

NEWS RELEASE: Definity Financial Corporation Reports Second Quarter 2023 Results

Highlights

- Gross written premium¹ growth of 9.0% in 2023 Q2, supported by ongoing firm market conditions in personal property and commercial lines and despite deliberate actions taken to navigate the current auto environment
- Combined ratio¹ of 95.3% in 2023 Q2, driven by continued strong performance in commercial lines, and inclusive of 5.4 points of catastrophe losses largely in line with second quarter expectations
- Personal auto combined ratio¹ of 97.6% in 2023 Q2 reflects expected improvement from seasonality and continuing stabilization of elevated claims trends
- Operating net income¹ of \$64.8 million in 2023 Q2, compared to \$51.1 million in 2022 Q2, resulting in operating EPS¹ of \$0.56 per share; trailing 12-month operating ROE¹ of 9.8%
- Financial position remained strong, with book value per share¹ of \$23.42, 12.7% higher than a year ago
- The acquisition of McFarlan Rowlands and pending purchase of Drayden Insurance are expected to result in our insurance broker platform approximating \$900 million in annual premiums

Executive Messages

“Severe storms and wildfires have impacted communities across the country in recent months. I am proud of our team’s ability to be there for our affected customers during this difficult time. Including the impact of these events, we reported a second quarter combined ratio of 95.3%, in line with our target. We continued to benefit from our strong broker relationships to drive solid premium growth of 9%, despite actions taken to mitigate the impact of the Alberta auto rate pause on our direct business. Strong underwriting, robust net investment income, and an increasing contribution from our recently strengthened distribution capabilities combined to generate second quarter operating net income of \$64.8 million, or \$0.56 per share. We welcomed McFarlan Rowlands during the quarter and announced our intention to expand our insurance broker platform into Alberta with the addition of Drayden Insurance. These acquisitions advance our ambition to build this platform into another billion-dollar business for Definity.”

– Rowan Saunders, President & CEO

“We maintained our strong financial position, with book value per share up 12.7% compared to the second quarter of 2022. Operating income continued to benefit from the expansion in net investment income, strengthened by our proactive actions to capture yield in a higher rate environment. Overall, we generated an operating ROE of 9.8%, as increased earnings outpaced the increase in our equity base. We continue to successfully deploy capital to build a leading insurance broker platform, enabling us to diversify our earnings with a complementary source of income. With substantial financial capacity, and the continuance application well underway, we have significant flexibility as we continue to reinvest in and grow our business.”

– Philip Mather, EVP & CFO

Consolidated Results

(in millions of dollars, except as otherwise noted)	Q2 2023	Q2 2022 (Restated)	Change	2023 YTD	2022 YTD (Restated)	Change
Insurance revenue	954.9	863.8	10.5%	1,862.4	1,678.1	11.0%
Gross written premiums ¹	1,085.1	995.8	9.0%	1,932.0	1,755.9	10.0%
Net underwriting revenue ¹	877.5	803.1	9.3%	1,716.6	1,568.4	9.4%
Claims ratio ¹	63.7%	63.3%	0.4 pts	63.2%	61.2%	2.0 pts
Expense ratio ¹	31.6%	32.0%	(0.4) pts	32.1%	32.7%	(0.6) pts
Combined ratio¹	95.3%	95.3%	- pts	95.3%	93.9%	1.4 pts
Insurance service result	132.2	101.6	30.6	226.1	217.6	8.5
Underwriting income ¹	41.2	37.8	3.4	80.7	95.6	(14.9)
Net investment income	42.8	31.8	11.0	83.8	57.6	26.2
Distribution income ¹	9.8	2.9	6.9	19.3	7.6	11.7
Net income (loss) attributable to common shareholders	71.6	(77.2)	148.8	172.5	(109.8)	282.3
Operating net income¹	64.8	51.1	13.7	128.2	114.4	13.8

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 in this news release, and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the 2023 Q2 Management’s Discussion and Analysis dated August 3, 2023 for further details, which is hereby incorporated by reference and is available on the Company’s website at www.definityfinancial.com and on SEDAR at www.sedar.com.

	Q2 2023	Q2 2022 (Restated)	Change	2023 YTD	2022 YTD (Restated)	Change
Per share measures (in dollars)						
Diluted EPS	0.61	(0.67)	1.28	1.48	(0.95)	2.43
Operating EPS ¹	0.56	0.44	0.12	1.10	0.98	0.12
Book value per share ("BVPS") ¹				23.42	20.78	2.64

Return on equity						
Return on equity ("ROE") ¹				15.5%	N/A	
Operating ROE ¹				9.8%	N/A	

Note: 2023 Q2 ROE and Operating ROE measures are on a rolling twelve-month basis. 2022 Q2 is N/A due to adoption of IFRS 17 — *Insurance Contracts* ("IFRS 17") and IFRS 9 — *Financial Instruments* ("IFRS 9"). The full year 2022 Operating ROE is 9.4%.

- **Gross written premiums ("GWP")** for 2023 Q2 increased by \$89.3 million or 9.0% compared to 2022 Q2, with growth across all our lines of business. Personal lines GWP was up 6.3%, driven by growth in personal property. Commercial lines GWP increased 15.3% as we continued to focus on profitable growth in this line of business. Year to date, GWP increased by \$176.1 million or 10.0% compared to 2022. Personal lines GWP increased 7.0% and commercial lines GWP increased 17.3%.
- **Underwriting income** for 2023 Q2 was \$41.2 million and the combined ratio was 95.3%, compared to underwriting income of \$37.8 million and a combined ratio of 95.3% in 2022 Q2. The combined ratio reflects continued strong performance in commercial lines, an active quarter with respect to catastrophe losses, and continued elevated levels of claims severity from persistent, but stabilizing, inflation and theft in personal auto. Total catastrophe losses in the second quarter were largely in line with our expectations, although a higher proportion of losses impacted personal property.

Year to date, our underwriting income decreased by \$14.9 million and led to a combined ratio of 95.3% as compared to 93.9% in 2022. Results were strong despite elevated claims trends in both frequency and severity in personal auto, and lower levels of favourable prior year claims development in our personal lines.
- **Net investment income** increased \$11.0 million in 2023 Q2 and \$26.2 million year to date driven primarily by higher fixed income yields that we captured by active management of the fixed income portfolio, in an environment of rising interest rates.
- **Distribution income** was \$9.8 million in 2023 Q2 and \$19.3 million year to date, compared to \$2.9 million in 2022 Q2 and \$7.6 million in the first half of 2022, due primarily to the increased ownership position in McDougall Insurance Brokers Limited ("McDougall") and our acquisition of McFarlan Rowlands Insurance Brokers Inc. ("McFarlan Rowlands") in the second quarter.

Net Income and Operating Net Income

- **Net income attributable to common shareholders** was \$71.6 million in 2023 Q2 compared to a net loss of \$77.2 million in 2022 Q2. Net income attributable to common shareholders increased as a result of a decrease in unrealized losses on investments in 2023 compared to 2022, as well as the factors impacting operating net income.

Year to date, net income attributable to common shareholders was \$172.5 million compared to a net loss of \$109.8 million in 2022 due primarily to unrealized gains on investments in 2023 compared to losses in 2022, as well as the factors impacting operating net income.
- **Operating net income** was \$64.8 million in 2023 Q2 compared to \$51.1 million in 2022 Q2 due primarily to higher net investment income and distribution income. Year to date, operating net income was \$128.2 million compared to \$114.4 million in 2022.
- **Operating ROE** was 9.8% for the twelve-month period ended June 30, 2023 compared to 9.4% for the full year ended December 31, 2022, as higher operating net income outpaced the growth in average adjusted equity attributable to common shareholders.

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 in this news release, and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the 2023 Q2 Management's Discussion and Analysis dated August 3, 2023 for further details, which is hereby incorporated by reference and is available on the Company's website at www.definityfinancial.com and on SEDAR at www.sedar.com.

Line of Business Results

(in millions of dollars, except as otherwise noted)	Q2 2023	Q2 2022 (Restated)	Change	2023 YTD	2022 YTD (Restated)	Change
Personal insurance						
Gross written premiums¹						
Auto	442.1	431.1	2.6%	799.9	770.9	3.8%
Property	301.8	268.7	12.3%	527.1	469.1	12.4%
Total	743.9	699.8	6.3%	1,327.0	1,240.0	7.0%
Combined ratio¹						
Auto	97.6%	92.8%	4.8 pts	99.2%	94.5%	4.7 pts
Property	102.5%	102.9%	(0.4) pts	96.9%	97.9%	(1.0) pts
Total	99.6%	96.7%	2.9 pts	98.3%	95.8%	2.5 pts
Commercial insurance						
Gross written premiums¹	341.2	296.0	15.3%	605.0	515.9	17.3%
Combined ratio¹	84.3%	91.6%	(7.3) pts	87.5%	88.8%	(1.3) pts

Personal Insurance

- Overall, **personal lines** GWP increased 6.3% in 2023 Q2 (7.0% year to date). The direct channel GWP was \$101.8 million in 2023 Q2, a decrease of 4.9% compared to \$107.1 million in 2022 Q2, driven largely by our deliberate actions taken in response to the Alberta auto rate pause as well as other profitability actions. The direct channel GWP was \$196.1 million year to date, an increase of 0.4% compared to \$195.3 million in 2022. Personal lines underwriting income was \$2.8 million in 2023 Q2 compared to \$19.7 million in 2022 Q2. Year to date, personal lines underwriting income was \$21.1 million compared to \$48.7 million in 2022.
- Personal auto** GWP increased 2.6% in the quarter (3.8% year to date), reflecting an increase in average written premiums. The combined ratio of 97.6% in 2023 Q2 (2022 Q2: 92.8%) was impacted by expected increases in frequency from normalization of driving patterns, continued elevated levels of claims severity from persistent but stabilizing inflation, heightened levels of theft, and lower levels of favourable prior year claims development. Year to date, the personal auto combined ratio was impacted by the same factors that impacted the second quarter.
- Personal property** GWP increased 12.3% in the quarter (12.4% year to date), benefitting from continued firm market conditions driving increases in average written premiums. The combined ratio in the quarter was 102.5% (2022 Q2: 102.9%), a slight improvement from 2022 Q2 due to an improved core accident year claims ratio, partially offset by an elevated level of catastrophe losses. Catastrophe losses accounted for 17.0 percentage points to the combined ratio in 2023 Q2 (including an ice and rain storm in Ontario and Québec in April, and wildfires in the Atlantic region) compared to 13.5 percentage points to the combined ratio in 2022 Q2. Year to date, the personal property combined ratio improved due to an improved core accident year claims ratio, partially offset by lower favourable prior year claims development.

Commercial Insurance

- Strong growth momentum in **commercial lines** continued in 2023 Q2 as we benefitted from broad support from our broker partners across Canada. GWP increased 15.3% in the quarter (17.3% year to date) driven by strong retention and rate achievement in a firm market environment and further scaling of our small business and specialty capabilities.
- Commercial lines** benefitted from continued focus on underwriting execution with a strong combined ratio of 84.3% and underwriting income of \$38.4 million in the quarter. This compared to the combined ratio of 91.6% and underwriting income of \$18.1 million in 2022 Q2. The combined ratio improved due to lower catastrophe losses and increased favourable prior year claims development. The increase in favourable prior year claims development was due in part to a release of COVID-19-related provisions in the quarter, in response to positive legal developments. Year to date, the commercial lines combined ratio was 87.5% and underwriting income was \$59.6 million compared to 88.8% and underwriting income of \$46.9 million in 2022 Q2. The year-to-date commercial lines combined ratio improved due to the same factors as the second quarter.

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 in this news release, and Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the 2023 Q2 Management's Discussion and Analysis dated August 3, 2023 for further details, which is hereby incorporated by reference and is available on the Company's website at www.definityfinancial.com and on SEDAR at www.sedar.com.

Financial Position

	As at June 30, 2023	As at December 31, 2022 (Restated)	Change
(in millions of dollars, except as otherwise noted)			
Financial position			
Investments	4,758.2	4,897.2	(139.0)
Equity attributable to common shareholders	2,696.2	2,549.8	146.4
Financial capacity	665.4	658.5	6.9

Note: Financial capacity for December 31, 2022 has not been restated to reflect the adoption of IFRS 17 and IFRS 9 nor OSFI's MCT 2023 guidelines.

- Equity attributable to common shareholders increased by \$146.4 million, or 5.7%, as at June 30, 2023, due primarily to the positive contribution from operating net income.
- The increase in financial capacity as at June 30, 2023 relates primarily to an increase in capital available from the generation of net income, inclusive of the unrealized gains generated on the FVTPL investments, and the impact of our transition to IFRS 17. These were partially offset by capital deployed in the acquisition of McFarlan Rowlands.
- Our capital position as of June 30, 2023 remains strong and well in excess of both internal and regulatory minimum capital requirements.

Dividend

- On August 3, 2023, our Board of Directors declared a \$0.1375 per share dividend, payable on September 28, 2023 to shareholders of record at the close of business on September 15, 2023.

NCIB

- On May 11, 2023, our Board of Directors approved the renewal of the normal course issuer bid ("NCIB"). Under the NCIB, we are authorized to purchase up to 3,476,781 common shares, representing 3% of our issued and outstanding common shares during the period commencing May 31, 2023 and ending May 30, 2024. As at June 30, 2023, no common shares had been repurchased and cancelled under the initial or renewed NCIB.

Conference Call

Definity will conduct a conference call to review information included in this news release and related matters at 11:00 a.m. ET on August 4, 2023. The conference call will be available simultaneously and in its entirety to all interested investors and the news media at www.definityfinancial.com. A transcript will be made available on Definity's website within two business days.

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 \$3.8 billion in gross written premiums for the 12 months ended June 30, 2023 and approximately \$2.7 billion in equity attributable to common shareholders as at June 30, 2023.

Cautionary Note Regarding Forward-Looking Information

This news release 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 news release 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, particularly in provinces where the regulatory environment requires auto insurance rate increases to be approved or that otherwise impose regulatory constraints on auto insurance rate increases;
- 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;
- Definity’s ability to address inflationary cost pressures through pricing, supply chain, or cost management actions;
- 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 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 manage and protect the collection and storage of information;
- Definity’s reliance on information technology systems and 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;
- general economic, financial, political, and social 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 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;
- there can be no assurance that Definity's normal course issuer bid will be maintained, unchanged and/or completed;
- Definity's dependence on the results of operations of its subsidiaries and the ability of the subsidiaries to pay dividends;
- Definity's ability to manage and access capital and liquidity effectively;
- Definity's ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- management's estimates and judgements in respect of the adoption of IFRS 17 and the financial impact on various financial metrics;
- periodic negative publicity regarding the insurance industry or Definity;
- 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;
- the processes, completion, and timing of McDougall's acquisition of Drayden Insurance Ltd. ("Drayden Insurance"); and
- the completion and timing of Definity continuing under the *Canada Business Corporations Act*.

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 December 31, 2022 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 news release represents our expectations as at the date of this news release (or as at the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

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

Contacts

Investor inquiries:

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

Media inquiries:

Sarah Attwells
 AVP, Corporate Affairs
 (C) 226-753-1130
sarah.attwells@definity.com

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 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q2-2023 Management’s Discussion and Analysis dated August 3, 2023, which is available on our website at www.definityfinancial.com and on SEDAR at www.sedar.com. These measures have been updated to reflect the estimated impact arising from the adoption of IFRS 17 and IFRS 9.

Below are quantitative reconciliations of non-GAAP measures for the three and six months ended June 30, 2023 and June 30, 2022:

Distribution income:

(in millions of dollars)	Q2 2023	Q2 2022	2023 YTD	2022 YTD
Distribution revenues ¹	32.0	-	57.5	-
Distribution business expenses ²	(22.2)	-	(38.2)	-
Share of distribution profit from investments in associates ²	-	2.2	-	5.6
Remove: Income taxes included in share of distribution profit from investments in associates	-	0.7	-	2.0
Distribution income	9.8	2.9	19.3	7.6

¹ Distribution revenues includes commissions on policies underwritten by external insurance companies.

² Included in Other (expenses) income in our interim consolidated financial statements. These amounts exclude amortization of intangible assets recognized in business combinations and acquisition-related expenses.

Net claims and adjustment expenses

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Claims and adjustment expenses ^{1,2}	613.5	548.3	1,171.0	1,009.0
Impact of onerous insurance contracts ³	(1.3)	1.1	(2.5)	0.4
Claims recoverable from reinsurers for incurred claims ^{2,4}	(53.1)	(41.4)	(84.3)	(49.4)
Net claims and adjustment expenses	559.1	508.0	1,084.2	960.0

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

² Excludes the impact of discounting and risk adjustment.

³ Included in Insurance service expenses.

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

Net commissions

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Commissions ¹	140.6	131.4	277.1	263.0
Commissions earned on ceded reinsurance ²	(13.2)	(10.1)	(24.9)	(18.8)
Net commissions	127.4	121.3	252.2	244.2

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

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

Net underwriting revenue

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Insurance revenue	954.9	863.8	1,862.4	1,678.1
Earned reinsurance premiums ceded ¹	(77.4)	(60.7)	(145.8)	(109.7)
Net underwriting revenue	877.5	803.1	1,716.6	1,568.4

¹ Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

Operating net income, Operating income, Non-operating gains (losses)

Net income (loss) attributable to common shareholders is the most directly comparable GAAP financial measure disclosed in our interim consolidated financial statements to operating net income, operating income, and non-operating gains (losses), which are considered non-GAAP financial measures.

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Net income (loss) attributable to common shareholders	71.6	(77.2)	172.5	(109.8)
Remove: income tax expense (recovery)	22.2	(30.5)	52.8	(45.4)
Income (loss) before income taxes	93.8	(107.7)	225.3	(155.2)
Remove: non-operating gains (losses)				
Recognized (losses) gains on FVTPL investments	(62.7)	(227.2)	29.0	(425.0)
Discounting ¹	52.0	25.8	68.4	42.7
Risk adjustment ¹	3.7	1.1	6.0	5.2
Finance income (expenses) from insurance contracts issued	18.6	29.8	(45.9)	82.5
Finance (expenses) income from reinsurance contracts held	(1.6)	(1.9)	4.0	(5.1)
Interest on restricted cash, less demutualization and IPO-related expenses ²	2.9	(0.4)	5.4	(2.3)
Amortization of intangible assets recognized in business combinations ²	(3.9)	(0.7)	(7.1)	(1.3)
Other ^{2,3}	(0.2)	(0.5)	(0.1)	(0.8)
Non-operating gains (losses)	8.8	(174.0)	59.7	(304.1)
Operating income	85.0	66.3	165.6	148.9
Operating income tax expense	(20.2)	(15.2)	(37.4)	(34.5)
Operating net income	64.8	51.1	128.2	114.4

¹ Included in Insurance service expenses and Net expenses from reinsurance contracts held in our interim consolidated financial statements.

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

³ Other represents a gain on sale of customer lists, acquisition-related expenses, foreign currency translation of fintech venture capital funds, 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.

Prior year claims development

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Changes in fulfilment cash flows relating to the liabilities for incurred claims ¹	(32.7)	(49.4)	(43.5)	(100.2)
Changes to amounts recoverable for incurred claims ²	(9.3)	9.6	(6.2)	20.1
Remove: discounting included above	4.9	6.0	(11.1)	5.3
Remove: risk adjustment included above	14.7	12.0	30.7	31.1
Prior year claims development	(22.4)	(21.8)	(30.1)	(43.7)

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

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

Net underwriting expenses

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Net commissions	127.4	121.3	252.2	244.2
Operating expenses	116.0	105.8	234.4	210.0
Premium taxes	33.8	30.2	65.1	58.6
Net underwriting expenses	277.2	257.3	551.7	512.8

Underwriting income

(in millions of dollars)	Q2 2023	Q2 2022 (Restated)	2023 YTD	2022 YTD (Restated)
Net underwriting revenue	877.5	803.1	1,716.6	1,568.4
Net claims and adjustment expenses	559.1	508.0	1,084.2	960.0
Net commissions	127.4	121.3	252.2	244.2
Operating expenses	116.0	105.8	234.4	210.0
Premium taxes	33.8	30.2	65.1	58.6
Underwriting income	41.2	37.8	80.7	95.6

Below are quantitative reconciliations of non-GAAP ratios for the periods ended June 30, 2023 and December 31, 2022, as applicable:

ROE

(in millions of dollars, except as otherwise noted)	For the 12 months ended
	June 30, 2023
Net income attributable to common shareholders	393.2
Equity attributable to common shareholders ¹	2,696.2
Adjusted equity attributable to common shareholders	2,696.2
Average adjusted equity attributable to common shareholders ²	2,543.1
ROE	15.5%

¹ Equity attributable to common shareholders is as at June 30, 2023.

² Average adjusted equity attributable to common shareholders is the average of adjusted equity attributable to common shareholders (equity attributable to common shareholders as shown on our consolidated balance sheets, adjusted for significant capital transactions, if applicable) at the end of the period and the end of the preceding 12-month period. Equity attributable to common shareholders and adjusted equity attributable to common shareholders as at June 30, 2022 was \$2,389.9 million.

Operating ROE

(in millions of dollars, except as otherwise noted)	For the 12 months ended	
	June 30, 2023	December 31, 2022 (Restated)
Operating net income ¹	250.6	236.8
Equity attributable to common shareholders, excluding AOCI ²	2,729.4	2,582.2
Adjustment for unrealized gains on FVTPL equity instruments	(22.3)	(15.6)
Adjusted equity attributable to common shareholders, excluding AOCI	2,707.1	2,566.6
Average adjusted equity attributable to common shareholders, excluding AOCI ³	2,549.0	2,515.3
Operating ROE	9.8%	9.4%

¹ Operating net income is a non-GAAP financial measure.

² Equity attributable to common shareholders, excluding accumulated other comprehensive (loss) income ("AOCI") is as at June 30, 2023 and December 31, 2022.

³ Average adjusted equity attributable to common shareholders, excluding AOCI is the average of adjusted equity attributable to common shareholders, excluding AOCI (equity attributable to common shareholders and AOCI each as shown on our consolidated balance sheets, adjusted for significant capital transactions, if applicable) and excluding unrealized gains or losses on FVTPL equity instruments, 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 June 30, 2022 was \$2,391.0 million and as at December 31, 2021 was \$2,464.0 million.