



**Trisura Group Ltd.**

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Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2018  
(Unaudited)

# TRISURA GROUP LTD.

## Condensed Interim Consolidated Financial Statements

(Unaudited)

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Table of contents for the Condensed interim consolidated financial statements of Trisura Group Ltd. as at and for the three-month period ended March 31, 2018

Condensed Interim Consolidated Statements of Financial Position .....	2
Condensed Interim Consolidated Statements of Comprehensive Income (Loss) .....	3
Condensed Interim Consolidated Statements of Changes in Equity .....	4
Condensed Interim Consolidated Statements of Cash Flows.....	5
Notes to the Condensed Interim Consolidated Financial Statements .....	6

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Financial Position**

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

<b>As at</b>	<i>Note</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>			
Cash and cash equivalents		<b>104,627</b>	165,675
Investments	4	<b>247,750</b>	190,641
Premiums and accounts receivable, and other assets	7	<b>23,370</b>	23,172
Deferred acquisition costs		<b>42,979</b>	40,266
Recoverable from reinsurers		<b>63,828</b>	65,254
Capital assets and intangible assets		<b>2,690</b>	2,612
Deferred tax assets		<b>779</b>	740
<b>Total assets</b>		<b>486,023</b>	<b>488,360</b>
<b>Liabilities</b>			
Accounts payable, accrued and other liabilities	8	<b>13,921</b>	19,795
Reinsurance premiums payable		<b>13,106</b>	17,555
Unearned premiums		<b>122,771</b>	115,357
Unearned reinsurance commissions		<b>5,810</b>	5,566
Unpaid claims and loss adjustment expenses	6	<b>177,012</b>	178,885
Loan payable	11	<b>29,700</b>	29,700
		<b>362,320</b>	<b>366,858</b>
<b>Shareholders' equity</b>			
Common shares	12	<b>163,582</b>	163,582
Preferred shares	12	<b>1,600</b>	1,600
Contributed surplus		<b>149</b>	89
Accumulated deficit		<b>(40,010)</b>	(41,849)
Accumulated other comprehensive loss		<b>(1,618)</b>	(1,920)
		<b>123,703</b>	<b>121,502</b>
<b>Total liabilities and shareholders' equity</b>		<b>486,023</b>	<b>488,360</b>

*See accompanying notes to the Condensed interim consolidated financial statements*

# TRISURA GROUP LTD.

## Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

For the three months ended March 31,	Note	2018	2017
<b>Gross premiums written</b>		<b>34,824</b>	28,615
Reinsurance premiums ceded		(10,879)	(9,111)
Retrospective premiums refund		(34)	(38)
<b>Net premiums written</b>		<b>23,911</b>	19,466
Change in unearned premiums		(4,657)	(1,837)
<b>Net premiums earned</b>		<b>19,254</b>	17,629
Fee income		3,276	2,929
<b>Total underwriting revenue</b>		<b>22,530</b>	20,558
<b>Claims and expenses</b>			
Claims and loss adjustment expenses		(19,855)	(9,350)
Reinsurers' share of claims and loss adjustment expenses		15,152	5,085
Commissions		(9,345)	(8,180)
Reinsurance commissions		1,748	1,548
Premium taxes		(936)	(897)
Operating expenses		(8,121)	(7,335)
<b>Total claims and expenses</b>		<b>(21,357)</b>	(19,129)
<b>Net underwriting income</b>		<b>1,173</b>	1,429
Net investment income	14	1,910	744
Foreign exchange loss		(117)	(15)
Interest expense	11	(231)	(276)
Change in minority interests		-	(5,158)
<b>Income (loss) before income taxes</b>		<b>2,735</b>	(3,276)
Income tax expense	16	(872)	(759)
<b>Net income (loss)</b>		<b>1,863</b>	(4,035)
Net income attributable to common shareholders (see Note 1 and Note 2.2)		1,863	n/a
Weighted average number of common shares outstanding during the year (in thousands) – basic		6,622	n/a
Earnings per common share (in dollars) – basic (see Note 13)		0.28	n/a
Earnings per common share (in dollars) – diluted (see Note 13)		0.27	n/a
<b>Net income (loss)</b>		<b>1,863</b>	(4,035)
Unrealized gains on available-for-sale investments		209	2,467
Unrealized losses on available-for-sale investments		(3,337)	(811)
Income tax expense		570	(386)
Items that may be reclassified subsequently to net income (loss)		(2,558)	1,270
Realized gains		(1)	(30)
Realized losses		342	4
Impairment adjustment		325	-
Income tax (benefit) expense		(92)	2
Items reclassified to net income (loss)		574	(24)
Items other than cumulative translation loss		(1,984)	1,246
Items that will not be reclassified subsequently to net income (loss) – Cumulative translation loss		2,286	(481)
<b>Other comprehensive income</b>		<b>302</b>	765
<b>Total comprehensive income (loss)</b>		<b>2,165</b>	(3,270)

See accompanying notes to the Condensed interim consolidated financial statements

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Changes in Equity**

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

	<i>Note</i>	Common shares	Preferred shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss (net of income taxes)	Total
Balance at January 1, 2018		163,582	1,600	89	(41,849)	(1,920)	<b>121,502</b>
Net income		-	-	-	1,863	-	<b>1,863</b>
Other comprehensive income		-	-	-	-	302	<b>302</b>
Comprehensive loss		-	-	-	1,863	302	<b>2,165</b>
Share-based payments		-	-	60	-	-	<b>60</b>
Dividends paid		-	-	-	(24)	-	<b>(24)</b>
<b>Balance at March 31, 2018</b>		<b>163,582</b>	<b>1,600</b>	<b>149</b>	<b>(40,010)</b>	<b>(1,618)</b>	<b>123,703</b>

	<i>Note</i>	Common shares	Retained earnings	Accumulated other comprehensive income (net of income taxes)	Total
Balance at January 1, 2017		9,618	58,695	2,575	70,888
Net loss		-	(4,035)	-	(4,035)
Other comprehensive income		-	-	765	765
Comprehensive (loss) income		-	(4,035)	765	(3,270)
Share issuance		1	-	-	1
<b>Balance at March 31, 2017</b>		<b>9,619</b>	<b>54,660</b>	<b>3,340</b>	<b>67,619</b>

*See accompanying notes to the Condensed interim consolidated financial statements*

**TRISURA GROUP LTD.****Condensed Interim Consolidated Statements of Cash Flow**

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

<b>For the three months ended March 31,</b>	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Net income (loss)	1,863	(4,035)
Items not involving cash:		
Depreciation and amortization	222	114
Unrealized losses	554	123
Impairment loss on available-for-sale investments	325	-
Stock options granted	88	-
Change in working capital and other	(7,064)	(6,051)
Realized losses (gains) on available-for-sale investments	492	(28)
Income taxes paid	(931)	(4,188)
Interest paid	(233)	(268)
<b>Net cash flows used in operating activities</b>	<b>(4,684)</b>	<b>(14,333)</b>
<b>Investing activities</b>		
Proceeds on disposal of investments	5,762	4,412
Purchases of investments	(64,217)	(4,044)
Purchases of capital assets	(202)	(17)
Purchases of intangible assets	(27)	(24)
<b>Net cash flows (used in) from investing activities</b>	<b>(58,684)</b>	<b>327</b>
<b>Financing activities</b>		
Change in minority interests	-	5,158
Dividends paid	(24)	-
Issuance of new loan payable (see Note 11)	29,700	-
Repayment of note payable	-	(319)
Repayment of loan payable (see Note 11)	(29,700)	(2,700)
<b>Net cash flows (used in) from financing activities</b>	<b>(24)</b>	<b>2,139</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(63,392)</b>	<b>(11,867)</b>
Cash, beginning of period	83,137	113,409
Cash equivalents, beginning of period	82,538	8,687
Cash and cash equivalents, beginning of period	165,675	122,096
Impact of foreign exchange on cash and cash equivalents	2,344	(885)
Cash, end of period	76,182	93,900
Cash equivalents, end of period	28,445	15,444
<b>Cash and cash equivalents, end of period</b>	<b>104,627</b>	<b>109,344</b>

*See accompanying notes to the Condensed interim consolidated financial statements*

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

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#### Note 1 – The Company

Trisura Group Ltd. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) (the “Act”) on January 27, 2017. The Company’s head office is located at 333 Bay Street, Suite 1610, Box 22, Toronto, Ontario, M5H 2R2.

The Company owns three principal subsidiaries, in some instances through wholly-owned intermediary holding companies, through which it conducts insurance operations. These subsidiaries are Trisura Guarantee Insurance Company (“Trisura Guarantee”), which is wholly-owned through the intermediary holding company 6436978 Canada Limited (“643 Can Ltd”), Trisura International Insurance Ltd. (“Trisura International”), which is wholly-owned through the intermediary holding company Trisura International Holdings Ltd. (“TIHL”) and Trisura Specialty Insurance Company (“Trisura Specialty”) which is owned directly. Trisura Guarantee operates as a Canadian property and casualty insurance company. Trisura International provides specialty insurance and reinsurance products to the global insurance market place, and is currently managing its in-force portfolio of reinsurance contracts. Trisura Specialty was incorporated on May 31, 2017 and was licensed by the Oklahoma Insurance Department as a domestic surplus lines insurer and can write business as a non-admitted surplus line insurer in all states within the United States.

#### 1.1 Reorganization Transaction

On June 15, 2017, Brookfield Asset Management Inc. (“Brookfield”) subscribed for 5,813,312 common shares of the Company in exchange for approximately \$140,270. On June 15, 2017, the Company used the \$140,270 to acquire: (i) Brookfield’s 100% interest in TIHL for approximately \$50,132; (ii) Brookfield’s 60% interest in 643 Can Ltd for approximately \$50,329; and (iii) Brookfield’s interest in a note payable from 643 Can Ltd to Brookfield for approximately \$185, leaving the Company with approximately \$39,624 in additional cash (collectively, the “Reorganization Transaction”). See Note 12 for the impact of the Reorganization Transaction on share capital.

#### 1.2 Spin-off

On June 22, 2017, Brookfield completed the spin-off of the Company (the “Spin-off”), which was effected by way of a special dividend of all of the common shares of the Company to holders of Brookfield’s Class A and B limited voting shares as of June 1, 2017. Each holder of Brookfield’s Class A and B limited voting shares received one common share of the Company for every 170 Class A or Class B shares of Brookfield. The common shares of the Company are publicly traded on the Toronto Stock Exchange under the symbol “TSU”.

#### Note 2 – Basis of presentation

These Condensed interim consolidated financial statements (“interim consolidated financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim consolidated financial statements and the accompanying notes were authorized for issuance by the Company’s Board of Directors on May 10, 2018.

#### 2.1 Presentation of financial statements

For the period from January 1 to June 14, 2017, the combined financial statements are comprised of the financial results of the Company, 643 Can Ltd and its subsidiary, TIHL and its subsidiaries, and Trisura Specialty on a combined basis of presentation. All intra-group transactions, balances, income and expenses were eliminated in full on combination.

For the period beginning June 15, 2017, the interim consolidated financial statements comprise the financial results of the Company and all entities controlled by the Company, on a consolidated basis of presentation. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In accordance with IFRS, presentation of assets and liabilities on the consolidated statements of financial position is in order of liquidity.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

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#### 2.2 Continuity of interests

To reflect the continuity of interests, these Consolidated financial statements provide comparative information of the Company for the periods prior to the Spin-off. Accordingly, the financial information for the periods prior to June 22, 2017 is presented based on the historical financial information for the Company. For the period after completion of the Spin-off, the results are based on the actual results of the Company, including the adjustments associated with the Spin-off. Therefore, net income (loss) and comprehensive income (loss) have been allocated to Brookfield for the period prior to June 22, 2017 and allocated to the post-Spin-off shareholders for the period on and after June 22, 2017. For 2017, the earnings per share ("EPS") calculations have been presented for the period from June 22 to December 31, 2017.

#### Note 3 – Summary of significant accounting policies

The accounting policies applied during the three-month period ended March 31, 2018 are the same as those described and disclosed in Note 2 – *Summary of significant accounting policies* of the December 31, 2017 Consolidated financial statements.

##### 3.1 Deferral of IFRS 9 Financial Instruments ("IFRS 9")

The Company has elected to defer implementation of IFRS 9 to coincide with the implementation of IFRS 17 *Insurance Contracts* ("IFRS 17") as it is permitted to do under IFRS 4 *Insurance Contracts* ("IFRS 4").

The Company is applying the temporary exemption from IFRS 9 as its activities are predominantly connected with insurance as described in IFRS 4. As per the standard, the test is based on values as at December 31, 2015. As at December 31, 2015, the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 was significant compared to the total carrying amount of all its liabilities, as those liabilities represented greater than 80 percent of total liabilities. The percentage of liabilities within the scope of IFRS 4 was less than 90 percent of the total carrying amount of all its liabilities, however the Company does not engage in a significant activity not connected with insurance. Based on this analysis, the Company meets the criteria to defer implementation of IFRS 9.

Liabilities connected with insurance that are not liabilities arising from contracts amounted to \$40,361 at December 31, 2015. These liabilities primarily consisted of Accounts payable, accrued and other liabilities, Loan payable, and Minority interests, all of which were related to operating and financing the insurance operations of the Company. The Company determined that it did not engage in any significant activity unconnected with insurance by examining the revenue and expenses of each of its subsidiaries and determined that they were not unconnected with the Company's insurance operations in any significant way.

As at March 31, 2018, the fair value of fixed income investments, which give rise to payments of interest and principal was \$186,650 (December 31, 2017 - \$128,467) and the change in fair value for the three-month period ended March 31, 2018 was \$674. The fair value of other investments measured on a fair value basis was \$61,100 (December 31, 2017 – \$62,174) and the change in fair value for the three-month period ended March 31, 2018 was \$(2,020) (see Note 4.1).

##### 3.2 Fees

In the current year the Company has applied IFRS 15 *Revenue from contracts with customers* ("IFRS 15"). There was no impact to the consolidated financial statements as a result of the implementation of the new standard.

Fees charged to insureds are recorded as revenue and separately disclosed on the consolidated statements of comprehensive income (loss). Fees are recognized in the period in which they are charged provided that no significant obligations to insureds exist and reasonable assurance exists regarding collectability.

In certain instances, fees are charged to agents in relation to insurance contracts, and in those circumstances the fees are recognized over the same period as the related insurance contract.

# TRISURA GROUP LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

### Note 4 – Investments

#### 4.1 Classification cash and investments

The following table presents the classification of cash and the investments.

<b>As at March 31, 2018</b>	<b>AFS</b>	<b>Designated FVTPL</b>	<b>Cash, loans and receivables</b>	<b>Total</b>
Cash and cash equivalents	-	-	104,627	<b>104,627</b>
Investments				
Fixed income	164,187	22,463	-	<b>186,650</b>
Income and investment trust units	2,863	-	-	<b>2,863</b>
Common shares	30,199	-	-	<b>30,199</b>
Preferred shares	15,349	-	-	<b>15,349</b>
Structured insurance assets	-	12,689	-	<b>12,689</b>
<b>Total cash and investments</b>	<b>212,598</b>	<b>35,152</b>	<b>104,627</b>	<b>352,377</b>

<b>As at December 31, 2017</b>	<b>AFS</b>	<b>Designated FVTPL</b>	<b>Cash, loans and receivables</b>	<b>Total</b>
Cash and cash equivalents	-	-	165,675	165,675
Investments				
Fixed income	106,453	22,014	-	128,467
Income and investment trust units	2,928	-	-	2,928
Common shares	31,249	-	-	31,249
Preferred shares	15,431	-	-	15,431
Structured insurance assets	-	12,566	-	12,566
<b>Total cash and investments</b>	<b>156,061</b>	<b>34,580</b>	<b>165,675</b>	<b>356,316</b>

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### 4.2 Unrealized gains and losses

The amortized cost and fair values of investments as at March 31, 2018 and December 31, 2017 were as follows:

As at March 31, 2018	FVTPL	AFS investments				Total
	investments	Amortized	Unrealized	Unrealized	Carrying	investments
	At carrying	cost	gains	losses	value	At carrying
	value					value
Government	22,463	41,541	516	(172)	41,885	<b>64,348</b>
Corporate	-	122,752	214	(1,024)	121,942	<b>121,942</b>
Total bonds	22,463	164,293	730	(1,196)	163,827	<b>186,290</b>
Mortgage backed securities	-	321	6	(4)	323	<b>323</b>
Asset backed securities	-	57	37	(57)	37	<b>37</b>
Total fixed income	22,463	164,671	773	(1,257)	164,187	<b>186,650</b>
Income and investment trust units	-	2,106	883	(126)	2,863	<b>2,863</b>
Common shares	-	25,955	5,563	(1,319)	30,199	<b>30,199</b>
Preferred shares	-	14,441	1,159	(251)	15,349	<b>15,349</b>
Structured insurance assets	12,689	-	-	-	-	<b>12,689</b>
	<b>35,152</b>	<b>207,173</b>	<b>8,378</b>	<b>(2,953)</b>	<b>212,598</b>	<b>247,750</b>

As at December 31, 2017	FVTPL	AFS investments				Total
	investments	Amortized	Unrealized	Unrealized	Carrying	investments
	At carrying	cost	gains	losses	value	At carrying
	value					value
Government	22,014	25,436	634	(30)	26,040	48,054
Corporate	-	80,121	407	(465)	80,063	80,063
Total bonds	22,014	105,557	1,041	(495)	106,103	128,117
Mortgage backed securities	-	332	-	(18)	314	314
Asset backed securities	-	55	36	(55)	36	36
Total fixed income	22,014	105,944	1,077	(568)	106,453	128,467
Income and investment trust units	-	2,115	935	(122)	2,928	2,928
Common shares	-	25,668	6,780	(1,199)	31,249	31,249
Preferred shares	-	14,441	1,165	(175)	15,431	15,431
Structured insurance assets	12,566	-	-	-	-	12,566
	<b>34,580</b>	<b>148,168</b>	<b>9,957</b>	<b>(2,064)</b>	<b>156,061</b>	<b>190,641</b>

Management has reviewed currently available information regarding those investments with a fair value less than carrying value. For the three-month period ended March 31, 2018, management recognized impairment of \$325 (March 31, 2017 – \$nil). Assumptions are used when estimating the value of impairment based on the Company's impairment policy, which involves comparing fair value to carrying value.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### 4.3 Pledged assets

In the normal course of insurance and reinsurance operations, the Company must secure its obligations under certain insurance and reinsurance contracts by collateralizing them with letters of credit or trust arrangements. These trusts and letters of credit may, in turn, be secured by the Company's fixed income investments. As at March 31, 2018, the Company has pledged cash and cash equivalents and short-term deposits amounting to \$55,241, and pledged fixed maturity investments amounting to \$31,186 (December 31, 2017 – \$52,767 and \$30,646, respectively), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at March 31, 2018, the Company pledged \$375 (December 31, 2017 – \$375) of fixed income investments as security deposit to the Oklahoma Insurance Department to be held in trust for and pledged to the State of Oklahoma.

#### Note 5 – Fair value measurement

For the three-month period ended March 31, 2018 and the year ended December 31, 2017, there were no transfers between levels.

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at March 31, 2018 and December 31, 2017:

As at March 31, 2018	Total fair value	Level 1	Level 2	Level 3
Government	64,348	-	64,348	-
Corporate	121,942	-	121,942	-
Total bonds	186,290	-	186,290	-
Mortgage backed securities	323	-	-	323
Asset backed securities	37	-	-	37
Total fixed income	186,650	-	186,290	360
Income and investment trust units	2,863	2,863	-	-
Common shares	30,199	29,905	-	294
Preferred shares	15,349	15,349	-	-
Structured insurance assets	12,689	-	-	12,689
Total investments	247,750	48,117	186,290	13,343
Derivative financial liabilities	(133)	-	(133)	-
	247,617	48,117	186,157	13,343

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 5 – Fair value measurement (continued)

As at December 31, 2017	Total fair value	Level 1	Level 2	Level 3
Government	48,054	-	48,054	-
Corporate	80,063	-	80,063	-
Total bonds	128,117	-	128,117	-
Mortgage backed securities	314	-	-	314
Asset backed securities	36	-	-	36
Total fixed income	128,467	-	128,117	350
Income and investment trust units	2,928	2,928	-	-
Common shares	31,249	30,942	-	307
Preferred shares	15,431	15,431	-	-
Structured insurance assets	12,566	-	-	12,566
Total investments	190,641	49,301	128,117	13,223
Derivative financial assets	152	-	152	-
	190,793	49,301	128,269	13,223

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for the three-month period ended March 31, 2018 and the year ended December 31, 2017:

	March 31, 2018	December 31, 2017
Balance at beginning of period	13,223	15,646
Unrealized losses	(24)	(1,705)
Amortization of premium	(219)	(38)
Purchase of securities	-	318
Foreign exchange	363	(998)
Balance at end of period	13,343	13,223

Included within the Level 3 assets are the structured insurance assets. The structured insurance assets are valued using a proprietary discounted cash flow valuation model. The fair value of this investment is based on discounting the expected future commission using a U.S. Treasury yield curve adjusted for credit risk associated with the receipt of future commission payments from the insurance companies. The credit risk adjustment is done since the Company takes on the credit risk of the insurance companies who have the ultimate commission obligations. The majority of commissions are received from insurance companies with an A.M. Best Company, Inc. ("A.M. Best") long-term issuer credit ratings of A or better.

Expected future cash flows are projected taking into account the probability of the policy being cancelled by the insured (referred to as lapse), the insured becoming sick and making a claim under the insurance policy (referred to as morbidity) and having future premium payments waived, or the insured dying (referred to as mortality). These actuarial risks are modeled using data drawn from the insurance companies and the Society of Actuaries Long Term Care Studies, as well as data from other public and non-public sources supplemented, as appropriate, by assistance from external actuarial consultants. The assumptions used are reviewed on a regular basis.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 6 – Unpaid claims and loss adjustment expenses

##### 6.1 Unpaid claims and loss adjustment expenses by line of business

As at March 31, 2018	Gross	Ceded	Net
<b>Trisura Guarantee</b>			
Surety	15,112	4,787	10,325
Corporate insurance	29,891	3,179	26,712
Risk solutions	41,130	26,040	15,090
	86,133	34,006	52,127
<b>Trisura International</b>			
Life	71,827	-	71,827
Property and casualty	18,988	-	18,988
	90,815	-	90,815
<b>Trisura Specialty</b>			
Property and casualty	64	58	6
	177,012	34,064	142,948
<b>As at December 31, 2017</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
<b>Trisura Guarantee</b>			
Surety	15,814	4,952	10,862
Corporate insurance	52,105	26,656	25,449
Risk solutions	22,593	6,638	15,955
	90,512	38,246	52,266
<b>Trisura International</b>			
Life	68,896	-	68,896
Property and casualty	19,477	-	19,477
	88,373	-	88,373
	178,885	38,246	140,639

Unpaid claims and loss adjustment balances due from reinsurers, referred to above as Ceded balances, are grouped with unearned reinsurance assets in Recoverable from reinsurers on the Consolidated statements of financial position.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### 6.1 Unpaid claims and loss adjustment expenses by line of business (continued)

The following changes have occurred to the provision for unpaid claims for the three-month periods ended March 31:

<b>Gross claim reserves</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Unpaid claims, beginning of period	178,885	163,970
Change in undiscounted estimates for losses of prior years	(1,203)	(1,954)
Change in discount rate	32	403
Change in provision for adverse deviation	(196)	321
Claims occurring in current year (including paid)	21,222	10,580
Paid on claims occurring during:		
Current year	(13,510)	(3,023)
Prior years	(12,537)	(3,449)
Foreign exchange	4,319	(984)
Unpaid claims, end of period	177,012	165,864

<b>Reinsurers' share of claim reserves</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Unpaid claims, beginning of period	38,246	24,676
Change in undiscounted estimates for losses of prior years	539	(431)
Change in discount rate	(197)	(17)
Change in provision for adverse deviation	(175)	127
Claims occurring in current year (including paid)	14,985	5,406
Paid on claims occurring during:		
Current year	(11,732)	(838)
Prior years	(7,602)	(1,575)
Unpaid claims, end of period	34,064	27,348

#### Note 7 – Premiums and accounts receivable, and other assets

As at March 31, 2018 and December 31, 2017, premiums and accounts receivable, and other assets consists of:

<b>As at</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Premiums receivable	19,768	20,552
Accrued investment income	1,608	909
Tax recoveries	990	477
Funds held by ceding companies	277	374
Prepaid expenses	258	224
Derivative assets	-	152
Miscellaneous assets	469	484
	23,370	23,172

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 8 – Accounts payable, accrued and other liabilities

As at March 31, 2018 and December 31, 2017, accounts payable, accrued and other liabilities consist of:

As at	March 31, 2018	December 31, 2017
Deposits in trust	7,597	6,592
Accrued liabilities	3,047	6,576
Other liabilities	1,681	3,586
Investment contract liabilities	1,171	2,856
Share based payment plan	292	185
Derivative liabilities	133	-
	<b>13,921</b>	<b>19,795</b>

#### Note 9 – Reinsurance

The Company uses reinsurance in the ordinary course of business to reduce its exposure to any one claim or event under the policies it issues. A large portion of this reinsurance is effected under reinsurance agreements known as treaty reinsurance. In some instances, it is negotiated on a facultative (one-off) basis for individual policies, generally when the exposures under these policies are not sufficiently mitigated by the treaty reinsurance.

Reinsurance does not relieve the Company of its obligations to policyholders. A contingent liability exists with respect to reinsurance ceded which would become a liability of the Company in the event that any reinsurer fails to honour its obligations. For this reason, the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to losses from reinsurer insolvencies. All licensed reinsurers providing treaty or facultative reinsurance policies are required to have a minimum A.M. Best credit rating of A- at the inception of each policy. Provisions are incorporated in the treaties to protect the Company in the event a reinsurer's credit rating deteriorates during the term of the reinsurance treaty. Unlicensed reinsurers must post an agreed upon level of collateral.

The Company has determined that a provision is not required for potentially uncollectible reinsurance as at March 31, 2018 and December 31, 2017.

#### Note 10 – Capital management

The Company's capital is its shareholders' equity, which consists of common shares, preferred shares, contributed surplus, accumulated deficit and accumulated other comprehensive income (loss). The Company reviews its capital structure on a regular basis to ensure an appropriate capital structure in keeping with all regulatory, business and shareholder obligations.

Oversight of the capital of the Company rests with management and the board of directors. Their objectives are twofold: (i) to ensure the Company is prudently capitalized relative to the amount and type of risks assumed and the requirements established by the laws and regulations applicable to the Company's regulated subsidiaries; and (ii) to ensure shareholders receive an appropriate return on their investment.

##### 10.1 Regulatory capital

###### a) *Trisura Guarantee*

Under guidelines established by the Office of the Superintendent of Financial Institutions which apply to Trisura Guarantee, Canadian property and casualty insurance companies must maintain minimum levels of capital as determined in accordance with a prescribed test, the minimum capital test ("MCT"), which expresses available capital (actual capital plus or minus specified adjustments) as a percentage of required capital. Companies are expected to maintain MCT level of at least 150% and are further required to establish their own unique target MCT levels based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Guarantee's target MCT level in accordance with these requirements. Trisura Guarantee exceeded this measure at March 31, 2018 and December 31, 2017.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

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#### 10.1 Regulatory capital (continued)

##### b) *Trisura International*

Trisura International is subject to externally imposed regulatory capital requirements in Barbados. As at March 31, 2018, Trisura International was required to maintain minimum capital totaling \$161, including its subsidiary, and it has exceeded this requirement (December 31, 2017 – \$157). This amount is restricted from potential dividend payments.

##### c) *Trisura Specialty*

Trisura Specialty is subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. As at March 31, 2018, Trisura Specialty was required to maintain minimum capital and surplus totaling \$19,341, and it has exceeded this requirement (December 31, 2017 – \$18,818, and it has exceeded this requirement).

#### Note 11 – Loan payable

On March 14, 2018, the Company entered into a five-year revolving credit facility with a Canadian Schedule I bank (the “Bank”) which allows for drawings of up to \$35,000. Under this arrangement, the Company can draw funds in the form of short term banker’s acceptances, Canadian prime rate advances, base rate advances or LIBOR rate advances. The rate is based on the current periods’ bankers’ acceptance rate, Canadian prime rate, base rate, or LIBOR rate, plus a margin. The loan balance is accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consists only of interest, with no mandatory principal payments required.

On March 14, 2018, \$29,700 was drawn under the loan, which was used to repay the outstanding loan payable of \$29,700 which had been borrowed by a subsidiary of the Company under a previous lending facility.

The previous credit arrangement, which was in place throughout 2017 and until March 14, 2018 was arranged by way of a five-year lending facility funded through short term banker’s acceptance or Canadian prime rate advances. The rate was based on the current period’s bankers’ acceptance rate or Canadian prime rate, plus a margin. The loan balance was accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consisted only of interest, with no mandatory principal payments required.

As part of the covenants of the current and previous loan arrangements, the Company is required to maintain certain financial ratios, which were fully met as at March 31, 2018 and December 31, 2017.

For the three-month period ended March 31, 2018, the Company incurred \$231 of interest expense (March 31, 2017 – \$276). As at March 31, 2018, the loan balance was \$29,700 (December 31, 2017 – \$29,700).

#### Note 12 – Share capital

The Company’s authorized share capital consists of: (i) an unlimited number of common shares; (ii) an unlimited number of non-voting shares; and (iii) an unlimited number of preference shares (issuable in series).

The impact of the Reorganization Transaction on share capital was to increase common shares to \$140,270. The impact of this transaction on retained earnings was to reduce retained earnings by \$31,631 being the difference between consideration paid for Brookfield’s interest in 643 Can Ltd and the book value of 643 Can Ltd as at June 15, 2017. The impact of the reorganization on share capital was an adjustment to share capital of \$(9,618) and an adjustment to retained earnings of \$(90,891), which is inclusive of the reduction in retained earnings of \$31,631 described above. These adjustments reflect the impact of moving from a presentation of financial statements on a combined basis, to a presentation of financial statements on a consolidated basis.

On November 30, 2017, the Company exchanged the shares of 643 Can Ltd that were then owned by certain current and retired members of the management of Trisura Guarantee (“Management”) for newly issued common shares, and Class A, Series 1, preferred shares of the Company. As a result of this transaction, the Company issued to management 963,143 common shares from treasury and 64,000 preferred shares. The impact of the transaction was an increase to share capital by \$28,944 and a reduction to retained earnings by \$9,303. The minority interests were reclassified from a liability to a reduction in retained earnings.

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 12 – Share capital (continued)

Consideration also included notes payable by the Company that were used by Management to repay shareholder loans owing to 643 Can Ltd which were outstanding at the time.

Holders of the preferred shares are entitled to a cumulative dividend of 6%, payable quarterly, at a fixed rate of 6%. The dividend rate will be reset on December 31, 2022 and every five years thereafter at a rate equal to the five-year government of Canada bond yield plus 7.5%. The Company has the right to redeem preferred shares at any time on 30 to 60 days notice.

On December 11, 2017, the Company held a special meeting of shareholders and approved a one-for-ten share consolidation of its common shares, followed immediately by a ten-to-one share split by way of a share distribution. The impact of this transaction on share capital was to reduce shares outstanding by 154,815 shares, and a reduction to share capital of \$4,031.

The following table shows the common shares issued and outstanding:

As at	March 31, 2018		December 31, 2017	
	Number of shares	Amount (in thousands)	Number of shares	Amount (in thousands)
Balance, beginning of period	6,621,680	163,582	-	-
Common shares issued	-	-	6,776,495	167,613
Common shares redeemed	-	-	(154,815)	(4,031)
Balance, end period	6,621,680	163,582	6,621,680	163,582

The following table shows the preferred shares issued and outstanding:

As at	March 31, 2018		December 31, 2017	
	Number of shares	Amount (in thousands)	Number of shares	Amount (in thousands)
Balance, beginning of period	64,000	1,600	-	-
Preferred shares issued	-	-	64,000	1,600
Preferred shares redeemed	-	-	-	-
Balance, end of period	64,000	1,600	64,000	1,600

At March 31, 2018, the Company had declared and paid a dividend of \$0.375 (in dollars) (December 31, 2017 – \$0.13 (in dollars)) per share for each Class A, Series 1, preferred share. The consolidated common share capital of the Company as at March 31, 2018 was \$163,582 (December 31, 2017 – \$163,582).

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 13 – Earnings per share

Basic earnings per common share is calculated by dividing the net income attributable to common shareholders for the three-month period ended March 31, 2018 by the weighted-average number of common shares.

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares after adjusting both amounts for the effects of all dilutive potential common shares, which consist of stock options.

	March 31, 2018
Net income attributable to shareholders	1,863
Less: Dividends declared on preferred shares, net of tax	(24)
Net income attributable to common shareholders	1,839
Weighted-average number of common shares outstanding (in shares)	6,621,680
EPS – basic (in dollars)	0.28
Dilutive effect of the conversion of options on common shares (in shares)	87,000
Diluted weighted-average number of common shares outstanding (in shares)	6,708,680
EPS – diluted (in dollars)	0.27

#### Note 14 – Investment income

The components of net investment income for the three-month periods ended March 31, 2018 and 2017 were as follows:

	March 31, 2018	March 31, 2017
Cash and cash equivalents	181	171
Available-for-sale bonds	1,060	780
Interest on executive share purchase plan	-	16
Interest expense on notes payable	-	(4)
Net interest income	1,241	963
Available-for-sale income and investment trust units	32	24
Available-for-sale common shares	252	226
Available-for-sale preferred shares	165	182
Business and dividend income	449	432
Unrealized loss on investments held at FVTPL	(488)	(1,440)
Commission income on assets at FVTPL	525	227
Investment expenses	(183)	(137)
Other investments income	1,544	45
Available-for-sale bonds	1,031	670
Available-for-sale common shares	(341)	29
Gain on disposition of investments	690	699
Impairment on investments	(324)	-
	1,910	744

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 15 – Segmented information

The Company has three reportable segments. The operations of 643 Can Ltd, referred to below as Trisura Guarantee, is one reportable segment which comprises surety solutions, risk solutions and corporate insurance solutions products underwritten in Canada. The operations of TIHL, referred to below as Trisura International, is a second reportable segment which comprises the Company's international reinsurance operations. The operations of Trisura Specialty is a third operating segment, which provides specialty insurance solutions underwritten in the United States.

The following table shows the results for the three-month periods ended March 31, 2018 and 2017:

March 31, 2018	Trisura Guarantee (inclusive of 643 Can Ltd)	Trisura International	Trisura Specialty	Corporate and consolidation adjustments	Total
Net premiums earned	19,220	24	10	-	19,254
Fee income	3,270	-	6	-	3,276
Total underwriting revenue	22,490	24	16	-	22,530
Net claims	(4,333)	(364)	(6)	-	(4,703)
Net expenses	(15,007)	(608)	(623)	(416)	(16,654)
Total claims and expenses	(19,340)	(972)	(629)	(416)	(21,357)
Net underwriting income (loss)	3,150	(948)	(613)	(416)	1,173
Investment income	455	1,181	264	10	1,910
Foreign exchange loss	-	(44)	-	(73)	(117)
Interest expense	(185)	-	-	(46)	(231)
<b>Net income (loss) before tax</b>	<b>3,420</b>	<b>189</b>	<b>(349)</b>	<b>(525)</b>	<b>2,735</b>

March 31, 2017	Trisura Guarantee (inclusive of 643 Can Ltd)	Trisura International	Total
Net premiums earned	17,587	42	17,629
Fee income	2,938	(9)	2,929
Total underwriting revenue	20,525	33	20,558
Net claims	(4,939)	674	(4,265)
Net expenses	(13,425)	(1,439)	(14,864)
Total claims and expenses	(18,364)	(765)	(19,129)
Net underwriting income (loss)	2,161	(732)	1,429
Investment income	1,010	(266)	744
Foreign exchange loss	-	(15)	(15)
Interest expense	(276)	-	(276)
Change in minority interests	(5,158)	-	(5,158)
<b>Net income (loss) before tax</b>	<b>2,263</b>	<b>(1,013)</b>	<b>(3,276)</b>

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 15 – Segmented information (continued)

The following table shows Loan payable of \$29,700 at March 31, 2018 included with the liabilities of Corporate and consolidation adjustments (see Note 11). The Loan payable of \$29,700 at December 31, 2017 was included with the liabilities of Trisura Guarantee (inclusive of 643 Can Ltd).

<b>As at March 31, 2018</b>	<b>Trisura Guarantee (inclusive of 643 Can Ltd)</b>	<b>Trisura International</b>	<b>Trisura Specialty</b>	<b>Corporate and consolidation adjustments</b>	<b>Total</b>
Assets	305,116	120,781	67,197	(7,071)	<b>486,023</b>
Liabilities	236,272	93,473	2,904	29,671	<b>362,320</b>

<b>As at December 31, 2017</b>	<b>Trisura Guarantee (inclusive of 643 Can Ltd)</b>	<b>Trisura International</b>	<b>Trisura Specialty</b>	<b>Corporate and consolidation adjustments</b>	<b>Total</b>
Assets	317,124	119,208	56,888	(4,860)	488,360
Liabilities	273,679	92,658	426	95	366,858

#### Note 16 – Income taxes

The following shows the major components of income tax expense for the three-month periods ended March 31, 2018 and 2017:

	<b>March 31, 2018</b>	March 31, 2017
<b>Current tax expense:</b>		
Current year	<b>988</b>	794
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	<b>(116)</b>	(35)
Income tax expense	<b>872</b>	759
<b>Income taxes recorded in other comprehensive income (loss):</b>		
Net changes in unrealized (losses) gains on available-for-sale investments	<b>(650)</b>	379
Reclassification to net income (loss) of net losses (gains) on available-for-sale investments	<b>92</b>	(2)
Origination and reversal of temporary differences	<b>80</b>	7
Total income tax (recovery) expense recorded in other comprehensive income (loss)	<b>(478)</b>	384

## TRISURA GROUP LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, in thousands of Canadian dollars, except as otherwise noted)

#### Note 16 – Income taxes (continued)

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax provision included in the Consolidated statements of comprehensive income (loss) for the three-month periods ended March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017
Income (loss) before income taxes	2,735	(3,276)
Statutory income tax rate	26.5%	26.5%
	725	(868)
Variations due to:		
Permanent differences	(70)	1,287
International operations subject to different tax rates	(37)	264
Unrecognized tax loss	254	72
Rate differentials:		
Change in future rate	-	4
Income tax expense	872	759