

WATERLOO, ON, (TSX: DFY) – October 3, 2022

DEFINITY ACQUIRES A MAJORITY STAKE IN MCDOUGALL INSURANCE, BUILDING A BROKER PARTNERSHIP WITH PROVEN M&A EXPERTISE

Highlights

- Acquisition of established broker partner with a track record of profitable growth
- Builds on strong, pre-existing relationship between Definity and McDougall
- Provides earnings diversification for Definity via distribution income
- Immediately accretive to Definity's operating ROE and operating EPS

[Definity Financial Corporation](#) ("Definity") (TSX: DFY) announced today that the company has increased its ownership interest in McDougall Insurance ("McDougall") from approximately 25% to 75% for cash consideration of \$217 million (subject to post-closing adjustments), bringing its total investment to \$251 million.

Founded in 1946, McDougall is one of Ontario's largest property and casualty insurance brokerages, representing more than 50 insurance companies and with operations across over 40 branches with more than 450 employees. Definity and McDougall solidified their long-standing partnership with an initial equity investment in 2017. Since then, McDougall has completed 14 broker acquisitions and more than doubled its annual premium base to approximately \$500 million.

Distribution partnerships are a key area of focus for Definity's corporate strategy, given the diversification benefits they can provide as a complementary source of income. Combining McDougall's operating income with Definity's other broker investments, Definity expects to generate operating income¹ before taxes and minority interests from them in excess of \$40 million annually (versus \$8 million for the 12-month period ended December 31, 2021). The transaction is expected to be immediately accretive to operating ROE¹ and operating earnings per share¹.

"With growing revenue and robust operating margins, McDougall is a strong franchise that we believe has an even brighter future ahead of it," said Rowan Saunders, President and Chief Executive Officer, Definity. "We have been equity partners with McDougall for over five years, and are excited by the opportunity to expand that partnership and build on their track record of success. We admire their entrepreneurial culture, their ability to attract talent and their capacity to grow the business, both organically and via proven acquisition capabilities. We are thrilled that Ross and the full leadership team maintain a meaningful ownership position, as we believe this enhances our mutual commitment to McDougall's continued success."

"We are excited to strengthen our partnership with Definity, which we believe will enable us to accelerate our growth plans and further our ambition to reach an annual premium base of \$1 billion. This growth aspiration will provide more opportunities for our employees and also strengthen our value proposition for our customers", stated Ross McDougall, Chief Executive Officer, McDougall. "The unique structure of this partnership will allow us to maintain and expand the McDougall operations, providing a home for more brokers to join us and keep equity in the business going forward."

The acquisition was completed on October 3, 2022 and was financed by Definity's excess capital position. Definity continues to hold significant excess capital and strong leverage capacity for future opportunities.

¹ This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Please refer to Supplementary financial measures and non-GAAP financial measures and ratios in this news release, and Section 11 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q2-2022 Management's Discussion and Analysis dated August 2, 2022 for further details, which is available on the Company's website at www.definityfinancial.com and on SEDAR at www.sedar.com.

– 30 –

About Definity Financial Corporation

Definity Financial Corporation (“Definity”, which includes its subsidiaries where the context so requires) is one of the leading property and casualty insurers in Canada, with over \$3.4 billion in gross written premiums for the 12 months ended June 30, 2022 and over \$7.7 billion in assets as at June 30, 2022.

Forward Looking Statements

This news release may contain forward-looking information within the meaning of applicable securities laws, which reflects Definity’s current expectations regarding future events, including statements relating to the acquisition of McDougall, the accretive impact of the acquisition on operating ROE and operating EPS, diversification benefits on income, future expected distribution income, future transactions and acquisitions, impact on Definity’s operating income and book value, timing and amount of post-closing adjustments, and impact on McDougall’s growth plans and annual premium base objective, among others. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “trends”, “indications”, “anticipates”, “believes”, “estimates”, “predicts”, “likely”, “potential” or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Definity’s control. Such risks and uncertainties are included in the “Cautionary Note Regarding Forward-looking Information” and “Risk Management and Corporate Governance” sections of Definity’s management discussion and analysis for year ended December 31, 2021. Actual results could differ materially from those projected herein. Unless otherwise indicated, all forward-looking statements in this press release are made as of October 3, 2022 and are subject to change after that date. Definity does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required under applicable securities laws.

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), 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 news release 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 11 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q2-2022 Management’s Discussion and Analysis dated August 2, 2022, which is available on our website at www.definityfinancial.com and on SEDAR at www.sedar.com.

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