

Definity Financial Corporation
Management's Discussion and Analysis
For the first quarter ended March 31, 2024

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INTRODUCTION

May 9, 2024

The following Management's Discussion and Analysis ("MD&A") is the responsibility of management and has been approved by the Board of Directors ("Board"). This MD&A is intended to enable the reader to assess our financial position and results of operations as at and for the three-month period ended March 31, 2024, compared to the corresponding period in 2023. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements and accompanying notes as at and for the quarter ended March 31, 2024, our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2023, and the annual MD&A included in our 2023 Annual Report. All dollar amounts are in Canadian dollars. Certain totals, subtotals, and percentages may not reconcile due to rounding. Unless otherwise noted in this MD&A, all information was prepared as at May 9, 2024.

As used in this MD&A, references to "Definity", "the Company", "we", "us", and "our" refer to Definity Financial Corporation, and, unless the context otherwise requires or is otherwise expressly stated, its consolidated subsidiaries.

The Company's unaudited condensed interim consolidated financial statements and accompanying notes as at and for the quarter ended March 31, 2024 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 MD&A, 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 MD&A 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.

The information presented in this MD&A 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 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.

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 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

This MD&A may include product and brand names, trade names, and trademarks of Definity, our subsidiaries and other companies, each of which is the property of its respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A 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 MD&A 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 rates;
- 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 predetermine the amount of unclaimed demutualization benefits upon the expiry of the benefit claim deadline, whether in the form of cash or common shares;
- 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 and disclosure 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 renew or complete Definity's normal course issuer bid ("NCIB");
- 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 Section 12 – "Risk Management and Corporate Governance" of our MD&A for the year ended December 31, 2023 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 MD&A represents our expectations as at the date of this MD&A (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 MD&A is expressly qualified by the foregoing cautionary statements.

1— CORPORATE OVERVIEW

ABOUT DEFINITY

We are one of the leading property and casualty ("P&C") insurers in Canada. We are the sixth largest provider of P&C insurance in Canada, with a market share of approximately 5%[1]. We had over $4.1 billion in gross written premiums[2] ("GWP") for the 12 months ended March 31, 2024.

We offer both personal and commercial insurance products. Through our personal lines insurance operations, which represented 68% of our GWP in the first quarter of 2024, we offer auto, property, liability, and pet insurance products to individual customers. Our commercial lines insurance operations, which represented 32% of our GWP in the first quarter of 2024, includes fleet, individually-rated commercial auto, property, liability and specialty insurance products, which are provided to businesses of all sizes in Canada.

As a multi-channel insurer, we distribute our products on a primarily intermediated basis, through brokers, as well as directly to customers. We have active relationships with a network of over 600 independent brokerage firms and a broker base of more than 30,000 individual brokers. Our direct distribution channel includes Sonnet Insurance ("Sonnet"); our pet insurer Petline Insurance ("Petline"); and portions of our group insurance offering. In the first quarter of 2024, broker and direct distribution represented 90% and 10%, respectively, of our total GWP.

We have a national presence and conduct business in all provinces and territories of Canada. Ontario is our largest market, representing 60% of GWP in the first quarter of 2024.

As part of our strategy to become one of the five largest P&C insurers in Canada, we intend to diversify and strengthen our growth through acquisitions and partnerships. Distribution partnerships are a key component of our strategy, given the diversification benefits they can provide as a complementary source of income. We continue to strengthen and grow our national broker platform.

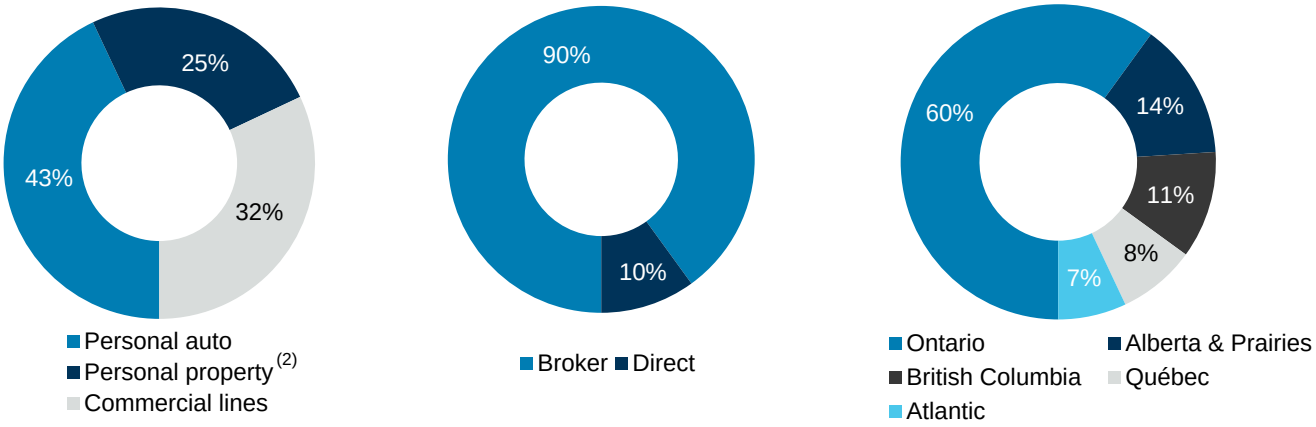
Our P&C insurance business is supported by our investment management activities. We had approximately $4.8 billion in investments as at March 31, 2024. A key tenet of our investment philosophy is the preservation of capital through portfolio diversification and a strong focus on high quality assets. Our investment portfolio includes a significant component of short-duration, investment grade fixed income investments.

[1] As of December 31, 2022 (the latest available date with complete industry information), based on direct written premiums ("DWP") from MSA Research. Market share of Canadian P&C insurance industry DWP of $73.2 billion for the twelve months ended December 31, 2022, excluding accident and sickness insurance and policies for insurance written outside of Canada, Canada Guaranty Mortgage Insurance Company, Genworth Financial Mortgage Insurance Company, Green Shield Canada, Insurance Corporation of British Columbia, Lloyd's Underwriters Canada, Saskatchewan Auto Fund, and Saskatchewan Government Insurance.

[2] Gross written premiums is a supplementary financial measure. Refer to Section 11 - "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The following charts illustrate the breakdown of our GWP for the three months ended March 31, 2024 by business line, distribution channel, and region, respectively.

Q1 2024 GWP(1)



Notes:
(1) GWP is a supplementary financial measure. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".
(2) Personal property includes pet insurance business.

2 — FINANCIAL PERFORMANCE

HIGHLIGHTS:

- Gross written premium[1] growth accelerated to 12.8% in the first quarter of 2024, driven by continued momentum in commercial insurance and the benefit of our proactive rate actions in a firm auto environment
- Combined ratio[2] of 93.9% in the first quarter of 2024 reflected the solid performance in personal property, the impact of higher earned rates in personal auto, and expense efficiencies
- Operating net income[3] of $75.2 million in the first quarter of 2024, compared to $63.4 million in the first quarter of 2023, resulting in operating EPS[2] of $0.65 per share; trailing 12-month operating ROE[2] was 9.4%
- Net income attributable to common shareholders of $105.2 million drove book value per share[1] to $25.40, 10.9% higher than a year ago

Notes:
(1) Gross written premiums and book value per share are supplementary financial measures.
(2) Combined ratio, operating ROE, and operating EPS are non-GAAP ratios.
(3) Operating net income is a non-GAAP financial measure.
Refer to Section 11 - "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

RESULTS OF OPERATIONS

The following table summarizes our consolidated statements of income for the three months ended March 31, 2024 and 2023:

(in millions of dollars, except as otherwise noted)	Three months ended March 31, 2024	2023	Change
Insurance revenue	$ 991.9	$ 907.5	$ 84.4
Insurance service expenses	(858.7)	(782.3)	(76.4)
Net expenses from reinsurance contracts held	(9.6)	(31.3)	21.7
Insurance service result	$ 123.6	$ 93.9	$ 29.7
Net investment income	48.2	41.0	7.2
Recognized gains on FVTPL investments	25.0	91.7	(66.7)
Investment income	$ 73.2	$ 132.7	$ (59.5)
Finance expenses from insurance contracts issued	(16.8)	(64.5)	47.7
Finance income from reinsurance contracts held	1.4	5.6	(4.2)
Net insurance financial result	$ (15.4)	$ (58.9)	$ 43.5
Net insurance and investment result	181.4	167.7	13.7
Distribution revenues	40.4	25.5	14.9
Other (expenses) income	(79.7)	(59.4)	(20.3)
Interest expense	(1.9)	(0.6)	(1.3)
Income before income taxes	$ 140.2	$ 133.2	$ 7.0
Income tax expense	(34.5)	(31.1)	(3.4)
Net income	**$ 105.7**	**$ 102.1**	**$ 3.6**
Net income attributable to common shareholders	105.2	100.9	4.3
Net income attributable to non-controlling interests	0.5	1.2	(0.7)
Earnings per common share, basic (in dollars)	$ 0.92	$ 0.88	$ 0.04
Earnings per common share, diluted (in dollars)	$ 0.90	$ 0.87	$ 0.03

The following table sets forth certain additional financial measures that we use to measure and evaluate performance of our business for the three months ended March 31, 2024 and 2023:

(in millions of dollars, except as otherwise noted)	Three months ended March 31, 2024	2023	Change
Gross written premiums[1]	$ 955.6	$ 846.9	12.8%
Net underwriting revenue[2]	905.3	839.1	7.9%
Underwriting income[2]	54.8	39.5	15.3
Distribution income[2]	10.0	9.5	0.5
Operating income[2]	99.1	80.6	18.5
Non-operating gains[2]	40.8	50.9	(10.1)
Operating net income[2]	75.2	63.4	11.8
Operating earnings per common share (in dollars)[3]	$ 0.65	$ 0.54	$ 0.11
Book value per share (in dollars)[1]	$ 25.40	$ 22.90	$ 2.50
Claims ratio[3]	62.6%	62.6%	- pts
Expense ratio[3]	31.3%	32.7%	(1.4) pts
Combined ratio[3]	93.9%	95.3%	(1.4) pts
Return on equity[3]	12.7%	9.5%	3.2 pts
Operating return on equity[3]	9.4%	9.3%	0.1 pts

Notes:
(1) Gross written premiums and book value per share are supplementary financial measures.
(2) Net underwriting revenue, underwriting income, distribution income, operating income, non-operating gains, and operating net income are non-GAAP financial measures.
(3) Claims ratio, expense ratio, combined ratio, ROE, operating ROE, and operating EPS are non-GAAP ratios.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

GROSS WRITTEN PREMIUMS

GWP for the first quarter of 2024 increased by $108.7 million or 12.8% compared to the first quarter of 2023, with growth across all our lines of business. Personal lines GWP was up 11.5%, driven by growth in our broker channel fuelled by strong auto rate increases. Commercial lines GWP increased 15.8% as we continued to drive significant profitable growth in this line of business.

Further details regarding our premiums by line of business are provided in Section 3 — "Results by line of business".

UNDERWRITING INCOME

The composition of the combined ratio for the three months ended March 31, 2024 and 2023 is as follows:

	Three months ended March 31, 2024		2023		Change	
(in millions of dollars, except as otherwise noted)	($)	Ratio[1]	($)	Ratio[1]	($)	Ratio
Net underwriting revenue[2]	$ 905.3		$ 839.1		$ 66.2	7.9%
Net claims and adjustment expenses[2]	566.4	62.6%	525.1	62.6%	41.3	- pts
Net underwriting expenses[2]	284.1	31.3%	274.5	32.7%	9.6	(1.4) pts
Underwriting income[2]	54.8		39.5		15.3	
Combined ratio[3]		93.9%		95.3%		(1.4) pts

Notes:
(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue.
(2) Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income are non-GAAP financial measures.
(3) Combined ratio is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The growth in net underwriting revenue was due primarily to a high level of GWP growth in 2023 and in the first quarter of 2024.

Our underwriting income for the first quarter of 2024 was $54.8 million and our combined ratio was 93.9%, compared to underwriting income of $39.5 million and a combined ratio of 95.3% in the same quarter a year ago. The combined ratio reflects improvements in the expense ratio and the core accident year claims ratio, and higher favourable prior year claims development. These improvements were partially offset by an increase in catastrophe losses.

NET CLAIMS AND ADJUSTMENT EXPENSES

The composition of the claims ratio for the three months ended March 31, 2024 and 2023, illustrating the impact of core accident year claims and adjustment expenses incurred, catastrophe losses, and prior year claims development, is as follows:

	Three months ended March 31,					
	2024		2023		Change	
(in millions of dollars, except as otherwise noted)	($)	Ratio[1]	($)	Ratio[1]	($)	Ratio
Core accident year claims and adjustment expenses[2]	$ 544.4	60.2%	$ 512.8	61.1%	$ 31.6	(0.9) pts
Catastrophe losses[3]	33.4	3.7%	20.0	2.4%	13.4	1.3 pts
Prior year favourable claims development[2]	(11.4)	(1.3%)	(7.7)	(0.9%)	(3.7)	(0.4) pts
Net claims and adjustment expenses[4]	$ 566.4	62.6%	$ 525.1	62.6%	$ 41.3	- pts

Notes:
(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.
(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.
(3) Catastrophe losses is a supplementary financial measure.
(4) The ratio shown for this line item is our claims ratio, which is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The core accident year claims ratio, which excludes catastrophe losses and prior year claims development, improved in the first quarter of 2024 driven by the commercial lines and the personal auto lines of business.

Catastrophe losses in the first quarter of 2024 increased compared to the same quarter a year ago due primarily to a deep freeze in British Columbia as well as higher non-weather-related catastrophe losses in our commercial lines.

We experienced higher levels of favourable prior year claims development in the first quarter of 2024 as compared to the same quarter a year ago, driven primarily by personal property.

NET UNDERWRITING EXPENSES

The key components of our net underwriting expenses and our expense ratio for the three months ended March 31, 2024 and 2023 are as follows:

	Three months ended March 31,					
	2024		2023		Change	
(in millions of dollars, except as otherwise noted)	($)	Ratio[1]	($)	Ratio[1]	($)	Ratio
Net commissions[2]	$ 133.8	14.8%	$ 124.8	14.9%	$ 9.0	(0.1) pts
Operating expenses	116.4	12.8%	118.4	14.1%	(2.0)	(1.3) pts
Premium taxes	33.9	3.7%	31.3	3.7%	2.6	- pts
Net underwriting expenses[2][3]	$ 284.1	31.3%	$ 274.5	32.7%	$ 9.6	(1.4) pts

Notes:
(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of net commissions, operating expenses, and premium taxes as a percentage of net underwriting revenue is a non-GAAP ratio.
(2) Net commissions and net underwriting expenses are non-GAAP financial measures.
(3) The ratio shown for this line item is our expense ratio, which is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The operating expense ratio decreased in the first quarter of 2024 driven by our ongoing focus on disciplined expense management, combined with the benefit of increasing scale.

INSURANCE REVENUE

The growth in insurance revenue was 9.3% driven by the high level of GWP growth throughout 2023 and in the first quarter of 2024.

INSURANCE SERVICE RESULT

Insurance service result increased by $29.7 million driven primarily by the improvement in underwriting income and an increase in the discounting recovery in insurance service expenses.

NET INVESTMENT INCOME

The composition of net investment income for the three months ended March 31, 2024 and 2023 is as follows:

	Three months ended March 31,		
(in millions of dollars)	2024	2023	Change
Interest income	$ 41.0	$ 34.3	$ 6.7
Dividend income	8.8	8.4	0.4
Investment expenses	(1.6)	(1.7)	0.1
Net investment income	$ 48.2	$ 41.0	$ 7.2

Net investment income increased in the first quarter of 2024 due primarily to higher interest income driven by higher fixed income yields captured within the portfolio.

DISTRIBUTION INCOME

Distribution income of $10.0 million in the first quarter of 2024 increased slightly from $9.5 million in 2023. In the first quarter of 2023, we benefitted from an unusually high true-up of contingent profit commission accruals to payments received, which contributed almost half of the distribution income in that quarter. Excluding this impact, the distribution income in the first quarter of 2024 effectively doubled driven by the contributions from acquisitions completed since May 2023. Typically, distribution income in the first quarter is seasonally lower, and includes volatility from prior year contingent profit commission estimates which are finalized in the quarter.

NON-OPERATING GAINS (LOSSES)

The composition of non-operating gains (losses) for the three months ended March 31, 2024 and 2023 are as follows:

	Three months ended March 31,		
(in millions of dollars)	**2024**	**2023**	**Change**
Recognized gains on FVTPL investments	$ 25.0	$ 91.7	$ (66.7)
Discounting[1]	28.7	16.4	12.3
Risk adjustment[1]	5.0	2.3	2.7
Finance expenses from insurance contracts issued	(16.8)	(64.5)	47.7
Finance income from reinsurance contracts held	1.4	5.6	(4.2)
Interest on restricted cash, less demutualization and IPO-related expenses[2]	2.4	2.5	(0.1)
Amortization of intangible assets recognized in business combinations[2]	(6.5)	(3.2)	(3.3)
Other[2][3]	1.6	0.1	1.5
Non-operating gains[4]	$ 40.8	$ 50.9	$ (10.1)

Notes:
(1) Included in Insurance service expenses and Net expenses from reinsurance contracts held in our interim consolidated financial statements.
(2) Included in Other (expenses) income in our interim 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 income or expenses pertaining to the fintech venture capital funds and acquisition-related expenses.
(4) Non-operating gains is a non-GAAP financial measure.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Recognized gains on FVTPL investments decreased in the first quarter of 2024 due to an increase in fixed income yields, impacting the valuation of our bond portfolio. The losses on our bond portfolio were partially offset by an increase in gains on our equity portfolio.

Finance expenses from insurance contracts issued decreased in the first quarter of 2024 due to an increase in the yield curve in 2024 as compared to a decrease in 2023.

NET INCOME

Net income attributable to common shareholders was $105.2 million in the first quarter of 2024 compared to $100.9 million in the first quarter of 2023. The increase was due primarily to increases in underwriting income, net investment income, and mark-to-market gains on our equity portfolio, which were partially offset by mark-to-market losses on our fixed income portfolio.

OPERATING NET INCOME

Operating net income was $75.2 million in the first quarter of 2024 compared to $63.4 million in the first quarter of 2023. The increase was due to higher underwriting income and net investment income.

OPERATING INCOME TAX EXPENSE

The reconciliation of income tax calculated at the Canadian statutory tax rate to the effective tax rate in operating net income is provided in the table below:

	Three months ended March 31,		
	2024	2023	Change
Statutory tax rates	26.3%	26.3%	- pts
Canadian dividend income not subject to tax	(2.1%)	(2.5%)	0.4 pts
Non-deductible expenses	0.1%	0.1%	- pts
Other	(0.2%)	(2.6%)	2.4 pts
Effective tax rate	24.1%	21.3%	2.8 pts

The effective tax rate for the first quarter was lower than the statutory rate of 26.3% (Q1 2023: 26.3%) due primarily to the impact of non-taxable Canadian dividend income. The first quarter of 2023 also benefitted from an adjustment to income tax expense in respect of prior years.

In late 2023, Bill C-59 was tabled in the Canadian Parliament. Bill C-59 includes provisions that would serve to deny the dividend received deduction for financial institutions on Canadian shares, with a carve out for dividends on certain preferred shares. As of March 31, 2024, Bill C-59 had not been enacted and it is therefore not reflected in income tax expense for the quarter.

OPERATING ROE

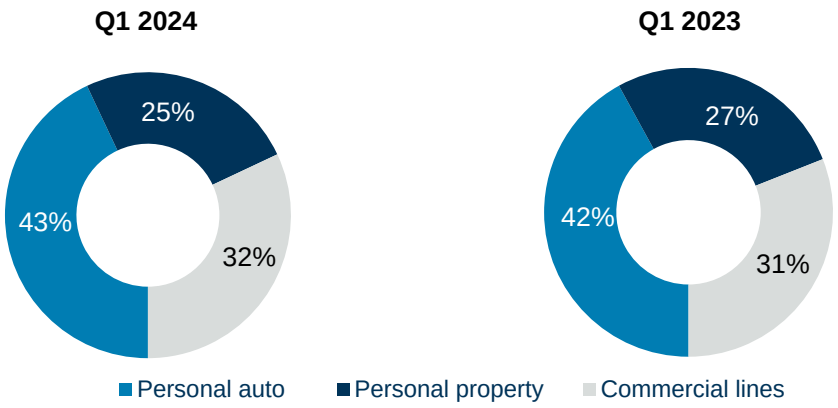
Operating ROE was 9.4% for the twelve-month period ended March 31, 2024 compared to 9.3% for the twelve-month period ended March 31, 2023. Operating net income for the twelve-month period ended March 31, 2024 increased by $21.4 million compared to the same period a year ago, despite the impact of elevated catastrophe losses in the third quarter of 2023. The increase in operating ROE from operating net income was largely offset by the growth in average adjusted equity attributable to common shareholders, excluding accumulated other comprehensive (loss) income ("AOCI") as at March 31, 2024.

3 — RESULTS BY LINE OF BUSINESS

We provide a wide range of P&C insurance products throughout Canada in two broad lines of business: personal insurance and commercial insurance. Personal lines business is further subdivided between auto and property, the latter of which includes pet insurance products.

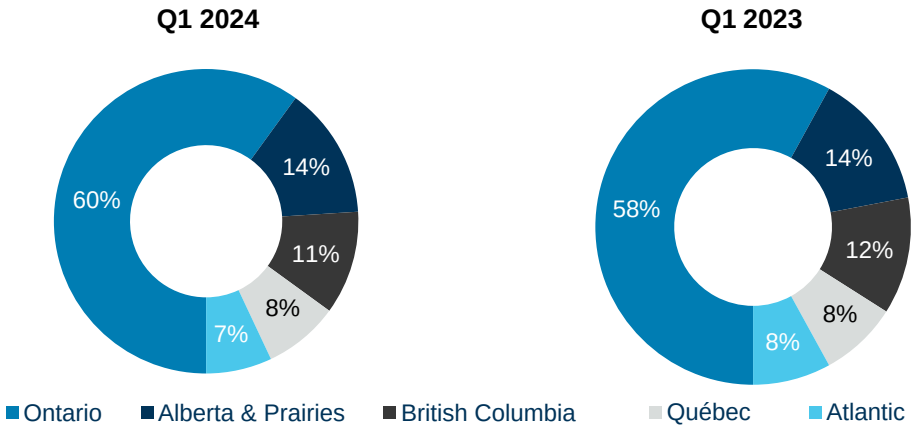
The following charts illustrate our GWP mix on this basis for the three months ended March 31, 2024 and 2023:

GWP by Line of Business(1)



The shift in business mix was due to the GWP growth in personal auto and our commercial lines in the first quarter of 2024.

GWP by Region(1)



There were slight shifts in the regional mix in the first quarter of 2024 compared to the same quarter in the prior year.

Notes:
(1) GWP is a supplementary financial measure. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

UNDERWRITING — PERSONAL LINES

The table below sets forth selected results of operations of our personal lines of business for the three months ended March 31, 2024 and 2023 and the policies in force as at March 31, 2024 and 2023.

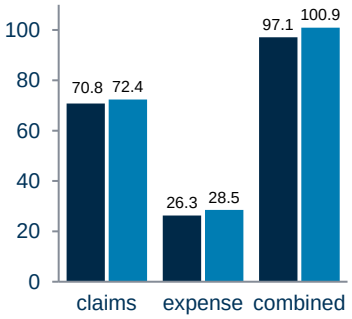
(in millions of dollars, except as otherwise noted)	Three months ended March 31, 2024	2023	Change
Policies in force (thousands) (at period end)			
Auto	764.9	784.2	(2.5%)
Property	828.9	842.5	(1.6%)
Total	1,593.8	1,626.7	(2.0%)
Gross written premiums[1]			
Auto	$ 413.5	$ 357.8	15.6%
Property	236.5	225.3	5.0%
Total	$ 650.0	$ 583.1	11.5%
Net underwriting revenue[2]			
Auto	$ 385.7	$ 365.7	5.5%
Property	260.7	241.0	8.2%
Total	$ 646.4	$ 606.7	6.5%
Net claims and adjustment expenses[2]			
Auto	$ 273.1	$ 264.7	$ 8.4
Property	143.9	130.6	13.3
Total	$ 417.0	$ 395.3	$ 21.7
Net underwriting expenses[2]			
Auto	$ 101.7	$ 104.2	$ (2.5)
Property	93.3	88.9	4.4
Total	$ 195.0	$ 193.1	$ 1.9
Underwriting income (loss)[2]			
Auto	$ 10.9	$ (3.2)	$ 14.1
Property	23.5	21.5	2.0
Total	$ 34.4	$ 18.3	$ 16.1

Notes:
(1) Gross written premiums is a supplementary financial measure.
(2) Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income (loss) are non-GAAP financial measures.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

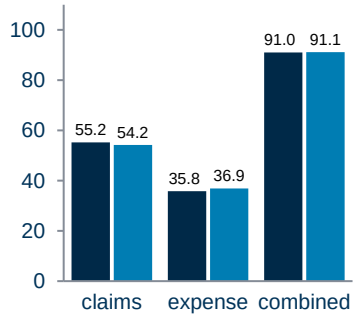
Overall, personal lines GWP increased 11.5% in the first quarter of 2024 with strong growth in our broker channel. The direct channel GWP was $96.0 million in the first quarter of 2024, an increase of 1.8% compared to $94.3 million in the first quarter of 2023. The direct channel GWP was negatively impacted by our profitability actions, including those taken in response to the ongoing rate restrictions in Alberta auto. Personal auto GWP increased 15.6% in the first quarter of 2024, reflecting an increase in average written premiums as approved rate increases take hold in a firm market environment, higher premiums assumed from industry pools, and the benefit of portfolio transfers. Personal property GWP increased 5.0% in the first quarter of 2024, benefitting from continued firm market conditions driving increases in average written premiums. This was partially offset by lower levels of portfolio transfers than the same period in 2023 and our actions to address risk concentration in territories with a higher propensity to peril events.

Personal lines underwriting income was $34.4 million in the first quarter of 2024 compared to $18.3 million in the same quarter a year ago.

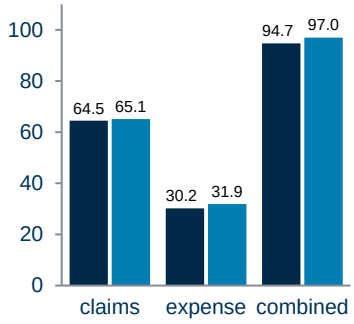
Q1 PERSONAL AUTO RATIOS[1]

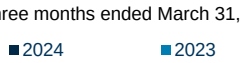


Q1 PERSONAL PROPERTY RATIOS[1]



Q1 TOTAL PERSONAL LINES RATIOS[1]





Notes:
(1) Claims ratio, expense ratio, and combined ratio are non-GAAP ratios. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

The composition of the claims ratio for the three months ended March 31, 2024 and 2023 for our personal auto line of business is as follows:

	Three months ended March 31[(1)]		
	2024	**2023**	**Change**
Core accident year claims and adjustment expenses[(2)]	71.5%	72.9%	(1.4) pts
Catastrophe losses[(3)]	0.1%	0.1%	- pts
Prior year favourable claims development[(2)]	(0.8%)	(0.6%)	(0.2) pts
Claims ratio[(4)]	70.8%	72.4%	(1.6) pts

Notes:
(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.
(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.
(3) Catastrophe losses is a supplementary financial measure.
(4) Claims ratio is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The personal auto combined ratio of 97.1% in the first quarter of 2024 (Q1 2023: 100.9%) improved reflecting decreases in both the expense ratio, due to active expense management, and the core accident year claims ratio, due in part to relatively benign winter weather. The core accident year claims ratio continues to benefit from higher earned rates but was negatively impacted by heightened levels of theft as well as a negative impact from industry pools of 1.5 percentage points compared to the prior year of 0.4 percentage points.

The composition of the claims ratio for the three months ended March 31, 2024 and 2023 for our personal property line of business is as follows:

	Three months ended March 31[1]		
	2024	2023	Change
Core accident year claims and adjustment expenses[2]	51.3%	50.7%	0.6 pts
Catastrophe losses[3]	5.9%	3.8%	2.1 pts
Prior year favourable claims development[2]	(2.0%)	(0.3%)	(1.7) pts
Claims ratio[4]	55.2%	54.2%	1.0 pts

Notes:
(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.
(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.
(3) Catastrophe losses is a supplementary financial measure.
(4) Claims ratio is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The personal property combined ratio was 91.0% in the first quarter of 2024 (Q1 2023: 91.1%). An improvement in prior year claims development and a decrease in the expense ratio were largely offset by an increase in catastrophe losses and an increase in the core accident year claims ratio. Catastrophe losses in the first quarter of 2024 were driven by a deep freeze winter event in British Columbia, and reflective of our higher market share in the province.

UNDERWRITING — COMMERCIAL LINES

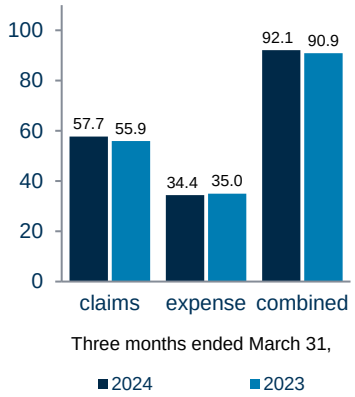
The table below sets forth selected results of operations of our commercial lines of business for the three months ended March 31, 2024 and 2023.

(in millions of dollars, except as otherwise noted)	Three months ended March 31, 2024	2023	Change
Gross written premiums[1]	$ 305.6	$ 263.8	15.8%
Net underwriting revenue[2]	$ 258.9	$ 232.4	11.4%
Net claims and adjustment expenses[2]	$ 149.4	$ 129.8	$ 19.6
Net underwriting expenses[2]	$ 89.1	$ 81.4	$ 7.7
Underwriting income[2]	$ 20.4	$ 21.2	$ (0.8)

Notes:
(1) Gross written premiums is a supplementary financial measure.
(2) Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income are non-GAAP financial measures.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Strong growth momentum in commercial lines continued in the first quarter of 2024 driven by targeted growth across strategic segments. GWP increased 15.8% in the first quarter of 2024 driven by strong retention and rate achievement in a firm market environment, and further expansion of our small business and specialty capabilities.

Q1 COMMERCIAL LINES RATIOS[1]



Notes:
(1) Claims ratio, expense ratio, and combined ratio are non-GAAP ratios. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

The composition of the claims ratio for the three months ended March 31, 2024 and 2023 for our commercial lines of business is as follows:

	Three months ended March 31[(1)]		
	2024	**2023**	**Change**
Core accident year claims and adjustment expenses[(2)]	52.0%	53.5%	(1.5) pts
Catastrophe losses[(3)]	6.8%	4.5%	2.3 pts
Prior year favourable claims development[(2)]	(1.1%)	(2.1%)	1.0 pts
Claims ratio[(4)]	57.7%	55.9%	1.8 pts

Notes:
(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.
(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.
(3) Catastrophe losses is a supplementary financial measure.
(4) Claims ratio is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Commercial lines underwriting income was $20.4 million in the first quarter of 2024 compared to $21.2 million in the same quarter a year ago.

The commercial lines combined ratio was 92.1% in the first quarter of 2024 (Q1 2023: 90.9%), benefitting from continued focus on underwriting execution. The increase in the combined ratio was driven primarily by non-weather-related catastrophe losses reflective of the increased scale and product expansion of the commercial insurance business, and lower favourable prior year claims development. These were partially offset by reductions in the core accident year claims ratio and the expense ratio.

4 — OPERATING ENVIRONMENT AND OUTLOOK

OPERATING ENVIRONMENT

Economic environment	• Developed economies remained in late-cycle expansion in the first quarter of 2024. • The combination of resilient labour markets and sticky inflation prompted central banks in Canada and the US to hold interest rates steady. • In holding rates at 5.0% for the fifth straight meeting, the Bank of Canada noted that its current policy is likely 'restrictive enough' but that more time is required to get inflation on a sustainable path to 2%. • Market expectations for interest rate reductions in 2024 have now shifted from 150 bps to approximately 50 bps for both the Bank of Canada and the Federal Reserve in the US. • Significant changes in interest rates would result in fluctuations in recurring investment returns as well as the market value of our interest sensitive assets and liabilities (such as claims and pension obligations).
Personal auto environment	• The rate of inflation for auto physical damage has stabilized over the past quarters with trends normalizing to pre-pandemic levels. New vehicle pricing reflected tight inventories, while used vehicle pricing continued to gradually decline but still remained elevated compared to pre-pandemic levels. • Vehicle theft in Canada continues to be a challenging issue for the industry. Frequency with respect to vehicle thefts remained elevated but declined slightly from the mid-2023 peak. Theft severity continued to be adversely impacted by changes in the mix (age and value) of vehicles stolen. These theft trends have led insurers to increase comprehensive coverage premiums as well as offer incentives to drivers of high theft vehicles to install tracking and recovery devices to increase the propensity of recovery. • The Alberta government replaced the prohibition on increasing rates with a measure capping rate increases at CPI levels for 'good drivers'. This measure is considered short to medium term until the Alberta government develops a long-term solution to rising costs of auto insurance. Public consultations about reforms are underway, with legislation potentially coming in the fall. The government also introduced a regulation that authorizes the Automobile Insurance Rate Board to hold insurers accountable for the 6% prescribed profit provision by directing insurers to return excess profits to their customers. The Rate Board's process for using this new authority is under development. Alberta auto represented approximately 14% of our personal auto GWP for the 12 months ended March 31, 2024, of which Sonnet comprised approximately $66 million. • To make auto insurance more affordable, the Ontario government committed to give consumers more choice in the accident benefits that they buy. It is expected that within the year, the government will develop regulations that include details on the coverage options and implementation timelines.
Investment environment	• Diminished expectations for interest rate reductions in the first quarter of 2024 drove weakness in bond markets, while equity markets rallied on stronger than expected economic growth. • The Canadian yield curve increased by approximately 30 bps in parallel fashion across most maturities. Corporate bond markets outperformed government bonds, with spreads narrowing across both investment grade and high yield bonds. • Following on its strength in late 2023, the MSCI World Index(1) climbed a further 8.4% (+11.2% in CAD) in the first quarter of 2024. • Our investment strategy focuses on maximizing shareholder value through long-term capital strength, while seeking to optimize risk-adjusted returns. We have an established investment policy and an active management strategy that is based on our risk appetite, our prudent approach to balancing investment risk and returns, regulatory guidelines, and expected settlement pattern of claim liabilities. • Definity maintains a strong capital position, including a robust balance sheet and appropriate liquidity through a high-quality and focused investment portfolio. • Definity Insurance Company ("Definity Insurance") has a financial strength rating of A with DBRS Limited.

(1) The MSCI World Index captures large and mid-cap stock representation across 23 developed market countries.

INDUSTRY OUTLOOK

Below is an overview of our expectations for the P&C insurance industry over the next 12 months.

We believe the operating environment is one that remains conducive to sustaining firm market conditions overall. We expect firm market conditions in property lines will persist over the next 12 months, particularly following a second consecutive year of industry catastrophe losses above $3 billion, continuing elevated inflation, and the dynamics of recent reinsurance renewals. We also expect conditions in auto lines to remain firm as insurers aim to keep pace with the combined impact of elevated theft, lingering inflationary cost pressures, and ongoing regulatory uncertainty in Alberta.

Fixed income yields increased meaningfully in the past two years which supported growth in net investment income, albeit at the cost of mark-to-market valuations. The narrowing of the spread between market yields and book yields should temper the pace of this growth in 2024. Given the uncertain macro risk environment, we believe underwriting discipline remains important for the industry to sustainably achieve desirable levels of profitability.

Industry results have normalized from the very strong results during the pandemic which had benefitted from unusually low claims frequency in auto portfolios. We expect the combination of continued weather events and severity related to auto theft and inflation will result in an industry return on equity close to its long run average in 2024.

Personal auto	• We expect the inflationary pressures affecting vehicle damage claims to remain elevated in 2024 but more consistent with pre-pandemic auto physical damage inflationary trends. Used car pricing is expected to continue its gradual decline as new vehicle production improves. • The escalating trend in auto theft has garnered increased attention at all levels of government, with the federal government holding a National Summit on Combating Auto Theft in February with key stakeholders. The objective was to develop a coordinated response to address the trend of auto theft. Commitments to additional funding, greater focus on recovery measures, and increased enforcement have been made by multiple stakeholders, including the federal and Ontario governments. Insurers are incenting customers to install advanced tracking technology on specific high theft vehicles to improve the probability of recovery. • Severity trends are expected to continue to drive firm industry pricing and a focus on disciplined underwriting in the next 12 months.
Personal property	• The volatility of weather events is expected to continue to be a risk for this line of business over the long term. Early spring forecasts are predicting an above-normal fire risk for western Canada, eastern Ontario, and southern Québec. El Niño weather patterns are expected to result in above average temperatures which further heighten the risk of volatile weather across the country. Enhanced focus and action on loss prevention and mitigation will continue to be required, including rate, coverage, and appetite changes. • With improved pricing and generally higher attachment points for reinsurers, much of the Canadian weather event losses were retained by primary insurers and reinsurance renewals were significantly more orderly versus the prior year. With primary insurers retaining more catastrophe exposure in the lower layers, property pricing is expected to continue to reflect the increased frequency and cost inflation from weather events. • To address some of the challenges with natural catastrophes, the federal government has indicated that it plans to work with insurers to develop and launch by 2025 a national flood insurance program for high-risk residential properties. The objective is for all Canadians to be able to obtain affordable flood coverage.

Commercial lines	• We expect the commercial lines market conditions to remain firm in 2024 as carriers focus on ensuring long-term profitability and sustainable availability of capacity. We expect the pricing environment to be influenced by weather events, inflation trends, expected investment returns, and the industry's overall underwriting performance. • 2023 catastrophe experience reflected a longer term trend of increasing weather events. Climate change mitigation and management actions are expected to evolve as efforts are made across government, regulatory, and industry participants to reflect recent trends. Elevated reinsurance costs, as well as the increasing frequency and severity of weather-related catastrophe events, are expected to prolong firm commercial lines market conditions and pricing.

5 — FINANCIAL POSITION

FINANCIAL HIGHLIGHTS AS AT MARCH 31, 2024:

- Our financial position remained strong with equity attributable to common shareholders exceeding $2.9 billion as at March 31, 2024, an increase of $79.0 million or 2.8% compared to December 31, 2023, driven by underwriting income and net investment income.
- Total assets decreased by $46.9 million (0.6%) compared to December 31, 2023, due primarily to operating cash outflows in the first quarter of 2024, partially offset by cash received from the sale of securities under repurchase agreements. Cash was also deployed into broker acquisitions which increased goodwill and intangible assets.
- Insurance contract liabilities decreased by $118.3 million (3.4%) compared to December 31, 2023 due primarily to claims paid outpacing claims incurred, and contingent profit commissions and premium tax payments.

The following table summarizes our consolidated balance sheets as at March 31, 2024 and December 31, 2023:

(in millions of dollars)	As at March 31, 2024	As at December 31, 2023	Change
ASSETS			
Cash and cash equivalents	$ 230.6	$ 197.5	$ 33.1
Restricted cash	229.5	244.0	(14.5)
Investments	4,783.5	4,931.0	(147.5)
Income taxes receivable	4.8	-	4.8
Reinsurance contract assets	326.6	330.4	(3.8)
Property and equipment	105.3	103.1	2.2
Deferred income tax assets	21.9	23.6	(1.7)
Goodwill and intangible assets	1,297.8	1,229.9	67.9
Other assets	212.6	200.0	12.6
Total assets	$ 7,212.6	$ 7,259.5	$ (46.9)
LIABILITIES			
Insurance contract liabilities	3,375.5	3,493.8	(118.3)
Accounts payable and other liabilities	127.2	131.9	(4.7)
Income taxes payable	23.8	117.9	(94.1)
Deferred income tax liabilities	153.8	150.7	3.1
Securities sold under repurchase agreements	100.5	-	100.5
Debt outstanding	114.3	114.3	-
Demutualization amounts outstanding	229.5	244.0	(14.5)
Total liabilities	$ 4,124.6	$ 4,252.6	$ (128.0)
EQUITY			
Share capital	2,284.4	2,273.0	11.4
Contributed surplus	22.7	40.4	(17.7)
Retained earnings	634.9	561.3	73.6
Accumulated other comprehensive loss	(15.3)	(27.0)	11.7
Equity attributable to common shareholders	2,926.7	2,847.7	79.0
Non-controlling interests	161.3	159.2	2.1
Total equity	$ 3,088.0	$ 3,006.9	$ 81.1
Total liabilities and equity	$ 7,212.6	$ 7,259.5	$ (46.9)

CASH AND INVESTMENTS

The composition of our cash and cash equivalents and investments as at March 31, 2024 and December 31, 2023 is as follows:

	As at March 31, 2024		As at December 31, 2023	
(in millions of dollars, except as otherwise noted)	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
Cash and cash equivalents	$ 230.6	4.6%	$ 197.5	3.9%
Short-term investments	87.2	1.7%	137.0	2.7%
Bonds	3,610.3	72.0%	3,773.0	73.5%
Preferred stocks	355.2	7.1%	332.8	6.5%
Common stocks	642.5	12.8%	595.5	11.6%
Pooled funds	70.7	1.4%	74.7	1.5%
Commercial loans	17.6	0.4%	18.0	0.3%
Total investments	$ 4,783.5	95.4%	$ 4,931.0	96.1%
Total cash and cash equivalents, and investments	$ 5,014.1	100.0%	$ 5,128.5	100.0%

Total cash and cash equivalents and investments decreased in the first quarter of 2024, due primarily to operating cash outflows driven by payments that are made once a year in the first quarter, partially offset by securities sold under repurchase agreements. Cash was also deployed into broker acquisitions which increased goodwill and intangible assets. The investments balance decreased due primarily to net sales of investments, which were partially offset by an increase in the market values of our investment portfolio.

Our proportionate share of investments in fixed income securities, including cash and cash equivalents and short-term investments, decreased to 78.3% of the total portfolio as at March 31, 2024, compared with 80.1% as at December 31, 2023. We maintained our focus on a high-quality investment portfolio.

Refer to Note 2 — "Summary of significant accounting policies" of our audited consolidated financial statements for the year ended December 31, 2023, which provides further details pertaining to the classification and measurement of our financial instruments.

Investment sector mix

Our investment sector mix demonstrates the largely secure and liquid nature of our overall investment portfolio with its significant concentration in the government and financials sectors. As at March 31, 2024 and December 31, 2023, the breakdown of these investments is as follows:

	As at March 31, 2024					As at December 31, 2023
(in millions of dollars, except as otherwise noted)	**Short-term investments and bonds**	**Preferred stocks**	**Common stocks**	**Pooled funds**	**Total**	**Total**
Government	62%	-	-	-	47%	51%
Financials	17%	75%	29%	6%	23%	22%
Energy	4%	7%	14%	2%	6%	6%
Communication services	5%	5%	5%	5%	5%	5%
Industrials	2%	-	13%	12%	4%	4%
Utilities	4%	13%	2%	22%	5%	4%
Consumer discretionary	4%	-	7%	7%	4%	2%
Materials	-	-	8%	2%	1%	1%
Consumer staples	1%	-	4%	3%	1%	1%
Information technology	-	-	13%	32%	2%	2%
Health care	-	-	4%	7%	1%	1%
Real estate	1%	-	1%	2%	1%	1%
Total (%)	100%	100%	100%	100%	100%	100%
Total ($)	$ 3,697.5	$ 355.2	$ 642.5	$ 70.7	$ 4,765.9	$ 4,913.0

Investment credit quality

The tables below of credit ratings in our portfolio illustrate the credit quality of our fixed income securities and preferred stocks, respectively, as at March 31, 2024 and December 31, 2023.

Credit rating[1] — bonds

	As at March 31, 2024		As at December 31, 2023	
(in millions of dollars, except as otherwise noted)	**Carrying value**	**Percent of carrying value**	**Carrying value**	**Percent of carrying value**
AAA	$ 1,265.8	35.0%	$ 1,475.0	39.1%
AA	1,060.1	29.4%	1,031.3	27.3%
A	731.4	20.3%	749.8	19.9%
BBB	514.0	14.2%	487.2	12.9%
BB	39.0	1.1%	29.7	0.8%
Total bonds	$ 3,610.3	100.0%	$ 3,773.0	100.0%

[1] Using the lowest of S&P and DBRS ratings.

Credit rating[1] — preferred stocks

	As at March 31, 2024		As at December 31, 2023	
(in millions of dollars, except as otherwise noted)	**Carrying value**	**Percent of carrying value**	**Carrying value**	**Percent of carrying value**
P1	$ 12.8	3.6%	$ -	-
P2	262.3	73.8%	254.8	76.6%
P3 or not rated	80.1	22.6%	78.0	23.4%
Total preferred stocks	$ 355.2	100.0%	$ 332.8	100.0%

[1] Using the lowest of S&P and DBRS ratings.

We monitor the credit ratings of investments within our investment portfolio on an ongoing basis and take the necessary actions, in an attempt to ensure that a high level of quality is maintained. As at March 31, 2024, this resulted in 84.7% (December 31, 2023: 86.3%) of the bonds in the portfolio being rated "A-" or better and 77.4% (December 31, 2023: 76.6%) of the preferred stocks in the portfolio being rated "P2L" or better. "A-" and "P2L" represent the ratings provided by two recognized rating services for high-grade bonds and preferred stocks, respectively.

Investment portfolio region of issuer

The geographic mix of our investment portfolio as at March 31, 2024 and December 31, 2023 is as follows:

(in millions of dollars, except as otherwise noted)	As at March 31, 2024		As at December 31, 2023	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
Canada	$ 4,489.8	94.2%	$ 4,648.9	94.6%
United States	209.3	4.4%	197.4	4.0%
Europe	39.8	0.8%	39.5	0.8%
Other	27.0	0.6%	27.2	0.6%
Total	$ 4,765.9	100.0%	$ 4,913.0	100.0%

Our investment portfolio is concentrated mainly in Canada. Our estimated exposure to foreign exchange risk is outlined in Section 12 — "Risk management and corporate governance" of our MD&A for the year ended December 31, 2023.

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets increased as at March 31, 2024 due primarily to the goodwill and intangible assets arising from broker acquisitions during the first quarter of 2024.

INSURANCE CONTRACT LIABILITIES

The composition of our insurance contract liabilities as at March 31, 2024 and December 31, 2023 is as follows:

(in millions of dollars)	As at March 31, 2024	As at December 31, 2023	Change
Premiums receivable	$ (1,237.0)	$ (1,271.1)	$ 34.1
Unearned premiums	1,888.5	1,928.0	(39.5)
Unearned premiums received	651.5	656.9	(5.4)
Unamortized insurance acquisition cash flows	(333.5)	(320.7)	(12.8)
Onerous loss provision	21.3	23.1	(1.8)
Provision for unpaid claims and other directly attributable payables	3,036.2	3,134.5	(98.3)
Total	$ 3,375.5	$ 3,493.8	$ (118.3)

Insurance contract liabilities as at March 31, 2024 decreased from December 31, 2023 due primarily to claims paid during the first quarter of 2024 outpacing claims incurred, and contingent profit commissions and premium tax payments.

The level of prior year claims development and the impact on the claims ratio by fiscal year, are as follows:

	For the three months ended March 31	For the year ended December 31[1]									
(in millions of dollars, except as otherwise noted)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
(Favourable) adverse development on prior year claims, undiscounted[2]	$ (11.4)	$ (63.0)	$ (86.3)	$ (76.0)	$ (29.6)	$ (37.9)	$ (18.8)	$ 32.6	$ (40.1)	$ (73.1)	$ (2.9)
Impact on claims ratio[3].....	(1.3%)	(1.8%)	(2.7%)	(2.7%)	(1.2%)	(1.6%)	(0.8%)	1.5%	(2.1%)	(3.8%)	(0.2%)

Notes:
(1) 2014 – 2021 under IFRS 4 – *Insurance Contracts*. 2022-2024 under IFRS 17 – *Insurance Contracts* ("IFRS 17").
(2) Prior year (favourable) adverse claims development is a non-GAAP financial measure.
(3) Claims ratio is a non-GAAP ratio.
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

During the first quarter of 2024, we entered into repurchase agreements to manage short-term cash flow requirements. Under these agreements, we sold securities to a major Canadian financial institution and will repurchase them during the second quarter of 2024.

EQUITY

Equity attributable to common shareholders increased by $79.0 million, or 2.8%, as at March 31, 2024, driven by net income generated in the first quarter of 2024.

On February 15, 2024, the Board 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 represented a 16.4% increase from the previous quarter and delivers on our objective to consistently grow our dividend over time. On May 9, 2024, the Board declared a $0.16 per share dividend, payable on June 27, 2024 to shareholders of record at the close of business on June 13, 2024.

6 — SUMMARY OF QUARTERLY RESULTS

(in millions of dollars, except as otherwise noted)	For the three months ended							
	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022[4]**	**September 30, 2022[4]**	**June 30, 2022[4]**
Gross written premiums[1]	$ 955.6	$ 1,033.2	$ 1,040.0	$ 1,085.1	$ 846.9	$ 951.9	$ 954.5	$ 995.8
Insurance revenue	991.9	1,003.8	984.1	954.9	907.5	911.7	895.9	863.8
Net underwriting revenue[2]	905.3	922.4	903.6	877.5	839.1	850.4	832.4	803.1
Underwriting income (loss)[2]	54.8	87.0	(22.8)	41.2	39.5	66.7	27.1	37.8
Combined ratio[3]	93.9%	90.6%	102.5%	95.3%	95.3%	92.2%	96.7%	95.3%
Net investment income	48.2	49.4	46.3	42.8	41.0	39.5	36.0	31.8
Distribution income[2]	10.0	8.8	11.2	9.8	9.5	4.8	1.7	2.9
Operating net income[2]	75.2	100.7	17.6	64.8	63.4	76.6	45.8	51.1
Net income (loss)	105.7	226.4	(46.2)	72.2	102.1	185.6	35.7	(77.2)
Net income (loss) attributable to common shareholders	105.2	225.9	(48.3)	71.6	100.9	185.0	35.7	(77.2)
Earnings (loss) per common share (in dollars)								
Basic	$ 0.92	$ 1.96	$ (0.42)	$ 0.62	$ 0.88	$ 1.60	$ 0.31	$ (0.67)
Diluted	$ 0.90	$ 1.94	$ (0.42)	$ 0.61	$ 0.87	$ 1.59	$ 0.31	$ (0.67)

Notes:
(1) Gross written premiums is a supplementary financial measure.
(2) Net underwriting revenue, underwriting income (loss), distribution income, and operating net income are non-GAAP financial measures.
(3) Combined ratio is a non-GAAP ratio.
(4) Restated for the impacts of IFRS 17 and IFRS 9 – *Financial Instruments* ("IFRS 9").
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The P&C insurance business is seasonal in nature, resulting in generally fewer premiums written in the first quarter, and is also impacted by weather-related losses which have historically been higher during the second and third quarters. Distribution income in the first quarter is seasonally lower, and includes volatility from prior year contingent profit commission estimates. Results are further impacted by fluctuations in investment gains and losses. As such, net income (loss) may vary significantly between quarters.

The fourth quarter of 2022 included a revaluation gain of $67.0 million on our previous ownership interest in McDougall Insurance Brokers Limited. The third quarter of 2023 was impacted by elevated levels of catastrophe losses, which impacted the claims ratio by 13.5 percentage points in that quarter.

7 — LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

Capital position

Our regulated P&C insurance subsidiaries are well capitalized on an individual basis, with capital levels in excess of regulatory supervisory minimum levels and our internal capital action levels. Management actively manages the MCT of the Company's insurance subsidiaries with an intent to remain within our expected operating range. The table below shows the consolidated regulatory capital position as at March 31, 2024 and December 31, 2023 for Definity Insurance and the financial capacity of the Company.

	As at March 31, 2024	As at December 31, 2023[4]
(in millions of dollars, except as otherwise noted)		
Minimum Capital Test ("MCT") %[1]	206%	205%
Excess capital for Definity Insurance[2]	$ 117.3	$ 107.0
Additional capital at Definity Financial Corporation[3]	281.3	274.6
Total excess capital	$ 398.6	$ 381.6
Leverage capacity at target	$ 1,029.3	$ 1,002.3
Less: debt outstanding	(114.3)	(114.3)
Leverage capacity[4][5]	$ 915.0	$ 888.0
Financial capacity[5]	$ 1,313.6	$ 1,269.6

Notes:
(1) Consolidated Definity Insurance.
(2) Excess capital measured at 190% MCT for Definity Insurance.
(3) Additional capital at Definity Financial Corporation measured as available cash and investments in Definity Financial Corporation and its non-ICA subsidiaries.
(4) Leverage capacity as at December 31, 2023 is shown pro forma for the CBCA continuance effective January 1, 2024. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".
(5) Leverage capacity and financial capacity are supplementary financial measures. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

Definity Financial Corporation continued to the *Canada Business Corporations Act* ("CBCA") on January 1, 2024. As a result, Definity Financial Corporation is no longer incorporated under the *Insurance Companies Act* ("ICA") nor subject to its leverage restrictions. Definity's operating insurance company subsidiaries, including Definity Insurance, Sonnet, and Petline, remain incorporated under and governed by the ICA.

The financial capacity as at March 31, 2024 increased from December 31, 2023 due primarily to capital generated from operating net income and recognized gains on investments. These were partially offset by capital deployed in continuing acquisitions in our national broker platform.

NCIB

On May 29, 2023, we announced the renewal of our NCIB. In connection with the NCIB, we may, during the period commencing May 31, 2023 and ending May 30, 2024, purchase up to 3,476,781 common shares, representing 3% of our issued and outstanding common shares. As at March 31, 2024, no common shares had been repurchased and cancelled under the NCIB. On May 9, 2024, our Board of Directors approved the renewal of the NCIB, on the same terms and conditions as the current NCIB, subject to the approval of the Toronto Stock Exchange, which has not yet been obtained.

FINANCIAL STRENGTH AND ISSUER RATINGS

Strong issuer and financial strength ratings have been assigned to Definity, and its subsidiary Definity Insurance, by major credit rating agencies. The ratings are reflective of Definity's strong capitalization and liquidity, extensive distribution network, and established enterprise risk management framework. The ratings also help to indicate Definity's ability to meet its obligations to policyholders, creditors, and others.

	Credit Rating Agency	Rating	Outlook	Date
Financial strength ratings				
Definity Insurance	AM Best	A- (Excellent)	Positive	December 13, 2023
Definity Insurance	DBRS	A	Stable	June 28, 2023
Issuer rating				
Definity	DBRS	BBB (high)	Stable	June 28, 2023

CASH FLOWS

As at March 31, 2024, we had $230.6 million (December 31, 2023: $197.5 million) of cash and cash equivalents, $229.5 million of restricted cash (December 31, 2023: $244.0 million), and $87.2 million (December 31, 2023: $137.0 million) of short-term investments. We also have a highly liquid investment portfolio comprised of actively-traded securities, including Canadian fixed income investments issued or guaranteed by domestic governments, investment-grade corporate bonds, publicly-traded Canadian and foreign equities and pooled funds. We believe that our internal resources will provide sufficient funds to fulfill our operating cash requirements during the next 12 months. The liquidity policy seeks to ensure that we have sufficient cash and liquid resources to meet our financial obligations and to support our future growth initiatives, and that excess cash is appropriately invested.

The Company and certain of its subsidiaries have access to a $700 million unsecured committed credit facility. The credit facility increased from $150 million to $700 million on January 1, 2024 following the continuance of Definity Financial Corporation to the CBCA. The credit facility has a term ending on July 22, 2028, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. As at March 31, 2024, an amount of $114.3 million had been drawn under this credit facility. As at May 9, 2024, we remain in compliance with the covenants.

A summary of cash flows for the three months ended March 31, 2024 and 2023 is as follows:

	Three months ended March 31,	
(in millions of dollars)	**2024**	**2023**
Operating activities		
Net cash used in operating activities	$ (149.2)	$ (90.6)
Investing activities		
Investments sold, net of investments purchased	194.4	112.2
Commercial loans collected	0.4	0.4
Purchases of intangible assets and property and equipment	(30.2)	(28.3)
Business acquisitions, net of cash acquired	(59.0)	(8.2)
Net cash provided by investing activities	105.6	76.1
Financing activities		
Dividends paid on common shares	(18.5)	(15.8)
Dividends paid to non-controlling interests	(0.9)	(0.1)
Common shares purchased and held in trust	(4.1)	(4.9)
Change in demutualization amounts outstanding	(14.5)	(15.4)
Proceeds from securities sold under repurchase agreements	100.2	-
Repayment of demand loans	-	(1.0)
Net cash provided by (used in) financing activities	62.2	(37.2)
Net increase (decrease) in cash and cash equivalents, and restricted cash	$ 18.6	$ (51.7)

Cash used in operating activities in the first quarter of 2024 increased compared to the first quarter of 2023, driven by income tax payments. The cash used in the first quarter of 2024 and 2023 was due primarily to payments that are made once a year in the first quarter.

Cash used in financing activities includes net distributions of cash benefits of the demutualization to Lost Recipients. A portion of the eligible policyholders in our demutualization became Lost Recipients in accordance with the plan setting out the terms for the conversion of the Company ("Conversion Plan") because their address was unknown at the time of distribution (and remains so) or because they did not act upon their demutualization benefits within six months of the date on which those benefits were sent. Pursuant to the Conversion Plan, the entitlement of Lost Recipients ceases following the Lost Recipient Claim Deadline (October 23, 2024). Any demutualization benefits not claimed by that date shall, in the case of common shares, be cancelled and, in the case of cash, be transferred from the depositary agent to the Company and be available for general corporate purposes.

Definity has been making sustained efforts over several years to effect distribution to Lost Recipients. Prior to completing demutualization, Definity used multiple mailings and digital channels to provide demutualization information to eligible policyholders and emphasize the importance of keeping contact information updated, as well as a dedicated website that allowed eligible policyholders to register for alerts and update their personal information. These outreach efforts were supported by a full-time contact centre in place from the outset of the demutualization process. This contact centre remains active today to assist Lost Recipients in claiming their benefits. In addition, Definity has several ongoing initiatives aimed at reaching Lost Recipients, including a structured program designed and implemented by a third-party professional firm with extensive experience in asset unification. This asset unification firm is actively working to locate Lost Recipients before the benefit claim deadline.

OFF-BALANCE SHEET LIABILITIES AND CONTINGENCIES

We are subject to litigation relating to claims made in respect of insurance policies written by our insurance subsidiaries, as well as other litigation arising in the normal course of conducting our business. We are of the opinion that this non-claims litigation will not have a significant effect on our financial position, results of operations, or cash flows. Refer to Section 12 — "Risk management and corporate governance", Reserve estimate risk, of our MD&A for the year ended December 31, 2023, which describes our process for ensuring appropriate provisions are recorded for reported and unreported claims.

We participate in a securities lending program managed by a major financial institution, whereby we lend securities we own to borrowers to allow them to meet delivery commitments. The lending agents assume the risk of borrower default associated with the lending activity. As at March 31, 2024, securities with an estimated fair value of $1,350.9 million (December 31, 2023: $831.8 million) have been loaned and financial assets with an estimated fair value of $1,440.5 million (December 31, 2023: $884.5 million) have been received as collateral from the approved borrowers. Lending collateral as at March 31, 2024 was 100.0% (December 31, 2023: 100.0%) held in government-backed securities, and high quality common and preferred stocks. The securities loaned under this program have not been removed from "Investments" in the consolidated balance sheets because we retain the risks and rewards of ownership.

The financial compensation we receive in exchange for securities lending is reflected in the interim consolidated statements of income in "Net investment income".

8 — INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) AND DISCLOSURE CONTROLS AND PROCEDURES

We are responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is reported to management on a timely basis so that information used internally and disclosed externally is complete and reliable.

We are also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim consolidated financial statements for external purposes in accordance with International Financial Reporting Standards.

Management has limited the scope of design of its disclosure controls and procedures and its ICFR to exclude the controls, policies and procedures of businesses acquired less than 365 days before March 31, 2024. These acquisitions represent approximately 8.3% of total consolidated assets and 1.8% of total consolidated liabilities as at March 31, 2024. Refer to Note 4 — "Business combinations" of our interim consolidated financial statements for the quarter ended March 31, 2024 and Note 5 — "Business combinations" of our audited consolidated financial statements for the year ended December 31, 2023 for additional information.

In designing such controls, it should be recognized that due to inherent limitations or changes in conditions, any control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting in the first three months of 2024 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

9 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of our audited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that can materially affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenues and expenses during the period. Actual results could differ materially from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable. Refer to Note 2 — "Summary of significant accounting policies" of our audited consolidated financial statements for the year ended December 31, 2023 for a summary of our significant accounting policies.

The most complex and significant judgments, estimates, and assumptions used in preparing our audited consolidated financial statements are discussed in Note 4 — "Significant accounting judgments, estimates and assumptions" of our audited consolidated financial statements for the year ended December 31, 2023.

During the first three months of 2024, there were no significant changes to our critical accounting policies, judgments, estimates, or assumptions.

10 — RISK MANAGEMENT AND CORPORATE GOVERNANCE

OVERVIEW

A strong risk management culture contributes to making sound business decisions, both strategically and operationally. Our corporate governance and enterprise risk management frameworks are designed to provide reasonable assurance that:

(i) our business is understood from a risk perspective and our actions are consistent with our governing objectives, risk management capabilities, risk-taking capacity, and risk appetite; and
(ii) we maintain an appropriate risk and reward balance to protect us from events that have the potential to materially impair our financial strength or our achievement of business objectives.

Our enterprise risk management framework is rooted in the understanding that we are in the business of taking risk for an appropriate return. Balancing risk and reward is achieved through dynamic alignment between business strategy and risk appetite, diversifying risk, seeking appropriate compensation for risk, managing risk through preventive, detective, and mitigating controls, and transferring risk to third parties, where appropriate. We have an integrated approach to the identification, assessment, monitoring, reporting and mitigation of risks across the organization, including emerging risks. All identified top and emerging risks are assessed relative to their potential impact on our corporate strategy, competitive position, operational results, reputation, and financial condition.

The Board, directly or through its Risk Review Committee, oversees the effective implementation of the enterprise risk management framework providing challenge, advice and guidance to senior management to confirm appropriate risk management policies are in place, the effectiveness and outcomes of risk management processes and the decisions and actions of senior management are consistent with our business plans, strategy, and risk appetite. Regular reports on our risk profile, including significant risks, risk appetite exposures, and significant exceptions to risk management policies and controls, are provided to senior management, the Board, and its committees.

The key risks we manage include insurance, financial, operational, and strategic risks, which are explained in greater detail in our MD&A for the year ended December 31, 2023. Although we described those risks that we believed to be material, other risks and uncertainties exist.

11 — 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). These supplementary financial measures are calculated using amounts in, or components of line items in, our interim consolidated financial statements; however, they are not themselves disclosed in our interim consolidated financial statements. The non-GAAP financial measures in this MD&A are derived from one or more financial measures disclosed in our interim 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 this MD&A 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.

Supplementary Financial Measures:

Book value per share	The Company's equity attributable to common shareholders divided by the total common shares outstanding, net of shares held in trust, as at the balance sheet date.
Catastrophe losses	An event causing gross losses in excess of $2 million, and generally greater than 100 claims, or a single claim with a gross loss in excess of $3 million. Catastrophe losses are presented net of reinsurance recoveries.
Financial capacity	The sum of excess capital and leverage capacity.
Gross written premiums ("GWP")	The total premiums from the sale of insurance during a specified period including premiums assumed.
Leverage capacity	The amount of financial leverage that can be assumed, comprised of a target capitalization level of 20% debt and 5% in preferred shares and hybrids.

Non-GAAP Financial Measures:

Core accident year claims and adjustment expenses	Net claims and adjustment expenses less catastrophe losses and prior year claims development. Management uses core accident year claims and adjustment expenses to describe the changes in the claims ratio period over period.

Distribution income

Income before taxes, amortization of intangible assets recognized in business combinations from our consolidated brokers and broker associates, acquisition-related expenses, and interest expense on debt. Distribution income is calculated as distribution revenues less distribution business expenses which is included in other (expenses) income. Management uses distribution income to measure the performance of our consolidated brokers and broker associates.

Below is a quantitative reconciliation of distribution income for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
(in millions of dollars)	**2024**	**2023**
Distribution revenues[1]	$ 40.4	$ 25.5
Distribution business expenses[2]	(30.4)	(16.0)
Distribution income	**$ 10.0**	**$ 9.5**

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

Net claims and adjustment expenses

Claims and adjustment expenses (excluding the impact of discounting and risk adjustment) and gains or losses on onerous insurance contracts, net of amounts recoverable from reinsurers for incurred claims. This financial measure is used to calculate underwriting income and the claims ratio.

Below is a quantitative reconciliation of net claims and adjustment expenses for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
(in millions of dollars)	**2024**	**2023**
Claims and adjustment expenses[1],[2]	$ 634.8	$ 557.5
Impact of onerous insurance contracts[3]	(1.8)	(1.2)
Claims recoverable from reinsurers for incurred claims[2],[4]	(66.6)	(31.2)
Net claims and adjustment expenses	**$ 566.4**	**$ 525.1**

Notes:
(1) Included in Insurance service expenses and Other (expenses) income in our interim 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 interim consolidated financial statements.

Net commissions

Commissions expense less commissions earned on ceded reinsurance. This financial measure is used to calculate net underwriting expenses and underwriting income.

Below is a quantitative reconciliation of net commissions for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
(in millions of dollars)	**2024**	**2023**
Commissions[1]	$ 148.1	$ 136.5
Commissions earned on ceded reinsurance[2]	(14.3)	(11.7)
Net commissions	**$ 133.8**	**$ 124.8**

Notes:
(1) Included in Insurance service expenses in our interim consolidated financial statements.
(2) Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

Net underwriting revenue

Insurance revenue less earned reinsurance premiums. This financial measure is used to calculate the claims, expense, and combined ratios and is used to calculate underwriting income.

Below is a quantitative reconciliation of net underwriting revenue for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
(in millions of dollars)	**2024**	**2023**
Insurance revenue	$ 991.9	$ 907.5
Earned reinsurance premiums ceded[1]	(86.6)	(68.4)
Net underwriting revenue	**$ 905.3**	**$ 839.1**

Notes:
(1) Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

Non-operating gains (losses)

Recognized gains or losses on FVTPL investments, discounting income or expense, risk adjustment income or expense, interest on restricted cash, less demutualization and IPO-related expenses, amortization of intangible assets recognized in business combinations, transaction costs in business combinations, restructuring costs, and other expenses or revenues that in the view of management are not part of our insurance operations. This financial measure is used to calculate operating net income.

Operating income

Net income attributable to common shareholders less (or plus) income tax expense (recovery) and non-operating gains (losses). This financial measure is used to calculate operating net income.

Operating net income

Net income attributable to common shareholders less (or plus) non-operating gains (losses) net of applicable income taxes. Management uses operating net income to measure and evaluate the ongoing operational performance of the business. Management believes that operating net income is useful information for investors for such purpose. Although they may calculate these measures in a different manner, operating net income and similar measures are used by other insurers and analysts in the P&C insurance industry.

Net income attributable to common shareholders is the most directly comparable GAAP financial measure disclosed in our interim consolidated financial statements to operating net income, operating income, and non-operating gains (losses). Below is a quantitative reconciliation of operating net income, operating income, and non-operating gains (losses) to net income attributable to common shareholders for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
(in millions of dollars)	**2024**	**2023**
Net income attributable to common shareholders	$ 105.2	$ 100.9
Remove: income tax expense	34.7	30.6
Income before income taxes	**$ 139.9**	**$ 131.5**
Remove: non-operating gains (losses)		
Recognized gains on FVTPL investments	25.0	91.7
Discounting[1]	28.7	16.4
Risk adjustment[1]	5.0	2.3
Finance expenses from insurance contracts issued	(16.8)	(64.5)
Finance income from reinsurance contracts held	1.4	5.6
Interest on restricted cash, less demutualization and IPO-related expenses[2]	2.4	2.5
Amortization of intangible assets recognized in business combinations[2]	(6.5)	(3.2)
Other[2][3]	1.6	0.1
Non-operating gains[4]	**$ 40.8**	**$ 50.9**
Operating income	**$ 99.1**	**$ 80.6**
Operating income tax expense	(23.9)	(17.2)
Operating net income	**$ 75.2**	**$ 63.4**

Notes:
(1) Included in Insurance service expenses and Net expenses from reinsurance contracts held in our interim consolidated financial statements.
(2) Included in Other (expenses) income in our interim 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 income or expenses pertaining to fintech venture capital funds, and acquisition-related expenses.
(4) Non-operating gains is a non-GAAP financial measure.

Prior year claims development

The difference between prior year-end estimates of ultimate claim costs excluding the effects of discounting and the risk adjustment for non-financial risk, and the current estimates for the same block of claims. A favourable development represents a reduction in the estimated ultimate claim costs during the period for that block of claims. Management uses prior year claims development to describe the changes in the claims ratio period over period.

Below is a quantitative reconciliation of prior year claims development for the three months ended March 31, 2024 and 2023:

(in millions of dollars)	Three months ended March 31, 2024	2023
Changes in fulfilment cash flows relating to the liabilities for incurred claims[1]	$ 6.5	$ (10.8)
Changes to amounts recoverable for incurred claims[2]	(19.7)	3.1
Remove: discounting included above	(17.0)	(16.0)
Remove: risk adjustment included above	18.8	16.0
Prior year claims development	**$ (11.4)**	**$ (7.7)**

Notes:
(1) Included in Insurance service expenses in our interim consolidated financial statements.
(2) Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

Net underwriting expenses

Net underwriting expenses consist of net commissions, operating expenses, and premium taxes. This financial measure is used to calculate underwriting income and the expense ratio.

Below is a quantitative reconciliation of net underwriting expenses for the three months ended March 31, 2024 and 2023:

(in millions of dollars)	Three months ended March 31, 2024	2023
Net commissions	$ 133.8	$ 124.8
Operating expenses	116.4	118.4
Premium taxes	33.9	31.3
Net underwriting expenses	**$ 284.1**	**$ 274.5**

Underwriting income

Net underwriting revenue for a defined period less the sum of net claims and adjustment expenses, net commissions, operating expenses, and premium taxes during the same period. Management uses underwriting income to measure and evaluate the underwriting performance of the business. Management believes underwriting income is useful information for investors for such purpose. Although they may calculate it in a different manner, underwriting income is commonly used by other insurers and analysts in the P&C insurance industry.

Below is a quantitative reconciliation of underwriting income for the three months ended March 31, 2024 and 2023:

(in millions of dollars)	Three months ended March 31, 2024	2023
Net underwriting revenue	$ 905.3	$ 839.1
Net claims and adjustment expenses	566.4	525.1
Net commissions	133.8	124.8
Operating expenses	116.4	118.4
Premium taxes	33.9	31.3
Underwriting income	**$ 54.8**	**$ 39.5**

Net underwriting revenue, net claims and adjustment expenses, prior year claims development, net underwriting expenses, and underwriting income (loss) by line of business is as shown in the following tables for the three months ended March 31, 2024 and 2023:

	Three months ended March 31, 2024			
(in millions of dollars)	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	$ 385.7	$ 260.7	$ 258.9	$ 905.3
Net claims and adjustment expenses	273.1	143.9	149.4	566.4
Prior year claims development	(3.2)	(5.3)	(2.9)	(11.4)
Net underwriting expenses	101.7	93.3	89.1	284.1
Underwriting income	10.9	23.5	20.4	54.8

	Three months ended March 31, 2023			
(in millions of dollars)	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	$ 365.7	$ 241.0	$ 232.4	$ 839.1
Net claims and adjustment expenses	264.7	130.6	129.8	525.1
Prior year claims development	(2.0)	(0.7)	(5.0)	(7.7)
Net underwriting expenses	104.2	88.9	81.4	274.5
Underwriting (loss) income	(3.2)	21.5	21.2	39.5

Non-GAAP Ratios:

Claims ratio

Net claims and adjustment expenses during a defined period expressed as a percentage of net underwriting revenue for the same period. This is a relevant metric to evaluate our level of claims activity relative to our net underwriting revenue in a given period. Management believes claims ratio is useful information for investors for such purpose. Although they may calculate it in a different manner, claims ratio and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Combined ratio

The total of our net claims and adjustment expenses and net underwriting expenses during a defined period expressed as a percentage of net underwriting revenue for the same period. Management uses combined ratio to evaluate the underlying insurance underwriting results relative to our net underwriting revenue in a given period. Management believes combined ratio is useful information for investors for such purpose. Although they may calculate it in a different manner, combined ratio and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Expense ratio

The total of our net commissions, operating expenses, and premium taxes during a defined period, expressed as a percentage of net underwriting revenue for the same period. Management uses expense ratio to evaluate our net underwriting expenses relative to our net underwriting revenue in a given period. Management believes expense ratio is useful information for investors for such purpose. Although they may calculate it in a different manner, expense ratio and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Return on equity ("ROE")

Net income attributable to common shareholders for the 12 months ended at a specified date divided by the average equity attributable to common shareholders, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, over the same 12-month period. ROE is a metric used by management to evaluate our net return, including investment returns, relative to our overall balance sheet position. Management believes that ROE is useful information for investors for such purpose. Although they may calculate it in a different manner, ROE and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

The following table shows the components of our calculation of ROE for the periods ended March 31, 2024 and March 31, 2023:

(in millions of dollars, except as otherwise noted)	For the 12 months ended March 31, 2024	For the 12 months ended March 31, 2023
Net income attributable to common shareholders	$ 354.5	$ 244.4
Equity attributable to common shareholders[1]	$ 2,926.7	$ 2,637.2
Adjusted equity attributable to common shareholders	$ 2,926.7	$ 2,637.2
Average adjusted equity attributable to common shareholders[2]	$ 2,781.9	$ 2,572.0
Return on equity	12.7%	9.5%

Notes:
(1) Equity attributable to common shareholders is as at March 31, 2024 and March 31, 2023.
(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 March 31, 2022 was $2,506.9 million (restated for the impacts of IFRS 17 and IFRS 9).

Operating return on equity ("operating ROE")

Operating net income (a non-GAAP financial measure as described above) for the 12 months ended at a specified date divided by the average of equity attributable to common shareholders, excluding AOCI and excluding unrealized gains or losses on FVTPL equity instruments, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, over the same 12-month period. Management uses operating ROE to measure and evaluate our performance with respect to the periodic return that our operational performance is providing relative to the equity position of the organization. Management believes that operating ROE is useful information for investors for such purpose. Although they may calculate it in a different manner, operating ROE and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

The following table shows the components of our calculation of operating ROE for the periods ended March 31, 2024 and March 31, 2023:

(in millions of dollars, except as otherwise noted)	For the 12 months ended March 31, 2024	2023
Operating net income[1]	$ 258.3	$ 236.9
Equity attributable to common shareholders, excluding AOCI[2]	$ 2,942.0	$ 2,668.1
Adjustment for unrealized gains on FVTPL equity instruments	$ (103.6)	$ (30.3)
Adjusted equity attributable to common shareholders, excluding AOCI[3]	$ 2,838.4	$ 2,637.8
Average adjusted equity attributable to common shareholders, excluding AOCI[4]	$ 2,738.1	$ 2,536.1
Operating ROE	9.4%	9.3%

Notes:
(1) Operating net income is a non-GAAP financial measure.
(2) Equity attributable to common shareholders, excluding AOCI is as at March 31, 2024 and March 31, 2023.
(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 March 31, 2022 was $2,434.4 million (restated for the impacts of IFRS 17 and IFRS 9).

Operating earnings per share ("operating EPS")

Operating net income (a non-GAAP financial measure as described above) for the period divided by the Company's weighted average diluted common shares outstanding during the period. Management uses operating EPS to measure and evaluate our performance with respect to the periodic return that our operational performance is providing relative to the common shares of the organization. Management believes that operating EPS is useful information for investors for such purpose. Although they may calculate it in a different manner, operating EPS and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Certain other ratios

In our discussion of our financial results, we disclose certain ratios as a percentage of net underwriting revenue during a defined period for the following financial measures: core accident year claims and adjustment expenses, catastrophe losses, prior year claims development, net commissions, operating expenses, and premium taxes.

12 — OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The Company's issued and outstanding common shares were 115.9 million as at May 8, 2024. No preferred shares were issued and outstanding.

13 — DEFINITIONS

Refer to Section 11 — "Supplementary Financial Measures and Non-GAAP financial measures and ratios" for definitions of supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios that we use to measure and evaluate the performance of our business.

Discounting	To reflect the time value of money, the expected future payments of claim liabilities are discounted back to present value using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The risk-free yield curves are adjusted by an illiquidity premium using a reference portfolio to reflect the liquidity characteristics of the insurance contracts.
Excess capital	The sum of capital above 190% MCT in regulated insurance subsidiaries and available cash and investments in unregulated entities.
Frequency	A measure of how often a claim is reported as a function of PIF.
Large loss	A single claim with a gross loss in excess of $1 million but less than $3 million.
Minimum capital test (MCT)	A regulatory formula defined by the Office of the Superintendent of Financial Institutions, that is a risk-based test of capital available relative to capital required.
Policies in force (PIF)	The number of insurance policies that are in effect at a specified date.
Risk adjustment	The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk as the Company fulfils insurance contracts.
Severity	A measure of the average dollar amount incurred per claim.