Trisura Group Ltd.

Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2018
(Unaudited)

TRISURA GROUP LTD.

Condensed Interim Consolidated Financial Statements

(Unaudited)

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TRISURA GROUP LTD.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

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

As at	*Note*	**September 30, 2018**	December 31, 2017
Assets			
Cash and cash equivalents		**102,688**	165,675
Investments	*4*	**266,318**	190,641
Premiums and accounts receivable, and other assets	*7*	**33,388**	23,172
Deferred acquisition costs		**56,095**	40,266
Recoverable from reinsurers		**95,841**	65,254
Capital assets and intangible assets		**2,636**	2,612
Deferred tax assets		**805**	740
Total assets		**557,771**	488,360
Liabilities			
Accounts payable, accrued and other liabilities	*8*	**21,481**	19,795
Reinsurance premiums payable		**30,709**	17,555
Unearned premiums		**159,881**	115,357
Unearned reinsurance commissions		**14,441**	5,566
Unpaid claims and loss adjustment expenses	*6*	**173,419**	178,885
Loan payable	*11*	**29,700**	29,700
		429,631	366,858
Shareholders' equity			
Common shares	*12*	**163,582**	163,582
Preferred shares	*12*	**1,600**	1,600
Contributed surplus		**260**	89
Accumulated deficit		**(34,914)**	(41,849)
Accumulated other comprehensive loss		**(2,388)**	(1,920)
		128,140	121,502
Total liabilities and shareholders' equity		**557,771**	488,360

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

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

		Three months ended		Nine months ended	
For the periods ended September 30,	*Note*	**2018**	2017	**2018**	2017
Gross premiums written		**57,282**	36,123	**150,767**	108,074
Reinsurance premiums ceded		**(27,163)**	(9,338)	**(66,285)**	(34,773)
Retrospective premiums refund		**(47)**	(43)	**(121)**	(125)
Net premiums written		**30,072**	26,742	**84,361**	73,176
Change in unearned premiums		**(4,791)**	(4,752)	**(18,535)**	(13,609)
Net premiums earned		**25,281**	21,990	**65,826**	59,567
Fee income		**370**	216	**4,049**	3,273
Total underwriting revenue		**25,651**	22,206	**69,875**	62,840
Claims and expenses					
Claims and loss adjustment expenses		**(15,185)**	(9,922)	**(47,186)**	(25,338)
Reinsurers' share of claims and loss adjustment expenses		**10,602**	4,793	**33,704**	12,872
Commissions		**(12,858)**	(9,639)	**(32,353)**	(26,331)
Reinsurance commissions		**4,545**	2,840	**8,995**	6,644
Premium taxes		**(1,418)**	(1,246)	**(3,480)**	(3,236)
Operating expenses		**(9,245)**	(7,804)	**(26,250)**	(23,366)
Total claims and expenses		**(23,559)**	(20,978)	**(66,570)**	(58,755)
Net underwriting income		**2,092**	1,228	**3,305**	4,085
Net investment income	*14*	**3,639**	2,067	**7,628**	4,404
Foreign exchange gains (losses)		**171**	(253)	**(153)**	(138)
Interest expense	*11*	**(243)**	(273)	**(709)**	(812)
Change in minority interests		**-**	2	**-**	(5,156)
Income before income taxes		**5,659**	2,771	**10,071**	2,383
Income tax expense	*17*	**(1,499)**	(761)	**(3,064)**	(2,648)
Net income (loss)		**4,160**	2,010	**7,007**	(265)
Net income attributable to common shareholders	*1, 2.2*	**4,160**	2,010	**7,007**	2,295
Weighted average number of common shares outstanding during the year (in thousands) – basic		**6,622**	5,813	**6,622**	5,813
Earnings per common share (in dollars) – basic	*13*	**0.62**	0.35	**1.05**	0.39
Earnings per common share (in dollars) – diluted	*13*	**0.62**	0.35	**1.03**	0.39
Net income		**4,160**	2,010	**7,007**	(265)
Unrealized gains on available-for-sale investments		**2,778**	1,500	**1,249**	2,547
Unrealized losses on available-for-sale investments		**(3,244)**	(1,228)	**(4,099)**	(2,186)
Income tax benefit (expense)		**873**	(59)	**1,253**	82
Items that may be reclassified subsequently to net income (loss)		**407**	213	**(1,597)**	443
Realized gains		**(1,436)**	-	**(2,218)**	(162)
Realized losses		**388**	-	**917**	11
Impairment adjustment		**-**	-	**325**	-
Income tax expense		**(509)**	-	**(550)**	(62)
Items reclassified to net income (loss)		**(1,557)**	-	**(1,526)**	(213)
Items other than cumulative translation (losses) gains		**(1,150)**	213	**(3,123)**	230
Items that will not be reclassified subsequently to net income (loss) – Cumulative translation (losses) gains		**(1,562)**	(3,178)	**2,655**	(5,866)
Other comprehensive loss		**(2,712)**	(2,965)	**(468)**	(5,636)
Total comprehensive income (loss)		**1,448**	(955)	**6,539**	(5,901)

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.
Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
(in thousands of Canadian dollars, except as otherwise noted)

	Note	Common shares	Preferred shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive (loss) income (net of income taxes)	Total
Balance at January 1, 2018		163,582	1,600	89	(41,849)	(1,920)	**121,502**
Net income		-	-	-	7,007	-	**7,007**
Other comprehensive loss		-	-	-	-	(468)	**(468)**
Comprehensive income (loss)		-	-	-	7,007	(468)	**6,539**
Share-based payments		-	-	171	-	-	**171**
Dividends paid	*12*	-	-	-	(72)	-	**(72)**
Balance at September 30, 2018		**163,582**	**1,600**	**260**	**(34,914)**	**(2,388)**	**128,140**

	Note	Common shares	Retained earnings (Accumulated deficit)	Accumulated other comprehensive income (loss) (net of income taxes)	Total
Balance at January 1, 2017		9,618	58,695	2,575	70,888
Net loss		-	(265)	-	(265)
Other comprehensive loss		-	-	(5,636)	(5,636)
Comprehensive loss		-	(265)	(5,636)	(5,901)
Share issuance		140,270	-	-	140,270
Adjustment on Reorganization	*12*	(9,618)	(90,891)	-	(100,509)
Balance at September 30, 2017		140,270	(32,461)	(3,061)	104,748

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.
Condensed Interim Consolidated Statements of Cash Flow (Unaudited)
(in thousands of Canadian dollars, except as otherwise noted)

For the nine months ended September 30,	Note	2018	2017
Operating activities			
Net income (loss)		**7,007**	(265)
Items not involving cash:			
Depreciation and amortization		**1,141**	534
Unrealized losses		**1,452**	675
Impairment loss on available-for-sale investments		**325**	-
Share-based payments expense		**171**	-
Change in working capital and other		**7,010**	20,722
Realized gains on available-for-sale investments		**(782)**	(704)
Income taxes paid		**(2,367)**	(6,123)
Interest paid		**(725)**	(810)
Net cash flows from operating activities		**13,232**	14,029
Investing activities			
Proceeds on disposal of investments		**81,725**	20,386
Purchases of investments		**(160,731)**	(131,864)
Purchases of capital assets		**(338)**	(52)
Disposal of capital assets		**-**	24
Purchases of intangible assets		**(246)**	(117)
Net cash flows used in investing activities		**(79,590)**	(111,623)
Financing activities			
Change in minority interests		**-**	5,156
Dividends paid		**(72)**	-
Issuance of new loan payable	*11*	**29,700**	-
Shares issued		**-**	140,270
Repayment of note payable		**-**	(355)
Repayment of loan payable	*11*	**(29,700)**	(4,200)
Net cash flows (used in) from financing activities		**(72)**	140,871
Net (decrease) increase in cash and cash equivalents during the period		**(66,430)**	43,277
Cash, beginning of period		**83,146**	113,409
Cash equivalents, beginning of period		**82,529**	8,687
Cash and cash equivalents, beginning of period		**165,675**	122,096
Impact of foreign exchange on cash and cash equivalents		**3,443**	(9,052)
Cash, end of period		**102,007**	88,946
Cash equivalents, end of period		**681**	67,375
Cash and cash equivalents, end of period		**102,688**	156,321

See accompanying notes to the Condensed Interim Consolidated Financial Statements

Note 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.

The Company owns three principal subsidiaries, in some instances through wholly-owned intermediary holding companies, through which it conducts insurance operations. These subsidiaries are Trisura Guarantee Insurance Company ("Trisura Guarantee"), Trisura International Insurance Ltd. ("Trisura International"), which is wholly-owned through the intermediary holding company Trisura International Holdings Ltd. ("TIHL") and Trisura Specialty Insurance Company ("Trisura Specialty") which is owned directly. Trisura Guarantee was previously held through an intermediary holding company, 6436978 Canada Limited ("643 Can Ltd"), which was wound up in June 2018 (see Note 15).

Trisura Guarantee operates as a Canadian property and casualty insurance company. 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. 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.

1.1 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 TIHL for approximately $50,132; (ii) Brookfield's 60% interest in 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"). See Note 12 for the impact of the Reorganization Transaction on share capital.

1.2 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 all of the 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".

Note 2 – Basis of presentation

These Condensed Interim Consolidated Financial Statements ("interim Consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The interim Consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim Consolidated financial statements and the accompanying notes were authorized for issuance by the Company's Board of Directors on November 8, 2018.

2.1 Presentation of financial statements

For the period from January 1 to June 14, 2017, the combined financial statements are comprised of the financial results of the Company, 643 Can Ltd and its subsidiary, TIHL and its subsidiaries, and Trisura Specialty 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 interim Consolidated financial statements comprise the financial results of the Company and all entities controlled by the Company, on a consolidated basis of presentation. 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.

2.2 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. Accordingly, the financial information for the periods prior to June 22, 2017 is presented based on the historical financial information for the Company. 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. For 2017, the earnings per share ("EPS") calculations have been presented for the period from June 22 to December 31, 2017.

Note 3 – Summary of significant accounting policies

The accounting policies applied during the three and nine months ended September 30, 2018 are the same as those described and disclosed in Note 2 – *Summary of significant accounting policies* of the December 31, 2017 Consolidated financial statements.

3.1 Deferral of *IFRS 9 Financial Instruments ("IFRS 9")*

The Company has elected to continue to apply International Auditing Standard 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and defer implementation of IFRS 9 to January 1, 2021 to coincide with the implementation of IFRS 17 *Insurance Contracts* ("IFRS 17") as it is permitted to do under IFRS 4 *Insurance Contracts* ("IFRS 4").

The Company is applying the temporary exemption from IFRS 9 as its activities are predominantly connected with insurance as the percentage of liabilities connected with insurance contracts over total liabilities is greater than the 80% threshold as described in IFRS 4 and the Company does not engage in a significant activity not connected with insurance. Based on this analysis, the Company meets the criteria to defer implementation of IFRS 9.

The Company will continue to apply IAS 39 to its financial instruments until January 1, 2021.

3.2 Fees

Effective January 1, 2018, the Company adopted the new revenue standard IFRS 15 *Revenue from contracts with customers* ("IFRS 15"). There was no impact to the interim Consolidated financial statements as a result of the implementation of the new standard.

Fees charged to insureds are recorded as revenue and separately disclosed on the interim Consolidated statements of comprehensive income (loss). 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.

In certain instances, fees are charged to reinsurers in relation to insurance contracts, and in those circumstances the fees are recognized over the same period as the related insurance contract.

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

Note 4 – Investments

4.1 Classification cash and investments

The following table presents the classification of cash and the investments.

As at September 30, 2018	**AFS**	**Designated FVTPL**	**Cash, loans and receivables**	**Total**
Cash and cash equivalents	-	-	102,688	**102,688**
Investments				
Fixed income	183,936	18,316	-	**202,252**
Income and investment trust units	2,452	-	-	**2,452**
Common shares	25,482	-	-	**25,482**
Preferred shares	24,347	-	-	**24,347**
Structured insurance assets	-	11,785	-	**11,785**
Total cash and investments	**236,217**	**30,101**	**102,688**	**369,006**

As at December 31, 2017	AFS	Designated FVTPL	Cash, loans and receivables	Total
Cash and cash equivalents	-	-	165,675	165,675
Investments				
Fixed income	106,453	22,014	-	128,467
Income and investment trust units	2,928	-	-	2,928
Common shares	31,249	-	-	31,249
Preferred shares	15,431	-	-	15,431
Structured insurance assets	-	12,566	-	12,566
Total cash and investments	156,061	34,580	165,675	356,316

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

4.2 Unrealized gains and losses

The amortized cost and fair values of investments as at September 30, 2018 and December 31, 2017 were as follows:

As at September 30, 2018	**FVTPL investments**	**AFS investments**				**Total investments**
	At carrying value	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Carrying value**	**At carrying value**
Government	18,316	43,165	257	(322)	43,100	**61,416**
Corporate	-	142,239	38	(1,765)	140,512	**140,512**
Total bonds	18,316	185,404	295	(2,087)	183,612	**201,928**
Mortgage backed securities	-	287	39	(2)	324	**324**
Asset backed securities	-	57	-	(57)	-	**-**
Total fixed income	18,316	185,748	334	(2,146)	183,936	**202,252**
Income and investment trust units	-	1,623	898	(69)	2,452	**2,452**
Common shares	-	20,596	5,790	(904)	25,482	**25,482**
Preferred shares	-	24,191	347	(191)	24,347	**24,347**
Structured insurance assets	11,785	-	-	-	-	**11,785**
	30,101	**232,158**	**7,369**	**(3,310)**	**236,217**	**266,318**

As at December 31, 2017	FVTPL investments	AFS investments				Total investments
	At carrying value	Amortized cost	Unrealized gains	Unrealized losses	Carrying value	At carrying value
Government	22,014	25,436	634	(30)	26,040	48,054
Corporate	-	80,121	407	(465)	80,063	80,063
Total bonds	22,014	105,557	1,041	(495)	106,103	128,117
Mortgage backed securities	-	332	-	(18)	314	314
Asset backed securities	-	55	36	(55)	36	36
Total fixed income	22,014	105,944	1,077	(568)	106,453	128,467
Income and investment trust units	-	2,115	935	(122)	2,928	2,928
Common shares	-	25,668	6,780	(1,199)	31,249	31,249
Preferred shares	-	14,441	1,165	(175)	15,431	15,431
Structured insurance assets	12,566	-	-	-	-	12,566
	34,580	148,168	9,957	(2,064)	156,061	190,641

Management has reviewed currently available information regarding those investments with a fair value less than carrying value. For the three and nine months ended September 30, 2018, management recognized impairment of $nil and $325, respectively (September 30, 2017 – $nil, $nil, respectively). Assumptions are used when estimating the value of impairment based on the Company’s impairment policy, which involves comparing fair value to carrying value.

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

4.3 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, 2018, the Company has pledged cash and cash equivalents and short-term deposits amounting to $54,471, and pledged fixed maturity investments amounting to $26,987 (December 31, 2017 – $52,767 and $30,646, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at September 30, 2018, the Company pledged $369 (December 31, 2017 – $375) 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.

Note 5 – Fair value measurement

For the nine months ended September 30, 2018 and the year ended December 31, 2017, there were no transfers between levels.

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at September 30, 2018 and December 31, 2017:

As at September 30, 2018	Total fair value	Level 1	Level 2	Level 3
Government	**61,416**	-	61,416	-
Corporate	**140,512**	-	140,512	-
Total bonds	**201,928**	-	201,928	-
Mortgage backed securities	**324**	-	-	324
Total fixed income	**202,252**	-	201,928	324
Income and investment trust units	**2,452**	2,452	-	-
Common shares	**25,482**	25,047	-	435
Preferred shares	**24,347**	24,347	-	-
Structured insurance assets	**11,785**	-	-	11,785
Total investments	**266,318**	51,846	201,928	12,544
Derivative financial liabilities	**(89)**	-	(89)	-
	266,229	**51,846**	**201,839**	**12,544**

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

Note 5 – Fair value measurement (continued)

As at December 31, 2017	Total fair value	Level 1	Level 2	Level 3
Government	48,054	-	48,054	-
Corporate	80,063	-	80,063	-
Total bonds	128,117	-	128,117	-
Mortgage backed securities	314	-	-	314
Asset backed securities	36	-	-	36
Total fixed income	128,467	-	128,117	350
Income and investment trust units	2,928	2,928	-	-
Common shares	31,249	30,942	-	307
Preferred shares	15,431	15,431	-	-
Structured insurance assets	12,566	-	-	12,566
Total investments	190,641	49,301	128,117	13,223
Derivative financial assets	152	-	152	-
	190,793	49,301	128,269	13,223

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, 2018 and the year ended December 31, 2017:

	September 30, 2018	December 31, 2017
Balance at beginning of year	**13,223**	15,646
Unrealized losses	**(1,156)**	(1,705)
Amortization of premium	**-**	(38)
Purchase of securities	**63**	318
Foreign exchange	**414**	(998)
Balance at end of period	**12,544**	13,223

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. The fair value of this investment is based on discounting the expected future commission using a U.S. Treasury yield curve adjusted for credit risk associated with the receipt of future commission payments from the insurance companies. The credit risk adjustment is done since the Company takes on the credit risk of the insurance companies who have the ultimate commission obligations. The majority of commissions are received from insurance companies with an A.M. Best Company, Inc. ("A.M. Best") long-term issuer credit ratings of A or better.

Expected future cash flows are projected taking into account the probability of the 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) and having future premium payments waived, or the insured dying (referred to as mortality). These actuarial risks are modeled using data drawn from the insurance companies and the 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. The assumptions used are reviewed on a regular basis.

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

Note 6 – Unpaid claims and loss adjustment expenses

6.1 Unpaid claims and loss adjustment expenses by line of business

As at September 30, 2018	**Gross**	**Ceded**	**Net**
Trisura Guarantee			
Surety	**14,578**	**4,088**	**10,490**
Corporate insurance	**32,109**	**3,362**	**28,747**
Risk solutions	**46,343**	**32,471**	**13,872**
	93,030	**39,921**	**53,109**
Trisura International			
Life	**64,897**	**-**	**64,897**
Property and casualty	**12,366**	**-**	**12,366**
	77,263	**-**	**77,263**
Trisura Specialty			
Property and casualty	**3,126**	**2,929**	**197**
	173,419	**42,850**	**130,569**

As at December 31, 2017	Gross	Ceded	Net
Trisura Guarantee			
Surety	15,814	4,952	10,862
Corporate insurance	28,608	3,594	25,014
Risk solutions	46,090	29,700	16,390
	90,512	38,246	52,266
Trisura International			
Life	68,896	-	68,896
Property and casualty	19,477	-	19,477
	88,373	-	88,373
	178,885	38,246	140,639

Unpaid claims and loss adjustment balances due from reinsurers, referred to above as Ceded balances, are grouped with unearned reinsurance assets in Recoverable from reinsurers on the interim Consolidated statements of financial position.

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

6.1 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**	
	2018	2017	**2018**	2017
Unpaid claims, beginning of period	**172,074**	166,670	**178,885**	163,970
Change in undiscounted estimates for losses of prior years	**1,869**	1,171	**(349)**	(2,210)
Change in discount rate	**(615)**	(411)	**(965)**	(211)
Change in provision for adverse deviation	**621**	169	**648**	594
Claims occurring in current year (including paid)	**13,310**	8,993	**47,852**	27,165
Paid on claims occurring during:				
Current year	**(3,037)**	(2,652)	**(21,997)**	(7,398)
Prior years	**(8,911)**	(1,337)	**(31,143)**	(10,176)
Foreign exchange	**(1,892)**	706	**488**	1,575
Unpaid claims, end of period	**173,419**	173,309	**173,419**	173,309

Reinsurers' share of claim reserves

	Three months ended September 30		**Nine months ended September 30**	
	2018	2017	**2018**	2017
Unpaid claims, beginning of period	**35,426**	27,222	**38,246**	24,676
Change in undiscounted estimates for losses of prior years	**2,193**	1,097	**3,300**	976
Change in discount rate	**(270)**	46	**(582)**	(40)
Change in provision for adverse deviation	**373**	(180)	**271**	48
Claims occurring in current year (including paid)	**8,306**	3,830	**30,715**	11,888
Paid on claims occurring during:				
Current year	**(1,386)**	(1,181)	**(16,613)**	(3,528)
Prior years	**(1,786)**	(1,166)	**(12,502)**	(4,352)
Foreign exchange	**(6)**	-	**15**	-
Unpaid claims, end of period	**42,850**	29,668	**42,850**	29,668

Note 7 – Premiums and accounts receivable, and other assets

As at September 30, 2018 and December 31, 2017, premiums and accounts receivable, and other assets consists of:

As at	**September 30, 2018**	December 31, 2017
Premiums receivable	**30,070**	20,552
Accrued investment income	**1,931**	909
Tax recoveries	**435**	477
Prepaid expenses	**275**	224
Funds held by ceding companies	**238**	374
Derivative assets	**-**	152
Miscellaneous assets	**439**	484
	33,388	23,172

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

Note 8 – Accounts payable, accrued and other liabilities

As at September 30, 2018 and December 31, 2017, accounts payable, accrued and other liabilities consist of:

As at	**September 30, 2018**	December 31, 2017
Deposits in trust	**9,582**	6,592
Accrued liabilities	**6,869**	6,576
Other liabilities	**3,131**	3,586
Investment contract liabilities	**1,134**	2,856
Share based payment plan	**676**	185
Derivative liabilities	**89**	-
	21,481	19,795

Note 9 – 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. 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. Unlicensed reinsurers must post an agreed upon level of collateral.

The Company has determined that a provision is not required for potentially uncollectible reinsurance as at September 30, 2018 and December 31, 2017.

Note 10 – Capital management

The Company's capital is its shareholders' equity, which consists of common shares, preferred shares, contributed surplus, accumulated deficit and accumulated other comprehensive income (loss). 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.

10.1 Regulatory capital

a) 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 exceeded this measure at September 30, 2018 and December 31, 2017.

10.1 Regulatory capital (continued)

b) Trisura International

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at September 30, 2018, Trisura International, including its subsidiary, was required to maintain minimum capital totaling $162 (December 31, 2017 - $157), and it has exceeded this requirement. This amount is restricted from potential dividend payments.

c) 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, 2018, Trisura Specialty was required to maintain minimum capital and surplus totaling $19,417, (December 31, 2017 – $18,818), and it has exceeded this requirement.

Note 11 – Loan payable

On March 14, 2018, the Company entered into a five-year revolving credit facility with a Canadian Schedule I bank (the "Bank") which allows for drawings of up to $35,000. Under this arrangement, the Company can draw funds in the form of short term banker's acceptances, Canadian prime rate advances, base rate advances or LIBOR rate advances. The rate is based on the current periods' bankers' acceptance rate, Canadian prime rate, base rate, or LIBOR 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.

On March 14, 2018, $29,700 was drawn under the loan, which was used to repay the outstanding loan payable of $29,700 which had been borrowed by a subsidiary of the Company under a previous lending facility.

The previous credit arrangement, which was in place throughout 2017 and until March 14, 2018 was arranged by way of a five-year lending facility funded through short term banker's acceptance or Canadian prime rate advances. The rate was based on the current period's bankers' acceptance rate or Canadian prime rate, plus a margin. The loan balance was accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consisted only of interest, with no mandatory principal payments required.

As part of the covenants of the current and previous loan arrangements, the Company is required to maintain certain financial ratios, which were fully met as at September 30, 2018 and December 31, 2017.

For the three and nine months ended September 30, 2018, the Company incurred $243 and $709 of interest expense, respectively (September 30, 2017 – $273 and $812, respectively). As at September 30, 2018, the loan balance was $29,700 (December 31, 2017 – $29,700).

Note 12 – 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 common shares to $140,270. The impact of this transaction on retained earnings was to reduce retained earnings by $31,631 being 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. 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), which is inclusive of the reduction in retained earnings of $31,631 described above. These adjustments reflect the impact of moving from a presentation of financial statements on a combined basis, to a presentation of financial statements on a consolidated basis.

On November 30, 2017, the Company exchanged the shares of 643 Can Ltd that were then owned by certain current and retired members of the management of Trisura Guarantee ("Management") for newly issued common shares, and Class A, Series 1, preferred shares of the Company. As a result of this transaction, the Company issued to management 963,143 common shares from treasury and 64,000 preferred shares. The impact of the transaction was an increase to share capital by $28,944 and a reduction to retained earnings by $9,303. The minority interests were reclassified from a liability to a reduction in retained earnings.

Note 12 – Share capital (continued)

Consideration also included notes payable by the Company that were used by Management to repay shareholder loans owing to 643 Can Ltd which were outstanding at the time.

Holders of the preferred shares are entitled to a cumulative dividend of 6%, payable quarterly, at a fixed rate of 6%. The dividend rate will be reset on December 31, 2022 and every five years thereafter at a rate equal to the five-year government of Canada bond yield plus 7.5%. The Company has the right to redeem preferred shares at any time on 30 to 60 days notice.

On December 11, 2017, the Company held a special meeting of shareholders and approved 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. The impact of this transaction on share capital was to reduce shares outstanding by 154,815 shares, and a reduction to share capital of $4,031.

The following table shows the common shares issued and outstanding:

As at	**September 30, 2018**		December 31, 2017	
	Number of shares	**Amount (in thousands)**	Number of shares	Amount (in thousands)
Balance, beginning of year	**6,621,680**	**163,582**	-	-
Common shares issued	-	-	6,776,495	167,613
Common shares redeemed	-	-	(154,815)	(4,031)
Balance, end period	**6,621,680**	**163,582**	6,621,680	163,582

The following table shows the preferred shares issued and outstanding:

As at	**September 30, 2018**		December 31, 2017	
	Number of shares	**Amount (in thousands)**	Number of shares	Amount (in thousands)
Balance, beginning of year	**64,000**	**1,600**	-	-
Preferred shares issued	-	-	64,000	1,600
Preferred shares redeemed	-	-	-	-
Balance, end of period	**64,000**	**1,600**	64,000	1,600

At September 30, 2018, the Company had declared and paid three quarterly dividends, each of $0.375 (in dollars) (December 31, 2017 – $0.13 (in dollars)) per share for each Class A, Series 1, preferred share. The consolidated common share capital of the Company as at September 30, 2018 was $163,582 (December 31, 2017 – $163,582).

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

Note 13 – Earnings per share

Basic earnings per common share is calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares.

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares after adjusting both amounts for the effects of all dilutive potential common shares, which consist of stock options.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Net income attributable to shareholders	**4,160**	2,010	**7,007**	2,295
Less: Dividends declared on preferred shares, net of tax	**(24)**	-	**(72)**	-
Net income attributable to common shareholders	**4,136**	2,010	**6,935**	2,295
Weighted-average number of common shares outstanding (in shares)	**6,621,680**	5,813,312	**6,621,680**	5,813,312
EPS – basic (in dollars)	**0.62**	0.35	**1.05**	0.39
Dilutive effect of the conversion of options on common shares (in shares)	**87,000**	-	**87,000**	-
Diluted weighted-average number of common shares outstanding (in shares)	**6,708,680**	5,813,312	**6,708,680**	5,813,312
EPS – diluted (in dollars)	**0.62**	0.35	**1.03**	0.39

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

Note 14 – Investment income

The components of net investment income for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	2017
Cash and cash equivalents	**18**	88	**373**	380
Available-for-sale fixed income	**1,428**	807	**3,605**	2,408
Interest on executive share purchase plan	-	15	-	46
Interest expense on notes payable	-	(1)	-	(7)
Net interest income	**1,446**	909	**3,978**	2,827
Available-for-sale income and investment trust units	**20**	31	**6**	132
Available-for-sale common shares	**368**	217	**937**	653
Available-for-sale preferred shares	**243**	163	**612**	520
FVTPL convertible debenture	-	-	-	(29)
Business and dividend income	**631**	411	**1,555**	1,276
Unrealized loss on investments held at FVTPL	**(1,360)**	(1,066)	**(3,454)**	(4,439)
Commission income on assets at FVTPL	**444**	333	**1,429**	774
Loss on investment contracts	-	(15)	-	(27)
Investment expenses	**(149)**	(136)	**(490)**	(432)
Other investment income (loss)	**(1,065)**	(884)	**(2,515)**	(4,124)
Available-for-sale income and investment trust units	**(45)**	-	**(45)**	-
Available-for-sale bonds	**1,547**	1,631	**3,589**	4,322
Available-for-sale common shares	**1,140**	-	**779**	23
Available-for-sale preferred shares	**(15)**	-	**612**	80
Gain on disposition of investments	**2,627**	1,631	**4,935**	4,425
Impairment on investments	-	-	**(325)**	-
	3,639	2,067	**7,628**	4,404

Note 15 – Investment in subsidiary

On June 19, 2018, 643 Can Ltd, an intermediary holding company and wholly-owned subsidiary of the Company, completed a voluntary dissolution. The assets and liabilities of the subsidiary were transferred to the Company, including the shares of its wholly-owned subsidiary Trisura Guarantee. This dissolution had no impact on the Consolidated financial position and results of operations of the Company.

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

Note 16 – Segmented information

The Company has three reportable segments. The operations of 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. The operations of Trisura Specialty is a third operating segment, which provides specialty insurance solutions underwritten in the United States. The operations of Trisura Guarantee included the operations of its intermediary holding company, 643 Can Ltd, until June 19, 2018.

The following table shows the results for the three and nine months ended September 30, 2018 and 2017:

Three months ended September 30, 2018	**Trisura Guarantee**	**Trisura International**	**Trisura Specialty**	**Corporate and consolidation adjustments**	**Total**
Net premiums earned	25,009	25	247	-	**25,281**
Fee income	116	-	254	-	**370**
Total underwriting revenue	25,125	25	501	-	**25,651**
Net claims	(5,055)	619	(147)	-	**(4,583)**
Net expenses	(16,438)	(471)	(1,328)	(739)	**(18,976)**
Total claims and expenses	(21,493)	148	(1,475)	(739)	**(23,559)**
Net underwriting income (loss)	3,632	173	(974)	(739)	**2,092**
Investment income	2,405	798	431	5	**3,639**
Foreign exchange gains	48	55	-	68	**171**
Interest expense	-	-	-	(243)	**(243)**
Net income (loss) before tax	**6,085**	**1,026**	**(543)**	**(909)**	**5,659**

Nine months ended September 30, 2018	**Trisura Guarantee**	**Trisura International**	**Trisura Specialty**	**Corporate and consolidation adjustments**	**Total**
Net premiums earned	65,404	71	351	-	**65,826**
Fee income	3,732	-	317	-	**4,049**
Total underwriting revenue	69,136	71	668	-	**69,875**
Net claims	(14,537)	1,266	(211)	-	**(13,482)**
Net expenses	(46,235)	(1,809)	(2,889)	(2,155)	**(53,088)**
Total claims and expenses	(60,772)	(543)	(3,100)	(2,155)	**(66,570)**
Net underwriting income (loss)	8,364	(472)	(2,432)	(2,155)	**3,305**
Investment income	4,582	1,928	1,093	25	**7,628**
Foreign exchange gains (losses)	48	(139)	-	(62)	**(153)**
Interest expense	(185)	-	-	(524)	**(709)**
Net income (loss) before tax	**12,809**	**1,317**	**(1,339)**	**(2,716)**	**10,071**

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

Note 16 – Segmented information (continued)

Three months ended September 30, 2017	Trisura Guarantee (inclusive of 643 Can Ltd)	Trisura International	Corporate and consolidation adjustments	Total
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)	(575)	**(15,848)**
Total claims and expenses	(20,008)	(395)	(575)	**(20,978)**
Net underwriting income (loss)	2,133	(330)	(575)	**1,228**
Investment income	960	977	130	**2,067**
Foreign exchange losses	-	(161)	(92)	**(253)**
Interest expense	(273)	-	-	**(273)**
Change in minority interests	2	-	-	**2**
Net income (loss) before tax	**2,822**	**486**	**(537)**	**2,771**

Nine months ended September 30, 2017	Trisura Guarantee (inclusive of 643 Can Ltd)	Trisura International	Corporate and consolidation adjustments	Total
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)	(2,488)	**(46,289)**
Total claims and expenses	(55,129)	(1,138)	(2,488)	**(58,755)**
Net underwriting income (loss)	7,594	(1,021)	(2,488)	**4,085**
Investment income	3,098	1,176	130	**4,404**
Foreign exchange losses	-	(67)	(71)	**(138)**
Interest expense	(812)	-	-	**(812)**
Change in minority interests	(5,156)	-	-	**(5,156)**
Net income (loss) before tax	**4,724**	**88**	**(2,429)**	**2,383**

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

Note 16 – Segmented information (continued)

The following table shows Loan payable of $29,700 at September 30, 2018 included with the liabilities of Corporate and consolidation adjustments (see Note 11). The Loan payable of $29,700 at December 31, 2017 was included with the liabilities of Trisura Guarantee (inclusive of 643 Can Ltd).

As at September 30, 2018	**Trisura Guarantee**	**Trisura International**	**Trisura Specialty**	**Corporate and consolidation adjustments**	**Total**
Assets	350,313	108,530	108,064	(9,136)	**557,771**
Liabilities	274,812	80,144	44,643	30,032	**429,631**

As at December 31, 2017	Trisura Guarantee (inclusive of 643 Can Ltd)	Trisura International	Trisura Specialty	Corporate and consolidation adjustments	Total
Assets	317,124	119,208	56,888	(4,860)	488,360
Liabilities	273,679	92,658	426	95	366,858

Note 17 – Income taxes

The following shows the major components of income tax expense for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30		**Nine months ended September 30**	
	2018	**2017**	**2018**	**2017**
Current tax expense:				
Current year	**956**	861	**2,426**	2,645
Prior year adjustment	**-**	1	**(83)**	42
Deferred tax expense:				
Origination and reversal of temporary differences	**543**	(101)	**721**	(39)
Income tax expense	**1,499**	761	**3,064**	2,648
Income taxes recorded in other comprehensive income (loss):				
Net changes in unrealized (losses) gains on available-for-sale investments	**(302)**	65	**(450)**	28
Reclassification to net income (loss) of net gains on available-for-sale investments	**509**	-	**529**	51
Origination and reversal of temporary differences	**(571)**	(6)	**(782)**	(99)
Total income tax (benefit) expense recorded in other comprehensive loss	**(364)**	59	**(703)**	(20)

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

Note 17 – Income taxes (continued)

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 (loss) for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Income before income taxes	**5,659**	2,771	**10,071**	2,383
Statutory income tax rate	**26.5%**	26.7%	**26.5%**	26.7%
	1,500	741	**2,669**	636
Variations due to:				
Permanent differences	**(137)**	(76)	**(329)**	1,127
International operations subject to different tax rates	**(229)**	(133)	**(179)**	458
Unrecognized tax loss	**365**	228	**984**	384
Rate differentials:				
Current rate vs. future rate	**(1)**	-	**2**	-
Change in future rate	**1**	-	**-**	2
True up	**-**	1	**(83)**	41
Income tax expense	**1,499**	761	**3,064**	2,648