Trisura Group Ltd.

Management's Discussion and Analysis

For the year ended December 31, 2021

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 twelve months ended December 31, 2021. This MD&A should be read in conjunction with our audited Consolidated Financial Statements for the year ended December 31, 2021.

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 February 10, 2022. 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 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 15 years of operation, with a newly launched US surety platform integrated with our Canadian team. 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 48 states. We continue the process of applying for licenses in the remaining states. Our international Reinsurance business has been in operation in Barbados for more than 19 years and is managing its in-force run-off portfolio of specialty reinsurance contracts. It has also 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.

SECTION 2 – FINANCIAL HIGHLIGHTS FOR Q4 AND FULL YEAR 2021

- ✓ GPW of $484.7 million in Q4 and $1.6 billion for the full year demonstrates exciting momentum and a platform achieving increased scale with contributions from growth in Canada and a sustained expansion of US Fronting.
- ✓ Net income for the full year of $62.6 million increased by 92.8% compared to 2020, driven by growth in Canada and the US, as well as strong underwriting performance in Canada and greater scale in the US.
- ✓ EPS of $0.24 in the quarter decreased by 7.7% over the prior year, while EPS of $1.49 for the year increased by 81.7%. Adjusted EPS(1) of $0.31 in the quarter and $1.47 for the full year increased by 29.2% and 75.0% respectively over the prior year.
- ✓ ROE(2) of 19.0% increased from 13.4% at Q4 2020. ROE exceeded our mid-teens target despite continued investment in growth. A significant contributor to the increase in ROE was strong underwriting performance in Canada.
- ✓ BVPS(2) of $8.70 increased by 23.2% over Q4 2020, the result of strong earnings, as well as unrealized gains in the investment portfolio over the period.
- ✓ Rationalization of our Reinsurance platform was achieved by successfully negotiating a novation of our life annuity reinsurance contract in the quarter. This will streamline operations and reduce exposure to variability in long term interest rates. The novation drove the $2.6 million Net loss from life annuity in the quarter.
- ✓ Canada:
  - Quarterly GPW growth of 84.9% reflects increased market share, expansion of distribution relationships, new fronting arrangements and the benefit of hard market conditions in certain lines of business.
  - Quarterly NUI(2) growth of 11.5% over Q4 2020 was the result of growth across all lines and mitigated by greater claims in the surety line.
  - In the context of a doubling in premium for the year, the combined ratio improved to 81.1% for the full year compared to 85.5% for 2020.
  - Net Income of $9.2 million in the quarter increased 53.8% over Q4 2020, generating a 29.8% ROE.
- ✓ United States:
  - A significant milestone has been achieved with GPW of $293.3 million in the quarter and $1 billion for the year, demonstrating sustained growth and continued expansion of our hybrid fronting model.
  - Fee income in the quarter of $11.9 million reflect continued momentum and strong growth over Q4 2020.
  - Deferred fee income(2), a precursor to earned fees, grew to $26.0 million, a 41.9% increase over Q4 2020.
  - Net Income of $6.8 million in the quarter increased 19.4%, supported by fee income and mitigated by claims in the quarter and an increase in reinsurance. Full year net income of $27.2 million increased 65.8% over 2020, a material increase.
  - ROE of 14.0% improved over the prior year, despite a significant increase in capital demonstrating the exciting potential of the business.
- ✓ AM Best reaffirmed A- ratings for both Canada and the US, as well as introducing a group financial size rating increasing our financial size category to size IX, expected to be helpful as we continue to pursue admitted opportunities.

(1) This is a non-IFRS ratio. Non-IFRS ratios are not standardized under the financial reporting framework used to prepare the financial statements of the Company to which the ratio relates and might not be comparable to similar ratios disclosed by other companies. See non-IFRS ratios in Section 10, Non-IFRS Financial Measures and Other Financial Measures for details on composition, as well as each non-IFRS financial measure used as a component of ratio, and an explanation of how it provides useful information to an investor.
(2) This is a supplementary financial measure. Refer to Section 10, Operating Metrics for its composition.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. To date, there have been restrictions on the conduct of business in many jurisdictions and the global movement of people and certain goods. We are continuing to monitor developments related to COVID-19, including the existing and potential impact on the economy and global financial markets. Although COVID-19 has had minimal impact on our business to date, given the ongoing and dynamic nature of the circumstances surrounding COVID-19 and continuing 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. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making. 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

Table 3.1

	Q4 2021	Q4 2020	$ variance	% variance	2021	2020	$ variance	% variance
Gross premiums written	484,740	314,200	170,540	54.3%	1,563,206	926,442	636,764	68.7%
Net premiums written	115,941	88,400	27,541	31.2%	398,137	241,324	156,813	65.0%
Net premiums earned	82,768	51,091	31,677	62.0%	277,909	160,684	117,225	73.0%
Fee income	12,625	9,659	2,966	30.7%	49,879	29,719	20,160	67.8%
Net investment income	7,430	5,922	1,508	25.5%	7,605	27,779	(20,174)	(72.6%)
Net gains	3,726	2,822	904	32.0%	14,484	8,450	6,034	71.4%
Total revenues	106,549	69,494	37,055	53.3%	349,877	226,632	123,245	54.4%
Net claims and loss adjustment expenses	(36,823)	(23,096)	(13,727)	59.4%	(82,330)	(72,562)	(9,768)	13.5%
Net commissions	(33,341)	(17,484)	(15,857)	90.7%	(107,757)	(55,915)	(51,842)	92.7%
Operating expenses	(21,957)	(14,037)	(7,920)	56.4%	(77,709)	(57,560)	(20,149)	35.0%
Interest expense	(578)	(222)	(356)	160.4%	(1,638)	(1,113)	(525)	47.2%
Total claims and expenses	(92,699)	(54,839)	(37,860)	69.0%	(269,434)	(187,150)	(82,284)	44.0%
Income before income taxes	13,850	14,655	(805)	(5.5%)	80,443	39,482	40,961	103.8%
Income tax expense	(3,555)	(3,706)	151	(4.1%)	(17,884)	(7,040)	(10,844)	154.0%
Net income	10,295	10,949	(654)	(6.0%)	62,559	32,442	30,117	92.8%
Other comprehensive (loss) income	(2,173)	2,800	(4,973)	nm	4,897	96	4,801	nm
Comprehensive income	8,122	13,749	(5,627)	(40.9%)	67,456	32,538	34,918	107.3%
Earnings per common share - diluted - in dollars	0.24	0.26	(0.02)	(7.7%)	1.49	0.82	0.67	81.7%
Adjusted earnings per common share - diluted - in dollars	0.31	0.24	0.07	29.2%	1.47	0.84	0.63	75.0%
Book value per share - in dollars	8.70	7.06	1.64	23.2%	8.70	7.06	1.64	23.2%
ROE	19.0%	13.4%	n/a	5.6pts	19.0%	13.4%	n/a	5.6pts
Adjusted ROE(1)	18.8%	13.8%	n/a	5.0pts	18.8%	13.8%	n/a	5.0pts

(1) This is a non-IFRS ratio. See Table 10.4 in Section 10, Non-IFRS Financial Measures and Other Financial Measures for details on composition, as well as each non-IFRS financial measure used as a component of this ratio, and an explanation of how it provides useful information to an investor.

Premium Revenue and Fee Income

Premium momentum continued in the quarter and full year, driven by continued expansion of US Fronting, as well as significant growth in Canada led by Risk Solutions, but supported by both Surety and Corporate Insurance. NPW growth for the quarter and full year was also significant, reflecting growth in both the Canadian and US business.

NPE growth for the quarter and full year was substantial, benefitting from growth in the Canadian and US operations. The increase in fee income in the quarter and full year was driven primarily by fronting fees from the US.

Net Investment Income and Net Gains

See Section 5 – Investment Performance Review.

Net Claims and Loss Adjustment Expenses

Net claims in the quarter grew as a result of growth in the business, as well as the impact of a higher loss ratio(1) in the US operations. Growth in net claims for the full year was a result of growth in the business, despite a lower loss ratio in Canada. We also experienced lower claims expense in the Reinsurance operations for the full year, associated with the discounting of our life annuity reserves. Importantly, a significant portion of the movement in life annuity reserves is offset by investment income (see Section 5 – Investment Performance Review).

Net Commissions

Growth in Net commissions expense in both the quarter and full year was a result of growth in the business as we distribute our products primarily through agents who receive commission in both Canada and the US. Growth of Net commissions exceeded growth in NPE primarily as a result of lower ceding commission in Canada as a result of the change in reinsurance structure.

Operating Expenses

Operating expenses in the quarter and full year were greater than 2020 driven primarily by operational costs associated with growth in the business. The growth in operating expenses was also impacted by share-based compensation, as the increasing value of our share price led to an increase in the value of certain outstanding options. Operating expenses excluding share-based compensation(2) increased 50.6% in the quarter and 34.7% for the full year, reflective primarily of growth in the Canadian and US operations. The movement in share-based compensation was mitigated through a hedging program, the movement of which is presented in Net gains. The impact of Corporate costs, net of hedging is shown in Section 4 – Performance Review, Corporate.

(1) This is a supplementary financial measure. Refer to Section 10, Operating Metrics for its composition.
(2) Operating expenses excluding share-based compensation is a non-IFRS financial measure. Non-IFRS financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Company to which the measure relates and might not be comparable to similar financial measures disclosed by other companies. See Section 10, Non-IFRS Financial Measures and Other Financial Measures for details and an explanation of how it provides useful information to an investor.

Income Tax Expense

Income tax expense for Q4 2021 was less than Q4 2020 as a result of lower Net income before tax during the quarter. Income tax expense, for full year 2021 was greater than 2020 reflecting growth in Net income. On a full year basis, Income tax expense includes a recovery of approximately $0.9 million associated with the 2020 tax filings. In 2020 we recognized a Deferred tax asset related to previously unrecognized tax losses, which resulted in a one-time tax recovery. For additional information, see Note 20 of the Consolidated Financial Statements.

Net Income

Despite significant growth, Net income for the quarter was comparable to Q4 2020 as a result of losses associated with the novation of our annuity reinsurance contracts, and claims experience in Surety for the quarter. Net income for the full year period was significantly higher than the prior year as a result of substantial growth, improved full year underwriting results, operational leverage gained by scaling of our US platform and improved hedging of share-based compensation costs.

Other Comprehensive (Loss) Income

See Section 5 – Investment Performance Review.

EPS, Adjusted EPS, BVPS, ROE, Adjusted ROE

Quarterly EPS of $0.24 in Q4 2021 was comparable to Q4 2020. The result reflects the costs of novation of our annuity reinsurance contracts and claims experience in Surety in the quarter, offset by increasing profitability from fronting operations in the US and growth in Canada. EPS for the full year was substantially improved over 2020, as a result of growth in the business, improved underwriting results in Canada and scaling of the US operations.

Adjusted EPS is meant to reflect EPS, adjusted for certain items to normalize earnings of core operations in order to better reflect our North American specialty operations. A detailed bridge between EPS and Adjusted EPS is included in Section 10, under Non-IFRS ratios. Adjusted EPS grew by 29.2% in Q4 2021, primarily due to growth in specialty P&C earnings in both Canada and the US. Adjusted EPS grew by 75.0% for the full year as a result of growth in the business.

BVPS increased by 23.2% over the prior year as a result of growth in Net income, as well as an increase in unrealized gains.

ROE and Adjusted ROE increased as a result of growth in the business, as well as improvements in profitability as a result of greater scale.

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

BALANCE SHEET ANALYSIS

Table 3.2

As at	December 31, 2021	December 31, 2020	$ variance
Cash and cash equivalents	341,319	136,519	204,800
Investments	641,140	503,684	137,456
Premiums and accounts receivable, and other assets	311,629	178,883	132,746
Recoverable from reinsurers	1,375,354	676,972	698,382
Deferred acquisition costs	304,580	188,190	116,390
Capital assets and intangible assets	17,109	13,907	3,202
Deferred tax assets	9,223	8,577	646
Total assets	3,000,354	1,706,732	1,293,622
Accounts payable, accrued and other liabilities	216,633	57,343	159,290
Reinsurance premiums payable	335,673	151,707	183,966
Unearned premiums	965,245	592,711	372,534
Unearned reinsurance commissions	152,003	100,281	51,722
Unpaid claims and loss adjustment expenses	897,011	487,271	409,740
Debt outstanding	75,000	27,555	47,445
Total liabilities	2,641,565	1,416,868	1,224,697
Shareholders' equity	358,789	289,864	68,925
Total liabilities and shareholders' equity	3,000,354	1,706,732	1,293,622

Total assets at December 31, 2021 were $1.3 billion higher than at December 31, 2020 as a result of growth across our Specialty P&C businesses. The growth in the US, as well as growth in certain fronted programs in Canada, has led to an increase across a number of categories, particularly Recoverables from reinsurers which has grown alongside growth in premium and ceded premium. The nature of the fronted operations causes it to generate significant Recoverables from reinsurers, which increase alongside an increase in Unearned premiums and Unpaid claims and loss adjustment expenses. These recoverables are monitored in accordance with the Company's reinsurance risk management policies and generally, are owing from reinsurers with A.M. Best ratings of A- or higher or who otherwise have posted an agreed upon level of collateral. Cash and Investments have also increased as additional cash from the debt issuance in Q2 2021 and from operations was deployed to the investment portfolio.

Total liabilities at December 31, 2021 were $1.2 billion higher than at December 31, 2020 as a result of growth across our Specialty P&C businesses. 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 but also related to growth in the Canadian business. These increases are partially offset by an increase in Recoverable from reinsurers. Reinsurance premiums payable also grew significantly reflecting growth in a number of fronted programs in both Canada and the US. Debt outstanding increased as a result of the debt issuance in 2021.

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 5,797,000 shares.

As at December 31, 2021, 41,165,198 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; (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 16.1 to the Consolidated Financial Statements). These funds are used primarily to pay claims and operating expenses, service the Company's debt outstanding and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio(1) of Trisura's principal Canadian operating subsidiary was 229% at December 31, 2021 (249% as at December 31, 2020), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI, as well as the Company's internal target(2).

Trisura US's capital and surplus(3) of $212.7 million as at December 31, 2021 ($156.0 million as at December 31, 2020) was in excess of the various Company Action Levels of the states in which it is licensed.

Trisura International's capital(3) of $11.6 million as at December 31, 2021 ($13.1 million as at December 31, 2020) was sufficient to meet the Financial Services Commission's regulatory capital requirement.

The Company's debt-to-capital ratio(4) of 17.3% as at December 31, 2021 (8.7% as at December 31, 2020), was below our long-term target debt-to-capital ratio of 20.0% .

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.

(1) This measure is calculated in accordance with the Office of the Superintendent of Financial Institutions Canada's (OSFI's) Guideline A, Minimum Capital Test.
(2) This target is in accordance with OSFI's Guideline A-4, Regulatory Capital and Internal Capital Targets.
(3) Equivalent to equity on a segmented basis (see Note 24 in Consolidated Financial Statements).
(4) This is a supplementary financial measure. See Section 10, Operating Metrics for its composition.

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

SECTION 4 – PERFORMANCE REVIEW

SPECIALTY P&C

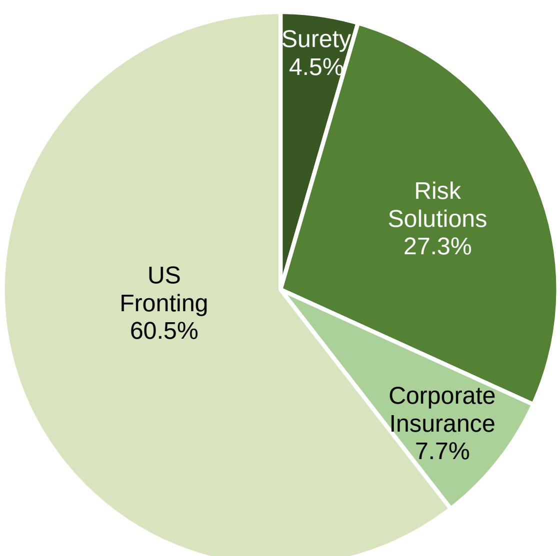
Our Specialty P&C business consists of Surety, Risk Solutions, and Corporate Insurance business lines which we primarily write in Canada, referred to as Trisura Canada, and a broad range of admitted and surplus lines in the US written through a fronting model, referred to as Trisura US or US Fronting.

The table and charts below provide a segmentation of our Specialty P&C GPW and NPW for the fourth quarter and full year 2021 and 2020, respectively. Although US Fronting comprises the majority of our GPW, premium growth was substantial in Canada, supported by considerable momentum in Risk Solutions and Corporate Insurance, as well as strong performance in Surety.

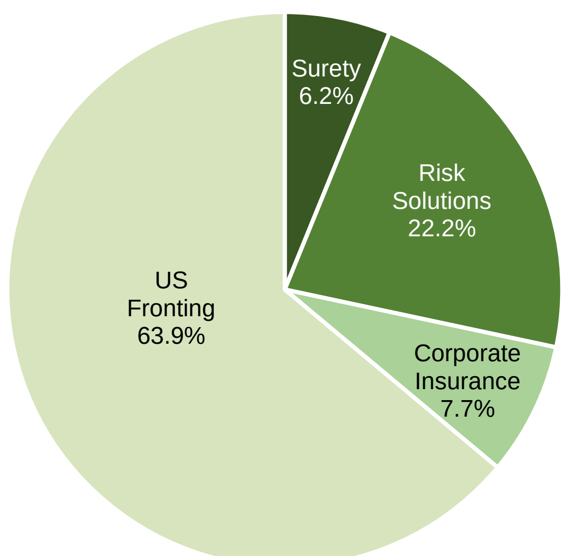
Table 4.1

GPW	Q4 2021	Q4 2020	% growth over prior year	2021	2020	% growth over prior year
Surety	21,915	18,572	18.0%	96,302	71,575	34.5%
Risk Solutions	132,341	59,432	122.7%	346,732	137,717	151.8%
Corporate Insurance	37,154	25,519	45.6%	120,972	69,843	73.2%
US Fronting	293,310	210,654	39.2%	999,100	647,183	54.4%
Total GPW	484,720	314,177	54.3%	1,563,106	926,318	68.7%

Gross Premiums Written
Q4 2021



Gross Premiums Written
2021



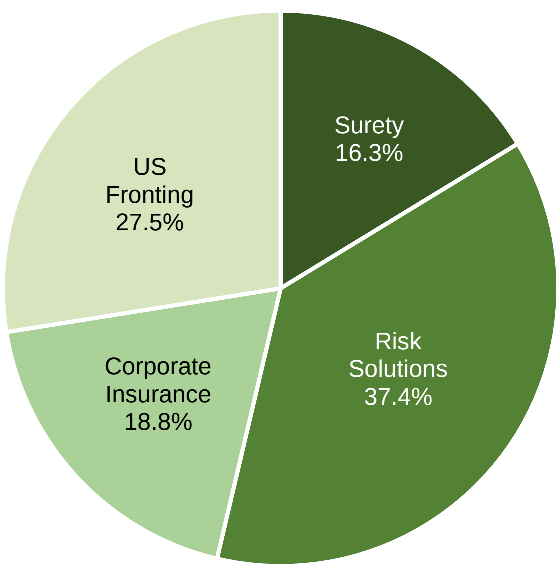
(in thousands of Canadian dollars, except per share numbers and as otherwise noted)

Our US operations continued to cede premium to our Reinsurance business in the quarter, resulting in premium generation for our Reinsurance business. In certain tables, including table 4.2 below, the premiums ceded to the Reinsurance business are grouped with US Fronting to better reflect the result of the business and are identified as such.

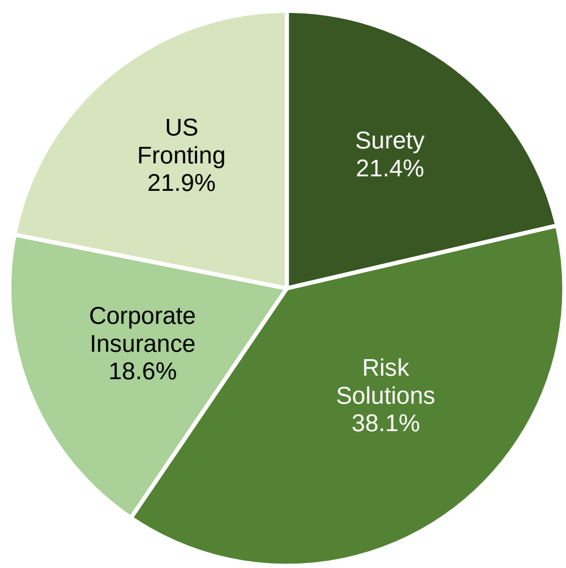
Table 4.2

NPW	Q4 2021	Q4 2020	% growth over prior year	2021	2020	% growth over prior year
Surety	18,888	12,447	51.7%	85,075	44,723	90.2%
Risk Solutions	43,338	40,329	7.5%	151,807	103,622	46.5%
Corporate Insurance	21,805	17,996	21.2%	74,068	48,941	51.3%
US Fronting	31,910	17,628	81.0%	87,187	44,038	98.0%
Total NPW	115,941	88,400	31.2%	398,137	241,324	65.0%

Net Premiums Written
Q4 2021



Net Premiums Written
2021



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

CANADA

The table below presents financial highlights for our Canadian operations.

Table 4.3

	Q4 2021	Q4 2020	$ variance	% variance	2021	2020	$ variance	% variance
Gross premiums written	191,410	103,523	87,887	84.9%	564,006	279,135	284,871	102.1%
Net premiums written	84,031	70,772	13,259	18.7%	310,950	197,286	113,664	57.6%
Net premiums earned	65,914	41,177	24,737	60.1%	223,138	133,535	89,603	67.1%
Fee income	685	1,046	(361)	(34.5%)	6,844	5,027	1,817	36.1%
Net underwriting revenue(1)	66,599	42,223	24,376	57.7%	229,982	138,562	91,420	66.0%
Net underwriting income	5,814	5,215	599	11.5%	42,110	19,433	22,677	116.7%
Net investment income	2,477	1,863	614	33.0%	8,722	7,842	880	11.2%
Net income	9,174	5,965	3,209	53.8%	41,072	19,865	21,207	106.8%
Loss ratio: current accident year(1)	27.6%	25.2%		2.4pts	26.9%	27.6%		(0.7pts)
Loss ratio: prior years' development(1)	(1.4%)	4.8%		(6.2pts)	(5.7%)	(2.3%)		(3.4pts)
Loss ratio	26.2%	30.0%		(3.8pts)	21.2%	25.3%		(4.1pts)
Expense ratio(1)	65.0%	57.3%		7.7pts	59.9%	60.2%		(0.3pts)
Combined ratio(1)	91.2%	87.3%		3.9pts	81.1%	85.5%		(4.4pts)
ROE	29.8%	19.9%		9.9pts	29.8%	19.9%		9.9pts

(1) These are supplementary financial measures. See Section 10, Operating Metrics for its respective composition.

Strong GPW growth for the quarter and the full year continued across all lines, led by Risk Solutions and Corporate Insurance. Risk Solutions sustained momentum from expanding fronting business in the quarter and for the full year. Both fronting and warranty business contributed to its growth. Corporate insurance has benefitted from a hardening insurance market with improved pricing, growth in programs, and expansion of distribution partnerships. Growth in Surety reflects continued expansion of our market share and product expansion including premiums from our nascent Surety business in the US.

For the quarter and the full year, substantial growth in NPW and NPE was the result of the factors discussed above, as well as a change to the Company's surety reinsurance program. Beginning in 2021 the Company modified its surety reinsurance program to primarily an excess of loss structure, rather than a quota share structure. This modification reduced ceded premium and increased the Company's net retention on surety business. The evolution of our reinsurance program reflects the Company's capacity to retain more risk in attractive business lines, given the increase in our capital base.

The increase in Fee income in 2021 reflected product expansion into new home warranty products, as well as account growth in existing surety lines, while the decrease for Q4 2021 reflected a particularly strong quarter for fee income in Q4 2020 for Contract surety.

The loss ratio for Q4 and the full year 2021 was lower than Q4 and the full year 2020, as a result of lower loss ratios in Corporate Insurance and Risk Solutions. The Q4 2021 expense ratio increased compared to Q4 2020 due to the change in our surety reinsurance structure which reduced reinsurance ceding commission in 2021, as well as the impact of a contingent profit commission, associated with the surety reinsurance program received in Q4 2020. The expense ratio was lower for the full year 2021 compared to 2020, a result of improved operational leverage as the platform continues to grow. This was offset by higher net commissions, as a result of the change in reinsurance structure in Surety. The combined ratio for the full year 2021 was lower than for the full year 2020, while the Q4 2021 combined ratio was higher than Q4 2020, as a result of the factors discussed above.

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

Net underwriting income for the quarter grew by 11.5% despite a higher combined ratio as a result of growth in the business. For the full year, Net underwriting income grew significantly at 116.7%, a result of growth across all lines and a lower combined ratio.

See Section 5 – Investment Performance Review for a discussion on Net investment income.

Net income grew in the quarter and the full year as a result of growth in Net underwriting income and in Net investment income. Strong growth in premium generation combined with disciplined underwriting demonstrated the benefit of our specialty focus and the ability of our platform to perform through volatile markets. Net income in Q4 2021 and the full year includes a tax recovery of approximately $2.4 million of tax losses, which were transferred from Trisura Group to Trisura Canada. The transfer had no impact on a consolidated basis.

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;
- ✓ Developer surety bonds, comprising mainly bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects; and
- ✓ New home warranty insurance for residential homes.

Table 4.4

	Q4 2021	Q4 2020	$ variance	% variance	2021	2020	$ variance	% variance
Gross premiums written	21,915	18,572	3,343	18.0%	96,302	71,575	24,727	34.5%
Net premiums written	18,888	12,447	6,441	51.7%	85,075	44,723	40,352	90.2%
Net premiums earned	18,237	10,232	8,005	78.2%	67,969	40,103	27,866	69.5%
Fee income	632	1,046	(414)	(39.6%)	6,670	5,027	1,643	32.7%
Net underwriting revenue	18,869	11,278	7,591	67.3%	74,639	45,130	29,509	65.4%
Net underwriting income	442	4,914	(4,472)	(91.0%)	19,592	14,789	4,803	32.5%
Loss ratio: current accident year	35.3%	8.5%		26.8pts	23.9%	14.6%		9.3pts
Loss ratio: prior years' development	(3.9%)	3.4%		(7.3pts)	(7.8%)	(4.2%)		(3.6pts)
Loss ratio	31.4%	11.9%		19.5pts	16.1%	10.4%		5.7pts

Surety GPW grew significantly for the quarter and the full year. Growth for the quarter was driven by contract, commercial and developer surety. GPW grew for the full year as a result of the same factors, and was enhanced by the addition of home warranty products in western Canada, as well as our new surety operations in the US.

The growth in NPW and NPE was strong in Q4 and the full year 2021 as a result of growth in GPW and the change in reinsurance structure for our Surety business from primarily a quota share to primarily an excess of loss structure.

For Q4 and full year 2021 the loss ratio increased compared to 2020 as a result of an increase in current accident year claims in the quarter in contract surety. Net underwriting income for the quarter was lower than Q4 2020 in part as a result of higher comparative claims experience. Q4 2020 also benefited from lower expenses due to a contingent profit payment from reinsurers. Net underwriting income for the full year increased over the full year 2020, as a result of growth in the business.

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

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, 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 the automotive and consumer goods space, and fronting for reinsurers through licensed brokers and MGAs for various insurance risks. Risk Solutions also sells warranty products which serve as complementary products to our insurance policies.

Table 4.5

	Q4 2021	Q4 2020	$ variance	% variance	2021	2020	$ variance	% variance
Gross premiums written	132,341	59,432	72,909	122.7%	346,732	137,717	209,015	151.8%
Net premiums written	43,338	40,329	3,009	7.5%	151,807	103,622	48,185	46.5%
Net premiums earned	29,163	18,120	11,043	60.9%	92,238	51,696	40,542	78.4%
Net underwriting revenue	29,226	18,120	11,106	61.3%	92,412	51,696	40,716	78.8%
Net underwriting income	1,402	572	830	145.1%	11,144	4,788	6,356	132.7%
Loss ratio: current accident year	25.9%	22.0%		3.9pts	20.4%	23.8%		(3.4pts)
Loss ratio: prior years' development	(2.7%)	4.9%		(7.6pts)	(1.5%)	(1.2%)		(0.3pts)
Loss ratio	23.2%	26.9%		(3.7pts)	18.9%	22.6%		(3.7pts)

Risk solutions GPW and NPW for the quarter and full year increased over comparable periods in 2020 as a result of new programs as well as significant growth from fronting arrangements. In the quarter, new fronted premiums in Canada contributed $96.3 million (Q4 2020 – $18.4 million) and $198.2 million (2020 – $18.6 million) for the full year. For fronted business in the Canadian operations, we generally target a fronting fee in the range of 4% to 8% of GPW depending on the nature of the arrangement. It should be noted that GPW for many warranty programs in 2020 was impacted by pandemic related shutdowns, and year over year comparisons show strong growth as a result.

Growth in NPE for the quarter and 2021 was driven by maturation of the portfolio resulting in greater earned premiums from programs written in prior years, as well as benefitting from the impact of the new programs.

In Q4 and full year 2021, the loss ratio was lower than Q4 and full year 2020 as a result of improved performance in certain warranty programs, as well as a shift in the mix of business.

Net underwriting income in the quarter and full year increased over 2020 primarily as a result of a growing contribution from maturing programs that are performing well, and a significant increase in Net underwriting income generated from fronted programs.

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

Corporate Insurance

The main products offered by our Corporate Insurance business 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.

Table 4.6

	Q4 2021	Q4 2020	$ variance	% variance	2021	2020	$ variance	% variance
Gross premiums written	37,154	25,519	11,635	45.6%	120,972	69,843	51,129	73.2%
Net premiums written	21,805	17,996	3,809	21.2%	74,068	48,941	25,127	51.3%
Net premiums earned	18,514	12,825	5,689	44.4%	62,930	41,736	21,194	50.8%
Net underwriting revenue	18,514	12,825	5,689	44.4%	62,930	41,736	21,194	50.8%
Net underwriting income (loss)	3,970	(271)	4,241	nm	11,373	(144)	11,517	nm
Loss ratio: current accident year	34.8%	43.1%		(8.3pts)	39.7%	44.6%		(4.9pts)
Loss ratio: prior years' development	(9.2%)	5.7%		(14.9pts)	(9.6%)	(1.7%)		(7.9pts)
Loss ratio	25.6%	48.8%		(23.2pts)	30.1%	42.9%		(12.8pts)

GPW, NPW and NPE continued to demonstrate strong growth in Q4 and on a full year basis. This was due to continued new business growth, stable policy retentions, continued increasing rates and strengthening relationships with our distribution partners.

In Q4 2021, the loss ratio decreased from Q4 2020, as a result of a lower current accident year loss ratio combined with favourable prior years' development. We continue to reserve current accident year business at a higher rate than prior years to reflect the uncertainty related to the current economic environment. Should the economic climate become more certain, our reserving practices may return to previous levels. For the full year 2021, the loss ratio was lower than the prior year due to an improved current accident year loss ratio, as well as a favourable reduction in prior years' development.

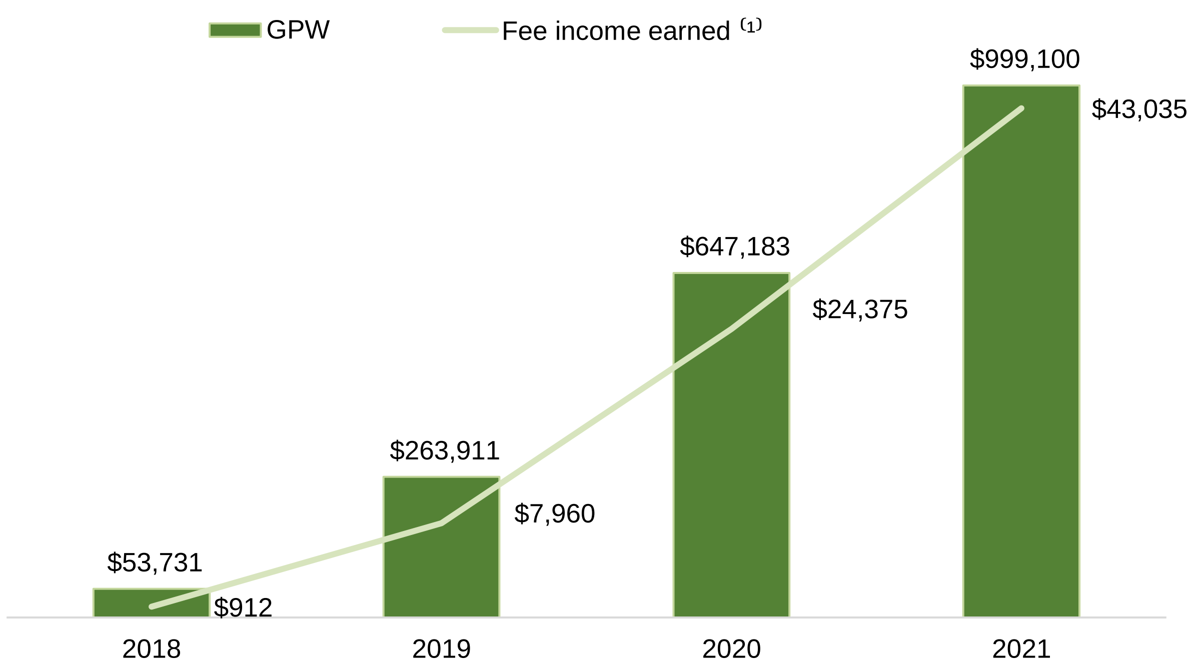
Net underwriting income (loss) increased in Q4 and on a full year basis as a result of strong growth in the business combined with the improved loss ratio.

UNITED STATES

Our US operations function as a non-admitted surplus line insurer in all states, participating as a hybrid fronting carrier with a fee-based business model. We are actively expanding our admitted licenses, with licenses in 48 states and the intention of gaining admitted licenses across all 50 states in time.

In Q4 2021 we launched Bricktown Specialty Insurance Company, a companion Excess and Surplus balance sheet to support growth of our hybrid fronting platform.

Our US operations continued to grow premium, producing $293.3 million in the quarter across 62 programs. The graph below shows the evolution of GPW, fee income earned, and the number of programs bound in the US.

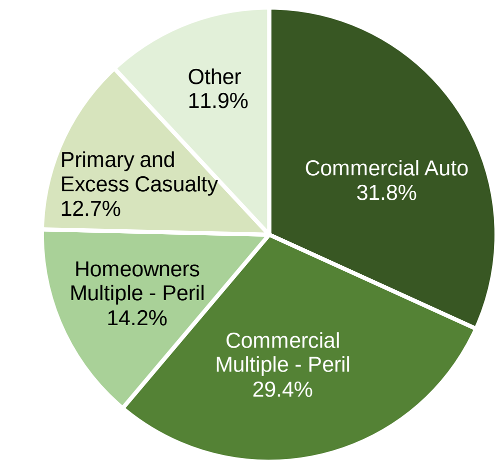


Number of Programs bound	14	29	48	62

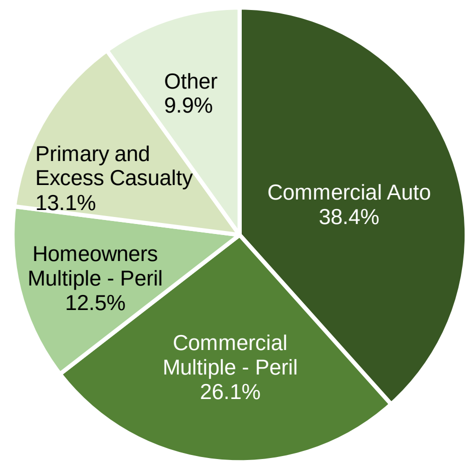
(1) Fee income earned excludes fees earned on premiums ceded to Trisura’s captive reinsurance operations.

The charts below provide a segmentation by class of business of our US GPW and NPW for Q4 2021 and full year 2021. The charts include premiums ceded to the captive reinsurance operations.

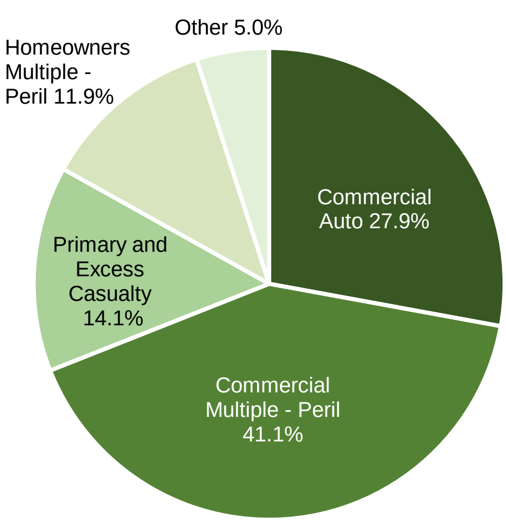
Gross Premiums Written
Q4 2021 (1)



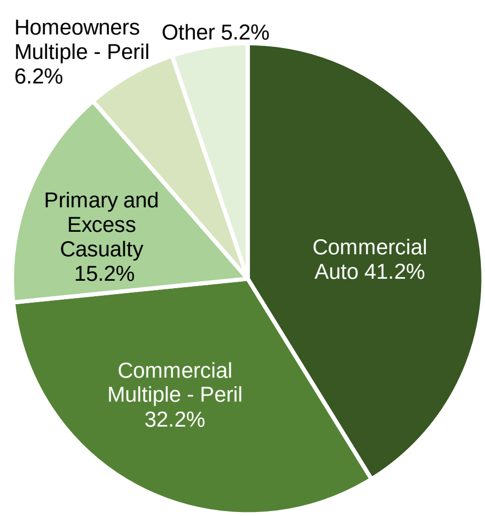
Gross Premiums Written
2021 (1)



Net Premiums Written
Q4 2021 (1)



Net Premiums Written
2021 (1)



(1) "Other" includes Auto Physical Damage, Allied Lines – Flood, Boiler and Machinery, Farmowners Multiple - Peril, Inland Marine, MonoLine Property, Prepaid Legal, Private Auto, Medical Professional Liability and Surety.

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

The table below presents financial highlights for our US operations. The table includes any business ceded to Trisura's captive reinsurance operations, and excludes fronting fees received on premiums ceded to the captive reinsurance operations.

Table 4.7

	Q4 2021	Q4 2020	$ variance	% variance	2021	2020	$ variance	% variance
Gross premiums written	293,310	210,654	82,656	39.2%	999,100	647,183	351,917	54.4%
Net premiums written	31,910	17,605	14,305	81.3%	87,187	43,915	43,272	98.5%
Net premiums earned	16,834	9,891	6,943	70.2%	54,670	27,026	27,644	102.3%
Fee income	11,930	8,449	3,481	41.2%	43,035	24,375	18,660	76.6%
Net underwriting revenue	28,764	18,340	10,424	56.8%	97,705	51,401	46,304	90.1%
Net underwriting income	6,045	5,779	266	4.6%	26,630	15,113	11,517	76.2%
Net investment income	1,470	1,158	312	26.9%	4,926	3,880	1,046	27.0%
Net income	6,817	5,710	1,107	19.4%	27,154	16,382	10,772	65.8%
Loss ratio	82.1%	75.9%			73.3%	74.0%		
Retention rate(1)	10.9%	8.4%			8.7%	6.8%		
Fees as percentage of ceded premium(1)	5.4%	6.0%			5.6%	5.8%		
Fronting operational ratio(1)	79.0%	68.5%			72.7%	70.6%		
ROE	14.0%	11.7%			14.0%	11.7%		

(1) This is a supplementary financial measure. See Section 10, Operating Metrics for its composition.

The table below shows Deferred fee income as at Q4 2021, compared to Q4 2020.

Table 4.8

As at	December 31, 2021	December 31, 2020	$ variance
Deferred fee income	25,974	18,306	7,668

GPW and NPW in the quarter and full year periods grew significantly over 2020. The increase was a result of the addition of new programs as well as growth of existing programs. Growth in NPW was higher than growth in GPW in Q4 and full year 2021 as our US operations wrote more business in the period with a higher retention in 2021 than 2020. In the quarter and full year 2021, $23.7 million and $61.9 million of premiums were generated by admitted programs.

Our US Fronting operations retained 10.9% of GPW in the quarter and 8.7% of GPW for the full year, inclusive of premiums ceded to our reinsurance operations. The remainder of premiums were ceded to third party reinsurers. The increase in retention reflects structural nuances on certain new programs whose premiums are grossed up to reflect higher commission rates, leading to a higher reported retention rate. A more mature business mix and selective increased retention on renewed programs, also increased the retention rate. 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 lower in the quarter and for the full year, in part as a result of the purchase of additional catastrophe coverage which does not attract fee income.

Quarterly and full year NPE grew significantly compared to 2020, driven by growth of programs and an increase in retained premium earned in the period from business bound in 2021 and 2020.

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

UNITED STATES (CONTINUED)

Fee income in our US operations 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 fee income is similar to that of net premium earned. Fee income grew strongly in Q4 and the full year 2021 as a result of significant premium growth.

The Q4 2021 loss ratio was higher than the comparable period in 2020 as US property business experienced claims associated with weather events, including on certain programs in run-off. The full year loss ratio in 2021 was comparable to 2020.

The fronting operational ratio in Q4 2021 was higher than Q4 2020, partly as a result of the higher loss ratio. The full year operational ratio was comparable to prior year period, increasing slightly as a result of a shift in the mix of business.

See Section 5 – Investment Performance Review for a discussion on Net investment income.

Quarterly and full year Net income increased, primarily as a result of increased Fee income as program volume and program partners continued to grow. During Q4 2021, the US operations generated a loss of approximately $2.2 million before tax, associated with additional catastrophe reinsurance purchases which were purchased for a group of programs with catastrophe exposure (the "CAT Programs Reinsurance"), which had yet to build sufficient scale. The reinsurance structure of these programs has been modified in order to better manage the cost of catastrophe reinsurance associated with these programs.

The US operations continued its trend of growing profitability, achieving a 14.0% ROE in 2021, compared to 11.7% ROE in 2020, following a significant increase in equity in Q2 2021.

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 Reinsurance business is managing its remaining portfolio of in-force reinsurance contracts and is writing business in support of our US operations. Business assumed from the US operations is presented within United States results.

The remaining in-force portfolio of third-party reinsurance contracts was dominated by one large life annuity reinsurance contract denominated in Euros. During Q4 2021 we entered into a novation agreement whereby we irrevocably transferred all liabilities and obligations under this life reinsurance contract to another reinsurer.

We measure the performance of our Reinsurance business by reference to Net loss in order to capture (i) the change in annuity reserves which is included in claims expense; 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.

Table 4.9

	Q4 2021	Q4 2020	$ variance	2021	2020	$ variance
Net loss from life annuity	(2,591)	(611)	(1,980)	(559)	(4,588)	4,029
Loss on sale of structured insurance assets	-	-	-	(1,336)	-	(1,336)
Operating expenses and other[(1)]	(547)	(731)	184	(2,163)	(2,131)	(32)
Net loss from legacy reinsurance[(2)]	(3,138)	(1,342)	(1,796)	(4,058)	(6,719)	2,661

(1) Includes operating and other expenses, operational income from legacy property casualty business currently in run-off, and certain gains/losses.
(2) Note that the presentation of our Reinsurance table has been updated. See Table 10.6.1 for reconciliation to Note 24 - Segmented Information in the Company's Consolidated Financial Statements.

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

REINSURANCE (CONTINUED)

Net loss from life annuity was greater in Q4 2021 than Q4 2020 as a result of the loss on novation, which occurred in Q4 2021. Net loss for the full year 2021 was less than 2020 as a result of reserve reductions in Q3 2021 following the identification of a block of dormant policies as well as favourable asset liability mismatch as a result of rising interest rates in 2021.

During Q3 2021, in order to streamline operations, we disposed of the structured insurance assets, which generated a loss in the period. As a result of this sale, capital can be allocated to more liquid investments.

Operating expenses and other were lower in Q4 2021 compared to Q4 2020 as a result of foreign exchange losses in 2020. For the full year, Operating expenses and other were approximately the same as 2020.

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.

Corporate expenses in the quarter and full year 2021 periods were comparable to 2020.

Share-based compensation includes payment to directors and senior management and can be impacted by movement in the share price. As a result, we previously introduced a hedging program for share-based compensation to mitigate volatility. Share-based compensation is presented below net of the impact of hedging instruments. Share-based compensation increased for the quarter as a result of an increase in the value of the share price, which was not perfectly hedged, as well as the impact of certain unhedged components. Share-based compensation decreased for full year 2021 as a result of improved hedging activities compared to 2020.

Debt servicing costs increased in the quarter and full year periods compared to 2020 as a result of the increase in outstanding debt due to the issuance of senior unsecured notes in 2021, as well as higher interest costs on those notes compared to the rates on our revolving credit facility which was outstanding for the 2020 period.

Table 4.10

	Q4 2021	Q4 2020	$ variance	2021	2020	$ variance
Corporate expenses	(283)	(240)	(43)	(1,261)	(1,109)	(152)
Share-based compensation, net of hedging	(411)	(180)	(231)	(843)	(5,184)	4,341
Net expenses[1]	(694)	(420)	(274)	(2,104)	(6,293)	4,189
Debt servicing	(491)	(120)	(371)	(1,283)	(663)	(620)
Corporate	(1,185)	(540)	(645)	(3,387)	(6,956)	3,569

(1) Refer to Table 10.7.1 for details to reconcile to Note 24 – Segmented Information in the Company's Consolidated Financial Statements.

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

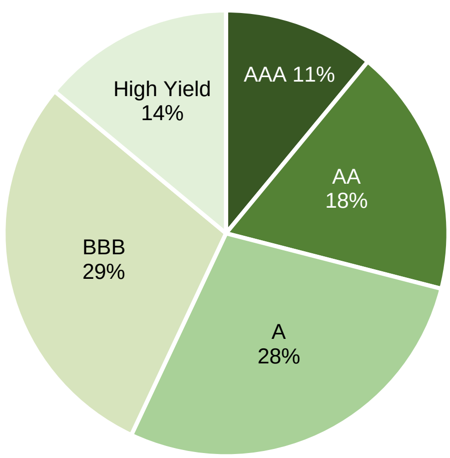
OVERVIEW

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. We take a centralized investment approach across all subsidiary portfolios and invest with a global posture.

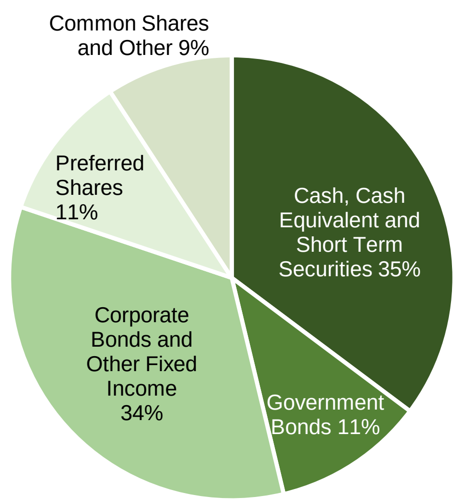
SUMMARY OF INVESTMENT PORTFOLIO

Our $982.5 million investment portfolio consists of cash and cash equivalents, short-term securities, government and corporate bonds, preferred shares, common shares and a small amount of alternative investments. Approximately 86% of our fixed income holdings are highly liquid, investment grade bonds.

Fixed Income Securities by Rating(1)



Investment Portfolio by Asset Class



(1) This is a supplementary financial measure. Composition: balance for each credit rating, divided by total balance for fixed income investments.

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

INVESTMENT PERFORMANCE

Net Investment Income

Table 5.1

	Q4 2021	Q4 2020	$ variance	2021	2020	$ variance
Canada	2,477	1,863	614	8,722	7,842	880
United States	1,470	1,158	312	4,926	3,880	1,046
Reinsurance operations	3,162	2,689	473	(7,033)	15,594	(22,627)
Corporate	321	212	109	990	463	527
Net investment income	7,430	5,922	1,508	7,605	27,779	(20,174)
Net gains - reported	3,726	2,822	904	14,484	8,450	6,034
Net gains excl. derivative gains(1)	2,195	2,257	(62)	5,103	6,165	(1,062)
Total investment income(2)	9,625	8,179	1,446	12,708	33,944	(21,236)

(1) Net gains excluding derivative gains is included in Table 4.10. This is a non-IFRS financial measure. See Table 10.3 in Section 10 for details to reconcile to Note 24 - Segmented Information in the Consolidated Financial Statements.
(2) Sum of Net investment income and Net gains excl. derivative gains.

The Company's operations include Specialty P&C insurance in Canada and the US, and international reinsurance. These businesses focus on different market segments, geographies and risks. They 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.

A portion of excess capital is currently maintained and managed at Corporate. Net investment income is driven by interest and dividend income on invested assets, which was greater in Q4 and full year 2021 than the prior year, as a result of a larger portfolio in 2021 than in 2020. We have allocated capital from Corporate to the operating platforms to support growth, and anticipate continuing to do so in the future. In the quarter, $10.0 million was deployed from Corporate into the Canadian platform.

Canadian investment income is driven by interest and dividend income on portfolio assets. Net investment income in the quarter and for the year grew compared to prior year primarily as a result of strong operational performance, which led to an increase in the size of our investment portfolio. We continue to diversify the Canadian portfolio, having introduced additional alternative investments in 2021 which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

US investment income is primarily driven by interest and dividend income, and grew in the quarter and for the full year, as growth in operations led to an increase in the size of our investment portfolio. In the quarter we continued to broaden the US portfolio to include allocations to asset classes beyond investment grade bonds.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment losses during the year were driven by an increase in interest rates during the year, while gains in the quarter were the result of a decrease in interest rates prior to the novation of the life annuity reinsurance contract during the quarter. It is important to note that the performance of the life annuity assets was offset by moves in the life annuity reserves.

Net gains excluding derivative gains, represent realized gains and losses from sales of investments, the impact of foreign exchange related to the investment portfolio and the operations of the business, and impairments. In the quarter and for the year, Net gains excluding derivative gains, were lower as a result of a smaller positive impact from foreign exchange compared to 2020.

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

Other Comprehensive (Loss) Income

Table 5.2

	Q4 2021	Q4 2020	$ variance	2021	2020	$ variance
Unrealized (losses) gains in OCI	(1,096)	10,853	(11,949)	4,463	4,942	(479)
Cumulative translation (loss) gain	(1,077)	(8,053)	6,976	434	(4,846)	5,280
Other comprehensive (loss) income	(2,173)	2,800	(4,973)	4,897	96	4,801

The Company records unrealized gains and losses on the market value of its AFS assets through OCI. The mark to market impact of these assets on OCI was negative in Q4, driven by unrealized losses on fixed income positions in Canada and the US. Despite volatility through the second half of the year, unrealized gains on an annual basis remain strong, driven by preferred share and equity positions in Canada, the US and Corporate.

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 the quarter reflected the weakening of the US dollar against the Canadian currency, driving lower Canadian dollar valuations of capital held outside of Canada. While the US dollar weakened against the Canadian currency on an annual basis, opportunistic conversion of Canadian cash to fund US operations led to cumulative translation gains in that period.

Refer to Notes 18 and 19 in 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.

The specialty market is more fragmented than the broader P&C industry. In the US, it is estimated that the top ten excess and surplus participants capture less than 40% market share, with the top 25 averaging 2% market share. An estimated $47.8 billion USD of excess and surplus insurance direct premiums were written in 2020 (excluding Lloyd's), growth of 18% year-on-year, compared with the broader P&C industry which grew by 2% year-on-year to $728.9 billion USD. From 2011 until 2020, the average combined ratio for US excess and surplus markets was 95.8% versus 100.4% for the P&C industry. In Canada, specialty market(1) growth was estimated to be 15% year-on-year to $6.3 billion in direct written premium, as compared to the P&C industry at 6.0% growth and $76.6 billion in direct written premium.

(1) Growth figures for the specialty market in Canada include Boiler and Machinery, Credit, Credit Protection, Fidelity, Hail, Legal Expense, Cyber Liability, Directors and Officers Liability, Excess Liability, Professional Liability, Umbrella Liability, Pollution Liability, Surety and Marine. Market data is based on the latest available data from MSA Research Inc. (FY 2020).

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 15 years and in the international specialty reinsurance market for over 19 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 48 states. We are in the process of obtaining admitted licenses in the 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.

Furthermore, we continue to benefit from 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 2020 and 2021. 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 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 Insurance Company is a demonstration of the willingness and capabilities our team has to pursue these acquisitions. Additionally, our Reinsurance business is writing new business in support of our US operations.

SECTION 7 – RISK MANAGEMENT

Our Company has developed an enterprise risk management framework and internal controls processes to identify, measure, monitor and mitigate risk. This framework is central to our business decision making including the business we choose to write and the business we choose to decline. Furthermore, for the business we write the risk management framework informs our determination of whether to retain the risk fully or to apply risk mitigation measures such as reinsurance.

CORPORATE GOVERNANCE

The Board of Directors is responsible for oversight of risk management and internal control systems and policies. The Board of Directors has established Board of Directors level risk committees at group and subsidiary levels, whose members are mostly independent of management. These committees meet quarterly to oversee and challenge the development and effectiveness of risk management frameworks and priorities and to review risk reporting. The Group Risk Management function, under the direction of the Group Chief Risk Officer, promotes sound and effective risk management across the Company by (i) ensuring that effective processes are in place to identify, assess, monitor, manage and report the risks to which the Company is or might be exposed, (ii) facilitating the setting of risk tolerances, limits and appetite by the Board and (iii) providing comprehensive and timely information on material risks which enables the Board and the Risk Committee to understand the overall risk profile of the Company. The Group Chief Risk Officer liaises with Risk Officers at subsidiary levels to develop consistency of approach with respect to risk identification, assessment, monitoring, management and reporting tailored to the operations of the subsidiaries. All Risk Officers at group and subsidiary levels report directly to their relevant risk committees. In addition, there are management level risk and underwriting committees at group and subsidiary levels with escalation processes to Board of Directors level committees.

The following factors in addition to the other information set forth in this MD&A and in the Company's Consolidated Financial Statements and Annual Information Form should be considered in assessing the risks to the Company and the industry and markets in which we operate. If any of the following risks occur our financial condition and results of operations would likely suffer. The following list of risks are those that the Company believes are the most significant. They are not the only risks that we face or may face in the future and other risks may emerge that could have a material adverse effect on our financial condition and results of operations.

RISKS AND UNCERTAINTIES

Highly Competitive Specialty Insurance Business

The specialty insurance business is highly competitive. Elements of competition include pricing, availability and quality of products, capacity, quality and speed of service, ratings, financial strength, distribution and technology systems and technical expertise. Our Company competes with many other insurance companies. Many of these competitors are larger and have greater financial resources than are available to our Company and have a greater ability to compete on the basis of price. Some of our competitors may offer a broader range of policy administration or other services or be willing to take on significantly more underwriting risk. Any increase in competition in this segment, especially by one or more larger companies, could materially and adversely affect our Company's business, financial condition, results of operations and prospects. Competitors may also acquire distributors to our detriment. Consolidation amongst insurance companies and distribution partners could also impact our ability to compete. As competitors introduce new products and as new competitors enter the market, our Company may encounter additional and more intense competition. Technological change implemented by insurers or new market entrants can result in a change to the competitive landscape and adversely impact our ability to compete. There can be no assurance that we will continue to increase revenues or be profitable. To a large degree, future revenues of our Company are dependent upon our ability to continue to develop and market our products and to enhance the capabilities of our products to meet changes in customer needs. We seek to manage competition risks by fostering strong relationships with our distribution partners and by focusing on their needs, delivering excellence in service and providing valuable product expertise.

Cyclical and Volatile Nature of Insurance Industry

The financial performance of the insurance industry has historically tended to fluctuate in cyclical patterns of ''soft'' markets characterized generally by increased competition, resulting in lower premium rates and underwriting standards, followed by ''hard'' markets characterized generally by lessening competition, stricter underwriting standards and increasing premium rates. Our Company's profitability tends to follow this cyclical market pattern with profitability generally increasing in hard markets and decreasing in soft markets. These factors could result in fluctuations in the underwriting results and net income of our Company. Historically, the results of companies in the specialty insurance industry have been subject to significant fluctuations and uncertainties. Many of these factors are beyond our Company's control. The profitability of specialty insurers can be affected significantly by many factors, including regulatory regimes, developing trends in tort and class action litigation, adoption of consumer initiatives regarding premium rates or claims handling procedures, and privacy and consumer protection laws that prevent insurers from assessing risk, or factors that have a high correlation with risks considered, such as credit scoring. An economic downturn in those jurisdictions in which our Company writes business or otherwise conducts business activities, or adverse political conditions, could result in less demand for specialty insurance and lower policy premiums.

Risks Associated with the COVID-19 Pandemic

The rapid spread of the COVID-19 coronavirus, was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken by government authorities globally in response to COVID-19, interrupted business activities and supply chains; disrupted travel; contributed to significant volatility in the financial markets; resulted in volatility of interest rates; impacted social conditions; and adversely impacted local, regional, national and international economic conditions as well as the labour market. As a result of the rapid spread of COVID-19, many companies and various governments have imposed restrictions on business activity and travel which may continue and could expand.

The Company has largely transitioned to a remote work environment as a result of the COVID-19 pandemic, with limited impact to the Company's workforce. Governments and central banks around the world have enacted fiscal and monetary stimulus measures to counteract the effects of the COVID-19 pandemic and various other response measures, including vaccines, however, the overall magnitude and long-term effectiveness of these actions remain uncertain. 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 going forward 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. Additional actions may be taken to contain COVID-19 or treat its impact, such as re-imposing previously lifted measures or putting in place additional restrictions. The effectiveness of vaccines on virus variants could also affect the impact of 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. There can be no assurance that strategies to address these risks will mitigate the adverse impacts related to the outbreak.

Reliance on Distribution Partners, Capacity Providers and Program Administrators

Trisura Canada distributes its products primarily through a network of distribution partners. These distribution partners also sell our competitors' products and may, subject to certain limitations, reduce or stop selling our products altogether. Strong competition exists among insurers for distribution partners with demonstrated ability to sell insurance products. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of distribution partners that choose to sell our Company's products. Trisura offers fronting arrangements to capacity providers that want to access specific US specialty insurance business. Capacity providers may be under common control with a particular program administrator or may be independent. An independent capacity provider may reinsure a single book or multiple books with various program administrators. A single program administrator may control a single book with one capacity provider or multiple books with various capacity providers. Other specialty insurance companies may compete with Trisura for this business. These capacity providers and program administrators may choose to enter into fronting arrangements with Trisura's competitors or program administrators, or capacity providers may terminate fronting arrangements with Trisura if they no longer need access to its fronting capacity or for other reasons.

Consolidation among capacity providers could also reduce the availability of capacity available to our Company. A significant decrease in business from any of these distribution partners, capacity providers or program administrators would cause our Company to lose premiums and require us to find other partners to replace those lost premiums. We seek to manage these risks by using a diversified group of distribution partners, capacity providers and program administers. We further foster strong relationships with our business partners by delivering excellence in service and product expertise. Where we have granted binding authority to our distribution partners and program administrators we limit such authority to agreed underwriting guidelines and monitor the business underwritten. Nonetheless, situations could arise where binding authority business could result in losses and have a have a significant impact on our results of operations and financial condition.

Credit Ratings

Rating agencies evaluate our ability to honour financial obligations and for our insurance subsidiaries, our ability to pay claims. The ratings are subject to periodic review using, among other things, proprietary capital adequacy models, and are subject to revision or withdrawal at any time. A.M. Best ratings are directed toward the concerns of policyholders and insurance agencies and are not intended for the protection of investors or as a recommendation to buy, hold or sell securities. Ratings are an important factor in establishing and maintaining our competitive position in the specialty insurance market and especially in commercial insurance. Trisura entities have been assigned a financial strength rating of A- (Excellent) by A.M. Best with stable outlook. In March 2021, Trisura Canada and Trisura US were each assigned a financial strength rating of A (low) by DBRS Morningstar, who also assigned an Issuer Rating of BBB to Trisura Group Ltd.

There can be no assurances that we will be able to maintain these ratings. Any downgrade in these ratings would likely adversely affect our business through the loss of certain existing and potential policyholders to other companies with higher ratings, and through certain insurance brokerage firms with which we now do business seeking a higher rated issuing carrier to write their business. A downgrade of our issuer credit rating could result in materially higher borrowing cost. Credit downgrades could impact our ability to raise capital or increase the cost of capital we can raise.

Insurance Risks:

Insurance risk is the risk that the ultimate cost of claims and loss adjustment expense, as well as acquisition expenses, related to insurance contracts will exceed premiums received in respect of those contracts. This could occur where the frequency or severity of claims is greater than expected. For Life and Annuity policies, insurance risk may also include differences between expected and actual experience for policyholder behaviour, lapse, longevity, mortality, morbidity and the timing of claims. Some additional components of insurance risk such as product and pricing risk, concentrations of insurance risk and exposure to large losses, and estimates of loss reserves are described below.

For more information on insurance risk and the management of insurance risk see Note 2.4 (Insurance contracts), Note 14 (Unearned premiums), Note 15 (Unpaid claims and loss adjustment expenses), and Note 22.1 (Insurance risk) to the Consolidated Financial Statements.

1 – Product and Pricing

The pricing process relies on estimates of future loss costs and loss adjustment expenses. If we do not accurately assess and price for the risks assumed in our insurance policies, profitability could be negatively affected. On the other hand, setting premiums too high could impact competitiveness and growth. We price our products considering numerous factors, including claims frequency and severity trends, product line expense ratios, special risk factors, reinsurance costs, the capital required to support the product line, the investment income earned on that capital, and the competitive landscape of the insurance markets where we compete. Our Company’s pricing processes are designed to ensure an appropriate return on capital. These factors are reviewed and adjusted periodically to ensure they reflect the current environment. Our Company seeks to manage this risk through the effective use of underwriting policies and guidelines, and by disciplined risk selection. Careful oversight is applied and guidelines are reviewed to reflect emerging trends. Insurance risk is further mitigated through effective claims and expense management and through the use of reinsurance. Technological change implemented by insureds could change the profile of the risks insured by our policies.

2 – Concentration of insurance risk and exposure to large losses

Concentration risk is the risk that our Company’s insurance products are concentrated within a particular geographic area, industry, class of business, or insured, thereby increasing the exposure of our Company to a single event or a series of related events. Unexpected large losses may result from events such as the unforeseen failure of a large contractor, as a result of accumulations of large numbers of insurance or reinsurance contracts exposed to similar perils, adverse economic conditions, exposure to mass torts, terrorism, or natural or man-made catastrophes. Climate change may increase the frequency or severity on natural catastrophes. Large losses could also be the result of future unforeseen changes in the legal environment that could broaden our insurance coverage beyond the policy’s original intent. Exposure could also aggregate through cyber-attacks whether directly covered under our policies or through “silent cyber” where potential losses are not specifically included nor excluded in the policy wording. Certain policy exclusions could also be found to be unenforceable. When a large loss is identified, we may be required to strengthen reserves which could decrease earnings in that period. We seek to mitigate this risk through monitoring and modeling techniques to review the portfolio for concentration and aggregation of risks and through the purchase of reinsurance. We make adjustments as needed in order to ensure exposures are within tolerances. The active management of our reinsurance programs and collateral requirements is also an important element in maintaining net claims exposures within the Company’s risk tolerance.

3 – Estimates of Loss Reserves

The liability for unpaid claims and loss adjustment expense represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. The reserving process employed in determining future claims and loss adjustment expense payments includes consideration of individual case claims and loss adjustment expense estimates on open reported claims as well as provisions for future development of such estimates and claims and loss adjustment expense related to incurred but not reported claims. In some instances, further provisions are made for the time value of money by applying discount rates based on projected investment income from the assets supporting this liability. The Company uses qualified actuaries in its reserving processes.

In estimating unpaid claims and loss adjustment expense, a range of actuarial techniques are used. Typically, these techniques consider historical loss development factors and payment patterns. They require the use of assumptions relating to future development of claims and loss adjustment expense, future rates of claims frequency and severity, claims inflation, the level of insurance fraud, payment patterns and reinsurance recoveries, taking into consideration the nature of the insurance policies. For Life and Annuity policies, the reserve process typically includes estimates of lapse, future policyholder behaviour, longevity, mortality, morbidity, the timing of claim payments and discount rates. Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our Company's ability to accurately assess the reserves required for the policies that we write. Typically, the delay to ultimate settlement of claims increases the uncertainty of the estimate of the ultimate cost of those claims and loss adjustment expense. The uncertainty in estimation tends to be higher for long-tail lines where information typically emerges over time. For the reinsurance business, the time lag in obtaining information from ceding insurers as well as differing reserve practices employed by ceding insurers can further increase the uncertainty of the estimate. In certain circumstances, explicit actuarial margins are included in the reserves in recognition of the inherent uncertainty of the estimates and the possibility of deterioration in experience relative to expectation in relation to claims development, investment return rates and recoverability of reinsurance balances. The reserves for unpaid claims and loss adjustment expense are reviewed regularly and evaluated in light of emerging claims experience and changing circumstances. Nonetheless, although our Company's management believes our overall reserve levels as at the date of the financial statements are adequate to meet our obligations under existing policies, actual losses may deviate, perhaps substantially, from the reserves reflected in our Company's financial statements. To the extent reserves prove to be inadequate, our Company would have to increase such reserves and incur a charge to earnings.

Availability of Reinsurance

Our reinsurance arrangements are with a number of reinsurers. A decline in the availability of reinsurance or an increase in the cost of reinsurance could increase costs or materially impact the amount of business we could underwrite. There can be no assurance that developments may not occur in the future which might cause a shortage of reinsurance capacity in those classes of business which we underwrite.

Ability to Recover Amounts Due from Reinsurers

Our Company uses reinsurance in the ordinary course of business to reduce its exposure to any one claim or event under the policies we issue. Reinsurance is also a key component of the Trisura hybrid fronting model. Reinsurance does not relieve our Company of its obligations to policyholders. Our Company is ultimately at risk on the limits of coverage provided under insurance policies we write, regardless of whether we have ceded a portion of this exposure to reinsurers. If a reinsurer is unwilling or unable to satisfy its obligations, our Company does not have the right to correspondingly reduce its claims payment obligations.

If our Company fails to realize a reinsurance recoverable owed under these arrangements our financial condition could be materially and adversely affected. The Company has a reinsurance risk management policy in place to manage the credit risk associated with Recoverables from reinsurers including criteria for using licensed reinsurers, minimum credit ratings and concentration limits. When the Company uses un-registered or un-rated reinsurers, agreed upon collateral is used to manage credit risk.

For more information on reinsurance and the Company's management of its recoverable amounts due from reinsurers, see Note 8 (Reinsurance) and Note 22.2 (Credit risk) to the Consolidated Financial Statements.

Financial Risks:

The significant financial risks are credit risk, liquidity risk and market risk (comprising currency risk, interest rate risk and other price risks such as equity risk). The notes to our Company's Consolidated Financial Statements provide further detail on these risks and the ways in which we monitor and control these risks. To the extent that those risks emerge, they could have a material adverse effect on our Company's business, financial condition and performance.

1 – Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause our Company to incur a financial loss. Credit risk arises mainly from investments in bonds and short-term securities, and balances receivable from insurance brokers and reinsurers. Concentrations of credit risk can arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar risk characteristics, for example they may operate in the same or similar industries. For premiums receivable, our Company uses insurance brokers, managing general agents, and program administrators as intermediaries for the distribution of its product offerings and is therefore subject to the risk that these agents fail to remit the premiums they have collected on its behalf. With respect to credit risk associated with recoveries under reinsurance contracts, see the section "Ability to Recover Amounts Due from Reinsurers". Our investment policies mitigate credit risk through requirements relating to type, credit quality, size and duration of permitted investments among other factors. Management monitors credit quality on an ongoing basis. For premiums receivable, the Company monitors accounts receivable and follows up all past due amounts to ensure satisfactory collection arrangements are in place. See Note 22.2 (Credit risk) to the Consolidated Financial Statements for more information on the management of credit risk.

2 – Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Generally, our Company's financial liabilities are settled by delivering cash from the cash flow generated from its operations to satisfy its liquidity requirements, which are primarily operating expenses and claims and loss adjustment payments. By their nature, the timing and quantum of claims and loss adjustment payments are subject to significant uncertainty and are estimated actuarially. Although our Company has reinsurance treaties in place under which a portion of the claim payments may be recovered, including by way of set off against premiums payable to the reinsurers, such recoveries usually follow the making of payments and often delays of a number of months can occur. Hence our Company must have access to sufficient liquid resources to fund gross amounts payable when required. Our Company periodically pledges assets under insurance and reinsurance trust arrangements which are therefore not readily available for general use by our Company. To manage its liquidity requirements, the Company keeps some of its assets in cash and cash equivalents and has a highly rated, highly liquid investment portfolio. The Company's investment policy sets out credit quality criteria and has limits on single issuer exposures. See Note 22.3 (Liquidity risk) to the Consolidated Financial Statements for more information on the management of liquidity risk.

3 – Market Risk

Exposure to this risk results from business activities including investment transactions involving the purchase or sale of financial instruments. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which could be driven by financial market conditions, general economic conditions, political conditions, or other factors. Market risk includes currency risk, interest rate risk and other price risks such as equity risk. See Note 22.4 (Market risk) of the Consolidated Financial Statements for more information on the management of market risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our Company has operations in the United States and Canada, as well as European exposure through its reinsurance operations and therefore has exposure to currency risk arising from fluctuations in exchange rates of the Canadian dollar and Euro against the USD. The Company also has currency risk as a result of holding investments in the Company's Canadian operations denominated in USD. The foreign currency positions of the Company are monitored regularly and the Company may use derivatives to manage foreign exchange risks.

ii) Interest Rate Risk

Interest rate risk is the potential for financial loss resulting from changes in interest rates. Bonds and preferred shares are subject to interest rate risk although, in the case of bonds, to the extent they are held to maturity, the risk is limited to the reinvestment yield being different from the original yield to maturity. The fair value of bonds generally changes inversely with changes in market rates of interest, with greater impact to bonds with longer durations. The Company's unpaid claims balance is also subject to interest rate risk. The Company manages its interest rate risk through its investment policy which considers average duration of bonds held as well as asset liability matching.

iii) Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's exposure to equity price risk is managed and mitigated through its investment policy which sets out maximum exposures to equities at aggregate and per issuer levels as well as requiring diversification across different industry sectors.

Negative Publicity in the Specialty Insurance Industry

A number of our Company's products and services are ultimately distributed to individual consumers. From time to time, consumer advocacy groups or the media may focus attention on products and service of the specialty insurance industry or our Company, thereby subjecting the specialty insurance industry or our Company to periodic negative publicity. Negative publicity may also result in increased regulation and legislative scrutiny of practices in the specialty insurance industry as well as increased litigation. Such consequences may increase our Company's costs of doing business and adversely affect our Company's profitability by impeding our ability to market our products and services or increasing the regulatory burdens under which our Company operates.

Reliance on Key Personnel and Talent Retention

The success of our Company depends upon the personal efforts of our senior management. The loss of the services of such key personnel could have a material adverse effect on the operations of our Company. In addition, our Company's continued growth depends on our ability to attract and retain skilled management and employees and the ability of our key personnel to manage our Company's growth. Recruiting and retaining skilled personnel is costly and highly competitive. If our Company fails to retain, hire, train and integrate qualified employees and contractors, we may not be able to maintain and expand our business. Certain key personnel are not bound by non-competition covenants. If such personnel depart our Company and subsequently compete with our Company or determine to devote significantly more time to other business interests, such activities could have a material adverse effect on our Company's business, financial condition and performance. The Company's strategies to manage this risk include succession planning for key employees, employee engagement surveys and third-party compensation reviews.

Litigation Risk

The Company is subject to claims and litigation in the ordinary course of business resulting from alleged errors and omissions in placing specialty insurance and handling claims. The placement of specialty insurance and the handling of claims involve substantial amounts of money. Since negligence claims against our Company may allege our Company's potential liability for all or part of the amounts in question, claimants may seek large damage awards and these claims can involve significant defense costs. Claims of negligence against our Company could include, for example, errors and omissions or intentional wrongful acts by the Company's employees or agents, in the adjudication of claims, in the placing of coverage, in the handling of consumer complaints, in failing to appropriately and adequately disclose insurer fee arrangements to consumers, or in the handling of funds that we hold for our customers on a fiduciary basis. It is not always possible to prevent or detect errors and omissions, and the precautions our Company takes may not be effective in all cases. In addition to litigation associated with our insurance policies, we also face risk associated with general corporate and commercial litigation. To the extent that these risks emerge, they could have a material adverse effect on our Company's business, financial condition and performance. In addition, litigation may harm our Company's reputation or divert management resources away from operating our business.

Holding Company

Trisura Group Ltd. is a holding company and its material assets consist primarily of interests in our operating subsidiaries. Consequently, we depend on distributions and other payments from our operating businesses to provide us with the funds necessary to meet our holding company financial obligations. Our operating businesses are legally distinct from Trisura Group Ltd. and some of them are or may become restricted in their ability to pay dividends and distributions or otherwise make funds available to Trisura Group Ltd. pursuant to local law, regulatory requirements and their contractual agreements, including agreements governing their financing arrangements. Our operating businesses are generally required to meet their policyholder and other obligations before making distributions to Trisura Group Ltd.

Adverse Effects of Regulatory Changes

The specialty insurance industry is heavily regulated. Changes in the regulations governing the specialty insurance industry in any jurisdiction in which we operate, or increased regulations, may significantly affect the operations and financial results of our Company. Our Company is subject to the laws, rules and regulations of the jurisdictions in which we carry on business, including Canada, the US and Barbados. These laws, rules and regulations cover many aspects of our business, the assets in which we may invest, the levels of capital and surplus and the standards of solvency that we must maintain, and the amounts of dividends which we may declare and pay. Changes to laws, rules or regulations are difficult to predict and could materially adversely affect our Company's business, results of operations and financial condition. In addition, more restrictive laws, rules or regulations may be adopted in the future that could make compliance more difficult or expensive. Trisura Canada is regulated by OSFI and other provincial regulators in the provinces in which it conducts business. Trisura US is regulated by the Department of Insurance in Oklahoma, as well as other state regulatory agencies in which it conducts business. Trisura International is regulated by the Financial Services Commission in Barbados. Each of these regulators has broad supervisory and regulatory powers available to them in connection with licenses, solvency capital requirements, investments, dividends, corporate governance, requirements for key personnel, conduct of business rules, periodic examinations and reporting requirements. The regulators have the authority to take enforcement actions and impose sanctions, including directing the regulated entity to refrain from a course of action or to perform acts necessary to remedy situations, imposing fines or assessments and the withdrawal of authorization. In certain circumstances, the regulators may take control of regulated insurance or reinsurance companies. There is no guarantee that these regulators would not take such actions under certain circumstances with respect to Trisura Canada, Trisura US or Trisura International. The imposition of such actions could have a material adverse effect on our business, financial condition and performance.

Change of Control Restrictions of US Insurance Laws

The laws of the State of Oklahoma, where Trisura US is domiciled, require prior approval by the Department of Insurance in Oklahoma of any change of control of an insurer. ''Control'' is defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the regulated insurance company, whether through the ownership of voting securities, by contract or otherwise. Control is presumed to exist through the direct or indirect ownership of 10% or more of the voting securities of an insurance company domiciled in Oklahoma or any entity that controls an insurance company domiciled in Oklahoma. Any person wishing to acquire ''control'' of our Company would first be required to obtain the approval of the Department of Insurance in Oklahoma or file appropriate disclaimers. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions (and in particular, unsolicited transactions), that some or all of our shareholders might consider to be desirable.

Regulatory Challenges to Use of Fronting Arrangements

Trisura enters into arrangements under which it permits its licensed status to be used in partnerships with high quality and collateralized reinsurers to issue insurance policies originated by program administrators or brokers. The program administrator underwrites (consistent with rates and forms agreed to by Trisura and its reinsurers), and administers the business, and the reinsurers reinsure, a large portion of the risks. This is considered a hybrid "fronting" arrangement. In some instances, all insurance risk is ceded. Trisura receives a fee, and shares its proportionate share in the profits or losses of the business it writes with the reinsurers. Some insurance regulators may object to Trisura's fronting arrangements.

Notwithstanding these state law restrictions on ceding insurers, the Non-admitted and Reinsurance Reform Act contained in the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the ''NRRA'') provides that all laws of a ceding insurer's nondomestic state (except those with respect to taxes and assessments on insurers or insurance income) are pre-empted to the extent that they otherwise apply the laws of the state to reinsurance agreements of nondomestic ceding insurers. The NRRA places the power to regulate reinsurer financial solvency primarily with the reinsurer's domiciliary state and requires credit for reinsurance to be recognized for a nondomestic ceding company if it is allowed by the ceding company's domiciliary state. A state insurance regulator might not view the NRRA as pre-empting a state regulator's determination that an unauthorized reinsurer must obtain a license or that a statute prohibits Trisura from engaging in a fronting business. However, such a determination or a conflict between state law and the NRRA could cause regulatory uncertainty about Trisura's fronting business, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Future Acquisitions

Part of our Company's growth strategy involves seeking acquisition opportunities. We face competition for acquisitions, including from our competitors, many of whom will have greater financial resources than us. There can be no assurance that we will complete acquisitions. In addition, future acquisitions will likely involve some or all of the following risks, which could materially and adversely affect our Company's business, financial condition or results of operations: the difficulty of integrating the acquired operations and personnel into our current operations; potential disruption of our current operations; diversion of resources, including our Company's management's time and attention; the difficulty of managing the growth of a larger organization; the risk of not attaining expected benefits; the risk of entering markets in which we have little experience; the risk of becoming involved in labour, commercial or regulatory disputes or litigation related to the new enterprise; the risk of environmental or other liabilities associated with the acquired business; and the risk of a change of control resulting from an acquisition triggering rights of third parties or government agencies under contracts with, or authorizations held by, the operating business being acquired. It is possible that due diligence investigations into businesses being acquired may fail to uncover all material risks, or to identify a change of control trigger in a material contract or authorization, or that a contractual counterparty or government agency may take a different view on the interpretation of such a provision to that taken by us, thereby resulting in a dispute.

Inability to Generate Necessary Amount of Cash to Service Existing Debt

Our Company's ability to pay principal and interest on our outstanding debt will depend on its future financial performance. Our Company's ability to generate cash will depend on many factors, some of which may be beyond its control, including general economic, financial and regulatory conditions. If our Company cannot generate enough cash flow in the future to service its debt or cannot renew the credit facility or other outstanding debt on its existing terms, it may need to refinance its debt, obtain additional financing (on terms that may be less favourable than existing financing terms) or sell assets. Our Company might not be able to implement any of these strategies on satisfactory terms or on a timely basis, if at all. If our Company is unable to meet its debt service obligations or comply with its covenants, a default under the credit facility of other outstanding debt would result.

Future Capital Requirements

Our Company's future capital requirements will depend upon many factors, including the performance of the Canadian operations, continued development of our US business, and the status of competition and regulatory and rating agency requirements. There can be no assurance that financing will be available to our Company on acceptable terms, or at all. If additional funds are raised by issuing equity securities, dilution to our existing shareholders will result. If adequate funds are not available, our Company may be required to delay, scale back or abandon growth plans. An inability to obtain financing or similar financial support could have a material adverse effect on our Company's business, financial condition and results of operations.

Potential Volatility of Common Share Price

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our Company's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in our Company's quarterly results of operations; (ii) changes in estimates of our Company's future financial performance; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to our Company; (v) the addition or departure of our executive officers and other key personnel; (vi) sales or anticipated sales of additional Common Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our Company or our competitors; (viii) actual or prospective changes in government laws, rules or regulations affecting our businesses; (ix) the general state of the securities markets; (x) changes and developments in general economic, political, or social conditions, including as a result of COVID-19 and the global economic shutdown; (xi) the depth and liquidity of the market for the Common Shares; (xii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets; and (xiii) the materialization of other risks described in this section.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if our Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our Company's governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our Company's operations and the trading price of the Common Shares may be materially adversely affected.

Small Company Liquidity Risk

Trisura is a relatively small company in terms of market capitalization. As such, the share price of the Common Shares may be more volatile than the shares of larger, more established companies. The Common Shares may trade less frequently and in smaller volume than shares of large companies. As a result, it may be difficult to buy or sell the Common Shares in a timely fashion relative to buying or selling shares of large companies on the secondary market. We may also have relatively few Common Shares outstanding at any given time, so a sale or purchase of Common Shares may have a greater impact on the price of the Common Shares.

Future Sales of Substantial Amount of Share Capital

The articles of incorporation, as amended, of Trisura provide that the Company may issue an unlimited number of Common Shares, an unlimited number of non-voting shares and an unlimited number of preference shares (issuable in series), subject to the rules of any stock exchange on which Trisura's securities may be listed from time to time. If Trisura was to issue any additional Common Shares, non-voting shares or preference shares, or such other classes of authorized shares that are convertible or exchangeable for Common Shares, the percentage ownership of existing holders may be reduced and diluted. We cannot foresee the terms and conditions of any future offerings of our securities nor the effect of such offerings on the market price of the Common Shares. Any issuance of a significant percentage of Trisura's securities, or the perception that such issuances may occur, could have a material adverse effect on the market price of the Common Shares and limit our ability to fund our operations through capital raising transactions in the future. The Board of Directors has the authority to issue non-voting shares and preference shares and determine the price, designation, rights (including voting and dividend rights), preferences, privileges, restrictions and conditions of the preference shares, and to determine to whom non-voting and preference shares shall be issued.

Business Interruption from Unpredictable Catastrophic Events

Our company's operations may be subject to losses resulting from the disruption in operations. Regular functioning of our operations may be disrupted by natural catastrophes such as hurricanes, windstorms, earthquakes, hailstorms, explosions, severe winter weather and fires, by man-made catastrophic events include hostilities, terrorist acts, riots, crashes and derailments, by a disruption in key suppliers for example power grids, internet service providers, and cloud computing providers, or by an epidemic or pandemic. Certain events may also cause damage to our Company's physical property or may impact key personnel or trading positions. Our Company maintains business continuity plans and technology disaster recovery plans. If these plans cannot be put into action or are in-effective or do not take such events into account, losses may further increase.

Dependence on Technology

Our Company is heavily dependent on systems technology to process large volumes of transactions and our business would suffer if the technology employed is inadequate or inappropriate to support current and future business needs and objectives. To ensure our Company is able to effectively respond to potential technology failures and mitigate the inherent risk, our Company maintains technology disaster recovery plans for each of our operating companies.

Cyber-Security

Our information technology systems may be subject to cyber terrorism intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer malware, social engineering, cyber-attacks and other means, and could originate from a wide variety of sources, including internal or unknown third parties. If our information systems are compromised, do not operate or are disabled, this could have a material adverse effect on our business prospects, financial condition, or results of operations. Additionally, if our information systems are compromised and personally identifiable information is released, there could be regulatory reporting obligations leading to material reputational harm or even litigation. We seek to mitigate this risk through strong network security, network monitoring, third party vulnerability assessments, employee training and awareness, data backups, disaster recovery planning, and privacy breach planning.

Other Operational Risks

Through the course of our business we rely on employees, systems, distribution partners, third party vendors and service providers. We are exposed to the potential failure on the part of any of these parties, whether through error, fraud, crime, failure to comply with regulatory standards, failure to comply with internal policies or otherwise. It is not always possible to identify and correct these failures and the internal processes that we have in place may not be effective in all cases at identifying or mitigating these situations in time. In such a case, our reputation, financial condition and results of operations could be negatively impacted. We rely on estimates and models in the course of our business whether internal models or vendor models. These models have a high degree of uncertainty and are based on historical data, scenarios and judgement that may not accurately reflect future conditions. For example, models are used in the estimation of Probable Maximal Loss in the contract surety business, in informing reinsurance purchase decisions, in investment decisions, in pricing, and in reserving. Models estimates could deviate materially from actual experience and thereby have a material negative impact on our financial condition and results of operations.

Taxation Risk

Our Company is subject to income taxes and premium taxes in the jurisdictions in which we carry on business, including Canada, the US and Barbados. Changes to tax laws or the interpretation of these tax laws by government authorities prospectively or retrospectively could have a material adverse impact our profitability. Deferred tax assets are only recognized to the extent that it is probable that they will be realized. Estimates are used to determine the value of the deferred tax asset balance based on the assumption that the Company will generate taxable income in future years. Estimates are used to determine the taxes payable balance based on applicable tax legislation. If our Company were not to achieve the expected level of profitability, the deferred tax asset may not be realized which could have a material negative impact on our financial condition and results of operations.

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

SECTION 8 – OTHER INFORMATION

RATINGS

Trisura's principal Canadian operating subsidiary has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in December 2021. Trisura's principal US operating subsidiary obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was last reaffirmed in December 2021. A.M Best increased the financial size category of those entities from VIII to IX (US $250 million to US $500 million capital) in December 2021, based on the Company's consolidated balance sheet.

In March 2021, those entities were each assigned a financial strength rating of A (low) by DBRS Morningstar, who also assigned an Issuer Rating of BBB to Trisura Group Ltd.

CASH FLOW SUMMARY

Table 8.1

	Q4 2021	Q4 2020	$ variance	2021	2020	$ variance
Net income	10,295	10,949	(654)	62,559	32,442	30,117
Non-cash items	5,559	(3,439)	8,998	21,579	3,107	18,472
Change in working capital	113,822	23,958	89,864	244,047	81,412	162,635
Realized gains	(2,261)	(1,223)	(1,038)	(4,096)	(22,666)	18,570
Income taxes paid	(4,537)	(1,860)	(2,677)	(15,705)	(9,808)	(5,897)
Interest paid	(1,079)	(223)	(856)	(1,535)	(1,144)	(391)
Net cash from operating activities	121,799	28,162	93,637	306,849	83,343	223,506
Proceeds on disposal of investments	27,384	37,776	(10,392)	135,730	238,827	(103,097)
Purchases of investments	(52,559)	(50,152)	(2,407)	(280,918)	(331,933)	51,015
Net purchases of capital and intangible assets	(481)	(673)	192	(3,460)	(1,296)	(2,164)
Net cash used in investing activities	(25,656)	(13,049)	(12,607)	(148,648)	(94,402)	(54,246)
Shares issued	456	-	456	1,315	65,143	(63,828)
Shares purchased under Restricted Share Units plan	44	-	44	(2,011)	-	(2,011)
Proceeds from issuance of debt	-	-	-	75,000	-	75,000
Loans received	-	11,459	(11,459)	26,970	44,159	(17,189)
Loans repaid	-	(11,459)	11,459	(54,525)	(44,159)	(10,366)
Principal portion of lease payments	(442)	(318)	(124)	(1,596)	(1,515)	(81)
Net cash from (used in) financing activities	58	(318)	376	45,153	63,628	(18,475)
Net increase in cash and cash equivalents	96,201	14,795	81,406	203,354	52,569	150,785
Cash and cash equivalents, beginning of year	245,332	124,875	120,457	136,519	85,905	50,614
Currency translation	(214)	(3,151)	2,937	1,446	(1,955)	3,401
Cash and cash equivalents, end of year	341,319	136,519	204,800	341,319	136,519	204,800

In Q4 and full year 2021, the increase in Net cash from operating activities was primarily related to an increase in working capital generated from operating activities at our US and Canadian operations. In both cases the increase was largely related to growth in the business. The increase was greater in Q4 and full year 2021 than Q4 and full year 2020 as a result of growth in the business.

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

CASH FLOW SUMMARY (CONTINUED)

Net cash used in investing activities in Q4 and full year 2021 reflected primarily the purchase and disposal of portfolio investments in operating subsidiaries. In Q4 2021 purchases of investments were approximately the same as Q4 2020. In the full year 2021, purchases of investments was less than full year 2020, as more cash was deployed to the portfolio in 2020 as a result of the equity raise that year. Disposals of investments were fewer in Q4 and full year 2021 than in Q4 and full year 2020 as a result of a less rotation of investments in the portfolio than in the prior year.

In Q4 2021 the increase in Net cash from (used in) financing activities was similar to Q4 2020. In full year 2021 Net cash from (used in) financing activities increased as a result of $75.0 million received from the debt issuance, which was partially used to repay the current loan outstanding of $27.0 million. Net cash from (used in) financing activities in full year 2021 was lower than full year 2020, as a result of the equity raise in 2020, which was greater than the additional capital generated from the debt issuance in 2021. Full year 2021 included movement in the Loans received and Loans repaid balances as a result of the repayment of the outstanding USD denominated Loan payable, which was replaced with a new Loan payable denominated in CAD. In 2020, there was movement in Loans received and Repayment of loans payable as a result of the repayment of the outstanding CAD denominated Loan payable balance, which was replaced with a new Loan payable balance denominated in USD. A small increase in Shares issued in full year 2021 was the result of certain options being exercised.

SEGMENTED REPORTING

Table 8.2

As at	December 31, 2021				
	Trisura Canada	Trisura US	Trisura International	Corporate(1)	Total(2)
Assets(3)	1,095,984	1,795,027	111,022	(1,679)	3,000,354
Liabilities(3)	929,845	1,582,280	99,408	30,032	2,641,565
Shareholders' Equity(3)	166,139	212,747	11,614	(31,711)	358,789
Book Value Per Share, $	4.03	5.16	0.28	(0.77)	8.70

(1) Corporate includes consolidation adjustments.
(2) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(3) Individual segmented amounts are supplementary financial measures. The total amount is presented in the Consolidated Financial Statements.

Table 8.3

As at	December 31, 2020				
	Trisura Canada	Trisura US	Trisura International	Corporate(1)	Total(2)
Assets(3)	541,603	1,021,020	121,347	22,762	1,706,732
Liabilities(3)	431,858	864,983	108,295	11,732	1,416,868
Shareholders' Equity(3)	109,745	156,037	13,052	11,030	289,864
Book Value Per Share, $	2.67	3.80	0.32	0.27	7.06

(1) Corporate includes consolidation adjustments.
(2) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(3) Individual segmented amounts are supplementary financial measures. The total amount is presented in the Consolidated Financial Statements.

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

CONTRACTUAL OBLIGATIONS

Table 8.4

As at December 31, 2021	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Debt outstanding	75,000	-	75,000	-
Interest payments on debt(1)	8,913	1,981	6,932	-
Lease liabilities(2)	11,296	2,235	7,593	1,468
Total contractual obligations	95,209	4,216	89,525	1,468

(1) Based on the Company's fixed borrowing rate on the outstanding senior unsecured notes. For details, see Note 16.2 in the Company's Consolidated Financial Statements.
(2) See Note 10 in the Company's Consolidated Financial Statements for details on Leases.

Table 8.5

As at December 31, 2020	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Debt outstanding(1)	27,555	11,459	16,096	-
Interest payments on debt(2)	995	397	598	-
Lease liabilities(3)	10,278	1,566	6,212	2,500
Total contractual obligations	38,828	13,422	22,906	2,500

(1) See Note 16.1 in the Company's Consolidated Financial Statements for details on Loan payable.
(2) Based on the Company's most recent borrowing rate on the outstanding Loan payable.
(3) See Note 10 in the Company's Consolidated Financial Statements for details on Leases.

In April 2020, the Company's five-year revolving credit facility was amended to increase the Company's borrowing capacity from $35,000 to $50,000.

FINANCIAL INSTRUMENTS

See Notes 4, 5, 6, 18, and 19 in the Company's 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.

ACCOUNTING ESTIMATES

See Note 3 in the Company's Consolidated Financial Statements for accounting estimates on Unpaid claims and loss adjustment expense, level 3 investments, Recoverable from reinsurers, the provisions on income taxes, as well as impairment of financial instruments.

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

SECTION 9 – SUMMARY OF RESULTS

SELECTED QUARTERLY RESULTS

Table 9.1

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross premiums written	484,740	404,678	363,514	310,274	314,200	239,607	202,683	169,952
Net premiums written and fee income	128,566	115,989	112,312	91,149	98,059	71,195	52,748	49,041
Total revenues	106,549	91,682	86,721	64,925	69,494	60,095	52,455	44,588
Net income	10,295	16,057	16,889	19,318	10,949	6,535	6,587	8,371
EPS, basic (in dollars)	0.25	0.39	0.41	0.47	0.27	0.16	0.17	0.24
EPS, diluted (in dollars)	0.24	0.38	0.40	0.46	0.26	0.16	0.17	0.24
Total assets	3,000,354	2,575,613	2,203,460	1,886,686	1,706,732	1,517,516	1,327,613	1,143,064
Total non-current financial liabilities	75,000	75,000	74,429	16,000	16,096	28,869	29,494	33,704

The balances presented above have generally grown over time, reflecting growth in the business.

SELECTED ANNUAL RESULTS

Table 9.2

	2021	2020	2019
Gross premiums written	1,563,206	926,442	448,262
Net premiums written and fee income	448,016	271,043	154,834
Total revenues	349,877	226,632	145,602
Net income	62,559	32,442	5,094
EPS, basic (in dollars)	1.52	0.83	0.17
EPS, diluted (in dollars)	1.49	0.82	0.17
Distributions or cash dividends per-share	-	-	1.50
Total assets	3,000,354	1,706,732	978,393
Total non-current financial liabilities(1)	75,000	16,096	29,700

(1) See Note 16 in the Company's Consolidated Financial Statements for details on Debt outstanding.

SECTION 10 – ACCOUNTING AND DISCLOSURE MATTERS

DISCLOSURE CONTROLS AND PROCEDURES

We maintain information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. Management of the Company, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in "National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings"* ("NI 52-109")) as at December 31, 2021, and have concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The control framework used to design the Company's internal control over financial reporting is the Internal Control – Integrated Framework (2013), published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). We maintain "internal control over financial reporting" (as defined in NI 52-109) and the Chief Executive Officer and the Chief Financial Officer of the Company have concluded that the internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated whether there were changes in our internal control over financial reporting during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting and has determined that there have been no such changes.

OPERATING METRICS

We use operating metrics to assess our operating performance.

Operating Metrics	Definition and *Usefulness*
BVPS	Shareholders' equity, divided by total number of shares outstanding. *Used to calculate the per-share value of a company based on equity available to common shareholders.*
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.*
Debt-to-Capital Ratio	Total Debt outstanding at the end of the reporting period, divided by sum of: Debt outstanding balance and Shareholders' equity.
Expense Ratio	Net commission expenses and operating expenses (net of fee income in our Canadian operations) as a percentage of NPE. *A measure to evaluate pre-tax underwriting profitability.*
Fees as Percentage of Ceded Premium	Written fee income divided by ceded written premium. *Illustrates the rate of fee income generated from ceded premium, and can supplement measurements of pre-tax underwriting profitability.*
Fronting Operational Ratio	The sum of Net claims and loss adjustment expenses, Net commissions and Operating expenses divided by the sum of NPE and fronting fees. *A measure of pre-tax underwriting profitability.*
Loss Ratio	Net claims and loss adjustment expenses incurred as a percentage of NPE. *A measure of claims used to evaluate pre-tax underwriting profitability.*
Loss Ratio: current accident year	Represents our current year loss ratio excluding prior years' development. *A measure of current year claims used to evaluate pre-tax underwriting profitability.*
Loss Ratio: prior years' development	Net claims and loss adjustment expenses from prior accident years as a percentage of NPE. *A measure of prior accident year claims used to evaluate pre-tax underwriting profitability.*
ROE	Net income for the twelve month period preceding the reporting date, divided by the average common shareholders' equity over the same period, adjusted for significant capital transactions, if appropriate. *A historical measure of after-tax profitability.*
Adjusted ROE	ROE calculated using Adjusted net income for the twelve month period preceding the reporting date. *An alternate measure of after-tax profitability, adjusted for certain items to normalize earnings to core operations in order to better reflect our North American operations.*
Adjusted Net Income	Net income, adjusted to remove impact of certain items to normalize earnings in order to better reflect our North American specialty operations. Items which are not core to operations include Net gains (loss) and Net loss (gain) from life annuity. Adjustments also include items which may not be recurring, such as loss on sale of structured insurance assets, the impact of CAT Programs Reinsurance, and certain tax adjustments. Adjustments also include share-based compensation. *A measure of after-tax profitability, used in calculating Adjusted EPS and Adjusted ROE.*
MCT	Our regulated Canadian operations report the results of its MCT as prescribed by OSFI's Guideline A — Minimum Capital Test, as amended, restated or supplemented from time to time. *MCT determines the supervisory regulatory capital levels required by our regulated Canadian operations.*
Retention Rate	NPW as a percentage of GPW. *A measure of gross written premium that is not ceded to reinsurers, which can be used to evaluate insurance risk.*

LTM Average Equity	Shareholders' equity over the last twelve month period, adjusted for significant capital transactions and equity raises, if appropriate. *A measure used in calculating Adjusted ROE.*
Net Underwriting Revenue	The sum of Net premiums earned and Fee income. *A measure used in calculating Net underwriting income.*
Net Underwriting Income	Net underwriting revenue, less Net claims and loss adjustment expenses, Net commissions, and Operating expenses. *A measure of pre-tax underwriting profitability.*
Deferred Fee Income	Reflects unrecognized revenue associated with gross written fee income and is expected to be earned over the lifetime of the associated policies. *A precursor to earned fee income, which can be used to assist with estimates of future pre-tax underwriting profitability.*

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.

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

NON-IFRS FINANCIAL MEASURES AND OTHER FINANCIAL MEASURES

We report certain financial information using non-IFRS financial measures. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. They are used by management and financial analysts to assess our performance.

Further, they provide users with an enhanced understanding of our results and related trends and increase transparency and clarity into the core results of the business.

Non-IFRS Financial Measures

Table 10.1 - Operating expenses excluding share-based compensation - useful to show growth in expenses excluding volatility from increased value of share-based compensation due to increase in our share price, as we attempt to hedge this item through the use of derivatives, whose offsetting movement is reflected in Net gains.

	Q4 2021	Q4 2020	2021	2020
Operating expenses per financial statements	**(21,957)**	(14,037)	**(77,709)**	**(57,560)**
Less: Share-based compensation	1,942	745	10,224	7,469
Operating expenses excl. share-based compensation	**(20,015)**	(13,292)	**(67,485)**	**(50,091)**
Year-over-year % increase, Opex	56.4%		35.0%	
Year-over-year % increase, Opex excl. share-based compensation	50.6%		34.7%	

Table 10.2.1 - Reconciliation of reported Net income to Adjusted net income - reflects net income, adjusted for certain items to normalize earnings to core operations in order to better reflect our North American specialty operations.

	Q4 2021	Q4 2020	2021	2020
Net income (see Table 3.1)	10,295	10,949	62,559	32,442
Adjustments				
Add: impact of share-based compensation, see Table 10.1	1,942	745	10,224	7,469
Add: loss on sale of structured insurance assets(1)	-	-	1,336	-
Less: Net gains, see Table 3.1	(3,726)	(2,822)	(14,484)	(8,450)
Less: Net loss from life annuity, see Table 4.9	2,591	592	559	4,588
Less: impact of CAT Programs Reinsurance(2)	2,158	-	2,158	-
Less: tax impact of above items	(49)	575	474	352
Less: adjustments relating to income tax benefits	-	-	(936)	(3,127)
Adjusted net income	13,211	10,039	61,890	33,274

(1) Adjusted net income excludes the following item of note related to realized loss on sale of structured insurance assets – 2021: 1,336. This amount was reported in the Trisura International segment.
(2) See section 4 - Performance Review, United States.

Table 10.3 - Reconciliation of Net gains to Net gains excluding derivative gains from hedging - represent realized gains and losses, impact of foreign exchange related to investment portfolio.

	Q4 2021	Q4 2020	2021	2020
Net gains, as presented in the financial statements	**3,726**	2,822	**14,484**	8,450
Less: Derivative gains from hedging, from Table 10.7.2	(1,531)	(565)	(9,381)	(2,285)
Net gains excl. derivative gains, as presented in Table 5.1	**2,195**	2,257	**5,103**	6,165

Table 10.4.1 - Reconciliation of Average equity to LTM average equity - LTM average equity is used in calculating adjusted ROE.

	Q4 2021	Q4 2020
Average equity(1)	**324,327**	240,097
Adjustments: days in quarter proration, equity raise - Q2 2020	4,221	1,391
LTM average equity, as presented in Table 10.4	**328,548**	241,488

(1) Average equity is calculated as: sum of opening equity and closing equity over the last twelve months, divided by two.

Non-IFRS Ratios

Table 10.2 - Adjusted Earnings per Common Share - reflect EPS, adjusted for certain items to normalize earnings to core operations in order to better reflect our North American specialty operations; a measure of after-tax profitability.

	Q4 2021	Q4 2020	2021	2020
Adjusted net income(1)	13,211	10,039	61,890	33,274
Weighted-average number of common shares outstanding – basic (in thousands of shares)	41,201	41,075	41,156	38,931
Adjusted earnings per common share – basic – in dollars	**0.32**	0.24	**1.50**	0.85
Adjusted net income(1)	13,211	10,039	61,890	33,274
Weighted-average number of common shares outstanding – diluted (in thousands of shares)	42,278	41,897	42,076	39,570
Adjusted earnings per common share – diluted – in dollars	**0.31**	0.24	**1.47**	0.84

(1) Adjusted net income, a component of Adjusted EPS, is a non-IFRS financial measure (details presented in Table 10.2.1).

Table 10.4 – ROE and Adjusted ROE - a measure of the Company's use of equity.

	Q4 2021	Q4 2020
LTM net income	62,559	32,442
LTM average equity(1)	328,548	241,488
ROE(2)	**19.0%**	13.4%
Adjusted LTM net income(3)	61,890	33,274
LTM average equity(1)	328,548	241,488
Adjusted ROE(4)	**18.8%**	13.8%

(1) LTM average equity, a component of ROE and Adjusted ROE, is a non-IFRS financial measure (details presented in Table 10.4.1).
(2) ROE is a supplementary financial measure.
(3) Adjusted net income, a component of Adjusted ROE, is a non-IFRS financial measure (details presented in Table 10.2.1).
(4) Adjusted ROE is a non-IFRS ratio.

All supplementary financial measures are identified in MD&A in the form of a footnote. Their respective compositions are either explained in a footnote, or located in Section 10, Operating Metrics.

Additional information

Trisura US

Table 10.5.1 - Reconciliation of Note 24 - Segmented information in the Company's Consolidated Financial Statements to Results including intercompany ceding adjustments (as per MD&A Table 4.7)

	For the three months ended December 31, 2021			For the year ended December 31, 2021		
	FS Note 24(1)	Elimination entries(2)	MD&A Table 4.7(3)	FS Note 24(1)	Elimination entries(2)	MD&A Table 4.7(3)
Net premiums written	26,184	5,726	31,910	65,479	21,708	87,187
Net premiums earned	11,429	5,405	16,834	36,402	18,268	54,670
Fee income	12,234	(304)	11,930	44,082	(1,047)	43,035
Net underwriting revenue	23,663	5,101	28,764	80,484	17,221	97,705
Net underwriting income	5,602	443	6,045	24,948	1,682	26,630
Net income	6,374	443	6,817	25,472	1,682	27,154

(1) Financial Results of US operations as presented in Note 24 – Segmented information
(2) Elimination entries reflecting intercompany ceding between the US operations and Canadian and Reinsurance operations
(3) Financial Results of US operations as presented in the MD&A Table 4.7

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

Trisura US (Continued)

Table 10.5.2

	For the three months ended December 31, 2020			For the year ended December 31, 2020		
	FS Note 24(1)	Elimination entries(2)	MD&A Table 4.7(3)	FS Note 24(1)	Elimination entries(2)	MD&A Table 4.7(3)
Net premiums written	13,151	4,454	17,605	30,922	12,993	43,915
Net premiums earned	7,067	2,824	9,891	21,244	5,782	27,026
Fee income	8,613	(164)	8,449	24,692	(317)	24,375
Net underwriting revenue	15,680	2,660	18,340	45,936	5,465	51,401
Net underwriting income	5,611	168	5,779	14,612	501	15,113
Net income	5,542	168	5,710	15,881	501	16,382

(1) Financial Results of US operations as presented in Note 24 – Segmented information
(2) Elimination entries reflecting intercompany ceding between the US Operations and Canadian and Reinsurance Operations
(3) Financial Results of US operations as presented in the MD&A Table 4.7

Reinsurance

Table 10.6.1 - Reconciliation of Note 24 – Segmented Information in the Company's Consolidated Financial Statements to Section 4 Reinsurance Table 4.9

	Q4 2021	Q4 2020	2021	2020
Net loss from Trisura International, as presented in Note 24	(2,695)	(1,174)	(2,376)	(6,218)
Less: Net income from reinsurance assumed from US Fronting, from table 10.5.1 and 10.5.2	(443)	(168)	(1,682)	(501)
Net loss from legacy reinsurance, as presented in Table 4.9	(3,138)	(1,342)	(4,058)	(6,719)

Corporate

Table 10.7.1 - Reconciliation of Note 24 – Segmented Information to Section 4 Corporate Expenses Table 4.10

	Q4 2021	Q4 2020	2021	2020
Net expenses Corporate, as presented in Note 24	**(1,922)**	(984)	**(10,439)**	(8,577)
Less: Consolidation adjustment	(303)	-	(1,046)	(1)
Add: Derivative gains from hedging(1)	1,531	564	9,381	2,285
Net expenses Corporate, as presented in Table 4.10	**(694)**	(420)	**(2,104)**	(6,293)

(1) Derivative gains from hedging are presented in Net gains in the Consolidated Financial Statements.

Table 10.7.2 – Reconciliation from Share-based compensation, gross of hedging to Share-based compensation, net of hedging

	Q4 2021	Q4 2020	2021	2020
Share-based compensation, gross of hedging(1)	(1,942)	(744)	(10,224)	(7,469)
Add: Derivative gains from hedging(2)	1,531	564	9,381	2,285
Share-based compensation, net of hedging, from Table 4.10	(411)	(180)	(843)	(5,184)

(1) Included in Net expenses in Corporate segment of FS Note 24.
(2) Derivative gains from hedging are presented in Net gains in the Consolidated Financial Statements.

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, the Company 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
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Diluted Earnings Per Share
FVTPL	Fair Value Through Profit & Loss
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
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 over the last twelve months
RSUs	Equity-settled restricted share units
USD	United States Dollar
YTD	Year to Date