

Trisura Group Reports Second Quarter 2021 Results

TORONTO, Aug. 04, 2021 (GLOBE NEWSWIRE) -- Trisura Group Ltd. ("Trisura" or "Trisura Group") (TSX: TSU), a leading international specialty insurance provider, today announced financial results for the second quarter of 2021.

David Clare, President and CEO of Trisura, stated, "Trisura maintained its momentum through the second quarter of 2021 with net income of \$16.9 million, an increase of 156.4% over the prior year. Net income YTD of \$36.2 million has surpassed net income for the full year in 2020. Strong underwriting performance and premium growth, supported by investment gains, contributed to an 18.3% return on equity, exceeding our mid-teens target ahead of plan.

Premium growth was significant, increasing 79.4% over the prior year, while disciplined underwriting contributed to a strong 83.3% combined ratio in the Canadian operations. There was a sustained expansion of our US business, which bound \$220.6 million of gross premiums, and drove \$6.9 million in net income.

We successfully completed our inaugural investment grade debt issuance, with proceeds used to repay short term debt and support growth in the US. Our balance sheet remains well-funded to support future growth with a debt-to-capital ratio of 18.4%."

Highlights

- EPS of \$0.40 in Q2 2021 compared to \$0.17 in Q2 2020. Q2 2021 Adjusted EPS of \$0.35 compared to \$0.22 in Q2 2020. EPS figures reflect the four-for-one stock split effective July 9, 2021.
- Book value per share of \$8.03, an increase of 22.4% from June 30, 2020, driven by strong earnings and unrealized gains in the investment portfolio.
- Gross and net written premiums growth of 79.4% and 113.7% in Q2 2021 was supported by growth in Canada and continued momentum in US fronting.
- Quarterly net income of \$16.9 million grew 156.4% compared to prior year, driven by strong growth and underwriting in Canada, growing profitability in the US, improved asset liability matching in our Reinsurance business and investment gains.
- ROE of 18.3% compared to 11.8% in Q2 2020, meeting our mid-teens target despite dilution from our equity raise in May 2020, and achieved in the context of significant growth.
- GPW in Canada increased by 147.3% in Q2 2021. Strong underwriting performance across all lines contributed to an 83.3% combined ratio and a 27.0% ROE.
- New fronted premiums in Canada contributed \$55.5 million YTD and \$40.3 million in the quarter, an encouraging start for the business.
- US premium and fee income growth of 52.3% and 101.0% respectively, reached \$220.6 million and \$11.1 million in the quarter. This contributed to improved net income of \$6.9 million and a 14.0% ROE despite an increase in the capital base. Premium growth mitigated from Q1 to Q2 2021 as we did not renew two programs, and the USD weakened. On a constant currency basis, quarterly premiums increased in Q2 over Q1 2021.

Amounts in C\$ millions	Q2 2021	Q2 2020	Variance	Q2 2021 YTD	Q2 2020 YTD	Variance
Gross premiums written	363.5	202.7	79.4%	673.8	372.6	80.8%
Net income	16.9	6.6	156.4%	36.2	15.0	142.1%
EPS - diluted, \$(¹)	0.40	0.17	135.3%	0.86	0.40	115.0%
Adjusted EPS - diluted, \$(¹)	0.35	0.22	59.1%	0.75	0.44	70.5%
Book value per share, \$(¹)	8.03	6.56	22.4%	8.03	6.56	22.4%
Debt-to-Capital ratio	18.4%	9.9%	8.5pts	18.4%	9.9%	8.5pts
LTM ROE	18.3%	11.8%	6.5pts	18.3%	11.8%	6.5pts
Adjusted LTM ROE	16.1%	13.8%	2.3pts	16.1%	13.8%	2.3pts
Combined ratio - Canada	83.3%	78.9%	4.4pts	75.4%	80.3%	(4.9pts)
Fronting Operational Ratio - US	69.8%	69.9%	(0.1pts)	68.6%	69.6%	(1.0pts)

(1) Adjusted to reflect the four-for-one split effective July 9, 2021. Per-share disclosure is presented on a post-split basis.

COVID-19

- Trisura staff continue to work effectively from home. We have introduced safety measures in physical offices and began a gradual return to work in jurisdictions where it is safe.
- Despite resilience in the quarter, uncertainty regarding the COVID-19 Delta variant and the potential for a weaker than anticipated economic recovery may threaten momentum.
- Premium generation and claims activity may be impacted depending on the length and depth of the pandemic-related economic slowdown, as well as the effectiveness of government support programs and vaccines in driving a sustained re-opening. Depending on these factors, premium growth could slow and claims activity could increase.

Insurance Operations

- Disciplined underwriting in Canada contributed to a loss ratio of 24.5% for the quarter. A lower expense ratio in the quarter resulted in a combined ratio of 83.3%, in the context of 147.3% growth in premiums.
- GPW in the US of \$220.6 million in Q2 2021 compared to \$144.8 million in Q2 2020, and fee income of \$11.1 million in Q2 2021 compared to \$5.5 million in Q2 2020.
- Improved asset-liability matching in our Reinsurance business limited volatility through the quarter.

Capital

- The minimum capital test (“MCT”) ratio of our Canadian operations was 223% as at June 30, 2021 (249% as at December 31, 2020), which comfortably exceeded regulatory requirements of 150%.
- Capital in our US operations of \$159.1 million USD at June 30, 2021 (\$122.6 million USD at December 31, 2020) was in excess of the various Company Action Levels of the states in which Trisura Specialty is licensed.
- Consolidated debt-to-capital ratio of 18.4% as at June 30, 2021 is below our long-term target of 20.0%.

Investments

- Investment income was \$2.8 million in Q2 2021, driven by interest and dividend income and partially offset by the impact of movements in European interest rates on the long duration assets supporting certain reserves in our Reinsurance business. Importantly, Reinsurance investment losses are offset by reductions in reserves in the Reinsurance business.
- Interest and dividend income rose 24.4% versus the prior year. The Canadian and US portfolios benefited from improved diversification and increased capital following strong operational performance.
- Net gains in the quarter were driven by favourable foreign exchange movements and realized gains.

Corporate Development

- Trisura continues to grow its admitted licenses, with 48 state admitted licenses today and the intention of securing admitted licenses in all 50 states.
- In the quarter Trisura bound \$11.3 million in admitted premiums; we expect the admitted business to be a more significant opportunity for growth in the second half of 2021.
- In June 2021, Trisura completed its inaugural investment grade debt issuance, raising \$75 million of senior unsecured notes with a 5-year term and a coupon of 2.641%. Proceeds were used to repay the outstanding loans through the revolving credit facility and to support growth in the US.
- We completed a four-for-one stock split in July 2021, which resulted in a greater number of shares outstanding, intended to support trading liquidity.

Financial Statement Presentation – Update

- In Q4 2020 we adjusted the presentation of our consolidated income statement to reflect a more representative view of our business, removing net underwriting income, which in the context of a business with life reserves on the Balance sheet, diluted the utility of the measure.
- Adjusted EPS and Adjusted ROE were also introduced in Q4 2020, to adjust for non-recurring items and better reflect earnings for our core operations, providing a more representative depiction of the run-rate operations of the business.

Earnings Conference Call

Trisura will host its Second Quarter Earnings Conference Call to review financial results at 9:00 a.m. ET on Thursday August 5th, 2021.

To listen to the call via live audio webcast, please follow the link below:

<https://edge.media-server.com/mmc/p/jhdm9rq>

A replay of the call will be available through the link above.

About Trisura Group

Trisura Group Ltd. is an international specialty insurance provider operating in the surety, risk solutions, corporate insurance, fronting and reinsurance segments of the market. Trisura has three principal regulated subsidiaries: Trisura Guarantee Insurance Company in Canada, Trisura Specialty Insurance Company in the US and Trisura International Insurance Ltd. in Barbados. Trisura Group Ltd. is listed on the Toronto Stock Exchange under the symbol "TSU".

Further information is available at <http://www.trisura.com/group>. Important information may be disseminated exclusively via the website; investors should consult the site to access this information. Details regarding the operations of Trisura Group Ltd. are also set forth in regulatory filings. A copy of the filings may be obtained on Trisura Group's SEDAR profile at www.sedar.com.

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Trisura Group Ltd.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2021 and December 31, 2020
(in thousands of Canadian dollars, except as otherwise noted)

As at	June 30, 2021	December 31, 2020
Cash and cash equivalents	172,817	136,519
Investments	611,279	503,684
Premiums and accounts receivable, and other assets	249,315	178,883
Recoverable from reinsurers	903,086	676,972
Deferred acquisition costs	241,507	188,190
Capital assets and intangible assets	17,766	13,907
Deferred tax assets	7,690	8,577
Total assets	2,203,460	1,706,732
Accounts payable, accrued and other liabilities	73,171	57,343
Reinsurance premiums payable	232,347	151,707
Unearned premiums	744,767	592,711
Unearned reinsurance commissions	116,715	100,281
Unpaid claims and loss adjustment expenses	631,406	487,271
Debt outstanding	74,429	27,555
Total liabilities	1,872,835	1,416,868
Shareholders' equity	330,625	289,864
Total liabilities and shareholders' equity	2,203,460	1,706,732

Trisura Group Ltd.
Condensed Interim Consolidated Statements of Comprehensive Income
For the three and six months ended June 30
(in thousands of Canadian dollars, except as otherwise noted)

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
Gross premiums written	363,514	202,683	673,788	372,635
Net premiums written	100,200	46,881	177,565	88,381
Net premiums earned	67,028	36,776	119,652	67,343
Fee income	12,112	5,867	25,896	13,408
Net investment income (loss)	2,780	6,308	(2,537)	14,842
Net gains	4,801	3,504	8,635	1,450
Total revenues	86,721	52,455	151,646	97,043
Net claims and loss adjustment expenses	(21,390)	(15,961)	(25,497)	(30,147)
Net commissions	(26,330)	(12,138)	(44,889)	(23,371)
Operating expenses	(19,737)	(14,753)	(36,751)	(26,838)
Interest expense	(281)	(267)	(468)	(667)
Total claims and expenses	(67,738)	(43,119)	(107,605)	(81,023)
Income before income taxes	18,983	9,336	44,041	16,020
Income tax expense	(2,094)	(2,749)	(7,834)	(1,062)

Net income	16,889	6,587	36,207	14,958
Other comprehensive income (loss)	3,835	8,828	4,597	(2,542)
Comprehensive income	20,724	15,415	40,804	12,416

Trisura Group Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the three and six months ended June 30
(in thousands of Canadian dollars, except as otherwise noted)

	Q2 2021	Q2 2020	Q2 2021 YTD	Q2 2020 YTD
Net income from operating activities	16,889	6,587	36,207	14,958
Non-cash items	(1,494)	9,184	9,187	7,371
Stock options granted	344	228	605	380
Change in working capital	69,950	14,485	72,403	13,946
Realized gains on investments	(611)	(14,377)	(1,481)	(17,198)
Income taxes paid	(5,996)	(8)	(7,187)	(3,287)
Interest paid	(107)	(259)	(357)	(695)
Net cash from operating activities	78,975	15,840	109,377	15,475
Proceeds on disposal of investments	23,436	113,202	60,280	140,264
Purchases of investments	(104,742)	(175,157)	(174,677)	(208,926)
Net purchases of capital and intangible assets	(1,669)	(135)	(2,525)	(506)
Net cash used in investing activities	(82,975)	(62,090)	(116,922)	(69,168)
Shares issued	602	65,143	859	65,143
Shares purchased under RSU plan	(116)	-	(1,930)	-
Issuance of note payable	74,700	-	74,700	-
Loans received	-	-	26,970	32,700
Loans repaid	(26,970)	(3,000)	(54,525)	(32,700)
Lease payments	(354)	(398)	(688)	(878)
Net cash from financing activities	47,862	61,745	45,386	64,265
Net increase in cash	43,862	15,495	37,841	10,572
Cash at beginning of the period	129,649	84,352	136,519	85,905
Currency translation	(694)	(682)	(1,543)	2,688
Cash at the end of the period	172,817	99,165	172,817	99,165

Cautionary Statement Regarding Forward-Looking Statements and Information

Note: This news release contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “likely,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could”.

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of our Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: developments related to COVID-19, including the impact of COVID-19 on the economy and global financial markets; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks;

technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; changes in capital requirements; changes in reinsurance arrangements; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.