

definity.

Definity Financial Corporation
Management's Discussion and Analysis
For the year ended December 31, 2025

Management's Discussion and Analysis

For the year ended December 31, 2025



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INTRODUCTION

February 12, 2026

The following Management's Discussion and Analysis ("MD&A") is the responsibility of management and has been approved by Definity's Board of Directors ("Board"). This MD&A is intended to enable the reader to assess our financial position and results of operations as at and for the three and twelve-month periods ended December 31, 2025, compared to the corresponding periods in 2024. This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2025. Certain prior period comparative figures have been reclassified to conform to the current quarter's MD&A presentation. All dollar amounts are in Canadian dollars. Certain totals, subtotals, and percentages may not reconcile due to rounding. Unless otherwise noted in this MD&A, all information was prepared as at February 12, 2026.

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

The Company's audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). We measure and evaluate performance of our business using a number of financial measures. Among these measures are the "supplementary financial measures", "non-GAAP financial measures", and "non-GAAP ratios" (as such terms are defined under Canadian Securities Administrators' National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure*) included in this MD&A, and in each case are not standardized financial measures under GAAP. The supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios in this MD&A may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as a substitute for analysis of our financial information reported under GAAP.

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

Supplementary Financial Measures:	Book value per share, catastrophe losses, financial capacity, gross written premiums, leverage capacity, and underwriting loss from exited lines.
Non-GAAP Financial Measures:	Adjusted equity attributable to common shareholders, adjusted equity attributable to common shareholders excluding AOCI, core accident year claims and adjustment expenses, distribution income, net claims and adjustment expenses, net commissions, net operating expenses, net premium taxes, net underwriting expenses, net underwriting revenue, non-operating (losses) gains, operating income, operating net income, prior year claims development, and underwriting income.
Non-GAAP Ratios:	Claims ratio, combined ratio, expense ratio, return on equity ("ROE"), operating return on equity ("operating ROE"), operating earnings per common share ("operating EPS"), and certain other ratios.

For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, including (where applicable) an explanation of how that measure provides useful information and a quantitative reconciliation of each non-GAAP financial measure to its most directly comparable GAAP measure disclosed in our audited consolidated financial statements, see Section 13 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

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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. This MD&A contains forward-looking statements with respect to the Company’s agreement with St. Paul Fire and Marine Insurance Company and Travelers Casualty and Surety Company (collectively, “Travelers”) to acquire Travelers’ Canadian P&C insurance operations, excluding its Canadian surety business and certain select business lines retained by Travelers, for cash consideration of approximately \$3.3 billion (the “Travelers Transaction”).

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

Forward-looking information in this MD&A is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as at the date such statements are made, and are subject to many factors that could cause our actual results, performance or achievements, or other future events or developments, to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors:

- Definity’s ability to continue to offer competitive pricing or product features or services that are attractive to customers;
- Definity’s ability to appropriately price its insurance products to produce an acceptable return, particularly in provinces where the regulatory environment requires auto insurance rate increases to be approved or that otherwise impose regulatory constraints on auto insurance rates;
- Definity’s ability to accurately assess the risks associated with the insurance policies that it writes;
- Definity’s ability to assess and pay claims in accordance with its insurance policies;
- Definity’s ability to obtain adequate reinsurance coverage to manage risk;
- Definity’s ability to accurately predict future claims frequency or severity, including the frequency and severity of weather-related events and the impact of climate change;
- Definity’s ability to address inflationary cost pressures through pricing, supply chain, or cost management actions;
- the occurrence of unpredictable catastrophe events;

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- litigation and regulatory actions, including potential claims in relation to demutualization and our IPO and unclaimed demutualization benefits and the tax treatment of related amounts transferred to the Company, and COVID-19-related class-action lawsuits that have arisen and which may arise, together with associated legal costs;
- Definity's ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- Definity's ability to improve its combined ratio, retain and attract new business, retain key employees, achieve synergies, and maintain market position during and after the integration of the Travelers Transaction;
- Definity's ability to complete the integration of the Travelers Transaction within anticipated time periods and at the expected cost;
- estimates and expectations in relation to future economic and business conditions and other factors in relation to the Travelers Transaction and any resulting impacts on growth and accretion in various financial metrics;
- unfavourable capital market developments, interest rate movements, changes to dividend policies or other factors which may affect our investments or the market price of our common shares;
- changes associated with the transition to a low-carbon economy, including reputational and business implications from stakeholders' views of our climate change approach or of our environmental or climate change-related representations (i.e. "greenwashing"), those of our industry, or those of our customers;
- Definity's ability to successfully manage credit risk from its counterparties;
- foreign currency fluctuations;
- Definity's ability to meet payment obligations as they become due;
- Definity's ability to maintain its financial strength rating or credit ratings;
- Definity's dependence on key people;
- Definity's ability to attract, develop, motivate, and retain an appropriate number of employees with the necessary skills, capabilities, and knowledge;
- Definity's ability to appropriately collect, store, transfer, and dispose of information;
- Definity's reliance on information technology systems, software, internet, network, data centre, voice or data communications services and the potential disruption or failure of those systems or services, including disruption as a result of cyber security risk or of a third-party service provider;
- failure of key service providers or vendors to provide services or supplies as expected, or comply with contractual or business terms;
- Definity's ability to obtain, maintain and protect its intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology;
- Definity's ability to effectively govern the use of, and extract value from, models, artificial intelligence, generative AI, and agentic AI technologies;
- compliance with and changes in legislation or its interpretation or application, or supervisory expectations or requirements, including changes in the scope of regulatory oversight, effective income tax rates, risk-based capital guidelines, accounting standards, and generally accepted actuarial techniques;
- changes in domestic or foreign government policies, such as cross-border tariffs, trade policies, or trade agreements may negatively impact the Canadian economy and the P&C insurance industry and/or exacerbate other risks to Definity;
- failure to design, implement and maintain effective controls over financial reporting and disclosure which could have a material adverse effect on our business;
- deceptive or illegal acts undertaken by an employee or a third party, including fraud in the course of underwriting insurance or administering insurance claims;
- Definity's ability to respond to events impacting its ability to conduct business as normal;
- Definity's ability to implement its strategy or operate its business as management currently expects;
- general business, economic, financial, political, geopolitical, and social conditions, particularly those in Canada;

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- the emergence or continuation of widespread health emergencies or communicable disease, and their impact on local, national, or international economies, as well as their heightening of certain risks that may affect our business or future results;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of advanced technologies including AI and agentic AI, disruptive innovation or alternative business models by current market participants or new market entrants;
- distribution channel risk, including Definity's reliance on brokers to sell its products;
- Definity's dividend payments being subject to the discretion of the Board and dependent on a variety of factors and conditions existing from time to time;
- Definity's dependence on the results of operations of its subsidiaries and the ability of the subsidiaries to pay dividends;
- Definity's ability to manage and access capital and liquidity effectively;
- management's estimates and judgments in respect of IFRS 17 and its impact on various financial metrics;
- periodic negative publicity regarding the insurance industry, Definity, or Definity Insurance Foundation; and
- management's estimates and expectations in relation to interests in the broker distribution channel and the resulting impact on growth, income, and accretion in various financial metrics.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in Section 12 – "Risk Management and Corporate Governance" should be considered carefully by readers.

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

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

1 — CORPORATE OVERVIEW AND STRATEGY

ABOUT DEFINITY

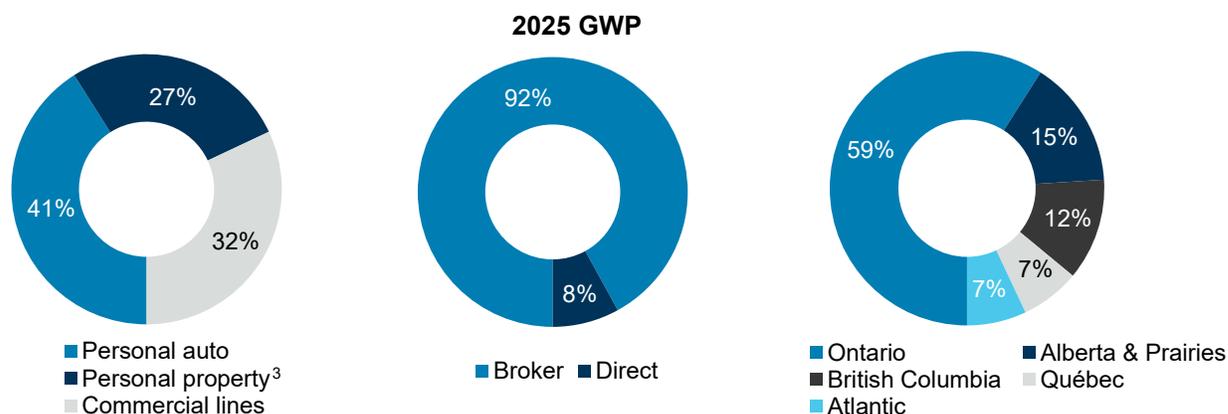
We are the sixth largest provider of property and casualty (“P&C”) insurance in Canada, with a market share of approximately 5.1%¹. We had over \$4.8 billion in gross written premiums² (“GWP”) in 2025. On May 27, 2025, we announced that we had entered into a definitive agreement with Travelers to acquire Travelers’ Canadian P&C insurance business, which closed on January 2, 2026. The Travelers’ Canadian P&C insurance business is a well-established multi-line business which includes commercial and specialty lines portfolios, and personal lines business. The Travelers Transaction establishes the Company as a top 5 P&C insurer in Canada on a pro forma basis, with approximately \$6.3 billion of gross written premiums.

We offer both personal and commercial insurance products. Through our personal lines insurance operations, which represented 68% of our GWP in 2025, we offer auto, property, liability, and pet insurance products to individual customers. Our commercial lines insurance operations, which represented 32% of our GWP in 2025, includes fleet, individually-rated commercial auto, property, liability and specialty insurance products, which are provided to businesses of all sizes in Canada.

As a multi-channel insurer, we distribute our products on a primarily intermediated basis, through brokers, as well as directly to customers. We have active relationships with a network of approximately 600 independent brokerage firms. Our direct distribution channel includes Sonnet Insurance Company (“Sonnet”); our pet insurer Petline Insurance Company (“Petline”); and portions of our group insurance offering. In 2025, broker and direct distribution represented 92% and 8%, respectively, of our total GWP.

We have a national presence and conduct business in all provinces and territories of Canada. Ontario is our largest market, representing 59% of our GWP in 2025.

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



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

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

² Gross written premiums is a supplementary financial measure. Refer to Section 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

³ Personal property includes pet insurance business.

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Our P&C insurance business is supported by our investment management activities. We had approximately \$6.9 billion in investments as at December 31, 2025. A key tenet of our investment philosophy is the preservation of capital through portfolio diversification and a strong focus on high quality assets. Our investment portfolio includes a significant component of short-duration, investment grade fixed income investments.

CORPORATE STRATEGY

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

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

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

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

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

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

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

2025 Highlights

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

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

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

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

Grow and diversify our commercial insurance business

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

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

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

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

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

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

2025 Highlights

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

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

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

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

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

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

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

Diversify and strengthen our growth through acquisitions and partnerships

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

2025 Highlights

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

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

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

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

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

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

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

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

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

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

2025 Highlights

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

2025 Highlights

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

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

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

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

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

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

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

2025 Highlights

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

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

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

- To that end, we continue to target having at least 30% of roles at the combined vice-president and senior leadership team levels held by women, and at least 15% held by individuals who identify as being members of equity-deserving groups¹, by year end 2026.
- We continue to work toward achieving net-zero emissions from both our operations (Scope 1 and 2 market-based emissions) and investments (Scope 3 financed emissions associated with listed equities and corporate bonds) by 2040. Accordingly, we have continued to invest in energy efficiency, renewable energy, low emissions vehicles, and other reductions in our operations, and embedded our climate change commitments into Definity's investment policy statement and process.

2025 Highlights

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

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

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

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

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

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

HIGHLY STRATEGIC AND COMPELLING FINANCIAL RATIONALE

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

Highly Strategic	
Enhancing our commercial presence and expertise	<ul style="list-style-type: none"> • The Travelers Transaction will further strengthen Definity’s commercial lines business by adding approximately \$500 million in annual premiums, representing an increase of 34% from 2025. • The Travelers Transaction will accelerate the transformation of Definity’s commercial insurance platform, while adding additional capabilities in marine, professional liability, and other lines of business. • Definity’s commercial insurance market position will increase to 4th in Canada and our underwriting capabilities will be enhanced through the acquisition of hard-to-source underwriting and claims expertise.
Scale benefits in personal insurance	<ul style="list-style-type: none"> • The Travelers Transaction adds significant scale to Definity’s personal lines business, an increase of close to \$1 billion in annual premiums, or nearly 30% from 2025, moving Definity into the top 5 personal line P&C insurers in Canada. • Adding premiums from the Travelers Transaction to our leading digital platforms will create opportunities to optimize performance and enhance the overall broker experience. • The Travelers Transaction provides expanded offerings, driving enhanced traction and growth in the broker channel.
Compelling Financial Rationale	
Transaction fully aligned with our stated financial objectives	<ul style="list-style-type: none"> • We are targeting approximately \$100 million (pre-tax) of run-rate expense synergies with further opportunities for platform benefits. • Operating ROE expected to increase by over 200 bps post-integration, enhancing returns and enabling a path to a sustainable mid-teens target in the medium term.
Optimized balance sheet supporting enhanced returns	<ul style="list-style-type: none"> • The Travelers Transaction will optimize Definity’s balance sheet via strategic deployment of excess capital and the introduction of financial leverage in a prudent, sustainable manner. • The accretive use of Definity’s financial capacity is expected to drive a meaningful increase in operating ROE, post-integration, while maintaining our strong regulatory capital position. • Definity’s debt-to-capital ratio¹ is expected to return to our long-term target levels within 24 months of close with the regulatory Minimum Capital Test (“MCT”) ratio maintained within our targeted operating range.

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

Management's Discussion and Analysis

For the year ended December 31, 2025



FINANCING THE ACQUISITION

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

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



3 — FINANCIAL PERFORMANCE

HIGHLIGHTS:

- Gross written premium¹ growth of 9.2% in the fourth quarter of 2025, full year growth of 8.8% adjusted for our exited line, was the result of balanced, solid growth in all three lines of business
- Combined ratio² of 89.9% in the fourth quarter of 2025 reflected strong performance across our portfolio; full year combined ratio robust at 91.6% as both personal property and commercial insurance delivered sub-90 combined ratios
- Operating net income³ of \$120.7 million in the fourth quarter of 2025, compared to \$110.4 million in the fourth quarter of 2024, resulting in operating EPS² of \$0.99. Operating ROE² was 12.2% over the last twelve months
- Book value per share¹ of \$33.78 was up 16.0% from a year ago, reflecting strong operating earnings and our private placements of common shares in the second quarter of 2025
- Quarterly dividend increased for the fourth consecutive year, by 14.7% to \$0.215 per share, supported by confidence in our operational outlook and our strong financial position
- Definity closed its transformational Travelers Transaction on January 2, 2026, enhancing our pro forma gross written premiums by approximately \$1.5 billion and delivering on our top-5 strategic aspiration

Notes:

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

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

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

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

RESULTS OF OPERATIONS

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

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

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended December 31,			Years ended December 31,		
	2025	2024	Change	2025	2024	Change
Gross written premiums ⁽¹⁾	\$ 1,212.1	\$ 1,109.5	9.2%	\$ 4,808.1	\$ 4,448.1	8.1%
Net underwriting revenue ⁽²⁾	1,101.5	1,006.0	9.5%	4,226.2	3,842.5	10.0%
Underwriting income ⁽²⁾	111.5	97.0	14.5	354.7	212.4	142.3
Distribution income ⁽²⁾	10.9	11.4	(0.5)	62.0	54.4	7.6
Operating income ⁽²⁾	159.5	147.0	12.5	558.7	409.6	149.1
Non-operating (losses) gains ⁽²⁾	(75.4)	8.5	(83.9)	8.4	163.1	(154.7)
Operating net income ⁽²⁾	120.7	110.4	10.3	420.7	310.2	110.5
Operating earnings per common share (in dollars) ⁽³⁾	\$ 0.99	\$ 0.95	4.2%	\$ 3.53	\$ 2.66	32.7%
Book value per share (in dollars) ⁽¹⁾	\$ 33.78	\$ 29.13	16.0%	\$ 33.78	\$ 29.13	16.0%
Claims ratio ⁽³⁾	60.6%	60.7%	(0.1) pts	62.0%	64.5%	(2.5) pts
Expense ratio ⁽³⁾	29.3%	29.6%	(0.3) pts	29.6%	30.0%	(0.4) pts
Combined ratio ⁽³⁾	89.9%	90.3%	(0.4) pts	91.6%	94.5%	(2.9) pts
Return on equity ⁽³⁾	11.6%	14.2%	(2.6) pts	11.6%	14.2%	(2.6) pts
Operating return on equity ⁽³⁾	12.2%	10.6%	1.6 pts	12.2%	10.6%	1.6 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 (losses) 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 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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GROSS WRITTEN PREMIUMS

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

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

UNDERWRITING INCOME

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

	Three months ended December 31,				Years ended December 31,							
	2025		2024		Change		2025		2024		Change	
	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
<i>(in millions of dollars, except as otherwise noted)</i>												
Net underwriting revenue ⁽²⁾ ...	\$1,101.5		\$1,006.0		\$ 95.5	9.5%	\$ 4,226.2		\$3,842.5		\$ 383.7	10.0%
Net claims and adjustment expenses ⁽²⁾	667.3	60.6%	610.4	60.7%	56.9	(0.1) pts	2,619.3	62.0%	2,477.9	64.5%	141.4	(2.5) pts
Net underwriting expenses ⁽²⁾	322.7	29.3%	298.6	29.6%	24.1	(0.3) pts	1,252.2	29.6%	1,152.2	30.0%	100.0	(0.4) pts
Underwriting income ⁽²⁾	111.5		97.0		14.5		354.7		212.4		142.3	
Combined ratio ⁽³⁾		<u>89.9%</u>		<u>90.3%</u>		<u>(0.4) pts</u>		<u>91.6%</u>		<u>94.5%</u>		<u>(2.9) 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 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The growth in net underwriting revenue was due primarily to a high level of GWP growth in 2025 and 2024 earning through in revenue in 2025.

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

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

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NET CLAIMS AND ADJUSTMENT EXPENSES

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

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended December 31,						Years ended December 31,					
	2025		2024		Change		2025		2024		Change	
	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
Core accident year claims and adjustment expenses ⁽²⁾	\$ 652.6	59.2%	\$ 601.0	59.8%	\$ 51.6	(0.6) pts	\$ 2,546.9	60.3%	\$ 2,299.2	59.9%	\$ 247.7	0.4 pts
Catastrophe losses ⁽³⁾	31.7	2.9%	28.1	2.8%	3.6	0.1 pts	143.5	3.4%	246.2	6.4%	(102.7)	(3.0) pts
Prior year favourable claims development ⁽²⁾	(17.0)	(1.5%)	(18.7)	(1.9%)	1.7	0.4 pts	(71.1)	(1.7%)	(67.5)	(1.8%)	(3.6)	0.1 pts
Net claims and adjustment expenses ⁽⁴⁾	<u>\$ 667.3</u>	<u>60.6%</u>	<u>\$ 610.4</u>	<u>60.7%</u>	<u>\$ 56.9</u>	<u>(0.1) pts</u>	<u>\$ 2,619.3</u>	<u>62.0%</u>	<u>\$ 2,477.9</u>	<u>64.5%</u>	<u>\$ 141.4</u>	<u>(2.5) 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 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The core accident year claims ratio, which excludes catastrophe losses and prior year claims development, decreased in the fourth quarter of 2025 driven by earned rate increases and improved Sonnet profitability in our personal lines of business. For the year, the core accident year claims ratio increased due in part to the change in definition of a single claim catastrophe loss.

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

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

NET UNDERWRITING EXPENSES

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

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended December 31,						Years ended December 31,					
	2025		2024		Change		2025		2024		Change	
	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
Net commissions ⁽²⁾	\$ 161.4	14.7%	\$ 142.3	14.1%	\$ 19.1	0.6 pts	\$ 614.9	14.6%	\$ 551.5	14.4%	\$ 63.4	0.2 pts
Net operating expenses ⁽²⁾	120.3	10.9%	118.6	11.8%	1.7	(0.9) pts	479.0	11.3%	455.1	11.8%	23.9	(0.5) pts
Net premium taxes ⁽²⁾	41.0	3.7%	37.7	3.7%	3.3	- pts	158.3	3.7%	145.6	3.8%	12.7	(0.1) pts
Net underwriting expenses ⁽²⁾⁽³⁾	<u>\$322.7</u>	<u>29.3%</u>	<u>\$ 298.6</u>	<u>29.6%</u>	<u>\$ 24.1</u>	<u>(0.3) pts</u>	<u>\$ 1,252.2</u>	<u>29.6%</u>	<u>\$ 1,152.2</u>	<u>30.0%</u>	<u>\$ 100.0</u>	<u>(0.4) 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 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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

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

INSURANCE REVENUE

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

INSURANCE SERVICE RESULT

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

NET INVESTMENT INCOME

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

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

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

DISTRIBUTION INCOME

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

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

Notes:

(1) Distribution income is a non-GAAP financial measure.

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

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

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

NON-OPERATING (LOSSES) GAINS

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

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

Notes:

- (1) Included in insurance service expenses and net expenses from reinsurance contracts held in our audited consolidated financial statements.
 - (2) Underwriting loss from exited lines is a supplementary financial measure.
 - (3) Included in other expenses in our audited 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 fintech venture capital funds.
 - (5) Non-operating (losses) gains is a non-GAAP financial measure.
- Refer to Section 13 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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

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

Management's Discussion and Analysis

For the year ended December 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 and years ended December 31, 2025 and 2024 is as follows:

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

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

NET INCOME

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

OPERATING NET INCOME

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



Notes:

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

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

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

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

OPERATING INCOME TAX EXPENSE

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

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

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

OPERATING ROE

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

Management's Discussion and Analysis

For the year ended December 31, 2025

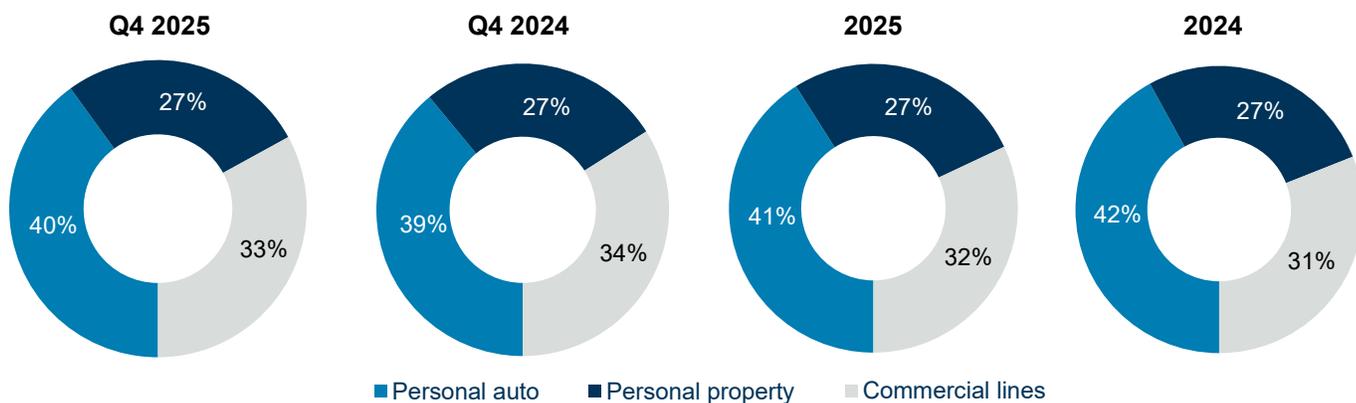


4 — RESULTS BY LINE OF BUSINESS

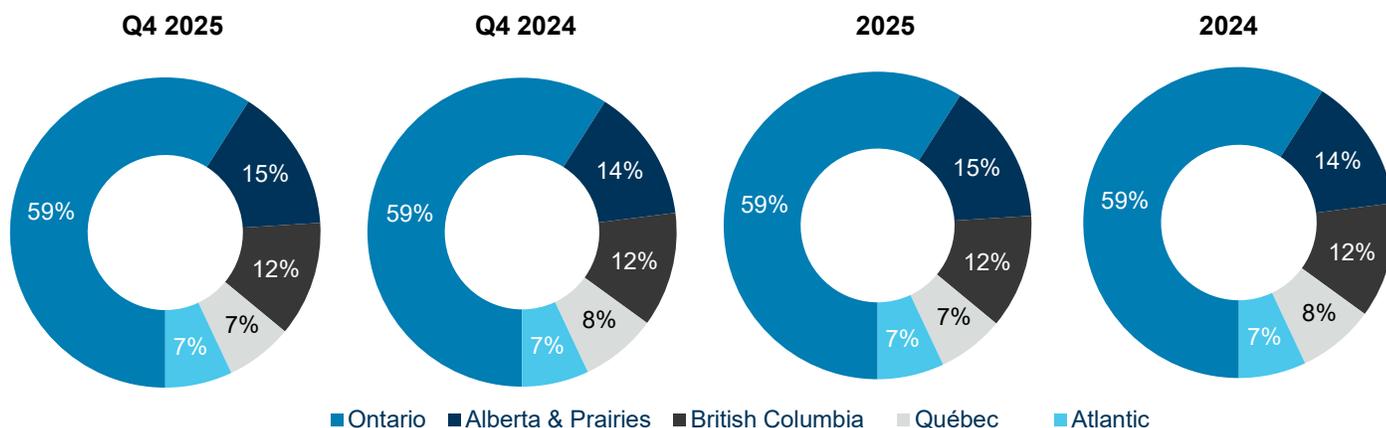
We provide a wide range of P&C insurance products throughout Canada in two broad lines of business: personal insurance and commercial insurance. Personal lines business is further subdivided between auto and property, the latter of which includes pet insurance products.

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

GWP by Line of Business⁽¹⁾



GWP by Region⁽¹⁾



Notes:

(1) GWP is a supplementary financial measure. For more information, refer to Section 13 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

Management's Discussion and Analysis

For the year ended December 31, 2025



UNDERWRITING — PERSONAL LINES

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

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

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

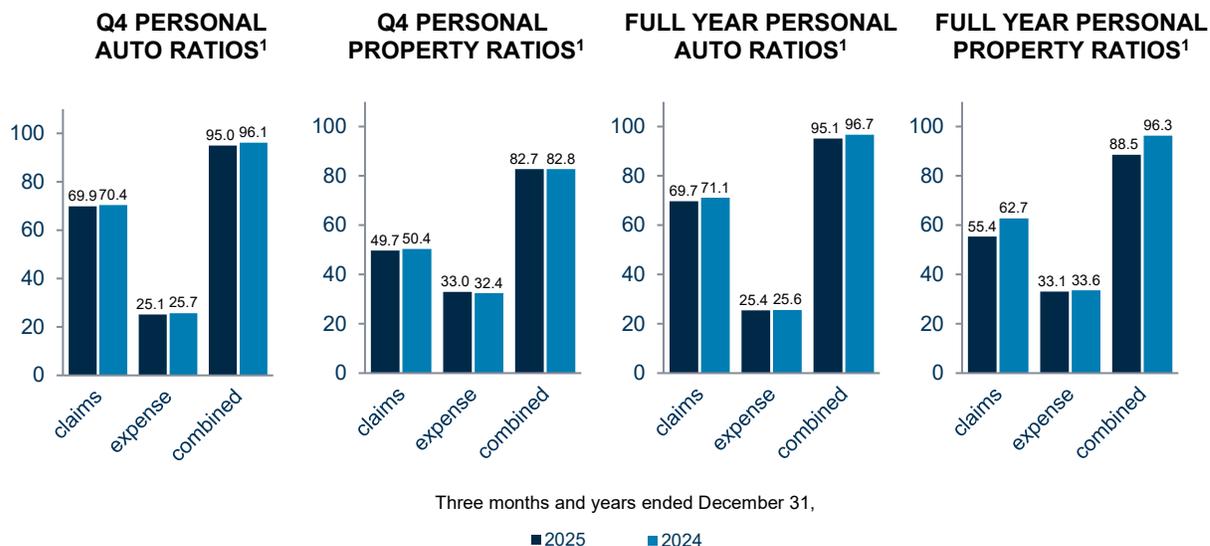
Overall, personal lines GWP increased 10.4% in the fourth quarter of 2025 (7.9% for the year) with strong growth in our broker channel. The direct channel GWP were \$92.3 million in the fourth quarter of 2025, a decrease of 1.9% compared to \$94.1 million in the fourth quarter of 2024, driven primarily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

Management's Discussion and Analysis

For the year ended December 31, 2025



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



Notes:

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

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

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

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of 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 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

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

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

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

UNDERWRITING — COMMERCIAL LINES

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

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

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.

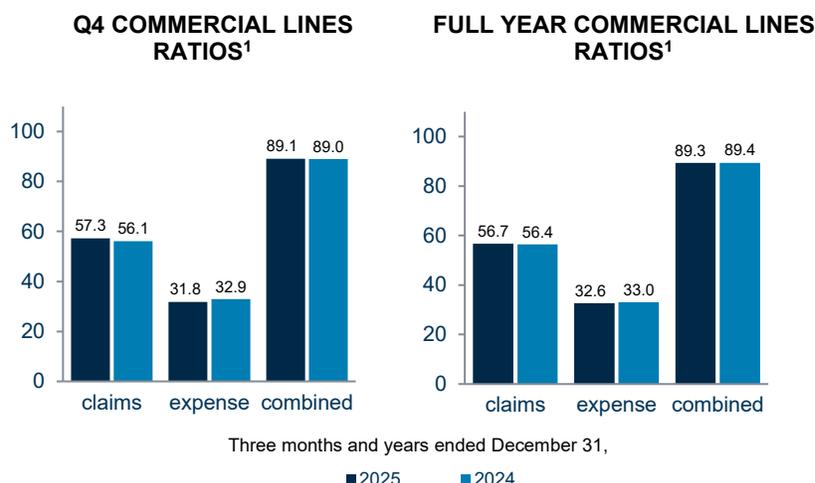
Refer to Section 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Management's Discussion and Analysis

For the year ended December 31, 2025



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



Notes:

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

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

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

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

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

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

5 — OPERATING ENVIRONMENT AND OUTLOOK

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

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

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

<p>Personal auto</p>	<ul style="list-style-type: none"> • Overall auto insurance inflation has stabilized and tariff impacts on vehicles and parts have not yet materially flowed through to loss trends. • We expect conditions in auto to remain firm as insurers aim to keep pace with loss cost trends. The uncertainty of loss cost trends related to auto repairs and replacements is expected to influence industry pricing with a focus across the industry on disciplined underwriting for the next 12 months. • Theft frequency is now in line with pre-pandemic levels. Insurers continue offering incentives to encourage installation of tracking and recovery devices. • Governments are proceeding with initiatives intended to provide more choice to customers for their auto insurance needs. In Ontario, insurers continue to work on the implementation of product reforms that come into effect on July 1, 2026, which among other things, will allow consumers to choose to forego select accident benefits that are currently mandatory. In Alberta, the industry is preparing to implement a private sector delivered no-fault insurance product with an effective date of January 1, 2027. Alberta’s auto insurance rate cap for ‘good drivers’ will persist in 2026 which may prevent insurers from incorporating the total cost impact into their rates.
<p>Personal property</p>	<ul style="list-style-type: none"> • We expect market conditions to remain firm over the next 12 months as the industry continues to remain diligent, taking underwriting and pricing actions required to fund weather event losses amid heightened climate risk. Primary insurers are expected to remain focused on loss prevention and mitigation, coverage design, and accumulation management. • Reinsurance market conditions softened in 2026, reflecting the impact of increased global industry capital levels, higher cedent retentions in prior years, topline growth, and improved investment returns.
<p>Commercial lines</p>	<ul style="list-style-type: none"> • While we expect overall commercial lines market conditions to remain attractive, we are continuing to see that some commercial segments have become more competitive. Overall, we expect industry growth to be in the low to mid-single digits over the next 12 months, varying by segment. • 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, severity, and volatility of weather-related catastrophe events, as well as increased volatility from rising reinsurance attachment points, are expected to keep the overall pricing environment in line with loss trends. Industry loss trends have normalized since their post-pandemic peak to low to mid-single digits.

Management's Discussion and Analysis

For the year ended December 31, 2025



<p>Climate change</p>	<ul style="list-style-type: none"> • Changing climate patterns are increasing the frequency and severity of extreme weather events, resulting in increased catastrophe events and more volatile claim costs, particularly in the property lines of business. • Extreme weather events are taxing aging infrastructure, failure of which can contribute to catastrophe losses. Municipalities, which bear most of the infrastructure costs, are struggling with budgetary constraints to make infrastructure investment. Municipalities are also challenged to implement and refine urban planning and other resilience-oriented solutions due to competing stakeholder interests. • To date, public investment related to climate change has been primarily focused on emissions reduction, with relatively little invested in improving climate adaptation and resilience. • We are continuously enhancing our data and modelling capabilities to better understand changes in key climate risk exposures. These learnings also inform our advocacy efforts to support climate adaptation and resilience efforts across Canada. • Weather-related catastrophe events contribute to public concerns about costs and availability of insurance for particular coverages, regions, or industries, which may prompt regulatory intervention. • Climate change risks may also influence the cost, coverage, and availability of reinsurance for some regions, risk profiles, or carbon-intensive industries.
<p>Investments</p>	<ul style="list-style-type: none"> • Global economic growth was modest in 2025, with GDP expanding at a below-trend pace despite supportive monetary and fiscal policies. Financial markets performed well, driven by strong technology and AI-related investments, resilient consumer spending, and elevated commodity prices. • Central banks shifted decisively toward easing, with the Bank of Canada cutting rates by 100 bps in 2025 (275 bps cumulative since mid-2024), even as global long-term yields moved higher due to inflation concerns and increased global bond supply. • U.S. unemployment rose in the second half of 2025, driven by trade and tariff uncertainty, immigration restrictions, AI-related layoffs, and federal government job losses linked to shutdown impacts. In response, the Federal Reserve pivoted to an accommodative stance, cutting its policy rate by 75 bps during the second half of 2025. Further adjustments will depend on a careful assessment of incoming data, the evolving outlook, and the balance of risks. • Canadian bond yields increased in the fourth quarter as markets priced in the end of the Bank of Canada's easing cycle. Credit spreads tightened further, and equities delivered robust returns led by the financial and commodity sectors, particularly precious metals.

Management's Discussion and Analysis

For the year ended December 31, 2025



FINANCIAL TARGETS

Our key strategic priorities include:

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

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

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

- **Grow GWP¹ by at least 35% over 2025 to exceed \$6.5 billion (with an approximate split of 2/3 personal insurance, 1/3 commercial insurance)**, inclusive of approximately \$1.5 billion GWP acquired from the Travelers Transaction. This target compares to our GWP growth rates of 8.1% in 2025 (as compared to 2024) and 11.1% in 2024 (as compared to 2023).
- **Achieve a sub-95% full year combined ratio¹**, reflective of the break-even expectation of the premiums acquired in the Travelers Transaction and the timing of earned synergy capture. This target compares to our combined ratios of 91.6% in 2025 and 94.5% in 2024. The combined ratio targets for each line of business are as follows:
 - Personal auto – mid to upper 90s
 - Personal property – low to mid 90s
 - Commercial insurance – low to mid 90s
- **Generate a full year operating ROE¹ in the range of 10% to below teens** through underwriting profitability, investment performance, and distribution income, and reflective of the increased capital levels generated by our business. This target compares to our operating ROE of 12.2% in 2025 and 10.6% in 2024.

Notes:

(1) GWP is a supplementary financial measure. Combined ratio and operating ROE are non-GAAP ratios. Refer to Section 13 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The Travelers portfolio contributes meaningfully to our scale in both personal and commercial insurance and is fully reflected in our 2026 growth, profitability, and capital expectations. We expect to achieve further improvements to operating ROE over time, targeting the mid teens, reflecting the increased contribution of the Travelers business as it transitions to run rate profitability and benefits from planned integration synergies.

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

- we maintain rate adequacy, particularly for auto rates in regulated provinces;
- firm market conditions across personal property and supportive conditions in most commercial line segments where we compete continue in line with our industry outlook for 2026, and will support continued rate increases above loss costs for these lines of business;

Management's Discussion and Analysis

For the year ended December 31, 2025



- catastrophe losses of approximately 4.5% to 5.0% of net underwriting revenue for the full year;
- recorded liabilities for incurred claims are adequate with no significant prior year claims development or overall reserve strengthening required during the outlook period for the financial targets;
- there are no significant changes in the P&C insurance regulatory environment, including with respect to capital requirements;
- there is no downgrade of the issuer rating of Definity;
- our operating environment is in line with our expectations for the P&C insurance industry in 2026 described above;
- unanticipated cost increases can be adequately addressed during the outlook period; and
- integration of the Travelers business progresses in line with expectations, including customer retention and achievement of operating synergies.

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

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

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

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

CATASTROPHE LOSSES

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

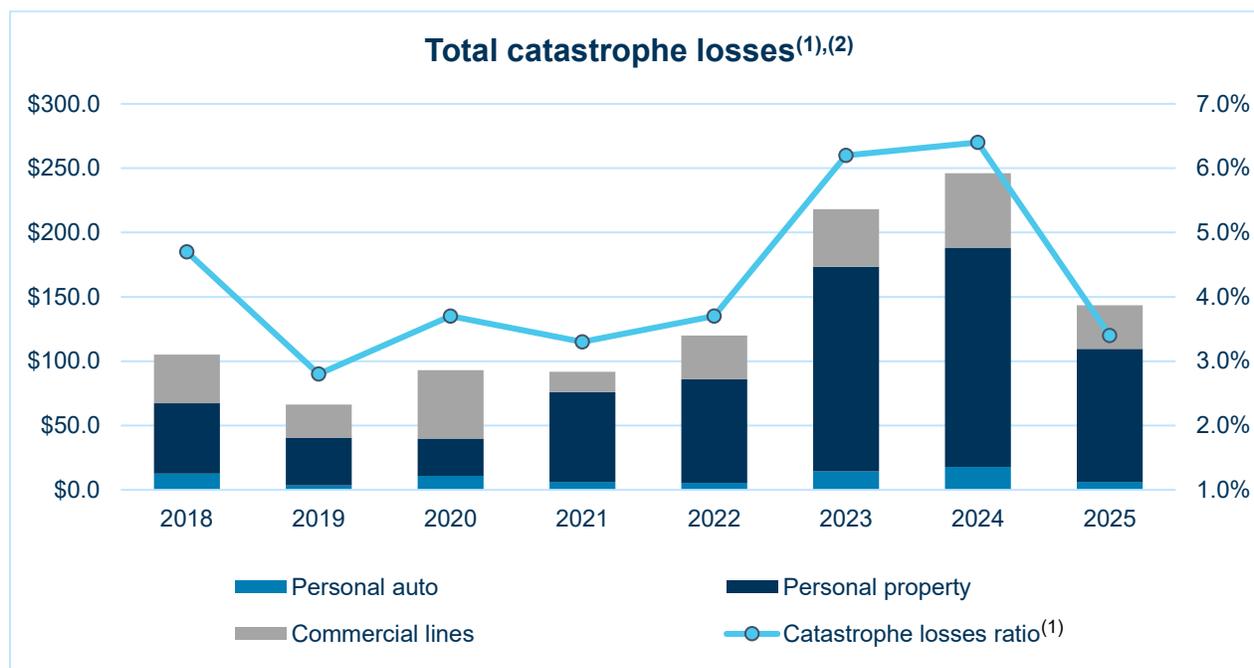
Increasing frequency and severity of extreme weather events have resulted in increased catastrophe events and claims. We respond to claims caused by weather-related catastrophe events through our catastrophe response teams, our reinsurance program, and our claims vendors, who are evaluated with a view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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



Notes:

(1) Catastrophe losses is a supplementary financial measure. Catastrophe losses ratio is a financial measure expressed as a percentage of net underwriting revenue. For more information, refer to Section 13 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.
 (2) 2018-2021 under IFRS 4 – *Insurance Contracts* (“IFRS 4”). 2022-2025 under IFRS 17 – *Insurance Contracts* (“IFRS 17”).

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

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

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

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



6 — FINANCIAL POSITION

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2025:

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	As at December 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	\$ 355.9	4.9%	\$ 322.1	5.8%
Short-term investments	1,234.5	17.0%	97.4	1.7%
Bonds.....	4,494.5	61.9%	4,043.1	72.3%
Preferred stocks	395.9	5.5%	326.5	5.8%
Common stocks	613.9	8.5%	698.4	12.5%
Pooled funds	154.5	2.1%	88.9	1.6%
Commercial loans	3.6	0.1%	16.2	0.3%
Total investments	<u>\$ 6,896.9</u>	<u>95.1%</u>	<u>\$ 5,270.5</u>	<u>94.2%</u>
Total cash and cash equivalents, and investments	<u>\$ 7,252.8</u>	<u>100.0%</u>	<u>\$ 5,592.6</u>	<u>100.0%</u>

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

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

Refer to Note 2 — “Summary of material accounting policies” of our audited consolidated financial statements for the year ended December 31, 2025, which provides further details pertaining to the classification and measurement of our financial instruments.

Management's Discussion and Analysis

For the year ended December 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 financial services sectors. As at December 31, the breakdown of these investments is as follows:

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

Investment credit quality

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

Credit rating¹ — bonds

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

¹ Using DBRS ratings.

Credit rating¹ — preferred stocks

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

¹ Using DBRS ratings.

Management's Discussion and Analysis

For the year ended December 31, 2025

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

Investment portfolio region of issuer

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

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

Our investment portfolio is concentrated mainly in Canada. Our estimated exposure to foreign exchange risk is outlined in Section 12 — "Risk management and corporate governance".

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are composed of the following items:

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

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

INSURANCE CONTRACT LIABILITIES

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

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

Notes:

(1) 2016–2021 under IFRS 4. 2022–2025 under IFRS 17.

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

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

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

DEBT OUTSTANDING

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

EQUITY

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



7 — SELECTED ANNUAL INFORMATION AND SUMMARY OF QUARTERLY RESULTS

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

Notes:

(1) Net underwriting revenue is a non-GAAP financial measure. Refer to Section 13 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

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

Notes:

(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 13 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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

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

8 — LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT FRAMEWORK

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

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

Capital deployment will be considered using the following priorities:

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

Capital management of Definity Financial Corporation

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

NCIB

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

Regulatory capital management

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

Capital position

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

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

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 as at December 31, 2024 assumed a target capitalization level of 25% debt.
- (5) Leverage capacity and financial capacity are supplementary financial measures. For more information, refer to Section 13 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".
- (6) Financial capacity excludes the \$1.1 billion excess capital term loan facility which was temporarily drawn upon to fund the Travelers Transaction.
- (7) Debt outstanding divided by the Company's total capital (total of debt outstanding and equity attributable to common shareholders).

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

Management's Discussion and Analysis

For the year ended December 31, 2025



Debt outstanding

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

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

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

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

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

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

Notes:

⁽¹⁾ Term from closing date of the Travelers Transaction.

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

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

Own Risk and Solvency Assessment ("ORSA")

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

REINSURANCE

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

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

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

Notes:

- (1) Excludes reinstatement premiums, co-participations between the retention level and maximum limit, and tax impacts.
- (2) Excludes co-participation.

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



RATINGS

Issuer, debt, and financial strength ratings have been assigned to Definity, and its subsidiary Definity Insurance, where applicable, by major credit rating agencies. The ratings are reflective of Definity's strong capitalization and liquidity, extensive distribution network, and established enterprise risk management framework. The ratings were updated following the announcement of the Travelers Transaction on May 27, 2025 and are indicative of Definity's ability to meet its obligations to policyholders, creditors, and others.

	Credit Rating Agency	Rating	Outlook	Date
Financial strength ratings				
Definity Insurance	AM Best	A (Excellent)	Stable	May 28, 2025
Definity Insurance	DBRS	A	Positive	June 6, 2025
Issuer rating				
Definity	DBRS	BBB (high)	Positive	June 6, 2025
Senior unsecured debt rating				
Definity	DBRS	(P) BBB (high)	Positive	September 11, 2025

CASH FLOWS

As at December 31, 2025, we had \$355.9 million (December 31, 2024: \$322.1 million) of cash and cash equivalents and \$1,234.5 million (December 31, 2024: \$97.4 million) of short-term investments. We also have a highly liquid investment portfolio comprised of actively-traded securities, including Canadian fixed income investments issued or guaranteed by domestic governments, investment-grade corporate bonds, publicly-traded Canadian and foreign equities, and pooled funds. We believe that our internal resources will provide sufficient funds to fulfill our operating cash requirements during the next 12 months. Our liquidity policy seeks to ensure that we have sufficient cash and liquid resources to meet our financial obligations and to support our future growth initiatives, and that excess cash is appropriately invested.

Management's Discussion and Analysis

For the year ended December 31, 2025



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

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

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

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

Cash (used in) provided by financing activities include proceeds from our private placements of senior unsecured notes and common shares, as well as net distributions of cash benefits of the demutualization allocable to Lost Recipients. A portion of the eligible policyholders in our demutualization became Lost Recipients as defined in the plan setting out the terms for the conversion of Definity Insurance ("Conversion Plan") because their address was unknown at the time that benefits were distributed or because they did not act upon their demutualization benefits within six months of the date on which those benefits were sent. Pursuant to the Conversion Plan, the entitlement of any remaining Lost Recipients ceased on the Lost Recipient Claim Deadline of October 23, 2024, being 35 months following completion of demutualization.

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

Management's Discussion and Analysis

For the year ended December 31, 2025



CONTRACTUAL OBLIGATIONS

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

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

Notes:

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

OFF-BALANCE SHEET LIABILITIES AND CONTINGENCIES

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

We participate in a securities lending program managed by a major financial institution, whereby we lend securities we own to borrowers to allow them to meet delivery commitments. The lending agents assume the risk of borrower default associated with the lending activity. As at December 31, 2025, securities with an estimated fair value of \$997.9 million (December 31, 2024: \$780.3 million) have been loaned and financial assets with an estimated fair value of \$1,065.0 million (December 31, 2024: \$828.9 million) have been received as collateral from the approved borrowers. Lending collateral as at December 31, 2025 was 100.0% (December 31, 2024: 100.0%) held in government-backed securities, and high quality common and preferred stocks. The securities loaned under this program have not been removed from "Investments" in the consolidated balance sheets because we retain the risks and rewards of ownership.

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



9 — RELATED PARTY TRANSACTIONS

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

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

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

Notes:

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

POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

MANAGEMENT'S EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We are responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is reported to management on a timely basis so that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, or changes in conditions, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of error or fraud, if any, within the Company have been detected.

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

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

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

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

While we continue to monitor, assess, and revise our system of internal controls, it should be recognized that due to inherent limitations or changes in conditions, any control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. As such, an evaluation of those control systems can provide only reasonable assurance that all control issues and instances of error or fraud, if any, within the Company have been detected.

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

11 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of our audited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that can materially affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenues and expenses during the year. Actual results could differ materially from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable. Refer to Note 2 — “Summary of material accounting policies” of our audited consolidated financial statements for the year ended December 31, 2025 for a summary of our material accounting policies.

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

JUDGMENTS

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

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

ESTIMATES AND ASSUMPTIONS

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

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

FUTURE ACCOUNTING AND REPORTING CHANGES

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

12 — RISK MANAGEMENT AND CORPORATE GOVERNANCE

RISK MANAGEMENT

Overview

Our risk management culture is founded on the belief that risk management is integrated into everyone's responsibilities. A strong risk management culture contributes to making sound business decisions, both strategically and operationally. Our corporate governance and enterprise risk management frameworks are designed to provide reasonable assurance that:

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

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

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

Alignment

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

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

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

CORPORATE GOVERNANCE AND ACCOUNTABILITY

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

Management’s Discussion and Analysis

For the year ended December 31, 2025



Governance Structure

BOARD OF DIRECTORS

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

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

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

BOARD OF DIRECTORS COMMITTEES

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

Management’s Discussion and Analysis

For the year ended December 31, 2025

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

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

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

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

First Line of Risk Management	Second Line of Risk Management	Third Line of Risk Management
<p>Business management provide day-to-day risk management and control:</p> <ul style="list-style-type: none"> • Responsibility to identify, take, assess, manage, and mitigate risk on a daily basis, adhering to our approved risk appetite statements, and supporting policies and practices • Monitor and report on risks and compliance with risk mitigation activities • Comply with internal and external policies and regulations 	<p>Enterprise risk management and compliance functions provide risk policies, tools, methodologies, and oversight:</p> <ul style="list-style-type: none"> • Define and support the risk appetite and enterprise risk management framework to identify, measure, assess, report, monitor, and respond to risk • Perform independent review, challenge and monitoring of risk-taking and risk management activities • Through the ORSA, assess level of capital required to support future solvency • Communicate internal and external compliance requirements and provide support to help ensure compliance • Management Risk Committee, along with other senior management committees, oversee the management of major existing and emerging enterprise risks and control activities, monitoring whether the magnitude of those residual risks remain within our approved risk appetite 	<p>Internal audit provides periodic independent assurance:</p> <ul style="list-style-type: none"> • Provide assurance on the adequacy and effectiveness of governance practices including first line internal controls, as well as enterprise risk management framework, and related processes and practices • Review compliance with policies, standards, and required practices using a risk-based approach

Management of Key Risks

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

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

Enterprise Risk Management Framework

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

Insurance Risk

Underwriting Risk

Underwriting and Pricing

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

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

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

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

Claims Settlement

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

Quality Review Procedures

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

Reinsurance

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

Reserve Estimate Risk

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

Nominal Claims Liabilities

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

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

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

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

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

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

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Impact of Discounting

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

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

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

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

Risk Adjustment For Non-Financial Risk

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

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

Catastrophe Risk

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

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

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Financial Risk

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

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

Interest Rate Risk

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

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

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

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

Common Equity Market Price Risk and Preferred Stock Price Risk

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

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

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

Credit Risk

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

Bonds and Preferred Stocks

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

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

Securities Lending

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

Amounts due from policyholders

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

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Commercial Loans

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

Reinsurance Contract Assets

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

Structured Settlements

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

Foreign Exchange Risk

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

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

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

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Liquidity Risk

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

Operational Risk

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

People Risk

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

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

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

Conduct Risk

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

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

Fraud Risk

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

Model Risk

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

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

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

Advanced Technologies Risk

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

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

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

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

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

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

Quantum Computing

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

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Information Security Risk

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

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

Cyber Security Risk

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

Information Technology Risk

Our business depends on the successful and uninterrupted functioning of our computer and data processing systems and user or system interfaces. We rely on third-party service providers for delivering key components of these systems, including network or data center services, voice or data communications services, and a variety of Software as a Service (SaaS). The failure of these systems, including failure to timely detect system outages or defects, or failure of our third-party service providers or service providers they rely on, to deliver these services on a timely basis, could interrupt our operations or materially impact our ability to rapidly evaluate and commit to new business opportunities or otherwise conduct business. A system failure could result in the loss of existing or potential business relationships, compromise our ability to process transactions in a timely manner, or otherwise impair our ability to develop, modify, or execute our strategies, and ultimately, could negatively affect our financial results and our reputation. To manage this risk, we have implemented internal control and system monitoring processes. To identify, triage, and respond to critical technology incidents in a timely manner, we have incident response and business resiliency plans and processes in place, which are routinely maintained and tested. Refer to "Business Interruption Risk" below for additional detail. We also require our key third-party service providers to enter

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into service level agreements to contractually secure their commitment to our minimum expected levels of service. Our data centres are managed by reputable third-parties who provide disaster recovery services, including testing of, and redundant systems and facilities for, our critical services. Management regularly monitors the service levels provided by key third-party service providers, the stability of key systems, and the quantity and root cause of critical technology incidents.

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

Regulatory and Legal Risks

Regulatory Risk

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

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

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

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

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

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

Legal and Regulatory Action Risk

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

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

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

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

COVID-19-Related Litigation

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

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

Business Interruption Risk

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

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

Strategic Risk

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

Strategy Adequacy Risk

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

Strategic Execution Risk

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

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

Climate Change Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Competition Risk

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

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

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

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

Acquisition and Integration Risks

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

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

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

Distribution Risk

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

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

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

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

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

Capital Management Risk

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

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

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

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

Limitations on dividend and capital distribution from subsidiaries

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

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

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

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

Reputational Risk

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

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

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

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

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

Supplementary Financial Measures:

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 30% debt (March 31, 2025 and prior: 25%). Debt may include other forms, such as hybrids.

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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 and years ended December 31, 2025 and 2024:

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

Notes:

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

Net claims and adjustment expenses

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

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

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

Notes:

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

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

(3) Included in Insurance service expenses.

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

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.

Management's Discussion and Analysis

For the year ended December 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 and years ended December 31, 2025 and 2024:

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

Notes:

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

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

Net underwriting expenses

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

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

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

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.

Management's Discussion and Analysis

For the year ended December 31, 2025



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

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

Notes:

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

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

Net operating expenses

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

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

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

Notes:

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

Net premium taxes

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

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

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

Notes:

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

Management's Discussion and Analysis

For the year ended December 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 and years ended December 31, 2025 and 2024:

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

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

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

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

Operating income

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

Non-operating (losses) gains

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

Operating net income

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

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

Management's Discussion and Analysis

For the year ended December 31, 2025



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

Notes:

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

Distribution income

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

Below is a quantitative reconciliation of distribution income for the three months and years ended December 31, 2025 and 2024:

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

Notes:

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

Management's Discussion and Analysis

For the year ended December 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 year ended December 31, 2025



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

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

Notes:

- (1) Equity attributable to common shareholders is as at December 31, 2025 and 2024.
- (2) In 2024, the return of restricted cash was prorated for the 296 days prior to October 23, 2024.
- (3) The issuance of common shares was prorated for the 161 days prior to June 11, 2025.
- (4) Adjusted equity attributable to common shareholders is equity attributable to common shareholders as shown on our audited consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable. Management believes that adjusting for significant capital transactions on a pro rata basis based on the number of days is a better reflection of our average adjusted equity attributable to common shareholders used in the calculation of ROE.
- (5) Average adjusted equity attributable to common shareholders is the average of adjusted equity attributable to common shareholders at the end of the period and the end of the preceding 12-month period. Equity attributable to common shareholders and adjusted equity attributable to common shareholders as at December 31, 2023 was \$2,847.7 million.

Operating return on equity (“operating ROE”)

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

Management's Discussion and Analysis

For the year ended December 31, 2025



The following table shows the components of our calculation of operating ROE for the years ended December 31, 2025 and 2024:

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

Notes:

- (1) Equity attributable to common shareholders, excluding AOCI is as at December 31, 2025 and 2024.
- (2) In 2024, the return of restricted cash was prorated for the 296 days prior to October 23, 2024.
- (3) The issuance of common shares was prorated for the 161 days prior to June 11, 2025.
- (4) Adjusted equity attributable to common shareholders, excluding AOCI, is equity attributable to common shareholders and AOCI each as shown on our audited consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, and excluding unrealized gains or losses on FVTPL equity instruments. Management believes that adjusting for significant capital transactions on a pro rata basis based on the number of days is a better reflection of our average adjusted equity attributable to common shareholders, excluding AOCI, used in the calculation of Operating ROE.
- (5) Average adjusted equity attributable to common shareholders, excluding AOCI, is the average of adjusted equity attributable to common shareholders, excluding AOCI at the end of the period and the end of the preceding 12-month period. Adjusted equity attributable to common shareholders, excluding AOCI, as at December 31, 2023 was \$2,813.9 million.

Operating earnings per share ("operating EPS")

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

Certain other ratios

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

14 — OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The Company's issued and outstanding common shares were 121.6 million as at February 12, 2026. No preferred shares were issued and outstanding.

15 — DEFINITIONS

Refer to Section 13 — "Supplementary Financial Measures and Non-GAAP financial measures and ratios" for definitions of supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios that we use to measure and evaluate the performance of our business.

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 OSFI 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.