Trisura Group Ltd.

Management's Discussion and Analysis

For the quarter ended September 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations and financial condition of Trisura Group Ltd. for the three and nine months ended September 30, 2019. This MD&A should be read in conjunction with our unaudited Condensed Interim Consolidated Financial Statements for the quarter ended September 30, 2019 and the audited Consolidated Financial Statements for the year ended December 31, 2018.

Unless the context indicates otherwise, references in this MD&A to the "Company" refer to Trisura Group Ltd. and references to "us," "we" or "our" refer to the Company and its subsidiaries and consolidated entities.

The Company's Consolidated Financial Statements are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In this MD&A, all references to "$" are to Canadian dollars unless otherwise specified or the context otherwise requires.

This MD&A is dated November 7, 2019. Additional information is available on SEDAR at www.sedar.com.

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SECTION 1 - OVERVIEW

OUR BUSINESS

Our Company is a leading international specialty insurance provider operating in the Surety, Risk Solutions, Corporate Insurance, Fronting and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, a US specialty insurance company and an international reinsurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 13 years of operation. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus ("E&S") lines insurer in Oklahoma with the ability to write business across 50 states. Our international reinsurance business has been in operation in Barbados for more than 17 years and although we ceased writing new reinsurance business in 2008, we may commence writing new business in support of our US subsidiary in due course.

Our Company has an experienced management team, strong partnerships with brokers, program administrators and reinsurers, and a specialized underwriting focus. We plan to grow by building our business in the US and through expansion of our Canadian business both organically and through strategic acquisitions. We believe our Company can capitalize on favourable market conditions through our multi-line and multi-jurisdictional platform.

In 2018, the Company incorporated Trisura Warranty Services Inc. ("Trisura Warranty"), and in Q1 2019 purchased an existing book of warranty contracts from a third party, which Trisura Warranty will continue to administer. Trisura Warranty has begun to sell warranty products which will serve as a complimentary business to the insurance products sold through Trisura Guarantee Insurance Company ("Trisura Guarantee"). Financial results of Trisura Warranty are currently not material and are grouped with the Canadian Specialty P&C results, as part of Risk Solutions for the purpose of the MD&A.

In June of this year, the Company applied for approval from the Pennsylvania Insurance Department to acquire control of 21st Century Preferred Insurance Company, which is a shell entity with 13 admitted state licenses that will enhance the offering of our US fronting platform. Regulatory approval was provided on October 22, and the transaction closed November 1.

ORGANIZATIONAL STRUCTURE & REGULATORY FRAMEWORK

The Company was incorporated under the *Business Corporations Act* (Ontario) ("OCA") in January 2017. We have three principal regulated wholly owned insurance subsidiaries:

(i) Trisura Guarantee is our Canadian specialty insurance company. Trisura Guarantee is federally incorporated in Canada, is licensed in all provinces and territories of Canada and is subject to both prudential regulation by the Office of the Superintendent of Financial Institutions ("OSFI") and market conduct regulation by each of the insurance regulatory authorities of the provinces and territories in which it conducts business.

(ii) Trisura Specialty is our US specialty insurance company. Trisura Specialty was incorporated on May 31, 2017 and is licensed by the Oklahoma Insurance Department as a domestic surplus line insurer and can write business as a non-admitted surplus line insurer in all states within the United States.

(iii) Trisura International Insurance Ltd. ("Trisura International") is our international reinsurance company for third party risks. Trisura International is incorporated in Barbados, is licensed to write international reinsurance business and is regulated by the Financial Services Commission ("FSC") in Barbados. In January 2019 we established Trisura International Reinsurance Company Ltd. ("TIRCL") as a wholly owned subsidiary of Trisura International in Barbados to act as a reinsurer of our on-shore companies. Regulatory approval was received in Q3 2019.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q3 2019

- ✓ Net income of $2.5 million in the quarter and $0.9 million YTD driven by positive results in Trisura Guarantee and Trisura Specialty, offset by increases on life reinsurance reserves due to declines in European interest rates.
- ✓ Successfully completed a $55.7 million equity raise to sustain growth in the US, as well as to further improve asset liability matching at Trisura International, supported by existing and new shareholders.
- ✓ Basic EPS of $0.37 (in dollars) in Q3 2019 compared to $0.62 (in dollars) in Q3 2018 and $0.13 (in dollars) in Q3 2019 YTD compared to $1.05 (in dollars) Q3 2018 YTD.
- ✓ BVPS of $21.41 (in dollars), a 10.6% increase over Q3 2018. BVPS excluding the impact of the equity raise was $20.11 (in dollars), representing 3.9% growth since Q3 2018.
- ✓ Consolidated ROE (trailing 12 months) of 1.9% compared to 5.6% (trailing 12 months ended September 30, 2018), was impacted by negative results in our reinsurance business and diluted by our capital raise in the quarter.
- ✓ Continued strong performance of our operating subsidiaries in Canada and the US
    - Canada:
        - GPW and NPE growth of 8.9% and 10.7% respectively in Q3 2019 and 9.9% and 12.8% respectively YTD.
        - Net income of $3.0 million in Q3 2019, a decrease of $1.6 million from Q3 2018 and net income of $11.0 million YTD, an increase of $1.1 million from the comparable period in 2018.
        - Q3 and YTD combined ratio of 92.6% and 89.5% alongside strong investment income generated trailing 12 months ROE of 19.1%.
    - US:
        - Continued acceleration of GPW reaching $71.2 million in Q3 2019 and $168.5 million YTD.
        - Net income of $1.4 million in Q3 2019 compared to loss of $0.5 million in Q3 2018 and net income of $2.3 million Q3 2019 YTD compared to net loss of $1.3 million in Q3 2019 YTD.
        - Fronting operational ratios were 76.9% in Q3 2019 and 88.7% YTD, both significantly better than the corresponding periods in 2018 reflecting growth in NPE and fronting fees as the business builds scale.
        - Annualized quarterly ROE of the US platform was 8.3%.
- ✓ Strong capital position across the Company including MCT of 233% in our Canadian subsidiary, capital in our US business to support its AM Best A- Rating (VII size category) and appropriate capital in our international reinsurer.
- ✓ Debt-to-capital ratio of 13.6% at Q3 2019 down from 18.6% at Q4 2018 and below our long-term target of 20% due to the capital raise.

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

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q3 2019	Q3 2018	$ variance	% variance	Q3 2019 YTD	Q3 2018 YTD	$ variance	% variance
Gross premiums written	114,354	57,282	57,072	99.6%	305,050	150,767	154,283	102.3%
Net premiums written	37,429	30,072	7,357	24.5%	102,972	84,361	18,611	22.1%
Net premiums earned	29,719	25,281	4,438	17.6%	77,794	65,826	11,968	18.2%
Fee income	2,530	370	2,160	583.8%	8,631	4,049	4,582	113.2%
Total underwriting revenue	32,249	25,651	6,598	25.7%	86,425	69,875	16,550	23.7%
Net claims	(18,092)	(4,583)	(13,509)	294.8%	(49,249)	(13,482)	(35,767)	265.3%
Net commissions	(10,265)	(8,313)	(1,952)	23.5%	(27,839)	(23,358)	(4,481)	19.2%
Premium taxes	(1,491)	(1,418)	(73)	5.2%	(3,889)	(3,480)	(409)	11.8%
Operating expenses	(9,020)	(9,245)	225	(2.4%)	(29,237)	(26,250)	(2,987)	11.4%
Net claims and expenses	(38,868)	(23,559)	(15,309)	65.0%	(110,214)	(66,570)	(43,644)	65.6%
Net underwriting (loss) income	(6,619)	2,092	(8,711)	(416.4%)	(23,789)	3,305	(27,094)	(819.8%)
Net investment income	9,991	3,639	6,352	174.6%	20,679	7,628	13,051	171.1%
Settlement from structured insurance assets	-	-	-	n/a	8,077	-	8,077	nm
Foreign exchange gains (losses)	512	171	341	199.4%	1,096	(153)	1,249	nm
Interest expense	(333)	(243)	(90)	37.0%	(1,020)	(709)	(311)	43.9%
Income before income taxes	3,551	5,659	(2,108)	(37.3%)	5,043	10,071	(5,028)	(49.9%)
Income tax expense	(1,008)	(1,499)	491	(32.8%)	(4,121)	(3,064)	(1,057)	34.5%
Net income	2,543	4,160	(1,617)	(38.9%)	922	7,007	(6,085)	(86.8%)
Other comprehensive income (loss)	1,048	(2,712)	3,760	nm	1,996	(468)	2,464	nm
Comprehensive income	3,591	1,448	2,143	148.0%	2,918	6,539	(3,621)	(55.4%)
Earnings per common share - basic - in dollars	0.37	0.62	(0.25)	(40.4%)	0.13	1.05	(0.92)	(87.8%)
Earnings per common share - diluted - in dollars	0.37	0.62	(0.25)	(40.4%)	0.13	1.03	(0.91)	(87.7%)
Adjusted earnings per common share - in dollars	0.29	n/a	n/a	n/a	0.10	n/a	n/a	n/a
Book value per share - in dollars	21.41	19.35	2.06	10.6%	21.41	19.35	2.06	10.6%
ROE trailing twelve months	1.9%	5.6%	n/a	(3.7pts)	1.9%	5.6%	n/a	(3.7pts)

Premium Revenue and Fee Income

Strong premium growth continued in Q3 2019 with a 99.6% increase over Q3 2018 in GPW driven by $53.5 million increase at our US Specialty platform. NPW growth of 24.5% was lower than GPW growth due to the proportion of our US fronting business that is ceded to reinsurers. NPE grew by 17.6% with the contributions from both our Canadian and US Specialty businesses. The increase in fee income was driven by fronting fee growth at US Specialty. Total underwriting revenue increased by 25.7% compared to Q3 2018.

Year to date GPW grew by over 100% mainly from our US Specialty platform and supported by growth of 9.9% in the Canadian business. YTD NPW and NPE growth were 22.1% and 18.2% respectively with the growth spread across our US business and all Canadian lines of business. The increase in YTD fee income was driven by fronting fee growth at US Specialty. Total YTD underwriting revenue increased by 23.7% compared to 2018.

Net Claims

The increase in Net claims in Q3 and Q3 YTD 2019 mainly arose from reserve increases on the life component of the Reinsurance business driven by declines in European interest rates to historic lows in 2019. Importantly, a significant portion of these reserve increases are offset by investment income (see Net Investment Income). Net claims expense also increased as a result of growth in the US Specialty P&C and Canadian businesses.

Operating Expenses

Operating expenses declined in Q3 2019, as result of reduction in compensation cost at Trisura Guarantee.

The increase in Operating expenses in Q3 2019 YTD arose mainly from expense growth at US and Canadian operations associated with business development and one-time costs related to staffing transition costs in Canada and costs related to the acquisition of 21st Century Preferred at the Corporate level.

Net Underwriting (Loss) Income

The driver of the net underwriting loss in Q3 2019 and Q3 2019 YTD was the reserve increase on the life component of the Reinsurance business due to a decline in European interest rates. In Q3 2019 and Q3 YTD 2019 net underwriting income in Canada was lower than in the comparable period, primarily due to higher surety claims. In Q3 2019 and Q3 2019 YTD Net underwriting income improved at US Specialty as the business scaled and benefitted from fee income.

Net Investment Income

Net investment income increased in Q3 2019 and YTD primarily as a result of gains on the assets supporting the life reserves. Investment income at our Canadian business was lower in Q3 2019 than Q3 2018 due to realized gains in the previous period as a result of portfolio rebalancing. On a YTD basis, investment income in the Canadian business was stronger in 2019 than in 2018 as the rebalanced portfolio in 2019 drove higher interest and dividend income. Investment performance in the US in Q3 2019 improved as a result of increased realized gains, while Q3 YTD 2019 increased over prior year as a result of full deployment of the portfolio through 2019. See Section 5 – Investment Performance Review for further details.

Other Comprehensive Income

See Section 5 – Investment Performance Review.

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

Income Tax Expense

The effective tax rate of the Company is currently high as the Company has experienced losses during the year at Trisura International, which resides in a relatively lower tax jurisdiction, while the Company has generated taxable income in Canada and the US, which have relatively higher tax rates. This difference in tax rates in different jurisdictions is reflected in the line "International operations subject to different tax rates" in Note 19 of the Condensed Interim Consolidated Financial Statements.

Net Income

For Q3 2019 and Q3 2019 YTD, net income was lower than prior year primarily due to reserve increases on the life component of the Reinsurance business. Excluding the Reinsurance business, net income for Canada increased from Q3 YTD 2018 to Q3 YTD 2019 due to higher investment income. In addition, US Specialty contributed positive net income throughout 2019 compared to net losses in its 2018 start-up year.

EPS, BVPS and ROE

In Q3 2019 basic EPS was $0.37 compared to $0.62 in Q3 2018. Q3 2019 YTD basic EPS was $0.13 compared to $1.05 in Q3 2019 YTD. Adjusted EPS was $0.29 for Q3 2019 and $0.10 for Q3 2019 YTD. BVPS at Q3 2019 of $21.41 represented 10.6% growth since Q3 2018. BVPS adjusted for the equity raise was $20.11, representing 3.9% growth since Q3 2018. The ROE on a trailing 12 months basis was 1.9% compared to 5.6% in the equivalent prior year period.

BALANCE SHEET ANALYSIS

As at	September 30, 2019	December 31, 2018	$ variance
Cash and cash equivalents	131,913	95,212	36,701
Investments	340,130	282,874	57,256
Premiums and accounts receivable, and other assets	72,504	46,276	26,228
Deferred acquisition costs	91,912	63,715	28,197
Recoverable from reinsurers	238,872	109,567	129,305
Capital assets and intangible assets	10,201	2,512	7,689
Deferred tax assets	1,361	826	535
Total assets	886,893	600,982	285,911
Accounts payable, accrued and other liabilities	33,719	24,167	9,552
Reinsurance premiums payable	62,750	41,406	21,344
Unearned premiums	285,268	182,623	102,645
Unearned reinsurance commissions	40,932	19,137	21,795
Unpaid claims and loss adjustment expenses	245,693	173,997	71,696
Loan payable	29,700	29,700	-
Total liabilities	698,062	471,030	227,032
Shareholders' equity	188,831	129,952	58,879
Total liabilities and shareholders' equity	886,893	600,982	285,911

Total assets at September 30, 2019 were $285.9 million higher than at December 31, 2018 as a result of growth across our Specialty P&C businesses, as well as the additional capital raised in Q3 2019. The growth in the US business has led to increases across a number of assets categories, particularly Recoverables from reinsurers as well as Premiums and accounts receivable and other assets. The additional capital raise has contributed to the increase in cash, and investments have increased as cash balances in the Reinsurance business have been redeployed and investment performance in the Reinsurance portfolio has been strong.

The increase in capital assets and intangible assets arose from the adoption of IFRS 16, effective January 1, 2019. The new accounting standard brings most leases on to the Statement of Financial Position. This resulted in the recognition of right of use assets of $8.4 million with a corresponding lease liability included in Accounts payable, accrued and other liabilities.

The main drivers of liability increases were Unearned premiums, and Unpaid claims and loss adjustment expense as a result of business growth in both Canada and the US.

SHARE CAPITAL

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

During Q3 2019, the Company Completed a $55.7 million equity raise, to support growth at Trisura Specialty, as well as to further improve asset liability matching at Trisura International. The company issued an additional 2,197,939 shares.

As at September 30, 2019, 8,819,619 common shares and 64,000 preferred shares of the Company were issued and outstanding.

LIQUIDITY

Liquidity sources immediately available to the Company include: (i) cash and cash equivalents; (ii) our portfolio of highly rated, highly liquid investments (iii) cash flow from operating activities which include receipt of net premiums, fee income and investment income and; (iv) bank loan facilities including our revolving credit facility. These funds are used primarily to pay claims and operating expenses, service the Company's banking facility and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio of Trisura Guarantee was 233% at September 30, 2019 (239% as at December 31, 2018), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI.

Trisura Specialty's capital and surplus of $60.2 million USD as at September 30, 2019 ($48.8 million USD as at December 31, 2018) was in excess of the minimum Risk Based Capital Ratio requirement of the Oklahoma Insurance Department.

Trisura International's capital of $14.5 million USD as at September 30, 2019 ($21.1 million USD as at December 31, 2018) was sufficient to meet the FSC's regulatory capital requirement. The reduction in capital in 2019 was due to losses on the life component of our reinsurance business.

We had a debt-to-capital ratio of 13.6% as at September 30, 2019 (18.6% as at December 31, 2018), below our long-term target debt-to-capital ratio of 20% as a result of the capital raise.

The Company is well-capitalized and we expect to have sufficient capital to meet our regulatory capital requirements, fund our operations and support our current business plans.

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

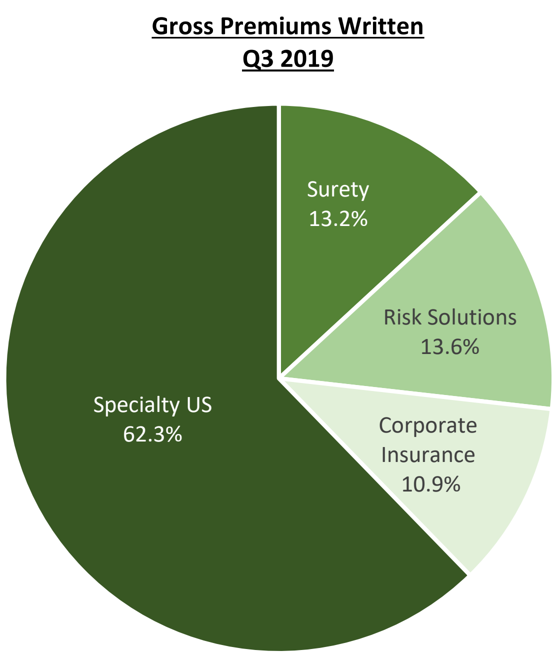
SECTION 4 – UNDERWRITING PERFORMANCE REVIEW

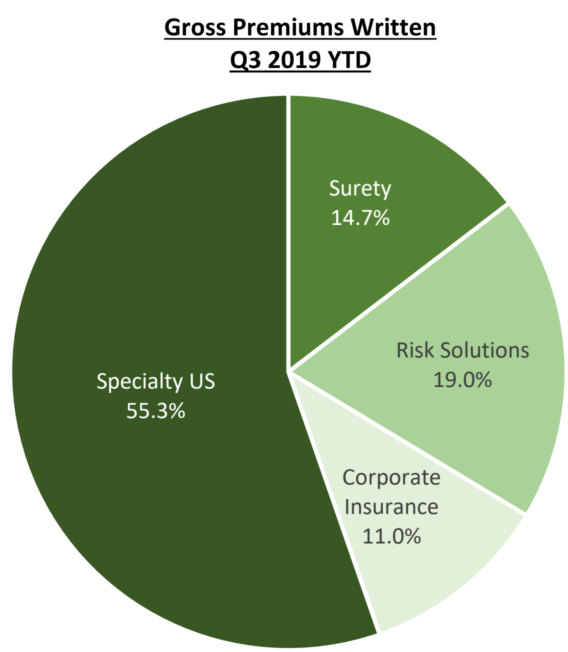
SPECIALTY P&C

Our Specialty P&C business consists of our Surety, Risk Solutions, Corporate Insurance and Fronting business lines which we write in Canada through Trisura Guarantee and a broad range of surplus lines in the United States written through Trisura Specialty.

The tables and charts below provide a segmentation of our Specialty P&C GPW and NPW for the third quarter and YTD period of 2019 and 2018, respectively. US Specialty P&C produced over half of total GPW in Q3 2019 and Q3 2019 YTD having commenced writing business in Q1 2018. In addition, Q3 2019 and Q3 2019 YTD GPW at each of the three Canadian lines of business increased over the corresponding periods in 2018.

GPW	Q3 2019	% of total	% growth over prior year	Q3 2018	% of total	Q3 2019 YTD	% of total	% growth over prior year	Q3 2018 YTD	% of total
Surety	15,028	13.2%	0.2%	14,993	26.2%	44,514	14.7%	7.7%	41,334	27.4%
Risk Solutions	15,597	13.6%	6.1%	14,700	25.7%	58,273	19.0%	7.1%	54,392	36.1%
Corporate Insurance	12,516	10.9%	26.4%	9,905	17.3%	33,643	11.0%	18.3%	28,429	18.9%
Specialty US	71,187	62.3%	303.1%	17,658	30.8%	168,540	55.3%	535.1%	26,537	17.6%
Total GPW	114,328	100.0%	99.7%	57,256	100.0%	304,970	100.0%	102.4%	150,692	100.0%

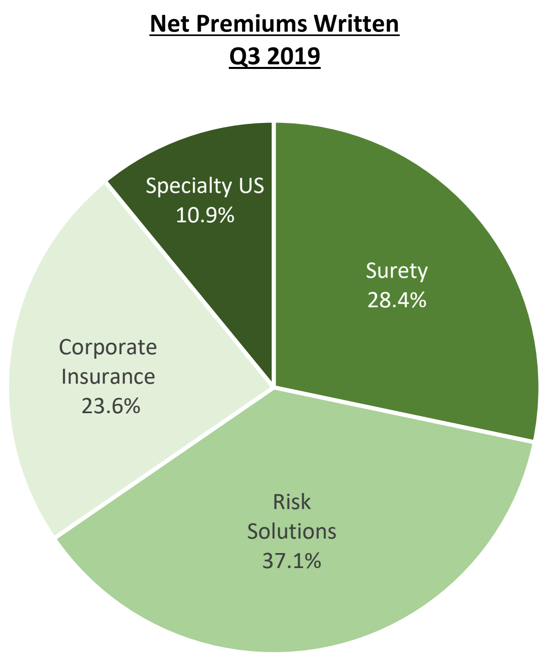


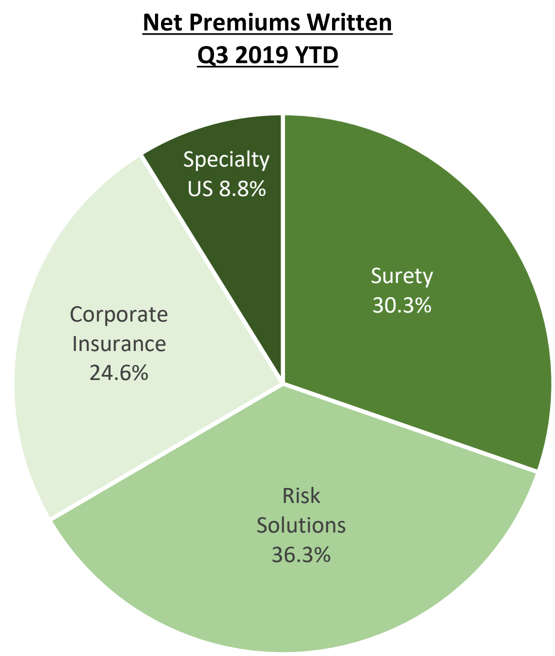


(in thousands of Canadian dollars, except as otherwise noted)

Total NPW grew by 24.5% in Q3 2019 and 22.1% Q3 2019 YTD with growth coming from all segments of the book.

NPW	Q3 2019	% of total	% growth over prior year	Q3 2018	% of total	Q3 2019 YTD	% of total	% growth over prior year	Q3 2018 YTD	% of total
Surety	10,612	28.4%	5.1%	10,093	33.6%	31,187	30.3%	7.4%	29,034	34.4%
Risk Solutions	13,869	37.1%	17.5%	11,799	39.2%	37,325	36.3%	17.0%	31,900	37.8%
Corporate Insurance	8,842	23.6%	20.2%	7,358	24.5%	25,284	24.6%	15.1%	21,963	26.1%
Specialty US	4,080	10.9%	411.9%	797	2.7%	9,100	8.8%	553.3%	1,393	1.7%
Total NPW	37,403	100.0%	24.5%	30,047	100.0%	102,896	100.0%	22.1%	84,290	100.0%





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

SPECIALTY P&C – CANADA

The table below presents financial highlights for our Canadian Specialty P&C business.

	Q3 2019	Q3 2018	$ variance	% variance	Q3 2019 YTD	Q3 2018 YTD	$ variance	% variance
Gross premiums written	43,141	39,598	3,543	8.9%	136,430	124,155	12,275	9.9%
Net premiums written	33,323	29,250	4,073	13.9%	93,796	82,897	10,899	13.2%
Net premiums earned	27,690	25,009	2,681	10.7%	73,756	65,404	8,352	12.8%
Fee income	178	116	62	53.4%	3,774	3,732	42	1.1%
Net underwriting revenue	27,868	25,125	2,743	10.9%	77,530	69,136	8,394	12.1%
Net underwriting income	2,065	3,632	(1,567)	(43.1%)	7,703	8,364	(661)	(7.9%)
Net investment income	1,898	2,405	(507)	(21.1%)	6,643	4,582	2,061	45.0%
Net income	3,019	4,586	(1,567)	(34.2%)	10,978	9,910	1,068	10.8%
Comprehensive income	3,037	3,604	(567)	(15.7%)	13,359	8,007	5,352	66.8%
Loss ratio: current accident year	33.2%	20.0%		13.2pts	27.8%	26.9%		0.9pts
Loss ratio: prior years' development	(2.9%)	0.2%		(3.1pts)	(2.4%)	(4.7%)		2.3pts
Loss ratio	30.3%	20.2%		10.1pts	25.4%	22.2%		3.2pts
Expense ratio	62.3%	65.3%		(3.0pts)	64.1%	65.0%		(0.9pts)
Combined ratio	92.6%	85.5%		7.1pts	89.5%	87.2%		2.3pts
ROE trailing twelve months	19.1%	15.8%		3.3pts	19.1%	15.8%		3.3pts

In Q3 2019 GPW growth in Canadian Specialty P&C business of 8.9% was driven from Corporate Insurance and Risk Solutions. On a YTD basis there was meaningful GPW growth in all business lines. NPW increased across all business lines in Q3 2019 and on a YTD basis.

NPE growth of 10.7% in Q3 2019 and 12.8% YTD were driven by Risk Solutions and Corporate Insurance. Fee income, which arises mainly in the first quarter each year from Surety accounts, was flat YTD.

Q3 2019 combined ratio of 92.6% was higher than Q3 2018 as a result of a higher loss ratio, primarily driven by claims in Surety, a low frequency but higher severity business line. The Q3 2019 YTD combined ratio of 89.5% was also higher than the prior year as a result of a higher loss ratio, again related to losses in surety in 2019 and exceptional performance in 2018. Net underwriting income was lower than the prior year by $1.6 million in Q3 2019 and by $0.7 million on a YTD basis, as a result of the Surety claims mentioned. The expense ratio was lower in Q3 2019 and Q3 YTD 2019 in part because of lower compensation expense, which is conditional on the profitability of the business.

Investment income was lower in Q3 2019, as a result of realized gains in Q3 2018 which arose from portfolio rebalancing. Interest and dividend income increased in the quarter, a result of both portfolio rebalances and growth of the investment portfolio. On a YTD basis, investment income was greater in 2019 than 2018 as a result of portfolio rebalances and growth of the investment portfolio. See Section 5 – Investment Performance Review for further discussion.

Lower underwriting and investment income drove the decrease in net income in Q3 2019. Higher investment income partially offset by lower net underwriting income drove the increase in net income YTD. The higher net income on a YTD basis drove the increase in ROE (trailing 12 months) to 19.1% at Q3 2019 compared to 15.8% at Q3 2018 largely because of stronger investment income in 2019.

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

Surety

The main products offered by our Surety business line are:

- ✓ Contract surety bonds, such as performance and labour and material payment bonds, primarily for the construction industry;
- ✓ Commercial surety bonds, such as license and permit, tax and excise, and fiduciary bonds, which are issued on behalf of commercial enterprises and professionals to governments, regulatory bodies or courts to guarantee compliance with legal or fiduciary obligations; and
- ✓ Developer surety bonds, comprising mainly bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects.

In Q3 2019, Surety accounted for 13.2% and 28.4% of our overall GPW and NPW, respectively. For Q3 2019 YTD, Surety accounted for 14.7% and 30.3% of our overall GPW and NPW, respectively.

	Q3 2019	Q3 2018	$ variance	% variance	Q3 2019 YTD	Q3 2018 YTD	$ variance	% variance
Gross premiums written	15,028	14,993	35	0.2%	44,514	41,334	3,180	7.7%
Net premiums written	10,612	10,093	519	5.1%	31,187	29,034	2,153	7.4%
Net premiums earned	11,337	10,976	361	3.3%	27,933	27,354	579	2.1%
Fee income	173	116	57	49.1%	3,769	3,722	47	1.3%
Net underwriting revenue	11,510	11,092	418	3.8%	31,702	31,076	626	2.0%
Net underwriting income	889	2,513	(1,624)	(64.6%)	4,179	6,863	(2,684)	(39.1%)
Loss ratio: current accident year	40.8%	12.3%		28.5pts	30.1%	18.4%		11.7pts
Loss ratio: prior years' development	(7.2%)	(3.8%)		(3.4pts)	(6.2%)	(8.5%)		2.3pts
Loss ratio	33.6%	8.5%		25.1pts	23.9%	9.9%		14.0pts
Expense ratio	58.5%	68.5%		(10.0pts)	61.2%	65.0%		(3.8pts)
Combined ratio	92.1%	77.0%		15.1pts	85.1%	74.9%		10.2pts

Surety GPW and NPW have grown throughout 2019, however that growth slowed in Q3 2019 as a result of weaker economic conditions in certain regions of the country, and for industrial, institutional and commercial construction in general. Much of the new construction activity has been from mega projects, where Trisura does not participate. The slower growth of NPE in 2019 is partially related to the slower GPW growth experienced through 2018, in addition to slower growth in 2019. Our surety line focuses more on small to mid-sized contractors than some of our competitors, which has supported our strong loss ratios. The corollary to this focus is that individual account premium is less predictable and growth may be more volatile. In addition, our surety team has proactively managed portfolio credit quality, and more so in regions suffering from weaker economic conditions, which has led to slower premium growth, but protected our loss ratio. Fee income represents fees charged to insureds to maintain their bonding facility with the Company and are typically collected and earned at the beginning of the year. Fee income on a YTD basis is in line with 2018.

Surety experienced higher claims in Q3 2019 primarily in Alberta which led to the higher loss ratio compared to the exceptionally low loss ratio in the prior year. The Q3 2019 and YTD expense ratios were lower than 2018 as a result of lower compensation expense, which more than offset slightly higher commission expense. Net underwriting income remained positive at $0.9 million in Q3 2019 and at $4.2 million on a YTD basis. The higher 2018 NUI benefited from exceptionally low loss ratios.

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

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, in some cases through fronting arrangements, to meet the specific requirements of program administrators, managing general agencies, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs.

In Q3 2019, Risk Solutions accounted for 13.6% and 37.1% of our overall GPW and NPW, respectively. For Q3 2019 YTD, Risk Solutions accounted for 19.0% and 36.3% of our overall GPW and NPW, respectively.

	Q3 2019	Q3 2018	$ variance	% variance	Q3 2019 YTD	Q3 2018 YTD	$ variance	% variance
Gross premiums written	15,597	14,700	897	6.1%	58,273	54,392	3,881	7.1%
Net premiums written	13,869	11,799	2,070	17.5%	37,325	31,900	5,425	17.0%
Net premiums earned	8,214	6,946	1,268	18.3%	22,425	17,705	4,720	26.7%
Fee income	5	-	n/a	n/a	5	10	(5)	(50.0%)
Net underwriting revenue	8,219	6,946	1,273	18.3%	22,430	17,715	4,715	26.6%
Net underwriting income	902	1,068	(166)	(15.5%)	2,157	1,893	264	14.0%
Loss ratio: current accident year	29.9%	20.3%		9.6pts	29.4%	27.3%		2.1pts
Loss ratio: prior years' development	(9.9%)	(0.4%)		(9.5pts)	(7.8%)	(6.5%)		(1.3pts)
Loss ratio	20.0%	19.9%		0.1pts	21.6%	20.8%		0.8pts
Expense ratio	69.0%	64.7%		4.3pts	69.1%	68.5%		0.6pts
Combined ratio	89.0%	84.6%		4.4pts	90.7%	89.3%		1.4pts

Risk solutions GPW has grown throughout 2019 in part because of growth in warranty programs, as well as the addition of new programs. Growth in NPW and NPE arose primarily from existing GAP and warranty programs, throughout 2019. Growth in NPW throughout 2019 has been greater than growth in GPW as a result of a reduction in premium from fronted programs. The reduced volume from these programs impacted growth in GPW but had no significant impact on growth in NPW.

For Q3 2019, the loss ratio was similar to the prior year, however the expense ratio was slightly higher due to commission expense as a result of shifts in business mix. Net underwriting income in Q3 2019 was $0.9 million, a decrease of $0.2 million over Q3 2018. This decrease was partially related to less ceding commission from fronted programs.

For Q3 2019 YTD the loss ratio, expense ratio and combined ratio were similar to 2018. The $0.3 million increase in net underwriting income to $2.2 million was mostly driven by higher NPE from program growth.

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

Corporate Insurance

The main products offered by our Corporate Insurance business line are D&O insurance for public, private and non-profit enterprises, E&O liability insurance for both enterprises and professionals, commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial and financial institutions.

In Q3 2019, Corporate Insurance accounted for 10.9% and 23.6% of our overall GPW and NPW respectively. For Q3 2019 YTD, Corporate Insurance accounted for 11.0% and 24.6% of our overall GPW and NPW respectively.

	Q3 2019	Q3 2018	$ variance	% variance	Q3 2019 YTD	Q3 2018 YTD	$ variance	% variance
Gross premiums written	12,516	9,905	2,611	26.4%	33,643	28,429	5,214	18.3%
Net premiums written	8,842	7,358	1,484	20.2%	25,284	21,963	3,321	15.1%
Net premiums earned	8,137	7,087	1,050	14.8%	23,397	20,345	3,052	15.0%
Net underwriting revenue	8,137	7,087	1,050	14.8%	23,397	20,345	3,052	15.0%
Net underwriting income (loss)	271	52	219	421.2%	1,365	(391)	1,756	nm
Loss ratio: current accident year	46.0%	31.5%		14.5pts	38.3%	38.1%		0.2pts
Loss ratio: prior years' development	(10.0%)	7.0%		(17.0pts)	(7.4%)	1.9%		(9.3pts)
Loss ratio	36.0%	38.5%		(2.5pts)	30.9%	40.0%		(9.1pts)
Expense ratio	60.7%	60.7%		0.0pts	63.3%	62.0%		1.3pts
Combined ratio	96.7%	99.2%		(2.5pts)	94.2%	102.0%		(7.8pts)

GPW, NPW and NPE grew strongly in Q3 2019 and on a YTD basis. This was due in part to a combination of new business and better retention rates.

In Q3 2019, the loss ratio was lower than Q3 2018 due to favourable PYD. This claim experience alongside a consistent expense ratio led to a lower combined ratio. Net underwriting income increased by $0.2 million.

For Q3 2019 YTD these same factors led to net underwriting income of $1.4 million compared to a net underwriting loss of $0.4 million in Q3 2018 YTD.

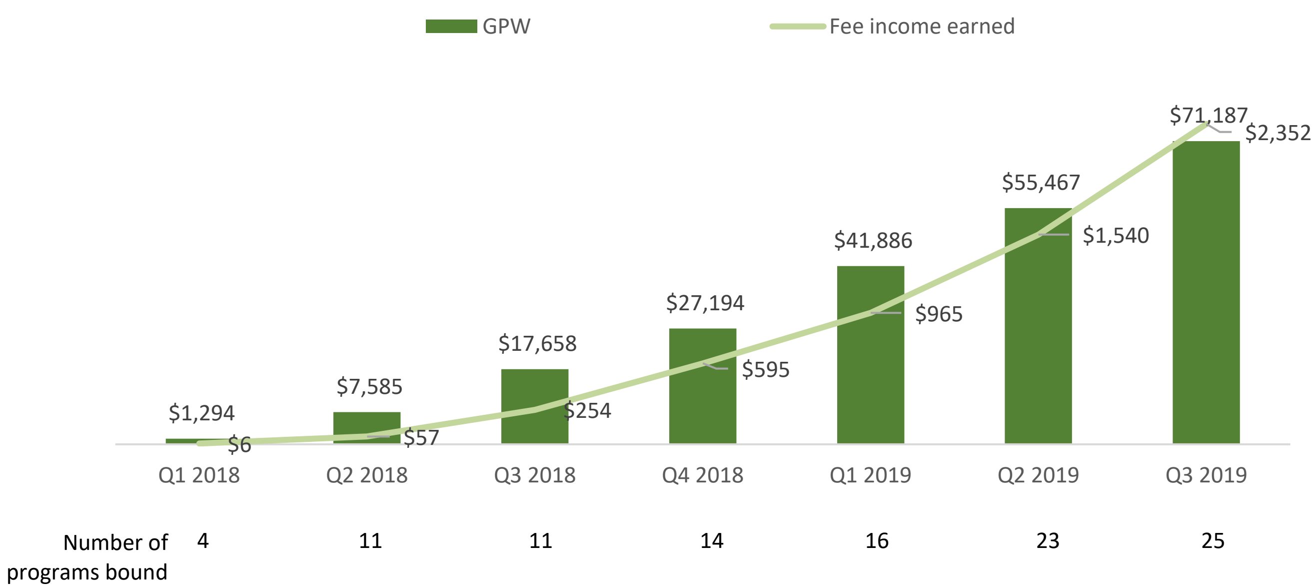
SPECIALTY P&C – UNITED STATES

Our US specialty insurance company is a non-admitted surplus line insurer in all states, primarily operating as a hybrid fronting carrier with a fee-based business model.

US Specialty P&C continued to accelerate premium generation, producing GPW of $71.2 million in Q3 2019 across 25 programs bound. The graph below shows the GPW, fee income earned, and number of programs bound of our US Specialty P&C.

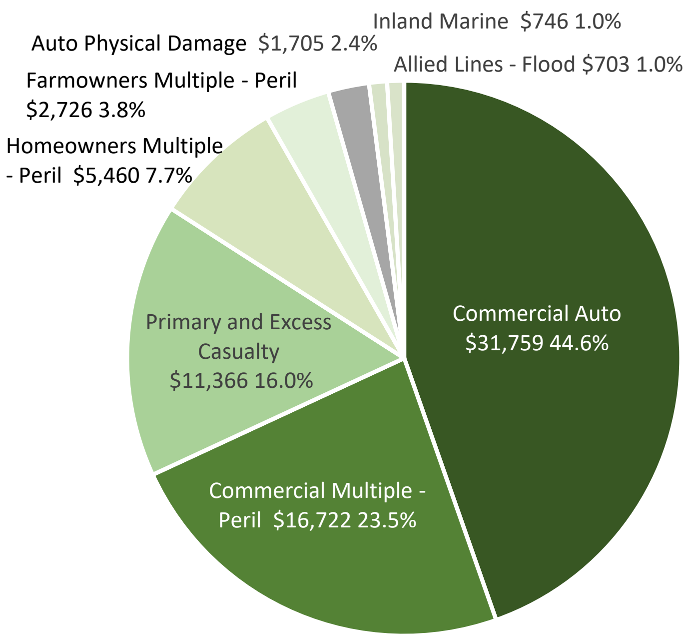
The US platform retained 5.7% of Q3 2019 GPW, the remainder of which was ceded to reinsurance partners, compared with 4.5% retained in Q3 2018. For Q3 2019 YTD GPW was $168.5 million with 5.4% retained compared to $26.5 million with 5.2% retained in the corresponding period in 2018.

The following chart shows the growth in GPW and fee income:

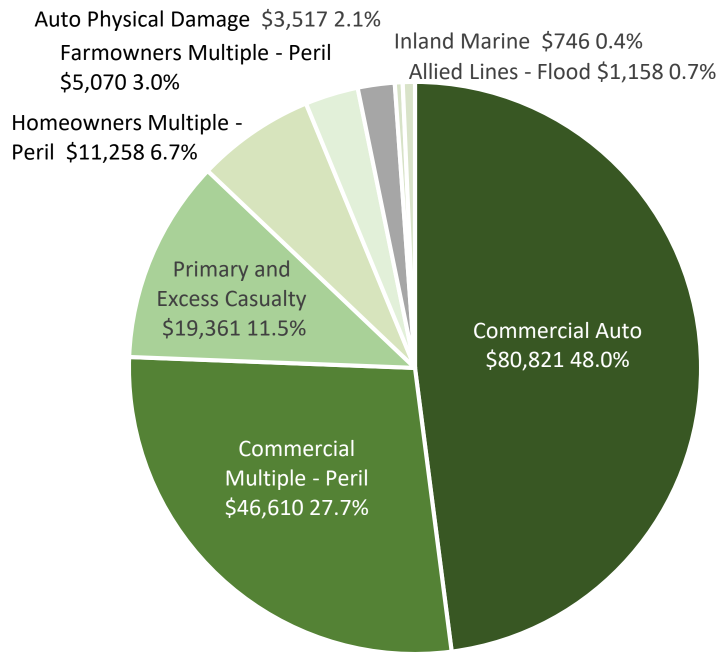


The charts below provide a segmentation by class of business of our US Specialty P&C GPW and NPW for Q3 2019 and Q3 2019 YTD.

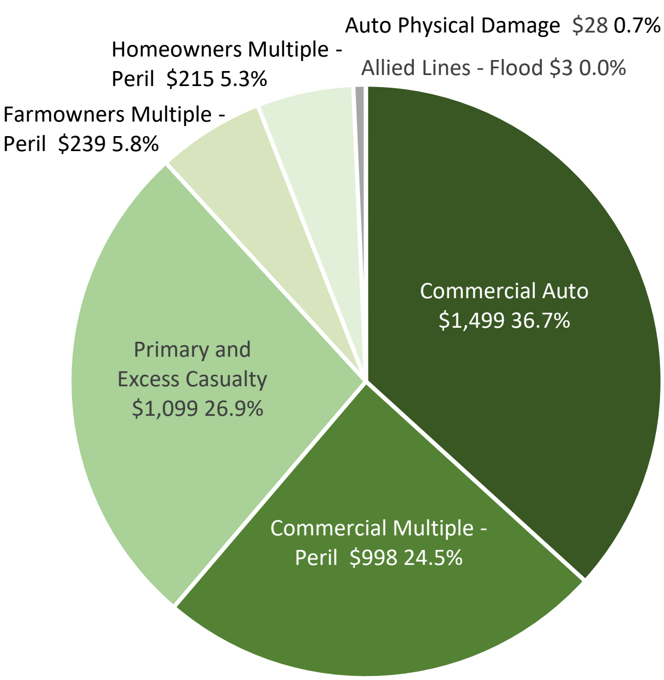
Gross Premiums Written Q3 2019



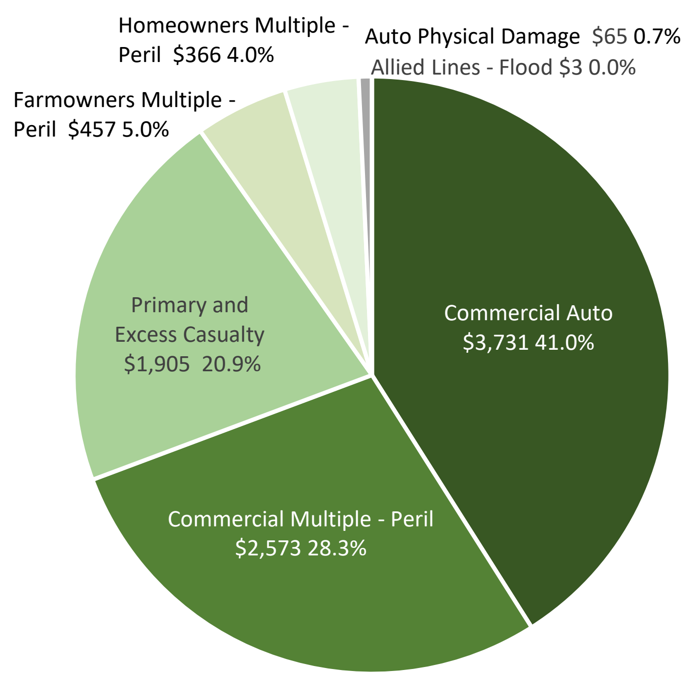
Gross Premiums Written Q3 2019 YTD



Net Premiums Written Q3 2019



Net Premiums Written Q3 2019 YTD



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

	Q3 2019	Q3 2018	$ variance	Q3 2019 YTD	Q3 2018 YTD	$ variance
Gross premiums written	71,187	17,658	53,529	168,540	26,537	142,003
Net premiums written	4,080	797	3,283	9,100	1,393	7,707
Net premiums earned	2,005	247	1,758	3,963	351	3,612
Fee income	2,352	254	2,098	4,857	317	4,540
Net underwriting revenue	4,357	501	3,856	8,820	668	8,152
Net underwriting income (loss)	1,006	(974)	1,980	998	(2,432)	3,430
Net investment income	545	431	114	1,216	1,093	123
Net income (loss)	1,419	(543)	1,962	2,264	(1,339)	3,603
Comprehensive income (loss)	2,268	(1,680)	3,948	2,538	(400)	2,938
Loss ratio	67.2%	59.3%		64.8%	60.0%	
Acquisition ratio	22.4%	24.5%		23.2%	24.5%	
Retention rate	5.7%	4.5%		5.4%	5.2%	
Fees as percentage of ceded premium	5.7%	5.8%		5.7%	5.9%	
Fronting operational ratio	76.9%	294.4%		88.7%	464.1%	

Fee income in our US Specialty P&C business is comprised of fronting fees received from reinsurers and are recognized over the life of the insurance contracts they are associated with, similar to the premium earning profile. Earned fronting fees have grown strongly since 2018 in line with the growth of the business and were $2.4 million in the quarter and $4.9 million YTD equating to 5.7% of earned ceded premium.

US Specialty achieved its second quarter of positive net underwriting income in Q3 2019 as growth in net earned premiums and fronting fee income continued to exceed claims and acquisition costs and operating expenses. In addition, net income in Q3 2019 benefited from investment income from our portfolio of investment grade bonds.

The growth in net earned premium and fronting fees also drove the improvement in net income to $2.3 million for Q3 2019 YTD compared to a loss of $1.3 million in the corresponding period in 2018. The loss ratio in Q3 2019 and Q3 YTD 2019 was higher than Q3 2018 and Q3 YTD 2018 as a result of higher claims on certain programs where the amount of net earned premium is still small. The acquisition ratios for Q3 2019 and Q3 2019 YTD are slightly lower than the corresponding 2018 period, partly as a result of growth in certain programs with lower commission expense.

Fronting fees are a key component of the profitability of our US Specialty P&C business but are not reflected in the traditional calculation of combined ratios. The fronting operational ratios were 76.9% in Q3 2019 and 88.7% YTD, both significantly better than the corresponding periods in 2018 reflecting growth in NPE and fronting fees as the business builds scale.

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

REINSURANCE

Our international reinsurance business ceased writing new business in 2008 but previously wrote quota share reinsurance (prospective), loss portfolio transfers (retrospective) and niche, specialty contracts covering international risks across multiple commercial lines. Currently our international reinsurance business is managing its remaining portfolio of in-force reinsurance contracts and is prepared to write new business through a newly established Barbados company in support of our on-shore subsidiaries.

The remaining in-force portfolio of reinsurance contracts is dominated by one large life annuity reinsurance contract denominated in Euros. We measure the performance of our reinsurance business by reference to net income in order to capture (i) the change in annuity reserves which is included in net underwriting income; and (ii) the offsetting change in the value of the supporting assets, which is included in net investment income as these supporting assets are designated FVTPL.

	Q3 2019	Q3 2018	$ variance	Q3 2019 YTD	Q3 2018 YTD	$ variance
Net underwriting (loss) income	(9,002)	173	(9,175)	(29,783)	(472)	(29,311)
Net investment income and settlement	7,545	798	6,747	12,812	1,928	10,884
Net (loss) income	(910)	1,026	(1,936)	(8,919)	1,338	(10,257)
Operating expenses	656	468	188	1,906	1,595	311

The net underwriting loss in Q3 2019 and Q3 2019 YTD arose principally from reserve increases on the life component of the Reinsurance business driven by European interest rate declines to historic lows in 2019. The key interest rate that drives the valuation of our annuity liability is the average of the 10 and 15-year European swap rates on spot and forward bases. These underwriting losses were partially offset by market value gains on the assets supporting these reserves and, in Q1 2019, by a gain related to our structured insurance asset following the settlement of a legal dispute.

In Q3 2019 we deployed a large portion of cash collateral into long dated European government bonds, increasing the duration of our assets to more closely match the duration of our annuity liabilities. We have improved our asset liability matching, as well as increasing our expected interest income. This improved matching lessened the impact of the increase in life reserves on net income. In addition to this, in Q3 2019 the Reinsurance business changed the assumptions it uses in determining the interest rate applied to discount the life component of the reinsurance reserves. The Company began using an interest rate curve provided by the European Insurance and Occupational Pensions Authority, which is used in Solvency II. The impact of this change in interest rate assumptions was a reduction of the life reserves by $5.8 million in Q3 2019.

The excess on the net underwriting (loss) income over the net investment income and the legal settlement, together with tax accrual on the legal settlement led to the net loss of $0.9 million in Q3 2019 and $8.9 million in Q3 2019 YTD.

Based on historical correlation of the current asset portfolio to the rates used to determine our liabilities, management believes that a significantly greater proportion of reserve movements will be offset by investment income. Declining rates have historically increased our annuity liability by more than our asset portfolio, however we have narrowed this imbalance materially and intend to continue improving this matching. Conversely, any rise in the average level of the 10 and 15-year European swap rates will decrease our annuity liability by more than our asset portfolio.

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

CORPORATE

Our corporate results represent expenses that do not relate specifically to any one business line of the Company as well as debt servicing costs and derivative gains and losses.

Q3 2019 corporate expenses were roughly in line with Q3 2018. Q3 2019 YTD corporate expenses were higher than 2018 due to one-time costs in Q1 2019 related to staffing transitions costs. Share-based compensation includes payment to directors and senior management and is impacted by movement in the share price. Share-based compensation was roughly flat in Q3 2019 compared to Q3 2018 and increased in Q3 2019 YTD compared to Q3 2018 YTD, in part because of increase in the value of the share price.

Debt servicing costs in 2019 have been in line with 2018.

	Q3 2019	Q3 2018	$ variance	Q3 2019 YTD	Q3 2018 YTD	$ variance
Corporate expenses	408	536	(128)	1,713	1,501	212
Share-based compensation	217	203	14	931	654	277
Debt servicing	256	243	13	782	709	73
Corporate	881	982	(101)	3,426	2,864	562

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

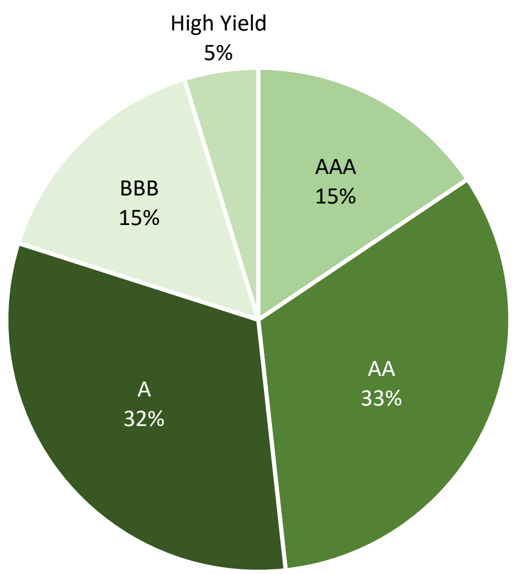
OVERVIEW

The Company's investment policy seeks to achieve attractive total returns without incurring an undue level of investment risk while supporting our liabilities and maintaining strong regulatory and economic capital levels. In 2018 we internalized our investment management and advisory function, allowing the Group to take a centralized investment stance across all subsidiary portfolios. We now have the ability to invest globally through our hedging facilities and have introduced new products selectively to our portfolios.

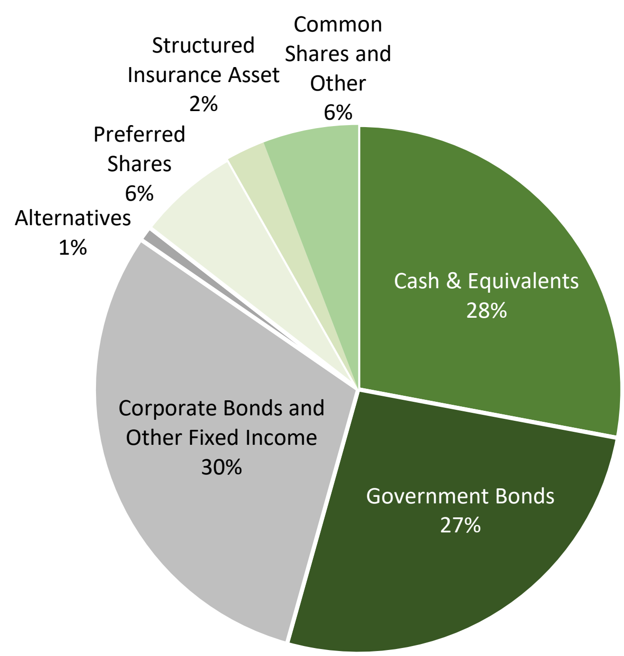
SUMMARY OF INVESTMENT PORTFOLIO

Our $472 million investment portfolio consists of cash and cash equivalents, government and corporate bonds, preferred shares, common shares and a small amount of fund investments. Ninety-five percent of our fixed income holdings are highly liquid, investment grade bonds. A significant portion of the consolidated investment portfolio remains invested in cash and cash equivalents, partially due to capital in our international entity, a significant portion of which is held as collateral supporting our reinsurance policies. The increase in allocation to cash and equivalents is the result of receiving proceeds from our equity raise that closed at the end of September.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



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

INVESTMENT PERFORMANCE

Net Investment Income

	Q3 2019	Q3 2018	$ variance	Q3 2019 YTD	Q3 2018 YTD	$ variance
Specialty P&C - Canada	1,898	2,405	(507)	6,643	4,582	2,061
Specialty P&C - US	545	431	114	1,216	1,093	123
Reinsurance	7,548	803	6,745	12,820	1,953	10,867
Net investment income	9,991	3,639	6,352	20,679	7,628	13,051
Settlement from structured insurance assets	-	-	-	8,077	-	8,077
Total	9,991	3,639	6,352	28,756	7,628	21,128

The Company's operations currently include Specialty P&C insurance (Surety, Risk Solutions, and Corporate Insurance business lines) in Canada, Specialty P&C insurance in the US and international reinsurance through Trisura International. These businesses focus on different market segments, geographic regions and risks and can be subject to different regulatory investment requirements and accordingly, hold different assets and currencies to support their liabilities. Consequently, investment returns are most appropriately viewed at a business unit level.

Canadian Specialty P&C net investment income is driven by interest and dividend income on portfolio assets. Q3 2018 net investment income included gains realized as a result of portfolio rebalancing following the internalization of the investment management function at the end of Q2 2018. These realized gains were not repeated in Q3 2019, which drove the reduction in net investment income year-on-year. Interest and dividend income in Q3 2019 improved over Q3 2018, driven by an improved yield on fixed income assets, as a result of last year's rebalancing efforts. The market-based yield of the Canadian Specialty P&C portfolio as at September 30, 2019 was 3.9%. We continue to broaden the Canadian Specialty P&C portfolio's diversity, having introduced further alternative investments in 2019, which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

Currently the U.S. P&C portfolio is allocated to primarily fixed income, almost all of which is held in investment grade bonds as we prioritize minimum capital levels and lower volatility in the start-up phase of the business. The market-based yield of the US Specialty P&C portfolio as at September 30, 2019 was 3.3%. Investment income, which is primarily driven by interest income on this portfolio of bonds, grew in Q3 2019 versus Q3 2018. Net investment income in Q3 2019 benefited from gains realized during the quarter.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment returns have grown in this portfolio as we continue to deploy cash to better match our reinsurance liabilities, and interest rates continue to decline. The market-based yield of the Reinsurance portfolio as at September 30, 2019 was 1.5%. The Reinsurance portfolio also benefitted from a favourable legal settlement on our structured insurance asset in Q1 2019, adding to the performance on a year-to-date basis. Since the end of the quarter we have continued to redeploy cash in the Reinsurance portfolio to better match the duration of our liabilities as discussed above.

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

Other Comprehensive Income ("OCI")

	Q3 2019	Q3 2018	$ variance	Q3 2019 YTD	Q3 2018 YTD	$ variance
Unrealized gains (losses) in OCI	47	(1,150)	1,197	4,781	(3,123)	7,904
Cumulative translation	1,001	(1,562)	2,563	(2,785)	2,655	(5,440)
OCI	1,048	(2,712)	3,760	1,996	(468)	2,464

The Company records unrealized gains and losses in the market value of its AFS assets through OCI. The mark to market impact of these assets on OCI was positive in Q3 2019. This was driven by unrealized gains in the U.S. fixed income portfolio, partially offset by unrealized losses in the preferred shares in Canada.

Foreign exchange differences arising from the translation of the financial statements of Trisura International and Trisura Specialty to Canadian dollars are recognized as cumulative translation gains or losses, which are a constituent part of overall OCI. The cumulative translation gains in Q3 2019 was due to the weakening of the Canadian currency against the US dollar, driving higher Canadian dollar valuations of capital and securities held outside of Canada.

Refer to Note 16 in the Condensed Interim Consolidated Financial Statements for more detail on the components of investment returns.

SECTION 6 – OUTLOOK & STRATEGY

INDUSTRY

The specialty insurance market offers products and services that are not written by most insurance companies. The risks covered by specialty insurance policies generally require specialist underwriting knowledge and technical financial and actuarial expertise. Specialty lines are niche segments of the market that tend to involve more complex risks and a more concentrated set of competitors. Consequently, these risks are difficult to place in the standard insurance market where many carriers are unable or unwilling to underwrite them. As a result, specialty insurers have more pricing and policy form flexibility than traditional market insurers whose prices and policy forms are subject to authorization and approval by insurance regulators. Specialty lines are less commoditized areas of the market where relationships, product expertise and product structure are not easily replicated. For this reason, specialty insurers have historically, and are expected to continue to outperform the standard markets by having lower claims ratios and combined ratios than traditional insurance companies.

In contrast to the standard P&C insurance market, which is divided almost evenly between personal and commercial lines, specialty insurers are focused almost exclusively on commercial lines. Even within the commercial sector, the business mix of the specialty insurers can vary significantly from that of the overall P&C industry. Although no standard definition for the specialty insurance market exists, some common examples of business written by specialty insurers include: non-standard insurance, niche market segments (such as Surety, D&O and E&O) and products that require tailored underwriting. Many insurance groups with a specialty focus have several different carriers and licenses and allocate business between these carriers depending on market conditions and regulatory requirements. The agency channel is the primary distribution channel for specialty insurance. Managing general agents often serve an important role in helping carriers distribute specialty insurance products.

In the US, the specialty P&C insurance industry is more fragmented than the standard marketplace. It is estimated that the top ten players capture just under 40% of market share, with the top 25 players averaging one to two percent market share positions. An estimated $150 to $200 billion of specialty insurance direct premiums (including excess and surplus) were written in 2016. Excess and surplus lines continue to demonstrate significant growth vs. the broader P&C industry, expanding by 43% in 2017. From 2000 until 2017, the average combined ratio for excess and surplus markets was 96.6% versus 102% for the P&C industry.

OUTLOOK AND STRATEGY

Our Company has an experienced management team with strong industry relationships and excellent reputations with rating agencies, insurance regulators and business partners. We have operated in the Canadian specialty P&C insurance market for more than 13 years and in the international specialty reinsurance market for over 17 years, establishing a conservative underwriting and investing track record.

In Canada, we have built our brand through Trisura Guarantee to serve our clients, brokers and institutional partners as a leading provider of niche specialty insurance products. Trisura Guarantee will continue to build out its product offerings in existing and new niche segments of the market with suitably skilled underwriters and professionals. Trisura Guarantee remains committed to its broker distribution channel to promote and sell its insurance products. Trisura Guarantee is selective in partnering with a limited brokerage force, focusing its efforts on leading brokerage firms in the industry with expertise in specialty lines. This distribution network currently comprises over 150 major international, national and regional brokerage firms operating across Canada in all provinces and territories as well as boutique niche brokers with a focus on specialty lines.

Our US specialty insurance business, Trisura Specialty, is fully operational and commenced binding transactions in 2018. It is licensed as a domestic excess and surplus lines insurer in Oklahoma. Trisura Specialty can operate as a non-admitted surplus lines insurer in all states and is rated A- (Excellent) by A.M. Best with stable outlook. It is our belief that the conditions are favourable for the continued growth of Trisura Specialty, which operates as a hybrid fronting carrier using a fee-based business model. Its focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our business activity to date these program administrators welcome our new capacity as there is currently a lack of fronting carriers and the products and arrangements currently offered to them by the existing market do not always meet the needs of their business and clients.

Furthermore, we continue to believe there is a strong supply of highly rated international reinsurance capacity keen to gain exposure to this business, allowing Trisura Specialty to cede the majority of the risk on its policies to these reinsurers on commercially favourable terms. This belief has been supported by our experience in the market through 2018 and Q3 2019. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, limiting underwriting risk and aligning our interests with our program distribution partners and reinsurers. As Trisura Specialty grows, we expect that our US operations will become a more significant component of our Company.

We will continue to develop our distribution network, building on our existing partner network in Canada and our core base of program administrators in the US. Our Company will strive to increase the penetration of our products in our partner network by providing the support they require to enhance the effectiveness of their sales and marketing efforts.

We also intend to consider acquisitions on an opportunistic basis and pursue those that fit with our strategic plan. Building on the knowledge and expertise of our existing operations, we intend to initially target businesses in the US that operate in similar niches of the specialty insurance market, or that can expand our licensing. The closing of 21st Century Preferred is a demonstration of the willingness and capabilities our team has to pursue these acquisitions. Additionally, our reinsurance business prepared to write new business in support of our on-shore subsidiaries and will continue to evaluate writing third party new business in the context of market conditions.

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

SECTION 7 – OTHER INFORMATION

RATINGS

Trisura Guarantee has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in October 2019. Trisura Specialty obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was reaffirmed in October 2019. A.M Best increased the financial size category of Trisura Specialty from VI to VII (US $45 million to US $50 million capital) in May 2018.

CASH FLOW SUMMARY

	Q3 2019	Q3 2018	$ variance	Q3 2019 YTD	Q3 2018 YTD	$ variance
Net income from operating activities	2,543	4,160	(1,617)	922	7,007	(6,085)
Non-cash items to be deducted	(202)	457	(659)	(1,144)	3,089	(4,233)
Change in working capital operating items	25,704	9,255	16,449	39,982	7,010	32,972
Realized gains on AFS investments	(1,054)	(1,083)	29	(2,800)	(782)	(2,018)
Income taxes paid	(592)	(426)	(166)	(2,459)	(2,367)	(92)
Interest paid	(350)	(256)	(94)	(1,056)	(725)	(331)
Net cash from operating activities	26,049	12,107	13,942	33,445	13,232	20,212
Proceeds on disposal of investments	13,098	49,607	(36,509)	41,647	81,725	(40,078)
Purchases of investments	(27,832)	(55,982)	28,150	(91,076)	(160,731)	69,655
Net purchases of capital and intangible assets	(104)	(269)	165	(408)	(584)	176
Net cash used in investing activities	(14,838)	(6,644)	(8,194)	(49,837)	(79,590)	29,753
Dividends paid	(24)	(24)	-	(72)	(72)	-
Shares Issued	55,669	-	55,669	55,669	-	55,669
Issuance of new loan payable	-	-	-	-	29,700	(29,700)
Repayment of loan payable	-	-	-	-	(29,700)	29,700
Lease payments	(265)	-	(265)	(760)	-	(760)
Net cash from (used in) financing activities	55,380	(24)	55,404	54,837	(72)	54,909
Net increase (decrease) in cash	66,591	5,439	61,152	38,445	(66,430)	104,875
Cash at beginning of the period	64,949	97,739	(32,790)	95,212	165,675	(70,463)
Currency translation	373	(490)	863	(1,744)	3,443	(5,187)
Cash at the end of the period	131,913	102,688	29,225	131,913	102,688	29,225

Investing activities in Q3 2019 as well as Q3 2018 reflected the purchase and disposal of investments, primarily related to activity in our bond portfolios, and to a lesser extent our common share and preferred share portfolios. The investing activities in Q3 YTD 2019 and Q3 YTD 2018 were also primarily related to purchases and disposals of investments. In Q3 YTD 2018, purchases of investments also included the deployment of cash to purchase bonds in the Trisura Specialty portfolio.

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

In Q3 2019 cash from in operating activities was primarily related to Change in working capital at Trisura Guarantee, partly related to collection of accounts receivable. In Q3 2018 the positive change in working capital was primarily related to Trisura Guarantee. Cash from operating activities in Q3 YTD 2019 increased primarily as a result of an increase in Change in working capital at Trisura International. In Q3 YTD 2018, Change in working capital was much smaller driven mostly by negative Change in working capital at Trisura International. In both years, the Change in working capital at Trisura International was driven by changes in unpaid claims.

In Q3 2019, the Company issued additional shares in the public market, which led to an increase in cash from financing activities of $55.7 million. During 2018, the Company replaced the outstanding Loan payable of $29.7 million held at an intermediary holding company, with a new credit facility with an outstanding balance of $29.7 million (see Note 13 in the Condensed Interim Consolidated Financial Statements). The net impact of this transaction was $nil.

SEGMENTED REPORTING

As at	September 30, 2019				
	Trisura Guarantee	Trisura International (1)	Trisura Specialty	Corporate (2)	Total (3)
Assets	398,712	114,683	335,919	37,579	886,893
Liabilities	314,265	95,542	256,227	32,028	698,062
Shareholder's Equity	84,447	19,141	79,692	5,551	188,831
Book Value Per Share, $(4)	9.57	2.17	9.04	0.63	21.41

(1) Subsidiary includes the assets and liabilities of its holding company.

(2) Corporate includes consolidation adjustments. Assets include $36.8 million of cash which is mostly from the equity issuance which was not yet transferred to Trisura Specialty at September 30, 2019.

(3) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.

(4) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at September 30, 2019.

As at	December 31, 2018				
	Trisura Guarantee	Trisura International (1)	Trisura Specialty	Corporate (2)	Total (3)
Assets	349,356	103,113	150,966	(2,453)	600,982
Liabilities	274,770	81,703	84,421	30,136	471,030
Shareholder's Equity	74,586	21,410	66,545	(32,589)	129,952
Book Value Per Share, $(4)	11.26	3.23	10.05	(4.91)	19.63

(1) Subsidiary includes the assets and liabilities of its holding company and adjustments for intercompany loans.

(2) Corporate includes consolidation adjustments and intercompany loans.

(3) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.

(4) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at December 31, 2018.

FINANCIAL INSTRUMENTS

See Note 4 in the Company's Condensed Interim Consolidated Financial Statements.

OPERATING METRICS

We use operating metrics to assess our operating performance.

Operating Metrics	Definition
Acquisition Ratio	Commissions and reinsurance commissions incurred as a percentage of NPE.
Adjusted EPS	Net income attributable to common shareholders for the reporting period divided by the ending number of common shares as at the reporting date.
Combined Ratio	The sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of NPE, or underwriting margin. A combined ratio under 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
Expense Ratio	All expenses incurred (net of fee income in Trisura Guarantee) as a percentage of NPE.
Fees as Percentage of Ceded Premium	Gross fee income divided by ceded written premium.
Fronting Operational Ratio	The sum of claims, acquisition costs and operating expenses divided by the sum of NPE and fronting fees.
Loss Ratio	Claims and loss adjustment expenses incurred as a percentage of NPE.
MCT	Trisura Guarantee reports the results of its MCT as prescribed by OSFI's Guideline A — Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies, as amended, restated or supplemented from time to time. MCT determines the supervisory regulatory capital levels required by Trisura Guarantee.
Retention Rate	NPW as a percentage of GPW.
ROE	ROE is calculated based on net income, divided by the average amount of shareholders' equity of the Company for a given time period, with adjustments for significant capital transactions.

These operating metrics are operating performance measures that highlight trends in our core business or are required ratios used to measure compliance with OSFI and other regulatory standards. Our Company also believes that securities analysts, investors and other interested parties use these operating metrics to compare our Company's performance against others in the specialty insurance industry. Our Company's management also uses these operating metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Such operating metrics should not be considered as the sole indicators of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Trisura Group Ltd. and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of Trisura Group Ltd. to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; ability to collect amounts owed; catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Trisura Group Ltd. undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AFS	Available for Sale Financial Asset
BVPS	Book Value Per Share
CTA	Cumulative Translation Adjustment
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Earnings Per Share
FVTPL	Fair Value Through Profit & Loss
GAP	Guaranteed Asset Protection
GPW	Gross Premium Written
MCT	Minimum Capital Test
Minority interests	The liability to participating shareholders
n/a	not available
NII	Net Investment Income
nm	not meaningful
NPE	Net Premiums Earned
NPW	Net Premium Written
NUI	Net Underwriting Income
OCI	Other Comprehensive Income
pts	Percentage points
PYD	Prior Years' Net Reserve Development
Q1, Q2, Q3, Q4	The three months ended March 31, June 30, September 30 and December 31 respectively
Q2 YTD	The six months ended June 30
Q3 YTD	The nine months ended September 30
Q4 YTD	The twelve months ended December 31
ROE	Return on Shareholders' Equity
YTD	Year to Date