Condensed Interim Consolidated Financial Statements of

TRISURA GROUP LTD.

As at and For the Three and Six Months Ended June 30, 2017

(Unaudited)

TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited, in C$ thousands of dollars)

As at	*Note*	June 30, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents		**$ 160,344**	$ 122,096
Investments	*3*	**190,151**	194,393
Premiums, accounts receivable and other assets	*5*	**24,388**	22,069
Deferred acquisition costs		**35,306**	30,985
Recoverable from reinsurers		**57,317**	47,120
Capital assets and intangible assets		**1,964**	2,116
Deferred tax assets		**647**	622
TOTAL ASSETS		**$ 470,117**	$ 419,401
LIABILITIES			
Accounts payable, accrued and other liabilities	*6*	**$ 18,483**	$ 25,434
Reinsurance premiums payable		**13,448**	13,461
Unearned premiums		**107,119**	90,612
Unearned reinsurance commissions		**7,094**	4,928
Unpaid claims and loss adjustment expenses	*4*	**166,670**	163,970
Loan payable	*11*	**30,400**	34,100
Minority interests		**21,200**	16,008
		364,414	348,513
SHAREHOLDERS' EQUITY			
Share capital	*10*	**$ 140,270**	$ 9,618
Accumulated (deficit) retained earnings	*10*	**(34,471)**	58,695
Accumulated other comprehensive (loss) income		**(96)**	2,575
		105,703	70,888
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 470,117**	$ 419,401

See accompanying notes to the condensed interim consolidated financial statements

TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in C$ thousands of dollars, except as otherwise noted)

		Three months ended		Six months ended	
For the periods ended June 30,	*Note*	**2017**	**2016**	**2017**	**2016**
Gross premiums written		**$ 43,336**	$ 34,548	**$ 71,951**	$ 59,928
Reinsurance premiums ceded		**(16,324)**	(9,482)	**(25,435)**	(17,481)
Retrospective premiums refund		**(44)**	(93)	**(82)**	(184)
Net premiums written		**26,968**	24,973	**46,434**	42,263
Change in unearned premiums		**(7,020)**	(7,155)	**(8,857)**	(8,785)
Net premiums earned		**19,948**	17,818	**37,577**	33,478
Fee income		**128**	95	**3,057**	3,046
Total underwriting revenue		**20,076**	17,913	**40,634**	36,524
Claims and expenses					
Claims and loss adjustment expenses		**6,066**	10,767	**15,416**	21,652
Reinsurers' share of claims and loss adjustment expenses		**(2,994)**	(4,928)	**(8,079)**	(7,392)
Commissions		**8,512**	7,472	**16,692**	14,821
Reinsurance commissions		**(2,256)**	(1,697)	**(3,804)**	(3,106)
Premium taxes		**1,093**	860	**1,990**	1,596
Operating expenses		**8,227**	3,942	**15,562**	10,472
Total claims and expenses		**18,648**	16,416	**37,777**	38,043
Net underwriting income (loss)		**1,428**	1,497	**2,857**	(1,519)
Net investment income	*3*	**1,593**	1,818	**2,337**	8,031
Foreign exchange gain (loss)		**130**	(26)	**115**	(178)
Interest expense	*11*	**(263)**	-	**(539)**	-
Change in minority interests		**-**	-	**(5,158)**	(160)
Income (loss) before income taxes		**2,888**	3,289	**(388)**	6,174
Income tax expense	*16*	**(1,128)**	(846)	**(1,887)**	(1,760)
Net income (loss)		**1,760**	2,443	**(2,275)**	4,414
Other comprehensive (loss) income	*14*	**(3,436)**	2,289	**(2,671)**	(4,468)
Comprehensive (loss) income		**$ (1,676)**	$ 4,732	**$ (4,946)**	$ (54)
Net income attributable to common shareholders [(1)]		$ 285	n/a	$ 285	n/a
Weighted average number of common shares outstanding during the period - basic and diluted (thousands)		5,813	n/a	5,813	n/a
Earnings per common share (in dollars) – basic and diluted		$ 0.05	n/a	$ 0.05	n/a

(1) For the period from June 22, 2017 to June 30, 2017 (see Note 1).

See accompanying notes to the condensed interim consolidated financial statements

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

	Note	Share Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss) (net of income taxes, see Note 14)	Total
Balance at January 1, 2017		$ 9,618	$ 58,695	$ 2,575	**$ 70,888**
Net loss		-	(2,275)	-	**(2,275)**
Other comprehensive loss	*16*	-	-	(2,671)	**(2,671)**
Comprehensive loss		-	(2,275)	(2,671)	**(4,946)**
Share issuance	*1, 10*	140,270	-	-	**140,270**
Adjustment on reorganization [(1)]		(9,618)	(90,891)	-	**(100,509)**
Balance at June 30, 2017		**$ 140,270**	**$ (34,471)**	**$ (96)**	**$ 105,703**

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of income taxes, see Note 14)	Total
Balance at January 1, 2016		$ 9,618	$ 94,441	$ 419	$ 104,478
Net Income		-	4,414	-	4,414
Other Comprehensive loss	*16*	-	-	(4,468)	(4,468)
Comprehensive income (loss)		-	4,414	(4,468)	(54)
Redemption [(2)]		-	(2,000)	-	(2,000)
Dividends paid		-	(1,643)	-	(1,643)
Balance at June 30, 2016		$ 9,618	$ 95,212	$ (4,049)	$ 100,781

(1) See Note 1 for details regarding the share elimination on reorganization.

(2) Redemption reflects redemption of Class A non-voting common shares, redeemed by 643 Can Ltd in Q2 2016, prior to reorganization.

See accompanying notes to the condensed interim consolidated financial statements

TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited, in C$ thousands of dollars)

For the six-month period ended June 30,	2017	2016
Operating activities		
Net (loss) income	**$ (2,275)**	$ 4,414
Items not involving cash:		
Depreciation and amortization	**290**	271
Unrealized gains (losses)	**46**	(493)
Change in minority interests	**5,158**	160
Change in working capital and other	**8,652**	(1,104)
Realized loss on available-for-sale investments	**(364)**	(1,040)
Income taxes paid	**(5,155)**	(1,797)
Interest paid	**(524)**	(4)
Net cash flows from operating activities	**5,828**	407
Investing activities		
Proceeds on disposal of investments	**19,832**	31,503
Purchases of investments	**(119,662)**	(18,890)
Purchases of capital assets	**(40)**	(676)
Disposal of capital assets	**24**	-
Purchases of intangible assets	**(91)**	(123)
Net cash flows (used in) from investing activities	**(99,937)**	11,814
Financing activities		
Dividends paid	**-**	(1,643)
Shares issued	**140,270**	-
Shares redeemed	**-**	(2,000)
Repayment of notes payable	**(355)**	(274)
Repayment of loans payable	**(3,700)**	(6,641)
Net cash flows from (used in) financing activities	**136,215**	(10,558)
Net increase in cash and cash equivalents during the period	**42,106**	1,663
Cash, beginning of period	**113,409**	96,912
Cash equivalents, beginning of period	**8,687**	4,476
Cash and cash equivalents, beginning of period	**122,096**	101,388
Impact of foreign exchange on cash	**(3,858)**	(5,543)
Cash, end of period	**140,992**	88,527
Cash equivalents, end of period	**19,352**	8,981
Cash and cash equivalents, end of period	**$ 160,344**	$ 97,508

See accompanying notes to the condensed interim consolidated financial statements

1. The Company

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

Reorganization Transaction

On June 15, 2017, Brookfield Asset Management Inc. ("Brookfield") subscribed for 5,813,312 common shares of the Company in exchange for approximately $140,270. On June 15, 2017, the Company used the $140,270 to acquire: (i) Brookfield's 100% interest in Trisura International Holdings Ltd. ("TIHL") for approximately $50,132; (ii) Brookfield's 60% interest in 6436978 Canada Limited ("643 Can Ltd") for approximately $50,329; and (iii) Brookfield's interest in a note payable from 643 Can Ltd to Brookfield for approximately $185, leaving the Company with approximately $39,624 in additional cash (collectively, the "Reorganization Transaction"). The impact of the Reorganization Transaction on share capital was to increase share capital to $140,270, which reflects current share capital of the Company. The impact of this transaction on retained earnings was to reduce retained earnings by the difference between consideration paid for Brookfield's interest in 643 Can Ltd and the book value of 643 Can Ltd as at June 15, 2017, which reduced retained earnings by $31,631.

Spin-off

On June 22, 2017, Brookfield completed the spin-off of the Company (the "Spin-off"), which was effected by way of a special dividend of common shares of the Company to holders of Brookfield's Class A and B limited voting shares as of June 1, 2017. Each holder of Brookfield's Class A and B limited voting shares received one common share of the Company for every 170 Class A or Class B shares of Brookfield. The common shares of the Company are publicly traded on the Toronto Stock Exchange under the symbol "TSU".

643 Can Ltd, through its wholly-owned subsidiary Trisura Guarantee Insurance Company ("Trisura Guarantee"), operates as a Canadian property and casualty insurance company. TIHL, through its subsidiary Trisura International Insurance Ltd. ("Trisura International"), provides specialty insurance and reinsurance products to the global insurance market place, and is currently managing its in-force portfolio of reinsurance contracts. A third wholly-owned subsidiary, Trisura Specialty Insurance Company ("Trisura Specialty") was incorporated on May 31, 2017 and was licensed on July 11, 2017 to operate as a property and casualty insurance company in the United States, but has yet to begin operations.

The earnings per share calculation has been presented for the period from June 22 to June 30, 2017.

The condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 9, 2017.

2. Summary of significant accounting policies

These unaudited condensed interim consolidated financial statements (the "interim consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued under the International Accounting Standards Board ("IASB").

The Company's functional and presentation currency is Canadian dollars.

2. Summary of significant accounting policies (continued)

a) Basis of presentation

These interim consolidated financial statements reflect the combined entities of 643 Can Ltd, TIHL and the Company up to June 15, 2017 and reflect the consolidated entities for the period thereafter.

As at and for the year ended December 31, 2016 and for the period from January 1 to June 15, 2017, these interim combined financial statements incorporated the financial statements of the Company, 643 Can Ltd and its subsidiary, as well as the financial statements of TIHL and its subsidiaries, on a combined basis of presentation. All intra-group transactions, balances, income and expenses were eliminated in full on combination.

For the period beginning June 15, 2017, the consolidated statements incorporate the financial statements of the Company and all entities controlled by the Company, on a consolidated basis of presentation. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In accordance with IFRS, presentation of assets and liabilities on the interim consolidated statements of financial position is in order of liquidity.

b) Continuity of interests

To reflect the continuity of interests, these interim consolidated financial statements provide comparative information of the Company for the periods prior to the Spin-off, as previously reported by Brookfield. Accordingly, the financial information for the periods prior to June 22, 2017 is presented based on the historical financial information for the Company as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the Company, including the adjustments associated with the Spin-off. Therefore, net income (loss) and comprehensive income (loss) have been allocated to Brookfield for the period prior to June 22, 2017 and allocated to the post-Spin-off shareholders on and after June 22, 2017.

c) Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. The Company has classified cash and cash equivalents as loans and receivables, which are recorded at amortized cost, which approximates fair value.

2. Summary of significant accounting policies (continued)

d) Investments

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

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

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

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

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

e) Structured insurance assets

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

These actuarial risks are modeled using data drawn from the insurance carriers, Society of Actuaries Long Term Care Studies, as well as data from other public and non-public sources supplemented, as appropriate, by assistance from external actuarial consultants, and are used to project the future commission payments the Company can expect to receive from a portfolio of long-term care policies. The valuation is based on discounting these cash flows using a U.S. Treasury yield curve adjusted for a credit margin reflecting the insurance carriers' credit risk of making these estimated commission payments over time.

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

2. Summary of significant accounting policies (continued)

f) *Derivative financial instruments*

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are recorded at fair value. Based on market prices, fair value adjustments and realized gains and losses are recognized in the interim consolidated statements of comprehensive income.

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

g) Impairment

The Company's financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

When an unrealized loss on an available-for-sale investment results from objective evidence of impairment, the difference between the amortized cost of the investment and its fair value is recognized as a realized loss in net income and a corresponding adjustment is made to other comprehensive income. For debt securities, impairment would occur as a result of a loss event, and for equity securities, impairment would occur as a result of a significant or prolonged reduction in fair value. In determining whether there is objective evidence of impairment, the factors considered are, primarily, the term of the unrealized loss and the amount of the unrealized loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss is reversed, with the amount of the reversal recognized in net income.

The carrying amounts of the Company's non-financial assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of an impairment charge to net income or loss in the interim consolidated statements of comprehensive income.

2. Summary of significant accounting policies (continued)

h) Other financial assets and liabilities

The Company has classified the following financial assets as loans and receivables that continue to be carried at their amortized cost, which approximates their fair value due to their short-term nature:

i. Premiums, accounts receivable and other assets.

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

i. Accounts payable, accrued and other liabilities;

ii. Reinsurance premiums payable;

iii. Loan payable; and

iv. Minority interests.

i) Insurance contracts

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* ("IFRS 4"). Significant insurance risk exists when the Company agrees to compensate policyholders of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. In the absence of significant insurance risk, the contract is classified as an investment contract or service contract.

j) Investment contracts

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

2. Summary of significant accounting policies (continued)

k) Premiums

Premiums are earned over the terms of the related policies or surety bonds, generally on a pro rata basis. There are some instances where premiums are earned over the term of the policy in accordance with the risk profile of those policies with more premiums being earned when the risk exposure from the policy is greatest. Unearned premiums represent the unexpired portion of premiums written. Gross premiums written are presented gross of retrospective premium refunds to insureds. Retrospective premium refunds are accounted for on an accrual basis.

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

l) Fees

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

m) Acquisition costs

Acquisition costs comprise commissions paid to insurance brokers and premium taxes. These costs are deferred to the extent they are recoverable from unearned premiums and are amortized on the same basis as the related premiums are earned. If unearned premiums are not sufficient to pay expected claims and expenses, including the deferred acquisition costs, after taking into consideration anticipated investment income, the resulting premium deficiency is recognized in the current period by first reducing, to a corresponding extent, the deferred amount of the acquisition costs. Any residual amount is recorded in the accounts as a provision for premium deficiency.

n) *Funds held by ceding companies*

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

o) Claims and loss adjustment expenses

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

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

2. Summary of significant accounting policies (continued)

o) Claims and loss adjustment expenses (continued)

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

p) Reinsurance

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

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

q) Capital assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of these assets using the following rates and methods:

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

r) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized, where those tax rates and laws have been substantively enacted.

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

Deferred tax assets are only recognized to the extent that it is probable that they will be realized. Estimates are used to determine the value of the deferred tax asset balance based on the assumption that the Company will generate taxable income in future years. Estimates are used to determine the taxes payable balance based on applicable tax legislation. For items in other comprehensive income, the related tax is also presented in other comprehensive income.

s) Intangible assets

Intangible assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of those assets. A 40% amortization rate and the declining balance method of amortization is applied to computer software. A 20% rate and the declining balance method of amortization is applied to the customer list recorded as an intangible asset.

2. Summary of significant accounting policies (continued)

t) Foreign currency

i) Functional and presentation currency

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

Foreign denominated monetary assets and liabilities are translated into the functional currency at the exchange rate in effect at the statement of financial position date. Foreign exchange differences arising on translation are recognized in net income or loss in the interim consolidated statement of comprehensive loss. Foreign currency non-monetary assets and liabilities which are measured at historical cost are recorded at the exchange rate in effect at the date of transaction. Foreign currency non-monetary assets and liabilities which are measured at fair value are recorded at the exchange rate in effect at the date that fair value was determined.

For fixed maturities, foreign exchange differences resulting from changes in amortized cost are recognized in net income or loss in the interim consolidated statements of comprehensive income, while foreign exchange differences arising from fair value gains and losses are included as unrealized (losses) gains within other comprehensive income in the interim consolidated statements of comprehensive income.

ii) Financial statements of foreign operations

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

- assets and liabilities are translated at the foreign exchange rates in effect at the statement of financial position date; and
- income and expenses are translated at average rates approximating the foreign exchange rates in effect at the dates of the transactions.

Foreign exchange differences arising from the translation to Canadian dollars are recognized as cumulative translation adjustment (“CTA”) in other comprehensive income in the interim consolidated statements of comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the CTA reserve is transferred to net income or loss from other comprehensive income within the interim consolidated statements of comprehensive income.

u) Offsetting

Financial assets and liabilities are offset and the net amount reported in the interim consolidated statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Under certain reinsurance contracts, the Company offset amounts carried as funds held by ceding companies against the corresponding liability for claims and claims adjustment expenses or investment contract liability where the intention was to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

v) Future accounting policy changes

IFRS 9 *Financial Instruments* ("IFRS 9")

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

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

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

IFRS 16 *Leases* ("IFRS 16")

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

IFRS 17 *Insurance Contracts* ("IFRS 17")

On May 18, 2017, the IASB issued the new standard IFRS 17 which allows insurance entities to elect one of the following two approaches: (a) the deferral approach which provides entities whose predominant activities are to issue insurance contracts within the scope of IFRS 4, a temporary exemption to continue using IAS 39, instead of IFRS 9 until January 1, 2021; and (b) the overlay approach which can be applied to eligible financial assets and provides an option for all issuers of insurance contracts to reclassify from profit or loss to other comprehensive income any additional accounting volatility that may arise from applying IFRS 9 before IFRS 17 is applied. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 and related interpretations and is effective for fiscal years beginning on or after January 1, 2021. The Company is currently assessing the impact of IFRS 17 on its consolidated financial statements.

(Unaudited, in C$ thousands of dollars)

3. Investments

a) Investments by designation

All investments are classified as available-for-sale or designated FVTPL as at June 30, 2017 and December 31 2016.

b) Unrealized gains and losses

The amortized cost and fair values of investments as at June 30, 2017 and December 31, 2016 were as follows:

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
June 30, 2017				
Bonds				
Government	**$ 27,062**	**$ 995**	**$ (10)**	**$ 28,047**
Government (designated as FVTPL)	**8,147**	**17,018**	**-**	**25,165**
Total government bonds	**35,209**	**18,013**	**(10)**	**53,212**
Corporate	**77,277**	**711**	**(319)**	**77,669**
	112,486	**18,724**	**(329)**	**130,881**
Mortgage backed securities	**440**	**8**	**(45)**	**403**
Asset backed securities	**57**	**40**	**(57)**	**40**
Total fixed income	**112,983**	**18,772**	**(431)**	**131,324**
Income and investment trust units	**2,138**	**797**	**(70)**	**2,865**
Common shares	**23,078**	**4,751**	**(961)**	**26,868**
Preferred shares	**14,441**	**1,001**	**(282)**	**15,160**
Structured insurance assets	**13,934**	**-**	**-**	**13,934**
	$ 166,574	**$ 25,321**	**$ (1,744)**	**$ 190,151**

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
December 31, 2016				
Bonds				
Government	$ 27,702	$ 1,236	$ (8)	$ 28,930
Government (designated as FVTPL)	9,105	19,881	-	28,986
Total government bonds	36,807	21,117	(8)	57,916
Corporate	75,663	724	(352)	76,035
	112,470	21,841	(360)	133,951
Mortgage backed securities	512	8	(44)	476
Asset backed securities	59	41	(59)	41
Total fixed income	113,041	21,890	(463)	134,468
Income and investment trust units	2,126	744	(68)	2,802
Common shares	22,162	5,372	(601)	26,933
Preferred shares	15,227	261	(623)	14,865
Convertible debenture	167	29	-	196
Structured insurance assets	15,129	-	-	15,129
	$ 167,852	$ 28,296	$ (1,755)	$ 194,393

(Unaudited, in C$ thousands of dollars)

3. Investments (continued)

c) Pledged assets

In the normal course of insurance and reinsurance operations, TIHL must secure its obligations under certain insurance and reinsurance contracts by collateralizing them with letters of credit or trust arrangements. These trusts and letters of credit may, in turn, be secured by the Company's fixed income investments. As at June 30, 2017, TIHL pledged $36,893 (December 31, 2016 – $42,228) of its fixed income investments for insurance and reinsurance trust arrangements.

d) Fair value hierarchy

Investments carried at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable, other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the investments classified in accordance with the fair value hierarchy as at June 30, 2017 and December 31, 2016:

	Total Fair Value	Level 1	Level 2	Level 3
June 30, 2017				
Bonds				
Government	**$ 53,212**	**$ -**	**$ 53,212**	**$ -**
Corporate	**77,669**	**-**	**77,669**	**-**
	130,881	**-**	**130,881**	**-**
Mortgage backed securities	**403**	**-**	**-**	**403**
Asset backed securities	**40**	**-**	**-**	**40**
Income and investment trust units	**2,865**	**2,865**	**-**	**-**
Common shares	**26,868**	**26,668**	**-**	**200**
Preferred shares	**15,160**	**15,160**	**-**	**-**
Structured insurance assets	**13,934**	**-**	**-**	**13,934**
Investments	**190,151**	**44,693**	**130,881**	**14,577**
Derivative financial assets	**365**		**365**	
Cash and cash equivalents	**160,344**	**160,344**	**-**	**-**
	$ 350,860	**$ 205,037**	**$ 131,246**	**$ 14,577**

(Unaudited, in C$ thousands of dollars)

3. Investments (continued)

d) Fair value hierarchy (continued)

	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2016				
Bonds				
Government	$ 57,916	$ -	$ 57,916	$ -
Corporate	76,035	-	76,035	-
	133,951	-	133,951	-
Mortgage backed securities	476	-	-	476
Asset backed securities	41	-	-	41
Income and investment trust units	2,802	2,802	-	-
Common shares	26,933	26,933	-	-
Preferred shares	14,865	14,865	-	-
Structured insurance assets	15,129	-	-	15,129
Convertible debenture	196	196	-	-
Investments	194,393	44,796	133,951	15,646
Derivative financial liabilities	(278)		(278)	
Cash and cash equivalents	122,096	122,096	-	-
	$ 316,211	$ 166,892	$ 133,673	$ 15,646

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for the six months ended June 30, 2017:

	June 30, 2017
Balance at beginning of period	**$ 15,646**
Unrealized losses	**(55)**
Amortization of premium	**(670)**
Purchase of securities	**205**
Foreign exchange	**(549)**
Balance at end of period	**$ 14,577**

Included within the Level 3 assets is the structured insurance assets. The structured insurance assets is valued using a proprietary discounted cash flow valuation model. Expected future cash flows are projected taking into account the probability of a policy being cancelled by the insured (referred to as lapse), the insured becoming sick and making a claim under the insurance policy (referred to as morbidity), or the insured dying (referred to as mortality). The key unobservable input to this valuation model is the future lapse assumption. See Note 2d for further details on the inputs to the valuation model.

(Unaudited, in C$ thousands of dollars)

3. Investments (continued)

e) Net investment income

The components of net investment income for the three and six months ended June 30, 2017 and 2016 were as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Net interest income				
Cash and cash equivalents	**$ 121**	$ 143	**$ 291**	$ 160
Available-for-sale bonds	**821**	877	**1,601**	1,982
Interest on Executive share purchase plan	**15**	18	**31**	37
Interest expense on Notes payable	**(2)**	(6)	**(6)**	(13)
	955	1,032	**1,917**	2,166
Business and dividend income				
Available-for-sale income and investment trust units	**77**	(101)	**101**	(47)
Available-for-sale common shares	**210**	168	**436**	351
Available-for-sale preferred shares	**175**	163	**357**	298
FVTPL convertible debenture	**-**	57	**(29)**	115
	1,417	1,319	**2,782**	2,883
Unrealized (loss) gain on investments held at FVTPL	**(1,962)**	(4,244)	**(3,373)**	71
Investment income on funds held by ceding companies	**-**	174	**-**	354
Commission income on assets at FVTPL	**212**	80	**440**	731
Loss on investment contracts	**(9)**	(108)	**(9)**	(224)
Investment expenses	**(160)**	(129)	**(297)**	(266)
	(502)	(2,908)	**(457)**	3,549
Gain (loss) on disposition of investments				
Available-for-sale income and investment trust units	**-**	76	**-**	76
Available-for-sale bonds	**2,021**	4,572	**2,691**	4,245
Available-for-sale common shares	**(6)**	78	**23**	161
Available-for-sale preferred shares	**80**	-	**80**	-
	2,095	4,726	**2,794**	4,482
	$ 1,593	$ 1,818	**$ 2,337**	$ 8,031

(Unaudited, in C$ thousands of dollars)

4. Unpaid claims and loss adjustment expenses

a) Nature of unpaid claims and loss adjustment expenses

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

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

	Gross	**Ceded**	**Net**
June 30, 2017			
Trisura Guarantee			
Property and casualty	**$ 72,070**	**$ 27,222**	**$ 44,848**
	72,070	**27,222**	**44,848**
TIIL			
Life	**72,826**	**-**	**72,826**
Property and casualty	**21,774**	**-**	**21,774**
	94,600	**-**	**94,600**
	$ 166,670	**$ 27,222**	**$ 139,448**

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

Ceded balances are referred to as recoverable from reinsurers on the consolidated statements of financial position, and are grouped with ceded unearned reinsurance assets.

(Unaudited, in C$ thousands of dollars)

4. Unpaid claims and loss adjustment expenses (continued)

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

The following changes have occurred to the provision for unpaid claims for the three and six months ended June 30:

Gross claim reserves	**Three months ended June 30,**		**Six months ended June 30,**	
	2017	2016	**2017**	2016
Unpaid claims, beginning of year	**$ 165,864**	$ 167,054	**$ 163,970**	$ 168,772
Add: Provisions offset against funds held by ceding companies [1]	**-**	30,257	**-**	32,013
Gross unpaid claims, beginning of year	**165,864**	197,311	**163,970**	200,785
Change in undiscounted estimates for losses of prior years	**(1,427)**	1,739	**(3,381)**	9,259
Change in discount rate	**(203)**	155	**200**	155
Change in provision for adverse deviation	**104**	367	**425**	367
Claims occurring in current year (including paid)	**7,592**	8,506	**18,172**	11,871
Paid on claims occurring during:				
Current year	**(2,814)**	(2,318)	**(4,746)**	(3,785)
Prior years	**(4,299)**	(6,395)	**(8,840)**	(12,222)
Foreign exchange	**1,853**	1,004	**870**	(6,061)
Gross unpaid claims end of period	**166,670**	200,369	**166,670**	200,369
Deduct: Provisions offset against funds held by ceding companies	**-**	(30,248)	**-**	(30,248)
Unpaid claims, end of period	**$ 166,670**	$ 170,121	**$ 166,670**	$ 170,121

Reinsurers' share of claim reserves	**Three months ended June 30,**		**Six months ended June 30,**	
	2017	2016	**2017**	2016
Unpaid claims, beginning of year	**$ 27,348**	$ 20,230	**$ 24,676**	$ 18,958
Change in undiscounted estimates for losses of prior years	**310**	435	**(121)**	2,000
Change in discount rate	**(69)**	16	**(86)**	16
Change in provision for adverse deviation	**101**	126	**228**	126
Claims occurring in current year (including paid)	**2,652**	4,351	**8,058**	5,250
Paid on claims occurring during:				
Current year	**(1,509)**	(815)	**(2,347)**	(1,270)
Prior years	**(1,611)**	(687)	**(3,186)**	(1,424)
Unpaid claims, end of period	**$ 27,222**	$ 23,656	**$ 27,222**	$ 23,656

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

(Unaudited, in C$ thousands of dollars)

5. Premiums, accounts receivable and other assets

As at June 30, 2017 and December 31, 2016 premiums, accounts receivable and other assets include the following:

	June 30, 2017	December 31, 2016
Premiums receivable	**$ 20,244**	$ 17,887
Derivative assets	**365**	-
Executive share purchase plan receivable (Note 13)	**1,331**	1,542
Accrued investment income	**855**	865
Funds held by ceding companies	**367**	406
Prepaid expenses	**177**	175
Tax recoveries	**416**	432
Interest receivable	**238**	356
Miscellaneous assets	**395**	406
	$ 24,388	$ 22,069

6. Accounts payable, accrued and other liabilities

As at June 30, 2017 and December 31, 2016, accounts payable accrued and other liabilities consist of:

	June 30, 2017	December 31, 2016
Taxes payable	**$ 142**	$ 3,501
Share based payment plan	**-**	4,262
Derivative liabilities	**-**	278
Severance	**19**	440
Accrued liabilities	**4,176**	4,238
Investment contract liabilities	**2,818**	2,750
Other liabilities	**3,445**	5,786
Deposits in trust	**7,883**	4,179
	$ 18,483	$ 25,434

(Unaudited, in C$ thousands of dollars)

7. Reinsurance

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

Reinsurance does not relieve Trisura Guarantee of its obligations to policyholders. A contingent liability exists with respect to reinsurance ceded which would become a liability of Trisura Guarantee in the event that any reinsurer fails to honour its obligations. For this reason, Trisura Guarantee evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to losses from reinsurer insolvencies. All licensed reinsurers providing treaty or facultative reinsurance policies are required to have a minimum A.M. Best credit rating of A- at the inception of each policy. Unlicensed reinsurers must post an agreed upon level of collateral. Provisions are incorporated in the treaties to protect Trisura Guarantee in the event a licensed reinsurer's credit rating does deteriorate during the term of the treaty.

As at June 30, 2017 and December 31, 2016, Trisura International had immaterial reinsurance exposure.

The Company has determined that a provision is not required for potentially uncollectible reinsurance as at June 30, 2017 and December 31, 2016.

8. Restructuring costs

In 2008, TIHL announced that it had ceased writing new business. As a result, provisions were made for severance costs related to employees whose positions may become redundant. The provision was established based on TIHL's business plans. The movement in the severance provision for the six months ended June 30, 2017 and year ended December 31, 2016 is as follows:

	June 30, 2017	**December 31, 2016**
Balance at begining of the year	$ 440	$ 551
Additional accrual	-	85
Adjustments for over accruals	-	(165)
Amounts paid	(418)	(19)
Adjustment for foreign exchange movements	(3)	(12)
Balance at end of period	$ 19	$ 440

9. Capital management

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

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

Regulatory Capital

i) Trisura Guarantee

Under guidelines established by the Office of the Superintendent of Financial Institutions which apply to Trisura Guarantee, Canadian property and casualty insurance companies must maintain minimum levels of capital as determined in accordance with a prescribed test – the minimum capital test ("MCT") – which expresses available capital (actual capital plus or minus specified adjustments) as a percentage of required capital. Companies are expected to maintain MCT levels of at least 150% and are further required to establish their own unique target MCT levels based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Guarantee's target MCT level in accordance with these requirements. Trisura Guarantee has exceeded this measure as at June 30, 2017 and December 31, 2016.

ii) Trisura International

Imagine Asset Services dac ("IASD"), a subsidiary of Trisura International, was regulated by the Central Bank of Ireland until June 7, 2017. On that date, the Central Bank of Ireland approved the application by IASD to cancel its reinsurance authorization following the termination of all its reinsurance contracts. Consequently, from that date forward, IASD was no longer required to maintain any regulatory capital requirements. As at December 31, 2016, IASD was required to maintain minimum capital of $5,108.

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at June 30, 2017, Trisura International was required to maintain minimum capital totaling $162 (December 31, 2016 – Trisura International and IASD were required to maintain aggregate minimum capital $5,270). This amount is restricted from potential dividend payments.

TIHL's previous letter of credit facilities required that TIHL maintain a minimum level of adjusted tangible net worth. As at June 30, 2017, TIHL was no longer subject to any requirements regarding minimum net worth, as the credit facility was no longer active. As at December 31, 2016, TIHL's minimum net worth was in excess of the minimum requirement.

Trisura International had provided a Net Worth Maintenance Agreement ("NWMA") to IASD. Under the NWMA, Trisura International, subject to certain conditions as set out in the NWMA, agreed that it shall cause IASD to maintain minimum shareholder's funds sufficient to satisfy IASD's solvency requirements calculated under applicable Irish statutory regulations and accounting principles. As at December 31, 2016, IASD was not reliant on Trisura International for support under the NWMA. As at June 30, 2017, the NWMA was not required as IASD was no longer regulated.

10. Share capital

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

The impact of the Reorganization Transaction on share capital was to increase share capital to $140,270, which reflects current share capital of the Company. The impact of the Reorganization Transaction on retained earnings was to reduce retained earnings by the difference between consideration paid for Brookfield's interest in 643 Can Ltd and the book value of 643 Can Ltd as at June 15, 2017, which reduced retained earnings by $31,631.

As at June 30, 2017, 5,813,352 common shares of the Company with a value of $140,270 were issued. No preference shares or non-voting shares were outstanding.

The consolidated share capital of the Company as at June 30, 2017 was $140,270 (combined share capital as at December 31, 2016 - $9,618).

11. Loan payable

On August 4, 2016, 643 Can Ltd entered into an arrangement with a Canadian Schedule I bank to borrow $35,000 for the purpose of redeeming the balance of its Class A common shares outstanding at that time, as well as issuing a dividend to pay the $16,100 of accumulated value accretion associated with those shares owing to Brookfield.

The credit arrangement was arranged by way of a five-year lending facility funded through short term banker's acceptance or Canadian prime rate advances. The rate is based on the current periods' bankers' acceptance rate or Canadian prime rate, plus a margin. The loan balance is accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consists only of interest, with no mandatory principal payments required.

As part of the covenants of the loan, 643 Can Ltd is required to maintain certain financial ratios, which were fully met as at June 30, 2017 and December 31, 2016.

During the three and six months ended June 30, 2017, 643 Can Ltd incurred $539, and $263, respectively, of interest expense (June 30, 2016 - $nil, $nil). As at June 30, 2017, the loan balance was $30,400 (December 31, 2016 - $34,100).

12. Letters of credit

Effective November 18, 2008, TIHL entered into a letter of credit facility with a Canadian Schedule I bank (the "Facility"). This Facility was no longer active as at June 30, 2017. In prior periods, the bank agreed to provide letters of credit on an unsecured basis (total capacity as at December 31, 2016 – $8,066). Letters of credit under the Facility matured 364 days from the date of issuance on an evergreen basis, meaning that they automatically renewed each year unless utilized by the letter of credit beneficiary. Under the Facility, TIHL and/or certain of its subsidiaries were required to maintain certain covenants, including a minimum tangible net worth covenant that applied to TIHL only. A breach of any of these covenants, or certain other events set out in the credit agreement, would result in an event of default, upon which TIHL may have been required to provide the appropriate collateral under the Facility. As at June 30, 2017, the Facility was no longer active and no letters of credit had been issued (December 31, 2016 – four totaling $7,697). As at December 31, 2016, TIHL was in compliance with all of the covenants under the Facility.

(Unaudited, in C$ thousands of dollars)

13. Related party transactions

Prior to the Spin-off on June 22, 2017 the Company was a subsidiary of Brookfield, which was the ultimate controlling party of the Company as well as TIHL and 643 Can Ltd (Note 1).

The Company and its subsidiaries have entered into outsourcing arrangements with Brookfield and its affiliated companies with respect to the provision of information technology, internal audit, and investment management services and the services of a Brookfield employee as the Chief Financial Officer of the Company. The Company leases office space from, and subleases office space to, subsidiaries of Brookfield. The Company occasionally issues surety bonds and insurance policies to subsidiaries of Brookfield, and earns interest income from deposits with companies which are subsidiaries of Brookfield. These transactions are conducted in the normal course of business and are measured at the amount of consideration paid or established and agreed between the parties. A subsidiary of the Company entered into a tax transfer arrangement with Brookfield in 2016 and 2017, as permitted under applicable income tax legislation and the Act and during 2017, it made a payment during the first quarter to Brookfield for taxes paid related to 2016 of $3,543 (second quarter of 2016 - $1,700 paid related to 2015). During the first quarter of 2017, a subsidiary was paid a fee of $580 plus HST from Brookfield for services incurred in 2017.

As at June 30, 2017, executive share purchase plan loans due from related parties amounted to $1,331 (December 31, 2016 - $1,542). Interest receivable of $238 related to this balance was also due as at June 30, 2017 (December 31, 2016 - $355). During the six months ended June 30, 2017, $31 of interest income was earned related to the shareholder loans (June 30, 2016 - $37).

14. Other comprehensive (loss) income

The following sets out the components of other comprehensive (loss) income for the three and six months ended June 30:

	Three months ended June		Six months ended June	
	2017	2016	**2017**	2016
Items that may be reclassified subsequently to net (loss) income				
Unrealized gains on available-for-sale investments	**$ 826**	$ 5,314	**$ 2,066**	$ 1,167
Unrealized losses on available-for-sale investments	**(2,393)**	(1,573)	**(1,976)**	(1,292)
Income tax benefit (expense)	**528**	(424)	**142**	(471)
	(1,039)	3,317	**232**	(596)
Items reclassified to net (loss) income				
Realized gains	**132**	628	**163**	799
Realized losses	**(7)**	(57)	**(11)**	(472)
Income tax expense (benefit)	**65**	8	**63**	(66)
	190	579	**215**	261
Items other than cumulative translation loss	**(1,229)**	2,738	**17**	(857)
Items that will not be reclassified subsequently to net (loss) income				
Cumulative translation loss	**(2,207)**	(449)	**(2,688)**	(3,611)
Other comprehensive (loss) income	**$ (3,436)**	$ 2,289	**$ (2,671)**	$ (4,468)

Included in accumulated other comprehensive (loss) income as at June 30, 2017 is $1,662 of accumulated net tax expenses (December 31, 2016 - $1,742 accumulated net tax recovery).

(Unaudited, in C$ thousands of dollars)

15. Segmented information

The Company has three reportable segments. The operations of 643 Can Ltd, referred to below as Trisura Guarantee, are one reportable segment which comprises surety solutions, risk solutions and corporate insurance solutions products underwritten in Canada. The operations of TIHL, referred to below as Trisura International, are a second reportable segment which comprises the Company's international reinsurance operations. Trisura Specialty is a third operating segment, which will provide specialty insurance solutions underwritten in the United States. Trisura Specialty did not have active operations for the period ended June 30, 2017.

The following table shows the results for the three and six months ended June 30, 2017 and 2016:

Three months ended June 30, 2017	**Trisura Guarantee**	**Trisura International**	**Total**
Revenue			
Net premiums earned	19,905	43	$ 19,948
Fee income	119	9	128
Total underwriting revenue	20,024	52	20,076
Net claims	3,009	62	3,071
Net expenses	13,748	740	14,488
Total claims and expenses	16,757	802	17,559
Net underwriting income (loss)	3,267	(750)	2,517
Investment income	1,128	465	1,593
Foreign exchange gain	-	109	109
Interest expense	(263)	-	(263)
Change in minority interests	-	-	
	4,132	(176)	3,956
Corporate expenses			(1,068)
Net income (loss) before tax	4,132	(176)	$ 2,888

Six months ended June 30, 2017	**Trisura Guarantee**	**Trisura International**	**Total**
Revenue			
Net premiums earned	$ 37,534	$ 43	$ 37,577
Fee income	3,048	9	3,057
Total underwriting revenue	40,582	52	40,634
Net claims	7,948	(612)	7,336
Net expenses	27,173	1,355	28,528
Total claims and expenses	35,121	743	35,864
Net underwriting income (loss)	5,461	(691)	4,770
Investment income	2,138	199	2,337
Foreign exchange gain	-	94	94
Interest expense	(539)	-	(539)
Change in minority interests	(5,158)	-	(5,158)
	1,902	(398)	1,504
Corporate expenses			(1,892)
Net income (loss) before tax	$ 1,902	$ (398)	$ (388)

(Unaudited, in C$ thousands of dollars)

15. Segmented information (continued)

Three months ended June 30, 2016		**Trisura Guarantee**		**Trisura International**		**Total**
Revenue						
Net premiums earned	$	17,767	$	51	$	17,818
Fee income		95		-		95
Total underwriting revenue		17,862		51		17,913
Net claims		2,820		3,019		5,839
Net expenses (recoveries)		12,384		(1,807)		10,577
Total claims and expenses		15,204		1,212		16,416
Net underwriting income (loss)		2,658		(1,161)		1,497
Investment income		1,017		801		1,818
Foreign exchange loss		-		(26)		(26)
Change in minority interests		-		-		-
Net income (loss) before tax	$	3,675	$	(386)	$	3,289

Six months ended June 30, 2016		**Trisura Guarantee**		**Trisura International**		**Total**
Revenue						
Net premiums earned	$	33,427	$	51	$	33,478
Fee income		3,046		-		3,046
Total underwriting revenue		36,473		51		36,524
Net claims		6,756		7,504		14,260
Net expenses (recoveries)		24,624		(841)		23,783
Total claims and expenses		31,380		6,663		38,043
Net underwriting income (loss)		5,093		(6,612)		(1,519)
Investment income		2,056		5,975		8,031
Foreign exchange loss		-		(178)		(178)
Change in minority interests		(160)		-		(160)
Net income (loss) before tax	$	6,989	$	(815)	$	6,174

As at June 30, 2017		**Trisura Guarantee**		**Trisura International**		**Trisura Specialty**		**Coporate and consolidation adjustments**		**Total**
Assets	**$**	**284,573**	**$**	**146,859**	**$**	**58,320**	**$**	**(19,635)**	**$**	**470,117**
Liabilities	**$**	**265,398**	**$**	**121,173**	**$**	**21,891**	**$**	**(44,048)**	**$**	**364,414**

As at December 31, 2016		**Trisura Guarantee**		**Trisura International**		**Trisura Specialty**		**Coporate and consolidation adjustments**		**Total**
Assets	$	259,857	$	159,544	$	-	$	-	$	419,401
Liabilities	$	240,472	$	108,041	$	-	$	-	$	348,513

(Unaudited, in C$ thousands of dollars)

16. Income taxes

The following shows the major components of income tax expense for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Current tax expense:				
Current year	**$ 989**	$ 864	**$ 1,784**	$ 1,801
Prior year true up	**41**	(10)	**41**	(10)
	1,030	854	**1,825**	1,791
Deferred tax expense:				
Origination and reversal of temporary differences	**98**	(8)	**62**	(31)
Income tax expense	**$ 1,128**	$ 846	**$ 1,887**	$ 1,760
Income taxes recorded in other comprehensive income				
Net changes in unrealized (losses) gains on available-for-sale investments	**$ (426)**	$ 489	**$ (37)**	$ 394
Reclassification to net income of net losses on available-for-sale investments	**63**	(94)	**51**	(50)
Origination and reversal of temporary differences	**(100)**	37	**(93)**	61
Total income tax (benefit) expense recorded in other comprehensive income	**$ (463)**	$ 432	**$ (79)**	$ 405

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax provision included in the interim consolidated statements of comprehensive income for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Income (loss) from continuing operations before income taxes	**$ 2,888**	$ 3,289	**$ (388)**	$ 6,174
Statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
	765	872	**(103)**	1,636
Variations due to:				
Permanent differences	**(85)**	(142)	**1,202**	(82)
International operations subject to different tax rates	**324**	114	**588**	221
Valuation allowance	**85**	18	**157**	-
Rate differentials:				
Current rate versus future rate	**-**	(3)	**-**	(3)
Change in future rate	**(2)**	(3)	**2**	(2)
True up	**41**	(10)	**41**	(10)
Income tax expense	**$ 1,128**	$ 846	**$ 1,887**	$ 1,760
Current	**$ 1,030**	$ 854	**$ 1,825**	$ 1,791
Deferred	**98**	(8)	**62**	(31)
Income tax expense	**$ 1,128**	$ 846	**$ 1,887**	$ 1,760

17. Stock options

In 2017, the Company's board of directors recommended a stock option plan to be presented for approval at the first annual general meeting of the Company's shareholders in May 2018. Under the stock option plan, the exercise price of each stock option will be established at the time that the option is granted. It is expected that the vesting period will normally be 20% per year over five years and the expiry date of stock options granted will not exceed ten years.

18. Comparative figures

Certain comparative balances have been represented to conform with the presentation adopted in the current period.

19. Earnings per share

The number of shares has been consistent since the Spin-off and therefore the weighted average common shares is equal to the number of shares outstanding at June 30, 2017 at 5,813,352. Basic earnings per common share is calculated by dividing net income attributable to common shareholders for the period from June 22, 2017 to June 30, 2017 by the weighted average common shares. As at June 30, 2017, there were no diluting items and therefore basic earnings per share is equal to diluted earnings per share.

20. Auditors' involvement with the interim consolidated financial statements

The interim consolidated financial statements have not been reviewed by the Company's external auditor. The external auditor will be auditing the annual financial statements in accordance with Canadian generally accepted auditing standards.