



**Trisura Group Ltd.**

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Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2021

**TRISURA GROUP LTD.**  
**Condensed Interim Consolidated Financial Statements (unaudited)**

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**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Financial Position (unaudited)**

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

<b>As at</b>	<i>Note</i>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>			
Cash and cash equivalents		<b>129,649</b>	136,519
Investments	4, 6	<b>524,393</b>	503,684
Premiums and accounts receivable, and other assets	10	<b>211,078</b>	178,883
Recoverable from reinsurers	12	<b>784,381</b>	676,972
Deferred acquisition costs		<b>215,880</b>	188,190
Capital assets and intangible assets		<b>14,536</b>	13,907
Deferred tax assets		<b>6,769</b>	8,577
<b>Total assets</b>		<b>1,886,686</b>	1,706,732
<b>Liabilities</b>			
Accounts payable, accrued and other liabilities	11	<b>49,697</b>	57,343
Reinsurance premiums payable	12	<b>180,858</b>	151,707
Unearned premiums		<b>668,417</b>	592,711
Unearned reinsurance commissions		<b>106,675</b>	100,281
Unpaid claims and loss adjustment expenses	9	<b>545,307</b>	487,271
Loan payable	14	<b>26,970</b>	27,555
		<b>1,577,924</b>	1,416,868
<b>Shareholders' equity</b>			
Common shares	15	<b>284,174</b>	285,731
Contributed surplus		<b>1,707</b>	1,332
Retained earnings		<b>23,451</b>	4,133
Accumulated other comprehensive loss		<b>(570)</b>	(1,332)
		<b>308,762</b>	289,864
<b>Total liabilities and shareholders' equity</b>		<b>1,886,686</b>	1,706,732

*See accompanying notes to the Condensed Interim Consolidated Financial Statements*

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Income (unaudited)**

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

<b>For the three months ended March 31,</b>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Gross premiums written</b>		<b>310,274</b>	169,952
Reinsurance premiums ceded		<b>(232,909)</b>	(128,452)
<b>Net premiums written</b>		<b>77,365</b>	41,500
Change in unearned premiums		<b>(24,741)</b>	(10,933)
<b>Net premiums earned</b>		<b>52,624</b>	30,567
Fee income		<b>13,784</b>	7,541
Net investment (loss) income	7	<b>(5,317)</b>	8,534
Net gains (losses)	8	<b>3,834</b>	(2,054)
<b>Total revenues</b>		<b>64,925</b>	44,588
Net claims and loss adjustment expenses	9	<b>(4,107)</b>	(14,186)
Net commissions	12	<b>(18,559)</b>	(11,233)
Operating expenses		<b>(17,014)</b>	(12,085)
Interest expense	14	<b>(187)</b>	(400)
<b>Total claims and expenses</b>		<b>(39,867)</b>	(37,904)
<b>Income before income taxes</b>		<b>25,058</b>	6,684
Income tax (expense) benefit	19	<b>(5,740)</b>	1,687
<b>Net income attributable to shareholders</b>		<b>19,318</b>	8,371
Weighted average number of common shares outstanding during the period (in thousands) – basic		<b>10,270</b>	8,820
Earnings per common share (in dollars) – basic	16	<b>1.88</b>	0.95
Earnings per common share (in dollars) – diluted	16	<b>1.84</b>	0.94

*See accompanying notes to the Condensed Interim Consolidated Financial Statements*

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (unaudited)**

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

<b>For the three months ended March 31,</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Net income attributable to shareholders</b>		<b>19,318</b>	8,371
Net unrealized gains (losses) on available-for-sale investments		<b>3,495</b>	(29,094)
Income tax (expense) benefit		<b>(763)</b>	5,274
Items that may be reclassified subsequently to net income		<b>2,732</b>	(23,820)
Net realized gains		<b>(390)</b>	(2,821)
Impairment loss	4.2	<b>529</b>	3,036
Income tax benefit		<b>18</b>	781
Items reclassified to net income		<b>157</b>	996
Items other than cumulative translation (loss) gain		<b>2,889</b>	(22,824)
Items that will not be reclassified subsequently to net income – Cumulative translation (loss) gain		<b>(2,127)</b>	11,454
<b>Other comprehensive income (loss)</b>		<b>762</b>	(11,370)
<b>Total comprehensive income (loss)</b>		<b>20,080</b>	(2,999)

*See accompanying notes to the Condensed Interim Consolidated Financial Statements*

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Changes in Equity (unaudited)**

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

	<i>Note</i>	<b>Common shares</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive loss (net of income taxes)</b>	<b>Total</b>
Balance at January 1, 2021		285,731	1,332	4,133	(1,332)	<b>289,864</b>
Net income		-	-	19,318	-	<b>19,318</b>
Other comprehensive income		-	-	-	762	<b>762</b>
Comprehensive income		-	-	19,318	762	<b>20,080</b>
Share issuance	15	257	-	-	-	<b>257</b>
Shares purchased under Restricted Share Units ("RSUs") plan	15	(1,814)	-	-	-	<b>(1,814)</b>
Share based payments		-	375	-	-	<b>375</b>
<b>Balance at March 31, 2021</b>		<b>284,174</b>	<b>1,707</b>	<b>23,451</b>	<b>(570)</b>	<b>308,762</b>

		<b>Common shares</b>	<b>Contributed surplus</b>	<b>Accumulated deficit</b>	<b>Accumulated other comprehensive loss (net of income taxes)</b>	<b>Total</b>
Balance at January 1, 2020		219,251	815	(28,309)	(1,428)	190,329
Net income		-	-	8,371	-	8,371
Other comprehensive loss		-	-	-	(11,370)	(11,370)
Comprehensive loss		-	-	8,371	(11,370)	(2,999)
Share based payments		-	(110)	-	-	(110)
<b>Balance at March 31, 2020</b>		<b>219,251</b>	<b>705</b>	<b>(19,938)</b>	<b>(12,798)</b>	<b>187,220</b>

See accompanying notes to the Condensed Interim Consolidated Financial Statements

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Cash Flows (unaudited)**

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

<b>For the three months ended March 31,</b>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net income	<b>19,318</b>	8,371
Items not involving cash:		
Depreciation and amortization	<b>711</b>	938
Unrealized loss (gains)	<b>9,441</b>	(6,350)
Impairment loss	<b>529</b>	3,884
Payment in kind	<b>-</b>	(285)
Stock options granted	<b>261</b>	152
Change in working capital	<b>2,453</b>	(539)
Realized gains on investments	<b>(870)</b>	(2,821)
Income taxes paid	<b>(1,191)</b>	(3,279)
Interest paid	<b>(250)</b>	(436)
<b>Net cash flows from (used in) operating activities</b>	<b>30,402</b>	(365)
<b>Investing activities</b>		
Proceeds on disposal of investments	<b>36,844</b>	27,062
Purchases of investments	<b>(69,935)</b>	(33,769)
Purchases of capital assets	<b>(823)</b>	(248)
Purchases of intangible assets	<b>(33)</b>	(123)
<b>Net cash flows used in investing activities</b>	<b>(33,947)</b>	(7,078)
<b>Financing activities</b>		
Shares issued	<b>257</b>	-
Shares purchased under RSUs plan	<b>(1,814)</b>	-
Loans received	<b>26,970</b>	32,700
Repayment of loans payable	<b>(27,555)</b>	(29,700)
Principal portion of lease payments	<b>(334)</b>	(480)
<b>Net cash flows (used in) from financing activities</b>	<b>(2,476)</b>	2,520
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(6,021)</b>	(4,923)
Cash, beginning of period	<b>120,538</b>	68,208
Cash equivalents, beginning of period	<b>15,981</b>	17,697
Cash and cash equivalents, beginning of period	<b>136,519</b>	85,905
Impact of foreign exchange on cash and cash equivalents	<b>(849)</b>	3,370
Cash, end of period	<b>120,648</b>	68,430
Cash equivalents, end of period	<b>9,001</b>	15,922
<b>Cash and cash equivalents, end of period</b>	<b>129,649</b>	84,352

*See accompanying notes to the Condensed Interim Consolidated Financial Statements*

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

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#### Note 1 – The Company

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

The Company owns three principal subsidiaries through which it conducts insurance operations. These subsidiaries are Trisura Guarantee Insurance Company (“Trisura Guarantee”), Trisura Specialty Insurance Company (“Trisura Specialty”) and Trisura International Insurance Ltd. (“Trisura International”).

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

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

#### Note 2 – Basis of presentation

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The Condensed Interim Consolidated Financial Statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

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

These Condensed Interim Consolidated Financial Statements were authorized for issuance by the Company’s Board of Directors on May 5, 2021.

#### Note 3 – Summary of significant accounting policies

The accounting policies applied during the three months ended March 31, 2021 are the same as those described and disclosed in Note 2 – *Summary of significant accounting policies* of the December 31, 2020 Consolidated Financial Statements.

#### Impact of the Initial Application of Interest Rate Benchmark Reform Amendments

The IASB issued amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 that are titled Interest Rate Benchmark Reform – Phase 2, which are effective for annual periods beginning on or after January 1, 2021. The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offered rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Company adopted the IBOR amendments effective January 1, 2021, and management has determined that the adoption of these amendments did not have a significant impact on the Company’s interim financial statements.



**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 4 – Investments****4.1 Classification of cash and cash equivalents and investments**

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

<b>As at March 31, 2021</b>	<b>AFS</b>	<b>Designated FVTPL</b>	<b>Cash, loans and receivables</b>	<b>Total</b>
<b>Cash and cash equivalents</b>	-	-	<b>129,649</b>	<b>129,649</b>
<b>Investments</b>				
<b>Short-term securities</b>	-	-	<b>7,000</b>	<b>7,000</b>
<b>Fixed income</b>	<b>311,833</b>	<b>67,102</b>	<b>1,270</b>	<b>380,205</b>
<b>Common shares</b>	<b>59,780</b>	-	-	<b>59,780</b>
<b>Preferred shares</b>	<b>68,401</b>	-	-	<b>68,401</b>
<b>Structured insurance assets</b>	-	<b>9,007</b>	-	<b>9,007</b>
<b>Total cash and investments</b>	<b>440,014</b>	<b>76,109</b>	<b>137,919</b>	<b>654,042</b>

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

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### 4.2 Unrealized gains and losses and carrying value of investments

The amortized cost and carrying value of investments as at March 31, 2021 and December 31, 2020 were as follows:

As at March 31, 2021	FVTPL	Other investments				Total
	investments	Amortized	Unrealized	Unrealized	Carrying	investments
	At carrying value	cost	gains	losses	value	At carrying value
Short-term securities	-	7,000	-	-	7,000	7,000
Government	48,746	44,428	715	(278)	44,865	93,611
Corporate	18,356	265,224	3,341	(1,597)	266,968	285,324
Total bonds	67,102	309,652	4,056	(1,875)	311,833	378,935
Other loans	-	1,270	-	-	1,270	1,270
Total fixed income	67,102	310,922	4,056	(1,875)	313,103	380,205
Common shares	-	54,210	8,247	(2,677)	59,780	59,780
Preferred shares	-	63,404	5,607	(610)	68,401	68,401
Structured insurance assets	9,007	-	-	-	-	9,007
	76,109	435,536	17,910	(5,162)	448,284	524,393

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

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

Management has reviewed currently available information regarding those investments with a fair value less than carrying value. During the three months ended March 31, 2021, management recognized total impairments of \$529 on AFS investments (March 31, 2020 – \$3,036 on AFS investments and \$848 on loans and receivables). Assumptions are used when estimating the value of impairment based on the Company's impairment policy, which involves comparing fair value to carrying value.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### 4.3 Pledged assets

In the normal course of insurance and reinsurance operations, the Company must secure its obligations under certain insurance and reinsurance contracts by collateralizing them with letters of credit or trust arrangements. These trusts and letters of credit may, in turn, be secured by the Company's fixed income investments. As at March 31, 2021, the Company has pledged cash amounting to \$716 USD and pledged fixed maturity investments amounting to \$58,280 USD (December 31, 2020 - \$1,582 USD and \$68,182 USD, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at March 31, 2021, the Company pledged \$5,564 USD (December 31, 2020 – \$5,592 USD) of fixed income investments as security deposits to various US state insurance departments to be held in trust for and pledged to various states.

#### 4.4 Structured insurance assets

The structured insurance assets represent the Company's purchase of the rights to collect commission income on portfolios of long-term care insurance policies issued by insurance companies. The commissions are paid into trusts, from which the amounts due to the Company, being the commissions net of amounts due to other parties and expenses of the trusts, are paid. The commission income for the three months ended March 31, 2021 amounted to \$290 (March 31, 2020 – \$401), which has been recorded within Net investment (loss) income (see Note 7).

#### Note 5 – Fair value and notional amount of derivatives

The following sets out the fair value and notional amount of derivatives as at March 31, 2021 and December 31, 2020:

As at	March 31, 2021			December 31, 2020		
	Notional amount	Fair value		Notional amount	Fair value	
Asset		Liability	Asset		Liability	
<b>Foreign currency contracts</b>						
Forwards	63,700	400	-	51,000	-	152
<b>Equity contracts</b>						
Swap agreements	8,292	11,325	-	8,112	8,272	-
<b>Interest rate contracts</b>						
Swap agreements	4,083	474	-	4,134	57	-
	<b>76,075</b>	<b>12,199</b>	<b>-</b>	<b>63,246</b>	<b>8,329</b>	<b>152</b>
<b>Term to maturity</b>						
less than one year	71,981	11,724	-	59,086	7,940	152
from one to five years	11	1	-	26	332	-
from five to ten years	4,083	474	-	4,134	57	-

The Company uses foreign currency forward contracts to reduce its exposure to fluctuations in the exchange rates that could arise from its USD, EUR and GBP denominated investments. The notional amounts of the forwards as at March 31, 2021 are \$42,174 USD (December 31, 2020 – \$32,392 USD), €1,744 EUR (December 31, 2020 – €1,669 EUR) and £4,487 GBP (December 31, 2020 – £4,226). The Company also uses swap agreements to mitigate exposure to interest rate on its investment portfolio and equity market fluctuations associated with its share based compensation. These derivatives are recorded at fair value (see Notes 10 and 11) and gains and losses are recorded in Net gains (losses) (see Note 8).

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 6 – Fair value measurement**

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at March 31, 2021 and December 31, 2020:

<b>As at March 31, 2021</b>	<b>Total fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Government</b>	<b>93,611</b>	-	<b>93,611</b>	-
<b>Corporate</b>	<b>285,324</b>	-	<b>285,324</b>	-
<b>Total bonds</b>	<b>378,935</b>	-	<b>378,935</b>	-
<b>Common shares</b>	<b>59,780</b>	<b>49,076</b>	-	<b>10,704</b>
<b>Preferred shares</b>	<b>68,401</b>	<b>68,112</b>	-	<b>289</b>
<b>Structured insurance assets</b>	<b>9,007</b>	-	-	<b>9,007</b>
<b>Total investments</b>	<b>516,123</b>	<b>117,188</b>	<b>378,935</b>	<b>20,000</b>
<b>Derivative financial assets</b>	<b>12,199</b>	-	<b>12,199</b>	-
	<b>528,322</b>	<b>117,188</b>	<b>391,134</b>	<b>20,000</b>

  

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

For the three months ended March 31, 2021 and the year ended December 31, 2020, there were no transfers between levels.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for the three months ended March 31, 2021 and the year ended December 31, 2020:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Balance at beginning of period	<b>20,667</b>	11,568
Unrealized (losses) gains	<b>(743)</b>	1,891
Purchase of securities	<b>231</b>	7,403
Foreign exchange	<b>(155)</b>	(195)
Balance at end of period	<b>20,000</b>	20,667

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 7 – Net investment (loss) income**

<b>For the three months ended March 31</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents, and short-term securities	84	266
Bonds classified as loans and receivables	6	202
FVTPL bonds	244	172
AFS bonds	2,016	1,821
<b>Interest income</b>	<b>2,350</b>	<b>2,461</b>
AFS common shares	554	490
AFS preferred shares	792	722
<b>Dividend income</b>	<b>1,346</b>	<b>1,212</b>
(Losses) gains on investments held at FVTPL	(8,922)	4,779
Commission income on structured insurance assets	290	401
Investment expenses	(381)	(319)
<b>Other investment (loss) income</b>	<b>(9,013)</b>	<b>4,861</b>
<b>Net investment (loss) income</b>	<b>(5,317)</b>	<b>8,534</b>

**Note 8 – Net gains (losses)**

<b>For the three months ended March 31</b>	<b>2021</b>	<b>2020</b>
Net gains from:		
financial instruments:		
AFS common shares	391	2,518
AFS preferred shares	58	-
AFS bonds	307	303
	<b>756</b>	<b>2,821</b>
derivatives:		
swap agreements <sup>(1)</sup>	3,370	(177)
Embedded derivatives	(366)	-
Net foreign currency gains (losses)	603	(814)
Impairment on investments (see Note 4.2)	(529)	(3,884)
<b>Net gains (losses)</b>	<b>3,834</b>	<b>(2,054)</b>

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

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 9 – Unpaid claims and loss adjustment expenses**

The following changes have occurred to the claim reserves:

<b>For the three months ended March 31, 2021</b>	<b>Direct</b>	<b>Ceded</b>	<b>Net</b>
Unpaid claims, beginning of period	487,271	313,904	173,367
Claims occurring in current year (including paid)	145,289	126,575	18,714
Change in undiscounted estimates for losses of prior years	(5,946)	(1,452)	(4,494)
Change in discounting	(10,628)	(154)	(10,474)
Change in provision for adverse deviation	618	257	361
<b>Total claims incurred</b>	<b>129,333</b>	<b>125,226</b>	<b>4,107</b>
Claims paid	(62,636)	(52,174)	(10,462)
Foreign exchange	(8,661)	(3,968)	(4,693)
<b>Unpaid claims, end of period</b>	<b>545,307</b>	<b>382,988</b>	<b>162,319</b>

  

<b>For the three months ended March 31, 2020</b>	<b>Direct</b>	<b>Ceded</b>	<b>Net</b>
Unpaid claims, beginning of period	257,880	114,657	143,223
Claims occurring in current year (including paid)	66,770	55,463	11,307
Change in undiscounted estimates for losses of prior years	(6,862)	(4,498)	(2,364)
Change in discounting	4,811	(298)	5,109
Change in provision for adverse deviation	509	375	134
<b>Total claims incurred</b>	<b>65,228</b>	<b>51,042</b>	<b>14,186</b>
Claims paid	(27,217)	(19,580)	(7,637)
Foreign exchange	15,592	8,443	7,149
<b>Unpaid claims, end of period</b>	<b>311,483</b>	<b>154,562</b>	<b>156,921</b>

**Note 10 – Premiums and accounts receivable, and other assets**

As at March 31, 2021 and December 31, 2020, Premiums and accounts receivable, and other assets consist of:

<b>As at</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Premiums receivable	191,260	166,017
Derivative assets	12,199	8,329
Accrued investment income	2,845	2,879
Unsettled investments receivable	2,699	-
Prepaid expenses	735	317
Tax recoveries	404	409
Miscellaneous assets	936	932
	<b>211,078</b>	<b>178,883</b>

As at March 31, 2021, Premiums receivable of \$191,260 (December 31, 2020 – \$166,017) includes an amount of \$141,046 (December 31, 2020 – \$120,595) related to Trisura Specialty for which there is a reinsurance payable of \$154,903 (December 31, 2020 – \$129,740).

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 11 – Accounts payable, accrued and other liabilities**

As at March 31, 2021 and December 31, 2020, Accounts payable, accrued and other liabilities consist of:

<b>As at</b>	<b>March 31, 2021</b>	December 31, 2020
Deposits in trust	<b>11,053</b>	12,140
Lease liabilities	<b>8,827</b>	8,793
Share based payment plan	<b>8,336</b>	5,670
Taxes payable	<b>8,023</b>	4,558
Accrued liabilities	<b>8,012</b>	15,725
Premium taxes payable and other liabilities	<b>4,237</b>	9,966
Unsettled investments payable	<b>942</b>	-
Investment contract liabilities	<b>267</b>	339
Derivative liabilities	-	152
	<b>49,697</b>	57,343

**Note 12 – Reinsurance and commissions**

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

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

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

In some instances, provisions are incorporated in the treaties to protect the Company in the event a reinsurer's credit rating deteriorates during the term of the reinsurance treaty. Unlicensed reinsurers must post an agreed upon level of collateral. The Company has determined that a provision is not required for potentially uncollectible reinsurance as at March 31, 2021 and December 31, 2020.

The following table summarizes the components of Recoverable from reinsurers as at March 31, 2021 and December 31, 2020:

<b>As at</b>	<b>March 31, 2021</b>	December 31, 2020
Reinsurers' share of claims liabilities (see Note 9)	<b>382,988</b>	313,904
Reinsurers' share of unearned premiums	<b>401,393</b>	363,068
	<b>784,381</b>	676,972

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### Note 12 – Reinsurance and commissions (continued)

The following table summarizes the components of Reinsurance premiums payable as at March 31, 2021 and December 31, 2020:

<b>As at</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Reinsurance payable	<b>213,530</b>	186,382
Reinsurance recoverable	<b>(32,672)</b>	(34,675)
	<b>180,858</b>	151,707

For the three months ended March 31, 2021, Net commissions of \$18,559 (March 31, 2020 – \$11,233) on the Condensed Interim Consolidated Statements of Income reflect \$60,289 of gross commissions (March 31, 2020 – \$27,709), net of \$41,730 (March 31, 2020 – \$16,476) of reinsurance commissions.

#### Note 13 – Capital management

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

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

##### a) *Trisura Guarantee*

Under guidelines established by the Office of the Superintendent of Financial Institutions which apply to Trisura Guarantee, Canadian property and casualty insurance companies must maintain minimum levels of capital as determined in accordance with a prescribed test, the minimum capital test ("MCT"), which expresses available capital (actual capital plus or minus specified adjustments) as a percentage of required capital. Companies are expected to maintain MCT level of at least 150% and are further required to establish their own unique target MCT level based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Guarantee's target MCT level in accordance with these requirements. Trisura Guarantee has exceeded this measure as at March 31, 2021 and December 31, 2020.

##### b) *Trisura Specialty*

Trisura Specialty is subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. As an admitted carrier, through its subsidiary, Trisura Specialty is subject to the various capital requirements of each state in which it is licensed. A requirement of the regulators is that Trisura Specialty's Risk Based Capital exceed certain minimum thresholds as well as Company Action Levels ("CALs"), below which the Company would have to notify the regulators. As at March 31, 2021 and December 31, 2020, Trisura Specialty was in excess of any CALs of the states in which it was licensed.

##### c) *Trisura International*

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at March 31, 2021 and December 31, 2020, Trisura International maintained sufficient capital to meet these requirements.



## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### Note 14 – Loan payable

As at March 31, 2021, the Company has maintained a five-year revolving credit facility with a Canadian Schedule I bank (the "Bank") which allows for drawings of up to \$50,000. Under this arrangement, the Company can draw funds in the form of short-term banker's acceptances, Canadian prime rate advances, base rate advances or LIBOR rate advances. The interest rate is based on the current periods' bankers' acceptance rate, Canadian prime rate, base rate, or LIBOR rate, plus a margin. The loan balance is accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consists only of interest, with no mandatory principal payments required.

In March 2021, the Company converted its US dollar denominated total loan balance of \$21,642 USD to a loan balance denominated in Canadian dollars, with the same bank. To do so, \$26,970 CAD was drawn under the loan to repay the outstanding loan payable of \$21,642 USD.

On March 16, 2020, the Company converted its Canadian dollar denominated loan balance of \$29,700 to a loan balance denominated in US dollars, with the same bank. To do so, \$21,642 USD was drawn under the loan to immediately repay the outstanding loan payable of \$29,700. On March 20, 2020, an additional \$3,000 was drawn under the credit facility, which was repaid on June 19, 2020.

As part of the covenants of the loan arrangement, the Company is required to maintain certain financial ratios, which were fully met as at March 31, 2021 and December 31, 2020.

For the three months ended March 31, 2021, the Company incurred \$187 of interest expense (March 31, 2020 – \$400), of which \$99 (March 31, 2020 – \$242) are related to the loan payable. As at March 31, 2021, the loan balance was \$26,970 (December 31, 2020 – \$27,555).

#### Note 15 – 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, 2021 and December 31, 2020, no non-voting shares were issued and no preferred shares are outstanding.

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

In March 2021, 7,900 stock options issued under the Company's existing stock option plan were exercised. Consideration paid by stock option holders to exercise the options resulted in an increase to share capital.

The following table shows the common shares issued and outstanding, excluding treasury shares:

As at	March 31, 2021		December 31, 2020	
	Number of shares	Amount (in thousands)	Number of shares	Amount (in thousands)
Balance, beginning of period	10,268,869	285,731	8,819,619	219,251
Shares purchased under RSUs plan	(14,604)	(1,814)	-	-
Common shares issued	7,900	257	1,449,250	66,480
Balance, end of period	10,262,165	284,174	10,268,869	285,731

When the Company purchases its own shares as part of its RSUs plan, they are classified as treasury shares and the cost of these shares is recorded as a reduction in equity. As at March 31, 2021, the Company has an aggregate 10,276,769 (December 31, 2020 – 10,268,869) common shares outstanding, which includes 14,604 (December 31, 2020 – Nil) treasury shares.

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 16 – Earnings per share**

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

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

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Net income attributable to common shareholders	<b>19,318</b>	8,371
Weighted-average number of common shares outstanding (in shares)	<b>10,269,858</b>	8,819,619
EPS – basic (in dollars)	<b>1.88</b>	0.95
Dilutive effect of the conversion of options on common shares (in shares)	<b>227,787</b>	99,702
Diluted weighted-average number of common shares outstanding (in shares)	<b>10,497,645</b>	8,919,321
EPS – diluted (in dollars)	<b>1.84</b>	0.94

**Note 17 – Investment in subsidiary**

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

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### Note 18 – Segmented information

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

The following tables show the results for the three months ended March 31, 2021 and 2020:

Three months ended March 31, 2021	Trisura Guarantee	Trisura Specialty	Trisura International	Corporate and consolidation adjustments	Total
Gross premiums written	85,572	224,673	4,097	(4,068)	310,274
Net premiums written	60,811	12,457	4,097	-	77,365
Net premiums earned:					
from external customers	41,975	7,196	-	-	49,171
inter-segment premiums <sup>(1)</sup>	-	-	3,453	-	3,453
Fee income	4,301	9,680	-	(197)	13,784
Net investment income (loss)	1,833	1,043	(8,347)	154	(5,317)
Net (losses) gains	(352)	354	209	3,623	3,834
Total revenues	47,757	18,273	(4,685)	3,580	64,925
Net claims	(5,593)	(5,681)	7,167	-	(4,107)
Net expenses	(26,131)	(4,984)	(1,513)	(2,945)	(35,573)
Interest expense	(73)	(9)	(6)	(99)	(187)
Total claims and expenses	(31,797)	(10,674)	5,648	(3,044)	(39,867)
<b>Net income before tax</b>	<b>15,960</b>	<b>7,599</b>	<b>963</b>	<b>536</b>	<b>25,058</b>

Three months ended March 31, 2020	Trisura Guarantee	Trisura Specialty	Trisura International	Corporate and consolidation adjustments	Total
Gross premiums written	49,270	120,682	554	(554)	169,952
Net premiums written	34,933	6,014	553	-	41,500
Net premiums earned:					
from external customers	26,500	3,878	-	-	30,378
inter-segment premiums <sup>(1)</sup>	-	-	189	-	189
Fee income	3,442	4,099	-	-	7,541
Net investment income	2,313	685	5,512	24	8,534
Net (losses) gains	(1,566)	44	(65)	(467)	(2,054)
Total revenues	30,689	8,706	5,636	(443)	44,588
Net claims	(6,436)	(2,481)	(5,269)	-	(14,186)
Net expenses	(18,722)	(3,028)	(869)	(699)	(23,318)
Interest expense	(142)	(9)	(7)	(242)	(400)
Total claims and expenses	(25,300)	(5,518)	(6,145)	(941)	(37,904)
Net income (loss) before tax	5,389	3,188	(509)	(1,384)	6,684

(1) For the three months ended March 31, 2021, Trisura International earned inter-segment premiums of \$3,453 (March 31, 2020 – \$189) from Trisura Specialty. The inter-segment ceding arrangement was entered into at prevailing market rates.

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 18 – Segmented information (continued)**

The following table shows Loan payable of \$26,970 included with the liabilities in Corporate and consolidation adjustments at March 31, 2021 (December 31, 2020 – \$27,555):

<b>As at March 31, 2021</b>	<b>Trisura Guarantee</b>	<b>Trisura Specialty</b>	<b>Trisura International</b>	<b>Corporate and consolidation adjustments</b>	<b>Total</b>
<b>Assets</b>	<b>581,442</b>	<b>1,178,494</b>	<b>107,537</b>	<b>19,213</b>	<b>1,886,686</b>
<b>Liabilities</b>	<b>455,989</b>	<b>1,019,244</b>	<b>93,783</b>	<b>8,908</b>	<b>1,577,924</b>

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

**Note 19 – Income taxes**

The following shows the major components of income tax expense (benefit) for the three months ended March 31, 2021 and 2020:

	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Current tax expense:</b>		
Current year	<b>3,573</b>	3,306
	<b>3,573</b>	3,306
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	<b>2,167</b>	(4,993)
<b>Income tax expense (benefit)</b>	<b>5,740</b>	(1,687)
<b>Income taxes recorded in other comprehensive income (loss):</b>		
Net changes in unrealized losses (gains) on AFS investments	<b>1,153</b>	(5,857)
Reclassification to net income of net losses on AFS investments	<b>(18)</b>	(780)
Origination and reversal of temporary differences	<b>(390)</b>	582
<b>Total income tax expense (benefit) recorded in other comprehensive income (loss)</b>	<b>745</b>	(6,055)

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 19 – 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 Condensed Interim Consolidated Statements of Income for the three months ended March 31, 2021 and 2020:

	<b>March 31, 2021</b>	March 31, 2020
Income before income taxes	<b>25,058</b>	6,684
Statutory income tax rate	<b>26.5%</b>	26.5%
	<b>6,640</b>	1,771
Variations due to:		
Permanent differences	<b>(199)</b>	(213)
International operations subject to different tax rates	<b>(693)</b>	45
Unrecognized tax losses	-	(3,164)
Rate differentials:		
Current rate versus future rate	-	5
Change in future rate	<b>12</b>	(56)
True up	<b>(20)</b>	(75)
<b>Income tax expense (benefit)</b>	<b>5,740</b>	<b>(1,687)</b>

On February 5, 2020, the Company obtained an Advance Income Tax Ruling from the Canada Revenue Agency on a strategy to utilize accumulated tax losses. The strategy was implemented on February 20, 2020. As at March 31, 2021, the Company has unused tax losses of \$3,498 (December 31, 2020 – \$6,615) which will expire in the following years:

	<b>March 31, 2021</b>
2038	<b>161</b>
2039	<b>3,337</b>
	<b>3,498</b>

**Note 20 – Equity-settled restricted share units (“RSUs”)**

The Company awards certain employees RSUs based on the fair value of the Company’s common shares at the grant date. These RSUs will typically vest over three years, however in some instances the vesting period may differ.

The following table shows the RSUs issued and outstanding as at March 31, 2021 and December 31, 2020:

<b>As at</b>	<b>March 31, 2021 (in units)</b>	December 31, 2020 (in units)
Outstanding, beginning of period	<b>8,239</b>	-
Vested during the period	<b>(2,755)</b>	-
Granted during the period	<b>14,604</b>	8,239
<b>Outstanding, end of period</b>	<b>20,088</b>	8,239

During the three months ended March 31, 2021, compensation expense of \$167 (March 31, 2020 - \$19) related to the RSUs was recorded in Operating expenses.

**TRISURA GROUP LTD.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

**Note 21 – Equity-settled stock options**

The following is a continuity schedule of stock options outstanding as at March 31, 2021 and December 31, 2020:

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Number of options</b>	<b>Weighted average exercise price (in dollars)</b>	<b>Number of options</b>	<b>Weighted average exercise price (in dollars)</b>
Outstanding, beginning of period	<b>333,680</b>	<b>32.91</b>	242,235	26.38
Exercised during the period	<b>(7,900)</b>	<b>25.84</b>	-	-
Granted during the period	<b>71,454</b>	<b>107.17</b>	91,445	50.23
Outstanding, end of period	<b>397,234</b>	<b>46.41</b>	333,680	32.91