

## NEWS RELEASE: Definity Financial Corporation Reports First Quarter 2023 Results

### Highlights

- Gross written premium<sup>1</sup> growth of 11.4% in 2023 Q1 supported by ongoing firm market conditions in property and commercial lines
- Combined ratio<sup>1</sup> of 95.3% in 2023 Q1 was bolstered by the strong performance in personal property and ongoing strong performance from commercial lines
- Personal auto combined ratio<sup>1</sup> of 100.9% reflects business seasonality, heightened theft, and recent elevated claims trends in both frequency and severity
- Operating net income<sup>1</sup> of \$63.4 million in 2023 Q1, relatively unchanged from 2022 Q1, resulting in Operating EPS<sup>1</sup> of \$0.54 per share; trailing 12-month Operating ROE<sup>1</sup> was 9.3%
- Book value per share<sup>1</sup> increased to \$22.90, 10.4% higher than December 31, 2022 measured under IFRS 4
- Definity, through its subsidiary McDougall, acquired 100% of McFarlan Rowlands on May 8, establishing a leading broker platform with significant scale in Ontario that is expected to be immediately accretive and increase earnings from distribution by approximately 50%

### Executive Messages

“We reported a robust 11.4% increase in premiums in the first quarter, while maintaining our disciplined underwriting approach amid firm market conditions. Our combined ratio of 95.3% was in line with our financial target and reflected strong performances in our personal property and commercial lines, offsetting a seasonally elevated period for personal auto results which experienced persistent inflationary pressures and heightened levels of theft. Our decline in underwriting income was offset by robust net investment income and an increasing contribution from our recently strengthened distribution capabilities. Overall, we generated first quarter operating net income of \$63.4 million, or \$0.54 per share, largely unchanged from a year ago. With the year off to a solid start, we remain confident in our ability to deliver on our financial targets while continuing to diversify our insurance portfolio and sources of earnings. We welcomed McFarlan Rowlands to Definity earlier this week and believe their partnership with McDougall not only establishes a leading broker platform in Ontario, but also provides a solid foundation for national expansion.”

– Rowan Saunders, President & CEO

“We maintained our strong financial position, with book value per share of \$22.90 up 12.2% compared to the first quarter of 2022 under IFRS 4. Earnings continued to benefit from the expansion in net investment income, strengthened by our proactive actions to capture yield in an increasing rate environment. Additionally, solid underwriting and growing contributions from our distribution business combined to generate an operating ROE of 9.3%, despite the significant increase in our equity base. With over \$840 million in financial capacity, and the continuance application well underway, we have significant flexibility as we continue to prioritize reinvestment and growth in our business.”

– Philip Mather, EVP & CFO

### Consolidated Results

(in millions of dollars, except as otherwise noted)	Q1 2023	Q1 2022 (Restated)	Change
Insurance revenue	907.5	814.3	11.4%
Gross written premiums <sup>1</sup>	846.9	760.1	11.4%
Net underwriting revenue <sup>1</sup>	839.1	765.3	9.6%
Claims ratio <sup>1</sup>	62.6%	59.1%	3.5 pts
Expense ratio <sup>1</sup>	32.7%	33.3%	(0.6) pts
<b>Combined ratio<sup>1</sup></b>	<b>95.3%</b>	<b>92.4%</b>	<b>2.9 pts</b>
Insurance service result	93.9	116.0	(22.1)
Underwriting income <sup>1</sup>	39.5	57.8	(18.3)
Net investment income	41.0	25.8	15.2
Distribution income <sup>1</sup>	8.9	4.7	4.2
<b>Net income (loss) attributable to common shareholders</b>	<b>100.9</b>	<b>(32.6)</b>	<b>133.5</b>
<b>Operating net income<sup>1</sup></b>	<b>63.4</b>	<b>63.3</b>	<b>0.1</b>

<sup>1</sup> 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 Q1 Management’s Discussion and Analysis dated May 11, 2023 for further details, which is available on the Company’s website at [www.definityfinancial.com](http://www.definityfinancial.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

	Q1 2023	Q1 2022 (Restated)	Change
<b>Per share measures (in dollars)</b>			
Diluted EPS	0.87	(0.28)	1.15
Operating EPS <sup>1</sup>	0.54	0.54	-
Book value per share ("BVPS") <sup>1</sup>	22.90	21.68	1.22

<b>Return on equity</b>			
Return on equity ("ROE") <sup>1</sup>	9.5%	N/A	
Operating ROE <sup>1</sup>	9.3%	N/A	

Note: 2023 Q1 ROE and Operating ROE measures are on a rolling twelve-month basis. 2022 Q1 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 Q1 increased by \$86.8 million or 11.4% compared to 2022 Q1, with growth across all our lines of business. Personal lines GWP was up 7.9% with increases in both our broker and direct businesses. Commercial lines GWP increased 20.0% as we continued to focus on profitable growth in this line of business.
- **Underwriting income** for 2023 Q1 was \$39.5 million and the combined ratio was 95.3%, compared to underwriting income of \$57.8 million and a combined ratio of 92.4% in the same quarter a year ago. The combined ratio in our auto lines was impacted by continued elevated inflation, heightened levels of auto theft, and an increase in claims frequency as 2022 Q1 benefitted from lower auto claims frequency due to COVID-19 pandemic lockdowns.
- **Net investment income** increased \$15.2 million in 2023 Q1, driven primarily by higher fixed income yields that we captured through actively managing the fixed income portfolio over the past six months, combined with higher reinvestment rates.
- **Distribution income** was \$8.9 million in 2023 Q1 compared to \$4.7 million in 2022 Q1, due primarily to the increased ownership position in McDougall Insurance Brokers Limited and strong contingent profit commissions recognized in 2023 Q1.

#### Net Income and Operating Net Income

- **Net income attributable to common shareholders** was \$100.9 million in 2023 Q1 compared to a net loss of \$32.6 million in 2022 Q1. Net income attributable to common shareholders increased as a result of a shift to unrealized gains on investments in the first quarter of 2023 compared to losses in 2022, as well as the factors impacting operating net income.
- **Operating net income** was \$63.4 million in the first quarter of 2023 compared to \$63.3 million in the first quarter of 2022 as higher net investment income and distribution income offset lower underwriting income.
- **Operating ROE** was 9.3% for the twelve-month period ended March 31, 2023 compared to 9.4% for the full year ended December 31, 2022.

<sup>1</sup> 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 Q1 Management's Discussion and Analysis dated May 11, 2023 for further details, which is available on the Company's website at [www.definityfinancial.com](http://www.definityfinancial.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Line of Business Results

(in millions of dollars, except as otherwise noted)	Q1 2023	Q1 2022 (Restated)	Change
<b>Personal insurance</b>			
<b>Gross written premiums<sup>1</sup></b>			
Auto	357.8	339.8	5.3%
Property	225.3	200.4	12.4%
<b>Total</b>	<b>583.1</b>	<b>540.2</b>	<b>7.9%</b>
<b>Combined ratio<sup>1</sup></b>			
Auto	100.9%	96.2%	4.7 pts
Property	91.1%	92.6%	(1.5) pts
<b>Total</b>	<b>97.0%</b>	<b>94.8%</b>	<b>2.2 pts</b>
<b>Commercial insurance</b>			
<b>Gross written premiums<sup>1</sup></b>	<b>263.8</b>	<b>219.9</b>	<b>20.0%</b>
<b>Combined ratio<sup>1</sup></b>	<b>90.9%</b>	<b>85.9%</b>	<b>5.0 pts</b>

### Personal Insurance

- Overall, **personal lines** GWP increased 7.9% in 2023 Q1. The direct channel GWP was \$94.3 million in 2023 Q1, an increase of 6.9% compared to \$88.2 million in 2022 Q1. Personal lines underwriting income was \$18.3 million in 2023 Q1 compared to \$29.0 million in the same quarter a year ago.
- Personal auto** GWP increased 5.3% in the quarter, reflecting an increase in average written premiums and our efforts to protect profitability amid the Alberta auto rate freeze. The combined ratio of 100.9% in the quarter (2022 Q1: 96.2%) was impacted by expected increases in frequency from normalization of driving, continued elevated levels of claims severity from persistent inflation and heightened levels of theft. Results in 2022 Q1 also benefitted from significantly lower auto claims frequency related to COVID-19 pandemic lockdowns.
- Personal property** GWP increased 12.4% in the quarter, benefitting from continued firm market conditions including increases in average written premiums. The combined ratio in the quarter was 91.1% (2022 Q1: 92.6%) with improvements driven by a decrease in catastrophe losses and an improved core accident year claims ratio. These results were partially offset by lower favourable prior year claims development.

### Commercial Insurance

- Strong growth momentum in **commercial lines** continued in 2023 Q1 as we benefitted from broad support from our broker partners across Canada. GWP increased 20.0% in the quarter driven by strong retention and rate achievement in a firm market environment and further scaling of our specialty capabilities.
- Commercial lines** benefitted from continued focus on strong underwriting execution with a combined ratio of 90.9% and underwriting income of \$21.2 million in the quarter. This compared to the unusually strong combined ratio of 85.9% and underwriting income of \$28.8 million in the same quarter a year ago. The combined ratio increased due to higher catastrophe losses largely as a result of two individually large commercial property losses, and lower favourable prior year claims development. Results in the first quarter of 2022 also benefitted from lower auto claims frequency related to COVID-19 pandemic lockdowns.

<sup>1</sup> 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 Q1 Management's Discussion and Analysis dated May 11, 2023 for further details, which is available on the Company's website at [www.definityfinancial.com](http://www.definityfinancial.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Financial Position

(in millions of dollars, except as otherwise noted)	As at March 31, 2023	As at December 31, 2022 (Restated)	Change
<b>Financial position</b>			
Investments	4,881.5	4,897.2	(15.7)
Equity attributable to common shareholders	2,637.2	2,549.8	87.4
Financial capacity	845.9	658.5	187.4

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 \$87.4 million as at March 31, 2023 or 3.4%, due primarily to recognized gains on our investment portfolio and higher net investment income. Our equity attributable to common shareholders as of January 1, 2022 increased by \$158.1 million or 6.6% on the adoption of IFRS 17 and IFRS 9.
- The increase in financial capacity as at March 31, 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.
- Our capital position as of March 31, 2023 remains strong and well in excess of both internal and regulatory minimum capital requirements.

### Dividend

- On May 11, 2023, our Board of Directors declared a \$0.1375 per share dividend, payable on June 28, 2023 to shareholders of record at the close of business on June 15, 2023.

### NCIB

- On May 11, 2023, our Board of Directors approved the renewal of the NCIB, on the same terms and conditions as the initial NCIB, subject to regulatory approval, including the approval of TSX, which has not yet been obtained.

### 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 May 12, 2023. The conference call will be available simultaneously and in its entirety to all interested investors and the news media at [www.definityfinancial.com](http://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 \$3.7 billion in gross written premiums for the 12 months ended March 31, 2023 and over \$2.6 billion in equity attributable to common shareholders as at March 31, 2023.

## Cautionary Note Regarding Forward-Looking Information

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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; 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**

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## 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 Q1-2023 Management’s Discussion and Analysis dated May 11, 2023, which is available on our website at [www.definityfinancial.com](http://www.definityfinancial.com) and on SEDAR at [www.sedar.com](http://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 month periods ended March 31, 2023 and March 31, 2022:

### Distribution income:

(in millions of dollars)	Q1 2023	Q1 2022
Distribution revenues <sup>1</sup>	25.5	-
Distribution business expenses <sup>2</sup>	(16.6)	-
Share of distribution profit from investments in associates <sup>2</sup>	-	3.4
Remove: Income taxes included in share of distribution profit from investments in associates	-	1.3
<b>Distribution income</b>	<b>8.9</b>	<b>4.7</b>

<sup>1</sup> Distribution revenues includes commissions on policies underwritten by external insurance companies.

<sup>2</sup> Included in Other (expenses) income in our interim consolidated financial statements. These amounts exclude amortization of intangible assets recognized in business combinations.

### Net claims and adjustment expenses

(in millions of dollars)	Q1 2023	Q1 2022 (Restated)
Claims and adjustment expenses <sup>1,2</sup>	557.5	460.7
Impact of onerous insurance contracts <sup>3</sup>	(1.2)	(0.7)
Claims recoverable from reinsurers for incurred claims <sup>2,4</sup>	(31.2)	(8.0)
<b>Net claims and adjustment expenses</b>	<b>525.1</b>	<b>452.0</b>

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

<sup>2</sup> Excludes the impact of discounting and risk adjustment.

<sup>3</sup> Included in Insurance service expenses

<sup>4</sup> Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

### Net commissions

(in millions of dollars)	Q1 2023	Q1 2022 (Restated)
Commissions <sup>1</sup>	136.5	131.6
Commissions earned on ceded reinsurance <sup>2</sup>	(11.7)	(8.7)
<b>Net commissions</b>	<b>124.8</b>	<b>122.9</b>

<sup>1</sup> Included in Insurance service expenses in our interim consolidated financial statements.

<sup>2</sup> Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

## Net underwriting revenue

(in millions of dollars)	Q1 2023	Q1 2022 (Restated)
Insurance revenue	907.5	814.3
Earned reinsurance premiums ceded <sup>1</sup>	(68.4)	(49.0)
<b>Net underwriting revenue</b>	<b>839.1</b>	<b>765.3</b>

<sup>1</sup> 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)	Q1 2023	Q1 2022 (Restated)
Net income (loss) attributable to common shareholders	100.9	(32.6)
Remove: income tax expense (recovery)	30.6	(14.9)
<b>Income (loss) before income taxes</b>	<b>131.5</b>	<b>(47.5)</b>
Remove: non-operating gains (losses)		
Recognized gains (losses) on FVTPL investments	91.7	(197.8)
Discounting <sup>1</sup>	16.4	16.9
Risk adjustment <sup>1</sup>	2.3	4.1
Finance (expenses) income from insurance contracts issued	(64.5)	52.7
Finance income (expenses) from reinsurance contracts held	5.6	(3.2)
Interest on restricted cash, and demutualization and IPO-related expenses <sup>2</sup>	2.5	(1.9)
Amortization of intangible assets recognized in business combinations <sup>3</sup>	(3.2)	(0.6)
Other <sup>2,3</sup>	0.1	(0.3)
<b>Non-operating gains (losses)</b>	<b>50.9</b>	<b>(130.1)</b>
<b>Operating income</b>	<b>80.6</b>	<b>82.6</b>
Operating income tax expense	(17.2)	(19.3)
<b>Operating net income</b>	<b>63.4</b>	<b>63.3</b>

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

<sup>2</sup> Included in Other (expenses) income in our interim consolidated financial statements.

<sup>3</sup> Other represents foreign currency translation of fintech venture capital funds, acquisition-related expenses, 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)	Q1 2023	Q1 2022 (Restated)
Changes in fulfilment cash flows relating to the liabilities for incurred claims <sup>1</sup>	(10.8)	(50.8)
Changes to amounts recoverable for incurred claims <sup>2</sup>	3.1	10.5
Remove: discounting included above	(16.0)	(0.7)
Remove: risk adjustment included above	16.0	19.1
<b>Prior year claims development</b>	<b>(7.7)</b>	<b>(21.9)</b>

<sup>1</sup> Included in Insurance service expenses in our interim consolidated financial statements.

<sup>2</sup> Included in Net expenses from reinsurance contracts held in our interim consolidated financial statements.

## Underwriting expenses

(in millions of dollars)	Q1 2023	Q1 2022 (Restated)
Net commissions	124.8	122.9
Operating expenses	118.4	104.2
Premium taxes	31.3	28.4
<b>Underwriting expenses</b>	<b>274.5</b>	<b>255.5</b>

## Underwriting income

(in millions of dollars)	Q1 2023	Q1 2022 (Restated)
Net underwriting revenue	839.1	765.3
Net claims and adjustment expenses	525.1	452.0
Net commissions	124.8	122.9
Operating expenses	118.4	104.2
Premium taxes	31.3	28.4
<b>Underwriting income</b>	<b>39.5</b>	<b>57.8</b>

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

## ROE

(in millions of dollars, except as otherwise noted)	For the 12 months ended March 31, 2023
Net income attributable to common shareholders	244.4
Equity attributable to common shareholders <sup>1</sup>	2,637.2
Adjusted equity attributable to common shareholders	2,637.2
Average adjusted equity attributable to common shareholders <sup>2</sup>	2,572.0
ROE	9.5%

<sup>1</sup> Equity attributable to common shareholders is as at March 31, 2023.

<sup>2</sup> 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 March 31, 2022 was \$2,506.9 million.

## Operating ROE

(in millions of dollars, except as otherwise noted)	For the 12 months ended	
	March 31, 2023	December 31, 2022 (Restated)
Operating net income <sup>1</sup>	236.9	236.8
Equity attributable to common shareholders, excluding AOCI <sup>2</sup>	2,668.1	2,582.2
Adjustment for unrealized gains on FVTPL equity instruments	(30.3)	(15.6)
Adjusted equity attributable to common shareholders, excluding AOCI	2,637.8	2,566.6
Average adjusted equity attributable to common shareholders, excluding AOCI <sup>3</sup>	2,536.1	2,515.3
Operating ROE	9.3%	9.4%

<sup>1</sup> Operating net income is a non-GAAP financial measure.

<sup>2</sup> Equity attributable to common shareholders, excluding accumulated other comprehensive (loss) income ("AOCI") is as at March 31, 2023 and December 31, 2022.

<sup>3</sup> 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. Equity attributable to common shareholders, excluding AOCI, and adjusted equity attributable to common shareholders, excluding AOCI, as at March 31, 2022 was \$2,434.4 million and as at December 31, 2021 was \$2,464.0 million.