



**Trisura Group Ltd.**

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Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2022

**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)

<b>As at</b>	<i>Note</i>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>			
Cash and cash equivalents	4	384,553	341,319
Investments	4	740,548	641,140
Premiums and accounts receivable, and other assets	7	437,804	311,629
Recoverable from reinsurers	8	2,150,255	1,375,354
Deferred acquisition costs		412,805	304,580
Capital assets and intangible assets		20,280	17,109
Deferred tax assets		19,254	9,223
<b>Total assets</b>		<b>4,165,499</b>	<b>3,000,354</b>
<b>Liabilities</b>			
Accounts payable, accrued and other liabilities	9	100,121	216,633
Reinsurance premiums payable	8	472,482	335,673
Unearned premiums		1,376,791	965,245
Unearned reinsurance commissions		245,763	152,003
Unpaid claims and loss adjustment expenses	10	1,369,026	897,011
Debt outstanding	11	75,000	75,000
		<b>3,639,183</b>	<b>2,641,565</b>
<b>Shareholders' equity</b>			
Common shares	12	429,759	285,035
Contributed surplus		4,962	3,497
Retained earnings		131,683	66,692
Accumulated other comprehensive (loss) income		(40,088)	3,565
		<b>526,316</b>	<b>358,789</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,165,499</b>	<b>3,000,354</b>

*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	
		2022	2021	2022	2021
<b>Gross premiums written</b>		<b>644,820</b>	404,678	<b>1,768,415</b>	1,078,466
Reinsurance premiums ceded		<b>(538,406)</b>	(300,047)	<b>(1,407,898)</b>	(796,270)
<b>Net premiums written</b>		<b>106,414</b>	104,631	<b>360,517</b>	282,196
Change in unearned premiums		<b>5,582</b>	(29,142)	<b>(57,501)</b>	(87,055)
<b>Net premiums earned</b>		<b>111,996</b>	75,489	<b>303,016</b>	195,141
Fee income		<b>18,855</b>	11,358	<b>53,393</b>	37,254
Net investment income	13	<b>6,583</b>	2,712	<b>15,683</b>	175
Net gains	14	<b>3,723</b>	2,123	<b>4,690</b>	10,758
<b>Total revenues</b>		<b>141,157</b>	91,682	<b>376,782</b>	243,328
Net claims and loss adjustment expenses	10	<b>(33,457)</b>	(20,010)	<b>(86,117)</b>	(45,507)
Net commissions		<b>(48,510)</b>	(29,527)	<b>(129,929)</b>	(74,416)
Operating expenses		<b>(28,263)</b>	(19,001)	<b>(73,499)</b>	(55,752)
Interest expenses	11	<b>(823)</b>	(592)	<b>(2,056)</b>	(1,060)
<b>Total claims and expenses</b>		<b>(111,053)</b>	(69,130)	<b>(291,601)</b>	(176,735)
<b>Income before income taxes</b>		<b>30,104</b>	22,552	<b>85,181</b>	66,593
Income tax expense	15	<b>(6,358)</b>	(6,495)	<b>(20,190)</b>	(14,329)
<b>Net income attributable to shareholders</b>		<b>23,746</b>	16,057	<b>64,991</b>	52,264
Weighted average number of common shares outstanding during the period (in thousands) – basic	16	<b>45,226</b>	41,194	<b>42,585</b>	41,141
Earnings per common share (in dollars) – basic	16	<b>0.53</b>	0.39	<b>1.53</b>	1.27
Earnings per common share (in dollars) – diluted	16	<b>0.51</b>	0.38	<b>1.50</b>	1.24

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)

<b>For the periods ended September 30,</b>	<i>Note</i>	<b>Three months</b>		<b>Nine months</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Net income attributable to shareholders</b>		<b>23,746</b>	16,057	<b>64,991</b>	52,264
Net unrealized (losses) gains on available-for-sale ("AFS") investments		<b>(18,690)</b>	(2,746)	<b>(76,150)</b>	10,263
Income tax benefit (expense)		<b>4,049</b>	729	<b>17,916</b>	(3,440)
Items that may be reclassified subsequently to net income		<b>(14,641)</b>	(2,017)	<b>(58,234)</b>	6,823
Net realized gains		<b>(2,432)</b>	(1,665)	<b>(6,905)</b>	(1,960)
Impairment loss	4.2	-	-	-	529
Income tax benefit		<b>424</b>	218	<b>1,429</b>	168
Items reclassified to net income		<b>(2,008)</b>	(1,447)	<b>(5,476)</b>	(1,263)
Items other than cumulative translation gain		<b>(16,649)</b>	(3,464)	<b>(63,710)</b>	5,560
Cumulative translation gain		<b>16,431</b>	5,937	<b>20,057</b>	1,510
<b>Other comprehensive (loss) income</b>		<b>(218)</b>	2,473	<b>(43,653)</b>	7,070
<b>Total comprehensive income</b>		<b>23,528</b>	18,530	<b>21,338</b>	59,334

*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)

	<i>Note</i>	<b>Common shares</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive income (loss) (net of income taxes)</b>	<b>Total</b>
Balance at January 1, 2022		285,035	3,497	66,692	3,565	<b>358,789</b>
Net income		-	-	64,991	-	<b>64,991</b>
Other comprehensive loss		-	-	-	(43,653)	<b>(43,653)</b>
Comprehensive income		-	-	64,991	(43,653)	<b>21,338</b>
Share issuance	12	146,891	-	-	-	<b>146,891</b>
Shares under Restricted Share Units ("RSUs") plan	12	(2,167)	-	-	-	<b>(2,167)</b>
Share based payments		-	1,465	-	-	<b>1,465</b>
<b>Balance at September 30, 2022</b>		<b>429,759</b>	<b>4,962</b>	<b>131,683</b>	<b>(40,088)</b>	<b>526,316</b>

		<b>Common shares</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive (loss) income (net of income taxes)</b>	<b>Total</b>
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		1,075	-	-	-	1,075
Shares under RSUs plan		(2,055)	-	-	-	(2,055)
Share based payments		-	1,530	-	-	1,530
<b>Balance at September 30, 2021</b>		<b>284,751</b>	<b>2,862</b>	<b>56,397</b>	<b>5,738</b>	<b>349,748</b>

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)

<b>For the nine months ended September 30,</b>	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>			
Net income		<b>64,991</b>	52,264
Items not involving cash:			
Depreciation and amortization		<b>2,967</b>	2,538
Unrealized (gains) loss		<b>(2,754)</b>	11,998
Impairment loss	4.2	-	529
Share based compensation		<b>2,724</b>	955
Change in working capital	19	<b>70,405</b>	130,225
Realized gains		<b>(6,979)</b>	(1,835)
Income taxes paid		<b>(28,829)</b>	(11,168)
Interest paid		<b>(1,606)</b>	(456)
<b>Net cash flows from operating activities</b>		<b>100,919</b>	185,050
<b>Investing activities</b>			
Proceeds on disposal of investments		<b>120,083</b>	108,346
Purchases of investments		<b>(333,318)</b>	(228,359)
Purchases of capital assets		<b>(546)</b>	(2,838)
Purchases of intangible assets		<b>(1,188)</b>	(141)
<b>Net cash flows used in investing activities</b>		<b>(214,969)</b>	(122,992)
<b>Financing activities</b>			
Shares issued	12	<b>145,160</b>	859
Shares purchased under RSUs plan	12	<b>(2,167)</b>	(2,055)
Proceeds from issuance of debt, net of issuance costs		-	75,000
Loans received	11.1	<b>30,000</b>	26,970
Loans repaid		<b>(30,000)</b>	(54,525)
Principal portion of lease payments		<b>(1,424)</b>	(1,154)
<b>Net cash flows from financing activities</b>		<b>141,569</b>	45,095
<b>Net increase in cash and cash equivalents during the period</b>		<b>27,519</b>	107,153
Cash, beginning of period		<b>330,202</b>	120,538
Cash equivalents, beginning of period		<b>11,117</b>	15,981
Cash and cash equivalents, beginning of period		<b>341,319</b>	136,519
Impact of foreign exchange on cash and cash equivalents		<b>15,715</b>	1,660
Cash, end of period		<b>331,841</b>	236,485
Cash equivalents, end of period		<b>52,712</b>	8,847
<b>Cash and cash equivalents, end of period</b>		<b>384,553</b>	245,332

See accompanying notes to the 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)

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#### 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 has investments in wholly owned subsidiaries through which it conducts insurance and reinsurance operations. Those operations are primarily in Canada (“Trisura Canada”) and the United States (“Trisura US”).

Trisura Canada operates as a Canadian property and casualty insurance company. Certain lines of Trisura Canada’s business operate as a fronting carrier with a large portion of gross premiums written ceded to reinsurers. Trisura US is a domestic surplus lines insurer that can write business as a non-admitted surplus line insurer in all states and admitted business in most states. Trisura US primarily operates as a hybrid fronting carrier where a large portion of its gross premiums written are ceded to reinsurers. Trisura US earns fee income from the reinsurers to whom it cedes premiums.

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, 2021, 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 3, 2022.

#### Note 3 – Summary of significant accounting policies

The accounting policies applied during the three and nine months ended September 30, 2022 are the same as those described and disclosed in Note 2 – *Summary of significant accounting policies* of the December 31, 2021 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, 2022	AFS	Cash, loans and receivables	Total
<b>Cash and cash equivalents</b>	-	384,553	384,553
<b>Investments</b>			
<b>Fixed income</b>	557,531	-	557,531
<b>Common shares</b>	41,175	-	41,175
<b>Preferred shares</b>	98,141	-	98,141
<b>Alternatives</b>	43,701	-	43,701
<b>Total Investments</b>	<b>740,548</b>	<b>-</b>	<b>740,548</b>
<b>Total cash and cash equivalents and investments</b>	<b>740,548</b>	<b>384,553</b>	<b>1,125,101</b>

As at December 31, 2021 <sup>(1)</sup>	AFS	Designated FVTPL	Cash, loans and receivables	Total
Cash and cash equivalents (see Note 10)	-	-	341,319	341,319
<b>Investments</b>				
Short-term securities	-	-	5,000	5,000
Fixed income (see Note 10)	375,341	60,261	8,042	443,644
Common shares	75,929	-	-	75,929
Preferred shares	102,927	-	-	102,927
Alternatives	13,640	-	-	13,640
<b>Total Investments</b>	<b>567,837</b>	<b>60,261</b>	<b>13,042</b>	<b>641,140</b>
<b>Total cash and cash equivalents and investments</b>	<b>567,837</b>	<b>60,261</b>	<b>354,361</b>	<b>982,459</b>

(1) Certain common shares and preferred shares totaling \$13,640 have been reclassified to Alternatives to conform with the current period financial statement presentation.

## 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, 2022 and December 31, 2021 were as follows:

As at September 30, 2022	Amortized cost	Unrealized gains	Unrealized losses	Carrying value
Fixed income	610,083	34	(52,586)	557,531
Common shares	48,844	734	(8,403)	41,175
Preferred shares	113,434	1,214	(16,507)	98,141
Alternatives	41,513	4,503	(2,315)	43,701
	813,874	6,485	(79,811)	740,548

As at December 31, 2021 <sup>(1)</sup>	FVTPL investments	Other investments				Total investments
	At carrying value	Amortized cost	Unrealized gains	Unrealized losses	Carrying value	At carrying value
Short-term securities	-	5,000	-	-	5,000	5,000
Fixed income	60,261	385,635	2,011	(4,263)	383,383	443,644
Common shares	-	68,315	8,864	(1,250)	75,929	75,929
Preferred shares	-	94,462	8,495	(30)	102,927	102,927
Alternatives	-	11,352	4,099	(1,811)	13,640	13,640
	60,261	564,764	23,470	(7,355)	580,879	641,140

(1) Certain common shares and preferred shares totaling \$13,640 have been reclassified to Alternatives to conform with the current period financial statement presentation.

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 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 *Financial instruments* is adopted along with IFRS 17 *Insurance Contracts*, 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. For the three and nine months ended September 30, 2022, no impairment has been recognized on AFS investments (September 30, 2021 – nil and \$529, respectively). Assumptions are used when estimating the value of impairment based on the Company's impairment policy.

#### 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, 2022, the Company has pledged cash amounting to \$746 and pledged no fixed income investments (December 31, 2021 – \$8,601 and \$63,646, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at September 30, 2022, the Company pledged \$7,215 (December 31, 2021 – \$7,687) of fixed income investments as security deposits to various US state insurance departments to be held in trust for various states and are therefore not readily available for general use by the Company.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### 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, 2022 and December 31, 2021:

As at	September 30, 2022			December 31, 2021		
	Notional amount	Fair value		Notional amount	Fair value	
Asset		Liability	Asset		Liability	
<b>Foreign currency contracts</b>						
Forwards	108,900	-	5,831	81,400	641	-
<b>Equity contracts</b>						
Swap agreements	13,258	10,303	-	14,300	14,620	-
<b>Interest rate contracts</b>						
Swap agreements	6,293	1,383	-	40,566	436	-
	<b>128,451</b>	<b>11,686</b>	<b>5,831</b>	<b>136,266</b>	<b>15,697</b>	<b>-</b>
<b>Term to maturity</b>						
less than one year	122,158	10,303	5,831	94,484	14,060	-
from one to five years	-	-	-	1,216	1,201	-
over five years	6,293	1,383	-	40,566	436	-

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, 2022 are \$76,498 USD (December 31, 2021 – \$55,265 USD), €1,331 EUR (December 31, 2021 – €1,777 EUR) and £4,748 GBP (December 31, 2021 – £4,701 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 Note 6 and Note 7) and gains and losses are recorded in Net gains (see Note 14).

#### Note 6 – Fair value measurement

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at September 30, 2022 and December 31, 2021:

As at September 30, 2022	Total fair value	Level 1	Level 2	Level 3
<b>Fixed income</b>	557,531	-	557,531	-
<b>Common shares</b>	41,175	41,175	-	-
<b>Preferred shares</b>	98,141	98,141	-	-
<b>Alternatives</b>	43,701	-	-	43,701
<b>Total investments</b>	<b>740,548</b>	<b>139,316</b>	<b>557,531</b>	<b>43,701</b>
<b>Derivative financial assets</b>	11,686	-	11,686	-
<b>Derivative financial liabilities</b>	(5,831)	-	(5,831)	-
	<b>746,403</b>	<b>139,316</b>	<b>563,386</b>	<b>43,701</b>

**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 (continued)**

As at December 31, 2021 <sup>(1)</sup>	Total fair value	Level 1	Level 2	Level 3
Fixed income	435,602	-	435,602	-
Common shares	75,926	75,926	-	-
Preferred shares	102,930	102,930	-	-
Alternatives	13,640	-	-	13,640
Total investments	628,098	178,856	435,602	13,640
Derivative financial assets	15,697	-	15,697	-
	643,795	178,856	451,299	13,640

(1) Certain common shares and preferred shares totaling \$13,640 have been reclassified to Alternatives to conform with the current period financial statement presentation.

For the nine months ended September 30, 2022, \$9,572 has been transferred into Level 3 investments (December 31, 2021 – nil).

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 three and nine months ended September 30, 2022 and the year ended December 31, 2021:

	September 30, 2022	December 31, 2021
Balance, beginning of period	13,640	20,667
Transfers	9,572	-
Purchase of securities	19,093	3,426
Sale of securities	(292)	(8,699)
Unrealized gains (losses)	881	(1,662)
Foreign exchange gains (losses)	807	(92)
Balance, end of period	43,701	13,640

**Note 7 – Premiums and accounts receivable, and other assets**

As at September 30, 2022 and December 31, 2021, Premiums and accounts receivable, and other assets consist of:

As at	September 30, 2022	December 31, 2021
Premiums receivable	378,248	271,311
Receivable from reinsurers	23,092	14,084
Derivative assets	11,686	15,697
Tax recoveries	10,818	626
Accrued investment income	4,384	2,846
Prepaid expenses	2,603	964
Unsettled investments sales	2,296	2,126
Miscellaneous assets	4,677	3,975
	437,804	311,629

As at September 30, 2022, Premiums receivable of \$378,248 (December 31, 2021 – \$271,311) includes an amount of \$288,638 (December 31, 2021 – \$184,485) related to Trisura US fronting arrangements for which agreed upon levels of collateral are held and there is a reinsurance payable of \$348,532 (December 31, 2021 – \$232,345).

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

#### Note 8 – 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 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 to the Company's financial position, and the associated credit risk is monitored each reporting period.

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 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 agreed upon 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, 2022 and December 31, 2021.

The following table summarizes the components of Recoverable from reinsurers as at September 30, 2022 and December 31, 2021:

<b>As at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Reinsurers' share of claims liabilities (see Note 10)	<b>1,200,659</b>	773,258
Reinsurers' share of unearned premiums	<b>949,596</b>	602,096
	<b>2,150,255</b>	1,375,354

The following table summarizes the components of Reinsurance premiums payable as at September 30, 2022 and December 31, 2021:

<b>As at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Reinsurance payable	<b>583,980</b>	357,226
Reinsurance recoverable	<b>(111,498)</b>	(21,553)
	<b>472,482</b>	335,673

#### Note 9 – Accounts payable, accrued and other liabilities

As at September 30, 2022 and December 31, 2021, Accounts payable, accrued and other liabilities consist of:

<b>As at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Accrued liabilities	<b>25,738</b>	21,645
Deposits in trust <sup>(1)</sup>	<b>18,431</b>	63,895
Payable to intermediaries	<b>13,261</b>	8,281
Lease liabilities	<b>12,114</b>	9,678
Premium taxes payable	<b>11,491</b>	14,460
Share based payment plan	<b>8,898</b>	12,004
Derivatives liabilities	<b>5,831</b>	-
Other liabilities	<b>4,315</b>	3,977
Taxes payable	<b>42</b>	10,253
Due on novation (see Note 10)	<b>-</b>	72,440
	<b>100,121</b>	216,633

(1) The Company periodically holds deposits in trust from reinsurers and other counterparties as a form of collateral.

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

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

**Note 10 – Unpaid claims and loss adjustment expenses**

The following changes have occurred to the claim reserves:

<b>For the three months ended September 30, 2022</b>	<b>Direct</b>	<b>Ceded</b>	<b>Net</b>
Unpaid claims, beginning of period	1,050,721	904,432	146,289
Claims occurring in current period (including paid)	382,722	350,773	31,949
Change in undiscounted estimates for losses of prior years	18,926	17,056	1,870
Change in discounting	(4,972)	(3,982)	(990)
Change in provision for adverse deviation	4,526	3,898	628
Total claims incurred	401,202	367,745	33,457
Claims paid	(149,183)	(133,429)	(15,754)
Foreign exchange	66,286	61,911	4,375
Unpaid claims, end of period	1,369,026	1,200,659	168,367

<b>For the nine months ended September 30, 2022</b>	<b>Direct</b>	<b>Ceded</b>	<b>Net</b>
Unpaid claims, beginning of period	897,011	773,258	123,753
Claims occurring in current period (including paid)	858,107	761,418	96,689
Change in undiscounted estimates for losses of prior years	7,242	14,251	(7,009)
Change in discounting	(13,718)	(9,244)	(4,474)
Change in provision for adverse deviation	4,178	3,420	758
Total claims incurred	855,809	769,845	85,964
Claims paid	(463,121)	(416,483)	(46,638)
Foreign exchange	79,327	74,039	5,288
Unpaid claims, end of period	1,369,026	1,200,659	168,367

<b>For the three months ended September 30, 2021</b>	<b>Direct</b>	<b>Ceded</b>	<b>Net</b>
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

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

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

**Note 10 – Unpaid claims and loss adjustment expenses (continued)**

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

Unpaid claims and loss adjustment balances due from reinsurers are grouped with unearned reinsurance assets in Recoverable from reinsurers on the Condensed Interim Consolidated Statements of Financial Position.

In 2021 the Company entered into an agreement to transfer, by way of novation, all of the Trisura International Insurance Ltd. (“Trisura International”) rights, liabilities and obligations under its life reinsurance agreement to a third-party reinsurer. Such transfer and assumption, effective December 31, 2021, was enforceable and binding upon the Company and the assuming reinsurer, and which the cedant had approved. As at December 31, 2021, the novation price of \$72,440 due to the assuming reinsurer was included in Accounts payable, accrued and other liabilities (see Note 9). During the nine months ended September 30, 2022, cash of \$8,436 and FVTPL fixed income investments of \$64,004 were transferred to the assuming reinsurer (see Note 4).

**Note 11 – Debt outstanding****11.1 Loan payable**

The Company maintains a five-year revolving credit facility (the “Facility”) with a Canadian Schedule I bank (the “Bank”) which allows for drawings of up to \$50,000. Under this arrangement, the Company is able to draw funds in the form of short-term banker’s acceptances, Canadian prime rate advances, base rate advances or SOFR loans. The interest rate is based on the current periods’ bankers’ acceptance rate, Canadian prime rate, base rate, or SOFR loans 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.

In Q2 2022, \$30,000 was drawn under the Facility, which was repaid in the quarter. As at September 30, 2022, the loan balance is \$0 (December 31, 2021 – nil).

**11.2 Senior unsecured notes**

In June 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 2.64%. Interest is payable in semi-annual instalments which commenced 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, 2022 and December 31, 2021.

	Maturity date	Term (years)	Fixed rate	Coupon (payment)	Principal amount	Carrying value	
						September 30, 2022	December 31, 2021
<b>Senior unsecured notes</b>	June 11, 2026	5	2.64%	June, Dec	75,000	<b>75,000</b>	75,000

For the three and nine months ended September 30, 2022, the Company incurred \$823 and \$2,056 of interest expense, respectively (September 30, 2021 – \$592 and \$1,060, respectively), of which \$721 and \$1,749 (September 30, 2021 – \$499 and \$792) 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 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). As at September 30, 2022 and December 31, 2021, no non-voting shares were issued and no preferred shares are outstanding.

In July 2022, the Company completed a public offering of 4,512,000 common shares for gross proceeds of \$150,024. The Company incurred costs of \$6,001 in commission paid to underwriters as well as \$529 of costs directly attributable to the share issuance, which have been deducted from equity. At September 30, 2022, the net impact of the share issuance is an increase in common shares of \$145,225, net of tax impact of \$1,731 related to the share issuance costs.

During the nine months ended September 30, 2022, 134,741 (December 31, 2021 – 148,620) stock options issued under the Company's existing stock option plan were exercised. Consideration paid by stock option holders to exercise the options resulted in an increase to share capital.

In July 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, 2022		December 31, 2021	
	Number of common shares	Amount (in thousands)	Number of common shares	Amount (in thousands)
Balance, beginning of period	41,165,198	285,035	41,075,476	285,731
Shares under RSUs plan	(50,622)	(2,167)	(58,898)	(2,011)
Common shares issued	4,646,741	146,891	148,620	1,315
Balance, end of period	45,761,317	429,759	41,165,198	285,035

As part of the RSUs plan, the Company purchases its own shares which are classified as treasury shares and the costs of these shares are recorded as a reduction to equity. As at September 30, 2022, the Company has an aggregate of 45,870,837 common shares (December 31, 2021 – 41,224,096 common shares) outstanding, which includes 109,520 treasury shares (December 31, 2021 – 58,898 treasury shares).

#### Note 13 – Net investment income

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Cash and cash equivalents, and short-term securities	606	67	863	215
AFS fixed income	4,455	2,184	10,322	6,549
FVTPL fixed income	-	235	-	711
<b>Interest income</b>	<b>5,061</b>	<b>2,486</b>	<b>11,185</b>	<b>7,475</b>
AFS common shares	737	1,015	2,474	2,133
AFS preferred shares	1,381	1,169	3,672	2,810
<b>Dividend income</b>	<b>2,118</b>	<b>2,184</b>	<b>6,146</b>	<b>4,943</b>
Loss on investments held at FVTPL	-	(970)	(78)	(11,120)
Commission income on structured insurance assets	-	(541)	-	94
Investment expenses	(596)	(447)	(1,570)	(1,217)
<b>Other investment loss</b>	<b>(596)</b>	<b>(1,958)</b>	<b>(1,648)</b>	<b>(12,243)</b>
<b>Net investment income</b>	<b>6,583</b>	<b>2,712</b>	<b>15,683</b>	<b>175</b>



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

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

**Note 14 – Net gains**

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net gains from:				
financial instruments:				
AFS common shares	1,662	1,187	6,251	1,753
AFS preferred shares	205	31	188	89
AFS fixed income	(25)	426	809	1,017
	1,842	1,644	7,248	2,859
derivatives:				
swap agreements <sup>(1)</sup>	491	594	(3,375)	8,170
Embedded derivatives	532	18	360	(902)
Net foreign currency gains (losses)	858	(133)	457	1,160
Impairment on investments	-	-	-	(529)
<b>Net gains</b>	<b>3,723</b>	<b>2,123</b>	<b>4,690</b>	<b>10,758</b>

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

**Note 15 – Income taxes**

The following table shows the major components of income tax expense for the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Current tax expense	7,268	5,022	19,696	13,628
Deferred tax (benefit) expense	(910)	1,473	494	701
<b>Income tax expense</b>	<b>6,358</b>	<b>6,495</b>	<b>20,190</b>	<b>14,329</b>
<b>Income taxes recorded in other comprehensive (loss) income:</b>				
Net changes in unrealized (losses) gains on AFS investments	(1,492)	(259)	(9,928)	2,232
Reclassification to net income of net losses on AFS investments	(424)	(218)	(1,429)	(168)
Origination and reversal of temporary differences	(2,557)	(470)	(7,988)	1,208
Total income tax (benefit) expense recorded in other comprehensive (loss) income	(4,473)	(947)	(19,345)	3,272

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

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

**Note 15 – 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, 2022 and 2021:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Income before income taxes	<b>30,104</b>	22,552	<b>85,181</b>	66,593
Statutory income tax rate	<b>26.5%</b>	26.5%	<b>26.5%</b>	26.5%
	<b>7,978</b>	5,976	<b>22,573</b>	17,647
Variations due to:				
Permanent differences	<b>(407)</b>	1,021	<b>(643)</b>	(521)
International operations subject to different tax rates	<b>(661)</b>	(343)	<b>(1,745)</b>	(1,479)
Unrecognized tax loss	<b>41</b>	3	<b>217</b>	3
Rate differentials:				
Current rate versus future rate	-	-	-	71
Change in future rate	<b>(2)</b>	1	-	13
True up	<b>(591)</b>	(163)	<b>(212)</b>	(1,405)
Income tax expense	<b>6,358</b>	6,495	<b>20,190</b>	14,329

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.

As at September 30, 2022, the Company has unused tax losses of \$2,105 (December 31, 2021 – \$9,160), which will expire in the following years:

	<b>September 30, 2022</b>
2042	<b>2,105</b>
	<b>2,105</b>

**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 to give effect to the potential dilutive effect that could occur if additional equity shares were assumed to be issued under securities or instruments that may entitle their holders to obtain equity shares in the future, such as share option awards.

	Three months ended September 30		Nine months ended September 30	
	2022	2021 <sup>(1)</sup>	2022	2021 <sup>(1)</sup>
Net income attributable to common shareholders	<b>23,746</b>	16,057	<b>64,991</b>	52,264
Weighted-average number of common shares outstanding (in shares)	<b>45,226,265</b>	41,194,096	<b>42,584,770</b>	41,141,058
EPS – basic (in dollars)	<b>0.53</b>	0.39	<b>1.53</b>	1.27
Dilutive effect of the conversion of options on common shares (in shares)	<b>899,850</b>	1,111,868	<b>834,265</b>	932,456
Diluted weighted-average number of common shares outstanding (in shares)	<b>46,126,115</b>	42,305,964	<b>43,419,035</b>	42,073,514
EPS – diluted (in dollars)	<b>0.51</b>	0.38	<b>1.50</b>	1.24

(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)

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#### Note 17 – Capital management

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

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

##### a) *Trisura Canada*

Under guidelines established by the Office of the Superintendent of Financial Institutions which apply to the regulated insurance company of 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. The regulated insurance company of Trisura Canada has exceeded this measure as at September 30, 2022 and December 31, 2021.

##### b) *Trisura US*

The regulated insurance companies of Trisura US are subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. The Company's admitted carrier 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 regulated insurance companies' Risk Based Capital exceed certain minimum thresholds as well as Company Action Levels ("CALs"), below which the companies would have to notify the regulators. As at September 30, 2022 and December 31, 2021, the regulated insurance companies of Trisura US were in excess of any CALs of the states in which they were licensed.

**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**

As at September 30, 2022, the Company has two reportable segments. The operations of Trisura Canada comprise Surety business underwritten in both Canada and the United States, and Risk Solutions and Corporate Insurance products primarily underwritten in Canada. Trisura US provides specialty fronting insurance solutions underwritten in the United States. The operations of Trisura US includes the reinsurance operations of Trisura International.

During the nine months ended September 30, 2022, the Company determined that Trisura International, which comprised the Company's international reinsurance operations, no longer met the quantitative threshold for reportable segment disclosure purposes and the Company's chief operating decision maker no longer deems Trisura International's results to be significant. The run-off operations of Trisura International has been reclassified to Corporate and other in the current period and the comparative information has been restated to conform with the current period presentation.

The following tables show the results for the three and nine months ended September 30, 2022 and 2021:

<b>Three months ended September 30, 2022</b>	<b>Trisura Canada</b>	<b>Trisura US</b>	<b>Corporate and other</b>	<b>Total</b>
Gross premiums written	179,188	465,632	-	<b>644,820</b>
Net premiums written	92,260	14,154	-	<b>106,414</b>
Net premiums earned	84,924	27,072	-	<b>111,996</b>
Fee income	663	18,192	-	<b>18,855</b>
Net investment income	3,852	2,069	662	<b>6,583</b>
Net (losses) gains	(984)	997	3,710	<b>3,723</b>
<b>Total revenues</b>	<b>88,455</b>	<b>48,330</b>	<b>4,372</b>	<b>141,157</b>
Net claims and loss adjustment expenses	(14,206)	(19,251)	-	<b>(33,457)</b>
Net expenses	(57,027)	(18,477)	(1,269)	<b>(76,773)</b>
Interest expenses	(67)	(31)	(725)	<b>(823)</b>
<b>Total claims and expenses</b>	<b>(71,300)</b>	<b>(37,759)</b>	<b>(1,994)</b>	<b>(111,053)</b>
<b>Net income before tax</b>	<b>17,155</b>	<b>10,571</b>	<b>2,378</b>	<b>30,104</b>

<b>Nine months ended September 30, 2022</b>	<b>Trisura Canada</b>	<b>Trisura US</b>	<b>Corporate and other</b>	<b>Total</b>
Gross premiums written	513,404	1,255,011	-	<b>1,768,415</b>
Net premiums written	268,696	91,821	-	<b>360,517</b>
Net premiums earned	231,151	71,865	-	<b>303,016</b>
Fee income	5,860	47,533	-	<b>53,393</b>
Net investment income	9,731	4,776	1,176	<b>15,683</b>
Net gains	2,867	1,514	309	<b>4,690</b>
<b>Total revenues</b>	<b>249,609</b>	<b>125,688</b>	<b>1,485</b>	<b>376,782</b>
Net claims and loss adjustment expenses	(36,021)	(49,997)	(99)	<b>(86,117)</b>
Net expenses	(157,567)	(46,161)	300	<b>(203,428)</b>
Interest expense	(201)	(93)	(1,762)	<b>(2,056)</b>
<b>Total claims and expenses</b>	<b>(193,789)</b>	<b>(96,251)</b>	<b>(1,561)</b>	<b>(291,601)</b>
<b>Net income (loss) before tax</b>	<b>55,820</b>	<b>29,437</b>	<b>(76)</b>	<b>85,181</b>

**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, 2021	Trisura Canada	Trisura US	Corporate and other	Total
Gross premiums written	144,118	260,518	42	404,678
Net premiums written	86,811	17,778	42	104,631
Net premiums earned	61,961	13,485	43	75,489
Fee income	819	10,539	-	11,358
Net investment income (loss)	2,348	1,301	(937)	2,712
Net gains	361	902	860	2,123
Total revenues	65,489	26,227	(34)	91,682
Net claims	(11,402)	(9,355)	747	(20,010)
Net expenses	(38,541)	(8,177)	(1,810)	(48,528)
Interest expense	(75)	(11)	(506)	(592)
Total claims and expenses	(50,018)	(17,543)	(1,569)	(69,130)
Net income (loss) before tax	15,471	8,684	(1,603)	22,552

Nine months ended September 30, 2021	Trisura Canada	Trisura US	Corporate and other	Total
Gross premiums written	372,596	705,790	80	1,078,466
Net premiums written	226,919	55,197	80	282,196
Net premiums earned	157,224	37,836	81	195,141
Fee income	6,149	31,105	-	37,254
Net investment income (loss)	6,245	3,456	(9,526)	175
Net gains	261	1,462	9,035	10,758
Total revenues	169,879	73,859	(410)	243,328
Net claims	(30,060)	(26,276)	10,829	(45,507)
Net expenses	(97,017)	(22,081)	(11,070)	(130,168)
Interest expense	(221)	(28)	(811)	(1,060)
Total claims and expenses	(127,298)	(48,385)	(1,052)	(176,735)
Net income (loss) before tax	42,581	25,474	(1,462)	66,593

As at September 30, 2022	Trisura Canada	Trisura US	Corporate and other	Total
<b>Assets</b>	<b>1,206,633</b>	<b>2,797,892</b>	<b>160,974</b>	<b>4,165,499</b>
<b>Liabilities</b>	<b>1,022,011</b>	<b>2,532,473</b>	<b>84,699</b>	<b>3,639,183</b>

As at December 31, 2021	Trisura Canada	Trisura US	Corporate and other	Total
Assets	1,095,984	1,763,972	140,398	3,000,354
Liabilities	929,845	1,549,154	162,566	2,641,565

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

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

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**Note 19 – Additional information on the Consolidated Statements of Cash Flows**

The following table shows the Change in working capital for the periods ended September 30, 2022 and September 30, 2021:

<b>For the periods ended September 30,</b>	<b>2022</b>	<b>2021</b>
Reinsurance premiums payable	<b>124,532</b>	172,053
Unearned premiums, net	<b>57,983</b>	103,629
Unpaid claims and loss adjustment expenses, net	<b>39,330</b>	6,336
Income taxes	<b>20,296</b>	14,340
Other operating liabilities	<b>3,273</b>	2,278
Other operating assets	<b>507</b>	(17,253)
Premiums and accounts receivable	<b>(108,255)</b>	(111,210)
Accounts payable and accrued liabilities	<b>(51,473)</b>	10,347
Deferred acquisition costs, net	<b>(15,788)</b>	(50,295)
	<b>70,405</b>	130,225