definity.

INVESTOR PRESENTATION

February 2022

ADVISORY REGARDING FORWARD-LOOKING INFORMATION

This presentation contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future business, financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances.

Forward-looking information in this presentation 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 appropriately price its insurance products to produce an acceptable return;
- Definity's ability to accurately assess the risks associated with the insurance policies that it writes;
- Definity's ability to assess and pay claims in accordance with its insurance policies;
- litigation and regulatory actions, including potential claims in relation to demutualization and our IPO, and COVID-19-related class-action lawsuits that have arisen and which may arise, together with associated legal costs;
- Definity's ability to obtain adequate reinsurance coverage to transfer risk;
- Definity's ability to accurately predict future claims frequency or severity, including the frequency and severity of weather-related events and the impact of climate change;
- the occurrence of unpredictable catastrophe events;
- unfavourable capital market developments, interest rate movements, changes to dividend policies or other factors which may affect our investments or the market price of our common shares;
- changes associated with the transition to a low-carbon economy, including reputational and business implications from stakeholders' views of our climate change approach or that of our industry;
- Definity's ability to successfully manage credit risk from its counterparties;
- foreign currency fluctuations;
- Definity's ability to meet payment obligations as they become due;
- Definity's ability to maintain its financial strength rating or credit rating;
- Definity's dependence on key employees;
- 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 manage and protect the collection and storage of information;
- Definity's reliance on information technology systems, internet, network, data centre, voice or data communications services and the potential disruption or failure of those systems or services, including as a result of cyber security risk;
- failure of key service providers or vendors to provide services or supplies as expected, or comply with contractual or business terms;
- Definity's ability to obtain, maintain and protect its intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology;
- compliance with and changes in legislation or its interpretation or application, or supervisory expectations or requirements, including changes in effective income tax rates, risk-based capital guidelines, and accounting standards;
- failure to design, implement and maintain effective control over financial reporting which could have a material adverse effect on our business;
- deceptive or illegal acts undertaken by an employee or a third party, including fraud in the course of underwriting insurance or settling 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;
- the impact of public-health crises, such as pandemics or other health risk events including the COVID-19 pandemic and their associated operational, economic, legislative and regulatory impacts, including impacts on Definity's ability to maintain operations and provide services to customers and on the expectations of governmental or regulatory authorities concerning the provision of customer relief;
- general economic, financial, and political conditions, particularly those in Canada;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of disruptive innovation;
- distribution channel risk, including Definity's reliance on independent 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;
- Definity's ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- Periodic negative publicity regarding the insurance industry or Definity; and
- The completion and timing of the Company continuing (the "Continuance") under the Canada Business Corporations Act ("CBCA").

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in the "11 – Risk Management and Corporate Governance" section of the Management's Discussion and Analysis should be considered carefully by readers.

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

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

Unless otherwise indicated or the context otherwise requires, all references in this presentation to (i) "Canadian P&C insurers" refer to P&C insurers that are authorized to carry on business in Canada (whether Canadian- or foreign-owned) and exclude government-owned insurers and mortgage insurers and (ii) the "Canadian P&C insurance industry" refer to our definition of such industry, which includes Canadian P&C insurers but excludes insurance underwritten through the Lloyd's market.

Unless otherwise indicated, direct written premiums ("DWP") data for the Canadian P&C insurance industry included in this presentation was obtained from MSA Research and excludes accident and sickness insurance and policies for insurance written outside of Canada. In addition, unless otherwise indicated, ranking and market share information included in this presentation was obtained from MSA Research and is based on DWP data for the 12 months ended December 31, 2020, after giving effect to the acquisition of RSA Insurance Group on June 1, 2021.

definity.

COMPANY OVERVIEW



definity.

DEFINITY IS A LEADING CANADIAN P&C INSURER

We are a personal and commercial P&C insurer offering auto, property, liability, and specialty insurance solutions through multiple distribution channels

150 Years of Operations in Canada

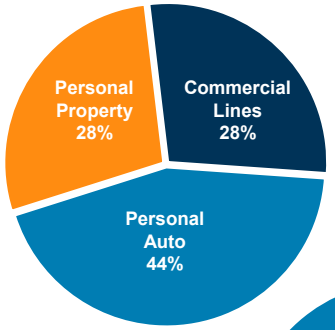
7th Largest P&C Insurance Carrier in Canada

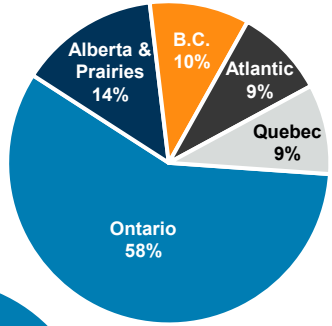
Deeply Engaged Team
~3,100 employees in 12 regional offices and a national network of ~700 independent brokerage firms

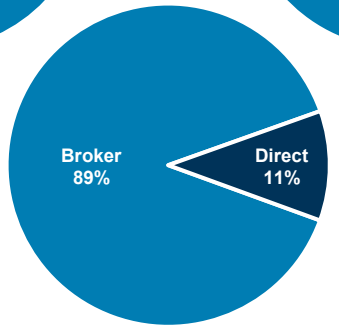
Passion for Innovation
Demonstrated by Award-winning Digital Platforms

Profitable Growth
GWP CAGR of 10% and Underwriting Income Improvement of ~$460M in 2018-2021

$3.2B IN ANNUAL GROSS WRITTEN PREMIUMS(1)



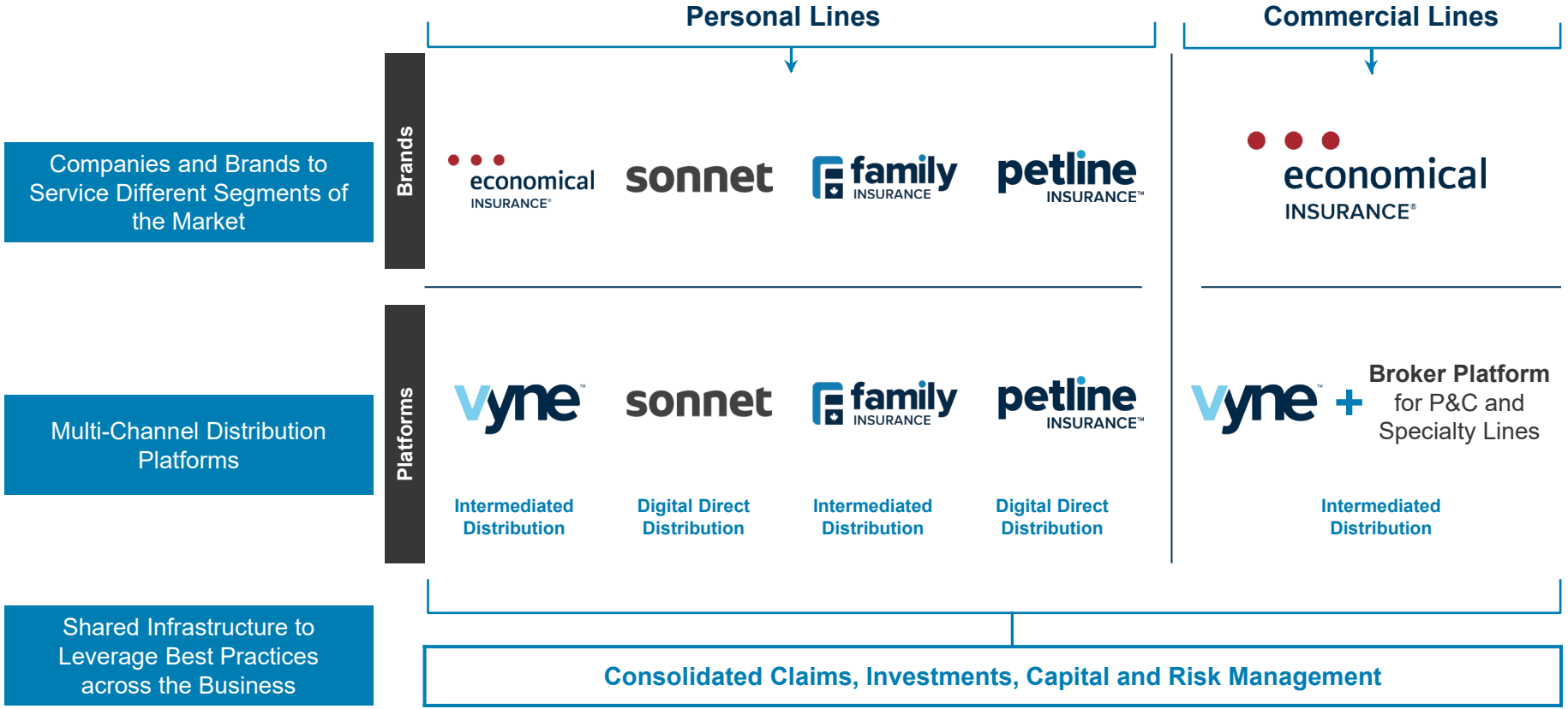




1. For the year ended December 31, 2021. We define gross written premiums ("GWP") as the total premiums from the sale of insurance during a specified period.

definity.

DIVERSIFIED OPERATING MODEL



definity.

COMPANY HIGHLIGHTS



definity.

COMPANY HIGHLIGHTS

- Leading Canadian P&C Insurer in a Large and Growing Market
- Superior Customer and Broker Experience
- Highly Scalable Digital Platforms
- Reinvigorated Commercial Insurance Capabilities
- Sophisticated Pricing Methodologies and Disciplined Underwriting Underpin Profitability
- Significant Financial Flexibility to Support Value Creation
- Seasoned Management Team and Dynamic Corporate Culture

POSITIONED TO SUCCESSFULLY NAVIGATE INDUSTRY LANDSCAPE

KEY GLOBAL P&C DRIVERS

- **Primacy of Customer Experience**
- **Increasing Digitization**
- **Value Creation via Data and Analytics**
- **Increasing Importance of Sustainability**

definity.

- **7th Largest** P&C Insurer in Canada
- **4th Largest** Carrier in Broker Channel in Canada
- **Largest** Fully Digital Direct-to-Consumer Insurance Business in Canada(1)
- **Advanced** Data Analytics Capabilities
- **Well-diversified** Business Mix, with Platforms and Capabilities in a Broad Range of Lines

KEY CANADA P&C DRIVERS

- **Scale and Diversification**
- **Broker Channel Remains Highly Relevant**
- **Federal / Provincial Regulatory Complexity**
- **Management of Climate and Catastrophe Risks**

1. Based on market share by DWP. Includes only insurance carriers that require all customers to bind online.

OUR CORPORATE STRATEGY

OUR PURPOSE

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

OUR PROMISE

Making insurance better

STRATEGIC OBJECTIVES

- Become one of the five largest P&C Insurers in Canada
- Maintain our digital leadership
- Sustain our underwriting profitability
- Consistently demonstrate disciplined financial management

KEY FOCUS AREAS

- Capitalize on the expanding digital direct Insurance market with Sonnet
- Leverage Vyne to Increase our share of the broker channel
- Grow and diversify our Commercial Insurance business
- Maintain our pace of innovation
- Diversify and strengthen our growth through acquisitions and partnerships
- Attract and retain top talent to empower a high performance culture that delivers on our brand

definity.

SONNET IS CANADA'S LEADING FULLY DIGITAL DIRECT P&C INSURANCE PLATFORM(1)

Digital-Direct P&C Insurance Platforms Are Gaining Momentum	• Canadian consumers are increasingly embracing digital solutions in financial services • We believe that there is significant opportunity for digitally-enabled direct distribution offerings to gain market share	**52%**(2) Canadians open to buying insurance online
Industry Leader	• First fully digital P&C insurance platform widely available in Canada • Offering includes auto, home, condo, tenant, landlord, and pet insurance, and Sonnet Connect • Award-winning customer service and customer-centric products and pricing	**$293M** 2021 GWP
Agile, Data-Driven Operating Model	• Operating model integrating machine learning, artificial intelligence, data analytics and data management capabilities, as well as real-time fraud detection and deflection • Efficient customer acquisition	**~58**(3) Average NPS (>50 considered excellent)
Highly Scalable	• Custom designed technology infrastructure built to support significant growth • Acquisition costs are expected to decrease as scale and retention increase	**Nearly 45%** Decrease in customer acquisition costs from 2017-2021
Significant Opportunity to Scale Business	• Sonnet significantly expands our addressable market • Differentiated operating model enables us to more profitably access the large group and affinity segment	**42%** Sonnet GWP CAGR from 2017-2021

1. Based on market share by DWP. Includes only insurance carriers that require all customers to bind online.
2. Source: IMI International – Sonnet Category, Brand, and product Insights Research, November 2020.
3. For the year ended December 31, 2021.

definity.

SUPERIOR CUSTOMER AND BROKER EXPERIENCE

Our Digital Platforms, Sonnet and Vyne, enable our customers and brokers to access competitively priced insurance in a fast, easy to use manner

sonnet INSURANCE

- ✓ Purchase insurance in as little as 5 minutes
- ✓ Easy-to-understand language and available support
- ✓ Fully digital
- ✓ Real-time customization, processing and underwriting
- ✓ Automated underwriting and advanced data analytics used to deliver personalized pricing







Vyne GROW WITH CONFIDENCE

- ✓ Quickly obtain and process bindable quotes
- ✓ Integration with all major BMS(1) and quoting vendors
- ✓ Uses the technology and learnings of Sonnet
- ✓ Real-time customization, processing and underwriting
- ✓ Automated underwriting and advanced data analytics used to deliver personalized pricing

1. Broker management systems.

definity.

RECOGNIZED BY CUSTOMERS AND INDUSTRY

CUSTOMER AND BROKER RECOGNITION

✓ **~58**[1] Sonnet average Net Promoter Score (>50 is considered excellent)

sonnet INSURANCE

"To be able to do everything online is a huge benefit and I will recommend Sonnet to everyone."

- Sonnet customer

"It's nice to see an insurance company support the broker channel and simplify business for our consumers."

- Economical Broker

INDUSTRY / EXPERT RECOGNITION

Insurance Nexus

Canadian Insurance Carrier of the Year Award (2018)

vyne

GUIDEWIRE

Innovation Award (2018)

vyne

THE STEVIE® AWARDS
The World's Premier Business Award Competitions

Innovation in Customer Service (2017)

sonnet INSURANCE

Insurance-Canada ICTA

People's Choice Tech Award (2017)

sonnet INSURANCE

GUIDEWIRE

Innovation Award (2016)

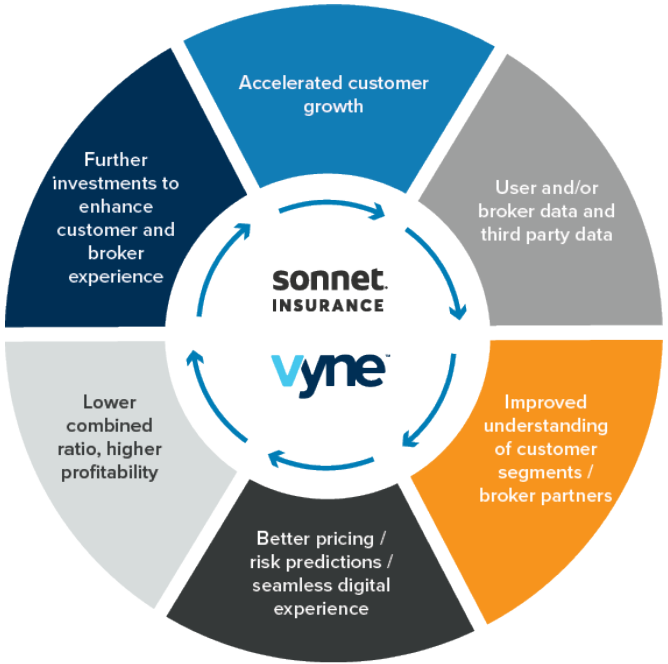
sonnet INSURANCE

1. For the year ended December 31, 2021.

definity.

HIGHLY-SCALABLE DIGITAL PLATFORMS

AUTOMATED UNDERWRITING DATA FLYWHEEL



IMPACT EVERY ASPECT OF THE VALUE CHAIN

We believe that our sophisticated Digital Platforms **enable rapid scaling of our business**

Ability to **directly drive new business** from over 28,000 individual brokers and thousands of customers who engage with us directly **while reducing variable costs**

Ability to **respond to market conditions with greater speed and agility** drives improvements in our personal lines claims ratio

Automated, data-driven model supports customer acquisition and retention - Sonnet customer acquisition costs have decreased by nearly 45% over the last four years(1)

We expect that these platforms will also enable us to **drive synergies in connection with potential future acquisitions**

1. From 2017-2021.

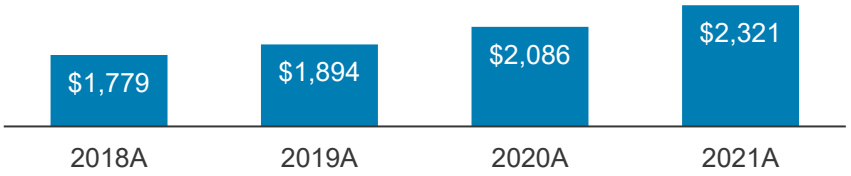
definity.

DIGITAL PLATFORMS DRIVING GROWTH & PROFITABILITY

Since 2016, we have launched three digital platforms, Sonnet, Vyne and Vyne Commercial

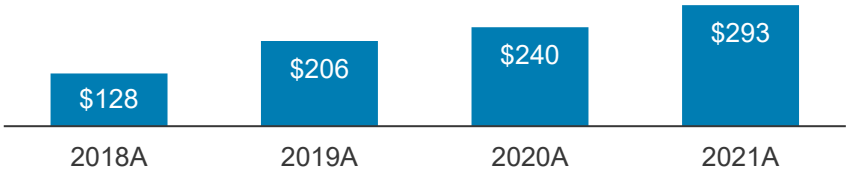
PERSONAL LINES GWP GROWTH

CAGR: 9%(1)



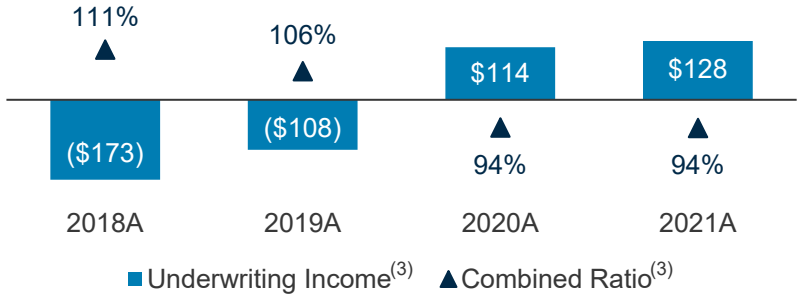
SONNET GWP GROWTH

CAGR: 32%(1)



PERSONAL LINES PROFITABILITY

$301M improvement(1)(2)



- **17% CAGR** in annual personal property GWP in 2018-2021 since the implementation of **Vyne**
- **$301M improvement** in underwriting income(3) from 2018-2021
- **17-point reduction** in combined ratio(3) from 2018-2021

Note: Figures in millions, unless otherwise noted.

1. From 2018-2021.
2. Improvement in underwriting income.
3. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A for further details.

definity.

GROWING AND PROFITABLE COMMERCIAL INSURANCE CAPABILITIES

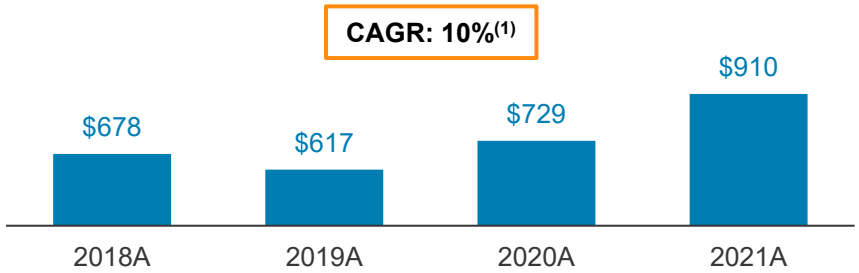
TODAY

- **Highly experienced team** that has **transformed the business** since 2017 and **continues to add top talent** from across the industry
- **Small Business**, **Mid-market** and **Specialty** focus
- **Strong underwriting, pricing, and risk selection capabilities** supported by **expertise in data management and analytics**

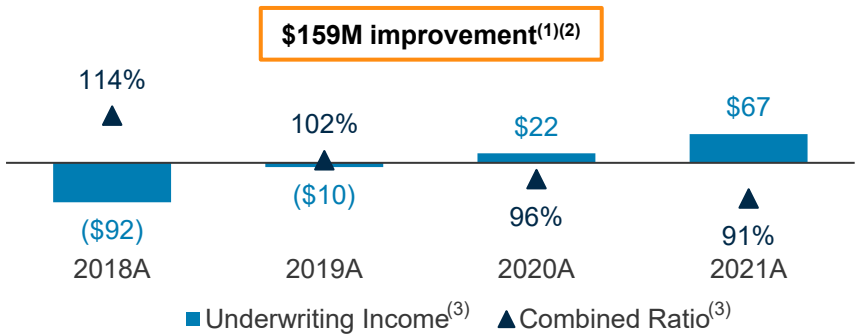
GROWTH AND PROFITABILITY OPPORTUNITY

- **Digitization** of broader small business product offering with the recent launch of **Vyne Commercial**
- **Expanded product offering** with particular **focus in specialty and mid-market**
- **Deepening** our **broker relationships**

COMMERCIAL LINES GWP GROWTH



COMMERCIAL LINES GWP PROFITABILITY



Note: Figures in millions, unless otherwise noted.

1. From 2018-2021.
2. Improvement in underwriting income.
3. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A for further details.

definity.

POSITIONED FOR EXPANSION ACROSS SEVERAL COMMERCIAL INSURANCE SEGMENTS

SMALL BUSINESS

Target market size: ~$8B(1)

Key growth opportunities:

- Leverage newly introduced digital capability “Vyne Commercial” to drive growth in the broker channel

Vyne COMMERCIAL

MID-MARKET

Target market size: ~$7B(1)

Key growth opportunities:

- Deepening broker relationships to drive new business
- Comprehensive product suite and recently introduced cross-border capabilities

SPECIALTY

Target market size: ~$5B(1)

Key growth opportunities:

- Continue to add new products to become a core market for strategic broker partners
- Leverage insights gained from Uber partnership to further enhance digital underwriting capabilities

Uber

1. Based on GWP as of December 31, 2021.

definity.

SOPHISTICATED PRICING METHODOLOGIES AND DISCIPLINED UNDERWRITING UNDERPIN SUSTAINABLE PROFITABILITY

- AUTOMATED DIGITAL INFRASTRUCTURE PLATFORMS
- DATA MANAGEMENT EXPERTISE
- PREDICTIVE MODELING CAPABILITIES
- ADVANCED FRAUD DETECTION

sonnet INSURANCE

- Sophisticated marketing and customer origination capabilities
- Personalization of user experience based on customer insights
- Real-time fraud detection and deflection

vyne GROW WITH CONFIDENCE

- Predictive modelling evaluates customer profitability & retention
- Granular analytics utilized to assess broker performance
- Daily application of fraud detection tools on new & renewal business

COMMERCIAL INSURANCE

- Access to one of the largest Commercial Insurance datasets in Canada
- Continue to invest in model sophistication
- Analytics supported the repositioning of the CI portfolio to focus on the most profitable segments

CLAIMS

- Approximately 30 models used to triage & evaluate claims in real time upon first notification of loss
- Multiple layers of analytics, machine learning, and network analysis tools are subsequently used to mitigate fraud

✓ **Our use of advanced analytics is estimated to be at least 2x higher[1] than North American peers**
✓ **15-point improvement in claims ratio during the three-year period ending December 31, 2021**

1. Willis Towers Watson, “Advanced analytics: Are insurers living the dream? 2019/2020 P&C Insurance Advanced Analytics Survey Report (North America)”. We used advanced analytics to support 43% of the identified claims use cases as of 2019 and 86% of the identified claims use cases as of 2020, vs. 19% for the broader industry as of 2019 (no data available for 2020).

definity.

SEASONED MANAGEMENT TEAM

Since joining in 2016, Rowan has led a successful transformation of the business



Rowan Saunders
President & CEO

***30+ years** of P&C insurance industry experience*



Philip Mather
EVP & CFO



Paul MacDonald
EVP, Personal Insurance



Fabian Richenberger
EVP, Commercial Insurance



Liam McFarlane
Chief Risk and Actuarial Officer



Brigid Pelino
SVP & Chief Human Resources Officer



Tom Reikman
SVP & Chief Distribution Officer



Roger Dunbar
SVP, Sonnet



Hans Reidl
SVP, Claims



Innes Dey
SVP, Legal and Strategy



Tatjana Lalkovic
SVP & Chief Information Officer

- ✓ **Definity continues to attract top talent from across the industry which is reflected in new hires since 2017 representing 50% of the top-100 senior leaders in the company**
- ✓ **Senior leadership team has an average of more than 15 years of P&C insurance industry experience**

- Denotes new members of the executive leadership team since 2017

definity.

DYNAMIC CORPORATE CULTURE

CULTURE UNDERPINS HIGH PERFORMANCE



DEEPLY ENGAGED TEAM

Focused on developing **top talent** to execute our strategic objectives

Committed to **diversity and inclusion** and actively promote it across the organization

Deep and longstanding connection to our broker partners

ESG considerations are key inputs to our corporate strategy

$100M of demutualization benefits was allocated to a new **charitable foundation** that will augment our community support and for an initial five year period will be supported by donations of **1% of Definity Insurance's net profit before tax each year**(1)

1. Subject to a minimum annual donation of $250,000.

definity.



FINANCIAL PERFORMANCE AND RISK MANAGEMENT

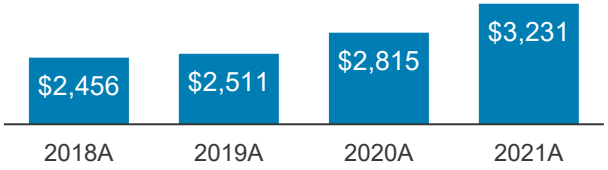
definity.

FINANCIAL PERFORMANCE TRENDS AND TARGETS

Improvement across key financial metrics

GROSS WRITTEN PREMIUMS

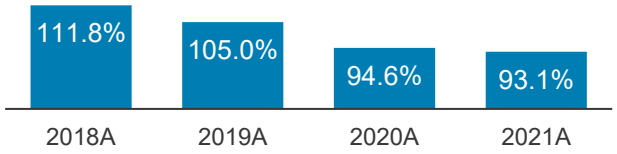
CAGR: 10%(2)



Target: Grow GWP annually at an average rate of approximately 10%(3)

COMBINED RATIO(1)

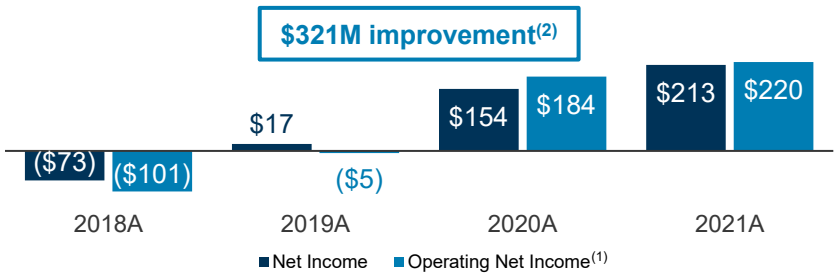
19-point improvement(2)



Target: Maintain an annual combined ratio in the **mid-90's**(3)

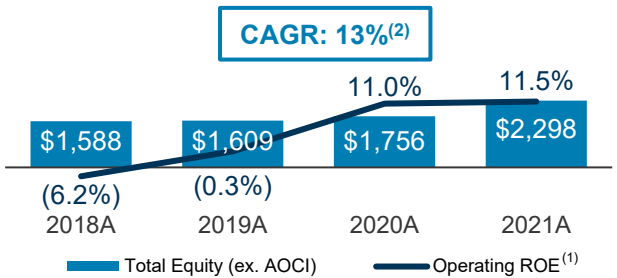
NET INCOME AND OPERATING NET INCOME(1)

$321M improvement(2)



TOTAL EQUITY (EX. AOCI) AND OPERATING ROE(1)

CAGR: 13%(2)



Target: Generate an annual Operating ROE(1) in **the upper single digit to below teens** range(3)(4)

Note: Figures in millions, unless otherwise noted.

1. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A for further details.
2. From 2018-2021.
3. Financial targets are over the next two to three years and do not include the impact of IFRS 17. These targets are subject to the factors and assumptions. There is no assurance that we will be able to achieve these targets or that the factors and assumptions underlying these targets 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. See "Advisory Regarding Forward-Looking Information".
4. We expect to achieve further improvements on Operating ROE over time, targeting the low teens, through future balance sheet optimization.

definity.

SIGNIFICANT FINANCIAL FLEXIBILITY

UNLEVERED BALANCE SHEET WITH SIGNIFICANT EXCESS CAPITAL

- Strong capitalization with Definity Insurance Company MCT ratio of 275%, as of December 31st, 2021(1)
- Definity Insurance Company credit rating: “A (low)” from DBRS, financial strength rating: “A- (Excellent)” from AM Best
- Undrawn $150M credit facility set to automatically increase to $400M upon the continuance of Definity under the *Canada Business Corporations Act* (the “Continuance”), which is subject to certain regulatory amendments and approvals(3)
- Future optimization of capital structure expected to support improvements in Operating ROE over time(2,6)

FINANCIAL CAPACITY	ICA(3)	CBCA(4)
Excess Capital at 200%:		
- Definity Insurance Company	$486	$486
- Definity Financial Corporation	$273	$273
Total Excess Capital	$759	$759
Leverage Capacity(2,4,5)	$299	$799
Financial Capacity(2) as at Q4-2021	**$1,058**	**$1,558**

STRATEGIC FOCUS ON CONSISTENTLY DEMONSTRATING DISCIPLINED FINANCIAL MANAGEMENT

Continue to invest in our business to capitalize on growth opportunities

Anticipate paying quarterly cash dividends(7)

Pursue strategically aligned acquisitions while staying financially disciplined

Optimize balance sheet structure over time

Note: Figures in millions, unless otherwise noted.

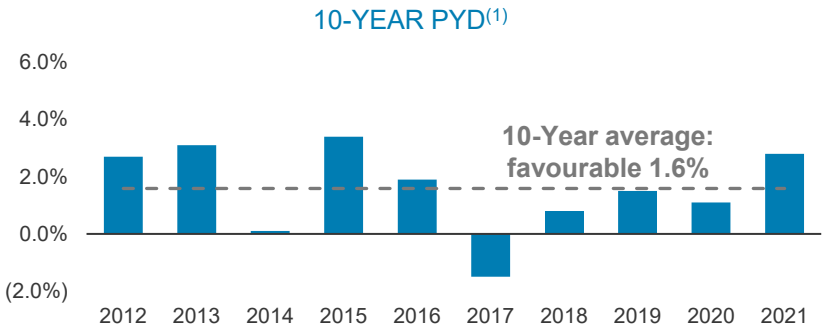
1. Under the Insurance Companies Act (Canada) (the "ICA"), property and casualty insurance companies must maintain adequate capital and appropriate forms of liquidity. The Office of the Superintendent of Financial Institutions ("OSFI"), has published the Minimum Capital Test guideline which provides the framework within which OSFI assesses whether a property and casualty insurance company maintains adequate capital for purposes of the ICA.
2. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A for further details.
3. Definity is subject to leverage restrictions under the ICA, which provide that its total debt cannot exceed 2% of its total assets.
4. Assumes Definity proceeds with the Continuance and establishes financial leverage levels at 20% debt and 5% preferred or hybrids. The Continuance is subject to certain regulatory amendments and approvals.
5. Leverage capacity is monitored prospectively from the date of the IPO.
6. Expectation subject to certain factors and assumptions. See “Advisory Regarding Forward-Looking Information".
7. Declaration of dividends is subject to Board discretion.

definity.

PRUDENT APPROACH TO RESERVING AND REINSURANCE

PRUDENT RESERVING PRACTICES

- Closely monitor **adequacy of reserves**
- Favourable prior year development (PYD) in **9 out of 10 years** between 2012-2021
- 2012-2021 **average favourable PYD of 1.6%**(1)



ROBUST REINSURANCE FRAMEWORK

Structured to provide **protection against individual large losses and catastrophe events** above a certain threshold and to assist with mitigating underwriting risk

97.5% of the Company's reinsurers have a credit rating of **"A-" or better**, as of December 31, 2021

Use of forms of **reinsurance to help support growth** in a new product or class of business

1. Favourable (adverse) development on prior year closing claims, undiscounted.

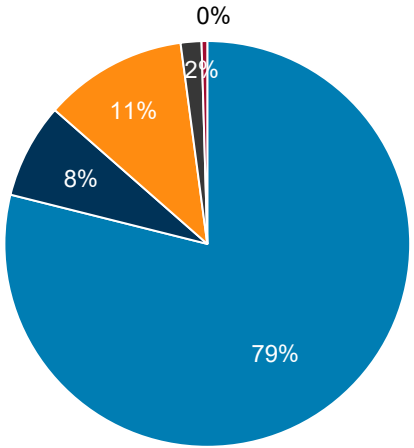
definity.

CONSERVATIVE AND DIVERSIFIED INVESTMENT PORTFOLIO

PORTFOLIO HIGHLIGHTS

- **~80%** of portfolio in investment-grade fixed income securities
- **90%+** of fixed income portfolio in securities rated “A” and above
- Comprised primarily of **short-duration investments**
- **~$97M** in 2021 net investment income
- **2.0%** net investment yield(1)

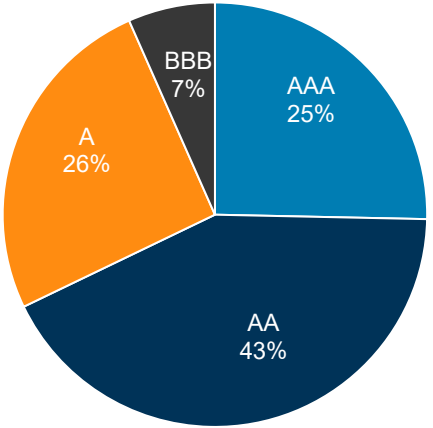
DIVERSE ASSET ALLOCATION



$5.4B

- Bonds
- Preferred Shares
- Short-term Investments
- Commercial Loans
- Common Equity & Pooled Funds

FIXED INCOME PORTFOLIO(2)



$4.2B

Fixed income securities have a **high quality** bias

Note: Data as of December 31, 2021, unless otherwise noted.

1. Calculated as net investment income in 2021 divided by the average of investments at the end of 2020 and the end of 2021.
2. Using the lowest of Standard & Poor’s and DBRS ratings.

definity.

APPENDIX



12-MONTH INDUSTRY OUTLOOK



Personal Auto

- We expect conditions in auto **to firm** as claims **frequency reverts** to **pre-pandemic levels** and/or **inflationary trends** persist
- We expect **increasing loss costs** and ongoing **regulatory** and **competitive pressures** to drive longer-term industry **pricing**



Personal Property

- We expect the personal property market to **remain firm** throughout **2022**
- Volatility of **weather** events has remained **elevated** in recent years and combined with **inflationary pressure** on certain **input costs** is expected to lead to **increased claim costs**



Commercial Insurance

- We expect the market to **remain firm** throughout **2022** as carriers focus on ensuring **long-term profitability** and **sustainable availability** of **capacity**
- We expect **global supply chain volatility** to persist for **several quarters**, which will continue to add **inflationary pressure** on **indemnity costs**

definity.

HISTORICAL FINANCIALS

Income Statement

	2018	2019	2020	2021
Gross written premiums	2,456	2,511	2,815	3,231
Net written premiums	2,381	2,331	2,640	2,991
Net earned premiums	2,245	2,343	2,509	2,834
Net claims and adjustment expenses	1,695	1,714	1,562	1,722
Underwriting expenses[1,2]	816	748	810	918
Underwriting (loss) income before discounting	(266)	(118)	136	195
Impact of discounting	4	(29)	(114)	45
Underwriting (loss) income[1]	(261)	(147)	22	239
Net Investment income	103	105	100	97
Recognized gains (losses) on investments	59	68	80	(21)
Other (expenses) income	0	(6)	(2)	(34)
Restructuring (expense) recovery	(17)	1	0	0
(Loss) income before income taxes	(118)	21	201	281
Income tax recovery (expense)	45	(4)	(47)	(68)
Net (loss) income	**(73)**	**17**	**154**	**213**
Operating net (loss) income[1]	**(101)**	**(5)**	**184**	**220**

Selected financial ratios				
Gross written premiums growth	7.4%	2.2%	12.1%	14.8%
Claims ratio[1]	75.5%	73.1%	62.3%	60.8%
Expense ratio[1]	36.3%	31.9%	32.3%	32.3%
Combined ratio[1]	111.8%	105.0%	94.6%	93.1%
ROE (TTM)[1,3]	(4.4%)	1.1%	9.0%	10.7%
Operating ROE (TTM)[1,3]	(6.2%)	(0.3%)	11.0%	11.5%

Balance Sheet

	2018	2019	2020	2021
ASSETS				
Cash and cash equivalents	135	95	510	387
Restricted cash	-	-	-	111
Investments	3,941	4,191	4,366	5,366
Accrued investment income	16	19	17	21
Premiums receivable	837	851	959	1,076
Income taxes receivable	13	3	2	0
Reinsurance receivable and recoverable	65	95	96	179
Deferred policy acquisition expenses	230	236	260	295
Property and equipment	39	61	57	57
Deferred income tax assets	105	90	40	63
Goodwill and intangible assets	226	211	212	220
Other assets	105	106	102	117
	5,710	**5,957**	**6,620**	**7,891**
LIABILITIES AND EQUITY				
Unearned premiums	1,269	1,295	1,433	1,599
Claims liabilities	2,671	2,808	3,026	3,336
Accounts payable and other liabilities	204	241	324	393
Income taxes payable	-	2	19	56
Demutualization amounts outstanding	-	-	-	111
	4,143	**4,346**	**4,802**	**5,495**
EQUITY				
Share capital	-	-	-	2,308
Contributed surplus	-	-	-	19
Retained earnings (deficit)	1,588	1,609	1,756	(29)
Accumulated other comprehensive (loss) income	(21)	2	62	98
Total equity	**1,567**	**1,611**	**1,818**	**2,396**
	5,710	**5,957**	**6,620**	**7,891**
MCT ratio[4]	227%	239%	268%	275%

Note: Figures in millions, unless otherwise noted.

1. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A for further details.
2. Net of other underwriting revenues.
3. ROE and Operating ROE are calculated for the 12 months ended December 31, 2021. ROE stands for Return on equity.
4. Under the ICA, property and casualty insurance companies must maintain adequate capital and appropriate forms of liquidity. OSFI has published the Minimum Capital Test guideline which provides the framework within which OSFI assesses whether a property and casualty insurance company maintains adequate capital for purposes of the ICA.

definity.

SUPPLEMENTARY FINANCIAL MEASURES AND NON-GAAP FINANCIAL MEASURES AND RATIOS

We prepare our financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IASB") (referred to herein as "GAAP" or "IFRS").

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 Presentation. These supplementary financial measures are calculated using amounts in, or components of line items in, our audited and unaudited consolidated financial statements; however, they are not themselves disclosed in our consolidated financial statements. The non-GAAP financial measures in these materials are derived from one or more financial measures disclosed in our audited and unaudited consolidated financial statements, and 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 these materials may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as a substitute for analysis of our financial information reported under GAAP. These measures are used by financial analysts and others in the P&C insurance industry and facilitate management's comparisons to our historical operating results in assessing our results and strategic and operational decision-making. For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, including (where applicable) definitions and explanations of how these measures provide useful information, refer to section 12 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" in the Management's Discussion and Analysis dated February 10, 2022 ("Q4-2021 MD&A"), available on www.sedar.com.

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

Supplementary Financial Measures: Claims ratio, core accident year claims and adjustment expenses, catastrophe losses, book value per share, financial capacity, leverage capacity, and certain other ratios.

Non-GAAP Financial Measures: Operating net income, operating income, and non-operating gains (losses) and underwriting expenses (net of other underwriting revenues) / operating expenses (net of other underwriting revenues).

Non-GAAP Ratios: Expense ratio, combined ratio, return on equity ("ROE"), operating earnings per common share ("Operating EPS") and operating return on equity ("Operating ROE").

definity.

NON-GAAP FINANCIAL RECONCILIATIONS

Operating Net Income

	2018	2019	2020	2021
Net (loss) income	(73)	17	154	213
Remove: income tax recovery (expense)	45	(4)	(47)	(68)
(Loss) income before income taxes	(118)	21	201	281
Remove: non-operating gains (losses)[1]				
Recognized gains (losses) on investments				
Realized gains on sale of AFS investments	75	40	13	50
Net gains (losses) on FVTPL investments	-	29	85	(70)
Impairment losses on AFS investments	(16)	0	(18)	(1)
Impact of discounting	4	(29)	(114)	45
Demutualization and IPO-related expenses[2]	(10)	(5)	(4)	(30)
Amortization of intangible assets recognized in business combinations[1]	(4)	(4)	(5)	(4)
Gain on sale of investments in associates[3]	6	-	-	-
Restructuring (expense) recovery	(17)	1	-	-
Other[2,3]	0	0	1	-
Non-operating gains (losses)[1]	38	31	(42)	(10)
Operating (loss) income	(156)	(10)	242	291
Operating income tax recovery (expense)	55	5	(58)	(71)
Operating net (loss) income[1]	(101)	(5)	184	220

ROE and Operating ROE

	2018	2019	2020	2021
Net (loss) income for the last 12 months[1]	(73)	17	154	213
Total equity[4]	1,567	1,611	1,818	2,396
Adjustment for Over-Allotment option and Anti-Dilution Adjustment[5]	-	-	-	(228)
Adjusted total equity	1,567	1,611	1,818	2,169
Average adjusted total equity[6]	1,649	1,589	1,715	1,993
Return on equity[1]	(4.4%)	1.1%	9.0%	10.7%
Operating net (loss) income for the last 12 months[1]	(101)	(5)	184	220
Total equity, excluding AOCI[7]	1,588	1,609	1,756	2,298
Adjustment for Over-Allotment option and Anti-Dilution Adjustment[5]	-	-	-	(228)
Adjusted total equity, excluding AOCI	1,588	1,609	1,756	2,071
Average adjusted total equity, excluding AOCI[8]	1,617	1,598	1,682	1,913
Operating return on equity	(6.2%)	(0.3%)	11.0%	11.5%

Note: Figures in millions, unless otherwise noted.

1. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A for further details.
2. Other represents foreign currency translation of the insurtech venture capital fund and a number of other 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.
3. Included in Other (expenses) income in our consolidated financial statements.
4. Total equity is as at December 31, 2018, 2019 and 2020 and December 31, 2021.
5. Over-Allotment option and Anti-Dilution Adjustment were prorated for the 326 days prior to the IPO date of November 23, 2021.
6. Average adjusted total equity is the average of adjusted total equity (total equity as shown on our consolidated balance sheet, adjusted for significant capital transactions) at the end of the period and the end of the preceding 12-month period. Total equity and adjusted total equity as at December 31, 2017 was $1,730.4 million
7. Total equity, excluding AOCI is as at December 31, 2018, 2019 and 2020 and December 31, 2021.
8. Average adjusted total equity, excluding AOCI is the average of adjusted total equity, excluding AOCI (total equity and AOCI each as shown on our consolidated balance sheet, adjusted for significant capital transactions) at the end of the period and the end of the preceding 12-month period. Total equity, excluding AOCI and adjusted total equity, excluding AOCI as at December 31, 2017 was $1,644.8 million.

definity.

CONTACT INFORMATION

Investor Relations

Definity Financial Corp.
Investor Relations Department
121 King Street West, Suite 1400
Toronto, Ontario, M5H 3T9
(T) 1-866-902-4724 (N.A. Toll Free)
IR@definityfc.com

Dennis Westfall
Head, Investor Relations
(C) 416-435-5568
dennis.westfall@definityfc.com

Corporate Communications

Sarah Attwells
Director, Corporate Affairs
(C) 416-986-9360
sarah.attwells@definityfc.com

General Insurance Inquiries

Definity Insurance Company
111 Westmount Rd. S., P.O. Box 2000
Waterloo, Ontario, N2J 4S4
(T) 1-800-265-2180 or 519-570-8200

definity.

definity.

© 2022 Definity Financial Corporation. Intellectual property belongs to Definity Financial Corporation and/or its affiliates.