

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Definity Financial Corporation
111 Westmount Road South
Waterloo, Ontario N2J 4S4

Item 2 Date of Material Change

November 23, 2021

Item 3 News Release

A news release in respect of the material change was issued and disseminated on November 23, 2021 through the facilities of CNW Group and was subsequently filed on SEDAR.

Item 4 Summary of Material Change

On November 23, 2021, Economical Mutual Insurance Company (“**Economical Insurance**”) converted from a mutual insurance company into a company with share capital pursuant to the *Insurance Companies Act* (Canada), a process known as “demutualization” (the “**Demutualization**”). Pursuant to the plan setting out the terms for the Demutualization (the “**Conversion Plan**”), Definity Financial Corporation (the “**Company**”) became the parent company of Economical Insurance.

On the same date, following the completion of the Demutualization, the Company completed its initial public offering (the “**Offering**”) of 73,181,825 common shares (“**Common Shares**”), including 9,545,455 Common Shares issued pursuant to the exercise in full by the Underwriters (as defined below) of the over-allotment option granted by the Company (the “**Over-Allotment Option**”), at a price of \$22.00 per Common Share (the “**Offering Price**”), for aggregate gross proceeds of approximately \$1.6 billion. Concurrently with the closing of the Offering, the Company completed private placements of 20,691,179 Common Shares to Healthcare of Ontario Pension Plan Trust (“**HOOPP**”) and 11,450,000 Common Shares to Swiss Re Investments Holding Company Ltd (“**Swiss Re**”, and together with HOOPP, the “**Cornerstone Investors**”), respectively, each at the Offering Price, for aggregate gross proceeds of approximately \$0.7 billion (together, the “**Cornerstone Private Placements**”). Pursuant to the terms of the subscription agreement entered into with HOOPP, on November 24, 2021, HOOPP purchased an additional 2,371,467 Common Shares at the Offering Price (the “**HOOPP Over-Allotment**” and, together with the Offering and the Cornerstone Private Placements, the “**Transactions**”).

The Company used the net proceeds of the Offering and the Cornerstone Private Placements (excluding the proceeds from the exercise by the Underwriters of the Over-Allotment Option) of approximately \$2 billion to fund the distribution of cash benefits of the Demutualization to eligible recipients (including eligible mutual and non-mutual policyholders (collectively, “**Eligible Policyholders**”) pursuant to the Conversion Plan. Pursuant to the Conversion Plan, an aggregate of 8,198,229 Common Shares were issued to Eligible Policyholders as non-cash benefits of the Demutualization. Immediately following the completion of the Transactions, there were 115,892,700 Common Shares issued and outstanding, of which 34,512,646 Common Shares (representing approximately 29.8% of the issued and outstanding Common Shares) were owned by the Cornerstone Investors, 8,198,229 Common Shares (representing approximately 7.1% of the issued and outstanding

Common Shares) were owned by Eligible Policyholders and 73,181,825 Common Shares (representing approximately 63.1% of the issued and outstanding Common Shares) were owned by shareholders that purchased Common Shares pursuant to the Offering.

Pursuant to the Conversion Plan, Eligible Policyholders who receive Common Shares as Demutualization benefits are subject to restrictions on transfer for 180 calendar days following the closing of the Offering, unless permitted by the Company and subject to the terms of the Underwriting Agreement.

Item 5 Full Description of Material Change

On November 23, 2021, Economical Insurance converted from a mutual insurance company into a company with share capital pursuant to the *Insurance Companies Act* (Canada), a process known as “demutualization”. Pursuant to the Conversion Plan setting out the terms for the Demutualization, the Company became the parent company of Economical Insurance.

On the same date, following the completion of the Demutualization, the Company completed the Offering of 73,181,825 Common Shares, including 9,545,455 Common Shares issued pursuant to the exercise in full by the Underwriters of the Over-Allotment Option, at a price of \$22.00 per Common Share, for aggregate gross proceeds of approximately \$1.6 billion. Concurrently with the closing of the Offering, the Company completed private placements of 20,691,179 Common Shares to HOOPP and 11,450,000 Common Shares to Swiss Re, each at the Offering Price, for aggregate gross proceeds of approximately \$0.7 billion. Pursuant to the terms of the subscription agreement entered into with HOOPP, on November 24, 2021 HOOPP purchased an additional 2,371,467 Common Shares at the Offering Price.

The Company used the net proceeds of the Offering and the Cornerstone Private Placements (excluding the proceeds from the exercise by the Underwriters of the Over-Allotment Option) of approximately \$2 billion to fund the distribution of cash benefits of the Demutualization to eligible recipients (including Eligible Policyholders) pursuant to the Conversion Plan. Pursuant to the Conversion Plan, an aggregate of 8,198,229 Common Shares were issued to Eligible Policyholders as non-cash benefits of the Demutualization. Immediately following the completion of the Transactions, there were 115,892,700 Common Shares issued and outstanding, of which 34,512,646 Common Shares (representing approximately 29.8% of the issued and outstanding Common Shares) were owned by the Cornerstone Investors, 8,198,229 Common Shares (representing approximately 7.1% of the issued and outstanding Common Shares) were owned by Eligible Policyholders and 73,181,825 Common Shares (representing approximately 63.1% of the issued and outstanding Common Shares) were owned by shareholders that purchased Common Shares pursuant to the Offering.

Market Stabilization Restrictions

The Conversion Plan provides that Eligible Policyholders who receive Common Shares as Demutualization benefits shall not, directly or indirectly, (i) sell, offer to sell, grant any option, warrant or other right to purchase or otherwise lend, secure, pledge, transfer, assign, dispose of or monetize such Common Shares (including, without limitation, by way of a short sale, put option or call option), (ii) enter into any swap or any form of agreement or arrangement the consequence of which is to transfer to another, in whole or in part, any of the economic consequences of ownership of such Common Shares, whether any such swap, agreement or arrangement is to be settled by delivery of Common Shares, in cash or otherwise, (iii) agree to or publicly announce any intention to do any of the foregoing, or (iv) act jointly or in concert with any third party with respect to any of the foregoing matters, for 180 days following the closing of the Offering, in each case unless permitted by the Company (the “**Market Stabilization Restrictions**”). Pursuant to the terms of the underwriting agreement (the “**Underwriting Agreement**”) among the Company, Economical Insurance and BMO

Nesbitt Burns Inc. (“**BMO**”), RBC Dominion Securities Inc. (“**RBC**”), Barclays Capital Canada Inc., Scotia Capital Inc., TD Securities Inc., CIBC Capital Markets, National Bank Financial Inc., UBS Securities Canada Inc., Desjardins Securities Inc., Raymond James Ltd., Canaccord Genuity Corp. and Cormark Securities Inc. (collectively, the “**Underwriters**”), the Company has agreed to only permit certain types of transfers without the prior written consent of BMO and RBC, on behalf of the Underwriters. Any permitted transfer of Common Shares must also be made in accordance with applicable securities laws in Canada and the transferee of any such permitted transfer will continue to be subject to the Market Stabilization Restrictions.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Innes Dey, Senior Vice-President, Legal and Strategy

For an officer through whom such executive officer may be contacted for further information, please contact:

Michael Padfield, General Counsel and Corporate Secretary

Telephone: (519) 570-8500

E-mail: CorporateSecretary@definityfc.com

Item 9 Date of Report

December 3, 2021