Interim Combined Financial Statements of

TRISURA GROUP LTD.

As at and For the Three Months Ended March 31, 2017

(Unaudited)

TRISURA GROUP LTD.
INTERIM COMBINED STATEMENTS OF FINANCIAL POSITION
(Unaudited, in thousands of dollars)

As at	Note	March 31, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents		**$ 109,344**	$ 122,096
Investments	*4*	**180,282**	179,264
Structured Insurance assets	*4*	**14,671**	15,129
Premiums and accounts receivable and other	*8,15,22*	**19,734**	22,069
Deferred acquisition costs	*5*	**31,462**	30,985
Recoverable from reinsurer's	*6,7*	**51,498**	47,120
Fixed and intangible assets	*12,13*	**2,033**	2,116
Deferred tax assets	*26*	**649**	622
TOTAL ASSETS		**$ 409,673**	$ 419,401
LIABILITIES			
Accounts payable, accrued and other liabilities	*9*	**$ 15,699**	$ 25,434
Reinsurance premiums payable		**8,623**	13,461
Unearned premiums	*6*	**94,154**	90,612
Unearned reinsurance commissions	*5*	**5,114**	4,928
Unpaid claims and loss adjustment expenses	*7*	**165,864**	163,970
Loan payable	*18*	**31,400**	34,100
Minority interests	*23*	**21,200**	16,008
		342,054	348,513
SHAREHOLDERS' EQUITY			
Share capital	*17*	**9,619**	9,618
Retained earnings		**54,660**	58,695
Accumulated other comprehensive income		**3,340**	2,575
		67,619	70,888
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 409,673**	$ 419,401

See accompanying notes to the condensed interim combined financial statements

TRISURA GROUP LTD.
INTERIM COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands of dollars)

		Three months ended March 31,	
	Note	**2017**	**2016**
Gross premiums written		**$ 28,615**	$ 25,380
Reinsurance premiums ceded		**(9,111)**	(7,999)
Retrospective premiums refund		**(38)**	(91)
Net premiums written		**19,466**	17,290
Change in unearned premiums		**(1,837)**	(1,630)
Net premiums earned		**17,629**	15,660
Fee income		**2,929**	2,951
Total underwriting revenue		**20,558**	**18,611**
Claims and expenses			
Claims and loss adjustment expenses		**9,350**	10,885
Reinsurers' share of claims and loss adjustment expenses		**(5,085)**	(2,464)
Commissions		**8,180**	7,349
Reinsurance commissions		**(1,548)**	(1,409)
Premium taxes		**897**	736
Operating expenses	*21*	**7,335**	6,530
Total claims and expenses		**19,129**	21,627
Net underwriting income (loss)		**1,429**	(3,016)
Net investment income	*4*	**744**	6,213
Foreign exchange losses		**(15)**	(152)
Interest expense	*18*	**(276)**	-
Change in minority interests	*23*	**(5,158)**	(160)
(Loss) income before income taxes		**(3,276)**	2,885
Income tax (expense)		**(759)**	(914)
Net (loss) income		**$ (4,035)**	$ 1,971
Other comprehensive income (loss)	*24*	**765**	(6,757)
Comprehensive loss		**$ (3,270)**	$ (4,786)

See accompanying notes to the condensed interim combined financial statements

TRISURA GROUP LTD.
INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited, in thousands of dollars)

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2017		$ 9,618	$ 58,695	$ 2,575	$ 70,888
Share issuances		1			1
Net loss			(4,035)	-	(4,035)
Other comprehensive income	24	-	-	765	765
Balance at March 31, 2017		**$ 9,619**	**$ 54,660**	**$ 3,340**	**$ 67,619**

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2016		$ 9,618	$ 94,441	$ 419	$ 104,478
Net Income		-	1,971	-	1,971
Other Comprehensive loss	24	-	-	(6,757)	(6,757)
Balance at March 31, 2016		$ 9,618	$ 96,412	$ (6,338)	$ 99,692

See accompanying notes to the condensed interim combined financial statements

TRISURA GROUP LTD.
INTERIM COMBINED STATEMENTS OF CASH FLOW
(Unaudited, in thousands of dollars)

	Three months ended March 31,	
	2017	2016
Operating activities		
Net (loss) income	$ (4,035)	$ 1,971
Items not involving cash:		
Depreciation and amortization	115	128
Realized and unrealized gains (losses)	95	(213)
Change in minority interests	5,158	160
Change in working capital operating items	(6,050)	1,282
Income taxes paid	(4,188)	(22)
Interest paid	(268)	(4)
Net cash flows (used in) from operating activities	(9,173)	3,302
Investing activities		
Proceeds on disposal of investments	4,412	295
Purchases of investments	(4,044)	(1,952)
Purchases of fixed assets	(17)	(39)
Purchases of intangible assets	(24)	(54)
Net cash flows from (used in) investing activities	327	(1,750)
Financing activities		
Repayment of notes payable	(319)	(240)
Repayment of loans payable	(2,700)	(6,853)
Net cash flows used in financing activities	(3,019)	(7,093)
Currency translation	(887)	(4,610)
Net decrease in cash and cash equivalents during the period	(12,752)	(10,151)
Cash, beginning of year	113,409	96,912
Cash equivalents, beginning of year	8,687	4,476
Cash and cash equivalents, beginning of year	122,096	101,388
Cash, end of period	93,901	88,992
Cash equivalents, end of period	15,443	2,245
Cash and cash equivalents, end of period	109,344	91,237

See accompanying notes to the condensed interim combined financial statements

1. The Company

Trisura Group Ltd. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) (the "Act") on January 27, 2017.

The Company intends to acquire, from Brookfield Asset Management Inc. ("Brookfield"), 100% of the shares of Trisura International Holdings Limited ("TIHL") and 60% of the shares of 6436978 Canada Limited ("643 Can Ltd") (see Note 27).

643 Can Ltd was incorporated under the *Business Corporations Act* on August 22, 2005 and is domiciled in Canada. 643 Can Ltd is the sole shareholder of Trisura Guarantee Insurance Company ("Trisura Guarantee"), which is incorporated under *the Insurance Companies Act* (Canada), and through Trisura Guarantee is authorized to carry on business as a property and casualty insurance company in all provinces and territories of Canada.

TIHL is a holding company formed under the laws of Bermuda on December 10, 1998, with its registered office located at 73 Front Street, Hamilton, Bermuda. TIHL is the sole shareholder of Trisura International Insurance Limited ("TIIL") which was engaged in providing specialty insurance and reinsurance products to the global insurance marketplace.

These unaudited condensed interim combined financial statements (the "interim combined financial statements") reflect the combined entities of 643 Can Ltd, TIHL and the Company.

2. Summary of significant accounting policies

These interim combined financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim financial statements are unaudited and reflect any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for fair statement of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In accordance with IFRS, presentation of assets and liabilities on the interim combined statements of financial position is in order of liquidity. The Company's functional and presentation currency is Canadian dollars.

2. Summary of significant accounting policies (continued)

The significant accounting policies used in preparing these financial statements are, in all material respects, in accordance with IFRS and are summarized below.

a) Basis of preparation

The Company is in the process of effecting a reorganization whereby the Company will acquire: (i) Brookfield's interest in TIHL for approximately $51,761 (ii) Brookfield's interest in 643 Can Ltd For approximately $51,753, and (iii) Brookfield's interest in the note payable from 643 Can Ltd to Brookfield for approximately $211, collectively the "Reorganization Transaction". Subsequent to the Reorganization Transaction, we expect Brookfield to distribute all of the common shares of the Company to the holders of Brookfield's Class A and B Limited Voting Shares (the "spin-off"). As at March 31, 2017, the Company, 643 Can Ltd and TIHL are under common control of Brookfield and accordingly, these interim combined financial statements have been prepared on a combined basis.

b) Combination presentation

These interim combined financial statements incorporate the financial statements of the Company, 643 Can Ltd and Trisura Guarantee which is controlled by 643 Can Ltd, as well as the financial statements of TIHL and TIIL which is controlled by TIHL. All intra-group transactions, balances, income and expenses have been eliminated in full on combination.

c) 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 as loans and receivables, which are recorded at amortized cost, which approximates fair value.

d) Investments

Bonds, trust units and equities are classified as either available-for-sale or Fair Value Through Profit or Loss ("FVTPL"). The classification is dependent on the purpose for which the financial instruments were acquired. Any financial instrument with an embedded derivative is designated as FVTPL, to reduce the volatility associated with the movement of the underlying claims. FVTPL investments are carried at fair value, with changes in fair value recognized in net income.

Available-for-sale investments are carried at fair value, with changes in fair value recorded as unrealized gains (or losses) in other comprehensive income.

If an investment incorporates an embedded derivative that is otherwise required to be accounted for separately, the Company designates that investment as FVTPL under the fair value option and does not separately account for the embedded derivative.

Fair values of investments quoted in active markets are based on bid prices. When an investment is not quoted in an active market, its fair value is determined by using valuation techniques commonly used by market participants such as discounted cash flows, comparable entity analysis and asset valuations.

Purchases and sales of investments are recognized and derecognized in the accounts on their trade dates. Transaction costs related to investments classified as available-for-sale are capitalized on initial recognition and, where applicable, amortized to interest income using the effective interest method. Transaction costs related to FVTPL instruments are expensed.

2. Summary of significant accounting policies (continued)

e) Structured insurance assets

Structured insurance assets consisting of purchased commission arrangements are designated on inception as FVTPL as they are managed and their performance evaluated on a fair value basis. In the absence of an active market, the fair value of these financial assets has been determined by a proprietary valuation model, which reflects that the commissions due to the Company under these arrangements have credit and actuarial risks. The Company takes on the credit risk of the insurance carriers who have the ultimate payment obligation for each asset type. The majority of these insurance carriers have AM Best long term issuer credit ratings of A or better. In addition, the Company takes on actuarial risk in the form of the uncertain timing and amount of future payment of the commissions; these can be interrupted or terminated if any of the following events occur: (i) the policy is cancelled by the insured or annual premiums are not paid (lapse risk); (ii) the insured becomes sick and makes a claim under the insurance policy (morbidity risk); or (iii) the insured dies and the policy expires (mortality risk).

These actuarial risks are modeled using data drawn from the insurance carriers, 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, and are used to project the future commission payments the Company can expect to receive from a portfolio of long-term care policies. The valuation is based on discounting these cash flows using a U.S. Treasury yield curve adjusted for a credit margin reflecting the insurance carriers' credit risk of making these estimated commission payments over time.

In purchasing commission rights, the Company does not act as an insurer and does not assume any obligation to pay claims or to cover their inherent litigation or arbitration exposures. The Company receives the assignment of the right to receive commission for the remaining duration of the underlying insurance policies.

2. Summary of significant accounting policies (continued)

f) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. 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 and losses are recognized in the combined statements of comprehensive loss.

Derivative financial instruments designated as hedging instruments, for example, forward currency contracts, are entered into by the Company to hedge its risks associated with foreign currency fluctuations. These are considered to be cash flow hedges which are initially recognized at fair value on the date on which the derivative contract is entered into. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized within net investment income in the combined statements of comprehensive loss.

g) Impairment

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 available-for-sale investment results from objective evidence of impairment, the difference between the amortized cost 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 would occur as a result of a loss event, and for equity securities impairment would occur as a result of a significant or prolonged reduction in fair value. 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 available-for-sale 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 or loss in the combined statements of comprehensive loss.

2. Summary of significant accounting policies (continued)

h) Other financial assets and liabilities

The Company has classified its premiums and accounts receivable and other financial assets as loans and receivables which continue to be carried at their amortized cost, which approximates their fair value due to their short term nature:

The Company has classified the following financial liabilities as other liabilities that continue to be carried at their amortized cost, which approximates their fair value due to their short term nature:

i. Accounts payable, accrued and other liabilities;

ii. Reinsurance premiums payable;

iii. Loan payable; and,

iv. Minority interests

i) 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*. Significant insurance risk exists when the Company agrees to compensate policyholders of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to Note 10 for discussion of insurance risk. In the absence of significant insurance risk, the contract is classified as an investment contract or service contract.

j) Investment contracts

Contracts under which the transfer of insurance risk to the Company from the policyholder or ceding company is not significant are classified as investment contracts. Investment contracts are recognized as liabilities in the combined statements of financial position and are the estimates of the ultimate cost of all claims expected to be settled on the contracts. Contributions received from policyholders or ceding companies are not recognized in the combined statements of comprehensive loss as premiums and are instead accounted for as investment contract liabilities. Claims are treated as an adjustment to the investment contract liability and are not reflected within the combined statements of comprehensive loss unless the investment contract liability is insufficient. Where there is a recovery or an amount receivable under these types of contracts, the amount is reported as an investment contract asset on the combined statements of financial position and is carried at amortized cost less any provision for impairment. Income from these contracts is recognized as the related services are provided and is reflected within fee income on the combined statements of comprehensive loss.

2. Summary of significant accounting policies (continued)

k) 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. Gross premiums written are presented gross of retrospective premium refunds to insureds. Retrospective premium refunds are accounted for on an accrual basis.

In the normal course of business, the Company enters into fronting arrangement with various third parties, whereby the Company assumes the insurance risk but then cedes all of it to insurers that are not licensed in Canada, and security arrangements are established to offset the Company's risk exposure (Note 10). Premiums related to those fronting arrangements are recognized over the term of the related policies on a pro rata basis.

l) Fees

The Company periodically charges fees to insureds, which are recorded as revenue and separately disclosed on the combined statements of comprehensive loss. Fees are recognized in the period in which they are charged provided that no significant obligations to insureds exist and reasonable assurance exists regarding collectability.

m) Acquisition costs

Acquisition costs comprise commissions paid to insurance brokers 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 the accounts as a provision for premium deficiency.

n) Funds held by ceding companies

Funds held by ceding companies are carried at amortized cost using the effective interest rate method. These amounts are reported on a net basis, as a deduction from claims and claim adjustment expenses, where the effective right of offset exists.

o) Claims and loss adjustment expenses

Claims and loss adjustment expenses are first determined on a case-by-case basis as claims are reported and then reassessed as additional information becomes known. For claims related to assumed liabilities, the reserving process includes consideration of individual case estimates received from ceding companies. Provisions are made to account for the future development of these claims and expenses as well as claims incurred but not yet reported to the Company. In addition, for the claims of 643 Can Ltd and in some instances the claims of TIHL, further provisions are made with respect to unpaid claims to take into account the time value of money using discount rates based on projected investment income from the assets supporting this liability as well as offsets for anticipated indemnification recoveries.

The process of determining the provisions for claims and loss adjustment expenses necessarily involves risks that the actual results will deviate from the estimates made. These risks vary in proportion to the length of the estimation period and the volatility of the components comprising the provisions. In 643 Can Ltd, to recognize the inherent uncertainty of the estimates, and to allow for a possible deterioration in experience, explicit actuarial margins are included for adverse deviation in the assumptions used for claims development, investment return rates and recoverability of reinsurance balances.

2. Summary of significant accounting policies (continued)

o) Claims and loss adjustment expenses (continued)

Inherent in the estimate of ultimate claims are expected trends in frequency, claim severity, timing of claim payments, interest yields, reporting and adjusting lags, potential disputes and other factors that could vary significantly as claims are settled. Accordingly, ultimate claims could differ, perhaps substantially, from the estimate recorded in these interim combined financial statements. All provisions are reviewed, at least on an annual basis, and evaluated in light of emerging claims experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as claims incurred in the current period.

p) Reinsurance

The reinsurers' share of unearned premiums and their estimated share of unpaid claims and loss adjustment expenses are presented as assets on a basis consistent with the methods used to determine the unearned premium liability and the unpaid claims liability, respectively.

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

q) Fixed assets

Fixed assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of these assets using the following rates and methods:

Computers and office equipment	40%, declining balance
Automobiles	40%, declining balance
Policy management system	40%, declining balance
Furniture and fixtures	25%, declining balance
Leasehold improvements	5 to 15 years, straight-line over the term of the lease

r) 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.

The following temporary differences are not provided for: the initial recognition of goodwill or the initial recognition of an asset or a liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting or taxable income as well as differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future.

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.

s) 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 is applied to computer software. A 20% rate and the declining balance method of amortization is applied to the customer list recorded as an intangible asset.

2. Summary of significant accounting policies (continued)

t) Foreign currency

i) Functional and presentation currency

Foreign currency transactions are translated into Canadian dollars at the foreign exchange rate in effect on the date of the transaction.

Foreign denominated monetary assets and liabilities 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 or loss in the combined statement of comprehensive loss. 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 fixed maturities foreign exchange differences resulting from changes in amortized cost are recognized in net income or loss in the combined statements of comprehensive loss, while foreign exchange differences arising from fair value gains and losses are included as unrealized (losses) gains within other comprehensive income in the combined statements of comprehensive loss.

ii) Financial statements of foreign operations

The results and financial position of a foreign operation are translated into Canadian dollars as follows:

- assets and liabilities 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 ("CTA") in other comprehensive income in the combined statements of comprehensive loss. When a foreign operation is disposed of, in part or in full, the relevant amount in the CTA reserve is transferred to net income or loss from other comprehensive income within the combined statements of comprehensive loss.

2. Summary of significant accounting policies (continued)

u) Offsetting

Financial assets and liabilities are offset and the net amount reported in the combined 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. Under certain reinsurance contracts, the Company offsets amounts carried as funds held by ceding companies against the corresponding liability for claims and claims adjustment expenses or investment contract liability where the intention is to settle on a net basis, or to realize the assets and settle the liability simultaneously.

v) Future accounting policy changes

IFRS 9 *Financial Instruments* (IFRS 9)

In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. Another revised version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category. It also removed the mandatory effective date of January 1, 2015 and replaced it with a new effective date of January 1, 2018. The Company is assessing the impact of IFRS 9 on its combined financial statements.

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

On May 28, 2014, the IASB published IFRS 15, which replaces IAS 11 *Construction Contracts* and IAS 18 *Revenues*. This new standard specifies how and when to recognize revenues according to a single five-step model, and the additional disclosure requirements. The provisions of this new standard were to apply to financial statements beginning on or after January 1, 2017. On September 11, 2015, the IASB published an amendment to the standard which defers the effective date to financial statements beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the impact of IFRS 15 on its combined financial statements.

IFRS 16 *Leases* (IFRS 16)

In January 2016, the IASB published IFRS 16 *Leases*. The new standard brings most leases on to the statements of financial position, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. The Company is assessing the impact of IFRS 16 on its combined financial statements.

3. Critical accounting estimates and judgments in applying accounting policies

The preparation of interim combined financial statements in accordance with IFRS requires management to make assumptions and estimates 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 periods presented. Estimates are subject to uncertainty and can therefore differ significantly from actual results.

i) Critical accounting judgments in applying the Company's accounting policies

Judgments are also 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 period. Examples of judgments used in the preparation of the financial statements include the classification of products to determine if these should be accounted for as insurance, investment or service contracts (Note 2(i)), the classification of investments as available-for-sale or FVTPL (Note 4), and in establishing provisions for unpaid claims and loss adjustment expenses (Note 7). Refer to the relevant accounting policies for details on management's use of judgment, as well as the following paragraph for additional details on the use of judgment when classifying insurance contracts.

Insurance Contracts

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company (Note 2(i)). There are a number of contracts issued where the Company exercises judgment with regards to the level of insurance risk transferred. Typically, these are contracts which contain a significant financial risk component. 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.

ii) Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending March 31, 2017 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:

- Note 7 contains information about the assumptions and estimates and uncertainties relating to the liability for claims and claims adjustment expenses;
- Note 10 discloses the risk factors associated with insurance and reinsurance contracts;
- Note 2(e) contains information about the assumptions and uncertainties related to the structured insurance assets; and
- Note 2(r) and Note 26, contain information about estimates used in the provision for income taxes.

3. Critical accounting estimates and judgments in applying accounting policies (continued)

ii) Key sources of estimation uncertainty(continued)

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values which includes input from the Company's investment managers who report directly to management.

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 as disclosed in Note 4.

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 to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations 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.

(Unaudited, in thousands of dollars)

4. Investments

a) Investments by designation

All investments are classified as available-for-sale or FVTPL at March 31, 2017 and December 31 2016.

b) Unrealized gains and losses

The amortized cost and fair values of investments as at March 31, 2017 and December 31, 2016 were as follows:

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
March 31, 2017	$	$	$	$
Bonds				
Government	**27,707**	**1,267**	**(5)**	**28,969**
Government (designated as FVTPL)	**8,724**	**18,296**	**-**	**27,020**
Total government	**36,431**	**19,563**	**(5)**	**55,989**
Corporate	**76,320**	**1,003**	**(92)**	**77,231**
	112,751	**20,566**	**(97)**	**133,220**
Mortgage backed securities	**477**	**7**	**(47)**	**437**
Asset backed securities	**266**	**41**	**(58)**	**249**
Total fixed income	**113,494**	**20,614**	**(202)**	**133,906**
Income and investment trust units	**2,106**	**830**	**(78)**	**2,858**
Common shares	**22,897**	**5,752**	**(1,016)**	**27,633**
Preferred shares	**15,227**	**969**	**(311)**	**15,885**
	153,724	**28,165**	**(1,607)**	**180,282**

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
December 31, 2016	$	$	$	$
Bonds				
Government	27,702	1,236	(8)	28,930
Government (designated as FVTPL)	9,105	19,881	-	28,986
Total government bonds	36,807	21,117	(8)	57,916
Corporate	75,663	724	(352)	76,035
	112,470	21,841	(360)	133,951
Mortgage backed securities	512	8	(44)	476
Asset backed securities	59	41	(59)	41
Total fixed income	113,041	21,890	(463)	134,468
Income and investment trust units	2,126	744	(68)	2,802
Common shares	22,162	5,372	(601)	26,933
Preferred shares	15,227	261	(623)	14,865
Convertible debenture	167	29	-	196
	152,723	28,296	(1,755)	179,264

4. Investments (continued)

c) Pledged assets

In the normal course of insurance and reinsurance operations, TIHL 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 maturities. At March 31, 2017, TIHL pledged $40,146 (December 31, 2016 –$42,228) of its fixed maturities for insurance and reinsurance trust arrangements.

d) *Structured insurance assets*

Structured insurance assets of $14,671 at March 31, 2017 (December 31, 2016 – $15,129) are designated as FVTPL.

TIHL has entered into contractual arrangements to purchase various assignments of the right to collect commissions from different portfolios of long-term care insurance policies issued by several investment grade insurance carriers. This commission finance investment has been designated as FVTPL. Under these arrangements, the commissions are paid into separate trusts, which then distribute the amounts due to TIHL on a pre-agreed formula based on the amount of commissions collected net of the expenses of the trusts. This investment earns commission income at varying rates of interest per annum. The commission income for the period ended March 31, 2017 amounted to $227 (March 31, 2016 - $651), which has been recorded within net investment income (Note 4(f)).

The fair value of this investment is based on discounting the expected future commission flows using a U.S. Treasury yield curve adjusted for a credit margin reflecting the insurance carriers' credit risk of making these estimated commission payments over time. The Company's maximum exposure to credit risk on the commissions purchased is its carrying value of $14,671 at March 31, 2017 (December 31, 2016 – $15,129).

e) Fair value hierarchy

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 that are not based on observable market data.

(Unaudited, in thousands of dollars)

4. Investments (continued)

e) Fair value hierarchy(continued)

The following sets out the investments classified in accordance with the fair value hierarchy as at March 31, 2017 and December 31, 2016:

	Total fair value	Level 1	Level 2	Level 3
March 31, 2017	$	$	$	$
Bonds				
Government	**55,989**	**-**	**55,989**	**-**
Corporate	**77,231**	**-**	**77,231**	**-**
	133,220	**-**	**133,220**	**-**
Mortgage backed securities	**437**	**-**	**-**	**437**
Asset backed securities	**249**	**-**	**-**	**249**
Income and investment trust units	**2,858**	**2,858**	**-**	**-**
Common shares	**27,633**	**27,633**	**-**	**-**
Preferred shares	**15,885**	**15,885**	**-**	**-**
Investments	**180,282**	**46,376**	**133,220**	**686**
Cash and cash equivalents	**109,344**	**109,344**	**-**	**-**
	289,626	**155,720**	**133,220**	**686**
Structured insurance assets	**14,671**	**-**	**-**	**14,671**
	304,297	**155,720**	**133,220**	**15,357**

	Total fair value	Level 1	Level 2	Level 3
December 31, 2016	$	$	$	$
Bonds				
Government	57,916	-	57,916	-
Corporate	76,035	-	76,035	-
	133,951	-	133,951	-
Mortgage backed securities	476	-	-	476
Asset backed securities	41	-	-	41
Income and investment trust units	2,802	2,802	-	-
Common shares	26,933	26,933	-	-
Preferred shares	14,865	14,865	-	-
Convertible debenture	196	196	-	-
Investments	179,264	44,796	133,951	517
Cash and cash equivalents	122,096	122,096	-	-
	301,360	166,892	133,951	517
Structured insurance assets	15,129	-	-	15,129
	316,489	166,892	133,951	15,646

(Unaudited, in thousands of dollars)

4. Investments (continued)

e) Fair value hierarchy (continued)

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 periods ended March 31, 2017 and December 31, 2016:

	March 31 2017	December 31, 2016
	$	$
Balance at beginning of year	**15,646**	16,119
Unrealized losses	**(33)**	(2,950)
Amortization of premium	**(316)**	2,936
Purchase of securities	**206**	-
Foreign exchange	**(146)**	(459)
Balance at end of period	**15,357**	15,646

Included within the Level 3 assets is the purchased commission rights transaction mentioned in Note 4(d) which describes the discounted cash flow valuation methodology. The key unobservable input to this valuation model is the future lapse risk assumption estimated using management's judgment upon considering the historic lapse experience of the transaction itself supplemented by data and information from sources such as the Society of Actuaries Long Term Care Studies. Assistance from external actuarial consultants is also sought, when arriving at the assumptions used as appropriate

(Unaudited, in thousands of dollars)

4. Investments (continued)

f) Net investment income

The components of net investment income for the three-month periods ended March 31, 2017 and 2016 were as follows:

	March 31, 2017	March 31, 2016
	$	$
Interest income		
Cash and cash equivalents	**171**	18
Available-for-sale bonds	**780**	1,105
Interest on Executive share purchase plan	**16**	19
Interest on Notes payable	**(4)**	(7)
	963	1,135
Business and dividend income		
Available-for-sale income and investment trust units	**24**	54
Available-for-sale common shares	**226**	183
Available-for-sale preferred shares	**182**	135
FVTPL convertible debenture	**(29)**	58
	1,366	1,565
Unrealized gain (loss) on investments held at FVTPL	**(1,411)**	4,315
Investment income on funds held by ceding companies	**-**	180
Commission income on assets at FVTPL	**227**	651
Income on investment contracts	**-**	(115)
Investment expenses	**(137)**	(138)
	45	6,458
Gain (loss) on disposition of investments		
Available-for-sale bonds	**670**	(328)
Available-for-sale common shares	**29**	83
	699	(245)
	744	6,213

(Unaudited, in thousands of dollars)

5. Deferred acquisition costs

The following changes have occurred to the deferred acquisition costs for the three-month period ended March 31, 2017 and the year ended December 31, 2016:

Deferred acquisition costs	**March 31, 2017**	December 31, 2016
	$	$
Opening costs, beginning of year	**30,985**	25,862
Acquisition costs deferred	**8,045**	36,201
Amortization of deferred costs	**(7,568)**	(31,078)
Closing balance, period end	**31,462**	30,985

Reinsurers' share of deferred acquisition costs	**March 31, 2017**	December 31, 2016
	$	$
Opening costs, beginning of year	**4,928**	5,277
Acquisition costs deferred	**1,734**	8,478
Amortization of deferred costs	**(1,548)**	(8,827)
Closing balance, period end	**5,114**	4,928

The reinsurers' share of deferred acquisition costs is referred to as unearned reinsurance commissions in the combined statements of financial position.

6. Unearned premiums

a) Nature of unearned premiums

Unearned premiums are calculated on a pro rata basis from the unexpired portion of the premiums written. 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, loss adjustment expenses, and taxes to be incurred. In estimating these costs, the Company 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 March 31, 2017 or December 31, 2016.

The carrying value of unearned premiums approximates their fair value.

(Unaudited, in thousands of dollars)

6. Unearned premiums (continued)

b) Unearned premiums by line of business

	Gross	Ceded	Net
March 31, 2017	**$**	**$**	**$**
Surety	**20,282**	**6,748**	**13,534**
Liability	**26,075**	**9,851**	**16,224**
Boiler & machinery	**42,850**	**6,612**	**36,238**
Accident & sickness	**2,693**	**-**	**2,693**
Fidelity	**1,539**	**314**	**1,225**
Property	**715**	**625**	**90**
	94,154	**24,150**	**70,004**

	Gross	Ceded	Net
December 31, 2016	$	$	$
Surety	19,212	6,208	13,004
Liability	25,631	8,988	16,643
Boiler & machinery	41,597	6,360	35,237
Accident & sickness	2,146	-	2,146
Fidelity	1,258	258	1,000
Property	768	630	138
	90,612	22,444	68,168

Ceded unearned premiums are referred to as reinsurers' share of unearned premiums in the combined statements of financial position.

The following changes have occurred in the provision for unearned premiums during the period ended March 31, 2017 and the year ended December 31, 2016:

Unearned premiums	**March 31, 2017**	December 31, 2016
	$	$
Unearned premiums, beginning of year	**90,612**	71,480
Gross premiums written	**28,615**	124,966
Gross premiums earned	**(25,073)**	(105,834)
Unearned premiums, end of period	**94,154**	90,612

Reinsurers' share of unearned premium	**March 31, 2017**	December 31, 2016
	$	$
Reinsurers' share of unearned premiums, beginning of year	**22,444**	18,121
Ceded premiums written	**9,111**	37,617
Ceded premiums earned	**(7,405)**	(33,294)
Reinsurers' share of unearned premiums, end of period	**24,150**	22,444

(Unaudited, in thousands of dollars)

7. Unpaid claims and loss adjustment expenses

a) *Nature of unpaid claims and loss adjustment expenses*

In estimating unpaid claims and loss adjustment expenses, standard actuarial techniques are used. These techniques are based on historical loss development factors and payment patterns. They require the use of assumptions such as loss and payment development factors, future rates of claims frequency and severity, inflation, reinsurance recoveries, expenses, changes in the legal environment, changes in the regulatory environment and other matters, taking into consideration the circumstances of the Company and the nature of the insurance policies. In addition, time can be a critical factor, since the longer the span between the incidence of a loss and the settlement of the claim, the more variable the ultimate settlement amount could be. The uncertainty in loss estimation can be particularly pronounced for long-tail lines where information typically emerges over time. The uncertainty inherent in the reserving process tends to be even greater for reinsurance companies compared to primary insurance companies. This is mainly due to the time lag in reporting information from the insurer to the reinsurer and differing reserving practices among ceding companies. As a result, actual claims and claims adjustment expenses may deviate, perhaps materially, from the ultimate costs reflected in the Company's current reserves for claims and claims adjustment expenses and investment contract liabilities.

b) *Unpaid claims and loss adjustment expenses by line of business*

	Gross	**Ceded**	**Net**
March 31, 2017	**$**	**$**	**$**
643 Can Ltd			
Property and casualty	**72,108**	**27,348**	**44,760**
	72,108	**27,348**	**44,760**
TIHL			
Life	**70,680**	**-**	**70,680**
Property and casualty	**23,076**	**-**	**23,076**
	93,756	**-**	**93,756**
	165,864	**27,348**	**138,516**

	Gross	Ceded	Net
December 31, 2016	$	$	$
643 Can Ltd			
Property and casualty	67,465	24,676	42,789
	67,465	24,676	42,789
TIHL			
Life	72,880	-	72,880
Property and casualty	23,625	-	23,625
	96,505	-	96,505
	163,970	24,676	139,294

Ceded balances are referred to as reinsurers' share of unpaid claims and loss adjustment expenses in the combined statement of financial position.

(Unaudited, in thousands of dollars)

7. Unpaid claims and loss adjustment expenses (continued)

b) Unpaid claims and loss adjustment expenses by line of business (continued)

The following changes have occurred to the provision for unpaid claims for the three-month periods ended March 31:

Gross claim reserves	**March 31, 2017**	March 31, 2016
	$	$
Unpaid claims, beginning of year	**163,970**	168,772
Add: Reserves offset against funds held by ceding companies [1]	**-**	32,013
Gross unpaid claims beginning of year	**163,970**	200,785
Change in undiscounted estimates for losses of prior years	**(1,954)**	1,450
Change in discount rate	**403**	-
Change in PFAD	**321**	-
Claims occurring in current year (including paid)	**10,580**	9,436
Paid on claims occurring during:		
Current year	**(3,023)**	(5,623)
Prior years	**(3,449)**	(1,671)
Foreign exchange	**(984)**	(7,066)
Gross unpaid claims end of period	**165,864**	197,311
Deduct: Reserves offset against funds held by ceding companies	**-**	(30,256)
Unpaid claims, end of period	**165,864**	167,055

Reinsurers' share of claim reserves	**March 31 2017**	March 31 2016
	$	$
Unpaid claims, beginning of year	**24,676**	18,958
Change in undiscounted estimates for losses of prior years	**(431)**	1,869
Change in discount rate	**(17)**	-
Change in PFAD	**127**	-
Claims occurring in current year (including paid)	**5,406**	595
Paid on claims occurring during:		
Current year	**(838)**	(455)
Prior years	**(1,575)**	(737)
Unpaid claims, end of period	**27,348**	20,230

[1] In 2016 the Reserves offset against funds held by ceding companies were transferred on novation and no longer offset unpaid claims.

(Unaudited, in thousands of dollars)

8. Premiums receivable

As at March 31, 2017 premiums receivable consists of $15,134 of receivables due from brokers and insured's for insurance products purchased (December 31, 2016 - $17,887).

9. Accounts payable accrued and other liabilities

As at March 31, 2017 and December 31, 2016 accounts payable accrued and other liabilities consist of:

	March 31 2017	December 31 2016
	$	$
Due to related parties (Note 20)	**37**	37
Share based payment plan	**59**	3,732
Derivative liabilities	**164**	278
Notes payable (Note 20)	**211**	530
Severance	**436**	440
Accrued liabilities	**2,368**	4,238
Investment contract liabilities	**2,714**	2,750
Other liabilities	**4,145**	5,755
Deposits in trust	**5,081**	4,173
	15,215	21,933

10. 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. Significant risks include those associated with losses from insurance contracts as well as risks associated with the financial instruments that the Company holds. The Company has policies relating to the identification, measurement, monitoring, mitigating and controlling of risks associated with both insurance contracts and financial instruments. The significant risk related to insurance contracts is insurance risk, which can be influenced by pricing risk, concentration risk and reserving risk. The significant risks related to financial instruments are credit risk, liquidity risk and market risk (comprising currency risk, interest rate risk and other price risks such as equity risk).

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

a) Insurance risk

Insurance risk is the risk that the total cost of claims and acquisition expenses related to an insurance contract will exceed premiums received from that contract. This could occur because either the frequency or severity of claims is greater than expected. The Company's insurance risk is managed separately by each of 643 Can Ltd and TIHL. The following section discusses the approaches to managing insurance risk of the two entities:

10. Risk management (continued)

a) Insurance risk (continued)

643 Can Ltd

643 Can Ltd's objective for managing the risks arising from insurance contracts is to minimize those risks to the extent possible while continuing to grow and to achieve profitable underwriting results within its identified product lines. To achieve that objective, 643 Can Ltd follows underwriting guidelines set by senior management when issuing bonds and policies. In addition to that, careful oversight is applied to all aspects of the underwriting process to ensure that guidelines are followed. The insurance risks associated with the lines of business underwritten by 643 Can Ltd 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.

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

i) Pricing risk

Pricing risk is the risk that an insurance product has been priced with assumptions about claims activity that are different from the actual claims experience of that product line. 643 Can Ltd's pricing is designed to ensure an appropriate profit margin, while taking into account factors such as claims frequency and severity, and other risk factors associated with the capital required to support the product line. 643 Can Ltd reviews these factors periodically to ensure that they reflect the current market conditions. 643 Can Ltd mitigates the impact of pricing risk by the use of pricing guidelines used by all underwriters, and through experienced underwriting staff who apply their knowledge of the product line when making pricing decisions.

ii) Concentration of insurance risk / high exposure policies

Concentration risk is the risk that insurance products are concentrated within a particular geographic area, particular class of business, or particular insured, increasing the exposure of 643 Can Ltd to a single event. Concentration of risk could arise as a result of a single bondholder having multiple bonds outstanding, or as a result of a large number of insurance contracts issued for a similar class of business. Management determines concentrations through periodic review and analysis of the company's portfolio of insurance risks.

To mitigate the impact of concentration of risk, 643 Can Ltd looks for high concentrations of risk and makes adjustments as needed where exposure to a single event is greater than 643 Can Ltd's tolerance level. In addition, 643 Can Ltd minimizes the impact of such risk by maintaining a diversified portfolio of risks spread across different geographic regions and different product lines.

In addition, in the normal course of business 643 Can Ltd may issue high exposure policies which have the potential to give rise to large claims in excess of 643 Can Ltd's tolerance level. In such instances, 643 Can Ltd purchases reinsurance protection or requires insureds to provide collateral, such that the maximum net claim is brought within its risk tolerance.

iii) Reserving risk

Reserving risk is the risk that losses resulting from underwriting activities will be greater than initially anticipated. 643 Can Ltd sets reserves for each line of business monthly and those reserves are reviewed on a semi-annual basis by 643 Can Ltd's external actuary. At that time 643 Can Ltd compares actual to expected claims development and makes adjustments to reserves as needed.

10. Risk management (continued)

a) Insurance risk (continued)

TIHL

Since ceasing to write new business at the end of 2008, TIHL has established a transaction management committee comprising senior management and other key operating personnel to actively manage its portfolio of in-force reinsurance contracts efficiently and cost effectively and, in so doing, protect the interests of all stakeholders including shareholders, policyholders, staff and regulators. As at the end of March 31, 2017, TIHL does not have any unearned premium. Hence, TIHL is no longer exposed to underwriting risk.

i) Pricing risk and reserving risk

The key risks faced by TIHL in managing its reinsurance contracts relate to inappropriate pricing and legal documentation of commutations and novations or other transfers of existing business and claim reserving and administration of remaining contracts that cannot be immediately commuted, novated or otherwise transferred.

The responsibilities of the transaction management committee that address these risks include:

- creation of a consistent, centralized control environment for the day to day management of in-force transactions;
- development of action plans for all in-force transactions to include novations, commutations or other transfers of existing business among subsidiary companies;
- addressing renewal and cancellation options on all in-force transactions;
- approving and efficiently managing cancellations, commutations, novations of all transactions; and
- implementing a program of underwriting and claims audits on remaining contracts, and taking appropriate action on audit results.

Claim reserves are reviewed quarterly by the Company’s actuaries and actuarial consultants and any adjustments to reserves are made as required.

TIHL reinsured a portion of the risks which it underwrote, where appropriate and cost effective, to control its exposures to losses and protect capital resources. At March 31, 2017, there are only a few transactions with remaining reinsurance protection in force and TIHL has not booked any reinsurance recoverable in respect of these transactions. See Note 10(b) and Note 7 for further details.

10. Risk management (continued)

a) Insurance risk (continued)

TIHL (continued)

ii) *Concentration of insurance risk*

A key aspect of the insurance risk faced by TIHL arose from the concentration of insurance risk where a particular event or series of events could have impacted significantly upon the THIL's liability for claims and claims adjustment expenses. Such concentrations may have arisen from a single insurance or reinsurance contract or through the accumulation of risk under a number of contracts exposed to similar events.

Concentrations of risk can arise from both high-severity, low-frequency events, such as natural disasters and from situations where the underwriting of risk is biased towards a particular area of risk, such as a particular type of business or a particular geographic region.

TIHL's reserves have a significant level of concentration with respect to an Irish life reinsurance transaction with reserves of $70,680 (December 31, 2016 - $72,881) or 75% (December 31, 2016 - 76%) of TIHL's total claims reserves.

TIHL monitors concentrations and aggregate exposures on a regular basis by reviewing reports which show the key concentrations and aggregations to which TIHL is exposed. TIHL uses a number of modeling tools to monitor such exposures.

b) 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 and balances receivable from insurance brokers and reinsurers.

643 Can Ltd

643 Can Ltd has an investment policy in place that requires bonds to be Canadian, to have a minimum DBRS (or equivalent bond rating service) credit rating of BBB-, specifies that those representing no more than 35% of the fair value of the investment portfolio may have a credit rating of less than single A, limits exposure to any entity or group of related entities (other than governments, meaning Canada, the provinces, municipalities and crown corporations, their subsidiaries and guarantees (each a "government")) to 5% of the fair value of the investment portfolio, and provides that the overall portfolio is to be well-diversified by industry. Management monitors credit quality on an on-going basis and reviews the investment portfolio regularly with 643 Can Ltd's board of directors.

643 Can Ltd's investment policy provides that short-term investments must have a DBRS (or equivalent) rating of R-1(low) or higher and exposure to any entity or group of related entities (other than a government) is limited to 5% of the fair value of the investment portfolio.

643 Can Ltd uses insurance brokers as intermediaries for the distribution of its product offerings and is therefore subject to the risk that these brokers fail to remit the premiums they have collected on its behalf. 643 Can Ltd only deals with licensed brokers with which it has entered into a contract that details, among other things, the broker's responsibilities and payment obligations. 643 Can Ltd completes a documented due diligence process before entering into a contract with an insurance broker which includes confirmation of licensing with applicable provincial regulators.

10. Risk management (continued)

b) Credit risk (continued)

643 Can Ltd (continued)

Each Canadian province has laws in place deeming funds received by brokers from insureds to be trust funds and requiring brokers to hold minimally stipulated amounts of both errors and omissions and employee dishonesty insurance, and the provincial regulators have monitoring procedures in place to ensure compliance. In addition to other requirements, such compliance is a condition of the broker's continued licensing. 643 Can Ltd's policy is to annually confirm that all contracted brokers remain licensed in good standing with the applicable regulators. Further, 643 Can Ltd monitors accounts receivable from each broker and follows-up all past due amounts to ensure satisfactory collection arrangements are in place.

643 Can Ltd 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 unable to satisfy its obligations, 643 Can Ltd does not have the right to correspondingly reduce its claims payment obligations. 643 Can Ltd's general practice is to use only licensed reinsurers that have a minimum A.M. Best credit rating of A-, and management monitors these ratings on a regular basis. When 643 Can Ltd does use an unlicensed reinsurer, it is required to establish a custodial account secured under a reinsurance security agreement, in the form prescribed by the Office of the Superintendent of Financial Institutions ("OSFI"), and/or post a letter of credit of an amount equal to at least 115% of the unearned premium, unpaid claims and loss adjustment expenses on business ceded to it. This notwithstanding, the risk of default still exists as a consequence of a catastrophic loss or other form of financial misadventure. For licensed reinsurers, 643 Can Ltd therefore restricts the participation of individual reinsurers to no more than 30% of the total amount of risk ceded, and utilizes both North American and European reinsurers. These participations and limits are reviewed and approved by the Company's board of directors on an annual basis.

TIHL

TIHL manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty or, where a rating is not available by assigning an internal rating equivalent based on market comparables for the counterparty or based on the collateral supporting the counterparty risk.

For structured insurance assets, TIHL minimized its credit exposure through credit reviews performed as part of the underwriting process and the requirement for collateral to be provided on the amounts due to TIHL wherever possible. TIHL deals with investment grade counterparties on the long-term care commission business mentioned in Note 2(e). For this business, TIHL takes on the credit risk of the insurance carriers who have the ultimate payment obligation. The majority of these insurance carriers have AM Best long term issuer credit ratings of A or better.

For TIHL, accounts receivable and other assets, funds held by ceding companies, investment contract assets, and reinsurers' share of unpaid claims and loss adjustment expenses are carefully monitored with reference to the credit quality of the broker or ceding company and an impairment allowance is made if deemed appropriate. No new brokers or intermediaries were transacted with in 2017 or 2016. Therefore, TIHL's credit risk in respect of accounts receivable principally arises from relationships with the insureds. As at March 31, 2017, there are only a few transactions with remaining reinsurance protection in force. As at March 31, 2017 and December 31, 2016, TIHL has not booked any reinsurance recoverable in respect of these transactions.

(Unaudited, in thousands of dollars)

10. Risk management (continued)

b) Credit risk (continued)

TIHL (continued)

For TIHL, accounts receivable and funds withheld by ceding companies relate to the specialty products written and are often with counterparties that do not have credit quality ratings. Credit risk is continuously monitored by experienced staff. Many of the contracts written include the right to offset amounts receivable against claims and other amounts payable. In addition, as at March 31, 2017 TIHL has obtained a letter of credit of $133 (December 31, 2016 – $134) from one counterparty to collateralize some of these and potential future receivables. TIHL establishes an allowance for impairment of accounts receivable, on the basis of a process that considers both the obligors' inability and unwillingness to pay and is calculated on an individual basis.

i) 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.

	March 31, 2017	December 31, 2016
	$	$
Cash and cash equivalents	**109,344**	122,096
Fixed income		
Government	**55,989**	57,916
Corporate	**77,231**	76,035
Mortgage backed securities	**437**	476
Asset backed securities	**249**	41
Structured settlements	**14,671**	15,129
Accrued investment income	**1,165**	865
Premiums receivable	**15,134**	17,887
Funds held by ceding companies	**392**	406
Other assets	**1,489**	1,194
	276,101	292,045

For 643 Can Ltd, as at March 31, 2017 and December 31, 2016, there were no significant impairments. Of premiums receivable, $1,399 was past due (December 31, 2016 - $1,429) but not considered to be impaired. All other balances were current.

As at March 31, 2017 TIHL has accounts receivable, that include amounts that are past due and are recorded net of an allowance for impairment of $1,013 (December 31, 2016 – $1,023) based on management's estimate given the age and circumstances surrounding the past due amounts. Of the accounts receivable, as at March 31, 2017 $133 was past due but not considered impaired (December 31, 2016 - $134).

There is considered to be no credit risk associated with the executive share purchase plan.

(Unaudited, in thousands of dollars)

10. Risk management (continued)

b) Credit risk (continued)

ii) Concentration of credit risk of the Company

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

	March 31, 2017	December 31, 2016
	$	$
Governments	**55,989**	57,916
Financial	**40,049**	37,931
Real estate	**8,803**	5,654
Industrials	**9,563**	12,327
Automotive	**5,662**	2,026
Consumer discretionary	**3,137**	3,117
Telecom	**2,029**	-
Infrastructure	**1,009**	5,942
Retail	**-**	1,012
Power and pipelines	**6,979**	8,026
	133,220	133,951

iii) Asset quality

The following table summarizes the credit ratings for bonds and cash equivalents:

	March 31, 2017	December 31, 2016
	$	$
Bonds		
AAA	**18,997**	20,022
AA	**29,231**	30,140
A	**47,178**	45,137
BBB	**36,429**	37,316
Below BBB	**1,385**	1,336
	133,220	133,951
Cash equivalents		
R-1 (medium)	**3,777**	-
R-1 (low)	**11,666**	8,687
	15,443	8,687
	148,663	142,638

10. Risk management (continued)

c) *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, 643 Can Ltd'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 claims adjustment payments.

By their nature, the timing and quantum of claims and claims adjustment payments are subject to significant uncertainty and must be estimated actuarially as set out in Note 7. Although 643 Can Ltd 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, with delays of up to five months. Hence, 643 Can Ltd must have access to sufficient liquid resources to fund gross amounts payable when required.

To manage its liquidity requirements, 643 Can Ltd maintains a minimum balance of cash and cash equivalents and, through its investment policy, has established minimum criteria for the quality of each class of investment held. The criteria for bonds and short-term investments are set out under Note 10(b), above. In addition, the average duration of bonds and the maximum maturity limit have been set to enhance their overall liquidity. All common shares, preferred shares and income and investment trusts must be listed on the Toronto Stock Exchange, and limitations are placed on exposure to any one issuer. Further, in accordance with the investment policy and OSFI's requirements for 643 Can Ltd, exposure of the total investment portfolio to any one corporate group is limited to 5% of 643 Can Ltd total assets.

TIHL manages its liquidity risk through its investment in high quality, highly liquid assets and its asset liability matching processes. The long-tailed nature of much of TIHL's reinsurance business also reduces the likelihood of sudden or unexpected spikes in claim payment requirements.

As at March 31, 2017 TIHL has pledged cash and cash equivalents and short term deposits amounting to $58,273, and pledged fixed maturities amounting to $42,228 (December 31, 2016 – $64,710 and $40,416, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by TIHL.

Based on the Company's current financial performance, management believes cash flow generated from the Company's operations and investment portfolios will continue to provide sufficient liquidity to satisfy the Company's cash outflow obligations as they come due.

(Unaudited, in thousands of dollars)

10. Risk management (continued)

d) 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 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. Most of 643 Can Ltd's investments are located in Canada and denominated in Canadian dollars, with the exception of limited holdings of U.S. equities that are less than 3% of 643 Can Ltd's investment portfolio. 643 Can Ltd's underwriting operations are focused on risks and clients located in Canada and management closely monitors any foreign exchange risk associated with its investments. As at March 31, 2017 and December 31, 2016, 643 Can Ltd did not have any significant exposure to currency risk.

TIHL operates primarily in Europe and the United States and is therefore exposed to currency risk arising mainly from fluctuations in exchange rates of the Euro against the United States dollar. The foreign currency positions of TIHL are monitored quarterly and TIHL uses currency hedges to manage foreign exchange risks where a material unmatched foreign exchange position exists. As at March 31, 2017 and December 31, 2016, the significant mismatch position in Euro was hedged by a forward currency exchange contract.

The Company is exposed to exchange rate movements as combined shareholders' equity is expressed in Canadian dollars.

The following tables summarize the carrying value of total assets and total liabilities of the Company categorized by major currency:

At March 31, 2017

	CDN	**USD**	**EUR**	**GBP**	**BBD**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	**254,967**	**86,983**	**65,989**	**1,222**	**512**	**409,673**
Total liabilities	**241,038**	**25,596**	**75,303**	**1**	**116**	**342,054**
Net assets	**13,929**	**61,387**	**(9,314)**	**1,221**	**396**	**67,619**

At December 31, 2016

	CDN	**USD**	**EUR**	**GBP**	**BBD**	**Total**
	$	$	$	$	$	$
Total assets	257,865	91,299	68,604	1,253	380	419,401
Total liabilities	240,471	30,013	77,941	5	83	348,513
Net assets	17,394	61,286	(9,337)	1,248	297	70,888

10. Risk management (continued)

d) Market risk (continued)

i) Currency risk (continued)

The assets and liabilities above were translated at exchange rates at the reporting date and are stated after taking into account the effect of forward currency exchange contracts.

The nature of the Company's exposures to currency risk and its objectives, policies and processes for managing that risk have not changed significantly from the prior year.

ii) Interest rate risk

Interest rate risk is the potential for financial loss resulting from changes in interest rates. Bonds 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. With respect to the fair value of bonds and preferred shares, it will change inversely with changes in market rates of interest, with greater impact to bonds with higher durations.

643 Can Ltd manages its interest rate risk through adherence to its investment policy, which as noted under liquidity risk, has set the average duration of bonds held and the maximum maturity limit at limits intended to enhance their overall liquidity. This control over duration reduces the impact of interest rate risk. The average life of preferred shares will not exceed 6 years, with the maximum term being 10 years. "Fixed reset" preferred shares may be held as long as the initial reset period for any issue is no greater than 7 years.

TIHL manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimize the impact of mismatches between the value of assets and liabilities from interest rate movements. TIHL monitors its interest rate risk exposure through periodic reviews of the asset and liability position.

iii) Other price risk

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

As noted above, 643 Can Ltd has guidelines in place that are intended to provide for prudent investment in equity markets. To mitigate the impact of equity risk, as at March 31, 2017 and December 31, 2016, 643 Can Ltd's investment policy stated that the maximum amount of equities that may be held is the lesser of 30% of the total fair value of the investment portfolio (December 31, 2016 – 30%) and 45% of shareholders' equity (December 31, 2016 – 45% of shareholders equity).

TIHL does not have any equity holdings.

(Unaudited, in thousands of dollars)

11. Reinsurance

643 Can Ltd regularly uses reinsurance in the ordinary course of business, to reduce its exposure to any one claim under the policies it issues. A large portion of this reinsurance is effected under reinsurance agreements known as treaties. 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.

Reinsurance does not relieve 643 Can Ltd of its obligations to policyholders. A contingent liability exists with respect to reinsurance ceded which would become a liability of 643 Can Ltd in the event that any reinsurer fails to honour its obligations. For this reason, 643 Can Ltd evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to losses from reinsurer insolvencies. As stated in Note 10(b), all licensed reinsurers are required to have a minimum A.M. Best credit rating of A- at the inception of each treaty and when facultative reinsurance is requested and unlicensed reinsurers must post a minimum level of collateral. Provisions are incorporated in the treaties to protect 643 Can Ltd in the event a licensed reinsurer's credit rating does deteriorate during the term of the treaty.

As at March 31, 2017 643 Can Ltd was dealing with ten reinsurers not licensed in Canada (December 31, 2016 - ten). Their share of unearned premium and unpaid claims and loss adjustment expenses amounted to $34,750 (December 31, 2016 - $29,888).

As identified in Note 10(b), TIHL currently has immaterial reinsurance exposure.

The Company has determined that a provision is not required for potentially uncollectible reinsurance as at March 31, 2017 and December 31, 2016.

12. Property, plant and equipment

The Company's property, plant and equipment consist of the following as at March 31, 2017 and December 31, 2016:

	Cost	**Accumulated depreciation**	**Carrying value**
March 31, 2017	**$**	**$**	**$**
Furniture and fixtures	**1,044**	**(795)**	**249**
Automobiles	**68**	**(41)**	**27**
Computers	**728**	**(608)**	**120**
Leasehold improvements	**1,196**	**(435)**	**761**
Office equipment	**270**	**(233)**	**37**
Policy management system -			
Hardware component	**91**	**(82)**	**9**
	3,397	**(2,194)**	**1,203**

	Cost	Accumulated depreciation	Carrying value
December 31, 2016	$	$	$
Furniture and fixtures	1,105	(842)	263
Automobiles	69	(39)	30
Computers	733	(612)	121
Leasehold improvements	1,196	(413)	783
Office equipment	270	(231)	39
Policy management system -			
Hardware component	91	(81)	10
	3,464	(2,218)	1,246

(Unaudited, in thousands of dollars)

13. Intangible assets

Intangible assets comprise the computer software components of 643 Can Ltd's policy management system, document management system and online portal. Amortization of the cost of the policy management system and the online portal commenced in 2011 as both were implemented during the year. They are being amortized at a rate of 40%, using the declining balance method.

Intangible assets also include the acquisition of a customer list for $800, purchased in 2014 from another insurance company, and which is being amortized at a rate of 20% using the declining balance method.

14. Restructuring costs

In 2008 TIHL announced that it had ceased writing new business. As a result, provisions have been made for severance costs related to employees whose positions may become redundant. The provision has been established based on TIHL's business plans. The movement in the severance provision for the periods ended March 31, 2017 and December 31, 2016 is as follows:

	March 31 2017	**December 31 2016**
	$	$
Balance at begining of the year	440	551
Additional accrual	-	85
Adjustments for over accruals	-	(165)
Amounts paid	-	(19)
Adjustment for foreign exchange movements	(4)	(12)
Balance at end of period	436	440

15. Premiums and accounts receivable and other

As at March 31, 2017 and December 31, 2016 accounts receivable and other assets include the following:

	March 31 2017	December 31, 2016
	$	$
Premiums receivable (Note 8)	**15,134**	17,887
Executive share purchase plan receivable (Note 22)	**1,363**	1,542
Accrued investment income	**1,165**	865
Funds held by ceding companies	**392**	406
Prepaid expenses	**191**	175
Tax recoveries	**428**	432
Due from related parties	**378**	10
Interest receivable	**228**	356
Miscellaneous assets	**455**	396
	19,734	22,069

16. Capital management

The Company's capital is its shareholders' equity, which comprises share capital, retained earnings and accumulated other comprehensive income. The Company reviews its capital structure on a regular basis to ensure an optimal capital structure in keeping with all regulatory requirements in order to maximize returns to its shareholder.

643 Can Ltd

Oversight of the capital of 643 Can Ltd rests with management and the board of directors. Their objectives are threefold: (i) to ensure 643 Can Ltd is prudently capitalized relative to the amount and type of risks assumed and the requirements established under the *Insurance Companies Act* (Canada) and by OSFI; (ii) to ensure 643 Can Ltd's insureds, and the independent insurance brokers through which it distributes its products, perceive it to be soundly capitalized; and (iii) to ensure the ultimate shareholders receive an appropriate return on their investment.

Under guidelines established by OSFI which impact 643 Can Ltd, 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 levels of at least 150% and are further required to establish their own unique target MCT levels 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 March 31, 2017 and December 31, 2016.

Subject to satisfying the preceding objectives, the intent is to provide a suitable return to 643 Can Ltd's shareholders by way of dividends. Dividend payments will be made at a level that ensures sufficient capital is retained in 643 Can Ltd to satisfy budgeted operating requirements, any strategic initiatives, as well as the above noted MCT requirements.

TIHL

The entities subject to externally imposed regulatory capital requirements in TIHL are TIIL in Barbados and Imagine Asset Services dac ("IASD") in Ireland. As at March 31, 2017, these entities are required to maintain minimum capital totaling $5,293 (December 31, 2016 – $5,270). This amount is restricted from potential dividend payments.

In addition, TIHL's letter of credit facilities require that TIHL maintains a minimum level of adjusted tangible net worth. As of March 31, 2017, tangible net worth was required to be $13,319 (December 31, 2016 - $13,443). As at March 31, 2017, actual tangible net worth was $50,158 (December 31, 2016 - $51,503).

TIIL has provided a Net Worth Maintenance Agreement ("NWMA") to IASD. Under the NWMA, TIIL, subject to certain conditions as set out in the NWMA, agrees that it shall cause IASD to maintain minimum shareholder's funds sufficient to satisfy IASD's solvency requirements calculated under applicable Irish statutory regulations and accounting principles. At the end of the period, IASD was not reliant on TIIL for support under the NWMA.

17. 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 March 31, 2017 40 common shares of the Company with a value of $1 were issued. No preference shares or non-voting shares were outstanding.

The combined share capital of the Company, 643 Can Ltd and TIHL at March 31, 2017 is $9,619 (December 31, 2016 - $9,618). Upon completion of the Reorganization Transaction, the Company's issued and outstanding common shares will total approximately 5,800,000.

18. Loan payable

On August 4, 2016 643 Can Ltd entered into an arrangement with a Canadian Schedule I bank to borrow $35 million for the purpose of redeeming the balance of the Class A common shares still outstanding at that time, as well as issuing a dividend to pay the $16.1 million of accumulated value accretion associated with those shares.

The credit arrangement was arranged by way of a five-year lending facility funded through short term bankers' acceptance or Canadian prime rate advances. The rate is based on the current periods' bankers' acceptance rate or Canadian prime 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.

As part of the covenants of the loan, 643 Can Ltd is required to maintain certain financial ratios, which were fully met as at March 31, 2017 and December 31, 2016.

During the period ended March 31, 2017, 643 Can Ltd incurred $276 of interest expense (March 31, 2016 - $nil). At March 31, 2017 the loan balance was $31,400 (December 31, 2016 - $34,100).

19. Letters of credit

Effective November 18, 2008 TIHL entered into a letter of credit facility with a Canadian Schedule I bank (the "Facility"). This Facility was renewed on November 9, 2016, whereby the lender has agreed to provide letters of credit on an unsecured basis with a total capacity of $1,332 (2016 – $8,066). Letters of credit under the Facility mature 364 days from the date of issuance on an evergreen basis, meaning that they automatically renew each year unless utilized by the letter of credit beneficiary. Under the Facility, TIHL and/or certain of its subsidiaries must maintain certain covenants, including a minimum tangible net worth covenant that applies to TIHL only. A breach of any of these covenants, or certain other events set out in the credit agreement, would result in an event of default, upon which TIHL may be required to provide the appropriate collateral under the Facility. As at March 31, 2017, one letter of credit totaling $290 (December 31, 2016 – four totaling $7,697) has been issued. TIHL is in compliance with all of the covenants under the Facility.

20. Benefits

643 Can Ltd

643 Can Ltd has established a group registered retirement savings plan arrangement under which all employees are required to contribute 4% of their salary and 643 Can Ltd makes a matching contribution, increasing to 5% in the calendar year following an employee's fifth year of service, and 6% after the employee's tenth year of service.

TIHL

TIHL sponsors various defined contribution retirement plans which are open to all employees and are recognized within operating expenses in the statements of comprehensive loss as incurred. TIHL makes a contribution in cash to these retirement plans for each participating employee. These retirement plans also allow eligible participants to make voluntary contributions pursuant to their respective jurisdictions. These plans include a long term incentive plan for certain designated senior executives, which was terminated on December 31, 2016.

21. Related party transactions

643 Can Ltd

643 Can Ltd is a subsidiary of Brookfield, which is 643 Can Ltd's ultimate controlling party. 643 Can Ltd has entered into outsourcing arrangements with Brookfield and its affiliated companies with respect to the provision by them of information technology, internal audit and investment management services. 643 Can Ltd also leases office facilities from companies subject to common control and currently subleases office facilities to a company under common control. In addition, 643 Can Ltd occasionally issues surety bonds and insurance policies on behalf of, or for, certain companies under common control. 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. Trisura Guarantee entered into a tax transfer arrangement with Brookfield in 2016, as permitted under applicable income tax legislation and the *Income Tax Act* (Canada). During 2016, Trisura Guarantee made a payment to Brookfield for taxes paid relating to 2015 in the amount of $1,700. In 2017 643 Can Ltd was paid a fee of $580 plus HST from Brookfield for services incurred in 2017.

At March 31, 2017 executive share purchase plan loans due from related parties amounted to $1,363 (December 31, 2016 - $1,542). Interest receivable of $228, related to this balance was also due at March 31, 2017 (December 31, 2016 - $355). During the period ended March 31, 2017, $16 of interest income was earned, related to the shareholder loans (March 31, 2016 - $19).

The amount due from related parties at March 31, 2017 of $378 (December 31, 2016 - $10) is related to services paid by 643 Can Ltd on behalf of another entity under common control, for which it will be reimbursed by that entity.

The amount due to related parties at March 31, 2017 comprises $37 (December 31, 2016 - $37) for outsourced services provided.

Notes payable

On December 31, 2012, 643 Can Ltd redeemed 500,000 of its shares owned by Brookfield, originally purchased at one dollar per share, in exchange for a $2,750 note payable. The note payable is due in 10 years and accumulates interest at a rate of prime plus 1%. The redeemed shares were subsequently cancelled. As at March 31, 2017 the total due to Brookfield under this note was $211 (December 31, 2016 - $530). During the period ended March 31, 2017, $4 of interest expense was incurred related to this note (March 31, 2016 - $7).

TIHL

As at March 31, 2017, included within cash and cash equivalents is $14,203 (December 31, 2016 - $14,200) on deposit with Brookfield International Bank Inc. These deposits bear interest at the rate of 1 month US Libor plus 300 basis points and are repayable on seven days' notice.

Included within net investment income are investment asset management fees of $16 (March 31, 2016 - $26) to Brookfield Investment Management Inc., a related company that manages 33% of TIHL's investments. Also included within net investment income is interest income of $137 (March 31, 2016 - $4) from cash and cash equivalents on deposit with Brookfield International Bank Inc.

(Unaudited, in thousands of dollars)

22. Executive share purchase plan receivable

643 Can Ltd administers two executive share purchase plans that were established in 2006 and 2012 (the "2006 Plan" and the "2012 Plan", respectively). Under the 2006 Plan, employees of Trisura Guarantee may purchase common shares of 643 Can Ltd in return for notes payable, which bear interest at the prime rate of the company's primary lending institution plus 1%. The loans do not have to be repaid, nor does interest have to be paid, until such time as the shares are sold or redeemed. Under the 2012 Plan, employees purchase shares in return for notes payable, which they are required to repay through semi-monthly payroll deductions, as well as 50% of their after-tax annual bonus, if any. The loans bear interest at a rate equal to the prime rate of 643 Can Ltd's primary lending institution plus 1%. Total loans receivable under to the executive share purchase plan as at March 31, 2017 amounted to $1,363 (December 31, 2016 - $1,542).

23. Minority interests in subsidiary

Under the terms of a unanimous shareholder agreement between the shareholders of 643 Can Ltd, the common shares issued to employees of Trisura Guarantee have a puttable feature which results in their being classified as financial liabilities in accordance with IAS 32, *Financial Instrument: Presentation*. These liabilities are measured at fair value, being the put value ascribed to the shares under the unanimous shareholder agreement. Assumptions have been made by management regarding the put value, as the unanimous shareholder agreement has various clauses under which different values can be ascribed to the shares. As at March 31, 2017, the fair value of the liabilities was $21,200 (December 31, 2016 - $16,008).

24. Other comprehensive income

The following sets out the components of other comprehensive income for the three-month periods ended March 31:

	2017	2016
	$	$
Items that may be reclassified subsequently to net (loss) income		
Unrealized gains on available-for-sale investments	**2,467**	(50)
Unrealized losses on available-for-sale investments	**(811)**	(3,816)
Income tax expense	**(386)**	(46)
	1,270	(3,912)
Items reclassified to net (loss) income		
Realized gains	**30**	171
Realized losses	**(4)**	(415)
Income tax expense	**(2)**	(73)
	24	(317)
	1,246	(3,595)
Items that will not be reclassified subsequently to net (loss) income		
Cumulative translation gain (loss)	**(481)**	(3,162)
	765	(6,757)

Included in accumulated other comprehensive income at March 31, 2017 is $2,128 of tax expense (December 31, 2016 - $1,742 tax recovery).

(Unaudited, in thousands of dollars)

25. Segmented information

The Company has two reportable segments. The operations of 643 Can Ltd are one reportable segment which comprises corporate insurance solutions, surety solutions and risk solutions products underwritten in Canada. The operations of TIHL are a second reportable segment which comprises the Company's international reinsurance operations.

The following table shows the results for the period ended March 31, 2017 and March 31, 2016:

Period ended March 31, 2017	**643 Can Ltd**	**TIHL**	**TGL**
	$	**$**	**$**
Assets	**258,467**	**151,205**	**409,673**
Liabilities	**241,007**	**101,047**	**342,054**
Revenue			
Net premiums earned	**17,587**	**42**	**17,629**
Fee income	**2,938**	**(9)**	**2,929**
Total underwriting revenue	**20,525**	**33**	**20,558**
Net claims	**4,939**	**(674)**	**4,265**
Net expenses	**13,425**	**1,439**	**14,864**
Total claims and expenses	**18,364**	**765**	**19,129**
Net underwriting income (loss)	**2,161**	**(732)**	**1,429**
Investment income (loss)	**1,010**	**(266)**	**744**
Foreign loss	**-**	**(15)**	**(15)**
Interest expense	**(276)**	**-**	**(276)**
Change in liabilities to participating shareholders	**(5,158)**	**-**	**(5,158)**
Net Income before tax	**(2,263)**	**(1,013)**	**(3,276)**

Period ended March 31, 2016	**643 Can Ltd**	**TIHL**	**TGL**
	$	$	$
Assets	259,857	159,544	419,401
Liabilities	240,472	108,041	348,513
Revenue			
Net premiums earned	15,615	45	15,660
Fee income	2,951	-	2,951
Total underwriting revenue	18,566	45	18,611
Net claims	3,936	4,485	8,421
Net expenses	12,240	966	13,206
Total claims and expenses	16,176	5,451	21,627
Net underwriting income (loss)	2,390	(5,406)	(3,016)
Investment income (loss)	1,039	5,174	6,213
Foreign loss	-	(152)	(152)
Interest expense	-	-	-
Change in liabilities to participating shareholders	(160)	-	(160)
Net Income before tax	3,269	(384)	2,885

(Unaudited, in thousands of dollars)

26. Income taxes

The Company's deferred tax assets and liabilities consist of the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	March 31, 2017	December 31, 2016	**March 31, 2017**	March 31, 2016
Deferred taxes related to:				
Loss carry-forwards	**156**	148	**(9)**	-
Unpaid claims and adjustment expenses	**597**	571	**(25)**	(27)
Other	**18**	18	**-**	-
Investments - unrealized gains/losses	**1,187**	1,190	**3**	8
	1,958	1,927	**(31)**	(19)
Less deferred taxes related to:				
Investments - unrealized gains/losses	**(1,288)**	(1,280)	**7**	23
Property and equipment, intangible	**(21)**	(25)	**(4)**	(4)
and other assets	**-**	-	**-**	-
	(1,309)	(1,305)	**3**	19
Deferred income taxes	**649**	622	**(28)**	-
Reported in:				
Deferred tax assets	**649**	622	**-**	-
Income tax (recovery) reported to net income	**-**	-	**(35)**	(23)
Income tax expense reported to other comprehensive income	**-**	-	**7**	23

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 March 31, 2017 and December 31, 2016 are recoverable.

(Unaudited, in thousands of dollars)

26. Income taxes (continued)

The following shows the major components of income tax expense for the periods ended March 31, 2017 and March 31, 2016:

	March 31, 2017	March 31, 2016
Current tax expense:		
Current year	**794**	937
	794	937
Deferred tax expense:		
Origination and reversal of temporary differences	**(35)**	(23)
	(35)	(23)
Income Tax Expense	**759**	914
Income tax recorded in other comprehensive income		
Net changes in unrealized gains (losses) on available-for-sale investments	**379**	24
Recalssification to net income of net losses on available-for-sale investments	**(2)**	(74)
Origination and reversal of temporary differences	**7**	23
Total income tax expense (benefit) recorded in other comprehensive income	**384**	(27)

The statutory tax rate for 643 Can Ltd's Canadian operations is 26.69%, which is a blend of federal and provincial rates.

IASD is subject to a corporate tax rate of 12.5% in Ireland.

TIIL is registered as a Qualifying Insurance Company ("QIC") under the Insurance Act 1996-32 of Barbados (the "IAB"). Under the IAB, this company is, as a QIC, liable for tax on its taxable income at a rate of 25%. However, as its income is exclusively earned from foreign insurance business, the company is also eligible for a tax credit of 93%, the maximum allowance under Section 12H of the Barbados Income Tax Act, Cap 73. This has resulted in a net effective tax rate of 1.75%.

Under current Bermuda law, the group and its subsidiaries domiciled in Bermuda are not required to pay any corporate income taxes in Bermuda on either income or capital gains. In the event of any such taxes being imposed, TIHL has received undertakings from the Minister of Finance in Bermuda that they will be exempt from taxation until 2035.

(Unaudited, in thousands of dollars)

26. Income taxes (continued)

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax provision included in the combined statements of comprehensive loss for the periods ended March 31, 2017 and 2016:

	March 31, 2017	March 31, 2016
(Loss) income from continuing operations before income taxes	**(3,276)**	3,040
Statutory income tax rate	**26.50%**	26.50%
	(868)	805
Variations due to:		
Permanent differences	**1,287**	(1)
International operations subject to different tax rates	**264**	109
Valuation allowance	**72**	
Rate differentials:		
Current rate versus future rate	**-**	-
Change in future rate	**4**	1
Income tax expense	**759**	914
Current	**794**	937
Deferred	**(35)**	(23)
Income tax expense	**759**	914

27. Subsequent event

Subsequent to quarter end, the Company received the necessary approvals to complete the spin-off transaction from Brookfield whereby all of the common shares of the Company will be distributed to the holders of Brookfield's Class A and B limited voting shares. Upon completion of the spin-off, the Company will be a stand-alone public company traded on the Toronto Stock Exchange and independent of Brookfield.