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Definity Financial Corporation
Management's Discussion and Analysis
For the third quarter ended September 30, 2024

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



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INTRODUCTION

November 7, 2024

The following Management's Discussion and Analysis ("MD&A") is the responsibility of management and has been approved by the Board of Directors ("Board"). This MD&A is intended to enable the reader to assess our financial position and results of operations as at and for the three and nine-month periods ended September 30, 2024, compared to the corresponding periods in 2023. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements and accompanying notes as at and for the quarter ended September 30, 2024, our audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2023, and the annual MD&A included in our 2023 Annual Report. Certain prior period comparative figures have been reclassified to conform to the current quarter's MD&A presentation. All dollar amounts are in Canadian dollars. Certain totals, subtotals, and percentages may not reconcile due to rounding. Unless otherwise noted in this MD&A, all information was prepared as at November 7, 2024.

As used in this MD&A, references to "Definity", "the Company", "we", "us", and "our" refer to Definity Financial Corporation, and, unless the context otherwise requires or is otherwise expressly stated, its consolidated subsidiaries.

The Company's unaudited condensed interim consolidated financial statements and accompanying notes as at and for the quarter ended September 30, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). 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 MD&A, 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 MD&A 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.

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

Supplementary Financial Measures:	Book value per share, catastrophe losses, financial capacity, gross written premiums, leverage capacity, and underwriting loss from exited lines.
Non-GAAP Financial Measures:	Core accident year claims and adjustment expenses, distribution income, net claims and adjustment expenses, net commissions, net operating expenses, net premium taxes, net underwriting expenses, net underwriting revenue, non-operating gains (losses), operating income, operating net income, prior year claims development, and underwriting income (loss).
Non-GAAP Ratios:	Claims ratio, combined ratio, expense ratio, return on equity ("ROE"), operating return on equity ("operating ROE"), operating earnings per common share ("operating EPS"), and certain other ratios.

For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, including (where applicable) an explanation of how that measure provides useful information and a quantitative reconciliation of each non-GAAP financial measure to its most directly comparable GAAP measure disclosed in our unaudited condensed interim consolidated financial statements, see Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

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This MD&A may include product and brand names, trade names, and trademarks of Definity, our subsidiaries and other companies, each of which is the property of its respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A 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 MD&A 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 continue to offer competitive pricing or product features or services that are attractive to customers;
- 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 rates;
- 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;
- 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;
- litigation and regulatory actions, including potential claims in relation to demutualization and our IPO and unclaimed demutualization benefits, and COVID-19-related class-action lawsuits that have arisen and which may arise, together with associated legal costs;
- Definity’s ability to determine and process demutualization benefits in relation to the benefit claim deadline and the post-benefit claim deadline administrative processing period, whether in the form of cash or common shares, and the tax treatment of amounts transferred to the Company;
- 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;

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- changes associated with the transition to a low-carbon economy, including reputational and business implications from stakeholders' views of our climate change approach, that of our industry, or that of our customers;
- 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 collect, store, transfer, and dispose 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 the scope of regulatory oversight, effective income tax rates, risk-based capital guidelines, and accounting standards;
- failure to design, implement and maintain effective controls over financial reporting and disclosure 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 administering 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 business, economic, financial, political, and social conditions, particularly those in Canada;
- the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national, or international economies, as well as their heightening of certain risks that may affect our business or future results;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of disruptive innovation or alternative business models by current market participants or new market entrants;
- 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;
- the discontinuance, modification, or failure to renew or complete Definity's normal course issuer bid ("NCIB");
- 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 judgments in respect of IFRS 17 and its impact on various financial metrics;
- periodic negative publicity regarding the insurance industry, Definity, or Definity Insurance Foundation; and
- 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.

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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 Section 12 – “Risk Management and Corporate Governance” of our MD&A for the year ended December 31, 2023 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 MD&A represents our expectations as at the date of this MD&A (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 MD&A is expressly qualified by the foregoing cautionary statements.

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1— CORPORATE OVERVIEW

ABOUT DEFINITY

We are one of the leading property and casualty (“P&C”) insurers in Canada. We are the sixth largest provider of P&C insurance in Canada, with a market share of approximately 4.8%¹. We had approximately \$4.4 billion in gross written premiums² (“GWP”) for the 12 months ended September 30, 2024.

We offer both personal and commercial insurance products. Through our personal lines insurance operations, which represented 69% of our GWP in the first nine months of 2024, we offer auto, property, liability, and pet insurance products to individual customers. Our commercial lines insurance operations, which represented 31% of our GWP in the first nine months of 2024, includes fleet, individually-rated commercial auto, property, liability and specialty insurance products, which are provided to businesses of all sizes in Canada.

As a multi-channel insurer, we distribute our products on a primarily intermediated basis, through brokers, as well as directly to customers. We have active relationships with a network of over 600 independent brokerage firms and a broker base of more than 30,000 individual brokers. Our direct distribution channel includes Sonnet Insurance (“Sonnet”); our pet insurer Petline Insurance (“Petline”); and portions of our group insurance offering. In the first nine months of 2024, broker and direct distribution represented 91% and 9%, respectively, of our total GWP.

We have a national presence and conduct business in all provinces and territories of Canada. Ontario is our largest market, representing 58% of GWP in the first nine months of 2024.

As part of our strategy to become one of the five largest P&C insurers in Canada, we intend to diversify and strengthen our growth through acquisitions and partnerships. Distribution partnerships are a key component of our strategy, given the diversification benefits they can provide as a complementary source of income. We continue to strengthen and grow our national broker platform.

Our P&C insurance business is supported by our investment management activities. We had approximately \$5.1 billion in investments as at September 30, 2024. A key tenet of our investment philosophy is the preservation of capital through portfolio diversification and a strong focus on high quality assets. Our investment portfolio includes a significant component of short-duration, investment grade fixed income investments.

¹ As of June 30, 2024, based on insurance revenue from insurance contracts issued from MSA Research. Market share of Canadian P&C insurance industry insurance revenue of \$41.5 billion for the six months ended June 30, 2024, excluding accident and sickness insurance and policies for insurance written outside of Canada, Canada Guaranty Mortgage Insurance Company, Genworth Financial Mortgage Insurance Company, Mortgage Insurance Company of Canada, Green Shield Canada, Insurance Corporation of British Columbia, Lloyd's Underwriters Canada, Saskatchewan Auto Fund, and Saskatchewan Government Insurance.

² Gross written premiums is a supplementary financial measure. Refer to Section 11 - “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

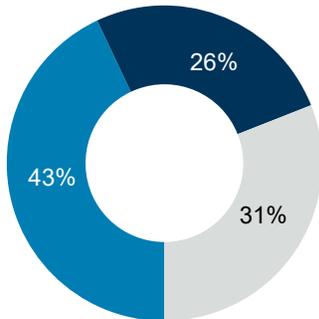
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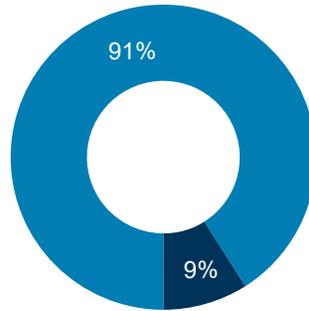


The following charts illustrate the breakdown of our GWP for the nine months ended September 30, 2024 by business line, distribution channel, and region, respectively.

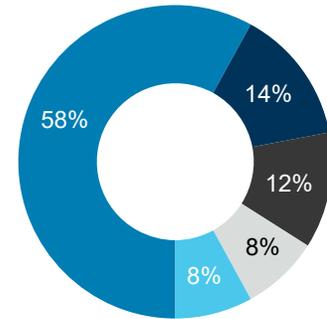
Q3 2024 YTD GWP⁽¹⁾



■ Personal auto
■ Personal property⁽²⁾
■ Commercial lines



■ Broker ■ Direct



■ Ontario ■ Alberta & Prairies
■ British Columbia ■ Québec
■ Atlantic

Notes:

(1) GWP is a supplementary financial measure. For more information, refer to Section 11 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

(2) Personal property includes pet insurance business.

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2 — FINANCIAL PERFORMANCE

HIGHLIGHTS:

- Gross written premium¹ growth of 9.9% in Q3 2024, on robust underlying personal auto activity driven by achieved rates and increasing unit counts, as well as continued momentum in commercial insurance. Gross written premium growth was 12.2% excluding the premiums of our exited line, Sonnet Alberta personal auto, from both periods
- Combined ratio² of 103.4% in Q3 2024 driven by core accident year improvements along with disciplined expense management, offset by a record 17.3 points of catastrophe losses¹ which primarily impacted personal property
- Operating net income³ of \$14.6 million in Q3 2024 compared to \$18.0 million in Q3 2023, resulting in operating EPS² of \$0.13; trailing 12-month operating ROE² was 10.7%
- Financial position remained strong, with book value per share¹ of \$26.96, 17.9% higher than a year ago

Notes:

(1) Gross written premiums, catastrophe losses, and book value per share are supplementary financial measures.

(2) Combined ratio, operating ROE, and operating EPS are non-GAAP ratios.

(3) Operating net income is a non-GAAP financial measure.

Refer to Section 11 - "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

RESULTS OF OPERATIONS

The following table summarizes our interim consolidated statements of income (loss) for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
<i>(in millions of dollars, except as otherwise noted)</i>						
Insurance revenue.....	\$ 1,095.5	\$ 984.1	\$ 111.4	\$ 3,133.5	\$ 2,846.5	\$ 287.0
Insurance service expenses	(1,051.7)	(932.2)	(119.5)	(2,750.3)	(2,519.8)	(230.5)
Net expenses from reinsurance contracts held	(18.2)	(1.5)	(16.7)	(67.8)	(50.2)	(17.6)
Insurance service result.....	\$ 25.6	\$ 50.4	\$ (24.8)	\$ 315.4	\$ 276.5	\$ 38.9
Net investment income.....	49.0	46.3	2.7	147.1	130.1	17.0
Recognized gains (losses) on FVTPL investments ..	172.8	(99.8)	272.6	206.7	(70.8)	277.5
Investment income (loss).....	\$ 221.8	\$ (53.5)	\$ 275.3	\$ 353.8	\$ 59.3	\$ 294.5
Finance expenses from insurance contracts issued.	(74.6)	(27.5)	(47.1)	(145.6)	(73.4)	(72.2)
Finance income from reinsurance contracts held	7.0	1.8	5.2	13.1	5.8	7.3
Net insurance financial result.....	\$ (67.6)	\$ (25.7)	\$ (41.9)	\$ (132.5)	\$ (67.6)	\$ (64.9)
Net insurance and investment result.....	179.8	(28.8)	208.6	536.7	268.2	268.5
Distribution revenues.....	50.6	34.1	16.5	139.4	91.6	47.8
Other (expenses) income	(87.2)	(67.9)	(19.3)	(246.4)	(192.8)	(53.6)
Interest expense.....	(2.6)	(1.7)	(0.9)	(7.6)	(3.6)	(4.0)
Income (loss) before income taxes	\$ 140.6	\$ (64.3)	\$ 204.9	\$ 422.1	\$ 163.4	\$ 258.7
Income tax (expense) recovery	(34.3)	18.1	(52.4)	(104.7)	(35.3)	(69.4)
Net income (loss)	\$ 106.3	\$ (46.2)	\$ 152.5	\$ 317.4	\$ 128.1	\$ 189.3
Net income (loss) attributable to common shareholders.....	104.8	(48.3)	153.1	313.8	124.2	189.6
Net income attributable to non-controlling interests ..	1.5	2.1	(0.6)	3.6	3.9	(0.3)
Earnings (loss) per common share, basic (in dollars).....	\$ 0.91	\$ (0.42)	\$ 1.33	\$ 2.73	\$ 1.08	\$ 1.65
Earnings (loss) per common share, diluted (in dollars)	\$ 0.90	\$ (0.42)	\$ 1.32	\$ 2.69	\$ 1.06	\$ 1.63

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The following table sets forth certain additional financial measures that we use to measure and evaluate performance of our business for the three and nine months ended September 30, 2024 and 2023:

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Gross written premiums ⁽¹⁾	\$ 1,143.3	\$ 1,040.0	9.9%	\$ 3,338.6	\$ 2,972.0	12.3%
Net underwriting revenue ⁽²⁾	981.8	903.6	8.7%	2,836.5	2,620.2	8.3%
Underwriting (loss) income ⁽²⁾	(33.1)	(22.8)	(10.3)	115.4	57.9	57.5
Distribution income ⁽²⁾	15.8	11.2	4.6	43.0	30.5	12.5
Operating income ⁽²⁾	16.1	21.5	(5.4)	262.6	188.4	74.2
Non-operating gains (losses) ⁽²⁾	122.5	(88.5)	211.0	154.6	(30.1)	184.7
Operating net income ⁽²⁾	14.6	18.0	(3.4)	199.8	147.2	52.6
Operating earnings per common share (in dollars) ⁽³⁾	\$ 0.13	\$ 0.15	\$ (0.02)	\$ 1.71	\$ 1.26	\$ 0.45
Book value per share (in dollars) ⁽¹⁾	\$ 26.96	\$ 22.87	\$ 4.09	\$ 26.96	\$ 22.87	\$ 4.09
Claims ratio ⁽³⁾	74.5%	72.9%	1.6 pts	65.8%	66.5%	(0.7) pts
Expense ratio ⁽³⁾	28.9%	29.6%	(0.7) pts	30.1%	31.3%	(1.2) pts
Combined ratio ⁽³⁾	103.4%	102.5%	0.9 pts	95.9%	97.8%	(1.9) pts
Return on equity ⁽³⁾	18.9%	12.3%	6.6 pts	18.9%	12.3%	6.6 pts
Operating return on equity ⁽³⁾	10.7%	8.8%	1.9 pts	10.7%	8.8%	1.9 pts

Notes:

(1) Gross written premiums and book value per share are supplementary financial measures.

(2) Net underwriting revenue, underwriting (loss) income, distribution income, operating income, non-operating gains (losses), and operating net income are non-GAAP financial measures.

(3) Claims ratio, expense ratio, combined ratio, ROE, operating ROE, and operating EPS are non-GAAP ratios.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

GROSS WRITTEN PREMIUMS

GWP for the third quarter of 2024 increased by \$103.3 million or 9.9% compared to the third quarter of 2023, with growth across all our lines of business. GWP growth was 12.2% excluding the premiums of our exited line, Sonnet Alberta personal auto, from both periods. Personal lines GWP was up 8.9% (12.0% when excluding the premiums of our exited line from both periods), driven by growth in our broker channel underpinned by strong auto rate increases and unit count increases. Commercial lines GWP increased 12.6% driven by strong retention and rate achievement in a firm market environment in our core segments. Year to date, GWP increased by \$366.6 million or 12.3% compared to 2023. Personal lines GWP increased 11.6% and commercial lines GWP increased 14.0%.

Further details regarding our premiums by line of business are provided in Section 3 — “Results by line of business”.

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UNDERWRITING (LOSS) INCOME

The composition of the combined ratio for the three and nine months ended September 30, 2024 and 2023 is as follows:

	Three months ended September 30,						Nine months ended September 30,					
	2024		2023		Change		2024		2023		Change	
	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
<i>(in millions of dollars, except as otherwise noted)</i>												
Net underwriting revenue ⁽²⁾ ...	\$ 981.8		\$ 903.6		\$ 78.2	8.7%	\$ 2,836.5		\$ 2,620.2		\$ 216.3	8.3%
Net claims and adjustment expenses ⁽²⁾	731.7	74.5%	658.4	72.9%	73.3	1.6 pts	1,867.5	65.8%	1,742.6	66.5%	124.9	(0.7) pts
Net underwriting expenses ⁽²⁾	283.2	28.9%	268.0	29.6%	15.2	(0.7) pts	853.6	30.1%	819.7	31.3%	33.9	(1.2) pts
Underwriting (loss) income ⁽²⁾	(33.1)		(22.8)		(10.3)		115.4		57.9		57.5	
Combined ratio ⁽³⁾		103.4%		102.5%		0.9 pts		95.9%		97.8%		(1.9) pts

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue.

(2) Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting (loss) income are non-GAAP financial measures.

(3) Combined ratio is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The growth in net underwriting revenue was due primarily to a high level of GWP growth in the past twelve months earning through in 2024.

Our underwriting loss for the third quarter of 2024 was \$33.1 million and our combined ratio was 103.4%, compared to an underwriting loss of \$22.8 million and a combined ratio of 102.5% in the same quarter a year ago. The combined ratios in both periods were impacted by significant catastrophe losses, which amounted to 17.3 percentage points in the third quarter of 2024 compared to 13.5 percentage points in the same quarter a year ago. The increase in catastrophe losses in the third quarter of 2024 was partially offset by improvements in the core accident year claims ratio and the expense ratio.

Year to date, our underwriting income increased by \$57.5 million and led to a combined ratio of 95.9%, compared to 97.8% in 2023, despite the heightened level of catastrophe losses.

NET CLAIMS AND ADJUSTMENT EXPENSES

The composition of the claims ratio for the three and nine months ended September 30, 2024 and 2023, illustrating the impact of core accident year claims and adjustment expenses incurred, catastrophe losses, and prior year claims development, is as follows:

	Three months ended September 30,						Nine months ended September 30,					
	2024		2023		Change		2024		2023		Change	
	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio
<i>(in millions of dollars, except as otherwise noted)</i>												
Core accident year claims and adjustment expenses ⁽²⁾	\$ 584.1	59.5%	\$ 556.2	61.6%	\$ 27.9	(2.1) pts	\$ 1,698.2	59.8%	\$ 1,602.9	61.2%	\$ 95.3	(1.4) pts
Catastrophe losses ⁽³⁾	169.9	17.3%	122.3	13.5%	47.6	3.8 pts	218.1	7.7%	189.9	7.2%	28.2	0.5 pts
Prior year favourable claims development ⁽²⁾	(22.3)	(2.3%)	(20.1)	(2.2%)	(2.2)	(0.1) pts	(48.8)	(1.7%)	(50.2)	(1.9%)	1.4	0.2 pts
Net claims and adjustment expenses ⁽⁴⁾	\$ 731.7	74.5%	\$ 658.4	72.9%	\$ 73.3	1.6 pts	\$ 1,867.5	65.8%	\$ 1,742.6	66.5%	\$ 124.9	(0.7) pts

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

(3) Catastrophe losses is a supplementary financial measure.

(4) The ratio shown for this line item is our claims ratio, which is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

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The core accident year claims ratio, which excludes catastrophe losses and prior year claims development, improved in the third quarter of 2024 and year to date driven by the personal auto line of business.

Significant catastrophe losses impacted our claims ratio in the third quarter of 2024 and 2023. Catastrophe losses in the third quarter of 2024 and year to date increased compared to the same periods in the prior year. In the third quarter of 2024 we were impacted primarily by severe rainstorms that led to flooding in Ontario and Québec, a significant hailstorm in Alberta, and the Jasper wildfire. While catastrophe losses in the third quarter of 2024 are significantly higher than our expectations, in comparison to current industry estimates, we are well below our expected market share of these losses, particularly in Alberta. Our catastrophe response teams, product design, focus on accumulation management and risk selection enabled us to mitigate losses from the summer's events to well below what our market share would indicate.

Prior year favourable claims development in the third quarter of 2024 and year to date was relatively consistent with the same periods in the prior year.

NET UNDERWRITING EXPENSES

The key components of our net underwriting expenses and our expense ratio for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three months ended September 30,						Nine months ended September 30,						
	2024		2023		Change		2024		2023		Change		
	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	(\$)	Ratio ⁽¹⁾	(\$)	Ratio ⁽¹⁾	(\$)	Ratio	
<i>(in millions of dollars, except as otherwise noted)</i>													
Net commissions ⁽²⁾	\$ 138.8	14.1%	\$ 125.4	13.9%	\$ 13.4	0.2 pts	\$ 409.2	14.4%	\$ 377.6	14.4%	\$ 31.6	- pts	
Net operating expenses ⁽²⁾	107.0	11.0%	108.6	11.9%	(1.6)	(0.9) pts	336.5	11.9%	343.0	13.1%	(6.5)	(1.2) pts	
Net premium taxes ⁽²⁾	37.4	3.8%	34.0	3.8%	3.4	- pts	107.9	3.8%	99.1	3.8%	8.8	- pts	
Net underwriting expenses ⁽²⁾⁽³⁾	\$ 283.2	28.9%	\$ 268.0	29.6%	\$ 15.2	(0.7) pts	\$ 853.6	30.1%	\$ 819.7	31.3%	\$ 33.9	(1.2) pts	

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of net commissions, net operating expenses, and net premium taxes as a percentage of net underwriting revenue is a non-GAAP ratio.

(2) Net commissions, net operating expenses, net premium taxes, and net underwriting expenses are non-GAAP financial measures.

(3) The ratio shown for this line item is our expense ratio, which is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The net commissions ratio was largely in line with the third quarter of 2023. Both periods were positively impacted by reduced contingent profit commissions accruals due to the significant catastrophe activity.

The net operating expense ratio decreased in the third quarter of 2024 and year to date driven by our ongoing focus on disciplined expense management, and the impact of the significant catastrophe losses in the quarter on incentive accruals, combined with the benefit of increasing scale.

INSURANCE REVENUE

The growth in insurance revenue was 11.3% in the third quarter of 2024 (10.1% year to date) driven by the high level of GWP growth throughout 2023 and in 2024.

INSURANCE SERVICE RESULT

Insurance service result decreased by \$24.8 million in the third quarter of 2024 driven primarily by the underwriting loss in the quarter combined with the results of our exited line of business, which were impacted by significant catastrophe losses. Year to date, insurance service result increased by \$38.9 million driven by an improvement in underwriting income.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



NET INVESTMENT INCOME

The composition of net investment income for the three and nine months ended September 30, 2024 and 2023 is as follows:

(in millions of dollars)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Interest income.....	\$ 42.0	\$ 38.8	\$ 3.2	\$ 124.5	\$ 108.1	\$ 16.4
Dividend income.....	8.6	8.8	(0.2)	27.4	26.3	1.1
Investment expenses	(1.6)	(1.3)	(0.3)	(4.8)	(4.3)	(0.5)
Net investment income.....	<u>\$ 49.0</u>	<u>\$ 46.3</u>	<u>\$ 2.7</u>	<u>\$ 147.1</u>	<u>\$ 130.1</u>	<u>\$ 17.0</u>

Net investment income increased in the third quarter of 2024 and year to date, due to higher interest income driven by higher fixed income yields proactively captured within the portfolio.

DISTRIBUTION INCOME

Distribution income of \$15.8 million in the third quarter of 2024 increased from \$11.2 million in the third quarter of 2023 driven primarily by the contributions from acquisitions combined with solid underlying organic growth. Year to date, distribution income was \$43.0 million in 2024 compared to \$30.5 million in 2023.

NON-OPERATING GAINS (LOSSES)

The composition of non-operating gains (losses) for the three and nine months ended September 30, 2024 and 2023 are as follows:

(in millions of dollars)	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Recognized gains (losses) on FVTPL investments	\$ 172.8	\$ (99.8)	\$ 272.6	\$ 206.7	\$ (70.8)	\$ 277.5
Discounting ⁽¹⁾	42.2	40.3	1.9	107.6	108.7	(1.1)
Risk adjustment ⁽¹⁾	(6.4)	0.5	(6.9)	(2.7)	6.5	(9.2)
Finance expenses from insurance contracts issued.....	(74.6)	(27.5)	(47.1)	(145.6)	(73.4)	(72.2)
Finance income from reinsurance contracts held	7.0	1.8	5.2	13.1	5.8	7.3
Interest on restricted cash, less demutualization and IPO-related expenses ⁽²⁾	1.1	2.2	(1.1)	3.5	6.3	(2.8)
Amortization of intangible assets recognized in business combinations ⁽²⁾	(6.3)	(4.4)	(1.9)	(19.0)	(11.5)	(7.5)
Underwriting loss from exited lines ⁽⁵⁾	(8.9)	-	(8.9)	(8.9)	-	(8.9)
Other ⁽²⁾⁽³⁾	(4.4)	(1.6)	(2.8)	(0.1)	(1.7)	1.6
Non-operating gains (losses) ⁽⁴⁾	<u>\$ 122.5</u>	<u>\$ (88.5)</u>	<u>\$ 211.0</u>	<u>\$ 154.6</u>	<u>\$ (30.1)</u>	<u>\$ 184.7</u>

Notes:

- (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 miscellaneous 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, such as gains or losses pertaining to the fintech venture capital funds and acquisition-related expenses.
- (4) Non-operating gains (losses) is a non-GAAP financial measure.
- (5) Underwriting loss from exited lines is a supplementary financial measure.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



The change in non-operating gains (losses) in the third quarter of 2024 and year to date was driven primarily by recognized gains and losses on FVTPL investments as well as discounting. Recognized gains on FVTPL investments shifted from losses in 2023 to gains in 2024, due primarily to mark-to-market gains on bonds and common stocks.

Finance expenses from insurance contracts issued in the third quarter of 2024 and year to date increased due to a decrease in the yield curve, compared to an increase in 2023.

EXITED LINES

On June 13, 2024, Sonnet announced that it had submitted a notice to the Alberta Superintendent of Insurance of its intention to phase out auto insurance operations in the province effective December 13, 2024. Following the date of withdrawal, Sonnet will no longer issue new or renewal auto insurance policies in Alberta. Sonnet's ability to underwrite home insurance business in Alberta will not be impacted by this change. To reflect this decision, commencing July 1, 2024, we have prospectively reported Sonnet's Alberta auto business as an exited line outside of operating results in our MD&A.

The composition of underwriting loss from exited lines for the three months ended September 30, 2024 is as follows:

	Three months ended September 30,	
	2024	
<i>(in millions of dollars)</i>		
Gross written premiums ⁽¹⁾	\$	13.7
Net underwriting revenue ⁽²⁾		13.6
Net claims and adjustment expenses ⁽²⁾		(20.0)
Net underwriting expenses ⁽²⁾		(2.5)
Underwriting loss from exited lines ⁽²⁾	\$	(8.9)

Notes:

(1) Gross written premiums and underwriting loss from exited lines are supplementary financial measures.

(2) Net underwriting revenue, net claims and adjustment expenses, and net underwriting expenses are non-GAAP financial measures.

Refer to Section 11 – Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP measures, and non-GAAP ratios.

Included in underwriting loss from exited lines is \$4.4 million in catastrophe losses.

NET INCOME (LOSS)

Net income attributable to common shareholders was \$104.8 million in the third quarter of 2024 compared to a net loss of \$48.3 million in the third quarter of 2023. The increase was due primarily to mark-to-market gains on bonds and common stocks. Year to date, net income attributable to common shareholders was \$313.8 million compared to \$124.2 million in 2023 year to date.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



OPERATING NET INCOME

The composition of operating net income for the three and nine months ended September 30, 2024 and 2023 are as follows:

<i>(in millions of dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Underwriting (loss) income ⁽¹⁾	\$ (33.1)	\$ (22.8)	\$ (10.3)	\$ 115.4	\$ 57.9	\$ 57.5
Net investment income	49.0	46.3	2.7	147.1	130.1	17.0
Distribution income ⁽¹⁾	15.8	11.2	4.6	43.0	30.5	12.5
Non-controlling interests on distribution income	(3.7)	(3.4)	(0.3)	(10.2)	(8.9)	(1.3)
Interest expense	(2.6)	(1.7)	(0.9)	(7.6)	(3.6)	(4.0)
Public company expenses ⁽²⁾	(8.2)	(6.6)	(1.6)	(22.4)	(19.2)	(3.2)
Other ⁽²⁾	(1.1)	(1.5)	0.4	(2.7)	1.6	(4.3)
Operating income ⁽¹⁾	\$ 16.1	\$ 21.5	\$ (5.4)	\$ 262.6	\$ 188.4	\$ 74.2
Operating income tax expense	(1.5)	(3.5)	2.0	(62.8)	(41.2)	(21.6)
Operating net income ⁽¹⁾	\$ 14.6	\$ 18.0	\$ (3.4)	\$ 199.8	\$ 147.2	\$ 52.6

Notes:

(1) Underwriting (loss) income, distribution income, operating income, and operating net income are non-GAAP financial measures.

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

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Operating net income decreased in the third quarter of 2024 as compared to the same period in the prior year due to lower underwriting income, partially offset by increases in distribution income and net investment income. Year to date, operating net income increased due to higher underwriting, net investment, and distribution income.

OPERATING INCOME TAX EXPENSE

The reconciliation of income tax calculated at the Canadian statutory tax rate to the effective tax rate in operating net income is provided in the table below:

	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Statutory tax rates	26.3%	26.3%	- pts	26.3%	26.3%	- pts
Investment income not subject to tax	(14.7%)	(9.9%)	(4.8) pts	(2.5%)	(3.3%)	0.8 pts
Non-deductible expenses	1.0%	0.5%	0.5 pts	0.1%	0.2%	(0.1) pts
Other	(2.9%)	(0.7%)	(2.2) pts	-	(1.3%)	1.3 pts
Effective tax rate	9.7%	16.2%	(6.5) pts	23.9%	21.9%	2.0 pts

The effective tax rate for the third quarter and year to date was lower than the statutory rate of 26.3% (Q3 2023: 26.3%) due primarily to the impact of non-taxable investment income. The effective tax rates also benefitted from adjustments to income tax expense in respect of prior years.

On June 20, 2024, Bill C-59 received Royal Assent and became enacted. Bill C-59 included legislation that denies the dividend received deduction for financial institutions on Canadian shares, with a carve out for dividends on certain preferred shares as well as dividends received by an insurance corporation, and as such is not expected to impact the Company.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



OPERATING ROE

Operating ROE was 10.7% for the twelve-month period ended September 30, 2024 compared to 8.8% for the twelve-month period ended September 30, 2023. Operating net income for the twelve-month period ended September 30, 2024 increased by \$77.2 million compared to the same period a year ago, despite the impact of significant catastrophe losses in the third quarter of 2024. The increase in operating ROE was driven by strong growth in operating net income, which more than offset the growth in average adjusted equity attributable to common shareholders, excluding accumulated other comprehensive loss ("AOCI").

Management's Discussion and Analysis

For the third quarter ended September 30, 2024

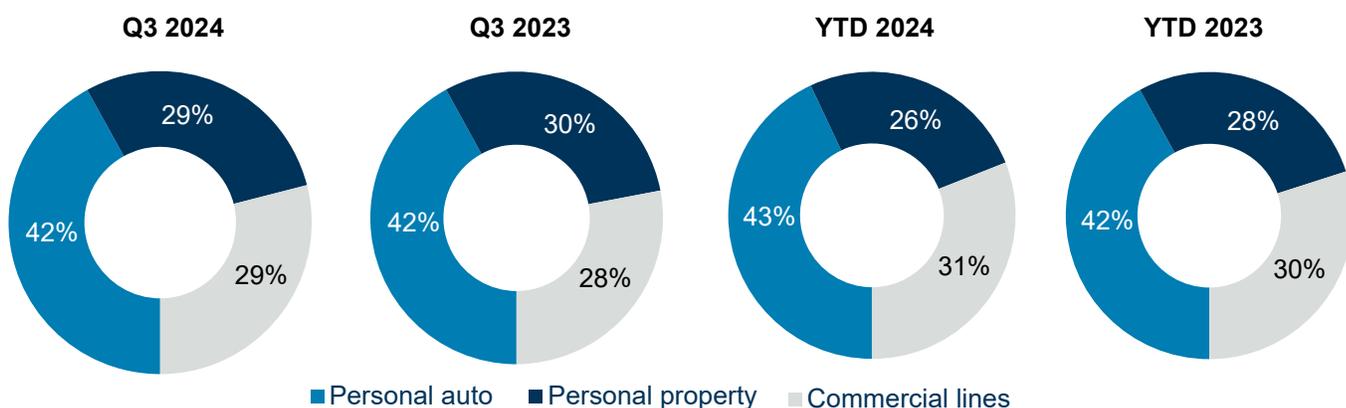


3 — RESULTS BY LINE OF BUSINESS

We provide a wide range of P&C insurance products throughout Canada in two broad lines of business: personal insurance and commercial insurance. Personal lines business is further subdivided between auto and property, the latter of which includes pet insurance products.

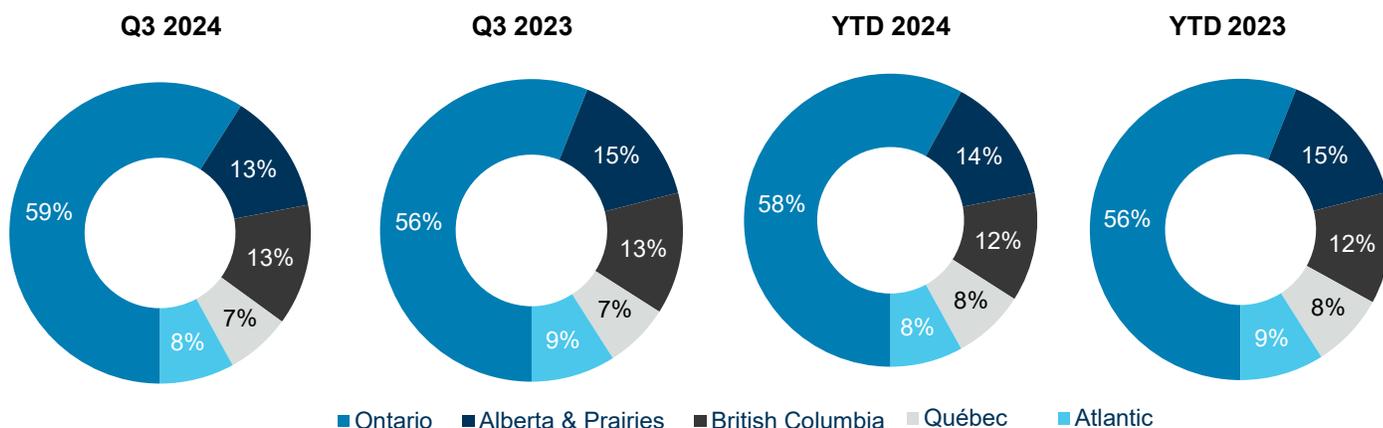
The following charts illustrate our GWP mix on this basis for the three and nine months ended September 30, 2024 and 2023:

GWP by Line of Business⁽¹⁾



There were slight shifts in business mix in the third quarter of 2024 and year to date compared to the same periods in the prior year.

GWP by Region⁽¹⁾



There were slight shifts in the regional mix in the third quarter of 2024 and year to date compared to the same periods in the prior year driven by growth in Ontario personal auto and the exit of Sonnet's Alberta personal auto business.

Notes:

(1) GWP is a supplementary financial measure. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



UNDERWRITING — PERSONAL LINES

The table below sets forth selected results of operations of our personal lines of business for the three and nine months ended September 30, 2024 and 2023 and the policies in force as at September 30, 2024 and 2023.

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Policies in force (thousands) (at period end)						
Auto	767.9	772.2	(0.6%)	767.9	772.2	(0.6%)
Property	826.4	847.1	(2.4%)	826.4	847.1	(2.4%)
Total	1,594.3	1,619.3	(1.5%)	1,594.3	1,619.3	(1.5%)
Gross written premiums ⁽¹⁾						
Auto	\$ 486.8	\$ 441.2	10.3%	\$ 1,428.7	\$ 1,241.1	15.1%
Property	329.1	308.0	6.9%	888.7	835.1	6.4%
Total	\$ 815.9	\$ 749.2	8.9%	\$ 2,317.4	\$ 2,076.2	11.6%
Net underwriting revenue ⁽²⁾						
Auto	\$ 423.3	\$ 389.1	8.8%	\$ 1,222.4	\$ 1,136.8	7.5%
Property	275.7	261.6	5.4%	803.1	753.4	6.6%
Total	\$ 699.0	\$ 650.7	7.4%	\$ 2,025.5	\$ 1,890.2	7.2%
Net claims and adjustment expenses ⁽²⁾						
Auto	\$ 311.9	\$ 286.7	\$ 25.2	\$ 872.0	\$ 818.4	\$ 53.6
Property	255.2	234.5	20.7	537.5	533.9	3.6
Total	\$ 567.1	\$ 521.2	\$ 45.9	\$ 1,409.5	\$ 1,352.3	\$ 57.2
Net underwriting expenses ⁽²⁾						
Auto	\$ 104.3	\$ 98.1	\$ 6.2	\$ 312.3	\$ 308.1	\$ 4.2
Property	89.2	88.1	1.1	273.4	265.4	8.0
Total	\$ 193.5	\$ 186.2	\$ 7.3	\$ 585.7	\$ 573.5	\$ 12.2
Underwriting (loss) income ⁽²⁾						
Auto	\$ 7.1	\$ 4.3	\$ 2.8	\$ 38.1	\$ 10.3	\$ 27.8
Property	(68.7)	(61.0)	(7.7)	(7.8)	(45.9)	38.1
Total	\$ (61.6)	\$ (56.7)	\$ (4.9)	\$ 30.3	\$ (35.6)	\$ 65.9

Notes:

(1) Gross written premiums is a supplementary financial measure.

(2) Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting (loss) income are non-GAAP financial measures.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Overall, personal lines GWP increased 8.9% in the third quarter of 2024 (11.6% year to date), with strong growth in our broker channel. GWP increased 12.0% in the third quarter of 2024 (13.2% year to date) when excluding the premiums of our exited line from both periods. The direct channel GWP was \$97.0 million in the third quarter of 2024, a decrease of 19.1% compared to \$120.0 million in the third quarter of 2023. The direct channel GWP was \$296.8 million year to date, a decrease of 6.1% compared to \$316.1 million in 2023. Excluding the premiums of Sonnet Alberta personal auto in both periods, direct channel GWP decreased marginally by 2.3% in the third quarter of 2024 and increased 2.3% year to date, due to the impact of our profitability actions in Sonnet. Personal auto GWP increased 10.3% in the third quarter of 2024 (15.1% year to date). GWP increased 15.8% in Q3 2024 when excluding the premiums of our exited line from both periods. This growth reflects an increase in average written premiums as approved rate increases take hold in a firm market environment, unit growth, and the benefit of portfolio transfers. Personal

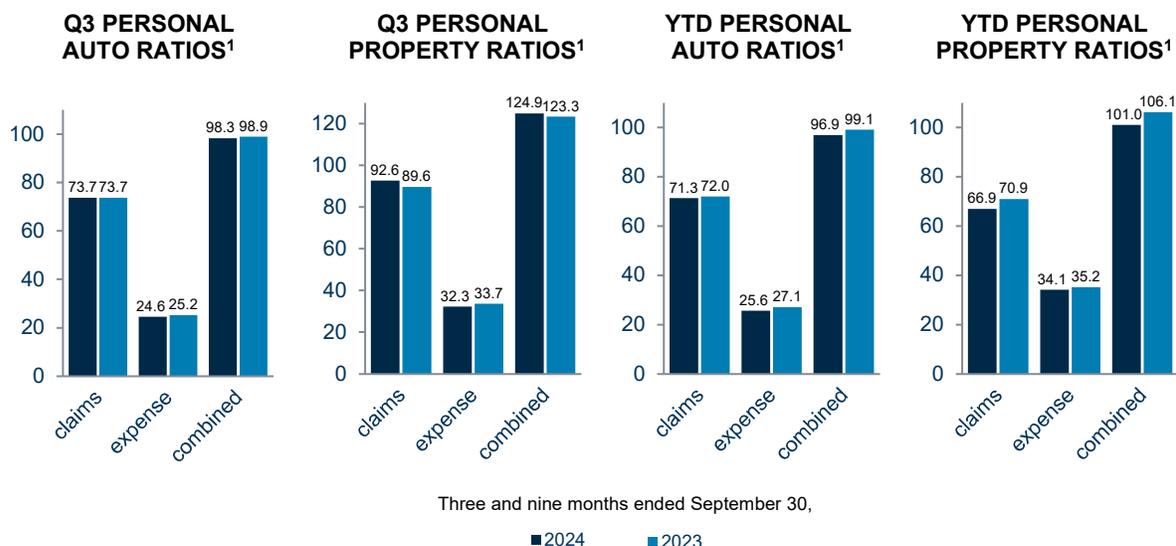
Management's Discussion and Analysis

For the third quarter ended September 30, 2024



property GWP increased 6.9% in the third quarter of 2024 (6.4% year to date), benefitting from continued firm market conditions driving increases in average written premiums. This was partially offset by lower levels of portfolio transfers than the same period in 2023 and actions to address risk concentration in regions with a higher propensity to peril events.

Personal lines had an underwriting loss of \$61.6 million in the third quarter of 2024 compared to an underwriting loss of \$56.7 million in the same quarter a year ago. Year to date, personal lines underwriting income was \$30.3 million compared to an underwriting loss of \$35.6 million in 2023.



Notes:

(1) Claims ratio, expense ratio, and combined ratio are non-GAAP ratios. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

The composition of the claims ratio for the three and nine months ended September 30, 2024 and 2023 for our **personal auto** line of business is as follows:

	Three months ended September 30 ⁽¹⁾			Nine months ended September 30 ⁽¹⁾		
	2024	2023	Change	2024	2023	Change
Core accident year claims and adjustment expenses ⁽²⁾	70.8%	74.7%	(3.9) pts	70.7%	72.9%	(2.2) pts
Catastrophe losses ⁽³⁾	4.0%	2.0%	2.0 pts	1.4%	0.9%	0.5 pts
Prior year favourable claims development ⁽²⁾ ..	(1.1%)	(3.0%)	1.9 pts	(0.8%)	(1.8%)	1.0 pts
Claims ratio ⁽⁴⁾	<u>73.7%</u>	<u>73.7%</u>	<u>- pts</u>	<u>71.3%</u>	<u>72.0%</u>	<u>(0.7) pts</u>

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

(3) Catastrophe losses is a supplementary financial measure.

(4) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



The personal auto combined ratio of 98.3% in the third quarter of 2024 (Q3 2023: 98.9%) improved reflecting a decrease in both the core accident year claims ratio and the expense ratio, partially offset by higher catastrophe losses and lower favourable claims development. The core accident year claims ratio benefitted from higher earned rates and an improvement from the industry pools in the third quarter, but continued to be impacted by heightened levels of theft. Year to date, the personal auto combined ratio improved due to the same factors that impacted the third quarter.

The composition of the claims ratio for the three and nine months ended September 30, 2024 and 2023 for our **personal property** line of business is as follows:

	Three months ended September 30 ⁽¹⁾			Nine months ended September 30 ⁽¹⁾		
	2024	2023	Change	2024	2023	Change
Core accident year claims and adjustment expenses ⁽²⁾	49.8%	51.7%	(1.9) pts	51.1%	51.1%	- pts
Catastrophe losses ⁽³⁾	46.4%	39.7%	6.7 pts	18.7%	20.7%	(2.0) pts
Prior year favourable claims development ⁽²⁾ ..	(3.6%)	(1.8%)	(1.8) pts	(2.9%)	(0.9%)	(2.0) pts
Claims ratio ⁽⁴⁾	92.6%	89.6%	3.0 pts	66.9%	70.9%	(4.0) pts

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

(3) Catastrophe losses is a supplementary financial measure.

(4) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The personal property combined ratio was 124.9% in the third quarter of 2024 (Q3 2023: 123.3%). The combined ratios in both periods were impacted by significant catastrophe losses. The increase in catastrophe losses in the third quarter of 2024 was partially offset by an improvement in the core accident year claims ratio, higher favourable claims development, and a decrease in the expense ratio. Year to date, the personal property combined ratio improved due to lower catastrophe losses, higher favourable claims development, and a decrease in the expense ratio.

UNDERWRITING — COMMERCIAL LINES

The table below sets forth selected results of operations of our commercial lines of business for the three and nine months ended September 30, 2024 and 2023.

<i>(in millions of dollars, except as otherwise noted)</i>	Three months ended September 30,			Nine months ended September 30,		
	2024	2023	Change	2024	2023	Change
Gross written premiums ⁽¹⁾	\$ 327.4	\$ 290.8	12.6%	\$ 1,021.2	\$ 895.8	14.0%
Net underwriting revenue ⁽²⁾	\$ 282.8	\$ 252.9	11.8%	\$ 811.0	\$ 730.0	11.1%
Net claims and adjustment expenses ⁽²⁾	\$ 164.6	\$ 137.2	\$ 27.4	\$ 458.0	\$ 390.3	\$ 67.7
Net underwriting expenses ⁽²⁾	\$ 89.7	\$ 81.8	\$ 7.9	\$ 267.9	\$ 246.2	\$ 21.7
Underwriting income ⁽²⁾	\$ 28.5	\$ 33.9	\$ (5.4)	\$ 85.1	\$ 93.5	\$ (8.4)

Notes:

(1) Gross written premiums is a supplementary financial measure.

(2) Net underwriting revenue, net claims and adjustment expenses, net underwriting expenses, and underwriting income are non-GAAP financial measures.

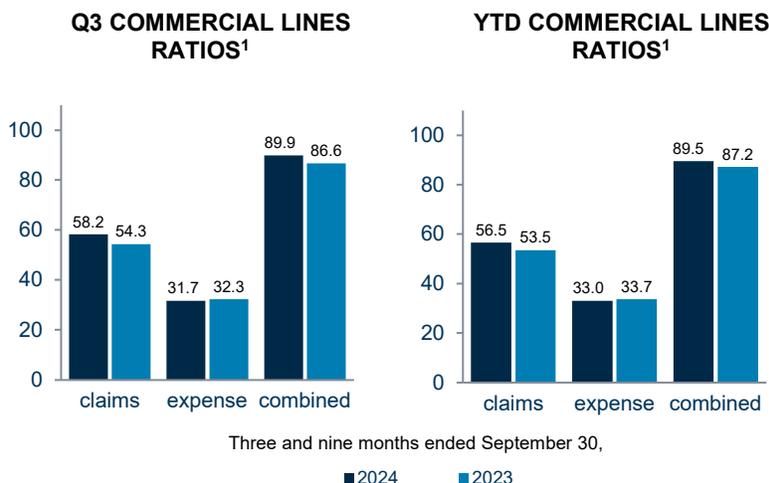
Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



Commercial lines GWP increased 12.6% in the third quarter of 2024 (14.0% year to date), driven by strong retention and rate achievement in a firm market environment in our core segments, and further expansion of our small business and specialty capabilities.



Notes:

(1) Claims ratio, expense ratio, and combined ratio are non-GAAP ratios. For more information, refer to Section 11 — “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios”.

The composition of the claims ratio for the three and nine months ended September 30, 2024 and 2023 for our **commercial lines** of business is as follows:

	Three months ended September 30 ⁽¹⁾			Nine months ended September 30 ⁽¹⁾		
	2024	2023	Change	2024	2023	Change
Core accident year claims and adjustment expenses ⁽²⁾	52.0%	51.5%	0.5 pts	52.2%	53.4%	(1.2) pts
Catastrophe losses ⁽³⁾	8.8%	4.2%	4.6 pts	6.2%	3.3%	2.9 pts
Prior year favourable claims development ⁽²⁾	(2.6%)	(1.4%)	(1.2) pts	(1.9%)	(3.2%)	1.3 pts
Claims ratio ⁽⁴⁾	<u>58.2%</u>	<u>54.3%</u>	<u>3.9 pts</u>	<u>56.5%</u>	<u>53.5%</u>	<u>3.0 pts</u>

Notes:

(1) The ratio shown for each line item is the financial measure expressed as a percentage of net underwriting revenue. The ratio of each of core accident year claims and adjustment expenses, catastrophe losses, and prior year favourable claims development as a percentage of net underwriting revenue is a non-GAAP ratio.

(2) Core accident year claims and adjustment expenses, and prior year favourable claims development are non-GAAP financial measures.

(3) Catastrophe losses is a supplementary financial measure.

(4) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – “Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios” for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

Commercial lines underwriting income was \$28.5 million in the third quarter of 2024 compared to \$33.9 million in the same quarter a year ago. Year to date, commercial lines underwriting income was \$85.1 million compared to \$93.5 million in 2023.

Commercial lines benefitted from continued focus on underwriting execution with a strong combined ratio of 89.9% in the third quarter of 2024 (Q3 2023: 86.6%). The increase in the combined ratio was driven by higher catastrophe losses, which was partially offset by higher favourable claims development and a decrease in the expense ratio. Year to date, the commercial lines combined ratio was also strong at 89.5% compared to 87.2% in 2023. The increase was driven by higher catastrophe losses and lower favourable claims development, partially offset by improvements in both the core accident year claims ratio and the expense ratio. Prior year claims development in 2023 benefitted from a release of COVID-19-related provisions in the second quarter of 2023 (impact of 1.6 percentage points year to date).

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



4 — OPERATING ENVIRONMENT AND OUTLOOK

OPERATING ENVIRONMENT

Economic environment	<ul style="list-style-type: none">• The Bank of Canada continued to ease its key policy rate during the third quarter, lowering it by 25 bps at each of its July and September meetings to 4.25%. In the accompanying September statement, the Bank of Canada noted evidence of economic softness though highlighted some concern regarding stubborn wage growth. The Bank of Canada further lowered its policy rate by an additional 50 bps to 3.75% in October and expects to reduce the policy rate further if the economy evolves broadly in line with its forecast.• In the United States, the Federal Open Market Committee lowered the Federal Funds target rate by a larger than expected 50 bps at its September meeting to 4.75-5.00%. The Federal Reserve Chair stated that the risks to its inflation and employment targets were shifting and that the Federal Open Market Committee would do whatever was necessary to prevent any further deterioration in the labour market.• Significant changes in fixed income yields would result in fluctuations in recurring investment returns as well as the market value of our interest sensitive assets and liabilities (such as claims and pension obligations).
Personal auto environment	<ul style="list-style-type: none">• The annual rate of inflation for auto physical damage overall remains stable at mid-single digit levels with loss trends consistent with pre-pandemic levels. All coverage auto inflation is also at mid-single digits including injury coverages, however this varies by province. New vehicle pricing is up slightly year over year and appears to have stabilized. New vehicle inventories have normalized and remain stable. Used car prices have continued to decline gradually, and while still elevated, are no longer considered a significant inflationary pressure point.• Vehicle theft in Canada continues to be a challenge for the industry. Theft severity remains elevated driven by changes in the mix (age and value) of vehicles stolen. Theft frequency for the industry has improved in the first half of the year over the prior year by 17% however, it remains elevated over historical levels. These theft trends have led insurers to increase comprehensive coverage premiums as well as offer incentives to drivers of high theft vehicles to install tracking and recovery devices to increase the probability for recovery.• The Alberta government continues to cap rate increases at CPI levels for 'good drivers'. This measure is considered to be an interim measure until the Alberta government develops a long-term solution to address rising costs of auto insurance. In May, the Alberta government launched public consultations, including a summit for multiple stakeholders to discuss reform options.• To make auto insurance more affordable, the Ontario government stated that it would give consumers more choice in the accident benefits that they buy. After completing a consultation on the draft regulatory changes, the Ontario government subsequently published regulations that come into effect July 1, 2026. These regulations will allow consumers to make the choice to forego coverage that is currently mandatory.
Investment environment	<ul style="list-style-type: none">• Momentum increased to the upside for risk assets in the third quarter as central banks globally cut interest rates due to continued success in lowering overall inflation levels.• Over the quarter, the 10-year bond yield fell 55 bps in Canada to 2.96% and 62 bps in the U.S. to 3.78%. Equity markets also rallied over the quarter as the TSX 60 in Canada increased 10.3% while the S&P 500 index increased 5.53%. The MSCI World Index⁽¹⁾ rose 6.02% in the third quarter (+4.71% in CAD) bringing year-to-date gains to 17.48%.• The environment of lower interest rates and stable economic performance continued to support riskier segments of the fixed income market as corporate earnings continued to support relatively low spread levels for corporate debt.

(1) The MSCI World Index captures large and mid-cap stock representation across 23 developed market countries.

Management’s Discussion and Analysis

For the third quarter ended September 30, 2024



INDUSTRY OUTLOOK

Below is an overview of our expectations for the P&C insurance industry over the next 12 months.

We believe the operating environment is one that remains conducive to sustaining firm market conditions overall. We expect market conditions in property lines to firm over the next 12 months, particularly following the 2024 summer storm season that resulted in more than \$7 billion in industry catastrophe losses, the move to higher reinsurance attachment points, and continuing elevated inflation. We expect conditions in auto lines to remain firm as insurers aim to keep pace with the combined impact of elevated theft, lingering inflationary cost pressures, and ongoing regulatory constraints in Alberta.

Fixed income yields increased meaningfully in the past two years which supported growth in investment income, albeit at the cost of mark-to-market valuations. More recently, market yields have turned lower, tempering the pace of this growth in 2024 and likely continuing into 2025. Given the uncertain macro risk environment, we believe underwriting discipline remains important for the industry to achieve desirable levels of profitability on a sustainable basis.

We expect the industry’s return on equity to fall below its long run average in 2024, primarily driven by the record level of catastrophe losses experienced over the summer months. Looking ahead, we expect the combination of continued severe weather events, pressure on investment income, and severity related to auto theft and inflation will result in an industry return on equity close to its long run average in 2025.

<p>Personal auto</p>	<ul style="list-style-type: none"> • We expect the inflationary pressures affecting vehicle damage claims to remain elevated in 2024 but more consistent with pre-pandemic auto physical damage inflationary trends. • Loss cost trends are expected to continue to drive firm industry pricing and a focus across the industry on disciplined underwriting in the next 12 months. • Following the National Summit on Combating Auto Theft held in February, the federal government released an action plan with public policy commitments for addressing the escalating auto theft trend across the country. The action plan includes commitments to modernize federal vehicle safety standards to deter and prevent theft, expand export cargo container examinations, and enhance information and intelligence sharing amongst border officials, law enforcement, and all partners involved in export trade. These commitments complement the additional funding, greater focus on recovery measures, and increased enforcement that have been made previously by the federal and Ontario governments. Insurers continue to incent customers to install advanced tracking technology on specific high theft vehicles to improve the probability of recovery.
<p>Personal property</p>	<ul style="list-style-type: none"> • With the industry expected to report over \$7 billion in catastrophic events in the third quarter alone, market conditions for property are expected to remain firm to hard for the next 12 to 18 months. Due to the severity of the four major catastrophic events this quarter, some reinsurers were impacted by losses despite higher attachment points on catastrophe treaties. It is anticipated that with the upcoming reinsurance renewal season, there will be more pressure, particularly on reinsurance loss impacted primary insurers, to increase retention levels further to manage increasing costs on the lower catastrophe layers. Enhanced focus and action on loss prevention and mitigation will continue to be necessary, including rate, coverage, and accumulation management for primary insurers. • The volatility of weather-related events is expected to continue to be a risk for this line of business over the long term. • To address some of the challenges with natural catastrophes, the federal government has indicated that it plans to work with insurers to develop a national flood insurance program for high-risk residential properties. The objective is for all Canadians to be able to obtain affordable flood coverage.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



Commercial lines	<ul style="list-style-type: none">• While we expect the commercial lines market conditions to remain firm overall as carriers focus on ensuring long-term profitability and sustainable availability of capacity, some commercial niche segments started to see more competition and available capacity in recent quarters. We expect the pricing environment to be influenced by weather events, inflation trends, expected investment returns, and the industry's overall underwriting performance.• Recent catastrophe experience reflects a longer-term trend of increasing weather events. Climate change mitigation and management actions are expected to evolve as efforts are made across government, regulatory, and industry participants to reflect recent trends.• The increasing frequency and severity of weather-related catastrophe events, as well as elevated reinsurance costs and rising attachment points, are expected to prolong firm commercial lines market conditions and pricing.
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Management's Discussion and Analysis

For the third quarter ended September 30, 2024



5 — FINANCIAL POSITION

FINANCIAL HIGHLIGHTS AS AT SEPTEMBER 30, 2024:

- Our financial position remained strong with equity attributable to common shareholders of approximately \$3.1 billion as at September 30, 2024, an increase of \$241.9 million or 8.5% compared to December 31, 2023, driven by net income.
- Total assets increased by \$272.2 million (3.7%) compared to December 31, 2023, due primarily to an increase in the market values of our investment portfolio, which was partially offset by cash deployed into broker acquisitions which increased goodwill and intangible assets.
- Insurance contract liabilities increased by \$165.2 million (4.7%) compared to December 31, 2023 driven by significant catastrophe losses in the third quarter.

The following table summarizes our interim consolidated balance sheets as at September 30, 2024 and December 31, 2023:

<i>(in millions of dollars)</i>	As at September 30,	As at December 31,	Change
	2024	2023	
ASSETS			
Cash and cash equivalents	\$ 245.9	\$ 197.5	\$ 48.4
Restricted cash	185.7	244.0	(58.3)
Investments.....	5,069.4	4,931.0	138.4
Income taxes receivable.....	5.7	-	5.7
Reinsurance contract assets	358.0	330.4	27.6
Property and equipment	105.0	103.1	1.9
Deferred income tax assets.....	14.4	23.6	(9.2)
Goodwill and intangible assets	1,327.6	1,229.9	97.7
Other assets.....	220.0	200.0	20.0
Total assets.....	\$ 7,531.7	\$ 7,259.5	\$ 272.2
LIABILITIES			
Insurance contract liabilities	3,659.0	3,493.8	165.2
Accounts payable and other liabilities.....	130.3	131.9	(1.6)
Income taxes payable	32.5	117.9	(85.4)
Deferred income tax liabilities.....	150.1	150.7	(0.6)
Debt outstanding.....	114.3	114.3	-
Demutualization amounts outstanding.....	185.7	244.0	(58.3)
Total liabilities.....	\$ 4,271.9	\$ 4,252.6	\$ 19.3
EQUITY			
Share capital	2,254.5	2,273.0	(18.5)
Contributed surplus	34.5	40.4	(5.9)
Retained earnings	808.2	561.3	246.9
Accumulated other comprehensive loss	(7.6)	(27.0)	19.4
Equity attributable to common shareholders.....	3,089.6	2,847.7	241.9
Non-controlling interests.....	170.2	159.2	11.0
Total equity	\$ 3,259.8	\$ 3,006.9	\$ 252.9
Total liabilities and equity	\$ 7,531.7	\$ 7,259.5	\$ 272.2

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



CASH AND INVESTMENTS

The composition of our cash and cash equivalents and investments as at September 30, 2024 and December 31, 2023 is as follows:

	As at September 30, 2024		As at December 31, 2023	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
<i>(in millions of dollars, except as otherwise noted)</i>				
Cash and cash equivalents	\$ 245.9	4.6%	\$ 197.5	3.9%
Short-term investments	119.5	2.2%	137.0	2.7%
Bonds.....	3,857.0	72.7%	3,773.0	73.5%
Preferred stocks	322.9	6.1%	332.8	6.5%
Common stocks	677.1	12.7%	595.5	11.6%
Pooled funds	76.1	1.4%	74.7	1.5%
Commercial loans	16.8	0.3%	18.0	0.3%
Total investments	<u>\$ 5,069.4</u>	<u>95.4%</u>	<u>\$ 4,931.0</u>	<u>96.1%</u>
Total cash and cash equivalents, and investments.....	<u>\$ 5,315.3</u>	<u>100.0%</u>	<u>\$ 5,128.5</u>	<u>100.0%</u>

Total cash and cash equivalents and investments increased in the third quarter of 2024, due primarily to an increase in the market values of our investment portfolio and cash generated from operating activities. These were partially offset by cash deployed into broker acquisitions which contributed to the increases in goodwill and intangible assets.

Our proportionate share of investments in fixed income securities, including cash and cash equivalents and short-term investments, decreased to 79.5% of the total portfolio as at September 30, 2024, compared with 80.1% as at December 31, 2023. We maintained our focus on a high-quality investment portfolio.

Refer to Note 2 — “Summary of significant accounting policies” of our audited consolidated financial statements for the year ended December 31, 2023, which provides further details pertaining to the classification and measurement of our financial instruments.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



Investment sector mix

Our investment sector mix demonstrates the largely secure and liquid nature of our overall investment portfolio with its significant concentration in the government and financials sectors. As at September 30, 2024 and December 31, 2023, the breakdown of these investments is as follows:

<i>(in millions of dollars, except as otherwise noted)</i>	As at September 30, 2024					As at December 31, 2023
	Short-term investments and bonds	Preferred stocks	Common stocks	Pooled funds	Total	Total
Government	60%	-	-	-	47%	51%
Financials	20%	76%	29%	12%	25%	22%
Energy	5%	7%	14%	2%	6%	6%
Communication services	4%	5%	5%	5%	4%	5%
Industrials	3%	-	12%	15%	4%	4%
Utilities	3%	12%	3%	16%	4%	4%
Consumer discretionary	3%	-	6%	7%	3%	2%
Materials	-	-	8%	1%	1%	1%
Consumer staples	1%	-	4%	3%	1%	1%
Information technology	-	-	14%	30%	3%	2%
Health care	-	-	4%	7%	1%	1%
Real estate	1%	-	1%	2%	1%	1%
Total (%)	100%	100%	100%	100%	100%	100%
Total (\$)	\$ 3,976.5	\$ 322.9	\$ 677.1	\$ 76.1	\$ 5,052.6	\$ 4,913.0

Investment credit quality

The tables below of credit ratings in our portfolio illustrate the credit quality of our fixed income securities and preferred stocks, respectively, as at September 30, 2024 and December 31, 2023.

Credit rating¹ — bonds

<i>(in millions of dollars, except as otherwise noted)</i>	As at September 30, 2024		As at December 31, 2023	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
AAA	\$ 1,514.8	39.3%	\$ 1,474.1	39.1%
AA	1,160.0	30.1%	1,131.5	30.0%
A	621.1	16.1%	607.5	16.1%
BBB	339.7	8.8%	421.8	11.2%
BB or not rated	221.4	5.7%	138.1	3.6%
Total bonds	\$ 3,857.0	100.0%	\$ 3,773.0	100.0%

¹ Using DBRS ratings.

Credit rating¹ — preferred stocks

<i>(in millions of dollars, except as otherwise noted)</i>	As at September 30, 2024		As at December 31, 2023	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
P2	\$ 292.7	90.6%	\$ 271.0	81.4%
P3 or not rated	30.2	9.4%	61.8	18.6%
Total preferred stocks	\$ 322.9	100.0%	\$ 332.8	100.0%

¹ Using DBRS ratings.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024

We monitor the credit ratings of investments within our investment portfolio on an ongoing basis and take the necessary actions, in an attempt to ensure that a high level of quality is maintained. As at September 30, 2024, this resulted in 85.5% (December 31, 2023: 85.2%) of the bonds in the portfolio being rated "A-" or better and 90.6% (December 31, 2023: 81.4%) of the preferred stocks in the portfolio being rated "P2L" or better. "A-" and "P2L" represents the ratings provided by DBRS for high-grade bonds and preferred stocks, respectively.

Investment portfolio region of issuer

The geographic mix of our investment portfolio as at September 30, 2024 and December 31, 2023 is as follows:

<i>(in millions of dollars, except as otherwise noted)</i>	As at September 30, 2024		As at December 31, 2023	
	Carrying value	Percent of carrying value	Carrying value	Percent of carrying value
Canada	\$ 4,750.7	94.0%	\$ 4,648.9	94.6%
United States.....	228.8	4.5%	197.4	4.0%
Europe	43.6	0.9%	39.5	0.8%
Other.....	29.5	0.6%	27.2	0.6%
Total.....	<u>\$ 5,052.6</u>	<u>100.0%</u>	<u>\$ 4,913.0</u>	<u>100.0%</u>

Our investment portfolio is concentrated mainly in Canada. Our estimated exposure to foreign exchange risk is outlined in Section 12 — "Risk management and corporate governance" of our MD&A for the year ended December 31, 2023.

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets increased as at September 30, 2024 due primarily to the goodwill and intangible assets arising from broker acquisitions completed during the first nine months of 2024.

INSURANCE CONTRACT LIABILITIES

The composition of our insurance contract liabilities as at September 30, 2024 and December 31, 2023 is as follows:

<i>(in millions of dollars)</i>	As at	As at	Change
	September 30, 2024	December 31, 2023	
Premiums receivable.....	\$ (1,412.2)	\$ (1,271.1)	\$ (141.1)
Unearned premiums.....	2,138.5	1,928.0	210.5
Unearned premiums received.....	726.3	656.9	69.4
Unamortized insurance acquisition cash flows.....	(341.7)	(320.7)	(21.0)
Onerous loss provision.....	18.5	23.1	(4.6)
Provision for unpaid claims and other directly attributable payables	3,255.9	3,134.5	121.4
Total.....	<u>\$ 3,659.0</u>	<u>\$ 3,493.8</u>	<u>\$ 165.2</u>

Insurance contract liabilities as at September 30, 2024 increased from December 31, 2023 driven by catastrophe losses in the quarter.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



The level of prior year claims development and the impact on the claims ratio by fiscal year, are as follows:

(in millions of dollars, except as otherwise noted)	For the nine months ended September 30			For the year ended December 31 ⁽¹⁾							
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
(Favourable) adverse development on prior year claims, undiscounted ⁽²⁾	\$ (48.8)	\$ (63.0)	\$ (86.3)	\$ (76.0)	\$ (29.6)	\$ (37.9)	\$ (18.8)	\$ 32.6	\$ (40.1)	\$ (73.1)	\$ (2.9)
Impact on claims ratio ⁽³⁾	(1.7%)	(1.8%)	(2.7%)	(2.7%)	(1.2%)	(1.6%)	(0.8%)	1.5%	(2.1%)	(3.8%)	(0.2%)

Notes:

(1) 2014 – 2021 under IFRS 4 – *Insurance Contracts*. 2022-2024 under IFRS 17 – *Insurance Contracts* ("IFRS 17").

(2) Prior year (favourable) adverse claims development is a non-GAAP financial measure.

(3) Claims ratio is a non-GAAP ratio.

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

EQUITY

Equity attributable to common shareholders increased by \$241.9 million, or 8.5%, as at September 30, 2024, driven by net income generated in 2024.

On August 1, 2024, the Board declared a \$0.16 per share dividend, paid on September 27, 2024 to shareholders of record at the close of business on September 13, 2024. On November 7, 2024, the Board declared a \$0.16 per share dividend, payable on December 27, 2024 to shareholders of record at the close of business on December 13, 2024.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



6 — SUMMARY OF QUARTERLY RESULTS

<i>(in millions of dollars, except as otherwise noted)</i>	For the three months ended							
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022 ⁽⁴⁾
Gross written premiums ⁽¹⁾	\$ 1,143.3	\$ 1,239.7	\$ 955.6	\$ 1,033.2	\$ 1,040.0	\$ 1,085.1	\$ 846.9	\$ 951.9
Insurance revenue	1,095.5	1,046.1	991.9	1,003.8	984.1	954.9	907.5	911.7
Net underwriting revenue ⁽²⁾	981.8	949.4	905.3	922.4	903.6	877.5	839.1	850.4
Underwriting (loss) income ⁽²⁾	(33.1)	93.7	54.8	87.0	(22.8)	41.2	39.5	66.7
Combined ratio ⁽³⁾	103.4%	90.1%	93.9%	90.6%	102.5%	95.3%	95.3%	92.2%
Net investment income	49.0	49.9	48.2	49.4	46.3	42.8	41.0	39.5
Distribution income ⁽²⁾	15.8	17.2	10.0	8.8	11.2	9.8	9.5	4.8
Operating net income ⁽²⁾	14.6	109.1	76.1	101.0	18.0	65.1	64.1	76.6
Net income (loss).....	106.3	105.4	105.7	226.4	(46.2)	72.2	102.1	185.6
Net income (loss) attributable to common shareholders	104.8	103.8	105.2	225.9	(48.3)	71.6	100.9	185.0
Earnings (loss) per common share (in dollars)								
Basic	\$ 0.91	\$ 0.90	\$ 0.92	\$ 1.96	\$ (0.42)	\$ 0.62	\$ 0.88	\$ 1.60
Diluted	\$ 0.90	\$ 0.89	\$ 0.90	\$ 1.94	\$ (0.42)	\$ 0.61	\$ 0.87	\$ 1.59

Notes:

(1) Gross written premiums is a supplementary financial measure.

(2) Net underwriting revenue, underwriting (loss) income, distribution income, and operating net income are non-GAAP financial measures.

(3) Combined ratio is a non-GAAP ratio.

(4) Restated for the impacts of IFRS 17 and IFRS 9 – *Financial Instruments* ("IFRS 9").

Refer to Section 11 – "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" for more information on supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios.

The P&C insurance business is seasonal in nature, resulting in generally fewer premiums written in the first quarter, and is also impacted by weather-related losses which have historically been higher during the second and third quarters. Distribution income in the first quarter is seasonally lower and includes volatility from prior year contingent profit commission settlements. Results are further impacted by fluctuations in investment gains and losses. As such, net income (loss) may vary significantly between quarters.

The fourth quarter of 2022 included a revaluation gain of \$67.0 million on our previous ownership interest in McDougall. The third quarters of 2024 and 2023 were impacted by significant levels of catastrophe losses, which impacted the claims ratio by 17.3 percentage points and 13.5 percentage points, respectively.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



7 — LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

Capital position

Our regulated P&C insurance subsidiaries are well capitalized on an individual basis, with capital levels in excess of regulatory supervisory minimum levels and our internal capital action levels. Management actively manages the MCT of the Company's insurance subsidiaries with an intent to remain within our expected operating range. The table below shows the consolidated regulatory capital position as at September 30, 2024 and December 31, 2023 for Definity Insurance Company ("Definity Insurance") and the financial capacity of the Company.

	As at September 30, 2024	As at December 31, 2023 ⁽⁴⁾
<i>(in millions of dollars, except as otherwise noted)</i>		
Minimum Capital Test ("MCT") % ⁽¹⁾	208%	205%
Excess capital for Definity Insurance ⁽²⁾	\$ 140.1	\$ 107.0
Additional capital at Definity Financial Corporation ⁽³⁾	266.6	274.6
Total excess capital	\$ 406.7	\$ 381.6
Leverage capacity at target	\$ 1,086.6	\$ 1,002.3
Less: debt outstanding	(114.3)	(114.3)
Leverage capacity ⁽⁴⁾⁽⁵⁾	\$ 972.3	\$ 888.0
Financial capacity ⁽⁵⁾	\$ 1,379.0	\$ 1,269.6

Notes:

- (1) Consolidated Definity Insurance.
- (2) Excess capital measured at 190% MCT for Definity Insurance.
- (3) Additional capital at Definity Financial Corporation measured as available cash and investments in Definity Financial Corporation and its non-ICA subsidiaries.
- (4) Leverage capacity as at December 31, 2023 is shown pro forma for the CBCA continuance effective January 1, 2024. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".
- (5) Leverage capacity and financial capacity are supplementary financial measures. For more information, refer to Section 11 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios".

Definity Financial Corporation continued to the *Canada Business Corporations Act* ("CBCA") on January 1, 2024. As a result, Definity Financial Corporation is no longer incorporated under the *Insurance Companies Act* ("ICA") nor subject to its leverage restrictions. Definity's operating insurance company subsidiaries, including Definity Insurance, Sonnet, and Petline, remain incorporated under and governed by the ICA.

The financial capacity as at September 30, 2024 increased from December 31, 2023 due primarily to capital generated from operating net income and recognized gains on investments. These were partially offset by capital deployed in continuing acquisitions in our national broker platform, and disciplined deployment of capital to support our organic growth and dividend priorities.

NCIB

On May 9, 2024, our Board approved the renewal of the 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, 2024 and ending May 30, 2025. As at September 30, 2024, no common shares had been repurchased and cancelled under the NCIB.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



FINANCIAL STRENGTH AND ISSUER RATINGS

Strong issuer and financial strength ratings have been assigned to Definity, and its subsidiary Definity Insurance, by major credit rating agencies. The ratings are reflective of Definity's strong capitalization and liquidity, extensive distribution network, and established enterprise risk management framework. The ratings also help to indicate Definity's ability to meet its obligations to policyholders, creditors, and others.

	Credit Rating Agency	Rating	Outlook	Date
Financial strength ratings				
Definity Insurance	AM Best	A- (Excellent)	Positive	December 13, 2023
Definity Insurance	DBRS	A	Stable	June 25, 2024
Issuer rating				
Definity	DBRS	BBB (high)	Stable	June 25, 2024

CASH FLOWS

As at September 30, 2024, we had \$245.9 million (December 31, 2023: \$197.5 million) of cash and cash equivalents, \$185.7 million of restricted cash (December 31, 2023: \$244.0 million), and \$119.5 million (December 31, 2023: \$137.0 million) of short-term investments. We also have a highly liquid investment portfolio comprised of actively-traded securities, including Canadian fixed income investments issued or guaranteed by domestic governments, investment-grade corporate bonds, publicly-traded Canadian and foreign equities and pooled funds. We believe that our internal resources will provide sufficient funds to fulfill our operating cash requirements during the next 12 months. The liquidity policy seeks to ensure that we have sufficient cash and liquid resources to meet our financial obligations and to support our future growth initiatives, and that excess cash is appropriately invested.

The Company and certain of its subsidiaries have access to an \$800 million unsecured committed credit facility. The credit facility has a term ending on July 22, 2029, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. As at September 30, 2024, an amount of \$114.3 million (December 31, 2023: \$114.3 million) had been drawn under this credit facility. As at November 7, 2024, we remain in compliance with the covenants.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



A summary of cash flows for the three and nine months ended September 30, 2024 and 2023 is as follows:

<i>(in millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Operating activities				
Net cash provided by operating activities	\$ 170.9	\$ 217.1	\$ 185.2	\$ 223.8
Investing activities				
Investments purchased, net of investments sold	(55.0)	64.5	114.7	238.4
Commercial loans collected, net of commercial loans advanced	0.5	(8.3)	1.5	(7.0)
Purchases of intangible assets and property and equipment	(19.6)	(26.1)	(61.3)	(70.1)
Business acquisitions, net of cash acquired	(14.8)	(11.6)	(100.0)	(202.6)
Net cash (used in) provided by investing activities	(88.9)	18.5	(45.1)	(41.3)
Financing activities				
Dividends paid on common shares	(18.4)	(15.9)	(55.3)	(47.5)
Dividends paid to non-controlling interests	(1.0)	(0.3)	(2.3)	(0.7)
Common shares purchased and held in trust	(14.8)	-	(34.1)	(4.9)
Change in demutualization amounts outstanding	(24.1)	(11.5)	(58.3)	(44.8)
Net repurchase of securities sold under repurchase agreements	(50.0)	-	-	-
Borrowing on credit facility	-	-	-	114.3
Repayment of demand loans	-	-	-	(39.1)
Net cash used in financing activities	(108.3)	(27.7)	(150.0)	(22.7)
Net (decrease) increase in cash and cash equivalents, and restricted cash	\$ (26.3)	\$ 207.9	\$ (9.9)	\$ 159.8

Cash provided by operating activities in the third quarter of 2024 and year to date decreased compared with the same periods in 2023. The decrease in cash provided by operating activities was driven by higher claims and income tax payments, partially offset by higher premiums collected.

Cash (used in) provided by financing activities includes net distributions of cash benefits of the demutualization allocable to Lost Recipients. A portion of the eligible policyholders in our demutualization became Lost Recipients as defined in the plan setting out the terms for the conversion of Definity Insurance ("Conversion Plan") because their address was unknown at the time that benefits were distributed or because they did not act upon their demutualization benefits within six months of the date on which those benefits were sent. Pursuant to the Conversion Plan, the entitlement of any remaining Lost Recipients ceased on the Lost Recipient Claim Deadline of October 23, 2024, being 35 months following completion of demutualization. Following that date, any shares issued to Lost Recipients are to be cancelled and any cash benefits being held on behalf of Lost Recipients are to be transferred from the depository agent to Definity Insurance and will thereafter be available for general corporate purposes. We currently estimate an amount of at least \$150 million of such cash benefits will be recorded directly to Retained earnings, together with any associated tax provision, in the Company's audited consolidated financial statements for the year ended December 31, 2024.

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Definity made sustained efforts over several years to effect distribution of demutualization benefits to Lost Recipients, and continued those efforts up until the Lost Recipient Claim Deadline. This resulted in significant success in distributing benefits to eligible recipients, including during the last months leading up to the Lost Recipient Claim Deadline. The Company has undertaken an administrative processing period following the Lost Recipient Claim Deadline to work with persons who contacted us prior to the Lost Recipient Claim Deadline in order to confirm their identity as eligible recipients, and effect distribution of benefits where appropriate. Cash relating to these efforts will remain recorded as restricted cash in the Company's audited consolidated financial statements for the year ended December 31, 2024, and any remaining amounts that have not been distributed after such efforts will be transferred to the Company at the conclusion of the administrative processing period.

OFF-BALANCE SHEET LIABILITIES AND CONTINGENCIES

We are subject to litigation relating to claims made in respect of insurance policies written by our insurance subsidiaries, as well as other litigation arising in the normal course of conducting our business. We are of the opinion that this non-claims litigation will not have a significant effect on our financial position, results of operations, or cash flows. Refer to Section 12 — "Risk management and corporate governance", Reserve estimate risk, of our MD&A for the year ended December 31, 2023, which describes our process for ensuring appropriate provisions are recorded for reported and unreported claims.

Along with many other P&C insurers in Canada, Definity Insurance has been named as a defendant in litigation for certain business interruption losses related to the COVID-19 pandemic, seeking to establish coverage under insurance policies, including national and regional class proceedings. An Ontario class action on behalf of a national class (excluding Québec) proceeded to trial in 2023 on certain key issues, with a favourable outcome for Definity Insurance and other insurers. The court determined that neither the presence of COVID-19 nor government orders in respect of business activities due to COVID-19 can cause physical loss or damage to property within the meaning of the business interruption provisions of Definity Insurance's property insurance policies. While this was not the end of this litigation and other issues remain outstanding, this 2023 trial decision represents a major success for Definity Insurance and was upheld on appeal in June 2024. Definity Insurance was also previously a defendant in class proceedings in Québec and other provinces, all of which have either been rejected or discontinued as against Definity Insurance.

We participate in a securities lending program managed by a major financial institution, whereby we lend securities we own to borrowers to allow them to meet delivery commitments. The lending agents assume the risk of borrower default associated with the lending activity. As at September 30, 2024, securities with an estimated fair value of \$1,236.3 million (December 31, 2023: \$831.8 million) have been loaned and financial assets with an estimated fair value of \$1,312.4 million (December 31, 2023: \$884.5 million) have been received as collateral from the approved borrowers. Lending collateral as at September 30, 2024 was 100.0% (December 31, 2023: 100.0%) held in government-backed securities, and high quality common and preferred stocks. The securities loaned under this program have not been removed from "Investments" in the interim consolidated balance sheets because we retain the risks and rewards of ownership.

The financial compensation we receive in exchange for securities lending is reflected in the interim consolidated statements of income (loss) in "Net investment income".

Management's Discussion and Analysis

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8 — INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) AND DISCLOSURE CONTROLS AND PROCEDURES

We are responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is reported to management on a timely basis so that information used internally and disclosed externally is complete and reliable.

We are also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim consolidated financial statements for external purposes in accordance with International Financial Reporting Standards.

In designing such controls, it should be recognized that due to inherent limitations or changes in conditions, any control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting in the first nine months of 2024 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Discussion and Analysis

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9 — CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of our consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that can materially affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenues and expenses during the period. Actual results could differ materially from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable. Refer to Note 2 — “Summary of significant accounting policies” of our audited consolidated financial statements for the year ended December 31, 2023 for a summary of our significant accounting policies.

The most complex and significant judgments, estimates, and assumptions used in preparing our consolidated financial statements are discussed in Note 4 — “Significant accounting judgments, estimates and assumptions” of our audited consolidated financial statements for the year ended December 31, 2023.

During the first nine months of 2024, there were no significant changes to our critical accounting policies, judgments, estimates, or assumptions.

10 — RISK MANAGEMENT AND CORPORATE GOVERNANCE

OVERVIEW

A strong risk management culture contributes to making sound business decisions, both strategically and operationally. Our corporate governance and enterprise risk management frameworks are designed to provide reasonable assurance that:

- (i) our business is understood from a risk perspective and our actions are consistent with our governing objectives, risk management capabilities, risk-taking capacity, and risk appetite; and
- (ii) we maintain an appropriate risk and reward balance to protect us from events that have the potential to materially impair our financial strength or our achievement of business objectives.

Our enterprise risk management framework is rooted in the understanding that we are in the business of taking risk for an appropriate return. Balancing risk and reward is achieved through dynamic alignment between business strategy and risk appetite, diversifying risk, seeking appropriate compensation for risk, managing risk through preventive, detective, and mitigating controls, and transferring risk to third parties, where appropriate. We have an integrated approach to the identification, assessment, monitoring, reporting and mitigation of risks across the organization, including emerging risks. All identified top and emerging risks are assessed relative to their potential impact on our corporate strategy, competitive position, operational results, reputation, and financial condition.

The Board, directly or through its Risk Review Committee, oversees the effective implementation of the enterprise risk management framework providing challenge, advice and guidance to senior management to confirm appropriate risk management policies are in place, the effectiveness and outcomes of risk management processes and the decisions and actions of senior management are consistent with our business plans, strategy, and risk appetite. Regular reports on our risk profile, including significant risks, risk appetite exposures, and significant exceptions to risk management policies and controls, are provided to senior management, the Board, and its committees.

The key risks we manage include insurance, financial, operational, and strategic risks, which are explained in greater detail in our MD&A for the year ended December 31, 2023. Although we described those risks that we believed to be material, other risks and uncertainties exist.

11 — 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). These supplementary financial measures are calculated using amounts in, or components of line items in, our interim consolidated financial statements; however, they are not themselves disclosed in our interim consolidated financial statements. The non-GAAP financial measures in this MD&A are derived from one or more financial measures disclosed in our interim consolidated financial statements, and the 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 this MD&A 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 supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios 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.

Supplementary Financial Measures:

Book value per share	The Company’s equity attributable to common shareholders divided by the total common shares outstanding, net of shares held in trust, as at the balance sheet date.
Catastrophe losses	An event causing gross losses in excess of \$2 million, and generally greater than 100 claims, or a single claim with a gross loss in excess of \$3 million. Catastrophe losses are presented net of reinsurance recoveries and exclude losses from exited lines.
Financial capacity	The sum of excess capital and leverage capacity.
Gross written premiums (“GWP”)	The total premiums from the sale of insurance during a specified period including premiums assumed and excluding exited lines.
Underwriting loss from exited lines	Underwriting income or loss from exited lines. Lines are classified as exited after we have made a formal decision to exit a specific line of business and/or geographical area of operations. This can be due to profitability concerns or other strategic reasons. The results of these lines are no longer part of the core business and are therefore considered non-operating.
Leverage capacity	The amount of financial leverage that can be assumed, comprised of a target capitalization level of 20% debt and 5% in preferred shares and hybrids.

Management's Discussion and Analysis

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Non-GAAP Financial Measures:

Net underwriting revenue

Insurance revenue less earned reinsurance premiums, excluding those from exited lines. This financial measure is used to calculate the claims, expense, and combined ratios and is used to calculate underwriting income (loss).

Below is a quantitative reconciliation of net underwriting revenue for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Insurance revenue	\$ 1,095.5	\$ 984.1	\$ 3,133.5	\$ 2,846.5
Earned reinsurance premiums ceded ⁽¹⁾	(100.1)	(80.5)	(283.4)	(226.3)
Remove: impact of exited lines	(13.6)	-	(13.6)	-
Net underwriting revenue	\$ 981.8	\$ 903.6	\$ 2,836.5	\$ 2,620.2

Notes:

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

Net claims and adjustment expenses

Claims and adjustment expenses (excluding the impact of discounting and risk adjustment) and gains or losses on onerous insurance contracts, net of amounts recoverable from reinsurers for incurred claims, excluding those from exited lines. This financial measure is used to calculate underwriting income (loss) and the claims ratio.

Below is a quantitative reconciliation of net claims and adjustment expenses for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Claims and adjustment expenses ^{(1),(2)}	\$ 824.1	\$ 727.4	\$ 2,075.7	\$ 1,898.4
Impact of onerous insurance contracts ⁽³⁾	(1.0)	0.4	(4.6)	(2.1)
Claims recoverable from reinsurers for incurred claims ^{(2),(4)}	(71.4)	(69.4)	(183.6)	(153.7)
Remove: impact of exited lines	(20.0)	-	(20.0)	-
Net claims and adjustment expenses	\$ 731.7	\$ 658.4	\$ 1,867.5	\$ 1,742.6

Notes:

(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.

Core accident year claims and adjustment expenses

Net claims and adjustment expenses less catastrophe losses and prior year claims development. Management uses core accident year claims and adjustment expenses to describe the changes in the claims ratio period over period.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



Prior year claims development

The difference between prior year-end estimates of ultimate claim costs (excluding the effects of discounting, the risk adjustment for non-financial risk, and exited lines) and the current estimates for the same block of claims. A favourable development represents a reduction in the estimated ultimate claim costs during the period for that block of claims. Management uses prior year claims development to describe the changes in the claims ratio period over period.

Below is a quantitative reconciliation of prior year claims development for the three and nine months ended September 30, 2024 and 2023:

<i>(in millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Changes in fulfilment cash flows relating to the liabilities for incurred claims ⁽¹⁾	\$ (29.0)	\$ (32.4)	\$ (48.5)	\$ (75.9)
Changes to amounts recoverable for incurred claims ⁽²⁾	2.2	3.4	(16.6)	(2.8)
Remove: discounting included above.....	(1.3)	(2.5)	(18.3)	(13.6)
Remove: risk adjustment included above.....	7.6	11.4	36.4	42.1
Remove: impact of exited lines.....	(1.8)	-	(1.8)	-
Prior year claims development.....	\$ (22.3)	\$ (20.1)	\$ (48.8)	\$ (50.2)

Notes:

(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

Net underwriting expenses consist of net commissions, net operating expenses, and net premium taxes. This financial measure is used to calculate underwriting income (loss) and the expense ratio.

Below is a quantitative reconciliation of net underwriting expenses for the three and nine months ended September 30, 2024 and 2023:

<i>(in millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net commissions.....	\$ 138.8	\$ 125.4	\$ 409.2	\$ 377.6
Net operating expenses.....	107.0	108.6	336.5	343.0
Net premium taxes.....	37.4	34.0	107.9	99.1
Net underwriting expenses.....	\$ 283.2	\$ 268.0	\$ 853.6	\$ 819.7

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Net commissions

Commissions expense less commissions earned on ceded reinsurance, excluding commissions associated with exited lines. This financial measure is used to calculate net underwriting expenses and underwriting income (loss).

Below is a quantitative reconciliation of net commissions for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Commissions ⁽¹⁾	\$ 153.2	\$ 137.9	\$ 453.8	\$ 415.0
Commissions earned on ceded reinsurance ⁽²⁾	(14.7)	(12.5)	(44.9)	(37.4)
Remove: impact of exited lines	0.3	-	0.3	-
Net commissions	\$ 138.8	\$ 125.4	\$ 409.2	\$ 377.6

Notes:

(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 operating expenses

General expenses related to our underwriting activities, excluding general expenses associated with exited lines. This financial measure is used to calculate net underwriting expenses and underwriting income (loss).

Below is a quantitative reconciliation of net operating expenses for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Operating expenses ⁽¹⁾	\$ 109.2	\$ 108.6	\$ 338.7	\$ 343.0
Remove: impact of exited lines	(2.2)	-	(2.2)	-
Net operating expenses	\$ 107.0	\$ 108.6	\$ 336.5	\$ 343.0

Notes:

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

Net premium taxes

Tax on insurance premiums excluding premium taxes associated with exited lines. This financial measure is used to calculate net underwriting expenses and underwriting income (loss).

Below is a quantitative reconciliation of net premium taxes for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Premium taxes ⁽¹⁾	\$ 38.0	\$ 34.0	\$ 108.5	\$ 99.1
Remove: impact of exited lines	(0.6)	-	(0.6)	-
Net premium taxes	\$ 37.4	\$ 34.0	\$ 107.9	\$ 99.1

Notes:

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

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Underwriting income (loss)

Net underwriting revenue for a defined period less the sum of net claims and adjustment expenses, net commissions, net operating expenses, and net premium taxes during the same period. Underwriting income (loss) excludes the underwriting results from exited lines. Management uses underwriting income (loss) to measure and evaluate the underwriting performance of the business. Management believes underwriting income (loss) is useful information for investors for such purpose. Although they may calculate it in a different manner, underwriting income (loss) is commonly used by other insurers and analysts in the P&C insurance industry.

Below is a quantitative reconciliation of underwriting income (loss) for the three and nine months ended September 30, 2024 and 2023:

<i>(in millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net underwriting revenue.....	\$ 981.8	\$ 903.6	\$ 2,836.5	\$ 2,620.2
Less:				
Net claims and adjustment expenses.....	731.7	658.4	1,867.5	1,742.6
Net commissions	138.8	125.4	409.2	377.6
Net operating expenses.....	107.0	108.6	336.5	343.0
Net premium taxes.....	37.4	34.0	107.9	99.1
Underwriting (loss) income.....	\$ (33.1)	\$ (22.8)	\$ 115.4	\$ 57.9

Net underwriting revenue, net claims and adjustment expenses, prior year claims development, net underwriting expenses, and underwriting income (loss) by line of business is as shown in the following tables for the three and nine months ended September 30, 2024 and 2023:

<i>(in millions of dollars)</i>	Three months ended September 30, 2024			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue.....	\$ 423.3	\$ 275.7	\$ 282.8	\$ 981.8
Net claims and adjustment expenses...	311.9	255.2	164.6	731.7
Prior year claims development.....	(4.8)	(9.9)	(7.6)	(22.3)
Net underwriting expenses	104.3	89.2	89.7	283.2
Underwriting income (loss)	7.1	(68.7)	28.5	(33.1)

<i>(in millions of dollars)</i>	Three months ended September 30, 2023			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue.....	\$ 389.1	\$ 261.6	\$ 252.9	\$ 903.6
Net claims and adjustment expenses...	286.7	234.5	137.2	658.4
Prior year claims development.....	(11.8)	(4.8)	(3.5)	(20.1)
Net underwriting expenses	98.1	88.1	81.8	268.0
Underwriting income (loss)	4.3	(61.0)	33.9	(22.8)

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For the third quarter ended September 30, 2024



<i>(in millions of dollars)</i>	Nine months ended September 30, 2024			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue.....	\$ 1,222.4	\$ 803.1	\$ 811.0	\$ 2,836.5
Net claims and adjustment expenses...	872.0	537.5	458.0	1,867.5
Prior year claims development.....	(10.2)	(22.9)	(15.7)	(48.8)
Net underwriting expenses	312.3	273.4	267.9	853.6
Underwriting income (loss)	38.1	(7.8)	85.1	115.4

<i>(in millions of dollars)</i>	Nine months ended September 30, 2023			
	Personal auto	Personal property	Commercial lines	Total
Net underwriting revenue.....	\$ 1,136.8	\$ 753.4	\$ 730.0	\$ 2,620.2
Net claims and adjustment expenses...	818.4	533.9	390.3	1,742.6
Prior year claims development.....	(20.2)	(6.6)	(23.4)	(50.2)
Net underwriting expenses	308.1	265.4	246.2	819.7
Underwriting income (loss)	10.3	(45.9)	93.5	57.9

Operating income

Net income (loss) attributable to common shareholders excluding income tax expense (recovery) and non-operating gains (losses). This financial measure is used to calculate operating net income.

Non-operating gains (losses)

Recognized gains or losses on FVTPL investments, discounting income or expense, risk adjustment income or expense, interest on restricted cash, less demutualization and IPO-related expenses, amortization of intangible assets recognized in business combinations, transaction costs in business combinations, restructuring costs, underwriting loss from exited lines, and other expenses or revenues that in the view of management are not part of our insurance operations. This financial measure is used to calculate operating net income.

Operating net income

Net income (loss) attributable to common shareholders less (or plus) non-operating gains (losses) net of applicable income taxes. Management uses operating net income to measure and evaluate the ongoing operational performance of the business. Management believes that operating net income is useful information for investors for such purpose. Although they may calculate these measures in a different manner, operating net income and similar measures are used by other insurers and analysts in the P&C insurance industry.

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). Below is a quantitative reconciliation of operating net income, operating income, and non-operating gains (losses) to net income (loss) attributable to common shareholders for the three and nine months ended September 30, 2024 and 2023:

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Net income (loss) attributable to common shareholders ..	\$ 104.8	\$ (48.3)	\$ 313.8	\$ 124.2
Remove: income tax expense (recovery).....	33.8	(18.7)	103.4	34.1
Income (loss) before income taxes	\$ 138.6	\$ (67.0)	\$ 417.2	\$ 158.3
Remove: non-operating gains (losses)				
Recognized gains (losses) on FVTPL investments	172.8	(99.8)	206.7	(70.8)
Discounting ⁽¹⁾	42.2	40.3	107.6	108.7
Risk adjustment ⁽¹⁾	(6.4)	0.5	(2.7)	6.5
Finance expenses from insurance contracts issued.....	(74.6)	(27.5)	(145.6)	(73.4)
Finance income from reinsurance contracts held.....	7.0	1.8	13.1	5.8
Interest on restricted cash, less demutualization and IPO-related expenses ⁽²⁾	1.1	2.2	3.5	6.3
Amortization of intangible assets recognized in business combinations ⁽²⁾	(6.3)	(4.4)	(19.0)	(11.5)
Underwriting loss from exited lines	(8.9)	-	(8.9)	-
Other ⁽²⁾⁽³⁾	(4.4)	(1.6)	(0.1)	(1.7)
Non-operating gains (losses)	\$ 122.5	\$ (88.5)	\$ 154.6	\$ (30.1)
Operating income.....	\$ 16.1	\$ 21.5	\$ 262.6	\$ 188.4
Operating income tax expense.....	(1.5)	(3.5)	(62.8)	(41.2)
Operating net income.....	\$ 14.6	\$ 18.0	\$ 199.8	\$ 147.2

Notes:

- (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 miscellaneous 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, such as gains or losses pertaining to fintech venture capital funds, and acquisition-related expenses.

Distribution income

Income before taxes, amortization of intangible assets recognized in business combinations from our consolidated brokers and broker associates, acquisition-related expenses, and interest expense on debt. Distribution income is calculated as distribution revenues less distribution business expenses which is included in other (expenses) income. Management uses distribution income to measure the performance of our consolidated brokers and broker associates.

Below is a quantitative reconciliation of distribution income for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in millions of dollars)</i>				
Distribution revenues ⁽¹⁾	\$ 50.6	\$ 34.1	\$ 139.4	\$ 91.6
Distribution business expenses ⁽²⁾	(34.8)	(22.9)	(96.4)	(61.1)
Distribution income	\$ 15.8	\$ 11.2	\$ 43.0	\$ 30.5

Notes:

- (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.

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Non-GAAP Ratios:

Claims ratio

Net claims and adjustment expenses during a defined period expressed as a percentage of net underwriting revenue for the same period. This is a relevant metric to evaluate our level of claims activity relative to our net underwriting revenue in a given period. Management believes claims ratio is useful information for investors for such purpose. Although they may calculate it in a different manner, claims ratio and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Expense ratio

The total of our net commissions, net operating expenses, and net premium taxes during a defined period, expressed as a percentage of net underwriting revenue for the same period. Management uses expense ratio to evaluate our net underwriting expenses relative to our net underwriting revenue in a given period. Management believes expense ratio is useful information for investors for such purpose. Although they may calculate it in a different manner, expense ratio and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Combined ratio

The total of our net claims and adjustment expenses and net underwriting expenses during a defined period expressed as a percentage of net underwriting revenue for the same period. Management uses combined ratio to evaluate the underlying insurance underwriting results relative to our net underwriting revenue in a given period. Management believes combined ratio is useful information for investors for such purpose. Although they may calculate it in a different manner, combined ratio and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Return on equity ("ROE")

Net income (loss) attributable to common shareholders for the 12 months ended at a specified date divided by the average equity attributable to common shareholders, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, over the same 12-month period. ROE is a metric used by management to evaluate our net return, including investment returns, relative to our overall balance sheet position. Management believes that ROE is useful information for investors for such purpose. Although they may calculate it in a different manner, ROE and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



The following table shows the components of our calculation of ROE for the periods ended September 30, 2024 and September 30, 2023:

	For the 12 months ended September 30,	
	2024	2023
<i>(in millions of dollars, except as otherwise noted)</i>		
Net income attributable to common shareholders	\$ 539.7	\$ 309.2
Equity attributable to common shareholders ⁽¹⁾	\$ 3,089.6	\$ 2,633.8
Adjusted equity attributable to common shareholders	\$ 3,089.6	\$ 2,633.8
Average adjusted equity attributable to common shareholders ⁽²⁾	\$ 2,861.7	\$ 2,513.1
Return on equity	18.9%	12.3%

Notes:

- (1) Equity attributable to common shareholders is as at September 30, 2024 and September 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 interim consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, 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 September 30, 2022 was \$2,392.4 million (restated for the impacts of IFRS 17 and IFRS 9).

Operating return on equity ("operating ROE")

Operating net income (a non-GAAP financial measure as described above) for the 12 months ended at a specified date divided by the average of equity attributable to common shareholders, excluding AOCI and excluding unrealized gains or losses on FVTPL equity instruments, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, over the same 12-month period. Management uses operating ROE to measure and evaluate our performance with respect to the periodic return that our operational performance is providing relative to the equity position of the organization. Management believes that operating ROE is useful information for investors for such purpose. Although they may calculate it in a different manner, operating ROE and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

The following table shows the components of our calculation of operating ROE for the periods ended September 30, 2024 and September 30, 2023:

	For the 12 months ended September 30,	
	2024	2023
<i>(in millions of dollars, except as otherwise noted)</i>		
Operating net income	\$ 300.9	\$ 223.7
Equity attributable to common shareholders, excluding AOCI ⁽¹⁾	\$ 3,097.2	\$ 2,668.6
Adjustment for unrealized gains on FVTPL equity instruments	\$ (128.7)	\$ (23.6)
Adjusted equity attributable to common shareholders, excluding AOCI ⁽²⁾	\$ 2,968.5	\$ 2,645.0
Average adjusted equity attributable to common shareholders, excluding AOCI ⁽³⁾	\$ 2,806.7	\$ 2,531.8
Operating ROE	10.7%	8.8%

Notes:

- (1) Equity attributable to common shareholders, excluding AOCI is as at September 30, 2024 and September 30, 2023.
- (2) Adjusted equity attributable to common shareholders, excluding AOCI, is equity attributable to common shareholders and AOCI each as shown on our interim consolidated balance sheets, adjusted for significant capital transactions or other unusual adjustments to equity, if applicable, and excluding unrealized gains or losses on FVTPL equity instruments.
- (3) Average adjusted equity attributable to common shareholders, excluding AOCI, is the average of adjusted equity attributable to common shareholders, excluding AOCI, 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 September 30, 2022 was \$2,418.6 million (restated for the impacts of IFRS 17 and IFRS 9).

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



Operating earnings per share ("operating EPS")

Operating net income (a non-GAAP financial measure as described above) for the period divided by the Company's weighted average diluted common shares outstanding during the period. Management uses operating EPS to measure and evaluate our performance with respect to the periodic return that our operational performance is providing relative to the common shares of the organization. Management believes that operating EPS is useful information for investors for such purpose. Although they may calculate it in a different manner, operating EPS and similar percentage measures are commonly used by other insurers and analysts in the P&C insurance industry.

Certain other ratios

In our discussion of our financial results, we disclose certain ratios as a percentage of net underwriting revenue during a defined period for the following financial measures: core accident year claims and adjustment expenses, catastrophe losses, prior year claims development, net commissions, net operating expenses, and net premium taxes.

Management's Discussion and Analysis

For the third quarter ended September 30, 2024



12 — OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The Company's issued and outstanding common shares were 115.9 million as at November 6, 2024. No preferred shares were issued and outstanding.

13 — DEFINITIONS

Refer to Section 11 — "Supplementary Financial Measures and Non-GAAP financial measures and ratios" for definitions of supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios that we use to measure and evaluate the performance of our business.

Discounting	To reflect the time value of money, the expected future payments of claim liabilities are discounted back to present value using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The risk-free yield curves are adjusted by an illiquidity premium using a reference portfolio to reflect the liquidity characteristics of the insurance contracts.
Excess capital	The sum of capital above 190% MCT in regulated insurance subsidiaries and available cash and investments in unregulated entities.
Frequency	A measure of how often a claim is reported as a function of PIF.
Large loss	A single claim with a gross loss in excess of \$1 million but less than \$3 million.
Minimum capital test (MCT)	A regulatory formula defined by the Office of the Superintendent of Financial Institutions, that is a risk-based test of capital available relative to capital required.
Policies in force (PIF)	The number of insurance policies that are in effect at a specified date, excluding insurance policies from exited lines.
Risk adjustment	The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk as the Company fulfils insurance contracts.
Severity	A measure of the average dollar amount incurred per claim.