

Trisura Group Reports Second Quarter 2019 Results

TORONTO, Aug. 08, 2019 -- Trisura Group Ltd. ("Trisura" or "Trisura Group") (TSX: TSU), a leading international specialty insurance holding company, today announced financial results for the second quarter of 2019.

David Clare, President and CEO of Trisura, stated, "In Q2, Trisura Group Ltd. had a loss of \$4.1 million or \$(0.63) per share, driven by increases in our reinsurance reserves due to falling interest rates in Europe. Although our headline result is disappointing, it was driven by our legacy run-off reinsurance portfolio, and masks strong operational results from our growing businesses in the U.S. and Canada.

In Canada, consistent underwriting profitability and enhanced investment returns yielded a 21.7% ROE. Our evolving U.S. platform generated its first quarterly underwriting profit and is now the largest premium contributor with over \$55 million in gross premiums written and \$1.5 million in fee income."

Highlights

- Gross and net premiums written growth of 86.4% and 22.2% in Q2 2019, supported by strong momentum in our U.S. business and continued growth in Canada
- Net loss in Q2 2019 of \$4.1 million, driven by increases in our reinsurance reserves due to a decrease in European interest rates, offset by strong underwriting performance and investment income in Canada and the U.S.
- Consolidated ROE (trailing 12 months) of 3.3% at June 30, 2019, compared to 4.1% at June 30, 2018.
- Strong results from our Canadian Specialty P&C business, achieving a 91.4% combined ratio, driving a 21.7% ROE for the trailing 12 months.
- Basic and diluted EPS of \$(0.63) in Q2 2019, compared to \$0.14 in Q2 2018.
- Book value per share of \$19.55, a 2.2% increase over June 30, 2018.

Amounts in millions of Canadian dollars	Q2 2019	Q2 2018	Variance	Q2 2019 YTD	Q2 2018 YTD	Variance
Gross Premiums Written	109.3	58.7	86.4%	190.7	93.5	104.0%
Net Premiums Written	37.1	30.4	22.2%	65.5	54.3	20.7%
Net Underwriting (Loss) Income	(8.9)	0.0	nm	(17.2)	1.2	nm
Net Investment Income	6.1	2.1	193.0%	10.7	4.0	167.9%
Net (loss) Income	(4.1)	1.0	(520.5%)	(1.6)	2.8	(156.9%)
Earnings Per Common Share - basic and diluted, \$	(0.63)	0.14	(548.9%)	(0.25)	0.42	(160.0%)
Book Value Per Share, \$	19.55	19.13	2.2%	19.55	19.13	2.2%
Debt-to-Capital Ratio	18.7%	19.0%	(0.3pts)	18.7%	19.0%	(0.3pts)
ROE Trailing Twelve Months ("TTM")	3.3%	4.1%	(0.8pts)	3.3%	4.1%	(0.8pts)
Combined Ratio - Canadian Specialty P&C	91.4%	92.5%	(1.1pts)	87.8%	88.3%	(0.5pts)
Canadian Specialty P&C ROE - TTM	21.7%	13.2%	8.5pts	21.7%	13.2%	8.5pts

Underwriting

- Excellent performance from our Canadian operations, achieving NPE growth of 16.8% and a 91.4% combined ratio supported by strong underwriting across all lines.
- Accelerating premium growth in our U.S. platform, with GPW of \$55.5 million in Q2 2019 compared to \$41.9 million in Q1 2019. Earned fee income of \$1.5 million compared to \$1.0 million in Q1 2019 helped support our first quarterly underwriting profit in the U.S.
- Weakening interest rates in Europe drove reserve strengthening in our International subsidiary, partially offset by investment income. The average of the 10 and 15-year European swap rate on spot and forward bases is a key interest rate in determining the value of our annuity liability, which declined in the quarter. See "Investments" for a discussion on improved asset liability matching since quarter end.

Capital

- The minimum capital test (“MCT”) ratio of our Canadian subsidiary was 213%, impacted by a temporary charge as at June 30, 2019 (239% as at December 31, 2018), which comfortably exceeds regulatory requirements of 150%.
- Trisura Specialty’s capital of \$66.8 million as at June 30, 2019 (\$66.5 million as at December 31, 2018) was in excess of the minimum requirement of the Oklahoma Insurance Department.
- Trisura International’s capital of \$19.9 million as at June 30, 2019 (\$28.7 million as at December 31, 2018) was sufficient to meet the FSC’s regulatory capital requirement.
- Consolidated debt-to-capital ratio of 18.7% as at June 30, 2019 is below our long-term target of 20%.

Investments

- Net investment income of \$6.1 million in Q2 2019 compared to \$2.1 million in Q2 2018.
- In Canada, interest and dividend income increased 80.0% over the prior period as we continued to benefit from the reallocation of the Canadian portfolio.
- Investment income related to the International portfolio increased as we deployed further capital to increase interest rates hedges, resulting in gains from declining interest rates in our sovereign bond portfolio.
- Through June and continuing in the third quarter we deployed a large portion of cash into long-dated European government bonds, increasing the duration of our assets to more closely match our liability duration. We have improved our asset liability matching, as well as increasing our expected interest income.
- Based on historical correlation of the current asset portfolio to the rates used to determine our liability, management believes that a significantly greater proportion of reserve movements will be offset by investment income, supported by recent experience.

Corporate Development

On June 22nd, Trisura applied for approval from the Pennsylvania Insurance Department to acquire control of 21st Century Preferred Insurance Company. The company is a shell entity, with 13 admitted state licenses that will enhance the offering of our US fronting platform. Regulatory approval is pending.

Management Appointment

David Scotland, currently the Chief Financial Officer (“CFO”) of Trisura Guarantee Insurance Company, has been appointed Chief Financial Officer of Trisura Group, succeeding Jimmy Doyle. Mr. Scotland’s CFO role at Trisura Guarantee Insurance Company will be incorporated into his mandate as CFO of Trisura Group.

“Jimmy Doyle has been instrumental in growing and developing Trisura Group, working closely with David Scotland to establish and refine our public materials, financial controls and reporting infrastructure,” said David Clare. “David has a strong history of leadership in Trisura Guarantee and has been an important member of the finance team at Trisura Group. I look forward to working with him in his new role, as well as continuing to work with Jimmy as Chief Risk Officer, and CEO of our reinsurance platform.”

About Trisura Group

Trisura Group Ltd. is an international specialty insurance holding company operating in the surety, risk solutions, corporate insurance and reinsurance segments of the market. Trisura has three principal regulated subsidiaries: Trisura Guarantee Insurance Company in Canada, Trisura Specialty Insurance Company in the U.S. and Trisura International Insurance Ltd. in Barbados. Trisura Group is listed on the Toronto Stock Exchange under the symbol “TSU”.

Further information is available at <http://www.trisura.com/group>. Important information may be disseminated exclusively via the website; investors should consult the site to access this information. Details regarding the operations of Trisura Group are also set forth in regulatory filings. A copy of the filings may be obtained on Trisura Group’s SEDAR profile at www.sedar.com.

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Trisura Group Ltd.
Consolidated Statements of Financial Position
As at June 30, 2019 and December 31, 2018
(in thousands of Canadian dollars, except as otherwise noted)

As at	June 30, 2019	December 31, 2018
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Cash and cash equivalents	64,949	95,212
Investments	321,844	282,874
Premiums and accounts receivable, and other assets	72,143	46,276
Deferred acquisition costs	81,642	63,715
Recoverable from reinsurers	197,986	109,567
Capital assets and intangible assets	10,208	2,512
Deferred tax assets	1,700	826
Total assets	750,472	600,982
Accounts payable, accrued and other liabilities	30,868	24,167
Reinsurance premiums payable	51,144	41,406
Unearned premiums	254,658	182,623
Unearned reinsurance commissions	33,154	19,137
Unpaid claims and loss adjustment expenses	221,499	173,997
Loan payable	29,700	29,700
Total liabilities	621,023	471,030
Shareholders' equity	129,449	129,952
Total liabilities and shareholders' equity	750,472	600,982

Trisura Group Ltd.
Consolidated Statements of Comprehensive (Loss) Income
For the three and six months ended June 30
(in thousands of Canadian dollars, except as otherwise noted)

	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
Gross premiums written	109,313	58,661	190,696	93,485
Net premiums written	37,133	30,378	65,543	54,289
Net premiums earned	25,982	21,291	48,075	40,545
Fee income	1,752	403	6,101	3,679
Total underwriting revenue	27,734	21,694	54,176	44,224
Net claims	(16,263)	(4,196)	(31,157)	(8,899)
Net commissions	(9,056)	(7,448)	(17,574)	(15,045)
Premium taxes	(1,388)	(1,126)	(2,398)	(2,062)
Operating expenses	(9,937)	(8,884)	(20,217)	(17,005)
Net claims and expenses	(36,644)	(21,654)	(71,346)	(43,011)
Net underwriting (loss) income	(8,910)	40	(17,170)	1,213
Net investment income	6,092	2,079	10,688	3,989
Settlement from structured insurance assets	-	-	8,077	-
Foreign exchange gains (losses)	212	(207)	584	(324)
Interest expense	(342)	(235)	(687)	(466)
(Loss) income before income taxes	(2,948)	1,677	1,492	4,412
Income tax expense	(1,190)	(693)	(3,113)	(1,565)
Net (loss) income	(4,138)	984	(1,621)	2,847
Other comprehensive (loss) income	(1,710)	1,942	948	2,244
Comprehensive (loss) income	(5,848)	2,926	(673)	5,091

Trisura Group Ltd.
Consolidated Statements of Cash Flows
For the three and six months ended June 30
(in thousands of Canadian dollars, except as otherwise noted)

	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
Net (loss) income from operating activities	(4,138)	984	(1,621)	2,847
Non-cash items to be deducted	(2,538)	1,288	(1,160)	2,389
Stock options granted	153	155	218	243
Change in working capital operating items	16,713	4,819	14,278	(2,245)
Realized (gains) losses on AFS investments	(325)	(191)	(1,746)	301
Income taxes paid	(1,007)	(1,010)	(1,867)	(1,941)
Interest paid	(423)	(236)	(706)	(469)

Net cash from operating activities	8,435	5,809	7,396	1,125
Proceeds on disposal of investments	15,009	26,356	28,549	32,118
Purchases of investments	(39,451)	(40,532)	(63,244)	(104,749)
Net purchases of capital and intangible assets	(104)	(86)	(304)	(315)
Net cash used in investing activities	(24,546)	(14,262)	(34,999)	(72,946)
Dividends paid	(24)	(24)	(48)	(48)
Issuance of new loan payable	-	-	-	29,700
Repayment of loan payable	-	-	-	(29,700)
Principal portion of lease payments	(182)	-	(495)	-
Net cash used in financing activities	(206)	(24)	(543)	(48)
Net decrease in cash	(16,317)	(8,477)	(28,146)	(71,869)
Cash at beginning of the period	82,072	104,627	95,212	165,675
Currency translation	(806)	1,589	(2,117)	3,933
Cash at the end of the period	64,949	97,739	64,949	97,739

Cautionary Statement Regarding Forward-Looking Statements and Information

Note: This news release 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 Trisura Group, 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,” “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 Trisura Group 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: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behavior 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; ability to collect amounts owed; catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts and cyber terrorism; and other risks and factors detailed from time to time in our documents filed with the 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, Trisura Group 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.