

definity.



# ANNUAL REPORT 2025

# About Definity

We are one of Canada's leading property and casualty insurance companies. With a multi-line and multi-channel business model that has been built on sound fundamentals in pricing, risk selection, and claims management, we have a relentless focus on delivering superior experiences. By investing in businesses and innovations, the companies in our group help our customers, broker partners, employees, and communities adapt and thrive in a world of constant change.

## Our Purpose

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

## Our Ambition

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

## Our Promise

Making insurance better

## Broker Brands



Founded in 1871, Economic Insurance protects Canadians' homes, vehicles, businesses, and farms with policies distributed exclusively through licensed broker partners.



Family Insurance Solutions is a leading distributor of home and optional auto insurance serving customers across British Columbia.

## Direct Brands



Sonnet provides fully digital home and auto insurance, offering customers the ability to obtain quotes, purchase policies, and manage their accounts online through a secure, analytics-driven platform.



Petline Insurance is one of Canada's oldest and largest providers of pet health insurance, offering a range of coverage options designed to meet the needs of pet owners across the country.

## National Broker Platform

Definity's National Broker Platform ranks among the top ten P&C insurance brokers in Canada, with significant presence in Ontario and Alberta, an experienced management team, and proven M&A expertise.

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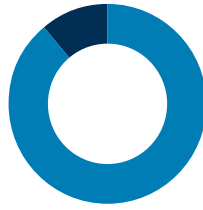
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# Definity at a Glance

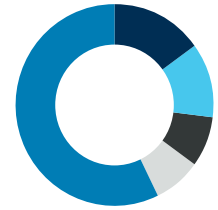
Based on GWP<sup>(1)</sup> in FY-2025



■ Personal Auto 41%  
■ Personal Property 27%  
■ Commercial Lines 32%



■ Broker 92%  
■ Direct 8%



■ Ontario 59%  
■ Alberta & Prairies 15%  
■ British Columbia 12%  
■ Atlantic 7%  
■ Québec 7%

## A Leading Canadian P&C Insurer<sup>(2)</sup>

150+

Over 150 years of operations in Canada

Top 5

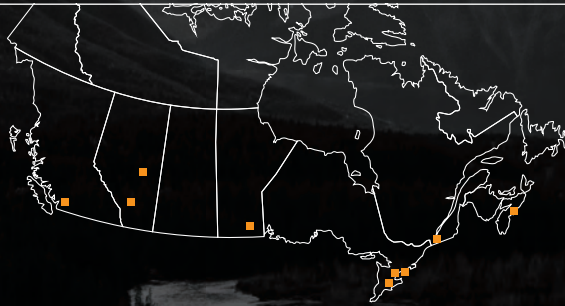
One of the **five largest** P&C insurance carriers and the third largest carrier in broker channel in Canada<sup>(3)</sup>

600+

A network of more than 600 **independent** brokerage firms

6,300+

More than 6,300 employees<sup>(4)</sup> across Canada



A **passion for innovation** and accelerating operational excellence through advanced automation, data-driven insights, and next-generation digital/AI capabilities

\$6.5B+

Profitable growth driving shareholder value, targeting **GWP growth<sup>(1)</sup>** of at least 35% over 2025 to exceed \$6.5B while targeting a sub-95% combined ratio in 2026

\$5M+

Over \$5 million in charitable donations in 2025 to support climate-resilient communities and more equitable participation in the economy – **the most in our history**

256.5%

Shareholder return, including dividends between November 18, 2021 and December 31, 2025 was **significantly higher** than the S&P/TSX Composite Index's total shareholder return of 66.0%

<sup>(1)</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

<sup>(2)</sup> As of March 31, 2026

<sup>(3)</sup> Determined on a pro forma basis following completion of the Travelers Transaction (defined below) with approximately \$6.3 billion of gross written premiums<sup>(4)</sup>

<sup>(4)</sup> Figure includes employees of Definity insurance and the national broker platform.



## Our Business Strategy & Priorities

At Definity, we're driven by our purpose, which fuels our ambition. It inspires us to deliver on our promise. And it's our strategy that brings all of this to life. Our strategy keeps us focused – combining bold aspirations with achievable goals – and builds on the momentum we've worked hard to create.

### Our Strategic Objectives

1.

Become one of the three largest P&C insurers in Canada

2.

Grow our digital and AI advantage

3.

Consistently deliver disciplined financial management

4.

Position Definity as a purpose-driven sustainability leader

### Our Strategic Pillars

Combine sound fundamentals with exceptional experiences

Drive industry leading growth, productivity, and resilience through scalable platforms, innovation, and integrated AI

Strengthen our presence in distribution

Augment organic growth and diversification inorganically

Empower top talent with an inclusive culture that delivers on our brand



## Our Key Focus Areas

Successfully integrate Travelers Transaction<sup>(1)</sup> while delivering on growth and scale benefits



Drive profitable growth in personal lines business leveraging incremental scale



Grow our commercial lines business profitably by building off our expanded capabilities



Deliver superior claims experience to customers while prudently managing indemnity and claims costs



Drive growth for our National Broker Platform while enhancing margins



Diversify and strengthen our growth through acquisitions and partnerships



Maintain our pace of innovation and integrate AI to drive productivity, value creation, and resilience



Thoughtfully integrate sustainability to create shared value for our business and society



Foster a winning culture and create an environment for elevated well-being



<sup>(1)</sup>Defined below

# Building a Canadian Champion

On May 27, 2025, Definity agreed to acquire the personal insurance business and the majority of the commercial insurance business (excluding surety and certain select business lines retained by Travelers<sup>(2)</sup>) of the Canadian operations of Travelers for \$3.3 billion<sup>(3)</sup>. This is a highly complementary business that is a strong strategic fit, with a culture very aligned to Definity and strong relationships with customers, brokers, and communities throughout Canada. The acquisition closed on January 2, 2026, marking a new era for Definity as a top 5 P&C insurer in Canada.

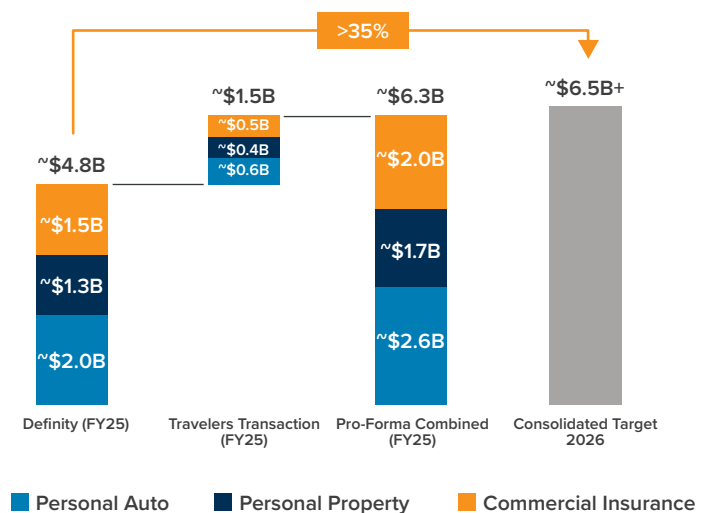


## Meaningfully advancing our strategy and market position

In Personal Insurance, the acquisition scales and fast tracks growth while strengthening our existing position with brokers. The scale benefits allow for enhanced underwriting and pricing segmentation, as well as leveraging cost efficiencies.

In Commercial Insurance, the acquisition significantly bolsters our commercial lines portfolio and adds new capabilities particularly in Specialty lines. We are well-positioned to expand the business given the alignment of core products, geographical spread, and our broker distribution network.

## Gross Written Premiums<sup>(1)</sup>



<sup>(1)</sup>This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

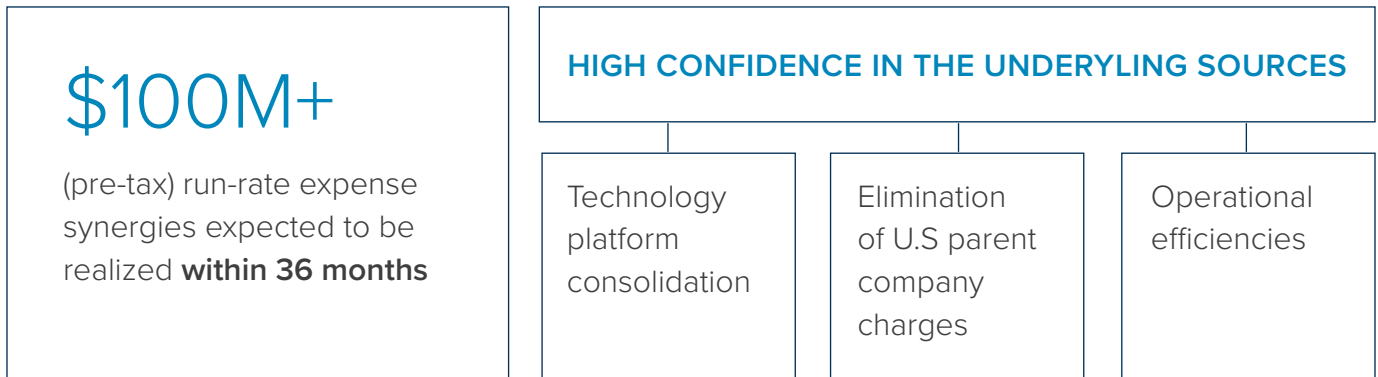
<sup>(2)</sup> Refers to St. Paul Fire and Marine Insurance Company and Travelers Casualty and Surety Company (collectively, "Travelers").

<sup>(3)</sup> Defined as the "Travelers Transaction".

## Clear Path to Expense Synergies

Our integration planning provides a clear, actionable pathway with at least \$100 million of expected annual run-rate synergies identified. These synergies are driven by three primary sources:

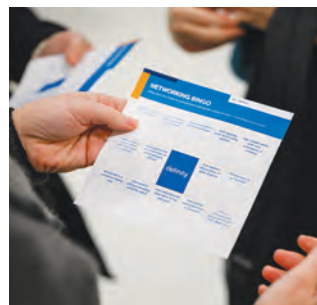
- Technology platform consolidation, as the acquired personal and commercial volumes migrate onto Definity's scalable platforms
- Elimination of U.S. parent company service charges that fall away as the business transitions to Definity oversight and operations
- Operational efficiencies driven by elimination of duplicative and administrative activities and the benefits of scale



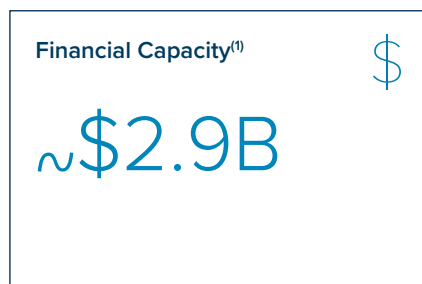
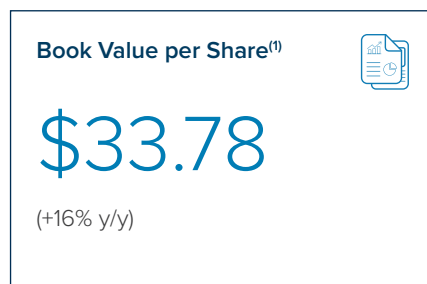
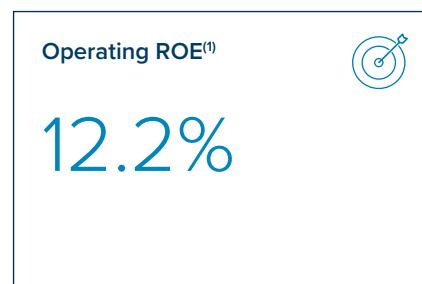
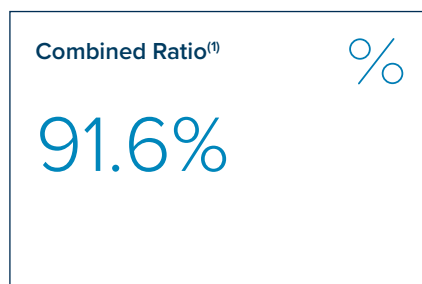
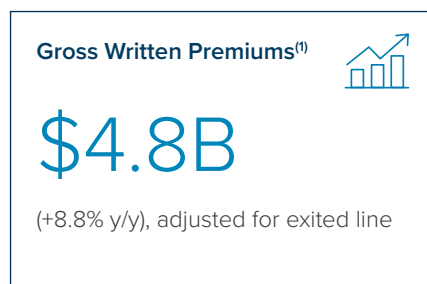
## Integration Accomplishments

To date, the integration has seen a seamless experience for brokers and customers with fully operational transition services supporting uninterrupted business continuity. Employees have been onboarded under a unified leadership team with strong culture alignment amplified through town halls across the country that reiterated our employee promise.

As we look ahead, new business has now begun moving to Definity intake to harmonize our product offerings under one broker brand, while our policy conversion process will begin in mid-2026. We expect the broader product offerings and enhanced underwriting capabilities to drive business growth and profitability, while rationalizing systems and platforms will achieve economies of scale.



## 2025 Financial Highlights



Since our landmark IPO in 2021, we have consistently delivered on our financial targets as a public company.

## 2026 Financial Targets



### Gross Written Premiums<sup>(1)</sup>

Grow premiums by at least **35%** over 2025 to exceed **\$6.5B**



### Combined Ratio<sup>(1)</sup>

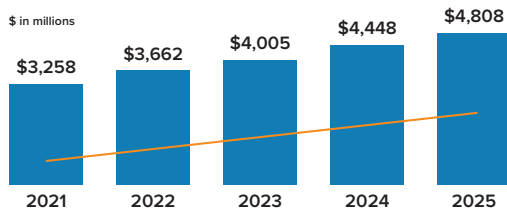
Achieve a **sub-95%** full year combined ratio



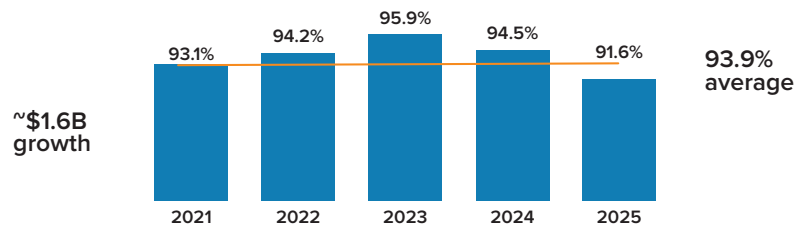
### Operating ROE<sup>(1)</sup>

Generate a full year operating ROE in the range of **10%** to below teens in 2026

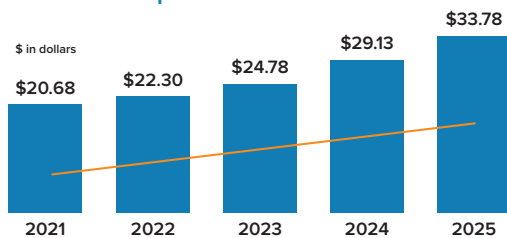
### Gross Written Premiums<sup>(1)</sup>



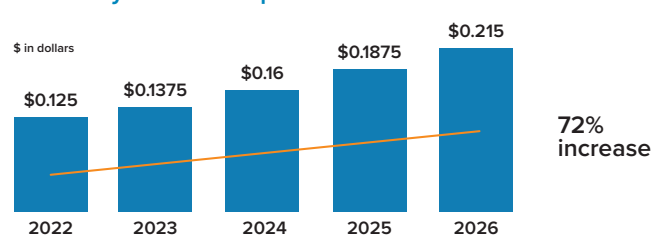
### Combined Ratio<sup>(1)</sup>



### Book Value per Share<sup>(1)</sup>



### Quarterly Dividends per Share



<sup>(1)</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

## Letter from the Board Chair

Dear Shareholders,

My letter in this year's annual report carries special significance for me as it will be my last as Board Chair of Definity. After 15 years on the Definity Board, with 10 of those as Chair, I will be retiring from the Board at the upcoming annual meeting, proud of our significant accomplishments together and confident in the leadership that will guide Definity forward with momentum.

Those of you who know our history will know that for many of my years on the Board, we have been building the foundation for the organization that Definity is today. It started when the Economical Mutual Insurance Company embarked upon a journey to become Canada's first P&C insurer to demutualize in the modern era. Throughout the journey, we were grounded in a compelling yet simple vision: to unlock the full potential of our company as a leader in the Canadian P&C insurance industry.

The goal was simple, but the act of transforming a mutual company into a dynamic public company was complex. While preserving the strengths that shaped our beginnings, we were driven by a commitment to do what was in the best interests of the company for the long-term, and that meant a future with access to capital markets to allow us to innovate, to sharpen our competitiveness, and to participate in ongoing consolidation in our industry.

Being in a reflective mood, I've gone back over my past annual report letters, and I've been struck by the consistency of our focus in the face of what many considered to be overly lofty ambitions. In 2015, I wrote that, "we have an opportunity to respect our legacy, through demutualization, and position Economical as a strong and independent insurance company making an even bigger difference for all of our stakeholders for years to come." As I wrote those words, we experienced skepticism from many quarters about our ability to execute on that opportunity.

A decade later, I am proud of how loudly our actions have spoken to those sceptics. We launched Sonnet, Canada's first coast-to-coast digital direct to consumer P&C insurer, and built Vyne, considered by our brokers to be a best-in-class digital tool to streamline their workflows. Then in 2021 we successfully completed our groundbreaking demutualization and landmark initial public offering, the second largest IPO in Canadian history at the time. A big factor in achieving these milestones was creating a high-performance culture that keeps our talented people engaged and energized.

In the years since our IPO, we have established a track record of disciplined financial management, consistently

delivering on our financial targets in each year we have operated as a public company. The result is significant value capture from our investments and robust shareholder returns. In Rowan's letter you'll read more about this track record and how Definity continues to deliver on its commitments. As we have delivered these incredible results, we have done so with focused execution, strong strategy, sound fundamentals, and uncompromising principles. This is what stakeholders have come to expect from us, and how we intend to continue delivering against our strategy.

Ultimately, the foundation we've built is designed to foster strategic expansion through acquisitions. We began this expansion by building a national broker platform, which now enjoys a top ten market position among Canadian brokerages. The platform continues to grow through strategic acquisitions, with a significant presence in Ontario and Alberta.

In May 2025, we announced the most significant acquisition in our history, the strategic acquisition of the Travelers' Canadian P&C operations (excluding its surety business). It closed on January 2, 2026, bringing together two highly complementary businesses with a combined 300 years of operations in Canada. You will read more about this transformational opportunity throughout this report, and how Definity is now a larger, more profitable company which has increased the ability to fulfill our purpose of building a better world by helping clients and communities adapt and thrive.

We introduced Definity in 2021 with the theme: *in it for good*. At that time, I noted the importance of the dual meaning of this message. First, we intend to do good. In operating our core business, as we have throughout our history, we focus on the lasting and positive impact we have on the communities where we live and work.

In our first years as a public company, we have already delivered significant support for communities. From our demutualization proceeds, \$100 million was allocated to the Definity Insurance Foundation which is committed to social and economic justice. As well, through Definity's robust community investment strategy and expansion of strategic sustainability considerations throughout the business, we are improving people's lives. As we look ahead, Definity will have increased scale to do even more to support the long-term benefit of the communities we serve.

The other meaning of *in it for good*, one that has particular importance to me, is that we intend to be around for the long term. The operational foundation we've built is future-



**JOHN BOWEY**  
Board Chair

“Definity is now a larger, more profitable company which has increased the ability to fulfill our purpose of building a better world by helping clients and communities adapt and thrive.”



oriented and the team we have assembled is among the best in the industry. They have the tools and ambition to continue pushing the boundaries of what a high performing company can achieve, supported by our ongoing focus on sustainability and resilience.

It's been an honour to guide Definity on this remarkable journey that has brought us to this new chapter: *Building a Canadian Champion*. This is an ambition that will take us into the future, including our objective to become a top three player in the Canadian P&C insurance industry. This is a bold goal. It will require strong strategy, sound fundamentals, and uncompromising principles – exactly what Definity is known for.

Our leadership team is poised to deliver on this new evolution of our ambitious agenda. I have no doubt that Definity is where it is today because of the transformative and steadfast leadership of Rowan Saunders, our President and CEO. The senior leadership team that he's assembled has the experience, innovation, and tenacity to bring our vision to reality.

Dan Fortin, our incoming Board Chair, and Rowan will be a great team. Dan has the same passion and commitment to Definity's long-term success that I do and will ensure the Board continues to provide effective oversight to help Definity achieve its ambitious objectives. I have the utmost confidence in Rowan and the executive team, and in Dan and the Board, to drive success with accountable and consistent leadership and good governance.

In my time on the Board, I have been privileged to serve alongside some of the most talented directors in our industry. Earlier this year, our esteemed colleague Richard (Dick) Freeborough retired from our Board shortly before passing away. Dick made a real and lasting difference during his

fourteen-year tenure on the Board, bringing remarkable vision and insight to his commitment to Definity. He is greatly missed around the Board table, and we are all so very thankful for his many contributions to our success.

At the 2017 Annual Meeting, I shared with Economical's mutual policyholders that "we are certain that Economical is on the right path to becoming a true Canadian success story...and one of Canada's top P&C insurers — for our customers, our broker partners and our employees." It's yet another example of how we've delivered against an incredible vision. I'm proud of what we've accomplished, and I have a firm belief in the future of the organization.

Today, Definity is an organization with more than 6,300 employees. We have deep broker relationships across the country and serve the needs of Canadians to protect their homes, cars, businesses, and farms. We have defied the odds to achieve the incredible and become a legitimate contender in our industry. I'm honoured to have had the opportunity to guide the company as it set the foundation to be a Canadian Champion.

**JOHN BOWEY**  
Board Chair

“This is a bold goal. It will require strong strategy, sound fundamentals, and uncompromising principles – exactly what Definity is known for.”



# Letter from the CEO

Dear Shareholders,

This year marks an exciting new chapter in the Definity story, one defined by our progress in building a Canadian Champion in the P&C insurance industry. It took us approximately 150 years to build a \$3 billion business, and we have now doubled that size in just the past three years. With the completion of our acquisition of the Canadian P&C operations of Travelers, we have delivered on our strategic objective of becoming one of the top five P&C insurers in Canada and strengthened our position as the third largest carrier in the broker channel. Now, we are using this momentum as we move into 2026 with even greater ambition. In this letter, I will reflect on our year-end results, share insights on the successful acquisition of the Travelers Transaction, and outline our future plans.

## Adding scale and strength with the Travelers Transaction: a perfect strategic fit

When we began our journey toward becoming a public company, one of our stated intentions was to actively participate in the consolidation of our industry. A key part of our long-term strategy then was strengthening the foundation for future growth through a combination of significant business transformations and improved operating fundamentals. Throughout this journey, we have demonstrated our ability to build and grow our business. This is a cornerstone of our strategy and a key driver of value creation.

We have executed turnarounds, such as the work done on our Commercial Insurance (CI) portfolio, where we significantly improved the combined ratio, while building a leading CI business from SME to Specialty lines. We have also established new business organically. Sonnet is now Canada's leading digital direct insurance platform and has just delivered its first year of profitability. We have generated market outperformance in Personal Insurance through sophisticated underwriting and our industry-leading Wyne platform and have grown faster than the industry while consistently delivering on our profitability objectives despite the rise in climate change-related perils.

From an inorganic perspective, the capital we've deployed into broker acquisitions has established a national broker platform with a top ten market position in Canada. And we've done all of this while delivering on our financial targets in each year we have operated as a public company.

In May of last year, we exceeded expectations again with our announcement of the Travelers Transaction. This acquisition was more than just a compelling transaction, it was a strategic leap forward for our company. When the deal closed on January 2, 2026, we attained our goal of becoming one of the five largest P&C insurers in Canada, strengthened our market position, and significantly advanced our journey toward building a Canadian Champion in the P&C insurance industry.

The business we've acquired from Travelers is a strong strategic fit, with highly complementary operations, an aligned corporate culture, and strengthened relationships with customers, brokers, and communities throughout Canada. Combining our businesses will diversify our portfolios, provide scale opportunities in personal lines, expand our commercial lines capabilities, and increase our presence in specialty insurance.

With pro forma \$6.3 billion in combined annual gross written premiums for 2025, the additional scale further solidifies our position as a top three broker carrier in Canada, deepening our commitment to the broker channel. This comes at a time in our industry when scale matters more than ever. It enhances pricing sophistication, strengthens our relevance with brokers, and supports sustained investment in technology, artificial intelligence, and innovation.

After a successful closing process, we're on track to start the policy conversion process in Q2 2026. At the same time, we have a clear path to sustainably operate the acquired portfolio as integration benefits take hold and synergies earn through. We are on track to deliver at least \$100 million in expected annual cost synergies to be realized over the three-year integration period, thereby enabling us to target a mid-teen operating ROE post-integration.

## Financial highlights

Definity is a growth company with a clear strategy and strong confidence in where we're headed. Since our landmark IPO four years ago, we've delivered consistent underlying profits, built a top 10 P&C insurance brokerage in Canada, grown book value per share by more than 63%, and increased our quarterly dividends per share by 72%.



**ROWAN SAUNDERS**

President and CEO

“We enter 2026 with top and bottom-line momentum in all three lines of business, which provides an ideal starting position for integrating our recently acquired business from the Travelers Transaction and adding scale.”

In 2025, we met or exceeded all financial targets:

- Gross written premium (GWP) growth of 8.8%, adjusted for our exited line
- Combined ratio of 91.6%
- Full year underwriting profit of \$355 million
- Operating ROE of 12.2%
- Net investment income of \$215.7 million
- Distribution income of \$62 million with total broker operating net income of \$94 million

We have built a company that's delivering a low- to mid-90s combined ratio with solid growth and a pathway to enhanced operating return on equity (ROE). Our advancements in underwriting excellence have contributed to record underwriting results. We enter 2026 with top and bottom-line momentum in all three lines of business, which provides an ideal starting position for integrating our recently acquired business from the Travelers Transaction and adding scale.

Our performance reflects disciplined underwriting and claims management, solid organic growth, and benefits from our digital technology investments. Having achieved our previously stated ambition to rank among the top five P&C insurers in the country, we have an updated, but equally ambitious, long-term goal: to become a top three P&C insurer in Canada. To achieve this, we remain focused on many of the same differentiators that have gotten us to where we are today: disciplined execution, strong insurance fundamentals, ongoing innovation, broker partnerships, and broad-based growth.



## Personal insurance

Personal insurance market conditions remained strong in 2025, and we achieved rates that stayed ahead of loss trends. Personal lines GWP increased 8.9% in 2025, adjusted for our exited line, with strong growth in the broker channel.

The personal auto combined ratio was 95.1% for the year. Earned rate increases, improved Sonnet profitability, lower catastrophe losses, and a lower expense ratio supported stronger results versus 2024. We expect a mid to upper 90s combined ratio for personal auto in 2026 as we integrate the acquired book of business.

The personal property combined ratio improved by 7.8 points to 88.5% for the year. Gross written premiums grew 9.0% for the year, supported by higher average written premiums and an increase in unit growth as we completed our actions in higher peril regions midway through 2025, and introduced product enhancements in the second half of the year. While catastrophe losses were unusually elevated in 2024, the level in 2025 was broadly in line with expectations. Looking ahead, we expect a low to mid 90s combined ratio in 2026.

In 2025, following a rigorous selection process, Definity was one of three insurers selected to participate in the Financial Services Regulatory Authority of Ontario's Auto Insurance Accreditation Pilot. Through this pilot, Definity has a voice in designing a new model for auto insurance that puts fair consumer outcomes at the forefront, strongly aligning with our ambition of making insurance better.

As we look ahead, close to \$1 billion in personal lines premiums from the Travelers Transaction will benefit from being moved onto our modern digital Vyne platform. As we begin conversion, we expect conditions in personal auto to remain firm as insurers aim to keep pace with the combined impact of loss cost trends, ongoing regulatory constraints in Alberta, and uncertainty related to the extent and impact of potential U.S. tariffs. We also expect market conditions to remain firm in personal property over the next 12 months as the industry continues to remain diligent, taking underwriting and pricing actions required to fund weather loss events amid heightened climate risk.

## Commercial insurance

Our commercial insurance portfolio is designed to deliver a low- to mid-90s combined ratios while growing at twice the pace of the industry. For the year, commercial lines GWP increased 8.6%, driven by strong retention and ongoing rate achievement, as well as continued expansion in small business and specialty. Commercial lines continued to benefit from our focus on underwriting discipline, delivering a strong combined ratio of 89.3% for the year, essentially unchanged from 2024.

The commercial book acquired through the Travelers Transaction, consisting of approximately \$0.5 billion in GWP, expands our offerings in mid-market and specialty, further strengthening our robust commercial business. We now have significantly expanded capabilities in the Financial Lines space as well as in Cross Border Solutions, while adding new products to our portfolio, including Ocean Marine, Technology, Oil & Gas, and Alternative Energy.

While we expect overall commercial lines industry market conditions to remain attractive, we are continuing to see more competition in the large account space. Overall, we expect industry growth in commercial lines to be in the low to mid-single digits over the next 12 months. We continue to expect the organic growth in our commercial book to grow at least twice the pace of the industry, supported by our strong broker partnerships, digital capabilities, and ongoing specialty expansion.

## National broker platform

We have made great progress in the past few years developing our national broker platform into a vehicle to diversify and strengthen the earnings profile of Definity, with high quality recurring revenue, repeatable distribution income, and attractive margins that complement our underwriting operations. We continued our growth trajectory with several additional acquisitions last year, which enabled us to exceed our 2025 operating income objective for this part of the business. In 2025, our national broker platform generated \$94 million of operating income, before finance costs and minority interests.

We expect to increase this by approximately 20% in 2026, through distribution income and intercompany commission income. We expect continued M&A activity and the organic growth momentum of the business to result in \$2 billion of managed premiums by the end of 2027, 33% higher than where we ended 2025. This platform continues to provide stable, high-quality earnings that strengthen the overall resilience and diversification profile of the company.



## A foundation for innovation

We have a longstanding focus to be one of Canada's most innovative P&C insurers. We have delivered major multi-year transformations that have allowed us to scale safely, keep service resilient, and extend innovation across the company. We are driving industry leading growth, productivity, and resilience through our scalable platforms, innovation, and integrated AI including generative AI ("GenAI"), all to consistently improve the overall insurance experience for brokers and customers.

We have developed a strong technology foundation to effectively scale our business organically and inorganically, improve our service quality, and operationalize emerging technologies. This includes innovative platforms like Sonnet, Canada's first coast-to-coast fully digital quote-to-bind P&C insurance solution, and our broker solution, Vyne, which creates a smoother workflow for brokers and customers by fully integrating into broker management systems.

“We are building up our AI advantage as a strategic priority to accelerate our growth ambitions, drive loss ratio outperformance, improve operational efficiency, and enable leading customer and broker experiences.”

These platforms are supported by a cloud environment that provides resiliency and significant scale. In fact, Definity was the first Canadian P&C insurer to transition to Guidewire Cloud. In addition, we implemented a strategic data platform to make trustworthy data available for decisioning and artificial intelligence. We deployed these capabilities across our business to deliver recurring value, reshaping how we compete, operate, and serve our customers and brokers.

In 2025, we successfully completed the final phase of our multi-year Claims transformation to reduce friction by modernizing and digitizing key steps in the claims journey. This includes the transition to Guidewire ClaimCenter, which has enhanced our ability to deliver a faster, more seamless end-to-end customer experience, ultimately helping us minimize disruption to our customers' lives following a loss by facilitating more timely communications and quicker

claim resolution. We have seen early indications of this positive impact: since we started using ClaimCenter we have generated higher customer satisfaction scores and sustained top-quartile performance.

These transformations have laid a robust foundation for scalable growth and future innovation. We are well positioned to effectively integrate the acquired business from the Travelers Transaction to our Vyne system on personal lines, and serve customers as an industry-leading Claims organization.

## Growing our Digital and AI advantage

Definity has been using AI and machine learning to create business and customer value in a safe and ethical way for more than a decade, generating meaningful annual bottom-line benefits. As we look ahead, we are building up our AI advantage as a strategic priority to accelerate our growth ambitions, drive loss ratio outperformance, improve operational efficiency, and enable leading customer and broker experiences.

Our state-of-the-art AI and GenAI tools allow us to efficiently develop, monitor, and sustain AI solutions, and allow for agentic architecture to enable collaboration. AI has broadened the scope of business problems that we can now solve, including:

- Improving operational efficiency in both front-office functions like contact centres and back-office functions like software development and communications
- Increasing profitability through enhanced claims management, litigation handling, and fraud detection
- More easily identifying improvements to customer service objectives

We now have close to twenty generative AI-enabled use cases in production, including intake automation for commercial insurance broker transactions, improvements to our fraud detection capabilities, insurance and legal document summarization, and acceleration of software code development for technology solutions. We have also delivered individual-use generative AI tools into the hands of all employees to empower day-to-day productivity and employee experience, supported by an extensive AI literacy and credentialing program.

We see increased opportunity in the near term to revamp end-to-end workflows supporting our brokers and customers as this technology matures, which we expect will deliver additional improvements to our operational efficiency and customer and broker experiences.



### Strong culture and trusted relationships to power our ambition

Key to Definity's success is our high-performing and engaged workforce. At Definity, we have a winning culture, evident in year over year increases in our engagement scores, strong talent metrics, and consistent third-party recognition.

In 2025, we retained 95% of our high-performing employees, ensuring we continue to drive results. High performing employees make thoughtful plans which are executed with intensity, supported by an ownership mindset. 98% of eligible employees have ownership in Definity through the Definity Share Ownership Plan, supporting our bold aspirations and ambitious goals.

We continue to receive multiple recognitions from the Great Place to Work® Institute, including Best Workplaces in Canada, Best Workplace for Inclusion, and having one of Canada's Most Trusted Executive Teams, in addition to being named one of Canada's Most Admired™ Corporate Cultures by Waterstone Human Capital. But even more importantly, our own employees agree with these accolades, with 86% of employees

recommending Definity as a great place to work.

Key to our success is the relationships we have with hundreds of independent broker partners across Canada. We have deepened these strong broker relationships with the Travelers Transaction, adding scale and expertise across our front line teams to deliver the service, insight, and experiences that brokers need to run an effective business. Our executive team travelled across the country last summer for broker town halls that helped us understand how the Travelers Transaction would impact their books of business and how we could effectively partner through the change, and to share more of our perspective on bringing together the best of both worlds.

Definity is committed to maintaining stability for our broker partners throughout the integration to retain customers and minimize disruption. We will be taking a thoughtfully planned and phased approach to policy conversion to ensure high retention and a consistent positive customer experience throughout.

## A resilient leader in the P&C industry

We have successfully executed against our strategy while managing both change and uncertainty in our industry and the world at large. Our intense focus on the fundamentals of insurance, combined with our diversified portfolio and modern platforms, give us the resilience to adapt, thrive, and continue our growth journey through dynamic operating environments and market cycles.

As I look ahead, I see the industry continuing to navigate meaningful change driven by heightened severe weather patterns, evolving customer and broker expectations, and disruptive technology that changes carrier response times, connectivity, and efficiency. At the same time, ongoing M&A and consolidation within the industry will continue, particularly within the broker landscape, as scale and investment capacity become increasingly critical advantages.

“We are resilient in this dynamic environment, with a robust strategy, disciplined execution, and a strong track record.”

I believe there will be continued uncertainty across many industries, shaped by factors such as evolving trade dynamics, a complex macroeconomic environment, a shifting geopolitical landscape, and supply chain pressures.

We are resilient in this dynamic environment, with a robust strategy, disciplined execution, and a strong track record. Our sound underwriting, diversified portfolio, advanced digital and analytics capabilities, and strong broker partnerships allow us to adapt, compete, and outperform through evolving market cycles. This will be true even as we integrate the acquired business from the Travelers Transaction.

We expect to deliver on our 2026 financial targets, driven by the benefit of the acquired business from the Travelers Transaction, continued organic growth in our underlying book, and the strength of our underwriting capabilities.

- Grow premiums by at least 35% over 2025 to exceed \$6.5 billion in 2026
- Achieve a sub-95% full year combined ratio in 2026
- Generate a full year operating ROE in the range of 10% to below teens in 2026

Looking ahead, our near-term focus will be on retaining the business and talent acquired in the Travelers Transaction with meaningful broker and customer experiences.

## Leadership strength for our future

As we became a larger Canadian company, we welcomed new leadership and expertise from the Travelers Transaction throughout the organization. The deep domain expertise of the underwriters and claims professionals that are now part of Definity will add to our differentiation.

To fully realize the benefits of the Travelers Transaction and set the foundation for long-term growth, we also evolved our executive structure. At the beginning of this year, Fabian Richenberger became Chief Operating Officer, with Obaid Rahman now leading the Commercial Insurance organization as Executive Vice-President, Commercial Insurance. On the corporate side, Innes Dey took on an expanded role, adding Chief Risk Officer and our Enterprise Risk Management function to his existing portfolio leading our expanded Legal team and our Corporate Strategy Office.


As John Bowey concludes his storied tenure as Chair of our Board, I want to express my deepest gratitude for his steady leadership and unwavering commitment to Definity's long-term success. Over many years, John has demonstrated exceptional engagement and sensitivity to the needs of our stakeholders, guiding our organization with courage through periods of transformation, growth, and bold ambition. His strategic insight, principled governance, and leadership agility have always been grounded in his belief in what this company could achieve. This has helped shape the strong foundation we stand on today. Our future is bright with Dan Fortin as the new Board Chair and I know under his guidance, support, and continued dedication to our ambitions, Definity will continue to achieve great things.

On behalf of Definity, I'd like to thank our Board of Directors for their strong support of the long-term direction of the company and unwavering commitment to our vision. With their thoughtful guidance, the dedication of our seasoned leadership team, our passionate employees, and our valued broker partners, we are building a Canadian Champion. I look forward with confidence as we continue to make our mark as a true Canadian success story.



**ROWAN SAUNDERS**

President and CEO



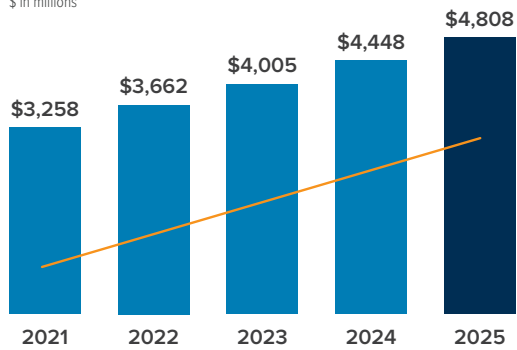
I look forward with confidence as we continue to make our mark as a true Canadian success story.

# Driving Profitable Growth

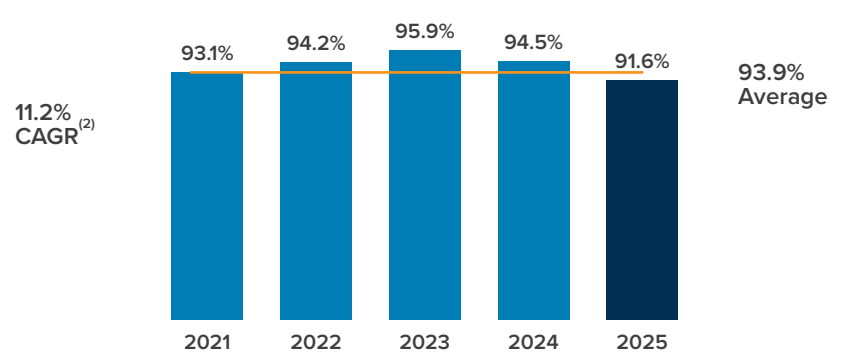
## Diversified Earnings Profile

### Gross Written Premiums<sup>(1)</sup>

\$ in millions



### Combined Ratio<sup>(1,3)</sup>



## Operating Income<sup>(1)</sup>

\$ in millions

	2021	2022	2023	2024	2025
<b>Total Operating Income</b>	<b>\$290.9</b>	<b>\$309.1</b>	<b>\$323.7</b>	<b>\$409.6</b>	<b>\$558.7</b>
Underwriting Income <sup>(1)</sup>	\$194.5	\$189.4	\$144.9	\$212.4	\$354.7
Net Investment Income	\$96.8	\$133.1	\$179.5	\$198.2	\$215.7
Distribution Income <sup>(1)</sup>	\$8.0	\$14.1	\$39.3	\$54.4	\$62.0
Interest Expense	–	(\$0.6)	(\$5.3)	(\$9.6)	(\$22.9)
Other <sup>(4)</sup>	(\$8.4)	(\$26.9)	(\$34.7)	(\$45.8)	(\$50.8)

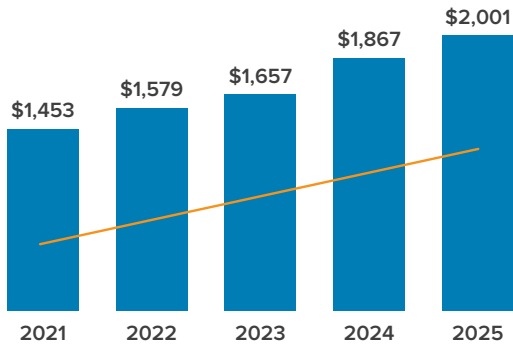


## Personal Auto

Driving profitable growth by leveraging digital assets and broker relationships

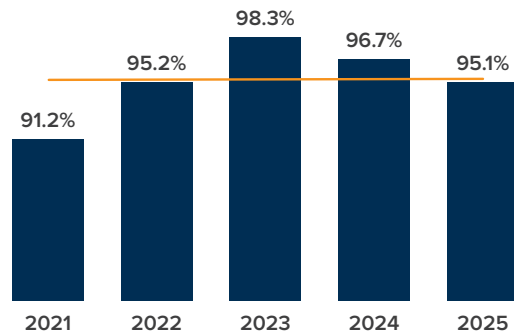
### Personal Auto GWP<sup>(1)</sup> Growth

\$ in millions



### Personal Auto Combined Ratio<sup>(1,3)</sup>

8.2% CAGR<sup>(2)</sup>



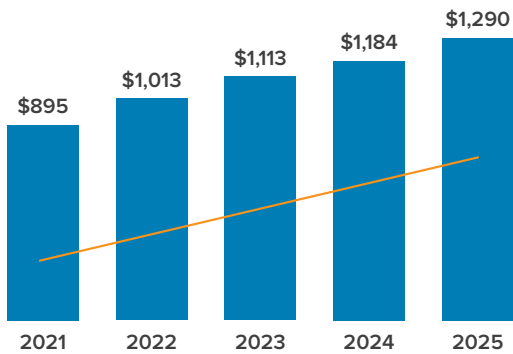
95.3% Average

## Personal Property

Solid growth with a strong track record of underwriting

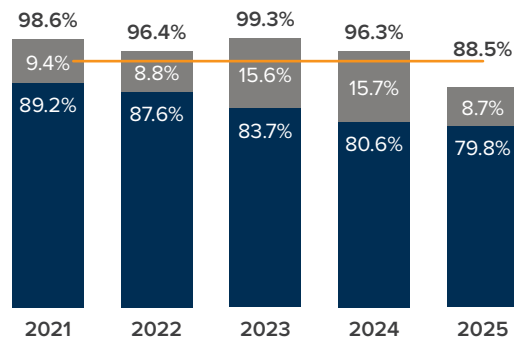
### Personal Property GWP<sup>(1)</sup> Growth

\$ in millions



### Personal Property Combined Ratio<sup>(1,3)</sup>

11.4% CAGR<sup>(2)</sup>



95.8% Average

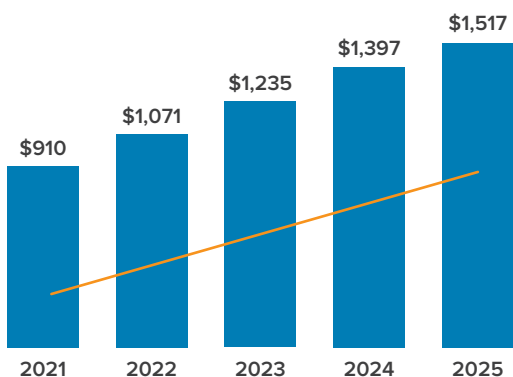
■ Combined Ratio (Ex-CAT) ■ CAT Loss Ratio

## Commercial Insurance

Meaningful competitive advantage in underwriting

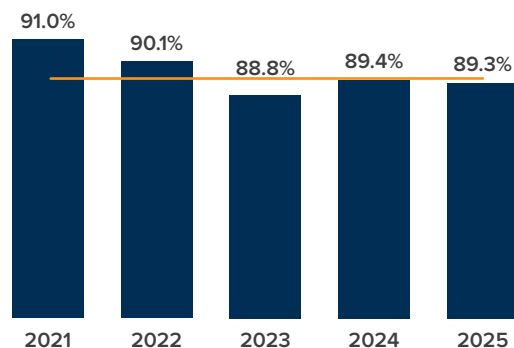
### Commercial Insurance GWP<sup>(1)</sup> Growth

\$ in millions



### Commercial Insurance Combined Ratio<sup>(1,3)</sup>

15.8% CAGR<sup>(2)</sup>



89.7% Average

<sup>(1)</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

<sup>(2)</sup> 5Y CAGR from 2020-2025.

<sup>(3)</sup> 2021 is under IFRS 4 and the years 2022 to 2025 are under IFRS 17.

<sup>(4)</sup> Includes corporate expenses, non-controlling interests, and other.



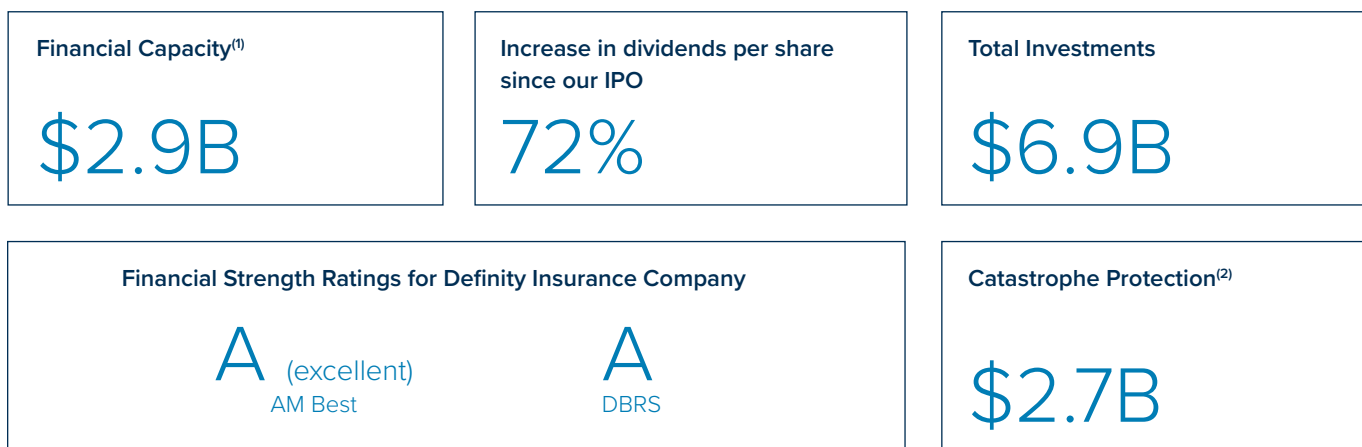
WE  
BUILD  
HERE

definity.

# Balance Sheet Strength & Capital Management

## Significant Financial Flexibility to Support Value Creation

Definity enters its next phase of growth with substantial financial capacity, a strengthened balance sheet, and a disciplined capital management framework. Following the close of the Travelers Transaction, we have significantly enhanced our capital resources, liquidity, and leverage capacity, positioning the company to sustain value creation while executing our long-term strategic priorities. Our capital deployment priorities remain unchanged: supporting organic growth, sustaining a growing dividend, and pursuing disciplined M&A in both carrier and distribution channels. The company's enhanced scale following the Travelers Transaction — combined with identified \$100+ million in annual synergy opportunities — further supports our ability to reinvest in technology, analytics, and integration while driving long-term ROE expansion. Through prudent leverage, robust capital buffers, and diversified earnings — including an expanding national broker platform — Definity maintains meaningful capacity to fund growth, absorb volatility, and drive sustained shareholder value.



## Capital Deployment Priorities



<sup>(1)</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

<sup>(2)</sup> Upper limit on our CAT increased from \$2.075B in 2025 to \$2.68B (excludes co-participation) in 2026.

# Growing Digital & AI Advantage

At Definity, our longstanding ambition is to be one of Canada's most innovative P&C insurers. We have delivered major multi-year transformations that have allowed us to scale safely, keep service resilient, and extend innovation across the company. As we look ahead, we are building up our AI advantage as a strategic priority to accelerate our growth ambitions, drive loss ratio outperformance, improve operational efficiency, and enable leading customer and broker experiences.

Our AI strategy is anchored on four pillars, which work together to support Definity's ability to maintain our digital and AI leadership:

1.

## **Anchor AI in business priorities:**

Definity has been using AI and machine learning to create business value in a safe and ethical way for more than a decade. We apply AI to solve practical business problems, using 135 predictive models and AI solutions to generate meaningful annual bottom-line benefits. A disciplined process that uses proofs-of-concept to test feasibility and desirability of AI solutions helps to inform business cases and delivery plans. This is a competitive advantage for Definity, and continues to result in a much higher AI success rate.

2.

## **Scale our AI foundation & delivery model:**

Definity has the foundational technology investments in place to reap the full benefits of AI value generation. This includes our strategic data platform in Google Cloud to accelerate the development of personalized insurance solutions to generate meaningful business value. We now have more than 25 years of high-quality, digitized data that are consolidated in a centralized data platform for enterprise reporting, analysis, and AI needs. This is paired with strong partnerships that provide us with advanced capabilities in data systems and platforms. Our state-of-the-art AI and GenAI tools allow us to efficiently develop, monitor, and sustain AI solutions, and allow for agentic architecture to enable agent builds, re-use, collaboration, and workflows. We deploy AI and GenAI at scale across our claims, underwriting, fraud detection, operations, and technology functions.

3.


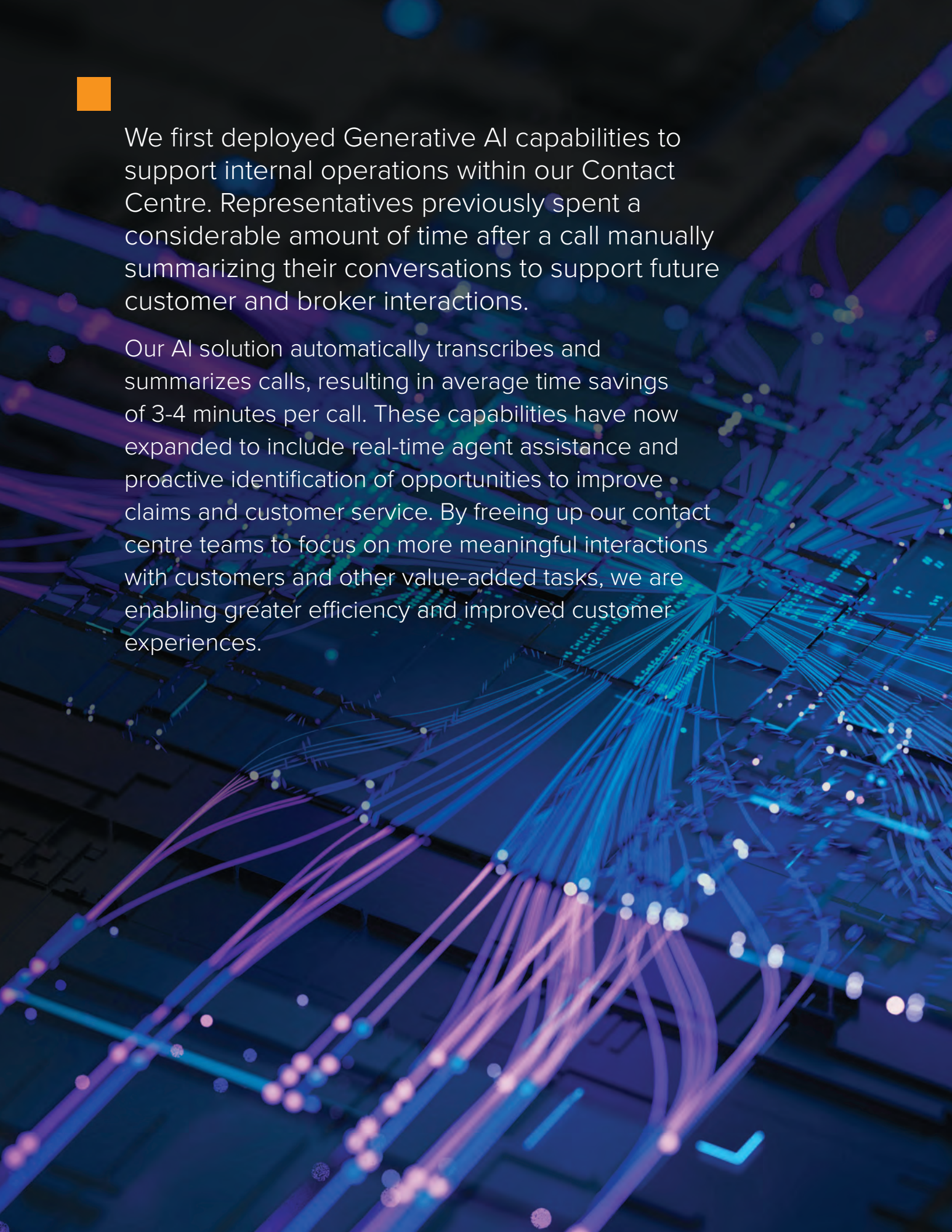
## **Continued focus on AI governance:**

We strive to be the Canadian P&C industry leader in our application of data and analytics ethics, in alignment with Definity's purpose: building a better world by helping our clients & communities adapt and thrive. Trust and safety are our foremost priorities when designing and delivering AI solutions. Since 2015, Definity has maintained a strong enterprise model risk management policy governing all actuarial and analytical models. Our AI governance includes best practices and practical tools to ensure that our AI solutions mitigate key operational risks and comply with applicable legislation and regulation – and we continue to update our governance to capture emerging risks related to recent technology evolution, like Agentic AI.

4.

## **Empower an AI-fluent workforce:**

To truly realize the scale benefits of AI, our employees must be empowered to use it for both complex and simple tasks. We have democratized access to AI, which is now used by 70% of our employees to empower innovation, productivity, and expanded business insights. To support learning and ensure the organization can leverage these tools in their day-to-day, we have supported education through active learning, certifications, live working sessions, governance, and effective change management.



We first deployed Generative AI capabilities to support internal operations within our Contact Centre. Representatives previously spent a considerable amount of time after a call manually summarizing their conversations to support future customer and broker interactions.

Our AI solution automatically transcribes and summarizes calls, resulting in average time savings of 3-4 minutes per call. These capabilities have now expanded to include real-time agent assistance and proactive identification of opportunities to improve claims and customer service. By freeing up our contact centre teams to focus on more meaningful interactions with customers and other value-added tasks, we are enabling greater efficiency and improved customer experiences.

# A Purpose-Driven Sustainability Leader

Definity is guided by our purpose — building a better world by helping our clients and communities adapt and thrive. We strive to use the power of our business to create positive change for our environment, our people, and our communities, now and in the future. Since writing our first insurance policy through the Economical Mutual Fire Insurance Company of Berlin in 1871, we've worked to manage environmental, social, and governance risks and opportunities to build a more resilient organization, and fulfill our purpose.

Definity's objective is to improve business outcomes through a focus on social and environmental benefits. To do this, we pursue three key enabling strategies:

- Acting for a climate-resilient future
- Investing in our communities
- Building a culture of inclusion, diversity, equity & accessibility

As societal challenges such as growing losses from climate change impacts and persistent systemic social inequalities continue, Definity's response is to enable climate-resilient communities and drive more equitable participation in the economy. These efforts help us to be more efficient, responsive, and resilient as we thoughtfully embed sustainability throughout the organization and operate our business in ways that deliver benefits to all our stakeholders for the long term.

## Acting for a Climate-Resilient Future

- Achieved our 2025 interim emissions reduction goals for our direct operations and investment portfolio, moving us toward our ultimate objective of net zero by 2040 or sooner
- Maintained a leadership role in the Climate Proof Canada coalition, continuing to advocate with governments for investments and policies that will make the Canadian economy, communities, and households more resilient to climate impacts
- Our efforts have been recognized with an MSCI ESG Rating of "AAA" that places Definity among the leading P&C insurers for sustainability management, and the Best ESG Reporting (mid-cap) award at 2025 IR Impact Awards – Canada

## Investing in Our Communities

- In 2025, Definity again surpassed our previous record for charitable giving, donating well over \$5 million to a variety of strategic partners that are helping to build more climate-resilient communities and are enabling more equitable participation in the Canadian economy
- Definity employees volunteered nearly 5,000 hours in 2025 as we continued to focus on the depth of volunteerism through a Skills Based Volunteer program that connects professional expertise with meaningful community impact



Through our partnership with Windmill Microlending, Definity supports affordable loans that help skilled immigrants and refugees overcome barriers to employment in their fields. Our funding contributes to Windmill's Impact Fund, supporting a growing number of newcomers to Canada.



“Mentoring newcomers has been profoundly impactful, deepening my appreciation for their resilience and highlighting the systemic barriers they face; this awareness has inspired me to become a stronger advocate for equitable opportunities and has also enhanced my leadership skills.

**RIDHIMA NANGIA**

Director, Finance  
Volunteer for Windmill Microlending



# Empowering Top Talent with an Inclusive Culture

Definity is building an engaging values-based culture where customer focus, operational excellence, innovation, and collaboration help us deliver on our promise.

We provide a differentiated, competitive employee experience that grows skills and capabilities of our people for now and for the future to become a career destination for today and tomorrow's talent. We believe in accelerating high-performance across the organization and building a culture of inclusion, diversity, equity & accessibility.

## Future Ready Talent Hot Spot (2025 Highlights)

<p><b>54%</b></p> <p>of all hires are from internal talent; <b>73%</b> of all leadership hires are from internal talent</p>	<p><b>95%</b></p> <p>Key Talent retention rate</p>	<p><b>29%</b></p> <p>of Vice President and above roles were held by leaders who identify as belonging to an equity-deserving group, exceeding our goal of <b>15%</b> by 2026</p>	<p>Guided by an Indigenous Advisory Council, our <b>Reconciliation Action Working Group</b> continued to advance our response to the Truth and Reconciliation Commission's Call to Action #92 for corporate Canada</p>
<p><b>+27 pts</b></p> <p>increase in employee engagement since 2019</p>	<p><b>86%</b></p> <p>of employees would recommend Definity as a great place to work</p>	<p><b>88%</b></p> <p>of employees feel accepted and included for who they are at work</p>	

## High Performance




definity.



CHAMPIONS AREN'T  
DECLARED, THEY  
EARN THEIR PLACE



# MANAGEMENT'S DISCUSSION AND ANALYSIS



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# INTRODUCTION

February 12, 2026

The following Management's Discussion and Analysis ("MD&A") is the responsibility of management and has been approved by Definity's 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 and twelve-month periods ended December 31, 2025, compared to the corresponding periods in 2024. This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2025. Certain prior period comparative figures have been reclassified to conform to the current quarter's MD&A presentation. 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 February 12, 2026.

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 audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2025 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, leverage capacity, and underwriting loss from exited lines.

**Non-GAAP Financial Measures:**

Adjusted equity attributable to common shareholders, adjusted equity attributable to common shareholders excluding AOCI, core accident year claims and adjustment expenses, distribution income, net claims and adjustment expenses, net commissions, net operating expenses, net premium taxes, net underwriting expenses, net underwriting revenue, non-operating (losses) gains, 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 audited consolidated financial statements, see Section 13 – "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", "aims", "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 "can", "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. This MD&A contains forward-looking statements with respect to the Company's agreement with St. Paul Fire and Marine Insurance Company and Travelers Casualty and Surety Company (collectively, "Travelers") to acquire Travelers' Canadian P&C insurance operations, excluding its Canadian surety business and certain select business lines retained by Travelers, for cash consideration of approximately \$3.3 billion (the "Travelers Transaction").

Estimates and assumptions have been made regarding, among other things, the realization of the expected strategic, financial, and other benefits of the Travelers Transaction, and the implications of the economic, political and geopolitical environments and industry conditions during the integration period. There can be no assurance that the strategic, financial, and other benefits expected to result from the Travelers Transaction will be realized.

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;
- Definity's ability to obtain adequate reinsurance coverage to manage 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;
- litigation and regulatory actions, including potential claims in relation to demutualization and our IPO and unclaimed demutualization benefits and the tax treatment of related amounts transferred to the Company, and COVID-19-related class-action lawsuits that have arisen and which may arise, together with associated legal costs;
- Definity's ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- Definity's ability to improve its combined ratio, retain and attract new business, retain key employees, achieve synergies, and maintain market position during and after the integration of the Travelers Transaction;
- Definity's ability to complete the integration of the Travelers Transaction within anticipated time periods and at the expected cost;
- estimates and expectations in relation to future economic and business conditions and other factors in relation to the Travelers Transaction and any resulting impacts on growth and accretion in various financial metrics;
- unfavourable capital market developments, interest rate movements, changes to dividend policies or other factors which may affect our investments or the market price of our common shares;
- changes associated with the transition to a low-carbon economy, including reputational and business implications from stakeholders' views of our climate change approach or of our environmental or climate change-related representations (i.e. "greenwashing"), those of our industry, or those 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 ratings;
- 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, software, internet, network, data centre, voice or data communications services and the potential disruption or failure of those systems or services, including disruption as a result of cyber security risk or of a third-party service provider;
- 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;
- Definity's ability to effectively govern the use of, and extract value from, models, artificial intelligence, generative AI, and agentic AI technologies;
- 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, accounting standards, and generally accepted actuarial techniques;
- changes in domestic or foreign government policies, such as cross-border tariffs, trade policies, or trade agreements may negatively impact the Canadian economy and the P&C insurance industry and/or exacerbate other risks to Definity;
- 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, geopolitical, and social conditions, particularly those in Canada;
- the emergence or continuation of widespread health emergencies or communicable disease, 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 advanced technologies including AI and agentic AI, 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;
- 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;
- management’s estimates and judgments in respect 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 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” 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 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, 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 AND STRATEGY

## ABOUT DEFINITY

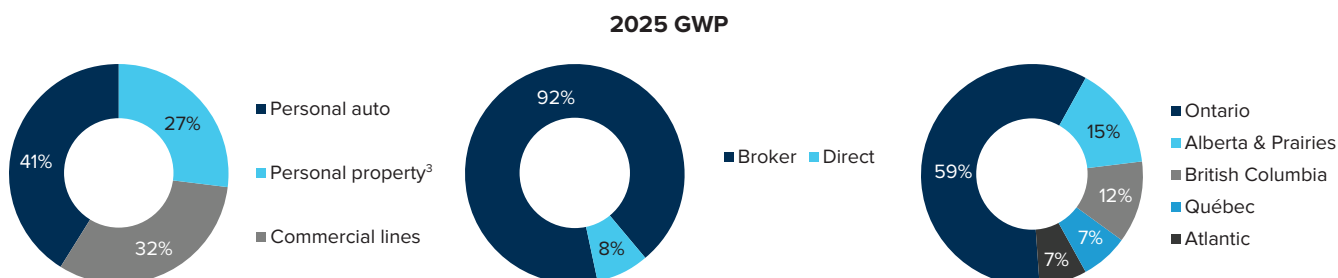
We are the sixth largest provider of property and casualty (“P&C”) insurance in Canada, with a market share of approximately 5.1%. We had over \$4.8 billion in gross written premiums<sup>2</sup> (“GWP”) in 2025. On May 27, 2025, we announced that we had entered into a definitive agreement with Travelers to acquire Travelers’ Canadian P&C insurance business, which closed on January 2, 2026. The Travelers’ Canadian P&C insurance business is a well-established multi-line business which includes commercial and specialty lines portfolios, and personal lines business. The Travelers Transaction establishes the Company as a top 5 P&C insurer in Canada on a pro forma basis, with approximately \$6.3 billion of gross written premiums.

We offer both personal and commercial insurance products. Through our personal lines insurance operations, which represented 68% of our GWP in 2025, we offer auto, property, liability, and pet insurance products to individual customers. Our commercial lines insurance operations, which represented 32% of our GWP in 2025, 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 approximately 600 independent brokerage firms. Our direct distribution channel includes Sonnet Insurance Company (“Sonnet”); our pet insurer Petline Insurance Company (“Petline”); and portions of our group insurance offering. In 2025, broker and direct distribution represented 92% and 8%, 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 59% of our GWP in 2025.

The following charts illustrate the breakdown of our 2025 GWP by business line, distribution channel, and region, respectively.



We continue to strengthen and grow our presence in distribution through our national brokerage platform, which had grown to more than \$1.5 billion in gross written premiums under management at the end of 2025, and now represents one of the top 10 brokers in Canada. Distribution partnerships are a key component of our strategy, given the diversification benefits they can provide as a complementary source of income. Acquisitions of distribution partners are intended to provide repeatable distribution income to complement underwriting performance and deliver strategic benefits to our core P&C business.

Our P&C insurance business is supported by our investment management activities. We had approximately \$6.9 billion in investments as at December 31, 2025. 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.

## CORPORATE STRATEGY

Our purpose is to build a better world by helping our clients and communities adapt and thrive. Driven by that purpose, we aim to be one of Canada’s leading and most innovative P&C insurers and are building a high-performing multi-line and multi-channel insurer that can capitalize on multiple growth opportunities, while maintaining resilience in the face of an increasingly dynamic industry.

The recent completion of the Travelers Transaction has moved Definity into a top five market position, achieving an historical strategic objective. Our corporate strategy going forward reflects the added scale, capabilities, talent, and synergy realization with this transaction.

Our strategy aims at Definity becoming one of the three largest P&C insurers in Canada, growing our digital and artificial intelligence (“AI”) advantage, consistently delivering disciplined financial management, and positioning Definity as a purpose-driven sustainability leader.

<sup>1</sup> As of June 30, 2025, based on insurance revenue from insurance contracts as disclosed by MSA Research. Market share of Canadian P&C insurance industry insurance revenue of \$43.5 billion for the six months ended June 30, 2025, excluding accident and sickness insurance and policies for insurance written outside of Canada, Canada Guaranty Mortgage Insurance Company, Genworth Financial Mortgage Insurance Company, Mortgage Insurance Company of Canada, Green Shield Canada, Insurance Corporation of British Columbia, Lloyd’s Underwriters Canada, Saskatchewan Auto Fund, and Saskatchewan Government Insurance.

<sup>2</sup> Gross written premiums is a supplementary financial measure. Refer to Section 13 – “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.

<sup>3</sup> Personal property includes pet insurance business.

Integral to our strategy are core principles that drive how we build sustainable competitive advantages over the medium and long term. We combine sound insurance fundamentals such as analytics, underwriting, pricing, and service with exceptional experiences to deliver on customer and broker expectations. We are driving industry leading growth, productivity, and resilience through scalable platforms, innovation, and integrated AI including generative AI (“GenAI”). We augment our organic growth with inorganic acquisitions and partnerships and continue to strengthen and grow our presence in distribution through the national brokerage platform. We empower our top talent with an inclusive culture that aligns with our brand promise. We intend to execute our strategy over the medium term through the following key focus areas:

### Drive profitable growth in personal lines with digital capabilities across broker and digital direct channels

Personal lines customers expect convenience, personalization, and the ability to engage in multiple ways through advisors, digital platforms, call centres, text, chat, and/or email. Our personal lines strategy remains focused on delivering enhanced experiences to our brokers and customers, while staying focused on insurance fundamentals and realizing value from scale advantages. Our broker and digital direct channels enable us to serve different customer segments and respond to evolving needs across channels and customer preferences.

As the frequency and severity of catastrophe events increase, we have invested in location-based information systems to help us identify and manage risk accumulations, and continually augment our underwriting appetite, pricing and segmentation strategy, and underlying technical models. This year, we redesigned personal property policy wordings to improve clarity, provide choice, and embed sustainability, through coverage for resilient materials and features.

We continued to invest in analytics, data, AI, and GenAI to drive loss ratio improvement, improve customer and broker experience, enhance internal efficiency, and manage risks. The Travelers Transaction will enable us to realize operational efficiencies and drive growth through enhanced underwriting and pricing segmentation on a larger portfolio.

The broker channel remains an integral part of how we reach and serve our customers, and drives an attractive mix of growth, diversification, and profitability for us. Our Vyne platform provides bindable quotes to brokers with seamless integration with broker management systems and leading quoting vendors. Together with our strong broker relationships, these capabilities have helped us drive significant growth in segments targeted for expansion.

In the direct digital channel, Sonnet remains the market-leading offering in Canada, providing a streamlined online quote-to-bind experience in easy-to-understand language. Sonnet employs advanced analytics that integrates data from multiple third-party sources to enable product customization and pricing within minutes. Our continued focus on disciplined underwriting, and enhanced pricing has resulted in the Sonnet portfolio delivering its first year of profitability in 2025.

### Grow and diversify our commercial insurance business

We continue to build upon the success of our commercial insurance business across all our target segments.

In the small business segment, our Vyne Commercial platform enables brokers to instantly quote and bind new policies for small and medium enterprises across a range of products. In fall of 2024, we launched SME Fast Path that allows brokers to get a price indication in as little as two minutes.

Our comprehensive product suite, deep broker relationships and strong broker value proposition allow us to further penetrate the mid-market segment, and our regional footprint ensures we continue to focus on strengthening relationships with our broker partners across the country.

Our capabilities in the small business and mid-market segments have resulted in growing market share. In 2025, we introduced simplified digital document management for our small business and mid-market brokers to support speed of service and broker productivity.

In addition to ongoing focus on these segments, significant growth opportunities exist in the more fragmented specialty lines market. Industry dynamics in the Canadian specialty market are attractive despite shifts in market conditions, and success in this segment depends on sophisticated underwriting expertise and strong client and broker relationships. Our underwriting and operational capabilities have driven strong underwriting performance and profitability in the specialty segment. Focus for our specialty lines business remains to further expand our capabilities on both industry and product level. Our growth ambitions in specialty lines extend equally across all our five key sub-segments including Specialty Energy & Property, Professional Lines, Surety, Agribusiness, and the Sharing Economy.

#### 2025 Highlights

- **Revamped property product** to provide greater choice for our customers to flexibly align with their needs
- **Strategic deployment of AI and GenAI capabilities** to drive loss ratio optimization and operating efficiencies (e.g., AI-enabled contact centre including real-time assistance and recommendations for contact centre agents)
- Continued **investment in underwriting and risk assessment capabilities** including ongoing **enhancement of Sonnet’s** digital customer experience, underwriting, and pricing

#### 2025 Highlights

- **Ongoing optimization of SME Fast Path to advance our Vyne Commercial platform** and enable brokers to quote and bind small business quickly and efficiently
- **Enhanced digital tools for brokers**, enabling digital workflows that support broker experience and productivity
- **Deployed AI and GenAI capabilities to drive growth**, optimize loss ratio, and enhance broker experience

The Travelers Transaction significantly bolsters our commercial lines portfolio, adding new capabilities including Management Liability and Ocean Marine for a more comprehensive specialty offering and adds hard-to-source underwriting and claims talent in niche segments.

We continue to invest in technology to enhance the efficiency of our commercial business. This year we continued to invest in AI and GenAI to enhance the broker experience (e.g., AI-enabled triage of service requests) and underwriting/pricing sophistication (e.g., AI-driven data extraction from quote submission emails). In addition, there is ongoing focus across the commercial business to explore marketplace partnerships to further enhance how we use analytics and automation.

### Deliver a superior claims experience to customers while prudently managing claim costs

Our business is centered on supporting customers when they need us most. When a customer suffers a loss, it's our time to deliver on our promise of making insurance better. We're committed to providing a seamless end-to-end customer experience and quicker resolution of claims to minimize the disruption to our customers' lives.

A cornerstone of those commitments has been a multi-year journey to modernize our claims systems and transform our operations. In the fourth quarter of 2025, we successfully completed the last material part of our journey with the launch of Guidewire capabilities for Property & Casualty (Guidewire Auto Claims Centre was launched in 2024). Our new operating model reduces workflow hand-offs and improves customer experience, while increasing the productivity of our adjusters. Our technological foundation streamlines and improves our customer experience (e.g., enhanced communication and transparency, real-time updates on the status of their claims), increases early intervention, and decreases claims cycle time by accelerating claims resolution. Completing this transformation marks an important milestone in modernizing and digitizing our claims processes to create better broker and customer experiences, and positions us well to take advantage of scale benefits in claims from the Travelers Transaction.

In parallel, we continued to expand how we use AI to cover multiple aspects of the claims value chain (prominent examples include auto-repair shop recommendations, auto total loss versus repair determinations, auto claims image triaging, customer sentiment analysis, and fraud detection and prevention). These deployments help highly skilled claims staff to focus on value-add work, while shortening cycle times, and improving customer experience and indemnity management. We also continue to automate our adjustor intake process, including call and document summarization to improve efficiency and provide adjusters with more time to serve customers.

We continue to insource a large portion of our business-as-usual claims management, including the legal services associated with litigation arising from claims, to improve customer service and experience and optimize claims costs. With ongoing enhancements to our insourcing model, coupled with deploying enhanced catastrophe response capabilities, we have been well positioned to better respond to the impacts of wildfires, flooding, and storms that occurred across the country and support our customers' rebuilding and recovery.

### Diversify and strengthen our growth through acquisitions and partnerships

The transformative Travelers Transaction, which provided a strong combination of size, strategic fit, and expected financial benefits, closed on January 2, 2026. The acquisition establishes Definity as a top 5 P&C insurer in Canada and strengthens our leadership position in the broker channel. It adds scale to our core commercial lines, while accelerating expansion into desirable specialty lines and provides scale and digital platform synergies for our personal lines. In connection with the transaction, we expect to deliver run-rate synergies of \$100 million (pre-tax) within 36 months of close, before considering loss cost improvements.

We expect industry consolidation to continue among both insurance carriers and distribution partners and intend to continue pursuing carrier and distribution acquisitions, including non-traditional P&C assets that align to our corporate strategy. We remain committed to being disciplined in evaluating incremental potential transactions and ensuring the right conditions are in place for value creation.

Our focus is on opportunities that are aligned with our strategic objectives and business model, accelerate our standalone organic growth plans, and deliver returns in line with our financial objectives. Acquisitions of insurance carriers support our strategic objectives and add scale to our existing platforms. Acquisitions of distribution partners are intended to provide repeatable distribution income to complement underwriting performance as well as certain strategic benefits.

In 2025, we completed a total of nine broker acquisitions through our subsidiary, McDougall Insurance Brokers Limited ("McDougall"), which collectively increased our scale and presence in Ontario and Alberta, expanded into Atlantic Canada, and increased McDougall's run-rate annualized premiums under management to approximately \$1.5 billion in GWP, helping us build a top 10 broker in Canada.

#### 2025 Highlights

- **Launched Guidewire capabilities for Property & Casualty**
- **Revamped auto and property operating models** for efficiency and scale
- Enhanced **digital auto first notice of loss capabilities**
- **Expanded AI-enabled investments** enabling multiple use cases across the claims value chain to unlock productivity, improve customer experience, and strengthen fraud detection and prevention

#### 2025 Highlights

- **Announced transformational Travelers Transaction**, which was completed on January 2, 2026
- **Expanded broker distribution platform** across Ontario and Alberta and entered Atlantic Canada; increasing **premiums under management to approximately \$1.5 billion in GWP**

In addition, we aim to continue enhancing our strategic partnerships and exploring new relationships to enable growth in target business segments, promote innovation, access new markets, solidify our value chain, and facilitate development of new capabilities.

### Maintain our pace of innovation and integrate AI to drive productivity and resilience

We continued to enhance our innovation capabilities in each of our core business lines and across the enterprise, through our ongoing focus on product innovation, technology evolution, partnerships with industry leading players, and consistently evolving existing platforms to reflect ongoing changes in market dynamics, customer expectations, and technology.

In 2025, as described above, we completed our multi-year program to modernize and digitize our core business by enabling Guidewire across our claims operations. We have developed a strong technology foundation to effectively scale our business organically and inorganically, improve our service quality, and operationalize emerging technologies.

As we are building our AI capabilities, we continue to proactively mitigate risks across technology, data, people, and processes through robust model controls, bias checks, security, and regulatory compliance.

Our strategic partnership with Google provides us with access to its advanced capabilities in data systems and platforms, analytics, AI and GenAI, and machine learning. We deployed these capabilities across our business to deliver recurring value, reshaping how we compete, operate, and serve our customers and brokers through enhanced digital experiences. Most recently, our AI deployments have increased the responsiveness of customer support, enhanced our customer experience, realized cost savings, and improved quality of work for our contact centre agents. Our strong AI foundation also allows for agentic architecture to enable agent builds, re-use, collaboration, and workflows.

This year we continued to enhance our Sonnet Shift offering, the first usage-based insurance product in Canada to offer quarterly price adjustments based on recent driving scores. In line with our commitment to help build more climate resilient communities, we have also partnered with MaRS Discovery District to launch the AdapTech Accelerator, a comprehensive initiative in Canada dedicated to scaling climate adaptation and resilience ventures. This accelerator will provide Canadian startups with resources and collaboration opportunities aimed at forward-thinking and innovative resilience solutions.

**2025 Highlights**

- **Expanded deployment of AI capabilities** across the value chain in partnership with Google
- **Implemented AI tools and training accessible by all employees** to promote AI literacy and enable an AI-fluent workforce
- **Launched AdapTech Accelerator, in partnership with MaRS Discovery District**, to scale climate adaptation and resilience ventures

### Attract and retain top talent to empower a high-performance culture

We believe it's better at Definity and that sets the tone for our employee experience. Our employee promise is designed to provide an employee experience that is:

- Collaborative – contribute to a team that values what employees bring
- Ambitious – challenge the status quo to deliver better results
- Rewarding – achieve professional growth, learn, and be organized for high performance
- Empowering – make a difference every day in a flexible, values-based environment.

We uphold an inclusive and equitable environment where employees have the confidence to innovate with each other and implement even better ways of doing things. We invest in employees by supporting their development and helping them thrive in their career and as individuals.

The talented colleagues joining us through the Travelers Transaction share values that align closely with ours. This common foundation gives us confidence that our teams will come together to build a unified culture that strengthens Definity for the future.

**2025 Highlights**

- Achieved **our highest employee engagement** to-date
- Consistently **recognized for our people and culture practices**, including in 2025 for having one of Canada's Most Admired Corporate Cultures and one of Canada's Most Trusted Executive Teams™

## Thoughtfully integrate sustainability priorities to create shared value for our business and society

We continue to embed sustainability considerations thoughtfully to create value for our business and meet the challenge of our purpose: building a better world by helping our clients and communities adapt and thrive. We have made specific sustainability commitments focused on our people to attract and nurture the best and brightest from a wide variety of backgrounds, and climate change:

- To that end, we continue to target having at least 30% of roles at the combined vice-president and senior leadership team levels held by women, and at least 15% held by individuals who identify as being members of equity-deserving groups<sup>1</sup>, by year end 2026.
- We continue to work toward achieving net-zero emissions from both our operations (Scope 1 and 2 market-based emissions) and investments (Scope 3 financed emissions associated with listed equities and corporate bonds) by 2040. Accordingly, we have continued to invest in energy efficiency, renewable energy, low emissions vehicles, and other reductions in our operations, and embedded our climate change commitments into Definity's investment policy statement and process.

In 2025, Definity contributed over \$5 million to Canadian charities to generate positive impacts for our communities primarily in two key areas: supporting climate-ready communities, focused on improving adaptation and resilience, and enabling more equitable participation in the economy, focused on reducing barriers and improving accessibility and affordability.

More information on Definity's sustainability strategy and programs can be found in our annual Sustainability Report at [www.definity.com/sustainability](http://www.definity.com/sustainability).

### 2025 Highlights

- **Further enhanced climate risk modelling capabilities** through establishment of ClimACT research chair at Université du Québec à Montréal
- **Invested over \$5 million in communities** to enhance climate resilience and enable more equitable social outcomes
- Maintained MSCI ESG Rating of **AAA, among the leading insurers worldwide for management of ESG risks and opportunities**

<sup>1</sup> Black, Indigenous, People of Colour, LGBTQ+, and/or persons with [dis]abilities.

## 2 — ACQUISITION OF TRAVELERS’ CANADIAN P&C INSURANCE BUSINESS

On May 27, 2025, we announced that we had entered into a definitive agreement with Travelers to acquire Travelers’ Canadian P&C insurance business for cash consideration of approximately \$3.3 billion. We successfully completed the acquisition on January 2, 2026. The Travelers’ Canadian P&C insurance business is a well-established multi-line business which includes commercial and specialty lines portfolios, and personal lines business. The Travelers Transaction establishes the Company as a top 5 P&C insurer in Canada, strengthening our leadership position, particularly in the broker channel, and delivering on our financial objectives and inorganic growth strategy.

### HIGHLY STRATEGIC AND COMPELLING FINANCIAL RATIONALE

The Travelers Transaction achieved our strategic objective to become one of the five largest P&C insurers in Canada, with approximately \$6.3 billion in combined annual gross written premiums in 2025, accelerating our growth strategy as a leading player in the Canadian market.

	<b>Highly Strategic</b>
<b>Enhancing our commercial presence and expertise</b>	<ul style="list-style-type: none"> <li>• The Travelers Transaction will further strengthen Definity’s commercial lines business by adding approximately \$500 million in annual premiums, representing an increase of 34% from 2025.</li> <li>• The Travelers Transaction will accelerate the transformation of Definity’s commercial insurance platform, while adding additional capabilities in marine, professional liability, and other lines of business.</li> <li>• Definity’s commercial insurance market position will increase to 4th in Canada and our underwriting capabilities will be enhanced through the acquisition of hard-to-source underwriting and claims expertise.</li> </ul>
<b>Scale benefits in personal insurance</b>	<ul style="list-style-type: none"> <li>• The Travelers Transaction adds significant scale to Definity’s personal lines business, an increase of close to \$1 billion in annual premiums, or nearly 30% from 2025, moving Definity into the top 5 personal line P&amp;C insurers in Canada.</li> <li>• Adding premiums from the Travelers Transaction to our leading digital platforms will create opportunities to optimize performance and enhance the overall broker experience.</li> <li>• The Travelers Transaction provides expanded offerings, driving enhanced traction and growth in the broker channel.</li> </ul>
	<b>Compelling Financial Rationale</b>
<b>Transaction fully aligned with our stated financial objectives</b>	<ul style="list-style-type: none"> <li>• We are targeting approximately \$100 million (pre-tax) of run-rate expense synergies with further opportunities for platform benefits.</li> <li>• Operating ROE expected to increase by over 200 bps post-integration, enhancing returns and enabling a path to a sustainable mid-teens target in the medium term.</li> </ul>
<b>Optimized balance sheet supporting enhanced returns</b>	<ul style="list-style-type: none"> <li>• The Travelers Transaction will optimize Definity’s balance sheet via strategic deployment of excess capital and the introduction of financial leverage in a prudent, sustainable manner.</li> <li>• The accretive use of Definity’s financial capacity is expected to drive a meaningful increase in operating ROE, post-integration, while maintaining our strong regulatory capital position.</li> <li>• Definity’s debt-to-capital ratio<sup>1</sup> is expected to return to our long-term target levels within 24 months of close with the regulatory Minimum Capital Test (“MCT”) ratio maintained within our targeted operating range.</li> </ul>

<sup>1</sup> Debt-to-capital ratio excludes Travelers Insurance Company of Canada and The Dominion of Canada General Insurance Company excess capital of approximately \$1 billion.

## FINANCING THE ACQUISITION

We financed the approximate \$3.4 billion cash consideration, including \$100 million of estimated transaction costs, with equity, excess capital, and debt.

<b>Private placements of common shares</b>	<ul style="list-style-type: none"> <li>On June 11, 2025, we completed concurrent private placements of common shares to our cornerstone investor, Healthcare of Ontario Pension Plan Trust Fund (representing 19.9% of the gross proceeds), and a group of underwriters raising aggregate net proceeds of \$375.2 million (after payment of underwriter commissions and net of applicable taxes) through the issuance of 5,782,256 common shares.</li> </ul>
<b>Private placement of senior unsecured notes</b>	<ul style="list-style-type: none"> <li>On September 12, 2025, we completed a private placement of notes for gross proceeds of \$1 billion comprised of (i) \$650 million principal amount of 3.709% Series 1 senior unsecured notes due September 12, 2030 and (ii) \$350 million principal amount of 4.393% Series 2 senior unsecured notes due September 12, 2035.</li> </ul>
<b>Acquisition-related bank facilities</b>	<ul style="list-style-type: none"> <li>We secured fully syndicated acquisition-related bank facilities, comprised of a \$1.1 billion excess capital term loan and a \$375 million bank term loan, which were fully drawn upon the closing of the Travelers Transaction on January 2, 2026. On February 2, 2026, the excess capital term loan was repaid in its entirety from excess capital liquidated from our investment portfolio.</li> </ul>
<b>Excess capital</b>	<ul style="list-style-type: none"> <li>The remaining cash requirement of \$0.5 billion was funded through internal cash and investments.</li> </ul>

In May 2025, we entered into a foreign exchange forward contract with a notional amount of \$2.4 billion United States dollars, which was contingent on the closing of the acquisition, to hedge the expected purchase price against the risk of adverse currency movements between the announcement and closing date of the acquisition. Upon the closing of the acquisition and settlement of the foreign exchange forward contract, amounts recorded in other comprehensive income ("OCI") will be applied to the acquisition consideration, effectively increasing the amount of goodwill recognized. In 2025, \$27.8 million hedge ineffectiveness was recorded as an expense in net income and a \$7.1 million gain on the designated hedge was recorded in OCI.

During 2025, we incurred approximately \$68 million of the estimated transaction costs, including the impact to net income of the foreign currency hedge described above, \$18.7 million recorded in acquisition-related expenses, \$17.6 million of costs associated with the equity and bond offerings which were capitalized in the audited consolidated balance sheets, and \$4.4 million in interest on the senior unsecured notes, net of investment returns. Integration expenses of \$27.3 million were recorded in 2025 related to the Travelers Transaction.

# 3 — FINANCIAL PERFORMANCE

## HIGHLIGHTS:

- Gross written premium<sup>1</sup> growth of 9.2% in the fourth quarter of 2025, full year growth of 8.8% adjusted for our exited line, was the result of balanced, solid growth in all three lines of business
- Combined ratio<sup>2</sup> of 89.9% in the fourth quarter of 2025 reflected strong performance across our portfolio; full year combined ratio robust at 91.6% as both personal property and commercial insurance delivered sub-90 combined ratios
- Operating net income<sup>3</sup> of \$120.7 million in the fourth quarter of 2025, compared to \$110.4 million in the fourth quarter of 2024, resulting in operating EPS<sup>2</sup> of \$0.99. Operating ROE<sup>2</sup> was 12.2% over the last twelve months
- Book value per share<sup>1</sup> of \$33.78 was up 16.0% from a year ago, reflecting strong operating earnings and our private placements of common shares in the second quarter of 2025
- Quarterly dividend increased for the fourth consecutive year, by 14.7% to \$0.215 per share, supported by confidence in our operational outlook and our strong financial position
- Definity closed its transformational Travelers Transaction on January 2, 2026, enhancing our pro forma gross written premiums by approximately \$1.5 billion and delivering on our top-5 strategic aspiration

Notes:

<sup>(1)</sup> Gross written premiums and book value per share are supplementary financial measures.

<sup>(2)</sup> Combined ratio, operating ROE, and operating EPS are non-GAAP ratios.

<sup>(3)</sup> Operating net income is a non-GAAP financial measure.

Refer to Section 13 — “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 and years ended December 31, 2025 and 2024:

(in millions of dollars, except as otherwise noted)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Insurance revenue	\$ 1,219.5	\$ 1,124.9	\$ 94.6	\$ 4,677.1	\$ 4,258.4	\$ 418.7
Insurance service expenses	(1,018.6)	(922.5)	(96.1)	(3,930.3)	(3,672.8)	(257.5)
Net expenses from reinsurance contracts held	(46.3)	(37.5)	(8.8)	(156.4)	(105.3)	(51.1)
Insurance service result	\$ 154.6	\$ 164.9	\$ (10.3)	\$ 590.4	\$ 480.3	\$ 110.1
Net investment income	61.1	51.1	10.0	215.7	198.2	17.5
Recognized (losses) gains on FVTPL investments	(7.4)	7.7	(15.1)	154.4	214.4	(60.0)
Investment income	\$ 53.7	\$ 58.8	\$ (5.1)	\$ 370.1	\$ 412.6	\$ (42.5)
Finance expenses from insurance contracts issued.	(17.1)	(20.4)	3.3	(145.9)	(166.0)	20.1
Finance income from reinsurance contracts held	1.4	1.4	—	14.2	14.5	(0.3)
Net insurance financial result	\$ (15.7)	\$ (19.0)	\$ 3.3	\$ (131.7)	\$ (151.5)	\$ 19.8
Net insurance and investment result	192.6	204.7	(12.1)	828.8	741.4	87.4
Distribution revenues	56.6	46.6	10.0	229.4	186.0	43.4
Other expenses	(150.5)	(92.7)	(57.8)	(457.5)	(339.1)	(118.4)
Interest expense	(12.8)	(2.0)	(10.8)	(22.9)	(9.6)	(13.3)
Income before income taxes	\$ 85.9	\$ 156.6	\$ (70.7)	\$ 577.8	\$ 578.7	\$ (0.9)
Income tax expense	(26.6)	(39.1)	12.5	(151.8)	(143.8)	(8.0)
Net income	\$ 59.3	\$ 117.5	\$ (58.2)	\$ 426.0	\$ 434.9	\$ (8.9)
Net income attributable to common shareholders	58.0	116.6	(58.6)	418.2	430.4	(12.2)
Net income attributable to non-controlling interests	1.3	0.9	0.4	7.8	4.5	3.3
Earnings per common share, basic (in dollars)	\$ 0.48	\$ 1.02	(52.9%)	\$ 3.57	\$ 3.75	(4.8%)
Earnings per common share, diluted (in dollars)	\$ 0.48	\$ 1.00	(52.0%)	\$ 3.51	\$ 3.69	(4.9%)

The following table sets forth certain additional financial measures that we use to measure and evaluate performance of our business for the three months and years ended December 31, 2025 and 2024:

(in millions of dollars, except as otherwise noted)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Gross written premiums <sup>(1)</sup>	\$ 1,212.1	\$ 1,109.5	9.2%	\$ 4,808.1	\$ 4,448.1	8.1%
Net underwriting revenue <sup>(2)</sup>	1,101.5	1,006.0	9.5%	4,226.2	3,842.5	10.0%
Underwriting income <sup>(2)</sup>	111.5	97.0	14.5	354.7	212.4	142.3
Distribution income <sup>(2)</sup>	10.9	11.4	(0.5)	62.0	54.4	7.6
Operating income <sup>(2)</sup>	159.5	147.0	12.5	558.7	409.6	149.1
Non-operating (losses) gains <sup>(2)</sup>	(75.4)	8.5	(83.9)	8.4	163.1	(154.7)
Operating net income <sup>(2)</sup>	120.7	110.4	10.3	420.7	310.2	110.5
Operating earnings per common share (in dollars) <sup>(3)</sup>	\$ 0.99	\$ 0.95	4.2%	\$ 3.53	\$ 2.66	32.7%
Book value per share (in dollars) <sup>(1)</sup>	\$ 33.78	\$ 29.13	16.0%	\$ 33.78	\$ 29.13	16.0%
Claims ratio <sup>(3)</sup>	60.6%	60.7%	(0.1) pts	62.0%	64.5%	(2.5) pts
Expense ratio <sup>(3)</sup>	29.3%	29.6%	(0.3) pts	29.6%	30.0%	(0.4) pts
Combined ratio <sup>(3)</sup>	89.9%	90.3%	(0.4) pts	91.6%	94.5%	(2.9) pts
Return on equity <sup>(3)</sup>	11.6%	14.2%	(2.6) pts	11.6%	14.2%	(2.6) pts
Operating return on equity <sup>(3)</sup>	12.2%	10.6%	1.6 pts	12.2%	10.6%	1.6 pts

Notes:

<sup>(1)</sup> Gross written premiums and book value per share are supplementary financial measures.

<sup>(2)</sup> Net underwriting revenue, underwriting income, distribution income, operating income, non-operating (losses) gains, and operating net income are non-GAAP financial measures.

<sup>(3)</sup> Claims ratio, expense ratio, combined ratio, ROE, operating ROE, and operating EPS are non-GAAP ratios.

Refer to Section 13 — “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 fourth quarter of 2025 increased by \$102.6 million or 9.2% compared to the fourth quarter of 2024, with growth across all our lines of business. Personal lines GWP were up 10.4%, driven by unit growth and rate increases. Commercial lines GWP increased 6.9%, driven by strong retention and ongoing rate achievement, and continued expansion in small business and specialty. For the year, GWP increased by \$360.0 million or 8.1% compared to 2024. Personal lines GWP increased 7.9% and commercial lines GWP increased 8.6%.

Further details regarding our premiums by line of business are provided in Section 4 — “Results by line of business”.

## UNDERWRITING INCOME

The composition of the combined ratio for the three months and years ended December 31, 2025 and 2024 is as follows:

(in millions of dollars, except as otherwise noted)	Three months ended December 31,				Years ended December 31,			
	2025	2024	Change		2025	2024	Change	
	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio
Net underwriting revenue <sup>(2)</sup>	\$ 1,101.5		\$ 1,006.0		\$ 4,226.2		\$ 3,842.5	
Net claims and adjustment expenses <sup>(2)</sup>	667.3	60.6%	610.4	60.7%	2,619.3	62.0%	2,477.9	64.5%
Net underwriting expenses <sup>(2)</sup>	322.7	29.3%	298.6	29.6%	1,252.2	29.6%	1,152.2	30.0%
Underwriting income <sup>(2)</sup>	111.5		97.0		354.7		212.4	
Combined ratio <sup>(3)</sup>		89.9%		90.3%		91.6%		94.5%

Notes:

<sup>(1)</sup> The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue.

<sup>(2)</sup> Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income are non-GAAP financial measures.

<sup>(3)</sup> Combined ratio is a non-GAAP ratio.

Refer to Section 13 — “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 2025 and 2024 earning through in revenue in 2025.

Underwriting income for the fourth quarter of 2025 was \$111.5 million and the combined ratio was 89.9%, compared to underwriting income of \$97.0 million and a combined ratio of 90.3% in the fourth quarter of 2024. The improvement in the combined ratio in the fourth quarter of 2025 was driven by a decrease in the expense ratio.

Our underwriting income for the year increased by \$142.3 million and led to a combined ratio of 91.6%, compared to 94.5% in 2024, driven by robust performances in personal property and commercial insurance.

## NET CLAIMS AND ADJUSTMENT EXPENSES

The composition of the claims ratio for the three months and years ended December 31, 2025 and 2024, illustrating the impact of core accident year claims and adjustment expenses incurred, catastrophe losses, and prior year claims development, is as follows:

(in millions of dollars, except as otherwise noted)	Three months ended December 31,				Years ended December 31,							
	2025		2024		Change		2025		2024		Change	
	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio
Core accident year claims and adjustment expenses <sup>(2)</sup>	\$ 652.6	59.2%	\$ 601.0	59.8%	\$ 51.6	(0.6) pts	\$ 2,546.9	60.3%	\$ 2,299.2	59.9%	\$ 247.7	0.4 pts
Catastrophe losses <sup>(3)</sup>	31.7	2.9%	28.1	2.8%	3.6	0.1 pts	143.5	3.4%	246.2	6.4%	(102.7)	(3.0) pts
Prior year favourable claims development <sup>(2)</sup>	(17.0)	(1.5%)	(18.7)	(1.9%)	1.7	0.4 pts	(71.1)	(1.7%)	(67.5)	(1.8%)	(3.6)	0.1 pts
Net claims and adjustment expenses <sup>(4)</sup>	\$ 667.3	60.6%	\$ 610.4	60.7%	\$ 56.9	(0.1) pts	\$ 2,619.3	62.0%	\$ 2,477.9	64.5%	\$ 141.4	(2.5) pts

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

<sup>(3)</sup> Catastrophe losses is a supplementary financial measure.

<sup>(4)</sup> The ratio shown for this line item is our claims ratio, which is a non-GAAP ratio.

Refer to Section 13 — “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, decreased in the fourth quarter of 2025 driven by earned rate increases and improved Sonnet profitability in our personal lines of business. For the year, the core accident year claims ratio increased due in part to the change in definition of a single claim catastrophe loss.

Catastrophe losses increased slightly in the fourth quarter of 2025 and decreased for the year compared to the same periods in the prior year. The decrease in catastrophe losses for the year was driven by the significant catastrophe losses in the third quarter of 2024. In the third quarter of 2024, we were impacted primarily by severe rainstorms that led to flooding in Ontario and Québec, a significant hailstorm in Alberta, and a wildfire in Jasper.

Prior year favourable claims development ratio increased slightly compared to the fourth quarter and full year of 2024.

## NET UNDERWRITING EXPENSES

The key components of our net underwriting expenses and our expense ratio for the three months and years ended December 31, 2025 and 2024 are as follows:

(in millions of dollars, except as otherwise noted)	Three months ended December 31,				Years ended December 31,							
	2025		2024		Change		2025		2024		Change	
	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio <sup>(1)</sup>	(\$)	Ratio
Net commissions <sup>(2)</sup>	\$ 161.4	14.7%	\$ 142.3	14.1%	\$ 19.1	0.6 pts	\$ 614.9	14.6%	\$ 551.5	14.4%	\$ 63.4	0.2 pts
Net operating expenses <sup>(2)</sup>	120.3	10.9%	118.6	11.8%	1.7	(0.9) pts	479.0	11.3%	455.1	11.8%	23.9	(0.5) pts
Net premium taxes <sup>(2)</sup>	41.0	3.7%	37.7	3.7%	3.3	- pts	158.3	3.7%	145.6	3.8%	12.7	(0.1) pts
Net underwriting expenses <sup>(2)(3)</sup>	\$ 322.7	29.3%	\$ 298.6	29.6%	\$ 24.1	(0.3) pts	\$ 1,252.2	29.6%	\$ 1,152.2	30.0%	\$ 100.0	(0.4) pts

Notes:

<sup>(1)</sup> 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, net operating expenses, and net premium taxes as a percentage of net underwriting revenue is a non-GAAP ratio.

<sup>(2)</sup> Net commissions, net operating expenses, net premium taxes, and net underwriting expenses are non-GAAP financial measures.

<sup>(3)</sup> The ratio shown for this line item is our expense ratio, which is a non-GAAP ratio.

Refer to Section 13 — “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 net commissions ratio increased in the fourth quarter of 2025 and for the year as compared to the same periods in the prior year. The ratio was impacted by an increase in contingent profit commission accruals in 2025 due to improved underwriting results, partially offset by the benefit of increased commission offsets related to business written through our majority-owned brokers.

The net operating expense ratio decreased in the fourth quarter of 2025 and for the year as compared to the same periods in the prior year. We continue to see positive results from our ongoing focus on disciplined expense management combined with the benefit of increasing scale.

## INSURANCE REVENUE

The growth in insurance revenue was 8.4% in the fourth quarter of 2025 (9.8% for the year), driven by GWP growth in 2025 and 2024 earning through in 2025 across all our lines of business.

## INSURANCE SERVICE RESULT

Insurance service result decreased by \$10.3 million in the fourth quarter of 2025, driven by the impact of discounting and underwriting losses in our exited line, partially offset by increased underwriting income. For the year, insurance service result increased by \$110.1 million, driven by an increase in underwriting income.

## NET INVESTMENT INCOME

The composition of net investment income for the three months and years ended December 31, 2025 and 2024 is as follows:

(in millions of dollars)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Interest income	\$ 52.6	\$ 42.3	\$ 10.3	\$ 187.6	\$ 166.8	\$ 20.8
Dividend income	10.3	10.3	—	34.6	37.7	(3.1)
Investment expenses	(1.8)	(1.5)	(0.3)	(6.5)	(6.3)	(0.2)
Net investment income	\$ 61.1	\$ 51.1	\$ 10.0	\$ 215.7	\$ 198.2	\$ 17.5

Net investment income increased in the fourth quarter of 2025 and for the full year, due to an increase in interest income driven by the proceeds of our private placement of senior unsecured notes which were invested in short-term investments, and higher holdings of bonds. For the year, the increase in interest income was partially offset by a decrease in dividend income as we reduced our common equity holdings during the first quarter of 2025.

## DISTRIBUTION INCOME

The distribution income and intercompany commission income for the three months and years ended December 31, 2025 and 2024 are as follows:

(in millions of dollars)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Distribution income <sup>(1)</sup>	\$ 10.9	\$ 11.4	\$ (0.5)	\$ 62.0	\$ 54.4	\$ 7.6
Intercompany commission income	10.3	6.6	3.7	32.4	21.7	10.7
Broker operating income	\$ 21.2	\$ 18.0	\$ 3.2	\$ 94.4	\$ 76.1	\$ 18.3

Notes:

<sup>(1)</sup> Distribution income is a non-GAAP financial measure.

Refer to Section 13 — “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.

When combining distribution income and the impact of the commission offset, broker operating income increased by \$3.2 million in the fourth quarter of 2025 (17.8% increase) and \$18.3 million for the year (24.0% increase), as the business grew as a result of both acquisitions and solid underlying organic growth. Distribution income was \$10.9 million in the fourth quarter of 2025 and \$62.0 million for the year, compared to \$11.4 million in the fourth quarter of 2024 and \$54.4 million in 2024. The decrease in the fourth quarter of 2025 was driven primarily by an increase in Definity’s proportion of business written through our majority-owned brokers.

During 2025, we completed ten broker acquisitions for a total purchase price of approximately \$164 million (subject to post-closing adjustments).

## NON-OPERATING (LOSSES) GAINS

The composition of non-operating (losses) gains for the three months and years ended December 31, 2025 and 2024 is as follows:

(in millions of dollars)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Recognized (losses) gains on FVTPL investments	\$ (7.4)	\$ 7.7	\$ (15.1)	\$ 154.4	\$ 214.4	\$ (60.0)
Discounting <sup>(1)</sup>	19.6	32.9	(13.3)	112.3	140.5	(28.2)
Risk adjustment <sup>(1)</sup>	(3.2)	0.3	(3.5)	(7.9)	(2.4)	(5.5)
Finance expenses from insurance contracts issued	(17.1)	(20.4)	3.3	(145.9)	(166.0)	20.1
Finance income from reinsurance contracts held	1.4	1.4	–	14.2	14.5	(0.3)
Underwriting loss from exited lines <sup>(2)</sup>	(10.2)	(6.0)	(4.2)	(19.1)	(14.9)	(4.2)
Demutualization-related expenses, less interest on restricted cash <sup>(3)</sup>	(1.5)	(1.1)	(0.4)	(5.2)	2.4	(7.6)
Amortization of intangible assets recognized in business combinations <sup>(3)</sup>	(7.5)	(6.6)	(0.9)	(28.0)	(25.6)	(2.4)
Change in foreign exchange forward contract hedge ineffectiveness <sup>(3)</sup>	(27.8)	–	(27.8)	(27.8)	–	(27.8)
Acquisition-related expenses <sup>(3)</sup>	(3.7)	(0.8)	(2.9)	(21.0)	(1.2)	(19.8)
Integration expenses <sup>(3)</sup>	(17.8)	–	(17.8)	(27.3)	–	(27.3)
Gain on sale of property <sup>(3)</sup>	–	–	–	5.9	–	5.9
Other <sup>(3)(4)</sup>	(0.2)	1.1	(1.3)	3.8	1.4	2.4
Non-operating (losses) gains <sup>(5)</sup>	\$ (75.4)	\$ 8.5	\$ (83.9)	\$ 8.4	\$ 163.1	\$ (154.7)

Notes:

<sup>(1)</sup> Included in insurance service expenses and net expenses from reinsurance contracts held in our audited consolidated financial statements.

<sup>(2)</sup> Underwriting loss from exited lines is a supplementary financial measure.

<sup>(3)</sup> Included in other expenses in our audited consolidated financial statements.

<sup>(4)</sup> 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 gains or losses pertaining to fintech venture capital funds.

<sup>(5)</sup> Non-operating (losses) gains is a non-GAAP financial measure.

Refer to Section 13 — “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 shift from non-operating gains to non-operating losses in the fourth quarter of 2025 compared to the same period in the prior year was driven by expenses in connection with the Travelers Transaction, including the impact of CAD/USD currency movements on the foreign exchange forward contract entered into to hedge the purchase price of the Travelers Transaction, and integration expenses.

For the year, non-operating gains decreased driven by lower gains on bonds, the loss on the foreign exchange forward contract, and integration and acquisition-related expenses in connection with the Travelers Transaction.

## EXITED LINES

On June 13, 2024, Sonnet announced that it had submitted a notice to the Alberta Superintendent of Insurance of its intention to phase out auto insurance operations in the province effective December 13, 2024. Following the date of withdrawal, Sonnet no longer issues new nor renewal auto insurance policies in Alberta. Sonnet’s ability to underwrite home insurance business in Alberta is not impacted by this change. To reflect this decision, commencing July 1, 2024, we have prospectively reported Sonnet’s Alberta auto business as an exited line outside of operating results in our MD&A.

The composition of underwriting loss from exited lines for the three months and years ended December 31, 2025 and 2024 is as follows:

(in millions of dollars)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Net underwriting revenue <sup>(2)</sup>	\$ 1.2	\$ 11.3	\$ (10.1)	\$ 15.9	\$ 24.9	\$ (9.0)
Net claims and adjustment expenses <sup>(2)</sup>	(11.2)	(15.4)	4.2	(29.9)	(35.4)	5.5
Net underwriting expenses <sup>(2)</sup>	(0.2)	(1.9)	1.7	(5.1)	(4.4)	(0.7)
Underwriting loss from exited lines <sup>(1)</sup>	\$ (10.2)	\$ (6.0)	\$ (4.2)	\$ (19.1)	\$ (14.9)	\$ (4.2)

Notes:

<sup>(1)</sup> Underwriting loss from exited lines is a supplementary financial measure.

<sup>(2)</sup> Net underwriting revenue, net claims and adjustment expenses, and net underwriting expenses are non-GAAP financial measures.

Refer to Section 13 — “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.

## NET INCOME

Net income attributable to common shareholders was \$58.0 million in the fourth quarter of 2025 compared to \$116.6 million in the fourth quarter of 2024. The decrease was driven by \$74 million in pre-tax expenses in connection with the Travelers Transaction, including the impact of CAD/USD currency movements on the foreign exchange forward contract entered into to hedge the purchase price of the Travelers Transaction and integration expenses, and interest expense on the private placement of senior unsecured notes. These were partially offset by higher underwriting income and net investment income. Net income attributable to common shareholders for the year was \$418.2 million compared to \$430.4 million in 2024.

## OPERATING NET INCOME

The composition of operating net income for the three months and years ended December 31, 2025 and 2024 is as follows:

(in millions of dollars)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Underwriting income <sup>(1)</sup>	\$ 111.5	\$ 97.0	\$ 14.5	\$ 354.7	\$ 212.4	\$ 142.3
Net investment income	61.1	51.1	10.0	215.7	198.2	17.5
Distribution income <sup>(1)</sup>	10.9	11.4	(0.5)	62.0	54.4	7.6
Non-controlling interests on distribution income	(4.2)	(3.1)	(1.1)	(20.8)	(13.3)	(7.5)
Interest expense	(12.8)	(2.0)	(10.8)	(22.9)	(9.6)	(13.3)
Corporate expenses <sup>(2)</sup>	(8.5)	(8.9)	0.4	(34.4)	(31.3)	(3.1)
Other <sup>(2)</sup>	1.5	1.5	–	4.4	(1.2)	5.6
Operating income <sup>(1)</sup>	\$ 159.5	\$ 147.0	\$ 12.5	\$ 558.7	\$ 409.6	\$ 149.1
Operating income tax expense	(38.8)	(36.6)	(2.2)	(138.0)	(99.4)	(38.6)
Operating net income <sup>(1)</sup>	\$ 120.7	\$ 110.4	\$ 10.3	\$ 420.7	\$ 310.2	\$ 110.5

Notes:

<sup>(1)</sup> Underwriting income, distribution income, operating income, and operating net income are non-GAAP financial measures.

<sup>(2)</sup> Included in Other expenses in our audited consolidated financial statements.

Refer to Section 13 – “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.

Operating net income increased in the fourth quarter of 2025 and for the year as compared to the same periods in the prior year, driven by an increase in underwriting income and net investment income, partially offset by interest expense on the private placement of senior unsecured notes.

## 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 December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Statutory tax rates	26.3%	26.3%	- pts	26.3%	26.3%	- pts
Investment income not subject to tax	(1.6%)	(1.7%)	0.1 pts	(1.5%)	(2.2%)	0.7 pts
Non-deductible expenses	0.1%	0.4%	(0.3) pts	0.1%	0.2%	(0.1) pts
Other	(0.5%)	(0.1%)	(0.4) pts	(0.2%)	–	(0.2) pts
Effective tax rate	24.3%	24.9%	(0.6) pts	24.7%	24.3%	0.4 pts

The effective tax rate for the fourth quarter and for the year was lower than the statutory rate of 26.3% (2024: 26.3%) due primarily to the impact of non-taxable investment income.

## OPERATING ROE

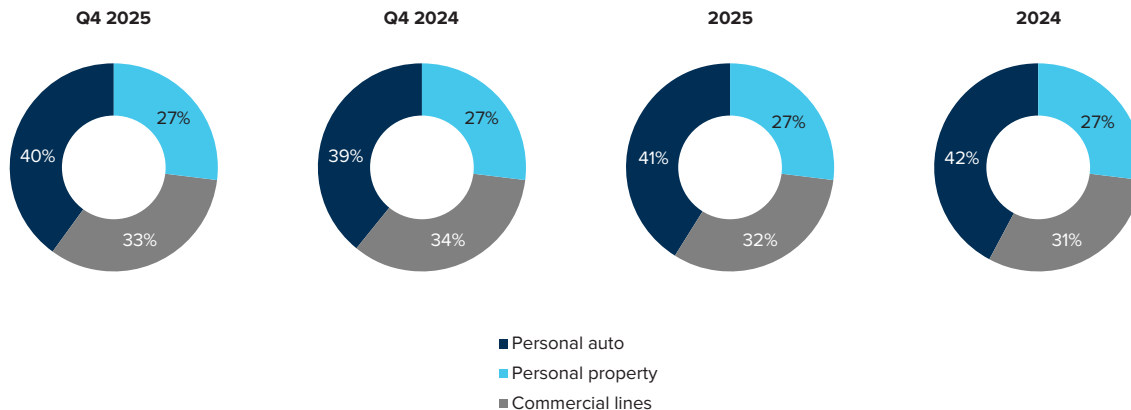
Operating ROE was 12.2% in 2025 compared to 10.6% in 2024. The increase in operating ROE was driven by an increase in operating net income, partially offset by the significant growth in average adjusted equity attributable to common shareholders, excluding accumulated other comprehensive income (loss) (“AOCI”) in the year.

# 4 — RESULTS BY LINE OF BUSINESS

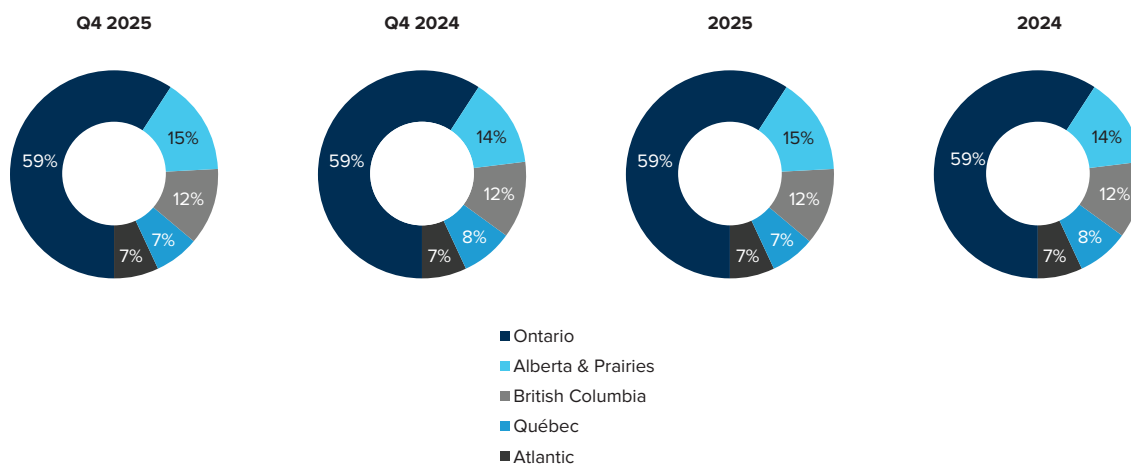
We provide a wide range of P&C insurance products throughout Canada in two broad lines of business: personal insurance and commercial insurance. Personal lines business is further subdivided between auto and property, the latter of which includes pet insurance products.

The following charts illustrate our GWP mix on this basis for the three months and years ended December 31, 2025 and 2024:

**GWP by Line of Business<sup>(1)</sup>**



**GWP by Region<sup>(1)</sup>**



Notes:  
<sup>(1)</sup> GWP is a supplementary financial measure. For more information, refer to Section 13 — “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 and years ended December 31, 2025 and 2024, and the policies in force as at December 31, 2025 and 2024.

(in millions of dollars, except as otherwise noted)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Policies in force (thousands) (at period end)						
Auto	<b>810.4</b>	772.9	4.9%	<b>810.4</b>	772.9	4.9%
Property	<b>835.9</b>	822.7	1.6%	<b>835.9</b>	822.7	1.6%
Total	<b>1,646.3</b>	1,595.6	3.2%	<b>1,646.3</b>	1,595.6	3.2%
Gross written premiums <sup>(1)</sup>						
Auto	<b>\$ 481.2</b>	\$ 438.7	9.7%	<b>\$ 2,001.4</b>	\$ 1,867.4	7.2%
Property	<b>329.3</b>	295.2	11.6%	<b>1,289.9</b>	1,183.9	9.0%
Total	<b>\$ 810.5</b>	\$ 733.9	10.4%	<b>\$ 3,291.3</b>	\$ 3,051.3	7.9%
Net underwriting revenue <sup>(2)</sup>						
Auto	<b>\$ 475.9</b>	\$ 433.4	9.8%	<b>\$ 1,830.7</b>	\$ 1,655.8	10.6%
Property	<b>310.6</b>	279.3	11.2%	<b>1,188.4</b>	1,082.4	9.8%
Total	<b>\$ 786.5</b>	\$ 712.7	10.4%	<b>\$ 3,019.1</b>	\$ 2,738.2	10.3%
Net claims and adjustment expenses <sup>(2)</sup>						
Auto	<b>\$ 332.4</b>	\$ 305.0	\$ 27.4	<b>\$ 1,275.9</b>	\$ 1,177.0	\$ 98.9
Property	<b>154.5</b>	140.9	13.6	<b>658.7</b>	678.4	(19.7)
Total	<b>\$ 486.9</b>	\$ 445.9	\$ 41.0	<b>\$ 1,934.6</b>	\$ 1,855.4	\$ 79.2
Net underwriting expenses <sup>(2)</sup>						
Auto	<b>\$ 119.9</b>	\$ 111.6	\$ 8.3	<b>\$ 465.9</b>	\$ 423.9	\$ 42.0
Property	<b>102.4</b>	90.5	11.9	<b>392.9</b>	363.9	29.0
Total	<b>\$ 222.3</b>	\$ 202.1	\$ 20.2	<b>\$ 858.8</b>	\$ 787.8	\$ 71.0
Underwriting income <sup>(2)</sup>						
Auto	<b>\$ 23.6</b>	\$ 16.8	\$ 6.8	<b>\$ 88.9</b>	\$ 54.9	\$ 34.0
Property	<b>53.7</b>	47.9	5.8	<b>136.8</b>	40.1	96.7
Total	<b>\$ 77.3</b>	\$ 64.7	\$ 12.6	<b>\$ 225.7</b>	\$ 95.0	\$ 130.7

Notes:

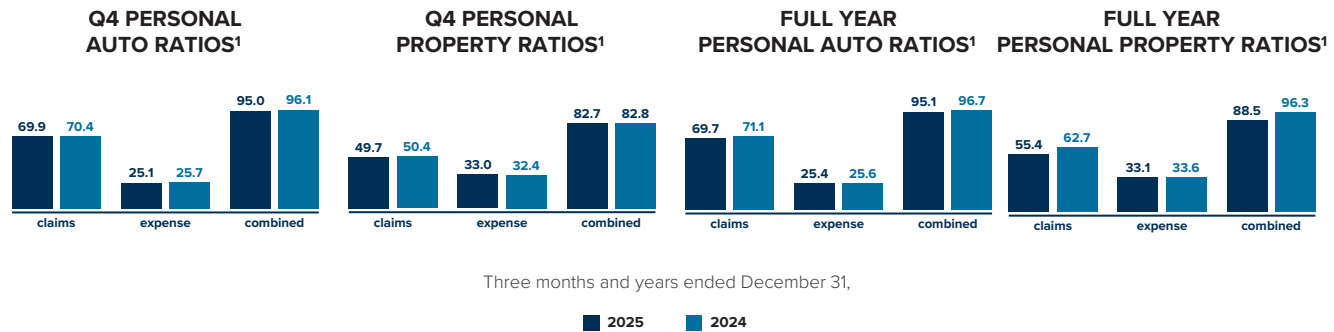
<sup>(1)</sup> Gross written premiums is a supplementary financial measure.

<sup>(2)</sup> Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income are non-GAAP financial measures.

Refer to Section 13 — “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 10.4% in the fourth quarter of 2025 (7.9% for the year) with strong growth in our broker channel. The direct channel GWP were \$92.3 million in the fourth quarter of 2025, a decrease of 1.9% compared to \$94.1 million in the fourth quarter of 2024, driven primarily by a lower contribution from industry pools. The direct channel GWP were \$361.1 million for the year, a decrease of 7.6% compared to \$390.9 million in 2024. Excluding the premiums of Sonnet Alberta personal auto in both periods, direct channel GWP were relatively consistent compared to the prior year. Personal auto GWP increased 9.7% in the fourth quarter of 2025 (7.2% for the year) reflecting our proactive approach to rates and unit growth. For the year, GWP increased 8.9% when excluding the premiums of our exited line from both periods. Personal property GWP increased 11.6% in the fourth quarter of 2025 (9.0% for the year), benefitting from increases in average written premiums and improved unit growth as we taper our actions in regions with a higher propensity for peril events.

Personal lines had underwriting income of \$77.3 million in the fourth quarter of 2025 compared to \$64.7 million in the same quarter a year ago. For the year, personal lines underwriting income was \$225.7 million compared to \$95.0 million in 2024.



Notes:

<sup>(1)</sup> Claims ratio, expense ratio, and combined ratio are non-GAAP ratios. For more information, refer to Section 13 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

The composition of the claims ratio for the three months and years ended December 31, 2025 and 2024 for our **personal auto** line of business is as follows:

	Three months ended December 31 <sup>(1)</sup>			Years ended December 31 <sup>(1)</sup>		
	2025	2024	Change	2025	2024	Change
Core accident year claims and adjustment expenses <sup>(2)</sup>	<b>70.1%</b>	71.3%	(1.2) pts	<b>70.0%</b>	70.9%	(0.9) pts
Catastrophe losses <sup>(3)</sup>	<b>0.3%</b>	0.1%	0.2 pts	<b>0.3%</b>	1.1%	(0.8) pts
Prior year favourable claims development <sup>(2)</sup>	<b>(0.5%)</b>	(1.0%)	0.5 pts	<b>(0.6%)</b>	(0.9%)	0.3 pts
Claims ratio <sup>(4)</sup>	<b>69.9%</b>	70.4%	(0.5) pts	<b>69.7%</b>	71.1%	(1.4) pts

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

<sup>(3)</sup> Catastrophe losses is a supplementary financial measure.

<sup>(4)</sup> Claims ratio is a non-GAAP ratio.

Refer to Section 13 — “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 95.0% in the fourth quarter of 2025 (Q4 2024: 96.1%) improved driven by earned rate increases, improved Sonnet profitability, and a decrease in the expense ratio. For the year, the personal auto combined ratio improved due to the same factors that impacted the fourth quarter, as well as lower catastrophe losses.

The composition of the claims ratio for the three months and years ended December 31, 2025 and 2024 for our **personal property** line of business is as follows:

	Three months ended December 31 <sup>(1)</sup>			Years ended December 31 <sup>(1)</sup>		
	2025	2024	Change	2025	2024	Change
Core accident year claims and adjustment expenses <sup>(2)</sup>	<b>45.3%</b>	46.2%	(0.9) pts	<b>49.7%</b>	49.9%	(0.2) pts
Catastrophe losses <sup>(3)</sup>	<b>7.1%</b>	7.2%	(0.1) pts	<b>8.7%</b>	15.7%	(7.0) pts
Prior year favourable claims development <sup>(2)</sup>	<b>(2.7%)</b>	(3.0%)	0.3 pts	<b>(3.0%)</b>	(2.9%)	(0.1) pts
Claims ratio <sup>(4)</sup>	<b>49.7%</b>	50.4%	(0.7) pts	<b>55.4%</b>	62.7%	(7.3) pts

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

<sup>(3)</sup> Catastrophe losses is a supplementary financial measure.

<sup>(4)</sup> Claims ratio is a non-GAAP ratio.

Refer to Section 13 — “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 strong at 82.7% in the fourth quarter of 2025 (Q4 2024: 82.8%). The decrease in the core accident year claims ratio was partially offset by an increase in the expense ratio. For the year, the personal property combined ratio improved by 7.8 pts, driven by lower catastrophe losses.

## UNDERWRITING — COMMERCIAL LINES

The table below sets forth selected results of operations of our commercial lines of business for the three months and years ended December 31, 2025 and 2024.

(in millions of dollars, except as otherwise noted)	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Gross written premiums <sup>(1)</sup>	\$ 401.6	\$ 375.6	6.9%	\$ 1,516.8	\$ 1,396.8	8.6%
Net underwriting revenue <sup>(2)</sup>	\$ 315.0	\$ 293.3	7.4%	\$ 1,207.1	\$ 1,104.3	9.3%
Net claims and adjustment expenses <sup>(2)</sup>	\$ 180.4	\$ 164.5	\$ 15.9	\$ 684.7	\$ 622.5	\$ 62.2
Net underwriting expenses <sup>(2)</sup>	\$ 100.4	\$ 96.5	\$ 3.9	\$ 393.4	\$ 364.4	\$ 29.0
Underwriting income <sup>(2)</sup>	\$ 34.2	\$ 32.3	\$ 1.9	\$ 129.0	\$ 117.4	\$ 11.6

Notes:

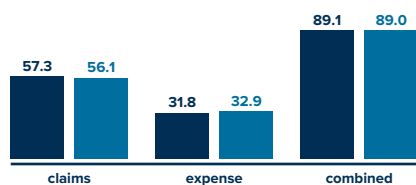
<sup>(1)</sup> Gross written premiums is a supplementary financial measure.

<sup>(2)</sup> Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income are non-GAAP financial measures.

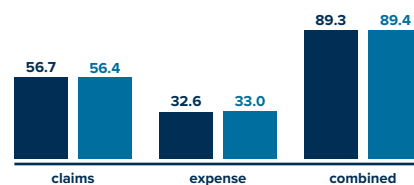
Refer to Section 13 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Commercial lines GWP increased 6.9% in the fourth quarter of 2025 (8.6% for the year), driven by strong retention and rate achievement, and continued expansion in small business and specialty.

### Q4 COMMERCIAL LINES RATIOS<sup>1</sup>



### FULL YEAR COMMERCIAL LINES RATIOS<sup>1</sup>



Three months and years ended December 31,

■ 2025 ■ 2024

Notes:

<sup>(1)</sup> Claims ratio, expense ratio, and combined ratio are non-GAAP ratios. For more information, refer to Section 13 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

The composition of the claims ratio for the three months and years ended December 31, 2025 and 2024 for our **commercial lines** of business is as follows:

	Three months ended December 31 <sup>(1)</sup>			Years ended December 31 <sup>(1)</sup>		
	2025	2024	Change	2025	2024	Change
Core accident year claims and adjustment expenses <sup>(2)</sup>	56.6%	55.5%	1.1 pts	55.8%	53.1%	2.7 pts
Catastrophe losses <sup>(3)</sup>	2.6%	2.7%	(0.1) pts	2.8%	5.3%	(2.5) pts
Prior year favourable claims development <sup>(2)</sup>	(1.9%)	(2.1%)	0.2 pts	(1.9%)	(2.0%)	0.1 pts
Claims ratio <sup>(4)</sup>	57.3%	56.1%	1.2 pts	56.7%	56.4%	0.3 pts

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

<sup>(3)</sup> Catastrophe losses is a supplementary financial measure.

<sup>(4)</sup> Claims ratio is a non-GAAP ratio.

Refer to Section 13 — “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 \$34.2 million in the fourth quarter of 2025 compared to \$32.3 million in the same quarter a year ago. For the year, commercial lines underwriting income was \$129.0 million compared to \$117.4 million in 2024.

Commercial lines continued to benefit from our focus on underwriting execution and rate adequacy, with a strong combined ratio of 89.1% in the fourth quarter of 2025 (Q4 2024: 89.0%). An increase in the core accident year claims ratio was offset by a decrease in the expense ratio. For the year, the commercial lines combined ratio remained strong at 89.3%, compared to 89.4% in 2024, driven by a decrease in catastrophe losses and a decrease in the expense ratio, partially offset by an increase in the core accident year claims ratio. The catastrophe losses and core accident year claims ratio changes were due in part to the change in definition of a single claim catastrophe loss.

# 5 — OPERATING ENVIRONMENT AND OUTLOOK

We expect conditions in personal auto to remain firm as insurers aim to keep pace with the combined impact of loss cost trends, ongoing regulatory constraints in Alberta, and uncertainty related to the extent and impact of potential U.S. tariffs and retaliatory actions. We expect market conditions in personal property to remain firm over the next 12 months, with climate change continuing to be a focus for the industry, and given increased volatility from the recent move to higher reinsurance attachment points. We expect overall pricing in commercial insurance to keep pace with loss cost trends, which have normalized since their post-pandemic peak to low to mid-single digits.

Market yields remain range-bound, continuing to pose a headwind to the growth of investment income. Given the uncertain macro risk environment, we believe underwriting discipline remains important for the industry to achieve desirable levels of profitability on a sustainable basis.

Below is an overview of key external factors affecting the Canadian P&C insurance industry and our industry expectations over the next 12 months.

<b>Personal auto</b>	<ul style="list-style-type: none"> <li>• Overall auto insurance inflation has stabilized and tariff impacts on vehicles and parts have not yet materially flowed through to loss trends.</li> <li>• We expect conditions in auto to remain firm as insurers aim to keep pace with loss cost trends. The uncertainty of loss cost trends related to auto repairs and replacements is expected to influence industry pricing with a focus across the industry on disciplined underwriting for the next 12 months.</li> <li>• Theft frequency is now in line with pre-pandemic levels. Insurers continue offering incentives to encourage installation of tracking and recovery devices.</li> <li>• Governments are proceeding with initiatives intended to provide more choice to customers for their auto insurance needs. In Ontario, insurers continue to work on the implementation of product reforms that come into effect on July 1, 2026, which among other things, will allow consumers to choose to forego select accident benefits that are currently mandatory. In Alberta, the industry is preparing to implement a private sector delivered no-fault insurance product with an effective date of January 1, 2027. Alberta's auto insurance rate cap for 'good drivers' will persist in 2026 which may prevent insurers from incorporating the total cost impact into their rates.</li> </ul>
<b>Personal property</b>	<ul style="list-style-type: none"> <li>• We expect market conditions to remain firm over the next 12 months as the industry continues to remain diligent, taking underwriting and pricing actions required to fund weather event losses amid heightened climate risk. Primary insurers are expected to remain focused on loss prevention and mitigation, coverage design, and accumulation management.</li> <li>• Reinsurance market conditions softened in 2026, reflecting the impact of increased global industry capital levels, higher cedent retentions in prior years, topline growth, and improved investment returns.</li> </ul>
<b>Commercial lines</b>	<ul style="list-style-type: none"> <li>• While we expect overall commercial lines market conditions to remain attractive, we are continuing to see that some commercial segments have become more competitive. Overall, we expect industry growth to be in the low to mid-single digits over the next 12 months, varying by segment.</li> <li>• Recent catastrophe experience reflects a longer-term trend of increasing severe weather events. Climate change mitigation and management actions are expected to evolve as efforts are made across government, regulatory, and industry participants to reflect and mitigate recent trends.</li> <li>• The increasing frequency, severity, and volatility of weather-related catastrophe events, as well as increased volatility from rising reinsurance attachment points, are expected to keep the overall pricing environment in line with loss trends. Industry loss trends have normalized since their post-pandemic peak to low to mid-single digits.</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>• Changing climate patterns are increasing the frequency and severity of extreme weather events, resulting in increased catastrophe events and more volatile claim costs, particularly in the property lines of business.</li> <li>• Extreme weather events are taxing aging infrastructure, failure of which can contribute to catastrophe losses. Municipalities, which bear most of the infrastructure costs, are struggling with budgetary constraints to make infrastructure investment. Municipalities are also challenged to implement and refine urban planning and other resilience-oriented solutions due to competing stakeholder interests.</li> <li>• To date, public investment related to climate change has been primarily focused on emissions reduction, with relatively little invested in improving climate adaptation and resilience.</li> <li>• We are continuously enhancing our data and modelling capabilities to better understand changes in key climate risk exposures. These learnings also inform our advocacy efforts to support climate adaptation and resilience efforts across Canada.</li> <li>• Weather-related catastrophe events contribute to public concerns about costs and availability of insurance for particular coverages, regions, or industries, which may prompt regulatory intervention.</li> <li>• Climate change risks may also influence the cost, coverage, and availability of reinsurance for some regions, risk profiles, or carbon-intensive industries.</li> </ul>

<b>Investments</b>	<ul style="list-style-type: none"> <li>• Global economic growth was modest in 2025, with GDP expanding at a below-trend pace despite supportive monetary and fiscal policies. Financial markets performed well, driven by strong technology and AI-related investments, resilient consumer spending, and elevated commodity prices.</li> <li>• Central banks shifted decisively toward easing, with the Bank of Canada cutting rates by 100 bps in 2025 (275 bps cumulative since mid-2024), even as global long-term yields moved higher due to inflation concerns and increased global bond supply.</li> <li>• U.S. unemployment rose in the second half of 2025, driven by trade and tariff uncertainty, immigration restrictions, AI-related layoffs, and federal government job losses linked to shutdown impacts. In response, the Federal Reserve pivoted to an accommodative stance, cutting its policy rate by 75 bps during the second half of 2025. Further adjustments will depend on a careful assessment of incoming data, the evolving outlook, and the balance of risks.</li> <li>• Canadian bond yields increased in the fourth quarter as markets priced in the end of the Bank of Canada's easing cycle. Credit spreads tightened further, and equities delivered robust returns led by the financial and commodity sectors, particularly precious metals.</li> </ul>
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## FINANCIAL TARGETS

Our key strategic priorities include:

- leveraging our underwriting expertise, investments in digital technology, and available financial capacity to drive profitable growth in personal lines across broker and digital direct channels;
- grow and diversify our commercial insurance business;
- deliver a superior claims experience while prudently managing claim costs;
- diversify and strengthen our growth through acquisitions and partnerships;
- maintain our pace of innovation and integrate AI to drive productivity and resilience;
- attract and retain top talent to empower a high-performance culture; and
- thoughtfully integrate sustainability priorities to create shared value for our business and society.

As a leading Canadian P&C insurer, with a seasoned management team focused on key priorities, we have confidence in our ability to achieve these objectives and inform our financial targets. The financial targets set out below are based on certain other factors and assumptions, including the key assumptions and factors set out in our cautionary note and below.

Recognizing the inherent seasonality of our underwriting results, including the timing and impact of catastrophe losses, our key financial targets for full year 2026 (inclusive of the Travelers' Canadian P&C insurance business acquired on January 2, 2026) are to:

- **Grow GWP<sup>1</sup> by at least 35% over 2025 to exceed \$6.5 billion (with an approximate split of 2/3 personal insurance, 1/3 commercial insurance)**, inclusive of approximately \$1.5 billion GWP acquired from the Travelers Transaction. This target compares to our GWP growth rates of 8.1% in 2025 (as compared to 2024) and 11.1% in 2024 (as compared to 2023).
- **Achieve a sub-95% full year combined ratio<sup>1</sup>**, reflective of the break-even expectation of the premiums acquired in the Travelers Transaction and the timing of earned synergy capture. This target compares to our combined ratios of 91.6% in 2025 and 94.5% in 2024. The combined ratio targets for each line of business are as follows:
  - Personal auto — mid to upper 90s
  - Personal property — low to mid 90s
  - Commercial insurance — low to mid 90s
- **Generate a full year operating ROE<sup>1</sup> in the range of 10% to below teens** through underwriting profitability, investment performance, and distribution income, and reflective of the increased capital levels generated by our business. This target compares to our operating ROE of 12.2% in 2025 and 10.6% in 2024.

Notes:

<sup>(1)</sup> GWP is a supplementary financial measure. Combined ratio and operating ROE are non-GAAP ratios. Refer to Section 13 — "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 Travelers portfolio contributes meaningfully to our scale in both personal and commercial insurance and is fully reflected in our 2026 growth, profitability, and capital expectations. We expect to achieve further improvements to operating ROE over time, targeting the mid teens, reflecting the increased contribution of the Travelers business as it transitions to run rate profitability and benefits from planned integration synergies.

The above financial targets are based on management's current views and strategies, assumptions and expectations concerning our growth opportunities, and assessment of the opportunities for our business and the insurance industry. All three of our targets are also based on the following key assumptions and factors:

- we maintain rate adequacy, particularly for auto rates in regulated provinces;
- firm market conditions across personal property and supportive conditions in most commercial line segments where we compete continue in line with our industry outlook for 2026, and will support continued rate increases above loss costs for these lines of business;
- catastrophe losses of approximately 4.5% to 5.0% of net underwriting revenue for the full year;
- recorded liabilities for incurred claims are adequate with no significant prior year claims development or overall reserve strengthening required during the outlook period for the financial targets;

- there are no significant changes in the P&C insurance regulatory environment, including with respect to capital requirements;
- there is no downgrade of the issuer rating of Definity;
- our operating environment is in line with our expectations for the P&C insurance industry in 2026 described above;
- unanticipated cost increases can be adequately addressed during the outlook period; and
- integration of the Travelers business progresses in line with expectations, including customer retention and achievement of operating synergies.

In addition, our targets do not reflect the net impact of any changes in cross-border tariffs, trade policies, or trade agreements.

Our operating ROE target is also based on the following key assumptions and factors:

- we achieve our combined ratio targets;
- fixed income market yields remain at current levels after falling during 2025, resulting in net investment income in 2026 exceeding \$300 million;
- market volatility within our investment portfolio is generally consistent with long-term historical averages;
- broker investments generate an operating income contribution, before finance costs, taxes, and minority interests, approximately 20% higher in 2026 (as compared to the 2025 amount of \$94 million), through a combination of distribution income and the benefit of increased commission offsets; and
- retained earnings increase commensurate with expected net income attributable to common shareholders less expected dividends to common shareholders.

These are in addition to the normalizations and adjustments we use to determine operating ROE. Refer to Section 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

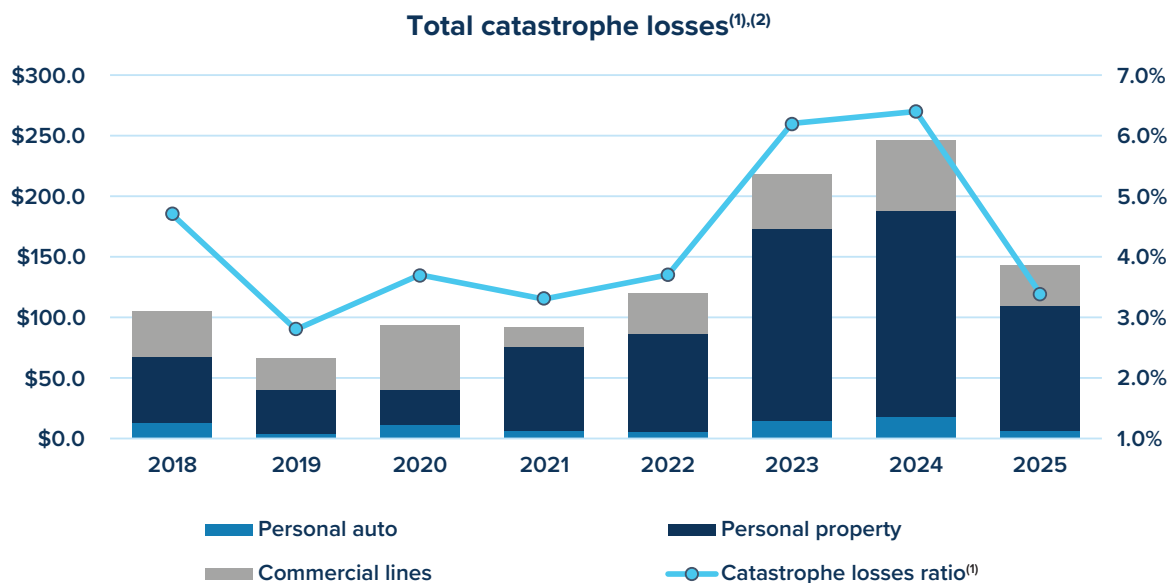
## CATASTROPHE LOSSES

We consider losses to be catastrophe losses if they are the result of either i) an event causing gross losses in excess of \$2 million, and generally greater than 100 claims, or ii) a single claim with a gross loss in excess of \$5 million. Although often related to weather (such as wildfires, wind storms, or floods), catastrophe losses may also relate to non-weather events (such as large commercial fires or liability losses).

Increasing frequency and severity of extreme weather events have resulted in increased catastrophe events and claims. We respond to claims caused by weather-related catastrophe events through our catastrophe response teams, our reinsurance program, and our claims vendors, who are evaluated with a view to whether they can offer quality service even when responding to the demands of catastrophe events.

We routinely enhance our modelling capabilities to better understand changes in key climate risk exposures, such as flood and wildfire, with a view to confirming pricing, coverage options, risk accumulations, and claim liability estimates remain appropriate.

The volatility of the frequency and severity of catastrophe losses is unpredictable and can have a significant impact on our underwriting performance by quarter and by line of business.



Notes:

<sup>(1)</sup> Catastrophe losses is a supplementary financial measure. Catastrophe losses ratio is a financial measure expressed as a percentage of net underwriting revenue. For more information, refer to Section 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

<sup>(2)</sup> 2018-2021 under IFRS 4 – *Insurance Contracts* (“IFRS 4”). 2022-2025 under IFRS 17 – *Insurance Contracts* (“IFRS 17”).

We expect annual catastrophe losses of approximately 4.5% to 5.0% of our net underwriting revenue, reflecting our business mix and our reinsurance program for 2026. We generally expect approximately 70% of catastrophe losses to impact personal insurance and about 70% of the annual catastrophe loss estimate to occur during the second and third quarters.

We will consider publicly announcing the estimated catastrophe losses for a given quarter in advance of our earnings announcement with respect to that quarter when:

- Our catastrophe loss estimate, net of reinsurance, is expected to have an impact greater than \$0.50 on operating earnings per share and is materially above our expectations for the quarter; or
- We believe that market expectations for the quarter's catastrophe losses are materially different than our actual experience.

If we decide to issue a public announcement, it will typically be issued once the required information is available following the end of the quarter.

Management currently believes that the above guidance for financial targets and catastrophe losses, and the factors and assumptions underlying those targets, are reasonable in the current industry environment. However, there is no assurance that we will be able to achieve these targets or that the factors and assumptions underlying them will prove to be accurate. Our ability to achieve the above targets is subject to a number of risks, challenges, and uncertainties that could cause actual future results to differ materially from these targets.

The above outlook and financial targets, and the assumptions and factors underlying them, constitute forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "Cautionary note regarding forward-looking information".

## 6 — FINANCIAL POSITION

### FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2025:

- Our financial position remained strong with equity attributable to common shareholders of over \$4.0 billion as at December 31, 2025, an increase of \$729.9 million or 22.0% compared to December 31, 2024, driven by operating net income generated for the year and our concurrent private placements of common shares in 2025.
- Total assets increased by \$1,884.0 million (24.5%) compared to December 31, 2024, due primarily to proceeds from our private placements of senior unsecured notes and common shares, and cash generated from operating activities. Cash deployed into broker acquisitions increased goodwill and intangible assets.
- Insurance contract liabilities increased by \$198.4 million (5.5%) compared to December 31, 2024, driven primarily by the underlying business growth.

The following table summarizes our audited consolidated balance sheets as at December 31:

(in millions of dollars)	As at December 31, 2025	As at December 31, 2024	Change
<b>ASSETS</b>			
Cash and cash equivalents	\$ 355.9	\$ 322.1	\$ 33.8
Restricted cash	–	14.8	(14.8)
Investments	6,896.9	5,270.5	1,626.4
Income taxes receivable	0.9	6.7	(5.8)
Reinsurance contract assets	366.7	346.2	20.5
Property and equipment	98.6	104.8	(6.2)
Deferred income tax assets	21.0	13.2	7.8
Goodwill and intangible assets	1,562.3	1,397.5	164.8
Other assets	275.0	217.5	57.5
<b>Total assets</b>	<b>\$ 9,577.3</b>	<b>\$ 7,693.3</b>	<b>\$ 1,884.0</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	3,801.7	3,603.3	198.4
Accounts payable and other liabilities	186.3	148.1	38.2
Income taxes payable	21.2	42.3	(21.1)
Deferred income tax liabilities	153.3	154.3	(1.0)
Securities sold under repurchase agreements	–	110.1	(110.1)
Debt outstanding	1,122.7	114.3	1,008.4
Demutualization amounts outstanding	–	14.8	(14.8)
<b>Total liabilities</b>	<b>\$ 5,285.2</b>	<b>\$ 4,187.2</b>	<b>\$ 1,098.0</b>
<b>EQUITY</b>			
Share capital	2,599.7	2,220.4	379.3
Contributed surplus	53.0	42.4	10.6
Retained earnings	1,375.8	1,058.1	317.7
Accumulated other comprehensive income (loss)	21.2	(1.1)	22.3
<b>Equity attributable to common shareholders</b>	<b>4,049.7</b>	<b>3,319.8</b>	<b>729.9</b>
Non-controlling interests	242.4	186.3	56.1
<b>Total equity</b>	<b>\$ 4,292.1</b>	<b>\$ 3,506.1</b>	<b>\$ 786.0</b>
<b>Total liabilities and equity</b>	<b>\$ 9,577.3</b>	<b>\$ 7,693.3</b>	<b>\$ 1,884.0</b>

## CASH AND CASH EQUIVALENTS AND INVESTMENTS

The composition of our cash and cash equivalents and investments as at December 31 is as follows:

(in millions of dollars, except as otherwise noted)	As at December 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
Cash and cash equivalents	\$ 355.9	4.9%	\$ 322.1	5.8%
Short-term investments	1,234.5	17.0%	97.4	1.7%
Bonds	4,494.5	61.9%	4,043.1	72.3%
Preferred stocks	395.9	5.5%	326.5	5.8%
Common stocks	613.9	8.5%	698.4	12.5%
Pooled funds	154.5	2.1%	88.9	1.6%
Commercial loans	3.6	0.1%	16.2	0.3%
Total investments	\$ 6,896.9	95.1%	\$ 5,270.5	94.2%
Total cash and cash equivalents, and investments	\$ 7,252.8	100.0%	\$ 5,592.6	100.0%

Total cash and cash equivalents and investments increased as at December 31, 2025, due primarily to proceeds from our private placements of senior unsecured notes and common shares, cash generated from operating activities, and gains on our investment portfolio. These were partially offset by ongoing cash deployed into broker acquisitions and the net repurchase of securities sold under repurchase agreements.

Our proportionate share of investments in fixed income securities, including cash and cash equivalents and short-term investments, increased to 83.8% of the total portfolio as at December 31, 2025 compared with 79.8% as at December 31, 2024, driven primarily by proceeds from our private placements of senior unsecured notes and common shares. The gross proceeds of \$1.4 billion arising from the private placements of senior unsecured notes and common shares were invested primarily in short-term investments, in preparation for the closing of the Travelers Transaction on January 2, 2026. This has temporarily shifted our investment mix towards highly liquid and high-quality investments. Proactive measures were also taken during the first quarter of 2025 to de-risk our investment portfolio in light of heightened economic uncertainty, by reducing our holdings of common stocks. We maintained our focus on a high-quality investment portfolio.

Refer to Note 2 — “Summary of material accounting policies” of our audited consolidated financial statements for the year ended December 31, 2025, 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 financial services sectors. As at December 31, the breakdown of these investments is as follows:

(in millions of dollars, except as otherwise noted)	As at December 31, 2025					As at December 31, 2024
	Short-term investments and bonds	Preferred stocks	Common stocks	Pooled funds	Total	Total
Government	70%	–	–	–	59%	48%
Financial services	18%	67%	29%	7%	21%	24%
Energy	3%	13%	12%	21%	4%	6%
Communication services	2%	4%	4%	4%	2%	4%
Industrials	2%	–	10%	17%	3%	4%
Utilities	2%	16%	3%	8%	3%	4%
Consumer discretionary	1%	–	5%	5%	2%	3%
Materials	–	–	14%	1%	1%	1%
Consumer staples	1%	–	4%	2%	1%	1%
Information technology	–	–	14%	19%	2%	3%
Health care	–	–	3%	5%	1%	1%
Real estate	1%	–	2%	11%	1%	1%
Total (%)	100%	100%	100%	100%	100%	100%
Total (\$)	\$ 5,729.0	\$ 395.9	\$ 613.9	\$ 154.5	\$ 6,893.3	\$ 5,254.3

## 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 December 31.

### Credit rating<sup>1</sup> — bonds

(in millions of dollars, except as otherwise noted)	As at December 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
AAA	\$ 2,082.4	46.3%	\$ 1,607.2	39.8%
AA	1,401.5	31.2%	1,206.3	29.8%
A	563.9	12.6%	654.4	16.2%
BBB	294.7	6.5%	353.5	8.7%
BB or not rated	152.0	3.4%	221.7	5.5%
Total bonds	\$ 4,494.5	100.0%	\$ 4,043.1	100.0%

<sup>1</sup> Using DBRS ratings.

### Credit rating<sup>1</sup> — preferred stocks

(in millions of dollars, except as otherwise noted)	As at December 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
P2	\$ 341.3	86.2%	\$ 296.4	90.8%
P3 or not rated	54.6	13.8%	30.1	9.2%
Total preferred stocks	\$ 395.9	100.0%	\$ 326.5	100.0%

<sup>1</sup> Using DBRS ratings.

We monitor the credit ratings of investments within our investment portfolio on an ongoing basis and take the necessary actions to ensure that a high level of quality is maintained. As at December 31, 2025, this resulted in 90.1% (December 31, 2024: 85.8%) of the bonds in the portfolio being rated “A-” or better and 86.2% (December 31, 2024: 90.8%) of the preferred stocks in the portfolio being rated “P2L” or better. “A-” and “P2L” represent the ratings provided by DBRS for high-grade bonds and preferred stocks, respectively.

### Investment portfolio region of issuer

The geographic mix of our investment portfolio as at December 31, is as follows:

(in millions of dollars, except as otherwise noted)	As at December 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
Canada	\$ 6,612.1	95.9%	\$ 4,927.8	93.8%
United States	213.9	3.1%	251.6	4.8%
Europe	35.0	0.5%	42.0	0.8%
Other	32.3	0.5%	32.9	0.6%
Total	\$ 6,893.3	100.0%	\$ 5,254.3	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”.

## GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are composed of the following items:

(in millions of dollars)	As at	As at	Change
	December 31, 2025	December 31, 2024	
Intangible assets	\$ 776.8	\$ 711.2	\$ 65.6
Goodwill	785.5	686.3	99.2
Total	\$ 1,562.3	\$ 1,397.5	\$ 164.8

Goodwill and intangible assets increased as at December 31, 2025, due primarily to the goodwill and intangible assets arising from the broker acquisitions completed during 2025.

## INSURANCE CONTRACT LIABILITIES

The composition of our insurance contract liabilities as at December 31, is as follows:

(in millions of dollars)	As at December 31, 2025	As at December 31, 2024	Change
Premiums receivable	<b>\$ (1,505.0)</b>	\$ (1,431.0)	\$ (74.0)
Unearned premiums	<b>2,281.9</b>	2,134.5	147.4
Unearned premiums received	<b>776.9</b>	703.5	73.4
Unamortized insurance acquisition cash flows	<b>(368.5)</b>	(339.2)	(29.3)
Onerous loss provision	–	13.8	(13.8)
Provision for unpaid claims and other directly attributable payables	<b>3,393.3</b>	3,225.2	168.1
<b>Total</b>	<b>\$ 3,801.7</b>	\$ 3,603.3	\$ 198.4

Insurance contract liabilities as at December 31, 2025 increased by 5.5% compared to December 31, 2024, driven primarily by the underlying business growth.

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

(in millions of dollars, except as otherwise noted)	For the year ended December 31 <sup>(1)</sup>									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
(Favourable) adverse development on prior year claims, undiscounted <sup>(2)</sup>	<b>\$ (71.1)</b>	\$ (67.5)	\$ (63.0)	\$ (86.3)	\$ (76.0)	\$ (29.6)	\$ (37.9)	\$ (18.8)	\$ 32.6	\$ (40.1)
Impact on claims ratio <sup>(3)</sup>	<b>(1.7%)</b>	(1.8%)	(1.8%)	(2.7%)	(2.7%)	(1.2%)	(1.6%)	(0.8%)	1.5%	(2.1%)

Notes:

<sup>(1)</sup> 2016–2021 under IFRS 4. 2022–2025 under IFRS 17.

<sup>(2)</sup> Prior year (favourable) adverse claims development is a non-GAAP financial measure.

<sup>(3)</sup> Claims ratio is a non-GAAP ratio.

Refer to Section 13 — “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.

## DEBT OUTSTANDING

On September 12, 2025, we successfully completed a private placement of notes for gross proceeds of \$1 billion comprised of (i) \$650 million principal amount of 3.709% Series 1 senior unsecured notes due September 12, 2030 and (ii) \$350 million principal amount of 4.393% Series 2 senior unsecured notes due September 12, 2035. The net proceeds were used to fund a portion of the purchase price of the Travelers Transaction on January 2, 2026.

## EQUITY

Equity attributable to common shareholders increased by \$729.9 million, or 22.0%, as at December 31, 2025, driven by operating net income generated for the year and an increase of \$375.2 million (after payment of underwriter commissions and net of applicable taxes) from our concurrent private placements of common shares, which closed on June 11, 2025. Our equity attributable to common shareholders has reached over \$4 billion, an increase of approximately \$1.7 billion since December 31, 2021, the first quarter end subsequent to our IPO.

On November 6, 2025, the Board declared a \$0.1875 per share dividend, paid on December 24, 2025 to shareholders of record at the close of business on December 12, 2025. On February 12, 2026, the Board declared a \$0.215 per share dividend, payable on March 23, 2026 to shareholders of record at the close of business on March 11, 2026, representing an increase of 14.7% from the prior year.

# 7 — SELECTED ANNUAL INFORMATION AND SUMMARY OF QUARTERLY RESULTS

(in millions of dollars, except as otherwise noted)	For the years ended December 31		
	2025	2024	2023
Insurance revenue	\$ 4,677.1	\$ 4,258.4	\$ 3,850.3
Net underwriting revenue <sup>(1)</sup>	\$ 4,226.2	\$ 3,842.5	\$ 3,542.6
Net income	\$ 426.0	\$ 434.9	\$ 354.5
Net income attributable to common shareholders	\$ 418.2	\$ 430.4	\$ 350.1
Earnings per common share, basic (in dollars)	\$ 3.57	\$ 3.75	\$ 3.04
Earnings per common share, diluted (in dollars)	\$ 3.51	\$ 3.69	\$ 3.00
Dividends declared per share (in dollars)	\$ 0.75	\$ 0.64	\$ 0.55
Total assets (As at December 31)	\$ 9,577.3	\$ 7,693.3	\$ 7,259.5
Total financial liabilities (As at December 31)	\$ 5,131.9	\$ 4,032.9	\$ 4,101.9

Notes:

<sup>(1)</sup> Net underwriting revenue is a non-GAAP financial measure. Refer to Section 13 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

(in millions of dollars, except as otherwise noted)	For the three months ended							
	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Gross written premiums <sup>(1)</sup>	\$ 1,212.1	\$ 1,228.5	\$ 1,337.4	\$ 1,030.1	\$ 1,109.5	\$ 1,143.3	\$ 1,239.7	\$ 955.6
Insurance revenue	1,219.5	1,183.6	1,162.1	1,111.9	1,124.9	1,095.5	1,046.1	991.9
Net underwriting revenue <sup>(2)</sup>	1,101.5	1,074.1	1,048.8	1,001.8	1,006.0	981.8	949.4	905.3
Underwriting income (loss) <sup>(2)</sup>	111.5	113.6	74.6	55.0	97.0	(33.1)	93.7	54.8
Combined ratio <sup>(3)</sup>	89.9%	89.4%	92.9%	94.5%	90.3%	103.4%	90.1%	93.9%
Net investment income	61.1	54.1	50.7	49.8	51.1	49.0	49.9	48.2
Distribution income <sup>(2)</sup>	10.9	18.2	21.9	11.0	11.4	15.8	17.2	10.0
Operating net income <sup>(2)</sup>	120.7	125.2	98.9	75.9	110.4	14.6	109.1	76.1
Net income	59.3	195.6	78.3	92.8	117.5	106.3	105.4	105.7
Net income attributable to common shareholders	58.0	193.1	75.1	92.0	116.6	104.8	103.8	105.2
Earnings per common share (in dollars)								
Basic	\$ 0.48	\$ 1.61	\$ 0.65	\$ 0.81	\$ 1.02	\$ 0.91	\$ 0.90	\$ 0.92
Diluted	\$ 0.48	\$ 1.59	\$ 0.64	\$ 0.79	\$ 1.00	\$ 0.90	\$ 0.89	\$ 0.90

Notes:

<sup>(1)</sup> Gross written premiums is a supplementary financial measure.

<sup>(2)</sup> Net underwriting revenue, underwriting income (loss), distribution income, and operating net income are non-GAAP financial measures.

<sup>(3)</sup> Combined ratio is a non-GAAP ratio.

Refer to Section 13 — “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 catastrophe 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 settlements. Results are further impacted by fluctuations in investment gains and losses. As such, net income may vary significantly between quarters.

The third quarter of 2024 was impacted by a significant level of catastrophe losses, which impacted the claims ratio by 17.3 percentage points.

# 8 — LIQUIDITY AND CAPITAL RESOURCES

## CAPITAL MANAGEMENT FRAMEWORK

Capital deployment is carefully considered within the context of our access to capital, corporate objectives, and capital management related policies. This includes the impact of any capital deployment on our key operating and risk metrics. Our objectives when managing capital include:

- Establishing flexible capital management tools to support the business strategy;
- Maximizing long-term shareholder value through capital optimization;
- Ensuring an appropriate level of liquidity to support operational and other corporate requirements;
- Maintaining strong credit ratings to support capital raising; and
- Maintaining strong regulatory capital in our operating insurance entities to safeguard policyholders.

Capital deployment will be considered using the following priorities:

Organic Growth	We retain capital to support the growth in our premium volumes as well as invest in talent and technology that advance our strategic objectives.
Common Shareholder Dividends	We intend to have a sustainable and growing dividend per common share that will be reviewed on a regular basis.
Inorganic Growth	We intend to continue to actively pursue carrier and distribution opportunities in the Canadian market.

### *Capital management of Definity Financial Corporation*

We focus on promoting internal capital mobility so that all entities are appropriately capitalized while ensuring there is sufficient liquid capital at Definity Financial Corporation to support the servicing of debt obligations and payment of shareholder dividends, and for other capital deployment, including acquisitions.

### *NCIB*

Our NCIB, which allowed the Company to buy its own shares, was not renewed when it expired on May 30, 2025. No common shares were purchased under the NCIB and we do not intend to put in place an NCIB at this time.

### *Regulatory capital management*

The amount of capital required in any company is dependent on its risk profile, strategic plans, and regulatory requirements. The Company actively monitors and manages capital with the objective of maintaining levels that are above the relevant internal and regulatory minimum capital requirements:

- Insurance subsidiaries are subject to regulatory capital requirements established by the Office of the Superintendent of Financial Institutions (“OSFI”) and the *Insurance Companies Act* (Canada).
- OSFI evaluates capital adequacy through the MCT ratio, which measures available capital against required risk-weighted capital.
- OSFI has established a regulatory supervisory target MCT ratio of 150%, which provides a cushion above the minimum MCT ratio of 100%.

As at December 31, 2025, the MCT ratio of each of the Company’s insurance subsidiaries exceeded the minimum capital ratio of 150% required by OSFI.

Management actively monitors the MCT of the Company’s insurance subsidiaries and the effect that external and internal actions have on the capital base of the Company. Capital levels are managed with an objective of ensuring that policyholders are not put at unacceptable risk. In accordance with regulatory requirements and our capital management policies, the Board has set internal targets at levels higher and more stringent than OSFI’s minimum requirements. Management also conducts its own risk and solvency assessment on at least an annual basis and provides regular updates to its Management Risk Committee, the Risk Review Committee, and the Board.

## 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 December 31, for Definity Insurance Company ("Definity Insurance") and the financial capacity of the Company.

(in millions of dollars, except as otherwise noted)	As at December 31, 2025	As at December 31, 2024 <sup>(4)</sup>
MCT % <sup>(1)</sup>	<b>202%</b>	204%
Excess capital for Definity Insurance <sup>(2)</sup>	<b>\$ 95.5</b>	\$ 110.1
Additional capital at Definity Financial Corporation <sup>(3)</sup>	<b>2,079.7</b>	487.2
Total excess capital	<b>\$ 2,175.2</b>	\$ 597.3
Leverage capacity at target	<b>\$ 1,839.5</b>	\$ 1,168.7
Less: debt outstanding	<b>(1,122.7)</b>	(114.3)
Leverage capacity <sup>(5)</sup>	<b>\$ 716.8</b>	\$1,054.4
Financial capacity <sup>(5)(6)</sup>	<b>\$ 2,892.0</b>	\$ 1,651.7
Debt-to-capital ratio <sup>(7)</sup>	<b>21.7%</b>	3.3%

### Notes:

<sup>(1)</sup> Consolidated Definity Insurance.

<sup>(2)</sup> Excess capital measured at 190% MCT for Definity Insurance.

<sup>(3)</sup> Additional capital at Definity Financial Corporation measured as available cash and investments in Definity Financial Corporation and its non insurance company subsidiaries.

<sup>(4)</sup> Leverage capacity as at December 31, 2024 assumed a target capitalization level of 25% debt.

<sup>(5)</sup> Leverage capacity and financial capacity are supplementary financial measures. For more information, refer to Section 13 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

<sup>(6)</sup> Financial capacity excludes the \$1.1 billion excess capital term loan facility which was temporarily drawn upon to fund the Travelers Transaction.

<sup>(7)</sup> Debt outstanding divided by the Company's total capital (total of debt outstanding and equity attributable to common shareholders).

The financial capacity as at December 31, 2025 increased from December 31, 2024, due primarily to our concurrent private placements of common shares, a change in our leverage capacity calculation to 30% (from 25%) to better reflect our anticipated leverage ratio for the Travelers Transaction, and capital generated from operating net income. These were partially offset by ongoing deployment of capital for broker acquisitions, and disciplined deployment of capital to support our organic growth and dividend priorities. We financed the approximately \$3.3 billion Travelers Transaction, which closed on January 2, 2026, with equity, excess capital, and debt. Refer to Section 2 — "Acquisition of Travelers' Canadian P&C insurance business".

## Debt outstanding

Debt outstanding, as presented in the audited consolidated balance sheets, was composed of the following:

(in millions of dollars)	Principal amount	Interest	Maturity date	As at December 31, 2025
Senior unsecured notes				
Series 1	\$ 650.0	3.709%, paid semi-annually	September 12, 2030	\$ 655.2
Series 2	350.0	4.393%, paid semi-annually	September 12, 2035	353.2
Credit facility		Current period's CORRA rate, Canadian prime rate, or SOFR plus a margin, paid quarterly	August 12, 2030	114.3
				<b>\$ 1,122.7</b>

On September 12, 2025, we completed a private placement of notes for gross proceeds of \$1 billion. The proceeds were used to fund a portion of the purchase price of the Travelers Transaction on January 2, 2026.

The Company and certain of its subsidiaries also have access to a \$1.0 billion unsecured committed credit facility. The credit facility increased from \$800.0 million to \$1.0 billion on August 12, 2025. The credit facility has a term ending on August 12, 2030, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. As at December 31, 2025, an amount of \$114.3 million (December 31, 2024: \$114.3 million) had been drawn under this credit facility.

On May 27, 2025, we secured access to additional bank facilities to support funding of the Travelers Transaction. As of December 31, 2025, the facilities totalled an aggregate of \$1,475 million, as summarized below, which were fully drawn upon the closing of the Travelers Transaction on January 2, 2026:

(in millions of dollars)	Amount	Term <sup>(1)</sup>	Interest
Acquisition debt facilities			
Excess capital term loan	\$ 1,100	1 year	CORRA loans or Canadian prime plus an applicable margin
Bank term loan	375	2 years	CORRA loans or Canadian prime plus an applicable margin
Total	\$ 1,475		

Notes:

<sup>(1)</sup> Term from closing date of the Travelers Transaction.

On February 2, 2026, the excess capital term loan was repaid in its entirety.

As at December 31, 2025, we remained fully in compliance with the covenants of all our debt facilities, including our unsecured committed credit facility.

### Own Risk and Solvency Assessment (“ORSA”)

The ORSA is a framework to internally assess our risks and determine the level of capital required to support future solvency. The ORSA documents how risk assessment and capital management are integrated into our decision-making processes and are monitored to maintain financial viability of Definity and our insurance subsidiaries.

We integrate the ORSA with our enterprise risk management framework, management reporting, and decision-making processes. Our Board, Risk Review Committee, and Management Risk Committee review and provide challenge, advice, and guidance on the ORSA, critically assessing assumptions and results to confirm we consider them to be reasonable in the circumstances.

We develop the ORSA by reviewing our key risks and identifying key risk indicators, and then performing a range of quantitative risk sensitivity, stress testing, and other analyses, to relate our key risks to capital requirements. We aligned financial condition testing of our insurance subsidiaries and ORSA where appropriate, and develop a framework to segment economic capital associated with the business plan to enable more granular measurement of capital consumption. This process includes thoroughly assessing the methodology for relating risks to capital reflected in OSFI’s MCT guidelines and determining the appropriateness to our risk profile. As that regulatory methodology has been developed with consideration to the entire industry, some capital factors are more suitable than others in addressing our risks. Depending on the risk, the regulatory approach may need to be modified to our circumstances, or we may determine that a different methodology is appropriate. We may also determine that the regulatory method is adequate and adopt it without modification. We incorporate the output from our economic capital model to evaluate the required capital for insurance, market, and credit risks. This results in the ORSA capital requirements using both deterministic and stochastic methodologies. Stress testing is then utilized to assess the resiliency of our capital under a range of adverse conditions, including extreme scenarios. The ORSA is integrated into the budgeting and planning process to assess our future ability to meet internal capital targets and insurance subsidiaries’ regulatory capital targets. If capital levels threaten to fall below pre-determined early-warning levels, as specified in our capital management policy, we would identify appropriate contingency plans and procedures to respond. Our ORSA capital levels are higher than our internal targets established in our capital management policy.

### REINSURANCE

We reinsure certain risks with reinsurers to limit our maximum loss for catastrophe events or other significant large losses. Our objectives related to reinsurance are capital protection, reduction in earnings volatility, increase in underwriting capacity, and accessing expertise of our reinsurer partners. The placement of ceded reinsurance is mainly on an excess-of-loss basis (per event or per risk), but some proportional cessions are made for specific portfolios. Ceded reinsurance complies with regulatory guidelines, including with respect to coverage limits for Canadian earthquake risk.

Annually, we review and adjust our reinsurance coverage to reflect our current exposures, capital base, and growth projections. The most material components of our reinsurance program are the catastrophe treaties, for which we provide more detail in the table below:

(in millions of dollars)	2026	2025
Catastrophe – primary		
Net company retention <sup>(1)</sup>	90.0	75.0
Maximum limit <sup>(2)</sup>	2,680.0	2,075.0

Notes:

<sup>(1)</sup> Excludes reinstatement premiums, co-participations between the retention level and maximum limit, and tax impacts.

<sup>(2)</sup> Excludes co-participation.

We retain participation on reinsurance layers between the net company retention and maximum limit averaging 3.8% for 2026 (2025: 2.4%). Our 2026 renewal included the full placement, 100%, of our first two lower reinsurance layers between \$90 million and \$630 million. Compared to 2025, the first layer between \$75 million and \$180 million was fully placed and we retained participation of 5% on the second layer from \$180 million to \$630 million. The increase in the net company retention to \$90 million reflects the acquisition of Travelers' portfolio, growth, inflation, and available reinsurer capacity.

In line with industry practice, amounts due from licensed Canadian reinsurers are generally unsecured as Canadian regulations require these reinsurers to maintain minimum asset and capital balances in Canada to meet their Canadian obligations, and claim liabilities take priority over the reinsurer's subordinated creditors. We have collateral in place to support amounts due from unregistered reinsurers.

We seek to ensure that our placement of reinsurance is diversified to avoid excessive concentration to a specific reinsurance group. We are selective with respect to our choice of reinsurers, placing reinsurance with only those reinsurers understood to have a strong financial condition.

## RATINGS

Issuer, debt, and financial strength ratings have been assigned to Definity, and its subsidiary Definity Insurance, where applicable, 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 were updated following the announcement of the Travelers Transaction on May 27, 2025 and are indicative of 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)	Stable	May 28, 2025
Definity Insurance	DBRS	A	Positive	June 6, 2025
Issuer rating				
Definity	DBRS	BBB (high)	Positive	June 6, 2025
Senior unsecured debt rating				
Definity	DBRS	(P) BBB (high)	Positive	September 11, 2025

## CASH FLOWS

As at December 31, 2025, we had \$355.9 million (December 31, 2024: \$322.1 million) of cash and cash equivalents and \$1,234.5 million (December 31, 2024: \$97.4 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. Our 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.

A summary of cash flows for the three months and years ended December 31, 2025 and 2024 is as follows:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Operating activities				
Net cash provided by operating activities	\$ 155.3	\$ 122.0	\$ 512.6	\$ 307.2
Investing activities				
Investments purchased, net of investments sold	(17.5)	(180.4)	(1,443.1)	(65.7)
Commercial loans collected	0.1	0.5	13.1	2.0
Purchases of intangible assets and property and equipment	(19.4)	(14.3)	(99.6)	(75.6)
Proceeds from property sold	–	–	22.1	–
Business acquisitions, net of cash acquired	(2.7)	(58.7)	(150.8)	(158.7)
Net cash used in investing activities	(39.5)	(252.9)	(1,658.3)	(298.0)
Financing activities				
Dividends paid on common shares	(22.4)	(18.4)	(88.5)	(73.7)
Dividends paid to non-controlling interests	(0.6)	(0.4)	(2.5)	(2.7)
Common shares purchased and held in trust	–	(34.2)	(12.2)	(68.3)
Demutualization payments	–	(20.9)	(7.3)	(79.2)
Net (repurchase of) proceeds from securities sold under repurchase agreements	(80.6)	110.1	(110.1)	110.1
Net proceeds from the issuance of common shares	–	–	371.5	–
Equity subscriptions	0.7	–	17.5	–
Net proceeds from issuance of notes	–	–	996.3	–
Net cash (used in) provided by financing activities	(102.9)	36.2	1,164.7	(113.8)
Net increase (decrease) in cash and cash equivalents, and restricted cash	\$ 12.9	\$ (94.7)	\$ 19.0	\$ (104.6)

Cash provided by operating activities in the fourth quarter of 2025 and for the year increased compared with the same periods in 2024, driven primarily by improved operating results. For the year, cash provided by operating activities also increased due to lower income tax payments in 2025 as compared to 2024.

Cash used in investing activities includes investments purchased using proceeds from our private placements of senior unsecured notes and common shares.

Cash (used in) provided by financing activities include proceeds from our private placements of senior unsecured notes and common shares, as well as net distributions of cash benefits of the demutualization allocable to Lost Recipients. A portion of the eligible policyholders in our demutualization became Lost Recipients as defined in the plan setting out the terms for the conversion of Definity Insurance (“Conversion Plan”) because their address was unknown at the time that benefits were distributed 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 any remaining Lost Recipients ceased on the Lost Recipient Claim Deadline of October 23, 2024, being 35 months following completion of demutualization.

Definity has made sustained efforts over several years to effect distribution of demutualization benefits to Lost Recipients, including an administrative processing period following the Lost Recipient Claim Deadline to complete the distribution. This administrative processing period concluded in the three months ended March 31, 2025. Shares issued to Lost Recipients were cancelled and cash benefits being held on behalf of Lost Recipients have been transferred from the depository agent to Definity Insurance. We believe that the return of restricted cash is non-taxable and accordingly \$7.5 million was recorded in the three months ended March 31, 2025 directly to retained earnings in the Company’s audited consolidated financial statements. In total, \$157.5 million has been recorded as an increase in retained earnings since the Lost Recipient Claim Deadline.

## CONTRACTUAL OBLIGATIONS

Our contractual obligations include the liabilities for incurred claims (“LIC”), lease commitments and certain non-cancellable contractual commitments, debt outstanding, accounts payable and other liabilities, and securities sold under repurchase agreements, if any. Our non-owned buildings, motor vehicles, computers, and office equipment are supplied through leases. The future contractual aggregate minimum payments for our LIC (on an undiscounted basis and excluding the risk adjustment for non-financial risk), non-cancellable leases, and other commitments are outlined below.

(in millions of dollars)	As at December 31, 2025		
	Less than 1 year	Over 1 to 5 years	More than 5 years
LIC (undiscounted and excluding risk adjustment)	\$ 1,211.2	\$ 1,731.4	\$ 627.2
Leases (undiscounted) and other commitments	72.0	94.9	40.6
Debt outstanding(1)	39.5	922.3	426.8
Accounts payable and other liabilities	119.6	6.6	18.2
<b>Total</b>	<b>\$ 1,442.3</b>	<b>\$ 2,755.2</b>	<b>\$ 1,112.8</b>

Notes:

<sup>(1)</sup> Debt outstanding includes the Company’s credit facility, which has a term ending on August 12, 2030 and is subject to annual renewal, as well as a private placement of senior unsecured notes for gross proceeds of \$1 billion.

## 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, 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 December 31, 2025, securities with an estimated fair value of \$997.9 million (December 31, 2024: \$780.3 million) have been loaned and financial assets with an estimated fair value of \$1,065.0 million (December 31, 2024: \$828.9 million) have been received as collateral from the approved borrowers. Lending collateral as at December 31, 2025 was 100.0% (December 31, 2024: 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 consolidated statements of income in “Net investment income”.

We have purchased annuities from various Canadian life insurance companies to provide for fixed and recurring payments to claimants in full satisfaction of the claim liability. Under such arrangements, we remove the liability from our consolidated balance sheets when the liability to our claimants is substantially discharged and legal release has also been obtained from the claimant. As a result of these arrangements, we are exposed to credit risk to the extent to which any of the life insurers fail to fulfil their obligations. This risk is managed by acquiring annuities from multiple life insurers with proven financial stability, most of which are rated “A-” or better by independent rating agencies. As at December 31, 2025, no information has come to our attention that would suggest any weakness or failure in life insurers from which we have purchased annuities. The original purchase price of the outstanding annuities was \$226.3 million (2024: \$227.8 million).

## 9 — RELATED PARTY TRANSACTIONS

From time to time, we enter into transactions in the normal course of business with certain directors, senior officers, and companies with which we are related. These transactions are measured at their exchange amounts.

The compensation of key management personnel, defined as the Company's directors and the senior leadership team, is as follows:

(in millions of dollars)	Years ended December 31,	
	2025	2024
Salaries	\$ 6.6	\$ 6.7
Short-term incentive plan	5.8	5.7
Share-based compensation plans	24.2	17.9
Retention and signing bonuses	0.2	0.1
Post-employment defined contribution pension benefits	1.0	0.9
Other short-term employment benefits	0.1	0.1
Directors' fees <sup>(1)</sup>	1.2	1.5
<b>Total</b>	<b>\$ 39.1</b>	<b>\$ 32.9</b>

Notes:

<sup>(1)</sup> Directors' fees disclosed above include fees accrued in respect of all controlled entities in the group.

### POST-EMPLOYMENT BENEFIT PLANS

We provide certain pension and other post-employment benefits through defined benefit, defined contribution, and other post-employment benefit plans to eligible participants upon retirement.

The defined benefit pension plans provide pension benefits based on length of service and final average pensionable earnings. The most recent actuarial valuation was prepared as of January 1, 2025. The contribution to be paid by us is determined each year by our pension actuaries. Our funding policy is to make contributions in amounts that are required to discharge the benefit obligations over the life of the plan. Based on the latest actuarial valuations of all its plans, the total required contributions by us to the pension plans are expected to be \$1.4 million in 2026. The contributions are expected to be funded by utilization of the current plan surplus. Discretionary pension contributions in 2025 were nil (2024: nil). Pension plan matters are regulated by the Financial Services Regulatory Authority of Ontario.

Plan assets associated with the pension plans are funded pursuant to a trust agreement through a trust company as selected by us. The Executive Investment Committee and the Human Resources and Compensation Committee assist the Board in fulfilling its responsibility for governance of the plans and assign or delegate certain oversight and administrative duties to the Management Pension Committee as appropriate.

Under the defined contribution component of the pension plan, we contribute a fixed percentage of an employee's pensionable earnings to the plan. Contributions under the defined contribution component of the pension plan totalled \$24.3 million in 2025 (2024: \$23.5 million).

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

## MANAGEMENT'S EVALUATION OF 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. Due to the inherent limitations in all control systems, or changes in conditions, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of error or fraud, if any, within the Company have been detected.

As required by National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2025, subject to the inherent limitations noted above.

## MANAGEMENT'S EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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 consolidated financial statements for external purposes in accordance with International Financial Reporting Standards.

As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control – Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2025, subject to the inherent limitations noted below.

While we continue to monitor, assess, and revise our system of internal 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. As such, an evaluation of those control systems can provide only reasonable assurance that all control issues and instances of error or fraud, if any, within the Company have been detected.

Projections of any control effectiveness evaluation to future periods are subject to the risk that the controls may become inadequate due to potential changes in conditions or possible deteriorations in the degree of compliance with policies or procedures.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting in 2025 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

# 11 — 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 year. 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 material accounting policies” of our audited consolidated financial statements for the year ended December 31, 2025 for a summary of our material accounting policies.

The most complex and material judgments, estimates, and assumptions used in preparing our audited consolidated financial statements are discussed below:

## JUDGMENTS

In the process of applying our accounting policies, we have applied judgment in the following areas:

- our determination of groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently
- in the determination of cash flows that relate directly to the fulfilment of insurance contracts
- our assessment of the evaluation of current obligations requiring provisions
- the determination of cash-generating units
- the identification of the indicators of impairment for property and equipment, goodwill, and intangible assets
- the determination of control or significant influence over investees
- the recoverability and recognition of deferred tax assets.

## ESTIMATES AND ASSUMPTIONS

Management has made a variety of estimates that have had a significant impact in the determination of the carrying amounts of certain key assets and liabilities, which are discussed in Note 4 — “Material accounting judgments, estimates, and assumptions” of our audited consolidated financial statements for the year ended December 31, 2025. The key estimates include, but are not limited to, the following:

- Valuation of the LIC
- Impairment of non-financial assets
- Valuation of post-employment benefits obligation
- Measurement of income taxes

## FUTURE ACCOUNTING AND REPORTING CHANGES

IFRS standards issued but not yet effective are discussed in Note 3 — “Standards issued but not yet effective” of our audited consolidated financial statements for the year ended December 31, 2025.

# 12 — RISK MANAGEMENT AND CORPORATE GOVERNANCE

## RISK MANAGEMENT

### Overview

Our risk management culture is founded on the belief that risk management is integrated into everyone's responsibilities. 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 key 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 purpose, strategy, risk appetite, and business plans. Regular reports on our risk profile, including significant risks, risk appetite exposures, relevant trending, and significant exceptions to risk management policies and controls, are provided to senior management, the Board, and its committees.

### Alignment

We seek to align our risk appetite with our overall strategy and business objectives by considering whether risks are core, non-core, or collateral in nature.

*Core risks* are risks that we are willing to accept in order to achieve our return expectations and business objectives, and primarily consist of insurance risks and financial risks. *Non-core risks* are those associated with activities outside of our risk appetite and approved business strategies, and are therefore generally avoided, regardless of expected returns. *Collateral risks* are those we incur as a by-product of pursuing the risk and return optimization of core risks. Operational risks often fall into this category. We endeavour to mitigate collateral risks to the extent that the benefit of risk reduction aligns with or exceeds the cost of mitigation.

We also seek to align our risk appetite with our risk management capabilities. We actively seek profitable risk-taking opportunities in those areas where we have established risk management capabilities, and seek to avoid risks that are beyond those capabilities.

## CORPORATE GOVERNANCE AND ACCOUNTABILITY

Our enterprise risk management framework sets out guidance in relation to the responsibility and authority for risk-taking, risk governance and oversight, and risk control.

### Governance Structure

#### BOARD OF DIRECTORS

Audit Committee	Corporate Governance Committee	Human Resources & Compensation Committee	Risk Review Committee	Ad hoc committees (as required)
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#### Senior Management

(including management committees e.g. Executive Leadership Committee, Operational Management Committee, Management Risk Committee, Executive Investment Committee, Management Pension Committee, Public Disclosure Committee, Sustainability Steering Committee, Capital and Treasury Steering Committee, ad hoc committees (as required))

Risk management occurs at all levels of the organization. The Board approves and oversees, among other things, our risk appetite, strategy, business plans, internal control framework, Code of Business Conduct, pension plans, and significant policies, plans, and strategic initiatives related to the management of, or that materially impact, capital and liquidity. It also provides challenge, advice, and guidance to senior management on the ORSA, our business performance, and the effectiveness and outcomes of risk management and regulatory compliance practices, as well as significant capital, operational, business, risk, and crisis management policies. To assist the Board in confirming that the key risks are appropriately identified, critically assessed, and adequately managed, certain risk management accountabilities have been delegated to the following Board committees:

#### BOARD OF DIRECTORS COMMITTEES

<b>Audit Committee</b>	The Audit Committee, composed entirely of independent directors, is responsible for overseeing the integrity of our financial statements and related public disclosures; the qualifications, independence, appointment, and performance of our internal and external auditors; and the design, implementation, and evaluation of our internal controls, including internal controls over financial reporting and our disclosure controls.
<b>Corporate Governance Committee</b>	The Corporate Governance Committee, composed entirely of independent directors, is responsible for overseeing development of effective corporate governance guidelines and processes, reviewing policies and processes to sustain ethical conduct, assessing the effectiveness of the Board and its committees as well as the contributions of individual directors, and identifying and recommending for election as directors those individuals with appropriate competencies, skills, and experience.
<b>Human Resources and Compensation Committee</b>	The Human Resources and Compensation Committee, composed entirely of independent directors, is responsible for overseeing our human resources practices, policies, and outcomes. This includes reviewing our overall compensation philosophy, pension plan risk management, approving compensation for our senior management, and reviewing retention, development, and succession plans.
<b>Risk Review Committee</b>	The Risk Review Committee, composed entirely of independent directors, is responsible for the oversight of the enterprise risk management framework and the regulatory compliance management program. The Risk Review Committee reviews and provides challenge, advice, and guidance on the ORSA and the results of our regulatory compliance management program. It approves significant enterprise risk management policies and articulation of risk appetite. It also monitors our key and emerging risks.

From time to time, the Board may also strike ad hoc committees to provide dedicated oversight to key strategic initiatives.

The Board has delegated certain risk management responsibilities to the following executive management committees:

- Management Risk Committee
- Executive Investment Committee
- Management Pension Committee

As we believe risk management is everyone's responsibility, we have implemented a three line of risk management governance model, consisting of front-line business operations (first line), enterprise risk management and compliance functions and management committees (second line), and internal audit (third line). Each line has internal quality assurance and validation practices to oversee and confirm compliance with established policies and practices. Primary accountability for enterprise risk management resides with our CEO, who further delegates responsibilities throughout the Company under a framework of management authorities and responsibilities. Key components of that framework include the following:

### First Line of Risk Management

**Business management provide day-to-day risk management and control:**

- Responsibility to identify, take, assess, manage, and mitigate risk on a daily basis, adhering to our approved risk appetite statements, and supporting policies and practices
- Monitor and report on risks and compliance with risk mitigation activities
- Comply with internal and external policies and regulations

### Second Line of Risk Management

**Enterprise risk management and compliance functions provide risk policies, tools, methodologies, and oversight:**

- Define and support the risk appetite and enterprise risk management framework to identify, measure, assess, report, monitor, and respond to risk
- Perform independent review, challenge and monitoring of risk-taking and risk management activities
- Through the ORSA, assess level of capital required to support future solvency
- Communicate internal and external compliance requirements and provide support to help ensure compliance
- Management Risk Committee, along with other senior management committees, oversee the management of major existing and emerging enterprise risks and control activities, monitoring whether the magnitude of those residual risks remain within our approved risk appetite

### Third Line of Risk Management

**Internal audit provides periodic independent assurance:**

- Provide assurance on the adequacy and effectiveness of governance practices including first line internal controls, as well as enterprise risk management framework, and related processes and practices
- Review compliance with policies, standards, and required practices using a risk-based approach

### Management of Key Risks

The key risks we manage include insurance, financial, operational, and strategic risks, which are explained in greater detail below. Although we have described those risks that we believe to be material, other risks and uncertainties exist. If any of these risks or any other risks or uncertainties actually occur, or our risk mitigations prove ineffective, it is possible that our business could be materially affected in an adverse manner. Our enterprise risk management framework cannot and is not designed to anticipate every risk in all environments, nor the timing or effect of every such risk.

Our enterprise risk management framework is rooted in the understanding that we are in the business of taking risk for an appropriate return in those areas where we have established risk management capabilities and are aligned with our Board approved risk appetite. In these situations, we manage and monitor the residual risks to remain within the Board approved risk appetite.

### Enterprise Risk Management Framework

Enterprise Risk Management	<b>Strategic Risk</b>		
	Strategy adequacy risk / Strategic execution risk / Climate change risk / Business, economic, political, geopolitical, and social environment risks / Competition risk / Acquisition & Integration risks / Distribution risk / Capital management risk / Reputational risk		
	<b>Insurance Risk</b>	<b>Financial Risk</b>	<b>Operational Risk</b>
	Underwriting risk Reserve estimate risk Catastrophe risk	Interest rate risk Equity / stock price risk Credit risk Foreign exchange risk Liquidity risk	People risk Conduct risk Fraud risk Model risk Advanced technologies risk Information security risk Cyber security risk Information technology risk Regulatory and legal risks Business interruption risk
<b>Risk Culture</b>			

## Insurance Risk

### *Underwriting Risk*

#### Underwriting and Pricing

Underwriting risk is the risk of adverse financial exposures arising from various activities integral to the underwriting of insurance products, including product design, pricing, risk acceptance, and claims settlement. Our exposure to concentrations of insured risks is mitigated by the use of segmentation, policy issuance and risk acceptance rules, individual limits, product features, and reinsurance.

In particular, a financial loss occurs when the liabilities assumed exceed the expectation reflected in the pricing of an insurance product. We price our products by taking into account numerous factors including product design and features, claim frequency and severity trends, inflationary cost pressures including social inflation, product line expenses, special risk factors, capital requirements, regulatory requirements, competitive forces, and expected investment returns. These factors are reviewed and adjusted on an ongoing basis with a view to confirming that they are reflective of current trends and market conditions. We endeavour to maintain pricing levels that produce an acceptable return by appropriately measuring and incorporating these factors into our pricing decisions. New products and material product changes are subject to a detailed review by management, including our actuarial specialists, prior to their launch in order to mitigate the risk that they are priced at an inadequate level. Pricing segmentation and risk selection are used together with a view to attracting and retaining risks at acceptable return rates. The process of pricing involves the use of models, which exposes us to the risk that actual results differ from those modelled. The risk associated with modelling is mitigated through the application and adherence to the Enterprise Model Risk Management Policy and various enterprise model guidelines. Refer to “Operational Risk — Model Risk” below for more detail.

The performance and pricing of all of our products are regularly monitored, and corrective action is taken as considered necessary. Examples of possible corrective actions include modification of product pricing, terms, conditions, or eligibility requirements, modification of the level of capacity provided to a product or a specific region, changes to marketing strategy, the use of reinsurance or industry risk sharing pools, as applicable, and eliminating the offering of some products or product features. The lead-time for implementing pricing or product modifications may be extended due to the time required for internal and/or regulatory approval processes, updating our underwriting systems, and educating brokers and/or customers on the modifications. The modifications would then be applied prospectively to new and renewing policies.

To manage the risk arising from underwriting, we have policies and training that set out our underwriting risk appetite and criteria, as well as specified tolerances for maximum risk retention and management processes to monitor compliance with these limits. We utilize reinsurance and industry risk sharing pools, where available, in order to manage our exposure to insured risks.

#### Claims Settlement

To control our exposure to unpredictable future developments that could negatively impact claims settlement, we promptly respond to new claims and actively manage existing claims, thereby shortening the claims cycle. In addition, our regular detailed review of claims handling procedures, active litigation management, and proactive identification and investigation of possible fraudulent claims seeks to ensure our claims risk exposure, at a portfolio level, does not exceed the claim cost expectations inherent in the pricing of our products. Legal and regulatory developments may also have implications on our settlement of claims. Refer to “Operational Risk — Regulatory and Legal Risks” below for additional detail.

#### Quality Review Procedures

Quality review procedures seek to ensure that our underwriting and claim activities fall within established guidelines, expected practices, and pricing structures. Centralized and field-level reviews are conducted on a test basis. The results of these quality reviews are shared with the appropriate management and staff with the intention that any issues identified can be promptly addressed.

#### Reinsurance

We use reinsurance to manage our exposure to insurance risks, thereby reducing the potential impact on our financial performance and capital position. Reinsurance coverage risk arises because reinsurance terms, conditions, availability, and pricing may change on renewal, particularly following domestic, foreign, or global catastrophe events, or as a result of higher-than-expected claims frequency and/or severity on non-catastrophe reinsurance treaties. In addition, reinsurers may seek to impose terms that are inconsistent with corresponding terms in the policies written by us, which may reduce the eligible claims costs that can be ceded to the reinsurers. Ceding risk to reinsurers does not relieve us of the obligation to our policyholders for claims; therefore, we manage the level of credit risk associated with our reinsurers and our recoverable balances. Refer to “Financial Risk—Credit Risk” below for more detail. Management reviews our reinsurance program with the intention of ensuring its cost effectiveness and the adequacy of coverage obtained, which reflects our risk tolerances, underwriting practices, and financial strength, while at the same time complying with our reinsurance and capital risk management policies.

## Reserve Estimate Risk

Reserve estimate risk is the risk that our LIC net of our assets for incurred claims (“AIC”) are insufficient to cover future insurance service claim payments and associated expenses related to incurred claims, taking into account the time value of money (i.e. discounting future cash flows) and an explicit adjustment for non-financial risk (i.e. risk adjustment).

### Nominal Claims Liabilities

Nominal claims liabilities reflect our estimates of future payment of all incurred claims and claims adjustment expenses with respect to insurance contracts underwritten by us (LIC) and future recoveries with respect to reinsurance contracts held by us (AIC). The reserve estimate risk related to nominal claims liabilities is the risk that the future payments will differ from our estimated amounts. The estimates do not represent an exact measurement, but rather a best estimate of the expected ultimate future cost of resolution and administration of claims. To address inflation risk, expected inflation is taken into account in the estimation process. The estimation involves the use of models, which exposes us to model risk in the event that actual results differ from those modelled. The risk associated with modelling is mitigated through the application and adherence to the Enterprise Model Risk Management Policy and various enterprise model guidelines. Refer to “Operational Risk — Model Risk” below for more detail.

Nominal claims liabilities include estimates for reported claims, as established by our claims adjusters based on the details of reported claims (referred to as “case reserves”), and provisions established by our corporate actuaries to account for case reserve misestimation and unreported claims (referred to as “incurred but not reported” or “IBNR”), and for the future expense incurred by our claims department to adjudicate and settle claims (referred to as the internal claims expense or “ICE” provision).

With respect to case reserves, eligible claim submissions are triaged and assessed for validity and expected cost and salvage or subrogation recoveries through the application of a series of algorithms, real time analytics, and integration of third-party services or by manual review by an adjuster. After the triage stage is complete, we leverage AI tools to ensure the claim is handled effectively and efficiently, such as assigning the claim to an appropriate claims adjuster, and supporting the claims adjuster to determine whether an automobile which is the subject of a claim is repairable. All individual claims estimates are determined by claims adjusters on a case-by-case basis in accordance with documented policies and procedures. These specialists apply their experience, knowledge, and expertise, after taking into account available information regarding the circumstances of the claim to set individual case reserve estimates.

Uncertainty exists on reported claims in that all information may not be available at the valuation date. Uncertainty also exists regarding the number and size of claims not yet reported as well as the timing of when the claims will be reported. Accordingly, the IBNR provision is intended to cover future additional costs, including inflation, emerging on both reported claims and claims that have occurred but have not yet been reported.

IBNR and ICE are based on estimates derived using generally accepted actuarial techniques. Numerous individual assumptions that impact average claim costs or frequency of late-reported claims are made for each line of business. The main assumption in the majority of actuarial techniques employed is that future claims development will follow a pattern similar to recent historical experience. However, there are times where historical experience is deemed inappropriate for evaluating future development because there is insufficient credible data, or because changes in product features, claims handling practices, climate patterns, inflationary cost pressures including social inflation, judicial decisions, legislation or major shifts in a book of business indicate a departure from historical trends. Such instances can require significant actuarial judgment, often supported by industry benchmarks and studies, in establishing an adequate provision for nominal claims liabilities.

Establishing an adequate provision for nominal claims liabilities is an inherently uncertain process and is closely monitored by our corporate actuarial department. Case reserves, IBNR, and ICE are subject to internal and/or external peer review processes to assess the adequacy of the aggregate provision and compliance with professional standards.

### Impact of Discounting

The nominal claims liabilities recognize that claims and expense payments and recoveries will be made in the future, and therefore are discounted to reflect the time value of money. The impact of discounting takes into account the expected future timing of payments and recoveries and a selected yield curve. The yield curve used to discount the future payments is based on current risk-free spot rates by maturity, adjusted for liquidity of the insurance contracts.

The expected future timing of payments and recoveries is estimated by our corporate actuaries leveraging generally accepted actuarial techniques. The timing of future payments and recoveries is exposed to uncertainty and estimation risks similar to those listed above with respect to IBNR and ICE. Specifically, this uncertainty is considered with respect to the yield curve used to determine the discount amount, whereas the impact of future yield curve and liquidity premium changes are considered financial risk. Refer to “Financial Risk – Interest Rate Risk” below for more detail.

The following table presents the interest rate sensitivity analysis on the net of LIC and AIC for a one percentage point change in interest rates (assuming a parallel shift across the yield curve):

(in millions of dollars)	As at December 31			
	2025		2024	
Change in interest rate (on the net of LIC and AIC)	+1 pt	-1 pt	+1 pt	-1 pt
Impact on income before income taxes	\$ 66.4	\$ (70.4)	\$ 65.7	\$ (69.9)

## Risk Adjustment For Non-Financial Risk

The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as we fulfil insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by us to the reinsurer. This additional provision reduces the likelihood that the net amount of LIC and AIC carried will be insufficient to fulfil future obligations arising from claims incurred, net of reinsurance recoveries.

The Company has estimated the risk adjustment using a value-at-risk confidence level method to generally be in the range of the 75<sup>th</sup> to 80<sup>th</sup> percentile of the stochastically simulated results. This analysis has also been adjusted for correlation between different reserving segments, and the diversification between them.

## Catastrophe Risk

Catastrophe risk may arise if we experience a considerable number of claims arising from man-made or natural catastrophes that result in significant impacts on claims costs. Catastrophes can cause losses in a variety of different lines of business and may have continuing effects which, by their nature, could impede efforts to accurately assess the full extent of the damage they cause on a timely basis. Although we evaluate catastrophe events and assess the probability of occurrence and magnitude of impact through various commonly used, industry-accepted modelling techniques and through the aggregation of limits exposed in each region in which we operate, such events are inherently unpredictable and difficult to quantify and some catastrophe perils may not have industry-accepted models available. In addition, the incidence and severity of catastrophe events may become increasingly unpredictable as climate patterns change. More frequent and severe weather influenced by climate change is expected to continue to affect the P&C insurance industry and result in more variable and higher claims costs. Refer to “Strategic Risk — Climate Change Risk” below.

We manage our catastrophe events exposure by monitoring exposure to concentrations of insured risks, by performing scenario stress testing, by considering the potential impact on capital position and overall risk tolerances, through the deductibles charged to policyholders, by limitations on policy terms, by limiting underwriting capacity for particular risks or regions, and by purchasing reinsurance.

## Financial Risk

Our financial instruments, including investments, are exposed to variability from interest rate risk (including the impact of credit spreads), equity market price risk and preferred stock price risk, credit risk, foreign exchange risk, and liquidity risk.

We have established a detailed investment policy for the investment portfolio, which is subject to regular review and approval by the Board. The policy sets out our philosophy of investment management, which is to generate sufficient income, in support of financial targets, while preserving capital. The philosophy focuses on maximizing our long-term capital strength and risk-adjusted returns. The policy communicates our financial risk appetite through specific guidelines for such items as asset mix, concentration levels in specific investments or industries, required quality of the underlying investments, the use of derivatives, and exposure to foreign currencies. Compliance with these guidelines, and the relevant requirements of the ICA, is routinely monitored by management and the Executive Investment Committee which actively oversees investment strategy and performance.

## Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of assets and liabilities as they either mature or are contractually repriced. Changes in interest rates can occur from both changes in the Government of Canada bond yield curve and changes in relevant market credit spreads. Typically, interest income will be reduced during sustained periods of declining interest rates, but this will also generally increase the fair value of the bond portfolio. The opposite is true during a sustained period of increasing interest rates.

Interest rate risk is a significant risk to us due to the nature of our investments, LIC, and AIC. The impact of changes in the measurement of our LIC and AIC due to changes in the market rates underlying the yield curves used for discounting is mitigated to some extent by the impact of interest rate changes on our bond portfolio. The effect of interest rate risk associated with discounting the LIC and AIC is disclosed in “Insurance Risk—Reserve estimate risk” above.

The impact of an immediate hypothetical one percentage point change in interest rates (assuming a parallel shift across the yield curve), with all other variables held constant, is as follows:

(in millions of dollars)	As at December 31			
	2025		2024	
Change in interest rate	+1 pt	-1 pt	+1 pt	-1 pt
Impact on income before income taxes related to:				
Fair value of bonds	\$ (170.9)	\$ 181.0	\$ (156.2)	\$ 175.2
Net impact on LIC and AIC	\$ 66.4	\$ (70.4)	\$ 65.7	\$ (69.9)

### Common Equity Market Price Risk and Preferred Stock Price Risk

A portion of our investment portfolio is held in Canadian and foreign equities. General economic conditions, stock market conditions, investor sentiment, and many other factors can positively or adversely impact the equity markets and, consequently, the value of equity investments we hold. Our investment portfolio includes Canadian common stocks with fair value movements that are benchmarked against movements in the S&P/TSX Composite Index, foreign stocks and equity pooled funds with fair values that are benchmarked against movements in the MSCI World Index, and private debt pooled funds with fair values that are benchmarked against movements in the FTSE Canada Short Term Corporate Bond Index. Also included in the investment portfolio are our holdings of preferred stocks. Economic trends, interest rates, credit conditions, regulatory changes, and other factors can positively or adversely impact the value of preferred stocks that we hold. The fair value sensitivity of our preferred stocks is assessed against movements in the Solactive Canadian Rate Reset Preferred Share Index.

The estimated impact of a 10% movement in the benchmark indices to the value of our equity portfolio, with all other variables held constant, to the extent we do not dispose of any of these equities during the year, is as follows:

(In millions of dollars)	As at December 31			
	2025		2024	
	+10%	-10%	+10%	-10%
Change in the benchmark indices (on the measurement of the equity portfolio)				
Impact on income before income taxes related to:				
Canadian stocks	\$ 48.8	\$ (48.8)	\$ 47.3	\$ (47.3)
Foreign stocks and pooled funds	\$ 24.2	\$ (24.2)	\$ 29.3	\$ (29.3)
FVTPL preferred stocks	\$ 13.0	\$ (13.0)	\$ 9.7	\$ (9.7)
Impact on recognized gains on FVTOCI investments related to:				
FVTOCI preferred stocks	\$ 22.8	\$ (22.8)	\$ 12.3	\$ (12.3)

### Credit Risk

Credit risk is the risk of financial loss caused by our counterparties being unable or unwilling to meet payment obligations as they become due. Our credit risk arises primarily in the bond, preferred stock and commercial loan portfolios, the securities lending program, amounts due from policyholders, amounts owing from reinsurers, and structured settlements. Unless otherwise stated, our credit exposure is limited to the carrying amount of these assets. Our principal approach to mitigate credit risk is to maintain high credit quality standards and to diversify credit exposures by limiting single name concentrations. Concentration risk also exists where multiple counterparties may be financially affected by changing economic conditions in a similar manner. We have a concentration of investments in Canada and within the financial services sector. These risk concentrations are regularly monitored and adjusted as deemed necessary.

#### Bonds and Preferred Stocks

We manage our credit risk associated with bonds and preferred stocks by investing in bonds and preferred stocks that are primarily of high credit quality, and limit exposure with respect to any one issuer. On a regular basis, we also monitor publicly available information referencing the investments held in the investment portfolio to determine whether there are investments which require closer monitoring of the credit risk.

Refer to Section 6 — “Financial position” for further detail pertaining to our investment mix and investment portfolio credit ratings.

#### Securities Lending

We manage credit risk associated with our securities lending program by obtaining indemnification against security borrower counterparty default from a major financial institution and by obtaining collateral with a fair value in excess of the value of the securities loaned under the program. Refer to Section 8 — “Liquidity and capital resources” for further discussion.

#### Amounts due from policyholders

Our credit exposure to any one individual policyholder or broker is not significant. We regularly monitor amounts due from policyholders and follow up on all overdue accounts. As permitted by legislation, when premiums are overdue for an extended period of time, we cancel the insurance coverage under the applicable policy. Before a broker is granted a contract, we conduct due diligence reviews. Delinquent accounts are regularly monitored, and we take appropriate action against non-payment.

#### Commercial Loans

We periodically issue commercial loans to brokers. Annually, and where required more frequently, financial reviews are undertaken to determine if the broker is expected to be able to make the payments required by the loan as and when due. Our gross credit exposure on these commercial loans is limited to their amortized cost, which amounted to \$3.8 million as at December 31, 2025 (2024: \$16.9 million).

## Reinsurance Contract Assets

Credit exposures on our reinsurance contract assets exist to the extent that any reinsurer may not be willing or able to reimburse us under the terms of the relevant reinsurance arrangements. We have policies which limit the exposure to individual reinsurers and a regular review process to assess the creditworthiness of reinsurers from whom we purchase coverage. Our reinsurance risk management policy significantly restricts the use of reinsurers with credit ratings less than “A-”. As at December 31, 2025, 97.0% (2024: 97.7%) of our reinsurers have a credit rating of “A-” or better as determined by independent rating agencies. Where appropriate, we obtain collateral for outstanding balances in the form of cash, letters of credit, offsetting balances payable, guarantees, or assets held under reinsurance security agreements. We have recorded an allowance for losses on amounts due from reinsurers of \$0.5 million (2024: \$0.5 million).

## Structured Settlements

We have purchased annuities from life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, we are exposed to credit risk to the extent to which any of the life insurers fail to fulfil their obligations. This risk is managed by acquiring annuities from multiple life insurers with proven financial stability, most of which are rated “A-” or better by independent rating agencies. As at December 31, 2025, no information has come to our attention that would suggest any weakness or failure in life insurers from which we have purchased annuities. Consequently, no provision for credit risk was recorded in 2025 (2024: nil). The original purchase price of the outstanding annuities was \$226.3 million (2024: \$227.8 million).

## Foreign Exchange Risk

Foreign exchange risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign exchange rates relative to the Canadian dollar. Our foreign exchange risk relates primarily to our foreign common stock and pooled fund holdings, which are denominated in various foreign currencies.

Our largest foreign currency exposure is to the U.S. dollar. The estimated impact on the fair value of U.S. dollar foreign stocks and pooled funds, and income before income taxes from a 10% change in the U.S. dollar relative to the Canadian dollar is \$15.5 million (2024: \$19.5 million). Under this same scenario, the impact on the fair value of non-US dollar foreign stocks and pooled funds, and income before income taxes is \$2.0 million (2024: \$2.4 million), assuming historical correlations between currency pairs remain intact.

In 2025, we were also exposed to U.S. dollar exchange risk due to the acquisition price of the Travelers Transaction being denominated in U.S. dollars (approximately US\$2.4 billion). To mitigate the risk of adverse currency movement between the announcement and closing dates of the acquisition, we entered into a foreign exchange forward contract that was contingent on the closing of the acquisition. Upon the closing of the acquisition and settlement of the foreign exchange forward contract on January 2, 2026, approximately \$6 million from AOCI was applied to the acquisition consideration. During the year ended December 31, 2025, \$27.8 million was recorded in net income related to ineffectiveness on the hedge. Refer to Section 2 — “Acquisition of Travelers’ Canadian P&C insurance business”.

## Liquidity Risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations, particularly those related to claim payments and debt servicing. Currently, the liquidity requirements of our business and debt servicing are met primarily by funds generated from operations, asset maturities, and investment returns. Liquidity risk arises in relation to each of those funding sources. To mitigate this risk, and to satisfy our operational requirements, we have invested a portion of our assets in short-term (less than one year) highly liquid money market securities, and we have access to a revolving credit facility, subject to compliance with covenants. We have a highly liquid investment portfolio with a large portion of invested assets in highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements. Refer to Note 7 — “Financial risk management” included in our audited consolidated financial statements, for a summary of our financial assets and financial liabilities maturity profile.

## Operational Risk

Operational risk is the risk of loss due to inadequate or failed processes, people or systems, or due to external events. This may relate to any of our activities and includes, for example, faulty processes, prohibited employee actions, deceptive actions by third parties, human error, and technology failures. We manage operational risk through our three lines of risk management governance model (refer to “Corporate Governance and Accountability” above for more detail), and are continually enhancing our enterprise risk management framework to assess emerging and current risks to our strategic initiatives and significant business and functional areas. There is also ongoing monitoring and follow-up on operational risks, incidents, and associated controls through regular reporting to senior management, the Management Risk Committee, the Risk Review Committee, and other relevant Board committees.

### *People Risk*

Successful implementation of our strategy depends, among other matters, on our ability to attract, develop, motivate, and retain employees with the necessary skills, capabilities, and knowledge. Refer to “Strategic Risk – Strategic Execution Risk” below for more detail. The inability to attract, develop, train, motivate, or retain an appropriate staffing level and/or key employees with specialized skills, capabilities, or knowledge could adversely impact our ability to execute on strategic initiatives, including acquisition integration; our financial performance; our compliance with applicable legal requirements; or result in an increased risk of operational errors or incidents. To mitigate this risk, we focus on the delivery of critical talent management, change management, and performance enhancement programs seeking to ensure we identify, attract, develop, motivate, and retain an adequate number of employees with the appropriate skill set. We regularly undertake employee engagement surveys to obtain direct employee feedback and assess engagement level.

At a leadership level, we review the composition, experience, and skills of our senior management and Board to confirm the necessary competencies are represented and that we have adequate succession plans in place.

A competitive hiring market for specialized skills and experience may increase compensation and benefits offered to attract candidates and retain employees, which may in turn increase our operating expenses and expense ratio.

### *Conduct Risk*

Conduct risk is defined as business practices, or actions by external parties, our employees or our directors, that create risks of outcomes that would harm stakeholders or create reputational risk to the Company. We manage conduct risk by implementing our Code of Business Conduct, Supplier Code of Conduct, Conduct Risk Management Framework, Fair Treatment of Customers Framework, Data Usage Ethics Standard, governance and verification practices, enterprise risk management programs, and employee and broker training. All of our directors, officers, employees, and suppliers have a responsibility to conduct their activities in accordance with our Codes of Conduct.

Under our ethics reporting program, employees or other stakeholders are able to contact a whistleblower hotline operated by an independent service provider on a confidential and anonymous basis to communicate any concerns regarding compliance with our Codes of Conduct, including questionable accounting or auditing matters, internal controls over financial reporting, and our disclosure controls and procedures. All concerns raised are forwarded to designated individuals for investigation and follow-up. Complaint handling mechanisms also represent a conduit for identifying and escalating conduct issues. Management assesses the implications of identified conduct concerns and monitors trends in behaviours and associated recommended action plans to achieve expected conduct.

### *Fraud Risk*

As a P&C insurer, we may be subject to internal or external fraud or abuse. Potential exposures include: claimants may exaggerate claims, fake losses or stage accidents for personal gain or as part of organized groups; our insureds or brokers may submit inaccurate underwriting information in an attempt to reduce premium costs or obtain insurance coverages which may otherwise be unavailable; service providers may exaggerate invoice values or charge for unnecessary or uncompleted work; employees may misappropriate assets or submit inadmissible expenses for reimbursement; or internal or external parties may impersonate employees, insureds, or vendors to misappropriate assets or gain access to systems. Advanced technologies, and AI-powered tools (as defined below) specifically, may be used by fraudulent parties to perpetrate fraud but also offer capabilities to assess large volumes of transactions to detect fraud. We use AI-powered tools to support the detection of underwriting fraud and claims fraud, including material misrepresentation and criminal network activity. To mitigate the risk of fraud and abuse, we have implemented governance processes and internal controls to prevent and detect potential internal or external fraud. These internal controls include fraud detection processes within our underwriting and claims functions to detect potential fraud and flag cases for further investigation by our Special Investigations Unit. We also engage with regulatory authorities on regulatory actions which could help to reduce fraud, including addressing fraud rings, and thereby help to maintain insurance affordability for consumers.

### *Model Risk*

Definity’s model inventory includes over 125 predictive models employed across the business to support profitability, growth, and the customer experience. Model risk is the potential for adverse consequences arising from the design, development, implementation, and use of actuarial, analytical, and AI models. All of our current AI solutions (including GenAI) are included in the model inventory.

Model risk can arise from many sources: including inaccurate or unrepresentative data used to train the model, human errors during the modelling process, deployment defects, and the application of the model to an unintended business use case. This risk can result in a failure to achieve expected business outcomes, including situations where actual results differ from those modelled in unexpected ways; non-compliance with applicable laws or regulations; and perpetuation of systemic social biases impacting vulnerable communities.

We maintain an Enterprise Model Risk Management Policy to govern our use of models. This policy is complemented by our enterprise guidelines for model identification, risk assessment, validation, change management, monitoring; and our Data Usage Ethics Standard, which seeks to ensure that our data is managed in accordance with our values, Canadian privacy legislation, and best-in-class ethical principles. Employee training is provided to enable employees to comply with our model risk management requirements. High-risk models undergo an additional level of review and approval from a cross-functional Technical Modelling Committee comprised of modelling experts.

### *Advanced Technologies Risk*

Advanced technologies provide opportunities and risks through our adoption choices or through the use of such technologies by other parties.

Artificial Intelligence (AI), Generative AI (GenAI), and Agentic AI (collectively “AI-powered technologies”)

AI-powered technologies offer many benefits if implemented appropriately, including: enhancing our customer experience, improving quality of work for our employees, realizing operational efficiencies and cost savings, quickly analyzing vast amounts of structured and unstructured data to generate insights to improve decision making, and defending against fraud, cyber or other threats.

However, developments in AI-powered technologies provide additional scenarios which may exacerbate existing risks, in addition to those mentioned under Model Risk above. Examples of risks that may be exacerbated by AI-powered technologies include, but are not limited to:

- Fraud risk – fraudulent parties may use AI-powered technologies to generate fraudulent information or impersonate employees, insureds, or vendors to misappropriate assets, initiate fraudulent claims, or gain access to systems.
- Information security and cyber security risks – threat actors may leverage advanced capabilities of AI-powered technologies to corrupt AI and GenAI models or data, or gain access to systems, data, or proprietary information.
- Regulatory risk – changing regulatory requirements may make it onerous to implement compliant AI-powered technologies.
- Competition risk – our ability to effectively compete may be impaired if we do not respond adequately to customer expectations, or new market participants or existing competitors who deploy AI-powered technologies.
- Operational risk – deployment defects may generate unexpected outcomes.
- Reputational risk – publicity regarding the use of AI-powered technologies in the P&C insurance industry generally, or in our business – whether true or not – could adversely affect our reputation with stakeholders.

Our risk management practices generally, and our AI-powered technologies governance processes specifically, place additional emphasis on the identification and mitigation of risks specific to, or exacerbated by, the usage of AI-powered models and technologies – including the risks of bias, inaccuracy, data or privacy breach, or misuse. We have provided training to all Definity employees on our requirements for appropriate usage of these technologies, with a view to ensuring we can promote innovation in a safe and responsible manner. In addition, we are supporting employees to develop the new competencies required to employ AI-powered technologies effectively. Where appropriate, we have also implemented testing practices to assess the vulnerability of our AI-powered models to unauthorized modification, and data or privacy breach. Where our third-party service providers provide a service which relies upon the usage of AI-powered models and technology, we require our third-party service providers to comply with our internal requirements for appropriate usage of this technology.

#### Quantum Computing

The commercialization of quantum computing also offers many similar opportunities and risks as those posed by AI-powered technologies. We are monitoring quantum computing developments to prepare for the availability of such technology.

### *Information Security Risk*

Information security risk is the risk of loss or harm resulting from the failure to appropriately manage information during its lifecycle. We routinely collect, process, use, retain, and dispose of various types of information from numerous sources, including personal information, policyholder information, and business or internal proprietary information. An inadvertent disclosure, unauthorized access, or other misuse of such information could have a negative impact on the privacy of our policyholders, claimants, or other individuals, or on the confidentiality of our strategic plans, competitive initiatives, business information, or financial performance. The adoption of a hybrid work format for our employees, where employees work remotely a portion of the time using internet networks other than our own, may increase our exposure to information security events or cyberattacks.

The occurrence of an information security event could result in reputational damage, financial loss, and/or legal or regulatory consequences to us. We mitigate this risk by employing physical and logical access restrictions and requirements. We attempt to limit access to data, information, and systems to the minimum required access levels and routinely review provisioned access. Through our cyber security program, we regularly enhance systems, networks, processes, and data protection measures to prevent and detect unauthorized access. We also provide employee information security awareness training. Refer to “Cyber Security Risk” below for additional detail.

## *Cyber Security Risk*

Cyber security risk is the risk of unauthorized information access, or the loss of system integrity or availability, as a result of an attack delivered electronically or by direct access to our systems or systems provided by our third-party service providers. There is an increasing prevalence and sophistication of cyber-attacks, leveraging advanced capabilities offered by AI-powered technologies, affecting a variety of industries with increasing financial, operational, and reputational impact. We have a cyber security strategy which includes employee cyber security awareness training, testing, and reminders to reduce the risk of employee action inadvertently resulting in an exposure. As noted above, the adoption of a hybrid work format for our employees has additional implications for cyber security risk which have been considered in the course of the regular enhancements to our cyber security program. Through our cyber security program, our cyber security practices are periodically tested and benchmarked against industry leading practices and standards to assess and prioritize areas for investment, and we regularly enhance systems, networks, processes, and data protection measures to detect and reduce the risk of unauthorized access, increase system resilience, and minimize the impact of a cyber-attack if it were to occur. We are planning for the implementation of quantum computer-resistant encryption standards in anticipation of the commercialization of such technology. To identify, triage, and respond to cyber incidents in a timely manner, we have specific cyber incident response plans and processes in place, which are routinely maintained and tested. We monitor external cyber-attacks and strive to continually learn from them to improve our defences and response plans. In addition, we also carry cyber incident insurance to mitigate exposure to significant losses arising from a cyber incident, subject to applicable policy limits.

## *Information Technology Risk*

Our business depends on the successful and uninterrupted functioning of our computer and data processing systems and user or system interfaces. We rely on third-party service providers for delivering key components of these systems, including network or data center services, voice or data communications services, and a variety of Software as a Service (SaaS). The failure of these systems, including failure to timely detect system outages or defects, or failure of our third-party service providers or service providers they rely on, to deliver these services on a timely basis, could interrupt our operations or materially impact our ability to rapidly evaluate and commit to new business opportunities or otherwise conduct business. A system failure could result in the loss of existing or potential business relationships, compromise our ability to process transactions in a timely manner, or otherwise impair our ability to develop, modify, or execute our strategies, and ultimately, could negatively affect our financial results and our reputation. To manage this risk, we have implemented internal control and system monitoring processes. To identify, triage, and respond to critical technology incidents in a timely manner, we have incident response and business resiliency plans and processes in place, which are routinely maintained and tested. Refer to “Business Interruption Risk” below for additional detail. We also require our key third-party service providers to enter into service level agreements to contractually secure their commitment to our minimum expected levels of service. Our data centres are managed by reputable third-parties who provide disaster recovery services, including testing of, and redundant systems and facilities for, our critical services. Management regularly monitors the service levels provided by key third-party service providers, the stability of key systems, and the quantity and root cause of critical technology incidents.

To achieve operational and strategic objectives and to remain competitive, we need to maintain and enhance our computer and data processing systems and information technology infrastructure. Such projects can require substantial capital investment and coordination of significant internal and third-party resources, and often necessitate trade-offs to balance risk management with execution speed and an appropriate return on investment. The implementation of significant new or revised systems or technology (e.g., cloud computing, AI-powered technologies, and external data sources), changes to processes and the introduction of new third-party service providers have the potential to introduce additional complexity and operational risk until full transition is completed. To address increased operational risk during a transition period, additional management oversight considerations are integrated into the implementation process, and additional manual and monitoring controls and reporting are applied. Significant technology projects are managed and governed as strategic initiatives. Our experience in successfully delivering such projects demonstrates our capabilities in this area. Refer to “Strategic Risk—Strategic execution risk” below for more detail.

## *Regulatory and Legal Risks*

### Regulatory Risk

Regulatory risk refers to the risk that modifications to legislation, or how it is applied by regulators, including increasing scope, volume, complexity or stringency, will threaten our ability and capacity to conduct profitable business in the future.

To maintain our public company listing on the TSX, we must comply with applicable requirements as prescribed by security regulators in Canada and by the TSX.

As a participant in the P&C insurance industry, we are subject to significant legislative oversight by federal and provincial governments and administrative bodies, which are in addition to legislation of general applicability such as privacy, health and safety, and employment standards. Insurance legislation delegates regulatory, supervisory, and administrative powers to federal, provincial, or other jurisdictional insurance regulatory authorities. Such legislation is generally designed to protect policyholders, claimants, and creditors, and is related to matters including: rate setting; restrictions on types of investments; the maintenance of adequate capital and liquidity; the examination of insurance companies by regulatory authorities, including periodic market conduct examinations; and the licensing of insurers and their agents, adjusters, and brokers.

Our ability to successfully implement our strategy could be impacted by changes to capital and solvency standards, restrictions on certain types of investments, distributions, capital or liquidity management actions, and periodic market conduct, governance and financial examinations by regulators. Refer to “Strategic Risk—Capital Management Risk” below for more detail. We are required by federal regulators to maintain sufficient capital in order to protect our continued solvency and protect us and our policyholders from adverse events. The primary solvency test we must comply with is the MCT, whereby we are required to hold at least 150% available capital against required risk-weighted capital. In addition, under the ORSA framework (refer to Section 8 — “Liquidity and capital resources”, Own Risk and Solvency Assessment, for more detail), we internally assess our risks and determine the level of capital required to adequately support future solvency. The internal capital targets established in our capital management policy are higher and more stringent than the regulatory minimum, and our current capital level is higher than our internal targets. Refer to Section 8 — “Liquidity and capital resources”, Capital Management Framework, for more detail.

The application of new or existing laws or regulatory policy may require a degree of interpretation, particularly with respect to new or emerging issues, or new operations. In addition, changes to laws and regulations, including changes in their implementation, interpretation, or application, or the introduction of new laws and regulations, could affect us by: limiting the products or services we can provide; limiting the products or services other parties can provide to us; restricting the prices we are able to charge; impacting the manner in which we offer our products to the market; requiring specified claims payments or customer relief measures; limiting the effectiveness of our policy wordings; limiting our ability to detect and protect against fraudulent claims and/or fraud rings; increasing the ability of new or existing competitors to compete with us in relation to our products and services; and/or by limiting capital or liquidity management actions. The personal automobile insurance product, in particular, is subject to significant legislation in each province and it is possible that future legislative changes may prevent us from taking actions, such as raising rates, to affect operating results and will require significant changes to underwriting, pricing, claims, and reserving systems and processes to implement. We seek to mitigate this risk through regular discussions with regulators and P&C insurance industry groups to ensure we are aware of proposed changes and by providing feedback to legislators and regulators on proposed changes. Additionally, we monitor compliance with relevant legislation and consider the implications of potential changes in legislation or its interpretation on future results and strategy.

The brokers on whom we rely to distribute our products are also subject to laws and regulations governing the conduct of their businesses, and the disclosure they provide to policyholders. We are unable to control the extent to which those brokers comply with applicable laws and regulations, and any failure by them to do so could result in the imposition of significant restrictions on their ability to do business with us, which could adversely affect our results of operations or financial position. Refer to “Strategic Risk—Distribution Risk” below for more detail.

#### Legal and Regulatory Action Risk

Legal and regulatory action risk refers to the impact of court awards, settlements, penalties, fines, and restrictions or precedents on the manner in which we carry on business as a result of lawsuits or non-compliance with applicable laws or regulatory requirements.

In the normal course of our business, we may, from time to time, be subject to a variety of legal and regulatory actions relating to our operations. Current and future court decisions and legislative activity may increase our exposure to claims. This risk of potential liability may make reasonable resolution of claims more difficult to obtain. In addition, plaintiffs may bring new types of legal claims against insurance and related companies, including claims by policyholders or claimants, such as COVID-19-related litigation discussed below. To mitigate our exposure to these types of legal claims, we intend to respond to new insurance and legal claims promptly and actively manage existing insurance and legal claims. When necessary, claims reserves are adjusted to reflect potential legal defence costs, and potential court awards and settlements.

We also recognize the risk that we may be subject to legal claims in relation to other aspects of our operations or corporate activities, including our demutualization and IPO. In 2023, we became aware of an Ontario class proceeding against the Company and Definity Insurance, brought on behalf of former mutual policyholders of Definity Insurance, regarding the form and quantum of demutualization benefits distributed to them. Definity believes the proposed class action is entirely without merit.

To manage legal and regulatory action risk, we have established procedures and controls supported by our Code of Business Conduct. Our regulatory compliance management program assesses whether we are currently in material compliance with applicable laws, rules, and regulations. There is also ongoing monitoring and follow-up on risks, incidents, and associated controls through regular reporting to the Management Risk Committee, the Risk Review Committee, and other relevant Board committees. We also actively participate in discussions with regulators and governments, and in industry groups, so that significant concerns are communicated to these bodies. In addition, our Legal Risk Management Policy requires consultation with the legal department when transactions or activities, due to their size or nature, may pose significant legal or regulatory action risk, or in the event of actual or threatened litigation or regulatory or law enforcement activity.

## COVID-19-Related Litigation

Along with many other P&C insurers in Canada, Definity Insurance has been named as a defendant in litigation in Ontario for business interruption losses related to the COVID-19 pandemic, seeking to establish coverage under insurance policies.

The Ontario class action on behalf of a national class (excluding Québec) proceeded to trial in 2023 on certain key issues, with a favourable outcome for Definity Insurance and other insurers. The trial decision was upheld on appeal in 2024. While this was not the end of this litigation and other issues remain outstanding, the trial decision represents a major success for Definity Insurance. Definity Insurance was also previously a defendant in similar class proceedings in other provinces, all of which have either been rejected or discontinued as against Definity Insurance. While Definity Insurance intends to vigorously defend such litigation, it cannot predict with certainty the cost of defence and ultimate outcome of such litigation.

### *Business Interruption Risk*

Business interruption risk is associated with internal or external events that impact, or have the potential to impact, our ability to conduct business as normal. Interruptions to business can be triggered by events affecting our facilities, technology, people, or third-party suppliers, including events such as floods, earthquakes, technology failures, loss of public infrastructure services (e.g. public transportation, voice or internet services), social unrest, threats of violence, and communicable disease. Such events can result in losses of financial assets, property and equipment, key employees, and/or the ability to process transactions and underwrite business in a timely manner.

To mitigate business interruption risk, we have established a specialized Enterprise Business Continuity Management (“EBCM”) function headed by the Chief Risk Officer. The EBCM function proactively assesses potential risks to the Company and works to ensure that resilient planning and continuity arrangements are in place. Resiliency plans are developed and tested with a view to ensuring our people and assets are protected and that critical operations can continue despite a disruptive event. For example, resiliency plans exist to support emergency response, incident management, crisis management, crisis communication, disaster recovery, facilities recovery, regional incident response, business continuity, and communicable disease. We have deployed a response structure that provides rapid response to events and have created teams at all levels to allow quick and effective decisions to be made at an appropriate level and to be executed efficiently. We also conduct exercises to test the effectiveness of our resiliency plans. In addition, we carry business interruption insurance to mitigate exposure to significant losses arising from business interruption events, subject to applicable policy terms and limits; however, such insurance may not adequately compensate us for material losses that may occur due to such events.

## **Strategic Risk**

Strategic risk is the potential for loss or under-performance arising from failing to have appropriate business strategies, the ineffective implementation of those strategies and/or the inability to adapt strategies to changes in the business environment. Our strategy, and our ability to develop and implement the strategy, is influenced by customer and broker preferences, industry competition, changes in the regulatory environment or requirements, legal matters, general economic conditions, the social environment, capital levels, and access to necessary expertise.

### *Strategy Adequacy Risk*

Each year the senior leadership team reassesses the adequacy of our strategy in light of customer and broker preferences, industry competition, expectations for profitable underwriting opportunities by product and by region, and general economic, social, regulatory, technological, capital, and other conditions or risks, and develops a detailed business plan which reflects this strategy. The business plan and strategic risk analysis are presented for review and approval annually, or more frequently if required, by the Board. Our senior leadership team regularly reassesses our corporate priorities based on evolving conditions. The Board also provides oversight and constructive challenge to the adequacy of our strategy on a regular basis.

### *Strategic Execution Risk*

Strategic execution risk is the threat that we are ineffective in implementing our business strategies. We closely monitor the environment in which we operate, and risks that may impact the execution of our strategy are regularly assessed, managed, and addressed by the senior leadership team, with oversight from the Board.

Our experience in successfully delivering strategic initiatives to implement our business strategies demonstrates our capabilities to manage strategic execution risk. Such initiatives require the investment and coordination of internal and third-party resources, and often necessitate trade-offs to balance risk management with execution speed and an appropriate return on investment. Changes to a strategic initiative’s scope, costs, or timing may impact the magnitude or timing of benefits to be achieved from the initiative or the investment required to implement the initiative, and may negatively impact other initiatives and financial performance. We dedicate resources to execute and manage these strategic initiatives. Where a strategic initiative requires specialized skills or additional personnel not available among our employees, we may engage third-party service providers to support strategic initiatives. We exercise careful oversight of third-party service providers with a view to ensuring that deliverables comply with contractual terms and expected timeliness, quality, and cost criteria, and to approve changes to scope, costs, or timing. We manage risks associated with strategic initiatives through specified management committees prioritizing and overseeing specific strategic initiatives. Our senior leadership team regularly assesses strategic initiative progress, as well as the adequacy of enterprise capabilities and capacity. The Board also provides oversight to strategic initiatives directly and through its committees.

## Climate Change Risk

The impact of changing weather patterns arising from climate change poses significant risks for P&C insurers, including our insurance subsidiaries. Climate change has implications for most aspects of our business: underwriting, claims, investments, and our own operations. Climate change risks are identified in the key risks for the organization monitored by the Board's Risk Review Committee. Climate change risks are interdependent and transversal, interacting with and exacerbating many of the other risks we face, which adds further uncertainty and complexity to assessing and managing risks. Our significant climate change risks are categorized as follows:

- *Physical risk*: relates to both acute impacts of increasing frequency and severity of extreme weather events, as well as chronic changes in climatic effects contributing to more quickly degrading and/or overwhelming infrastructure or compounding the impact of acute events.
- *Transition risk*: relates to changes associated with transitioning to a low-carbon economy, including regulatory and market risks, as well as reputational risks from stakeholders' views of our approach to climate change.

Increasing frequency and severity of extreme weather events have resulted in increased catastrophe events and claims. We respond to claims caused by weather-related events through our catastrophe response teams, our reinsurance program, and our claims vendors, who are vetted with a view to whether they can offer quality service even when responding to the demands of catastrophe events. Refer to "Insurance Risk — Catastrophe Risk" above for more detail. Our in-house Climate Change Centre of Excellence further advances our understanding of the potential impacts of climate change on current and future underwriting portfolios. We are continuously seeking to enhance our data and modelling capabilities to better understand changes in key climate risk exposures, such as flood and wildfire, and the potential interactions of such exposures, with a view to confirming pricing, coverage options, risk accumulations and LIC estimates remain appropriate. These learnings also inform our advocacy efforts to support climate adaptation and resilience efforts of our customers and communities across Canada. We continue to assess other climate change hazards or reputational risks present in our insurance offerings. Refer to "Insurance Risk — Underwriting Risk" above for more detail.

Physical and transition risk considerations may also influence pricing, coverage options, product features, or services sought by customers or offered by our competitors. If we are unable to maintain competitive pricing, coverage options, product features, or services that are attractive to customers, our ability to grow or maintain our written premium levels and underwriting profitability may be impacted. Refer to "Competition Risk" below for more detail.

Climate change risks may also influence the cost, coverage and availability of reinsurance for some regions, risk profiles, or carbon-intensive industries. These risks could impair the ability or desire of our reinsurers to provide us with reinsurance protection and could adversely impact our ability to obtain adequate reinsurance coverage on acceptable terms or at all. We have developed relationships with our reinsurers and have worked with them to help them understand the risk profile present in our book of business in relation to climate change risk. These relationships, along with proactive management of our reinsurance program, help us to maintain our access to sufficient and cost-effective reinsurance. Refer to "Insurance Risk — Underwriting Risk — Reinsurance" above for more detail.

Investment values and returns may also be impacted by climate change risks. Weather-related losses or the transition to a low-carbon economy may impact the profitability and prospects of an investee, and this, along with investor sentiment, could adversely impact the value of our investments. We seek to manage these risks by maintaining a highly liquid investment portfolio which is diversified across industries and regions. We have adopted targets to reduce the financed emissions intensity of our equity and corporate bond portfolio as a means of managing climate-related risk to our investments. Refer to "Financial Risk" above for more detail.

Government policy can both impact climate change and be impacted by climate change. Shifts in global policies are weakening the global collaboration required to coordinate regulatory efforts and mobilize the financial resources needed for an orderly transition to a low carbon economy, extending transition timelines but increasing concerns that entities, governments, and consumers are not transitioning fast enough to avoid significant physical, economic, and social impacts of climate change. Weather-related catastrophe events contribute to concerns about costs and availability of insurance for particular coverages, regions, or industries, which may pose reputational risk (refer to "Reputational Risk" below) and result in new legislation which could impact the viability of our existing products or services. Mandated climate change scenario modeling, reporting, and disclosures could result in increases in our compliance costs. To monitor, encourage, and respond to government policy development, we engage with regulators directly and through participation in industry associations to advocate for climate risk mitigation, resilience, and adaptation. Refer to "Operational Risk — Regulatory and Legal Risks" above for more detail.

Expectations are rapidly evolving for all companies to respond to the expected impact of climate change, to not only manage climate change risks but also to contribute to mitigating climate change. How shareholders and others assess our climate change strategy and associated disclosures, or that of our industry, could have reputational and business implications, and how investors assess our climate change strategy could impact the market value of our shares. Refer to "Reputational Risk" below for additional detail. Through our governance processes and enterprise risk management framework, climate change risks are identified as being among the key risks for the organization and are monitored by the Board's Risk Review Committee. The Chief Risk Officer, supported by other members of senior management, has been assigned responsibility for our climate change strategy. We recognize that climate change could pose significant strategic implications for existing and potential future business operations. As a result, our climate change strategy is integrated into our business strategy across the organization. We analyze the implications of climate change on our underwriting and investment portfolios. We educate customers on how to mitigate weather-related losses and improve their resilience to climate change. We are making investments in improving the efficiency of operations and reducing the use of paper and energy. We have implemented relevant metrics and targets to support our climate change strategy and associated disclosures.

### *Business, Economic, Political, Geopolitical, and Social Environment Risk*

Our business and profitability can be affected significantly by changes in the business, economic, social, political, and geopolitical environment. To mitigate this risk, we regularly assess the likelihood and impact of such scenarios and associated mitigations as we prepare our business, capital, and strategic plans.

Global political events and changes in domestic or foreign government policies, such as the imposition of new cross-border tariffs or restrictive trade policies, or changes to trade agreements, may negatively impact the Canadian economy and the P&C insurance industry and/or exacerbate other risks we face, such as cyber risk. Depressed economic conditions, such as recession or stagflation, may negatively impact investment values and returns, and may cause changes in the level of demand for insurance or reductions in policy coverages and correlate with increases in claims fraud. We may also face increased credit risk caused by our counterparties not being able to meet obligations as they become due.

Increased political and governmental involvement in the insurance industry may otherwise change the business, economic, and regulatory environment in which we operate. Refer to “Operational Risk — Regulatory Risk” above for additional detail. Such changes could cause us to make unplanned modifications to our products or services or revise our strategy, or result in other industry participants altering their strategies in a manner that changes the level of competition in our target markets.

Definity recognizes the role businesses can play in addressing social issues, including supporting equity-deserving groups. Positioning Definity as a purpose-driven sustainability leader remains one of our strategic objectives. We seek to maintain our strong ESG (Environmental, Social, and Governance) ratings as assessed by independent rating agencies; ESG ratings may contribute to attracting customers, brokers, investors, and employees, and are subject to revision or withdrawal at any time by the assigning ratings organization. Our President and CEO is our executive sponsor for inclusion, diversity, equity, and accessibility and our Sustainability Steering Committee provides oversight and direction to our sustainability strategies. In addition to climate change targets, Definity has established diversity targets to advance the representation of equity-deserving groups in leadership roles at Definity. To demonstrate our commitment to climate change and diversity targets, Definity has implemented a sustainability-linked loan structure that links its borrowing costs directly to the Company’s performance on the following sustainability objectives:

- reducing Scope 1 and Scope 2 operational greenhouse gas emissions
- increasing the percentage of women in leadership positions

As a result of this structure, we could be subject to increased borrowing costs if we do not achieve our targets, and can be rewarded with lower borrowing costs if we exceed them.

Additional details on our sustainability strategies can be found in Definity’s “Sustainability Report”. How shareholders and other stakeholders assess our sustainability strategies, or that of our industry, could have reputational and business implications, and how investors assess our sustainability strategies could impact the market value of our shares. Refer to “Reputational Risk” below for additional detail.

### *Competition Risk*

P&C insurance industry consolidation at the insurer and broker level, and the acquisition of brokers by other P&C insurance companies, may have significant implications for P&C industry fundamentals. Our ability to effectively compete may be impaired if we do not respond adequately. Industry consolidation reduces available acquisition targets and contributes to higher transaction multiples. However, it may also offer opportunities to acquire operations or books of business that do not align with a post-acquisition entity. Broker consolidation influences our distribution risk as discussed below. Competitor consolidation may result in increased influence on the underwriting environment and pricing as competitors realize efficiencies of scale.

Historically, the financial performance of the P&C insurance industry in Canada has tended to fluctuate in cyclical patterns of “soft” markets characterized generally by increased competition resulting in lower premium rates, followed by “firm” or “hard” markets characterized by reduced competition and increasing premium rates. The risk exists that these fluctuations in industry conditions could produce an underwriting environment that negatively impacts our underwriting results, premium levels, and financial position. Current analysis is contained in “Section 5 — “Operating Environment And Outlook”.

When there is intense competition in the P&C insurance industry for any product line, our competitors may price their products at rates that appear to be below the level required to make a reasonable return in an effort to gain or retain market share. If we are unable to realize superior risk selection or sufficient expense efficiencies, our ability to establish or maintain competitive pricing could be adversely affected. Given our disciplined approach to underwriting, there may be market conditions or competitive actions which restrict our ability to grow or maintain our written premium levels.

The entrance of new market participants or a shift in the methods to distribute, select or price risks, or administer policies and claims by competitors could also undermine our ability to establish or maintain competitive pricing, policy terms, or service levels. The introduction of disruptive innovations and changing technologies could affect our addressable market, the way that our customers purchase insurance or seek service from us, the demand for our products, how we select or price risks, how we prevent or detect fraud, how we administer policies, how we adjust and settle claims, and our underwriting, claims, and other decision-making processes. Our ability to effectively compete may be impaired if we do not respond adequately to new market participants or existing competitors who deploy such technologies. We actively monitor industry activities and performance both domestically and internationally, considering the implications for our current and future business and strategic plans.

### *Acquisition and Integration Risks*

Our business strategy includes selective consideration of acquisitions or investments, some of which may be material, such as the acquisition of Travelers' Canadian P&C insurance business. Refer to Section 2 — "Acquisition of Travelers' Canadian P&C insurance business". As noted above, continued consolidation in the P&C insurance industry may reduce the number of attractive acquisition targets and could contribute to higher transaction multiples. There can be no assurance that we will successfully identify suitable candidates in the future for strategic transactions at prices or terms and conditions that we deem acceptable. We may fail to close any desired acquisition if we cannot obtain necessary regulatory or shareholder approvals, or access sufficient capital resources to finance the acquisition. Refer to "Capital Management Risk" below for additional detail.

Identifying, negotiating, completing, managing, and integrating acquisitions involve a number of additional risks, including diversion of management's attention from operating our business, inability to retain and attract business and maintain market position, failure to retain key personnel of acquired companies, operational risk associated with integrating systems and processes, unknown or undisclosed legal risks and liabilities relating to the acquisition or the acquired entity's historic operations, or failure to integrate the acquisition in a timely or effective manner. Consequently, any acquisition we complete may not result in the realization of anticipated or long-term benefits or synergies to us or may impact existing business operations. Any of these risks could have a material adverse effect on our business, results of operations, and financial condition.

Definity has a proven track record of delivering transformational initiatives and utilizes these best practices to manage the activities and risks associated with transaction execution and integration. Refer to "Strategic Execution Risk" above for additional detail. The Board, directly or through its Committees, provides challenge, advice, and guidance to senior management on transaction execution and integration. The senior leadership team oversees the integration planning and execution, facilitated by a dedicated Integration Management Office. Business and functional workstreams plan and execute on integration activities. The Value Realization Office monitors and manages integration costs and synergies. Consistent with other transformational initiatives, enterprise risk management processes are applied to transaction execution and integration to support effective risk management and reporting.

### *Distribution Risk*

In order to meet our overall strategy, we must manage our distribution risk. Distribution risk includes the inherent risk of dealing with independent brokers as well as the risk that the broker distribution channel would not be viable in a specific market or for specific products. This risk also includes the implications of current market participants or new market entrants disrupting the market through the use of advanced technologies and/or the application of an alternative business model.

We write products through a network of brokers across Canada. The ability of our broker network to be competitive against other distributors and distribution channels, our ability to maintain a strong relationship with brokers, and our ability to maintain acceptable service levels and appropriate pricing are critical for staying competitive in the market. The competitive environment is further complicated by the consolidation of brokers, and the acquisition of brokers by other P&C insurance companies, which may have a direct impact on our market share and ability to grow profitably. Additionally, strong competition exists among insurers for brokers with a proven ability to develop and deliver a profitable book of business. Premium volume and profitability could be negatively affected if there is a material decrease in the number of brokers that choose to sell our insurance products.

To address distribution risk, we maintain close relationships with brokers through our business development staff, who provide training and guidance to enhance the brokers' understanding and marketing of our products, and we invest on an ongoing basis in maintaining a strong value proposition for our brokers. We periodically issue commercial loans to, or make equity investments in, certain brokers to, among other things, maintain broker loyalty.

Brokers face many of the same operational and strategic risks as P&C insurance companies. Like P&C insurance companies, brokers are subject to competition for business from other brokers or agents, the direct distribution channel, and new market entrants. Brokers must also maintain strong relationships with multiple P&C insurance companies to place customer insurance contracts and achieve favourable commission rates. In addition to base commission, brokers may be eligible for contingent profit commission ("CPC") based on the performance of their portfolio of business with each P&C insurance company. By its nature, CPC is variable and subject to insurer terms which could change. These risks may impact the financial position and financial results of brokers, including those owned and consolidated by us. When issuing commercial loans to and making equity investments in brokers, we manage potential relationship issues and we mitigate potential financial risk exposure by conducting annual, or more frequent, financial reviews, and by obtaining what we believe to be appropriate terms for oversight.

In recognition of ongoing industry growth and market size of the direct distribution channel, we continue to make significant investments in our multi-channel distribution strategy. While our broker business will continue to be a core part of our business model, our separately-branded digital direct distribution channel offering represents a key pillar in our growth strategy allowing us to serve this distinct market segment. There is risk that the maturation of our direct distribution channel, and the usage-based insurance product offering within the direct distribution channel, may not yield the benefits expected on a timely basis or at all, or that it could result in negative reputational impact. We closely monitor the developments in and performance of both the direct distribution channel and the broker network.

## *Capital Management Risk*

Capital management risk refers to the risk of not being able to fully execute on our business strategy as a result of insufficient, or ineffective use of, capital. We are required by federal regulators and our capital management policy to maintain sufficient capital, with a view to ensuring our continued solvency and protect us and our policyholders from adverse events. A reduction in capital levels below our internal or regulatory targets or a change in regulatory capital and solvency standards could trigger corrective actions as specified in the capital management policy and subject us to regulatory intervention. Refer to Section 8 — “Liquidity and capital resources”, Capital Management Framework, for more detail.

Ratings organizations periodically review our financial performance and condition and provide financial strength and credit ratings. Ratings are subject to revision or withdrawal at any time by the assigning ratings organization. Financial strength ratings are an important competitive factor. If a rating agency downgraded the financial strength rating of our insurance subsidiaries below minimum acceptable levels, it could result in a loss of business, particularly in our commercial lines business, where certain customers may require that we maintain minimum ratings to enter into or renew business with us. A downgrade in a financial strength rating could also increase our cost of capital and could result in the early termination of lock-up provisions under our governance agreement with Healthcare of Ontario Pension Plan Trust Fund. A downgrade in our credit rating could result in higher borrowing costs. A downgrade in our financial strength or credit ratings could also have negative reputational implications.

With a view to ensuring sufficient capital levels are maintained, we actively monitor the MCT ratio and the ORSA (refer to Section 8 — “Liquidity and capital resources”, Own Risk and Solvency Assessment, for more detail), and the effect that external and internal risks and actions have on the capital base through our capital management practices. Senior management determines the potential impact on capital when establishing the annual business plan and setting strategy, and before entering into any significant acquisitions or investments, to confirm that acceptable levels of capital are expected to be maintained.

As a publicly listed company, we may also be able to raise additional capital in the equity market to meet capital needs.

### *Limitations on dividend and capital distribution from subsidiaries*

Our payment of dividends is subject to the discretion of the Board and dependent on a variety of factors and conditions existing from time to time that the Board may deem relevant, including our financial condition, general business conditions, and any restrictions regarding the payment of dividends to us by our subsidiaries.

Definity’s insurance subsidiaries must comply with applicable insurance legislation and regulatory capital requirements. Each insurance subsidiary must maintain reserves to cover the risks it has underwritten, as well as comply with regulatory capital requirements. A severe loss incurred by one subsidiary insurer, even if not material to us when our financial condition is viewed as a whole, could have an adverse effect on capital liquidity because we may need to contribute additional capital or it could adversely affect how Definity or any of the subsidiaries, as applicable, are considered by third parties, including rating agencies and regulators.

The ability of our subsidiaries to pay dividends to us in the future will depend on their statutory surplus, on their earnings, and on legislative restrictions. The ability of our subsidiaries to pay dividends or make distributions or returns of capital to us may be limited by applicable corporate and insurance law or regulatory restrictions.

To the extent the ability of our subsidiaries to pay dividends or make distributions or returns of capital to us is materially limited, our ability to service our debt and pay dividends to our shareholders, if any, could be materially adversely impacted.

## *Reputational Risk*

Reputational risk is the risk that publicity regarding the P&C insurance industry generally, our business practices, the sentiment of our customers or current and former employees, or actions by external parties, our employees or our directors, whether true or not, will adversely affect our performance, liabilities, operations, employee recruitment, broker or regulator relationships, customer attraction and retention, or company market value.

Reputational risk assessments involve a broad array of factors, including the extent and outcome of relevant legal and regulatory matters, the economic intent of particular transactions, the impact of events on the Company, customer service processes and levels, modifications to product pricing, terms, conditions, or eligibility requirements, the need for customer or public disclosure, conflicts of interest, fairness issues, the availability and affordability of insurance in a particular region, and public perception. We consider the potential reputational implications when implementing our business strategies and develop response plans to address anticipated responses where possible. We monitor public, broker, and customer sentiment through formal feedback, complaint handling mechanisms, and monitoring of both social and traditional media. Based on monitoring results, we implement response plans as necessary. We also have incident management and communication plans in place to address incidents that may have reputational impact. Finally, we have conduct risk management programs in place to communicate expectations for conduct by our directors, officers, employees and suppliers, and to report and investigate potential conduct issues. Refer to “Operational Risk — Conduct Risk” above for additional detail.

# 13 – 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 audited consolidated financial statements; however, they are not themselves disclosed in our audited consolidated financial statements. The non-GAAP financial measures in this MD&A are derived from one or more financial measures disclosed in our audited consolidated financial statements, and the non-GAAP ratios have at least one of those non-GAAP financial measures as a component, and in each case are not standardized financial measures under GAAP. The supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios in 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:

<b>Book value per share</b>	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.
<b>Catastrophe losses</b>	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 \$5 million. Catastrophe losses are presented net of reinsurance recoveries and exclude losses from exited lines. In 2024, the single claim threshold was a gross loss in excess of \$3 million.
<b>Financial capacity</b>	The sum of excess capital and leverage capacity.
<b>Gross written premiums (“GWP”)</b>	The total premiums from the sale of insurance during a specified period including premiums assumed and excluding exited lines.
<b>Underwriting loss from exited lines</b>	Underwriting income or loss from exited lines. Lines are classified as exited after we have made a formal decision to exit a specific line of business and/or geographical area of operations. This can be due to profitability concerns or other strategic reasons. The results of these lines are no longer part of the core business and are therefore considered non-operating.
<b>Leverage capacity</b>	The estimated amount of financial leverage available assuming a target capitalization level of 30% debt (March 31, 2025 and prior: 25%). Debt may include other forms, such as hybrids.

## Non-GAAP Financial Measures:

<b>Net underwriting revenue</b>	Insurance revenue less earned reinsurance premiums, excluding those from exited lines. This financial measure is used to calculate the claims, expense, and combined ratios and is used to calculate underwriting income.
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Below is a quantitative reconciliation of net underwriting revenue for the three months and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Insurance revenue	\$ 1,219.5	\$ 1,124.9	\$ 4,677.1	\$ 4,258.4
Earned reinsurance premiums <sup>(1)</sup>	(116.8)	(107.6)	(435.0)	(391.0)
Remove: impact of exited lines	(1.2)	(11.3)	(15.9)	(24.9)
<b>Net underwriting revenue</b>	<b>\$ 1,101.5</b>	<b>\$ 1,006.0</b>	<b>\$ 4,226.2</b>	<b>\$ 3,842.5</b>

Notes:

<sup>(1)</sup> Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

## 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, excluding those from exited lines. 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 and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Claims and adjustment expenses <sup>(1),(2)</sup>	\$ 733.1	\$ 688.0	\$ 2,880.4	\$ 2,763.7
Impact of onerous insurance contracts <sup>(3)</sup>	(0.5)	(4.7)	(13.8)	(9.3)
Claims recoverable from reinsurers for incurred claims <sup>(2),(4)</sup>	(54.1)	(57.5)	(217.4)	(241.1)
Remove: impact of exited lines	(11.2)	(15.4)	(29.9)	(35.4)
<b>Net claims and adjustment expenses</b>	<b>\$ 667.3</b>	<b>\$ 610.4</b>	<b>\$ 2,619.3</b>	<b>\$ 2,477.9</b>

Notes:

<sup>(1)</sup> Included in Insurance service expenses and Other expenses in our audited consolidated financial statements.

<sup>(2)</sup> Excludes the impact of discounting and risk adjustment.

<sup>(3)</sup> Included in Insurance service expenses.

<sup>(4)</sup> Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

## 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.

## Prior year claims development

The difference between prior year-end estimates of ultimate claim costs (excluding the effects of discounting, the risk adjustment for non-financial risk, and exited lines) 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 and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Changes in fulfilment cash flows relating to the liabilities for incurred claims <sup>(1)</sup>	\$ (13.5)	\$ (21.7)	\$ (73.2)	\$ (70.2)
Changes to amounts recoverable for incurred claims <sup>(2)</sup>	7.2	(0.2)	5.4	(16.8)
Remove: discounting included above	(14.6)	(6.3)	(42.2)	(24.6)
Remove: risk adjustment included above	12.1	11.4	51.0	47.8
Remove: impact of exited lines	(8.2)	(1.9)	(12.1)	(3.7)
<b>Prior year claims development</b>	<b>\$ (17.0)</b>	<b>\$ (18.7)</b>	<b>\$ (71.1)</b>	<b>\$ (67.5)</b>

Notes:

<sup>(1)</sup> Included in Insurance service expenses in our audited consolidated financial statements.

<sup>(2)</sup> Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

## Net underwriting expenses

Net underwriting expenses consist of net commissions, net operating expenses, and net 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 and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Net commissions	\$ 161.4	\$ 142.3	\$ 614.9	\$ 551.5
Net operating expenses	120.3	118.6	479.0	455.1
Net premium taxes	41.0	37.7	158.3	145.6
<b>Net underwriting expenses</b>	<b>\$ 322.7</b>	<b>\$ 298.6</b>	<b>\$ 1,252.2</b>	<b>\$ 1,152.2</b>

### Net commissions

Commissions expense less commissions earned on ceded reinsurance, excluding commissions associated with exited lines. 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 and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Commissions <sup>(1)</sup>	\$ 179.5	\$ 158.5	\$ 685.8	\$ 612.3
Commissions earned on ceded reinsurance <sup>(2)</sup>	(18.2)	(16.9)	(72.7)	(61.8)
Remove: impact of exited lines	0.1	0.7	1.8	1.0
<b>Net commissions</b>	<b>\$ 161.4</b>	<b>\$ 142.3</b>	<b>\$ 614.9</b>	<b>\$ 551.5</b>

Notes:

<sup>(1)</sup> Included in Insurance service expenses in our audited consolidated financial statements.

<sup>(2)</sup> Included in Net expenses from reinsurance contracts held in our audited consolidated financial statements.

### Net operating expenses

General expenses related to our underwriting activities, excluding general expenses associated with exited lines. This financial measure is used to calculate net underwriting expenses and underwriting income.

Below is a quantitative reconciliation of net operating expenses for the three months and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Operating expenses <sup>(1)</sup>	\$ 120.6	\$ 120.8	\$ 485.1	\$ 459.5
Remove: impact of exited lines	(0.3)	(2.2)	(6.1)	(4.4)
<b>Net operating expenses</b>	<b>\$ 120.3</b>	<b>\$ 118.6</b>	<b>\$ 479.0</b>	<b>\$ 455.1</b>

Notes:

<sup>(1)</sup> Included in Insurance service expenses in our audited consolidated financial statements.

### Net premium taxes

Tax on insurance premiums excluding premium taxes associated with exited lines. This financial measure is used to calculate net underwriting expenses and underwriting income.

Below is a quantitative reconciliation of net premium taxes for the three months and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Premium taxes <sup>(1)</sup>	\$ 41.0	\$ 38.1	\$ 159.1	\$ 146.6
Remove: impact of exited lines	–	(0.4)	(0.8)	(1.0)
<b>Net premium taxes</b>	<b>\$ 41.0</b>	<b>\$ 37.7</b>	<b>\$ 158.3</b>	<b>\$ 145.6</b>

Notes:

<sup>(1)</sup> Included in Insurance service expenses in our audited consolidated financial statements.

## Underwriting income

Net underwriting revenue for a defined period less the sum of net claims and adjustment expenses, net commissions, net operating expenses, and net premium taxes during the same period. Underwriting income excludes the underwriting results from exited lines. 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 and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Net underwriting revenue	\$ 1,101.5	\$ 1,006.0	\$ 4,226.2	\$ 3,842.5
Less:				
Net claims and adjustment expenses	667.3	610.4	2,619.3	2,477.9
Net commissions	161.4	142.3	614.9	551.5
Net operating expenses	120.3	118.6	479.0	455.1
Net premium taxes	41.0	37.7	158.3	145.6
<b>Underwriting income</b>	<b>\$ 111.5</b>	<b>\$ 97.0</b>	<b>\$ 354.7</b>	<b>\$ 212.4</b>

Net underwriting revenue, net claims and adjustment expenses, prior year claims development, net underwriting expenses, and underwriting income by line of business are as shown in the following tables for the three months and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31, 2025			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	\$ 475.9	\$ 310.6	\$ 315.0	\$ 1,101.5
Net claims and adjustment expenses	332.4	154.5	180.4	667.3
Prior year claims development	(2.5)	(8.4)	(6.1)	(17.0)
Net underwriting expenses	119.9	102.4	100.4	322.7
Underwriting income	23.6	53.7	34.2	111.5

(in millions of dollars)	Three months ended December 31, 2024			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	\$ 433.4	\$ 279.3	\$ 293.3	\$ 1,006.0
Net claims and adjustment expenses	305.0	140.9	164.5	610.4
Prior year claims development	(4.3)	(8.3)	(6.1)	(18.7)
Net underwriting expenses	111.6	90.5	96.5	298.6
Underwriting income	16.8	47.9	32.3	97.0

(in millions of dollars)	Year ended December 31, 2025			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	\$ 1,830.7	\$ 1,188.4	\$ 1,207.1	\$ 4,226.2
Net claims and adjustment expenses	1,275.9	658.7	684.7	2,619.3
Prior year claims development	(11.8)	(35.8)	(23.5)	(71.1)
Net underwriting expenses	465.9	392.9	393.4	1,252.2
Underwriting income	88.9	136.8	129.0	354.7

(in millions of dollars)	Year ended December 31, 2024			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	\$ 1,655.8	\$ 1,082.4	\$ 1,104.3	\$ 3,842.5
Net claims and adjustment expenses	1,177.0	678.4	622.5	2,477.9
Prior year claims development	(14.5)	(31.2)	(21.8)	(67.5)
Net underwriting expenses	423.9	363.9	364.4	1,152.2
Underwriting income	54.9	40.1	117.4	212.4

### Operating income

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

### Non-operating (losses) gains

Recognized gains or losses on FVTPL investments, discounting income or expense, risk adjustment income or expense, demutualization-related expenses, less interest on restricted cash, amortization of intangible assets recognized in business combinations, acquisition-related expenses, integration expenses, restructuring costs, underwriting loss from exited lines, 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 net income

Net income (loss) attributable to common shareholders less (or plus) non-operating (losses) gains 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 audited consolidated financial statements to operating net income, operating income, and non-operating (losses) gains. Below is a quantitative reconciliation of operating net income, operating income, and non-operating (losses) gains to net income attributable to common shareholders for the three months and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Net income attributable to common shareholders	\$ 58.0	\$ 116.6	\$ 418.2	\$ 430.4
Remove: income tax expense	26.1	38.9	148.9	142.3
Income before income taxes	\$ 84.1	\$ 155.5	\$ 567.1	\$ 572.7
Remove: non-operating gains (losses)				
Recognized (losses) gains on FVTPL investments	(7.4)	7.7	154.4	214.4
Discounting <sup>(1)</sup>	19.6	32.9	112.3	140.5
Risk adjustment <sup>(1)</sup>	(3.2)	0.3	(7.9)	(2.4)
Finance expenses from insurance contracts issued	(17.1)	(20.4)	(145.9)	(166.0)
Finance income from reinsurance contracts held	1.4	1.4	14.2	14.5
Underwriting loss from exited lines	(10.2)	(6.0)	(19.1)	(14.9)
Demutualization-related expenses, less interest on restricted cash <sup>(2)</sup>	(1.5)	(1.1)	(5.2)	2.4
Amortization of intangible assets recognized in business combinations <sup>(2)</sup>	(7.5)	(6.6)	(28.0)	(25.6)
Change in foreign exchange forward contract hedge ineffectiveness <sup>(2)</sup>	(27.8)	–	(27.8)	–
Acquisition-related expenses <sup>(2)</sup>	(3.7)	(0.8)	(21.0)	(1.2)
Integration expenses <sup>(2)</sup>	(17.8)	–	(27.3)	–
Gain on sale of property <sup>(2)</sup>	–	–	5.9	–
Other <sup>(2)(3)</sup>	(0.2)	1.1	3.8	1.4
<b>Non-operating (losses) gains</b>	<b>\$ (75.4)</b>	<b>\$ 8.5</b>	<b>\$ 8.4</b>	<b>\$ 163.1</b>
<b>Operating income</b>	<b>\$ 159.5</b>	<b>\$ 147.0</b>	<b>\$ 558.7</b>	<b>\$ 409.6</b>
Operating income tax expense	(38.8)	(36.6)	(138.0)	(99.4)
<b>Operating net income</b>	<b>\$ 120.7</b>	<b>\$ 110.4</b>	<b>\$ 420.7</b>	<b>\$ 310.2</b>

Notes:

<sup>(1)</sup> Included in Insurance service expenses and Net expenses from reinsurance contracts held in our audited consolidated financial statements.

<sup>(2)</sup> Included in Other expenses in our audited consolidated financial statements.

<sup>(3)</sup> 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 gains or losses pertaining to fintech venture capital funds.

## 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. 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 and years ended December 31, 2025 and 2024:

(in millions of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Distribution revenues <sup>(1)</sup>	\$ 56.6	\$ 46.6	\$ 229.4	\$ 186.0
Distribution business expenses <sup>(2)</sup>	(45.7)	(35.2)	(167.4)	(131.6)
<b>Distribution income</b>	<b>\$ 10.9</b>	<b>\$ 11.4</b>	<b>\$ 62.0</b>	<b>\$ 54.4</b>

Notes:

<sup>(1)</sup> Distribution revenues includes commissions on policies underwritten by external insurance companies.

<sup>(2)</sup> Included in Other expenses in our audited consolidated financial statements. These amounts exclude amortization of intangible assets recognized in business combinations and acquisition-related expenses.

## 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.

### Expense ratio

The total of our net commissions, net operating expenses, and net 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.

### 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.

### 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 years ended December 31, 2025 and 2024:

(in millions of dollars, except as otherwise noted)	December 31,	
	2025	2024
Net income attributable to common shareholders for the last 12 months	\$ 418.2	\$ 430.4
Equity attributable to common shareholders <sup>(1)</sup>	\$ 4,049.7	\$ 3,319.8
Adjustment for the return of restricted cash <sup>(2)</sup>	–	(121.3)
Adjustment for the issuance of common shares <sup>(3)</sup>	(166.1)	–
Adjusted equity attributable to common shareholders <sup>(4)</sup>	\$ 3,883.6	\$ 3,198.5
Average adjusted equity attributable to common shareholders <sup>(5)</sup>	\$ 3,601.7	\$ 3,023.1
Return on equity for the last 12 months	11.6%	14.2%

Notes:

<sup>(1)</sup> Equity attributable to common shareholders is as at December 31, 2025 and 2024.

<sup>(2)</sup> In 2024, the return of restricted cash was prorated for the 296 days prior to October 23, 2024.

<sup>(3)</sup> The issuance of common shares was prorated for the 161 days prior to June 11, 2025.

<sup>(4)</sup> Adjusted equity attributable to common shareholders is equity attributable to common shareholders as shown on our audited consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable. Management believes that adjusting for significant capital transactions on a pro rata basis based on the number of days is a better reflection of our average adjusted equity attributable to common shareholders used in the calculation of ROE.

<sup>(5)</sup> Average adjusted equity attributable to common shareholders is the average of adjusted equity attributable to common shareholders at the end of the period and the end of the preceding 12-month period. Equity attributable to common shareholders and adjusted equity attributable to common shareholders as at December 31, 2023 was \$2,847.7 million.

### 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 years ended December 31, 2025 and 2024:

(in millions of dollars, except as otherwise noted)	December 31,	
	2025	2024
Operating net income for the last 12 months	\$ 420.7	\$ 310.2
Equity attributable to common shareholders, excluding AOCI <sup>(1)</sup>	\$ 4,028.5	\$ 3,320.9
Adjustment for unrealized gains on FVTPL equity instruments	(160.9)	(141.9)
Adjustment for the return of restricted cash <sup>(2)</sup>	–	(121.3)
Adjustment for the issuance of common shares <sup>(3)</sup>	(166.1)	–
Adjusted equity attributable to common shareholders, excluding AOCI <sup>(4)</sup>	\$ 3,701.5	\$ 3,057.7
Average adjusted equity attributable to common shareholders, excluding AOCI <sup>(5)</sup>	\$ 3,440.3	\$ 2,935.8
Operating ROE for the last 12 months	12.2%	10.6%

Notes:

<sup>(1)</sup> Equity attributable to common shareholders, excluding AOCI is as at December 31, 2025 and 2024.

<sup>(2)</sup> In 2024, the return of restricted cash was prorated for the 296 days prior to October 23, 2024.

<sup>(3)</sup> The issuance of common shares was prorated for the 161 days prior to June 11, 2025.

<sup>(4)</sup> Adjusted equity attributable to common shareholders, excluding AOCI, is equity attributable to common shareholders and AOCI each as shown on our audited 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. Management believes that adjusting for significant capital transactions on a pro rata basis based on the number of days is a better reflection of our average adjusted equity attributable to common shareholders, excluding AOCI, used in the calculation of Operating ROE.

<sup>(5)</sup> Average adjusted equity attributable to common shareholders, excluding AOCI, is the average of adjusted equity attributable to common shareholders, excluding AOCI at the end of the period and the end of the preceding 12-month period. Adjusted equity attributable to common shareholders, excluding AOCI, as at December 31, 2023 was \$2,813.9 million.

**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, net operating expenses, and net premium taxes.

## 14 — 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 121.6 million as at February 12, 2026. No preferred shares were issued and outstanding.

## 15 — DEFINITIONS

Refer to Section 13 — "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.

<b>Discounting</b>	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.
<b>Excess capital</b>	The sum of capital above 190% MCT in regulated insurance subsidiaries and available cash and investments in unregulated entities.
<b>Frequency</b>	A measure of how often a claim is reported as a function of PIF.
<b>Large loss</b>	A single claim with a gross loss in excess of \$1 million but less than \$5 million. In 2024, a large loss was considered a single claim with a gross loss in excess of \$1 million but less than \$3 million.
<b>Minimum capital test (MCT)</b>	A regulatory formula defined by OSFI that is a risk-based test of capital available relative to capital required.
<b>Policies in force (PIF)</b>	The number of insurance policies that are in effect at a specified date, excluding insurance policies from exited lines.
<b>Risk adjustment</b>	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.
<b>Severity</b>	A measure of the average dollar amount incurred per claim.



# CONSOLIDATED FINANCIAL STATEMENTS

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# REPORT OF MANAGEMENT'S ACCOUNTABILITY

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and have been approved by the Board of Directors.

Management is responsible for ensuring that these consolidated financial statements, which include amounts based on estimates and judgments, present fairly the financial performance and financial position of Definity Financial Corporation (the "Company") and its subsidiaries, in all material respects.

The system of internal controls is reviewed and evaluated on an ongoing basis by management and the Company's internal auditor. The integrity and reliability of the Company's reporting systems are achieved through the use of formal policies and procedures, the careful selection and training of employees, and appropriate delegation of authority and division of responsibilities. PricewaterhouseCoopers LLP has been retained to act as the Company's internal auditor. The responsibility of the internal auditor is to monitor and assess the integrity of the internal controls within key business processes. The Company's Code of Business Conduct, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the Company's affairs.

The external auditor, Ernst & Young LLP, whose report on their audit of the consolidated financial statements follows, also reviews the Company's systems of internal accounting control in accordance with Canadian generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

The Board of Directors appoints an Audit Committee consisting of directors who are not employees of the Company. This committee meets regularly with management, the internal auditor, and the external auditor to review significant accounting, reporting, and internal control matters. Both the internal and external auditors have unrestricted access to the Audit Committee. Following its review of the consolidated financial statements and the report of the external auditor, the Audit Committee submits its report to the Board of Directors recommending approval of the consolidated financial statements.



**Rowan Saunders**  
President and Chief Executive Officer



**Philip Mather**  
Executive Vice-President and Chief Financial Officer

Waterloo, Canada  
February 12, 2026

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

## Definity Financial Corporation

### Opinion

We have audited the consolidated financial statements of **Definity Financial Corporation** and its subsidiaries [the "Company"], which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### *Valuation of liabilities for incurred claims*

The Company reported insurance contract liabilities of \$3,801.7 million as at December 31, 2025, of which the liabilities for incurred claims were \$3,393.3 million and represented 64.2% of its total liabilities.

The principal consideration for our determination that the liabilities for incurred claims is a key audit matter is that its estimate involves the application of models, methodologies, and assumptions that require significant judgment. As a result, the audit of liabilities for incurred claims requires significant judgment and the involvement of specialists. Liabilities for incurred claims are determined in accordance with generally accepted actuarial practices. The main assumption underlying these estimates is that the Company's past claims development experience can be used to project future claims development. As such, actuarial claims projection techniques extrapolate the development of paid and incurred losses, frequency and severity of claims based on the observed development of earlier years and expected loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, considering the uncertainties involved. Disclosures on this matter are found in note 4 "Material Accounting Judgments, Estimates, and Assumptions" and note 8 "Insurance and Reinsurance Contracts".

Our audit procedures related to the valuation of liabilities for incurred claims were conducted with the support of our actuarial specialists and included the following, among other procedures:

- Evaluated the objectivity, independence, and expertise of the actuary appointed by management;
- Obtained an understanding of and tested the design and operating effectiveness of selected key controls related to the Company's claims process, including controls over the integrity of data flowing through the Company's administration systems;
- Obtained an understanding of the Company's actuarial methodologies and assessed whether they are determined in accordance with IFRS 17 – *Insurance Contracts* ("IFRS 17");
- Performed an independent valuation of liabilities for incurred claims for a sample of lines of business that reflects our expectations based on the Company's historical experience, current trends, and benchmarking to our industry knowledge

including information relating to forthcoming legislation and changes in the prevailing social, economic and legal environment that could affect claims settlement in terms of speed or amount. The high degree of uncertainty led to a high degree of auditor judgment;

- Performed analytical procedures, tests of detail and data integrity testing of incurred claims, paid claims, and earned premiums used in setting the case-by-case provisions, establishing historical loss ratios and in determining the current mix of business used in the valuation of liabilities for incurred claims; and
- Assessed the adequacy of the disclosures pertaining to the liabilities for incurred claims provided in notes to the consolidated financial statements.

### **Other information**

Management is responsible for the other information. The other information comprises:

- 2025 Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the 2025 Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the 2025 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The 2025 Annual Report is expected to be made available to us after the date of this auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kathryn Gardiner.

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
February 12, 2026

# CONSOLIDATED BALANCE SHEETS

(in millions of dollars)	Notes	As at	
		December 31 2025	December 31 2024
<b>ASSETS</b>			
Cash and cash equivalents		\$ 355.9	\$ 322.1
Restricted cash	2(d)	–	14.8
Investments	6	6,896.9	5,270.5
Income taxes receivable		0.9	6.7
Reinsurance contract assets	8,9	366.7	346.2
Property and equipment	10	98.6	104.8
Deferred income tax assets	11	21.0	13.2
Goodwill and intangible assets	12	1,562.3	1,397.5
Other assets	13	275.0	217.5
<b>Total assets</b>		<b>\$ 9,577.3</b>	<b>\$ 7,693.3</b>
<b>LIABILITIES AND EQUITY</b>			
Insurance contract liabilities	8,9	\$ 3,801.7	\$ 3,603.3
Accounts payable and other liabilities	14	186.3	148.1
Income taxes payable		21.2	42.3
Deferred income tax liabilities	11	153.3	154.3
Securities sold under repurchase agreements		–	110.1
Debt outstanding	15	1,122.7	114.3
Demutualization amounts outstanding	2(d)	–	14.8
<b>Total liabilities</b>		<b>5,285.2</b>	<b>4,187.2</b>
<b>EQUITY</b>			
Share capital	17	2,599.7	2,220.4
Contributed surplus	20	53.0	42.4
Retained earnings		1,375.8	1,058.1
Accumulated other comprehensive income (loss)		21.2	(1.1)
<b>Equity attributable to common shareholders</b>		<b>4,049.7</b>	<b>3,319.8</b>
Non-controlling interests	16	242.4	186.3
<b>Total equity</b>	18	<b>4,292.1</b>	<b>3,506.1</b>
<b>Total liabilities and equity</b>		<b>\$ 9,577.3</b>	<b>\$ 7,693.3</b>
Commitments and contingencies	25		

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



**J.H. Bowey, Director**



**R.B. Saunders, Director**

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)	Notes	2025	2024
Insurance revenue	8	\$ 4,677.1	\$ 4,258.4
Insurance service expenses	8,23	(3,930.3)	(3,672.8)
Net expenses from reinsurance contracts held	8,23	(156.4)	(105.3)
Insurance service result		590.4	480.3
Net investment income	6	215.7	198.2
Recognized gains on FVTPL investments	6	154.4	214.4
Investment income		370.1	412.6
Finance expenses from insurance contracts issued	8	(145.9)	(166.0)
Finance income from reinsurance contracts held	8	14.2	14.5
Net insurance financial result		(131.7)	(151.5)
Net insurance and investment result		828.8	741.4
Distribution revenues		229.4	186.0
Other expenses	23	(457.5)	(339.1)
Interest expense	15	(22.9)	(9.6)
Income before income taxes		577.8	578.7
Income tax expense	11	(151.8)	(143.8)
Net income		\$ 426.0	\$ 434.9
Net income attributable to:			
Common shareholders		418.2	430.4
Non-controlling interests	16	7.8	4.5
Earnings per common share (in dollars)	19		
Basic		\$ 3.57	\$ 3.75
Diluted		\$ 3.51	\$ 3.69
Weighted average common shares outstanding (millions)	19		
Basic		117.3	114.8
Diluted		119.1	116.5
Dividends paid per common share (in dollars)	17	\$ 0.75	\$ 0.64

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)	Notes	2025	2024
Net income		<b>\$ 426.0</b>	\$ 434.9
Items that may be reclassified subsequently to net income:			
Unrealized gain on derivatives designated as a cash flow hedge	5	<b>7.1</b>	–
Foreign exchange (loss) gain on investments in associates		<b>(1.9)</b>	3.1
Income tax expense	11	<b>(0.9)</b>	–
		<b>4.3</b>	3.1
Items that will not be reclassified subsequently to net income:			
Recognized gains on FVTOCI investments	6	<b>24.4</b>	30.9
Post-employment benefit obligation gain	21	<b>1.0</b>	9.0
Income tax expense	11	<b>(6.7)</b>	(10.5)
		<b>18.7</b>	29.4
Other comprehensive income		<b>23.0</b>	32.5
Comprehensive income		<b>\$ 449.0</b>	\$ 467.4
Comprehensive income attributable to:			
Common shareholders		<b>441.2</b>	462.9
Non-controlling interests	16	<b>7.8</b>	4.5

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)		2025						
		Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income	Equity attributable to non-controlling interests	Total equity
			\$ 2,220.4	\$ 42.4	\$ 1,058.1	\$ (1.1) <sup>2</sup>	\$ 186.3	\$ 3,506.1
					418.2			418.2
							7.8	7.8
					0.7 <sup>1</sup>	22.3		23.0
					418.9	22.3	7.8	449.0
	20		16.3	10.6	(20.2)			6.7
	17		(12.2)					(12.2)
					(88.5)			(88.5)
							(2.5)	(2.5)
							20.3	20.3
			375.2					375.2
	5						30.5	30.5
	2(d)				7.5			7.5
			\$ 2,599.7	\$ 53.0	\$ 1,375.8	\$ 21.2 <sup>2</sup>	\$ 242.4	\$ 4,292.1

(in millions of dollars)		2024						
		Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
			\$ 2,273.0	\$ 40.4	\$ 561.3	\$ (27.0)	\$ 159.2	\$ 3,006.9
					430.4			430.4
							4.5	4.5
					6.6 <sup>1</sup>	25.9		32.5
					437.0	25.9	4.5	467.4
	20		15.7	2.0	(16.5)			1.2
	17		(68.3)					(68.3)
					(73.7)			(73.7)
							(2.7)	(2.7)
	5						25.3	25.3
	2(d)				150.0			150.0
			\$ 2,220.4	\$ 42.4	\$ 1,058.1	\$ (1.1) <sup>2</sup>	\$ 186.3	\$ 3,506.1

<sup>1</sup> Actuarial gains for the post-employment benefit obligation recognized in retained earnings (net of income tax expense of \$0.3 million (2024: \$2.4 million)).

<sup>2</sup> Included in accumulated other comprehensive (loss) income is \$6.0 million (2024: \$7.9 million) related to the cumulative foreign exchange (loss) gain on investments in associates.

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)	Notes	2025	2024
Operating activities:			
Income before income taxes		\$ 577.8	\$ 578.7
Income taxes paid, net		(204.8)	(243.7)
Adjustments for non-cash items	24	1.8	(93.3)
Changes in operating assets and liabilities	24	137.8	65.5
Net cash provided by operating activities		<b>512.6</b>	307.2
Investing activities:			
Investments purchased		(4,568.3)	(5,965.9)
Investments sold, redeemed, or matured		3,125.2	5,900.2
Commercial loans collected		13.1	2.0
Purchases of intangible assets and property and equipment		(99.6)	(75.6)
Proceeds from property sold		22.1	–
Business acquisitions, net of cash acquired		(150.8)	(158.7)
Net cash used in investing activities		<b>(1,658.3)</b>	(298.0)
Financing activities:			
Dividends paid on common shares		(88.5)	(73.7)
Dividends paid to non-controlling interests		(2.5)	(2.7)
Common shares purchased and held in trust	17	(12.2)	(68.3)
Demutualization payments		(7.3)	(79.2)
Net (repurchase of) proceeds from securities sold under repurchase agreements		(110.1)	110.1
Net proceeds from the issuance of common shares		371.5	–
Equity subscriptions		17.5	–
Net proceeds from issuance of notes	5,15	996.3	–
Net cash provided by (used in) financing activities		<b>1,164.7</b>	(113.8)
Cash and cash equivalents, and restricted cash:			
Net increase (decrease) during the year		19.0	(104.6)
Balance, beginning of the year		336.9	441.5
Balance, end of the year		\$ 355.9	\$ 336.9
Cash		\$ 355.5	\$ 262.2
Cash equivalents		0.4	59.9
Total cash and cash equivalents		\$ 355.9	\$ 322.1
Restricted cash		–	14.8
Total cash and cash equivalents, and restricted cash		<b>\$ 355.9</b>	\$ 336.9

See accompanying notes to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

## 1. NATURE OF OPERATIONS

Definity Financial Corporation (the “Company”), through its subsidiaries, offers property and casualty (“P&C”) insurance in Canada. The Company was incorporated on June 30, 2021 and is domiciled in Canada. Its registered office and principal place of business is 111 Westmount Road South, Waterloo, Ontario, Canada. On January 1, 2024, Definity Financial Corporation ceased to be incorporated under the *Insurance Companies Act* and continued to the *Canada Business Corporations Act*. The Company’s shares are publicly traded on the Toronto Stock Exchange (TSX: DFY).

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared on a historical cost basis, except for those financial instruments, including those held in the defined benefit pension plan, that have been measured at fair value, and liabilities for incurred claims, assets for incurred claims, and benefit plan obligations which are valued on a discounted basis in accordance with accepted actuarial practice.

The financial statements of the subsidiaries and material associates are prepared for the same reporting period as the Company. Where necessary, the accounting policies of subsidiaries and associates are adjusted to align with those of the Company. The consolidated financial statements include the accounts of Definity Financial Corporation and its subsidiaries. The Company’s significant operating subsidiaries as at December 31, 2025 are Definity Insurance Company (“Definity Insurance”), Sonnet Insurance Company, Petline Insurance Company (“Petline”), Westmount Financial Inc., McDougall Insurance Brokers Limited (“McDougall”), Family Insurance Solutions Inc., and TEIG Investment Partnership (which holds the investment portfolio for Definity Insurance and a portion of the investment portfolio for Sonnet Insurance Company). Each of these significant operating subsidiaries operate and are incorporated or established in Canada. The Company has appointed a trust company as its administrative agent and record keeper of its share-based compensation plans as described in note 2(n). The Company’s non-controlling interest investments in companies subject to significant influence are accounted for using the equity method and are included in “Other assets”.

All amounts in the notes are shown in millions of Canadian dollars, unless otherwise stated.

These consolidated financial statements, which include the Company and its subsidiaries, were authorized for issuance and approved by the Company’s Board of Directors on February 12, 2026.

### (b) Basis of consolidation

When the Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee, the investee is considered a subsidiary. Subsidiaries are fully consolidated from the date that control is obtained by the Company. Subsidiaries are deconsolidated from the date that control ceases.

When the Company has significant influence over an investee, that is the power to participate in the financial and operating decisions of the investee but does not have control or joint control over those decisions, the investee is considered to be an associate. Associates are accounted for under the equity method. Under the equity method, the original cost of the investments is increased by the comprehensive income of the non-controlling interest since acquisition and reduced by any dividends received. All intercompany transactions and balances have been eliminated on consolidation to the extent of the interest in the associate.

Business combinations are accounted for using the acquisition method. The acquisition method requires that the acquirer recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, at the acquisition date. Acquisition costs directly attributable to the acquisition are expensed in the year incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest. Any contingent consideration is also measured at fair value at the acquisition date.

The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (c) Insurance and reinsurance contracts

#### *Insurance and reinsurance contracts classification*

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders by agreeing to compensate the policyholder if a specified event (the “insured event”) with uncertain timing or amount occurs. Similarly, by purchasing reinsurance, the Company transfers significant insurance risk to the reinsurers. As a general guideline, the Company determines whether significant insurance risk has been transferred for insurance and reinsurance contracts by comparing whether significantly more would be paid or received if the insured event occurs, versus if the insured event did not occur.

The Company assesses its insurance products to determine whether they contain distinct components that must be segregated and accounted for separately from IFRS 17 – *Insurance Contracts* (“IFRS 17”). Currently, the Company’s products do not include any distinct components that require separation.

#### *Level of aggregation*

IFRS 17 requires entities to determine the level of aggregation for applying its requirements. The level of aggregation is determined by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks that are managed together. The Company currently divides its business into portfolios by taking into consideration its lines of businesses, distribution channels, and geographic regions.

IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Within each year of issue, portfolios of contracts are divided into three groups, as follows: (i) a group of contracts that are onerous at initial recognition (if any), (ii) a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any), and (iii) a group of the remaining contracts in the portfolio (if any).

The Company considers facts and circumstances to identify whether a group of contracts is onerous at initial recognition based on estimated fulfilment cash flows, results of similar contracts it has recognized, pricing information, and the operating and regulatory environment. The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. For contracts that are not onerous, an assessment is made at initial recognition whether there is significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For reinsurance contracts held, a group can comprise a single contract.

#### *Contract boundary*

The Company includes in the measurement of a group of insurance and reinsurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which:

- The Company is compelled to pay amounts to the reinsurer or the reinsurer has the right to compel premiums from the Company; or
- The Company has a substantive right to receive insurance contract services from the reinsurer or the reinsurer has the obligation to provide services to the Company.

A substantive obligation or right ends when the Company has the practical ability to reassess risks and can set a price or level of benefits that fully reflects those risks.

#### *Recognition*

The Company recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

The Company recognizes a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (c) Insurance and reinsurance contracts (continued)

#### *Recognition (continued)*

- The date the Company recognizes a group of insurance contracts as onerous is the date the Company entered into the related reinsurance contract held at or before that date.

Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts acquired in a business combination within the scope of IFRS 3 – *Business Combinations* or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

#### *Insurance contracts – initial measurement*

The Company applies the premium allocation approach (“PAA”) to all the insurance contracts that it issues and reinsurance contracts that it holds. For contracts with coverage periods greater than one year, the Company reasonably expects that the measurement of the liabilities for remaining coverage (“LRC”) (or the assets for remaining coverage (“ARC”) with respect to reinsurance) for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general measurement model. The Company does not have any significant contracts with coverage periods greater than one year.

LRC is the obligation to provide coverage after the reporting period for insured events that have not yet occurred. The Company measures the carrying amount of the LRC as the premiums, if any, received at initial recognition minus any insurance acquisition cash flows paid at that date, and adjusted for any amount arising from the derecognition at that date of the asset recognized for insurance acquisition cash flows. The Company has elected to defer insurance acquisition cash flows over the contract period. The LRC is not adjusted for the time value of money as the premiums are due within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous, the Company will perform additional analyses to determine if a net outflow is expected from the contracts. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in the consolidated statements of income in “Insurance service expenses” for the expected net outflow. A loss component is established by the Company within the LRC for such onerous group depicting the losses recognized.

#### *Insurance contracts – subsequent measurement*

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period plus any premiums received in the period and any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period, minus insurance acquisition cash flows paid and the amount recognized as insurance revenue for the services provided in the period. Where, during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Company recognizes a loss in the consolidated statements of income in “Insurance service expenses” for the expected net outflow. The provision for onerous losses is reversed to net income over the coverage period of the associated contracts.

Liabilities for incurred claims (“LIC”) is the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. The Company estimates the LIC (or the assets for incurred claims (“AIC”) with respect to reinsurance) as the fulfilment cash flows related to incurred claims and other incurred insurance expenses. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the “risk adjustment”). The Company adjusts the LIC (or the AIC) to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of each portfolio of contracts.

The claim liabilities included in the LIC consist of reserves for reported claims as determined on a case-by-case basis by claims adjusters and an actuarially determined provision for incurred but not reported (“IBNR”) claims. Measurement uncertainty exists due to internal and external factors that can substantially impact the ultimate settlement costs. Consequently, the Company reviews and re-evaluates claims and reserves on a regular basis and any resulting adjustments are included in “Insurance service expenses” in the consolidated statements of income in the period the adjustment is made. The claim liabilities are extinguished when the obligation to pay a claim expires, is discharged, or is cancelled.

#### *Reinsurance contracts held – initial measurement*

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, the measurement reflects the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the ARC for a group of reinsurance contracts held, if applicable, for the expected recovery of the losses.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (c) Insurance and reinsurance contracts (continued)

#### *Reinsurance contracts held – initial measurement (continued)*

The Company calculates the loss-recovery component by multiplying the loss component recognized on the underlying insurance contracts by the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. In order to be included in the loss-recovery calculation, the group of reinsurance contracts held covering the onerous underlying contracts must be entered into before or at the same time as the loss is recognized on the underlying insurance contracts. The Company uses a systematic and rational method to determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

#### *Reinsurance contracts held – subsequent measurement*

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance contracts held.

#### *Insurance acquisition cash flows*

Insurance acquisition cash flows arise from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are capitalized and then expensed in the period over which the related premiums are recognized as income.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. If insurance acquisition cash flows are directly attributable to a group of insurance contracts, then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of insurance contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

#### *Insurance contracts – modification and derecognition*

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished (that is, when the specified obligations in the contract expire or are discharged or cancelled); or
- Its terms are modified in a way such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract. When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

#### *Presentation*

The Company disaggregates the total amount recognized in the consolidated statements of income into an insurance service result (comprising insurance revenue, insurance service expenses, and net expenses from reinsurance contracts held) and insurance finance income or expenses.

#### *Insurance revenue*

The insurance revenue for the period is the amount of expected premiums allocated to the period, and various customer service fees collected from policyholders. The Company allocates insurance revenue to each period based on the passage of time of the coverage period.

#### *Insurance service expenses*

Insurance service expenses arising from insurance contracts are recognized in the consolidated statements of income generally as they are incurred. Insurance service expenses include incurred claims and other incurred directly attributable expenses, amortization of insurance acquisition cash flows, changes that relate to past service (changes in fulfilment cash flows relating to the LIC), and changes that relate to future service (losses on onerous groups of contracts and reversals of such losses).

#### *Net expenses from reinsurance contracts held*

Included in net expenses from reinsurance contracts held on the consolidated statements of income are amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Where reinsurance cash flows are not contingent on claims on the underlying contracts, they are included as part of the allocation of reinsurance premiums.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (c) Insurance and reinsurance contracts (continued)

#### *Insurance finance income or expenses*

Insurance finance income or expenses comprise the change in the carrying amounts of the group of insurance and reinsurance contracts arising from the impact of discount unwinding, changes in discount rates, and the effect of financial risk and changes in financial risk. The Company includes all insurance and reinsurance finance income or expenses for the period in net income.

#### *Insurance contract liabilities and reinsurance contract assets*

Insurance contract liabilities at the end of each reporting period is the sum of the LRC and the LIC. Reinsurance contract assets at the end of each reporting period is the sum of the ARC and the AIC.

#### *Industry pools*

When certain automobile owners are unable to obtain insurance via the voluntary insurance market, they may be insured through Facility Association's Residual Market ("FARM"). In addition, entities can choose to cede certain risks to industry risk sharing pools ("RSP") administered by Facility Association or, in Québec, to the Plan de répartition des risques ("PRR") administered by the Groupement des assureurs automobiles (collectively "the pools"). The related risks associated with FARM insurance policies and policies ceded by companies to the pools are aggregated and shared by entities in the P&C insurance industry, generally in proportion to market share and volume of business ceded to the pools. The Company applies the same accounting policies to FARM and pool insurance policies it assumes as it does to insurance policies issued by the Company directly to policyholders and applies the same accounting policies to risks ceded to the pools as it does to reinsurance contracts held.

#### *Structured settlements*

In the normal course of claims settlement, the Company enters into annuity agreements with various Canadian life insurance companies, that are required to have credit ratings of at least "A-" or higher, to provide for fixed and recurring payments to claimants in full satisfaction of the claim liability. Under such arrangements, the Company removes the liability from its consolidated balance sheets when the liability to its claimants is substantially discharged and legal release has also been obtained from the claimant, although the Company remains exposed to the credit risk that life insurers will fail to fulfil their obligations. See note 7 for further discussion of credit risk.

### (d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on deposit with banks, and term deposits having original maturities of ninety days or less. Fair values approximate carrying values for term deposits.

The amount presented as restricted cash in the consolidated balance sheets was comprised of the cash held to satisfy the obligation outstanding to eligible recipients pursuant to the plan setting out the terms for the conversion of Definity Insurance ("Conversion Plan"). A portion of the eligible policyholders in the demutualization of Definity Insurance became Lost Recipients as defined in the Conversion Plan because their address was unknown at the time that benefits were distributed 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 any remaining Lost Recipients ceased on the Lost Recipient Claim Deadline of October 23, 2024, being 35 months following the completion of demutualization.

The Company has made sustained efforts over several years to effect distribution of demutualization benefits to Lost Recipients, including an administrative processing period following the Lost Recipient Claim Deadline to complete the distribution. This administrative processing period concluded in 2025. Shares issued to Lost Recipients were cancelled and cash benefits being held on behalf of Lost Recipients have been transferred from the depository agent to Definity Insurance. The Company believes that the return of restricted cash is non-taxable and accordingly \$7.5 million was recorded in 2025 directly to "Retained earnings" in the consolidated financial statements. In total, \$157.5 million has been recorded as an increase in "Retained earnings" since the Lost Recipient Claim Deadline.

### (e) Financial instruments including investments

The Company classifies all of its financial instruments based on the business model for managing the instruments and their contractual terms. The categories include the following:

- Amortized cost
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVTOCI")

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liabilities in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (e) Financial instruments including investments (continued)

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business that are responsible for managing investments are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value, and timing of asset sales are also important aspects of the Company's assessment. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the solely payments of principal and interest ("SPPI") test. The SPPI test involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are SPPI on the principal amount outstanding. The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors.

The classification of financial instruments at initial recognition depends on their contractual terms and the Company's business model for managing the instruments. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a settlement-date basis. Transaction costs are expensed as incurred for FVTPL financial instruments. For equity instruments designated as FVTOCI, transaction costs are included in the instrument's carrying value.

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given. Subsequent to initial recognition, the fair values are determined based on available information. The fair values of investments, excluding private debt pooled funds and commercial loans, are based on quoted bid market prices where available or observable market inputs. Private debt pooled funds consist of illiquid securities that are not traded in an active market or exchange and are managed by third-party firms. Third-party firms use fair valuation techniques to value the monthly net assets of private debt pooled funds. Fair value for each security within the private debt pooled funds is determined by the managers engaging valuation service providers as well as internal valuation techniques, such as discounted cash flow models, the use of a credit spread based on the terms of the security, and adjustments to the credit and yield as the managers deem relevant in the circumstances. The fair values of commercial loans and other financial instruments are obtained using discounted cash flow analysis at the current market interest rate for comparable financial instruments with similar terms and risks.

Financial instruments are no longer recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### *Financial assets measured at fair value through profit or loss*

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are required to be measured at fair value under IFRS 9 – *Financial Instruments* ("IFRS 9"). This category includes equity investments and derivative financial instruments whose cash flow characteristics fail the SPPI criterion and debt (including short-term) investments that are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This includes short-term investments, bonds, certain preferred stocks, common stocks, pooled funds, commercial loans, and derivative financial instruments. Short-term investments consist of term deposits having original maturities of greater than ninety days and less than one year. Derivatives are financial instruments that have value derived from underlying interest rates or other financial instrument prices or indices.

Changes in fair values as well as gains and losses on disposal of FVTPL financial instruments are recorded in "Recognized gains on FVTPL investments" in the consolidated statements of income with the related tax impact included in "Income tax expense". Gains and losses on the sale of FVTPL financial instruments are calculated on an average cost basis.

#### *Derivative financial instruments designated for hedge accounting*

Certain financial instruments that meet the requirement for hedge accounting may be designated as a cash flow hedge. The effective portion of the change in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognized in "Other comprehensive income" ("OCI") in the consolidated statements of comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognized in "Other expenses" in the consolidated statements of income. When a forecasted transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in "Accumulated other comprehensive gain (loss)" are transferred and included in the initial measurement of the cost of the asset. In May 2025, the Company entered into a foreign exchange forward contract, that was contingent on the closing of the acquisition of the Canadian P&C insurance operations of St. Paul Fire and Marine Insurance Company and Travelers Casualty and Surety Company (collectively "Travelers"), excluding surety and certain select business lines retained by Travelers, as disclosed in note 5. This foreign exchange forward contract was designated as a cash flow hedge.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (e) Financial instruments including investments (continued)

#### *Equity instruments measured at fair value through other comprehensive income*

The Company has opted to designate certain preferred stocks as FVTOCI without recycling of fair value changes to profit and loss as they are held for the purpose of earning dividend income and are not held with the intent of short-term profit taking.

#### *Other receivables/other financial liabilities*

Other receivables and other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Other financial liabilities are recognized net of transaction costs. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value in the consolidated statements of income.

#### *Repurchase agreements*

The Company enters into repurchase agreements to manage short-term cash flow requirements. Transactions through the repurchase agreements represent short-term funding transactions where the Company sells securities to major Canadian financial institutions and subsequently repurchases them at a specified price on a specified date in the future. As the Company does not substantially transfer the risks and rewards related to the securities sold, these assets, if any at the end of the period, remain on the consolidated balance sheets. The obligation to repurchase the securities sold, if any at the end of the period, is classified as other financial liabilities and is presented as “Securities sold under repurchase agreements” in the consolidated balance sheets. The interest expense associated with this obligation is included in “Interest expense” in the consolidated statements of comprehensive income.

#### *Investment income recognition*

Interest income is recognized on bonds and commercial loans on the accrual basis and includes the amortization of premiums and discounts over the life of the investment using the effective interest rate method. The treatment of recognized gains and losses on disposal of FVTPL and FVTOCI investments is discussed in “Financial assets measured at fair value through profit or loss” and “Equity instruments measured at fair value through other comprehensive income” above.

Dividend income is recognized on the ex-dividend date.

### (f) Distribution revenues

Distribution revenues include commission revenues received from external insurance providers by the Company’s consolidated brokers and are recognized on an accrual basis.

### (g) Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes amounts directly attributable to the acquisition of the items of property and equipment. Subsequent costs are added to the cost of the asset only when it is probable that economic benefits will flow to the Company in the future and the cost can be reliably measured.

Property and equipment are depreciated over their expected useful lives on a straight-line basis to their residual value. Each component of property and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. Depreciation is recognized in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income. Residual values, depreciation rates, and useful lives are reviewed at least annually and adjusted, if appropriate, at the reporting date. Land is not subject to depreciation and is carried at cost.

Estimated useful lives are as follows:

Buildings – structure	50 years
Buildings – infrastructure	25 years
Buildings – fixtures	15 years
Furniture and equipment	5–15 years
Computer equipment	4 years
Right-of-use assets	Lesser of the lease term and useful life

Property and equipment are derecognized upon disposal or when no further future economic benefits are expected from their use or disposal. Gains and losses on disposal are calculated as the difference between proceeds and net carrying value. Fully depreciated property and equipment are retained in cost and accumulated depreciation accounts until such assets are removed from service.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (h) Leases

The Company recognizes a right-of-use asset and a corresponding lease liability in the consolidated balance sheets with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For short-term and low-value leases, the Company recognizes the lease payments in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income on a straight-line basis over the term of the lease unless another systemic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are initially measured at the present value of the lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses an estimate of its incremental borrowing rate at the commencement of the lease. Lease payments are allocated between interest expense and a reduction of the outstanding lease liability. Lease liabilities are recognized in "Accounts payable and other liabilities" in the consolidated balance sheets.

At the commencement date of the lease, the cost of right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. These assets are depreciated over the shorter of the lease term or their useful life. Right-of-use assets are recognized in "Property and equipment" in the consolidated balance sheets. Incentives received from the lessor, such as rent-free periods, are recognized as part of the measurement of the right-of-use assets and lease liabilities.

Interest expense and depreciation expense are recognized in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income.

### (i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition, and include assets such as brand, distribution network, and customer relationships. Intangible assets include capitalized software costs, where the software is not integral to the hardware on which it operates. Costs that are directly attributable to the development and testing of identifiable and unique software products controlled by the Company are recognized in software when the criteria specified in International Accounting Standard ("IAS") 38 – *Intangible Assets* ("IAS 38") are met. Capitalized costs include employee costs for staff directly involved in software development and other direct expenditures related to the project. Other development expenditures that do not meet the capitalization criteria under IAS 38 are recognized as an expense as incurred. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful economic life. Amortization is recorded in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income. The useful lives for intangible assets with finite useful lives are reviewed at least annually. Intangible assets with indefinite lives and intangible assets that are under development are not amortized, but are tested at least annually for impairment.

Estimated useful lives are as follows:

Brand	Indefinite
Registry agent license	Indefinite
Distribution network	11 years
Customer relationships	8–15 years
Software	1–10 years

### (j) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that its non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company compares the asset's recoverable amount to the asset's carrying value. For the purposes of testing, assets are grouped into the lowest level in which cash inflows are largely independent of those from other assets or groups of assets. The recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

The following criteria are also applied in assessing impairment of specific assets:

#### *Goodwill*

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units.

The Company performs a goodwill impairment review at least annually and whenever there is an indication that goodwill may be impaired. The recoverable amount of each CGU has been determined based on the value in use ("VIU") using a discounted cash flow model. Impairment occurs when the carrying amount of the CGU exceeds the recoverable amount, in which case goodwill impairment is recognized prior to impairing other assets. Any impairment of goodwill or other assets is recorded in "Other expenses" in the consolidated statements of income in the year that such an impairment becomes evident. Previously recorded impairment losses for goodwill are not reversed in future years if the recoverable amount increases.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (j) Impairment of non-financial assets (continued)

#### *Investments in associates*

After application of the equity method, the Company determines whether there are any indicators of an impairment loss of the Company's investments in associates. If there is objective evidence of impairment, the Company calculates the recoverable amount of the associate. The amount by which the carrying amount exceeds the recoverable amount is the impairment loss recognized in the consolidated statements of income in "Other expenses".

### (k) Income taxes

Income tax expense is comprised of current and deferred income tax. Income tax is recognized in net income except to the extent that it relates to items recognized in OCI or directly to retained earnings.

Current income tax is the expected tax payable or receivable calculated on the taxable income or loss for the period, based on income tax laws and rates enacted or substantively enacted as at the reporting date. Interest income or expenses arising on tax assessments, if any, are included in "Other expenses" in the consolidated statements of income.

Deferred income tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes at the reporting date. Deferred income tax is calculated using income tax laws and rates enacted or substantively enacted as at the reporting date, which are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

### (l) Pensions, other post-employment benefits and other employee benefits

The Company provides certain pension and other post-employment benefits to eligible participants upon retirement.

#### *Pension benefits*

The Company operates a defined benefit pension plan primarily for certain employees hired prior to January 1, 2002, which requires contributions to be made to a separately administered fund. The benefit is based on the employee's length of service and final average pensionable earnings. The cost of the defined benefits is actuarially determined and accrued using the projected unit credit valuation method pro-rated on service. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate, and management's best estimates concerning such factors as salary escalation and retirement ages of employees. Costs recognized in the consolidated statements of income include the cost of pension benefits provided in exchange for employees' services rendered during the year, and the net interest cost calculated by applying a discount rate to the net defined benefit obligation. Actuarial gains and losses are recognized in full in OCI in the consolidated statements of comprehensive income in the year in which they occur and then immediately in retained earnings. They are not reclassified to net income in subsequent years. Past service costs, which are a result of a plan amendment or curtailment, are recognized in "Other expenses" in the consolidated statements of income when the amendment or curtailment has occurred.

The defined benefit asset or liability comprises the fair value of plan assets less the defined benefit obligation out of which the obligations are to be settled directly. This is recorded in the consolidated balance sheets in "Other assets" if the balance is in an asset position, and is recorded in "Accounts payable and other liabilities" if the balance is in a liability position. Plan assets are held by a long-term employee benefit fund and are not available to creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published closing price. The value of any defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company also has a defined contribution pension plan for certain employees, for which Company contributions are expensed in the year. The Company has no further payment obligations once the Company contributions and applicable administration fees have been paid.

#### *Non-pension benefits*

The Company provides other post-employment benefits for eligible employees hired prior to July 3, 2012. The Company accounts for the cost of all non-pension post-employment benefits, including medical benefits, dental care, and life insurance for eligible retirees, their partners, and qualified dependants, on an accrual basis. These costs are recognized in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income in the year during which services are rendered and are actuarially determined using the projected unit credit valuation method pro-rated on service. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate, and management's best estimates concerning such factors as salary escalation, retirement ages of employees, and expected health care costs. The impact of a plan curtailment is recognized in "Other expenses" in the consolidated statements of income when an event giving rise to a curtailment has occurred.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (l) Pensions, other post-employment benefits and other employee benefits (continued)

#### *Non-pension benefits (continued)*

Actuarial gains and losses, except for long-term disability benefits, are recognized in full in OCI in the year in which they occur and then immediately in retained earnings. They are not reclassified to net income in subsequent years. Actuarial gains and losses for long-term disability benefits are recognized in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income.

The accumulated value for non-pension post-employment benefits is recorded in the consolidated balance sheets in “Accounts payable and other liabilities”.

#### *Termination benefits*

Termination benefits are payable when employment is terminated, without cause, by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### *Short-term incentive plan*

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration various financial metrics and qualitative performance criteria. The Company recognizes a provision when contractually obliged or where there is a past practice that has created a reasonable expectation of a constructive obligation.

### (m) Provisions

Provisions, including restructuring provisions, are recognized when the Company determines that there is a present legal or constructive obligation as a result of a past event or decision, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### (n) Share-based compensation plans

#### *Long-term incentive plan*

Under the Long-Term Incentive Plan of the Company (“LTIP”), which became effective as of November 23, 2021, share units (restricted share units (“RSUs”) or performance share units (“PSUs”)) are granted to certain employees, with a unit value based on the volume weighted average trading price of the Company’s common shares during the five trading days immediately preceding the grant date. The RSUs and PSUs vest generally over three years after the grant date. The number of PSUs that ultimately vest is dependent on the Company’s performance relative to certain performance criteria. The method of settlement, cash or shares, is determined at the discretion of the Board of Directors of the Company (or a committee thereof). Once vested, the RSUs and PSUs are generally expected to be settled in shares. There is a floor mechanism in place to ensure that the PSUs do not pay when performance is below a minimum threshold.

The value of the equity-settled awards on the grant date is recognized as an expense over the vesting period in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income, with a corresponding increase to contributed surplus. The Company re-estimates the number of awards that are expected to vest at each reporting period.

#### *Deferred share unit plans*

The Company has deferred share unit plans in place, which became effective as of November 23, 2021, in which non-employee directors and certain executives of the Company are eligible to elect to receive all or a portion of their annual remuneration or incentive compensation, respectively, in the form of deferred share units (“DSUs”), cash, or any combination thereof. The unit value of each DSU at the time of grant is equal to the volume weighted average trading price of the Company’s common shares during the five trading days immediately preceding the grant date. The DSUs may be redeemed only when the director or executive ceases to be employed by the Company but generally do not have other vesting criteria. DSUs are settled in cash based on the weighted average trading price of the Company’s common shares during the five trading days immediately preceding the redemption date.

The DSUs are cash-settled awards with the associated liability recognized in “Accounts payable and other liabilities”. The DSU liability is remeasured at the end of each reporting date based on the volume weighted average trading price of the Company’s common shares during the immediately preceding five trading days, with any changes in fair value recognized in “Other expenses” in the consolidated statements of income.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (n) Share-based compensation plans (continued)

#### *Share ownership plan*

Effective as of November 23, 2021, under the Definity Share Ownership Plan (“DSOP”), employees may elect to make personal contributions to the DSOP up to a maximum of 10% of the employee’s base salary to purchase the Company’s common shares. Where an employee has made a personal contribution, the Company will match the contribution up to an annual maximum amount as periodically determined by the Company. The Company’s common shares are purchased on the open market by a third-party administrator using the personal and Company contributions. The Company’s contribution to the DSOP is recorded as an expense in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income at the time of the contribution.

#### *Stock option plan*

The Company has a stock option plan in place for certain employees, which became effective as of November 23, 2021. Under the terms of the plan, options to purchase common shares of the Company can be granted at an exercise price that shall not be lower than the market price on the date the option is granted. The market price is determined using the volume weighted average trading price of the Company’s common shares during the five trading days immediately preceding the date of the grant. The term of an option shall not exceed ten years from the date the option is granted. The options vest generally over four years after the grant date.

The fair value of options granted is measured using an option pricing model. The expense is recognized over the vesting period in “Other expenses” in the consolidated statements of income, with a corresponding increase to contributed surplus. When options are exercised, new common shares are issued, and the amount of contributed surplus along with the proceeds on exercise is recorded in share capital.

### (o) Foreign currency translation

#### *Functional and presentation currency*

The consolidated financial statements are presented, unless stated otherwise, in millions of Canadian dollars, which is also the functional currency of the Company. Each entity within the consolidated group determines its own functional currency based upon the currency used in the entity’s primary operating environment, and measures financial results based on that functional currency.

#### *Translation of foreign subsidiaries’ accounts*

Assets and liabilities of the Company’s foreign subsidiaries are translated from their functional currencies into Canadian dollars at the exchange rate in effect at the reporting date.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenues and expenses are translated at the monthly weighted average rate prevailing during the year. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recorded in OCI. On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that operation is recognized in net income.

#### *Translation of foreign currency transactions*

Transactions incurred in currencies other than the functional currency of the reporting entity are converted to the functional currency at the rate in effect on the transaction date. Monetary assets and liabilities denominated in a currency other than the functional currency are converted to the functional currency at the exchange rate in effect at the reporting date. Unrealized foreign currency gains and losses on FVTOCI financial instruments are included in OCI. All other foreign currency gains and losses are included in net income.

### (p) Embedded derivatives

At least annually, the Company conducts a search for embedded derivatives within its significant contracts. No material embedded derivatives were identified that required bifurcation.

### (q) Comparative figures

Certain comparative figures have been reclassified from financial statements previously presented to conform to the presentation of the current year’s consolidated financial statements.

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

In April 2024, the International Accounting Standards Board ("IASB") issued IFRS 18 – *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces IAS 1 – *Presentation of Financial Statements* ("IAS 1"). IFRS 18 carries forward many requirements from IAS 1 unchanged. IFRS 18 introduces new requirements on the presentation of specified categories and defined subtotals in the statements of income, disclosure of management-defined performance measures in the notes to the financial statements, and aggregation and disaggregation of financial information in the financial statements. IFRS 18 also makes certain amendments to IAS 7 – *Statement of Cash Flows*. The standard is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required, with specific transition provisions. The Company is currently assessing the impact of this standard on the presentation and disclosure of its consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 – *Financial Instruments: Disclosures*. The amendments clarify and add further guidance for assessing whether a financial asset meets the SPPI criterion and clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. The amendment also introduced additional disclosure requirements regarding investments in equity instruments designated at FVTOCI and financial instruments with contractual terms that can change cash flows, such as some instruments with features linked to the achievement of environmental, social, and governance targets. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. Retrospective application is required. The Company has elected to apply these amendments to all payments, excluding contracts in the scope of IFRS 17, with no restatement to the comparative figures. The impact of the amendments on the Company's consolidated financial statements is not material.

### 4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that 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 year. Actual results could differ from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable. The most complex and material judgments, estimates, and assumptions used in preparing the Company's consolidated financial statements are discussed below.

#### *Judgments*

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company has applied judgment in its determination of groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently, in the determination of cash flows that relate directly to the fulfilment of insurance contracts, the assessment of the evaluation of current obligations requiring provisions, the determination of CGUs, the identification of the indicators of impairment for property and equipment, goodwill, and intangible assets, the determination of control or significant influence over investees, and the recoverability and recognition of deferred tax assets.

#### *Estimates and assumptions*

Management has made a variety of estimates that have had a significant impact in the determination of the carrying amounts of certain key assets and liabilities including, but not limited to, the following:

#### **(a) Valuation of the LIC**

The Company has used estimates in the determination of the carrying amount of the LIC. The Company is required by applicable insurance laws, regulations, and IFRS to establish liabilities for payment of claims and claims adjustment expenses that arise from the Company's insurance products. These liabilities, which are included in the LIC, represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. The Company establishes its claim liabilities by region, product line, type and extent of coverage, and year of occurrence.

Claim liabilities fall into two categories: reserves for reported claims and provision for IBNR losses. Additionally, liabilities are held for claims adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

Determining the provision for unpaid claims and adjustment expenses, and the related reinsurers' share involves an assessment of the future development of claims. The estimates are principally based on the Company's historical experience. Methods of estimation have been used which the Company believes produce reasonable results given current information. This process takes into account the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises, and the delays in reporting claims. Claim liabilities include estimates subject to variability, which could be material. Changes to the estimates could result from future events such as receiving additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from past trends.

## 4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

### (a) Valuation of the LIC (continued)

In general, the longer the term required for the settlement of a group of claims, the greater the potential for variability in the estimate. Any future changes in estimates would be reflected in the consolidated statements of income in the year in which the change occurred.

The AIC includes amounts for expected recoveries from reinsurers related to claim liabilities. Amounts recoverable from reinsurers are evaluated in a manner consistent with the provisions of the reinsurance contracts. The failure of reinsurers to honour their obligations could result in losses to the Company, as the ceding of insurance does not relieve the Company of its primary liability to its insured parties.

#### *Discount rates*

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the associated insurance contracts. The Company generally determines the risk-free rates based on Government of Canada zero-coupon bonds. The risk-free yield curves are adjusted by an illiquidity premium reflecting differences between the liquidity characteristics of the financial instruments that underlie the risk-free rates observed in the market and the liquidity characteristics of the insurance contracts.

Discount rates applied for discounting of future cash flows are listed below as at December 31:

Yield curve	Insurance contracts issued / Reinsurance contracts held							
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years <sup>1</sup>
2025	3.2%	3.5%	3.7%	3.9%	4.0%	4.2%	4.4%	4.8%
2024	4.0%	4.2%	4.2%	4.3%	4.3%	4.4%	4.5%	4.7%

<sup>1</sup> Weighted average of the future discount rates for year 8 and beyond based on discounted future payments of claim liabilities (excluding risk adjustment for non-financial risks).

#### *Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a value-at-risk confidence level method to generally be in the range of the 75<sup>th</sup> to 80<sup>th</sup> percentile of the stochastically simulated results. This analysis has also been adjusted for correlation between different reserving segments, and the diversification between them.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Note 9 contains additional analysis of the impact of the key assumptions on the net of LIC and AIC.

### (b) Impairment of non-financial assets

The Company determines whether non-financial assets are impaired on an annual basis or more frequently if there are indicators of potential impairment. Impairment testing of non-financial assets requires an estimation of the recoverable amount of the CGUs to which the assets are allocated. See note 12 for further discussion of impairment testing of goodwill and intangible assets with indefinite lives.

### (c) Valuation of post-employment benefits obligation

The projected cost of defined benefit pension plans and other non-pension future benefits is determined using actuarial valuations performed by external pension actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rate, expected health care costs, inflation, and future pension increases. The details of the assumptions are disclosed in note 21. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual experience that differs from the assumptions will affect the amounts of the benefit obligation recognized in the consolidated balance sheets, the expense recognized in net income in the consolidated statements of income, and actuarial gains or losses recognized in OCI (or in insurance service expenses or other expenses as discussed in note 2) in the consolidated statements of comprehensive income.

## 4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

### (d) Measurement of income taxes

The Company is subject to income tax laws in various federal and provincial jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. To the extent that the Company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty.

## 5. BUSINESS COMBINATIONS

### (a) Acquisition of Travelers' Canadian P&C Insurance Business

On May 27, 2025, the Company announced that it had entered into a definitive agreement with Travelers to acquire the Canadian P&C insurance operations of Travelers, excluding surety and certain select business lines retained by Travelers, for cash consideration of approximately \$3.3 billion (the "Travelers Transaction").

The Travelers' Canadian P&C insurance business is a well-established multi-line business which includes commercial and specialty lines portfolios, and personal lines business. The Travelers Transaction strengthens the Company's leadership position, particularly in the broker channel, and delivers on the Company's financial objectives and inorganic growth strategy.

On January 2, 2026, the Company successfully completed the acquisition of all of the issued and outstanding shares of 8527512 Canada Inc., a Canadian holding company, and Travelers Insurance Company of Canada and The Dominion of Canada General Insurance Company, both of which are Canadian insurance companies. Travelers retained its Canadian surety business and certain select business lines. Travelers also retained the Canadian branch of St. Paul Fire and Marine Insurance Company, which entered into assumption reinsurance agreements with Travelers Insurance Company of Canada to cause Travelers Insurance Company of Canada to assume the St. Paul Fire and Marine Insurance Company business that the Company had acquired, and, conversely, for St. Paul Fire and Marine Insurance Company to assume the Travelers Insurance Company of Canada business that Travelers had retained.

The Company financed the approximate \$3.4 billion in cash consideration, including \$100 million of estimated transaction costs, with:

- Approximately \$385.4 million in gross proceeds raised on June 11, 2025 from concurrent private placements of common shares to the Company's cornerstone investor, Healthcare of Ontario Pension Plan Trust Fund, representing 19.9% of the gross proceeds, and a group of underwriters through the issuance of 5,782,256 common shares of the Company at a price of \$66.65 per common share. After payment of underwriter commissions of \$13.9 million (\$10.2 million net of applicable taxes), \$375.2 million was recorded as incremental share capital.
- On September 12, 2025, the Company completed a private placement of notes for gross proceeds of \$1 billion comprised of (i) \$650 million principal amount of 3.709% Series 1 senior unsecured notes due September 12, 2030 and (ii) \$350 million principal amount of 4.393% Series 2 senior unsecured notes due September 12, 2035.
- The Company secured fully syndicated acquisition-related bank facilities, comprised of a \$1.1 billion excess capital term loan and a \$375 million bank term loan, which were fully drawn upon the closing of the Travelers Transaction on January 2, 2026. On February 2, 2026, the excess capital term loan was repaid in its entirety.
- The remaining cash requirement of \$0.5 billion was funded through internal cash and investments.

In May 2025, the Company entered into a foreign exchange forward contract with a notional amount of \$2.4 billion United States dollars, which was contingent on the closing of the acquisition, to hedge the expected purchase price. The contract was designated as a cash flow hedge against the risk of adverse currency movements between the announcement and closing date of the acquisition. The acquisition was considered to be highly probable. Sources of hedge ineffectiveness include the hedging premium associated with deal contingent foreign exchange forwards. Upon the closing of the acquisition and settlement of the foreign exchange forward contract, amounts recorded in OCI will be applied to the acquisition consideration. In 2025, \$27.8 million hedge ineffectiveness was recorded as an expense in net income, and a \$7.1 million gain on the designated hedge was recorded in OCI.

The Company incurred acquisition-related expenses of \$18.7 million and integration expenses of \$27.3 million in 2025 related to the Travelers Transaction, which are included in "Other expenses" in the consolidated statements of income.

As at December 31, 2025, the Company had committed to acquisition-related expenses of \$12.7 million that were contingent on the Travelers Transaction closing.

The Company is currently in the process of assessing the fair values of the identifiable assets acquired and liabilities assumed, including the valuation of tangible assets and intangible assets. As such, the purchase price allocation is not yet complete.

## 5. BUSINESS COMBINATIONS (continued)

### (b) National Brokerage Platform

During 2025, the Company through its subsidiaries completed several broker acquisitions for a total purchase price of approximately \$164 million (subject to post-closing adjustments). The initial purchase price of the acquisitions was funded with cash of \$144 million, net of holdbacks for post-closing adjustments, and \$19 million in equity subscriptions in McDougall. Upon completion of the broker acquisitions during 2025, the Company's ownership interest in McDougall was approximately 73% (2024: 76%).

The preliminary allocation of the purchase price of the acquisitions to the fair value of assets acquired and liabilities assumed as at the acquisition dates was as follows:

(in millions of dollars)	
Purchase price consideration (net of cash acquired of \$0.2 million)	\$ 163.8
Allocated to:	
Net identifiable tangible liabilities acquired	(21.0)
Customer relationships	85.1
Brand	11.2
Non-controlling interests	(11.2)
Goodwill	99.7
	\$ 163.8

The fair value of the customer relationships was based on the multi-period excess earnings method. Key estimates and assumptions included estimating growth rates and profitability, contributory asset charges, and the discount rates which were based on the brokers' weighted average cost of capital. The acquired customer relationships are being amortized on a straight-line basis over 15 years. The fair value of the brands was based on the relief from royalty method and the brands were assessed as having an indefinite useful life. Key estimates and assumptions included the growth rate and the discount rate. The goodwill was attributable to expected growth and profitability contributions and the workforce of the acquired businesses. The goodwill arising from the acquisitions is not deductible for income tax purposes.

During 2024, the Company's subsidiary, McDougall, completed several broker acquisitions for total cash and share consideration of approximately \$195 million (subject to post-closing adjustments). The initial purchase price of the acquisitions was funded with cash of \$164 million, net of holdbacks for post-closing adjustments, and \$23 million in equity subscriptions in McDougall.

The allocation of the purchase price of the acquisitions to the fair value of assets acquired and liabilities assumed as at the acquisition dates was as follows:

(in millions of dollars)	
Purchase price consideration (net of cash acquired of \$4.9 million)	\$ 190.4
Allocated to:	
Net identifiable tangible liabilities acquired	(22.4)
Customer relationships	88.8
Brand	10.5
Non-controlling interests	(0.4)
Goodwill	113.9
	\$ 190.4

## 6. INVESTMENTS

### (a) Investment income and balances

Total investment income recognized in net income and OCI by financial instrument classification was as follows:

(in millions of dollars)	2025		
	FVTPL	FVTOCI	Total
Interest	\$ 187.6	\$ —	\$ 187.6
Dividends	22.3	12.3	34.6
Investment expenses	—	—	(6.5)
Net investment income	209.9	12.3	215.7
Recognized gains on:			
Short-term investments	1.6	—	1.6
Bonds	12.1	—	12.1
Preferred stocks	3.1	—	3.1
Common stocks	129.6	—	129.6
Pooled funds	7.5	—	7.5
Commercial loans	0.5	—	0.5
Recognized gains on FVTPL investments in net income	154.4	—	154.4
Recognized gains on investments in OCI	—	24.4	24.4
	\$ 364.3	\$ 36.7	\$ 394.5

(in millions of dollars)	2024		
	FVTPL	FVTOCI	Total
Interest	\$ 166.8	\$ —	\$ 166.8
Dividends	27.1	10.6	37.7
Investment expenses	—	—	(6.3)
Net investment income	193.9	10.6	198.2
Recognized gains on:			
Short-term investments	0.4	—	0.4
Bonds	53.9	—	53.9
Preferred stocks	28.8	—	28.8
Common stocks	119.9	—	119.9
Pooled funds	11.2	—	11.2
Commercial loans	0.2	—	0.2
Recognized gains on FVTPL investments in net income	214.4	—	214.4
Recognized gains on investments in OCI	—	30.9	30.9
	\$ 408.3	\$ 41.5	\$ 443.5

Investment carrying values by financial instrument classification were as follows:

(in millions of dollars)	2025		
	FVTPL	FVTOCI	Total
Short-term investments	\$ 1,234.5	\$ —	\$ 1,234.5
Bonds:			
Government	3,120.9	—	3,120.9
Corporate	1,373.6	—	1,373.6
Preferred stocks	143.8	252.1	395.9
Common stocks	613.9	—	613.9
Pooled funds	154.5	—	154.5
Commercial loans	3.6	—	3.6
	\$ 6,644.8	\$ 252.1	\$ 6,896.9

## 6. INVESTMENTS (continued)

### (a) Investment income and balances (continued)

(in millions of dollars)	2024		
	FVTPL	FVTOCI	Total
Short-term investments	\$ 97.4	\$ —	\$ 97.4
Bonds:			
Government	2,555.9	—	2,555.9
Corporate	1,487.2	—	1,487.2
Preferred stocks	143.7	182.8	326.5
Common stocks	698.4	—	698.4
Pooled funds	88.9	—	88.9
Commercial loans	16.2	—	16.2
	\$ 5,087.7	\$ 182.8	\$ 5,270.5

The fair value of the FVTOCI preferred stocks disposed of during 2025 was \$18.4 million (2024: \$45.3 million).

The fair value yield as at December 31, 2025 for the bond portfolio was 3.09% (2024: 3.36%).

### (b) Financial instruments measured at fair value

The Company categorizes its fair value measurements according to a three-level hierarchy, which prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The three levels of the fair value hierarchy are defined as follows:

- (i) Level 1 fair value measurements reflect unadjusted, quoted prices in active markets for identical assets, and liabilities that the Company has the ability to access at the measurement date. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1 and into Level 2 or Level 3 as appropriate. Included in the Level 1 category are exchange-traded derivatives and all stocks, both common and preferred, except the pooled funds.
- (ii) Level 2 fair value measurements use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable but are not prices such as interest rates and credit risks and inputs that are derived from or corroborated by observable market data. Included in the Level 2 category are all bonds which are valued on a discounted cash flow basis, the equity pooled funds which are valued based on quoted prices of the underlying securities in an active market, and short-term investments which are valued on a discounted cash flow basis. The inputs into the discounted cash flow model for the bonds and short-term investments are an estimate of the expected cash flows discounted at a pre-tax risk-free rate plus an appropriate adjustment for credit risk.
- (iii) Level 3 fair value measurements use significant non-market observable inputs, including assumptions about risk or liquidity. Included in the Level 3 category are private debt pooled funds and commercial loans.

For private debt pooled funds, the fair value for each security within the pooled funds is determined by the managers engaging valuation service providers as well as internal valuation techniques, such as discounted cash flow models, the use of a credit spread based on the terms of the security, and adjustments to the credit and yield as the managers deem relevant in the circumstances. The fair value of commercial loans is measured on a discounted cash flow basis at the current market interest rate for comparable financial instruments with similar terms and risks.

Distribution of financial instruments measured at fair value in the three-level hierarchy was as follows:

(in millions of dollars)	2025			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ —	\$ 1,234.5	\$ —	\$ 1,234.5
Bonds	—	4,494.5	—	4,494.5
Preferred stocks	395.9	—	—	395.9
Common stocks	613.9	—	—	613.9
Pooled funds	—	63.6	90.9	154.5
Commercial loans	—	—	3.6	3.6
	\$ 1,009.8	\$ 5,792.6	\$ 94.5	\$ 6,896.9

## 6. INVESTMENTS (continued)

### (b) Financial instruments measured at fair value (continued)

(in millions of dollars)	2024			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ —	\$ 97.4	\$ —	\$ 97.4
Bonds	—	4,043.1	—	4,043.1
Preferred stocks	326.5	—	—	326.5
Common stocks	698.4	—	—	698.4
Pooled funds	—	55.4	33.5	88.9
Commercial loans	—	—	16.2	16.2
	\$ 1,024.9	\$ 4,195.9	\$ 49.7	\$ 5,270.5

There were no transfers of financial instruments between the levels during the year (2024: nil).

Investments in equity and debt instruments are not subject to an impairment assessment, as they are measured at FVTPL or FVTOCI without recycling of fair value changes to net income.

### (c) Securities lending

The Company participates in a securities lending program managed by a major financial institution, whereby the Company lends securities it owns 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 December 31, 2025, securities with an estimated fair value of \$997.9 million (2024: \$780.3 million) have been loaned and financial assets with an estimated fair value of \$1,065.0 million (2024: \$828.9 million) have been received as collateral from the approved borrowers. Lending collateral as at December 31, 2025 was 100.0% (2024: 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 the Company retains the risks and rewards of ownership.

The financial compensation the Company receives in exchange for securities lending, amounting to \$0.9 million (2024: \$1.0 million), is reflected in the consolidated statements of income in "Net investment income".

### (d) Derivative financial instruments

The Company holds futures contracts, which are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organized market. The futures contracts are exchange-traded and collateralized by cash. As at December 31, 2025, the Company had derivative financial assets related to futures contracts with a notional amount of \$360.0 million (2024: \$145.8 million). These derivatives have an expected maturity date within the next year. The fair value of the derivative financial instruments related to futures contracts was not significant.

Fair values of exchange-traded derivatives are based on quoted market prices. Equity or bond index futures are standardized contracts transacted on an exchange. They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock or bond index and its corresponding market price level at a specified future date. There is generally no actual delivery of stocks or bonds that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

## 7. FINANCIAL RISK MANAGEMENT

The Company's financial instruments, including investments, are exposed to variability from interest rate risk (including the impact of credit spreads), equity market price risk and preferred stock price risk, credit risk, foreign exchange risk, and liquidity risk. The Company's Investment Policy Statement ("IPS") establishes asset mix parameters and risk limits which minimize undue exposure to these risks in the investment portfolio. The IPS is reviewed at least annually by the Executive Investment Committee. Compliance with the IPS is monitored quarterly by the Executive Investment Committee.

### (a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of assets and liabilities as they either mature or are contractually repriced. Changes in interest rates can occur from both changes in the Government of Canada bond yield curve and changes in relevant market credit spreads. Typically, interest income will be reduced during sustained periods of declining interest rates, but this will also generally increase the fair value of the bond portfolio. The opposite is true during a sustained period of increasing interest rates.

Interest rate risk is a significant risk to the Company due to the nature of its investments, LIC, and AIC. The impact of changes in the measurement of the Company's LIC and AIC due to changes in the market rates underlying the yield curves used for discounting is mitigated to some extent by the impact of interest rate changes on the Company's bond portfolio. The effect of interest rate risk associated with discounting the LIC and AIC is disclosed in note 9.

## 7. FINANCIAL RISK MANAGEMENT (continued)

### (a) Interest rate risk (continued)

The impact of an immediate hypothetical one percentage point change in interest rates (assuming a parallel shift across the yield curve) on the Company's bond portfolio, with all other variables held constant, is as follows:

(in millions of dollars)	2025		2024	
Change in interest rate (on the measurement of the Company's bond portfolio)	+ 1 pt	-1 pt	+ 1 pt	- 1 pt
Impact on income before income taxes	\$ (170.9)	\$ 181.0	\$ (156.2)	\$ 175.2

### (b) Common equity market price risk and preferred stock price risk

General economic conditions, stock market conditions, investor sentiment, and many other factors can positively or adversely impact the equity markets and, consequently, the value of equity investments the Company holds. The Company's investment portfolio includes Canadian common stocks with fair value movements that are benchmarked against movements in the S&P/TSX Composite Index, foreign stocks and equity pooled funds with fair values that are benchmarked against movements in the MSCI World Index, and private debt pooled funds with fair values that are benchmarked against movements in the FTSE Canada Short Term Corporate Bond Index. Also included in the investment portfolio are the Company's holdings of preferred stocks. Economic trends, interest rates, credit conditions, regulatory changes, and other factors can positively or adversely impact the value of preferred stocks that the Company holds. The fair value sensitivity of the Company's preferred stocks is assessed against movements in the Solactive Canadian Rate Reset Preferred Share Index.

The estimated impact of a 10% movement in the benchmark indices to the value of the Company's equity portfolio, with all other variables held constant, to the extent the Company does not dispose of any of these equities during the year, is as follows:

(in millions of dollars)	2025		2024	
Change in the benchmark indices (on the measurement of the Company's equity portfolio)	+ 10%	- 10%	+ 10%	- 10%
Impact on income before income taxes related to:				
Canadian stocks	\$ 48.8	\$ (48.8)	\$ 47.3	\$ (47.3)
Foreign stocks and pooled funds	\$ 24.2	\$ (24.2)	\$ 29.3	\$ (29.3)
FVTPL preferred stocks	\$ 13.0	\$ (13.0)	\$ 9.7	\$ (9.7)
Impact on recognized gains on FVTOCI investments related to:				
FVTOCI preferred stocks	\$ 22.8	\$ (22.8)	\$ 12.3	\$ (12.3)

### (c) Credit risk

Credit risk is the risk of financial loss caused by the Company's counterparties being unable or unwilling to meet payment obligations as they become due. The Company's credit risk arises primarily in the bond, preferred stock and commercial loan portfolios, the securities lending program, amounts due from policyholders, amounts owing from reinsurers, and structured settlements. Unless otherwise stated, the Company's credit exposure is limited to the carrying amount of these assets. The Company's principal approach to mitigate credit risk is to maintain high credit quality standards and to diversify credit exposures by limiting single name concentrations. Concentration risk also exists where multiple counterparties may be financially affected by changing economic conditions in a similar manner. As noted below, the Company has a concentration of investments in Canada and within the financial services sector. These risk concentrations are regularly monitored and adjusted as deemed necessary.

#### *Bonds and preferred stocks*

The Company manages its credit risk associated with bonds and preferred stocks by investing in bonds and preferred stocks that are primarily of high credit quality, and limits exposure with respect to any one issuer. On a regular basis, the Company also monitors publicly available information referencing the investments held in the investment portfolio to determine whether there are investments which require closer monitoring of the credit risk.

Of the bonds held as at December 31, 2025, 90.1% (2024: 85.8%) were rated "A-" or better and 86.2% (2024: 90.8%) of the preferred stocks were rated "P2L" or better. "A-" and "P2L" represent the ratings provided by a recognized rating service for high-grade bonds and preferred stocks, respectively.

## 7. FINANCIAL RISK MANAGEMENT (continued)

### (c) Credit risk (continued)

#### *Bonds and preferred stocks (continued)*

Of the preferred stocks and corporate bonds held, the industry of issuer was as follows:

	2025	2024
Financial services	58.1%	52.9%
Energy	14.1%	14.9%
Utilities	6.8%	6.5%
Communication services	6.5%	10.2%
Industrials	5.2%	6.1%
Consumer staples	4.4%	2.0%
Other	4.9%	7.4%
	100.0%	100.0%

Of the preferred stocks and bonds held, the country of issuer was as follows:

	2025	2024
Canada	99.1%	98.9%
United States	0.9%	1.1%
	100.0%	100.0%

#### *Securities lending*

As disclosed in note 6, the Company participates in a securities lending program. The Company manages credit risk associated with this program by obtaining indemnification against security borrower counterparty default from the major financial institution and by obtaining collateral with a fair value in excess of the value of the securities loaned under the program. The ratio of fair value of collateral obtained in excess of the fair value of the securities loaned as at December 31, 2025 was 106.7% (2024: 106.2%).

#### *Amounts due from policyholders*

The Company's credit exposure to any one individual policyholder or broker is not significant. The Company regularly monitors amounts due from policyholders and follows up on all overdue accounts. As permitted by legislation, when premiums are overdue for an extended period of time the Company cancels the insurance coverage under the applicable policy. Before a broker is granted a contract, due diligence reviews are conducted by the Company. Delinquent accounts are regularly monitored, and the Company takes appropriate action against non-payment. The allowance for doubtful accounts in the current and comparative periods is immaterial as overdue receivables are not significant.

#### *Commercial loans*

The Company periodically issues commercial loans to brokers. Annually, and where required more frequently, financial reviews are undertaken to determine if the broker is expected to be able to make the payments required by the loan as and when due.

#### *Reinsurance contract assets*

Credit exposures on the Company's reinsurance contract assets exist to the extent that any reinsurer may not be willing or able to reimburse the Company under the terms of the relevant reinsurance arrangements. The Company has policies which limit the exposure to individual reinsurers and a regular review process to assess the creditworthiness of reinsurers from whom the Company purchases coverage. The Company's reinsurance risk management policy significantly restricts the use of reinsurers with credit ratings less than "A-".

As at December 31, 2025, 97.0% (2024: 97.7%) of the Company's reinsurers have a credit rating of "A-" or better as determined by independent rating agencies. Where appropriate, the Company obtains collateral for outstanding balances in the form of cash, letters of credit, offsetting balances payable, guarantees, or assets held under reinsurance security agreements. The Company has recorded an allowance for losses on amounts due from reinsurers of \$0.5 million (2024: \$0.5 million).

#### *Structured settlements*

The Company has purchased annuities from life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, the Company is exposed to credit risk to the extent to which any of the life insurers fail to fulfil their obligations. This risk is managed by acquiring annuities from multiple life insurers with proven financial stability, most of which are rated "A-" or better by independent rating agencies. As at December 31, 2025, no information has come to the Company's attention that would suggest any weakness or failure in life insurers from which it has purchased annuities. Consequently, no provision for credit risk was recorded in 2025 (2024: nil). The original purchase price of the outstanding annuities was \$226.3 million (2024: \$227.8 million).

## 7. FINANCIAL RISK MANAGEMENT (continued)

### (d) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign exchange rates relative to the Canadian dollar. The Company's foreign exchange risk relates primarily to its foreign common stock and pooled fund holdings, which are denominated in various foreign currencies.

The Company's largest foreign currency exposure is to the US dollar. The estimated impact on the fair value of US dollar foreign stocks and pooled funds, and income before income taxes from a 10% change in the US dollar relative to the Canadian dollar is \$15.5 million (2024: \$19.5 million). Under this same scenario, the impact on the fair value of non-US dollar foreign stocks and pooled funds, and income before income taxes is \$2.0 million (2024: \$2.4 million), assuming historical correlations between currency pairs remain intact.

### (e) Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations, particularly those related to claim payments and debt servicing. Currently, the liquidity requirements of the Company's business and debt servicing are met primarily by funds generated from operations, asset maturities, and investment returns. Liquidity risk arises in relation to each of those funding sources. Cash provided from these sources normally exceeds cash requirements to meet claim payments, debt servicing, and other operating expenses. To mitigate liquidity risk, and to satisfy the Company's operational requirements, the Company has invested a portion of its assets in short-term (less than one year) highly liquid money market securities, and the Company has access to a revolving credit facility, as disclosed in note 15, subject to compliance with covenants. The Company has a highly liquid investment portfolio with a large portion of invested assets in highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements.

As at December 31, 2025, the Company had \$355.9 million (2024: \$322.1 million) of cash and cash equivalents and \$1,234.5 million (2024: \$97.4 million) of short-term investments. The Company also has a highly liquid investment portfolio. As at December 31, 2025, Canadian fixed income investments issued or guaranteed by domestic governments, investment-grade corporate bonds, publicly traded Canadian and foreign equities, and the pooled funds had a fair value of \$5,609.3 million (2024: \$5,125.7 million).

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Company, as well as the maturity profile of the LIC. For the LIC, maturity profiles are determined based on estimated timing of the remaining contractual net cash flows on an undiscounted basis, excluding the risk adjustment for non-financial risk. Commercial loans and lease liabilities are also presented on an undiscounted basis.

(in millions of dollars)	2025						Total
	Under 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years or no fixed maturity	
<b>Assets:</b>							
Cash and cash equivalents	\$ 355.9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 355.9
Short-term investments	1,234.5	—	—	—	—	—	1,234.5
Bonds	469.7	745.3	675.7	649.3	526.9	1,427.6	4,494.5
Preferred stocks	13.2	83.2	101.6	132.3	52.4	13.2	395.9
Commercial loans	0.5	0.5	0.5	0.5	0.6	1.2	3.8
Accrued investment income	33.1	—	—	—	—	—	33.1
Income taxes receivable	0.9	—	—	—	—	—	0.9
Other receivables	78.7	—	—	—	—	—	78.7
	<b>\$ 2,186.5</b>	<b>\$ 829.0</b>	<b>\$ 777.8</b>	<b>\$ 782.1</b>	<b>\$ 579.9</b>	<b>\$ 1,442.0</b>	<b>\$ 6,597.3</b>
<b>Liabilities:</b>							
LIC undiscounted, excluding risk adjustment	\$ 1,211.2	\$ 620.3	\$ 458.6	\$ 370.8	\$ 281.7	\$ 627.2	\$ 3,569.8
Accounts payable and other liabilities <sup>1</sup>	119.6	1.8	1.7	1.6	1.5	18.2	144.4
Lease liabilities	10.2	8.6	7.2	5.5	5.3	13.5	50.3
Income taxes payable	21.2	—	—	—	—	—	21.2
Debt outstanding <sup>2</sup>	39.5	39.5	39.5	39.5	803.8	426.8	1,388.6
	<b>\$ 1,401.7</b>	<b>\$ 670.2</b>	<b>\$ 507.0</b>	<b>\$ 417.4</b>	<b>\$ 1,092.3</b>	<b>\$ 1,085.7</b>	<b>\$ 5,174.3</b>

<sup>1</sup> Accounts payable and other liabilities exclude lease liabilities.

<sup>2</sup> Debt outstanding includes the Company's credit facility, as disclosed in note 15, which has a term ending on August 12, 2030 and is subject to annual renewal, as well as a private placement of senior unsecured notes for gross proceeds of \$1 billion.

## 7. FINANCIAL RISK MANAGEMENT (continued)

### (e) Liquidity risk (continued)

(in millions of dollars)	2024						Over 5 years or no fixed maturity	Total
	Under 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years			
Assets:								
Cash and cash equivalents	\$ 322.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 322.1
Short-term investments	97.4	—	—	—	—	—	—	97.4
Bonds	290.8	597.4	571.4	629.1	507.2	1,447.2	—	4,043.1
Preferred stocks	57.4	18.5	78.2	81.0	90.3	1.1	—	326.5
Commercial loans	2.3	2.5	2.7	2.9	3.0	3.5	—	16.9
Accrued investment income	29.8	—	—	—	—	—	—	29.8
Income taxes receivable	6.7	—	—	—	—	—	—	6.7
Other receivables	50.8	—	—	—	—	—	—	50.8
	\$ 857.3	\$ 618.4	\$ 652.3	\$ 713.0	\$ 600.5	\$ 1,451.8	—	\$ 4,893.3
Liabilities:								
LIC undiscounted, excluding risk adjustment	\$ 1,149.3	\$ 575.9	\$ 421.8	\$ 351.9	\$ 276.2	\$ 656.6	—	\$ 3,431.7
Accounts payable and other liabilities <sup>1</sup>	88.1	1.7	1.6	1.5	1.4	18.6	—	112.9
Lease liabilities	9.2	8.1	6.2	5.0	3.7	11.7	—	43.9
Income taxes payable	42.3	—	—	—	—	—	—	42.3
Securities sold under repurchase agreements	110.1	—	—	—	—	—	—	110.1
Debt outstanding	—	—	—	—	114.3	—	—	114.3
	\$ 1,399.0	\$ 585.7	\$ 429.6	\$ 358.4	\$ 395.6	\$ 686.9	—	\$ 3,855.2

<sup>1</sup> Accounts payable and other liabilities exclude lease liabilities.

Note 21(c) contains the maturity profile for other post-employment benefit obligations.

The Company believes that it currently has the flexibility to obtain the funds needed to meet cash requirements on an ongoing basis.

There were no significant changes in the Company's objectives, policies, and processes used to manage and measure the Company's financial risks compared to the previous year.

## 8. INSURANCE AND REINSURANCE CONTRACTS

### (a) Insurance contract liabilities

The roll-forward of the liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is presented in the following tables:

(in millions of dollars)	2025				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of year	\$ 364.3	\$ 13.8	\$ 3,046.8	\$ 178.4	\$ 3,603.3
Insurance revenue	(4,677.1)	–	–	–	(4,677.1)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	–	(13.8)	3,006.9	66.9	3,060.0
Amortization of insurance acquisition cash flows	943.5	–	–	–	943.5
Changes in fulfilment cash flows relating to the liabilities for incurred claims	–	–	(15.4)	(57.8)	(73.2)
Losses on onerous contracts and reversals of such losses	–	–	–	–	–
Insurance service result	(3,733.6)	(13.8)	2,991.5	9.1	(746.8)
Finance expenses from insurance contracts issued	–	–	145.9	–	145.9
Total changes in the consolidated statements of income	(3,733.6)	(13.8)	3,137.4	9.1	(600.9)
Cash flows:					
Premiums received	4,750.5	–	–	–	4,750.5
Claims and other directly attributable expenses paid	–	–	(2,886.9)	–	(2,886.9)
Insurance acquisition cash flows	(972.8)	–	–	–	(972.8)
Total cash flows	3,777.7	–	(2,886.9)	–	890.8
Other movements	–	–	(91.5)	–	(91.5)
Insurance contract liabilities, end of year	\$ 408.4	\$ –	\$ 3,205.8	\$ 187.5	\$ 3,801.7

(in millions of dollars)	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of year	\$ 336.2	\$ 23.1	\$ 2,962.2	\$ 172.3	\$ 3,493.8
Insurance revenue	(4,258.4)	–	–	–	(4,258.4)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	–	(34.5)	2,805.9	58.0	2,829.4
Amortization of insurance acquisition cash flows	888.4	–	–	–	888.4
Changes in fulfilment cash flows relating to the liabilities for incurred claims	–	–	(18.3)	(51.9)	(70.2)
Losses on onerous contracts and reversals of such losses	–	25.2	–	–	25.2
Insurance service result	(3,370.0)	(9.3)	2,787.6	6.1	(585.6)
Finance expenses from insurance contracts issued	–	–	166.0	–	166.0
Total changes in the consolidated statements of income	(3,370.0)	(9.3)	2,953.6	6.1	(419.6)
Cash flows:					
Premiums received	4,305.0	–	–	–	4,305.0
Claims and other directly attributable expenses paid	–	–	(2,781.6)	–	(2,781.6)
Insurance acquisition cash flows	(906.9)	–	–	–	(906.9)
Total cash flows	3,398.1	–	(2,781.6)	–	616.5
Other movements	–	–	(87.4)	–	(87.4)
Insurance contract liabilities, end of year	\$ 364.3	\$ 13.8	\$ 3,046.8	\$ 178.4	\$ 3,603.3

## 8. INSURANCE AND REINSURANCE CONTRACTS (continued)

### (a) Insurance contract liabilities (continued)

The composition of the insurance contract liabilities was as follows as at December 31:

(in millions of dollars)	2025	2024
Premiums receivable	\$ (1,505.0)	\$ (1,431.0)
Unearned premiums	2,281.9	2,134.5
Unearned premiums received	776.9	703.5
Unamortized insurance acquisition cash flows	(368.5)	(339.2)
Onerous loss provision	–	13.8
Provision for unpaid claims and other directly attributable payables	3,393.3	3,225.2
	<b>\$ 3,801.7</b>	<b>\$ 3,603.3</b>

### (b) Reinsurance contract assets

The roll-forward of the reinsurance contract assets showing the assets for remaining coverage and the assets for incurred claims is presented in the following tables:

(in millions of dollars)	2025				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of year	\$ 23.8	\$ –	\$ 304.1	\$ 18.3	\$ 346.2
Allocation of reinsurance premiums	(365.6)	–	–	–	(365.6)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	–	–	206.6	8.0	214.6
Changes to amounts recoverable for incurred claims	–	–	1.4	(6.8)	(5.4)
Net expenses from reinsurance contracts held	(365.6)	–	208.0	1.2	(156.4)
Finance income from reinsurance contracts held	–	–	14.2	–	14.2
Total changes in the consolidated statements of income	(365.6)	–	222.2	1.2	(142.2)
Cash flows:					
Premiums paid	382.8	–	–	–	382.8
Amounts received	–	–	(220.1)	–	(220.1)
Total cash flows	382.8	–	(220.1)	–	162.7
Reinsurance contract assets, end of year	\$ 41.0	\$ –	\$ 306.2	\$ 19.5	\$ 366.7

## 8. INSURANCE AND REINSURANCE CONTRACTS (continued)

### (b) Reinsurance contract assets (continued)

(in millions of dollars)	2024				
	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets, beginning of year	\$ 45.3	\$ –	\$ 270.5	\$ 14.6	\$ 330.4
Allocation of reinsurance premiums	(330.6)	–	–	–	(330.6)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	–	–	200.7	7.8	208.5
Changes to amounts recoverable for incurred claims	–	–	20.9	(4.1)	16.8
Net expenses from reinsurance contracts held	(330.6)	–	221.6	3.7	(105.3)
Finance income from reinsurance contracts held	–	–	14.5	–	14.5
Total changes in the consolidated statements of income	(330.6)	–	236.1	3.7	(90.8)
Cash flows:					
Premiums paid	309.1	–	–	–	309.1
Amounts received	–	–	(202.5)	–	(202.5)
Total cash flows	309.1	–	(202.5)	–	106.6
Reinsurance contract assets, end of year	\$ 23.8	\$ –	\$ 304.1	\$ 18.3	\$ 346.2

The composition of the reinsurance contract assets was as follows as at December 31:

(in millions of dollars)	2025	2024
Premiums ceded payable	\$ (28.6)	\$ (34.7)
Unearned premiums ceded	84.9	72.8
Unearned reinsurance premiums paid	56.3	38.1
Claims recoverable from reinsurance contracts held	324.5	322.7
Unearned reinsurance commissions received	(14.1)	(14.6)
	\$ 366.7	\$ 346.2

The Company follows the policy of underwriting and reinsuring contracts of insurance, which limits the liability of the Company for individual large losses and in the event of a series of claims arising out of a single occurrence and for an aggregation of several such occurrences in the same year. These limits were as follows:

(in millions of dollars)	2025	2024
Individual loss		
Property		
Net company retention <sup>1</sup>	\$ 5.0	\$ 5.0
Maximum limit <sup>2</sup>	100.0	100.0
Auto and general liability		
Net company retention <sup>1</sup>	4.0	4.0
Maximum limit	40.0	40.0
Catastrophe – primary		
Net company retention <sup>1</sup>	75.0	60.0
Maximum limit <sup>2</sup>	2,075.0	2,075.0
Catastrophe – aggregate		
Annual aggregate deductible <sup>3</sup>	–	65.0
Annual aggregate limit <sup>3</sup>	–	25.0

<sup>1</sup> Excludes reinstatement premiums, co-participations between the retention level and maximum limit, and tax impacts.

<sup>2</sup> Excludes co-participation.

<sup>3</sup> Effective January 1, 2025, the catastrophe aggregate reinsurance treaty was not renewed, but claims occurring prior to January 1, 2025 will continue to be managed on the previous treaty years as applicable. Contributing event to the annual aggregate deductible and limit was a maximum of \$27 million on events above \$3 million as at December 31, 2024.

## 8. INSURANCE AND REINSURANCE CONTRACTS (continued)

### (b) Reinsurance contract assets (continued)

For catastrophe events, the Company participated an average of 2.4% on layers between the net company retention and the maximum limit as at December 31, 2025 (2024: 2.7%). There is no Company participation on individual loss events between \$75 million and \$180 million, subject to reinstatement premiums.

The Company also purchases other types of reinsurance tailored to individual risks or specific exposures as required by its underwriting guidelines and risk management practices. The Company may retain small participations on other reinsurance treaties based on market conditions and risk appetite.

Effective January 1, 2026, the Company's maximum limit for catastrophe events is \$2,680 million with a net company retention of \$90 million, before reinstatement premiums. In addition, the Company retains an average participation of 3.8% on the treaty for reinsurance losses in excess of \$630 million. There is no Company participation on individual loss events between \$90 million and \$630 million, subject to reinstatement premiums.

## 9. INSURANCE RISK MANAGEMENT

By the very nature of an insurance contract, there is uncertainty as to whether an insured event will occur and the amount of loss that would arise in such an event. In the course of these insurance activities, there are several risks the Company must address by applying appropriate underwriting and claims policies and processes. The following discussion outlines the most significant insurance risks and the practices employed to mitigate these risks.

### (a) Underwriting risk

#### *Underwriting and pricing*

Underwriting risk is the risk of adverse financial exposures arising from various activities integral to the underwriting of insurance products, including product design, pricing, risk acceptance, and claims settlement. The Company's exposure to concentrations of insured risks is mitigated by the use of segmentation, policy issuance and risk acceptance rules, individual limits, product features, and reinsurance.

The concentration of insurance revenue by line of business was as follows:

	2025	2024
Personal auto	41.4%	41.3%
Personal property	26.7%	27.1%
Commercial lines	31.9%	31.6%
	100.0%	100.0%

The concentration of insurance revenue by region was as follows:

	2025	2024
Ontario	59.4%	57.8%
Alberta and Prairies	14.3%	14.9%
British Columbia	11.8%	11.8%
Québec	7.2%	7.5%
Atlantic	7.3%	8.0%
	100.0%	100.0%

A financial loss occurs when the liabilities assumed exceed the expectation reflected in the pricing of an insurance product. The Company prices its products by taking into account numerous factors including product design and features, claim frequency and severity trends, inflationary cost pressures including social inflation, product line expenses, special risk factors, capital requirements, regulatory requirements, competitive forces, and expected investment returns. These factors are reviewed and adjusted on an ongoing basis with a view to confirming that they are reflective of current trends and market conditions. The Company endeavours to maintain pricing levels that produce an acceptable return by appropriately measuring and incorporating these factors into its pricing decisions. New products and material product changes are subject to a detailed review by management, including the Company's actuarial specialists, prior to their launch in order to mitigate the risk that they are priced at an inadequate level. Pricing segmentation and risk selection are used together with a view to attracting and retaining risks at acceptable return rates. The process of pricing involves the use of models, which exposes the Company to the risk that actual results differ from those modelled (model risk), due to model limitations, data issues, human error, or other factors. The risk associated with modelling is mitigated through the application and adherence to the Enterprise Model Risk Management Policy and various enterprise model guidelines.

## 9. INSURANCE RISK MANAGEMENT (continued)

### (a) Underwriting risk (continued)

#### *Underwriting and pricing (continued)*

The performance and pricing of all of the Company's products are regularly monitored, and corrective action is taken as considered necessary. Examples of possible corrective actions include modification of product pricing, terms, conditions, or eligibility requirements, modification of the level of capacity provided to a product or a specific region, changes to marketing strategy, the use of reinsurance, or industry risk sharing pools, as applicable, and eliminating the offering of some products or product features. The lead-time for implementing pricing or product modifications may be extended due to the time required for internal and/or regulatory approval processes, updating the Company's underwriting systems, and educating brokers and/or customers on the modifications. The modifications would then be applied prospectively to new and renewing policies.

To manage the risk arising from underwriting, the Company has policies and training that set out the underwriting risk appetite and criteria, as well as specified tolerances for maximum risk retention and management processes to monitor compliance with these limits. The Company utilizes reinsurance and industry risk sharing pools, where available, in order to manage its exposure to insured risks.

#### *Claims settlement*

To control the Company's exposure to unpredictable future developments that could negatively impact claims settlement, the Company promptly responds to new claims and actively manages existing claims, thereby shortening the claims cycle. In addition, the Company's regular detailed review of claims handling procedures, active litigation management, and proactive identification and investigation of possible fraudulent claims seeks to ensure the claims risk exposure, at a portfolio level, does not exceed the claim cost expectations inherent in the pricing of the Company's products.

#### *Legal and regulatory implications*

The P&C insurance industry is subject to significant government regulation. As a result, it is possible that future legislative or regulatory changes or changes in interpretations may limit the Company's ability to adjust prices, adjudicate claims, or take other actions that would impact operating results. The Company seeks to mitigate this risk through regular discussions with regulators and P&C insurance industry groups to ensure the Company is aware of proposed changes and by providing feedback to legislators and regulators on proposed changes. The Company monitors compliance with relevant legislation and considers the implications of potential changes in legislation or its interpretation on future results. Note 18 provides information on regulatory capital requirements. Note 22 provides additional details on rate regulation.

In addition, plaintiffs continue to bring new types of legal claims against insurance and related companies. Current and future court decisions and legislative and regulatory activity may increase the Company's exposure to these types of legal claims. This risk of potential liability may make reasonable resolution of claims more difficult to obtain. To mitigate the Company's exposure to these types of legal claims, the Company intends to respond to new insurance and legal claims promptly and actively manage existing insurance and legal claims. When necessary, claims reserves are adjusted to reflect potential legal defence costs, and potential court awards and settlements.

#### *Quality review procedures*

Quality review procedures seek to ensure that the Company's underwriting and claim activities fall within established guidelines, expected practices, and pricing structures. Centralized and field level reviews are conducted on a test basis. The results of these quality reviews are shared with the appropriate management and staff with the intention that any issues identified can be promptly addressed.

#### *Reinsurance*

The Company uses reinsurance to manage its exposure to insurance risks, thereby reducing the potential impact on the Company's financial performance and capital position. Reinsurance coverage risk arises because reinsurance terms, conditions, availability, and pricing may change on renewal, particularly following domestic, foreign, or global catastrophe events, or as a result of higher-than-expected claims frequency and/or severity on non-catastrophe reinsurance treaties. In addition, reinsurers may seek to impose terms that are inconsistent with corresponding terms in the policies written by the Company, which may reduce the eligible claims costs that can be ceded to the reinsurers. Ceding risk to reinsurers does not relieve the Company of the obligation to its policyholders for claims; therefore, the Company manages the level of credit risk associated with reinsurers and the Company's recoverable balances. Note 7 provides information on credit risk. Management reviews the Company's reinsurance program with the intention of ensuring its cost effectiveness and the adequacy of coverage obtained, which reflects the Company's risk tolerances, underwriting practices, and financial strength, while at the same time complying with its reinsurance and capital risk management policies.

## 9. INSURANCE RISK MANAGEMENT (continued)

### (b) Reserve estimate risk

Reserve estimate risk is the risk that the LIC net of the AIC are insufficient to cover future insurance service claim payments and associated expenses related to incurred claims, taking into account the time value of money (i.e. discounting future cash flows) and an explicit adjustment for non-financial risk (i.e. risk adjustment).

#### *Nominal claims liabilities*

Nominal claims liabilities reflect the estimates of future payment of all incurred claims and claims adjustment expenses with respect to insurance contracts underwritten by the Company (LIC) and future recoveries with respect to reinsurance contracts held by the Company (AIC). The reserve estimate risk related to nominal claims liabilities is the risk that the future payments will differ from the estimated amounts. The estimates do not represent an exact measurement, but rather a best estimate of the expected ultimate future cost of resolution and administration of claims. To address inflation risk, expected inflation is taken into account in the estimation process. The estimation involves the use of models, which exposes the Company to model risk in the event that actual results differ from those modelled. The risk associated with modelling is mitigated through the application and adherence to the Enterprise Model Risk Management Policy and various enterprise model guidelines.

Nominal claims liabilities include estimates for reported claims, as established by the Company's claims adjusters based on the details of reported claims (referred to as "case reserves"), and provisions established by the Company's corporate actuaries to account for case reserve misestimation and unreported claims (referred to as IBNR), and for the future expense incurred by the Company's claims department to adjudicate and settle claims (referred to as the internal claims expense or "ICE" provision).

With respect to case reserves, eligible claim submissions are triaged and assessed for validity and expected cost and salvage or subrogation recoveries through the application of a series of algorithms, real time analytics, and integration of third-party services or by manual review by an adjuster. After the triage stage is complete, the Company leverages artificial intelligence (AI) tools to ensure the claim is handled effectively and efficiently, such as assigning the claim to an appropriate claims adjuster, and supporting the claims adjuster to determine whether an automobile which is the subject of a claim is repairable. All individual claims estimates are determined by claims adjusters on a case-by-case basis in accordance with documented policies and procedures. These specialists apply their experience, knowledge, and expertise, after taking into account available information regarding the circumstances of the claim to set individual case reserve estimates.

Uncertainty exists on reported claims in that all information may not be available at the valuation date. Uncertainty also exists regarding the number and size of claims not yet reported as well as the timing of when the claims will be reported. Accordingly, the IBNR provision is intended to cover future additional costs, including inflation, emerging on both reported claims and claims that have occurred but have not yet been reported.

IBNR and ICE are based on estimates derived using generally accepted actuarial techniques. Numerous individual assumptions that impact average claim costs or frequency of late-reported claims are made for each line of business. The main assumption in the majority of actuarial techniques employed is that future claims development will follow a pattern similar to recent historical experience. However, there are times where historical experience is deemed inappropriate for evaluating future development because there is insufficient credible data, or because changes in product features, claims handling practices, climate patterns, inflationary cost pressures including social inflation, judicial decisions, legislation or major shifts in a book of business indicate a departure from historical trends. Such instances can require significant actuarial judgment, often supported by industry benchmarks and studies, in establishing an adequate provision for nominal claims liabilities.

Establishing an adequate provision for nominal claims liabilities is an inherently uncertain process and is closely monitored by the Company's corporate actuarial department. Case reserves, IBNR, and ICE are subject to internal and/or external peer review processes to assess the adequacy of the aggregate provision and compliance with professional standards.

#### *Impact of discounting*

The nominal claims liabilities recognize that claims and expense payments and recoveries will be made in the future, and therefore are discounted to reflect the time value of money. The impact of discounting takes into account the expected future timing of payments and recoveries and a selected yield curve. The yield curve used to discount the future payments is based on current risk-free spot rates by maturity, adjusted for liquidity of the insurance contracts.

The expected future timing of payments and recoveries is estimated by the Company's corporate actuaries leveraging generally accepted actuarial techniques. The timing of future payments and recoveries is exposed to uncertainty and estimation risks similar to those listed above with respect to IBNR and ICE. Specifically, this uncertainty is considered with respect to the yield curve used to determine the discount amount, whereas the impact of future yield curve and liquidity premium changes are considered financial risk.

The following table presents the interest rate sensitivity analysis on the net of LIC and AIC as at December 31 for a one percentage point change in interest rates (assuming a parallel shift across the yield curve):

(in millions of dollars)	2025		2024	
Change in interest rate (on the net of LIC and AIC)	+ 1 pt	- 1 pt	+ 1 pt	- 1 pt
Impact on income before income taxes	\$ 66.4	\$ (70.4)	\$ 65.7	\$ (69.9)

## 9. INSURANCE RISK MANAGEMENT (continued)

### (b) Reserve estimate risk (continued)

#### *Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfills insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. In effect, this additional provision reduces the likelihood that the net amount of LIC and AIC carried will be insufficient to fulfill future obligations arising from claims incurred, net of reinsurance recoveries.

The sheer volume and diversity of considerations make it impracticable to measure the impact on the Company's insurance contracts resulting from a change in a particular assumption or group of assumptions. The analysis below demonstrates the impact of changing assumptions for all lines of business and regions in such a way that the average claims severity and frequency are altered significantly. The analysis below also isolates the impact within the average claims severity of a change in ICE on the LIC. The impacts below are on the net of LIC and AIC nominal claims liabilities as at December 31:

(in millions of dollars)	2025		2024	
Impact of change on the net of LIC and AIC nominal claims liabilities	+ 5%	- 5%	+ 5%	- 5%
Impact on income before income taxes due to:				
Change in average claims severity	\$ (148.0)	\$ 148.0	\$ (141.7)	\$ 141.7
Change in frequency on unreported claims	\$ (19.8)	\$ 19.8	\$ (18.4)	\$ 18.4
Change in ICE	\$ (9.2)	\$ 9.2	\$ (8.7)	\$ 8.7

The following table presents the sensitivity of risk adjustment for a five percentage point change in the confidence level on the net of LIC and AIC as at December 31:

(in millions of dollars)	2025		2024	
Change in risk adjustment (on the net of LIC and AIC)	+ 5 pts	- 5 pts	+ 5 pts	- 5 pts
Impact on income before income taxes	\$ (47.0)	\$ 36.0	\$ (44.4)	\$ 35.5

Assumptions and methods of estimation have been used that the Company believes produce reasonable results given current information. As additional experience and other data become available, the estimates could be revised. Any future changes in estimates would be reflected in the consolidated statements of income in the year in which the change occurred.

The following table shows the development of claims over a period of time. The table reflects development for net claims, which is gross claims less reinsurance recoveries. The triangle in the table ("Estimate of ultimate claims") shows how the ultimate estimates of total claims, net of reinsurance, for each accident year develop over time as more information becomes known regarding individual claims and overall claims frequency and severity. Each column tracks the claims relating to a particular "accident year" which is the year in which such loss events occurred, regardless of when they were reported. The rows reflect the estimates in subsequent years for each accident year's claims. "Cumulative net claims paid" in the table presents the cumulative amounts paid for claims for each accident year as at December 31, 2025, net of reinsurance.

The triangle in the claims development table excludes FARM and RSP/PRR claims, and the impact of discounting, risk adjustment, and other incurred insurance expenses, which are shown as separate reconciling items below.

## 9. INSURANCE RISK MANAGEMENT (continued)

### (b) Reserve estimate risk (continued)

Claims development table, net of reinsurance:

(in millions of dollars)	Accident Year										Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Estimate of ultimate claims (net of reinsurance)											
At end of accident year	\$1,425.5	\$1,602.6	\$1,686.9	\$1,704.0	\$1,550.6	\$1,758.0	\$2,036.4	\$2,290.9	\$2,486.2	\$2,623.0	
1 year later	1,445.0	1,586.3	1,672.1	1,681.0	1,507.4	1,638.5	2,114.8	2,284.3	2,441.1		
2 years later	1,448.9	1,581.3	1,664.9	1,669.7	1,427.6	1,617.1	2,115.0	2,275.3			
3 years later	1,446.7	1,549.3	1,658.4	1,678.8	1,373.8	1,624.4	2,134.7				
4 years later	1,430.1	1,564.4	1,681.6	1,652.9	1,370.8	1,617.5					
5 years later	1,426.1	1,602.9	1,664.1	1,647.3	1,369.0						
6 years later	1,449.6	1,586.7	1,657.0	1,635.2							
7 years later	1,442.6	1,571.5	1,656.0								
8 years later	1,437.1	1,566.3									
9 years later	1,432.6										
(Favourable) adverse development recognized in the year	(4.5)	(5.2)	(1.0)	(12.1)	(1.8)	(6.9)	19.7	(9.0)	(45.1)		\$ (65.9)
Adverse development recognized from 2015 and prior accident years											5.1
Adverse development recognized from FARM and RSP/PRR ceded and assumed in the year											1.8
Total favourable development recognized in the year											\$ (59.0)
Current estimate of net ultimate claims	1,432.6	1,566.3	1,656.0	1,635.2	1,369.0	1,617.5	2,134.7	2,275.3	2,441.1	2,623.0	\$18,750.7
Cumulative net claims paid	1,411.1	1,530.6	1,601.4	1,563.3	1,260.7	1,459.3	1,868.5	1,886.3	1,837.5	1,326.4	15,745.1
Current net unpaid and unreported claims	21.5	35.7	54.6	71.9	108.3	158.2	266.2	389.0	603.6	1,296.6	3,005.6
Current net unpaid and unreported claims pertaining to 2015 and prior accident years											48.0
FARM and RSP/PRR ceded and assumed claims, unpaid and unreported											102.7
Impact of discounting											(324.6)
Impact of risk adjustment											168.1
Impact of other incurred insurance expenses											145.0
Receivables net of payables included in the LIC and AIC											(77.2)
Net liabilities for incurred claims											\$ 3,067.6
LIC											\$ 3,393.3
AIC											\$ (325.7)

### (c) Catastrophe risk

Catastrophe risk may arise if the Company experiences a considerable number of claims arising from man-made or natural catastrophes that result in significant impacts on claims costs. Catastrophes can cause losses in a variety of different lines of business and may have continuing effects which, by their nature, could impede efforts to accurately assess the full extent of the damage they cause on a timely basis. Although the Company evaluates catastrophe events and assesses the probability of occurrence and magnitude of impact through various commonly used, industry-accepted modelling techniques and through the aggregation of limits exposed in each region in which it operates, such events are inherently unpredictable and difficult to quantify and some catastrophe perils may not have industry-accepted models available. In addition, the incidence and severity of catastrophe events may become increasingly unpredictable as climate patterns change. More frequent and severe weather influenced by climate change is expected to continue to affect the P&C insurance industry and result in more variable and higher claims costs.

The Company manages its catastrophe events exposure by monitoring exposure to concentrations of insured risks, by performing scenario stress testing, by considering the potential impact on capital position and overall risk tolerances, through the deductibles charged to policyholders, by limitations on policy terms, by limiting underwriting capacity for particular risks or regions, and by purchasing reinsurance.

## 9. INSURANCE RISK MANAGEMENT (continued)

### (d) Climate change risk

The impact of changing weather patterns arising from climate change poses significant risks for P&C insurers. While increasing frequency and severity of extreme weather events have resulted in increased catastrophe events and claims, climate change has implications for most aspects of the Company's business. Climate change considerations may influence pricing, coverage options, product features, or services sought by customers or offered by competitors and may increase the variability and amount of claims. If the Company is unable to maintain competitive pricing, coverage options, product features, or services that are attractive to customers, the Company's ability to grow or maintain its written premium levels and underwriting profitability may be impacted. The Company is continuously seeking to enhance its data and modelling capabilities to better understand changes in key climate risk exposures, with a view to confirming pricing, coverage options, risk accumulations and claim liability estimates remain appropriate. Climate change risk may also influence the cost, coverage, and availability of reinsurance for some regions, risk profiles or carbon-intensive industries. The Company has developed relationships with its reinsurers and has worked with them to help them understand the risk profile present in the Company's book of business in relation to climate change risk. These relationships, along with proactive management of its reinsurance program, help the Company to maintain access to sufficient and cost-effective reinsurance.

There were no significant changes in the Company's objectives, policies, and processes used to manage and measure the Company's insurance risks compared to the previous year.

## 10. PROPERTY AND EQUIPMENT

Property and equipment, as presented in the consolidated balance sheets, was composed of the following:

(in millions of dollars)		2025						Total
		Land and building structure	Building infrastructure	Building fixtures	Furniture and equipment	Computer equipment	Right-of-use assets	
	Note							
Cost:								
Balance, beginning of year		\$ 62.6	\$ 30.5	\$ 10.8	\$ 23.3	\$ 12.8	\$ 48.0	\$ 188.0
Business combinations	5	1.2	–	–	0.5	0.2	6.2	8.1
Additions		4.9	1.2	1.2	2.0	1.2	9.1	19.6
Disposals		(14.9)	(8.9)	(7.4)	(2.8)	(0.9)	(2.5)	(37.4)
Balance, end of year		\$ 53.8	\$ 22.8	\$ 4.6	\$ 23.0	\$ 13.3	\$ 60.8	\$ 178.3
Accumulated depreciation:								
Balance, beginning of year		\$ 20.5	\$ 11.6	\$ 8.8	\$ 16.0	\$ 7.3	\$ 19.0	\$ 83.2
Depreciation charge		4.0	0.3	0.2	1.5	2.3	7.8	16.1
Disposals		(4.6)	(3.8)	(5.2)	(2.6)	(0.9)	(2.5)	(19.6)
Balance, end of year		\$ 19.9	\$ 8.1	\$ 3.8	\$ 14.9	\$ 8.7	\$ 24.3	\$ 79.7
Net book value, end of year		\$ 33.9	\$ 14.7	\$ 0.8	\$ 8.1	\$ 4.6	\$ 36.5	\$ 98.6

(in millions of dollars)		2024						Total
		Land and building structure	Building infrastructure	Building fixtures	Furniture and equipment	Computer equipment	Right-of-use assets	
	Note							
Cost:								
Balance, beginning of year		\$ 59.4	\$ 29.3	\$ 10.7	\$ 25.3	\$ 11.3	\$ 48.0	\$ 184.0
Business combinations	5	0.8	0.1	–	0.3	0.2	2.2	3.6
Additions		4.0	1.1	0.1	2.9	3.7	2.6	14.4
Disposals		(1.6)	–	–	(5.2)	(2.4)	(4.8)	(14.0)
Balance, end of year		\$ 62.6	\$ 30.5	\$ 10.8	\$ 23.3	\$ 12.8	\$ 48.0	\$ 188.0
Accumulated depreciation:								
Balance, beginning of year		\$ 18.3	\$ 11.1	\$ 8.7	\$ 19.5	\$ 6.5	\$ 16.8	\$ 80.9
Depreciation charge		3.7	0.5	0.1	1.6	3.2	7.0	16.1
Disposals		(1.5)	–	–	(5.1)	(2.4)	(4.8)	(13.8)
Balance, end of year		\$ 20.5	\$ 11.6	\$ 8.8	\$ 16.0	\$ 7.3	\$ 19.0	\$ 83.2
Net book value, end of year		\$ 42.1	\$ 18.9	\$ 2.0	\$ 7.3	\$ 5.5	\$ 29.0	\$ 104.8

## 11. INCOME TAXES

### (a) Income tax expense

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

(in millions of dollars)	2025		2024	
Income tax expense calculated based on statutory tax rates	26.3%	\$ 151.9	26.3%	\$ 152.2
Investment income not subject to tax	(0.5%)	(3.0)	(1.6%)	(9.3)
Non-deductible expenses	0.1%	0.8	0.2%	1.0
Other	0.4%	2.1	(0.1%)	(0.1)
Income tax expense recorded in net income	26.3%	\$ 151.8	24.8%	\$ 143.8

The major components of the income tax expense were as follows:

(in millions of dollars)	2025		2024	
Current income taxes				
Income taxes related to current year	\$	192.5	\$	168.7
Income taxes related to prior years		(2.4)		(6.0)
Deferred income taxes		(38.3)		(18.9)
Income tax expense	\$	151.8	\$	143.8

Income taxes included in OCI in the consolidated statements of comprehensive income were as follows:

(in millions of dollars)	2025		2024	
Income tax on items that may be reclassified subsequently to net income:				
Unrealized gain on derivatives designated as a cash flow hedge	\$	0.9	\$	—
Income tax on items that will not be reclassified subsequently to net income:				
Recognized gains on FVTOCI investments		6.4		8.1
Post-employment benefit obligation gain		0.3		2.4
Income tax expense	\$	7.6	\$	10.5

### (b) Deferred income taxes

The components comprising net deferred income tax assets (liabilities) were as follows:

(in millions of dollars)	2025		2024	
Insurance contract liabilities	\$	15.0	\$	0.6
Post-employment benefit plans		(3.6)		(5.7)
Property and equipment		(10.2)		(6.8)
Intangible assets		(168.2)		(159.1)
Income tax loss carryforwards		0.2		2.7
Deferred expenses for tax purposes		22.9		20.0
Other		11.6		7.2
	\$	(132.3)	\$	(141.1)

The Company anticipates that it will generate taxable income from ordinary operations sufficient to utilize its deferred income tax assets.

The net movement of the deferred income taxes was as follows:

(in millions of dollars)	2025		2024	
Balance, beginning of year	\$	(141.1)	\$	(127.1)
Income tax expense:				
Recorded in net income		38.3		18.9
Recorded in OCI		(1.2)		(2.4)
Recorded in equity		(3.5)		(7.1)
Business combinations		(24.8)		(23.4)
Balance, end of year	\$	(132.3)	\$	(141.1)

## 12. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets, as presented in the consolidated balance sheets, are composed of the following items:

(in millions of dollars)	2025	2024
Intangible assets	\$ 776.8	\$ 711.2
Goodwill	785.5	686.3
	<b>\$ 1,562.3</b>	\$ 1,397.5

### (a) Intangible assets

(in millions of dollars)		2025					
	Note	Brand	Registry agent license	Software	Customer relationships	Distribution network	Total
Cost:							
Balance, beginning of year		\$ 64.7	\$ 20.7	\$ 412.7	\$ 516.2	\$ 5.7	\$1,020.0
Business combinations	5	11.2	–	–	85.1	–	96.3
Additions		–	–	88.2	1.6	–	89.8
Disposals		–	–	(44.9)	–	–	(44.9)
Balance, end of year		\$ 75.9	\$ 20.7	\$ 456.0	\$ 602.9	\$ 5.7	\$ 1,161.2
Accumulated amortization:							
Balance, beginning of year		\$ –	\$ –	\$ 243.6	\$ 61.1	\$ 4.1	\$ 308.8
Amortization expense		–	–	82.7	37.2	0.5	120.4
Disposals		–	–	(44.8)	–	–	(44.8)
Balance, end of year		\$ –	\$ –	\$ 281.5	\$ 98.3	\$ 4.6	\$ 384.4
Net book value, end of year		\$ 75.9	\$ 20.7	\$ 174.5	\$ 504.6	\$ 1.1	\$ 776.8

(in millions of dollars)		2024					
	Note	Brand	Registry agent license	Software	Customer relationships	Distribution network	Total
Cost:							
Balance, beginning of year		\$ 54.2	\$ 20.7	\$389.6	\$ 427.4	\$ 5.7	\$ 897.6
Business combinations	5	10.5	–	–	88.8	–	99.3
Additions		–	–	63.8	–	–	63.8
Disposals		–	–	(40.7)	–	–	(40.7)
Balance, end of year		\$ 64.7	\$ 20.7	\$ 412.7	\$ 516.2	\$ 5.7	\$1,020.0
Accumulated amortization:							
Balance, beginning of year		\$ –	\$ –	\$206.6	\$ 29.9	\$ 3.6	\$ 240.1
Amortization expense		–	–	77.5	31.2	0.5	109.2
Disposals		–	–	(40.5)	–	–	(40.5)
Balance, end of year		\$ –	\$ –	\$243.6	\$ 61.1	\$ 4.1	\$ 308.8
Net book value, end of year		\$ 64.7	\$ 20.7	\$ 169.1	\$ 455.1	\$ 1.6	\$ 711.2

Included in software is \$39.8 million (2024: \$12.3 million) that has not yet commenced being amortized as the assets are still under development.

## 12. GOODWILL AND INTANGIBLE ASSETS (continued)

### (b) Goodwill and intangible assets with indefinite lives

Goodwill and intangible assets with indefinite lives have been allocated to three individual CGUs. The carrying amount of goodwill and intangible assets with indefinite lives allocated to each of the CGUs is shown below:

(in millions of dollars)	Note	Goodwill		Intangible assets	
		2025	2024	2025	2024
Definity Insurance		\$ 26.9	\$ 26.9	\$ –	\$ –
Petline		19.2	19.2	4.2	4.2
Distribution business	5	739.4	640.2	92.4	81.2
		<b>\$ 785.5</b>	<b>\$ 686.3</b>	<b>\$ 96.6</b>	<b>\$ 85.4</b>

Goodwill and intangible assets with indefinite lives are subject to impairment testing that is performed at least annually. When testing for impairment, the recoverable amount of the CGU is determined based on VIU calculations using a discounted cash flow model based on financial forecasts approved by management covering a five-year period and an estimate of the terminal values for the period beyond the five-year forecast.

The key assumptions used in these impairment tests were as follows:

- Growth rates represent the rates used to extrapolate new business contributions beyond the business plan period. The growth rates were based on management expectations and do not exceed the historic long-term average growth rates. Growth rates ranging from 2.5% - 4.0% were used in the terminal value calculations.
- After-tax, market-adjusted discount rates ranging from 7.0% - 10.3% were used to discount expected profits from future new business.

Management does not believe that a reasonable change in these assumptions would result in the carrying value of the CGUs exceeding the recoverable amounts. The goodwill and intangible assets with indefinite lives impairment testing for the current year determined that there was no evidence of impairment (2024: nil).

## 13. OTHER ASSETS

Other assets, as presented in the consolidated balance sheets, were composed of the following:

(in millions of dollars)	Note	2025	2024
Investments in associates		\$ 57.4	\$ 47.5
Other receivables		78.7	50.8
Pension asset	21	40.3	48.1
Prepaid expenses and other		65.5	41.3
Accrued investment income		33.1	29.8
		<b>\$ 275.0</b>	<b>\$ 217.5</b>

The Company has only individually immaterial associates. The Company's share of the comprehensive income of individually immaterial associates in 2025 was \$3.6 million (2024: comprehensive loss of \$1.4 million).

## 14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities, as presented in the consolidated balance sheets, were composed of the following:

(in millions of dollars)	Notes	2025	2024
Accounts payable and other		\$ 79.9	\$ 77.0
Foreign exchange forward contract		20.7	—
Lease liabilities		41.9	35.2
Other post-employment benefit plan obligation	21	26.7	26.5
Deferred share unit plans	20	17.1	9.4
		<b>\$ 186.3</b>	<b>\$ 148.1</b>

## 15. DEBT OUTSTANDING

Debt outstanding, as presented in the consolidated balance sheets, was composed of the following:

(in millions of dollars)	Principal amount	Interest	Maturity date	As at December 31, 2025
Senior unsecured notes				
Series 1	\$ 650.0	3.709%, paid semi-annually	September 12, 2030	\$ 655.2
Series 2	350.0	4.393%, paid semi-annually	September 12, 2035	353.2
Credit facility		Current period's CORRA rate, Canadian prime rate, or SOFR plus a margin, paid quarterly	August 12, 2030	114.3
				<b>\$ 1,122.7</b>

On September 12, 2025, the Company completed a private placement of notes for gross proceeds of \$1 billion. The proceeds were used by the Company to fund a portion of the purchase price of the Travelers Transaction on January 2, 2026. The notes have been classified as other financial liabilities, which are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. The Company recorded interest expense on these notes of \$12.1 million in 2025.

The notes are direct senior unsecured obligations of the Company and rank equally and rateably with all other present and future unsecured obligations of the Company. The notes due in 2030 may be redeemed at any time prior to August 12, 2030 and the notes due in 2035 may be redeemed at any time prior to June 12, 2035 (as applicable for each series of notes, the "Par Call Date"), in each case, at the option of the Company, in whole or in part, upon prior notice at a redemption price equal to the greater of (a) the Canada Yield Price or (b) 100% of the principal amount thereof, in either case together with accrued and unpaid interest. The notes may be redeemed at any time on or after the Par Call Date at the option of the Company, in whole or in part, on prior notice at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to, but excluding, the date fixed for redemption.

The Company and certain of its subsidiaries also have access to a \$1.0 billion unsecured committed credit facility. The credit facility increased from \$800.0 million to \$1.0 billion on August 12, 2025. The credit facility has a term ending on August 12, 2030, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. The interest rate applicable is based on the current period's CORRA rate, Canadian prime rate, or SOFR plus a margin. As at December 31, 2025, an amount of \$114.3 million (2024: \$114.3 million) had been drawn under this credit facility. The Company recorded interest expense on this facility of \$5.4 million in 2025 (2024: \$6.6 million).

On May 27, 2025, the Company secured access to additional bank facilities to support funding of the Travelers Transaction. As at December 31, 2025, the facilities totalled an aggregate of \$1,475 million, as summarized below, which were fully drawn upon the closing of the Travelers Transaction on January 2, 2026:

(in millions of dollars)	Amount	Term <sup>1</sup>	Interest
Acquisition debt facilities			
Excess capital term loan	\$ 1,100	1 year	CORRA loans or Canadian prime plus an applicable margin
Bank term loan	375	2 years	CORRA loans or Canadian prime plus an applicable margin
<b>\$ 1,475</b>			

<sup>1</sup> Term from closing date of the Travelers Transaction.

On February 2, 2026, the excess capital term loan was repaid in its entirety.

As at December 31, 2025, the Company remained fully in compliance with the covenants of all its debt facilities, including its unsecured committed credit facility.

## 16. NON-CONTROLLING INTERESTS

The Company's ownership interest in McDougall as at December 31, 2025 was approximately 73% (2024: 76%). McDougall operates in Canada.

Certain summarized financial information of McDougall, before any inter-company eliminations, is provided below.

(in millions of dollars)	2025	2024
Distribution revenues	\$ 255.1	\$ 207.6
Net income and total comprehensive income	33.2	19.8
Total assets	1,401.2	1,244.9
Total liabilities	601.4	530.4

## 17. SHARE CAPITAL

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 as follows:

(in millions of dollars, except as otherwise noted)		2025		2024		
		Note	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Issued and outstanding, beginning of year			115.8	\$ 2,307.8	115.9	\$ 2,307.8
Issuance of common shares			5.8	375.2	–	–
Cancellation of shares		2(d)	–	–	(0.1)	–
Issued and outstanding, end of year			121.6	2,683.0	115.8	2,307.8
Shares held in trust, beginning of year			(1.8)	(87.4)	(1.0)	(34.8)
Purchased for future settlement of the LTIP and Medium-Term Incentive Plan ("MTIP")			(0.2)	(12.2)	(1.2)	(68.3)
Released for the settlement of the LTIP and MTIP			0.3	16.3	0.4	15.7
Shares held in trust, end of year			(1.7)	(83.3)	(1.8)	(87.4)
Issued and outstanding, net of shares held in trust, end of year			119.9	\$ 2,599.7	114.0	\$ 2,220.4

On February 12, 2026, the Board of Directors declared a \$0.215 per share dividend, payable on March 23, 2026 to shareholders of record at the close of business on March 11, 2026.

No preferred shares were issued and outstanding.

## 18. CAPITAL MANAGEMENT

### (a) Capital management framework

Capital deployment is carefully considered within the context of the Company's access to capital, corporate objectives, and capital management related policies. This includes the impact of any capital deployment on the Company's key operating and risk metrics. The Company's objectives when managing capital include:

- Establishment of flexible capital management tools to support the business strategy;
- Maximizing long-term shareholder value through capital optimization;
- Ensuring an appropriate level of liquidity to support operational and other corporate requirements;
- Maintaining strong credit ratings to support capital raising; and
- Maintaining strong regulatory capital in the Company's operating insurance entities to safeguard policyholders.

Management develops the capital strategy for the Company and supervises the capital management processes. The Board of Directors is responsible for overseeing management's compliance with the capital management policies.

### (b) Capital management of the Company

The Company focuses on promoting internal capital mobility so that all entities are appropriately capitalized while ensuring there is sufficient liquid capital at the Company to support the servicing of debt obligations and payment of shareholder dividends, and for other capital deployment, including acquisitions.

### (c) Regulatory capital management

The amount of capital required in any company is dependent on its risk profile, strategic plans, and regulatory requirements. The Company actively monitors and manages capital with the objective of maintaining levels that are above the relevant internal and regulatory minimum capital requirements:

- Insurance subsidiaries are subject to regulatory capital requirements established by Office of the Superintendent of Financial Institutions ("OSFI") and the *Insurance Companies Act* (Canada).
- OSFI evaluates capital adequacy through the Minimum Capital Test ("MCT") ratio, which measures available capital against required risk-weighted capital.
- OSFI has established a regulatory supervisory target MCT ratio of 150%, which provides a cushion above the minimum MCT ratio of 100%.

## 18. CAPITAL MANAGEMENT (continued)

### (c) Regulatory capital management (continued)

As at December 31, 2025, the MCT ratio of each of the Company's insurance subsidiaries exceeded the minimum capital ratio of 150% required by OSFI.

Management actively monitors the MCT of the Company's insurance subsidiaries and the effect that external and internal actions have on the capital base of the Company. Capital levels are managed with an objective of ensuring that policyholders are not put at unacceptable risk. In accordance with regulatory requirements and the Company's capital management policies, the Board of Directors has set internal targets at levels higher and more stringent than OSFI's minimum requirements. Management also conducts its own risk and solvency assessment on at least an annual basis and provides regular updates to its Management Risk Committee, the Risk Review Committee, and the Board of Directors.

## 19. EARNINGS PER COMMON SHARE

Basic earnings per common share ("EPS") is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by adjusting the net earnings available to common shareholders, if applicable, and the weighted average number of common shares outstanding for the effects of dilutive instruments pertaining to the Company's share-based compensation plans.

(in millions of dollars, except as otherwise noted)	2025	2024
Net income attributable to common shareholders	<b>\$418.2</b>	\$430.4
Weighted average common shares outstanding (in millions) <sup>1</sup>	<b>117.3</b>	114.8
Dilutive effect of share-based compensation plans (in millions)	<b>1.8</b>	1.7
Weighted average of diluted common shares outstanding (in millions)	<b>119.1</b>	116.5
EPS (in dollars)		
Basic	<b>\$ 3.57</b>	\$ 3.75
Diluted	<b>\$ 3.51</b>	\$ 3.69

<sup>1</sup> Net of shares held in trust.

## 20. SHARE-BASED COMPENSATION PLANS

### (a) Medium-term and long-term incentive plans

#### *Restricted units ("RUs") and RSUs*

The following table shows the movements in the RUs and RSUs under the MTIP and LTIP during the year:

	2025	2024
	Number of units	Number of units
Outstanding, beginning of year	<b>699,781</b>	857,319
Awarded	<b>165,262</b>	257,898
Forfeited	<b>(10,009)</b>	(49,086)
Settled	<b>(284,676)</b>	(366,350)
Outstanding, end of year	<b>570,358</b>	699,781

The recorded compensation expense in 2025 for the RUs and RSUs was \$9.2 million (2024: \$8.7 million), and the aggregate contributed surplus balance attributable to the RUs and RSUs as at December 31, 2025 was \$16.8 million (2024: \$16.5 million).

#### *Performance units ("PUs") and PSUs*

The following table shows the movements in the PUs and PSUs under the MTIP and LTIP during the year:

	2025	2024
	Number of units	Number of units
Outstanding, beginning of year	<b>1,147,938</b>	747,500
Awarded	<b>147,152</b>	731,380
Forfeited	<b>(3,362)</b>	(13,374)
Settled	<b>(240,649)</b>	(317,568)
Outstanding, end of year	<b>1,051,079</b>	1,147,938

The recorded compensation expense in 2025 for the PUs and PSUs was \$20.1 million (2024: \$13.2 million), and the aggregate contributed surplus balance attributable to the PUs and PSUs as at December 31, 2025 was \$32.9 million (2024: \$24.1 million).

## 20. SHARE-BASED COMPENSATION PLANS (continued)

### (a) Medium-term and long-term incentive plans (continued)

#### MTIP

Under the Definity Insurance MTIP, notional units (RUs or PUs) were granted annually to certain employees. Following completion of the initial public offering ("IPO") on November 23, 2021, no further awards will be granted under the MTIP. The outstanding MTIP awards granted in 2019 were cash-settled in 2022, while the 2020 and 2021 awards were equity-settled in 2023 and 2024, respectively. The Company's LTIP became effective as of November 23, 2021. RSUs and PSUs were granted starting in 2022.

### (b) Deferred share unit plans

As at December 31, 2025, there were 224,232 DSUs outstanding (2024: 162,143 DSUs). The DSU liability as at December 31, 2025 was \$17.1 million (2024: \$9.4 million). The recorded compensation expense in 2025 for the DSUs was \$7.7 million (2024: \$4.7 million).

### (c) Stock option plan

The following table shows the movements in the stock options under the stock option plan during the year:

	2025		2024	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding, beginning of year	357,697	\$ 40.18	182,042	\$ 36.48
Granted	135,192	\$ 59.64	175,655	\$ 44.01
Outstanding, end of year	492,889	\$ 45.53	357,697	\$ 40.18
Exercisable, end of year	134,928	\$ 38.96	45,504	\$ 36.52

The weighted average remaining contractual life for the outstanding options as at December 31, 2025 was 8.0 years (2024: 8.7 years).

The fair value of stock options granted was measured using the Black-Scholes option pricing model. The fair value of stock options granted in 2025 was \$1.7 million (2024: \$1.6 million). The recorded compensation expense in 2025 for the stock options was \$1.5 million (2024: \$1.2 million).

The key assumptions used to measure the fair value of options granted under the Black-Scholes option pricing model at the date of grant were as follows:

	2025	2024
Share price at the date of grant	\$ 59.64	\$ 44.01
Exercise price	\$ 59.64	\$ 44.01
Expected share price volatility	20.0%	19.0%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	1.5%	1.7%
Risk-free interest rate	2.8%	3.5%

## 21. POST-EMPLOYMENT BENEFITS

The Company provides certain pension and other post-employment benefits through defined benefit, defined contribution, and other post-employment benefit plans to eligible participants upon retirement.

The defined benefit pension plans provide pension benefits based on length of service and final average pensionable earnings. The most recent actuarial valuation was prepared as of January 1, 2025. The contribution to be paid by the Company is determined each year by the Company's pension actuaries. The Company's funding policy is to make contributions in amounts that are required to discharge the benefit obligations over the life of the plan. Based on the latest actuarial valuations of all its plans, the total required contributions by the Company to the pension plans are expected to be \$1.4 million in 2026. The contributions are expected to be funded by utilization of the current plan surplus. Discretionary pension contributions in 2025 were nil (2024: nil). Pension plan matters are regulated by the Financial Services Regulatory Authority of Ontario.

Plan assets associated with the pension plans are funded pursuant to a trust agreement through a trust company as selected by the Company. The Executive Investment Committee and the Human Resources and Compensation Committee assist the Company's Board of Directors in fulfilling its responsibility for governance of the plans and assign or delegate certain oversight and administration duties to the Management Pension Committee as appropriate.

Under the defined contribution component of the pension plan, the Company contributes a fixed percentage of an employee's pensionable earnings to the plan. Contributions under the defined contribution component of the pension plan totalled \$24.3 million in 2025 (2024: \$23.5 million).

### (a) Plan movements

The following tables present the movement of the Company's pension plan and other benefit plan obligations and plan assets during the year:

(in millions of dollars)	2025				
	Amounts recognized in net income	(Gains) losses recognized in OCI	Present value of benefit plan obligations		Fair value of plan assets
			Other benefit plans	Pension plans	Pension plans
Balance, beginning of year			\$ 26.5	\$ 181.0	\$ 229.1
Current service cost	\$ 2.0	\$ -	0.7	1.3	-
Interest cost	9.2	-	1.1	8.1	-
Interest income	(10.2)	-	-	-	10.2
Return on plan assets excluding interest income	-	(0.4)	-	-	0.4
Actuarial losses (gains)					
Due to changes in financial assumptions	0.2	(3.0)	(0.1)	(2.7)	-
Due to changes in experience losses	0.3	2.4	0.3	2.4	-
Contributions by employer	-	-	-	-	(8.8)
Administration cost	0.5	-	-	-	(0.5)
Contributions by plan participants	-	-	-	0.1	0.1
Benefits paid	-	-	(1.8)	(12.3)	(12.3)
Balance, end of year	\$ 2.0	\$ (1.0)	\$ 26.7	\$ 177.9	\$ 218.2

## 21. POST-EMPLOYMENT BENEFITS (continued)

### (a) Plan movements (continued)

(in millions of dollars)	2024				
	Amounts recognized in net income	(Gains) losses recognized in OCI	Present value of benefit plan obligations		Fair value of plan assets
			Other benefit plans	Pension plans	Pension plans
Balance, beginning of year			\$ 28.2	\$ 182.9	\$ 224.8
Current service cost	\$ 1.9	\$ –	0.6	1.3	–
Interest cost	9.5	–	1.3	8.2	–
Interest income	(10.2)	–	–	–	10.2
Return on plan assets excluding interest income	–	(7.0)	–	–	7.0
Actuarial losses (gains)					
Due to changes in financial assumptions	0.4	(2.8)	(3.3)	0.9	–
Due to changes in experience losses	0.8	0.8	1.6	–	–
Contributions by employer	–	–	–	–	–
Administration cost	0.6	–	–	–	(0.6)
Contributions by plan participants	–	–	–	0.1	0.1
Benefits paid	–	–	(1.9)	(12.4)	(12.4)
Balance, end of year	\$ 3.0	\$ (9.0)	\$ 26.5	\$ 181.0	\$ 229.1

The amounts recognized in net income were recorded in either “Insurance service expenses” or “Other expenses”.

The actual return on plan assets was a gain of \$10.6 million in 2025 (2024: \$17.2 million gain).

### (b) Funding status of defined benefit plans

The amounts recognized for pension plans in the consolidated balance sheets in other assets were as follows:

(in millions of dollars)	2025	2024
Defined benefit obligation	\$ (177.9)	\$ (181.0)
Fair value of plan assets	218.2	229.1
Net defined benefit asset	\$ 40.3	\$ 48.1
Actuarial gains on plan assets	\$ (0.4)	\$ (7.0)
Actuarial (gains) losses on plan liabilities	\$ (0.3)	\$ 0.9

The amounts recognized for other benefit plans in the consolidated balance sheets in accounts payable and other liabilities were as follows:

(in millions of dollars)	2025	2024
Defined benefit obligation	\$ (26.7)	\$ (26.5)
Actuarial losses (gains) on plan liabilities	\$ 0.2	\$ (1.7)

### (c) Maturity analysis of defined benefit obligations

The weighted average duration of the pension plan obligation is 10 years (2024: 10 years) and the weighted average duration of the other benefit plans obligation is 10 years (2024: 11 years).

## 21. POST-EMPLOYMENT BENEFITS (continued)

### (c) Maturity analysis of defined benefit obligations (continued)

The expected maturity of the defined benefit obligations was as follows:

(in millions of dollars)	2025				
	Under 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years	Total
Pension plans	\$ 12.1	\$43.6	\$44.7	\$77.5	\$ 177.9
Other benefit plans	1.9	6.5	6.4	11.9	26.7
	<b>\$14.0</b>	<b>\$50.1</b>	<b>\$51.1</b>	<b>\$89.4</b>	<b>\$204.6</b>

(in millions of dollars)	2024				
	Under 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years	Total
Pension plans	\$11.6	\$43.0	\$44.7	\$81.7	\$181.0
Other benefit plans	1.8	6.3	6.2	12.2	26.5
	<b>\$13.4</b>	<b>\$49.3</b>	<b>\$50.9</b>	<b>\$93.9</b>	<b>\$207.5</b>

### (d) Pension plan asset allocation

The table below shows the allocation of defined benefit pension plan assets:

(in millions of dollars)	2025		2024	
	\$	%	\$	%
Cash	\$ 11.8	5.4%	\$ 10.2	4.5%
Canadian fixed income securities (investment grade)				
Government of Canada	38.9	17.8%	31.0	13.5%
Provincial and municipal	68.0	31.2%	79.6	34.7%
Corporate	39.7	18.2%	44.3	19.3%
Pooled equity funds				
Canadian	21.2	9.7%	20.8	9.1%
Foreign	30.6	14.1%	35.4	15.5%
Other	8.0	3.6%	7.8	3.4%
	<b>\$ 218.2</b>	<b>100.0%</b>	<b>\$ 229.1</b>	<b>100.0%</b>

Of the corporate bonds held in the pension plan, the industry of issuer was as follows:

	2025	2024
Utilities	21.0%	27.2%
Energy	26.4%	21.6%
Financial services	23.6%	16.9%
Industrials	11.5%	16.8%
Communication services	9.4%	10.7%
Consumer staples	4.9%	3.1%
Consumer discretionary	1.3%	1.9%
Other	1.9%	1.8%
	<b>100.0%</b>	<b>100.0%</b>

The Company undertakes an asset-liability study as deemed necessary. The goal of the asset-liability study is to balance the expected long-term cost of the plan with the risk tolerance of the Company. To achieve this balance, the assets in the plan are allocated to cash, fixed income securities, foreign equities, and Canadian equities.

## 21. POST-EMPLOYMENT BENEFITS (continued)

### (e) Assumptions applied

The principal actuarial assumptions used in determining the defined benefit obligations for the Company's pension plans and other benefit plans were as follows:

	Other benefit plans		Pension plans	
	2025	2024	2025	2024
To determine benefit obligation, end of year:				
Discount rate	4.8%	4.6%	4.8%	4.6%
Future salary increases	–	–	2.5%	2.5%
Inflation assumption	–	–	2.0%	2.0%
Prescription drug cost increase	5.3%	5.1%	–	–
Medical claims cost increase	5.3%	5.2%	–	–
To determine benefit expense for the year:				
Discount rate	4.6%	4.7%	4.6%	4.7%
Future salary increases	–	–	2.5%	2.5%
Inflation assumption	–	–	2.0%	2.0%
Prescription drug cost increase	5.1%	4.9%	–	–
Medical claims cost increase	5.2%	5.0%	–	–

The mortality assumptions used to assess the Company's defined benefit obligations for the pension and other post-employment benefit plans as of December 31, 2025 are based on the Canadian Pensioners' Mortality – Private Sector mortality tables as established by the Canadian Institute of Actuaries.

The discount rate is the assumption that has the largest impact on the value of these obligations. The impact of a 1% change in this rate is as follows:

(in millions of dollars)	2025		2024	
Impact on:	+ 1%	- 1%	+ 1%	- 1%
Defined benefit obligation – pension plans	\$ (16.3)	\$ 19.3	\$ (17.1)	\$ 20.4
Defined benefit obligation – other benefit plans	\$ (2.4)	\$ 2.9	\$ (2.6)	\$ 2.9

The impact of a 1% change in the health care cost assumption is as follows:

(in millions of dollars)	2025		2024	
Impact on:	+ 1%	- 1%	+ 1%	- 1%
Defined benefit obligation – other benefit plans	\$ 2.4	\$ (2.1)	\$ 1.9	\$ (1.6)
Aggregate of total service cost and interest cost	\$ 0.2	\$ (0.1)	\$ 0.1	\$ (0.1)

### (f) Risks arising from post-employment benefits

The key risks to which the Company is exposed to as a result of sponsoring the defined benefit pension plans and other post-employment benefit plans include inflation risk, interest rate risk, equity market price risk, foreign exchange risk, and life expectancy risk.

## 22. RATE REGULATION

In common with the P&C insurance industry in general, the Company's insurance subsidiaries are subject to regulation in certain jurisdictions whereby rates charged to customers for certain automobile insurance policies must be approved by the applicable regulatory body. This type of business comprised 42.9% (2024: 44.5%) of the Company's insurance revenue in 2025. The Company is subject to three types of regulatory processes as follows:

Category	Description
File and use	Insurers file their rates with the regulatory authority and wait for a certain amount of time before implementing them.
File and approve	Insurers file their rates with the regulatory authority and wait for approval before implementing them.
Use and file	Insurers file their rates with the regulatory authority within a specified period after they are implemented.

The following table outlines the jurisdictions, regulatory authorities, and regulatory processes that the Company is subject to:

Jurisdiction	Regulatory authority	Regulatory process
Alberta	Automobile Insurance Rate Board	File and use or file and approve
New Brunswick	New Brunswick Insurance Board	File and approve
Nova Scotia	Nova Scotia Regulatory and Appeals Board	File and approve
Ontario	Financial Services Regulatory Authority	File and use or file and approve
Prince Edward Island	Island Regulatory and Appeals Commission	File and approve
Québec	Autorité des Marchés Financiers	Use and file

## 23. EXPENSES

### (a) Insurance service expenses and other expenses

Insurance service expenses and other expenses incurred by the Company, as presented in the consolidated statements of income, are composed of the following:

(in millions of dollars)	2025			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	\$ –	\$ 2,818.1	\$ 62.3	\$ 2,880.4
Discounting recovery in insurance service expenses	–	(125.0)	–	(125.0)
Risk adjustment expenses	–	9.1	–	9.1
Commissions	609.7	76.1	–	685.8
Operating expenses	180.6	216.4	88.1	485.1
Premium taxes	159.1	–	–	159.1
Gains on onerous insurance contracts	–	(13.8)	–	(13.8)
Corporate expenses	–	–	34.4	34.4
Distribution:				
Distribution business expenses	–	–	167.4	167.4
Amortization of intangible assets recognized in business combinations on distribution business	–	–	37.2	37.2
Demutualization-related expenses, less interest on restricted cash	–	–	5.2	5.2
Share of profit from investments in associates	–	–	(3.6)	(3.6)
Gain on sale of property	–	–	(5.9)	(5.9)
Foreign exchange forward contract hedge ineffectiveness	–	–	27.8	27.8
Acquisition-related expenses <sup>1</sup>	–	–	21.4	21.4
Integration expenses	–	–	27.3	27.3
Other	–	–	(4.1)	(4.1)
	\$ 949.4	\$ 2,980.9	\$ 457.5	\$ 4,387.8
Insurance service expenses				3,930.3
Other expenses				457.5
				\$ 4,387.8

<sup>1</sup> Excludes \$13.9 million of underwriter commissions pertaining to the concurrent private placements of common shares that were recorded as a reduction to share capital, and excludes \$3.7 million of issuance costs pertaining to the private placement of senior unsecured notes that were recorded as a reduction to debt outstanding.

## 23. EXPENSES (continued)

### (a) Insurance service expenses and other expenses (continued)

(in millions of dollars)	2024			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	\$ –	\$ 2,704.2	\$ 59.5	\$ 2,763.7
Discounting recovery in insurance service expenses	–	(161.4)	–	(161.4)
Risk adjustment expenses	–	6.1	–	6.1
Commissions	557.5	54.8	–	612.3
Operating expenses	189.6	184.7	85.2	459.5
Premium taxes	146.6	–	–	146.6
Gains on onerous insurance contracts	–	(9.3)	–	(9.3)
Public company expenses	–	–	31.3	31.3
Distribution:				
Distribution business expenses	–	–	131.6	131.6
Amortization of intangible assets recognized in business combinations on distribution business	–	–	31.4	31.4
Interest on restricted cash, less demutualization and IPO-related expenses	–	–	(2.4)	(2.4)
Share of loss from investments in associates	–	–	1.7	1.7
Acquisition-related expenses	–	–	1.5	1.5
Other	–	–	(0.7)	(0.7)
	\$ 893.7	\$ 2,779.1	\$ 339.1	\$ 4,011.9
Insurance service expenses				3,672.8
Other expenses				339.1
				\$ 4,011.9

### (b) Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held incurred by the Company, as presented in the consolidated statements of income, are composed of the following:

(in millions of dollars)	2025	2024
Earned reinsurance premiums	\$ 435.0	\$ 391.0
Claims recoverable from reinsurers for incurred claims	(217.4)	(241.1)
Commissions earned on ceded reinsurance	(72.7)	(61.8)
Discounting expense in net expenses from reinsurance contracts held	12.7	20.9
Risk adjustment recovery	(1.2)	(3.7)
	\$ 156.4	\$ 105.3

## 24. CASH FLOWS FROM OPERATING ACTIVITIES

The following table shows the adjustments for non-cash items and changes in operating assets and liabilities included in the consolidated statements of cash flows:

(in millions of dollars)	2025	2024
Adjustments for non-cash items:		
Amortization and depreciation		
Bond premium/discount	<b>\$ (29.4)</b>	\$ (29.0)
Property and equipment	<b>16.1</b>	16.1
Intangible assets	<b>120.4</b>	109.2
Recognized gains on FVTPL investments	<b>(154.4)</b>	(214.4)
Share-based compensation	<b>30.8</b>	23.1
Share of (gain) loss from investments in associates	<b>(3.6)</b>	1.7
Foreign exchange forward contract hedge ineffectiveness	<b>27.8</b>	–
Gain on sale of property	<b>(5.9)</b>	–
	<b>\$ 1.8</b>	\$ (93.3)
Changes in operating assets and liabilities:		
Reinsurance contract assets	<b>\$ (20.5)</b>	\$ (15.8)
Other operating assets	<b>(34.5)</b>	(2.6)
Insurance contract liabilities	<b>198.4</b>	109.5
Accounts payable and other liabilities	<b>(5.6)</b>	(25.6)
	<b>\$ 137.8</b>	\$ 65.5

The following table shows other operating activity cash flows included in the consolidated statements of cash flows:

(in millions of dollars)	2025	2024
Interest received	<b>\$ 156.2</b>	\$ 137.4
Dividends received	<b>35.9</b>	38.3
Interest paid	<b>10.6</b>	9.5

## 25. COMMITMENTS AND CONTINGENCIES

### Commitments

The Company's commitments include lease commitments and certain non-cancellable contractual commitments. The Company's non-owned buildings, motor vehicles, computers, and office equipment are supplied through leases. The future contractual aggregate minimum lease payments under non-cancellable leases and other commitments are as follows:

(in millions of dollars)	2025
Under 1 year	\$ 72.0
Over 1 year to 5 years	94.9
Over 5 years	40.6

Under certain circumstances, the Company may be required to acquire outstanding share ownership of various strategically aligned brokers in accordance with the terms of the Company's contracts with those brokers.

### Contingencies

In addition to litigation relating to claims made in respect of insurance policies written, the Company is subject to other litigation arising in the normal course of conducting its business. The Company is of the opinion that this non-claims litigation will not have a significant effect on its financial position, results of operations, or cash flows.

Along with many other P&C insurers in Canada, Definity Insurance has been named as a defendant in litigation in Ontario for business interruption losses related to the COVID-19 pandemic, seeking to establish coverage under insurance policies. The Ontario class action on behalf of a national class (excluding Québec) proceeded to trial in 2023 on certain key issues, with a favourable outcome for Definity Insurance and other insurers. The trial decision was upheld on appeal in 2024. While this was not the end of this litigation and other issues remain outstanding, the trial decision represents a major success for Definity Insurance. Definity Insurance was also previously a defendant in similar class proceedings in other provinces, all of which have either been rejected or discontinued as against Definity Insurance.

## 26. RELATED PARTY TRANSACTIONS

From time to time, the Company enters into transactions in the normal course of business with certain directors, senior officers, and companies with which it is related. These transactions are measured at their exchange amounts.

The compensation of key management personnel, defined as the Company's directors and the senior leadership team, was as follows:

(in millions of dollars)	2025	2024
Salaries	\$ 6.6	\$ 6.7
Short-term incentive plan	5.8	5.7
Share-based compensation plans	24.2	17.9
Retention and signing bonuses	0.2	0.1
Post-employment defined contribution pension benefits	1.0	0.9
Other short-term employment benefits	0.1	0.1
Directors' fees <sup>1</sup>	1.2	1.5
	<b>\$ 39.1</b>	<b>\$ 32.9</b>

<sup>1</sup> Directors' fees disclosed above include fees accrued in respect of all controlled entities in the group.

### Post-employment benefit plans

The Company makes contributions to post-employment benefit plans on behalf of its employees, including both defined contribution and defined benefit plans. Information regarding transactions with the plans is included in note 21.

## 27. OPERATING SEGMENTS

The Company's management and directors review the results of operations based on one reportable segment. The operating results of this segment are regularly reviewed by the Company's senior management to make decisions about the allocation of resources and to assess the performance of the Company.

## 28. RISKS RELATED TO ECONOMIC UNCERTAINTY

Geopolitical events, including the imposition of new cross-border tariffs, have resulted in heightened economic uncertainty and volatile global financial markets. The Company is continuing to closely monitor the resulting and evolving economic impact on its operations and capital position, and on the material judgments, estimates, and assumptions used in preparing the Company's consolidated financial statements. The most immediate impact of the uncertainty is volatility in capital markets and the related impact on gains and losses on the Company's investment portfolio. Proactive measures were taken during the first quarter to de-risk the Company's investment portfolio. The Company's strong capital position, resilient operating model, and diversified risk profile continue to position the Company well for this period of elevated uncertainty.

## Two-year Quarterly Financial History

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
(in millions of dollars, except as otherwise noted)								
<b>Consolidated financial results</b>								
Gross written premiums <sup>(1)</sup>	1,212.1	1,228.5	1,337.4	1,030.1	1,109.5	1,143.3	1,239.7	955.6
Net underwriting revenue <sup>(1)</sup>	1,101.5	1,074.1	1,048.8	1,001.8	1,006.0	981.8	949.4	905.3
Underwriting income (loss) <sup>(1)</sup>	111.5	113.6	74.6	55.0	97.0	(33.1)	93.7	54.8
Net investment income	61.1	54.1	50.7	49.8	51.1	49.0	49.9	48.2
Distribution income <sup>(1)</sup>	10.9	18.2	21.9	11.0	11.4	15.8	17.2	10.0
Operating income <sup>(1)</sup>	159.5	167.8	130.9	100.5	147.0	16.1	146.2	100.3
Operating net income <sup>(1)</sup>	120.7	125.2	98.9	75.9	110.4	14.6	109.1	76.1
Non-operating (losses) gains <sup>(1)</sup>	(75.4)	81.5	(19.5)	21.8	8.5	122.5	(7.5)	39.6
Net income attributable to common shareholders	58.0	193.1	75.1	92.0	116.6	104.8	103.8	105.2
Claims ratio <sup>(1)</sup>	60.6%	60.2%	63.2%	64.2%	60.7%	74.5%	60.0%	62.6%
Expense ratio <sup>(1)</sup>	29.3%	29.2%	29.7%	30.3%	29.6%	28.9%	30.1%	31.3%
Combined ratio <sup>(1)</sup>	89.9%	89.4%	92.9%	94.5%	90.3%	103.4%	90.1%	93.9%
<b>Per share measures (in \$)</b>								
Earnings per common share, basic	\$0.48	\$1.61	\$0.65	\$0.81	\$1.02	\$0.91	\$0.90	\$0.92
Earnings per common share, diluted	\$0.48	\$1.59	\$0.64	\$0.79	\$1.00	\$0.90	\$0.89	\$0.90
Operating earnings per share <sup>(1)</sup>	\$0.99	\$1.03	\$0.84	\$0.65	\$0.95	\$0.13	\$0.94	\$0.65
Book value per share <sup>(1)</sup>	\$33.78	\$33.43	\$31.39	\$29.52	\$29.13	\$26.96	\$26.17	\$25.40
Dividends paid per share	\$0.1875	\$0.1875	\$0.1875	\$0.1875	\$0.160	\$0.160	\$0.160	\$0.160
<b>Return on equity (for the last 12 months)</b>								
ROE <sup>(1)</sup>	11.6%	14.0%	12.2%	13.4%	14.2%	18.9%	13.6%	12.7%
Operating ROE <sup>(1)</sup>	12.2%	12.5%	9.6%	10.3%	10.6%	10.7%	10.8%	9.5%
<b>Financial position</b>								
Total investments	6,896.9	6,879.1	5,579.3	5,448.3	5,270.5	5,069.4	4,828.4	4,783.5
Total assets	9,577.3	9,558.4	8,304.4	7,779.6	7,693.3	7,531.7	7,259.9	7,212.6
Total equity	4,292.1	4,245.6	3,999.6	3,582.7	3,506.1	3,259.8	3,170.9	3,088.0
Financial capacity <sup>(1)</sup>	2,892.0	2,846.5	2,673.7	1,792.0	1,651.7	1,379.0	1,351.6	1,313.6

Note: 2021 is under IFRS 4 and the years 2022-2025 are under IFRS 17.

(1) This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

(in millions of dollars, except as otherwise noted)

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
<b>Underwriting performance by line of business</b>								
<b>Personal auto</b>								
Policies in force (in '000) (at period end)	810.4	800.9	794.8	783.8	772.9	767.9	778.8	764.9
Gross written premiums <sup>(f)</sup>	481.2	517.0	564.4	438.8	438.7	486.8	528.4	413.5
Net underwriting revenue <sup>(f)</sup>	475.9	469.7	456.9	428.2	433.4	423.3	413.4	385.7
Underwriting income <sup>(f)</sup>	23.6	28.0	26.7	10.6	16.8	7.1	20.1	10.9
Claims ratio <sup>(f)</sup>	69.9%	69.0%	68.4%	71.7%	70.4%	73.7%	69.4%	70.8%
Expense ratio <sup>(f)</sup>	25.1%	25.0%	25.8%	25.8%	25.7%	24.6%	25.8%	26.3%
Combined ratio <sup>(f)</sup>	95.0%	94.0%	94.2%	97.5%	96.1%	98.3%	95.2%	97.1%
<b>Personal property</b>								
Policies in force (in '000) (at period end)	835.9	825.1	819.0	819.8	822.7	826.4	828.2	828.9
Gross written premiums <sup>(f)</sup>	329.3	359.6	346.0	255.0	295.2	329.1	323.1	236.5
Net underwriting revenue <sup>(f)</sup>	310.6	301.9	292.7	283.2	279.3	275.7	266.7	260.7
Underwriting income (loss) <sup>(f)</sup>	53.7	49.5	16.8	16.8	47.9	(68.7)	37.4	23.5
Claims ratio <sup>(f)</sup>	49.7%	51.5%	61.2%	59.9%	50.4%	92.6%	51.9%	55.2%
Expense ratio <sup>(f)</sup>	33.0%	32.1%	33.1%	34.2%	32.4%	32.3%	34.1%	35.8%
Combined ratio <sup>(f)</sup>	82.7%	83.6%	94.3%	94.1%	82.8%	124.9%	86.0%	91.0%
<b>Commercial insurance</b>								
Gross written premiums <sup>(f)</sup>	401.6	351.9	427.0	336.3	375.6	327.4	388.2	305.6
Net underwriting revenue <sup>(f)</sup>	315.0	302.5	299.2	290.4	293.3	282.8	269.3	258.9
Underwriting income <sup>(f)</sup>	34.2	36.1	31.1	27.6	32.3	28.5	36.2	20.4
Claims ratio <sup>(f)</sup>	57.3%	55.1%	57.1%	57.4%	56.1%	58.2%	53.5%	57.7%
Expense ratio <sup>(f)</sup>	31.8%	33.0%	32.5%	33.1%	32.9%	31.7%	33.1%	34.4%
Combined ratio <sup>(f)</sup>	89.1%	88.1%	89.6%	90.5%	89.0%	89.9%	86.6%	92.1%

<sup>(f)</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

## Five-year Financial History

(in millions of dollars, except as otherwise noted)	2025	2024	2023	2022	2021
<b>Consolidated financial results</b>					
Gross written premiums <sup>(1)</sup>	4,808.1	4,448.1	4,005.2	3,662.3	3,258.1
Net underwriting revenue <sup>(1)</sup> / Net earned premiums	4,226.2	3,842.5	3,542.6	3,251.2	2,833.6
Underwriting income <sup>(1)</sup>	354.7	212.4	144.9	189.4	194.5
Net investment income	215.7	198.2	179.5	133.1	96.8
Distribution income <sup>(1)</sup>	62.0	54.4	39.3	14.1	8.0
Operating income <sup>(1)</sup>	558.7	409.6	323.7	309.1	290.9
Operating net income <sup>(1)</sup>	420.7	310.2	248.2	237.8	220.4
Non-operating gains (losses) <sup>(1)</sup>	8.4	163.1	138.4	(196.1)	(9.7)
Net income attributable to common shareholders	418.2	430.4	350.1	110.9	213.2
Claims ratio <sup>(1)</sup>	62.0%	64.5%	65.1%	61.7%	60.8%
Expense ratio <sup>(1)</sup>	29.6%	30.0%	30.8%	32.5%	32.3%
Combined ratio <sup>(1)</sup>	91.6%	94.5%	95.9%	94.2%	93.1%
<b>Per share measures (in \$)</b>					
Earnings per common share, basic	\$3.57	\$3.75	\$3.04	\$0.96	\$2.03
Earnings per common share, diluted	\$3.51	\$3.69	\$3.00	\$0.95	\$2.02
Operating earnings per share <sup>(1)</sup>	\$3.53	\$2.66	\$2.13	\$2.03	\$2.09
Book value per share <sup>(1)</sup>	\$33.78	\$29.13	\$24.78	\$22.30	\$20.68
Dividends paid per share	\$0.75	\$0.64	\$0.55	\$0.55	N/A
<b>Return on equity (for the last 12 months)</b>					
ROE <sup>(1)</sup>	11.6%	14.2%	13.0%	4.3%	10.7%
Operating ROE <sup>(1)</sup>	12.2%	10.6%	9.2%	9.5%	11.5%
<b>Financial position</b>					
Total investments	6,896.9	5,270.5	4,931.0	4,897.2	5,365.8
Total assets	9,577.3	7,693.3	7,259.5	6,819.7	7,891.4
Total equity	4,292.1	3,506.1	3,006.9	2,658.3	2,396.3
Financial capacity <sup>(1),(2)</sup>	2,892.0	1,651.7	1,269.6	658.5	1,057.8

Note: 2021 is under IFRS 4 and the years 2022-2025 are under IFRS 17.

(1) This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

(2) Financial capacity prior to 2023 has not been restated to reflect the adoption of IFRS 17 and IFRS 9. Financial capacity as at December 31, 2023 is shown pro forma for the CBCA continuance effective January 1, 2024.

(in millions of dollars, except as otherwise noted)

**2025**

**2024**

**2023**

**2022**

**2021**

## Underwriting performance by line of business

### Personal auto

Policies in force (in '000) (at period end)	810.4	772.9	763.5	785.0	761.6
Gross written premiums <sup>(f)</sup>	2,001.4	1,867.4	1,657.1	1,579.1	1,453.2
Net underwriting revenue <sup>(f)</sup> / Net earned premiums	1,830.7	1,655.8	1,529.2	1,457.8	1,332.5
Underwriting income <sup>(f)</sup>	88.9	54.9	26.5	69.7	116.8
Claims ratio <sup>(f)</sup>	69.7%	71.1%	71.8%	66.7%	62.2%
Expense ratio <sup>(f)</sup>	25.4%	25.6%	26.5%	28.5%	29.0%
Combined ratio <sup>(f)</sup>	95.1%	96.7%	98.3%	95.2%	91.2%

### Personal property

Policies in force (in '000) (at period end)	835.9	822.7	835.2	837.6	789.1
Gross written premiums <sup>(f)</sup>	1,289.9	1,183.9	1,113.1	1,012.7	894.6
Net underwriting revenue <sup>(f)</sup> / Net earned premiums	1,188.4	1,082.4	1,020.5	915.9	761.2
Underwriting income <sup>(f)</sup>	136.8	40.1	7.2	33.1	10.8
Claims ratio <sup>(f)</sup>	55.4%	62.7%	64.5%	60.2%	63.0%
Expense ratio <sup>(f)</sup>	33.1%	33.6%	34.8%	36.2%	35.6%
Combined ratio <sup>(f)</sup>	88.5%	96.3%	99.3%	96.4%	98.6%

### Commercial insurance

Gross written premiums <sup>(f)</sup>	1,516.8	1,396.8	1,235.0	1,070.5	910.3
Net underwriting revenue <sup>(f)</sup> / Net earned premiums	1,207.1	1,104.3	992.9	877.5	739.9
Underwriting income <sup>(f)</sup>	129.0	117.4	111.2	86.6	66.9
Claims ratio <sup>(f)</sup>	56.7%	56.4%	55.3%	54.8%	55.8%
Expense ratio <sup>(f)</sup>	32.6%	33.0%	33.5%	35.3%	35.2%
Combined ratio <sup>(f)</sup>	89.3%	89.4%	88.8%	90.1%	91.0%

<sup>(f)</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4 2025 Management's Discussion and Analysis dated February 12, 2026 for further details.

## Board of Directors\*

Definity's Board of Directors is committed to strong independent governance, with 11 of 12 directors being independent, including the Chair. The only non-independent director is the CEO.



**John Bowey**  
Chair



**Sonia Baxendale**  
(1,4)



**Elizabeth DeBianco**  
(2,3)



**Daniel Fortin**  
(3,4)



**Sabrina Geremia**  
(4)



**Micheál J. Kelly**  
(3,4)



**Robert McFarlane**  
(1,4)



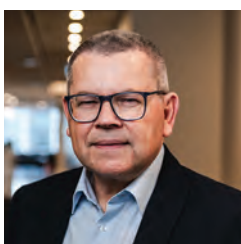
**Adrian Mitchell**  
(1, 2)



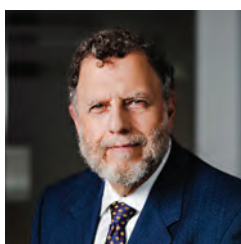
**Susan Monteith**  
(2, 3)



**Rowan Saunders**



**Edouard Schmid**  
(1, 2)



**Michael Stramaglia**  
(2, 4)

### Committees

1. Audit
2. Corporate Governance
3. Human Resources and Compensation
4. Risk Review

\*As of March 31, 2026

## Executive Leadership Team\*

Definity's leadership team has a heightened focus on culture and executive bench strength with a proven track record in major enterprise transformation.



**Rowan Saunders**

President and Chief Executive Officer



**Innes Dey**

Senior Vice President, Corporate Affairs  
Chief Risk Officer | Chief Legal Officer | Chief Strategy Officer



**Tatjana Lalkovic**

Senior Vice-President and Chief Technology Officer



**Paul MacDonald**

Executive Vice-President, Personal Insurance & Digital Channels



**Philip Mather**

Chief Financial Officer



**Liam McFarlane**

Chief Actuarial Officer



**Brigid Pelino**

Senior Vice-President and Chief People & Culture Officer



**Obaid Rahman**

Executive Vice-President, Commercial Insurance



**Tom Reikman**

Senior Vice-President and Chief Distribution Officer



**Fabian Richenberger**

Chief Operating Officer

\*As of March 31, 2026

# Corporate Information

Credit ratings as of March 31, 2026

## Financial strength ratings (FSR)

	AM Best	DBRS
<b>Definity Insurance Company</b>	A (Excellent) Stable	A Positive

## Issuer credit rating (ICR) / Issuer rating

	AM Best	DBRS
<b>Definity Financial Corporation</b>	bbb (Good) Stable	BBB (high) Positive

Issuer ratings and financial strength ratings information is provided via independent third-party resources. Definity Financial Corporation and its affiliates do not guarantee the accuracy, adequacy, completeness, or availability of ratings information. Additional information and the latest ratings are available on the web sites of the respective rating agencies. A rating is not a recommendation to buy, sell, or hold securities or to insure, and is subject to revision or withdrawal at any time by the rating agency.

## Toronto Stock Exchange listing

The common shares of Definity Financial Corporation are listed on the Toronto Stock Exchange (the "TSX") under the ticker symbol "DFY".

## Transfer agent and registrar

Computershare Trust Company of Canada  
320 Bay Street, 14th Floor  
Toronto, Ontario M5H 4A6

## Annual meeting of shareholders

**Date:** May 14, 2026

**Time:** 10 a.m. Eastern Daylight Time

**Place:** Live online webcast

Detailed information on how to participate in the Meeting is included in our Notice of Annual Meeting of Shareholders and Management Information Circular, available on [www.definity.com/annualmeetingmaterials](http://www.definity.com/annualmeetingmaterials).

## Auditor

Ernst & Young LLP has served as auditor of Definity Financial Corporation since its incorporation on June 30, 2021 and served as the auditor of certain of our subsidiaries (including Definity Insurance Company) for more than 10 years.

## Quarterly Earnings Conference Call Dates

**Q1**

May 8, 2026

**Q2**

July 31, 2026

**Q3**

November 6, 2026

**Q4**

February 12, 2027

### Investor relations contact

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**Investor Relations Department**  
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Toronto, Ontario, Canada  
M5H 2R2

**Telephone:** 416-590-7371 or 1-866-902-4724  
(toll-free within North America)

**E-mail:** IR@definity.com

#### Dennis Westfall

Vice President, Investor Relations

**Telephone:** 416-435-5568

**E-mail:** dennis.westfall@definity.com

### Media contact

#### Sarah Attwells

Associate Vice-President, Corporate Communication

**Telephone:** 226-753-1130

**E-mail:** sarah.attwells@definity.com

### Eligible dividend designation

For purposes of the enhanced dividend tax credit rules contained in the Income Tax Act (Canada) and any corresponding provincial and territorial tax legislation, unless otherwise stated, all dividends (and deemed dividends) paid by Definity Financial Corporation to Canadian residents on our common shares are designated as eligible dividends for the purposes of such rules.

Record date	Payable date	Amount per share
March 11, 2026	March 23, 2026	\$0.2150
December 12, 2025	December 24, 2025	\$0.1875
September 12, 2025	September 26, 2025	\$0.1875
June 12, 2025	June 26, 2025	\$0.1875
March 12, 2025	March 26, 2025	\$0.1875
December 13, 2024	December 27, 2024	\$0.1600
September 13, 2024	September 27, 2024	\$0.1600
June 13, 2024	June 27, 2024	\$0.1600
March 15, 2024	March 28, 2024	\$0.1600



## Key reasons to invest in Definity

- Leading Canadian P&C insurer in a large and growing market
- Superior customer and broker experience
- Highly scalable digital platforms and growing broker distribution capabilities
- Market leading Commercial Insurance capabilities
- Sophisticated pricing methodologies and disciplined underwriting underpin profitability
- Significant financial flexibility to support value creation
- Seasoned management team and dynamic corporate culture



# definity.

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[definity.com](https://www.definity.com)



Connect with us

