Trisura Group Ltd.

Management's Discussion and Analysis

For the quarter ended September 30, 2020

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, 2020. This MD&A should be read in conjunction with our unaudited Condensed Interim Consolidated Financial Statements for the quarter ended September 30, 2020 and the audited Consolidated Financial Statements for the year ended December 31, 2019.

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 4, 2020. Additional information is available on SEDAR at www.sedar.com.

TABLE OF CONTENTS

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 14 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 lines insurer in Oklahoma with the ability to write business across 50 states. Our US specialty insurance company can also write business on an admitted basis in certain states. Our international Reinsurance business has been in operation in Barbados for more than 18 years and has commenced writing new business in support of our US subsidiary.

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 2019, the Company closed its acquisition of 21st Century Preferred Insurance Company and completed its re-domestication from Pennsylvania to Oklahoma. We have expanded our admitted licenses, which now includes licenses in 42 states. We continue the process of applying for licenses in the remaining states.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q3 2020

- ✓ $6.5 million in net income in the quarter and $21.5 million YTD, a substantial improvement over the previous periods, driven by stronger results in Canada, accelerating profitability in the US, and improved matching in our Reinsurance business.
- ✓ Diluted EPS of $0.62 and $2.22 in the quarter and YTD periods respectively compared to $0.37 and $0.13 in 2019.
- ✓ LTM ROE of 11.7% compared to 1.9% at Q3 2019. Q3 2020 LTM ROE included dilution from our equity raises in September 2019 and May 2020.
- ✓ BVPS of $26.86 was an increase of 24.5% over Q4 2019.
- ✓ Continued strong performance of our operations in Canada and the US.
    - Canada:
        - GPW and NPE growth of 58.9% and 27.3% respectively in Q3 2020 demonstrating resilience in the face of challenging market conditions as a result of COVID-19 and hardening conditions in certain lines of business.
        - NUI growth of 44.7% over Q3 2019 and 84.6% on a YTD basis, a result of continued growth and strong claims experience in Surety.
        - Combined ratios of 91.5% and 84.6% for Q3 2020 and Q3 YTD 2020, which compare well to the corresponding 2019 periods of 92.6% and 89.5%, the result of better claims in both periods and an improved expense ratio YTD.
        - NI increased in Q3 2020 by 41.3% over Q3 2019 and by 26.6% YTD, generating a strong LTM ROE of 20.0%.
    - United States:
        - Resilient growth in GPW reaching $171.0 million in the quarter, a $26.2 million increase over Q2 2020.
        - Net income of $3.7 million in the quarter and $10.3 million YTD, demonstrating continued scaling and potential of the fronting model.
        - Continued profitability generating an LTM ROE of 9.7% despite an increase in the capital base.
        - Deferred fee income, a precursor to earned fees, was $16.4 million as at September 30, 2020.
        - Fronting operational ratio of 73.4% in Q3 2020 and 70.3% YTD is materially improved versus the corresponding periods in 2019 reflecting growth in NPE and fronting fees as the business builds scale.
        - Sufficient capital in our US operations to support an increase in A.M. Best size category from size VII to size VIII.
- ✓ Improved asset liability matching in our Reinsurance business resulted in improved profitability, partially offset by the negative impact of foreign exchange.
- ✓ Interest and dividend income in our Canadian and US portfolios increased by 38.3% in Q3 2020 and 29.0% YTD over prior year, despite a continued reduction in yields in the fixed income markets.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. We are closely monitoring developments related to COVID-19, including the existing and potential impact on the economy and global financial markets. Due to the speed with which the situation is developing and the uncertainty of its magnitude, outcome and duration, the longer-term impact of the COVID-19 pandemic on our Company, our insurance business or our financial results, if any, is difficult to predict. See Section 7 – Risk Management.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q3 2020	Q3 2019	$ variance	% variance	Q3 2020 YTD	Q3 2019 YTD	$ variance	% variance
Gross premiums written	239,607	114,354	125,253	109.5%	612,242	305,050	307,192	100.7%
Net premiums written	64,543	37,429	27,114	72.4%	152,924	102,972	49,952	48.5%
Net premiums earned	42,250	29,719	12,531	42.2%	109,593	77,794	31,799	40.9%
Fee income	6,652	2,530	4,122	162.9%	20,060	8,631	11,429	132.4%
Total underwriting revenue	48,902	32,249	16,653	51.6%	129,653	86,425	43,228	50.0%
Net claims and loss adjustment expenses	(19,319)	(18,092)	(1,227)	6.8%	(49,466)	(49,249)	(217)	0.4%
Net commissions	(15,060)	(10,265)	(4,795)	46.7%	(38,431)	(27,839)	(10,592)	38.1%
Operating expenses and premium taxes	(16,685)	(10,511)	(6,174)	58.7%	(43,523)	(33,126)	(10,397)	31.4%
Total claims and expenses	(51,064)	(38,868)	(12,196)	31.4%	(131,420)	(110,214)	(21,206)	19.2%
Net underwriting loss	(2,162)	(6,619)	4,457	(67.3%)	(1,767)	(23,789)	22,022	(92.6%)
Net investment income	7,015	10,027	(3,012)	(30.0%)	21,857	20,111	1,746	8.7%
Settlement from structured insurance assets	-	-	-	n/a	-	8,077	(8,077)	nm
Net gains	4,178	476	3,702	777.7%	5,628	1,664	3,964	238.2%
Interest expense	(224)	(333)	109	(32.7%)	(891)	(1,020)	129	(12.7%)
Income before income taxes	8,807	3,551	5,256	148.0%	24,827	5,043	19,784	392.3%
Income tax expense	(2,272)	(1,008)	(1,264)	125.4%	(3,334)	(4,121)	787	(19.1%)
Net income	6,535	2,543	3,992	157.0%	21,493	922	20,571	2231.1%
Other comprehensive (loss) income	(162)	1,048	(1,210)	(115.5%)	(2,704)	1,996	(4,700)	(235.5%)
Comprehensive income	6,373	3,591	2,782	77.5%	18,789	2,918	15,871	543.9%
Earnings per common share - basic - in dollars	0.64	0.37	0.27	73.0%	2.25	0.13	2.12	1630.8%
Earnings per common share - diluted - in dollars	0.62	0.37	0.25	68.2%	2.22	0.13	2.09	1607.7%
Book value per share - in dollars	26.86	21.41	5.45	25.5%	26.86	21.41	5.45	25.5%
LTM ROE	11.7%	1.9%	n/a	9.8pts	11.7%	1.9%	n/a	9.8pts

(1) Certain Net investment income balances from September 30, 2019 have been reclassified to Net gains to conform with the December 31, 2019 annual financial statements presentation.

Premium Revenue and Fee Income

Premium growth continued in the quarter and YTD with GPW more than doubling over the comparable periods in 2019 driven by continued acceleration in the US and growth in Canada. NPW growth was also significant, but lower than growth in GPW due to the high percentage of business ceded to reinsurers from our US fronting business. NPE growth was particularly high in the US as earned premium in 2019 was low during the US business' first years of operation. NPE growth has also been supported by growth in our Canadian Corporate Insurance and Risk Solutions lines. The increase in fee income in both the quarter and YTD periods was driven primarily by fronting fees from the US, supported by consistent fee income in Canada.

Net Claims

Net claims in the quarter and YTD periods were consistent with the comparable periods in 2019 due to growth in the Canadian and US operations, mitigated by a lower claims expense in 2020 associated with our life annuity reserves. Importantly, a significant portion of these reserve increases associated with the annuity reserves are offset by investment income (see Section 5 – Investment Performance Review). With the exception of the impact of the life annuity reserves, net claims expense grew in the YTD period in line with growth of the business. In Q3 2020 and Q3 2020 YTD a better Surety claims experience led to lower net claims expense in that line compared to Q3 and Q3 YTD 2019 in our Canadian business (See Canada section).

Operating Expenses and Premium Taxes

In Q3 2020, the increase in operating expenses was significantly driven by share-based compensation, as the increasing value of our share price led to an increase in the value of certain outstanding options. In Q3 2020 YTD, operating expenses increased as a result of growth in the US operations as well as an increase in the value of share-based compensation. Excluding share-based compensation, operating expenses and premium taxes increased 25.8% in the quarter and 14.3% in the YTD periods, reflective of growth in the business. Importantly, we have substantially completed a program to hedge market exposure of share-based compensation going forward.

Net Underwriting Loss

Reserve increases from our life annuity policies negatively impacted underwriting income in Q3 2020 and Q3 2020 YTD, although they are substantially offset by investment income in the quarter. See Section 4 – Performance Review for a discussion on underwriting income in Canada and the US.

Net Investment Income

See Section 5 – Investment Performance Review.

Other Comprehensive Income

See Section 5 – Investment Performance Review.

Income Tax Expense

In Q3 2020, the effective tax rate was approximately 25.8% which is in line with expectations. In Q3 2020 YTD, Income tax expense was lower than the comparable period due to the recognition of a Deferred tax asset in Q1 2020 related to previously unrecognized tax losses. For additional information see Note 19 of the Condensed Interim Consolidated Financial Statements.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Net Income

Net income for the quarter and YTD period was higher than prior year primarily as a result of maturation of the US platform, stronger results and growth in Canada and improved asset liability matching in the Reinsurance business compared to the prior year.

EPS, BVPS and ROE

Quarterly diluted EPS of $0.62 in Q3 2020 compared to $0.37 in Q3 2019 improved as a result of growth as well as strong claims experience in Canada, a stronger contribution from our fronting operations in the US and mitigated by an increase in the average number of shares outstanding following our equity raise in May 2020. BVPS of $26.86 was an increase of 24.5% over Q4 2019.

BALANCE SHEET ANALYSIS

As at	September 30, 2020	December 31, 2019	$ variance
Cash and cash equivalents, and short-term securities	124,875	85,905	38,970
Investments	484,700	392,617	92,083
Premiums and accounts receivable, and other assets	154,581	86,669	67,912
Recoverable from reinsurers	567,361	293,068	274,293
Deferred acquisition costs	163,719	104,197	59,522
Capital assets and intangible assets	13,933	14,477	(544)
Deferred tax assets	8,347	1,460	6,887
Total assets	1,517,516	978,393	539,123
Accounts payable, accrued and other liabilities	48,924	40,916	8,008
Reinsurance premiums payable	144,691	80,186	64,505
Unearned premiums	510,200	328,091	182,109
Unearned reinsurance commissions	91,859	51,291	40,568
Unpaid claims and loss adjustment expenses	417,107	257,880	159,227
Loan payable	28,869	29,700	(831)
Total liabilities	1,241,650	788,064	453,586
Shareholders' equity	275,866	190,329	85,537
Total liabilities and shareholders' equity	1,517,516	978,393	539,123

Total assets at September 30, 2020 were $539.1 million higher than at December 31, 2019 as a result of growth across our Specialty P&C businesses as well as our equity raise in May 2020. The growth in the US has led to increases across a number of assets categories, particularly Recoverables from reinsurers which has grown alongside growth in premium and ceded premium. The nature of the fronted operations of the US business generate significant Recoverables from reinsurers, which increase alongside an increase in Unearned premiums and Unpaid claims and loss adjustment expenses. These recoverables are regularly monitored in accordance with the Company's reinsurance risk management policies and are generally owing from reinsurers with A.M. Best ratings of A- or higher or are otherwise fully collateralized. Investments also increased significantly as funds from the equity raise were invested.

Deferred tax assets increased as a result of the recognition of the deferred tax asset associated with previously unrecognized tax losses (see Note 19 of the Condensed Interim Consolidated Financial Statements).

The main drivers of liability increases were Unearned premiums, and Unpaid claims and loss adjustment expenses primarily as a result of business growth in the US. These increases are partially offset by an increase in Recoverable from reinsurers.

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).

In Q2 2020, the Company completed a $65.1 million equity raise, to support growth in the US. The Company issued an additional 1,449,250 shares.

In Q3 2019, the Company completed a $55.7 million equity raise, to support growth in the US, 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, 2020, 10,268,869 common shares were issued and outstanding.

LIQUIDITY

Both short-term and long-term liquidity sources are available to the Company. Short-term liquidity sources immediately available include: (i) cash and cash equivalents, and short-term securities; (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 (see Note 12 to the Condensed Interim Consolidated Financial Statements). These funds are used primarily to pay claims and operating expenses, service the Company's credit facility and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio of Trisura Canada was 249% at September 30, 2020 (258% as at December 31, 2019), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI, as well as the Company's internal targets.

Trisura US's capital and surplus of $115.5 million USD as at September 30, 2020 ($83.3 million USD as at December 31, 2019) was in excess of the various Company Action Levels of the states in which it is licensed.

Trisura International's capital of $11.1 million USD as at September 30, 2020 ($14.2 million USD as at December 31, 2019) was sufficient to meet the FSC's regulatory capital requirement.

The Company's debt-to-capital ratio of 9.5% as at September 30, 2020 (13.5% as at December 31, 2019), was below our long-term target debt-to-capital ratio of 20.0% as a result of the equity raise and growth in book value from earnings.

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 per share numbers and as otherwise noted)

SECTION 4 – PERFORMANCE REVIEW

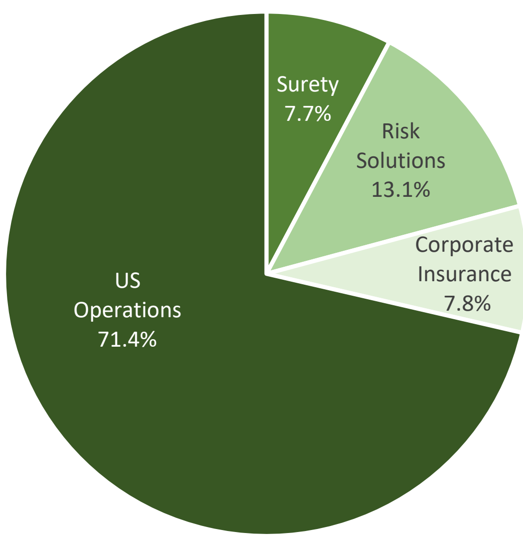
SPECIALTY P&C

Our Specialty P&C business consists of our Surety, Risk Solutions, and Corporate Insurance business lines which we write in Canada and a broad range of surplus lines in the US written through a fronting model.

The tables and charts below provide a segmentation of our Specialty P&C GPW and NPW for the third quarter and YTD period of 2020. Our US operation produced over 70.0% of GPW in 2020 having commenced writing business in Q1 2018. Premium growth was also supported by momentum in Canada across all lines in the quarter and YTD.

GPW	Q3 2020	Q3 2019	% growth over prior year	Q3 2020 YTD	Q3 2019 YTD	% growth over prior year
Surety	18,567	15,028	23.5%	53,003	44,514	19.1%
Risk Solutions	31,323	15,597	100.8%	78,285	58,273	34.3%
Corporate Insurance	18,654	12,516	49.0%	44,324	33,643	31.7%
US Operations	171,028	71,187	140.3%	436,529	168,540	159.0%
Total GPW	239,572	114,328	109.5%	612,141	304,970	100.7%

Gross Premiums Written
Q3 2020



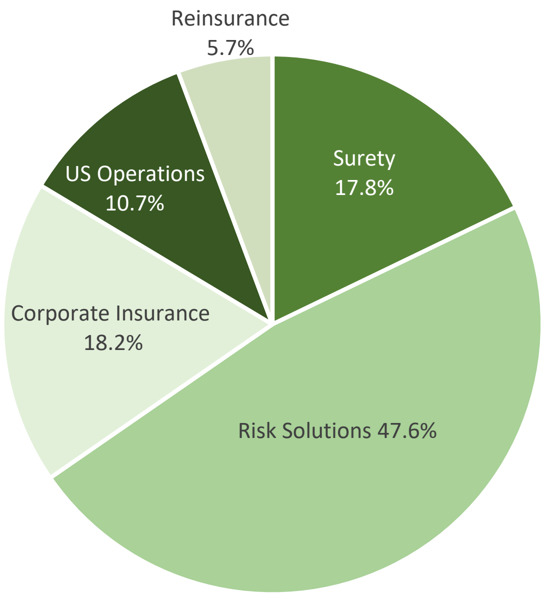
Gross Premiums Written
Q3 2020 YTD

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

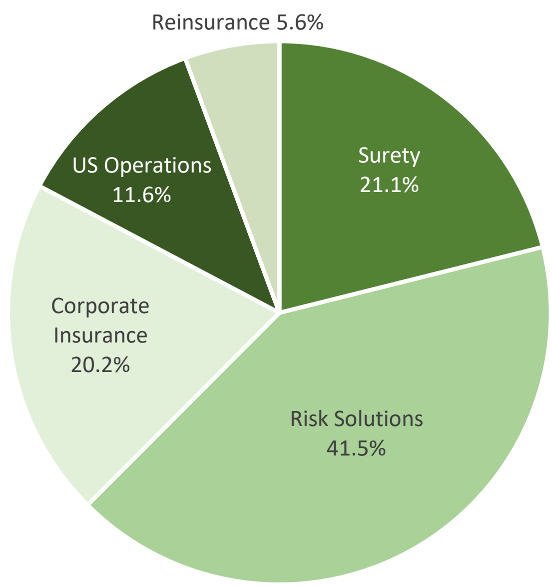
Total NPW grew by 72.6% in the quarter and almost 50% YTD, with growth led by the US, Risk Solutions and Corporate Insurance. Our US business continued to cede premium to our Reinsurance business in the quarter, resulting in premium generation for our Reinsurance business in 2020 for the first time since entering run-off.

NPW	Q3 2020	Q3 2019	% growth over prior year	Q3 2020 YTD	Q3 2019 YTD	% growth over prior year
Surety	11,518	10,612	8.5%	32,276	31,187	3.5%
Risk Solutions	30,674	13,869	121.2%	63,293	37,325	69.6%
Corporate Insurance	11,767	8,842	33.1%	30,945	25,284	22.4%
US Operations	6,914	4,080	69.5%	17,771	9,100	95.3%
Reinsurance	3,670	-	nm	8,639	-	nm
Total NPW	64,543	37,403	72.6%	152,924	102,896	48.6%

Net Premiums Written
Q3 2020



Net Premiums Written
Q3 2020 YTD



(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

CANADA

The table below presents financial highlights for our Canadian operations.

	Q3 2020	Q3 2019	$ variance	% variance	Q3 2020 YTD	Q3 2019 YTD	$ variance	% variance
Gross premiums written	68,544	43,141	25,403	58.9%	175,612	136,430	39,182	28.7%
Net premiums written	53,959	33,323	20,636	61.9%	126,514	93,796	32,718	34.9%
Net premiums earned	35,261	27,690	7,571	27.3%	92,358	73,756	18,602	25.2%
Fee income	238	178	60	33.7%	3,981	3,774	207	5.5%
Net underwriting revenue	35,499	27,868	7,631	27.4%	96,339	77,530	18,809	24.3%
Net underwriting income	2,987	2,065	922	44.7%	14,218	7,703	6,515	84.6%
Net investment income	1,886	1,949	(63)	(3.2%)	5,979	5,786	193	3.3%
Net income	4,266	3,019	1,247	41.3%	13,900	10,978	2,922	26.6%
Comprehensive income	7,272	3,037	4,235	139.5%	7,283	13,359	(6,076)	(45.5%)
Loss ratio: current accident year	28.7%	33.2%		(4.5pts)	28.6%	27.8%		0.8pts
Loss ratio: prior years' development	(0.3%)	(2.9%)		2.6pts	(5.4%)	(2.4%)		(3.0pts)
Loss ratio	28.4%	30.3%		(1.9pts)	23.2%	25.4%		(2.2pts)
Expense ratio	63.1%	62.3%		0.8pts	61.4%	64.1%		(2.7pts)
Combined ratio	91.5%	92.6%		(1.1pts)	84.6%	89.5%		(4.9pts)
LTM ROE	20.0%	19.1%		0.9pts	20.0%	19.1%		0.9pts

In the quarter and YTD periods GPW growth was substantial across all lines. Corporate insurance has benefitted from a hardening insurance market with improved pricing as well as growth in distribution partnerships, while growth in Surety primarily reflects continued expansion of our market share. GPW growth for Risk Solutions benefitted from the addition of a new warranty partner during the year as well as a rebound in automobile sales in Q3 which offset slower growth in Q2 associated with pandemic-related economic shutdowns. In Q3 2020 and Q3 2020 YTD, growth in NPE was a result of growth across all lines, with particular strength in Risk Solutions and Corporate Insurance. Fee income, arising mainly in the first quarter each year from Surety accounts, was comparable to prior year.

The loss ratio of 28.4% for Q3 2020 and 23.2% for Q3 2020 YTD is an improvement over both periods for 2019. This was primarily driven by Surety which had a much lower loss ratio in Q3 2020 and Q3 2020 YTD, offset by higher claims experience in Corporate Insurance in the same periods. The expense ratio increased slightly to 63.1% for Q3 2020 compared to 62.3% for Q3 2019 as a result of higher variable compensation costs related to the lower loss ratio. The expense ratio fell to 61.4% for Q3 2020 YTD compared to 64.1% for 2019. The improved expense ratio for the YTD period reflects greater economies of scale and improved operational efficiencies, plus a reduction in certain operational costs due to the COVID-19 shutdown. Due to the factors discussed above, the combined ratio improved to 91.5% in Q3 2020 and 84.6% in Q3 2020 YTD compared to 92.6% and 89.5% respectively for both periods in 2019.

As a result, net underwriting income for Q3 2020 experienced growth of 44.7% and for Q3 2020 YTD experienced growth of 84.6%. Surety and Risk Solutions were the primary drivers of the growth in net underwriting income during both periods.

Investment income for both Q3 2020 and Q3 2020 YTD was comparable to the corresponding periods in 2019. See Section 5 – Investment Performance Review for further discussion.

Strong operating results for Q3 2020 resulted in growth in net income of 41.3%. Q3 2020 YTD growth in net income is also strong at 26.6%.

(in thousands of Canadian dollars, except per share numbers and 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, Surety accounted for 7.7% and 17.8% of our overall GPW and NPW, respectively. For Q3 2020 YTD, Surety accounted for 8.7% and 21.1% of over overall GPW and NPW, respectively.

	Q3 2020	Q3 2019	$ variance	% variance	Q3 2020 YTD	Q3 2019 YTD	$ variance	% variance
Gross premiums written	18,567	15,028	3,539	23.5%	53,003	44,514	8,489	19.1%
Net premiums written	11,518	10,612	906	8.5%	32,276	31,187	1,089	3.5%
Net premiums earned	12,059	11,337	722	6.4%	29,871	27,933	1,938	6.9%
Fee income	238	173	65	37.6%	3,981	3,769	212	5.6%
Net underwriting revenue	12,297	11,510	787	6.8%	33,852	31,702	2,150	6.8%
Net underwriting income	3,740	889	2,851	320.7%	9,875	4,179	5,696	136.3%
Loss ratio: current accident year	13.3%	40.8%		(27.5pts)	16.7%	30.1%		(13.4pts)
Loss ratio: prior years' development	(6.1%)	(7.2%)		1.1pts	(6.8%)	(6.2%)		(0.6pts)
Loss ratio	7.2%	33.6%		(26.4pts)	9.9%	23.9%		(14.0pts)

Q3 2020 Surety GPW experienced strong growth of 23.5% over Q3 2019 and YTD growth of 19.1%. The growth has been primarily driven by Commercial Surety attributed to large bonds issued for new accounts, as well as growth with distribution partnerships.

The growth has been relatively slower in NPW and NPE for Q3 2020 and Q3 2020 YTD as a result of a number of large bonds which have been issued during the period where proportionately more premium is ceded to reinsurers.

For Q3 2020 and Q3 2020 YTD, Surety experienced a lower claims ratio than Q3 2019 and Q3 2019 YTD, as a result of fewer claims than the prior period. Since the beginning of the COVID-19 pandemic, most construction projects have been deemed essential through the economic shutdowns and contractors continued working which has had a positive impact on the loss ratio.

Net underwriting income for the quarter increased to $3.7 million compared to $0.8 million in Q3 2019 driven by an improved loss ratio in the quarter. Q3 2020 YTD net underwriting income reflected both our growth and improvements in loss ratios over the period in 2019.

(in thousands of Canadian dollars, except per share numbers and 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 agents, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs.

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 Canada. 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 Q3 2020, Risk Solutions accounted for 13.1% and 47.6% of our overall GPW and NPW, respectively. For Q3 2020 YTD, Risk Solutions accounted for 12.8% and 41.5% of our overall GPW and NPW, respectively.

	Q3 2020	Q3 2019	$ variance	% variance	Q3 2020 YTD	Q3 2019 YTD	$ variance	% variance
Gross premiums written	31,323	15,597	15,726	100.8%	78,285	58,273	20,012	34.3%
Net premiums written	30,674	13,869	16,805	121.2%	63,293	37,325	25,968	69.6%
Net premiums earned	12,718	8,214	4,504	54.8%	33,576	22,425	11,151	49.7%
Fee income	-	5	(5)	nm	-	5	(5)	nm
Net underwriting revenue	12,718	8,219	4,499	54.7%	33,576	22,430	11,146	49.7%
Net underwriting income	768	902	(134)	(14.9%)	4,216	2,157	2,059	95.5%
Loss ratio: current accident year	25.9%	29.9%		(4.0pts)	24.8%	29.4%		(4.6pts)
Loss ratio: prior years' development	(0.2%)	(9.9%)		9.7pts	(4.5%)	(7.8%)		3.3pts
Loss ratio	25.7%	20.0%		5.7pts	20.3%	21.6%		(1.3pts)

Risk solutions GPW and NPW for Q3 2020 increased significantly over Q3 2019 as a result of the addition of new programs. In addition to this, some sales activity appears to have been deferred from Q2 2020 to Q3 2020. GPW in Q3 YTD grew by 34.3% compared to the same period last year. Year over year growth is primarily due to the addition of new programs, as well as growth of existing programs.

In the quarter and YTD NPE benefitted significantly from maturation of the portfolio resulting in greater earned premiums from programs written in prior years.

In Q3 2020 the loss ratio increased compared to the same period in the prior year, in part related to some delays in claims reporting associated with pandemic related economic closures which took place during Q2 2020. Performance of individual programs continues to be in line with expectations. In Q3 YTD 2020 the loss ratio was similar to the prior year.

Net underwriting income in Q3 2020 is below Q3 2019 primarily as a result of an increase in the loss ratio during that period. Net underwriting income for Q3 YTD 2020 is ahead of Q3 YTD 2019 as a result of growth in the business, and in particular related to maturation of longer term policies written in prior years where earnings have been deferred.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Corporate Insurance

The main products offered by our Corporate Insurance business line are Directors' & Officers' insurance for public, private and non-profit enterprises, professional liability insurance for both enterprises and professionals, technology and cyber liability insurance for enterprises commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial enterprises and financial institutions.

In Q3 2020 Corporate Insurance represented 7.8% and 18.2% of our overall GPW and NPW respectively. For Q3 2020 YTD, Corporate Insurance represented 7.2% and 20.2% of our overall GPW and NPW respectively.

	Q3 2020	Q3 2019	$ variance	% variance	Q3 2020 YTD	Q3 2019 YTD	$ variance	% variance
Gross premiums written	18,654	12,516	6,138	49.0%	44,324	33,643	10,681	31.8%
Net premiums written	11,767	8,842	2,925	33.1%	30,945	25,284	5,661	22.4%
Net premiums earned	10,484	8,137	2,347	28.8%	28,911	23,397	5,514	23.6%
Net underwriting revenue	10,484	8,137	2,347	28.8%	28,911	23,397	5,514	23.6%
Net underwriting (loss) income	(1,521)	271	(1,792)	(661.3%)	127	1,365	(1,238)	(90.7%)
Loss ratio: current accident year	49.8%	46.0%		3.8pts	45.2%	38.3%		6.9pts
Loss ratio: prior years' development	6.2%	(10.0%)		16.2pts	(5.0%)	(7.4%)		2.4pts
Loss ratio	56.0%	36.0%		20.0pts	40.2%	30.9%		9.3pts

GPW, NPW and NPE grew strongly in Q3 2020 and Q3 2020 YTD. This was due to new business growth, stable policy retention, increasing rates in many lines of business as well as the addition of business from partnerships with certain MGAs, where the Company ceded a larger portion of the business to reinsurers on some of the partnerships.

In the quarter, the loss ratio increased from Q3 2019, with higher current accident year losses as well as an increase in prior years' development. Current accident year loss ratio has increased, in part to reflect the uncertainty related to potential COVID-19 related claims. An increase in claims from prior accident years resulted in an increase in prior years' development which was the largest contributor to the increased loss ratio. It is important to note that a portion of this prior years' development accrued under an older reinsurance structure where our net retention was higher. This structure was amended in 2016. For the Q3 2020 YTD period, the loss ratio was higher as a result of higher losses related to the current accident year and less favourable prior years' development.

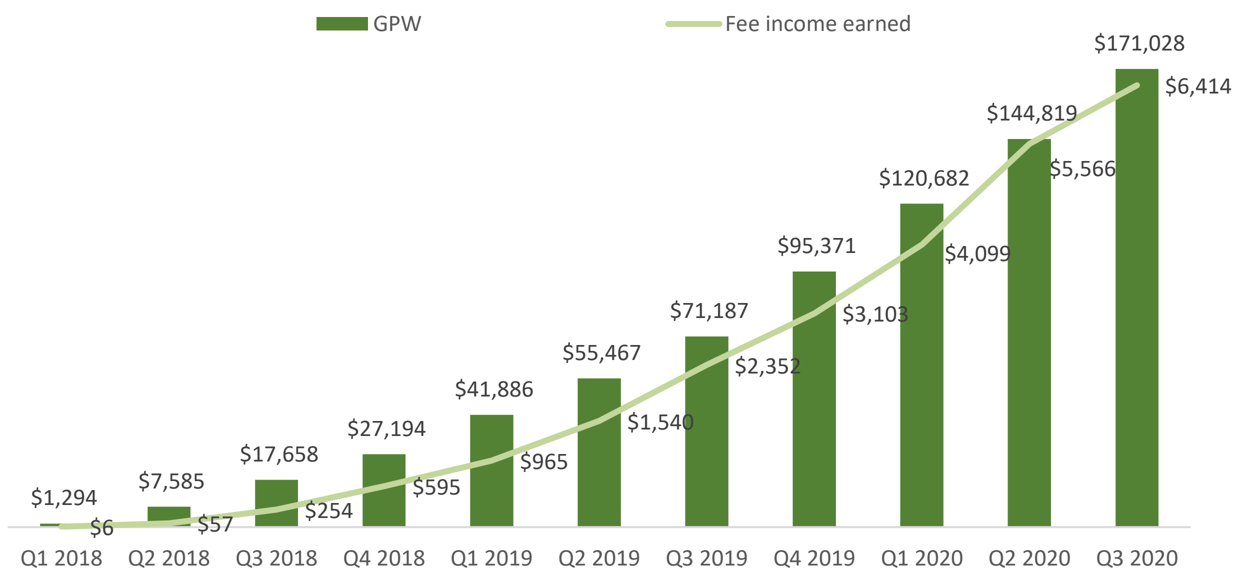
Net underwriting (loss) income decreased in Q3 2020 and Q3 2020 YTD as a result of the increase in loss ratio.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

UNITED STATES

Our US company is a non-admitted surplus line insurer in all states, operating as a hybrid fronting carrier with a fee-based business model. We are actively expanding our admitted licenses, with licenses in 42 states and the intention of gaining admitted licenses across all 50 states in time.

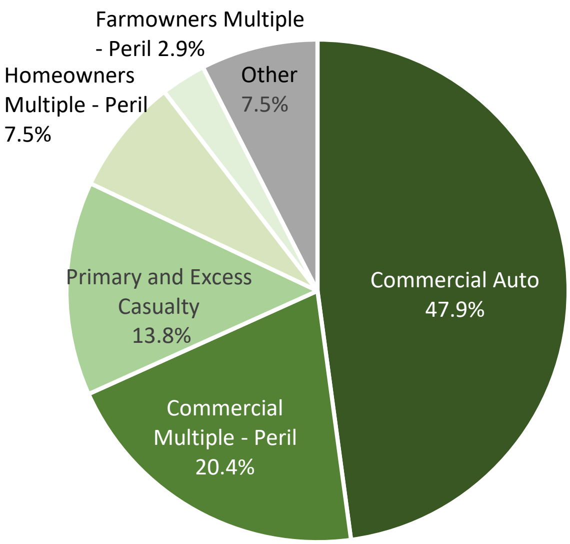
Our US company continued to accelerate premium generation, producing GPW of $171.0 million in Q3 2020 across 40 programs. The graph below shows the evolution of GPW, fee income earned, and the number of programs bound in the US.



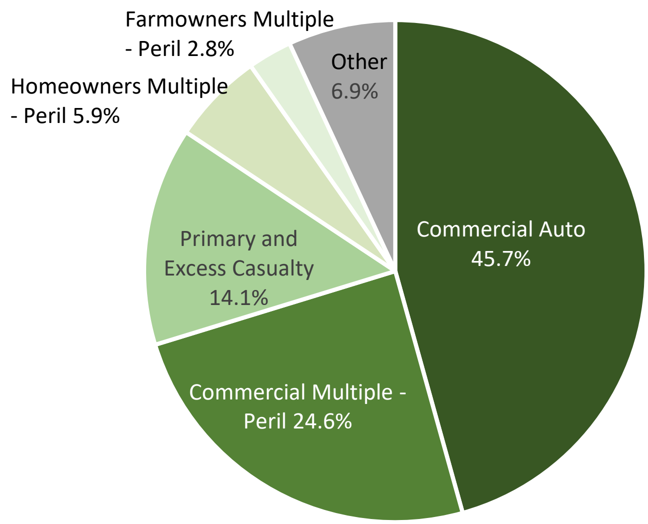
Number of Programs bound	4	11	11	14	16	23	25	29	35	38	40

The charts below provide a segmentation by class of business of our US GPW and NPW for Q3 2020 and Q3 2020 YTD.

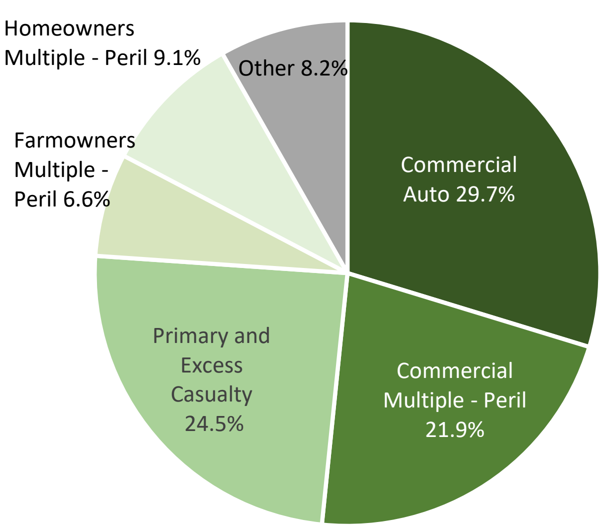
Gross Premiums Written Q3 2020(1)



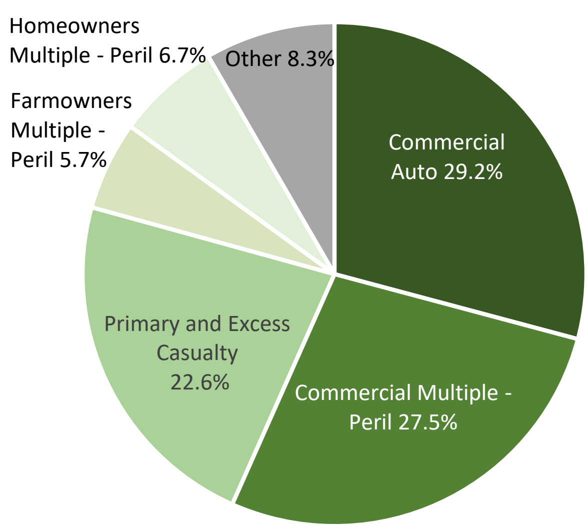
Gross Premiums Written Q3 2020 YTD(1)



Net Premiums Written Q3 2020(1)



Net Premiums Written Q3 2020 YTD(1)



(1)"Other" includes Auto Physical Damage, Allied Lines – Flood and MonoLine Property

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

The table below presents financial highlights for our US operations.

	Q3 2020	Q3 2019	$ variance	% variance	Q3 2020 YTD	Q3 2019 YTD	$ variance	% variance
Gross premiums written	171,028	71,187	99,841	140.3%	436,529	168,540	267,989	159.0%
Net premiums written	6,914	4,080	2,834	69.5%	17,771	9,100	8,671	95.3%
Net premiums earned	5,246	2,005	3,241	161.6%	14,177	3,963	10,214	257.7%
Fee income	6,414	2,352	4,062	172.7%	16,079	4,857	11,222	231.0%
Net underwriting revenue	11,660	4,357	7,303	167.6%	30,256	8,820	21,436	243.0%
Net underwriting income	3,105	1,006	2,099	208.6%	9,001	998	8,003	801.9%
Net investment income	1,152	472	680	144.1%	2,722	1,447	1,275	88.1%
Net income	3,719	1,419	2,300	162.1%	10,339	2,264	8,075	356.7%
Comprehensive income	375	2,268	(1,893)	(83.5%)	12,439	2,538	9,901	390.1%
Loss ratio	84.9%	67.2%			75.0%	64.8%		
Retention rate	4.0%	5.7%			4.1%	5.4%		
Fees as percentage of ceded premium	5.7%	5.7%			5.7%	5.7%		
Fronting operational ratio	73.4%	76.9%			70.3%	88.7%		
LTM ROE	9.7%	nm			9.7%	nm		

The table below shows Deferred fee income as at Q3 2020, compared to Q4 2019.

As at	September 30, 2020	December 31, 2019	$ variance
Deferred fee income	16,350	8,286	8,064

GPW and NPW grew significantly over the prior year period for both the quarter and YTD. The increase was a result of the addition of new programs as well as maturation of existing programs. Growth in NPW was slower than growth in GPW in Q3 2020 as our US operations continued to cede a larger share of its retained premium to our Reinsurance business.

The US operations retained 4.0% of GPW in Q3 2020 and 4.1% YTD, the remainder of which was ceded to reinsurance partners. The decrease in retention is a reflection of the new ceding relationship with our Reinsurance business, as retained business shifts to our captive reinsurer. We continue to target retention between 5.0% and 10.0% on all new programs, after which we contemplate ceding to our captive reinsurer. Fees as a percentage of ceded premium were 5.7% in Q3 2020 and Q3 YTD which is comparable to 2019.

NPE has grown significantly in both the quarter and YTD periods over 2019 as a result of the growth in premium written throughout 2019 and 2020 from both new and maturing program relationships. Fee income in the US reflects fronting fees received from reinsurers which are recognized over the life of the insurance contracts with which they are associated. The earnings pattern of net premiums earned is similar to that of earned premium. Earned fronting fees (Fee income) have grown strongly over the comparable periods in 2019 reaching $6.4 million in the quarter, and $16.1 million YTD, a result of the significant growth in premiums in 2020 and their associated fee income.

The loss ratio increased in Q3 and YTD over 2019, in part as a result of a change in the business mix retained in the US. In addition to this, our US property business experienced losses associated with civil unrest and storm activity in the quarter. Excluding these events, the loss ratio continues to be in line with expectations, supporting profitability.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Fronting fees are a key component of the profitability of our US operations but are not reflected in the traditional P&C calculations of combined ratios. We developed the fronting operational ratio to demonstrate the profitability of our hybrid fronting model more clearly. The fronting operational ratio continued to improve to 73.4% in Q3 2020 and 70.3% YTD, significantly better than in 2019 reflecting growth in NPE and fronting fees as the business builds scale.

Net Income increased in Q3 and YTD over the same periods in 2019, primarily as a result of increased fee income as program volume continued to grow.

Our US operations continued its trend of growing profitability, achieving an 9.7% LTM ROE, one year after its first quarter of profitability, and following two significant increases in equity in Q3 2019 and Q2 2020. Increases in investment income reflect a larger pool of assets as a result of the equity raises as well as reinvested earnings.

REINSURANCE

Our Reinsurance business ceased writing third party 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 has commenced writing business in support of our US operations.

The remaining in-force portfolio of third-party 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 2020	Q3 2019	$ variance	Q3 2020 YTD	Q3 2019 YTD	$ variance
Net premiums earned	1,743	24	1,719	3,058	75	2,983
Net underwriting loss excluding operating expenses	(3,627)	(8,346)	4,719	(15,235)	(27,877)	12,642
Net investment and other	3,772	7,538	(3,766)	12,861	20,880	(8,019)
Net foreign exchange (loss) gain	(352)	550	(902)	(512)	770	(1,282)
Net loss before tax	(918)	(914)	(4)	(5,044)	(8,133)	3,089

Net loss in the quarter comprised reserve strengthening on the life component of the Reinsurance business driven by European interest rate declines during the quarter. These underwriting losses were offset by market value gains on the assets supporting these reserves. To further strengthen our asset liability matching in the portfolio we appointed a specialist external investment manager for this portfolio effective April 1, 2020. Our asset liability matching is a market-based program and can experience volatility alongside volatile markets. Following volatility experienced through the transition in Q2 2020, our new portfolio manager achieved improved matching in Q3 2020.

(in thousands of Canadian dollars, except per share numbers and 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 certain derivative gains and losses on hedging instruments.

In Q3 and Q3 2020 YTD corporate expenses were lower than Q3 and Q3 2019 YTD due to lower compensation costs, which were higher in 2019 as a result of certain staffing transition costs, as well as an updated allocation of certain expenses to subsidiaries.

Share-based compensation includes payment to directors and senior management and is impacted by movement in the share price. Share-based compensation grew in Q3 2020 compared to Q3 2019 because of both increases in the value of our share price and increased volatility. Importantly, we have substantially completed a hedging program for share-based compensation which has, and we expect will further help mitigate future share-based compensation volatility. Derivative gains of $1.0 million for Q3 2020 and $1.7 for Q3 2020 YTD are included in the Share-based compensation line below. Derivative gains and losses are presented in Net gains on the Condensed Interim Consolidated Financial Statements.

Debt servicing costs declined in Q3 and Q3 2020 YTD as we benefitted from lower prevailing interest rates on our revolving credit facility.

	Q3 2020	Q3 2019	$ variance	Q3 2020 YTD	Q3 2019 YTD	$ variance
Corporate expenses	184	408	(224)	869	1,713	(844)
Share-based compensation	2,772	217	2,555	5,004	931	4,073
Debt servicing	127	256	(129)	543	782	(239)
Corporate	3,083	881	2,202	6,416	3,426	2,990

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

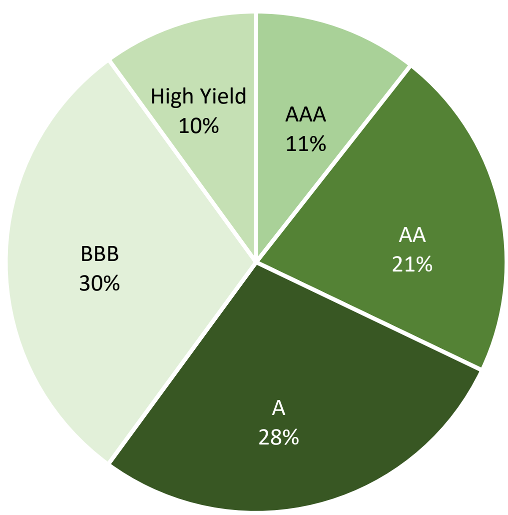
OVERVIEW

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 approach across all subsidiary portfolios. We now can invest globally through our hedging facilities and have selectively introduced new products to our portfolios.

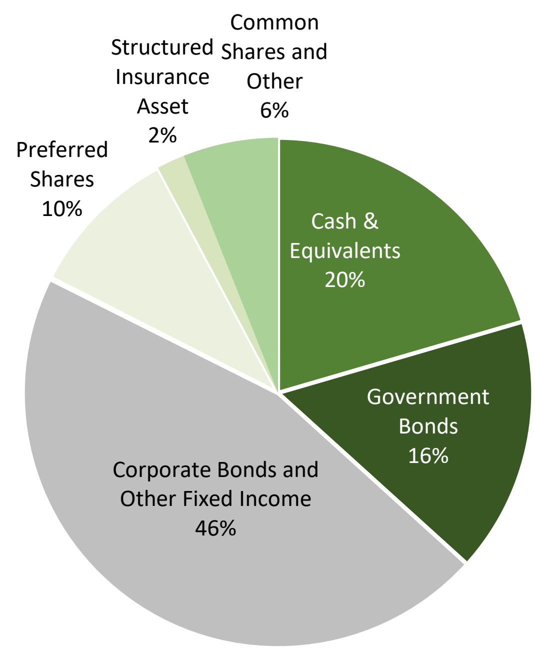
SUMMARY OF INVESTMENT PORTFOLIO

Our $609.6 million investment portfolio consists of cash and cash equivalents, and short-term securities, government and corporate bonds, preferred shares, common shares and a small amount of alternative investments. Ninety percent of our fixed income holdings are highly liquid, investment grade bonds.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

INVESTMENT PERFORMANCE

Investment Income

	Q3 2020	Q3 2019	$ variance	Q3 2020 YTD	Q3 2019 YTD	$ variance
Canada	1,886	1,949	(63)	5,979	5,786	193
United States	1,152	473	679	2,722	1,447	1,275
Reinsurance Operations	3,802	7,605	(3,803)	12,905	12,878	27
Corporate	175	-	175	251	-	251
Investment income	7,015	10,027	(3,012)	21,857	20,111	1,746
Net gains	4,178	476	3,702	5,628	1,664	3,964
Net investment income	11,193	10,503	690	27,485	21,775	5,710
Settlement from structured insurance assets	-	-	-	-	8,077	(8,077)
Total	11,193	10,503	690	27,485	29,852	(2,367)

The Company's operations currently include Specialty P&C insurance in Canada and the US, and international reinsurance. 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.

Following the equity raise in May 2020, and subsequent deployment of funds to support growth in the US, some excess capital is being managed at Trisura Group in a conservative manner. Net Investment income is driven by interest and dividend income on portfolio assets. The market-based yield of the Trisura Group portfolio as at September 30, 2020 was 3.9%. We expect to allocate additional capital to the US platform as growth continues.

Canadian investment income is driven by interest and dividend income on portfolio assets. Net investment income in the quarter and Q3 2020 YTD benefitted from increased interest and dividend income, partially offset by an adjustment to cost allocation associated with investment management fees charged. The market-based yield of the Canadian portfolio as at September 30, 2020 was 4.0% (Q3 2019 – 3.9%). We continue to diversify the Canadian portfolio, having introduced further alternative investments in Q3 2020, which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

In the quarter we continued to normalize the US portfolio to include allocations to asset classes outside of investment grade bonds. The market-based yield of the US portfolio as at September 30, 2020 was 3.5% (Q3 2019 – 3.3%). Investment income, which is primarily driven by interest income on this portfolio of bonds, grew in Q3 2020 and Q3 2020 YTD as growth in operations led to an increase in the size of our investment portfolio, alongside the deployment of new capital from the equity raises in Q3 2019 and Q2 2020.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment income increased as interest rates fell through Q3 2020. Importantly, these investment gains were offset by reserve strengthening on the life annuity reserves. The market-based yield of the Reinsurance portfolio as at September 30, 2020 was 1.6% (Q3 2019 – 1.5%).

Net gains include realized gains and losses from sales of investments in the investment portfolio, the impact of foreign exchange related to the investment portfolio and the operations of the business, impairments and any derivative gain or loss. Net gains were greater in Q3 2020 and Q3 2020 YTD as a result of favourable foreign exchange movements incurred in the quarter and greater realized gains.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Other Comprehensive (Loss) Income ("OCI")

	Q3 2020	Q3 2019	$ variance	Q3 2020 YTD	Q3 2019 YTD	$ variance
Unrealized gains (losses) in OCI	3,457	47	3,410	(5,911)	4,781	(10,692)
Cumulative translation	(3,619)	1,001	(4,620)	3,207	(2,785)	5,992
OCI	(162)	1,048	(1,210)	(2,704)	1,996	(4,700)

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 2020, driven by unrealized gains in the fixed income, preferred share and equity portfolios in both Canada and the US. The negative impact in Q3 2020 YTD stemmed from the cross-asset class sell-off related to the COVID-19 pandemic and subsequent economic shutdown.

Foreign exchange differences arising from the translation of the financial statements of Trisura International and Trisura US to Canadian dollars are recognized as cumulative translation gains or losses, which are also a component of OCI. Cumulative translation losses in Q3 2020 were due to the strengthening of the Canadian currency against the US dollar, driving lower Canadian dollar valuations of capital held outside of Canada. Q3 2020 YTD results have benefitted from the strengthening of the US dollar against the Canadian currency.

Refer to Notes 15 and 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 excess and surplus 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 $50.0 billion of excess and surplus insurance direct premiums were written in 2018, exhibiting significant growth compared to the broader P&C industry, expanding by 11.0%. From 2000 until 2018, the average combined ratio for excess and surplus markets was 96.9% versus 101.9% 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 14 years and in the international specialty reinsurance market for over 18 years, establishing a conservative underwriting and investing track record.

In Canada, we have built our brand through serving our clients, brokers and institutional partners as a leading provider of niche specialty insurance products. We will continue to build out our product offerings in existing and new niche segments of the market with suitably skilled underwriters and professionals. We remain committed to our broker distribution channel to promote and sell insurance products. We are 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 business is now fully operational and demonstrating scale and profitability. It is licensed as a domestic excess and surplus lines insurer in Oklahoma operating as a non-admitted surplus lines insurer in all states, and as an admitted carrier in 42 states. We are in the process of obtaining admitted licenses in all remaining states. It is our belief that conditions are favourable for the continued growth of our US platform, which operates as a hybrid fronting carrier using a fee-based business model. Our focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our experience 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 benefit form a strong supply of highly rated international reinsurance capacity keen to partner with us to gain exposure to this business, allowing us to cede the majority of the risk on policies to these reinsurers on commercially favourable terms. This belief has been supported by our experience in the market through 2019 and Q3 2020 YTD. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, right-sizing underwriting risk and aligning our interests with our program distribution partners and capacity providers. Our US business is already the largest component of GPW, and as we continue to grow, we expect that it will become an increasingly significant contributor to profitability.

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 with our partners 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 has commenced writing new business in support of our US operations.

SECTION 7 – RISK MANAGEMENT

RISKS AND UNCERTAINTIES

Given the rapid global spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, we are updating the risk factors described in the Company's Management Discussion and Analysis for the year ended December 31, 2019, Section 8 – Risk Management to include the following:

Risks Associated with the COVID-19 Pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted international commerce. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and our Company or for how long any disruptions are likely to continue. The nature and extent of such impacts will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19. Such developments may result in a material adverse effect on our assets, liquidity, financial condition and the operating results of our insurance business due to its impact on the economy and global financial markets.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

SECTION 8 – OTHER INFORMATION

RATINGS

Trisura Canada has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in November 2020. Trisura US obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was reaffirmed in November 2020. A.M Best increased the financial size category of Trisura US from VII to VIII (US $50 million to US $100 million capital) in November 2020.

CASH FLOW SUMMARY

	Q3 2020	Q3 2019	$ variance	Q3 2020 YTD	Q3 2019 YTD	$ variance
Net income from operating activities	6,535	2,543	3,992	21,493	922	20,571
Non-cash items to be deducted	(1,205)	(202)	(1,003)	6,546	(1,144)	7,690
Change in working capital operating items	43,508	25,704	17,804	57,454	39,982	17,472
Realized gains on investments	(4,245)	(1,054)	(3,191)	(21,443)	(2,800)	(18,643)
Income taxes paid	(4,661)	(592)	(4,069)	(7,948)	(2,459)	(5,489)
Interest paid	(226)	(350)	124	(921)	(1,056)	135
Net cash from operating activities	39,706	26,049	13,657	55,181	33,445	21,736
Proceeds on disposal of investments	60,787	13,098	47,689	201,051	41,647	159,404
Purchases of investments	(72,855)	(27,832)	(45,023)	(281,781)	(91,076)	(190,705)
Net purchases of capital and intangible assets	(117)	(104)	(13)	(623)	(408)	(215)
Net cash used in investing activities	(12,185)	(14,838)	2,653	(81,353)	(49,837)	(31,516)
Dividends paid	-	(24)	24	-	(72)	72
Shares issued	-	55,669	(55,669)	65,143	55,669	9,474
Loans received	-	-	-	32,700	-	32,700
Repayment of loan payable	-	-	-	(32,700)	-	(32,700)
Lease payments	(319)	(265)	(54)	(1,197)	(760)	(437)
Net cash (used in) from financing activities	(319)	55,380	(55,699)	63,946	54,837	9,109
Net increase in cash	27,202	66,591	(39,389)	37,774	38,445	(671)
Cash at beginning of the period	99,165	64,949	34,216	85,905	95,212	(9,307)
Currency translation	(1,492)	373	(1,865)	1,196	(1,744)	2,940
Cash at the end of the period	124,875	131,913	(7,038)	124,875	131,913	(7,038)

Net cash used in investing activities in Q3 2020 and Q3 2020 YTD as well as Q3 2019 and Q3 2019 YTD reflected the purchase and disposal of portfolio investments in all three principal operating subsidiaries. In Q3 2020, investing activities increased relative to Q3 2019 as a large number of purchases were made in the quarter with funds generated from the Q2 2020 equity raise. In Q3 2020 YTD investing activities increased relative to Q3 2019 YTD, partly as a result of funds generated from the equity offering being used to purchase portfolio investments at our US operations, as well as higher rotation of securities throughout the investments portfolios relative to the prior year.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Net cash (used in) from financing activities decreased in Q3 2020 over Q3 2019 as Q3 2019 included funds generated from an equity offering in that quarter. In Q3 2020 YTD movement in Net cash (used in) from financing activities was greater than Q3 2019 YTD as a result of a larger equity offering in 2020 than in 2019. Q3 2020 YTD also included the repayment of the outstanding CAD denominated Loan payable balance, which was replaced with a new Loan payable balance denominated in USD.

In Q3 2020 and Q3 2020 YTD the increase in Net cash from operating activities was primarily related to an increase in cash generated from operating activities at our US operations, which generated more cash from operations in Q3 2020 and Q3 2020 YTD than in Q3 2019 and Q3 2019 YTD, largely as a result of growth in the business. Net cash from operating activities was lower in Q3 2020 and Q3 2020 YTD in our Reinsurance operations as a result of higher cash inflows in Q3 2019 and Q3 2019 YTD associated with the repayment of certain outstanding receivables in Q3 2019.

SEGMENTED REPORTING

As at	September 30, 2020				
	Trisura Canada	Trisura US	Trisura International	Corporate (1)	Total (2)
Assets	469,886	896,690	119,882	31,058	1,517,516
Liabilities	372,275	742,621	105,129	21,625	1,241,650
Shareholder's Equity	97,611	154,069	14,753	9,433	275,866
Book Value Per Share, $ (3)	9.51	15.00	1.44	0.91	26.86

(1) Corporate includes consolidation adjustments.
(2) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(3) 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, 2020.

As at	December 31, 2019				
	Trisura Canada	Trisura US	Trisura International (1)	Corporate (2)	Total (3)
Assets	424,009	444,763	104,169	5,452	978,393
Liabilities	333,681	336,608	85,766	32,009	788,064
Shareholder's Equity	90,328	108,155	18,403	(26,557)	190,329
Book Value Per Share, $ (4)	10.24	12.26	2.09	(3.01)	21.58

(1) Includes the assets and liabilities of its intermediary holding company.
(2) Corporate includes consolidation adjustments.
(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, 2019.

(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

FINANCIAL INSTRUMENTS

See Notes 4, 6, 15, and 16 in the Company's Condensed Interim Consolidated Financial Statements for financial statement classification of the change in fair value of financial instruments, significant assumptions made in determining the fair values, amounts of income, expenses, gains and losses associated with the instruments.

SUMMARY OF QUARTERLY RESULTS

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gross premiums written	239,607	202,683	169,952	143,212	114,354	109,313	81,383	68,274
Net premiums written and other revenue	71,195	52,748	49,041	43,231	39,959	38,885	32,759	31,789
Total underwriting revenue	48,902	42,643	38,108	33,285	32,249	27,734	26,442	23,658
Net income (loss) attributable to shareholders	6,535	6,587	8,371	4,172	2,543	(4,138)	2,517	1,631
EPS, basic (in dollars)	0.64	0.69	0.95	0.47	0.37	(0.63)	0.38	0.24
EPS, diluted (in dollars)	0.62	0.68	0.94	0.47	0.37	(0.63)	0.37	0.24
Distributions or cash dividends per-share	-	-	-	0.375	0.375	0.375	0.375	0.375
Total assets	1,517,516	1,327,613	1,143,064	978,393	886,893	750,472	667,922	600,982
Total non-current financial liabilities	28,869	29,494	33,704	29,700	29,700	29,700	29,700	29,700

OPERATING METRICS

We use operating metrics to assess our operating performance.

Operating Metrics	Definition
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 our Canadian operations) 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	Net claims and loss adjustment expenses incurred as a percentage of NPE.
LTM ROE	Net income for the twelve month period preceding the reporting date, divided by the average common shareholder's equity over the same period, adjusted for significant capital transactions, if appropriate.
MCT	Our Canadian operations report 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 our Canadian operations.
Retained premium (%)	NPW as a percentage of GPW.

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 the Company 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," "likely," "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 our Company 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: developments related to COVID-19, including the impact of COVID-19 on the economy and global financial markets; 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; changes in capital requirements; changes in reinsurance arrangements; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; 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
LTM	Last Twelve Months
MCT	Minimum Capital Test
MGA	Managing General Agent
n/a	not applicable
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
USD	United States Dollar
YTD	Year to Date