Trisura Group Ltd.

Management's Discussion and Analysis

For the quarter ended March 31, 2019

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 months ended March 31, 2019. This MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the three months ended March 31, 2019 and the audited Consolidated Financial Statements for the year ended December 31, 2018.

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 9, 2019. 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 holding company operating in the Surety, Risk Solutions, Corporate Insurance, Fronting and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, a US specialty insurance company, and an international reinsurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 13 years of operation. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus ("E&S") lines carrier in Oklahoma with the ability to write business across 50 states. Our international reinsurance business has been in operation for more than 17 years and although we ceased writing new reinsurance business in 2008, we expect to commence writing new business in support of our US subsidiary.

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

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

ORGANIZATIONAL STRUCTURE & REGULATORY FRAMEWORK

The Company was incorporated under the *Business Corporations Act* (Ontario) ("OCA") 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 for third party risks. Trisura International is incorporated in Barbados, is licensed to write international reinsurance business and is regulated by the Financial Services Commission ("FSC") in Barbados. In January 2019 we established Trisura International Reinsurance Company Ltd. ("TIRCL") as a wholly owned subsidiary of Trisura International in Barbados to act as a reinsurer of our on-shore companies upon receipt of regulatory approval from the FSC.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q1 2019

- ✓ BVPS of $20.41, a 9.3% increase over Q1 2018. EPS of $0.38 (basic) and $0.37 (diluted) in Q1 2019, up from $0.28 and $0.27 respectively in Q1 2018.
- ✓ Improving consolidated ROE (trailing 12 months) of 7.2% (6.9% at December 31, 2018, 5.6% at September 30, 2018 and 4.1% at June 30, 2018) as our growing US Specialty business augments profitability in our established Canadian Specialty P&C business.
- ✓ Net income of $2.5 million in Q1 2019, an increase of $0.7 million over Q1 2018, driven by strong results in our Canadian Specialty P&C business and positive net income contribution from our maturing US Specialty business.
- ✓ Excellent performance from our Canadian Specialty P&C insurance operations, achieving GPW and NPE growth of 17.8% and 11.0% respectively, a combined ratio of 83.5% and a ROE (trailing 12 months) of 21.3%.
- ✓ Accelerating premium growth in our US Specialty insurance platform with GPW of $41.9 million in Q1 2019.
- ✓ Continued strong capital position across the Company including a MCT of 242% in our Canadian subsidiary, capital in our US business to support its AM Best A- Rating (VII size category) and appropriate capital in our international reinsurer.
- ✓ Debt-to-capital ratio of 18.0% at Q1 2019 down from 19.4% at Q1 2018 and below our long-term target of 20%.

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

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q1 2019	Q1 2018	$ variance	% variance
Gross premiums written	81,383	34,824	46,559	133.7%
Net premiums written	28,410	23,911	4,499	18.8%
Net premiums earned	22,093	19,254	2,839	14.7%
Fee income	4,349	3,276	1,073	32.8%
Total underwriting revenue	26,442	22,530	3,912	17.4%
Net claims	(14,894)	(4,703)	(10,191)	216.7%
Net commissions	(8,518)	(7,597)	(921)	12.1%
Premium taxes	(1,010)	(936)	(74)	7.9%
Operating expenses	(10,280)	(8,121)	(2,159)	26.6%
Net claims and expenses	(34,702)	(21,357)	(13,345)	62.5%
Net underwriting (loss) income	(8,260)	1,173	(9,433)	nm
Net investment income	4,596	1,910	2,686	140.6%
Settlement from structured insurance assets	8,077	-	8,077	nm
Foreign exchange income (loss)	372	(117)	489	nm
Interest expense	(345)	(231)	(114)	49.4%
Income before income taxes	4,440	2,735	1,705	62.3%
Income tax expense	(1,923)	(872)	(1,051)	120.5%
Net income	2,517	1,863	654	35.1%
Other comprehensive income	2,658	302	2,356	780.1%
Comprehensive income	5,175	2,165	3,010	139.0%
Earnings per common share - basic - in dollars	0.38	0.28	0.10	34.5%
Earnings per common share - diluted - in dollars	0.37	0.27	0.10	36.3%
Book value per share $	20.41	18.68	1.73	9.3%
ROE trailing twelve months	7.2%	4.6%*	n/a	2.6pts

**For period after spin-off from Brookfield Asset Management Inc. on June 22, 2017 (annualized)*

Premium Revenue and Fee Income

Very strong premium growth continued in Q1 2019 with a 133.7% increase over Q1 2018 in GPW driven by $40.6 million in increased premium from our US Specialty platform and supported by 17.8% year over year growth in the Canadian business. NPW growth of 18.8% was lower than GPW growth due to the growing proportion of our business that is ceded to reinsurers as a result of our fronting business models. NPE grew by 14.7% with the growth spread across Risk Solutions and Corporate Insurance in Canada and from our US Specialty business. The increase of 32.8% in fee income was driven by fronting fee growth at US Specialty. Total underwriting revenue increased by 17.4% compared to Q1 2018.

Net Claims

The increase in Net claims in Q1 2019 mainly arose from reserve increases on our life component of the Reinsurance business due to the fall in European interest rates – see the Net Investment Income comment below where the offset to these claims increases through investment income are discussed. Net claims expense, mainly IBNR, also increased as a result of NPE growth in the US Specialty P&C and Canadian businesses.

Operating Expenses

The increase in Operating expenses in Q1 2019 over the corresponding period in 2018 arose from expense growth at US Specialty P&C as it continues to build scale in support of its business development, as well as higher comparable compensation costs at Trisura Group driven by one-time recoveries which lowered expenses in Q1 2018, and one-time items related to staffing transitions driving costs in Q1 2019.

Net Underwriting (Loss) Income

The main driver of the net underwriting loss in Q1 2019 was the net claims increase in the life reserves of the Reinsurance business as a result of lower rates in Europe which drove reserve strengthening. Importantly, there was an offsetting gain in investment income in the Reinsurance business. Excluding the Reinsurance business, net underwriting income for Canada and the US increased over the comparable period, a result of strong underwriting performance in Canada.

Net Investment Income

The increase in net investment income arose primarily in the Reinsurance business from gains on the assets supporting the life reserves. There was also a one-time gain related to our structured insurance asset following the settlement of a legal dispute. Investment income at our Canadian business was also stronger than in the corresponding period in 2018 as the reallocation of the portfolio benefitted interest and dividend income and continued rebalancing generated realized gains. See Section 5 – Investment Performance Review for further details.

Other Comprehensive Income

See Section 5 – Investment Performance Review.

Net Income

The increase in Net income of $0.7 million in Q1 2019 arose from strong performance in our Canadian Specialty P&C operations and improving performance at US Specialty which had positive net income for the first time since its 2018 launch.

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

EPS, BVPS and ROE

We provide performance metrics including EPS, BVPS 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 2019 EPS increased to $0.38 (basic) and $0.37 (diluted) from $0.28 (basic) and $0.27 (diluted) in Q1 2018. BVPS at Q1 2019 of $20.41 represented 9.3% growth since Q1 2018. ROE on a trailing 12 months basis increased to 7.2% compared to 4.6% annualized from spin-off to March 31, 2018 driven by the performance of the Canadian Specialty business and positive income from the US business.

BALANCE SHEET ANALYSIS

As at	March 31, 2019	December 31, 2018	$ variance
Cash and cash equivalents	82,072	95,212	(13,140)
Investments	297,150	282,874	14,276
Premiums and accounts receivable, and other assets	61,087	46,276	14,811
Deferred acquisition costs	70,550	63,715	6,835
Recoverable from reinsurers	144,987	109,567	35,420
Capital assets and intangible assets	10,568	2,512	8,056
Deferred tax assets	1,508	826	682
Total assets	667,922	600,982	66,940
Accounts payable, accrued and other liabilities	27,765	24,167	3,598
Reinsurance premiums payable	46,636	41,406	5,230
Unearned premiums	215,406	182,623	32,783
Unearned reinsurance commissions	24,445	19,137	5,308
Unpaid claims and loss adjustment expenses	188,802	173,997	14,805
Loan payable	29,700	29,700	-
Total liabilities	532,754	471,030	61,724
Shareholders' equity	135,168	129,952	5,216
Total liabilities and shareholders' equity	667,922	600,982	66,940

Total assets at March 31, 2019 were $66.9 million higher than at December 31, 2018 as a result of growth at our US and Canadian Specialty P&C businesses. This growth led to increases across a number of assets categories, particularly Recoverables from reinsurers as well as Premiums and accounts receivable and other assets and Deferred acquisitions costs. The increase in investments arose primarily from the redeployment of cash in the Reinsurance portfolio, and unrealized gains in Trisura Guarantee's portfolio. Cash and cash equivalents was reduced in part because of this redeployment in the Reinsurance portfolio.

The increase in capital assets and intangible assets arose from the adoption of IFRS 16, effective January 1, 2019. The new accounting standard which brings most leases on to the Statement of Financial Position. This resulted in the recognition of right of use assets of $8.3 million with a corresponding lease liability included in Accounts payable, accrued and other liabilities.

The main drivers of liability increases were Unearned premiums, Unpaid claims and loss adjustment expense, Reinsurance premiums payable and Unearned reinsurance commissions as a result of business growth in both Canada and the US, and lease liabilities.

Shareholder's equity grew due to an increase in retained earnings as a result of strong income in Canada and a contribution to income from our US platform.

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, 2019, 6,621,680 common shares and 64,000 preferred shares of the Company were issued and outstanding which is unchanged from December 31, 2018.

LIQUIDITY

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

CAPITAL

The MCT ratio of Trisura Guarantee was 242% at March 31, 2019 (239% as at December 31, 2018), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI.

Trisura Specialty's capital and surplus of $66.8 million as at March 31, 2019 ($66.5 million as at December 31, 2018) was in excess of the minimum Risk Based Capital Ratio requirement of the Oklahoma Insurance Department.

Trisura International's capital of $27.6 million as at December 31, 2018 ($28.7 million as at December 31, 2018) was sufficient to meet the FSC's regulatory capital requirement.

We had a debt-to-capital ratio of 18.0% as at March 31, 2019 (18.6% as at December 31, 2018), below our long-term target debt-to-capital ratio of 20%.

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

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

SECTION 4 – UNDERWRITING PERFORMANCE REVIEW

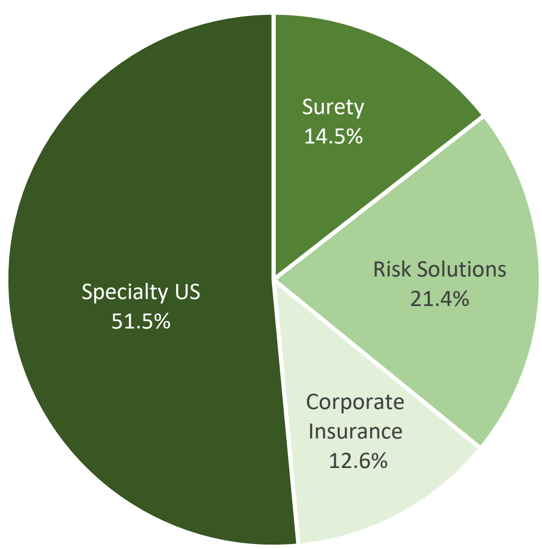
SPECIALTY P&C

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

The tables and charts below provide a segmentation of our Specialty P&C GPW and NPW for Q1 2019 and Q1 2018. US Specialty P&C produced over half of total GPW in Q1 2019 having commenced writing business in Q1 2018. In addition, GPW at each of the three Canadian lines of business increased over Q1 2018.

GPW	Q1 2019	% of total GPW	% growth over prior year	Q1 2018	% of total GPW
Surety	11,763	14.5%	14.2%	10,297	29.6%
Risk Solutions	17,434	21.4%	24.9%	13,963	40.1%
Corporate Insurance	10,271	12.6%	11.1%	9,245	26.6%
Specialty US	41,886	51.5%	3136.9%	1,294	3.7%
Total GPW	81,354	100.0%	133.8%	34,799	100.0%

Gross Premiums Written
Q1 2019

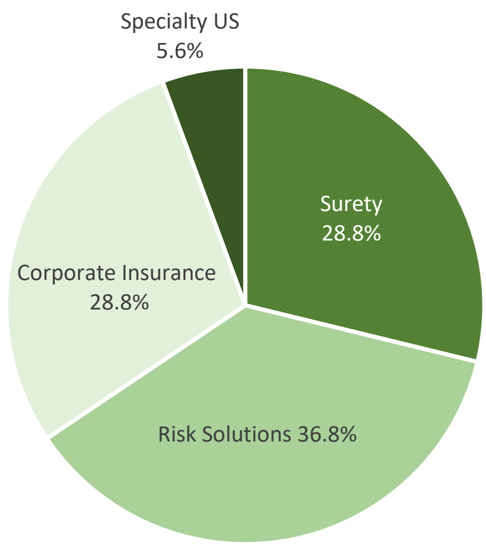


(in thousands of Canadian dollars, except as otherwise noted)

Total NPW grew by 19% in Q1 2019 with growth coming from all segments of the book.

NPW	Q1 2019	% of total NPW	% growth over prior year	Q1 2018	% of total NPW
Surety	8,156	28.8%	11.7%	7,302	30.6%
Risk Solutions	10,447	36.8%	15.1%	9,080	38.0%
Corporate Insurance	8,180	28.8%	10.8%	7,382	30.9%
Specialty US	1,598	5.6%	1199.2%	123	0.5%
Total NPW	28,381	100.0%	18.8%	23,887	100.0%

Net Premiums Written
Q1 2019



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

SPECIALTY P&C – CANADA

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

	Q1 2019	Q1 2018	$ variance	% variance
Gross premiums written	39,468	33,505	5,963	17.8%
Net premiums written	26,783	23,764	3,019	12.7%
Net premiums earned	21,343	19,220	2,123	11.1%
Fee income	3,384	3,270	114	3.5%
Net underwriting revenue	24,727	22,490	2,237	10.0%
Net underwriting income	3,512	3,150	362	11.5%
Net investment income	2,476	455	2,021	444.2%
Net income	4,455	2,711	1,744	64.3%
Comprehensive income	7,508	1,382	6,126	443.3%
Loss ratio: current accident year	32.9%	34.0%		(1.1pts)
Loss ratio: prior years' development	(10.8%)	(11.5%)		0.7pts
Loss ratio	22.1%	22.5%		(0.4pts)
Expense ratio	61.4%	61.1%		0.3pts
Combined ratio	83.5%	83.6%		(0.1pts)
ROE trailing twelve months	21.3%	14.5%		6.8pts

GWP and NPW in Canadian Specialty P&C business increased across all business lines and in particular, Risk Solutions, resulting in growth of 17.8% and 12.7% respectively in Q1 2019. NPE growth of 11.0% was driven by Risk Solutions and Corporate Insurance while Surety NPE was flat as a result of slower written premium growth in 2018. Fee income, which arises mainly in the first quarter each year from Surety accounts, increased by 3.5%.

The combined ratio of 83.5% was strong, driven by profitable underwriting across all businesses and in line with Q1 2018 as were the loss ratio and expense ratio. Net underwriting income increased in line with NEP.

Increased interest and dividend income as a result of portfolio rebalances in 2018 and realized gains in the first quarter led to a significant increase in investment income in Q1 2019. See Section 5 – Investment Performance Review for further discussion.

Q1 2019 ROE (trailing 12 months) of 21.3% compared favourably to 14.5% for Q1 2018, benefitting from strong claims performance in Q1 2019 and the latter half of 2018 while weaker underwriting income in late 2017 impacted Q1 2018 ROE (trailing 12 months).

(in thousands of Canadian 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.

In Q1 2019, Surety accounted for 15% and 29% of our overall GPW and NPW, respectively.

	Q1 2019	Q1 2018	$ variance	% variance
Gross premiums written	11,763	10,297	1,466	14.2%
Net premiums written	8,156	7,302	854	11.7%
Net premiums earned	7,194	7,278	(84)	(1.2%)
Fee income	3,384	3,260	124	3.8%
Net underwriting revenue	10,578	10,538	40	0.4%
Net underwriting income	2,544	3,101	(557)	(18.0%)
Loss ratio: current accident year	23.1%	24.1%		(1.0pts)
Loss ratio: prior years' development	(6.2%)	(19.1%)		12.9pts
Loss ratio	16.9%	5.0%		11.9pts
Expense ratio	47.7%	52.4%		(4.7pts)
Combined ratio	64.6%	57.4%		7.2pts

Surety GPW and NPW grew by 14.2% and 11.7% respectively in Q1 2019. NPE was flat reflecting the low written premium growth in Surety through 2018. Fee income which generally represents fees charged to insureds to maintain their bonding facility with the Company increased by 3.8%. These fees are typically collected at the beginning of the year.

The claims ratio and combined ratio remained low at 16.9% and 64.6% albeit not as low as Q1 2018 which benefited from higher favourable PYD. The expense ratio reduced by 5 points in part due to lower net commissions. Net underwriting income remained strongly positive at $2.5 million.

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

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, including through fronting arrangements, 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.

In Q1 2019, Risk Solutions accounted for 21% and 37% of our overall GPW and NPW, respectively.

	Q1 2019	Q1 2018	$ variance	% variance
Gross premiums written	17,434	13,963	3,471	24.9%
Net premiums written	10,447	9,080	1,367	15.1%
Net premiums earned	6,670	5,477	1,193	21.8%
Fee income	-	10	(10)	(100.0%)
Net underwriting revenue	6,670	5,487	1,183	21.6%
Net underwriting income	462	544	(82)	(15.1%)
Loss ratio: current accident year	31.9%	38.0%		(6.1pts)
Loss ratio: prior years' development	(10.9%)	(17.6%)		6.7pts
Loss ratio	21.0%	20.4%		0.6pts
Expense ratio	73.1%	69.7%		3.4pts
Combined ratio	94.1%	90.1%		4.0pts

Risk Solutions grew strongly in Q1 2019 with GPW, NPW and NPE reflecting increased premium volume in fronting, GAP and automotive warranty programs.

The Q1 2019 loss ratio was similar to the prior year period which had benefitted from higher favourable PYD. The increase in the expense ratio arose from higher commissions on the business mix in the quarter. Overall the combined ratio was 4 percentage points higher than Q1 2018 resulting in net underwriting income reducing to $0.4 million from $0.5 million in Q1 2018.

(in thousands of Canadian 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, commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial and financial institutions.

In Q1 2019, Corporate Insurance accounted for 13% and 29% of our overall GPW and NPW, respectively.

	Q1 2019	Q1 2018	$ variance	% variance
Gross premiums written	10,271	9,245	1,026	11.1%
Net premiums written	8,180	7,382	798	10.8%
Net premiums earned	7,479	6,465	1,014	15.7%
Net underwriting revenue	7,479	6,465	1,014	15.7%
Net underwriting income (loss)	506	(488)	994	nm
Loss ratio: current accident year	43.3%	41.7%		1.6pts
Loss ratio: prior years' development	(15.2%)	2.4%		(17.6pts)
Loss ratio	28.1%	44.1%		(16.0pts)
Expense ratio	65.1%	63.5%		1.6pts
Combined ratio	93.2%	107.6%		(14.4pts)

GPW and NPW each grew by over 10.0% in Q1 2019. This was due in part to a combination of new business, better retention rates and an increase in multi-year premiums where the entire premiums are recognized at the time these multi-year policies are written but are earned over the policy terms. The higher NPE growth of 15.7% reflected the strong growth in written premiums in 2018.

The reduction in the loss ratio in Q1 2019 of 16 percentage points was driven by favourable PYD compared to prior year deterioration in Q1 2018. This claims experience alongside consistent expense levels led to a significant improvement in combined ratio and net underwriting income of $0.5 million compared to a loss of $0.5 million in Q1 2018.

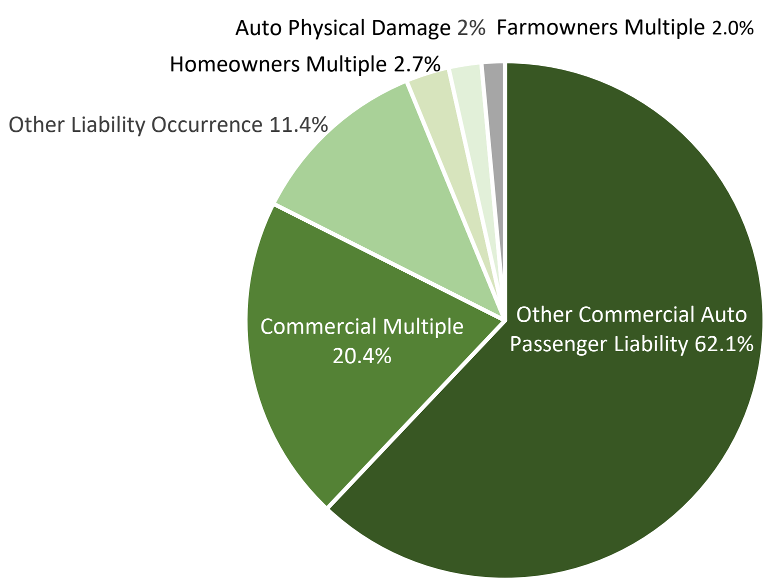
SPECIALTY P&C – UNITED STATES

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

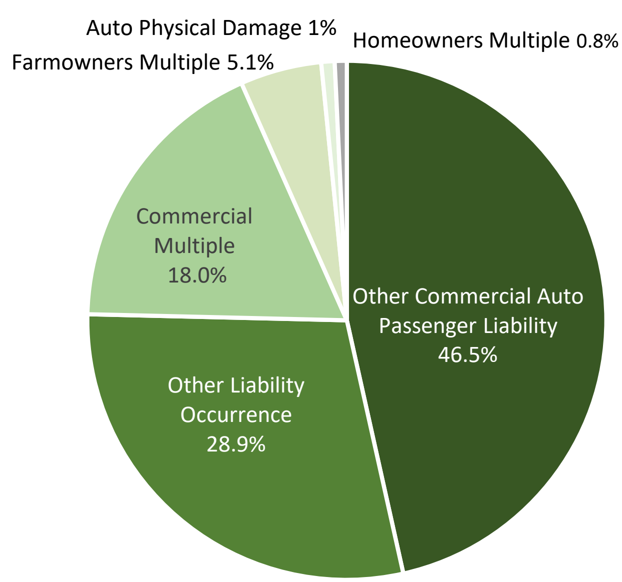
US Specialty P&C continued to accelerate in its premium generation, producing GPW of $41.9 million in Q1 2019 across 16 programs ($27.2 million in Q4 2018, $17.7 million in Q3 2018, $7.6 million in Q2 2018 and $1.3 million in Q1 2018). The US platform retained 3.8% of this GPW, the remainder of which was ceded to reinsurance partners.

The charts below provide a segmentation by class of business of our US Specialty P&C GPW and NPW for Q1 2019.

Gross Premiums Written
Q1 2019



Net Premiums Written
Q1 2019



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

Fee income in our US Specialty P&C business is comprised of fronting fees received from reinsurers and are recognized over the life of the insurance contracts they are associated with, similar to the premium earning profile. In Q1 2019 the earned fronting fees of $1 million were 5.7% of earned ceded premium and have grown strongly as the business written in 2018 earns through. Fronting fees are not reflected in underwriting ratios for the US Specialty P&C business.

US Specialty achieved its first quarter of positive net income in Q1 2019 as growth in net earned premiums, fronting fee income and investment income exceeded claims and operating expenses.

	Q1 2019	Q1 2018	$ variance
Gross premiums written	41,886	1,294	40,592
Net premiums written	1,598	123	1,475
Net premiums earned	722	10	712
Fee income	965	6	959
Net underwriting revenue	1,687	16	1,671
Net underwriting loss	(191)	(613)	422
Net income (loss)	244	(349)	593

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

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 is preparing to write new business through a newly established Barbados company 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 2019	Q1 2018	$ variance
Net underwriting loss	(10,323)	(948)	(9,375)
Net investment income and settlement	10,098	1,181	8,917
Net (loss) income	(717)	209	(926)
Operating expenses	591	608	(17)

The Q1 2019 net underwriting loss arose principally from reserve increases on the life annuity contract due to the fall in European interest rates in the period. Offsetting this underwriting loss were market value gains on the assets supporting these reserves and a gain related to our structured insurance asset following the settlement of a legal dispute.

The excess on the net underwriting loss over the net investment income and the legal settlement, together with tax accrual on the legal settlement led to the net loss of $0.7 million in Q1 2019.

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.

Q1 2019 corporate operating expenses were higher than Q1 2018 due to one-time items related to staffing transitions driving costs in 2019. In addition, Q1 2018 had benefited from one-time recoveries lowering the comparable period in 2018. Debt servicing costs were in line with Q1 2018.

	Q1 2019	Q1 2018	$ variance
Corporate expenses	1,258	413	845
Debt servicing	269	231	38
Corporate	1,527	644	883

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

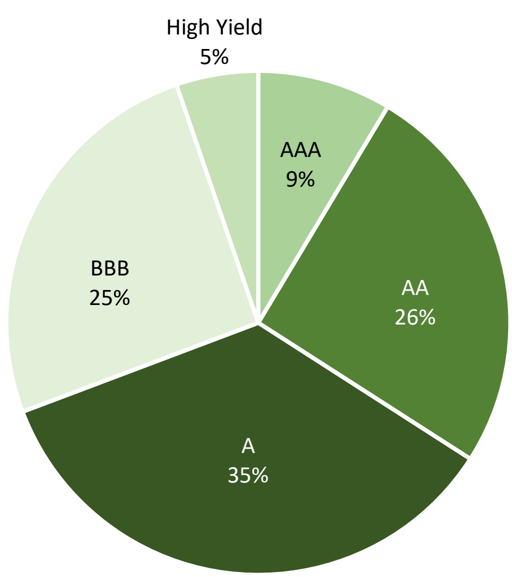
OVERVIEW

The Company's investment policy seeks to achieve attractive total returns without incurring an undue level of investment risk while supporting our liabilities and maintaining strong regulatory and economic capital levels. In 2018 we internalized our investment management and advisory function, allowing the Group to take a centralized investment stance across all subsidiary portfolios. We now have the ability to invest globally through our hedging facilities and have introduced new products selectively to our portfolios.

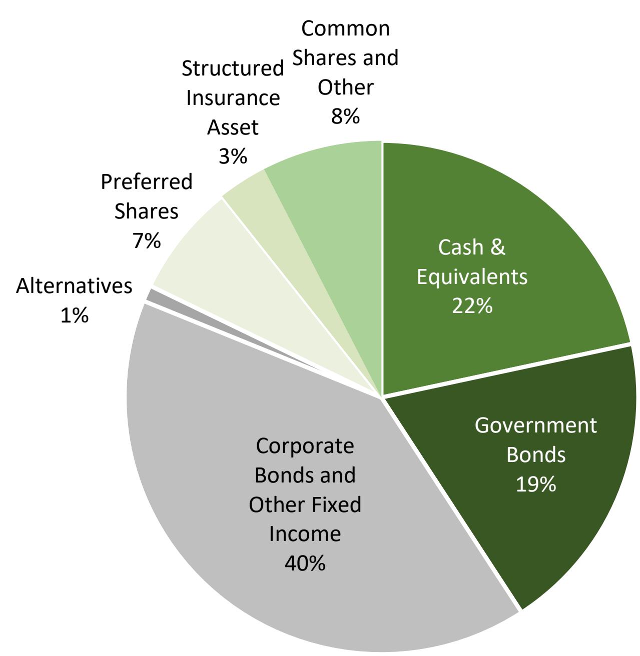
SUMMARY OF INVESTMENT PORTFOLIO

Our $379 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-five 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 capital in our international entity, a significant portion of which is held as collateral supporting our reinsurance policies.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



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

INVESTMENT PERFORMANCE

Net Investment Income

	Q1 2019	Q1 2018	$ variance
Specialty P&C - Canada	2,476	455	2,021
Specialty P&C - US	97	264	(167)
Reinsurance	2,023	1,191	832
Net investment income	4,596	1,910	2,686
Settlement from structured insurance assets	8,077	-	8,077
Total	12,673	1,910	10,763

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 can be subject to different regulatory investment requirements and accordingly, hold different assets and currencies to support their liabilities. Consequently, investment returns are most appropriately viewed at a business unit level.

Canadian Specialty P&C net investment income is driven by interest and dividend income on portfolio assets. Interest and dividend income in Q1 2019 improved over Q1 2018, driven by a rotation to a more diverse group of higher-yielding securities after transitioning management of the portfolio in-house in June 2018, combined with realized gains from continued portfolio rotation, primarily in the equity portfolio. The market-based yield of the Canadian Specialty P&C portfolio as at March 31, 2019 was 4.0%. We continue to broaden the Canadian Specialty P&C portfolio's asset diversity, having introduced further alternative investments in Q1 2019, which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

Currently the U.S. P&C portfolio is limited to investment grade bonds, as we prioritize maintaining minimum capital levels and lower volatility in the start-up phase of the business. The market-based yield of the US Specialty P&C portfolio as at March 31, 2019 was 3.7%. Investment income, which is driven by interest income on this portfolio of investment grade bonds, suffered in Q1 2019 as a result of a realized loss on an investment grade bond that defaulted during the quarter.

In the Reinsurance portfolio, Euro-denominated bonds supporting the annuity reserves are held at FVTPL. Investment returns on these assets were higher in Q1 2019 compared with Q1 2018 due to the decrease in European interest rates, which had a positive impact on the valuation of these assets. The market-based yield of the Reinsurance portfolio as at December 31, 2018 was 1.5%. The Reinsurance portfolio also benefitted from a favourable legal settlement on our structured insurance asset, adding to the performance in the quarter. Since becoming the investment advisor at the end of 2018 we have continued to redeploy cash in the Reinsurance portfolio to better match the duration of our liabilities.

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

Other Comprehensive Income ("OCI")

	Q1 2019	Q1 2018	$ variance
Unrealized gains (losses) in OCI	4,601	(1,984)	6,585
Cumulative translation	(1,943)	2,286	(4,229)
OCI	2,658	302	2,356

The Company records unrealized gains and losses in the market value of its AFS assets through OCI. The mark to market impact of these assets on OCI was positive in Q1 2019. This was driven by unrealized gains in the Canadian and U.S. common share and investment grade holdings, as a result of strong performance across both equity and fixed income markets in Q1 2019.

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 losses in Q1 2019 were due to the strengthening of the Canadian currency against the US dollar, driving lower Canadian dollar valuations of capital and securities held outside of Canada.

Refer to Note 16 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 specialist underwriting knowledge and technical financial and actuarial expertise. Specialty lines are niche segments of the market that tend to involve more complex risks and a more concentrated set of competitors. Consequently, these risks are difficult to place in the standard insurance market where many carriers are unable or unwilling to underwrite them. As a result, specialty insurers have more pricing and policy form flexibility than traditional market insurers whose prices and policy forms are subject to authorization and approval by insurance regulators. Specialty lines are less commoditized areas of the market where relationships, product expertise and product structure are not easily replicated. For this reason, specialty insurers have historically, and are expected to continue to outperform the standard markets by having lower claims ratios and combined ratios than traditional insurance companies.

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

In the US, the specialty P&C insurance industry is more fragmented than the standard marketplace. It is estimated that the top ten players capture just under 40% of market share, with the top 25 players averaging one to two percent market share positions. An estimated $150 to $200 billion of specialty insurance direct premiums (including excess and surplus) were written in 2016. Excess and surplus lines continue to demonstrate significant growth vs. the broader P&C industry, expanding by 43% in 2017. From 2000 until 2017, the average combined ratio for excess and surplus markets was 96.6% versus 102% for the P&C industry.

OUTLOOK AND STRATEGY

Our Company has an experienced management team with strong industry relationships and excellent reputations with rating agencies, insurance regulators and business partners. We have operated in the Canadian specialty P&C insurance market for more than 13 years and in the international specialty reinsurance market for over 17 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 skilled underwriters and professionals. 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 commenced binding transactions in 2018. It is licensed as a domestic excess and 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 with stable outlook. 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 continue to believe there is a strong supply of highly rated international reinsurance capacity keen to gain exposure to this business, allowing Trisura Specialty to cede the majority of the risk on its policies to these reinsurers on commercially favourable terms. This belief has been supported by our experience in the market through 2018 and Q1 2019. 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. 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 is preparing to write new business in support of our on-shore subsidiaries and will continue to evaluate writing third party new business in the context of market conditions.

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

SECTION 7 – OTHER INFORMATION

RATINGS

Trisura Guarantee has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in October 2018. Trisura Specialty obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was reaffirmed in October 2018. A.M Best increased the financial size category of Trisura Specialty from VI to VII (US $45 million to US $50 million capital) in May 2018.

CASH FLOW SUMMARY

	Q1 2019	Q1 2018	$ variance
Net income from operating activities	2,517	1,863	654
Non-cash items to be deducted	1,443	1,189	254
Change in working capital operating items	(2,435)	(7,064)	4,629
Realized (gains) losses on AFS investments	(1,421)	492	(1,913)
Income taxes paid	(860)	(931)	71
Interest paid	(283)	(233)	(50)
Net cash used in operating activities	(1,039)	(4,684)	3,645
Proceeds on disposal of investments	13,540	5,762	7,778
Purchases of investments	(23,793)	(64,217)	40,424
Net purchases of capital and intangible assets	(200)	(229)	29
Net cash used in investing activities	(10,453)	(58,684)	48,231
Dividends paid	(24)	(24)	-
Issuance of new loan payable	-	29,700	(29,700)
Repayment of loan payable	-	(29,700)	29,700
Lease payments	(313)	-	(313)
Net cash used in financing activities	(337)	(24)	(313)
Net decrease in cash	(11,829)	(63,392)	51,563
Cash at beginning of the period	95,212	165,675	(70,463)
Currency translation	(1,311)	2,344	(3,655)
Cash at the end of the period	82,072	104,627	(22,555)

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

The main cash flow activities in Q1 2019 were investing activities and reflected the purchase and disposal of investments, primarily related to activity in our bond portfolios, and to a lesser extent our common share and preferred share portfolios. In Q1 2018, purchases of investments were primarily related to the deployment of cash to purchase bonds in the Trisura Specialty portfolio.

In Q1 2019 cash used in operating activities was primarily related to change in working capital at Trisura Guarantee and Trisura International, partly related to settling some outstanding liabilities from the prior year-end, as well as an increase in receivables at Trisura International. In Q1 2018 the change in working capital was mostly the result of settling outstanding liabilities from the prior year-end. Cash used in operating activities was greater in Q1 2019 than Q1 2018 in part because of higher cash from operating activities in Trisura Specialty.

During 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 13 in the Interim Consolidated Financial Statements). The net impact of this transaction was $nil.

SEGMENTED REPORTING

As at	March 31, 2019				
	Trisura Guarantee	Trisura International(1)	Trisura Specialty	Corporate(2)	Total(3)
Assets	360,823	106,749	202,478	(2,128)	667,922
Liabilities	280,228	86,505	135,634	30,387	532,754
Shareholder's Equity	80,595	20,244	66,844	(32,515)	135,168
Book Value Per Share, $(4)	12.17	3.06	10.09	(4.91)	20.41

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

As at	December 31, 2018				
	Trisura Guarantee	Trisura International(1)	Trisura Specialty	Corporate(2)	Total(3)
Assets	349,356	103,113	150,966	(2,453)	600,982
Liabilities	274,770	81,703	84,421	30,136	471,030
Shareholder's Equity	74,586	21,410	66,545	(32,589)	129,952
Book Value Per Share, $(4)	11.26	3.23	10.05	(4.91)	19.63

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

FINANCIAL INSTRUMENTS

See Note 4 in 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 in Trisura Guarantee) 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 and other regulatory standards. Our Company also believes that securities analysts, investors and other interested parties use these operating metrics to compare our Company's performance against others in the specialty insurance industry. Our Company's management also uses these operating metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Such operating metrics should not be considered as the sole indicators of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.

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
BVPS	Book Value Per Share
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
GAP	Guaranteed Asset Protection
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	Percentage points
PYD	Prior Years' Net Reserve Development
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