Trisura Group Ltd.

Management's Discussion and Analysis

For the quarter ended March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations and financial condition of Trisura Group Ltd. for the three-month period ended March 31, 2018. This MD&A should be read in conjunction with our Interim consolidated financial statements, the MD&A and the audited Consolidated financial statements for the year ended December 31, 2017, and all of the financial statements included in our Prospectus dated May 12, 2017.

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

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

This MD&A is dated May 10, 2018. Additional information is available on SEDAR at www.sedar.com.

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SECTION 1 - OVERVIEW

OUR BUSINESS

Our Company is a leading international specialty insurance and reinsurance holding company operating in the Surety, Risk Solutions, Corporate Insurance and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, an international reinsurance company and a recently capitalized US specialty insurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 12 years of operation. Our international reinsurance business has been in operation for more than 16 years and although we ceased writing new reinsurance business in 2008, we will evaluate writing new business in the context of market conditions and in support of our on-shore subsidiaries. Our US specialty insurance company participates in the non-admitted markets and is licensed as an excess and surplus lines carrier in Oklahoma with the ability to write business across 50 states.

Our Company benefits from an experienced management team, a strong distribution network and partners, and a specialized underwriting focus. We plan to grow by building our business in the US, and by growing our Canadian and international businesses organically and through strategic acquisitions. We believe our Company can capitalize on favourable market conditions through our multi-line and multi-jurisdictional platform.

Significant achievements in the first quarter of 2018 include:

- ✓ Commenced writing business and bound four insurance programs in our newly licensed and rated US subsidiary, Trisura Specialty Insurance Company ("Trisura Specialty"). We are actively pursuing additional transactions from a strong pipeline of business opportunities.
- ✓ Increased the capital and surplus of Trisura Specialty by $7.1 million from internal resources. The additional capital moved Trisura Specialty into the AM Best VII size category and is expected to enhance its ability to write business.
- ✓ Continued the build out of our in-house investment management function including deployment of our US portfolio assets and development of portfolio administration systems.
- ✓ Increased capital flexibility by transitioning debt from a term loan at our Canadian subsidiary to a revolving credit facility at the group level.
- ✓ Continued strong operational performance from our Canadian Specialty P&C insurance operations, achieving an 83.6% combined ratio.

ORGANIZATIONAL STRUCTURE & REGULATORY FRAMEWORK

The Company was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") in January 2017. We have three regulated wholly owned insurance subsidiaries:

(i) Trisura Guarantee Insurance Company ("Trisura Guarantee") is our Canadian specialty insurance company. Trisura Guarantee is federally incorporated in Canada, is licensed in all provinces and territories of Canada and is subject to both prudential regulation by the Office of the Superintendent of Financial Institutions ("OSFI") and market conduct regulation by each of the insurance regulatory authorities of the provinces and territories in which it conducts business.

(ii) Trisura Specialty is our US specialty insurance company. Trisura Specialty was incorporated on May 31, 2017 and is licensed by the Oklahoma Insurance Department as a domestic surplus line insurer and can write business as a non-admitted surplus line insurer in all states within the United States.

(iii) Trisura International Insurance Ltd. ("Trisura International"), is our international reinsurance company. Trisura International is incorporated in Barbados, is licensed to write international reinsurance business and is regulated by the Financial Services Commission ("FSC") in Barbados.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q1 2018

- ✓ Excellent premium growth in Q1 2018, increasing GPW by 21.7% and NPW by 22.8% supported by strong top lines in the Risk Solutions and Corporate Insurance business lines in Canadian Specialty P&C and the commencement of business at Trisura Specialty.
- ✓ Annualized ROE of 6.1% for Q1 2018, EPS (basic) of $0.28, EPS (diluted) of $0.27 and Book Value per share of $18.68.
- ✓ Group net income of $1.9 million compared to net loss of $4.0 million on Q1 2017. Q1 2017 net loss reflected the impact of a 40% minority interest in Trisura Guarantee. See Section 3 for further detail.
- ✓ Strong underwriting performance at Trisura Guarantee with combined ratio of 83.6% compared to 87.7% in Q1 2017. ROE for Trisura Guarantee was 14.5% for the trailing 12 months compared to 7.9% for the trailing 12 months as at Q1 2017.
- ✓ Continued strong capital position with a MCT at Trisura Guarantee of 242%. We increased the capital and surplus of Trisura Specialty by $7.1 million from internal resources to support its development and achieve a higher AM Best size categorization, allowing us to compete more effectively.
- ✓ Debt-to-capital ratio of 19.4% at Q1 2018 down from 19.6% at Q4 2017 and is in line with our long-term 20% target debt-to-capital ratio.

(in thousands of dollars, except as otherwise noted)

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q1 2018	Q1 2017	$ variance	% variance
Gross premiums written	34,824	28,615	6,209	21.7%
Net premiums written	23,911	19,466	4,445	22.8%
Net premiums earned	19,254	17,629	1,625	9.2%
Fee income	3,276	2,929	347	11.9%
Total underwriting revenue	22,530	20,558	1,972	9.6%
Net claims	(4,703)	(4,265)	(438)	10.3%
Net commissions	(7,597)	(6,632)	(965)	14.6%
Premium taxes	(936)	(897)	(39)	4.4%
Operating expenses	(8,121)	(7,335)	(786)	10.7%
Net claims and expenses	(21,357)	(19,129)	(2,228)	11.7%
Net underwriting income	1,173	1,429	(256)	(17.9%)
Net investment income	1,910	744	1,166	156.7%
Foreign exchange losses	(117)	(15)	(102)	nm
Interest expense	(231)	(276)	45	(16.3%)
Change in minority interests	-	(5,158)	5,158	nm
Income (loss) before income taxes	2,735	(3,276)	6,011	183.5%
Income tax expense	(872)	(759)	(113)	14.9%
Net income (loss)	1,863	(4,035)	5,898	146.2%
Other comprehensive income	302	765	(463)	(60.5%)
Comprehensive income (loss)	2,165	(3,270)	5,435	166.2%
Earnings per common share - basic - in dollars	0.28	n/a*	n/a	n/a
Earnings per common share - diluted - in dollars	0.27	n/a*	n/a	n/a
Book value per share $	18.68	n/a*	n/a	n/a
ROE for quarter (annualized)	6.1%	n/a*	n/a	n/a
ROE since spin-off on June 22, 2017 (annualized)	4.6%	n/a*	n/a	n/a

**Prior to launch of Company on June 22, 2017 after spin-off from Brookfield Asset Management Inc.*

Premium Revenue and Fee Income

Strong premium growth continued in Q1 2018 with a 21.7% increase in GPW and 22.8% increase in NPW driven by Risk Solutions and Corporate Insurance. Canadian Specialty P&C generated the majority of this premium growth, with US Specialty P&C contributing $1.3 million of new premiums in Q1 2018. Fee income increased by 11.9% in part due to the contribution from the block of surety business transitioned from RSA to Trisura Guarantee in late 2017. As a result of these factors, underwriting revenue grew 9.6% versus Q1 2017.

Net Claims

Net claims in Q1 2018 increased by $0.4 million over Q1 2017. Claims within our Specialty P&C lines were lower in Q1 2018 with a loss ratio of 22.5% compared to a loss ratio of 28.1% in Q1 2017 (see Section 4 Underwriting Performance Review). Annuity reserves in our Reinsurance business increased in Q1 2018 due to a fall in European interest rates while the reverse occurred in Q1 2017. These annuity reserve movements in both periods were largely offset by increases in the assets supporting these reserves (see Section 5 – Investment Performance Review).

Operating Expenses

Operating expenses in Q1 2018 increased over Q1 2017 reflecting IT development costs and expenses at Trisura Specialty as it commenced operations, including hiring staff and obtaining office space.

Net Underwriting Income and Net Income

We produced net underwriting income in Q1 2018 of $1.2 million slightly below Q1 2017 as slightly higher claims and higher operating expense exceeded net revenue growth.

Minority Interests

The $5.2 million increase in Minority interests in Q1 2017 reflected the 40% minority interest in Trisura Guarantee which was owned by its management team. In late 2017 we acquired full ownership of Trisura Guarantee through the issuance of common shares at Trisura Group Ltd. Consequently, we now own 100% of Trisura Guarantee and no longer reflect minority interests in our financial statements.

Net Investment Income and Other Comprehensive Income

See Section 5 – Investment Performance Review.

EPS, Book Value per Share and ROE

We provide performance metrics including EPS, book value per share and ROE from June 22, 2017 when the Company effected a spin-off from Brookfield Asset Management Inc and commenced regular way trading on the TSX. Q1 2018 EPS (basic) was $0.28 and $0.27 on a diluted basis. Book value per share in Q1 2018 of $18.68 reflects 1.8% growth in book value since December 31, 2017. Annualized quarterly ROE for Q1 2018 was 6.1% and annualized ROE since June 22, 2017 was 4.6%, and reflected costs associated with the spin out and the launch of the US business.

(in thousands of dollars, except as otherwise noted)

BALANCE SHEET ANALYSIS

As at	March 31, 2018	December 31, 2017	$ variance
Cash and cash equivalents	104,627	165,675	(61,048)
Investments	247,750	190,641	57,109
Premiums and accounts receivable, and other assets	23,370	23,172	198
Deferred acquisition costs	42,979	40,266	2,713
Recoverable from reinsurers	63,828	65,254	(1,426)
Capital assets and intangible assets	2,690	2,612	78
Deferred tax assets	779	740	39
Total assets	486,023	488,360	(2,337)
Accounts payable, accrued and other liabilities	13,921	19,795	(5,874)
Reinsurance premiums payable	13,106	17,555	(4,449)
Unearned premiums	122,771	115,357	7,414
Unearned reinsurance commissions	5,810	5,566	244
Unpaid claims and loss adjustment expenses	177,012	178,885	(1,873)
Loan payable	29,700	29,700	-
Total liabilities	362,320	366,858	(4,538)
Shareholders' equity	123,703	121,502	2,201
Total liabilities and shareholders' equity	486,023	488,360	(2,337)

Total assets at March 31, 2018 were lower by $2.3 million versus December 31, 2017 due to a reduction in cash used to pay a number of outstanding accounts payable, accrued and other liabilities and reinsurance premiums payable. Total liabilities decreased by $4.5 million as a result of a reduction of those payable balances. These items can be high at year-end from a variety of factors, including annual accruals and timing of reinsurance arrangements. Partly offsetting these reductions were increases in unearned premiums as a result of the strong premium growth in Q1 2018.

The increase in investments is a result of our in-house investment management team deploying cash for the Trisura Specialty investment portfolio in the US. Cash and cash equivalents reduced correspondingly.

SHARE CAPITAL

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

As at March 31, 2018, 6,621,680 common shares and 64,000 preferred shares of the Company were issued and outstanding which is unchanged from December 31, 2017.

LIQUIDITY

Liquidity sources immediately available to the Company include: (i) existing cash and cash equivalents; (ii) our portfolio of highly rated, highly liquid investments (iii) cash flow from operating activities which include receipt of net premiums, fee income and investment income and; (iv) bank loan facilities including the recently established revolving credit facility. These funds are used primarily to pay claims and operating expenses, service the Company's bank loan and purchase investments to support claims reserves and capital requirements.

We expect to have sufficient liquidity to fund our operations and to meet our current business plans. However, should the need arise, additional liquidity sources include further bank loans and new issuances of debt or shares in the private or public markets.

CAPITAL

The MCT ratio of Trisura Guarantee was 242% at March 31, 2018 (255% as at December 31, 2017), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI. The reduction in MCT was primarily related to a redeployment of capital from Trisura Guarantee to Trisura Specialty.

Trisura International's capital of $27.3 million as at March 31, 2018 ($26.6 million as at December 31, 2017) was well in excess of FSC's regulatory capital requirement of $0.2 million.

Trisura Specialty's capital and surplus of $64.3 million as at March 31, 2017 ($56.5 million as at December 31, 2017) was in excess of the $19.3 million minimum capital requirements of the Oklahoma Insurance Department. We allocated additional capital of $7.1 million to Trisura Specialty from internal resources during Q1 2018.

We had a debt-to-capital ratio of 19.4% as at March 31, 2018 (19.6% as at December 31, 2017) which is in line with our long-term 20% target debt-to-capital ratio.

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

(in thousands of dollars, except as otherwise noted)

SECTION 4 – UNDERWRITING PERFORMANCE REVIEW

We operate through the following four business lines: Surety, Risk Solutions, Corporate Insurance and Reinsurance.

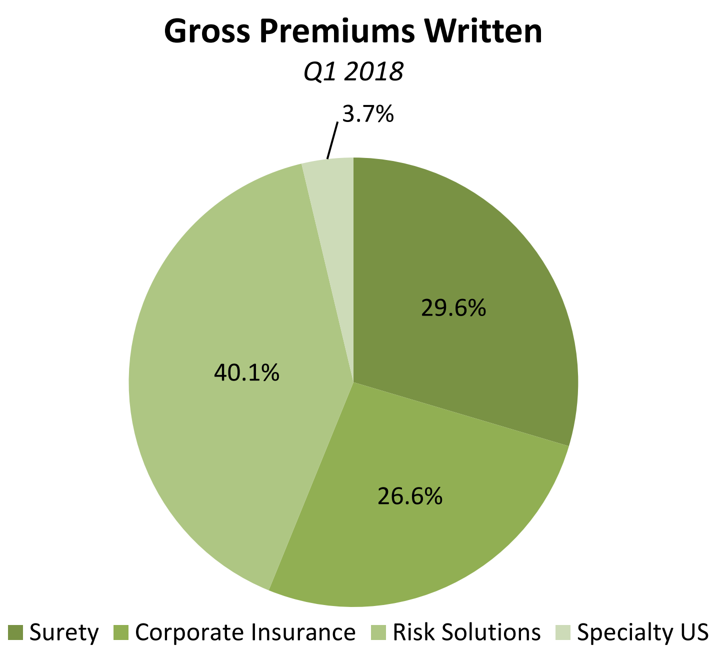
SPECIALTY P&C

Our Specialty P&C business consists of our Surety, Risk Solutions and Corporate Insurance business lines which we write in Canada through Trisura Guarantee and in the United States through Trisura Specialty.

The table and chart below provide a segmentation of our Specialty P&C GPW for the three-month periods ended March 31, 2018 and 2017 respectively. The majority of our Specialty P&C premiums in Q1 2018 and Q1 2017 were written in Canada. The continued growth in Risk Solutions in Canada has shifted our mix of GWP versus Q1 2017 slightly, a result of the significant premium growth in that business line and lower retentions. In addition, Trisura Specialty commenced writing business in Q1 2018 and produced GPW of $1.3 million.

	Q1 2018		Q1 2017	
Surety	10,297	29.6%	10,316	36.1%
Corporate Insurance	9,245	26.6%	7,817	27.3%
Risk Solutions	13,963	40.1%	10,482	36.6%
Specialty US	1,294	3.7%	n/a	n/a
Total GPW	34,799	100.0%	28,615	100.0%
GPW growth %(1)	21.6%		19.8%	

(1) % growth relative to prior year period



(in thousands of dollars, except as otherwise noted)

SPECIALTY P&C – CANADA

The table below presents financial highlights for our Canadian Specialty P&C business.

	Q1 2018	Q1 2017	$ variance	% variance
Gross premiums written	33,505	28,615	4,890	17.1%
Net premiums written	23,764	19,467	4,297	22.1%
Net premiums earned	19,220	17,629	1,591	9.0%
Fee income	3,270	2,929	341	11.6%
Net underwriting revenue	22,490	20,558	1,932	9.4%
Net underwriting income	3,150	2,194	956	43.6%
Loss ratio: current accident year	34.0%	30.8%		3.2 pts
Loss ratio: Prior years' development	(11.5%)	(2.7%)		(8.8) pts
Loss ratio	22.5%	28.1%		(5.6) pts
Expense ratio	61.1%	59.6%		1.5 pts
Combined ratio	83.6%	87.7%		(4.1) pts

Our Canadian Specialty P&C business produced strong growth in GPW and NPW in Q1 2018, increasing by 17.1% and 22.1% respectively driven mainly by Risk Solutions and Corporate Insurance. Fee income increased by 11.6% in part due to the contribution from the surety business transitioned from RSA to Trisura Guarantee in late 2017. Overall, net underwriting revenue increased by 9.4% in Q1 2018 compared to Q1 2017.

Net underwriting income in Q1 2018 was $1.0 million ahead of Q1 2017 with the improvement mainly arising from growth as well as favourable prior years' claim development resulting in a 22.5% loss ratio compared to 28.1% in Q1 2017. Our expense ratio of 61.1% was broadly in line with Q1 2017. Overall our combined ratio of 83.6% improved by over four percentage points compared to Q1 2017.

(in thousands of dollars, except as otherwise noted)

Surety

The main products offered by our Surety business line are:

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

Surety accounted for 30% of our overall GPW in Q1 2018.

	Q1 2018	Q1 2017	$ variance	% variance
Gross premiums written	10,297	10,316	(19)	(0.2%)
Net premiums written	7,302	6,847	455	6.7%
Net premiums earned	7,278	6,318	960	15.2%
Fee income	3,260	2,923	337	11.5%
Net underwriting revenue	10,538	9,241	1,297	14.0%
Net underwriting income	3,101	2,488	613	24.6%
Loss ratio: current accident year	24.1%	21.2%		2.9 pts
Loss ratio: Prior years' development	(19.1%)	(11.9%)		(7.2) pts
Loss ratio	5.0%	9.3%		(4.3) pts
Expense ratio	52.4%	51.3%		1.1 pts
Combined ratio	57.4%	60.6%		(3.2) pts

GPW was flat in Q1 2018 relative to Q1 2017. NPE increased by 15.2% as the strong written premium growth in 2017 earned through the quarter. The increase in Fee income was partly attributable to underwriting fees from surety business transitioned from RSA in late 2017.

Net underwriting income in Q1 2018 was $0.6 million higher than the prior year period due to the higher revenue and lower claims. The Q1 2018 loss ratio of 5.0% benefited from favourable prior years' claim development. The expense ratio of 52.4% was broadly in line with Q1 2017. Our combined ratio of 57.4% improved by over three percentage points in Q1 2018.

(in thousands of dollars, except as otherwise noted)

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured to meet the specific requirements of program administrators, managing general agencies, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs. Risk Solutions accounted for 40% of our overall GPW in Q1 2018.

	Q1 2018	Q1 2017	$ variance	% variance
Gross premiums written	13,963	10,482	3,481	33.2%
Net premiums written	9,080	6,456	2,624	40.6%
Net premiums earned	5,477	5,253	224	4.3%
Fee income	10	15	(5)	(33.3%)
Net underwriting revenue	5,487	5,268	219	4.2%
Net underwriting income	544	160	384	240.0%
Loss ratio: current accident year	38.0%	32.7%		5.3 pts
Loss ratio: Prior years' development	(17.6%)	(1.6%)		(16.0) pts
Loss ratio	20.4%	31.1%		(10.7) pts
Expense ratio	69.7%	65.8%		3.9 pts
Combined ratio	90.1%	96.9%		(6.8) pts

The very strong growth of 33.2% in GPW in Q1 2018 GPW was the result of the onboarding of a variety of programs and by the earlier timing of some renewals. The lower growth rate of NPE reflects the slower earning pattern of the multi-year warranties of many of the programs in Risk Solutions.

The loss ratio improved from 31.1% in Q1 2017 to 20.4% in Q1 2018 due to favourable prior years' claim development. The expense ratio increased to 69.7% from 65.8% in Q1 2017 due to higher commissions on the business mix booked during the quarter. Net underwriting income in Q1 2018 was $0.4 million higher than the prior year period and the combined ratio of 90.1% improved by seven percentage points in Q1 2018.

(in thousands of dollars, except as otherwise noted)

Corporate Insurance

The main products offered by our Corporate Insurance business line are D&O insurance for public, private and non-profit enterprises, E&O liability insurance for both enterprises and professionals, business office package insurance for both enterprises and professionals and fidelity insurance for both commercial and financial institutions.

Corporate Insurance accounted for 27% of our overall GPW in Q1 2018.

	Q1 2018	Q1 2017	$ variance	% variance
Gross premiums written	9,245	7,817	1,428	18.3%
Net premiums written	7,382	6,164	1,218	19.8%
Net premiums earned	6,465	6,058	407	6.7%
Net underwriting revenue	6,465	6,058	407	6.7%
Net underwriting loss	(488)	(446)	(42)	9.4%
Loss ratio: current accident year	41.7%	39.2%		2.5 pts
Loss ratio: Prior years' development	2.4%	5.9%		(3.5) pts
Loss ratio	44.1%	45.1%		(1.0) pts
Expense ratio	63.5%	62.9%		0.6 pts
Combined ratio	107.6%	108.0%		(0.4) pts

GPW grew by 18.3% in Q1 2018 compared to Q1 2017 due to a combination of new business, better retention rates and an increase in multi-year premium where we recognize the premiums at the time these multi-year policies are written but earn these premiums over the full policy terms. This can cause differences in written and earned premium growth rates as was the case in Q1 2018 where NPE grew at a lower rate of 6.7%.

The underwriting performance of Corporate Insurance in Q1 2018 was comparable to Q1 2017 with an underwriting loss of $0.5 million and combined ratio of 108%. Like most specialty commercial insurance lines there can be volatility in underwriting results on a quarterly basis arising from the occurrence of higher severity, lower frequency claims. This was the case, in the first quarter for Corporate Insurance. Our full year results for 2017 reflected a combined ratio of 96% as subsequent quarters offset the underwriting loss in Q1 2017. It is important to view underwriting performance of such business lines over an appropriate time period.

(in thousands of dollars, except as otherwise noted)

SPECIALTY P&C – UNITED STATES

Our US specialty insurance business is now operational as a non-admitted surplus line insurer in all states, primarily as a hybrid fronting carrier with a fee based business model.

We bound our first transactions in early 2018 and accounted for 4% of our overall GPW in Q1 2018. The net underwriting loss of $0.6 million in Q1 2018 arose from operating expenses associated with developing the platform, in anticipation of larger business opportunities.

	Q1 2018
Gross premiums written	1,294
Net premiums written	123
Net premiums earned	10
Fee income	6
Net underwriting revenue	16
Net underwriting loss	(613)
Net investment income	264
Net loss	(349)

REINSURANCE

Our international reinsurance business ceased writing new business in 2008 but previously wrote quota share reinsurance (prospective), loss portfolio transfers (retrospective) and niche, specialty contracts covering international risks across multiple commercial lines. Currently our international reinsurance business is managing its remaining portfolio of in-force reinsurance contracts and will evaluate writing new business in the context of market conditions and in support of our on-shore subsidiaries.

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

	Q1 2018	Q1 2017	$ variance
Net underwriting (loss) income	(948)	102	(1,050)
Net investment income (loss)	1,181	(266)	1,447
Net income (loss)	209	(174)	383
Operating expenses	608	605	3

(in thousands of dollars, except as otherwise noted)

Our reinsurance business had small positive income of $0.2 million compared to a small net loss of $0.2 million in Q1 2017 driven mainly by favourable reserve development on our P&C transactions. Our large life annuity reinsurance contract was flat in Q1 2018 with investment gains in the assets supporting the reserves offsetting reserve increases. Operating expenses were comparable to Q1 2017.

CORPORATE

Our corporate results represent operating expenses that do not relate specifically to any one business line of the Company as well as debt servicing costs and, in 2017, changes in the valuation of the Minority interests.

During Q1 2018, we incurred corporate expenses of $0.4 million. This was lower than Q1 2017 which was impacted by some one-off costs related to the formation and development of the Company and our US subsidiary, Trisura Specialty. We also benefitted from some one-time savings in Q1 2018 and expect quarterly corporate expenses to normalize in the coming quarters.

The $5.2 million increase in Minority interests in Q1 2017 reflected the 40% minority interest in Trisura Guarantee which was owned by its management team at that time. In late 2017 we acquired full ownership of Trisura Guarantee following the issuance of common shares at Trisura Group in exchange for this Minority interest. Consequently, we now own 100% of Trisura Guarantee and we no longer reflect minority interests in our financial statements.

	Q1 2018	Q1 2017	$ variance
Corporate expenses	413	834	(421)
Increase in minority interests	-	5,158	(5,158)
Debt servicing	231	276	(45)
Corporate	644	6,268	(5,624)

(in thousands of dollars, except as otherwise noted)

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

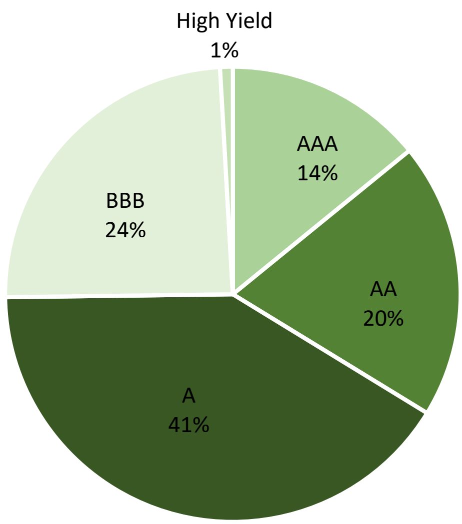
OVERVIEW

The Company's investment policy seeks to achieve attractive total returns without incurring an undue level of investment risk while supporting our liabilities and maintaining strong regulatory capital levels. Currently, we have outsourced a portion of our investment management to third-party managers. As we grow, we intend to develop internal investment management capabilities.

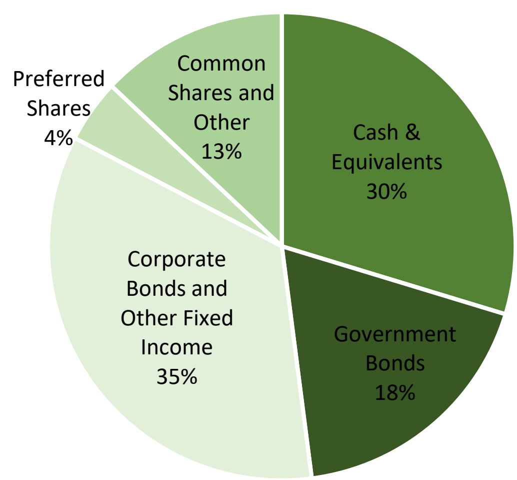
SUMMARY OF INVESTMENT PORTFOLIO

Our $352 million investment portfolio consists of cash and cash equivalents, government and corporate bonds, preferred shares, common shares and a small amount of fund investments. Ninety-nine percent of our fixed income holdings are highly liquid, investment grade bonds. A significant portion of the consolidated investment portfolio remains invested in cash and cash equivalents, reflective of the capital in our US entity, expected to be deployed alongside the onboarding of new business in the US.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



INVESTMENT PERFORMANCE

Net Investment Income

	Q1 2018	Q1 2017	$ variance
Specialty P&C - Canada	455	1,010	(555)
Specialty P&C - US	264	-	264
Reinsurance	1,191	(266)	1,457
Net investment income	1,910	744	1,166

(in thousands of dollars, except as otherwise noted)

The Company's operations currently include Specialty P&C insurance (Surety, Risk Solutions, and Corporate Insurance business lines) in Canada, Specialty P&C insurance in the US and international reinsurance through Trisura International. These businesses focus on different market segments, geographic regions and risks, and accordingly, hold different assets and currencies to support their liabilities. Consequently, investment returns are most appropriately viewed at a business unit level.

Canadian Specialty P&C net investment income is driven by interest and dividend income on portfolio assets. Interest and dividend income in Q1 2018 was comparable to Q1 2017, and investment income also reflected a loss on the disposition of assets as we rebalanced the portfolio. The market based yield of the Canadian Specialty P&C portfolio as at March 31, 2018 was 3.1%.

We began deploying capital in our US P&C portfolio in February, following dramatic movement in US interest rates. Currently the portfolio is limited to investment grade bonds, as we target maintaining minimum capital levels and lower volatility in the start-up phase of the business. The market based yield of the US Specially P&C portfolio as at March 31, 2018 was 3.1%.

In the Reinsurance business unit, net investment income in period benefitted from realized gains on the disposal of some assets supporting the annuity reserves for the purpose of making claim payments. Q1 2017 suffered from significant unrealized losses on investments held at FVTPL supporting the annuity reserves driven by increasing interest rates. Importantly, there was an offsetting decrease in the reserves held on the same annuity reinsurance contract. The market based yield of the Reinsurance portfolio as at March 31, 2018 was 1.5%

Other Comprehensive Income ("OCI")

	Q1 2018	Q1 2017	$ variance
Unrealized (losses) gains in OCI	(1,984)	1,246	(3,230)
Cumulative translation	2,286	(481)	2,767
OCI	302	765	(463)

The Company records changes in the value of its AFS assets through OCI. The mark to market effect of these assets on OCI was a loss of $2.0 million in Q1 2018 driven by mark to market movements in the Canadian fixed income and equity portfolio, compared to a $1.2 million gain in Q1 2017, from market value increases on Canadian and US securities. Investment market conditions in Q1 2018 presented significant volatility and some price correction in the equity and fixed income markets.

Foreign exchange differences arising from the translation of the financial statements of Trisura International and Trisura Specialty to Canadian dollars are recognized as cumulative translation gains or losses, which are a constituent part of overall OCI. The cumulative translation gains in Q1 2018 were due to the strengthening of the US dollar against the Canadian dollar, driving high C$ valuations of capital and securities held outside of Canada.

Refer to Note 14 Investment income in the Interim consolidated financial statements for more detail on the components of investment returns.

SECTION 6 – OUTLOOK & STRATEGY

INDUSTRY

The specialty insurance market offers products and services that are not written by most insurance companies. The risks covered by specialty insurance policies generally require focused, specialist underwriting knowledge and technical financial and actuarial expertise. Consequently, these risks are difficult to place in the standard insurance market where many carriers are unable or unwilling to underwrite them. As a result, specialty insurers usually have more pricing and policy form flexibility than traditional market insurers. For this reason, specialty insurers have historically, and are expected to continue to outperform the standard market by having lower claims ratios and combined ratios than traditional insurance companies.

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

OUTLOOK AND STRATEGY

Our Company has an experienced management team with strong industry relationships and excellent reputations with rating agencies, insurance regulators and business partners. We have operated in the Canadian specialty P&C insurance market for more than 12 years and in the international specialty reinsurance market for over 16 years, establishing a conservative underwriting and investing track record.

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

Our US specialty insurance business, Trisura Specialty, is fully operational and bound its first transactions in Q1 2018. It is licensed as a domestic surplus lines insurer in Oklahoma. Trisura Specialty can operate as a non-admitted surplus lines insurer in all states and is rated A- (Excellent) by A.M. Best. It is our belief that the conditions are favourable for the continued growth of Trisura Specialty, which operates as a hybrid fronting carrier using a fee based business model. Its focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our business activity to date these program administrators welcome our new capacity as there is currently a lack of fronting carriers and the products and arrangements currently offered to them by the existing market do not always meet the needs of their business and clients.

Furthermore, we believe there is a strong supply of highly rated international reinsurance capacity keen to gain exposure to this business, allowing Trisura Specialty to cede most of the risk on its policies to these reinsurers on commercially favourable terms. This belief has been supported by our early experiences in the market. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, limiting underwriting risk and aligning our interests with our program distribution partners and reinsurers. As Trisura Specialty grows, we expect that our US operations will become a more significant component of our Company.

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

We also intend to consider acquisitions on an opportunistic basis and pursue those that fit with our strategic plan. We expect the consolidation in the Canadian, US and international specialty insurance and reinsurance markets will continue and in which we may participate. Building on the knowledge and expertise of our existing operations, we intend to initially target businesses in the US that operate in similar niches of the specialty insurance market. Additionally, our reinsurance business will evaluate writing new business in the context of market conditions and in support of our on-shore subsidiaries.

(in thousands of dollars, except as otherwise noted)

SECTION 7 – OTHER INFORMATION

RATINGS

Trisura Guarantee has been rated A- (Excellent) by A.M. Best since 2012. Trisura Specialty obtained an A- (Excellent) rating from A.M. Best in September 2017.

CASH FLOW SUMMARY

	Q1 2018	Q1 2017	$ variance
Net income (loss) from operating activities	1,863	(4,035)	5,898
Non-cash items to be deducted	1,101	237	864
Stock options granted	88	-	88
Change in working capital operating items	(7,064)	(6,051)	(1,013)
Realized gains (losses) on AFS investments	492	(28)	520
Income taxes paid	(931)	(4,188)	3,257
Interest paid	(233)	(268)	35
Net cash used in operating activities	(4,684)	(14,333)	9,649
Proceeds on disposal of investments	5,762	4,412	1,350
Purchases of investments	(64,217)	(4,044)	(60,173)
Net purchases of capital and intangible assets	(229)	(41)	(188)
Net cash (used in) from investing activities	(58,684)	327	(59,011)
Change in minority interests	-	5,158	(5,158)
Dividends paid	(24)	-	(24)
Issuance of new loan payable	29,700	-	29,700
Repayment of note payable	-	(319)	319
Repayment of loan payable	(29,700)	(2,700)	(27,000)
Net cash (used in) from financing activities	(24)	2,139	(2,163)
Net decrease in cash	(63,392)	(11,867)	(51,525)
Cash at beginning of the period	165,675	122,096	43,579
Currency translation	2,344	(885)	3,229
Cash at the end of the period	104,627	109,344	(4,717)

The main cash flow activity in Q1 2018 centered on investing activities and reflected the purchase and disposal of investments, primarily related to activity in our bond portfolios as bonds were sold or matured and new investments were purchased. A significant component of the bond purchases in Q1 2018 included Trisura Specialty deploying most of the cash and cash equivalents from its initial capital injection. In Q1 2017, purchases and disposals of investments were also primarily related to activity in the bond portfolio of Trisura Guarantee as bonds matured and new investments were purchased.

(in thousands of dollars, except as otherwise noted)

During Q1 2018, the Company replaced the outstanding Loan payable of $29.7 million held at an intermediary holding company, with a new credit facility with an outstanding balance of $29.7 million (see Note 11 in the Interim consolidated financial statements). The net impact of this transaction was $nil. In Q1 2017 the Company reflected the impact of the change in value of the Minority interests in its financial statements, however in Q4 2017 the Minority interests were purchased by the Company and therefore this movement in financing activity is no longer reflected in the statements of cash flows in Q1 2018 (see Note 12 in the Interim consolidated financial statements).

The change in working capital in Q1 2018 and Q1 2017 was mostly the result of settling a number of outstanding liabilities from the prior year-end.

SEGMENTED REPORTING

As at	2018				
	Trisura Guarantee[2]	Trisura International[2]	Trisura Specialty	Corporate[3]	Total[4]
Assets[1]	305,116	114,244	67,197	(534)	486,023
Liabilities[1]	236,272	93,473	2,904	29,671	362,320
Shareholder's Equity	68,844	20,771	64,293	(30,205)	123,703
Book Value Per Share, $[5]	10.40	3.14	9.71	(4.57)	18.68

(1) Operating companies include the assets and liabilities of their holding companies.
(2) Subdiary results include adjustments for intercompany loans.
(3) Corporate includes consolidation adjustments and intercompany loans.
(4) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(5) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at March 31, 2018.

FINANCIAL INSTRUMENTS

See Note 4 to the Company's Interim consolidated financial statements.

OPERATING METRICS

We use operating metrics to assess our operating performance. The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of net premiums earned, or underwriting margin. A combined ratio under 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result. The loss ratio is claims and loss adjustment expenses incurred as a percentage of net premiums earned. The expense ratio is all expenses incurred net of fee income as a percentage of net premiums earned. In our MD&A for Q1 through Q3 2017, the expense ratio was all expenses incurred net of commissions on fee income as a percentage of net premiums earned.

We use ROE as a measure of operating performance. ROE is calculated based on net income, divided by the average amount of shareholders' equity of the Company for a given time period.

We report the results of our MCT as prescribed by OSFI's *Guideline A — Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies*, as amended, restated or supplemented from time to time. MCT determines the supervisory regulatory capital levels required by Trisura Guarantee.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AFS	Available for Sale Financial Asset
CTA	Cumulative Translation Adjustment
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Earnings Per Share
FVTPL	Fair Value Through Profit & Loss
GPW	Gross Premium Written
MCT	Minimum Capital Test
Minority interests	The liability to participating shareholders
n/a	not available
NII	Net Investment Income
nm	not meaningful
NPE	Net Premium Earned
NPW	Net Premium Written
NUI	Net Underwriting Income
OCI	Other Comprehensive Income
pts	Points
Q1, Q2, Q3, Q4	The three months ended March 31, June 30, September 30 and December 31 respectively
Q2 YTD	The six months ended June 30
Q3 YTD	The nine months ended September 30
Q4 YTD	The twelve months ended December 31
ROE	Return on Shareholders' Equity
YTD	Year To Date