TORONTO (TSX: DFY) – February 15, 2024
(in Canadian dollars except as otherwise noted)

# NEWS RELEASE: Definity Financial Corporation Reports Fourth Quarter and Full Year 2023 Results

## Highlights

- Gross written premiums[1] increased 8.5% in Q4, benefitting from a rebound in personal auto growth; full year growth of 9.4% was supported by ongoing firm market conditions in personal property and commercial lines
- Combined ratio[1] of 90.6% in Q4 reflected solid performance across our portfolio, with particularly strong results in personal property; full year combined ratio of 95.9%, despite 6.2 points of catastrophe losses[1]
- Operating net income[1] of $100.7 million in Q4, compared to $76.6 million in 2022, resulted in operating EPS[1] of $0.86 per share. Operating ROE[1] was 9.2% over the last twelve months
- Full year net income attributable to common shareholders of $350.1 million drove an 11.1% increase in book value per share[1] to $24.78
- Quarterly dividend increased by over 16% to $0.16 per share, supported by our robust financial position and confidence in our operational outlook
- Completion of Definity Financial Corporation's continuance to the *Canada Business Corporations Act* on January 1, 2024

## Executive Messages

"I am proud of our company's delivery of results to shareholders, while at the same time having been there for our customers and brokers. We continued to leverage our strong broker proposition and digital platforms to drive solid overall premium growth of 9.4%, ending the year with GWP exceeding $4 billion for the first time. Our full year COR of 95.9% demonstrates the strength of our operating model which enabled us to deliver on our mid-90s combined ratio target despite 6.2 points of catastrophe losses. In the fourth quarter, strong underwriting income combined with robust net investment income and growing contributions from our insurance broker platform resulted in record operating net income of $100.7 million or $0.86 per share. We leveraged our M&A expertise in 2023, completing two notable broker acquisitions which enabled us to deploy excess capital in an accretive manner. I am excited by the additional opportunities ahead for Definity to continue building on our growing track record of success."

**– Rowan Saunders, President & CEO**

"We enter 2024 in a robust financial position. Our resilient operations generated a full year operating ROE of 9.2% with 11.1% growth in book value per share. Continued strength in underwriting profitability combined with expansions in investment and distribution income are expected to increase operating ROE to 10% or more in 2024. Our confidence in the company's outlook is demonstrated by a 16.4% increase in our quarterly dividend, which delivers on our objective to consistently grow our dividend over time. With substantial financial capacity, exceeding $1.2 billion, reflecting our continuance to the CBCA on January 1, 2024, there is significant flexibility available to support the ongoing growth of our business."

**– Philip Mather, EVP & CFO**

## Consolidated Results

| (in millions of dollars, except as otherwise noted) | Q4 2023 | Q4 2022 (Restated) | *Change* | 2023 | 2022 (Restated) | *Change* |
|---|---|---|---|---|---|---|
| Insurance revenue | 1,003.8 | 911.7 | *10.1%* | 3,850.3 | 3,485.7 | *10.5%* |
| Gross written premiums[1] | 1,033.2 | 951.9 | *8.5%* | 4,005.2 | 3,662.3 | *9.4%* |
| Net underwriting revenue[1] | 922.4 | 850.4 | *8.5%* | 3,542.6 | 3,251.2 | *9.0%* |
| Claims ratio[1] | 61.1% | 59.5% | *1.6 pts* | 65.1% | 61.7% | *3.4 pts* |
| Expense ratio[1] | 29.5% | 32.7% | *(3.2) pts* | 30.8% | 32.5% | *(1.7) pts* |
| **Combined ratio[1]** | **90.6%** | **92.2%** | ***(1.6) pts*** | **95.9%** | **94.2%** | ***1.7 pts*** |
| Insurance service result | 147.9 | 133.2 | *14.7* | 424.4 | 441.9 | *(17.5)* |
| Underwriting income[1] | 87.0 | 66.7 | *20.3* | 144.9 | 189.4 | *(44.5)* |
| Net investment income | 49.4 | 39.5 | *9.9* | 179.5 | 133.1 | *46.4* |
| Distribution income[1] | 8.8 | 4.8 | *4.0* | 39.3 | 14.1 | *25.2* |
| **Net income attributable to common shareholders** | **225.9** | **185.0** | ***40.9*** | **350.1** | **110.9** | ***239.2*** |
| **Operating net income[1]** | **100.7** | **76.6** | ***24.1*** | **246.5** | **236.8** | ***9.7*** |

[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 in this news release, and Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the 2023 Q4 Management's Discussion and Analysis dated February 15, 2024 for further details, which is hereby incorporated by reference and is available on the Company's website at www.definityfinancial.com and on SEDAR+ at www.sedarplus.ca.

| | Q4 2023 | Q4 2022 (Restated) | *Change* | 2023 | 2022 (Restated) | *Change* |
|---|---|---|---|---|---|---|
| **Per share measures (in dollars)** | | | | | | |
| Diluted EPS | 1.94 | 1.59 | *0.35* | 3.00 | 0.95 | *2.05* |
| Operating EPS[1] | 0.86 | 0.66 | *0.20* | 2.11 | 2.03 | *0.08* |
| Book value per share ("BVPS")[1] | | | | 24.78 | 22.30 | *2.48* |
| **Return on equity** | | | | | | |
| Return on equity ("ROE")[1] | | | | 13.0% | 4.3% | *8.7 pts* |
| Operating ROE[1] | | | | 9.2% | 9.4% | *(0.2) pts* |

- **Gross written premiums ("GWP")** for Q4 increased by $81.3 million or 8.5% compared to 2022, with growth across all our lines of business. Personal lines GWP was up 6.0%, driven by growth in our broker channel. Commercial lines GWP increased 14.1% as we continued to drive significant profitable growth in this line of business. For the full year, GWP increased by $342.9 million or 9.4% compared to 2022.
- **Underwriting income** for Q4 was $87.0 million and the combined ratio was 90.6%, compared to underwriting income of $66.7 million and a combined ratio of 92.2% in 2022. The combined ratio improved due to decreases in both the expense ratio and the core accident year claims ratio across all lines of business. The expense ratio reduction was driven by lower contingent profit commission accruals and our ongoing focus on disciplined expense management. These improvements were partially offset by an increase in catastrophe losses and lower favourable prior year claims development. Our full year combined ratio was 95.9% compared to 94.2% in 2022, driven by the increased level of catastrophe losses in 2023, partially offset by the improvement in the consolidated expense ratio. Catastrophe losses amounted to 6.2 percentage points in 2023 compared to 3.7 percentage points in 2022.
- **Net investment income** increased $9.9 million in Q4 and $46.4 million for the year driven primarily by higher interest income that was enhanced by our active management of the investment portfolio in the rising interest rate environment.
- **Distribution income** was $8.8 million in Q4 and $39.3 million for the year, compared to $4.8 million and $14.1 million respectively in 2022. The increase was due primarily to the increased ownership position in McDougall Insurance Brokers Limited ("McDougall"), along with McDougall's acquisitions of McFarlan Rowlands Insurance Brokers Inc. ("McFarlan Rowlands") and Drayden Insurance Ltd. ("Drayden") during 2023.

**Net Income and Operating Net Income**

- **Net income attributable to common shareholders** was $225.9 million in Q4 compared to $185.0 million in 2022. The increase was due primarily to higher mark-to-market gains on investments and increases in underwriting income, net investment income, and distribution income. These were partially offset by the impact of discounting, as well as a restructuring charge of $11.1 million. Net income in Q4 of 2022 included a revaluation gain of $67.0 million on our previous ownership interest in McDougall.

  Full year net income attributable to common shareholders was $350.1 million compared to $110.9 million in 2022 due primarily to mark-to-market gains on investments in 2023 compared to significant losses in 2022, as well as increases in net investment income and distribution income. These were partially offset by the impact of discounting and a decrease in underwriting income due primarily to the impact of higher catastrophe losses.
- **Operating net income** was $100.7 million in Q4 compared to $76.6 million in 2022. The increase was due to higher underwriting income, net investment income, and distribution income. Full year operating net income was $246.5 million compared to $236.8 million in 2022.
- **Operating ROE** was 9.2% in 2023 compared to 9.4% 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 in this news release, and Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the 2023 Q4 Management's Discussion and Analysis dated February 15, 2024 for further details, which is hereby incorporated by reference and is available on the Company's website at www.definityfinancial.com and on SEDAR+ at www.sedarplus.ca.

## Line of Business Results

| (in millions of dollars, except as otherwise noted) | Q4 2023 | Q4 2022 (Restated) | *Change* | 2023 | 2022 (Restated) | *Change* |
|---|---|---|---|---|---|---|
| **Personal insurance** | | | | | | |
| **Gross written premiums**[1] | | | | | | |
| Auto | 416.0 | 386.6 | *7.6%* | 1,657.1 | 1,579.1 | *4.9%* |
| Property | 278.0 | 268.0 | *3.7%* | 1,113.1 | 1,012.7 | *9.9%* |
| **Total** | **694.0** | **654.6** | ***6.0%*** | **2,770.2** | **2,591.8** | ***6.9%*** |
| **Combined ratio**[1] | | | | | | |
| Auto | 95.9% | 95.6% | *0.3 pts* | 98.3% | 95.2% | *3.1 pts* |
| Property | 80.1% | 90.1% | *(10.0) pts* | 99.3% | 96.4% | *2.9 pts* |
| **Total** | **89.5%** | **93.4%** | ***(3.9) pts*** | **98.7%** | **95.7%** | ***3.0 pts*** |
| **Commercial insurance** | | | | | | |
| **Gross written premiums**[1] | **339.2** | **297.3** | ***14.1%*** | **1,235.0** | **1,070.5** | ***15.4%*** |
| **Combined ratio**[1] | **93.3%** | **88.8%** | ***4.5 pts*** | **88.8%** | **90.1%** | ***(1.3) pts*** |

### Personal Insurance

- **Personal lines** GWP increased 6.0% in Q4 (6.9% for the year). Direct channel GWP was $111.4 million in Q4, an increase of 1.5% compared to $109.8 million in 2022. Direct channel GWP was negatively impacted by our deliberate profitability actions, including those taken in response to the Alberta auto rate pause in 2023. The direct channel GWP was $427.5 million for the year, an increase of 0.9% compared to $423.7 million in 2022.
- **Personal auto** GWP increased 7.6% in Q4 (4.9% for the year), reflecting an increase in average written premiums as approved rate increases take hold, and higher premiums assumed from industry pools. The combined ratio of 95.9% in Q4, compared to 95.6% in 2022, was impacted by lower favourable prior year claims development from industry pools and an increase in catastrophe losses, largely offset by a decrease in the expense ratio and an improvement in the core accident year claims ratio.
- **Personal property** GWP increased 3.7% in Q4 (9.9% for the year), benefitting from continued firm market conditions driving increases in average written premiums, partially offset by lower levels of portfolio transfers than the same period in 2022 as well as our actions to address risk concentration in territories with a higher propensity to peril events. The full year GWP growth benefitted from firm market conditions throughout the year, and from an elevated level of portfolio transfers in the first three quarters of the year. The combined ratio in Q4 was strong at 80.1%, compared to 90.1% in 2022. The improvement was driven by a lower core accident year claims ratio, lower catastrophe losses, and a decrease in the expense ratio. For the full year, personal property delivered an underwriting profit (with a combined ratio of 99.3%), despite being heavily impacted by an elevated level of catastrophe losses. Catastrophe losses impacted the combined ratio by 15.6 percentage points in 2023 compared to 8.8 percentage points in 2022.

### Commercial Insurance

- Strong growth momentum in **commercial lines** continued in Q4 as we benefitted from broad support from our broker partners across Canada. GWP increased 14.1% in Q4 (15.4% for the year), driven by strong retention and rate achievement in a firm market environment and further scaling of our small business and specialty capabilities.
- **Commercial lines** benefitted from continued focus on underwriting execution with a combined ratio of 93.3% in Q4 compared to 88.8% in 2022. The increase in the combined ratio was driven by non-weather-related catastrophe losses, partially offset by a reduction in the expense ratio and the core accident year claims ratio, and higher favourable prior year claims development. The full year commercial lines combined ratio was 88.8% compared to 90.1% in 2022. The improvement was driven by a lower expense ratio.

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## Financial Position

| (in millions of dollars) | As at December 31, 2023 | As at December 31, 2022 (Restated) | *Change* |
|---|---|---|---|
| **Financial position** | | | |
| Equity attributable to common shareholders | 2,847.7 | 2,549.8 | *297.9* |
| Financial capacity[1] | 1,269.6 | 658.5 | *611.1* |

Note: Financial capacity for December 31, 2022 has not been restated to reflect the adoption of IFRS 17 and IFRS 9 nor OSFI's MCT 2023 guidelines. Financial capacity as at December 31, 2023 is shown pro forma for the CBCA continuance effective January 1, 2024.

- Equity attributable to common shareholders increased by $297.9 million, or 11.7%, as at December 31, 2023, due primarily to the net income generated in the year.
- On January 1, 2024, Definity Financial Corporation ceased to be incorporated under the *Insurance Companies Act* (Canada) and continued to the *Canada Business Corporations Act* ("CBCA"). Our credit facility increased from $150 million to $700 million following the continuance of Definity Financial Corporation as a CBCA entity.
- The increase in financial capacity as at December 31, 2023 relates primarily to this transition to the CBCA, as well as capital generated from operating net income and recognized gains on investments. This was partially offset by capital deployed in the acquisitions of McFarlan Rowlands and Drayden.
- Our capital position as of December 31, 2023 remains strong and well in excess of our capital targets.

### Dividend

- On February 15, 2024, our Board of Directors declared a $0.16 per share dividend, payable on March 28, 2024 to shareholders of record at the close of business on March 15, 2024. This represents a 16.4% increase from the previous quarter and delivers on our objective to consistently grow our dividend over time.

## Conference Call

Definity will conduct a conference call to review information included in this news release and related matters at 11:00 a.m. ET on February 16, 2024. The conference call will be available simultaneously and in its entirety to all interested investors and the news media at www.definityfinancial.com. A transcript will be made available on Definity's website within two business days.

## About Definity Financial Corporation

Definity Financial Corporation ("Definity", which includes its subsidiaries where the context so requires) is one of the leading property and casualty insurers in Canada, with over $4.0 billion in gross written premiums in 2023 and over $2.8 billion in equity attributable to common shareholders as at December 31, 2023.

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## Cautionary Note Regarding Forward-Looking Information

This news release 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 news release 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 continue to offer competitive pricing or product features or services that are attractive to customers;
- 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, that of our industry, or that of our customers;
- 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 collect, store, transfer, and dispose 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 the scope of regulatory oversight, effective income tax rates, risk-based capital guidelines, and accounting standards;
- failure to design, implement and maintain effective controls 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 administering 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 business, economic, financial, political, and social conditions, particularly those in Canada;
- the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national, or international economies, as well as their heightening of certain risks that may affect our business or future results;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of disruptive innovation or alternative business models by current market participants or new market entrants;
- 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;
- the discontinuance, modification, or failure to complete Definity's normal course issuer bid;
- 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 judgments in respect of the adoption of IFRS 17 and its impact on various financial metrics;
- periodic negative publicity regarding the insurance industry, Definity, or Definity Insurance Foundation; and
- 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.

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 the "12 – Risk Management and Corporate Governance" section of the December 31, 2023 Management's Discussion and Analysis 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 news release represents our expectations as at the date of this news release (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 news release is expressly qualified by the foregoing cautionary statements.

## Contacts

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## Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios

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), 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 news release 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 measures 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) definitions and explanations of how these measures provide useful information, refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2023 Management's Discussion and Analysis dated February 15, 2024, which is available on our website at www.definityfinancial.com and on SEDAR+ at www.sedarplus.ca. These measures have been updated to reflect the estimated impact arising from the adoption of IFRS 17 and IFRS 9.

Below are quantitative reconciliations of non-GAAP measures for the three months and years ended December 31, 2023 and 2022:

### Distribution income:

| (in millions of dollars) | Q4 2023 | Q4 2022 | 2023 | 2022 |
|---|---|---|---|---|
| Distribution revenues[1] | 35.8 | 19.9 | 127.4 | 19.9 |
| Distribution business expenses[2] | (27.0) | (15.1) | (88.1) | (15.1) |
| Share of distribution profit from investments in associates[2] | - | - | - | 6.9 |
| Remove: Income taxes included in share of distribution profit from investments in associates | - | - | - | 2.4 |
| **Distribution income** | **8.8** | **4.8** | **39.3** | **14.1** |

[1] Distribution revenues includes commissions on policies underwritten by external insurance companies.
[2] Included in Other (expenses) income in our audited consolidated financial statements. These amounts exclude amortization of intangible assets recognized in business combinations and acquisition-related expenses.

### Net claims and adjustment expenses

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Claims and adjustment expenses[1,2] | 637.8 | 563.2 | 2,536.2 | 2,198.2 |
| Impact of onerous insurance contracts[3] | (2.5) | - | (4.6) | 1.4 |
| Claims recoverable from reinsurers for incurred claims[2,4] | (72.2) | (56.8) | (225.9) | (195.1) |
| **Net claims and adjustment expenses** | **563.1** | **506.4** | **2,305.7** | **2,004.5** |

[1] Included in Insurance service expenses and Other (expenses) income in our audited consolidated financial statements.
[2] Excludes the impact of discounting and risk adjustment.
[3] Included in Insurance service expenses.
[4] Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

### Net commissions

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Commissions[1] | 141.0 | 141.6 | 556.0 | 538.7 |
| Commissions earned on ceded reinsurance[2] | (12.9) | (8.7) | (50.3) | (36.5) |
| **Net commissions** | **128.1** | **132.9** | **505.7** | **502.2** |

[1] Included in Insurance service expenses in our audited consolidated financial statements.
[2] Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

## Net underwriting revenue

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Insurance revenue | 1,003.8 | 911.7 | 3,850.3 | 3,485.7 |
| Earned reinsurance premiums ceded[1] | (81.4) | (61.3) | (307.7) | (234.5) |
| **Net underwriting revenue** | **922.4** | **850.4** | **3,542.6** | **3,251.2** |

[1] Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

## Operating net income, Operating income, Non-operating gains (losses)

Net income attributable to common shareholders is the most directly comparable GAAP financial measure disclosed in our audited consolidated financial statements to operating net income, operating income, and non-operating gains (losses), which are considered non-GAAP financial measures.

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Net income attributable to common shareholders | 225.9 | 185.0 | 350.1 | 110.9 |
| Remove: income tax expense | 77.9 | 39.4 | 112.0 | 2.1 |
| **Income before income taxes** | **303.8** | **224.4** | **462.1** | **113.0** |
| | | | | |
| Remove: non-operating gains (losses) | | | | |
| Recognized gains (losses) on FVTPL investments | 222.6 | 18.1 | 151.8 | (446.1) |
| Discounting[1] | 31.7 | 36.9 | 140.4 | 107.4 |
| Risk adjustment[1] | (0.7) | (10.7) | 5.8 | (6.6) |
| Finance (expenses) income from insurance contracts issued | (79.0) | 16.5 | (152.4) | 96.3 |
| Finance income (expenses) from reinsurance contracts held | 7.5 | (0.6) | 13.3 | (5.2) |
| Interest on restricted cash, less demutualization and IPO-related expenses[2] | 2.8 | 1.7 | 11.0 | 0.7 |
| Amortization of intangible assets recognized in business combinations[2] | (5.2) | (3.5) | (16.7) | (5.4) |
| Restructuring expenses[2] | (11.1) | - | (11.1) | - |
| Revaluation gain on acquisition of McDougall[2] | - | 67.0 | - | 67.0 |
| Other[2,3] | 0.3 | (2.2) | (1.4) | (2.8) |
| **Non-operating gains (losses)[(4)]** | **168.9** | **123.2** | **140.7** | **(194.7)** |
| **Operating income** | **134.9** | **101.2** | **321.4** | **307.7** |
| Operating income tax expense | (34.2) | (24.6) | (74.9) | (70.9) |
| **Operating net income** | **100.7** | **76.6** | **246.5** | **236.8** |

[1] Included in Insurance service expenses and Net expenses from reinsurance contracts held in our audited consolidated financial statements.
[2] Included in Other (expenses) income in our audited consolidated financial statements.
[3] Other represents miscellaneous expenses or revenues that in the view of management are not part of our insurance operations and are individually and in the aggregate not material, such as acquisition-related expenses, gains on dispositions of non-portfolio investments, gain on sale of customer lists, and income or expenses pertaining to fintech venture capital funds.
[4] Non-operating gains (losses) is a non-GAAP financial measure.

## Prior year claims development

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Changes in fulfilment cash flows relating to the liabilities for incurred claims[1] | (8.4) | (17.1) | (84.3) | (142.1) |
| Changes to amounts recoverable for incurred claims[2] | (13.8) | (6.7) | (16.6) | 4.0 |
| Remove: discounting included above | 0.8 | 8.4 | (12.8) | 17.1 |
| Remove: risk adjustment included above | 8.6 | (5.5) | 50.7 | 34.7 |
| **Prior year claims development** | **(12.8)** | **(20.9)** | **(63.0)** | **(86.3)** |

[1] Included in Insurance service expenses in our audited consolidated financial statements.
[2] Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

## Net underwriting expenses

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Net commissions | 128.1 | 132.9 | 505.7 | 502.2 |
| Operating expenses | 109.7 | 112.6 | 452.7 | 433.5 |
| Premium taxes | 34.5 | 31.8 | 133.6 | 121.6 |
| **Net underwriting expenses** | **272.3** | **277.3** | **1,092.0** | **1,057.3** |

## Underwriting income

| (in millions of dollars) | Q4 2023 | Q4 2022 (Restated) | 2023 | 2022 (Restated) |
|---|---|---|---|---|
| Net underwriting revenue | 922.4 | 850.4 | 3,542.6 | 3,251.2 |
| Net claims and adjustment expenses | 563.1 | 506.4 | 2,305.7 | 2,004.5 |
| Net commissions | 128.1 | 132.9 | 505.7 | 502.2 |
| Operating expenses | 109.7 | 112.6 | 452.7 | 433.5 |
| Premium taxes | 34.5 | 31.8 | 133.6 | 121.6 |
| **Underwriting income** | **87.0** | **66.7** | **144.9** | **189.4** |

Below are quantitative reconciliations of non-GAAP ratios for the years ended December 31:

## ROE

| (in millions of dollars, except as otherwise noted) | 2023 | 2022 (Restated) |
|---|---|---|
| Net income attributable to common shareholders | 350.1 | 110.9 |
| Equity attributable to common shareholders[1] | 2,847.7 | 2,549.8 |
| Adjusted equity attributable to common shareholders | 2,847.7 | 2,549.8 |
| Average adjusted equity attributable to common shareholders[2] | 2,698.7 | 2,552.1 |
| ROE | 13.0% | 4.3% |

[1] Equity attributable to common shareholders is as at December 31, 2023 and 2022.
[2] Average adjusted equity attributable to common shareholders is the average of adjusted equity attributable to common shareholders (equity attributable to common shareholders as shown on our consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable) at the end of the period and the end of the preceding 12-month period. Equity attributable to common shareholders and adjusted equity attributable to common shareholders as at December 31, 2021 was $2,554.4 million.

## Operating ROE

| (in millions of dollars, except as otherwise noted) | 2023 | 2022 (Restated) |
|---|---|---|
| Operating net income[1] | 246.5 | 236.8 |
| Equity attributable to common shareholders, excluding AOCI[2] | 2,874.7 | 2,582.2 |
| Adjustment for unrealized gains on FVTPL equity instruments | (60.8) | (15.6) |
| Adjusted equity attributable to common shareholders, excluding AOCI[3] | 2,813.9 | 2,566.6 |
| Average adjusted equity attributable to common shareholders, excluding AOCI[4] | 2,690.2 | 2,515.3 |
| Operating ROE | 9.2% | 9.4% |

[1] Operating net income is a non-GAAP financial measure.
[2] Equity attributable to common shareholders, excluding accumulated other comprehensive (loss) income ("AOCI") is as at December 31, 2023 and 2022.
[3] Adjusted equity attributable to common shareholders, excluding AOCI, is equity attributable to common shareholders and AOCI each as shown on our consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, and excluding unrealized gains or losses on FVTPL equity instruments.
[4] Average adjusted equity attributable to common shareholders, excluding AOCI, is the average of adjusted equity attributable to common shareholders, excluding AOCI at the end of the period and the end of the preceding 12-month period. Adjusted equity attributable to common shareholders, excluding AOCI, as at December 31, 2021 was $2,464.0 million.