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Definity Financial Corporation
Management's Discussion and Analysis
For the first quarter ended March 31, 2025

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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INTRODUCTION

May 8, 2025

The following Management's Discussion and Analysis ("MD&A") is the responsibility of management and has been approved by the Board of Directors ("Board"). This MD&A is intended to enable the reader to assess our financial position and results of operations as at and for the three-month period ended March 31, 2025, compared to the corresponding period in 2024. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements and accompanying notes as at and for the quarter ended March 31, 2025, our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2024, and the annual MD&A included in our 2024 Annual Report. 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 May 8, 2025.

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

The Company's unaudited condensed interim consolidated financial statements and accompanying notes as at and for the quarter ended March 31, 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:	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 gains (losses), operating income, operating net income, prior year claims development, and underwriting income.
Non-GAAP Ratios:	Claims ratio, combined ratio, expense ratio, return on equity ("ROE"), operating return on equity ("operating ROE"), operating earnings per common share ("operating EPS"), and certain other ratios.

For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, including (where applicable) an explanation of how that measure provides useful information and a quantitative reconciliation of each non-GAAP financial measure to its most directly comparable GAAP measure disclosed in our unaudited condensed interim consolidated financial statements, see Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

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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.

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;
- 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

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environmental or climate change-related representations (i.e. "greenwashing"), that of our industry, or that of our customers;

- Definity's ability to successfully manage credit risk from its counterparties;
- foreign currency fluctuations;
- Definity's ability to meet payment obligations as they become due;
- Definity's ability to maintain its financial strength rating or credit rating;
- Definity's dependence on key people;
- Definity's ability to attract, develop, motivate, and retain an appropriate number of employees with the necessary skills, capabilities, and knowledge;
- Definity's ability to appropriately collect, store, transfer, and dispose of information;
- Definity's reliance on information technology systems, 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 models, artificial intelligence, and generative AI technology;
- compliance with and changes in legislation or its interpretation or application, or supervisory expectations or requirements, including changes in the scope of regulatory oversight, effective income tax rates, risk-based capital guidelines, accounting standards, and generally accepted actuarial techniques;
- changes in domestic or foreign government policies, such as cross-border tariffs or trade policies, 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, and social conditions, particularly those in Canada;
- the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national, or international economies, as well as their heightening of certain risks that may affect our business or future results;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of advanced technologies, disruptive innovation or alternative business models by current market participants or new market entrants;
- distribution channel risk, including Definity's reliance on brokers to sell its products;
- Definity's dividend payments being subject to the discretion of the Board and dependent on a variety of factors and conditions existing from time to time;
- the discontinuance, modification, or failure to renew or complete Definity's normal course issuer bid ("NCIB");
- Definity's dependence on the results of operations of its subsidiaries and the ability of the subsidiaries to pay dividends;
- Definity's ability to manage and access capital and liquidity effectively;
- Definity's ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- management's estimates and judgments in respect of IFRS 17 and its impact on various financial metrics;
- periodic negative publicity regarding the insurance industry, Definity, or Definity Insurance Foundation; and

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- management's estimates and expectations in relation to interests in the broker distribution channel and the resulting impact on growth, income, and accretion in various financial metrics.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in Section 11 – "Risk Management and Corporate Governance" of our MD&A for the year ended December 31, 2024 should be considered carefully by readers.

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

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

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1 — CORPORATE OVERVIEW

ABOUT DEFINITY

We are the sixth largest provider of property and casualty (“P&C”) insurance in Canada, with a market share of approximately 4.8%¹. We had over \$4.5 billion in gross written premiums² (“GWP”) for the 12 months ended March 31, 2025.

We offer both personal and commercial insurance products. Through our personal lines insurance operations, which represented 67% of our GWP in the first quarter of 2025, we offer auto, property, liability, and pet insurance products to individual customers. Our commercial lines insurance operations, which represented 33% of our GWP in the first quarter of 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 the first quarter of 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 61% of GWP in the first quarter of 2025.

Our P&C insurance business is supported by our investment management activities. We had over \$5.4 billion in investments as at March 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.

¹ As of December 31, 2024, based on insurance revenue from insurance contracts as disclosed by MSA Research. Market share of Canadian P&C insurance industry insurance revenue of \$86.7 billion for the twelve months ended December 31, 2024, 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.

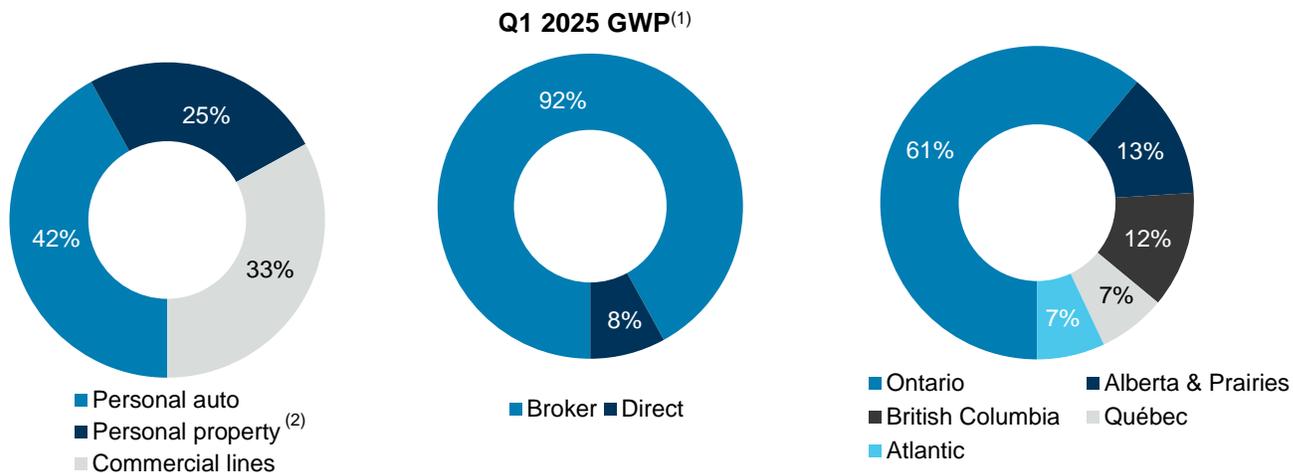
² Gross written premiums is a supplementary financial measure. Refer to Section 11 - “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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The following charts illustrate the breakdown of our GWP for the three months ended March 31, 2025 by business line, distribution channel, and region, respectively.



Notes:

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

(2) Personal property includes pet insurance business.

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2 — FINANCIAL PERFORMANCE

HIGHLIGHTS:

- Gross written premium¹ growth of 9.6% in the first quarter of 2025 excluding the premiums of our exited line from both periods, on solid underlying personal auto activity driven by achieved rates and increasing unit counts, continued firm market conditions in personal property, and ongoing momentum in commercial insurance
- Combined ratio² of 94.5% in the first quarter of 2025 as winter weather drove an increase in the core accident year claims ratio² and 5 percentage points of catastrophe losses¹, largely offset by our proactive rate actions and ongoing disciplined expense management
- Operating net income³ of \$75.9 million in the first quarter of 2025 compared to \$76.1 million in the first quarter of 2024, resulting in operating EPS² of \$0.65; trailing 12-month operating ROE² was 10.3%
- Financial position remained strong, with book value per share¹ of \$29.52, 16.2% higher than a year ago

Notes:

(1) Gross written premiums, catastrophe losses, and book value per share are supplementary financial measures.

(2) Combined ratio, core accident year claims ratio, operating ROE, and operating EPS are non-GAAP ratios.

(3) Operating net income is a non-GAAP financial measure.

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

RESULTS OF OPERATIONS

The following table summarizes our interim consolidated statements of income for the three months ended March 31, 2025 and 2024:

	Three months ended March 31,		
	2025	2024	Change
<i>(in millions of dollars, except as otherwise noted)</i>			
Insurance revenue.....	\$ 1,111.9	\$ 991.9	\$ 120.0
Insurance service expenses	(958.0)	(858.7)	(99.3)
Net expenses from reinsurance contracts held	(30.6)	(9.6)	(21.0)
Insurance service result.....	\$ 123.3	\$ 123.6	\$ (0.3)
Net investment income.....	49.8	48.2	1.6
Recognized gains on FVTPL investments	52.2	25.0	27.2
Investment income	\$ 102.0	\$ 73.2	\$ 28.8
Finance expenses from insurance contracts issued.....	(57.3)	(16.8)	(40.5)
Finance income from reinsurance contracts held.....	5.9	1.4	4.5
Net insurance financial result.....	\$ (51.4)	\$ (15.4)	\$ (36.0)
Net insurance and investment result.....	173.9	181.4	(7.5)
Distribution revenues.....	49.0	40.4	8.6
Other expenses.....	(97.0)	(79.7)	(17.3)
Interest expense.....	(2.6)	(1.9)	(0.7)
Income before income taxes	\$ 123.3	\$ 140.2	\$ (16.9)
Income tax expense	(30.5)	(34.5)	4.0
Net income.....	\$ 92.8	\$ 105.7	\$ (12.9)
Net income attributable to common shareholders.....	92.0	105.2	(13.2)
Net income attributable to non-controlling interests	0.8	0.5	0.3
Earnings per common share, basic (in dollars)	\$ 0.81	\$ 0.92	(12.0%)
Earnings per common share, diluted (in dollars)	\$ 0.79	\$ 0.90	(12.2%)

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

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended March 31,		
	2025	2024	Change
Gross written premiums ⁽¹⁾	\$ 1,030.1	\$ 955.6	7.8%
Net underwriting revenue ⁽²⁾	1,001.8	905.3	10.7%
Underwriting income ⁽²⁾	55.0	54.8	0.2
Distribution income ⁽²⁾	11.0	10.0	1.0
Operating income ⁽²⁾	100.5	100.3	0.2
Non-operating gains ⁽²⁾	21.8	39.6	(17.8)
Operating net income ⁽²⁾	75.9	76.1	(0.2)
Operating earnings per common share (in dollars) ⁽³⁾	\$ 0.65	\$ 0.65	-
Book value per share (in dollars) ⁽¹⁾	\$ 29.52	\$ 25.40	16.2%
Claims ratio ⁽³⁾	64.2%	62.6%	1.6 pts
Expense ratio ⁽³⁾	30.3%	31.3%	(1.0) pts
Combined ratio ⁽³⁾	94.5%	93.9%	0.6 pts
Return on equity ⁽³⁾	13.4%	12.7%	0.7 pts
Operating return on equity ⁽³⁾	10.3%	9.5%	0.8 pts

Notes:

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

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

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

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

GROSS WRITTEN PREMIUMS

GWP for the first quarter of 2025 increased by \$74.5 million or 7.8% compared to the first quarter of 2024, with growth across all our lines of business. GWP growth was 9.6% excluding the premiums of our exited line, Sonnet Alberta personal auto, from both periods. Personal lines GWP were up 6.7% (9.3% when excluding the premiums of our exited line from both periods), driven by auto rate and unit count increases along with continued rate increases in property. Commercial lines GWP increased 10.0%, driven by continued favourable overall market conditions, particularly evident in our strong small commercial and specialty business offerings.

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

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UNDERWRITING INCOME

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

	Three months ended March 31,				Change	
	2025		2024			
<i>(in millions of dollars, except as otherwise noted)</i>	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
Net underwriting revenue ⁽²⁾	\$ 1,001.8		\$ 905.3		\$ 96.5	10.7%
Net claims and adjustment expenses ⁽²⁾	643.2	64.2%	566.4	62.6%	76.8	1.6 pts
Net underwriting expenses ⁽²⁾	303.6	30.3%	284.1	31.3%	19.5	(1.0) pts
Underwriting income ⁽²⁾	\$ 55.0		\$ 54.8		\$ 0.2	
Combined ratio ⁽³⁾		<u>94.5%</u>		<u>93.9%</u>		<u>0.6 pts</u>

Notes:

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

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

(3) Combined ratio is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The growth in net underwriting revenue was due primarily to a high level of GWP growth in 2024 and in the first quarter of 2025.

Underwriting income for the first quarter of 2025 was \$55.0 million and the combined ratio was 94.5%, compared to underwriting income of \$54.8 million and a combined ratio of 93.9% in the first quarter of 2024. The combined ratio in the first quarter of 2025 was impacted by active winter weather compared to relatively benign weather in the same quarter a year ago. The resulting elevated catastrophe losses were driven by heavy snowfall, ice, and rain mostly in Ontario, Québec, and Atlantic Canada. The increases in catastrophe losses and the core accident year claims ratio as a result of the active weather, were largely offset by a decrease in the expense ratio and increased favourable claims development.

NET CLAIMS AND ADJUSTMENT EXPENSES

The composition of the claims ratio for the three months ended March 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:

	Three months ended March 31,				Change	
	2025		2024			
<i>(in millions of dollars, except as otherwise noted)</i>	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
Core accident year claims and adjustment expenses ⁽²⁾	\$ 614.0	61.3%	\$ 544.4	60.2%	\$ 69.6	1.1 pts
Catastrophe losses ⁽³⁾	50.0	5.0%	33.4	3.7%	16.6	1.3 pts
Prior year favourable claims development ⁽²⁾	(20.8)	(2.1%)	(11.4)	(1.3%)	(9.4)	(0.8) pts
Net claims and adjustment expenses ⁽⁴⁾	\$ 643.2	<u>64.2%</u>	\$ 566.4	<u>62.6%</u>	\$ 76.8	<u>1.6 pts</u>

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

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

(3) Catastrophe losses is a supplementary financial measure.

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

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The core accident year claims ratio, which excludes catastrophe losses and prior year claims development, increased in the first quarter of 2025, driven by the active winter weather in the first quarter of 2025 as compared to relatively benign winter weather in the same quarter a year ago.

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Catastrophe losses in the first quarter of 2025 increased compared to the same quarter a year ago. In the first quarter of 2025, we were impacted by heavy snowfall, ice, and rain mostly in Ontario, Québec, and Atlantic Canada.

Prior year favourable claims development in the first quarter of 2025 increased compared to the first quarter of 2024, driven by our personal property and commercial lines of business.

NET UNDERWRITING EXPENSES

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

	Three months ended March 31,					
	2025		2024		Change	
(in millions of dollars, except as otherwise noted)	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
Net commissions ⁽²⁾	\$ 147.2	14.7%	\$ 133.8	14.8%	\$ 13.4	(0.1) pts
Net operating expenses ⁽²⁾	118.8	11.8%	116.4	12.8%	2.4	(1.0) pts
Net premium taxes ⁽²⁾	37.6	3.8%	33.9	3.7%	3.7	0.1 pts
Net underwriting expenses ⁽²⁾⁽³⁾	<u>\$ 303.6</u>	<u>30.3%</u>	<u>\$ 284.1</u>	<u>31.3%</u>	<u>\$ 19.5</u>	<u>(1.0) pts</u>

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of net commissions, net operating expenses, and net premium taxes as a percentage of net underwriting revenue is a non-GAAP ratio.

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

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

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The net commissions ratio was largely in line in the first quarter of 2025 as compared to the same period in the prior year. The net commissions ratio benefitted from the commission offset related to our majority-owned brokers

The net operating expense ratio improved in the first quarter of 2025 driven by our ongoing focus on disciplined expense management combined with the benefit of increasing scale.

INSURANCE REVENUE

The growth in insurance revenue was 12.1% in the first quarter of 2025 driven by the high level of GWP growth throughout 2024 and in the first quarter of 2025 across all our lines of business.

INSURANCE SERVICE RESULT

Insurance service result decreased slightly by \$0.3 million in the first quarter of 2025.

NET INVESTMENT INCOME

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

	Three months ended March 31,		
	2025	2024	Change
(in millions of dollars)			
Interest income.....	\$ 43.8	\$ 41.0	\$ 2.8
Dividend income.....	7.6	8.8	(1.2)
Investment expenses	(1.6)	(1.6)	-
Net investment income.....	<u>\$ 49.8</u>	<u>\$ 48.2</u>	<u>\$ 1.6</u>

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Net investment income increased in the first quarter of 2025 due to an increase in interest income driven by higher holdings of bonds, partially offset by lower dividend income as we reduced our common equity holdings in advance of the recent capital markets volatility.

DISTRIBUTION INCOME

Distribution income of \$11.0 million in the first quarter of 2025 increased from \$10.0 million in the first quarter of 2024, driven primarily by the contributions from acquisitions combined with solid underlying organic growth. In addition, the combination of the larger premium base and the increased share placed with Definity led to an increase in the commission offset.

During the first quarter of 2025, we signed two broker acquisition agreements for a total purchase price of approximately \$110 million (subject to post-closing adjustments). One of these acquisitions closed during the period, with the other scheduled to close in the second quarter.

NON-OPERATING GAINS

The composition of non-operating gains for the three months ended March 31, 2025 and 2024 is as follows:

<i>(in millions of dollars)</i>	Three months ended March 31,		
	2025	2024	Change
Recognized gains on FVTPL investments	\$ 52.2	\$ 25.0	\$ 27.2
Discounting ⁽¹⁾	31.2	28.7	2.5
Risk adjustment ⁽¹⁾	(1.2)	5.0	(6.2)
Finance expenses from insurance contracts issued.....	(57.3)	(16.8)	(40.5)
Finance income from reinsurance contracts held.....	5.9	1.4	4.5
Underwriting loss from exited lines ⁽²⁾	(2.6)	-	(2.6)
Demutualization-related expenses, less interest on restricted cash ⁽³⁾	(1.8)	1.2	(3.0)
Amortization of intangible assets recognized in business combinations ⁽³⁾	(6.5)	(6.5)	-
Other ⁽³⁾⁽⁴⁾	1.9	1.6	0.3
Non-operating gains ⁽⁵⁾	<u>\$ 21.8</u>	<u>\$ 39.6</u>	<u>\$ (17.8)</u>

Notes:

(1) Included in insurance service expenses and net expenses from reinsurance contracts held in our interim consolidated financial statements.

(2) Underwriting loss from exited lines is a supplementary financial measure.

(3) Included in other expenses in our interim consolidated financial statements.

(4) 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 the fintech venture capital funds, and acquisition-related expenses.

(5) Non-operating gains is a non-GAAP financial measure.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The decrease in non-operating gains in the first quarter of 2025 was driven primarily by the impact of finance expenses from insurance contracts issued, partially offset by higher recognized gains on FVTPL investments. Finance expenses from insurance contracts issued in the first quarter of 2025 increased due to a decrease in the yield curve, compared to an increase in the first quarter of 2024. Recognized gains on FVTPL investments were higher in the first quarter of 2025 compared to the same quarter in the prior year due primarily to mark-to-market gains on bonds, partially offset by lower gains on common stocks.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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 ended March 31, 2025 is as follows:

<i>(in millions of dollars)</i>	Three months ended March 31, 2025
Net underwriting revenue ⁽²⁾	\$ 8.1
Net claims and adjustment expenses ⁽²⁾	(8.2)
Net underwriting expenses ⁽²⁾	(2.5)
Underwriting loss from exited lines ⁽¹⁾	<u>\$ (2.6)</u>

Notes:

(1) Underwriting loss from exited lines is a supplementary financial measure.

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

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

NET INCOME

Net income attributable to common shareholders was \$92.0 million in the first quarter of 2025 compared to net income of \$105.2 million in the first quarter of 2024. The decrease was due primarily to lower gains on common stocks, partially offset by gains on bonds in the first quarter of 2025.

OPERATING NET INCOME

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

<i>(in millions of dollars)</i>	Three months ended March 31,		
	2025	2024	Change
Underwriting income ⁽¹⁾	\$ 55.0	\$ 54.8	\$ 0.2
Net investment income.....	49.8	48.2	1.6
Distribution income ⁽¹⁾	11.0	10.0	1.0
Non-controlling interests on distribution income.....	(3.4)	(2.2)	(1.2)
Interest expense.....	(2.6)	(1.9)	(0.7)
Corporate expenses ⁽²⁾	(8.8)	(6.7)	(2.1)
Other ⁽²⁾	(0.5)	(1.9)	1.4
Operating income ⁽¹⁾	<u>\$ 100.5</u>	<u>\$ 100.3</u>	<u>\$ 0.2</u>
Operating income tax expense.....	(24.6)	(24.2)	(0.4)
Operating net income ⁽¹⁾	<u>\$ 75.9</u>	<u>\$ 76.1</u>	<u>\$ (0.2)</u>

Notes:

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

(2) Included in Other expenses in our interim consolidated financial statements.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Operating net income was relatively consistent with the first quarter of 2024, despite the more active winter weather this year.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



OPERATING INCOME TAX EXPENSE

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

	Three months ended March 31,		Change
	2025	2024	
Statutory tax rates	26.3%	26.3%	- pts
Investment income not subject to tax	(2.3%)	(2.0%)	(0.3) pts
Non-deductible expenses	0.2%	0.1%	0.1 pts
Other	0.3%	(0.3%)	0.6 pts
Effective tax rate	<u>24.5%</u>	<u>24.1%</u>	<u>0.4 pts</u>

The effective tax rate for the first quarter was lower than the statutory rate of 26.3% (Q1 2024: 26.3%) due primarily to the impact of non-taxable investment income.

OPERATING ROE

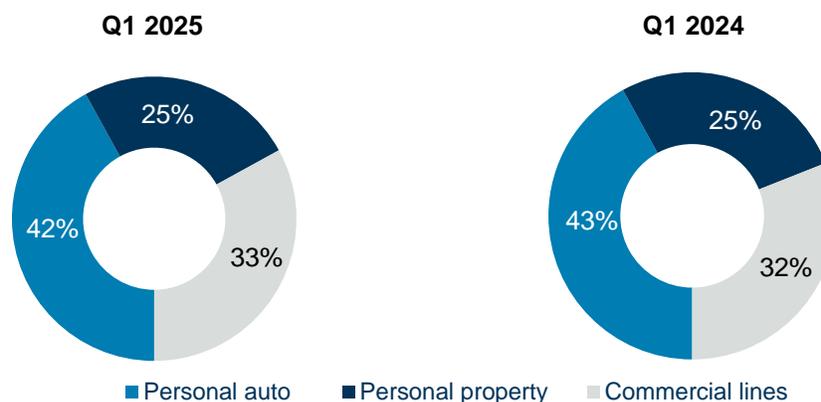
Operating ROE was 10.3% for the twelve-month period ended March 31, 2025 compared to 9.5% for the twelve-month period ended March 31, 2024. The increase in operating ROE was driven by strong growth in operating net income, which more than offset the significant growth in average adjusted equity attributable to common shareholders, excluding accumulated other comprehensive loss ("AOCI").

3 — RESULTS BY LINE OF BUSINESS

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

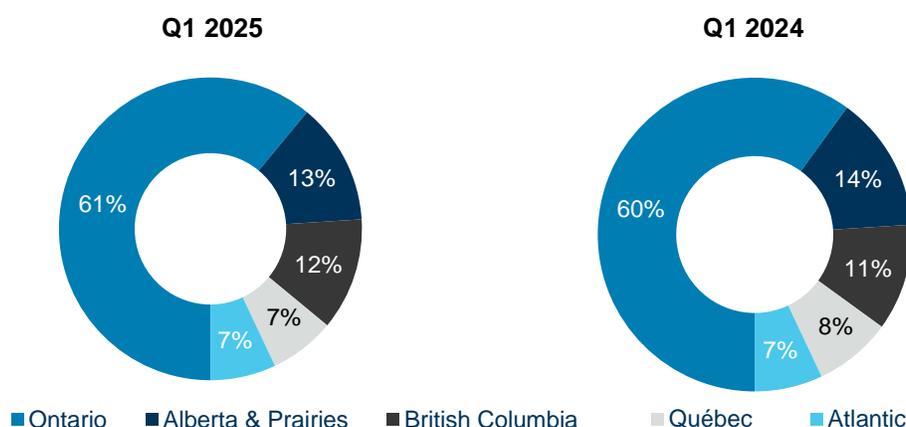
The following charts illustrate our GWP mix on this basis for the three months ended March 31, 2025 and 2024:

GWP by Line of Business⁽¹⁾



There were slight shifts in business mix in the first quarter of 2025 compared to the same period in the prior year.

GWP by Region⁽¹⁾



There were slight shifts in the regional mix in the first quarter of 2025 compared to the same period in the prior year.

Notes:

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

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



UNDERWRITING — PERSONAL LINES

The table below sets forth selected results of operations of our personal lines of business for the three months ended March 31, 2025 and 2024 and the policies in force as at March 31, 2025 and 2024.

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended March 31,		
	2025	2024	Change
Policies in force (thousands) (at period end)			
Auto.....	783.8	764.9	2.5%
Property.....	819.8	828.9	(1.1%)
Total.....	1,603.6	1,593.8	0.6%
Gross written premiums ⁽¹⁾			
Auto.....	\$ 438.8	\$ 413.5	6.1%
Property.....	255.0	236.5	7.8%
Total.....	\$ 693.8	\$ 650.0	6.7%
Net underwriting revenue ⁽²⁾			
Auto.....	\$ 428.2	\$ 385.7	11.0%
Property.....	283.2	260.7	8.6%
Total.....	\$ 711.4	\$ 646.4	10.1%
Net claims and adjustment expenses ⁽²⁾			
Auto.....	\$ 307.0	\$ 273.1	\$ 33.9
Property.....	169.5	143.9	25.6
Total.....	\$ 476.5	\$ 417.0	\$ 59.5
Net underwriting expenses ⁽²⁾			
Auto.....	\$ 110.6	\$ 101.7	\$ 8.9
Property.....	96.9	93.3	3.6
Total.....	\$ 207.5	\$ 195.0	\$ 12.5
Underwriting income ⁽²⁾			
Auto.....	\$ 10.6	\$ 10.9	\$ (0.3)
Property.....	16.8	23.5	(6.7)
Total.....	\$ 27.4	\$ 34.4	\$ (7.0)

Notes:

(1) Gross written premiums is a supplementary financial measure.

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

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

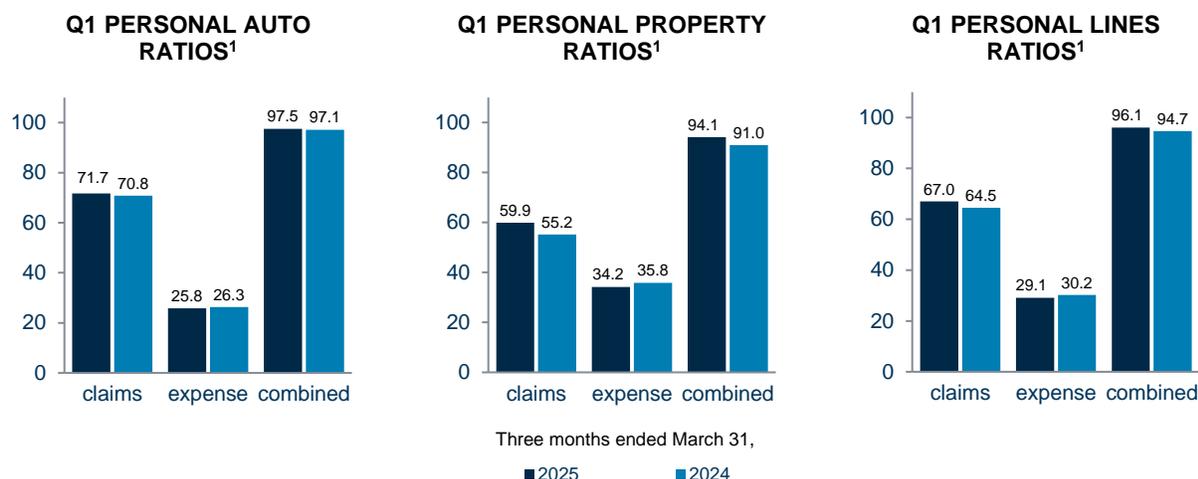
Overall, personal lines GWP increased 6.7% in the first quarter of 2025 with strong growth in our broker channel. The direct channel GWP were \$78.9 million in the first quarter of 2025, a decrease of 17.8% compared to \$96.0 million in the first quarter of 2024. Excluding the premiums of Sonnet Alberta personal auto in both periods, direct channel GWP decreased modestly by 2.2% in the first quarter of 2025. This reflects a strategy to preserve the Sonnet portfolio's most recent profitability performance. Personal auto GWP increased 6.1% in the first quarter of 2025. GWP increased 10.2% in the first quarter of 2025 when excluding the premiums of our exited line from both periods. This growth reflects improved competitive positioning as competitor rates begin to converge, driving unit growth in the quarter. Personal property GWP increased 7.8% in the first quarter of 2025 benefitting from continued firm market conditions driving increases in average written premiums. This was partially offset by ongoing active management of our portfolio to address risk concentration in regions with a higher propensity for peril events.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



Personal lines had underwriting income of \$27.4 million in the first quarter of 2025 compared to \$34.4 million in the same quarter a year ago.



Notes:

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

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

	Three months ended March 31 ⁽¹⁾		
	2025	2024	Change
Core accident year claims and adjustment expenses ⁽²⁾	71.8%	71.5%	0.3 pts
Catastrophe losses ⁽³⁾	0.7%	0.1%	0.6 pts
Prior year favourable claims development ⁽²⁾	(0.8%)	(0.8%)	- pts
Claims ratio ⁽⁴⁾	71.7%	70.8%	0.9 pts

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

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

(3) Catastrophe losses is a supplementary financial measure.

(4) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The personal auto combined ratio of 97.5% in the first quarter of 2025 (Q1 2024: 97.1%) increased slightly driven by higher catastrophe losses and more challenging winter driving conditions, partially offset by earned rate increases and improved Sonnet profitability.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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

	Three months ended March 31 ⁽¹⁾		Change
	2025	2024	
Core accident year claims and adjustment expenses ⁽²⁾	52.0%	51.3%	0.7 pts
Catastrophe losses ⁽³⁾	11.8%	5.9%	5.9 pts
Prior year favourable claims development ⁽²⁾	(3.9%)	(2.0%)	(1.9) pts
Claims ratio ⁽⁴⁾	59.9%	55.2%	4.7 pts

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

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

(3) Catastrophe losses is a supplementary financial measure.

(4) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The personal property combined ratio was 94.1% in the first quarter of 2025 (Q1 2024: 91.0%), driven by elevated catastrophe losses, partially offset by higher favourable claims development and a decrease in the expense ratio.

UNDERWRITING — COMMERCIAL LINES

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

	Three months ended March 31,		Change
	2025	2024	
<i>(in millions of dollars, except as otherwise noted)</i>			
Gross written premiums ⁽¹⁾	\$ 336.3	\$ 305.6	10.0%
Net underwriting revenue ⁽²⁾	\$ 290.4	\$ 258.9	12.2%
Net claims and adjustment expenses ⁽²⁾	\$ 166.7	\$ 149.4	\$ 17.3
Net underwriting expenses ⁽²⁾	\$ 96.1	\$ 89.1	\$ 7.0
Underwriting income ⁽²⁾	\$ 27.6	\$ 20.4	\$ 7.2

Notes:

(1) Gross written premiums is a supplementary financial measure.

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

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

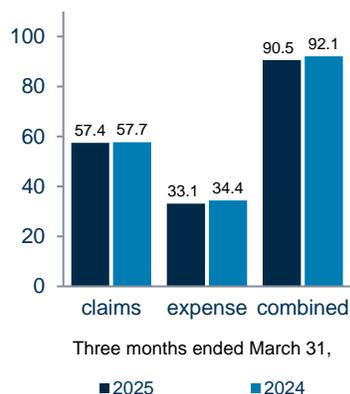
Management's Discussion and Analysis

For the first quarter ended March 31, 2025



Commercial lines GWP increased 10.0% in the first quarter of 2025, driven by strong retention and rate achievement in a favourable market environment overall, with further expansion of our strong small business and specialty capabilities.

Q1 COMMERCIAL LINES RATIOS¹



Notes:

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

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

	Three months ended March 31 ⁽¹⁾		Change
	2025	2024	
Core accident year claims and adjustment expenses ⁽²⁾	54.7%	52.0%	2.7 pts
Catastrophe losses ⁽³⁾	4.8%	6.8%	(2.0) pts
Prior year favourable claims development ⁽²⁾	(2.1%)	(1.1%)	(1.0) pts
Claims ratio ⁽⁴⁾	57.4%	57.7%	(0.3) pts

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

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

(3) Catastrophe losses is a supplementary financial measure.

(4) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Commercial lines underwriting income was \$27.6 million in the first quarter of 2025 compared to \$20.4 million in the same quarter a year ago.

Commercial lines continued to benefit from our focus on underwriting execution and rate adequacy with a strong combined ratio of 90.5% in the first quarter of 2025 (Q1 2024: 92.1%). The improvement in the combined ratio was driven by lower catastrophe losses, higher favourable claims development, and a decrease in the expense ratio, partially offset by an increase in the core accident year claims ratio. The decrease in catastrophe losses and the corresponding increase in the core accident year claims ratio was impacted by the change in definition for a single claim loss in the first quarter of 2025. The core accident year claims ratio also reflects the active winter weather in the first quarter of 2025.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



4 — OPERATING ENVIRONMENT AND OUTLOOK

OPERATING ENVIRONMENT

Below is an overview of key external factors affecting the Canadian P&C insurance industry. The operating environment was impacted by a combination of macroeconomic factors, continued severe weather-related events, and regulatory developments.

Economic environment	<ul style="list-style-type: none">• The U.S. administration proceeded with their tariff strategy in early April, targeting countries with the largest perceived trade surpluses and those with existing tariffs on American goods. Increased cost of goods and services, and disruption to supply chains are expected to follow. The impacts of these tariffs and the retaliatory responses by impacted countries have already and will continue to have a negative effect on the Canadian and global economy.• Measures were taken during the quarter, in advance of increasing tariff risks, to de-risk our investment portfolio. Our strong capital position and resilient operating model continue to position us well for this period of elevated uncertainty. <ul style="list-style-type: none">• The Bank of Canada reduced its overnight rate in January and March 2025 by 25 bps, bringing the overnight rate to 2.75%. The Bank of Canada held their rate steady at the April meeting citing extreme uncertainty in the outlook. Canada has led global central banks in the easing cycle with seven interest rate cuts totalling 225 bps.• Risks to the economy highlighted by the Bank of Canada include weaker consumer and business sentiment that will weigh heavily on investment, and the labour market, due to the trade conflict with the United States.
Personal auto environment	<ul style="list-style-type: none">• The annual rate of inflation for auto physical damage remains stable at the mid-single digit range with loss trends consistent with pre-pandemic levels. All coverage auto inflation is also at mid-single digits (on average) including injury coverages; however, this varies by province. New vehicle pricing was flat year over year and appears to have stabilized. New vehicle inventories have normalized and remain stable. The long-term implications of tariffs are not yet evident in these loss trends.• Vehicle theft frequency in Canada continues to be elevated for the industry. Theft severity has now seen four consecutive quarters of year over year declining trends but remains elevated with changes in the mix (age and value) of vehicles stolen. These trends have led insurers to increase comprehensive coverage premiums as well as offer incentives to drivers of high theft vehicles to install tracking and recovery devices.• Governments are proceeding with initiatives intended to make auto insurance more affordable. In Ontario, insurers continue with implementing product reform regulations that come into effect on July 1, 2026, which among other things, will allow consumers to choose to forego coverage that is currently mandatory. In Alberta, the government introduced legislation for a private sector delivered no-fault insurance product with a target implementation date of January 1, 2027.
Investment environment	<ul style="list-style-type: none">• Fixed income yields fell across the curve in Canada during the first quarter, as the bond market priced in a slowing growth environment.• Equity market returns were mixed in the first quarter with Canada outperforming the U.S. The imposition of increased tariffs by the United States, beginning in April, has negatively impacted equity markets with the S&P TSX Composite and the S&P 500 index significantly lower than the highs set in late January.• Investment-grade and high-yield debt spreads widened during the first quarter, though they remain tight by historical standards. Subsequently, corporate spreads have widened further alongside equity weakness in April, due to economic growth worries caused by the current global trade conflict.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



INDUSTRY OUTLOOK

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

We believe the operating environment remains conducive to sustaining firm market conditions overall. We expect market conditions in property lines to remain firm over the next 12 months, particularly following the active 2024 summer storm and wildfire season that resulted in a record year of approximately \$9 billion in industry catastrophe losses, the move to higher reinsurance attachment points, and the potential for continuing elevated inflation. We expect conditions in auto lines to remain firm as insurers aim to keep pace with the combined impact of inflationary cost pressures, ongoing regulatory constraints in Alberta, and uncertainty related to the extent and impact of potential U.S. tariffs and retaliatory actions.

Market yields turned lower in 2024, tempering the pace of growth in investment income which had been strong following a period of rising yields. 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.

<p>Personal auto</p>	<ul style="list-style-type: none"> • The inflationary pressures and uncertainty on loss cost trends related to auto repairs and replacements as well as elevated theft levels are expected to continue to drive firm industry pricing and a focus across the industry on disciplined underwriting in the next 12 months. There is significant uncertainty around the tariff environment, which might add further pressure on future rates. • The regulatory environment, except for in Québec and British Columbia, will influence insurer ability to respond to tariffs on new vehicles and auto parts. The need for regulators to review insurer assumptions before they can adjust their rates could cause a gap between when the tariffs start to affect claim costs and when insurers can account for the tariffs in premiums. Alberta also maintains an auto insurance rate cap for 'good drivers' that could prevent insurers from incorporating the total cost impact into their rates.
<p>Personal property</p>	<ul style="list-style-type: none"> • The industry reported 2024 as the worst year for catastrophes in Canada with total insured losses of approximately \$9 billion. The impact of these events on the entire industry is expected to drive firm to hard market conditions over the next 12 to 18 months. We expect competitors to take additional underwriting and pricing activity to fund weather event losses below the new elevated treaty retention thresholds. We anticipate a continued disciplined approach by the industry toward loss prevention and mitigation, including rate, coverage, and accumulation management for primary insurers. • The volatility of weather-related events is expected to continue to be a risk for this line of business over the long term. • To address some of the challenges with natural catastrophes, the federal government had previously indicated that it planned to work with insurers to develop a national flood insurance program for high-risk residential properties. The objective was for all Canadians to be able to obtain affordable flood coverage. It is expected that the industry will engage quickly to address this topic with the newly-formed federal government.
<p>Commercial lines</p>	<ul style="list-style-type: none"> • While we expect overall commercial lines market conditions to remain attractive as carriers focus on ensuring long-term profitability and sustainable availability of capacity, we are seeing that some commercial segments have become more competitive. Overall, we expect industry growth to be in the mid-single digits over the next 12 months. • 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. • The increasing frequency and severity 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. • Trade disputes and broader geopolitical uncertainty are expected to impact market conditions further.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



5 — FINANCIAL POSITION

FINANCIAL HIGHLIGHTS AS AT MARCH 31, 2025:

- Our financial position remained strong with equity attributable to common shareholders of approximately \$3.4 billion as at March 31, 2025, an increase of \$48.5 million or 1.5% compared to December 31, 2024, driven by operating net income generated in the first quarter of 2025.
- Total assets increased by \$86.3 million (1.1%) compared to December 31, 2024.
- Insurance contract liabilities decreased by \$18.8 million (0.5%) compared to December 31, 2024.

The following table summarizes our interim consolidated balance sheets as at March 31, 2025 and December 31, 2024:

<i>(in millions of dollars)</i>	As at March 31,	As at December 31,	Change
	2025	2024	
ASSETS			
Cash and cash equivalents	\$ 151.0	\$ 322.1	\$ (171.1)
Restricted cash	-	14.8	(14.8)
Investments.....	5,448.3	5,270.5	177.8
Income taxes receivable.....	15.7	6.7	9.0
Reinsurance contract assets	371.1	346.2	24.9
Property and equipment	102.9	104.8	(1.9)
Deferred income tax assets.....	11.1	13.2	(2.1)
Goodwill and intangible assets	1,446.8	1,397.5	49.3
Other assets.....	232.7	217.5	15.2
Total assets.....	\$ 7,779.6	\$ 7,693.3	\$ 86.3
LIABILITIES			
Insurance contract liabilities	3,584.5	3,603.3	(18.8)
Accounts payable and other liabilities.....	131.5	148.1	(16.6)
Income taxes payable	0.7	42.3	(41.6)
Deferred income tax liabilities.....	154.8	154.3	0.5
Securities sold under repurchase agreements.....	211.1	110.1	101.0
Debt outstanding	114.3	114.3	-
Demutualization amounts outstanding.....	-	14.8	(14.8)
Total liabilities.....	\$ 4,196.9	\$ 4,187.2	\$ 9.7
EQUITY			
Share capital	2,224.4	2,220.4	4.0
Contributed surplus	30.0	42.4	(12.4)
Retained earnings	1,115.7	1,058.1	57.6
Accumulated other comprehensive loss	(1.8)	(1.1)	(0.7)
Equity attributable to common shareholders.....	3,368.3	3,319.8	48.5
Non-controlling interests.....	214.4	186.3	28.1
Total equity	\$ 3,582.7	\$ 3,506.1	\$ 76.6
Total liabilities and equity	\$ 7,779.6	\$ 7,693.3	\$ 86.3

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



CASH AND CASH EQUIVALENTS AND INVESTMENTS

The composition of our cash and cash equivalents and investments as at March 31, 2025 and December 31, 2024 is as follows:

	As at March 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
<i>(in millions of dollars, except as otherwise noted)</i>				
Cash and cash equivalents	\$ 151.0	2.7%	\$ 322.1	5.8%
Short-term investments	109.6	2.0%	97.4	1.7%
Bonds.....	4,415.6	78.8%	4,043.1	72.3%
Preferred stocks	330.7	5.9%	326.5	5.8%
Common stocks	488.1	8.7%	698.4	12.5%
Pooled funds	88.6	1.6%	88.9	1.6%
Commercial loans	15.7	0.3%	16.2	0.3%
Total investments	\$ 5,448.3	97.3%	\$ 5,270.5	94.2%
Total cash and cash equivalents, and investments.....	\$ 5,599.3	100.0%	\$ 5,592.6	100.0%

Total cash and cash equivalents and investments increased slightly in the first quarter of 2025. Net proceeds from securities sold under repurchase agreements and gains on our investment portfolio were mostly offset by cash used in operating activities and ongoing cash deployed into broker acquisitions.

Our proportionate share of investments in fixed income securities, including cash and cash equivalents and short-term investments, increased to 83.5% of the total portfolio as at March 31, 2025, compared with 79.8% as at December 31, 2024. Proactive measures were taken during the quarter to de-risk our investment portfolio, by reducing our holdings of common stocks, as a result of the increased tariff risks. 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, 2024, which provides further details pertaining to the classification and measurement of our financial instruments.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



Investment sector mix

Our investment sector mix demonstrates the largely secure and liquid nature of our overall investment portfolio with its significant concentration in the government and financials sectors. As at March 31, 2025 and December 31, 2024, the breakdown of these investments is as follows:

<i>(in millions of dollars, except as otherwise noted)</i>	As at March 31, 2025					As at December 31, 2024
	Short-term investments and bonds	Preferred stocks	Common stocks	Pooled funds	Total	Total
Government	62%	-	-	-	52%	48%
Financials	20%	75%	29%	7%	24%	24%
Energy	5%	6%	14%	7%	6%	6%
Communication services	3%	4%	3%	6%	3%	4%
Industrials	3%	-	12%	5%	3%	4%
Utilities	3%	15%	3%	16%	4%	4%
Consumer discretionary	2%	-	6%	7%	2%	3%
Materials	-	-	11%	2%	1%	1%
Consumer staples	1%	-	3%	4%	1%	1%
Information technology	-	-	13%	27%	2%	3%
Health care	-	-	4%	8%	1%	1%
Real estate	1%	-	2%	11%	1%	1%
Total (%)	100%	100%	100%	100%	100%	100%
Total (\$)	\$ 4,525.2	\$ 330.7	\$ 488.1	\$ 88.6	\$ 5,432.6	\$ 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 March 31, 2025 and December 31, 2024.

Credit rating¹ — bonds

<i>(in millions of dollars, except as otherwise noted)</i>	As at March 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
AAA	\$ 1,896.4	43.0%	\$ 1,607.2	39.8%
AA	1,338.9	30.3%	1,206.3	29.8%
A	668.1	15.1%	654.4	16.2%
BBB	349.8	7.9%	353.5	8.7%
BB or not rated	162.4	3.7%	221.7	5.5%
Total bonds	\$ 4,415.6	100.0%	\$ 4,043.1	100.0%

¹ Using DBRS ratings.

Credit rating¹ — preferred stocks

<i>(in millions of dollars, except as otherwise noted)</i>	As at March 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
P2	\$ 297.3	89.9%	\$ 296.4	90.8%
P3 or not rated	33.4	10.1%	30.1	9.2%
Total preferred stocks	\$ 330.7	100.0%	\$ 326.5	100.0%

¹ Using DBRS ratings.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025

We monitor the credit ratings of investments within our investment portfolio on an ongoing basis and take the necessary actions, in an attempt to ensure that a high level of quality is maintained. As at March 31, 2025, this resulted in 88.4% (December 31, 2024: 85.8%) of the bonds in the portfolio being rated "A-" or better and 89.9% (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 March 31, 2025 and December 31, 2024 is as follows:

<i>(in millions of dollars, except as otherwise noted)</i>	As at March 31, 2025		As at December 31, 2024	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
Canada	\$ 5,186.7	95.4%	\$ 4,927.8	93.8%
United States.....	188.5	3.5%	251.6	4.8%
Europe	31.0	0.6%	42.0	0.8%
Other.....	26.4	0.5%	32.9	0.6%
Total.....	\$ 5,432.6	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 11 — "Risk management and corporate governance" of our MD&A for the year ended December 31, 2024.

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets increased as at March 31, 2025 due primarily to the goodwill and intangible assets arising from the broker acquisition completed during the first quarter of 2025.

INSURANCE CONTRACT LIABILITIES

The composition of our insurance contract liabilities as at March 31, 2025 and December 31, 2024 is as follows:

<i>(in millions of dollars)</i>	As at	As at	Change
	March 31, 2025	December 31, 2024	
Premiums receivable.....	\$ (1,339.4)	\$ (1,431.0)	\$ 91.6
Unearned premiums.....	2,054.7	2,134.5	(79.8)
Unearned premiums received.....	715.3	703.5	11.8
Unamortized insurance acquisition cash flows.....	(378.5)	(339.2)	(39.3)
Onerous loss provision.....	7.6	13.8	(6.2)
Provision for unpaid claims and other directly attributable payables	3,240.1	3,225.2	14.9
Total.....	\$ 3,584.5	\$ 3,603.3	\$ (18.8)

Insurance contract liabilities as at March 31, 2025 decreased from December 31, 2024, driven by the timing of premium tax payments.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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 three months ended March 31	For the year ended December 31 ⁽¹⁾									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
(Favourable) adverse development on prior year claims, undiscounted ⁽²⁾	\$ (20.8)	\$ (67.5)	\$ (63.0)	\$ (86.3)	\$ (76.0)	\$ (29.6)	\$ (37.9)	\$ (18.8)	\$ 32.6	\$ (40.1)	\$ (73.1)
Impact on claims ratio ⁽³⁾	(2.1%)	(1.8%)	(1.8%)	(2.7%)	(2.7%)	(1.2%)	(1.6%)	(0.8%)	1.5%	(2.1%)	(3.8%)

Notes:

(1) 2015–2021 under IFRS 4 - *Insurance Contracts*. 2022–2025 under IFRS 17 - *Insurance Contracts*.

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

(3) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

During the first quarter of 2025, we entered into repurchase agreements to manage short-term cash flow requirements. Transactions through the repurchase agreements represent short-term funding transactions where we sell securities to major Canadian financial institutions and subsequently repurchase them on a specified date in the future.

EQUITY

Equity attributable to common shareholders increased by \$48.5 million, or 1.5%, as at March 31, 2025, driven by operating net income generated in the first quarter of 2025.

On February 13, 2025, the Board declared a \$0.1875 per share dividend, paid on March 26, 2025 to shareholders of record at the close of business on March 12, 2025, representing an increase of 17.2% from the previous quarter. On May 8, 2025, the Board declared a \$0.1875 per share dividend, payable on June 26, 2025 to shareholders of record at the close of business on June 12, 2025.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



6 — SUMMARY OF QUARTERLY RESULTS

<i>(in millions of dollars, except as otherwise noted)</i>	For the three months ended							
	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Gross written premiums ⁽¹⁾	\$ 1,030.1	\$ 1,109.5	\$ 1,143.3	\$ 1,239.7	\$ 955.6	\$ 1,033.2	\$ 1,040.0	\$ 1,085.1
Insurance revenue.....	1,111.9	1,124.9	1,095.5	1,046.1	991.9	1,003.8	984.1	954.9
Net underwriting revenue ⁽²⁾	1,001.8	1,006.0	981.8	949.4	905.3	922.4	903.6	877.5
Underwriting income (loss) ⁽²⁾	55.0	97.0	(33.1)	93.7	54.8	87.0	(22.8)	41.2
Combined ratio ⁽³⁾	94.5%	90.3%	103.4%	90.1%	93.9%	90.6%	102.5%	95.3%
Net investment income...	49.8	51.1	49.0	49.9	48.2	49.4	46.3	42.8
Distribution income ⁽²⁾	11.0	11.4	15.8	17.2	10.0	8.8	11.2	9.8
Operating net income ⁽²⁾ ..	75.9	110.4	14.6	109.1	76.1	101.0	18.0	65.1
Net income (loss).....	92.8	117.5	106.3	105.4	105.7	226.4	(46.2)	72.2
Net income (loss) attributable to common shareholders.....	92.0	116.6	104.8	103.8	105.2	225.9	(48.3)	71.6
Earnings (loss) per common share (in dollars)								
Basic.....	\$ 0.81	\$ 1.02	\$ 0.91	\$ 0.90	\$ 0.92	\$ 1.96	\$ (0.42)	\$ 0.62
Diluted.....	\$ 0.79	\$ 1.00	\$ 0.90	\$ 0.89	\$ 0.90	\$ 1.94	\$ (0.42)	\$ 0.61

Notes:

(1) Gross written premiums is a supplementary financial measure.

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

(3) Combined ratio is a non-GAAP ratio.

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The P&C insurance business is seasonal in nature, resulting in generally fewer premiums written in the first quarter, and is also impacted by weather-related 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 (loss) may vary significantly between quarters.

The third quarters of 2024 and 2023 were impacted by significant levels of catastrophe losses, which impacted the claims ratio by 17.3 percentage points and 13.5 percentage points, respectively.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



7 — LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

Capital position

Our regulated P&C insurance subsidiaries are well capitalized on an individual basis, with capital levels in excess of regulatory supervisory minimum levels and our internal capital action levels. Management actively manages the Minimum Capital Test (“MCT”) of the Company’s insurance subsidiaries with an intent to remain within our expected operating range. The table below shows the consolidated regulatory capital position as at March 31, 2025 and December 31, 2024 for Definity Insurance Company (“Definity Insurance”) and the financial capacity of the Company.

(in millions of dollars, except as otherwise noted)

	As at March 31, 2025	As at December 31, 2024
MCT % ⁽¹⁾	215%	204%
Excess capital for Definity Insurance ⁽²⁾	\$ 184.2	\$ 110.1
Additional capital at Definity Financial Corporation ⁽³⁾	527.9	487.2
Total excess capital	\$ 712.1	\$ 597.3
Leverage capacity at target	\$ 1,194.2	\$ 1,168.7
Less: debt outstanding	(114.3)	(114.3)
Leverage capacity ⁽⁴⁾	\$ 1,079.9	\$ 1,054.4
Financial capacity ⁽⁴⁾	\$ 1,792.0	\$ 1,651.7

Notes:

- (1) Consolidated Definity Insurance.
- (2) Excess capital measured at 190% MCT for Definity Insurance.
- (3) Additional capital at Definity Financial Corporation measured as available cash and investments in Definity Financial Corporation and its non insurance company subsidiaries.
- (4) Leverage capacity and financial capacity are supplementary financial measures. For more information, refer to Section 11 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

The financial capacity as at March 31, 2025 increased from December 31, 2024 due primarily to capital generated from operating net income and recognized gains on investments. 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.

NCIB

On May 8, 2025, our Board approved the renewal of the NCIB, subject to the approval of the Toronto Stock Exchange, which has not yet been obtained. Under the current NCIB, we are authorized to purchase up to 3,476,781 common shares, representing 3% of our issued and outstanding common shares during the period commencing May 31, 2024 and ending May 30, 2025. As at March 31, 2025, no common shares had been repurchased and cancelled under the NCIB.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



FINANCIAL STRENGTH AND ISSUER RATINGS

Issuer and financial strength ratings have been assigned to Definity, and its subsidiary Definity Insurance, by major credit rating agencies. The ratings are reflective of Definity's strong capitalization and liquidity, extensive distribution network, and established enterprise risk management framework. The ratings 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	January 29, 2025
Definity Insurance	DBRS	A	Stable	June 25, 2024
Issuer rating				
Definity	DBRS	BBB (high)	Stable	June 25, 2024

CASH FLOWS

As at March 31, 2025, we had \$151.0 million (December 31, 2024: \$322.1 million) of cash and cash equivalents and \$109.6 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.

The Company and certain of its subsidiaries have access to an \$800 million unsecured committed credit facility. The credit facility has a term ending on July 23, 2029, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. As at March 31, 2025, an amount of \$114.3 million (December 31, 2024: \$114.3 million) had been drawn under this credit facility. As at May 8, 2025, we remained in compliance with the covenants.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Operating activities		
Net cash used in operating activities.....	\$ (73.1)	\$ (149.2)
Investing activities		
Investments purchased, net of investments sold.....	(120.5)	194.4
Commercial loans collected.....	0.6	0.4
Purchases of intangible assets and property and equipment	(30.7)	(30.2)
Business acquisitions, net of cash acquired.....	(39.0)	(59.0)
Net cash (used in) provided by investing activities	(189.6)	105.6
Financing activities		
Dividends paid on common shares	(21.1)	(18.5)
Dividends paid to non-controlling interests.....	(0.6)	(0.9)
Common shares purchased and held in trust.....	(11.9)	(4.1)
Demutualization payments.....	(7.3)	(14.5)
Net proceeds from securities sold under repurchase agreements	100.9	100.2
Equity subscriptions.....	16.8	-
Net cash provided by financing activities.....	76.8	62.2
Net (decrease) increase in cash and cash equivalents, and restricted cash.....	\$ (185.9)	\$ 18.6

Cash used in operating activities in the first quarter of 2025 decreased compared with the same period in 2024, driven by higher premiums collected and lower income tax payments, partially offset by higher claims and underwriting expenses.

Cash provided by financing activities includes 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 has been recorded in the period directly to retained earnings in the Company's interim consolidated financial statements. In total, \$157.5 million has been recorded as an increase in retained earnings since the Lost Recipient Claim Deadline.

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

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

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

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

9 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of our consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that can materially affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenues and expenses during the period. Actual results could differ materially from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable. Refer to Note 2 — “Summary of material accounting policies” of our audited consolidated financial statements for the year ended December 31, 2024 for a summary of our material accounting policies.

The most complex and material judgments, estimates, and assumptions used in preparing our consolidated financial statements are discussed in Note 4 — “Material accounting judgments, estimates, and assumptions” of our audited consolidated financial statements for the year ended December 31, 2024.

During the first three months of 2025, there were no material changes to our critical accounting policies, judgments, estimates, or assumptions.

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, 2024.

10 — RISK MANAGEMENT AND CORPORATE GOVERNANCE

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 top and emerging risks are assessed relative to their potential impact on our corporate strategy, competitive position, operational results, reputation, and financial condition.

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

The key risks we manage include insurance, financial, operational, and strategic risks, which are explained in greater detail in our MD&A for the year ended December 31, 2024. Although we described those risks that we believed to be material, other risks and uncertainties exist.

11 — SUPPLEMENTARY FINANCIAL MEASURES AND NON-GAAP FINANCIAL MEASURES AND RATIOS

We measure and evaluate performance of our business using a number of financial measures. Among these measures are the “supplementary financial measures”, “non-GAAP financial measures”, and “non-GAAP ratios” (as such terms are defined under Canadian Securities Administrators’ National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure). These supplementary financial measures are calculated using amounts in, or components of line items in, our interim consolidated financial statements; however, they are not themselves disclosed in our interim consolidated financial statements. The non-GAAP financial measures in this MD&A are derived from one or more financial measures disclosed in our interim consolidated financial statements, and the non-GAAP ratios have at least one of those non-GAAP financial measures as a component, and in each case are not standardized financial measures under GAAP. The supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios in this MD&A may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as a substitute for analysis of our financial information reported under GAAP.

These supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios are used by financial analysts and others in the P&C insurance industry and facilitate management’s comparisons to our historical operating results in assessing our results and strategic and operational decision-making.

Supplementary Financial Measures:

Book value per share

The Company’s equity attributable to common shareholders divided by the total common shares outstanding, net of shares held in trust, as at the balance sheet date.

Catastrophe losses

An event causing gross losses in excess of \$2 million, and generally greater than 100 claims, or a single claim with a gross loss in excess of \$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.

Financial capacity

The sum of excess capital and leverage capacity.

Gross written premiums (“GWP”)

The total premiums from the sale of insurance during a specified period including premiums assumed and excluding exited lines.

Underwriting loss from exited lines

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.

Leverage capacity

The estimated amount of financial leverage available assuming a target capitalization level of 25% of total debt, preferred shares, and hybrids.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



Non-GAAP Financial Measures:

Net underwriting revenue

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.

Below is a quantitative reconciliation of net underwriting revenue for the three months ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Insurance revenue	\$ 1,111.9	\$ 991.9
Earned reinsurance premiums ⁽¹⁾	(102.0)	(86.6)
Remove: impact of exited lines	(8.1)	-
Net underwriting revenue	\$ 1,001.8	\$ 905.3

Notes:

(1) Included in Net expenses from reinsurance contracts held in our interim 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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Claims and adjustment expenses ^{(1),(2)}	\$ 714.3	\$ 634.8
Impact of onerous insurance contracts ⁽³⁾	(6.2)	(1.8)
Claims recoverable from reinsurers for incurred claims ^{(2),(4)}	(56.7)	(66.6)
Remove: impact of exited lines	(8.2)	-
Net claims and adjustment expenses	\$ 643.2	\$ 566.4

Notes:

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

(2) Excludes the impact of discounting and risk adjustment.

(3) Included in Insurance service expenses.

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

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.

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For the first quarter ended March 31, 2025



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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Changes in fulfilment cash flows relating to the liabilities for incurred claims ⁽¹⁾	\$ (21.4)	\$ 6.5
Changes to amounts recoverable for incurred claims ⁽²⁾	(0.8)	(19.7)
Remove: discounting included above	(14.5)	(17.0)
Remove: risk adjustment included above	16.0	18.8
Remove: impact of exited lines	(0.1)	-
Prior year claims development	\$ (20.8)	\$ (11.4)

Notes:

(1) Included in Insurance service expenses in our interim consolidated financial statements.

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

Net underwriting expenses

Net underwriting expenses consist of net commissions, 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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Net commissions	\$ 147.2	\$ 133.8
Net operating expenses	118.8	116.4
Net premium taxes	37.6	33.9
Net underwriting expenses	\$ 303.6	\$ 284.1

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For the first quarter ended March 31, 2025



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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Commissions ⁽¹⁾	\$ 165.0	\$ 148.1
Commissions earned on ceded reinsurance ⁽²⁾	(18.6)	(14.3)
Remove: impact of exited lines	0.8	-
Net commissions	\$ 147.2	\$ 133.8

Notes:

(1) Included in Insurance service expenses in our interim consolidated financial statements.

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

Net 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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Operating expenses ⁽¹⁾	\$ 121.7	\$ 116.4
Remove: impact of exited lines	(2.9)	-
Net operating expenses	\$ 118.8	\$ 116.4

Notes:

(1) Included in Insurance service expenses in our interim 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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Premium taxes ⁽¹⁾	\$ 38.0	\$ 33.9
Remove: impact of exited lines	(0.4)	-
Net premium taxes	\$ 37.6	\$ 33.9

Notes:

(1) Included in Insurance service expenses in our interim consolidated financial statements.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Net underwriting revenue	\$ 1,001.8	\$ 905.3
Less:		
Net claims and adjustment expenses	643.2	566.4
Net commissions	147.2	133.8
Net operating expenses	118.8	116.4
Net premium taxes	37.6	33.9
Underwriting income	\$ 55.0	\$ 54.8

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

<i>(in millions of dollars)</i>	Three months ended March 31, 2025			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue	\$ 428.2	\$ 283.2	\$ 290.4	\$ 1,001.8
Net claims and adjustment expenses...	307.0	169.5	166.7	643.2
Prior year claims development	(3.4)	(11.2)	(6.2)	(20.8)
Net underwriting expenses	110.6	96.9	96.1	303.6
Underwriting income	10.6	16.8	27.6	55.0

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

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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 gains (losses)

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

Net income attributable to common shareholders is the most directly comparable GAAP financial measure disclosed in our interim consolidated financial statements to operating net income, operating income, and non-operating gains (losses). Below is a quantitative reconciliation of operating net income, operating income, and non-operating gains (losses) to net income attributable to common shareholders for the three months ended March 31, 2025 and 2024:

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Net income attributable to common shareholders	\$ 92.0	\$ 105.2
Remove: income tax expense	30.3	34.7
Income before income taxes	\$ 122.3	\$ 139.9
Remove: non-operating gains (losses)		
Recognized gains on FVTPL investments	52.2	25.0
Discounting ⁽¹⁾	31.2	28.7
Risk adjustment ⁽¹⁾	(1.2)	5.0
Finance expenses from insurance contracts issued	(57.3)	(16.8)
Finance income from reinsurance contracts held	5.9	1.4
Underwriting loss from exited lines	(2.6)	-
Demutualization-related expenses, less interest on restricted cash ⁽²⁾	(1.8)	1.2
Amortization of intangible assets recognized in business combinations ⁽²⁾	(6.5)	(6.5)
Other ⁽²⁾⁽³⁾	1.9	1.6
Non-operating gains	\$ 21.8	\$ 39.6
Operating income	\$ 100.5	\$ 100.3
Operating income tax expense	(24.6)	(24.2)
Operating net income	\$ 75.9	\$ 76.1

Notes:

- (1) Included in Insurance service expenses and Net expenses from reinsurance contracts held in our interim consolidated financial statements.
- (2) Included in Other expenses in our interim consolidated financial statements.
- (3) Other represents miscellaneous expenses or revenues that in the view of management are not part of our insurance operations and are individually and in the aggregate not material, such as gains or losses pertaining to fintech venture capital funds, and acquisition-related expenses.

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 ended March 31, 2025 and 2024:

<i>(in millions of dollars)</i>	Three months ended March 31,	
	2025	2024
Distribution revenues ⁽¹⁾	\$ 49.0	\$ 40.4
Distribution business expenses ⁽²⁾	(38.0)	(30.4)
Distribution income	\$ 11.0	\$ 10.0

Notes:

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

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



The following table shows the components of our calculation of ROE for the periods ended March 31, 2025 and 2024:

	For the 12 months ended March 31,	
	2025	2024
<i>(in millions of dollars, except as otherwise noted)</i>		
Net income attributable to common shareholders	\$ 417.1	\$ 354.5
Equity attributable to common shareholders ⁽¹⁾	\$ 3,368.3	\$ 2,926.7
Adjustment for the return of restricted cash ⁽²⁾	\$ (88.7)	\$ -
Adjusted equity attributable to common shareholders.....	\$ 3,279.6	\$ 2,926.7
Average adjusted equity attributable to common shareholders ⁽³⁾	\$ 3,103.1	\$ 2,781.9
Return on equity.....	13.4%	12.7%

Notes:

- (1) Equity attributable to common shareholders is as at March 31, 2025 and 2024.
- (2) The return of restricted cash was prorated for the 206 days prior to October 23, 2024.
- (3) Average adjusted equity attributable to common shareholders is the average of adjusted equity attributable to common shareholders (equity attributable to common shareholders as shown on our interim consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable) at the end of the period and the end of the preceding 12-month period. Equity attributable to common shareholders and adjusted equity attributable to common shareholders as at March 31, 2023 was \$2,637.2 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 periods ended March 31, 2025 and 2024:

	For the 12 months ended March 31,	
	2025	2024
<i>(in millions of dollars, except as otherwise noted)</i>		
Operating net income	\$ 310.0	\$ 260.3
Equity attributable to common shareholders, excluding AOCI ⁽¹⁾	\$ 3,370.1	\$ 2,942.0
Adjustment for unrealized gains on FVTPL equity instruments	\$ (75.5)	\$ (103.6)
Adjustment for the return of restricted cash ⁽²⁾	\$ (88.7)	\$ -
Adjusted equity attributable to common shareholders, excluding AOCI ⁽³⁾	\$ 3,205.9	\$ 2,838.4
Average adjusted equity attributable to common shareholders, excluding AOCI ⁽⁴⁾	\$ 3,022.1	\$ 2,738.1
Operating ROE.....	10.3%	9.5%

Notes:

- (1) Equity attributable to common shareholders, excluding AOCI is as at March 31, 2025 and 2024.
- (2) The return of restricted cash was prorated for the 206 days prior to October 23, 2024.
- (3) Adjusted equity attributable to common shareholders, excluding AOCI, is equity attributable to common shareholders and AOCI each as shown on our interim consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, and excluding unrealized gains or losses on FVTPL equity instruments.
- (4) Average adjusted equity attributable to common shareholders, excluding AOCI, is the average of adjusted equity attributable to common shareholders, excluding AOCI, at the end of the period and the end of the preceding 12-month period. Adjusted equity attributable to common shareholders, excluding AOCI, as at March 31, 2023 was \$2,637.8 million.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



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.

Management's Discussion and Analysis

For the first quarter ended March 31, 2025



12 — OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The Company's issued and outstanding common shares were 115.8 million as at May 8, 2025. No preferred shares were issued and outstanding.

13 — DEFINITIONS

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

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