



Trisura Group Ltd.

Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2021

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, 2021

Condensed Interim Consolidated Statements of Financial Position2

Condensed Interim Consolidated Statements of Income3

Condensed Interim Consolidated Statements of Comprehensive Income4

Condensed Interim Consolidated Statements of Changes in Equity5

Condensed Interim Consolidated Statements of Cash Flows6

Notes to the Condensed Interim Consolidated Financial Statements7

TRISURA GROUP LTD.**Condensed Interim Consolidated Statements of Financial Position (unaudited)**

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

As at	<i>Note</i>	September 30, 2021	December 31, 2020
Assets			
Cash and cash equivalents		245,332	136,519
Investments	4, 6	618,670	503,684
Premiums and accounts receivable, and other assets	10	286,956	178,883
Recoverable from reinsurers	12	1,128,618	676,972
Deferred acquisition costs		271,815	188,190
Capital assets and intangible assets		17,577	13,907
Deferred tax assets		6,645	8,577
Total assets		2,575,613	1,706,732
Liabilities			
Accounts payable, accrued and other liabilities	11	70,206	57,343
Reinsurance premiums payable	12	308,667	151,707
Unearned premiums		849,311	592,711
Unearned reinsurance commissions		133,647	100,281
Unpaid claims and loss adjustment expenses	9	789,034	487,271
Debt outstanding	14	75,000	27,555
		2,225,865	1,416,868
Shareholders' equity			
Common shares	15	284,751	285,731
Contributed surplus		2,862	1,332
Retained earnings		56,397	4,133
Accumulated other comprehensive income (loss)		5,738	(1,332)
		349,748	289,864
Total liabilities and shareholders' equity		2,575,613	1,706,732

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.
Condensed Interim Consolidated Statements of Income (unaudited)

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

For the periods ended September 30,	Note	Three months		Nine months	
		2021	2020	2021	2020
Gross premiums written		404,678	239,607	1,078,466	612,242
Reinsurance premiums ceded		(300,047)	(175,064)	(796,270)	(459,318)
Net premiums written		104,631	64,543	282,196	152,924
Change in unearned premiums		(29,142)	(22,293)	(87,055)	(43,331)
Net premiums earned		75,489	42,250	195,141	109,593
Fee income		11,358	6,652	37,254	20,060
Net investment income	7	2,712	7,015	175	21,857
Net gains	8	2,123	4,178	10,758	5,628
Total revenues		91,682	60,095	243,328	157,138
Net claims and loss adjustment expenses	9	(20,010)	(19,319)	(45,507)	(49,466)
Net commissions	12	(29,527)	(15,060)	(74,416)	(38,431)
Operating expenses		(19,001)	(16,685)	(55,752)	(43,523)
Interest expenses	14	(592)	(224)	(1,060)	(891)
Total claims and expenses		(69,130)	(51,288)	(176,735)	(132,311)
Income before income taxes		22,552	8,807	66,593	24,827
Income tax expense	19	(6,495)	(2,272)	(14,329)	(3,334)
Net income attributable to shareholders		16,057	6,535	52,264	21,493
Weighted average number of common shares outstanding during the period (in thousands) – basic	16	41,194	41,075	41,141	38,209
Earnings per common share (in dollars) – basic	16	0.39	0.16	1.27	0.56
Earnings per common share (in dollars) – diluted	16	0.38	0.16	1.24	0.55

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.**Condensed Interim Consolidated Statements of Comprehensive Income (unaudited)**

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

For the periods ended September 30,	Note	Three months		Nine months	
		2021	2020	2021	2020
Net income attributable to shareholders		16,057	6,535	52,264	21,493
Net unrealized (losses) gains on available-for-sale investments		(2,746)	5,273	10,263	(6,197)
Income tax benefit (expense)		729	(2,006)	(3,440)	934
Items that may be reclassified subsequently to net income		(2,017)	3,267	6,823	(5,263)
Net realized gains		(1,665)	(904)	(1,960)	(5,773)
Impairment loss	4.2	-	305	529	4,144
Income tax benefit		218	789	168	981
Items reclassified to net income		(1,447)	190	(1,263)	(648)
Items other than cumulative translation gain (loss)		(3,464)	3,457	5,560	(5,911)
Items that will not be reclassified subsequently to net income – Cumulative translation gain (loss)		5,937	(3,619)	1,510	3,207
Other comprehensive income (loss)		2,473	(162)	7,070	(2,704)
Total comprehensive income		18,530	6,373	59,334	18,789

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)

		Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income (net of income taxes)	Total
Balance at January 1, 2021		285,731	1,332	4,133	(1,332)	289,864
Net income		-	-	52,264	-	52,264
Other comprehensive income		-	-	-	7,070	7,070
Comprehensive income		-	-	52,264	7,070	59,334
Share issuance	15	1,075	-	-	-	1,075
Shares purchased under Restricted Share Units ("RSUs") plan	15	(2,055)	-	-	-	(2,055)
Share based payments		-	1,530	-	-	1,530
Balance at September 30, 2021		284,751	2,862	56,397	5,738	349,748

		Common shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss (net of income taxes)	Total
Balance at January 1, 2020		219,251	815	(28,309)	(1,428)	190,329
Net income		-	-	21,493	-	21,493
Other comprehensive loss		-	-	-	(2,704)	(2,704)
Comprehensive income (loss)		-	-	21,493	(2,704)	18,789
Issuances, net of taxes	15	66,480	-	-	-	66,480
Share based payments		-	268	-	-	268
Balance at September 30, 2020		285,731	1,083	(6,816)	(4,132)	275,866

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.**Condensed Interim Consolidated Statements of Cash Flows (unaudited)**

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

For the nine months ended September 30,	2021	2020
Operating activities		
Net income	52,264	21,493
Items not involving cash:		
Depreciation and amortization	2,538	2,388
Unrealized loss (gain)	11,998	(1,089)
Impairment loss	529	4,992
Payment in kind	-	(285)
Stock options granted	955	540
Change in working capital	130,225	57,454
Realized gains	(1,835)	(21,443)
Income taxes paid	(11,168)	(7,948)
Interest paid	(456)	(921)
Net cash flows from operating activities	185,050	55,181
Investing activities		
Proceeds on disposal of investments	108,346	201,051
Purchases of investments	(228,359)	(281,781)
Purchases of capital assets	(2,838)	(444)
Purchases of intangible assets	(141)	(179)
Net cash flows used in investing activities	(122,992)	(81,353)
Financing activities		
Shares issued	859	65,143
Shares purchased under RSUs plan	(2,055)	-
Proceeds from issuance of debt	75,000	-
Loans received	26,970	32,700
Loans repaid	(54,525)	(32,700)
Principal portion of lease payments	(1,154)	(1,197)
Net cash flows from financing activities	45,095	63,946
Net increase in cash and cash equivalents during the period	107,153	37,774
Cash, beginning of period	120,538	68,208
Cash equivalents, beginning of period	15,981	17,697
Cash and cash equivalents, beginning of period	136,519	85,905
Impact of foreign exchange on cash and cash equivalents	1,660	1,196
Cash, end of period	236,485	110,706
Cash equivalents, end of period	8,847	14,169
Cash and cash equivalents, end of period	245,332	124,875

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

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 through which it conducts insurance operations. These subsidiaries are Trisura Guarantee Insurance Company (“Trisura Canada”), Trisura Specialty Insurance Company (“Trisura US”) and Trisura International Insurance Ltd. (“Trisura International”).

Trisura Canada operates as a Canadian property and casualty insurance company. Trisura US is 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 and through its subsidiary can also write admitted business in most states. Trisura US operates as a hybrid fronting carrier where a large portion of its premium is ceded to reinsurers. Trisura US earns fee income from the reinsurers to whom it cedes premium. Trisura International is currently managing its in-force portfolio of specialty reinsurance contracts and assumes some premium from Trisura US.

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 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The Condensed Interim Consolidated Financial Statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Condensed 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 Condensed Interim Consolidated Statements of Financial Position is in order of liquidity. The Company’s functional and presentation currency is Canadian dollars.

These Condensed Interim Consolidated Financial Statements were authorized for issuance by the Company’s Board of Directors on November 4, 2021.

Note 3 – Summary of significant accounting policies

The accounting policies applied during the three and nine months ended September 30, 2021 are the same as those described and disclosed in Note 2 – *Summary of significant accounting policies* of the December 31, 2020 Consolidated Financial Statements.

Impact of the Initial Application of Interest Rate Benchmark Reform Amendments

The IASB issued amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 that are titled Interest Rate Benchmark Reform – Phase 2, which are effective for annual periods beginning on or after January 1, 2021. The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offered rates (“IBORs”) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Company adopted the IBOR amendments effective January 1, 2021, and management has determined that the adoption of these amendments did not have a significant impact on the Company’s Condensed Interim Consolidated Financial Statements.

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 4 – Investments**4.1 Classification of cash and cash equivalents and investments**

The following table presents the classification of cash and cash equivalents, and investments:

As at September 30, 2021	AFS	Designated FVTPL	Cash, loans and receivables	Total
Cash and cash equivalents	-	-	245,332	245,332
Investments				
Short-term securities	-	-	5,000	5,000
Fixed income	351,574	63,810	6,586	421,970
Common shares	93,132	-	-	93,132
Preferred shares	98,568	-	-	98,568
Total Investments	543,274	63,810	11,586	618,670
Total cash and cash equivalents and investments	543,274	63,810	256,918	864,002

As at December 31, 2020	AFS	Designated FVTPL	Cash, loans and receivables	Total
Cash and cash equivalents	-	-	136,519	136,519
Investments				
Short-term securities	-	-	5,000	5,000
Fixed income	299,452	80,371	1,287	381,110
Common shares	48,523	-	-	48,523
Preferred shares	59,361	-	-	59,361
Structured insurance assets	-	9,690	-	9,690
Total Investments	407,336	90,061	6,287	503,684
Total cash and cash equivalents and investments	407,336	90,061	142,806	640,203

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

4.2 Unrealized gains and losses and carrying value of investments

The amortized cost and carrying value of investments as at September 30, 2021 and December 31, 2020 were as follows:

As at September 30, 2021	FVTPL	Other investments				Total
	investments	Amortized	Unrealized	Unrealized	Carrying	investments
	At carrying	cost	gains	losses	value	At carrying
	value					value
Short-term securities	-	5,000	-	-	5,000	5,000
Government	46,644	53,252	598	(430)	53,420	100,064
Corporate	17,166	297,601	1,560	(1,007)	298,154	315,320
Total bonds	63,810	350,853	2,158	(1,437)	351,574	415,384
Other loans	-	6,586	-	-	6,586	6,586
Total fixed income	63,810	357,439	2,158	(1,437)	358,160	421,970
Common shares	-	84,739	9,175	(782)	93,132	93,132
Preferred shares	-	90,006	8,661	(99)	98,568	98,568
	63,810	537,184	19,994	(2,318)	554,860	618,670

As at December 31, 2020	FVTPL	Other investments				Total
	investments	Amortized	Unrealized	Unrealized	Carrying	investments
	At carrying	cost	gains	losses	value	At carrying
	value					value
Short-term securities	-	5,000	-	-	5,000	5,000
Government	59,320	36,649	1,273	(3)	37,919	97,239
Corporate	21,051	255,180	7,229	(876)	261,533	282,584
Total bonds	80,371	291,829	8,502	(879)	299,452	379,823
Other loans	-	1,287	-	-	1,287	1,287
Total fixed income	80,371	293,116	8,502	(879)	300,739	381,110
Common shares	-	47,232	5,682	(4,391)	48,523	48,523
Preferred shares	-	58,848	3,185	(2,672)	59,361	59,361
Structured insurance assets	9,690	-	-	-	-	9,690
	90,061	404,196	17,369	(7,942)	413,623	503,684

The Company is currently assessing the cash flow characteristics test, to determine if the securities the Company holds would pass the solely payments of principal and interest ("SPPI") test. Based on a preliminary assessment, most of the debt securities would pass the test, however the composition of debt securities may change significantly by the time IFRS 9 is adopted along with IFRS 17, effective for fiscal year commencing January 1, 2023.

Management has reviewed currently available information regarding those investments with a fair value less than carrying value. During the three and nine months ended September 30, 2021, management recognized total impairments of \$nil and \$529 (see Note 8), respectively on AFS investments (during the three and nine months ended September 30, 2020 – \$305 and \$4,144 on AFS investments, \$nil and \$848 on loans and receivables). Assumptions are used when estimating the value of impairment based on the Company's impairment policy, which involves comparing fair value to carrying value.

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

(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, 2021, the Company has pledged cash amounting to \$1,057 USD and pledged fixed maturity investments amounting to \$54,211 USD (December 31, 2020 - \$1,582 USD and \$68,182 USD, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at September 30, 2021, the Company pledged \$5,617 USD (December 31, 2020 – \$5,592 USD) of fixed income investments as security deposits to various US state insurance departments to be held in trust for and pledged to various states.

4.4 Structured insurance assets

The structured insurance assets represent the Company's purchase of the rights to collect commission income on portfolios of long-term care insurance policies issued by insurance companies. The commissions are paid into trusts, from which the amounts due to the Company, being the commissions net of amounts due to other parties and expenses of the trusts, are paid. The commission (expense) income for the three and nine months ended September 30, 2021 amounted to \$(541) and \$94 (September 30, 2020 – \$331 and \$1,120, respectively), which has been recorded within Net investment income (see Note 7).

Effective September 20, 2021, the Company sold the structured insurance assets for cash consideration of \$6,390 USD, resulting in a realized loss of \$1,068 USD after transaction costs, which is included in net investment income (see Note 7).

Note 5 – Fair value and notional amount of derivatives

The following sets out the fair value and notional amount of derivatives as at September 30, 2021 and December 31, 2020:

As at	September 30, 2021			December 31, 2020		
	Notional amount	Fair value		Notional amount	Fair value	
Asset		Liability	Asset		Liability	
Foreign currency contracts						
Forwards	74,600	-	83	51,000	-	152
Equity contracts						
Swap agreements	12,710	14,901	-	8,112	8,272	-
Interest rate contracts						
Swap agreements	41,896	393	-	4,134	57	-
	129,206	15,294	83	63,246	8,329	152
Term to maturity						
less than one year	87,310	14,901	83	59,086	7,940	152
from one to five years	-	-	-	26	332	-
over five years	41,896	393	-	4,134	57	-

The Company uses foreign currency forward contracts to reduce its exposure to fluctuations in the exchange rates that could arise from its USD, EUR and GBP denominated investments. The notional amounts of the forwards as at September 30, 2021 are \$50,890 USD (December 31, 2020 – \$32,392 USD), €1,747 EUR (December 31, 2020 – €1,669 EUR) and £4,490 GBP (December 31, 2020 – £4,226 GBP). The Company also uses swap agreements to mitigate exposure to interest rate on its investment portfolio and equity market fluctuations associated with its share based compensation. These derivatives are recorded at fair value (see Notes 6, 10 and 11) and gains and losses are recorded in Net gains (see Note 8).

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 6 – Fair value measurement

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at September 30, 2021 and December 31, 2020:

As at September 30, 2021	Total fair value	Level 1	Level 2	Level 3
Government	100,064	-	100,064	-
Corporate	315,320	-	315,320	-
Total bonds	415,384	-	415,384	-
Common shares	93,132	80,935	-	12,197
Preferred shares	98,568	98,275	-	293
Total investments	607,084	179,210	415,384	12,490
Derivative financial assets	15,294	-	15,294	-
Derivative financial liabilities	(83)	-	(83)	-
	622,295	179,210	430,595	12,490

As at December 31, 2020	Total fair value	Level 1	Level 2	Level 3
Government	97,239	-	97,239	-
Corporate	282,584	-	282,584	-
Total bonds	379,823	-	379,823	-
Common shares	48,523	25,213	12,626	10,684
Preferred shares	59,361	48,008	11,060	293
Structured insurance assets	9,690	-	-	9,690
Total investments	497,397	73,221	403,509	20,667
Derivative financial assets	8,329	-	8,329	-
Derivative financial liabilities	(152)	-	(152)	-
	505,574	73,221	411,686	20,667

For the three and nine months ended September 30, 2021 and the year ended December 31, 2020, there were no transfers between levels.

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, 2021 and the year ended December 31, 2020:

	September 30, 2021	December 31, 2020
Balance at beginning of period	20,667	11,568
Unrealized (losses) gains	(1,056)	1,891
Purchase of securities	1,626	7,403
Sale of securities	(8,794)	-
Foreign exchange gain (loss)	47	(195)
Balance at end of period	12,490	20,667

TRISURA GROUP LTD.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 7 – Net investment income

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Cash and cash equivalents, and short-term securities	67	141	215	580
Bonds classified as loans and receivables	62	5	121	171
FVTPL bonds	235	292	711	644
AFS bonds	2,122	2,231	6,428	5,995
Interest income	2,486	2,669	7,475	7,390
AFS common shares	1,015	460	2,133	1,469
AFS preferred shares	1,169	775	2,810	1,973
Dividend income	2,184	1,235	4,943	3,442
(Losses) gains on investments held at FVTPL	(970)	3,127	(11,120)	10,824
Commission (expense) income on structured insurance assets	(541)	331	94	1,120
Investment expenses	(447)	(347)	(1,217)	(919)
Other investment (loss) income	(1,958)	3,111	(12,243)	11,025
Net investment income	2,712	7,015	175	21,857

Note 8 – Net gains

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net gains from:				
financial instruments:				
AFS common shares	1,187	122	1,753	3,247
AFS preferred shares	31	127	89	143
AFS bonds	426	1,433	1,017	2,192
	1,644	1,682	2,859	5,582
derivatives:				
swap agreements ⁽¹⁾	594	1,007	8,170	1,696
Embedded derivatives	18	(80)	(902)	(952)
Net foreign currency (losses) gains	(133)	1,874	1,160	4,294
Impairment on investments (see Note 4.2)	-	(305)	(529)	(4,992)
Net gains	2,123	4,178	10,758	5,628

(1) Excluding foreign currency contracts, which are reported in the line Net foreign currency (losses) gains.

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 9 – Unpaid claims and loss adjustment expenses

The following changes have occurred to the claim reserves:

For the three months ended September 30, 2021	Direct	Ceded	Net
Unpaid claims, beginning of period	631,406	458,113	173,293
Claims occurring in current year (including paid)	214,489	193,321	21,168
Change in undiscounted estimates for losses of prior years	10,694	11,891	(1,197)
Change in discounting	(2,934)	(1,910)	(1,024)
Change in provision for adverse deviation	6,091	5,028	1,063
Total claims incurred	228,340	208,330	20,010
Claims paid	(83,666)	(68,633)	(15,033)
Foreign exchange	12,954	11,551	1,403
Unpaid claims, end of period	789,034	609,361	179,673
For the nine months ended September 30, 2021	Direct	Ceded	Net
Unpaid claims, beginning of period	487,271	313,904	173,367
Claims occurring in current year (including paid)	505,114	443,172	61,942
Change in undiscounted estimates for losses of prior years	20,782	26,486	(5,704)
Change in discounting	(15,464)	(2,418)	(13,046)
Change in provision for adverse deviation	8,200	5,885	2,315
Total claims incurred	518,632	473,125	45,507
Claims paid	(216,939)	(181,821)	(35,118)
Foreign exchange	70	4,153	(4,083)
Unpaid claims, end of period	789,034	609,361	179,673
For the three months ended September 30, 2020	Direct	Ceded	Net
Unpaid claims, beginning of period	348,066	190,771	157,295
Claims occurring in current year (including paid)	110,761	96,569	14,192
Change in undiscounted estimates for losses of prior years	55	(414)	469
Change in discounting	4,596	430	4,166
Change in provision for adverse deviation	131	(361)	492
Total claims incurred	115,543	96,224	19,319
Claims paid	(44,562)	(32,753)	(11,809)
Foreign exchange	(1,940)	(3,587)	1,647
Unpaid claims, end of period	417,107	250,655	166,452

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 9 – Unpaid claims and loss adjustment expenses (continued)

For the nine months ended September 30, 2020	Direct	Ceded	Net
Unpaid claims, beginning of period	257,880	114,657	143,223
Claims occurring in current year (including paid)	255,673	219,224	36,449
Change in undiscounted estimates for losses of prior years	(8,707)	(5,418)	(3,289)
Change in discounting	15,696	63	15,633
Change in provision for adverse deviation	615	(58)	673
Total claims incurred	263,277	213,811	49,466
Claims paid	(110,148)	(77,733)	(32,415)
Foreign exchange	6,098	(80)	6,178
Unpaid claims, end of period	417,107	250,655	166,452

Note 10 – Premiums and accounts receivable, and other assets

As at September 30, 2021 and December 31, 2020, Premiums and accounts receivable, and other assets consist of:

As at	September 30, 2021	December 31, 2020
Premiums receivable	258,956	166,017
Derivative assets	15,294	8,329
Accrued investment income	2,958	2,879
Unsettled investments sales	1,890	-
Prepaid expenses	1,160	317
Tax recoveries	409	409
Miscellaneous assets	6,289	932
	286,956	178,883

As at September 30, 2021, Premiums receivable of \$258,956 (December 31, 2020 – \$166,017) includes an amount of \$198,625 (December 31, 2020 – \$120,595) related to Trisura US for which there is a reinsurance payable of \$237,036 (December 31, 2020 – \$129,740).

Note 11 – Accounts payable, accrued and other liabilities

As at September 30, 2021 and December 31, 2020, Accounts payable, accrued and other liabilities consist of:

As at	September 30, 2021	December 31, 2020
Accrued liabilities	16,248	15,725
Share based payment plan	12,192	5,670
Premium taxes payable and other liabilities	11,566	9,966
Deposits in trust	10,802	12,140
Lease liabilities	10,116	8,793
Taxes payable	9,027	4,558
Other liabilities	172	339
Derivative liabilities	83	152
	70,206	57,343

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 12 – Reinsurance and commissions

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 affected 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.

The Company's fronting operations cede the majority of the premium generated through it to reinsurers. As such, Reinsurers' share of claims liabilities and Reinsurers share of unearned premiums are significant components of the balance sheet, and the associated credit risk is carefully monitored.

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 contractual 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. Reinsurers providing treaty or facultative reinsurance policies are generally required to have a minimum A.M. Best credit rating of A- at the inception of each policy, or are otherwise required to post acceptable levels of collateral.

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, 2021 and December 31, 2020.

The following table summarizes the components of Recoverable from reinsurers as at September 30, 2021 and December 31, 2020:

As at	September 30, 2021	December 31, 2020
Reinsurers' share of claims liabilities (see Note 9)	609,361	313,904
Reinsurers' share of unearned premiums	519,257	363,068
	1,128,618	676,972

The following table summarizes the components of Reinsurance premiums payable as at September 30, 2021 and December 31, 2020:

As at	September 30, 2021	December 31, 2020
Reinsurance payable	349,082	186,382
Reinsurance recoverable	(40,415)	(34,675)
	308,667	151,707

The following table summarizes the components of Net commissions for the three and nine months ended September 30, 2021:

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Gross commissions	75,447	46,555	207,511	112,982
Reinsurance commissions	(45,920)	(31,495)	(133,095)	(74,551)
Net commissions	29,527	15,060	74,416	38,431

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 13 – Capital management

The Company's capital is its shareholders' equity, which consists of common shares, contributed surplus, retained earnings 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.

a) *Trisura Canada*

Under guidelines established by the Office of the Superintendent of Financial Institutions which apply to Trisura Canada, 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 level based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Canada's target MCT level in accordance with these requirements. Trisura Canada has exceeded this measure as at September 30, 2021 and December 31, 2020.

b) *Trisura US*

Trisura US is subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. As an admitted carrier, through its subsidiary, Trisura US is subject to the various capital requirements of each state in which it is licensed. A requirement of the regulators is that Trisura US's Risk Based Capital exceed certain minimum thresholds as well as Company Action Levels ("CALs"), below which the Company would have to notify the regulators. As at September 30, 2021 and December 31, 2020, Trisura US was in excess of any CALs of the states in which it was licensed.

c) *Trisura International*

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at September 30, 2021 and December 31, 2020, Trisura International maintained sufficient capital to meet these requirements.

Note 14 – Debt outstanding

14.1 Loan payable

The Company maintains a five-year revolving credit facility with a Canadian Schedule I bank (the "Bank") which allows for drawings of up to \$50,000. 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 interest 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 16, 2020, the Company converted its Canadian dollar denominated loan balance of \$29,700 to a loan balance denominated in US dollars, with the Bank. To do so, \$21,642 USD was drawn under the loan to immediately repay the outstanding loan payable of \$29,700. On March 20, 2020, an additional \$3,000 was drawn under the credit facility, which was repaid on June 19, 2020.

In March 2021, the Company converted its US dollar denominated total loan balance of \$21,642 USD to a loan balance denominated in Canadian dollars, with the Bank. To do so, \$26,970 CAD was drawn under the loan to repay the outstanding loan payable of \$21,642 USD.

In June 2021, the Company repaid the outstanding loan payable in full, for a total of \$26,970.

For the three and nine months ended September 30, 2021, the Company incurred \$592 and \$1,060 of interest expense, respectively (September 30, 2020 – \$224 and \$891, respectively), of which \$499 and \$792 (September 30, 2020 – \$127 and \$543) are related to the loan payable and senior unsecured notes.

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 14 – Debt outstanding (continued)

14.2 Senior unsecured notes

On June 11, 2021, the Company completed an offering of senior unsecured notes (the “Notes”), with a principal amount of \$75,000, which will mature on June 11, 2026. The Notes bear interest at a fixed annual rate of 2.641%. Interest is payable in semi-annual instalments commencing on December 11, 2021. The Notes are direct unsecured obligations and will rank equally with all other unsecured and unsubordinated indebtedness of the Company.

The following table provides details of the total debt outstanding as at September 30, 2021 and December 31, 2020.

	Maturity date	Term (years)	Fixed rate	Coupon (payment)	Principal amount	Carrying value	
						September 30, 2021	December 31, 2020
Loan payable						-	27,555
Senior unsecured notes	June 11, 2026	5	2.641%	Jun, Dec.	75,000	75,000	-
Total debt outstanding						75,000	27,555

Note 15 – 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). As at September 30, 2021 and December 31, 2020, no non-voting shares were issued and no preferred shares are outstanding.

During the nine months ended September 30, 2021, 118,620 (year ended December 31, 2020 – Nil) stock options issued under the Company’s existing stock option plan were exercised (see Note 21). Consideration paid by stock option holders to exercise the options resulted in an increase to share capital.

In May 2020, the Company completed a public offering of 5,156,600⁽¹⁾ common shares for gross proceeds of \$60,397. Concurrent with the public offering, the Company issued 640,400⁽¹⁾ common shares to investors on a private placement basis for gross proceeds of \$7,501. The Company incurred costs of \$2,416 in commission paid to underwriters as well as \$339 of costs directly attributable to the share issuance, which have been deducted from equity. At December 31, 2020, the net impact of the share issuance is an increase in common shares of \$66,480, net of tax impact of \$1,337 related to the share issuance costs.

Effective July 9, 2021, the Company completed a four-for-one split of the Company’s outstanding common stock. The additional shares required to give effect to the share split were issued to shareholders of record at the close of business on June 30, 2021. The Company’s shareholders approved the share split at the annual and special meeting of shareholders held on May 26, 2021.

The following table shows the common shares issued and outstanding, excluding treasury shares:

As at	September 30, 2021		December 31, 2020 ⁽¹⁾	
	Number of common shares	Amount (in thousands)	Number of common shares	Amount (in thousands)
Balance, beginning of period	41,075,476	285,731	35,278,476	219,251
Shares purchased under RSUs plan	(61,157)	(2,055)	-	-
Common shares issued	118,620	1,075	5,797,000	66,480
Balance, end of period	41,132,939	284,751	41,075,476	285,731

When the Company purchases its own shares as part of its RSUs plan, they are classified as treasury shares and the cost of these shares is recorded as a reduction in equity. As at September 30, 2021, the Company has an aggregate 41,194,096 (December 31, 2020 – 41,075,476) common shares outstanding, which includes 61,157 (December 31, 2020 – Nil) treasury shares.

(1) Adjusted to reflect the four-for-one stock split effective July 9, 2021. The number of common shares is presented on a post-split basis.

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 16 – Earnings per share

Basic earnings per common share are 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 adjusted for the effects of all dilutive potential common shares, which consist of stock options.

	Three months ended September 30		Nine months ended September 30	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Net income attributable to common shareholders	16,057	6,535	52,264	21,493
Weighted-average number of common shares outstanding (in shares)	41,194,096	41,075,476	41,141,058	38,208,828
EPS – basic (in dollars)	0.39	0.16	1.27	0.56
Dilutive effect of the conversion of options on common shares (in shares)	1,111,868	787,356	932,456	559,884
Diluted weighted-average number of common shares outstanding (in shares)	42,305,964	41,862,832	42,073,514	38,768,712
EPS – diluted (in dollars)	0.38	0.16	1.24	0.55

(1) Adjusted to reflect the four-for-one stock split effective July 9, 2021. The number of common shares is presented on a post-split basis.

Note 17 – Investment in subsidiary

On May 21, 2020, Trisura International Holdings 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 International. This dissolution had no impact on the Consolidated Statements of Financial Position and results of operations of the Company.

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 18 – Segmented information

The Company has three reportable segments. The operations of Trisura Canada comprise Surety, Risk Solutions and Corporate Insurance products primarily underwritten in Canada. The operations of Trisura US provides specialty insurance solutions underwritten in the United States. The operations of Trisura International comprises the Company's international reinsurance operations.

The following tables show the results for the three and nine months ended September 30, 2021 and 2020:

Three months ended September 30, 2021	Trisura Canada	Trisura US	Trisura International	Corporate and consolidation adjustments	Total
Gross premiums written	144,118	263,296	7,137	(9,873)	404,678
Net premiums written	86,811	10,683	7,137	-	104,631
Net premiums earned:					
from external customers	61,109	7,748	-	-	68,857
inter-segment premiums ⁽¹⁾	852	-	5,780	-	6,632
Fee income	819	10,870	-	(331)	11,358
Net investment income (loss)	2,348	1,301	(1,238)	301	2,712
Net gains	361	902	15	845	2,123
Total revenues	65,489	20,821	4,557	815	91,682
Net claims	(11,402)	(5,657)	(2,951)	-	(20,010)
Net expenses	(38,541)	(6,943)	(2,090)	(954)	(48,528)
Interest expenses	(75)	(11)	(7)	(499)	(592)
Total claims and expenses	(50,018)	(12,611)	(5,048)	(1,453)	(69,130)
Net income (loss) before tax	15,471	8,210	(491)	(638)	22,552

Nine months ended September 30, 2021	Trisura Canada	Trisura US	Trisura International	Corporate and consolidation adjustments	Total
Gross premiums written	372,596	709,237	15,982	(19,349)	1,078,466
Net premiums written	226,919	39,295	15,982	-	282,196
Net premiums earned:					
from external customers	156,372	24,973	-	-	181,345
inter-segment premiums ⁽¹⁾	852	-	12,944	-	13,796
Fee income	6,149	31,848	-	(743)	37,254
Net investment income (loss)	6,245	3,456	(10,195)	669	175
Net gains	261	1,462	195	8,840	10,758
Total revenues	169,879	61,739	2,944	8,766	243,328
Net claims	(30,060)	(18,129)	2,682	-	(45,507)
Net expenses	(97,017)	(19,346)	(5,288)	(8,517)	(130,168)
Interest expenses	(221)	(28)	(19)	(792)	(1,060)
Total claims and expenses	(127,298)	(37,503)	(2,625)	(9,309)	(176,735)
Net income (loss) before tax	42,581	24,236	319	(543)	66,593

(1) For the three and nine months ended September 30, 2021, Trisura International earned inter-segment premiums of \$5,780 and \$12,944 (September 30, 2020 – \$1,743 and \$3,058, respectively) from Trisura US and Trisura Canada earned inter-segment premiums of \$852 and \$852 (September 30, 2020 – \$nil and \$nil, respectively) from Trisura US. The inter-segment ceding arrangement was entered into at prevailing market rates.

TRISURA GROUP LTD.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 18 – Segmented information (continued)

Three months ended September 30, 2020	Trisura Canada	Trisura US	Trisura International	Corporate and consolidation adjustments	Total
Gross premiums written	68,544	171,028	3,670	(3,635)	239,607
Net premiums written	53,959	6,914	3,670	-	64,543
Net premiums earned:					
from external customers	35,261	5,246	-	-	40,507
inter-segment premiums ⁽¹⁾	-	-	1,743	-	1,743
Fee income	238	6,414	-	-	6,652
Net investment income	1,886	1,152	3,802	175	7,015
Net gains (losses)	763	622	(376)	3,169	4,178
Total revenues	38,148	13,434	5,169	3,344	60,095
Net claims	(10,018)	(4,455)	(4,846)	-	(19,319)
Net expenses	(22,494)	(4,100)	(1,235)	(3,916)	(31,745)
Interest expenses	(81)	(10)	(6)	(127)	(224)
Total claims and expenses	(32,593)	(8,565)	(6,087)	(4,043)	(51,288)
Net income (loss) before tax	5,555	4,869	(918)	(699)	8,807

Nine months ended September 30, 2020	Trisura Canada	Trisura US	Trisura International	Corporate and consolidation adjustments	Total
Gross premiums written	175,612	436,529	8,639	(8,538)	612,242
Net premiums written	126,515	17,771	8,638	-	152,924
Net premiums earned:					
from external customers	92,358	14,177	-	-	106,535
inter-segment premiums ⁽¹⁾	-	-	3,058	-	3,058
Fee income	3,981	16,079	-	-	20,060
Net investment income	5,979	2,722	12,905	251	21,857
Net (losses) gains	(1,858)	1,305	(536)	6,717	5,628
Total revenues	100,460	34,283	15,427	6,968	157,138
Net claims	(21,407)	(10,634)	(17,425)	-	(49,466)
Net expenses	(60,714)	(10,621)	(3,026)	(7,593)	(81,954)
Interest expenses	(300)	(28)	(20)	(543)	(891)
Total claims and expenses	(82,421)	(21,283)	(20,471)	(8,136)	(132,311)
Net income (loss) before tax	18,039	13,000	(5,044)	(1,168)	24,827

(1) For the three and nine months ended September 30, 2021, Trisura International earned inter-segment premiums of \$5,780 and \$12,944 (September 30, 2020 – \$1,743 and \$3,058, respectively) from Trisura US and Trisura Canada earned inter-segment premiums of \$852 and \$852 (September 30, 2020 – \$nil and \$nil, respectively) from Trisura US. The inter-segment ceding arrangement was entered into at prevailing market rates.

TRISURA GROUP LTD.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 18 – Segmented information (continued)

As at September 30, 2021	Trisura Canada	Trisura US	Trisura International	Corporate and consolidation adjustments	Total
Assets	868,420	1,577,758	109,174	20,261	2,575,613
Liabilities	720,313	1,370,489	95,318	39,745	2,225,865

As at December 31, 2020	Trisura Canada	Trisura US	Trisura International	Corporate and consolidation adjustments	Total
Assets	541,603	1,021,020	121,347	22,762	1,706,732
Liabilities	431,858	864,983	108,295	11,732	1,416,868

Note 19 – Income taxes

The following shows the major components of income tax expense for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Current tax expense:				
Current period	5,022	3,134	13,595	9,636
Prior year true up	-	8	33	8
	5,022	3,142	13,628	9,644
Deferred tax expense:				
Origination and reversal of temporary differences	1,473	(870)	701	(6,310)
Income tax expense	6,495	2,272	14,329	3,334
Income taxes recorded in other comprehensive income (loss):				
Net changes in unrealized (losses) gains on AFS investments	(259)	1,927	2,232	(1,555)
Reclassification to net income of net losses on AFS investments	(218)	(789)	(168)	(981)
Origination and reversal of temporary differences	(470)	79	1,208	621
Total income tax (benefit) expense recorded in other comprehensive income (loss)	(947)	1,217	3,272	(1,915)

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 19 – 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 Condensed Interim Consolidated Statements of Income for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Income before income taxes	22,552	8,807	66,593	24,827
Statutory income tax rate	26.5%	26.5%	26.5%	26.5%
	5,976	2,334	17,647	6,579
Variations due to:				
Permanent differences	1,021	(183)	(521)	(584)
International operations subject to different tax rates	(343)	28	(1,479)	693
Unrecognized tax gains (losses)	3	(23)	3	(3,448)
Rate differentials:				
Current rate versus future rate	-	33	71	36
Change in future rate	1	(1)	13	1
True up	(163)	84	(1,405)	57
Income tax expense	6,495	2,272	14,329	3,334

The permanent differences relate primarily to investment income or losses that are non-taxable or taxed at rates lower than the statutory income tax rate, such as non-taxable dividend income and capital gains.

On February 5, 2020, the Company obtained an Advance Income Tax Ruling from the Canada Revenue Agency on a strategy to utilize accumulated tax losses. On February 20, 2020, the Company implemented the strategy and recorded a deferred tax asset for the accumulated tax losses.

In June 2021, the Company identified a tax position that reduced the amount of taxable income reported for fiscal 2020, compared to the amount of taxable income used to compute the fiscal 2020 tax provision, which resulted in an increase in unused tax losses. As at September 30, 2021, the Company has unused tax losses of \$8,415 (December 31, 2020 – \$6,615), which will expire in the following years:

	September 30, 2021
2038	2,092
2039	3,337
2040	2,986
	8,415

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 20 – Equity-settled restricted share units (“RSUs”)

The Company awards certain employees RSUs based on the fair value of the Company’s common shares at the grant date. These RSUs will typically vest over three years, however in some instances the vesting period may differ.

The following table shows the RSUs issued and outstanding as at September 30, 2021 and December 31, 2020:

As at	September 30, 2021 (in units)	December 31, 2020⁽¹⁾ (in units)
Outstanding, beginning of period	32,956	-
Vested during the period	(10,824)	-
Cancelled during the period	(9,388)	-
Granted during the period	70,549	32,956
Outstanding, end of period	83,293	32,956

(1) Adjusted to reflect the four-for-one stock split effective July 9, 2021.

During the three and nine months ended September 30, 2021, compensation expense of \$367 and \$804 (September 30, 2020 - \$117 and \$165, respectively) related to the RSUs were recorded in Operating expenses, respectively.

Note 21 – Equity-settled stock options

The following is a continuity schedule of stock options outstanding as at September 30, 2021 and December 31, 2020:

	September 30, 2021		December 31, 2020⁽¹⁾	
	Number of options	Weighted average exercise price (in dollars)	Number of options	Weighted average exercise price (in dollars)
Outstanding, beginning of period	1,334,720	8.23	968,940	6.60
Exercised during the period	(118,620)	7.24	-	-
Granted during the period	315,816	27.86	365,780	12.56
Outstanding, end of period	1,531,916	12.35	1,334,720	8.23

(1) Adjusted to reflect the four-for-one stock split effective July 9, 2021.