Trisura Group Ltd.

Management's Discussion and Analysis

For the quarter ended June 30, 2020

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 and six months ended June 30, 2020. This MD&A should be read in conjunction with our unaudited Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2020 and the audited Consolidated Financial Statements for the year ended December 31, 2019.

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 August 5, 2020. Additional information is available on SEDAR at www.sedar.com.

TABLE OF CONTENTS

SECTION 1 - OVERVIEW

OUR BUSINESS

Our Company is a leading international specialty insurance provider 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 14 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 lines insurer in Oklahoma with the ability to write business across 50 states. Our US specialty insurance company can also write business on an admitted basis in certain states. Our international reinsurance business has been in operation in Barbados for more than 18 years and has commenced 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 through expansion of our Canadian business 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 2019, the Company closed its acquisition of 21st Century Preferred Insurance Company and completed its re-domestication from Pennsylvania to Oklahoma. We have expanded our admitted licenses, which now includes licenses in 30 states. We continue the process of applying for licenses in the remaining states.

ORGANIZATIONAL STRUCTURE & REGULATORY FRAMEWORK

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

(i) Trisura Guarantee Insurance Company ("Trisura Canada") is our Canadian specialty insurance company. Trisura Canada 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 Insurance Company ("Trisura US") is our US specialty insurance company. Trisura US was incorporated in 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, and is licensed on an admitted basis in 30 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. A wholly owned subsidiary of Trisura International was established in Barbados, to act as a reinsurer of our on-shore companies and commenced writing business in Q4 2019.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q2 2020

- ✓ $6.6 million in net income in the quarter and $15.0 million YTD, a substantial improvement over the previous periods, driven by stronger results in Canada, and accelerating profitability in the US.
- ✓ Successfully completed a $65.1 million financing, raising capital to support growth in our business, primarily in the U.S.
- ✓ Diluted EPS of $0.68 and $1.61 in the quarter and YTD periods respectively compared to $(0.63) and $(0.25) in 2019.
- ✓ LTM ROE of 11.8% compared to 3.3% at Q2 2019. Q2 2019 LTM included the impact of negative results in our reinsurance business in 2019. Q2 2020 LTM included dilution from our equity raises in September 2019 and May 2020.
- ✓ BVPS of $26.24 was an increase of 21.6% over Q4 2019.
- ✓ Continued strong performance of our operations in Canada and the US.
  - Canada:
    - GPW and NPE growth of 7.4% and 23.8% respectively in Q2 2020 demonstrating resilience in the face of challenging market conditions as a result of COVID-19.
    - NUI growth of 203.3% over Q2 2019 and 99.2% on a YTD basis, a result of continued growth and improved claims results.
    - Combined ratios of 78.9% and 80.3% for Q2 2020 and Q2 YTD compare well to prior year periods of 91.4% and 87.8%, the result of a combination of lower claims and expense ratios.
    - NI increased in Q2 2020 by 55.5% and increased in Q2 2020 YTD by 21.0% over Q2 and Q2 2019, generating LTM ROE of 19.7%.
  - United States:
    - Resilient growth in GPW reaching $144.8 million in Q2 2020, a $24.1 million increase over Q1 2020.
    - Net income of $4.0 million in the quarter and $6.6 million YTD demonstrating continued scaling and potential of the fronting model.
    - Adoption of captive reinsurance program, ceding $4.4 million in premium to Trisura International in Q2 2020.
    - Accelerating profitability generated an LTM ROE of 9.5% despite an increase in the capital base.
    - Deferred fee income, a precursor to earned fees was $13.7 million as at June 30, 2020.
    - Fronting operational ratio of 67.7% in Q2 2020 and 68.3% YTD is materially improved versus the corresponding period in 2019 reflecting growth in NPE and fronting fees as the business builds scale.
- ✓ Strong capital positions across the Company including an MCT ratio of 255% in our Canadian operations, sufficient capital in our US operations to support our AM Best A- Rating (VII size category, with an expectation to move to VIII size category post equity raise) and appropriate capital in our international reinsurer.
- ✓ Following our capital raise, improved financial flexibility demonstrated by a debt-to-capital ratio of 9.9% at Q2 2020; below our long-term target of 20.0%.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. We are closely monitoring developments related to COVID-19, including the existing and potential impact on the economy and global financial markets. Due to the speed with which the situation is developing and the uncertainty of its magnitude, outcome and duration, the longer-term impact of the COVID-19 pandemic on our Company, our insurance business or our financial results, if any, is difficult to predict. See Section 7 – Risk Management.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q2 2020	Q2 2019[(1)]	$ variance	% variance	Q2 2020 YTD	Q2 2019 YTD[(1)]	$ variance	% variance
Gross premiums written	202,683	109,313	93,370	85.4%	372,635	190,696	181,939	95.4%
Net premiums written	46,881	37,133	9,748	26.3%	88,381	65,543	22,838	34.8%
Net premiums earned	36,776	25,982	10,794	41.5%	67,343	48,075	19,268	40.1%
Fee income	5,867	1,752	4,115	234.9%	13,408	6,101	7,307	119.8%
Total underwriting revenue	42,643	27,734	14,909	53.8%	80,751	54,176	26,575	49.1%
Net claims and loss adjustment expenses	(15,961)	(16,263)	302	(1.9%)	(30,147)	(31,157)	1,010	(3.2%)
Net commissions	(12,138)	(9,056)	(3,082)	34.0%	(23,371)	(17,574)	(5,797)	33.0%
Operating expenses and premium taxes	(14,753)	(11,325)	(3,428)	30.3%	(26,838)	(22,615)	(4,223)	18.7%
Total claims and expenses	(42,852)	(36,644)	(6,208)	16.9%	(80,356)	(71,346)	(9,010)	12.6%
Net underwriting (loss) income	(209)	(8,910)	8,701	(97.7%)	395	(17,170)	17,565	nm
Net investment income	6,308	5,771	537	9.3%	14,842	10,084	4,758	47.2%
Settlement from structured insurance assets	-	-	-	n/a	-	8,077	(8,077)	nm
Net gains	3,504	533	2,971	557.4%	1,450	1,188	262	22.1%
Interest expense	(267)	(342)	75	(21.9%)	(667)	(687)	20	(2.9%)
Income (loss) before income taxes	9,336	(2,948)	12,284	nm	16,020	1,492	14,528	973.7%
Income tax expense	(2,749)	(1,190)	(1,559)	131.0%	(1,062)	(3,113)	2,051	(65.9%)
Net income (loss)	6,587	(4,138)	10,725	nm	14,958	(1,621)	16,579	nm
Other comprehensive income (loss)	8,828	(1,710)	10,538	nm	(2,542)	948	(3,490)	(368.2%)
Comprehensive income (loss)	15,415	(5,848)	21,263	nm	12,416	(673)	13,089	nm
Earnings per common share - basic - in dollars	0.69	(0.63)	1.32	nm	1.63	(0.25)	1.88	nm
Earnings per common share - diluted - in dollars	0.68	(0.63)	1.31	nm	1.61	(0.25)	1.86	nm
Book value per share - in dollars	26.24	19.55	6.69	34.2%	26.24	19.55	6.69	34.2%
LTM ROE	11.8%	3.3%	n/a	8.5pts	11.8%	3.3%	n/a	8.5pts

(1) Certain Net investment income balances from June 30, 2019 have been reclassified to Net gains to conform with the December 31, 2019 annual financial statements presentation.

Premium Revenue and Fee Income

Premium growth continued in the quarter and YTD with GPW increasing 85.4% and 95.4% over comparable periods in 2019 driven by continued acceleration in the US and growth in Surety and Corporate Insurance in Canada. NPW growth was also significant, but lower than growth in GPW due to the high percentage of business ceded to reinsurers from our US fronting business. NPE growth was high in the US as premiums written last year were earned in 2020, and supported by strong growth in our Canadian Corporate Insurance and Risk Solutions lines. The increase in fee income in both the quarter and YTD periods was driven by fronting fees from the US, supported by consistent fee income in Canada.

Net Claims

Net claims in the quarter and YTD periods were slightly lower than the comparable periods in 2019 due to a relatively smaller increase in our life annuity reserves than Q2 and Q2 2019 YTD, arising from declines in European interest rates. Importantly, a significant portion of these reserve increases are offset by investment income (see Section 5 – Investment Performance Review). With the exception of the impact of the life annuity reserves, net claims expense grew in the YTD period with growth of the business, although in Q2 2020 a better claims experience led to lower net claims expense in Q2 2020 compared to Q2 2019 in our Canadian business (See Canada section).

Operating Expenses and Premium Taxes

In Q2 2020, the increase in operating expenses was significantly driven by share-based compensation, as the increasing the value of our share price led to an increase in the value of certain outstanding options. In Q2 2020 YTD, operating expenses increased as a result of growth in the US operations as well as an increase in the value of outstanding options. Excluding share-based compensation, operating expenses increased 7.2% in the quarter and 7.0% in the YTD periods, reflective of growth in the business.

Net Underwriting (Loss) Income

Reserve increases from our life annuity policies negatively impacted underwriting income in Q2 2020 and Q2 2020 YTD, although they are substantially offset by investment income. See Section 4 – Performance Review for a discussion on underwriting income in Canada and the US.

Net Investment Income

See Section 5 – Investment Performance Review.

Other Comprehensive Income (Loss)

See Section 5 – Investment Performance Review.

Income Tax Expense

In Q2 2020 YTD, Income tax was less than the comparable period due to the recognition of a Deferred tax asset related to previously unrecognized tax losses. For additional information see Note 19 of the Condensed Interim Consolidated Financial Statements. In Q2 2020, the effective tax rate is relatively high as a result of losses in the reinsurance operations which are taxed at a lower rate than income generated in Canada and the US.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Net Income (Loss)

Net income for the quarter and YTD period was higher than prior year primarily as a result of maturation of the US platform, stronger results in Canada and improved asset liability matching in the reinsurance business compared to the prior year.

EPS, BVPS and ROE

Quarterly diluted EPS of $0.68 in Q2 2020 compared to $(0.63) in Q2 2019 improved as a result of resilient net income in Canada, a stronger contribution from our fronting operations in the US and mitigated by an increase in the number of shares outstanding. BVPS of $26.24 was an increase of 21.6% over Q4 2019. The increase was the result of our equity raise, underwriting income from our Canadian and US platforms and investment income at both the subsidiary and group level.

BALANCE SHEET ANALYSIS

As at	June 30, 2020	December 31, 2019	$ variance
Cash and cash equivalents, and short-term securities	99,165	85,905	13,260
Investments	465,680	392,617	73,063
Premiums and accounts receivable, and other assets	136,076	86,669	49,407
Recoverable from reinsurers	465,215	293,068	172,147
Deferred acquisition costs	139,873	104,197	35,676
Capital assets and intangible assets	13,872	14,477	(605)
Deferred tax assets	7,732	1,460	6,272
Total assets	1,327,613	978,393	349,220
Accounts payable, accrued and other liabilities	44,337	40,916	3,421
Reinsurance premiums payable	109,852	80,186	29,666
Unearned premiums	445,980	328,091	117,889
Unearned reinsurance commissions	80,446	51,291	29,155
Unpaid claims and loss adjustment expenses	348,066	257,880	90,186
Loan payable	29,494	29,700	(206)
Total liabilities	1,058,175	788,064	270,111
Shareholders' equity	269,438	190,329	79,109
Total liabilities and shareholders' equity	1,327,613	978,393	349,220

Total assets at June 30, 2020 were $349.2 million higher than at December 31, 2019 as a result of growth across our Specialty P&C businesses as well as our equity raise in May 2020. The growth in the US has led to increases across a number of assets categories, particularly Recoverables from reinsurers which has grown alongside growth in premium and ceded premium. The nature of the fronted operations of the US business generate significant Recoverables from reinsurers, which increase alongside an increase in Unearned premiums and Unpaid claims and loss adjustment expenses. These recoverables are regularly monitored in accordance with the Company's reinsurance risk management policies and are generally owing from reinsurers with A.M. Best ratings of A- or higher or are otherwise fully collateralized. Investments also increased significantly as funds from the equity raise were invested.

Deferred tax assets increased as a result of the recognition of the deferred tax asset associated with previously unrecognized tax losses (see Note 19 of the Condensed Interim Consolidated Financial Statements).

The main drivers of liability increases were Unearned premiums, and Unpaid claims and loss adjustment expenses primarily as a result of business growth in the US. These increases are partially offset by an increase in Recoverable from reinsurers.

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).

In the quarter, the Company completed a $65.1 million equity raise, to support growth in the US. The Company issued an additional 1,449,250 shares.

In Q3 2019, the Company completed a $55.7 million equity raise, to support growth in the US, as well as to further improve asset liability matching at Trisura International. The Company issued an additional 2,197,939 shares.

As at June 30, 2020, 10,268,869 common shares were issued and outstanding.

LIQUIDITY

Liquidity sources immediately available to the Company include: (i) cash and cash equivalents, and short-term securities; (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 (see Note 12 to the Condensed Interim Consolidated Financial Statements). These funds are used primarily to pay claims and operating expenses, service the Company's credit facility and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio of Trisura Canada was 255% at June 30, 2020 (258% as at December 31, 2019), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI, as well as the Company's internal targets.

Trisura US's capital and surplus of $112.8 million USD as at June 30, 2020 ($83.3 million USD as at December 31, 2019) was in excess of the various Risk Based Capital requirements and Company Action Levels of the states in which it is licensed.

Trisura International's capital of $11.7 million USD as at June 30, 2020 ($14.2 million USD as at December 31, 2019) was sufficient to meet the FSC's regulatory capital requirement.

The Company's debt-to-capital ratio of 9.9% as at June 30, 2020 (13.5% as at December 31, 2019), was below our long-term target debt-to-capital ratio of 20.0% as a result of the equity raise and growth in book value from earnings.

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 per share numbers and as otherwise noted)

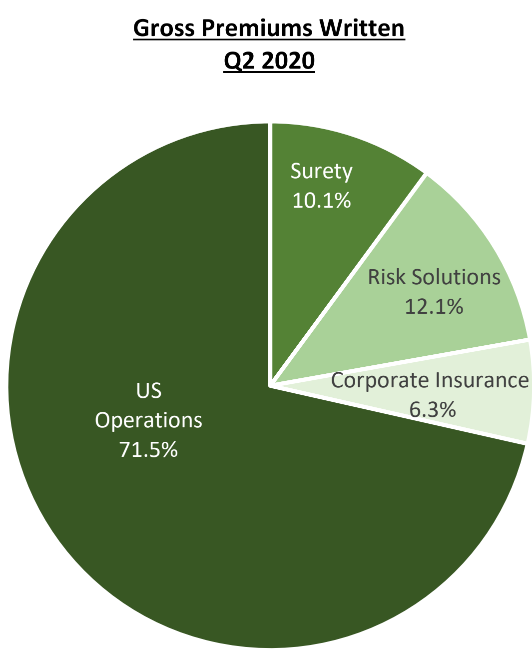
SECTION 4 – PERFORMANCE REVIEW

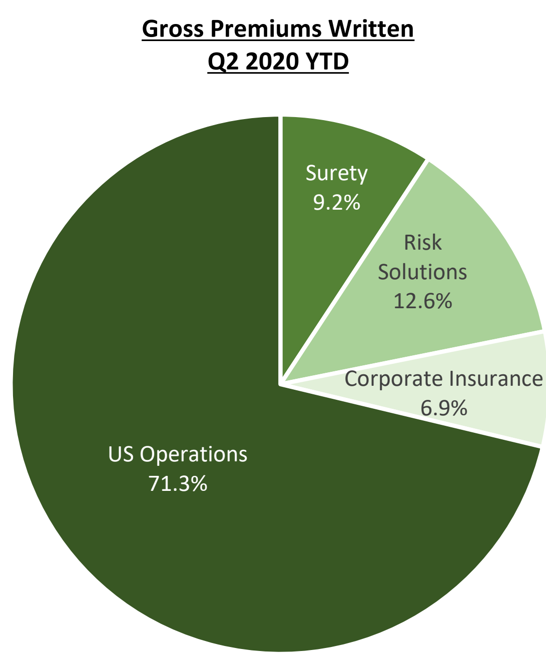
SPECIALTY P&C

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

The tables and charts below provide a segmentation of our Specialty P&C GPW and NPW for the second quarter and YTD period of 2020. Our US operation produced over 70.0% of GPW in 2020 having commenced writing business in Q1 2018. Premium growth was also supported by momentum in Canada across Surety and Corporate Insurance in the quarter and across all lines YTD.

GPW	Q2 2020	% growth over prior year	Q2 2019	Q2 2020 YTD	% growth over prior year	Q2 2019 YTD
Surety	20,477	15.5%	17,723	34,436	16.8%	29,486
Risk Solutions	24,515	(2.9%)	25,242	46,962	10.0%	42,676
Corporate Insurance	12,806	18.0%	10,856	25,670	21.5%	21,127
US Operations	144,819	161.1%	55,467	265,501	172.7%	97,353
Total GPW	202,617	85.4%	109,288	372,569	95.4%	190,642



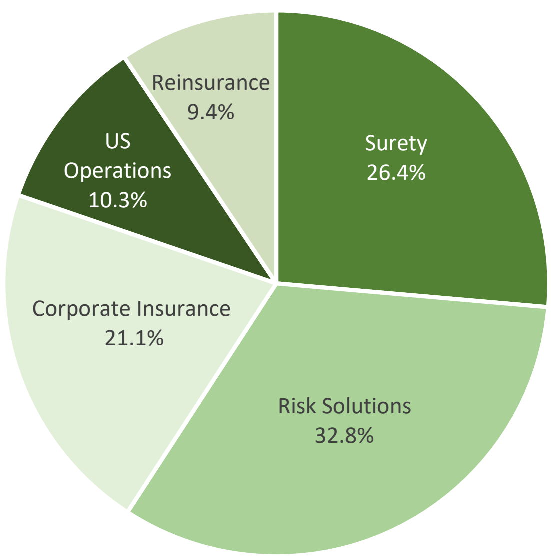


(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

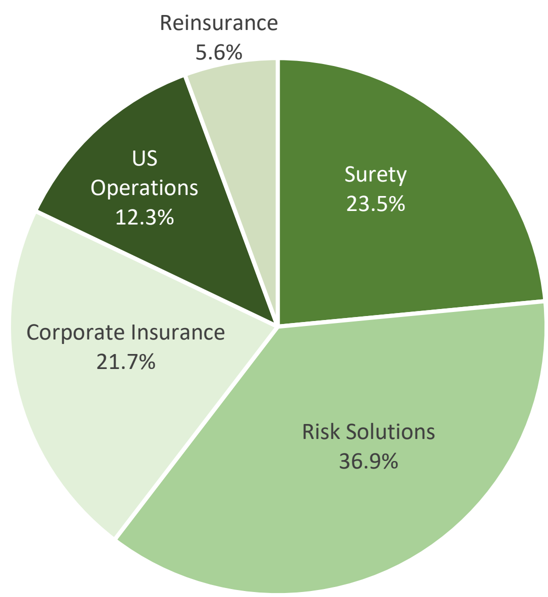
Total NPW grew by 26.3% in the quarter and 34.9% YTD, with growth led by the US, Risk Solutions and Corporate Insurance. Our US platform continued to cede premium to our reinsurance platform in the quarter, resulting in significant premium generation for Trisura International for the first time since entering run-off.

NPW	Q2 2020	% growth over prior year	Q2 2019	Q2 2020 YTD	% growth over prior year	Q2 2019 YTD
Surety	12,371	(0.4%)	12,419	20,758	0.9%	20,575
Risk Solutions	15,375	18.2%	13,009	32,619	39.1%	23,456
Corporate Insurance	9,877	19.5%	8,262	19,178	16.6%	16,442
US Operations	4,843	41.5%	3,422	10,857	116.3%	5,020
Reinsurance	4,415	nm	-	4,968	nm	-
Total NPW	46,881	26.3%	37,112	88,380	34.9%	65,493

Net Premiums Written
Q2 2020



Net Premiums Written
Q2 2020 YTD



(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

CANADA

The table below presents financial highlights for our Canadian operations.

	Q2 2020	Q2 2019	$ variance	% variance	Q2 2020 YTD	Q2 2019 YTD	$ variance	% variance
Gross premiums written	57,798	53,821	3,977	7.4%	107,068	93,289	13,779	14.8%
Net premiums written	37,622	33,690	3,932	11.7%	72,555	60,473	12,082	20.0%
Net premiums earned	30,597	24,723	5,874	23.8%	57,097	46,066	11,031	23.9%
Fee income	301	212	89	42.0%	3,743	3,596	147	4.1%
Net underwriting revenue	30,898	24,935	5,963	23.9%	60,840	49,662	11,178	22.5%
Net underwriting income	6,447	2,126	4,321	203.3%	11,231	5,638	5,593	99.2%
Net investment income	1,780	2,032	(252)	(12.4%)	4,093	3,837	256	6.7%
Net income	5,447	3,504	1,943	55.5%	9,633	7,959	1,674	21.0%
Comprehensive income	12,406	2,814	9,592	340.9%	10	10,322	(10,312)	(99.9%)
Loss ratio: current accident year	23.8%	29.8%		(6.0pts)	28.5%	31.3%		(2.8pts)
Loss ratio: prior years' development	(7.6%)	(7.0%)		(0.6pts)	(8.6%)	(8.8%)		0.2pts
Loss ratio	16.2%	22.8%		(6.6pts)	19.9%	22.5%		(2.6pts)
Expense ratio	62.7%	68.6%		(5.9pts)	60.4%	65.3%		(4.9pts)
Combined ratio	78.9%	91.4%		(12.5pts)	80.3%	87.8%		(7.5pts)
LTM ROE	19.7%	21.7%		(2.0pts)	19.7%	21.7%		(2.0pts)

In the quarter and YTD periods GPW growth was led by Surety and Corporate Insurance. Corporate insurance has benefitted from a hardening insurance market with improved pricing as well as growth in distribution partnerships, while growth in Surety primarily reflects continued expansion of Trisura's market share. Risk Solutions experienced a reduction in premium in Q2 compared to the prior year primarily due to lower automobile sales associated with pandemic-related economic shutdowns. Although Risk Solutions experienced a small reduction in premium during Q2 2020, growth for Q2 2020 YTD is over 10.0%.

In Q2 2020 and Q2 2020 YTD, growth in NPE was a result of growth across all lines, with particular strength in Risk Solutions. Fee income, arising mainly in the first quarter each year from Surety accounts, was comparable to prior year.

The loss ratio of 16.2% for Q2 2020 and 19.9% for Q2 2020 YTD is an improvement over both periods for 2019. This was led by Surety with a 5.9% loss ratio for the quarter and 11.8% YTD, as well as a lower loss ratio in Risk Solutions.

The expense ratio improved to 62.7% for Q2 2020 and 60.4% Q2 2020 YTD compared to 68.6% and 65.3% respectively for both periods in 2019. The improved expense ratio reflects greater economies of scale and improved operational efficiencies, plus a reduction in certain operational costs due to the COVID-19 shutdown. Due to the factors discussed above, the combined ratio improved to 78.9% in Q2 2020 and 80.3% in Q2 2020 YTD compared to 91.4% and 87.8% respectively for both periods in 2019.

As a result, net underwriting income for Q2 2020 experienced strong growth of 203.3% from $2.1 million in Q2 2019 to $6.4 million in Q2 2020. For Q2 2020 YTD, this translated growth of 99.2% from $5.6 million in 2019 to $11.2 million. Although all lines contributed to the growth in net underwriting income, there were significant contributions from Surety and Risk Solutions.

The decline in Investment income in the quarter compared to Q2 2019 was primarily a result of some dislocation in the portfolio related to the volatility observed in March and April, as well as an adjustment to cost allocation associated with investment management fees charged. On a YTD basis, investment income improved as a result of higher interest and dividend income. See Section 5 – Investment Performance Review for further discussion.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Strong operating results for Q2 2020 resulted in growth in net income of 55.5% to $5.4 million compared to $3.5 million for Q2 2019. Q2 2020 YTD growth in net income is also strong at 21.0% to $9.6 million compared to $8.0 million for the same period in 2019.

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 Q2, Surety accounted for 10.1% and 26.4% of our overall GPW and NPW, respectively. For Q2 2020 YTD, Surety accounted for 9.2% and 23.5% of over overall GPW and NPW, respectively.

	Q2 2020	Q2 2019	$ variance	% variance	Q2 2020 YTD	Q2 2019 YTD	$ variance	% variance
Gross premiums written	20,477	17,723	2,754	15.5%	34,436	29,486	4,950	16.8%
Net premiums written	12,371	12,419	(48)	(0.4%)	20,758	20,575	183	0.9%
Net premiums earned	9,763	9,403	360	3.8%	17,812	16,597	1,215	7.3%
Fee income	301	212	89	42.0%	3,743	3,596	147	4.1%
Net underwriting revenue	10,064	9,615	449	4.7%	21,555	20,193	1,362	6.7%
Net underwriting income	2,818	747	2,071	277.2%	6,135	3,291	2,844	86.4%
Loss ratio: current accident year	17.1%	22.6%		(5.5pts)	19.1%	22.8%		(3.7pts)
Loss ratio: prior years' development	(11.2%)	(5.2%)		(6.0pts)	(7.3%)	(5.6%)		(1.7pts)
Loss ratio	5.9%	17.4%		(11.5pts)	11.8%	17.2%		(5.4pts)

Q2 2020 Surety GPW experienced strong growth of 15.5% over Q2 2019 and YTD growth of 16.8%. The growth has been driven by Contract Surety in Toronto, as well as Commercial Surety and Developer Surety. Growth can be attributed to both large bond renewals and growth in bonds issued for new accounts.

The slower growth of NPE for Q2 2020 of 3.8% is partially related to the use of reinsurance on large bonds where proportionately more premium is ceded to reinsurers.

For Q2 2020, Surety experienced a lower claims ratio than Q2 2019, as a result of fewer claims than the prior period. Fortunately, since the beginning of the COVID-19 pandemic, most construction projects were deemed essential through the economic shutdowns and contractors continued working.

Net underwriting income for the quarter increased to $2.8 million compared to $0.7 million in Q2 2019 driven by an improved loss ratio in the quarter. Q2 2020 YTD net underwriting income reflected both our growth and improvements in loss ratios over period in 2019.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, in some cases through fronting arrangements, to meet the specific requirements of program administrators, managing general agents, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs.

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 Canada. Financial results of Trisura Warranty are currently not material and are grouped with the Canadian Specialty P&C results, as part of Risk Solutions for the purpose of the MD&A.

In Q2 2020, Risk Solutions accounted for 12.1% and 32.8% of our overall GPW and NPW, respectively. For Q2 2020 YTD, Risk Solutions accounted for 12.6% and 36.9% of our overall GPW and NPW, respectively.

	Q2 2020	Q2 2019	$ variance	% variance	Q2 2020 YTD	Q2 2019 YTD	$ variance	% variance
Gross premiums written	24,515	25,242	(727)	(2.9%)	46,962	42,676	4,286	10.0%
Net premiums written	15,375	13,009	2,366	18.2%	32,619	23,456	9,163	39.1%
Net premiums earned	11,300	7,539	3,761	49.9%	20,858	14,209	6,649	46.8%
Net underwriting revenue	11,300	7,539	3,761	49.9%	20,858	14,209	6,649	46.8%
Net underwriting income	2,403	791	1,612	203.8%	3,448	1,253	2,195	175.2%
Loss ratio: current accident year	16.0%	24.8%		(8.8pts)	24.1%	28.2%		(4.1pts)
Loss ratio: prior years' development	(1.0%)	(0.9%)		(0.1pts)	(7.2%)	(5.6%)		(1.6pts)
Loss ratio	15.0%	23.9%		(8.9pts)	16.9%	22.6%		(5.7pts)

Risk solutions GPW fell by 2.9% in Q2 2020 primarily as a result of the shutdown of automobile dealerships during the pandemic. Early indications from that sector are positive and we expect future premium volumes to reflect the reopening of businesses. GPW in Q2 YTD grew by 10.0% primarily due to the addition of new programs, as well as growth of existing programs.

In the quarter and YTD NPE benefitted significantly from maturation of the portfolio resulting in greater earned premiums from programs written in prior years.

In Q2 2020 and YTD the loss ratio decreased compared to the same period in the prior year although the performance of individual programs continues to be in line with expectations. Net underwriting income growth is consistent with our expectation for earned premium in the periods, related to maturation of longer term policies written in prior years where earnings have been deferred, reflective of the longer policies underlying these premiums.

(in thousands of Canadian dollars, except per share numbers and 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 Q2 2020 Corporate Insurance represented 6.3% and 21.1% of our overall GPW and NPW respectively. For Q2 2020 YTD, Corporate Insurance represented 6.9% and 21.7% of our overall GPW and NPW respectively.

	Q2 2020	Q2 2019	$ variance	% variance	Q2 2020 YTD	Q2 2019 YTD	$ variance	% variance
Gross premiums written	12,806	10,856	1,950	18.0%	25,670	21,127	4,543	21.5%
Net premiums written	9,877	8,262	1,615	19.5%	19,178	16,442	2,736	16.6%
Net premiums earned	9,535	7,781	1,754	22.5%	18,427	15,260	3,167	20.8%
Net underwriting revenue	9,535	7,781	1,754	22.5%	18,427	15,260	3,167	20.8%
Net underwriting income	1,227	588	639	108.7%	1,648	1,094	554	50.6%
Loss ratio: current accident year	39.9%	43.4%		(3.5pts)	42.6%	43.3%		(0.7pts)
Loss ratio: prior years' development	(11.7%)	(15.2%)		3.5pts	(11.4%)	(15.2%)		3.8pts
Loss ratio	28.2%	28.2%		0.0pts	31.2%	28.1%		3.1pts

GPW, NPW and NPE grew strongly in Q2 2020 and Q2 2020 YTD. This was due to new business growth, stable policy retention, increasing rates in certain lines of business as well as the addition of business from partnerships with certain MGAs, where the Company ceded a larger portion of the business to reinsurers.

In Q2 2020 and Q2 2020 YTD, NPE grew at a faster rate than NPW. This is a result of strong growth in written premiums during 2019, and the impact of some multi-year policies written in prior years.

In the quarter, the loss ratio remained the same as Q2 2019, with less favourable PYD combined and lower claims related to the current accident year. For the Q2 2020 YTD period, the loss ratio was slightly higher as a result of less favourable PYD.

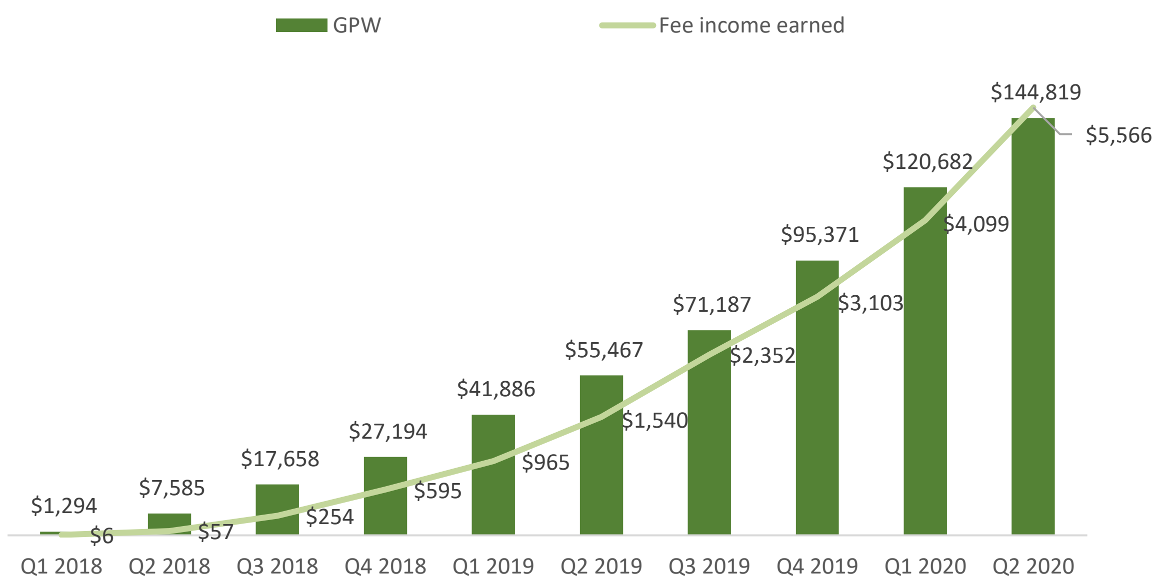
Net underwriting income increased in Q2 2020 and Q2 2020 YTD as a result of improving operating leverage, stable loss ratio and growth in GPW.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

UNITED STATES

Our US company is a non-admitted surplus line insurer in all states, operating as a hybrid fronting carrier with a fee-based business model. We are actively expanding our admitted licenses, with licenses in 30 states and the intention of gaining admitted licenses across all 50 states in time.

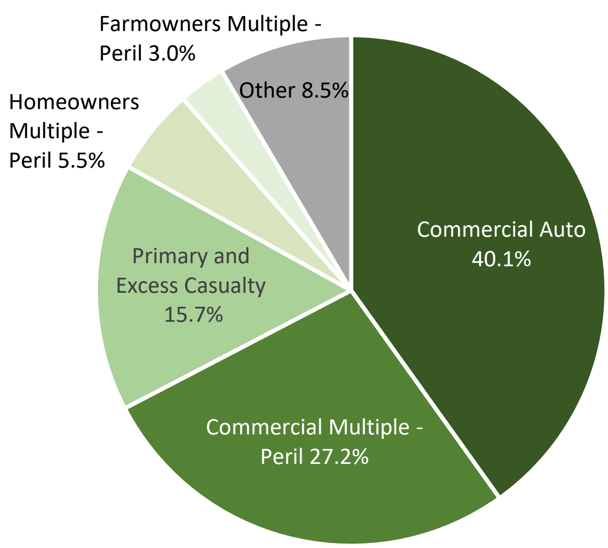
Our US company continued to accelerate premium generation, producing GPW of $144.8 million in Q2 2020 across 38 programs. The graph below shows the evolution of GPW, fee income earned, and the number of programs bound in the US.



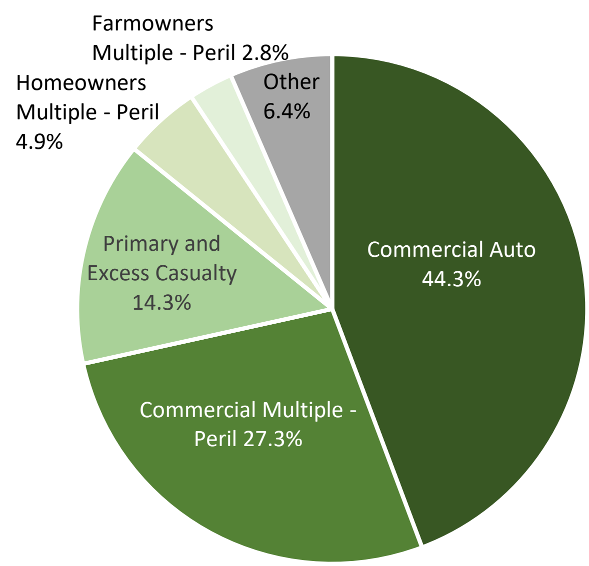
Number of Programs bound	4	11	11	14	16	23	25	29	35	38

The charts below provide a segmentation by class of business of our US GPW and NPW for Q2 2020.

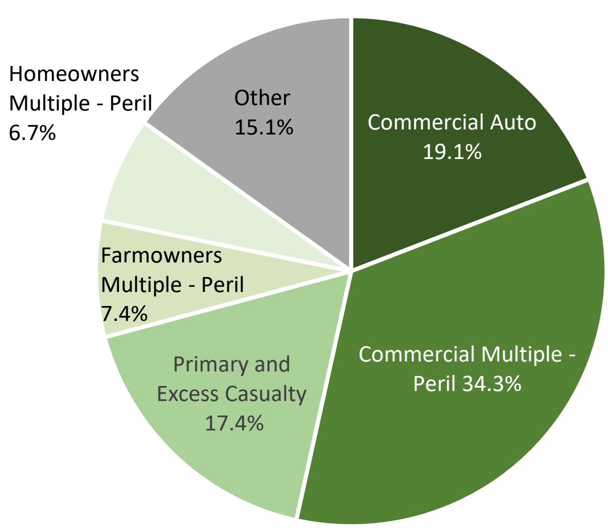
Gross Premiums Written
Q2 2020 (1)



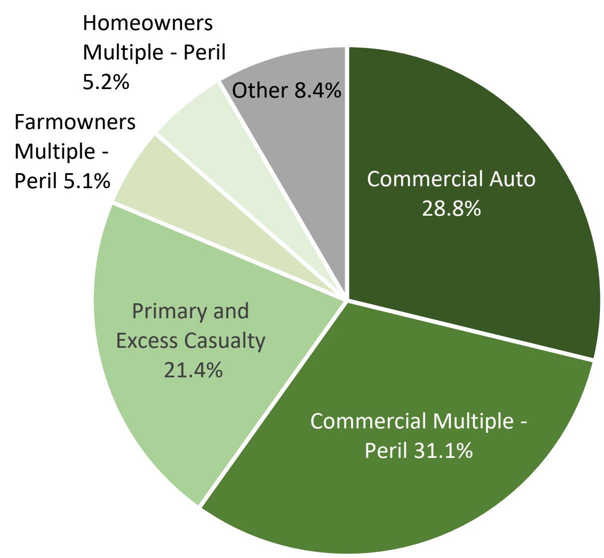
Gross Premiums Written
Q2 2020 YTD (1)



Net Premiums Written
Q2 2020 (1)



Net Premiums Written
Q2 2020 YTD (1)



(1) "Other" includes Auto Physical Damage, Allied Lines – Flood and MonoLine Property

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

The table below presents financial highlights for our US operations.

	Q2 2020	Q2 2019	$ variance	Q2 2020 YTD	Q2 2019 YTD	$ variance
Gross premiums written	144,819	55,467	89,352	265,501	97,353	168,148
Net premiums written	4,843	3,422	1,421	10,857	5,020	5,837
Net premiums earned	5,053	1,236	3,817	8,931	1,958	6,973
Fee income	5,566	1,540	4,026	9,665	2,505	7,160
Net underwriting revenue	10,619	2,776	7,843	18,596	4,463	14,133
Net underwriting income (loss)	3,428	183	3,245	5,896	(8)	5,904
Net investment income	885	489	396	1,570	975	595
Net income	4,037	601	3,436	6,620	845	5,775
Comprehensive income (loss)	4,885	(29)	4,914	12,064	270	11,794
Loss ratio	73.2%	65.2%		69.2%	62.4%	
Retention rate	3.3%	6.2%		4.1%	5.2%	
Fees as percentage of ceded premium	5.9%	5.7%		5.8%	5.7%	
Fronting operational ratio	67.7%	93.4%		68.3%	100.2%	
LTM ROE	9.5%	nm		9.5%	nm	

The table below shows Deferred fee income as at Q2 2020, compared to Q4 2019.

As at	June 30, 2020	December 31, 2019	$ variance
Deferred fee income	13,740	8,286	5,454

GPW and NPW grew significantly over the prior year period for both Q2 and Q2 2020 YTD. The increase was a result of the addition of new programs as well as growth in existing programs. Growth in NPW was slower in Q2 2020 as our US operations began to cede a larger share of its retained premium to our Reinsurance entity.

The US operations retained 3.3% of GPW in Q2 2020 and 4.1% YTD, the remainder of which was ceded to reinsurance partners. The decrease in retention is a reflection of the new ceding relationship with our reinsurance business, as retained business shifts to our captive reinsurance channel. We continue to target retention between 5.0% and 10.0% on all new programs, after which we contemplate ceding to our captive channel. Fees as a percentage of ceded premium were 5.9% in Q2 2020 which is comparable to Q2 2019.

NPE has grown significantly in both the quarter and YTD periods over 2019 as a result of significant growth in premium written throughout 2019 and 2020 from both new and maturing program relationships. Fee income in the US is comprised of fronting fees received from reinsurers which are recognized over the life of the insurance contracts they are associated with, similar to the earnings pattern of net premiums earned. Earned fronting fees (Fee income) have grown strongly over the comparable periods in 2019 reaching $5.6 million in the quarter, and $9.7 million YTD, a result of the significant growth in premiums in 2019 and their associated fee income.

Our US operations continued its trend of growing profitability, achieving an 9.5% LTM ROE, one year after its first quarter of profitability, and following two significant increases in equity in Q3 2019 and Q2 2020. Increases in investment income reflect a larger pool of assets as a result of the equity raises as well as reinvested earnings.

The loss ratio increased in Q2 and Q2 2020 YTD over Q2 and Q2 2019 YTD, a result of a change in the business mix as our portfolio grew. In addition to this, our US property business experienced some losses associated with civil unrest in the quarter. Excluding these events, the loss ratio continues to be in line with expectations, supporting profitability.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Fronting fees are a key component of the profitability of our US operations but are not reflected in the traditional P&C calculations of combined ratios. We developed the fronting operational ratio to demonstrate the profitability of our hybrid fronting model more clearly. The fronting operational ratio continued to improve to 67.7% in Q2 2020, significantly better than in 2019 reflecting growth in NPE and fronting fees as the business builds scale.

Net Income increased in Q2 and Q2 2020 YTD over the same periods in 2019, primarily as a result of growth in the business.

REINSURANCE

Our reinsurance business ceased writing third party 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 has commenced writing business in support of our US operations.

The remaining in-force portfolio of third-party 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.

	Q2 2020	Q2 2019	$ variance	Q2 2020 YTD	Q2 2019 YTD	$ variance
Net premiums earned	1,126	23	1,103	1,315	51	1,264
Net underwriting loss	(7,106)	(10,458)	3,352	(13,055)	(20,781)	7,726
Net investment and other	3,489	3,169	320	8,929	13,562	(4,633)
Net loss before tax	(3,617)	(7,289)	3,672	(4,126)	(7,219)	3,093

Net loss in the quarter comprised reserve strengthening on the life component of the Reinsurance business driven by European interest rate declines during the quarter. These underwriting losses were partially offset by market value gains on the assets supporting these reserves. To further strengthen our asset liability matching in the portfolio we appointed a specialist external investment manager for this portfolio effective April 1, 2020. Our asset liability matching is a market-based program and can experience volatility alongside volatile markets. Adding to the challenge this quarter, our new portfolio manager was actively deploying through these markets which resulted in less effective asset liability matching than we expect to experience going forward.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

CORPORATE

Our corporate results represent expenses that do not relate specifically to any one business line of the Company as well as debt servicing costs and certain derivative gains and losses on hedging instruments.

In Q2 and Q2 2020 YTD corporate expenses were lower than Q2 and Q2 2019 YTD due to lower compensation costs, which were higher in 2019 as a result of certain staffing transition costs, as well as an improved allocation of certain expenses to subsidiaries.

Share-based compensation includes payment to directors and senior management and is impacted by movement in the share price. Share-based compensation grew in Q2 2020 compared to Q2 2019 because of both increases in the value of our share price and increased volatility. Importantly, we have introduced a hedging program for share-based compensation which has, and we expect will further help mitigate future share-based compensation volatility. Derivative gains of $0.9 million for Q2 2020 and $0.7 for Q2 2020 YTD are included in the Share-based compensation line below. Derivative gains and losses are presented in Net gains on the Condensed Interim Consolidated Financial Statements.

Debt servicing costs declined in Q2 and Q2 2020 YTD as we benefitted from lower prevailing interest rates on our revolving credit facility.

	Q2 2020	Q2 2019	$ variance	Q2 2020 YTD	Q2 2019 YTD	$ variance
Corporate expenses	326	508	(182)	685	1,305	(620)
Share-based compensation	1,715	253	1,462	2,232	714	1,518
Debt servicing	174	257	(83)	416	526	(110)
Corporate	2,215	1,018	1,197	3,333	2,545	788

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

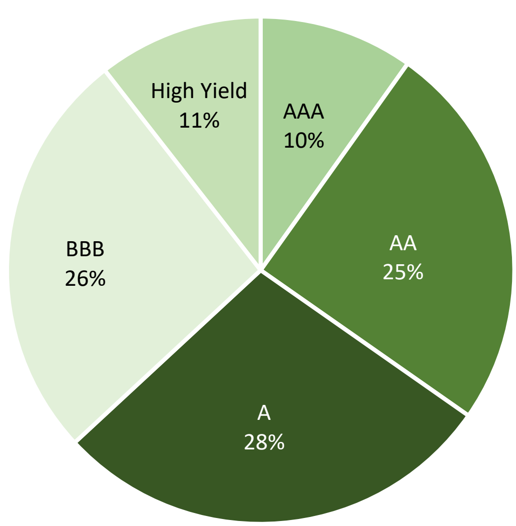
OVERVIEW

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 approach across all subsidiary portfolios. We now can invest globally through our hedging facilities and have selectively introduced new products to our portfolios.

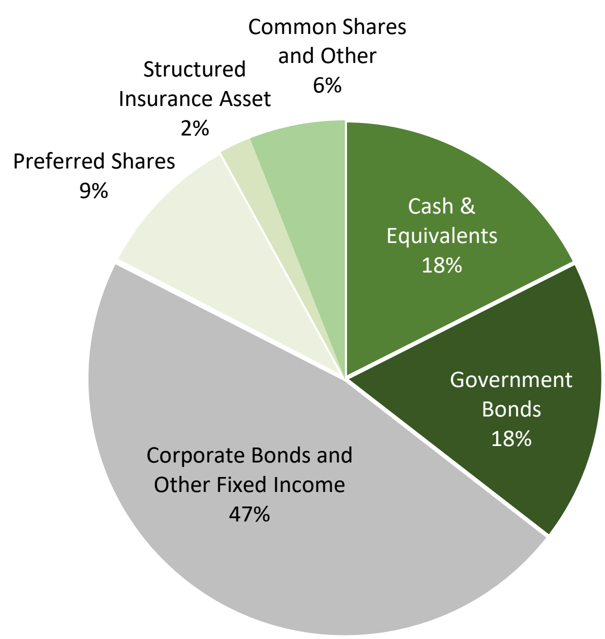
SUMMARY OF INVESTMENT PORTFOLIO

Our $564.9 million investment portfolio consists of cash and cash equivalents, and short-term securities, government and corporate bonds, preferred shares, common shares and a small amount of alternative investments. Eighty-nine percent of our fixed income holdings are highly liquid, investment grade bonds.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

INVESTMENT PERFORMANCE

Investment Income

	Q2 2020	Q2 2019	$ variance	Q2 2020 YTD	Q2 2019 YTD	$ variance
Canada	1,780	2,032	(252)	4,093	3,837	256
United States	885	490	395	1,570	975	595
Reinsurance	3,591	3,249	342	9,103	5,272	3,831
Corporate	52	-	52	76	-	76
Net investment income	6,308	5,771	537	14,842	10,084	4,758
Net gains	3,504	533	2,971	1,450	1,188	262
Settlement from structured insurance assets	-	-	-	-	8,077	(8,077)
Total	9,812	6,304	3,508	16,292	19,349	(3,057)

The Company's operations currently include Specialty P&C insurance in Canada and the US, and international reinsurance. 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.

Following the equity raise in May 2020, and subsequent deployment of funds to support growth in the US, some excess capital is being managed at Trisura Group in a conservative manner. Net Investment income is driven by interest and dividend income on portfolio assets. The market-based yield of the Trisura Group portfolio as at June 30, 2020 was 3.4%. We expect to allocate additional capital to the US platform as growth continues.

Canadian investment income is driven by interest and dividend income on portfolio assets. Net investment income in Q2 2020 YTD benefitted from increased interest and dividend income; however one off factors including some dislocation in the portfolio related to the volatility observed in March and April 2020, as well as an adjustment to cost allocation associated with investment management fees charged caused investment income to fall in Q2 2020 compared to Q2 2019. The market-based yield of the Canadian portfolio as at June 30, 2020 was 4.0% (Q2 2019 – 4.0%). The decrease in yield from Q1 2020 was primarily a result of an increase in the fair value of the equity, preferred share and fixed income portfolios. We continue to diversify the Canadian portfolio, having introduced further alternative investments in Q2 2020, which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

In the quarter we continued to normalize the US portfolio to include allocations to asset classes outside of investment grade bonds. The market-based yield of the US portfolio as at June 30, 2020 was 3.5% (Q2 2019 – 3.5%). Investment income, which is primarily driven by interest income on this portfolio of bonds, grew in Q2 2020 and Q2 2020 YTD as growth in operations led to an increase in the size of our investment portfolio, alongside the deployment of new capital from the equity raises in Q3 2019 and Q2 2020.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment income increased as interest rates fell through Q2 2020. Importantly, these investment gains were offset by reserve strengthening on the life annuity reserves. The market-based yield of the Reinsurance portfolio as at June 30, 2020 was 1.6% (Q2 2019 – 1.7%).

Net gains include realized gains and losses from sales of investments in the investment portfolio, the impact of foreign exchange related to the investment portfolio and the operations of the business, impairments and any derivative gain or loss. Net gains were greater in Q2 2020 and Q2 2020 YTD as a result of favourable foreign exchange movements incurred in the quarter and greater realized gains, partially offset by write-downs of securities deemed impaired.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Other Comprehensive Income (Loss) ("OCI")

	Q2 2020	Q2 2019	$ variance	Q2 2020 YTD	Q2 2019 YTD	$ variance
Unrealized gains (losses) in OCI	13,456	133	13,323	(9,368)	4,734	(14,102)
Cumulative translation	(4,628)	(1,843)	(2,785)	6,826	(3,786)	10,612
OCI	8,828	(1,710)	10,538	(2,542)	948	(3,490)

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 Q2 2020, driven by unrealized gains in the fixed income, preferred share and equity portfolios in both Canada and the US. The negative impact in Q2 2020 YTD stemmed from the cross-asset class sell-off related to the COVID-19 pandemic and subsequent economic shutdown.

Foreign exchange differences arising from the translation of the financial statements of Trisura International and Trisura US to Canadian dollars are recognized as cumulative translation gains or losses, which are also a component of OCI. Cumulative translation losses in Q2 2020 were due to the strengthening of the Canadian currency against the US dollar, driving lower Canadian dollar valuations of capital held outside of Canada. Q2 2020 YTD results have benefitted from the strengthening of the US dollar against the Canadian currency.

Refer to Notes 15 and 16 in the Condensed 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 excess and surplus 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 $50.0 billion of excess and surplus insurance direct premiums were written in 2018, exhibiting significant growth compared to the broader P&C industry, expanding by 11.0%. From 2000 until 2018, the average combined ratio for excess and surplus markets was 96.9% versus 101.9% 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 14 years and in the international specialty reinsurance market for over 18 years, establishing a conservative underwriting and investing track record.

In Canada, we have built our brand through serving our clients, brokers and institutional partners as a leading provider of niche specialty insurance products. We will continue to build out our product offerings in existing and new niche segments of the market with suitably skilled underwriters and professionals. We remain committed to our broker distribution channel to promote and sell insurance products. We are 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 business is now fully operational and demonstrating scale and profitability. It is licensed as a domestic excess and surplus lines insurer in Oklahoma operating as a non-admitted surplus lines insurer in all states, and as an admitted carrier in 30 states. We are in the process of obtaining admitted licenses in all remaining states. It is our belief that conditions are favourable for the continued growth of our US platform, which operates as a hybrid fronting carrier using a fee-based business model. Our focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our experience 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 benefit form a strong supply of highly rated international reinsurance capacity keen to partner with us to gain exposure to this business, allowing us to cede the majority of the risk on policies to these reinsurers on commercially favourable terms. This belief has been supported by our experience in the market through 2019 and Q2 2020 YTD. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, right-sizing underwriting risk and aligning our interests with our program distribution partners and capacity providers. Our US business is already the largest component of GPW, and as we continue to grow, we expect that it will become an increasingly significant contributor to profitability.

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 with our partners 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, or that can expand our licensing. The closing of 21st Century Preferred is a demonstration of the willingness and capabilities our team has to pursue these acquisitions. Additionally, our reinsurance business has commenced writing new business in support of our US operations.

SECTION 7 – RISK MANAGEMENT

RISKS AND UNCERTAINTIES

Given the rapid global spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, we are updating the risk factors described in the Company's Management Discussion and Analysis for the year ended December 31, 2019, Section 8 – Risk Management to include the following:

Risks Associated with the COVID-19 Pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted international commerce. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and our Company or for how long any disruptions are likely to continue. The nature and extent of such impacts will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19. Such developments may result in a material adverse effect on our assets, liquidity, financial condition and the operating results of our insurance business due to its impact on the economy and global financial markets.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 8 – OTHER INFORMATION

RATINGS

Trisura Canada has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in October 2019. Trisura US obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was reaffirmed in October 2019. A.M Best increased the financial size category of Trisura US from VI to VII (US $45 million to US $50 million capital) in May 2018. We expect to move to financial size category VIII (US $100 million capital) shortly with the new capital generated from the recent equity raise.

CASH FLOW SUMMARY

	Q2 2020	Q2 2019	$ variance	Q2 2020 YTD	Q2 2019 YTD	$ variance
Net income (loss) from operating activities	6,587	(4,138)	10,725	14,958	(1,621)	16,579
Non-cash items to be deducted	9,412	(2,385)	11,797	7,751	(942)	8,693
Change in working capital operating items	14,485	16,713	(2,228)	13,946	14,278	(332)
Realized gains on investments	(14,377)	(325)	(14,052)	(17,198)	(1,746)	(15,452)
Income taxes paid	(8)	(1,007)	999	(3,287)	(1,867)	(1,420)
Interest paid	(259)	(423)	164	(695)	(706)	11
Net cash from operating activities	15,840	8,435	7,405	15,475	7,396	8,079
Proceeds on disposal of investments	113,202	15,009	98,193	140,264	28,549	111,715
Purchases of investments	(175,157)	(39,451)	(135,706)	(208,926)	(63,244)	(145,682)
Net purchases of capital and intangible assets	(135)	(104)	(31)	(506)	(304)	(202)
Net cash used in investing activities	(62,090)	(24,546)	(37,544)	(69,168)	(34,999)	(34,169)
Dividends paid	-	(24)	24	-	(48)	48
Shares issued	65,143	-	65,143	65,143	-	65,143
Loans received	-	-	-	32,700	-	32,700
Repayment of loan payable	(3,000)	-	(3,000)	(32,700)	-	(32,700)
Lease payments	(398)	(182)	(216)	(878)	(495)	(383)
Net cash from (used in) financing activities	61,745	(206)	61,951	64,265	(543)	64,808
Net increase (decrease) in cash	15,495	(16,317)	31,812	10,572	(28,146)	38,718
Cash at beginning of the period	84,352	82,072	2,280	85,905	95,212	(9,307)
Currency translation	(682)	(806)	124	2,688	(2,117)	4,805
Cash at the end of the period	99,165	64,949	34,216	99,165	64,949	34,216

Net cash used in investing activities in Q2 2020 and Q2 2020 YTD as well as Q2 2019 and Q2 2019 YTD reflected the purchase and disposal of portfolio investments in all three principal operating subsidiaries. In Q2 2020 and Q2 2020 YTD investing activities increased relative to Q2 2019 and Q2 2019 YTD, partly as a result of funds generated from the equity offering being used to purchase portfolio investments at Trisura US.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Net cash from financing activities increased in Q2 2020 over Q2 2019, as $65.1 million was generated from the equity raise. In addition, in Q2 2020 $3.0 million was used to repay a portion of the outstanding loan payable, which had been borrowed in Q1 2020. In Q2 2020 YTD movement in Net cash from (used in) financing activities was greater than Q2 2019 YTD as a result of the equity offering, as well as the impact of the repayment of the outstanding CAD denominated Loan payable balance, which was replaced with a new Loan payable balance denominated in USD.

In Q2 2020 and Q2 2020 YTD the increase in Net cash from operating activities was primarily related to cash generated from operating activities at Trisura Canada and Trisura US, both of which generated more cash from operations in Q2 2020 and Q2 2020 YTD than in Q2 2019 and Q2 2019 YTD, largely as a result of growth in the business. Net cash from operating activities was lower in Q2 2020 and Q2 2020 YTD in our Reinsurance operations as a result of higher cash inflows in Q2 2019 YTD associated with the settlement from our structured insurance asset.

SEGMENTED REPORTING

As at	June 30, 2020				
	Trisura Canada	Trisura US	Trisura International	Corporate (1)	Total (2)
Assets	441,708	734,229	116,840	34,836	1,327,613
Liabilities	351,369	580,535	100,857	25,414	1,058,175
Shareholder's Equity	90,339	153,694	15,983	9,422	269,438
Book Value Per Share, $ (3)	8.80	14.97	1.56	0.91	26.24

(1) Corporate includes consolidation adjustments.

(2) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.

(3) 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 June 30, 2020.

As at	December 31, 2019				
	Trisura Canada	Trisura US	Trisura International (1)	Corporate (2)	Total (3)
Assets	424,009	444,763	104,169	5,452	978,393
Liabilities	333,681	336,608	85,766	32,009	788,064
Shareholder's Equity	90,328	108,155	18,403	(26,557)	190,329
Book Value Per Share, $ (4)	10.24	12.26	2.09	(3.01)	21.58

(1) Includes the assets and liabilities of its intermediary holding company.

(2) Corporate includes consolidation adjustments.

(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, 2019.

FINANCIAL INSTRUMENTS

See Note 4 in the Company's Condensed Interim Consolidated Financial Statements.

OPERATING METRICS

We use operating metrics to assess our operating performance.

Operating Metrics	Definition
Combined Ratio	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 NPE, or underwriting margin. A combined ratio under 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
Expense Ratio	All expenses incurred (net of fee income in Trisura Canada) as a percentage of NPE.
Fees as Percentage of Ceded Premium	Gross fee income divided by ceded written premium.
Fronting Operational Ratio	The sum of claims, acquisition costs and operating expenses divided by the sum of NPE and fronting fees.
Loss Ratio	Net claims and loss adjustment expenses incurred as a percentage of NPE.
LTM ROE	Net income for the twelve month period preceding the reporting date, divided by the average common shareholder's equity over the same period, adjusted for significant capital transactions, if appropriate.
MCT	Trisura Canada reports the results of its 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 Canada.
Retained premium (%)	NPW as a percentage of GPW.

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 the Company 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," "likely," "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 our Company 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: developments related to COVID-19, including the impact of COVID-19 on the economy and global financial markets; 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; changes in capital requirements; changes in reinsurance arrangements; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; 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
LTM	Last Twelve Months
MCT	Minimum Capital Test
n/a	not applicable
nm	not meaningful
NPE	Net Premiums 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
USD	United States Dollar
YTD	Year to Date