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Q3-2023 QUARTERLY REPORT

November 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;
- 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;
- management's estimates and judgements in respect of the adoption of IFRS 17 and the financial impact on various financial metrics;
- 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* ("Continuance").

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" of our MD&A for the year ended December 31, 2022 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.

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SUPPLEMENTARY FINANCIAL MEASURES AND NON-GAAP FINANCIAL MEASURES AND RATIOS

The Company's unaudited condensed interim consolidated financial statements and accompanying notes for the quarter ended September 30, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

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) included in this presentation, and in each case are not standardized financial measures under GAAP. The supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios in this presentation 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. 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 unaudited condensed interim consolidated financial statements, see Section 12 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" in the Management's Discussion and Analysis dated November 9, 2023 ("Q3-2023 MD&A"), available on www.sedarplus.ca.

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

Supplementary Financial Measures: Book value per share, catastrophe losses, financial capacity, gross written premiums, and leverage capacity.

Non-GAAP Financial Measures: Core accident year claims and adjustment expenses, distribution income, net claims and adjustment expenses, net commissions, net underwriting expenses, net underwriting revenue, non-operating gains (losses), operating income, operating net income, prior year claims development, and underwriting (loss) income.

Non-GAAP Ratios: Claims ratio, combined ratio, expense ratio, return on equity ("ROE"), operating return on equity ("operating ROE"), operating earnings per common share ("operating EPS"), and certain other ratios.


ROWAN
SAUNDERS
President & Chief Executive Officer
definity.

Q3-2023 FINANCIAL HIGHLIGHTS

Operating EPS[1] **$0.15**	Gross Written Premiums[1] **$1.0B / +9.0% y/y**	Combined Ratio[1] **102.5%**
Book Value per Share[1] **$22.87 / +9.6% y/y**	Financial Capacity[1,2] **$586M**	Operating ROE (TTM)[1] **8.8%**

[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 Q3-2023 MD&A for further details.
[2] See "Q3-2023 Capital Management" slides for more information on financial capacity.

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12-MONTH INDUSTRY OUTLOOK



Personal Auto

- We expect the frequency of claims to continue to normalize toward pre-pandemic levels and inflationary pressures affecting vehicle damage claims to remain elevated.
- We expect to see severity decline slightly in the coming quarters as automotive industry supply challenges ease and government monetary actions to control inflation impact consumer demand.
- Both frequency and severity trends as well as elevated theft levels are expected to continue to drive firming industry pricing and a focus on disciplined underwriting in the coming 12 months.



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 should 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 to remain disciplined throughout the remainder of the year, putting greater emphasis on primary insurers to manage catastrophe exposures in the higher catastrophe risk regions of the country.



Commercial Insurance

- The elevated risks for an economic slowdown remain, with inflation moderating but still above central bank targets. This will likely impact industry growth somewhat in the near term.
- We expect the commercial lines market to remain firm into 2024 as carriers focus on ensuring long-term profitability and sustainable availability of capacity. We expect the firm pricing environment to be influenced by weather events, inflation trends, expected investment returns, and the industry's overall underwriting performance.
- Elevated reinsurance costs are expected to prolong firm commercial lines market conditions and pricing.

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KEY FINANCIAL METRICS



Gross Written Premium Growth [1]
YTD-2023

9.7%

TARGET[2]

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



Combined Ratio[1]
YTD-2023

97.8%

TARGET[2]

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



Operating ROE[1]
TTM

8.8%

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 Q3-2023 MD&A for further details.
[2] Current financial targets

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OUR LEADING BROKER PLATFORM

Our national broker platform provides immediate opportunities to scale and grow the earnings profile of the business

Benefits to Definity

- Diversified product base allows for repeatable distribution income and complementary earnings contribution
- Strong loss ratios and operating margins
- Relationships with over 50 carrier markets with a robust product suite
- Access to high quality portfolios by fostering stronger relationships with brokers
- Demonstrated organic and acquisition-based growth potential

Premiums

Current **>$900M** → Ambition **$1B+**

Our portfolio of broker investments is expected to generate an **operating income** before finance costs, taxes and minority interests of approximately

$75M annually

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PHILIP
MATHER
Executive Vice-President &
Chief Financial Officer
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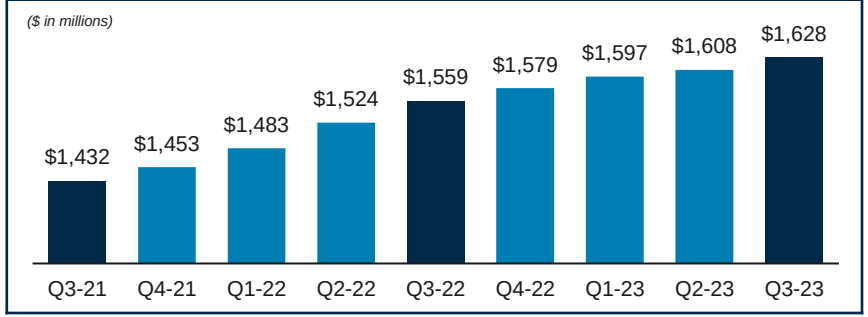
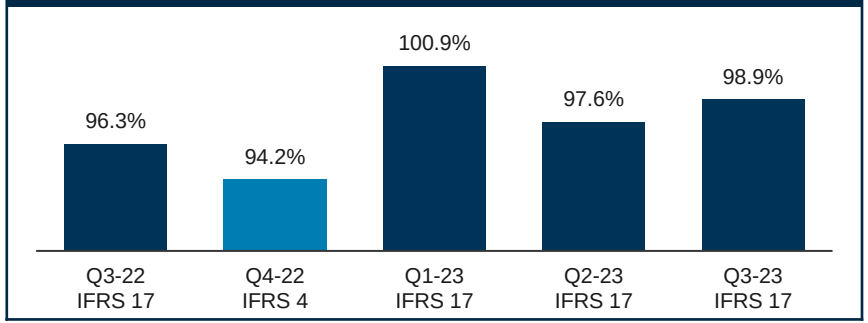
Q3-2023 PERSONAL AUTO

($ in millions, except as otherwise noted)	Q3-23	Q3-22 (Restated)	Δ
Gross Written Premiums[1]	$441.2	$421.6	4.6%
Net Underwriting Revenue[1]	$389.1	$373.1	4.3%
Underwriting Income[1,2]	$4.3	$13.7	($9.4)
Core AY Claims Ratio[1]	74.7%	70.1%	4.6 pts
CAT Losses[1]	2.0%	0.3%	1.7 pts
Prior Year Favourable Claims Development[1]	(3.0%)	(2.3%)	(0.7) pts
Claims Ratio[1,2]	73.7%	68.1%	5.6 pts
Expense Ratio[1]	25.2%	28.2%	(3.0) pts
Combined Ratio[1,2]	98.9%	96.3%	2.6 pts

Gross Written Premiums (TTM)



Combined Ratio[1,2]



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[2] The claims ratio, combined ratio, and underwriting income exclude the impact of discounting.

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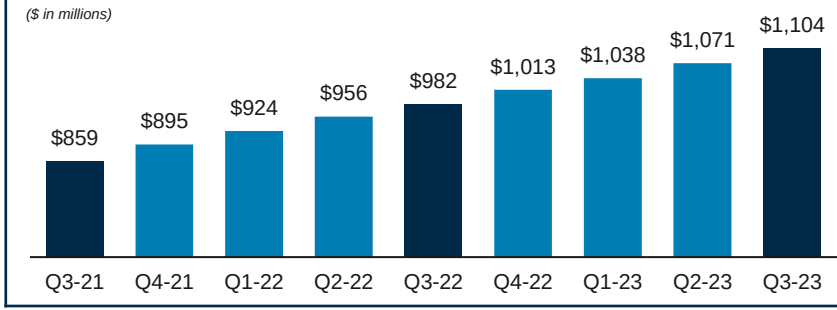
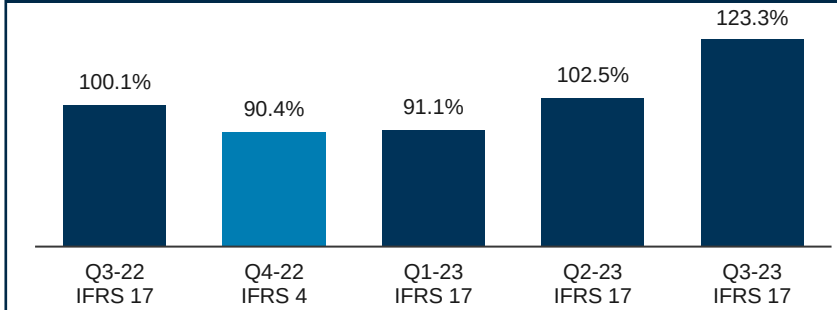
Q3-2023 PERSONAL PROPERTY

($ in millions, except as otherwise noted)	Q3-23	Q3-22 (Restated)	Δ
Gross Written Premiums[1]	$308.0	$275.6	11.8%
Net Underwriting Revenue[1]	$261.6	$234.3	11.7%
Underwriting Loss[1,2]	($61.0)	($0.3)	($60.7)
Core AY Claims Ratio[1]	51.7%	55.7%	(4.0) pts
CAT Losses[1]	39.7%	11.1%	28.6 pts
Prior Year Favourable Claims Development[1]	(1.8%)	(1.9%)	0.1 pts
Claims Ratio[1,2]	89.6%	64.9%	24.7 pts
Expense Ratio[1]	33.7%	35.2%	(1.5) pts
Combined Ratio[1,2]	123.3%	100.1%	23.2 pts

Gross Written Premiums (TTM)



Combined Ratio[1,2]



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[2] The claims ratio, combined ratio, and underwriting loss exclude the impact of discounting.

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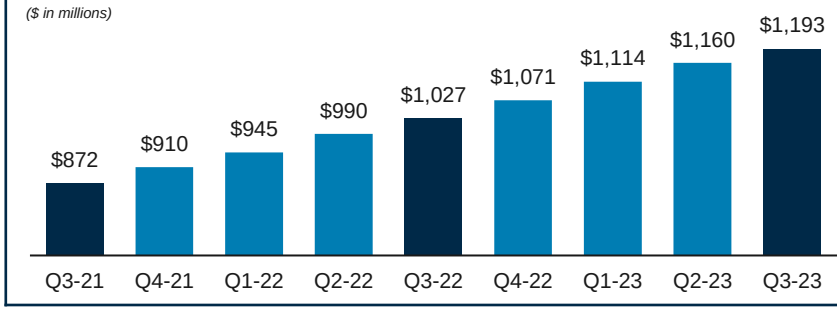
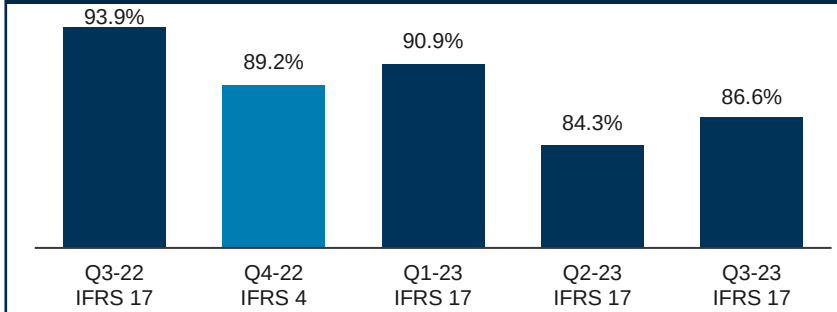
Q3-2023 COMMERCIAL INSURANCE

($ in millions, except as otherwise noted)	Q3-23	Q3-22 (Restated)	Δ
Gross Written Premiums[1]	$290.8	257.3	13.0%
Net Underwriting Revenue[1]	$252.9	$225.0	12.4%
Underwriting Income[1,2]	$33.9	$13.7	$20.2
Core AY Claims Ratio[1]	51.5%	53.4%	(1.9) pts
CAT Losses[1]	4.2%	9.2%	(5.0) pts
Prior Year Favourable Claims Development[1]	(1.4%)	(3.8%)	2.4 pts
Claims Ratio[1,2]	54.3%	58.8%	(4.5) pts
Expense Ratio[1]	32.3%	35.1%	(2.8) pts
Combined Ratio[1,2]	86.6%	93.9%	(7.3) pts

Gross Written Premiums (TTM)



Combined Ratio[1,2]



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[2] The claims ratio, combined ratio, and underwriting income exclude the impact of discounting.

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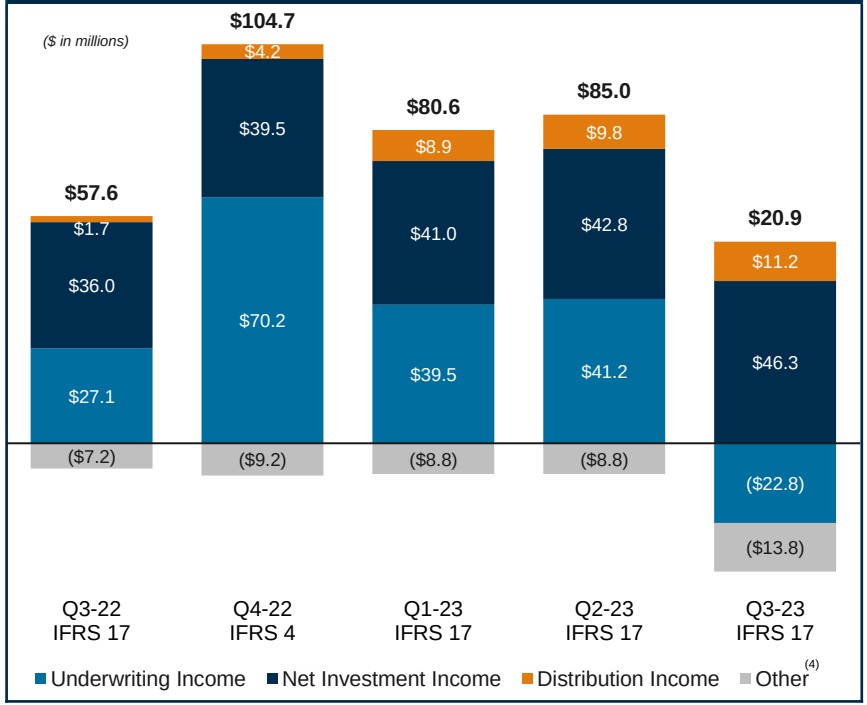
Q3-2023 CONSOLIDATED PROFITABILITY

($ in millions, except as otherwise noted)	Q3-23	Q3-22 (Restated)	Δ
Gross Written Premiums[1]	$1,040.0	$954.5	9.0%
Claims Ratio[1,2]	72.9%	64.7%	8.2 pts
Expense Ratio[1]	29.6%	32.0%	(2.4) pts
Combined Ratio[1,2]	102.5%	96.7%	5.8 pts
Underwriting (Loss) Income[1,2]	($22.8)	$27.1	($49.9)
Net Investment Income[3]	$46.3	$36.0	$10.3
Distribution Income[1]	$11.2	$1.7	$9.5
Other [4]	($13.8)	($7.2)	($6.6)
Operating Income[1]	$20.9	$57.6	($36.7)
Operating Net Income[5]	$17.6	$45.8	($28.2)
Operating EPS (in dollars)[1]	$0.15	$0.39	($0.24)
Operating ROE (TTM)[1]	8.8%	9.4%[6]	(0.6) pts

Operating Income [1]



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[2] The claims ratio, combined ratio, and underwriting (loss) income exclude the impact of discounting.
[3] Net investment income is dividend & interest income less investment expenses.
[4] Includes public company expenses, interest expense, non-controlling interests, and other.
[5] Operating net income is post-tax.
[6] Operating ROE of 9.4% for full year ending December 31, 2022.

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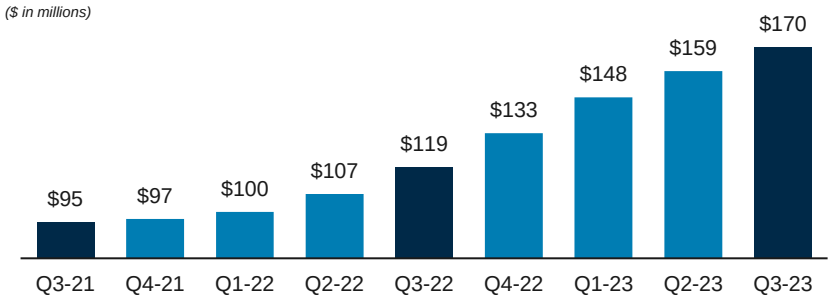
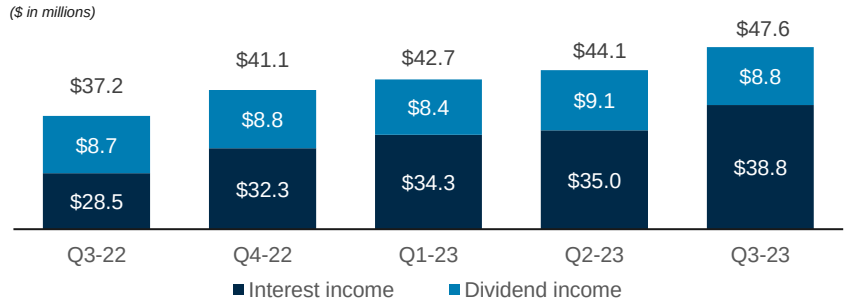
Q3-2023 INVESTMENT PORTFOLIO

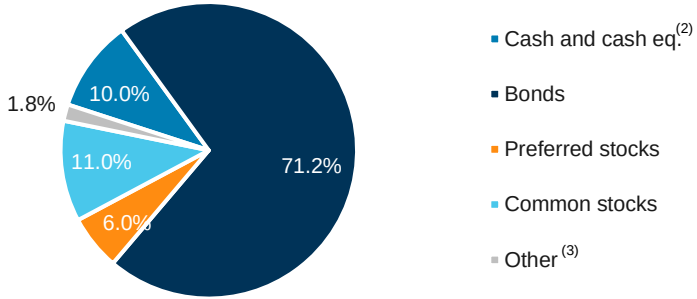
Net Investment Income (TTM)



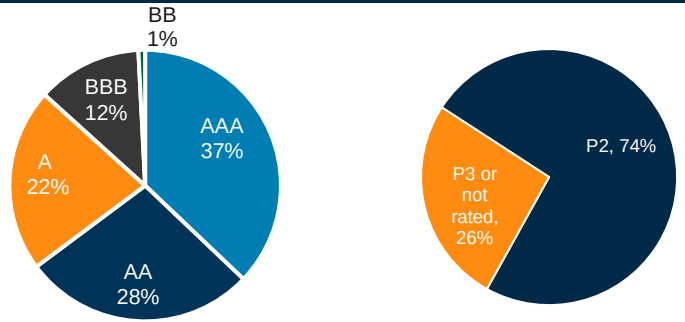
Dividend & Interest Income



Investment Allocation(1)



Credit Rating – Bonds & Preferred Stocks(4)



[1] Percent of accounting carrying value
[2].Cash and ST Investments includes Cash and cash eq. of 8.1% and ST Investments of 1.9%.
[3] Other includes Pooled Funds of 1.4% and Commercial loans of 0.4%.
[4] Using the lowest of S&P and DBRS ratings.

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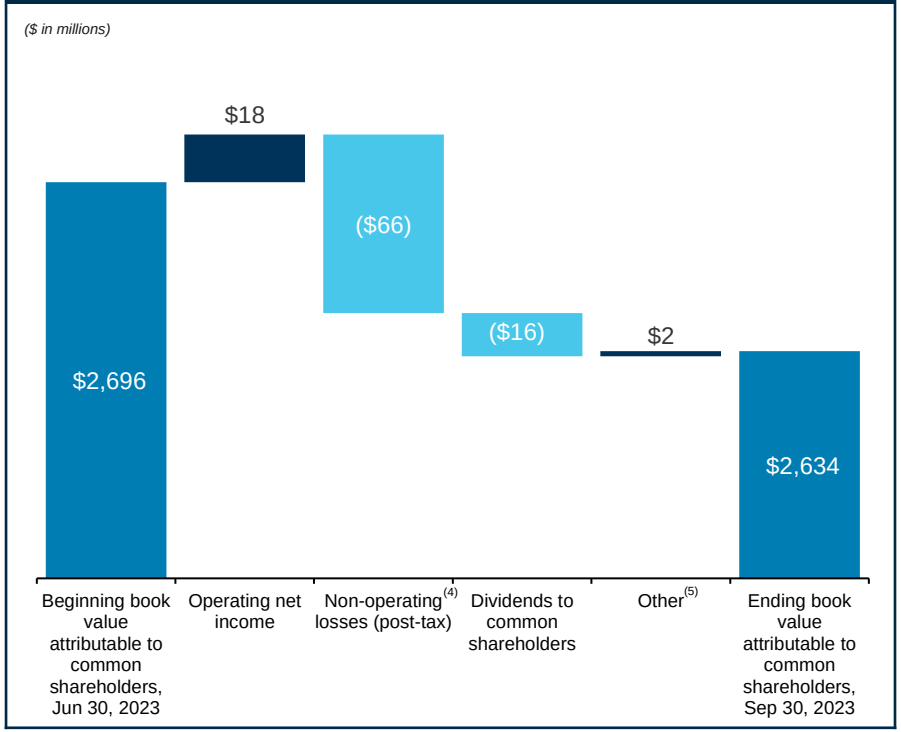
Q3-2023 CAPITAL MANAGEMENT

($ in millions, except as otherwise noted)	ICA[2]	CBCA[3]
Excess Capital at 190%:		
- Definity Insurance Company	$78	$78
- Definity Financial Corporation	$287	$287
Total Excess Capital	$365	$365
Leverage Capacity[1,3]	$221	$816
Financial Capacity[1] as at Q3-2023	**$586**	**$1,181**

($ in millions, except as otherwise noted)	Sep 30-23	Dec 31-22 (Restated)
Total assets	$6,928	$6,820
Investments	$4,604	$4,897
Total liabilities	$4,139	$4,161
Insurance contract liabilities	$3,528	$3,578
Equity attributable to common s/h	$2,634	$2,550
Book value per share[1]	$22.87	$22.30

Consolidated Book Value q/q Δ



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[2] Definity is subject to leverage restrictions under the ICA, which provide that its total debt cannot exceed 2.5% 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. Approximately $142.9 million (December 31, 2022: $108.7 million) of the 2.5% (December 31, 2022: 2.0%) debt limit under the ICA was utilized as at September 30, 2023, including debt outstanding of $114.3 million (December 31, 2022: $39.1 million) which has reduced the amount of leverage capacity.
[4] Non-operating losses pre-tax of $87.9 million, less income tax recovery of $22.0 million
[5] Other represents other comprehensive loss, and changes in contributed surplus

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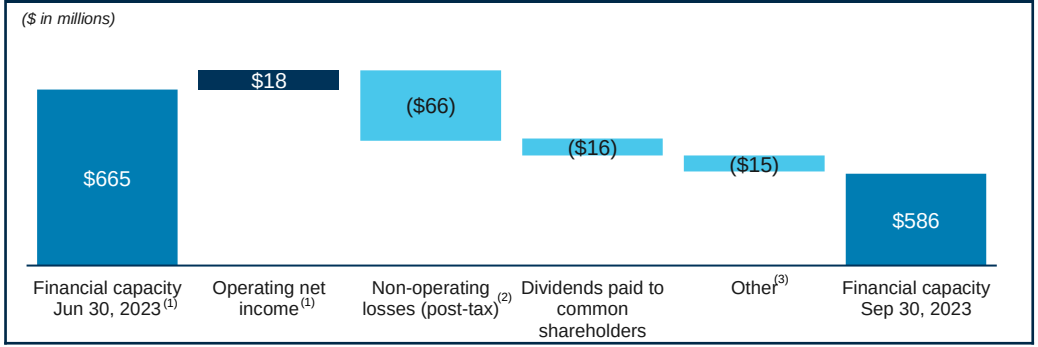
Q3-2023 CAPITAL MANAGEMENT

Capital Management Actions

- Further expanded our distribution platform with the closing of Drayden transaction, deploying ~$210M funded entirely with excess capital
- Resilient capital position despite investment losses and elevated catastrophe losses in the quarter
- Regulatory capital ratios remain in a strong position well above minimum targets

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

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[2] Non-operating losses pre-tax of $87.9 million, less income tax recovery of $22.0 million
[3] Other represents other changes in regulatory capital available and capital required, as well as changes in leverage capacity not related to broker acquisitions

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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

- Leverage Vyne to increase our share of the broker channel
- Grow and diversify our Commercial Insurance business
- Capitalize on the expanding digital direct insurance market
- 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

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QUESTIONS?

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CONTACT US

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