Condensed Interim Consolidated Financial Statements of

TRISURA GROUP LTD.

As at and For the Three and Nine Months Ended September 30, 2017

(Unaudited)

The condensed interim consolidated financial statements of Trisura Group Ltd. (the “Company”) as at and for the three and nine months ended September 30, 2017 have not been reviewed by the Company’s external auditor, Deloitte LLP (“Deloitte”), as Deloitte has not been engaged to review the Company’s results of operations and financial condition for the comparative 2016 period.

TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Table of Contents for the condensed interim consolidated financial statements of Trisura Group Ltd. as at and for the three and nine months ended September 30, 2017

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

As at	Note	September 30, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents		**$ 156,321**	$ 122,096
Investments	3	**201,036**	194,393
Premiums and accounts receivable, and other assets	5	**22,205**	22,069
Deferred acquisition costs		**37,777**	30,985
Recoverable from reinsurers		**56,231**	47,120
Capital assets and intangible assets		**1,865**	2,116
Deferred tax assets		**748**	622
TOTAL ASSETS		**$ 476,183**	$ 419,401
LIABILITIES			
Accounts payable, accrued and other liabilities	6	**$ 17,767**	$ 25,434
Reinsurance premiums payable		**14,250**	13,461
Unearned premiums		**108,339**	90,612
Unearned reinsurance commissions		**6,670**	4,928
Unpaid claims and loss adjustment expenses	4	**173,309**	163,970
Loan payable	11	**29,900**	34,100
Minority interests		**21,200**	16,008
		371,435	348,513
SHAREHOLDERS' EQUITY			
Share capital	10	**$ 140,270**	$ 9,618
Accumulated (deficit) retained earnings	10	**(32,461)**	58,695
Accumulated other comprehensive (loss) income		**(3,061)**	2,575
		104,748	70,888
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 476,183**	$ 419,401

See accompanying notes to the condensed interim consolidated financial statements

TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		Three months ended		Nine months ended	
For the periods ended September 30,	*Note*	**2017**	**2016**	**2017**	**2016**
Gross premiums written		**$ 36,123**	$ 31,631	**$ 108,074**	$ 91,559
Reinsurance premiums ceded		**(9,338)**	(8,609)	**(34,773)**	(26,090)
Retrospective premiums refund		**(43)**	(58)	**(125)**	(242)
Net premiums written		**26,742**	22,964	**73,176**	65,227
Change in unearned premiums		**(4,752)**	(2,778)	**(13,609)**	(11,563)
Net premiums earned		**21,990**	20,186	**59,567**	53,664
Fee income		**216**	105	**3,273**	3,151
Total underwriting revenue		**22,206**	20,291	**62,840**	56,815
Claims and expenses					
Claims and loss adjustment expenses		**9,922**	12,159	**25,338**	33,811
Reinsurers' share of claims and loss adjustment expenses		**(4,793)**	(3,255)	**(12,872)**	(10,647)
Commissions		**9,639**	8,419	**26,331**	23,240
Reinsurance commissions		**(2,840)**	(2,170)	**(6,644)**	(5,276)
Premium taxes		**1,246**	1,033	**3,236**	2,629
Operating expenses		**7,804**	7,270	**23,366**	17,742
Total claims and expenses		**20,978**	23,456	**58,755**	61,499
Net underwriting income (loss)		**1,228**	(3,165)	**4,085**	(4,684)
Net investment income	*3*	**2,067**	1,818	**4,404**	9,849
Foreign exchange loss		**(253)**	(227)	**(138)**	(405)
Interest expense	*11*	**(273)**	(329)	**(812)**	(329)
Change in minority interests		**2**	3	**(5,156)**	(157)
Income (loss) before income taxes		**2,771**	(1,900)	**2,383**	4,274
Income tax (expense) recovery	*16*	**(761)**	353	**(2,648)**	(1,407)
Net income (loss)		**2,010**	(1,547)	**(265)**	2,867
Other comprehensive (loss) income	*14*	**(2,965)**	5,625	**(5,636)**	1,157
Comprehensive (loss) income		**$ (955)**	$ 4,078	**$ (5,901)**	$ 4,024
Net income attributable to common shareholders (1)		$ 2,010	n/a	$ 2,295	n/a
Weighted average number of common shares outstanding during the period - basic and diluted (thousands)		5,813	n/a	5,813	n/a
Earnings per common share (in dollars) – basic and diluted		$ 0.35	n/a	$ 0.39	n/a

(1) For the periods from July 1, 2017 to September 30, 2017, and June 22, 2017 to September 30, 2017 (see Note 1).

See accompanying notes to the condensed interim consolidated financial statements

TRISURA GROUP LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, in C$ thousands)

	Note	Share Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss) (net of income taxes, see Note 14)	Total
Balance at January 1, 2017		$ 9,618	$ 58,695	$ 2,575	**$ 70,888**
Net loss		-	(265)	-	**(265)**
Other comprehensive loss	*14*	-	-	(5,636)	**(5,636)**
Comprehensive loss		-	(265)	(5,636)	**(5,901)**
Share issuance	*1, 10*	140,270	-	-	**140,270**
Adjustment on reorganization [(1)]		(9,618)	(90,891)	-	**(100,509)**
Balance at September 30, 2017		**$ 140,270**	**$ (32,461)**	**$ (3,061)**	**$ 104,748**

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of income taxes, see Note 14)	Total
Balance at January 1, 2016		$ 9,618	$ 94,441	$ 419	$ 104,478
Net income		-	2,867	-	2,867
Other comprehensive income	*14*	-	-	1,157	1,157
Comprehensive income		-	2,867	1,157	4,024
Redemption [(2)]		-	(21,000)	-	(21,000)
Dividends paid		-	(17,703)	-	(17,703)
Balance at September 30, 2016		$ 9,618	$ 58,605	$ 1,576	$ 69,799

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

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

See accompanying notes to the condensed interim consolidated financial statements

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

For the nine-month period ended September 30,	2017	2016
Operating activities		
Net (loss) income	**$ (265)**	$ 2,867
Items not involving cash:		
Depreciation and amortization	**534**	398
Unrealized gains (losses)	**675**	(669)
Impairment loss on available-for-sale investment	**-**	3,701
Change in minority interests	**5,156**	157
Change in working capital and other	**20,722**	11,053
Realized loss on available-for-sale investments	**(704)**	(1,843)
Income taxes paid	**(6,123)**	(1,797)
Interest paid	**(810)**	(333)
Net cash flows from operating activities	**19,185**	13,534
Investing activities		
Proceeds on disposal of investments	**20,386**	34,670
Purchases of investments	**(131,864)**	(31,915)
Purchases of capital assets	**(52)**	(692)
Disposal of capital assets	**24**	-
Purchases of intangible assets	**(117)**	(151)
Net cash flows (used in) from investing activities	**(111,623)**	1,912
Financing activities		
Dividends paid	**-**	(17,703)
Shares issued	**140,270**	-
Shares redeemed	**-**	(21,000)
Repayment of notes payable	**(355)**	(308)
Loans received	**-**	35,000
Repayment of loans payable	**(4,200)**	(6,600)
Net cash flows from (used in) financing activities	**135,715**	(10,611)
Net increase in cash and cash equivalents during the period	**43,277**	4,835
Cash, beginning of period	**113,409**	96,912
Cash equivalents, beginning of period	**8,687**	4,476
Cash and cash equivalents, beginning of period	**122,096**	101,388
Impact of foreign exchange on cash and cash equivalents	**(9,052)**	(4,235)
Cash, end of period	**88,946**	92,135
Cash equivalents, end of period	**67,375**	9,853
Cash and cash equivalents, end of period	**$ 156,321**	$ 101,988

See accompanying notes to the condensed interim consolidated financial statements

1. The Company

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

Reorganization Transaction

On June 15, 2017, Brookfield Asset Management Inc. ("Brookfield") subscribed for 5,813,312 common shares of the Company in exchange for approximately $140,270. On June 15, 2017, the Company used the $140,270 to acquire: (i) Brookfield's 100% interest in Trisura International Holdings Ltd. ("TIHL") for approximately $50,132; (ii) Brookfield's 60% interest in 6436978 Canada Limited ("643 Can Ltd") for approximately $50,329; and (iii) Brookfield's interest in a note payable from 643 Can Ltd to Brookfield for approximately $185, leaving the Company with approximately $39,624 in additional cash (collectively, the "Reorganization Transaction"). The impact of the Reorganization Transaction on share capital was to increase share capital to $140,270, which reflects current share capital of the Company. The impact of this transaction on retained earnings was to reduce retained earnings by the difference between consideration paid for Brookfield's interest in 643 Can Ltd and the book value of 643 Can Ltd as at June 15, 2017, which reduced retained earnings by $31,631. The impact of the reorganization on share capital was an adjustment to share capital of $(9,618) and an adjustment to retained earnings of $(90,891).

Spin-off

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

643 Can Ltd, through its wholly-owned subsidiary Trisura Guarantee Insurance Company ("Trisura Guarantee"), operates as a Canadian property and casualty insurance company. TIHL, through its wholly-owned subsidiary Trisura International Insurance Ltd. ("Trisura International"), provides specialty insurance and reinsurance products to the global insurance market place, and is currently managing its in-force portfolio of reinsurance contracts. A third wholly-owned subsidiary, Trisura Specialty Insurance Company ("Trisura Specialty") was incorporated on May 31, 2017 and was licensed by the Oklahoma Insurance Department as a domestic surplus lines insurer and can write business as a non-admitted surplus line insurer in all states within the United States.

The earnings per share calculations have been presented for the periods from July 1 to September 30, 2017 and from June 22 to September 30, 2017.

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

2. Summary of significant accounting policies

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

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

2. Summary of significant accounting policies (continued)

a) *Basis of presentation*

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

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

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

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

b) *Continuity of interests*

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

c) *Cash and cash equivalents*

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

2. Summary of significant accounting policies (continued)

d) Investments

Bonds, trust units and equities are classified as available-for-sale or designated as Fair Value Through Profit or Loss ("FVTPL"). The classification is dependent on the purpose for which the financial instruments were acquired.

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

FVTPL investments are carried at fair value, with changes in fair value recognized in net income. Certain investments are designated as FVTPL to reduce the volatility within net income associated with the movement of the underlying claims which are supported by these investments.

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

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

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

e) Structured insurance assets

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

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

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

2. Summary of significant accounting policies (continued)

f) *Derivative financial instruments*

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

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

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

g) Impairment

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

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

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

2. Summary of significant accounting policies (continued)

h) Other financial assets and liabilities

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

i. Premiums and accounts receivable, and other assets.

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

i. Accounts payable, accrued and other liabilities;

ii. Reinsurance premiums payable;

iii. Loan payable; and

iv. Minority interests.

i) Insurance contracts

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

j) Investment contracts

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

2. Summary of significant accounting policies (continued)

k) Premiums

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

In the normal course of business, the Company enters into fronting arrangements with third parties, whereby the Company assumes the insurance risk but then cedes all of it to other insurers and reinsurers, and security arrangements are established to offset the Company's risk exposure. Premiums related to those fronting arrangements are recognized over the term of the related policies on a pro rata basis.

l) Fees

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

m) Acquisition costs

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

n) *Funds held by ceding companies*

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

o) Claims and loss adjustment expenses

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

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

2. Summary of significant accounting policies (continued)

o) Claims and loss adjustment expenses (continued)

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

p) Reinsurance

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

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

q) Capital assets

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

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

r) Intangible assets

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

s) Income taxes

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

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

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

2. Summary of significant accounting policies (continued)

t) Foreign currency

i) Functional and presentation currency

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

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

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

ii) Financial statements of foreign operations

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

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

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

u) Offsetting

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

v) Share based payments

The Company maintains cash-settled share-based compensation plans, which are described in note 17. The cost of these options is recognized in operating expenses in comprehensive income (loss) as an expense over the period from the issue date to the vesting date. Obligations related to these plans are recorded as liabilities at fair value in Accounts payable, accrued and other liabilities. At each reporting date they are re-measured at fair value with reference to the fair value of the Company’s stock price and the number of units that have vested. The corresponding share-based compensation expense or recovery is recognized over the vesting period.

2. Summary of significant accounting policies (continued)

w) Future accounting policy changes

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

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

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

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

IFRS 16 *Leases* ("IFRS 16")

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

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

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

(Unaudited, in C$ thousands)

3. Investments

a) Investments by designation

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

b) Unrealized gains and losses

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

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
September 30, 2017				
Bonds				
Government	**$ 27,417**	**$ 697**	**$ (25)**	**$ 28,089**
Government (designated as FVTPL)	**7,607**	**16,263**	**-**	**23,870**
Total government bonds	**35,024**	**16,960**	**(25)**	**51,959**
Corporate	**87,623**	**626**	**(622)**	**87,627**
	122,647	**17,586**	**(647)**	**139,586**
Mortgage backed securities	**352**	**7**	**-**	**359**
Asset backed securities	**55**	**36**	**(55)**	**36**
Total fixed income	**123,054**	**17,629**	**(702)**	**139,981**
Income and investment trust units	**2,126**	**830**	**(149)**	**2,807**
Common shares	**25,107**	**5,842**	**(1,225)**	**29,724**
Preferred shares	**14,441**	**1,157**	**(300)**	**15,298**
Structured insurance assets	**13,226**	**-**	**-**	**13,226**
	$ 177,954	**$ 25,458**	**$ (2,376)**	**$ 201,036**

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

(Unaudited, in C$ thousands)

3. Investments (continued)

c) Pledged assets

In the normal course of insurance and reinsurance operations, the Company must secure its obligations under certain insurance and reinsurance contracts by collateralizing them with letters of credit or trust arrangements. These trusts and letters of credit may, in turn, be secured by the Company's fixed income investments. As at September 30, 2017, the Company pledged $28,139 (December 31, 2016 – $42,228) of its fixed income investments for insurance and reinsurance trust arrangements.

As at September 30, 2017, the Company pledged $376 (December 31, 2016 - $nil) of fixed income investments as security deposit to the Oklahoma Insurance Department to be held in trust for and pledged to the State of Oklahoma.

d) Fair value hierarchy

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

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

	Total Fair Value	Level 1	Level 2	Level 3
September 30, 2017				
Bonds				
Government	$ 51,959	$ -	$ 51,959	$ -
Corporate	87,627	-	87,627	-
	139,586	-	139,586	-
Mortgage backed securities	359	-	-	359
Asset backed securities	36	-	-	36
Income and investment trust units	2,807	2,807	-	-
Common shares	29,724	29,416	-	308
Preferred shares	15,298	15,298	-	-
Structured insurance assets	13,226	-	-	13,226
Investments	201,036	47,521	139,586	13,929
Derivative financial assets	125	-	125	-
Derivative financial liabilities	(180)	-	(180)	-
	$ 200,981	$ 47,521	$ 139,531	$ 13,929

(Unaudited, in C$ thousands)

3. Investments (continued)

d) Fair value hierarchy (continued)

	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2016				
Bonds				
Government	$ 57,916	$ -	$ 57,916	$ -
Corporate	76,035	-	76,035	-
	133,951	-	133,951	-
Mortgage backed securities	476	-	-	476
Asset backed securities	41	-	-	41
Income and investment trust units	2,802	2,802	-	-
Common shares	26,933	26,933	-	-
Preferred shares	14,865	14,865	-	-
Structured insurance assets	15,129	-	-	15,129
Convertible debenture	196	196	-	-
Investments	194,393	44,796	133,951	15,646
Derivative financial liabilities	(278)	-	(278)	-
	$ 194,115	$ 44,796	$ 133,673	$ 15,646

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

	September 30, 2017
Balance at beginning of year	**$ 15,646**
Unrealized losses	**(48)**
Amortization of premium	**(899)**
Purchase of securities	**323**
Foreign exchange	**(1,093)**
Balance at end of period	**$ 13,929**

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

(Unaudited, in C$ thousands)

3. Investments (continued)

e) *Net investment income*

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Net interest income				
Cash and cash equivalents	**$ 88**	$ 131	**$ 380**	$ 291
Available-for-sale bonds	**807**	1,302	**2,408**	3,284
Interest on Executive share purchase plan	**15**	18	**46**	55
Interest expense on Notes payable	**(1)**	(6)	**(7)**	(19)
	909	1,445	**2,827**	3,611
Business and dividend income				
Available-for-sale income and investment trust units	**31**	26	**132**	(21)
Available-for-sale common shares	**217**	187	**653**	538
Available-for-sale preferred shares	**163**	171	**520**	469
FVTPL convertible debenture	**-**	(67)	**(29)**	48
	1,320	1,762	**4,103**	4,645
Unrealized (loss) gain on investments held at FVTPL	**(1,066)**	2,690	**(4,439)**	2,761
Investment income on funds held by ceding companies	**-**	64	**-**	418
Commission income on assets at FVTPL	**333**	222	**774**	952
Loss on investment contracts	**(15)**	(531)	**(27)**	(753)
Investment expenses	**(136)**	(118)	**(432)**	(385)
	436	4,089	**(21)**	7,638
Gain (loss) on disposition of investments				
Available-for-sale income and investment trust units	**-**	237	**-**	313
Available-for-sale bonds	**1,631**	1,340	**4,322**	5,585
Available-for-sale common shares	**-**	(147)	**23**	14
Available-for-sale preferred shares	**-**	-	**80**	-
	1,631	1,430	**4,425**	5,912
Impairments				
Preferred shares	**-**	(3,352)	**-**	(3,352)
Common shares	**-**	(349)	**-**	(349)
	-	(3,701)	**-**	(3,701)
	$ 2,067	$ 1,818	**$ 4,404**	$ 9,849

(Unaudited, in C$ thousands)

4. Unpaid claims and loss adjustment expenses

a) *Nature of unpaid claims and loss adjustment expenses*

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

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

	Gross	Ceded	Net
September 30, 2017			
Trisura Guarantee			
Property and casualty	**$ 81,613**	**$ 29,668**	**$ 51,945**
Trisura International			
Life	**72,548**	**-**	**72,548**
Property and casualty	**19,148**	**-**	**19,148**
	91,696	**-**	**91,696**
	$ 173,309	**$ 29,668**	**$ 143,641**

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

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

(Unaudited, in C$ thousands)

4. Unpaid claims and loss adjustment expenses (continued)

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

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

Gross claim reserves	**Three months ended September 30,**		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
Unpaid claims, beginning of period	**$ 166,670**	$ 170,121	**$ 163,970**	$ 168,772
Add: Provisions offset against funds held by ceding companies [1]	**-**	30,248	**-**	32,013
Gross unpaid claims, beginning of period	**166,670**	200,369	**163,970**	200,785
Change in undiscounted estimates for losses of prior years	**1,171**	3,423	**(2,210)**	12,682
Change in discount rate	**(411)**	-	**(211)**	155
Change in provision for adverse deviation	**169**	-	**594**	367
Claims occurring in current year (including paid)	**8,993**	8,736	**27,165**	20,607
Amounts transferred on novation	**-**	(30,957)	**-**	(30,957)
Paid on claims occurring during:				
Current year	**(2,652)**	(1,959)	**(7,398)**	(5,744)
Prior years	**(1,337)**	(8,386)	**(10,176)**	(20,609)
Foreign exchange	**706**	2,598	**1,575**	(3,462)
Gross unpaid claims end of period	**173,309**	173,824	**173,309**	173,824
Deduct: Provisions offset against funds held by ceding companies	**-**	-	**-**	-
Unpaid claims, end of period	**$ 173,309**	$ 173,824	**$ 173,309**	$ 173,824

Reinsurers' share of claim reserves	**Three months ended September 30,**		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
Unpaid claims, beginning of period	**$ 27,222**	$ 23,656	**$ 24,676**	$ 18,958
Change in undiscounted estimates for losses of prior years	**1,097**	194	**976**	2,194
Change in discount rate	**46**	-	**(40)**	16
Change in provision for adverse deviation	**(180)**	-	**48**	126
Claims occurring in current year (including paid)	**3,830**	3,061	**11,888**	8,311
Paid on claims occurring during:				
Current year	**(1,181)**	(578)	**(3,528)**	(1,847)
Prior years	**(1,166)**	(492)	**(4,352)**	(1,917)
Unpaid claims, end of period	**$ 29,668**	$ 25,841	**$ 29,668**	$ 25,841

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

(Unaudited, in C$ thousands)

5. Premiums and accounts receivable, and other assets

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

	September 30, 2017	December 31, 2016
Premiums receivable	**$ 17,708**	$ 17,887
Accrued investment income	**1,339**	865
Executive share purchase plan receivable (Note 13)	**1,307**	1,542
Tax recoveries	**401**	432
Funds held by ceding companies	**355**	406
Prepaid expenses	**272**	175
Interest receivable	**247**	356
Derivative assets	**125**	-
Miscellaneous assets	**451**	406
	$ 22,205	$ 22,069

6. Accounts payable, accrued and other liabilities

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

	September 30, 2017	December 31, 2016
Deposits in trust	**$ 5,778**	$ 4,179
Accrued liabilities	**5,663**	4,238
Other liabilities	**3,219**	5,786
Investment contract liabilities	**2,825**	2,750
Derivative liabilities	**180**	278
Taxes payable	**102**	3,501
Share based payment plan	**-**	4,262
Severance	-	440
	$ 17,767	$ 25,434

(Unaudited, in C$ thousands)

7. Reinsurance

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

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

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

8. Restructuring costs

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

	September 30, 2017	December 31, 2016
Balance at begining of the year	**$ 440**	$ 551
Additional accrual	**-**	85
Adjustments for over accruals	**-**	(165)
Amounts paid	**(408)**	(19)
Adjustment for foreign exchange movements	**(32)**	(12)
Balance at end of period	**$ -**	$ 440

9. Capital management

The Company's capital is its shareholders' equity, which consists of share capital, accumulated (deficit) retained earnings and accumulated other comprehensive (loss) income. The Company reviews its capital structure on a regular basis to ensure an appropriate capital structure in keeping with all regulatory, business and shareholder obligations.

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

Regulatory Capital

i) Trisura Guarantee

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

ii) Trisura International

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at September 30, 2017, Trisura International was required to maintain minimum capital totaling $156, and it has exceeded this requirement (December 31, 2016 – Excluding Trisura International's capital requirements through its subsidiary, Trisura International was required to maintain capital of $162, and it has exceeded this requirement, Trisura International and IASD were required to maintain aggregate minimum capital $5,270, and they have exceeded this requirement). This amount is restricted from potential dividend payments.

iii) Imagine Asset Services dac

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

iv) Trisura Specialty

Trisura Specialty is subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. As at September 30, 2017, Trisura Specialty was required to maintain minimum capital and surplus totaling $18,720, and it has exceeded this requirement.

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

10. Share capital

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

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

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

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

11. Loan payable

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

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

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

During the three and nine months ended September 30, 2017, 643 Can Ltd incurred $273, and $812, respectively, of interest expense (September 30, 2016 - $329, $329, respectively). As at September 30, 2017, the loan balance was $29,900 (December 31, 2016 - $34,100).

12. Letters of credit

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

(Unaudited, in C$ thousands)

13. Related party transactions

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

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

As at September 30, 2017, executive share purchase plan loans due from related parties amounted to $1,307 (December 31, 2016 - $1,542). Interest receivable of $247 related to this balance was also due as at September 30, 2017 (December 31, 2016 - $356). During the nine months ended September 30, 2017, $46 of interest income was earned related to the shareholder loans (September 30, 2016 - $55).

14. Other comprehensive (loss) income

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Items that may be reclassified subsequently to net income (loss)				
Unrealized gains on available-for-sale investments	**$ 1,500**	$ 3,844	**$ 2,547**	$ 6,289
Unrealized losses on available-for-sale investments	**(1,228)**	(1,204)	**(2,186)**	(3,775)
Income tax (expense) benefit	**(59)**	(407)	**82**	(878)
	213	2,233	**443**	1,636
Items reclassified to net (loss) income				
Realized gains	**-**	252	**162**	1,051
Realized losses	**-**	(161)	**(11)**	(634)
Impairment adjustment	**-**	(3,701)	**-**	(3,701)
Income tax expense (benefit)	**-**	975	**62**	909
	-	(2,635)	**213**	(2,375)
Items other than cumulative translation loss	**213**	4,868	**230**	4,011
Items that will not be reclassified subsequently to net income (loss)				
Cumulative translation loss	**(3,178)**	757	**(5,866)**	(2,854)
Other comprehensive (loss) income	**$ (2,965)**	$ 5,625	**$ (5,636)**	$ 1,157

Included in accumulated other comprehensive (loss) income as at September 30, 2017 is $1,716 of accumulated net tax expenses (December 31, 2016 - $1,742 accumulated net tax recovery).

(Unaudited, in C$ thousands)

15. Segmented information

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

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

Three months ended September 30, 2017	**Trisura Guarantee**	**Trisura International**	**Total**
Revenue			
Net premiums earned	$ 21,916	$ 74	$ 21,990
Fee income	225	(9)	216
Total underwriting revenue	22,141	65	22,206
Net claims	5,500	(370)	5,130
Net expenses	14,508	765	15,273
Total claims and expenses	20,008	395	20,403
Net underwriting income (loss)	2,133	(330)	1,803
Investment income	960	977	1,937
Foreign exchange gain	-	(161)	(161)
Interest expense	(273)	-	(273)
Change in minority interests	2	-	2
	2,822	486	3,308
Corporate expenses	-	-	(537)
Net income (loss) before tax	$ 2,822	$ 486	$ 2,771

Nine months ended September 30, 2017	**Trisura Guarantee**	**Trisura International**	**Total**
Revenue			
Net premiums earned	$ 59,450	$ 117	$ 59,567
Fee income	3,273	-	3,273
Total underwriting revenue	62,723	117	62,840
Net claims	13,448	(982)	12,466
Net expenses	41,681	2,120	43,801
Total claims and expenses	55,129	1,138	56,267
Net underwriting income (loss)	7,594	(1,021)	6,573
Investment income	3,098	1,176	4,274
Foreign exchange gain	-	(67)	(67)
Interest expense	(812)	-	(812)
Change in minority interests	(5,156)	-	(5,156)
	4,724	88	4,812
Corporate expenses	-	-	(2,429)
Net income (loss) before tax	$ 4,724	$ 88	$ 2,383

(Unaudited, in C$ thousands)

15. Segmented information (continued)

Three months ended September 30, 2016	Trisura Guarantee	Trisura International	Total
Revenue			
Net premiums earned	$ 20,110	$ 76	$ 20,186
Fee income	105	-	105
Total underwriting revenue	20,215	76	20,291
Net claims	5,282	3,622	8,904
Net expenses (recoveries)	13,454	1,098	14,552
Total claims and expenses	18,736	4,720	23,456
Net underwriting income (loss)	1,479	(4,644)	(3,165)
Investment income	(2,702)	4,520	1,818
Foreign exchange loss	-	(227)	(227)
Interest expense	(329)	-	(329)
Change in minority interests	3	-	3
	(1,549)	(351)	(1,900)
Corporate expenses	-	-	-
Net income (loss) before tax	$ (1,549)	$ (351)	$ (1,900)

Nine months ended September 30, 2016	Trisura Guarantee	Trisura International	Total
Revenue			
Net premiums earned	$ 53,537	$ 127	$ 53,664
Fee income	3,151	-	3,151
Total underwriting revenue	56,688	127	56,815
Net claims	12,038	11,126	23,164
Net expenses (recoveries)	38,078	257	38,335
Total claims and expenses	50,116	11,383	61,499
Net underwriting income (loss)	6,572	(11,256)	(4,684)
Investment income	(646)	10,495	9,849
Foreign exchange loss	-	(405)	(405)
Interest expense	(329)	-	(329)
Change in minority interests	(157)	-	(157)
	5,440	(1,166)	4,274
Corporate expenses	-	-	-
Net income (loss) before tax	$ 5,440	$ (1,166)	$ 4,274

As at September 30, 2017	**Trisura Guarantee**	**Trisura International**	**Trisura Specialty**	**Coporate and consolidation adjustments**	**Total**
Assets	**$ 296,157**	**$ 121,930**	**$ 56,219**	**$ 1,877**	**$ 476,183**
Liabilities	**$ 274,744**	**$ 96,687**	**$ 2**	**$ 2**	**$ 371,435**

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

(Unaudited, in C$ thousands)

16. Income taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Current tax expense:				
Current year	**$ 861**	$ 680	**$ 2,645**	$ 2,481
Prior year true up	**1**	-	**42**	(10)
	862	680	**2,687**	2,471
Deferred tax expense:				
Origination and reversal of temporary differences	**(101)**	(1,033)	**(39)**	(1,064)
Income tax expense (recovery)	**$ 761**	$ (353)	**$ 2,648**	$ 1,407
Income taxes recorded in other comprehensive income				
Net changes in unrealized gains on available-for-sale investments	**$ 65**	$ 473	**$ 28**	$ 867
Reclassification to net income of net (gains) losses on available-for-sale investments	**-**	(34)	**51**	(84)
Origination and reversal of temporary differences	**(6)**	943	**(99)**	1,027
Total income tax expense (benefit) recorded in other comprehensive income	**$ 59**	$ 1,382	**$ (20)**	$ 1,810

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Income (loss) from continuing operations before income taxes	**$ 2,771**	$ (1,900)	**$ 2,383**	$ 4,274
Statutory income tax rate	**26.7%**	26.8%	**26.7%**	26.8%
	741	(508)	**636**	1,144
Variations due to:				
Permanent differences	**(76)**	49	**1,127**	(33)
International operations subject to different tax rates	**(133)**	107	**458**	312
Valuation allowance	**228**	-	**384**	-
Rate differentials:				
Current rate versus future rate	**-**	-	**-**	(3)
Change in future rate	**-**	(1)	**2**	(3)
True up	**1**	-	**41**	(10)
Income tax expense	**$ 761**	$ (353)	**$ 2,648**	$ 1,407
Current	**$ 862**	$ 680	**$ 2,687**	$ 2,471
Deferred	**(101)**	(1,033)	**(39)**	(1,064)
Income tax expense	**$ 761**	$ (353)	**$ 2,648**	$ 1,407

17. Stock options

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

On July 1, 2017, 60,000 options were issued to an officer of the Company by the board of directors as part of a cash-settled share-based payment plan, with a vesting period of 20% per year over five years, and an expiration date of ten years. No options were vested as at September 30, 2017. For the period ended September 30, 2017, the Company recorded $77 of expense related to options, in Operating expenses in the interim consolidated statements of comprehensive income. The fair value of the options issued in 2017 was determined using the Black-Scholes option pricing model. Volatility was estimate based on the historical volatility of comparable companies. The weighted average fair value per share option at September 30, 2017 is $11.28.

18. Comparative figures

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

19. Earnings per share

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

20. Subsequent events

On October 6, 2017, the Company announced that a special meeting of shareholders will be held on December 11, 2017 to approve a one-for-ten share consolidation of its common shares, followed immediately by a ten-to-one share split by way of a share distribution.