definity.

Q4-2022 QUARTERLY REPORT

February 10, 2023

ADVISORY REGARDING FORWARD-LOOKING INFORMATION

This presentation contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future business, financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances.

Forward-looking information in this presentation is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as at the date such statements are made, and are subject to many factors that could cause our actual results, performance or achievements, or other future events or developments, to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors:

- Definity's ability to appropriately price its insurance products to produce an acceptable return; particularly in provinces where the regulatory environment requires auto insurance rate increases to be approved or that otherwise impose regulatory constraints on auto insurance rate increases;
- Definity's ability to accurately assess the risks associated with the insurance policies that it writes;
- Definity's ability to assess and pay claims in accordance with its insurance policies;
- litigation and regulatory actions, including potential claims in relation to demutualization and our IPO, and COVID-19-related class-action lawsuits that have arisen and which may arise, together with associated legal costs;
- Definity's ability to obtain adequate reinsurance coverage to transfer risk;
- Definity's ability to accurately predict future claims frequency or severity, including the frequency and severity of weather-related events and the impact of climate change;
- Definity's ability to address inflationary cost pressures through pricing, supply chain, or cost management actions;
- the occurrence of unpredictable catastrophe events;
- unfavourable capital market developments, interest rate movements, changes to dividend policies or other factors which may affect our investments or the market price of our common shares;
- changes associated with the transition to a low-carbon economy, including reputational and business implications from stakeholders' views of our climate change approach or that of our industry;
- Definity's ability to successfully manage credit risk from its counterparties;
- foreign currency fluctuations;
- Definity's ability to meet payment obligations as they become due;
- Definity's ability to maintain its financial strength rating or credit rating;
- Definity's dependence on key people;
- Definity's ability to attract, develop, motivate, and retain an appropriate number of employees with the necessary skills, capabilities, and knowledge;
- Definity's ability to appropriately manage and protect the collection and storage of information;
- Definity's reliance on information technology systems, and internet, network, data centre, voice or data communications services and the potential disruption or failure of those systems or services, including as a result of cyber security risk;
- failure of key service providers or vendors to provide services or supplies as expected, or comply with contractual or business terms;
- Definity's ability to obtain, maintain and protect its intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology;
- compliance with and changes in legislation or its interpretation or application, or supervisory expectations or requirements, including changes in effective income tax rates, risk-based capital guidelines, and accounting standards;
- failure to design, implement and maintain effective control over financial reporting which could have a material adverse effect on our business;
- deceptive or illegal acts undertaken by an employee or a third party, including fraud in the course of underwriting insurance or settling insurance claims;
- Definity's ability to respond to events impacting its ability to conduct business as normal;
- Definity's ability to implement its strategy or operate its business as management currently expects;
- the impact of public-health crises, such as pandemics or other health risk events including the COVID- 19 pandemic and their associated operational, economic, legislative and regulatory impacts, including impacts on Definity's ability to maintain operations and provide services to customers and on the expectations of governmental or regulatory authorities concerning the provision of customer relief;
- general economic, financial, political, and social conditions, particularly those in Canada;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of disruptive innovation;
- distribution channel risk, including Definity's reliance on brokers to sell its products;
- Definity's dividend payments being subject to the discretion of the Board and dependent on a variety of factors and conditions existing from time to time;
- there can be no assurance that Definity's normal course issuer bid ("NCIB") will be maintained, unchanged and/or completed;
- Definity's dependence on the results of operations of its subsidiaries and the ability of the subsidiaries to pay dividends;
- Definity's ability to manage and access capital and liquidity effectively;
- Definity's ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- periodic negative publicity regarding the insurance industry or Definity;
- management's estimates and expectations in relation to interests in the broker distribution channel and the resulting impact on growth, income, and accretion in various financial metrics; and
- the completion and timing of Definity continuing under the Canada Business Corporations Act.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in Section 11 – "Risk Management and Corporate Governance" should be considered carefully by readers.

Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, the factors above are not intended to represent a complete list and there may be other factors not currently known to us or that we currently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as at the date made. The forward-looking information contained in this presentation represents our expectations as at the date of this presentation (or as at the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

All of the forward-looking information contained in this presentation is expressly qualified by the foregoing cautionary statements.

definity.

SUPPLEMENTARY FINANCIAL MEASURES AND NON-GAAP FINANCIAL MEASURES AND RATIOS

We prepare our financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the “IASB”) (referred to herein as “GAAP” or “IFRS”).

We measure and evaluate performance of our business using a number of financial measures. Among these measures are the “supplementary financial measures”, “non-GAAP financial measures”, and “non-GAAP ratios” (as such terms are defined under Canadian Securities Administrators’ National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure). These supplementary financial measures are calculated using amounts in, or components of line items in, our audited consolidated financial statements; however, they are not themselves disclosed in our consolidated financial statements. The non- GAAP financial measures in these materials are derived from one or more financial measures disclosed in our audited consolidated financial statements, and the non-GAAP ratios have at least one of those non-GAAP financial measures as a component, and in each case are not standardized financial measures under GAAP. The supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios in these materials may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as a substitute for analysis of our financial information reported under GAAP. These supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios are used by financial analysts and others in the P&C insurance industry and facilitate management’s comparisons to our historical operating results in assessing our results and strategic and operational decision-making. For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, including (where applicable) an explanation of how that measure provides useful information and a quantitative reconciliation of each non-GAAP financial measure to its most directly comparable GAAP measure disclosed in our consolidated financial statements, refer to Section 12 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" in the Management’s Discussion and Analysis dated February 9, 2023 ("Q4-2022 MD&A"), available on www.sedar.com.

The information presented in this Presentation includes the following supplementary financial measures, non-GAAP financial measures and non-GAAP ratios:

Supplementary Financial Measures: Claims ratio, core accident year claims and adjustment expenses, catastrophe losses, book value per share, financial capacity, leverage capacity, and certain other ratios.

Non-GAAP Financial Measures: Operating net income, operating income, non-operating gains (losses), distribution income, and underwriting expenses (net of other underwriting revenues) / operating expenses (net of other underwriting revenues).

Non-GAAP Ratios: Combined ratio, expense ratio, return on equity (“ROE”), operating return on equity (“Operating ROE”), and operating earnings per common share (“Operating EPS”).

definity.


ROWAN
SAUNDERS
President & Chief Executive Officer
definity.

Q4-2022 FINANCIAL HIGHLIGHTS

Operating EPS[1] **$0.67**	Gross Written Premiums **$943M / +11.3% y/y**	Combined Ratio[1] **91.7%**
Book Value per Share[1] **$20.74 / +0.3% y/y**	Financial Capacity[1,2] **$658M**	Operating ROE (TTM)[1] **10.0%**

The Board of Directors declared a **$0.1375 per share** dividend, representing a **10% increase** over the level of ordinary quarterly dividends paid in 2022

[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] See "Q4-2022 Capital Management" slides for more information on financial capacity.

definity.

12-MONTH INDUSTRY OUTLOOK



Personal Auto

- We expect the frequency of claims to continue to normalize toward pre-pandemic levels over the next six to nine months as people continue to return to on-site work environments.
- We also expect the inflationary pressures affecting vehicle damage claims to remain elevated but not escalate much further.
- We could see severity continue to level off or slightly decline in the coming quarters.
- Both frequency and severity trends as well as the lag in the recognition of earned premium are expected to continue to drive firming industry pricing and a focus on disciplined underwriting.



Personal Property

- Due to the volatility of weather events combined with the ongoing inflationary pressure on building materials and labour, claim costs are expected to increase and will be reflected in firm premium pricing over the next 12 months.
- We expect this volatility to continue, with commensurate rate actions, coverage and appetite changes, and an enhanced focus on loss prevention and mitigation.
- We expect the reinsurance market will drive firmer pricing across the entire property portfolio, but this will be more pronounced in the higher catastrophe risk regions of the country.



Commercial Insurance

- Elevated inflation and interest rates will likely impact industry growth somewhat in the near term.
- We expect the commercial lines market to remain firm over the next 12 months as carriers focus on ensuring long-term profitability and sustainable availability of capacity. We expect the hard pricing environment to be influenced by inflation trends, weather events, expected investment returns, and the industry's overall underwriting performance.
- Hardening reinsurance conditions in 2023 are expected to prolong firm commercial lines market conditions and pricing.

definity.

KEY FINANCIAL METRICS



Gross Written Premium Growth
FY2022

11.8%

TARGET[2]

Grow GWP annually at an upper single digit to approximately 10% rate



Combined Ratio[1]
FY2022

94.1%

TARGET[2]

Maintain a full year combined ratio in the mid-90s



Operating ROE[1]
FY2022

10.0%

TARGET[2]

Generate an annual Operating ROE in the upper single digit to below teens range

[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] Financial targets are expected to be achieved over the next year and do not include the impact of IFRS 17.

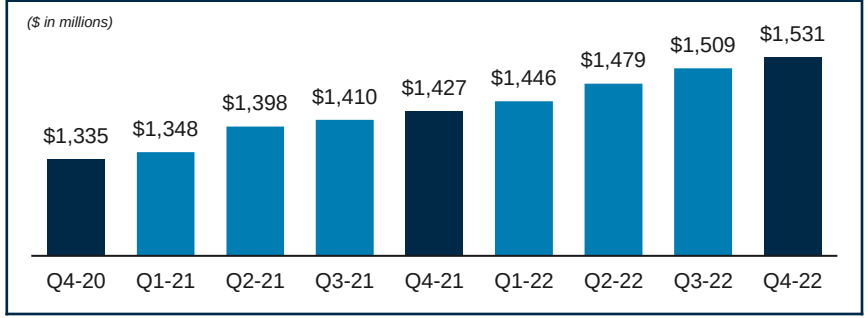
definity.


PHILIP
MATHER
Executive Vice-President &
Chief Financial Officer
definity.

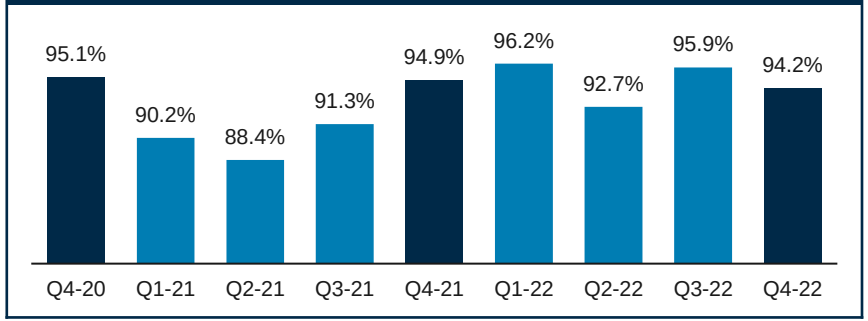
Q4-2022 PERSONAL AUTO

($ in millions, except as otherwise noted)	Q4-22	Q4-21	Δ	FY22	FY21	Δ
GWP	$377.2	$355.5	6.1%	$1,530.6	$1,426.5	7.3%
NEP	$379.4	$344.3	10.2%	$1,470.7	$1,332.5	10.4%
Underwriting income[2]	$22.3	$17.7	$4.6	$77.7	$116.8	($39.1)
Core AY claims ratio[1]	70.5%	75.7%	(5.2) pts	68.6%	67.1%	1.5 pts
CAT losses[1]	-	0.1%	(0.1) pts	0.3%	0.5%	(0.2) pts
Prior year claims development	(5.5%)	(9.1%)	3.6 pts	(3.7%)	(5.4%)	1.7 pts
Claims ratio[1,2]	65.0%	66.7%	(1.7) pts	65.2%	62.2%	3.0 pts
Expense ratio[1,3]	29.2%	28.2%	1.0 pts	29.5%	29.0%	0.5 pts
Combined ratio[1,2,3]	94.2%	94.9%	(0.7) pts	94.7%	91.2%	3.5 pts

Gross Written Premiums (TTM)



Combined Ratio[1,2,3]



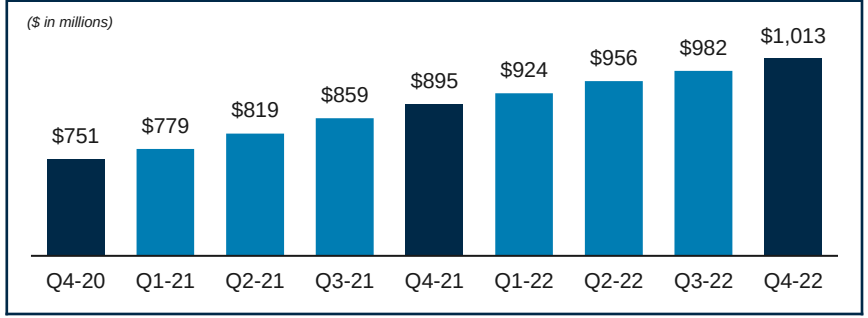
[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] The claims ratio, combined ratio, and underwriting income exclude the impact of discounting.
[3] The expense ratio and combined ratio are presented net of other underwriting revenues.

definity.

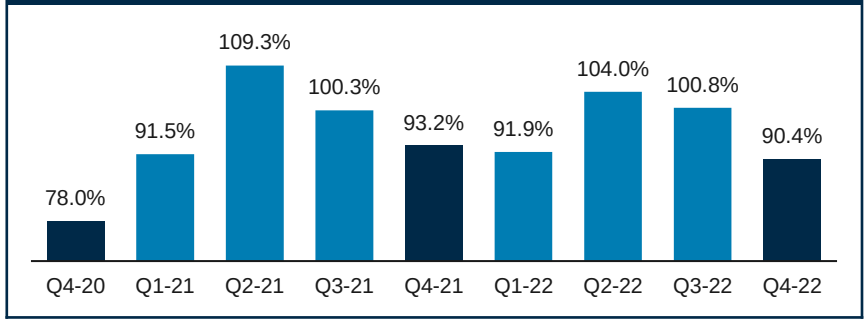
Q4-2022 PERSONAL PROPERTY

($ in millions, except as otherwise noted)	Q4-22	Q4-21	Δ	FY22	FY21	Δ
GWP	$268.0	$237.1	13.0%	1,012.7	$894.6	13.2%
NEP	$240.1	$203.7	17.9%	$907.0	$761.2	19.2%
Underwriting income[2]	$23.1	$13.8	$9.3	$30.0	$10.8	$19.2
Core AY claims ratio[1]	50.5%	46.2%	4.3 pts	53.4%	53.1%	0.3 pts
CAT losses[1]	3.4%	12.7%	(9.3) pts	8.4%	9.4%	(1.0) pts
Prior year claims development	(1.1%)	0.7%	(1.8) pts	(2.0%)	0.5%	(2.5) pts
Claims ratio[1,2]	52.8%	59.6%	(6.8) pts	59.8%	63.0%	(3.2) pts
Expense ratio[1,3]	37.6%	33.6%	4.0 pts	36.9%	35.6%	1.3 pts
Combined ratio[1,2,3]	90.4%	93.2%	(2.8) pts	96.7%	98.6%	(1.9) pts

Gross Written Premiums (TTM)



Combined Ratio[1,2,3]



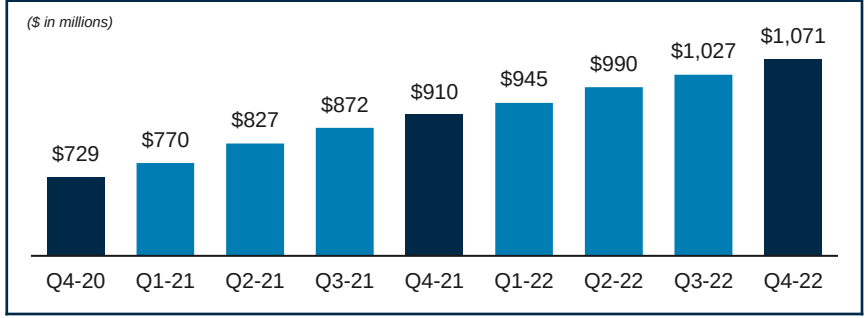
[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] The claims ratio, combined ratio, and underwriting income exclude the impact of discounting.
[3] The expense ratio and combined ratio are presented net of other underwriting revenues.

definity.

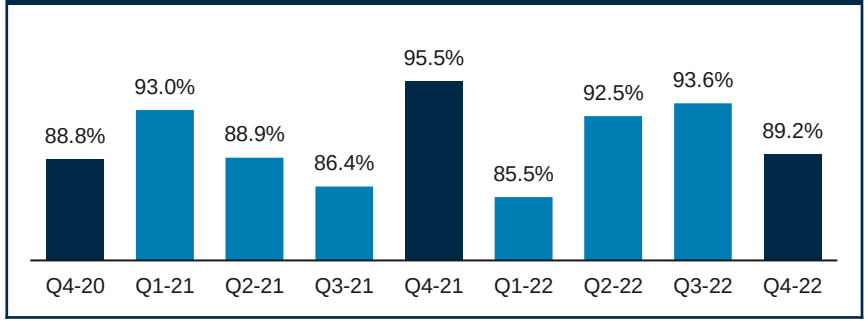
Q4-2022 COMMERCIAL INSURANCE

($ in millions, except as otherwise noted)	Q4-22	Q4-21	Δ	FY22	FY21	Δ
GWP	$297.3	$254.0	17.0%	$1,070.5	$910.3	17.6%
NEP	$231.1	$197.0	17.3%	$870.9	$739.9	17.7%
Underwriting income[2]	$24.8	$8.8	$16.0	$84.6	$66.9	$17.7
Core AY claims ratio[1]	56.6%	57.0%	(0.4) pts	54.2%	54.4%	(0.2) pts
CAT losses[1]	(1.6%)	5.0%	(6.6) pts	3.7%	2.3%	1.4 pts
Prior year claims development	(0.1%)	(1.5%)	1.4 pts	(2.2%)	(0.9%)	(1.3) pts
Claims ratio[1,2]	54.9%	60.5%	(5.6) pts	55.7%	55.8%	(0.1) pts
Expense ratio[1,3]	34.3%	35.0%	(0.7) pts	34.6%	35.2%	(0.6) pts
Combined ratio[1,2,3]	89.2%	95.5%	(6.3) pts	90.3%	91.0%	(0.7) pts

Gross Written Premiums (TTM)



Combined Ratio[1,2,3]



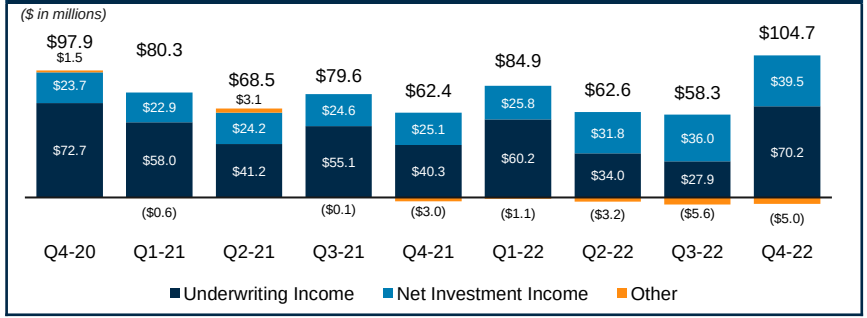
[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] The claims ratio, combined ratio, and underwriting income exclude the impact of discounting.
[3] The expense ratio and combined ratio are presented net of other underwriting revenues.

definity.

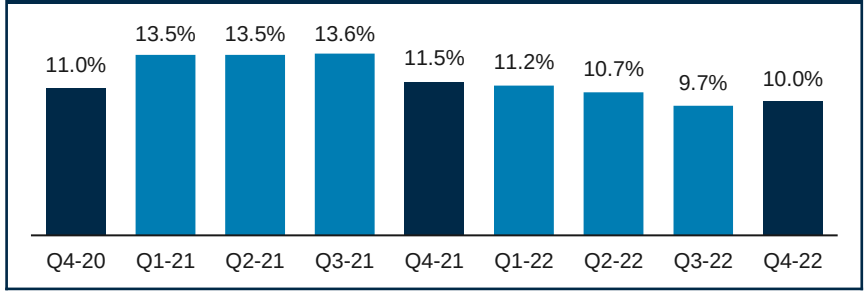
Q4-2022 CONSOLIDATED PROFITABILITY

($ in millions, except as otherwise noted)	Q4-22	Q4-21	Δ	FY22	FY21	Δ
GWP	$942.5	$846.6	11.3%	$3,613.8	$3,231.4	11.8%
Claims Ratio[1,2]	58.8%	63.1%	(4.3) pts	61.2%	60.8%	0.4 pts
Expense Ratio[1,3]	32.9%	31.5%	1.4 pts	32.9%	32.3%	0.6 pts
Combined Ratio[1,2,3]	91.7%	94.6%	(2.9) pts	94.1%	93.1%	1.0 pts
Underwriting Income[2]	$70.2	$40.3	$29.9	$192.3	$194.5	$(2.2)
Net Investment Income[4]	$39.5	$25.1	$14.4	$133.1	$96.8	$36.3
Distribution Income[1]	$4.2	$1.7	$2.5	$13.5	$8.0	$5.5
Operating Net Income[1,5]	$79.0	$46.5	$32.5	$238.9	$220.4	$18.5
Net Income[5]	$142.2	$33.7	$108.5	$252.6	$213.2	$39.4
Operating EPS[1]	$0.67	$0.42	$0.25	$2.04	$2.09	$(0.05)
Operating ROE (TTM)[1]	10.0%	11.5%	(1.5) pts	10.0%	11.5%	1.5pts

Operating Income (Loss)[1]



Operating Return on Equity (TTM)[1]

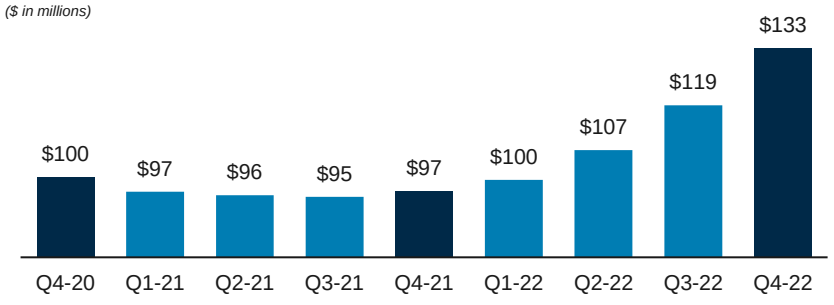


[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] The claims ratio, combined ratio, and underwriting income exclude the impact of discounting.
[3] The expense ratio and combined ratio are presented net of other underwriting revenues.
[4] Net Investment Income is Dividend & Interest Income less Investment Expenses.
[5] Operating Net Income and Net Income are post tax.

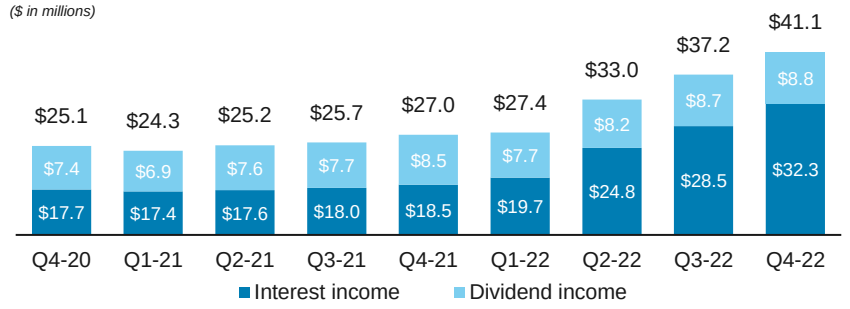
definity.

Q4-2022 INVESTMENT PORTFOLIO

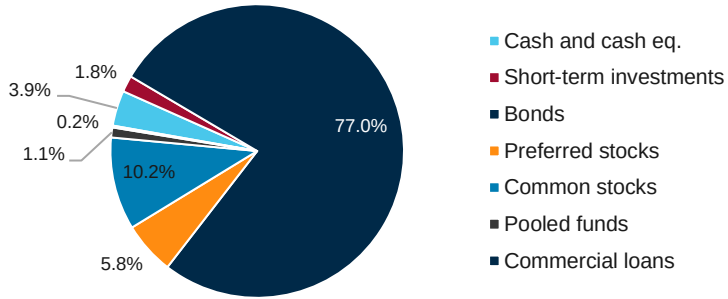
Net Investment Income (TTM)



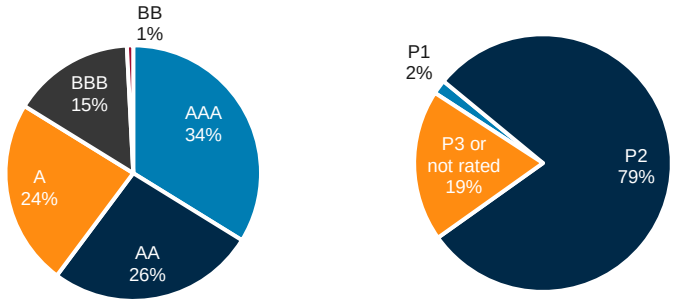
Dividend & Interest Income



Investment Allocation(1)



Credit Rating – Bonds & Preferred Stocks(2)



[1] Percent of accounting carrying value
[2] Using the lowest of Standard & Poor's and DBRS ratings.

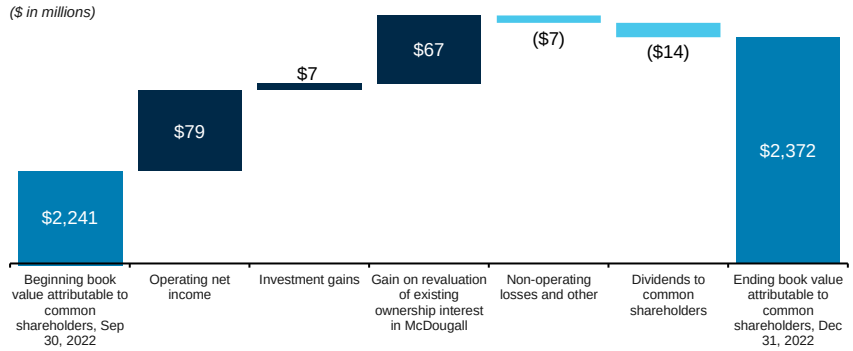
definity.

Q4-2022 CAPITAL MANAGEMENT

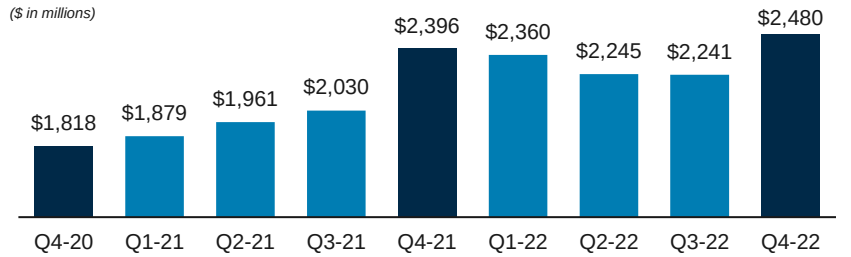
($ in millions, except as otherwise noted)	ICA[2]	CBCA[3]
Excess Capital at 200%:		
- Definity Insurance Company	$29	$29
- Definity Financial Corporation	$357	$357
Total Excess Capital	$386	$386
Leverage Capacity[1,3]	$272	$788
Financial Capacity[1] as at Q4-2022	**$658**	**$1,174**

($ in millions, except as otherwise noted)	Q4-22	Q3-22	Q4-21	y/y Δ
Total assets	$8,317	$7,943	$7,891	$426
Investments	$4,898	$4,855	$5,366	($468)
Total liabilities	$5,837	$5,702	$5,495	$342
Claim liabilities	$3,254	$3,323	$3,336	($82)
Total equity	$2,480	$2,241	$2,396	$84
Book value per share[1]	**$20.74**	**$19.54**	**$20.68**	**0.3%**

Consolidated Book Value q/q Δ



Total Equity



[1] This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2022 MD&A for further details.
[2] Definity is subject to leverage restrictions under the ICA, which provide that its total debt cannot exceed 2% of its total assets.
[3] Assumes Definity proceeds with the Continuance and establishes financial leverage levels at 20% debt and 5% preferred or hybrids. The Continuance is subject to governmental approval.

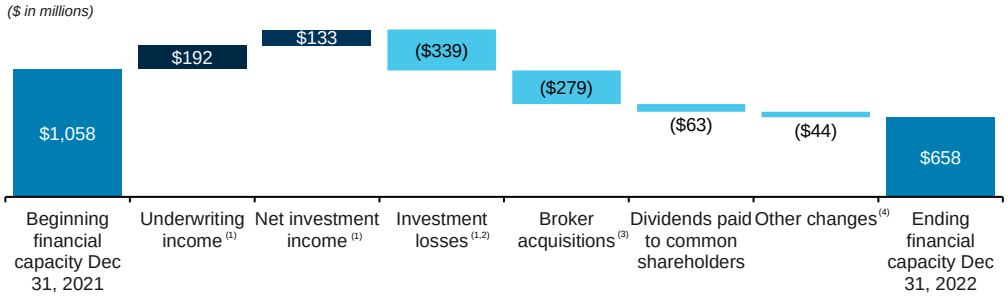
definity.

Q4-2022 CAPITAL MANAGEMENT

Capital Management Actions

- Closed the McDougall and T.G. Colley transactions in October, deploying ~$230M
- Recently applied for approval to continue under the *Canadian Business Corporations Act* (CBCA)
- Dividend increased 10% over the level of ordinary quarterly dividends paid in 2022

Financial Capacity y/y Δ



Capital Deployment Priorities

Organic Growth

We retain capital to support the growth in our premium volumes as well as invest in talent and technology that advance our strategic objectives

Common Shareholder Dividends

We intend to have a sustainable and growing dividend per common share that will be reviewed on a regular basis

Inorganic Growth

We intend to actively pursue carrier and distribution acquisition opportunities in the Canadian market. To fund these transactions, we expect to utilize excess capital, introduce leverage, and, if required, access the capital markets

Share Buybacks

We will consider the use of share buybacks as a flexible capital management tool

[1] Pre-tax income (losses)
[2] Net of discounting of $162.6 million
[3] Deployment of capital for broker acquisitions, including the consolidation of McDougall demand loan
[4] Other changes includes income taxes and shares repurchased and held in trust

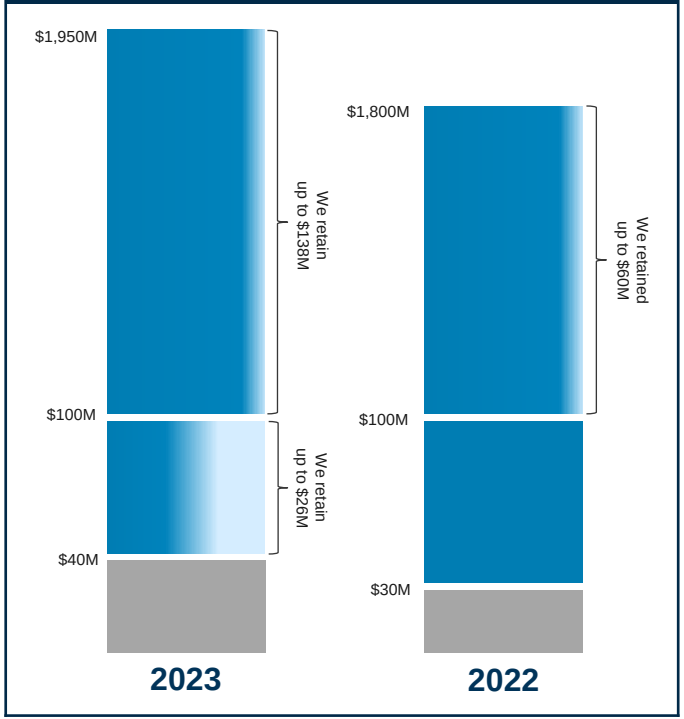
definity.

2023 REINSURANCE PROGRAM

Successful placement of all Definity key treaties despite difficult renewal season

- Upper limit increased from $1.8B to 1.95B to support growth capacity
- Net company retention increased from $30M to $40M
- On CAT events between $40M and $100M we will retain 42.5% on average, in addition to net company retention
- Continued placement of the catastrophe aggregate treaty in 2023 on the same terms
- We expect annual CAT losses of ~4% of our net earned premiums, with ~70% of the estimated losses to occur during the second and third quarters

CAT Excess of Loss Structure



definity.

OUR STRATEGY

OUR PURPOSE
Building a better world by helping our clients and communities adapt and thrive

OUR AMBITION
To be one of Canada's leading and most innovative P&C insurers

OUR PROMISE
Making insurance better

STRATEGIC OBJECTIVES

- Become one of the five largest P&C insurers in Canada
- Maintain our digital leadership
- Consistently deliver disciplined financial management
- Position Definity as a purpose-driven sustainability leader

KEY FOCUS AREAS

- Capitalize on the expanding digital direct insurance market with Sonnet
- Leverage Vyne to increase our share of the broker channel
- Grow and diversify our Commercial Insurance business
- Deliver a superior claims experience that supports and satisfies customers
- Grow and diversify through acquisitions and partnerships
- Attract and retain top talent
- Maintain our pace of innovation
- Deliver on our Inclusion, Diversity, Equity and Accessibility (IDEA) targets, climate goals, and other ESG priorities

definity.



QUESTIONS?

definity.

CONTACT US

Investor Relations

Definity Financial Corporation
Investor Relations Department
121 King St West, Suite 1400,
Toronto, ON M5H 3T9
(TF) 1-866-902-4724
IR@definity.com

Dennis Westfall
Head, Investor Relations
(C) 416-435-5568
dennis.westfall@definity.com

Corporate Communications

Sarah Attwells
AVP, Corporate Affairs
(C) 226-753-1130
sarah.attwells@definity.com

General Inquiries

Definity Financial Corporation
111 Westmount Rd. S., P.O. Box 2000
Waterloo, ON N2J 4S4
(T) 1-800-265-2180 or 519-570-8200

definity.

definity.

© 2023 Definity Financial Corporation. Intellectual property belongs to Definity Financial Corporation and/or its affiliates.