2.7 Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized, where those tax rates and laws have been substantively enacted.

Deferred tax assets are only recognized to the extent that it is probable that they will be realized. Estimates are used to determine the value of the deferred tax asset balance based on the assumption that the Company will generate taxable income in future years. Estimates are used to determine the taxes payable balance based on applicable tax legislation. For items in other comprehensive income, the related tax is also presented in other comprehensive income.

2.8 Foreign currency

a) Functional and presentation currency

The Company’s functional and presentation currency is Canadian dollars. Foreign currency transactions are translated into Canadian dollars at the foreign exchange rate in effect on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate in effect at the statement of financial position date. Foreign exchange differences arising on translation are recognized in net income. Foreign currency non-monetary assets and liabilities which are measured at historical cost are recorded at the exchange rate in effect at the date of transaction. Foreign currency non-monetary assets and liabilities which are measured at fair value are recorded at the exchange rate in effect at the date that fair value was determined.

For financial instruments with fixed maturities classified as AFS, foreign exchange differences resulting from changes in amortized cost are recognized in net income, while foreign exchange differences arising from unrealized fair value gains and losses are included as unrealized gains within other comprehensive income. For other financial instruments classified as AFS, foreign exchange differences are included as unrealized gains within other comprehensive income.

2.8 Foreign currency (continued)

b) Financial statements of foreign operations

For foreign operations that have a functional currency other than Canadian dollars, the results and financial position of such operations are translated into Canadian dollars. Assets and liabilities of the foreign operations are translated at the foreign exchange rates in effect at the statement of financial position date, and income and expenses are translated at average rates approximating the foreign exchange rates in effect at the dates of the transactions.

Foreign exchange differences arising from the translation to Canadian dollars are recognized as cumulative translation adjustment in other comprehensive income.

2.9 Share based compensation

The Company's accounting policies with respect to share based compensation are in accordance with IFRS 2, *Share based payment*.

a) Equity-settled stock option plan

The Company maintains an equity-settled stock option plan, which is described in Note 28.1. The value of equity-settled stock options is measured at the grant date, and the cost is recognized in Operating expenses as an expense over the vesting period. Obligations related to equity-settled stock option plans are recorded in shareholders' equity as contributed surplus. Any consideration paid by stock option holders to exercise the options increases share capital. The Company uses the Black-Scholes model to measure the fair value of stock options. Inputs to the model include a volatility measure, a risk-free rate and expected life of the options.

b) Cash-settled share based plan

The Company maintains a cash-settled share based plan, which is described in Note 28.2. The cost of cash-settled share based options is recognized in Operating expenses as an expense over the vesting period. Obligations related to cash-settled share based plans are recorded as liabilities at fair value in Accounts payable, accrued and other liabilities. At each reporting date, obligations related to the plan are re-measured at fair value with reference to the fair value of the Company's stock price and the number of units that have vested. The corresponding share based compensation expense or recovery is recognized over the vesting period. The Company uses the Black-Scholes model to measure the fair value of cash-settled share based options. Inputs to the model include a volatility measure, a risk-free rate and expected life of the options.

c) Deferred share units plan ("DSU")

The Company has adopted a non-employee director DSU plan, which is described in Note 28.3. This entitles the participants to receive, following the end of the director's tenure as a member of the Board, an amount equivalent to the value of a common share at settlement, for each DSU unit that the participant holds. Obligations related to the plan are recorded as liabilities at fair value in Accounts payable, accrued and other liabilities, and re-measured at each reporting date at fair value with reference to the fair value of the Company's stock price and the number of units that have vested. The cost of the DSUs is recognized in Operating expenses in the period they are awarded.

d) Equity-settled restricted share units plan ("RSU")

The Company has adopted a RSU plan, which is described in Note 28.4. This entitles certain employees to receive RSUs based on the market value of the Company's commons shares at the grant date. These RSUs typically vest over the course of three years, however in some instances the vesting period may differ. Obligations related to the equity-settled RSU plan are recorded in shareholders' equity as contributed surplus. The cost of the RSUs is recognized in Operating expenses over the course of the vesting period.

2.10 Leases

Effective January 1, 2019, the Company adopted the new leases standard IFRS 16 *Leases* ("IFRS 16") and applied the modified retrospective method upon adoption. The impact of adoption resulted in the addition of a right-of-use ("ROU") asset of $10,058 and a corresponding lease liability of $10,058 (see Note 12). At the commencement date, the Company measured the ROU assets at cost and the lease liability at the present value of future lease payments. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The Company used the incremental borrowing rate at the date of initial application as the discount rate, as the rate implicit in the lease was not readily determinable.

2.10 Leases (continued)

The ROU assets are depreciated over the earlier of the end of the useful life of the underlying asset or the end of the term of the underlying lease contracts. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Short-term leases or leases of low-value assets are accounted for by recognizing the lease payments associated with those leases as an expense on a straight-line basis over the term of the leases, as permitted by IFRS 16.

2.11 Transaction costs

The Company accounts for transaction costs that are incremental and directly attributable to an equity transaction as a deduction from equity, in accordance with IAS 32 *Financial Instruments: Presentation*.

2.12 Uncertainty over income tax treatments

The Company has adopted IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") in 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The adoption of this interpretation did not impact the Company's Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

2.13 Future accounting policy changes

a) IFRS 9 Financial instruments ("IFRS 9")

IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, requires financial assets to be classified and measured at fair value, with changes in fair value recognized in profit and loss as they arise, unless certain criteria are met for classifying and measuring the asset at either amortized cost or fair value through other comprehensive income. IFRS 9 also established new criteria for hedge accounting and an expected credit loss model for the impairment assessment of loans and receivables. IFRS 9 generally was effective January 1, 2018, however, the IASB agreed to provide entities whose predominant activities are insurance to defer implementation of IFRS 9 to January 1, 2023 to coincide with the implementation of IFRS 17 *Insurance Contracts* ("IFRS 17").

Deferral of IFRS 9

The Company has adopted the amendments of IFRS 4, which addresses the deferral of the implementation of IFRS 9 for insurance companies. The Company is applying the temporary exemption from IFRS 9 as its activities are predominantly connected with insurance. The Company's percentage of liabilities connected with insurance contracts over total liabilities is greater than the 80% threshold as described in IFRS 4 and the Company does not engage in any significant activity not connected with insurance. Based on this analysis, the Company meets the criteria to defer implementation of IFRS 9.

The Company must also disclose certain elements related to the classification and fair value (see Note 4.2), as well as credit rating (see Note 15.2(c)) of financial assets. The Company is assessing the impact that IFRS 9 will have on its Consolidated Financial Statements.

b) IFRS 17

On May 18, 2017, the IASB issued the new standard IFRS 17 which allows insurance entities to elect one of the following two approaches with respect to financial instruments: (a) the deferral approach, which provides entities whose predominant activities are to issue insurance contracts within the scope of IFRS 4 a temporary exemption to continue using IAS 39, instead of IFRS 9, until January 1, 2021, later revised to January 1, 2023; and (b) the overlay approach, which can be applied to eligible financial assets and provides an option for all issuers of insurance contracts to reclassify from profit or loss to other comprehensive income any additional accounting volatility that may arise from applying IFRS 9 before IFRS 17 is applied. IFRS 17 requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 and related interpretations and is effective for fiscal years beginning on or after January 1, 2023, as pronounced by the IASB in September 2020. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The Company is actively assessing the impact that IFRS 17 will have on its Consolidated Financial Statements.

Note 3 – Critical accounting judgments and estimates in applying accounting policies

The preparation of Consolidated Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the years presented.

3.1 Critical accounting judgments in applying the Company's accounting policies

Judgments are used in applying the accounting policies used to prepare financial statements. Those judgments affect the carrying amount of certain assets and liabilities and the reported amounts of revenues and expenses recorded during the year.

a) Insurance contracts

Judgments are used to determine whether contracts should be classified as insurance or investment contracts (see Note 2.4).

b) Financial assets

Judgments are used in determining the classification of financial assets as AFS, FVTPL or Loans and receivables (see Note 2.3(a)).

c) Unpaid claims and LAE

Judgments are used in establishing provisions for unpaid claims and LAE (see Note 2.4(d)).

3.2 Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Consolidated Financial Statements is included below. Any changes in estimates are recorded in the period in which they are determined. Accordingly, actual results may differ from these and other estimates thereby impacting future financial statements:

a) Valuation of claims liabilities

Assumptions and estimation uncertainties exist related to the valuation of unpaid claims and LAE (see Note 2.4(d)), as well as significant risk factors associated with insurance and reinsurance (see Note 15 and Note 16).

b) Valuation of level 3 assets

Assumptions and estimation uncertainties exist related to the valuation of the structured insurance assets (see Note 4.4 and Note 6) as well as other Level 3 assets (see Note 6).

c) Measurement of income taxes

Assumptions and estimates are used in measuring the provision for incomes taxes (see Note 2.7 and Note 27).

d) Impairment of financial instruments

Management assesses financial instruments for objective evidence of impairment at each reporting date and there are inherent risks and uncertainties in performing this assessment of impairment loss, including factors such as general economic conditions and issuers' financial conditions (see Note 2.3(d) and Note 4.2)

(in thousands of Canadian dollars, except as otherwise noted)

Note 4 – Investments

4.1 Classification of cash and cash equivalents and investments

The following table presents the classification of cash and cash equivalents, and investments:

As at December 31, 2020	**AFS**	**Designated FVTPL**	**Cash, loans and receivables**	**Total**
Cash and cash equivalents	**-**	**-**	**136,519**	**136,519**
Investments				
Short-term securities	**-**	**-**	**5,000**	**5,000**
Fixed income	**299,452**	**80,371**	**1,287**	**381,110**
Common shares	**48,523**	**-**	**-**	**48,523**
Preferred shares	**59,361**	**-**	**-**	**59,361**
Structured insurance assets	**-**	**9,690**	**-**	**9,690**
Total cash and investments	**407,336**	**90,061**	**142,806**	**640,203**

As at December 31, 2019	AFS	Designated FVTPL	Cash, loans and receivables	Total
Cash and cash equivalents	-	-	85,905	85,905
Investments				
Fixed income	226,122	71,838	4,294	302,254
Common shares	40,621	-	-	40,621
Preferred shares	39,084	-	-	39,084
Structured insurance assets	-	10,658	-	10,658
Total cash and investments	305,827	82,496	90,199	478,522

In April 2020, the Company recognized an impairment loss of $848 (December 31, 2019 – Nil) on a fixed income investment classified as loans and receivables. Thereafter, in May 2020, the Company received common shares as settlement against this financial asset and the excess of the carrying value of the financial asset of $4,575 over the fair value of the common shares received of $3,450 resulted in a further loss of $1,125. As at December 31, 2020, these common shares are Level 3 investments measured at fair value.

(in thousands of Canadian dollars, except as otherwise noted)

4.2 Unrealized gains and losses and carrying value of investments

The amortized cost and carrying value of investments as at December 31, 2020 and December 31, 2019 were as follows:

As at December 31, 2020	**FVTPL investments**	**Other investments**				**Total investments**
	At carrying value	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Carrying value**	**At carrying value**
Short-term securities	**-**	**5,000**	**-**	**-**	**5,000**	**5,000**
Government	**59,320**	**36,649**	**1,273**	**(3)**	**37,919**	**97,239**
Corporate	**21,051**	**255,180**	**7,229**	**(876)**	**261,533**	**282,584**
Total bonds	**80,371**	**291,829**	**8,502**	**(879)**	**299,452**	**379,823**
Other loans	**-**	**1,287**	**-**	**-**	**1,287**	**1,287**
Total fixed income	**80,371**	**293,116**	**8,502**	**(879)**	**300,739**	**381,110**
Common shares	**-**	**47,232**	**5,682**	**(4,391)**	**48,523**	**48,523**
Preferred shares	**-**	**58,848**	**3,185**	**(2,672)**	**59,361**	**59,361**
Structured insurance assets	**9,690**	**-**	**-**	**-**	**-**	**9,690**
	90,061	**404,196**	**17,369**	**(7,942)**	**413,623**	**503,684**

As at December 31, 2019	FVTPL investments	Other investments				Total investments
	At carrying value	Amortized cost	Unrealized gains	Unrealized losses	Carrying value	At carrying value
Government	71,838	49,046	796	(49)	49,793	121,631
Corporate	-	174,957	2,121	(749)	176,329	176,329
Total bonds	71,838	224,003	2,917	(798)	226,122	297,960
Other loans	-	4,294	-	-	4,294	4,294
Total fixed income	71,838	228,297	2,917	(798)	230,416	302,254
Common shares	-	34,543	6,335	(257)	40,621	40,621
Preferred shares	-	42,832	518	(4,266)	39,084	39,084
Structured insurance assets	10,658	-	-	-	-	10,658
	82,496	305,672	9,770	(5,321)	310,121	392,617

The Company is currently assessing the cash flow characteristics test, to determine if the securities the Company holds would pass the solely payments of principal and interest (“SPPI”) test. Based on a preliminary assessment, most of the debt securities would pass the test, however the composition of debt securities may change significantly by the time IFRS 9 is adopted along with IFRS 17, effective for fiscal year commencing January 1, 2023.

Management has reviewed currently available information regarding those investments with a fair value less than carrying value. During the year ended December 31, 2020, management recognized total impairments of $4,992 (December 31, 2019 – $nil), of which $4,144 was on AFS investments and $848 on loans and receivables. Assumptions are used when estimating the value of impairment based on the Company’s impairment policy, which involves comparing fair value to carrying value.

(in thousands of Canadian dollars, except as otherwise noted)

4.3 Pledged assets

In the normal course of insurance and reinsurance operations, the Company must secure its obligations under certain insurance and reinsurance contracts by collateralizing them with letters of credit or trust arrangements. These trusts and letters of credit may, in turn, be secured by the Company's fixed income investments. As at December 31, 2020, the Company has pledged cash amounting to $1,582 USD and pledged fixed maturity investments amounting to $68,182 USD (December 31, 2019 - $2,576 USD and $58,981 USD, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at December 31, 2020, the Company pledged $5,592 USD (December 31, 2019 – $311 USD) of fixed income investments as security deposits to various US state insurance departments to be held in trust for and pledged to various states.

4.4 Structured insurance assets

The structured insurance assets represent the Company's purchase of the rights to collect commission income on portfolios of long-term care insurance policies issued by insurance companies. The commissions are paid into trusts, from which the amounts due to the Company, being the commissions net of amounts due to other parties and expenses of the trusts, are paid. The commission income for the year ended December 31, 2020 amounted to $1,349 (December 31, 2019 – $1,658), which has been recorded within Net investment income (see Note 7).

In March 2019, there was a settlement gain of $6,075 USD on the structured insurance assets that arose from a legal action against the third party, from whom Trisura International purchased the structured insurance assets in 2004.

Note 5 – Fair value and notional amount of derivatives

The following sets out the fair value and notional amount of derivatives as at December 31, 2020 and December 31, 2019:

As at	**December 31, 2020**			December 31, 2019		
		Fair value			Fair value	
	Notional amount	**Asset**	**Liability**	Notional amount	Asset	Liability
Foreign currency contracts						
Forwards	**51,000**	**-**	**152**	43,700	327	-
Equity contracts						
Swap agreements	**8,112**	**8,272**	**-**	494	745	-
Interest rate contracts						
Swap agreements	**4,134**	**57**	**-**	-	-	-
	63,246	**8,329**	**152**	44,194	1,072	-
Term to maturity						
less than one year	**59,086**	**7,940**	**152**	43,700	327	-
from one to five years	**26**	**332**	**-**	494	745	-
from five to ten years	**4,134**	**57**	**-**	-	-	-

The Company uses foreign currency forward contracts to reduce its exposure to fluctuations in the exchange rates that could arise from its USD, EUR and GBP denominated investments. The notional amounts of the forwards as at December 31, 2020 are $32,392 USD (December 31, 2019 – $25,991 USD), €1,669 EUR (December 31, 2019 – €1,636 EUR) and £4,226 GBP (December 31, 2019 – £4,193). The Company also uses swap agreements to mitigate exposure to interest rate on its investment portfolio and equity market fluctuations associated with its share based compensation. These derivatives are recorded at fair value and gains and losses are recorded in Net gains (see Note 8).

(in thousands of Canadian dollars, except as otherwise noted)

Note 6 – Fair value measurement

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at December 31, 2020 and December 31, 2019:

As at December 31, 2020	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Government	**97,239**	**-**	**97,239**	**-**
Corporate	**282,584**	**-**	**282,584**	**-**
Total bonds	**379,823**	**-**	**379,823**	**-**
Common shares	**48,523**	**25,213**	**12,626**	**10,684**
Preferred shares	**59,361**	**48,008**	**11,060**	**293**
Structured insurance assets	**9,690**	**-**	**-**	**9,690**
Total investments	**497,397**	**73,221**	**403,509**	**20,667**
Derivative financial assets	**8,329**	**-**	**8,329**	**-**
Derivative financial liabilities	**(152)**	**-**	**(152)**	**-**
	505,574	**73,221**	**411,686**	**20,667**

As at December 31, 2019	Total fair value	Level 1	Level 2	Level 3
Government	121,631	-	121,631	-
Corporate	176,329	-	176,329	-
Total bonds	297,960	-	297,960	-
Common shares	40,621	39,711	-	910
Preferred shares	39,084	39,084	-	-
Structured insurance assets	10,658	-	-	10,658
Total investments	388,323	78,795	297,960	11,568
Derivative financial assets	1,072	-	1,072	-
	389,395	78,795	299,032	11,568

Included within the Level 3 assets are the structured insurance assets. The structured insurance assets are valued using a proprietary discounted cash flow valuation model. The fair value of this investment is based on discounting the expected future commission using a US Treasury yield curve adjusted for credit risk associated with the receipt of future commission payments from the insurance companies. The credit risk adjustment is made since the Company takes on the credit risk of the insurance companies who have the ultimate commission obligations. The majority of commissions are received from insurance companies with an A.M. Best Company, Inc. ("A.M. Best") long-term issuer credit ratings of A or better.

Expected future cash flows are projected considering the probability of the policy being cancelled by the insured (referred to as lapse), the insured becoming sick and making a claim under the insurance policy (referred to as morbidity) and having future premium payments waived, or the insured dying (referred to as mortality). These actuarial risks are modeled using data drawn from the insurance companies and the Society of Actuaries Long Term Care Studies, as well as data from other public and non-public sources supplemented, as appropriate, by assistance from external actuarial consultants. Mortality rates used in the valuation of the Structured insurance assets are derived from the 2012 Individual Annuity Mortality table developed by the Society of Actuaries in the United States. The assumptions used are reviewed on a regular basis.

Management uses sensitivity analyses to ensure risks assumed are within the Company's risk tolerance level. Sensitivity analyses are performed on factors that would impact the Company's results and financial condition. Results of the sensitivity analyses should only be viewed as directional estimates as they can differ materially from actual results. The following table shows the sensitivity of the valuation to a 1% change in the lapse rate.

	December 31, 2020	December 31, 2019
Sensitivity factor	Impact on comprehensive income	
100 basis point increase in lapse rate	**(560)**	(576)
100 basis point decrease in lapse rate	**608**	622

(in thousands of Canadian dollars, except as otherwise noted)

Note 6 – Fair value measurement (continued)

For the years ended December 31, 2020 and December 31, 2019, there were no transfers between levels.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for the years ended December 31, 2020 and the year ended December 31, 2019:

	December 31, 2020	December 31, 2019
Balance at beginning of year	**11,568**	13,105
Unrealized gains (losses)	**1,891**	(1,092)
Purchase of securities	**7,403**	119
Foreign exchange	**(195)**	(564)
Balance at end of year	**20,667**	11,568

The following tables present quantitative information about the significant fair value inputs utilized by the Company for Level 3 assets:

	Fair value as at December 31, 2020	**Valuation technique**	**Unobservable inputs**	**Range**
Structured insurance assets	**9,690**	**Discounted cash flow**	**Discount rate load (1)**	**0.25% - 3.00%**
			Morbidity rates (2)	**0.00% - 29.00%**
			Lapse rates (3)	**1.00% - 3.60%**
Private equity investment	**4,832**	**Discounted cash flow**	**Discount rate**	**9%**
			Exit multiple	**10x**
Private equity investments	**6,145**	**Net asset value (4)**	**n/a**	**n/a**

	Fair value as at December 31, 2019	Valuation technique	Unobservable inputs	Range
Structured insurance assets	10,658	Discounted cash flow	Discount rate load (1)	0.25% - 3.00%
			Morbidity rates (2)	0.00% - 24.50%
			Lapse rates (3)	1.00% - 3.90%
Private equity investments	910	Net asset value (4)	n/a	n/a

(1) The discount rate used by the Company consists of three components:
- Risk free rate: based on U.S. Treasury strip rates that are quoted observable fair value inputs;
- Credit risk: based on counterparty credit default swap rates that are quoted observable fair value inputs; and
- Discount rate load: the risk premium applied to projected cash flows which increases over time. A decrease in discount rate load increases estimated fair value.

(2) Morbidity rates refer to the percentage of policyholders in receipt of benefit during which time premiums are waived. These morbidity rates vary by age and gender (e.g. from 0.0% at age 50 to over 20% for ages in excess of 97) and are based on long term care industry data. At December 31, 2020, the average morbidity rate was 5.3% corresponding to an average policyholder age of 81 (December 31, 2019 – 5.0% and average policyholder age of 81).

(3) Lapse rates are the percentage of policyholders electing to cancel their policy and are based on long term care industry data and recent portfolio experience.

(4) Based on the net asset value of the equity fund and market transactions which approximates the fair value of the investment.

(in thousands of Canadian dollars, except as otherwise noted)

Note 7 – Net investment income

For the years ended December 31	2020	2019
Cash and cash equivalents, and short-term securities	**644**	702
Bonds classified as loans and receivables	**175**	764
FVTPL bonds	**892**	423
AFS bonds	**8,272**	7,818
Interest income	**9,983**	9,707
AFS common shares and income and investment trust units	**1,998**	1,318
AFS preferred shares	**2,806**	1,708
Dividend income	**4,804**	3,026
Gains on investments held at FVTPL	**12,893**	2,374
Commission income on structured insurance assets	**1,349**	1,658
Investment expenses	**(1,250)**	(522)
Other investment income	**12,992**	3,510
Net investment income	**27,779**	16,243

Note 8 – Net gains

For the years ended December 31	2020	2019
Net gains (losses) from:		
financial instruments:		
AFS common shares and income and investment trust units	**3,649**	1,052
AFS preferred shares	**1,282**	98
AFS bonds	**1,746**	(652)
	6,677	498
derivatives:		
swap agreements (1)	**2,197**	250
Embedded derivatives	**(1,314)**	-
Net foreign currency gains	**5,882**	824
Impairment on investments (see Note 4.2)	**(4,992)**	-
Net gains	**8,450**	1,572

(1) Excluding foreign currency contracts, which are reported in the line Net foreign currency gains.

(in thousands of Canadian dollars, except as otherwise noted)

Note 9 – Unpaid claims and loss adjustment expenses

The following changes have occurred to the claim reserves:

For the year ended December 31, 2020	**Direct**	**Ceded**	**Net**
Unpaid claims, beginning of year	**257,880**	**114,657**	**143,223**
Claims occurring in current year (including paid)	**407,439**	**352,118**	**55,321**
Change in undiscounted estimates for losses of prior years	**(10,169)**	**(7,023)**	**(3,146)**
Change in discounting	**20,157**	**715**	**19,442**
Change in provision for adverse deviation	**732**	**(213)**	**945**
Total claims incurred	**418,159**	**345,597**	**72,562**
Claims paid	**(180,814)**	**(133,629)**	**(47,185)**
Foreign exchange	**(7,954)**	**(12,721)**	**4,767**
Unpaid claims, end of year	**487,271**	**313,904**	**173,367**

For the year ended December 31, 2019	Direct	Ceded	Net
Unpaid claims, beginning of year	173,997	42,048	131,949
Purchase of Trisura Warranty outstanding warranty contracts	987	-	987
Gross unpaid claims	174,984	42,048	132,936
Claims occurring in current year (including paid)	174,646	138,364	36,282
Change in undiscounted estimates for losses of prior years	(8,141)	(1,679)	(6,462)
Change in discount rate	19,759	134	19,625
Change in provision for adverse deviation	766	275	491
Total claims incurred	187,030	137,094	49,936
Claims paid	(96,370)	(62,645)	(33,725)
Foreign exchange	(7,764)	(1,840)	(5,924)
Unpaid claims, end of year	257,880	114,657	143,223

The unpaid claims and LAE of Trisura Guarantee were discounted to take into account the time value of money using a rate of 2.39% (2019 – 3.0%) on expected claims settlement patterns. The expected future claim and LAE payments related to the Life liabilities of Trisura International were discounted to take into account the time value of money using rates which ranged from (0.64%) to 3.75% (2019 – (0.35%) to 3.9%).

As at September 30, 2019, the Company changed its estimation methodology for determining the long-term interest rates used in discounting the claims reserves of the life reinsurance business of Trisura International. Prior to September 30, 2019, Trisura International used the Euro swap rate curve to represent market-consistent risk-free interest rates.

Effective September 30, 2019, Trisura International began to determine the interest rates used in discounting its life reinsurance claims reserves by using the interest rate curve provided by the European Insurance and Occupational Pensions Authority (“EIOPA”). This curve is based on the Euro swap rate curve and also incorporates a credit risk adjustment, a volatility adjustment and the extrapolation of interest rates at longer durations. The EIOPA curve is used in Solvency II, a risk-based insurance regulatory and capital regime applied in Europe and is an accepted practice for valuation of claims reserves under IFRS 4.

The aggregate impact of this estimation change reduced Trisura International’s life Unpaid claims and loss adjustment expenses by $5,773 as at September 30, 2019, with a corresponding decrease of $5,773 in Claims and loss adjustment expenses.

Unpaid claims and loss adjustment balances due from reinsurers are grouped with unearned reinsurance assets in Recoverable from reinsurers on the Consolidated Statements of Financial Position.

(in thousands of Canadian dollars, except as otherwise noted)

9.1 Prior year claims development

The following table presents the net cumulative claim payments to date and estimate of net ultimate claims incurred, including IBNR and provisions for adverse deviation ("PfAD"), at the end of the year:

Net claims loss development

Accident year	All prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**	Total
Estimate of net ultimate claims incurred		10,003	10,463	12,349	14,002	18,997	28,378	21,741	23,138	35,784	**53,515**	
One year later		10,211	8,872	9,953	12,363	15,878	26,772	19,059	20,059	32,684		
Two years later		9,683	7,402	6,651	10,310	14,365	26,380	17,409	19,854			
Three years later		9,253	6,845	5,648	9,224	14,421	25,826	16,467				
Four years later		7,564	6,568	5,324	8,934	13,340	26,739					
Five years later		7,053	7,861	5,254	8,269	12,730						
Six years later		6,958	8,102	5,179	9,303							
Seven years later		7,090	7,899	5,083								
Eight years later		6,680	8,189									
Nine years later		6,707										
Estimate of net ultimate claim incurred		6,707	8,189	5,083	9,303	12,730	26,739	16,467	19,854	32,684	**53,515**	
Cumulative claim payments to date		(6,494)	(5,867)	(4,459)	(8,515)	(11,579)	(19,141)	(12,253)	(13,601)	(20,134)	**(17,407)**	
Net unpaid claims	6,317	213	2,322	624	788	1,151	7,598	4,214	6,252	12,550	**36,108**	78,137
Impact of discounting	(6)	(7)	(78)	(28)	(33)	(53)	(260)	(256)	(418)	(715)	**(1,299)**	(3,153)
Impact of PfAD	49	29	317	114	141	171	976	614	931	1,437	**2,961**	7,740
Present value of net unpaid claims with PfAD	6,360	235	2,561	710	896	1,269	8,314	4,572	6,765	13,272	**37,770**	82,724
Add: Net discounted reserves on life contracts												90,058
Add: Trisura Warranty unpaid claims												585
Total net unpaid claims and LAE												173,367

(in thousands of Canadian dollars, except as otherwise noted)

Note 10 – Deferred acquisition costs

The following changes have occurred to the deferred acquisition costs for the years ended December 31, 2020 and 2019:

Deferred acquisition costs

	December 31, 2020	December 31, 2019
Opening costs, beginning of year	**104,197**	63,715
Acquisition costs deferred	**254,813**	124,742
Amortization of deferred costs	**(167,898)**	(83,171)
Foreign exchange	**(2,922)**	(1,089)
Closing balance, end of year	**188,190**	104,197

Reinsurers' share of deferred acquisition costs

	December 31, 2020	December 31, 2019
Opening costs, beginning of year	**51,291**	19,137
Acquisition costs deferred	**163,470**	77,268
Amortization of deferred costs	**(111,052)**	(43,845)
Foreign exchange	**(3,428)**	(1,269)
Closing balance, end of year	**100,281**	51,291

The reinsurers' share of deferred acquisition costs is referred to as Unearned reinsurance commissions in the Consolidated Statements of Financial Position.

Net commissions For the years ended	**December 31, 2020**	December 31, 2019
Commissions expense	**169,626**	82,923
Reinsurance commissions	**(113,711)**	(45,407)
Net commissions expense	**55,915**	37,516

Note 11 – Unearned premiums

Unearned premiums are generally calculated on a pro rata basis from the unexpired portion of the premiums written (see Note 2.4(a)). The unearned premiums estimate is validated through standard actuarial techniques to ensure that after deducting any deferred policy acquisition costs, these premiums are sufficient to cover the estimated future costs of servicing the associated policies, expected claims, LAE, and taxes to be incurred. In estimating these costs, the Company in some instances uses discounting techniques to take into account the time value of money and a provision for adverse deviation is added to the discounted amount. There was no premium deficiency at December 31, 2020 or December 31, 2019.

The following changes have occurred in the provision for unearned premiums:

For the year ended December 31, 2020	**Gross**	**Ceded**	**Net**
Unearned premiums, beginning of year	**328,091**	**178,411**	**149,680**
Premiums written	**926,442**	**684,985**	**241,457**
Premiums earned	**(648,413)**	**(487,973)**	**(160,440)**
Foreign exchange	**(13,409)**	**(12,355)**	**(1,054)**
Unearned premiums, end of year	**592,711**	**363,068**	**229,643**

For the year ended December 31, 2019	Gross	Ceded	Net
Unearned premiums, beginning of year	182,623	67,519	115,104
Premiums written	448,262	305,480	142,782
Premiums earned	(298,408)	(190,445)	(107,963)
Foreign exchange	(4,386)	(4,143)	(243)
Unearned premiums, end of year	328,091	178,411	149,680

(in thousands of Canadian dollars, except as otherwise noted)

Note 12 – Leases

The Company leases office premises for its own use. These leases have terms that range from 4 years to 16 years, most with an option to extend the lease at the end of the lease term. The Company also leases office equipment. These leases generally have a lease term of five years, with no renewal option or variable lease payments.

As at December 31, 2020, ROU assets of $8,470 (December 31, 2019 – $9,599) are recorded in Capital assets and intangible assets, along with $5,437 (December 31, 2019 – $4,878) of other Capital assets and intangible assets.

Information about leases for which the Company is a lessee is presented below:

	As at December 31, 2020			As at December 31, 2019		
Right-of-use assets	**Premises**	**Office equipment**	**Total**	Premises	Office equipment	Total
Balance as at January 1	**9,586**	**13**	**9,599**	-	-	-
Impact of IFRS 16 adoption	**-**	**-**	**-**	10,033	25	10,058
Additions	**527**	**-**	**527**	780	-	780
Depreciation	**(1,634)**	**(11)**	**(1,645)**	(1,167)	(11)	(1,178)
Foreign exchange	**(12)**	**1**	**(11)**	(60)	(1)	(61)
Balance at end of year	**8,467**	**3**	**8,470**	9,586	13	9,599

As at	**December 31, 2020**	December 31, 2019
Lease liabilities maturity analysis		
Less than one year	**1,566**	1,656
One to five years	**6,212**	6,650
More than five years	**2,500**	2,826
Total undiscounted lease liabilities	**10,278**	11,132
Lease liabilities included in the Statements of Financial Position	**8,793**	9,756
Total cash outflow for leases recognized in the Statements of Cash Flows	**1,965**	1,348

Amounts recognized in Statements of Comprehensive Income for the years ended	**December 31, 2020**	December 31, 2019
Interest on lease liabilities	**450**	322
Expense relating to short-term leases	**45**	40
Expenses relating to leases of low-value assets	**5**	4
Income from subleasing right-of-use assets	**124**	337

(in thousands of Canadian dollars, except as otherwise noted)

Note 13 – Premiums and accounts receivable, and other assets

As at December 31, 2020 and December 31, 2019, Premiums and accounts receivable, and other assets consists of:

As at	**December 31, 2020**	December 31, 2019
Premiums receivable	**166,017**	79,627
Derivative assets	**8,329**	1,072
Accrued investment income	**2,879**	2,537
Tax recoveries	**409**	417
Prepaid expenses	**317**	388
Miscellaneous assets	**932**	2,628
	178,883	86,669

As at December 31, 2020, Premiums receivable of $166,017 (December 31, 2019 – $79,627) includes an amount of $120,595 (December 31, 2019 – $54,187) related to Trisura Specialty for which there is a reinsurance payable of $129,740 (December 31, 2019 – $60,345).

The Reinsurance premiums payable balance of $151,707 (December 31, 2019 – $80,186) on the Consolidated Statements of Financial Position reflects $186,382 of reinsurance payable (December 31, 2019 – $84,572), netted against $34,675 (December 31, 2019 – $4,386) of reinsurance recoverable.

Note 14 – Accounts payable, accrued and other liabilities

As at December 31, 2020 and December 31, 2019, Accounts payable, accrued and other liabilities consist of:

As at	**December 31, 2020**	December 31, 2019
Accrued liabilities	**15,725**	8,345
Deposits in trust	**12,140**	11,842
Lease liabilities	**8,793**	9,756
Share based payment plan	**5,670**	2,589
Taxes payable	**4,558**	3,913
Investment contract liabilities	**339**	369
Derivatives liabilities	**152**	-
Premium taxes payable and other liabilities	**9,966**	4,102
	57,343	40,916

Note 15 – Risk management

As a provider of insurance products, effective risk management is critical to the Company's ability to protect the interests of its stakeholders. The most significant risks include those associated with insurance contracts and holding financial instruments. The Company has policies and procedures governing the identification, measurement, monitoring, mitigating and controlling of risks associated with insurance contracts and holding financial instruments. The most significant risk associated with insurance contracts is insurance risk, which includes pricing risk, concentration risk and reserving risk. The significant risks associated with financial instruments are credit risk, liquidity risk and market risk (comprising currency risk, interest rate risk and other price risks such as equity risk). Sensitivity analyses are performed on these significant risks which could impact the Company's results and financial condition. Results of the sensitivity analyses should only be viewed as directional estimates as they can differ materially from actual results.

The following sections describe how the Company manages its insurance risk and risks associated with financial instruments.

(in thousands of Canadian dollars, except as otherwise noted)

15.1 Insurance risk

Insurance risk is the risk that the ultimate cost of claims and LAE, as well as acquisition expenses, related to insurance contracts will exceed premiums received in respect of those contracts. This could occur because either the frequency or severity of claims is greater than expected.

The Company's objective for managing insurance risk is to mitigate the risk while continuing to grow and to achieve profitable underwriting results within its identified product lines. Senior management seeks to achieve this objective through effective use of underwriting and pricing policies, procedures and guidelines, which it has developed for pricing and issuing bonds and policies or assuming reinsurance risk. In addition, careful oversight is applied to the underwriting process to ensure that these policies, procedures and guidelines are followed. Furthermore, the Company regularly reviews its underwriting practices to ensure that they reflect emerging trends in its existing business and in the marketplace. Insurance risk is further mitigated through effective claims and expense management, and through the use of reinsurance.

The insurance risks associated with insurance contracts underwritten by the Company are subject to a number of variables such as estimated loss ratios and estimated claims settlement costs, which are sensitive to various assumptions which can impact the estimation of claims liabilities (see Note 2.4(d)).

Some additional factors that impact insurance risk include pricing risk, concentration risk and reserving risk, which are described below:

a) Pricing risk

Pricing risk is the risk that an insurance product has been priced using assumptions about claims and LAE activity that are different from the actual experience of that product line. The Company mitigates the impact of pricing risk through the use of guidelines, which are designed such that premium rates take into account claims frequency and severity, expense levels, investment returns and profit margins required to support a particular product line. The Company reviews pricing assumptions regularly to ensure that they reflect up-to-date claims experience and expected future changes in that experience, as well as market conditions. The Company further mitigates the impact of pricing risk through the employment of experienced underwriting staff.

b) Reserving risk

Reserving risk is the risk that future claims and LAE arising on past exposure periods exceed the liability recorded in respect of unpaid claims and LAE. The Company's management of reserving risk is discussed in Note 2.4(d).

c) Concentration of insurance risk

Concentration risk is the risk that the Company's insurance products are concentrated within a particular geographic area, particular class of business, or a particular insured, thereby increasing the exposure of the Company to a single event or a series of related events. Concentration of risk could arise as a result of accumulations of large numbers of insurance or reinsurance contracts exposed to similar perils, classes of business or geographic areas.

To mitigate the impact of concentration of risk, the Company applies risk management practices, including the use of reinsurance, monitoring and modelling techniques, and regularly reviews its portfolio of insurance risks for concentration and aggregation of risks and makes adjustments as needed in order to ensure exposures are within tolerances. The active management of its reinsurance programs and collateral requirements is also an important element in maintaining net claims exposures and concentration and aggregation risks within the Company's risk tolerance.

The following table shows the mix of the Company's policies by product line and geography, which reflects the Company's diversification of insurance risk:

		December 31, 2020			December 31, 2019		
		Canada	**U.S.**	**Other**	Canada	U.S.	Other
Trisura Guarantee(1)	Surety	**66,081**	**5,493**	**-**	57,022	2,247	-
	Corporate insurance	**69,691**	**-**	**-**	47,253	-	-
	Risk solutions	**137,869**	**-**	**-**	77,717	-	-
Trisura Specialty	Fronting	**-**	**647,183**	**-**	-	263,911	-
Trisura International	Life	**-**	**-**	**125**	-	-	112
Gross premiums written		**273,641**	**652,676**	**125**	181,992	266,158	112

(1) The operations of Trisura Guarantee comprises Surety, Risk Solutions and Corporate Insurance products underwritten in Canada as well as the operations of Trisura Warranty, which are grouped with Risk Solutions.

(in thousands of Canadian dollars, except as otherwise noted)

15.1 Insurance risk (continued)

d) Sensitivity to insurance risk

i) Property and casualty business of Trisura Guarantee, Trisura Specialty and Trisura International

The insurance risks associated with the lines of business underwritten by the Company are sensitive to various assumptions which can impact the estimation of claims liabilities. The operations of Trisura Guarantee include the operations of Trisura Warranty. The relevant risk variables for the Company's property and casualty lines of business associated with the estimation of claims liabilities are subject to assumptions that impact the ultimate value of the estimated loss ratio as well as the estimated claims settlement costs. The loss ratio is used to calculate losses of the Company with respect to its ongoing property and casualty insurance operations as a percentage of net premiums earned. Below is an analysis showing the impact of a 5% increase in the loss ratio, as a percentage of net premiums earned, and a 5% increase in claims settlement costs of the property and casualty claims reserves, based on an increase in the current net unpaid claims balance. Such variances in the estimation were considered reasonably possible during the years ended December 31, 2020 and 2019. The impacts described in the table below are independent of one another. A 5% decrease to the loss ratio and a 5% decrease in claims settlement costs would have the opposite effect on comprehensive income and shareholders' equity.

	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Sensitivity factor	Impact on comprehensive income, before tax		Impact on shareholders' equity	
5% increase to loss ratio	**(7,790)**	(5,275)	**(5,863)**	(3,872)
5% increase to claims settlement costs	**(4,009)**	(3,188)	**(3,156)**	(2,407)

ii) Life business of Trisura International

The Company's life reserves are held in respect of a book of deferred annuities with guaranteed annuity conversion options ("GAO"). A significant risk factor in relation to these reserves is the proportion of policyholders who take up the GAO upon retirement. The following table shows the impact on reserves of a 100 basis point change in the GAO take-up rate.

	December 31, 2020	December 31, 2019
Sensitivity factor	Impact on net income	
100 basis point increase in GAO take-up rate	**(987)**	(881)
100 basis point decrease in GAO take-up rate	**1,047**	916

Unpaid claims and LAE reserves are discounted due to the time value of money and are sensitive to interest rates. The impact of the interest rate sensitivity on unpaid claims is shown in Note 15.4(b). The structured insurance assets are sensitive to changes in lapse rates. The impact of lapse rate sensitivity on the structured insurance assets is shown in Note 6.

15.2 Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Credit risk arises mainly from investments in bonds and short-term securities, the structured insurance assets, and balances receivable from insurance brokers and reinsurers.

For debt securities, the Company manages its credit risk by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty or based on the collateral supporting the counterparty risk. Management also limits its aggregate debt securities credit risk by placing limits on aggregate values of securities at different credit rating levels. Management monitors credit quality of its debt securities on an on-going basis through its reviews of the investment portfolio.

For the structured insurance assets, the Company minimizes its credit exposure through transacting with investment grade counterparties.

(in thousands of Canadian dollars, except as otherwise noted)

15.2 Credit risk (continued)

For Premiums receivable, the Company uses insurance brokers, managing general agents, and program administrators as intermediaries for the distribution of its product offerings and is therefore subject to the risk that these intermediaries fail to remit the premiums they have collected on its behalf. The Company primarily deals with intermediaries with which it has entered into a contract that details, among other things, the intermediary's responsibilities and payment obligations. These intermediaries are typically regulated and licensed by insurance regulators. Further, the Company monitors accounts receivable and follows-up all past due amounts to ensure satisfactory collection arrangements are in place. As at December 31, 2020, $2,171 of premiums receivable was past due but not considered to be impaired (December 31, 2019 – $2,717).

For recoverables from reinsurers, the Company applies its reinsurance risk management policy to manage the credit risk associated with these balances. The Company is ultimately at risk on the limits of coverage provided under its product offerings, regardless of whether it has ceded a portion of this exposure to reinsurers. If a reinsurer is unwilling or unable to satisfy its obligations, the Company does not have the right to correspondingly reduce its claims payment obligations. The Company's reinsurance coverage is well diversified and controls are in place to manage exposure to reinsurance counterparties. The Company generally uses licensed reinsurers that have a minimum A.M. Best credit rating of A-, and management monitors these ratings on a regular basis. Furthermore, the Company's reinsurance risk management policy places limits on the participation of individual reinsurers in the Company's reinsurance arrangements to ensure that no single reinsurer represents an undue level of credit risk. These participations and limits are reviewed regularly.

When the Company uses an unlicensed or unrated reinsurer, it is required to establish a custodial account secured under a reinsurance security agreement, post a letter of credit or provide other forms of security acceptable to the Company.

Derivative assets and other assets are monitored with reference to the credit quality of the counter-party, and an impairment allowance is made if deemed appropriate.

a) Maximum exposure to credit risk of the Company

The following table sets out the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

As at	**December 31, 2020**	December 31, 2019
Cash and cash equivalents, and short-term securities	**141,519**	85,905
Bonds		
Government	**97,239**	121,631
Corporate	**282,584**	176,329
Other loans	**1,287**	4,294
Structured settlements	**9,690**	10,658
Premiums receivable	**166,017**	79,627
Accrued investment income	**2,879**	2,537
Derivative assets	**8,329**	1,072
Other assets	**1,341**	3,045
	710,885	485,098

(in thousands of Canadian dollars, except as otherwise noted)

15.2 Credit risk (continued)

b) Concentration of credit risk of the Company

Concentrations of credit risk can arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar risk characteristics, for example they may operate in the same or similar industries. The following table provides details of the fair value of fixed income securities by industry sector:

As at	**December 31, 2020**	December 31, 2019
Government	**97,239**	121,631
Financial	**90,247**	64,842
Industrial	**39,260**	20,187
Telecom services	**25,904**	11,598
Energy	**23,818**	23,535
Consumer discretionary	**23,594**	15,762
Power and pipelines	**18,305**	3,636
Real estate	**16,283**	8,319
Consumer staples	**16,060**	4,797
Automotive	**13,501**	11,515
Utility	**6,625**	3,868
Retail	**-**	3,588
Other	**10,274**	8,976
	381,110	302,254

c) Asset quality

The following table summarizes the credit ratings for fixed income securities and cash equivalents:

As at	**December 31, 2020**	December 31, 2019
Fixed income securities		
AAA	**40,880**	43,566
AA	**84,757**	91,156
A	**100,659**	94,257
BBB	**118,717**	56,549
Below BBB	**36,097**	16,726
	381,110	302,254
Cash equivalents and short-term securities		
R-1 (high)	**20,981**	11,398
R-1 (low)	**-**	6,299
	402,091	319,951

15.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may arise from a number of potential areas including, for example, duration mismatch between assets and liabilities.

Generally, the Company's financial liabilities are settled by delivering cash and it is able to rely on the cash flow generated from its operations to satisfy its liquidity requirements, which are primarily operating expenses and claims and loss adjustment payments.

By their nature, the timing and quantum of claims and loss adjustment payments are subject to significant uncertainty and are estimated actuarially as set out in Note 2.4(d). Although the Company has reinsurance treaties in place under which a portion of the claims payments may be recovered, including by way of set off against premiums payable to the reinsurers, such recoveries usually follow the making of payments and often delays of a number of months can occur. Hence the Company must have access to sufficient liquid resources to fund gross amounts payable when required.

(in thousands of Canadian dollars, except as otherwise noted)

15.3 Liquidity risk (continued)

To manage its liquidity requirements, the Company maintains a minimum balance of cash and cash equivalents, and short-term securities and a highly rated, highly liquid investment portfolio. The Company's investment policy sets out credit quality criteria and has limits on single issuer exposures. In addition, the investment policy stipulates average duration targets.

The Company also manages the liquidity risk associated with its assumed reinsurance liabilities through its asset liability matching processes. The long-tailed nature of much of the Company's reinsurance business also reduces the likelihood of sudden or unexpected spikes in claim payment requirements.

The Company periodically pledges assets under insurance and reinsurance trust arrangements which are therefore not readily available for general use by the Company (see Note 4.3).

The following tables set out the Company's financial assets and liabilities by contractual maturity.

As at December 31, 2020	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
Cash and cash equivalents	**67,018**	**-**	**-**	**69,501**	**136,519**
Investments	**66,992**	**188,167**	**151,230**	**97,295**	**503,684**
Premiums receivable	**164,601**	**1,416**	**-**	**-**	**166,017**
Other financial assets	**12,350**	**332**	**184**	**-**	**12,866**
Reinsurers' share of claims liabilities	**177,853**	**126,788**	**9,263**	**-**	**313,904**
Financial and insurance assets (1)	**488,814**	**316,703**	**160,677**	**166,796**	**1,132,990**

As at December 31, 2019	Up to 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
Cash and cash equivalents, and short-term securities	16,398	-	-	69,507	85,905
Investments	27,120	192,487	93,306	79,704	392,617
Premiums receivable	76,680	2,947	-	-	79,627
Other financial assets	6,864	48	130	-	7,042
Reinsurers' share of claims liabilities	88,039	24,710	1,908	-	114,657
Financial and insurance assets (1)	215,101	220,192	95,344	149,211	679,848

(1) Deferred acquisition costs and reinsurers' share of unearned premiums have been excluded as they are not subject to liquidity risk.

(in thousands of Canadian dollars, except as otherwise noted)

15.3 Liquidity risk (continued)

As at December 31, 2020	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
Unpaid claims and LAE (2)	**220,291**	**208,555**	**54,900**	**-**	**483,746**
Reinsurance premiums payable	**151,707**	**-**	**-**	**-**	**151,707**
Other financial liabilities	**35,947**	**-**	**-**	**12,150**	**48,097**
Loan payable	**11,459**	**16,096**	**-**	**-**	**27,555**
Financial and insurance liabilities (3)	**419,404**	**224,651**	**54,900**	**12,150**	**711,105**

As at December 31, 2019	Up to 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
Unpaid claims and LAE (2)	120,077	92,798	39,792	-	252,667
Reinsurance premiums payable	80,186	-	-	-	80,186
Other financial liabilities	19,285	-	-	11,875	31,160
Loan payable	-	29,700	-	-	29,700
Financial and insurance liabilities (3)	219,548	122,498	39,792	11,875	393,713

(2) Undiscounted and excluding PfADs.
(3) Unearned premiums and unearned reinsurance commissions have been excluded as they are not subject to liquidity risk.

(in thousands of Canadian dollars, except as otherwise noted)

15.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk and other price risks such as equity price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company faces currency risk as a result of having operations in the United States and Canada, as well as European exposure through its reinsurance operations and therefore has exposure to currency risk arising from fluctuations in exchange rates of the Canadian dollar and Euro against the United States dollar. The Company also has currency risk as a result of having investments in the Company's Canadian operations denominated in foreign currencies. The foreign currency positions of the Company are monitored regularly and the Company uses derivatives throughout the year to manage foreign exchange risks where a material unmatched foreign exchange position exists.

i) Exposure to currency risk

The Company manages its currency risk through its investment policy which considers duration of investments held as well as asset liability matching.

The following table summarizes the net currency exposure of Canadian domiciled entities categorized by major currency. The balances in the table below are presented in the foreign currency indicated:

	USD		**EUR**		**GBP**		**BRL**	
As at December 31,	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Cash and investments	**42,043**	24,138	**1,661**	1,654	**4,195**	4,370	**5,500**	-
Less: foreign – currency derivatives, notional amount	**(32,392)**	(25,991)	**(1,669)**	(1,636)	**(4,226)**	(4,193)	**-**	-
Total net exposure	**9,651**	(1,853)	**(8)**	18	**(31)**	177	**5,500**	-

The following table summarizes the carrying value of assets and liabilities, denominated in a currency other than USD, of Trisura International categorized by major currency. All amounts below are converted to Canadian dollar equivalents. The assets and liabilities below are translated at exchange rates at the reporting date and are stated before considering the effect of any forward currency exchange contracts:

	December 31, 2020		December 31, 2019	
	EUR	**Other**	EUR	Other
Assets	**82,894**	**2,254**	73,947	1,406
Liabilities	**90,490**	**212**	76,251	235
Net assets	**(7,596)**	**2,042**	(2,304)	1,171

As at December 31, 2020 and 2019, Trisura International's short position in Euro is unhedged and management considered the foreign exchange risk to be acceptable.

The following table summarizes the carrying value of net assets of Trisura International and Trisura Specialty in their functional currency of USD, as well as loan payable which is denominated in USD.

As at December 31,	**2020**	2019
Consolidated net assets of:		
Trisura International	**10,252**	14,849
Trisura Specialty	**122,555**	83,273
Total net currency exposure to the USD	**132,807**	98,122
Loan denominated in USD	**(21,642)**	-
Net currency exposure to the USD	**111,165**	98,122

(in thousands of Canadian dollars, except as otherwise noted)

15.4 Market risk (continued)

ii) Sensitivity to currency risk

	Impact on comprehensive income and shareholders' equity			
As at December 31,	**2020**	2019	**2020**	2019
Sensitivity factor	10% increase in CDN versus USD		10% decrease in CDN versus USD	
USD investments supporting Canadian domiciled entities	**(821)**	160	**903**	(176)
Consolidated net assets of Trisura Specialty	**(11,202)**	(7,769)	**12,325**	8,546
Consolidated net assets of Trisura International	**(1,186)**	(1,651)	**1,305**	1,815
Loan denominated in USD	**1,840**	-	**(2,025)**	-
	10% increase in USD versus EUR		10% decrease in USD versus EUR	
EUR net assets supporting Trisura International (in USD)	**543**	161	**(597)**	(177)

b) Interest rate risk

Interest rate risk is the potential for financial loss resulting from changes in interest rates. Fixed income investments, structured insurance assets and preferred shares are subject to interest rate risk although, in the case of fixed income investments, to the extent they are held to maturity, the risk is limited to the reinvestment yield being different from the original yield to maturity. The fair value of bonds changes inversely with changes in market rates of interest, with greater impact to bonds with longer durations.

The Company's discounted unpaid claims balance is also subject to interest rate risk, in particular the Company's life reserves which have longer durations.

The Company manages its interest rate risk through its investment policy which considers duration of investments held as well as asset liability matching.

As at December 31, 2020

Sensitivity factor	**Fixed income (including preferred shares)**	**Structured insurance asset**	**Net unpaid claims**	**Impact on comprehensive income**
100 basis point increase in the yield curve [(1)]	**(34,330)**	**(486)**	**(27,741)**	**(4,761)**
100 basis point decrease in the yield curve [(1)]	**33,372**	**536**	**33,592**	**(1,776)**

(1) Assumes parallel shift in the yield curve, and all other variables remain constant.

As at December 31, 2019

Sensitivity factor	Fixed income (including preferred shares)	Structured insurance asset	Net unpaid claims	Impact on comprehensive income
100 basis point increase in the yield curve [(1)]	(25,585)	(507)	(22,432)	(2,487)
100 basis point decrease in the yield curve [(1)]	25,582	557	27,560	(2,575)

(1) Assumes parallel shift in the yield curve, and all other variables remain constant.

(in thousands of Canadian dollars, except as otherwise noted)

15.4 Market risk (continued)

c) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The Company's exposure to equity price risk is managed and mitigated through its investment policy which sets out maximum exposures to equities at aggregate and per issuer levels as well as requiring diversification across different industry sectors.

As at December 31,	**2020**	2019
Sensitivity factor	Impact on net income (1)	
10% increase in equity prices (2)	**3,761**	3,102
10% decrease in equity prices (2)	**(3,761)**	(3,102)

(1) The methodology used to calculate the latter change is based on 10% of the fair value of the equities (excluding preferred shares and any funds which hold predominantly fixed income securities), net of tax, at the statement of financial position dates.
(2) Excluding preferred shares.

Note 16 – Reinsurance

The Company uses reinsurance in the ordinary course of business to reduce its exposure to any one claim or event under the policies it issues. A large portion of this reinsurance is affected under reinsurance agreements known as treaty reinsurance. In some instances, it is negotiated on a facultative (one-off) basis for individual policies, generally when the exposures under these policies are not sufficiently mitigated by the treaty reinsurance.

The Company's fronting operations cede the majority of the premium generated through it to reinsurers. As such, Reinsurers' share of claims liabilities and Reinsurers share of unearned premiums are significant components of the balance sheet, and the associated credit risk is carefully monitored (see Note 15.2).

Reinsurance does not relieve the Company of its obligations to policyholders. A contingent liability exists with respect to reinsurance ceded which would become a liability of the Company in the event that any reinsurer fails to honour its contractual obligations. For this reason, the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to losses from reinsurer insolvencies. Reinsurers providing treaty or facultative reinsurance policies are required to have a minimum A.M. Best credit rating of A- at the inception of each policy, or are otherwise required to post acceptable levels of collateral.

In some instances, provisions are incorporated in the treaties to protect the Company in the event a reinsurer's credit rating deteriorates during the term of the reinsurance treaty. Unlicensed reinsurers must post an agreed upon level of collateral. The Company has determined that a provision is not required for potentially uncollectible reinsurance as at December 31, 2020 and December 31, 2019.

The following table summarizes the components of Recoverable from reinsurers as at December 31, 2020 and December 31, 2019:

As at	**December 31, 2020**	December 31, 2019
Reinsurers' share of claims liabilities (see Note 9)	**313,904**	114,657
Reinsurers' share of unearned premiums (see Note 11)	**363,068**	178,411
	676,972	293,068

(in thousands of Canadian dollars, except as otherwise noted)

Note 17 – Capital assets

The Company's capital assets consist of the following as at December 31, 2020 and December 31, 2019:

	As at December 31, 2020			As at December 31, 2019		
	Cost	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	**1,581**	**(739)**	**842**	1,188	(615)	573
Office equipment	**1,643**	**(1,104)**	**539**	1,419	(951)	468
Furniture and fixtures	**1,546**	**(937)**	**609**	1,103	(860)	243
	4,770	**(2,780)**	**1,990**	3,710	(2,426)	1,284

Note 18 – Intangible assets

Intangible assets consist of Computer software, customer lists, and licenses. Computer software is being amortized at a rate of 40%, using the declining balance method.

Intangible assets also include state licenses which were acquired as part of the 2019 acquisition for $1,950 USD. These licenses have indefinite useful lives and are therefore not amortized.

	December 31, 2020				December 31, 2019			
	Computer software	**Customer list**	**Licenses**	**Total**	Computer software	Customer list	Licenses	Total
Opening, carrying value	**328**	**738**	**2,528**	**3,594**	332	922	-	1,254
Additions	**116**	**-**	**94**	**210**	162	-	2,583	2,745
Amortization	**(154)**	**(148)**	**-**	**(302)**	(166)	(184)	-	(350)
Foreign exchange	**-**	**-**	**(55)**	**(55)**	-	-	(55)	(55)
Closing, carrying value	**290**	**590**	**2,567**	**3,447**	328	738	2,528	3,594

Note 19 – Capital management

The Company's capital is its shareholders' equity, which consists of common shares, contributed surplus, accumulated retained earnings and accumulated other comprehensive loss. The Company reviews its capital structure on a regular basis to ensure an appropriate capital structure in keeping with all regulatory, business and shareholder obligations.

Oversight of the capital of the Company rests with management and the board of directors. Their objectives are twofold: (i) to ensure the Company is prudently capitalized relative to the amount and type of risks assumed and the requirements established by the laws and regulations applicable to the Company's regulated subsidiaries; and (ii) to ensure shareholders receive an appropriate return on their investment.

19.1 Regulatory capital

a) Trisura Guarantee

Under guidelines established by the Office of the Superintendent of Financial Institutions which apply to Trisura Guarantee, Canadian property and casualty insurance companies must maintain minimum levels of capital as determined in accordance with a prescribed test, the minimum capital test ("MCT"), which expresses available capital (actual capital plus or minus specified adjustments) as a percentage of required capital. Companies are expected to maintain MCT level of at least 150% and are further required to establish their own unique target MCT level based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Guarantee's target MCT level in accordance with these requirements. Trisura Guarantee has exceeded this measure as at December 31, 2020 and December 31, 2019.

19.1 Regulatory capital (continued)

b) Trisura Specialty

Trisura Specialty is subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. As an admitted carrier, through its subsidiary, Trisura Specialty is subject to the various capital requirements of each state in which it is licensed. A requirement of the regulators is that Trisura Specialty's Risk Based Capital exceed certain minimum thresholds as well as Company Action Levels ("CALs"), below which the Company would have to notify the regulators. As at December 31, 2020 and December 31, 2019, Trisura Specialty was in excess of any CALs of the states in which it was licensed.

c) Trisura International

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at December 31, 2020 and December 31, 2019, Trisura International maintained sufficient capital to meet these requirements.

Note 20 – Loan payable

As at December 31, 2020, the Company maintained a five-year revolving credit facility with a Canadian Schedule I bank (the "Bank") which allowed for drawings of up to $35,000. On April 1, 2020, the Company's five-year revolving credit facility was amended to increase the Company's borrowing capacity from $35,000 to $50,000. Under this arrangement, the Company could draw funds in the form of short term banker's acceptances, Canadian prime rate advances, base rate advances or LIBOR rate advances. The interest rate was based on the current periods' bankers' acceptance rate, Canadian prime rate, base rate, or LIBOR rate, plus a margin. The loan balance is accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consists only of interest, with no mandatory principal payments required.

On March 16, 2020, the Company converted its Canadian dollar denominated loan balance of $29,700 to a loan balance denominated in US dollars, with the same bank. To do so, $21,642 USD was drawn under the loan to immediately repay the outstanding loan payable of $29,700. On March 20, 2020, an additional $3,000 was drawn under the credit facility, which was repaid on June 19, 2020. On December 14, 2020, the Company substituted a portion of its credit facility by borrowing $9,000 USD through its Prime Brokerage account with the same Schedule I bank. The impact was to slightly lessen the borrowing rate charged. The substituted portion is callable at the discretion of the bank.

As part of the covenants of the loan arrangement, the Company is required to maintain certain financial ratios, which were fully met as at December 31, 2020 and December 31, 2019.

For the year ended December 31, 2020, the Company incurred $1,113 of interest expense (December 31, 2019 – $1,361), of which $663 (December 31, 2019 – $1,039) are related to the loan payable. As at December 31, 2020, the loan balance was $27,555 (December 31, 2019 – $29,700).

Note 21 – Share capital

The Company's authorized share capital consists of: (i) an unlimited number of common shares; (ii) an unlimited number of non-voting shares; and (iii) an unlimited number of preference shares (issuable in series). As at December 31, 2020 and December 31, 2019, no non-voting shares were issued and no preferred shares are outstanding.

In May 2020, the Company completed a public offering of 1,289,150 common shares for gross proceeds of $60,397. Concurrent with the public offering, the Company issued 160,100 common shares to investors on a private placement basis for gross proceeds of $7,501. The Company incurred costs of $2,416 in commission paid to underwriters as well as $339 of costs directly attributable to the share issuance, which have been deducted from equity. At December 31, 2020, the net impact of the share issuance is an increase in common shares of $66,480, net of tax impact of $1,337 related to the share issuance costs.

In December 2019, the Company exercised its right to redeem all 64,000 (in shares) of its issued and outstanding preferred shares, for $1,600. Holders of the preferred shares were entitled to a cumulative dividend, payable quarterly, at a fixed rate of 6%. During the year ended December 31, 2020, no dividend payments have been made (December 31, 2019 – $72, at $0.375 (in dollars) per share for each Class A, Series 1, preferred share).

Note 21 – Share capital (continued)

In September 2019, the Company completed a public offering of 1,743,400 common shares for gross proceeds of $46,026. Concurrent with the public offering, the Company issued 454,539 common shares to investors on a private placement basis for gross proceeds of $12,000. The Company incurred costs of $1,841 in commission paid to underwriters as well as $516 of costs directly attributable to the share issuance, which have been deducted from equity. At December 31, 2019, the net impact of the share issuance is an increase in common shares of $55,669.

The following table shows the common shares issued and outstanding:

As at	**December 31, 2020**		December 31, 2019	
	Number of shares	**Amount (in thousands)**	Number of shares	Amount (in thousands)
Balance, beginning of year	**8,819,619**	**219,251**	6,621,680	163,582
Common shares issued, net of taxes	**1,449,250**	**66,480**	2,197,939	55,669
Balance, end year	**10,268,869**	**285,731**	8,819,619	219,251

The following table shows the preferred shares issued and outstanding:

As at	**December 31, 2020**		December 31, 2019	
	Number of shares	**Amount (in thousands)**	Number of shares	Amount (in thousands)
Balance, beginning of year	**-**	**-**	64,000	1,600
Preferred shares redeemed	**-**	**-**	(64,000)	(1,600)
Balance, end of year	**-**	**-**	-	-

As at December 31, 2020, the Company did not declare or pay quarterly dividends for each Class A, Series 1, preferred share (December 31, 2019 – paid four quarterly dividends, each of $0.375 (in dollars)) per share.

Note 22 – Earnings per share

Basic earnings per common share are calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares.

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares adjusted for the effects of all dilutive potential common shares, which consist of stock options.

	2020	2019
Net income attributable to shareholders	**32,442**	5,094
Less: Dividends declared on preferred shares	**-**	(96)
Net income attributable to common shareholders	**32,442**	4,998
Weighted-average number of common shares outstanding (in shares)	**9,732,845**	7,213,433
EPS – basic (in dollars)	**3.33**	0.69
Dilutive effect of the conversion of options on common shares (in shares)	**159,766**	31,076
Diluted weighted-average number of common shares outstanding (in shares)	**9,892,611**	7,244,509
EPS – diluted (in dollars)	**3.28**	0.69

(in thousands of Canadian dollars, except as otherwise noted)

Note 23 – Investment in subsidiary

On May 21, 2020, TIHL, an intermediary holding company and wholly-owned subsidiary of the Company, completed a voluntary dissolution. The assets and liabilities of the subsidiary were transferred to the Company, including the shares of its wholly-owned subsidiary, Trisura International. This dissolution had no impact on the Consolidated Statements of Financial Position and results of operations of the Company.

Note 24 – Benefits

The Company has established and contributes to a number of group retirement savings plan arrangements under which the Company makes contributions. Contributions are charged to operating expense and are recognized as incurred.

Note 25 – Related party transactions

The Company leases office space from, and subleases office space to, subsidiaries of Brookfield Asset Management Inc. ("Brookfield"), which was the ultimate controlling party of the Company prior to June 2017. An entity with which Brookfield shares common management continued to hold an interest in the Company, and as such the Company remained a related party with Brookfield. The Company occasionally issues insurance contracts to subsidiaries of Brookfield. The Company also invests in securities of companies which are subsidiaries of Brookfield and invests in funds managed by Brookfield subsidiaries. These transactions are conducted in the normal course of business and are measured at the amount of consideration paid or established and agreed between the parties. The related party designation between the Company and Brookfield ended in October 2020.

The following table shows the impact of transactions with related parties:

	December 31, 2020	December 31, 2019
Income and expenses reported in:		
Total revenues	**1,236**	2,196
Operating expenses	**(509)**	(624)
Net investment income		
Income from dividends and interest	**1,155**	1,286
Investment management fee	**-**	(4)
Assets and liabilities reported in:		
Investment in Brookfield securities	**not applicable**	15,629

25.1 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any executive officers or directors of the Company.

The following transactions were carried out with key management personnel during the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Salaries and other employee benefits	**2,725**	2,542
Share based payments	**7,736**	2,029

(in thousands of Canadian dollars, except as otherwise noted)

Note 26 – Segmented information

The Company has three reportable segments. The operations of Trisura Guarantee comprises Surety, Risk Solutions and Corporate Insurance products underwritten in Canada as well as the operations of Trisura Warranty. The operations of Trisura Specialty provides specialty insurance solutions underwritten in the United States. The operations of Trisura International comprises the Company's international reinsurance operations.

The following tables show the results for the years ended December 31, 2020 and 2019:

Year ended December 31, 2020	**Trisura Guarantee**	**Trisura Specialty**	**Trisura International**	**Corporate and consolidation adjustments**	**Total**
Net premiums earned:					
from external customers	133,535	21,244	-	-	**154,779**
inter-segment premiums (1)	-	-	5,905	-	**5,905**
Fee income	5,027	24,692	-	-	**29,719**
Net investment income	7,842	3,880	15,594	463	**27,779**
Net (losses) gains	(829)	1,596	(683)	8,366	**8,450**
Total revenues	145,575	51,412	20,816	8,829	**226,632**
Net claims	(33,762)	(16,216)	(22,584)	-	**(72,562)**
Net expenses	(85,367)	(15,108)	(4,423)	(8,577)	**(113,475)**
Interest expense	(383)	(40)	(27)	(663)	**(1,113)**
Total claims and expenses	(119,512)	(31,364)	(27,034)	(9,240)	**(187,150)**
Net income (loss) before tax	**26,063**	**20,048**	**(6,218)**	**(411)**	**39,482**

(1) For the year ended December 31, 2020, Trisura International earned inter-segment premiums of $5,905 (December 31, 2019 – $nil) from Trisura Specialty. The inter-segment ceding arrangement was entered into at prevailing market rates.

Year ended December 31, 2019	Trisura Guarantee	Trisura Specialty	Trisura International	Corporate and consolidation adjustments	Total
Net premiums earned	100,510	6,859	135	-	107,504
Fee income	4,246	7,960	-	-	12,206
Net investment income	7,796	2,112	6,306	29	16,243
Settlement from structured insurance assets	-	-	8,077	-	8,077
Net gains (losses)	992	(171)	549	202	1,572
Total revenues	113,544	16,760	15,067	231	145,602
Net claims	(24,579)	(4,333)	(21,024)	-	(49,936)
Net expenses	(67,910)	(8,237)	(2,506)	(4,453)	(83,106)
Interest expense	(265)	(41)	(16)	(1,039)	(1,361)
Total claims and expenses	(92,754)	(12,611)	(23,546)	(5,492)	(134,403)
Net income (loss) before tax	20,790	4,149	(8,479)	(5,261)	11,199

(in thousands of Canadian dollars, except as otherwise noted)

Note 26 – Segmented information (continued)

The following table shows Loan payable of $27,555 included with the liabilities in Corporate and consolidation adjustments at December 31, 2020 (December 31, 2019 – $29,700):

As at December 31, 2020	**Trisura Guarantee**	**Trisura Specialty**	**Trisura International**	**Corporate and consolidation adjustments**	**Total**
Assets	**541,603**	**1,021,020**	**121,347**	**22,762**	**1,706,732**
Liabilities	**431,858**	**864,983**	**108,295**	**11,732**	**1,416,868**

As at December 31, 2019	Trisura Guarantee	Trisura Specialty	Trisura International	Corporate and consolidation adjustments	Total
Assets	424,009	444,763	104,169	5,452	978,393
Liabilities	333,681	336,608	85,766	32,009	788,064

Note 27 – Income taxes

	Statement of financial position		**Statement of comprehensive income**	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Deferred taxes related to:				
Loss carry-forwards and other	**4,393**	139	**(4,257)**	35
Net unpaid claims and LAE	**988**	1,369	**391**	(678)
Investments – unrealized gains and losses	**88**	-	**(88)**	49
Capital, intangible and other assets, net	**4,295**	100	**(4,416)**	(61)
	9,764	1,608	**(8,370)**	(655)
Less deferred taxes related to:				
Investments – unrealized gains and losses	-	(148)	**(148)**	-
Capital, intangible and other assets, net	**(1,187)**	-	**1,250**	-
	(1,187)	(148)	**1,102**	-
Deferred income taxes	**8,577**	1,460	**(7,268)**	(655)
Reported in:				
Deferred tax assets	**8,577**	1,460	-	-
Income tax (recovery) reported to net income	**-**	-	**(6,992)**	(525)
Income tax expense (recovery) reported to other comprehensive income	**-**	-	**1,061**	(130)
Income tax (recovery) reported to retained earnings	**-**	-	**(1,337)**	-

A deferred income tax asset is recognized only to the extent that realization of the related income tax benefit through future taxable profits is probable. Management has assessed the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as at December 31, 2020 and December 31, 2019 are recoverable.

(in thousands of Canadian dollars, except as otherwise noted)

Note 27 – Income taxes (continued)

The following shows the major components of income tax expense for the years ended December 31, 2020 and 2019:

	Year ended December 31	
	2020	2019
Current tax expense:		
Current year	**13,956**	6,624
Prior year true up	**76**	6
	14,032	6,630
Deferred tax expense:		
Origination and reversal of temporary differences	**(6,992)**	(525)
Income tax expense	**7,040**	6,105
Income taxes recorded in other comprehensive income:		
Net changes in unrealized losses on AFS investments	**536**	1,308
Reclassification to net income of net losses on AFS investments	**(1,024)**	(15)
Origination and reversal of temporary differences	**1,061**	(130)
Total income tax expense recorded in other comprehensive income	**573**	1,163

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax provision included in the Consolidated Statements of Income for the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Income before income taxes	**39,482**	11,199
Statutory income tax rate	**26.5%**	26.5%
	10,463	2,968
Variations due to:		
Permanent differences	**(807)**	(625)
International operations subject to different tax rates	**573**	2,905
Unrecognized tax (gain) loss	**(3,303)**	835
Rate differentials:		
Current rate versus future rate	**36**	2
Change in future rate	**2**	14
True up	**76**	6
Income tax expense	**7,040**	6,105

On February 5, 2020, the Company obtained an Advance Income Tax Ruling from the Canada Revenue Agency on a strategy to utilize accumulated tax losses. The strategy was implemented on February 20, 2020. As at December 31, 2020, the Company has unused tax losses of $6,615 (December 31, 2019 – $11,669) which will expire in the following years:

	December 31, 2020
2038	**3,278**
2039	**3,337**
	6,615

(in thousands of Canadian dollars, except as otherwise noted)

Note 28 – Share based compensation

28.1 Equity-settled stock options

The Company currently administers a stock option plan. Under the stock option plan, the exercise price of each stock option will be established at the time that the option is granted. It is expected that the vesting period will normally be 20% per year over five years and the expiry date of stock options granted will not exceed ten years, however in some instances the vesting period may differ.

The following is a continuity schedule of stock options outstanding as at December 31, 2020 and December 31, 2019:

	December 31, 2020		December 31, 2019	
	Number of options	**Weighted average exercise price (in dollars)**	Number of options	Weighted average exercise price (in dollars)
Outstanding, beginning of year	**242,235**	**26.38**	162,000	24.96
Cancelled during the year	**-**	**-**	(50,000)	25.66
Granted during the year	**91,445**	**50.23**	130,235	27.86
Outstanding, end of year	**333,680**	**32.91**	242,235	26.38

As at December 31, 2020, the outstanding stock options consist of the following:

Exercise price per share (in dollars)	**Number of options outstanding**	**Average remaining contractual life (in years)**	**Number of options exercisable**
50.23	**91,445**	**9.15**	**-**
28.65	**10,000**	**8.63**	**2,000**
29.24	**40,000**	**8.21**	**8,000**
27.08	**80,235**	**8.16**	**16,047**
25.66	**25,000**	**7.88**	**10,000**
24.36	**87,000**	**6.64**	**52,200**

As at December 31, 2019, the outstanding stock options consist of the following:

Exercise price per share (in dollars)	Number of options outstanding	Average remaining contractual life (in years)	Number of options exercisable
28.65	10,000	9.63	-
29.24	40,000	9.21	-
27.08	80,235	9.16	-
25.66	25,000	8.88	5,000
24.36	87,000	7.64	34,800

As at December 31, 2020, 88,247 (December 31, 2019 – 39,800) equity-based stock options were vested. As at December 31, 2020, the Company had recorded $1,544 (December 31, 2019 – $815) in share reserve related to the options in the contributed surplus balance of the Consolidated Statements of Financial Position. For the year ended December 31, 2020, the Company recorded $729 (December 31, 2019 – $502) of expense related to the options, in Operating expenses. The fair value of the options issued were determined using the Black-Scholes option pricing model. Inputs to the model include expected volatility, option life and risk free rate. Volatility estimate was based on the historical volatility of the Company. The weighted average fair value of stock options issued in 2020 at the measurement date was $10.15 (in dollars) (December 31, 2019 – $6.78 (in dollars)).

(in thousands of Canadian dollars, except as otherwise noted)

28.2 Cash-settled stock options

As at December 31, 2020, 68,870 options were outstanding which had been issued to officers of the Company by the board of directors as part of a cash-settled share based payment plan (December 31, 2019 – 120,465), with a vesting period of 20% per year over five years, and an expiration date of ten years. As at December 31, 2020, 4,186 options were vested (December 31, 2019 – 36,093). As at December 31, 2020, the Company had recorded $3,435 (December 31, 2019 – $1,771) in liabilities related to the options in the Consolidated Statements of Financial Position. For the year ended December 31, 2020, the Company recorded $5,723 (December 31, 2019 – $1,350) of expense related to the options, in Operating expenses, which includes one exercise transaction of 56,000 options with weighted average price of $95.15 (in dollars) per share. The fair value of the options issued were determined using the Black-Scholes option pricing model. Inputs to the model include expected volatility, option life and risk free rate. Volatility estimate was based on the historical volatility of the Company. As at December 31, 2020, the weighted average fair value of share options issued was $65.89 (in dollars) (December 31, 2019 – $19.97 (in dollars)).

28.3 Cash-settled DSUs

DSUs are awarded to certain directors of the Company at the market value of the Company's common shares at the grant date. These DSUs are awarded in lieu of directors fees at the option of the Directors. Each DSU entitles the holder to receive an amount equivalent to the value of a common share at settlement. As at December 31, 2020, 25,091 (December 31, 2019 – 20,312) DSUs were awarded to directors who are not employees of the Company or one of its affiliates.

The following table shows the movement in the number of DSUs issued during the year:

For the years ended December 31,	**2020 (in units)**	2019 (in units)
Opening balance	**20,312**	11,261
Granted during the year	**4,779**	9,051
Ending balance	**25,091**	20,312

As at December 31, 2020, no units had been exercised (December 31, 2019 – nil) and $2,235 (December 31, 2019 – $818) had been recorded as liabilities (see Note 14). The liability was measured based on the fair value of the common shares of the Company at December 31, 2020. For the year ended December 31, 2020, the Company recorded $1,396 (December 31, 2019 – $499) of expense related to the DSUs in Operating expenses.

28.4 Equity-settled restricted share units ("RSUs")

On February 21, 2020, the Company awarded certain employees RSUs based on the fair value of the Company's common shares at the grant date. These RSUs will typically vest over three years, however in some instances the vesting period may differ.

The following table shows the movement in the number of RSUs issued during the year ended December 31, 2020:

For the years ended December 31,	**2020 (in units)**	2019 (in units)
Opening balance	-	-
Granted during the year	**8,239**	-
Ending balance	**8,239**	-

As at December 31, 2020, no units had vested. For the year ended December 31, 2020, $241 (December 31, 2019 – $nil) had been recorded as expense related to the RSUs in Operating expenses. For the year ended December 31, 2020, a share reserve to contributed surplus of $212 (December 31, 2019 – $nil) was recorded which is offset by an adjustment to contributed surplus related to the vesting of stock options granted of $729 (December 31, 2019 – $502).

Note 29 – Subsequent event

On January 1, 2021, 25,000 stock options were granted under the existing stock option plan, with the standard five year vesting period, and an exercise price of $87.94 per share.

CORPORATE INFORMATION

DIRECTORS

George Myhal[1]
Chair of the Board

Paul Gallagher[2]
Corporate Director

Barton Hedges[3]
Corporate Director

Robert Taylor
Corporate Director

Greg Morrison
Corporate Director

David Clare
Corporate Director

1. Chair of the Governance and Compensation Committee
2. Chair of the Audit Committee
3. Chair of the Investment and Risk Committee

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OFFICERS

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Chief Investment Officer

David Scotland
Chief Financial Officer

James Doyle
Chief Risk Officer

Chris Sekine
President and Chief Executive Officer
Trisura Guarantee Insurance Company

Michael Beasley
President and Chief Executive Officer
Trisura Specialty Insurance Company

EXCHANGE LISTING

TSX Stock Symbol: TSU

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