Trisura Group Ltd.

Management's Discussion and Analysis

For the quarter ended June 30, 2021

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, 2021. This MD&A should be read in conjunction with our unaudited Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2021 and the audited Consolidated Financial Statements for the year ended December 31, 2020.

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 4, 2021. Additional information is available on SEDAR at www.sedar.com.

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SECTION 1 - OVERVIEW

OUR BUSINESS

Our Company is a leading international specialty insurance 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 15 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 most states. Our international Reinsurance business has been in operation in Barbados for more than 19 years and is managing its in-force run-off portfolio of specialty reinsurance contracts. It recently 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 in order to add admitted licenses, which now include 48 states. We continue the process of applying for licenses in the remaining states.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q2

- ✓ GPW of $363.5 million in Q2 and $673.8 million YTD demonstrates continued momentum, led by strong growth in Canada and sustained expansion of US Fronting.
- ✓ Net income of $16.9 million in the quarter and $36.2 million YTD grew by over 100% over the previous periods, driven by strong underwriting performance and growth in Canada, as well as increasing profitability in the US. Net income YTD has surpassed net income for the full year in 2020.
- ✓ EPS of $0.40 in the quarter and $0.86 YTD increased by 135.3% and 115.0% respectively, compared to $0.17 in Q2 2020 and $0.40 YTD 2020.
- ✓ ROE of 18.3% increased from 11.8% at Q2 2020. ROE exceeded our mid-teens target ahead of plan despite dilution from our equity raise in May 2020 and was achieved in the context of significant growth. A significant contributor to this was the strong underwriting performance in the Canadian operations over the last several quarters.
- ✓ BVPS of $8.03 increased by 22.4% over Q2 2020, the result of strong earnings, as well as unrealized gains in the investment portfolio.
- ✓ We successfully completed our inaugural investment grade debt issuance, bolstering our balance sheet with an additional $75 million of senior unsecured notes with a 5-year term and a coupon of 2.641%. Proceeds were used to repay our outstanding loans through our revolving credit facility, where we maintain $50.0 million in undrawn capacity, and to support growth in the US.
- ✓ A four-for-one stock split was completed in July 2021 which has resulted in a greater number of shares outstanding, intended to support trading liquidity.
- ✓ Continued strong performance of our operations in Canada and the US.
    - Canada:
        - GPW growth of 147.3% and NPE growth of 74.2% in the quarter over Q2 2020 reflected increased market share, expansion of distribution relationships, new fronting business and the benefit of hardening market conditions in certain lines of business.
        - NUI growth of 38.2% over Q2 2020 was the result of sustained premium growth across all lines and improvements in operational leverage.
        - Net Income of $8.2 million in the quarter increased 50.9% over Q2 2020, generating a 27.0% ROE.
    - United States:
        - GPW of $220.6 million in the quarter, as well as $11.1 million in earned fees reflected strong growth over the prior year. GPW in Q2 2021 was slightly lower than Q1 2021 as a result of foreign exchange movement as well as the impact of certain programs which did not renew as they no longer fit our target business mix.
        - On a USD denominated basis, GPW increased from Q1 2021 to Q2 2021.
        - Net Income of $6.9 million in the quarter and continued improvements in operational leverage drove ROE to 14.0% despite an increase in capital.
        - Deferred fee income, a precursor to earned fees, grew to $21.3 million.
- ✓ Improved asset liability matching, a more favorable interest rate environment and a contribution from assumed US Fronting premiums resulted in breakeven results in the Reinsurance business in the quarter.
- ✓ We maintain strong capital positions across the Company including an MCT ratio of 223% in our Canadian operations, sufficient capital in our US operations to support our AM Best A- Rating (VIII size category), and appropriate capital in our international reinsurer.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. To date, there have been restrictions on the conduct of business in many jurisdictions and the global movement of people and certain goods. We are closely monitoring developments related to COVID-19, including the existing and potential impact on the economy and global financial markets. Although COVID-19 has had minimal impact on our business to date, given the ongoing and dynamic nature of the circumstances surrounding COVID-19 and continuing 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. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making. 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

Table 3.1

	Q2 2021	Q2 2020	$ variance	% variance	Q2 2021 YTD	Q2 2020 YTD	$ variance	% variance
Gross premiums written	363,514	202,683	160,831	79.4%	673,788	372,635	301,153	80.8%
Net premiums written	100,200	46,881	53,319	113.7%	177,565	88,381	89,184	100.9%
Net premiums earned	67,028	36,776	30,252	82.3%	119,652	67,343	52,309	77.7%
Fee income	12,112	5,867	6,245	106.4%	25,896	13,408	12,488	93.1%
Net investment income (loss)	2,780	6,308	(3,528)	(55.9%)	(2,537)	14,842	(17,379)	nm
Net gains	4,801	3,504	1,297	37.0%	8,635	1,450	7,185	495.5%
Total revenues	86,721	52,455	34,266	65.3%	151,646	97,043	54,603	56.3%
Net claims and loss adjustment expenses	(21,390)	(15,961)	(5,429)	34.0%	(25,497)	(30,147)	4,650	(15.4%)
Net commissions	(26,330)	(12,138)	(14,192)	116.9%	(44,889)	(23,371)	(21,518)	92.1%
Operating expenses	(19,737)	(14,753)	(4,984)	33.8%	(36,751)	(26,838)	(9,913)	36.9%
Interest expense	(281)	(267)	(14)	5.2%	(468)	(667)	199	(29.8%)
Total claims and expenses	(67,738)	(43,119)	(24,619)	57.1%	(107,605)	(81,023)	(26,582)	32.8%
Income before income taxes	18,983	9,336	9,647	103.3%	44,041	16,020	28,021	174.9%
Income tax expense	(2,094)	(2,749)	655	(23.8%)	(7,834)	(1,062)	(6,772)	nm
Net income	16,889	6,587	10,302	156.4%	36,207	14,958	21,249	142.1%
Other comprehensive income (loss)	3,835	8,828	(4,993)	(56.6%)	4,597	(2,542)	7,139	nm
Comprehensive income	20,724	15,415	5,309	34.4%	40,804	12,416	28,388	228.6%
Earnings per common share - diluted - in dollars (1)	0.40	0.17	0.23	135.3%	0.86	0.40	0.46	115.0%
Adjusted earnings per common share - diluted - in dollars (1,2)	0.35	0.22	0.13	59.1%	0.75	0.44	0.31	70.5%
Book value per share - in dollars (1)	8.03	6.56	1.47	22.4%	8.03	6.56	1.47	22.4%
ROE (2)	18.3%	11.8%	n/a	6.5pts	18.3%	11.8%	n/a	6.5pts
Adjusted ROE (2)	16.1%	13.8%	n/a	2.3pts	16.1%	13.8%	n/a	2.3pts

(1) Adjusted to reflect the four-for-one stock split effective July 9, 2021. Per-share disclosure is presented on a post-split basis.
(2) See Non-IFRS financial measures in Section 8 – Other Information, Table 8.6 for further details.

Premium Revenue and Fee Income

Premium momentum continued in the quarter and YTD, driven by significant growth in Canada and continued expansion of US Fronting. NPW growth for the quarter and YTD was also significant, primarily reflecting growth in Canadian business. Strength of NPE growth for the quarter and YTD was led by the Canadian operations reflecting strong growth in NPW in Canada across all lines. The increase in fee income in the quarter and YTD was driven primarily by fronting fees from the US, supported by growing fee income in Canada as we expand product offerings in Surety.

Net Investment Income (Loss), Net Gains

See Section 5 – Investment Performance Review.

Net Claims

Net claims in the quarter were higher than Q2 2020, reflecting growth in the business and a higher loss ratio in Canada. Net claims YTD were lower than the previous year, reflecting claims recoveries in 2021 associated with the discounting of our life annuity reserves. Importantly, a significant portion of these reserve decreases are offset by investment income (See Section 5 – Investment Performance Review). Net claims expense grew in both Canada and the US, in line with growth of the business.

Net Commissions

Growth in Net commissions expense in both the quarter and YTD was a result of growth in the business as we distribute our products primarily through agents who receive commission in both Canada and the US. Growth of Net commissions was somewhat elevated in the quarter as a result of the growth of certain programs with higher commission expense, as well as lower ceding commission in Canada as a result of the change in reinsurance structure.

Operating Expenses

Operating expenses in the quarter and YTD were greater than 2020. The increase in operating expenses was driven partially by share-based compensation, as the increasing value of our share price led to an increase in the value of certain outstanding options. Excluding share-based compensation, operating expenses increased 26.8% in the quarter and 24.1% YTD, reflective primarily of growth in the Canadian and US operations. The movement in share-based compensation was mitigated through a hedging program, the movement of which is presented in Net gains. The impact of Corporate costs, net of hedging is shown in Section 4 – Performance Review, Corporate.

Income Tax Expense

Income Tax Expense for the quarter reflects a recovery of approximately $1.2 million associated with the 2020 tax filings, which has reduced the overall tax expense for the quarter. Removing the impact of the recovery, tax expense increased in Q2 and YTD 2021 compared to the prior year, reflecting growth in the business. In Q1 2020, we recognized a Deferred tax asset related to previously unrecognized tax losses, which resulted in a one-time tax recovery. For additional information see Note 19 of the Condensed Interim Consolidated Financial Statements.

Net Income

Net income for the quarter was significantly higher than Q2 2020 as a result of stronger underwriting results and growth in Canada, continued maturation of the US platform and improved asset liability matching in our Reinsurance operations. Net income for the YTD period was significantly higher than the prior year as a result of the same factors as well as improved hedging of share-based compensation costs.

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

Other Comprehensive Income (Loss)

See Section 5 – Investment Performance Review.

EPS, Adjusted EPS, BVPS, Adjusted ROE and ROE

Our share-based metrics have been presented to reflect the four-for-one stock split, which occurred in July 2021. Quarterly diluted EPS of $0.40 in Q2 2021 compares favourably to $0.17 in Q2 2020. The improvement was largely the result of growth, strong underwriting results in Canada, increasing profitability from fronting operations in the US, and improved asset liability matching in our Reinsurance operations. Similar factors drive the increase in diluted EPS for the YTD period. BVPS of $8.03 was an increase of 22.4% over Q2 2020, a result of an increase in net income over that time period.

We recently introduced Adjusted EPS. The metric is meant to reflect EPS, adjusted for non-recurring items and to normalize earnings to core operations in order to better reflect the potential of our North American specialty operations. A detailed bridge between EPS and Adjusted EPS is included in Section 8 – Other Information, under Non-IFRS financial measures. Adjusted EPS grew by 59.1% in Q2 2021, less than growth in EPS, primarily due to the impact of adjusting for movement in the annuity reserves in Q2 2020. Adjusted EPS grew by 70.5% for the YTD period, less than growth in EPS due to the impact of adjustments for Net gains and Net (loss) income from the life annuity.

BALANCE SHEET ANALYSIS

Table 3.2

As at	June 30, 2021	December 31, 2020	$ variance
Cash and cash equivalents	172,817	136,519	36,298
Investments	611,279	503,684	107,595
Premiums and accounts receivable, and other assets	249,315	178,883	70,432
Recoverable from reinsurers	903,086	676,972	226,114
Deferred acquisition costs	241,507	188,190	53,317
Capital assets and intangible assets	17,766	13,907	3,859
Deferred tax assets	7,690	8,577	(887)
Total assets	2,203,460	1,706,732	496,728
Accounts payable, accrued and other liabilities	73,171	57,343	15,828
Reinsurance premiums payable	232,347	151,707	80,640
Unearned premiums	744,767	592,711	152,056
Unearned reinsurance commissions	116,715	100,281	16,434
Unpaid claims and loss adjustment expenses	631,406	487,271	144,135
Debt outstanding	74,429	27,555	46,874
Total liabilities	1,872,835	1,416,868	455,967
Shareholders' equity	330,625	289,864	40,761
Total liabilities and shareholders' equity	2,203,460	1,706,732	496,728

Total assets at June 30, 2021 were $496.7 million higher than at December 31, 2020 as a result of growth across our Specialty P&C businesses. The growth in the US, as well as growth in certain fronted programs in Canada, has led to increases across a number of categories, particularly Recoverables from reinsurers which has grown alongside growth in premium and ceded premium. The nature of the fronted operations causes it to generate significant Recoverables from reinsurers, which increase alongside an increase in Unearned premiums and Unpaid claims and loss adjustment expenses. These recoverables are monitored in accordance with the Company's reinsurance risk management policies and generally, are owing from reinsurers with A.M. Best ratings of A- or higher or are otherwise collateralized. Investments also increased as additional cash from the debt issuance in Q2 2021 and from operations was deployed to the investment portfolio. We also benefitted from continued strength of the market recovery.

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 but also related to growth in the Canadian business. These increases are partially offset by an increase in Recoverable from reinsurers. Reinsurance premiums payable also grew significantly reflecting growth in a number of fronted programs in both Canada and the US. Debt outstanding increased as a result of the debt issuance in Q2 2021.

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 Q2 2020, the Company completed a $65.1 million equity raise, to support growth in the US. The Company issued an additional 1,449,250 shares.

As at June 30, 2021, 41,135,272 common shares were issued and outstanding, as presented on the basis of the four-for-one stock split which took place in July 2021.

LIQUIDITY

Both short-term and long-term liquidity sources are available to the Company. Short-term liquidity sources immediately available include: (i) cash and cash equivalents; (ii) our portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include receipt of net premiums, fee income and investment income and; (iv) bank loan facilities including our revolving credit facility (see Note 14 to the Condensed Interim Consolidated Financial Statements). These funds are used primarily to pay claims and operating expenses, service the Company's debt outstanding and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio of Trisura Canada was 223% at June 30, 2021 (249% as at December 31, 2020), 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 $159.1 million USD as at June 30, 2021 ($122.6 million USD as at December 31, 2020) was in excess of the various Company Action Levels of the states in which it is licensed.

Trisura International's capital of $11.3 million USD as at June 30, 2021 ($10.3 million USD as at December 31, 2020) was sufficient to meet the FSC's regulatory capital requirement.

The Company's debt-to-capital ratio of 18.4% as at June 30, 2021 (8.7% as at December 31, 2020), was below our long-term target debt-to-capital ratio of 20.0%, but increased compared to Q1 2021 as a result of our debt issuance.

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

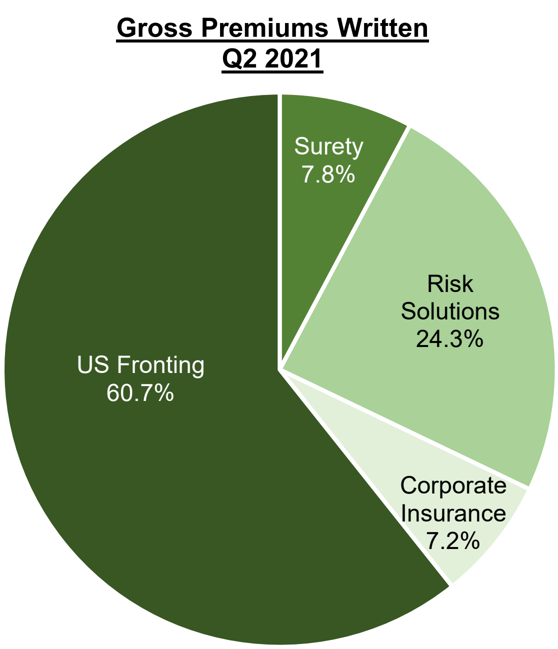
SPECIALTY P&C

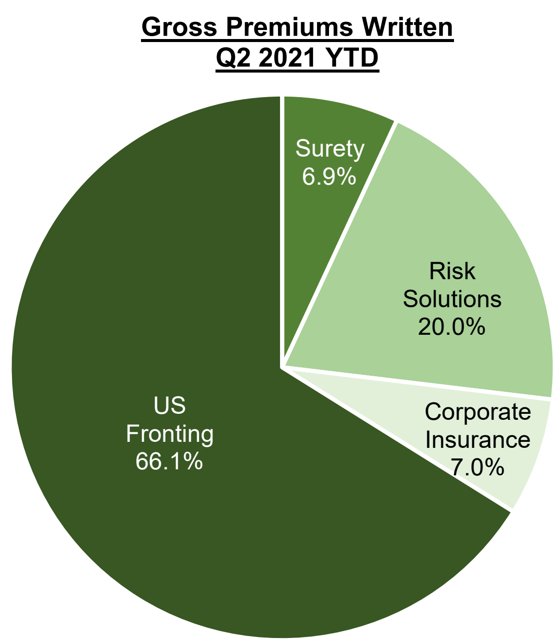
Our Specialty P&C business consists of Surety, Risk Solutions, and Corporate Insurance business lines which we primarily write in Canada and a broad range of admitted and surplus lines in the US written through a fronting model, referred to as US Fronting.

The table and chart below provide a segmentation of our Specialty P&C GPW and NPW for the second quarter and YTD 2021 and 2020, respectively. Although US Fronting comprises the majority of our GPW, premium growth was substantial in Canada, supported by considerable momentum in Risk Solutions and Corporate Insurance, as well as strong performance in Surety.

Table 4.1

GPW	Q2 2021	Q2 2020	% growth over prior year	Q2 2021 YTD	Q2 2020 YTD	% growth over prior year
Surety	28,180	20,477	37.6%	46,711	34,436	35.6%
Risk Solutions	88,531	24,515	261.1%	134,659	46,962	186.7%
Corporate Insurance	26,195	12,806	104.6%	47,108	25,670	83.5%
US Fronting	220,598	144,819	52.3%	445,271	265,501	67.7%
Total GPW	363,504	202,617	79.4%	673,749	372,569	80.8%



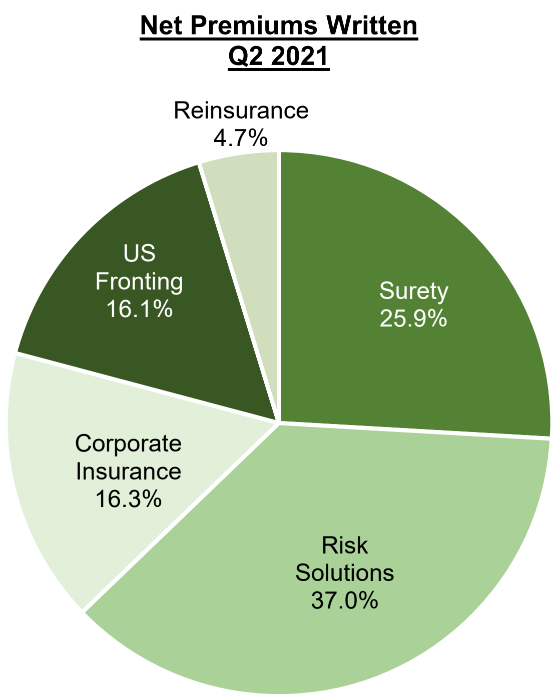


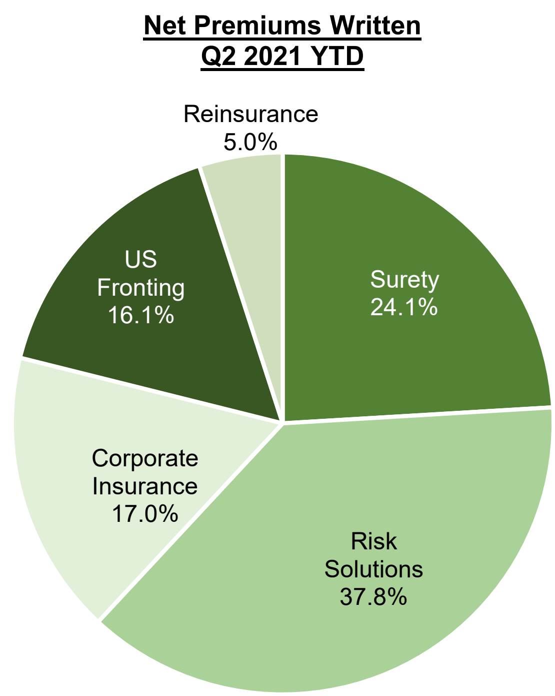
(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

NPW in Q2 2021 grew by 113.7% over Q2 2020, and 100.9% YTD. We observed particular strength in US Fronting, Risk Solutions and Surety. Our US operations continued to cede premium to our Reinsurance business in the quarter, resulting in premium generation for our Reinsurance business. In certain tables, the premiums ceded to the Reinsurance business are grouped with US Fronting to better reflect the result of the business and are identified as such.

Table 4.2

NPW	Q2 2021	Q2 2020	% growth over prior year	Q2 2021 YTD	Q2 2020 YTD	% growth over prior year
Surety	25,958	12,371	109.8%	42,717	20,758	105.8%
Risk Solutions	36,982	15,375	140.5%	67,255	32,620	106.2%
Corporate Insurance	16,357	9,877	65.6%	30,136	19,178	57.1%
US Fronting	16,155	4,843	233.6%	28,612	10,857	163.5%
Reinsurance	4,748	4,415	7.5%	8,845	4,968	78.0%
Total NPW	100,200	46,881	113.7%	177,565	88,381	100.9%





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

CANADA

The table below presents financial highlights for our Canadian operations.

Table 4.3

	Q2 2021	Q2 2020	$ variance	% variance	Q2 2021 YTD	Q2 2020 YTD	$ variance	% variance
Gross premiums written	142,906	57,798	85,108	147.3%	228,478	107,068	121,410	113.4%
Net premiums written	79,297	37,623	41,674	110.8%	140,108	72,556	67,552	93.1%
Net premiums earned	53,288	30,597	22,691	74.2%	95,263	57,097	38,166	66.8%
Fee income	1,029	301	728	241.9%	5,330	3,743	1,587	42.4%
Net underwriting revenue	54,317	30,898	23,419	75.8%	100,593	60,840	39,753	65.3%
Net underwriting income	8,907	6,447	2,460	38.2%	23,459	11,231	12,228	108.9%
Net investment income	2,064	1,780	284	16.0%	3,897	4,093	(196)	(4.8%)
Net income	8,222	5,447	2,775	50.9%	20,181	9,633	10,548	109.5%
Loss ratio: current accident year	26.3%	23.8%		2.5pts	26.8%	28.5%		(1.7pts)
Loss ratio: prior years' development	(1.8%)	(7.6%)		5.8pts	(7.2%)	(8.6%)		1.4pts
Loss ratio	24.5%	16.2%		8.3pts	19.6%	19.9%		(0.3pts)
Expense ratio	58.8%	62.7%		(3.9pts)	55.8%	60.4%		(4.6pts)
Combined ratio	83.3%	78.9%		4.4pts	75.4%	80.3%		(4.9pts)
ROE	27.0%	19.7%		7.3pts	27.0%	19.7%		7.3pts

GPW growth for Q2 and YTD 2021 was substantial across all lines led by Risk Solutions and Corporate Insurance. Risk Solutions continued to benefit from the growth of new and existing programs as well as new fronting business. Corporate insurance has benefitted from a hardening insurance market with improved pricing, growth in programs, and growth in distribution partnerships. Growth in Surety reflects continued expansion of our market share, product expansion and GPW in Q2 2021 includes business from our nascent Surety business in the US.

For Q2 2021 and YTD, strong growth in NPE was the result of the factors discussed above, as well as a change to the company's surety reinsurance program. Beginning in 2021 the company modified its surety reinsurance program to primarily an excess of loss structure, rather than a quota share structure. This modification reduced ceded premium and increased the Company's net retention on surety business. The modified reinsurance program reflects the Company's capacity to retain more risk in attractive business lines, given the increase in our capital base.

Increases in Fee income in the quarter and YTD reflected product expansion into new home warranty products, as well as account growth in our core surety lines.

The loss ratio of 24.5% for Q2 2021 was higher than Q2 2020, primarily as a result of less favourable prior year development in Q2 2021 than Q2 2020 on Corporate Insurance claims. However, the YTD loss ratio of 19.6% is slightly below the same period in 2020. The expense ratio decreased both for Q2 2021 and YTD compared to same periods in 2020, as a result of improved operational leverage as the platform continues to grow. We have also benefited from a reduction of certain operational costs due to the COVID-19 shutdown. The YTD expense ratio also benefitted from a ceding commission from Surety reinsurers of approximately $1.8 million associated with the change in reinsurance structure beginning in 2021. The combined ratio for Q2 2021 increased from Q2 2020 as a result of the higher loss ratio in Q2 2021, however, the YTD combined ratio is lower than the prior year at 75.4% as a result of the improved expense ratio.

Net underwriting income for Q2 2021 experienced solid growth of 38.2%, a result of growth across all lines and an improved expense ratio. YTD Net underwriting income demonstrated strong growth of 108.9% as a result of growth across all lines, a stable loss ratio and an improved expense ratio.

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

See Section 5 – Investment Performance Review for a discussion on Net investment income (loss).

Net Income grew by 50.9% in the quarter and 109.5% YTD as a result of growth in Net Underwriting Income, and improvements in Net gains. Strong growth in premium generation combined with disciplined underwriting demonstrated the benefit of our specialty focus and the ability of our platform to perform through volatile markets.

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;
- ✓ Developer surety bonds, comprising mainly bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects; and
- ✓ New home warranty insurance for residential homes.

In Q2, Surety accounted for 7.8% and 25.9% of our overall GPW and NPW, respectively. For Q2 YTD, Surety accounted for 6.9% and 24.1% of our overall GPW and NPW, respectively.

Table 4.4

	Q2 2021	Q2 2020	$ variance	% variance	Q2 2021 YTD	Q2 2020 YTD	$ variance	% variance
Gross premiums written	28,180	20,477	7,703	37.6%	46,711	34,436	12,275	35.6%
Net premiums written	25,958	12,371	13,587	109.8%	42,717	20,758	21,959	105.8%
Net premiums earned	16,734	9,763	6,971	71.4%	29,975	17,812	12,163	68.3%
Fee income	971	301	670	222.6%	5,259	3,743	1,516	40.5%
Net underwriting revenue	17,705	10,064	7,641	75.9%	35,234	21,555	13,679	63.5%
Net underwriting income	4,803	2,818	1,985	70.4%	12,900	6,135	6,765	110.3%
Loss ratio: current accident year	20.6%	17.1%		3.5pts	23.2%	19.1%		4.1pts
Loss ratio: prior years' development	(6.6%)	(11.2%)		4.6pts	(11.3%)	(7.3%)		(4.0pts)
Loss ratio	14.0%	5.9%		8.1pts	11.9%	11.8%		0.1pts

Surety GPW grew significantly for the quarter and YTD. Growth has been primarily driven by the expansion of our home warranty products in western Canada, our new surety operation in the United States, and growth with distribution partnerships of our existing products.

The growth in NPW was strong in Q2 and YTD 2021 as a result of growth in GPW and the change in reinsurance structures for our Surety business from primarily a quota share to primarily an excess of loss structure. Growth in NPE for Q2 and YTD 2021 was the result of growth in GPW across all surety lines.

For Q2 2021 the loss ratio was greater than Q2 2020, as a result of an unusually low loss ratio in Q2 2020. The reported loss ratio year over year remained consistent and is below industry average.

Net underwriting income for the quarter increased by 70.4% compared to Q2 2020, and increased by 110.3% YTD, driven primarily by growth and the change in reinsurance structure.

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

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, to meet the specific requirements of program administrators, managing general agents, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists of warranty programs in the automotive and consumer goods space, and fronting for reinsurers through licensed brokers and MGAs for various insurance risks. Risk Solutions also sells warranty products which serve as a complementary products to our insurance policies.

In Q2 2021, Risk Solutions accounted for 24.3% and 37.0% of our overall GPW and NPW, respectively. For Q2 YTD, Risk Solutions accounted for 20.0% and 37.8% of our overall GPW and NPW, respectively.

Table 4.5

	Q2 2021	Q2 2020	$ variance	% variance	Q2 2021 YTD	Q2 2020 YTD	$ variance	% variance
Gross premiums written	88,531	24,515	64,016	261.1%	134,659	46,962	87,697	186.7%
Net premiums written	36,982	15,375	21,607	140.5%	67,255	32,620	34,635	106.2%
Net premiums earned	21,863	11,300	10,563	93.5%	37,407	20,858	16,549	79.3%
Fee income	58	-	58	nm	71	-	71	nm
Net underwriting revenue	21,921	11,300	10,621	94.0%	37,478	20,858	16,620	79.7%
Net underwriting income	3,749	2,403	1,346	56.0%	5,813	3,448	2,365	68.6%
Loss ratio: current accident year	15.7%	16.0%		(0.3pts)	17.0%	24.1%		(7.1pts)
Loss ratio: prior years' development	0.7%	(1.0%)		1.7pts	(0.7%)	(7.2%)		6.5pts
Loss ratio	16.4%	15.0%		1.4pts	16.3%	16.9%		(0.6pts)

Risk solutions GPW and NPW for the quarter and YTD periods increased significantly over comparable periods in 2020 as a result of new programs in the warranty space, which have grown significantly in 2021, as well as revenue from fronting arrangements. In 2021, new fronted premiums in Canada contributed $55.5 million YTD and $40.3 million in the quarter, reflecting significant growth in that line of business. It should be noted that GPW in Q2 2020 was impacted considerably by pandemic related shutdowns, and year over year comparisons show particularly strong growth as a result.

Growth in NPE for Q2 and YTD 2021 was driven by maturation of the portfolio resulting in greater earned premiums from programs written in prior years, as well as benefitting from the impact of the new programs.

In Q2 and YTD 2021, the loss ratio was consistent with Q2 and YTD 2020. Claims across Risk Solutions continued to be in line with expectations.

Net underwriting income in Q2 and YTD 2021 increased over 2021 as a result of new warranty programs, a growing contribution from maturing programs that are performing well, and an increase in net underwriting income generated from fronted programs.

(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 Directors' & Officers' insurance for public, private and non-profit enterprises, professional liability insurance for both enterprises and professionals, technology and cyber liability insurance for enterprises, commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial enterprises and financial institutions.

In Q2 2021, Corporate Insurance represented 7.2% and 16.3% of our overall GPW and NPW respectively. For Q2 YTD, Corporate Insurance accounted for 7.0% and 17.0% of our overall GPW and NPW, respectively.

Table 4.6

	Q2 2021	Q2 2020	$ variance	% variance	Q2 2021 YTD	Q2 2020 YTD	$ variance	% variance
Gross premiums written	26,195	12,806	13,389	104.6%	47,108	25,670	21,438	83.5%
Net premiums written	16,357	9,877	6,480	65.6%	30,136	19,178	10,958	57.1%
Net premiums earned	14,691	9,535	5,156	54.1%	27,881	18,427	9,454	51.3%
Net underwriting revenue	14,691	9,535	5,156	54.1%	27,881	18,427	9,454	51.3%
Net underwriting income	355	1,227	(872)	(71.1%)	4,746	1,648	3,098	188.0%
Loss ratio: current accident year	48.5%	39.9%		8.6pts	43.9%	42.6%		1.3pts
Loss ratio: prior years' development	0.1%	(11.7%)		11.8pts	(11.6%)	(11.4%)		(0.2pts)
Loss ratio	48.6%	28.2%		20.4pts	32.3%	31.2%		1.1pts

GPW, NPW and NPE continued to demonstrate strong growth in Q2 2021 and YTD. This was due to continued new business growth, stable policy retentions, increasing rates and business from new distribution partners.

In Q2 2021, the loss ratio increased from Q2 2020, as a result of a number of E&O and D&O claims in the quarter, as well as a reduction of favourable prior years' development. We continue to reserve current accident year business at a higher rate than prior years to reflect the uncertainty related to the current economic environment. Should the economic climate become more certain, our reserving practices may return to previous levels. For YTD 2021, the loss ratio was consistent with the prior year.

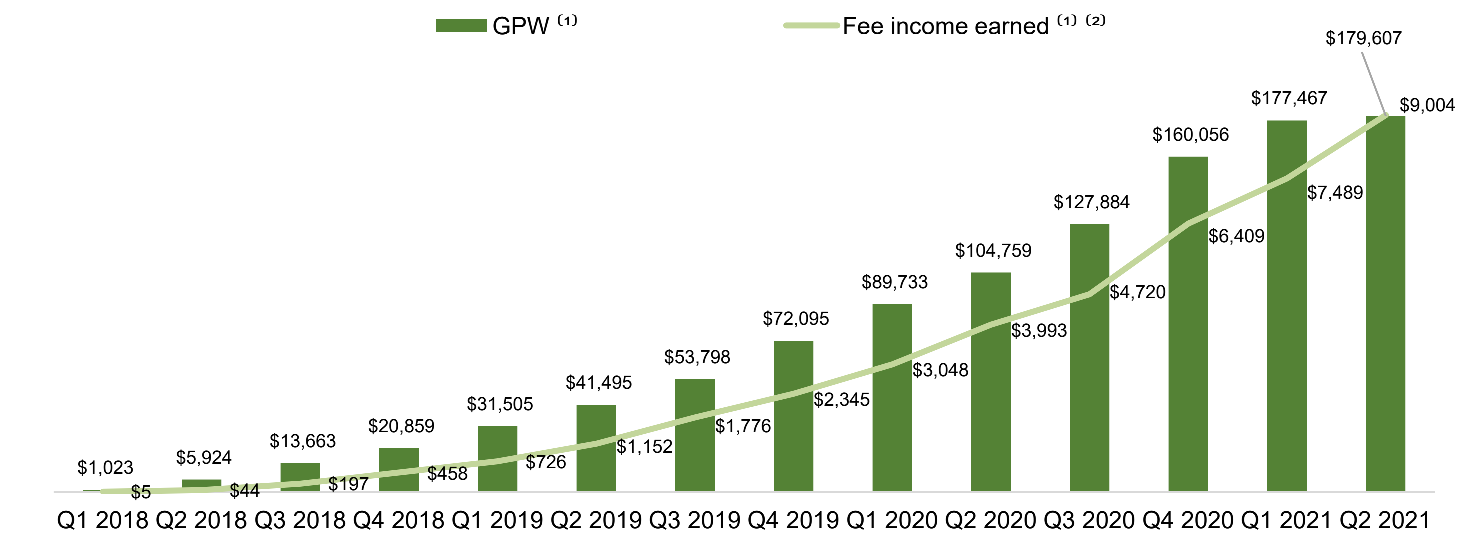
Net underwriting income decreased in Q2 2021 as a result of the increase in the loss ratio. Net underwriting income for YTD 2021 increased as a result of strong growth in the business, and a stable loss ratio.

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

UNITED STATES

Our US subsidiary operates as a non-admitted surplus line insurer in all states, participating as a hybrid fronting carrier with a fee-based business model. We are actively expanding our admitted licenses, with licenses in 48 states and the intention of gaining admitted licenses across all 50 states in time.

Our US operations continued to grow premium, producing $179.6 million USD in the quarter across 53 programs. In the quarter we lost two property programs with catastrophe exposure, while starting to bind premium on five new programs. The graph below shows the evolution of GPW, fee income earned, and the number of programs bound in the US.

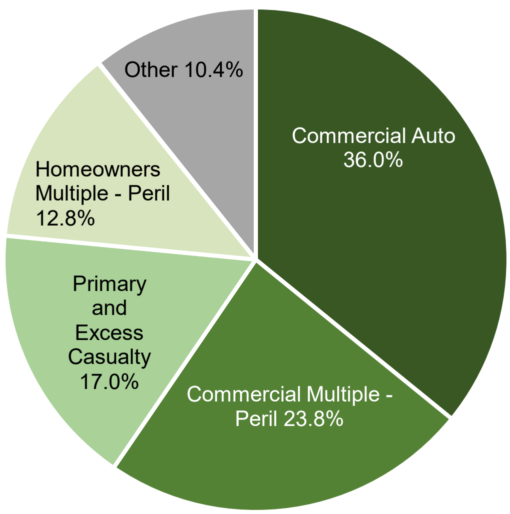


Number of Programs bound	4	11	11	14	16	23	25	29	35	38	40	48	50	53

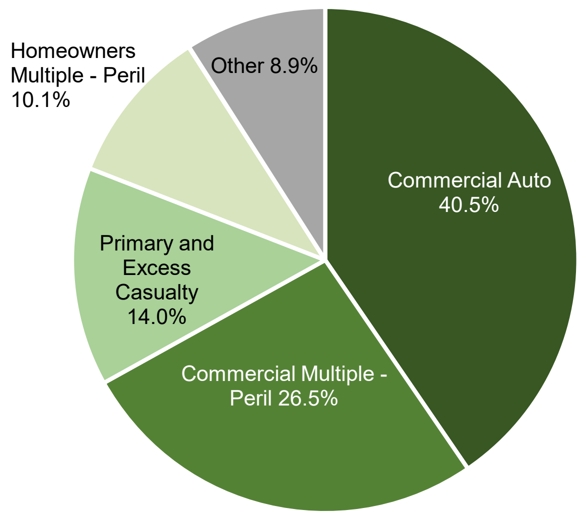
(1) Presented above in US dollars.
(2) Fee income earned excludes fees earned on premiums ceded to Trisura's captive reinsurance operations.

The charts below provide a segmentation by class of business of our US GPW and NPW for Q2 2021 and YTD 2021. The charts include premiums ceded to the captive reinsurance operations.

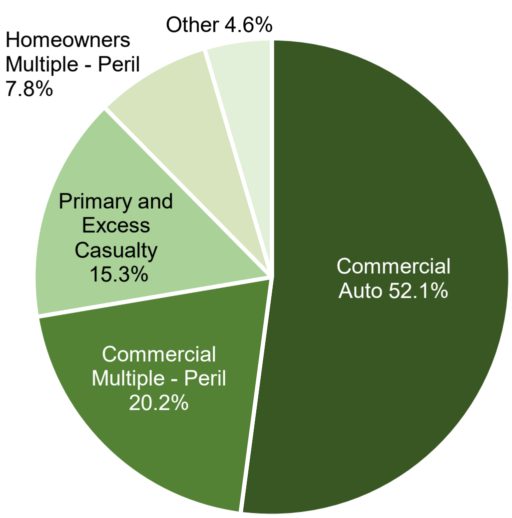
Gross Premiums Written
Q2 2021 (1)



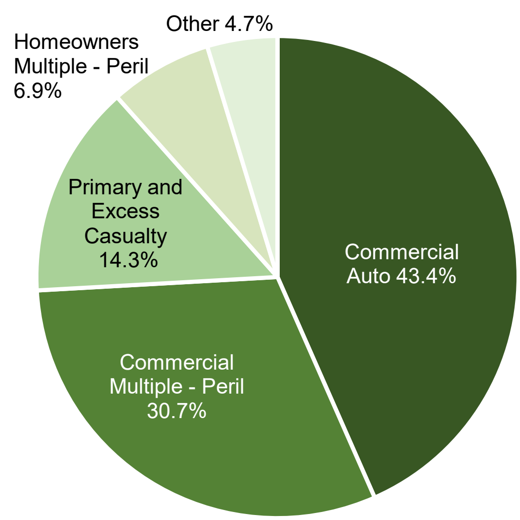
Gross Premiums Written
Q2 2021 YTD (1)



Net Premiums Written
Q2 2021 (1)



Net Premiums Written
Q2 2021 YTD (1)



(1) "Other" includes Auto Physical Damage, Allied Lines – Flood, Boiler and Machinery, Farmowners Multiple - Peril, Inland Marine, MonoLine Property, Prepaid Legal and Medical Professional Liability.

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

The table below presents financial highlights for our US operations. The table includes premiums ceded to Trisura's captive reinsurance operations, and excludes fronting fees earned on premiums ceded to the captive reinsurance operations.

Table 4.7

	Q2 2021	Q2 2020	$ variance	% variance	Q2 2021 YTD	Q2 2020 YTD	$ variance	% variance
Gross premiums written	220,598	144,819	75,779	52.3%	445,271	265,501	179,770	67.7%
Net premiums written	20,893	9,192	11,701	127.3%	37,418	15,760	21,658	137.4%
Net premiums earned	13,731	6,114	7,617	124.6%	24,351	10,181	14,170	139.2%
Fee income	11,083	5,513	5,570	101.0%	20,566	9,612	10,954	114.0%
Net underwriting revenue	24,814	11,627	13,187	113.4%	44,917	19,793	25,124	126.9%
Net underwriting income	7,490	3,505	3,985	113.7%	14,093	6,015	8,078	134.3%
Net investment income	1,112	885	227	25.6%	2,155	1,570	585	37.3%
Net income	6,889	4,114	2,775	67.5%	13,302	6,739	6,563	97.4%
Loss ratio	66.4%	71.6%			69.5%	68.4%		
Retention rate	9.4%	6.3%			8.4%	5.9%		
Fees as percentage of ceded premium	5.9%	5.8%			5.9%	5.8%		
Fronting operational ratio	69.8%	69.9%			68.6%	69.6%		
ROE (1)	14.0%	9.5%			14.0%	9.5%		

(1) ROE excludes premiums ceded to the captive reinsurance operations.

The table below shows Deferred fee income as at Q2 2021, compared to Q4 2020.

Table 4.8

As at	June 30, 2021	December 31, 2020	$ variance
Deferred fee income	21,303	18,306	2,997

GPW and NPW in the quarter and YTD periods grew significantly over 2020. The increase was a result of the addition of new programs as well as maturation of existing programs. Growth in NPW was higher than growth in GPW in Q2 and YTD 2021 as our US operations wrote more business in the period with a higher retention in 2021 than 2020. In the quarter and YTD, $11.3 million and $18.9 million of premiums were generated by admitted programs.

Our US Fronting operations retained 9.4% of GPW in Q2 2021 and 8.4% YTD of GPW, inclusive of premiums ceded to our reinsurance operations. The remainder of premiums were ceded to third party reinsurers. The increase in retention reflects a more mature business mix and selective increased retention on renewed programs, as well as structural nuances on two new programs whose premiums are grossed up to reflect higher commission rates leading to a higher retention rate. We continue to target retention between 5.0% and 10.0% on all new programs, after which we contemplate ceding to our captive reinsurer. Fees as a percentage of ceded premium in the quarter and YTD were 5.9%, which is comparable to 2020.

NPE grew significantly in the quarter and YTD, driven by an increase in retained premium earned in the period from business bound in 2020 and 2021.

Fee income in our US operations reflects fronting fees received from reinsurers which are recognized over the life of the insurance contracts with which they are associated. The earnings pattern of fee income is similar to that of net premium earned. Fee income grew strongly in Q2 2021 and YTD as a result of significant premium growth and the related fees.

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

UNITED STATES (CONTINUED)

The Q2 2021 loss ratio improved over the comparable quarter as US property business experienced fewer claims associated with weather events. The YTD 2021 loss ratio was slightly higher than 2020 due to losses arising from Southern US freeze losses in Q1 2021. Excluding that event, the loss ratio continues to be in line with expectations, supporting profitability.

The fronting operational ratio in Q2 and YTD 2021 was comparable to prior year periods.

See Section 5 – Investment Performance Review for a discussion on Net investment income (loss).

Quarterly and YTD Net income increased 67.5% and 97.4% respectively, primarily as a result of increased fee income as program volume and program partners continued to grow.

Our US operations continued its trend of growing profitability, achieving a 14.0% ROE, following a significant increase in equity in Q2 2021.

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 claims expense; 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.

Table 4.9

	Q2 2021	Q2 2020	$ variance	Q2 2021 YTD	Q2 2020 YTD	$ variance
Net (loss) income from life annuity	(56)	(3,170)	3,114	1,399	(3,868)	5,267
Operating expenses and other (1)	(470)	(524)	54	(1,354)	(377)	(977)
Net (loss) income from legacy reinsurance	(526)	(3,694)	3,168	45	(4,245)	4,290
Net income from reinsurance assumed from US Fronting (2)	373	77	296	765	119	646
Net (loss) income	(153)	(3,617)	3,464	810	(4,126)	4,936

(1) Includes operating and other expenses, operational income from legacy property casualty business currently in run-off, and certain gains/losses.
(2) Net income from reinsurance assumed from US Fronting is included with the US Fronting results reported in the section United States.

In Q2 2021 results from our life annuity contracts were breakeven, driven by stable European interest rates and effective asset liability matching, in contrast to Q2 2020 where an asset liability mismatch resulted in a loss. For YTD 2021, we observed a gain from the life annuity contract as a result of rising interest rates and a mismatch in asset liability performance. In the prior YTD period, declining interest rates and the aforementioned asset liability mismatch resulted in a loss. Our objective continues to be to minimize volatility through appropriate asset liability matching, however the program is market-based and can experience volatility quarter to quarter.

Operating expenses and other in the quarter were comparable to Q2 2020. For the YTD period, unrealized losses in Q1 2021 associated with the structured insurance assets held at FVTPL drove a higher value than the comparable period.

In the quarter and YTD, Reinsurance ceded from our US Fronting operations continued to generate positive net income and were both greater than the prior year as a result of growth in GPW ceded.

(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.

Corporate expenses in Q2 2021 and YTD were slightly higher than 2020 as a result of growth in the business.

Share-based compensation includes payment to directors and senior management and can be impacted by movement in the share price. As a result, we have introduced a hedging program for Share-based compensation to mitigate volatility. Share-based compensation is presented below net of the impact of hedging instruments. In the quarter, improved hedging reduced the cost of share-based compensation compared to Q2 2020. Share-based compensation was more effective in YTD 2021 than the prior year and was a contributor to earnings as a result of a slightly over-hedged position.

Debt servicing costs increased in the quarter as we reflected the interest costs of greater outstanding principal on our senior unsecured notes. Debt servicing costs YTD were lower than the prior period as a result of lower prevailing interest rates on our revolving credit facility which was outstanding for most of the period.

Table 4.10

	Q2 2021	Q2 2020	$ variance	Q2 2021 YTD	Q2 2020 YTD	$ variance
Corporate expenses	(440)	(326)	(114)	(811)	(685)	(126)
Share-based compensation, net of hedging (1)	(11)	(1,715)	1,704	83	(2,232)	2,315
Debt servicing	(194)	(174)	(20)	(293)	(416)	123
Corporate	(645)	(2,215)	1,570	(1,021)	(3,333)	2,312

(1) Refer to Table 8.8 for details to reconcile to Note 18 – Segmented Information in the Company's Condensed Interim Consolidated Financial Statements.

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

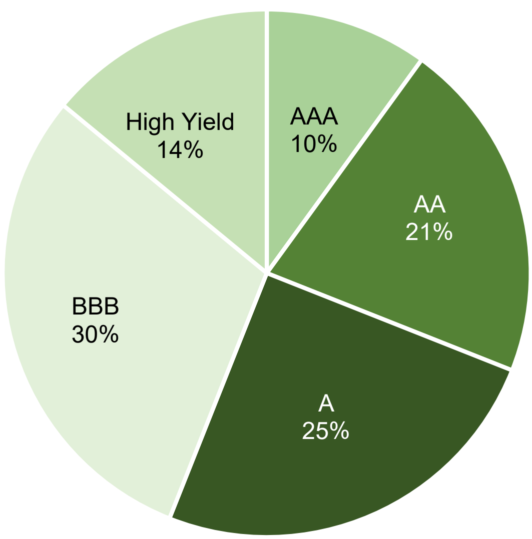
OVERVIEW

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. We take a centralized investment approach across all subsidiary portfolios and invest with a global posture.

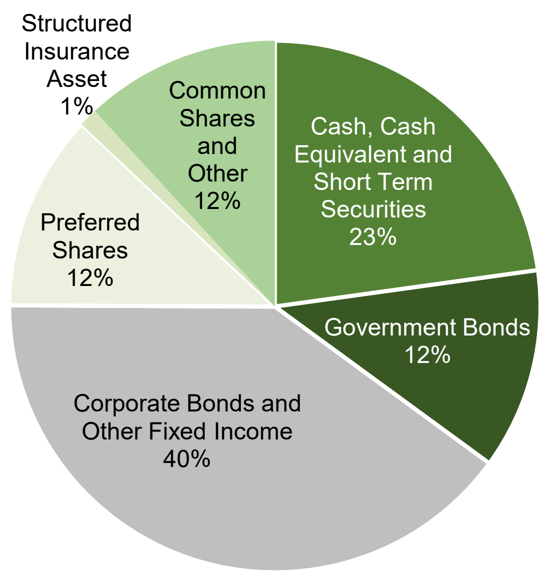
SUMMARY OF INVESTMENT PORTFOLIO

Our $784.1 million investment portfolio consists of cash and cash equivalents, short-term securities, government and corporate bonds, preferred shares, common shares and a small amount of alternative investments. Approximately 86% 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

Net Investment Income (Loss)

Table 5.1

	Q2 2021	Q2 2020	$ variance	Q2 2021 YTD	Q2 2020 YTD	$ variance
Canada	2,064	1,780	284	3,897	4,093	(196)
United States	1,112	885	227	2,155	1,570	585
Reinsurance Operations	(610)	3,591	(4,201)	(8,957)	9,103	(18,060)
Corporate	214	52	162	368	76	292
Investment income (loss)	2,780	6,308	(3,528)	(2,537)	14,842	(17,379)
Net gains (1)	418	2,567	(2,149)	1,387	690	697
Net investment income (loss)	3,198	8,875	(5,677)	(1,150)	15,532	(16,682)

(1) Net gains exclude derivative gains, which are presented in Table 4.10. Refer to Table 8.9 for details to reconcile to Note 18 – Segmented Information in the Company's Condensed Interim Consolidated Financial Statements.

The Company's operations 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.

A portion of excess capital is currently being maintained and managed at Corporate. Net investment income is driven by interest and dividend income on invested assets. The market-based yield of the Corporate portfolio as at June 30, 2021 was 3.3% (Q2 2020 – 3.4%). We expect to allocate additional capital to the US platform from Corporate as growth continues.

Canadian investment income is driven by interest and dividend income on portfolio assets. Net investment income in the quarter grew compared to prior year primarily as a result of strong operational performance, which led to an increase in the size of our investment portfolio. The market-based yield of the Canadian portfolio as at June 30, 2021 was 3.4% (Q2 2020 – 4.0%). The decline in portfolio yield was driven by increased market value of assets versus a comparatively more volatile market as at Q2 2020. We continue to diversify the Canadian portfolio, having introduced additional alternative investments in 2021 which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward. Net Investment income in the YTD period was lower compared to 2020, a result of lower prevailing yields for reinvestment.

In the quarter we continued to broaden the US portfolio to include allocations to asset classes beyond investment grade bonds. The market-based yield of the US portfolio as at June 30, 2021 was 3.2% (Q2 2020 – 3.5%). The decline in portfolio yield was driven by increased market value of assets versus a comparatively more volatile market as at Q2 2020. Investment income, which is primarily driven by interest and dividend income, grew in Q2 2021 and YTD, as growth in operations led to an increase in the size of our investment portfolio.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment losses were driven by an increase in interest rates in Q2 2021 and YTD. It is important to note that these losses were offset by a reduction in life annuity reserves which generated a corresponding gain. The market-based yield of the Reinsurance portfolio as at June 30, 2021 was 1.7% (Q2 2020 – 1.6%).

Net gains include realized gains and losses from sales of investments, the impact of foreign exchange related to the investment portfolio and the operations of the business, and any impairments. In Q2 2021 net gains were lower than Q2 2020 as a result of greater foreign exchange gains in Q2 2020. Net gains were greater YTD primarily as a result of certain impairments booked in 2020.

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

Other Comprehensive Income (Loss) ("OCI")

Table 5.2

	Q2 2021	Q2 2020	$ variance	Q2 2021 YTD	Q2 2020 YTD	$ variance
Unrealized gains (losses) in OCI	6,133	13,456	(7,323)	9,023	(9,368)	18,391
Cumulative translation (loss) gain	(2,298)	(4,628)	2,330	(4,426)	6,826	(11,252)
Other Comprehensive Income (Loss)	3,835	8,828	(4,993)	4,597	(2,542)	7,139

The Company records unrealized gains and losses on the market value of its AFS assets through OCI. The mark to market impact of these assets on OCI was positive in Q2 and YTD 2021, driven by unrealized gains in the preferred share and equity portfolios in Canada, US and Corporate.

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 and YTD 2021 were due to the strengthening of the Canadian currency against the US dollar, driving lower Canadian dollar valuations of capital held outside of Canada.

Refer to Notes 7 and 8 in 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 two percent market share positions. An estimated $55.5 billion of excess and surplus insurance direct premiums were written in 2019, exhibiting significant growth compared to the broader P&C industry, expanding by 11.2%. From 2000 until 2019, the average combined ratio for excess and surplus markets was 97.0% versus 101.7% 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 15 years and in the international specialty reinsurance market for over 19 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 48 states. We are in the process of obtaining admitted licenses in the 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 from 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 2020 and Q2 2021. 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 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 Insurance Company 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

Risks Associated with the COVID-19 Pandemic

The rapid spread of the COVID-19 coronavirus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken by government authorities globally in response to COVID-19, have interrupted business activities and supply chains; disrupted travel; contributed to significant volatility in the financial markets; resulted in lower interest rates; impacted social conditions; and adversely impacted local, regional, national and international economic conditions as well as the labour market. As a result of the rapid spread of COVID-19, many companies and various governments have imposed restrictions on business activity and travel which may continue and could expand. The Company has largely transitioned to a remote work environment as a result of the COVID-19 pandemic, with limited impact to the Company's workforce. Governments and central banks around the world have enacted fiscal and monetary stimulus measures to counteract the effects of the COVID-19 pandemic and various other response measures, however, the overall magnitude and long-term effectiveness of these actions remain uncertain. 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. Additional actions may be taken to contain COVID-19 or treat its impact, such as re-imposing previously lifted measures or putting in place additional restrictions. The pace, availability, distribution and acceptance of effective vaccines could also affect the impact of 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 there can be no assurance that strategies to address these risks will mitigate the adverse impacts related to the outbreak.

(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 November 2020. Trisura US obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was last reaffirmed in November 2020. A.M Best increased the financial size category of Trisura US from VII to VIII (US $50 million to US $100 million capital) in November 2020.

In March 2021, Trisura Canada and Trisura US were each assigned a financial strength rating of A (low) by DBRS Morningstar, who also assigned an Issuer Rating of BBB to Trisura Group Ltd.

CASH FLOW SUMMARY

Table 8.1

	Q2 2021	Q2 2020	$ variance	Q2 2021 YTD	Q2 2020 YTD	$ variance
Net income from operating activities	16,889	6,587	10,302	36,207	14,958	21,249
Non-cash items	(1,150)	9,412	(10,562)	9,792	7,751	2,041
Change in working capital	69,950	14,485	55,465	72,403	13,946	58,457
Realized gains on investments	(611)	(14,377)	13,766	(1,481)	(17,198)	15,717
Income taxes paid	(5,996)	(8)	(5,988)	(7,187)	(3,287)	(3,900)
Interest paid	(107)	(259)	152	(357)	(695)	338
Net cash from operating activities	78,975	15,840	63,135	109,377	15,475	93,902
Proceeds on disposal of investments	23,436	113,202	(89,766)	60,280	140,264	(79,984)
Purchases of investments	(104,742)	(175,157)	70,415	(174,677)	(208,926)	34,249
Net purchases of capital and intangible assets	(1,669)	(135)	(1,534)	(2,525)	(506)	(2,019)
Net cash used in investing activities	(82,975)	(62,090)	(20,885)	(116,922)	(69,168)	(47,754)
Shares issued	602	65,143	(64,541)	859	65,143	(64,284)
Shares purchased under RSUs plan	(116)	-	(116)	(1,930)	-	(1,930)
Issuance of note payable	74,700	-	74,700	74,700	-	74,700
Loans received	-	-	-	26,970	32,700	(5,730)
Loans repaid	(26,970)	(3,000)	(23,970)	(54,525)	(32,700)	(21,825)
Lease payments	(354)	(398)	44	(688)	(878)	190
Net cash from financing activities	47,862	61,745	(13,883)	45,386	64,265	(18,879)
Net increase in cash and cash equivalents	43,862	15,495	28,367	37,841	10,572	27,269
Cash and cash equivalents, beginning of period	129,649	84,352	45,297	136,519	85,905	50,614
Currency translation	(694)	(682)	(12)	(1,543)	2,688	(4,231)
Cash and cash equivalents, end of period	172,817	99,165	73,652	172,817	99,165	73,652

In Q2 and YTD 2021, the increase in Net cash from operating activities was primarily related to an increase in working capital generated from operating activities at our US and Canadian operations. In both cases the increase was largely related to growth in the business and in the case of the Canadian operations was particularly high as a result of cash received for a number of new fronted programs which has not yet been paid to reinsurers.

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

CASH FLOW SUMMARY (CONTINUED)

Net cash used in investing activities in Q2 and YTD 2021 reflected the purchase and disposal of portfolio investments in all three principal operating subsidiaries. In Q2 and YTD 2021, purchases of investments was less than Q2 and YTD 2020, as more cash was deployed to the portfolio in Q2 2020 as a result of the equity raise that quarter. Disposals of investments were fewer in Q2 and YTD 2021 than in Q2 and YTD 2020 as a result of a less rotation of investments in the portfolio than in the prior year.

In Q2 2021 Net cash from financing activities increased as a result of $74.7 million received from the debt issuance, which was partially used to repay the current loan outstanding of $27.0 million. The increase in Net cash from financing activities was lower than Q2 2020 as that quarter included an equity raise which generated $65.1 million in cash. In YTD 2021, Net cash from financing activities was lower than YTD 2020, as a result of the equity raise in 2020, which was greater than the additional capital generated from the debt issuance in 2021. YTD 2021, included movement in the Loans received and Loans repaid balances as a result of the repayment of the outstanding USD denominated Loan payable, which was replaced with a new Loan payable denominated in CAD. In Q1 2020, there was movement in Loans received and Repayment of loans payable as a result of the repayment of the outstanding CAD denominated Loan payable balance, which was replaced with a new Loan payable balance denominated in USD. Q1 2020 included an additional drawing of $3.0 million from the credit facility, which was repaid in Q2 2020. A small increase in Shares issued in Q2 and YTD 2021 was the result of certain options being exercised.

SEGMENTED REPORTING

Table 8.2

As at	June 30, 2021				
	Trisura Canada	Trisura US	Trisura International	Corporate (1)	Total (2)
Assets	726,904	1,334,168	108,761	33,627	2,203,460
Liabilities	588,997	1,136,983	94,800	52,055	1,872,835
Shareholders' Equity	137,907	197,185	13,961	(18,428)	330,625
Book Value Per Share, $ (3)	3.35	4.79	0.34	(0.45)	8.03

(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, 2021, post four-for-one stock split.

Table 8.3

As at	December 31, 2020				
	Trisura Canada	Trisura US	Trisura International	Corporate (1)	Total (2)
Assets	541,603	1,021,020	121,347	22,762	1,706,732
Liabilities	431,858	864,983	108,295	11,732	1,416,868
Shareholders' Equity	109,745	156,037	13,052	11,030	289,864
Book Value Per Share, $ (3)	2.67	3.80	0.32	0.27	7.06

(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 December 31, 2020, post four-for-one stock split.

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

FINANCIAL INSTRUMENTS

See Notes 4, 5, 6, 7, and 8 in the Company's Condensed Interim Consolidated Financial Statements for financial statement classification of the change in fair value of financial instruments, significant assumptions made in determining the fair values, amounts of income, expenses, gains and losses associated with the instruments.

SELECTED QUARTERLY RESULTS

Table 8.4

	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Gross premiums written	363,514	310,274	314,200	239,607	202,683	169,952	143,212	114,354
Net premiums written and other revenue	112,312	91,149	98,059	71,195	52,748	49,041	43,231	39,959
Total revenues	86,721	64,925	69,494	60,095	52,455	44,588	29,325	42,752
Net income attributable to shareholders	16,889	19,318	10,949	6,535	6,587	8,371	4,172	2,543
EPS, basic (in dollars)[1]	0.41	0.47	0.27	0.16	0.17	0.24	0.12	0.09
EPS, diluted (in dollars)[1]	0.40	0.46	0.26	0.16	0.17	0.24	0.12	0.09
Distributions or cash dividends per-share	-	-	-	-	-	-	0.375	0.375
Total assets	2,203,460	1,886,686	1,706,732	1,517,516	1,327,613	1,143,064	978,393	886,893
Total non-current financial liabilities	74,429	16,000	16,096	28,869	29,494	33,704	29,700	29,700

1 - Adjusted to reflect the four-for-one stock split effective July 9, 2021. Per-share disclosure is presented on a post-split basis.

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 our Canadian operations) as a percentage of NPE.
Fees as Percentage of Ceded Premium	Written 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.
ROE	Net income for the twelve month period preceding the reporting date, divided by the average common shareholders' equity over the same period, adjusted for significant capital transactions, if appropriate.
Adjusted ROE	ROE calculated using Adjusted net income for the twelve month period preceding the reporting date.
Adjusted Net Income	Net income, adjusted to remove impact of non-recurring items and normalize earnings for core operations.
MCT	Our Canadian operations report 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 our Canadian operations.
Retained Premium (%)	NPW as a percentage of GPW.
LTM Average Equity	Shareholders' equity over the last twelve month period, adjusted for significant capital transactions, if appropriate.
Net Underwriting Revenue	The sum of net premiums earned and fee income.
Net Underwriting Income	Net underwriting revenue, less net claims and loss adjustment expenses, net commissions, and operating expenses.

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.

NON-IFRS FINANCIAL MEASURES

We report certain financial information using non-IFRS financial measures. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. They are used by management and financial analysts to assess our performance.

Further, they provide users with an enhanced understanding of our results and related trends and increase transparency and clarity into the core results of the business.

Table 8.5.1 - Adjusted Earnings per Common Share

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
Net income	16,889	6,587	36,207	14,958
Adjustments, net of tax (1)				
Add: impact of share-based compensation (net of tax) (1)	3,230	1,950	5,266	2,199
Less: net gains (net of tax) (1)	(4,112)	(3,116)	(7,484)	(1,527)
Less: net loss (income) from life annuity (1)	56	3,170	(1,399)	3,868
Less: one-time income tax benefits	(1,221)	-	(1,221)	(3,127)
Adjusted net income attributable to shareholders	**14,842**	8,591	**31,369**	16,371
Weighted-average number of common shares outstanding - basic (in thousands of shares)	10,287	9,560	10,278	9,188
Adjusted earnings per common share – basic - in dollars	**1.44**	0.90	**3.05**	1.78
Adjusted earnings per common share – basic - in dollars (2)	**0.36**	0.23	**0.76**	0.45
Weighted-average number of common shares outstanding - diluted (in thousands of shares)	10,537	9,668	10,500	9,292
Adjusted earnings per common share – diluted - in dollars	**1.41**	0.89	**2.99**	1.76
Adjusted earnings per common share – diluted - in dollars (2)	**0.35**	0.22	**0.75**	0.44

(1) Table 8.5.3 provides a reconciliation of the various adjustments from pre-tax to net of tax.
(2) Adjusted to reflect the four-for-one stock split effective July 9, 2021. Per-share disclosure is presented on a post-split basis.

Table 8.5.2 - Reconciliation of Earnings per Common Share per Condensed Interim Consolidated Financial Statements to Adjusted Earnings per Common Share

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
Earnings per common share – diluted - in dollars	0.40	0.17	0.86	0.40
Adjustments	(0.05)	0.05	(0.11)	0.04
Adjusted earnings per common share – diluted - in dollars	**0.35**	0.22	**0.75**	0.44

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

Table 8.5.3 - Reconciliation of Tax-Effected Amounts in Adjusted Earnings per Common Share to Condensed Interim Consolidated Financial Statements

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
Share-based compensation, gross of hedging	4,394	2,653	7,165	2,992
Less: tax on share-based compensation	(1,164)	(703)	(1,899)	(793)
Impact of share-based compensation, net of tax	**3,230**	1,950	**5,266**	2,199
Net gains	(4,801)	(3,504)	(8,635)	(1,450)
Less: tax impact	689	388	1,151	(77)
Net gains, net of tax	**(4,112)**	(3,116)	**(7,484)**	(1,527)
Net loss (income) from life annuity	56	3,170	(1,399)	3,868
Less: tax impact	-	-	-	-
Net loss (income) from life annuity, net of tax	**56**	3,170	**(1,399)**	3,868

Table 8.6 - ROE and Adjusted ROE

	Q2 2021	Q2 2020
LTM net income attributable to shareholders	53,691	21,673
LTM average equity	293,528	183,108
ROE	**18.3%**	11.8%
Adjusted LTM net income attributable to shareholders	47,158	25,306
LTM average equity	293,528	183,108
Adjusted ROE	**16.1%**	13.8%

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

US Operations

Table 8.7.1 - Reconciliation of Note 18 - Segmented information in the Company's Condensed Interim Consolidated Financial Statements to Results including intercompany ceding adjustments (as per MD&A Table 4.7)

For the three months ended June 30, 2021	**As presented in Note 18 – Segmented information**	**Adjustments including intercompany ceding**	**Amount per MD&A Table 4.7**
Gross premiums written	221,268	(670)	220,598
Net premiums written	16,155	4,738	20,893
Net premiums earned	10,029	3,702	13,731
Fee income	11,298	(215)	11,083
Net underwriting revenue	21,327	3,487	24,814
Net underwriting income	7,117	373	7,490
Net investment income	1,112	-	1,112
Net income	6,516	373	6,889

Table 8.7.2

For the period ended June 30, 2021	**As presented in Note 18 – Segmented information**	**Adjustments including intercompany ceding**	**Amount per MD&A Table 4.7**
Gross premiums written	445,941	(670)	445,271
Net premiums written	28,612	8,806	37,418
Net premiums earned	17,225	7,126	24,351
Fee income	20,978	(412)	20,566
Net underwriting revenue	38,203	6,714	44,917
Net underwriting income	13,328	765	14,093
Net investment income	2,155	-	2,155
Net income	12,537	765	13,302

Table 8.7.3

For the three months ended June 30, 2020	As presented in Note 18 – Segmented information	Adjustments including intercompany ceding	Amount per MD&A Table 4.7
Gross premiums written	144,819	-	144,819
Net premiums written	4,843	4,349	9,192
Net premiums earned	5,053	1,061	6,114
Fee income	5,566	(53)	5,513
Net underwriting revenue	10,619	1,008	11,627
Net underwriting income	3,428	77	3,505
Net investment income	885	-	885
Net income	4,037	77	4,114

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

Table 8.7.4

For the period ended June 30, 2020	As presented in Note 18 – Segmented information	Adjustments including intercompany ceding	Amount per MD&A Table 4.7
Gross premiums written	265,501	-	265,501
Net premiums written	10,857	4,903	15,760
Net premiums earned	8,931	1,250	10,181
Fee income	9,665	(53)	9,612
Net underwriting revenue	18,596	1,197	19,793
Net underwriting income	5,896	119	6,015
Net investment income	1,570	-	1,570
Net income	6,620	119	6,739

Corporate

Table 8.8 - Reconciliation of Table 4.10 to Note 18 – Segmented Information in the Company's Condensed Interim Consolidated Financial Statements

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
As presented in Table 4.10:				
Corporate expenses	(440)	(326)	(811)	(685)
Share-based compensation, net of hedging	(11)	(1,715)	83	(2,232)
Subtotal	**(451)**	(2,041)	**(728)**	(2,917)
Less: Derivative gains from hedging*	(4,383)	(937)	(7,248)	(760)
Plus: Consolidation adjustment	216	-	413	-
Total, as presented in Note 18 – Segmented Information	**(4,618)**	(2,978)	**(7,563)**	(3,677)

** Derivative gains from hedging are presented in Net gains in the Condensed Interim Consolidated Financial Statements.*

Net gains

Table 8.9 - Reconciliation of Table 5.1 to Note 18 – Segmented Information in the Company's Condensed Interim Consolidated Financial Statements

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
As presented in Table 5.1:				
Net gains	418	2,567	1,387	690
Plus: Derivative gains from hedging	4,383	937	7,248	760
Total, as presented in Note 18 – Segmented Information	**4,801**	3,504	**8,635**	1,450

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, the Company 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
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Diluted Earnings Per Share
FVTPL	Fair Value Through Profit & Loss
GPW	Gross Premium Written
LTM	Last Twelve Months
MCT	Minimum Capital Test
MGA	Managing General Agent
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
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 over the last twelve months
RSUs	Equity-settled restricted share units
USD	United States Dollar
YTD	Year to Date