Trisura Group Ltd.

Management's Discussion and Analysis
For the quarter ended June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations and financial condition of Trisura Group Ltd. for the three and six months ended June 30, 2019. This MD&A should be read in conjunction with our unaudited Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2019 and the audited Consolidated Financial Statements for the year ended December 31, 2018.

Unless the context indicates otherwise, references in this MD&A to the "Company" refer to Trisura Group Ltd. and references to "us," "we" or "our" refer to the Company and its subsidiaries and consolidated entities.

The Company's Consolidated Financial Statements are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In this MD&A, all references to "$" are to Canadian dollars unless otherwise specified or the context otherwise requires.

This MD&A is dated August 8, 2019. Additional information is available on SEDAR at www.sedar.com.

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SECTION 1 - OVERVIEW

OUR BUSINESS

Our Company is a leading international specialty insurance holding company operating in the Surety, Risk Solutions, Corporate Insurance, Fronting and Reinsurance niche segments of the market. Our operating subsidiaries include a Canadian specialty insurance company, a US specialty insurance company and an international reinsurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 13 years of operation. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus ("E&S") lines insurer in Oklahoma with the ability to write business across 50 states. Our international reinsurance business has been in operation in Barbados for more than 17 years and although we ceased writing new reinsurance business in 2008, we expect to commence writing new business in support of our US subsidiary.

Our Company has an experienced management team, strong partnerships with brokers, program administrators and reinsurers, and a specialized underwriting focus. We plan to grow by building our business in the US and by expanding our Canadian and international businesses both organically and through strategic acquisitions. We believe our Company can capitalize on favourable market conditions through our multi-line and multi-jurisdictional platform.

In 2018, the Company incorporated Trisura Warranty Services Inc. ("Trisura Warranty"), and in Q1 2019 purchased an existing book of warranty contracts from a third party, which Trisura Warranty will continue to administer. Trisura Warranty has begun to sell warranty products which will serve as a complimentary business to the insurance products sold through Trisura Guarantee. Financial results of Trisura Warranty are currently not material and are grouped with the Canadian Specialty P&C results, as part of Risk Solutions for the purpose of the MD&A.

In June 2019, the Company applied for approval from the Pennsylvania Insurance Department to acquire control of 21st Century Preferred Insurance Company, which is a shell entity with 13 admitted state licenses that will enhance the offering of our US fronting platform. Regulatory approval is pending.

ORGANIZATIONAL STRUCTURE & REGULATORY FRAMEWORK

The Company was incorporated under the *Business Corporations Act* (Ontario) ("OCA") in January 2017. We have three regulated wholly owned insurance subsidiaries:

(i) Trisura Guarantee Insurance Company ("Trisura Guarantee") is our Canadian specialty insurance company. Trisura Guarantee is federally incorporated in Canada, is licensed in all provinces and territories of Canada and is subject to both prudential regulation by the Office of the Superintendent of Financial Institutions ("OSFI") and market conduct regulation by each of the insurance regulatory authorities of the provinces and territories in which it conducts business.

(ii) Trisura Specialty is our US specialty insurance company. Trisura Specialty was incorporated on May 31, 2017 and is licensed by the Oklahoma Insurance Department as a domestic surplus line insurer and can write business as a non-admitted surplus line insurer in all states within the United States.

(iii) Trisura International Insurance Ltd. ("Trisura International") is our international reinsurance company for third party risks. Trisura International is incorporated in Barbados, is licensed to write international reinsurance business and is regulated by the Financial Services Commission ("FSC") in Barbados. In January 2019 we established Trisura International Reinsurance Company Ltd. ("TIRCL") as a wholly owned subsidiary of Trisura International in Barbados to act as a reinsurer of our on-shore companies upon receipt of regulatory approval from the FSC.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q2 2019

- ✓ Net loss of $4.1 million in Q2 2019 and $1.6 million Q2 2019 YTD due to increases on life reinsurance reserves driven by declines in European interest rates to historic lows during 2019.
- ✓ EPS of $(0.63) in Q2 2019 (basic and diluted) compared to $0.14 in Q2 2018 and EPS of $(0.25) in Q2 2019 YTD (basic and diluted) compared to $0.42 Q2 2018 YTD.
- ✓ BVPS of $19.55, a 2.2% increase over Q2 2018.
- ✓ Consolidated ROE (trailing 12 months) of 3.3% compared to 4.1% (trailing 12 months ended June 30, 2018).
- ✓ Continued strong performance of our operating subsidiaries in Canada and US
  - Canada:
    - GPW and NPE growth of 5.4% and 16.8% respectively in Q2 2019 and 10.3% and 14.0% respectively YTD.
    - Net income of $3.5 million in Q2 2019, an increase of $0.9 million on Q2 2018 and net income of $8.0 million YTD, an increase of $2.6 million over the comparable period in 2018.
    - Q2 and YTD combined ratio of 91.4% and 87.8% alongside strong investment income generated trailing 12 months ROE of 21.7%.
  - US Specialty:
    - Continued acceleration of growth in GPW to $55.5 million in Q2 2019 and to $97.4 million YTD.
    - Net income of $0.6 million in Q2 2019 compared to loss of $0.4 million in Q2 2018 and net income of $0.8 million Q2 2019 YTD compared to net loss of $0.8 million in Q2 2018 YTD.
- ✓ Strong capital position across the Company including MCT of 213% in our Canadian subsidiary, capital in our US business to support its AM Best A- Rating (VII size category) and appropriate capital in our international reinsurer.
- ✓ Debt-to-capital ratio of 18.7% at Q2 2019 down from 19.0% at Q2 2018 and below our long-term target of 20%.

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

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

	Q2 2019	Q2 2018	$ variance	% variance	Q2 2019 YTD	Q2 2018 YTD	$ variance	% variance
Gross premiums written	109,313	58,661	50,652	86.4%	190,696	93,485	97,211	104.0%
Net premiums written	37,133	30,378	6,755	22.2%	65,543	54,289	11,254	20.7%
Net premiums earned	25,982	21,291	4,691	22.0%	48,075	40,545	7,530	18.6%
Fee income	1,752	403	1,349	334.7%	6,101	3,679	2,422	65.8%
Total underwriting revenue	27,734	21,694	6,040	27.8%	54,176	44,224	9,952	22.5%
Net claims	(16,263)	(4,196)	(12,067)	287.6%	(31,157)	(8,899)	(22,258)	250.1%
Net commissions	(9,056)	(7,448)	(1,608)	21.6%	(17,574)	(15,045)	(2,529)	16.8%
Premium taxes	(1,388)	(1,126)	(262)	23.3%	(2,398)	(2,062)	(336)	16.3%
Operating expenses	(9,937)	(8,884)	(1,053)	11.9%	(20,217)	(17,005)	(3,212)	18.9%
Net claims and expenses	(36,644)	(21,654)	(14,990)	69.2%	(71,346)	(43,011)	(28,335)	65.9%
Net underwriting (loss) income	(8,910)	40	(8,950)	nm	(17,170)	1,213	(18,383)	nm
Net investment income	6,092	2,079	4,013	193.0%	10,688	3,989	6,699	167.9%
Settlement from structured insurance assets	-	-	-	n/a	8,077	-	8,077	nm
Foreign exchange gains (losses)	212	(207)	419	nm	584	(324)	908	nm
Interest expense	(342)	(235)	(107)	45.5%	(687)	(466)	(221)	47.4%
(Loss) income before income taxes	(2,948)	1,677	(4,625)	(275.8%)	1,492	4,412	(2,920)	(66.2%)
Income tax expense	(1,190)	(693)	(497)	71.7%	(3,113)	(1,565)	(1,548)	98.9%
Net (loss) income	(4,138)	984	(5,122)	(520.5%)	(1,621)	2,847	(4,468)	(156.9%)
Other comprehensive (loss) income	(1,710)	1,942	(3,652)	(188.1%)	948	2,244	(1,296)	(57.8%)
Comprehensive (loss) income	(5,848)	2,926	(8,774)	(299.9%)	(673)	5,091	(5,764)	(113.2%)
Earnings per common share - basic and diluted - in dollars	(0.63)	0.14	(0.77)	(548.9%)	(0.25)	0.42	(0.67)	(160.0%)
Book value per share $	19.55	19.13	0.42	2.2%	19.55	19.13	0.42	2.2%
ROE trailing twelve months	3.3%	4.1%	n/a	(0.8pts)	3.3%	4.1%	n/a	(0.8pts)

Premium Revenue and Fee Income

Very strong premium growth continued in Q2 2019 with an 86.4% increase over Q2 2018 in GPW driven by $47.9 million increase at our US Specialty platform. NPW growth of 22.2% was lower than GPW growth due to the contribution of our US fronting business model. NPE grew by 22.0% with the growth spread across Risk Solutions and Corporate Insurance in Canada and from our US Specialty business. The increase in fee income was driven by fronting fee growth at US Specialty. Total underwriting revenue increased by 27.8% compared to Q2 2018.

Year to date GPW grew by over 100% mainly from our US Specialty platform and supported by growth of over 10% in the Canadian business. YTD NPW and NPE growth were 20.7% and 18.6% respectively with the growth spread across our US business and all Canadian lines of business. The increase in YTD fee income was driven by fronting fee growth at US Specialty. Total YTD underwriting revenue increased by 22.5% compared to 2018.

Net Claims

The increase in Net claims in 2019 mainly arose from reserve increases on the life component of the Reinsurance business driven by declines in European interest rates to historic lows in 2019 – see the Net Investment Income comment below where the offset to these claims increases through investment income are discussed. Net claims expense, mainly IBNR, also increased as a result of NPE growth in the US Specialty P&C and Canadian businesses.

Operating Expenses

The increase in Operating expenses in both Q2 2019 and Q2 2019 YTD over the corresponding period in 2018 arose mainly from expense growth at US and Canadian operations associated with business development and one-time costs in Canada in Q2 2019 and at the Corporate level in Q1 2019.

Net Underwriting (Loss) Income

The driver of the net underwriting loss in Q2 2019 and Q2 2019 YTD was the reserve increase on the life component of the Reinsurance business due to a decline in European interest rates. Excluding the Reinsurance business, net underwriting income for Canada increased over the comparable 2018 periods as a result of strong underwriting performance. Net underwriting income also improved at US Specialty which achieved its first quarter of positive net underwriting income in Q2 2019 as growth in net earned premiums and fronting fee income exceeded claims and acquisition costs and operating expenses.

Net Investment Income

The increase in net investment income in Q2 2019 and YTD arose primarily in the Reinsurance business from investment gains on the assets supporting the life reserves. There was also a one-time gain in Q1 2019 related to our structured insurance asset following the settlement of a legal dispute. Investment income at our Canadian business was also stronger than in the corresponding periods in 2018 as the rebalancing of the portfolio led to higher interest, dividend income and realized gains. See Section 5 – Investment Performance Review for further details.

Other Comprehensive Income

See Section 5 – Investment Performance Review.

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

Net (Loss) Income

The net loss in Q2 2019 and YTD arose from the reserve increase on the life component of the Reinsurance business due to a decline in European interest rates. Excluding the Reinsurance business, net income for Canada increased over the comparable 2018 periods due to improved underwriting results and higher investment income. In addition, US Specialty contributed positive net income throughout 2019 compared to net losses in its 2018 start-up year.

EPS, BVPS and ROE

In Q2 2019 basic and diluted EPS was $(0.63) compared to $0.14 in Q2 2018. Q2 2019 YTD basic and diluted EPS was $(0.25) compared to $0.42 in Q2 2018 YTD. BVPS at Q2 2019 of $19.55 represented 2.2% growth since Q2 2018. ROE on a trailing 12 months basis was 3.3% compared to 4.1% in the equivalent prior year period.

BALANCE SHEET ANALYSIS

As at	June 30, 2019	December 31, 2018	$ variance
Cash and cash equivalents	64,949	95,212	(30,263)
Investments	321,844	282,874	38,970
Premiums and accounts receivable, and other assets	72,143	46,276	25,867
Deferred acquisition costs	81,642	63,715	17,927
Recoverable from reinsurers	197,986	109,567	88,419
Capital assets and intangible assets	10,208	2,512	7,696
Deferred tax assets	1,700	826	874
Total assets	750,472	600,982	149,490
Accounts payable, accrued and other liabilities	30,868	24,167	6,701
Reinsurance premiums payable	51,144	41,406	9,738
Unearned premiums	254,658	182,623	72,035
Unearned reinsurance commissions	33,154	19,137	14,017
Unpaid claims and loss adjustment expenses	221,499	173,997	47,502
Loan payable	29,700	29,700	-
Total liabilities	621,023	471,030	149,993
Shareholders' equity	129,449	129,952	(503)
Total liabilities and shareholders' equity	750,472	600,982	149,490

Total assets at June 30, 2019 were $149.5 million higher than at December 31, 2018 as a result of growth at our US and Canadian Specialty P&C businesses. This growth led to increases across a number of assets categories, particularly Recoverables from reinsurers as well as Premiums and accounts receivable and other assets and Deferred acquisitions costs. The increase in investments arose primarily from the redeployment of cash in the Reinsurance portfolio and was supported by investment performance. Cash and cash equivalents reduced because of the redeployment in the Reinsurance portfolio.

The increase in capital assets and intangible assets arose from the adoption of IFRS 16, effective January 1, 2019. The new accounting standard brings most leases on to the Statement of Financial Position. This resulted in the recognition of right of use assets of $8.4 million with a corresponding lease liability included in Accounts payable, accrued and other liabilities.

The main drivers of liability increases were Unearned premiums, Unpaid claims and loss adjustment expense, and Unearned reinsurance commissions as a result of business growth in both Canada and the US.

SHARE CAPITAL

Our 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).

As at June 30, 2019, 6,621,680 common shares and 64,000 preferred shares of the Company were issued and outstanding which is unchanged from December 31, 2018.

LIQUIDITY

Liquidity sources immediately available to the Company include: (i) cash and cash equivalents; (ii) our portfolio of highly rated, highly liquid investments (iii) cash flow from operating activities which include receipt of net premiums, fee income and investment income and; (iv) bank loan facilities including our revolving credit facility. These funds are used primarily to pay claims and operating expenses, service the Company's banking facility and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio of Trisura Guarantee was 213% at June 30, 2019 (239% as at December 31, 2018), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI. The reduction in MCT arose primarily from a temporary capital charge related to collateral supporting reinsurance ceded to an unregistered reinsurer on one Risk Solutions program. It is anticipated that this charge will be substantially eliminated during Q3 2019.

Trisura Specialty's capital and surplus of $66.8 million as at June 30, 2019 ($66.5 million as at December 31, 2018) was in excess of the minimum Risk Based Capital Ratio requirement of the Oklahoma Insurance Department.

Trisura International's capital of $19.9 million as at June 30, 2019 ($28.7 million as at December 31, 2018) was sufficient to meet the FSC's regulatory capital requirement. The reduction in capital in 2019 was due to losses on the life component of our reinsurance business.

We had a debt-to-capital ratio of 18.7% as at June 30, 2019 (18.6% as at December 31, 2018), below our long-term target debt-to-capital ratio of 20%.

The Company is well-capitalized and we expect to have sufficient capital to meet our regulatory capital requirements, fund our operations and support our current business plans.

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

SECTION 4 – UNDERWRITING PERFORMANCE REVIEW

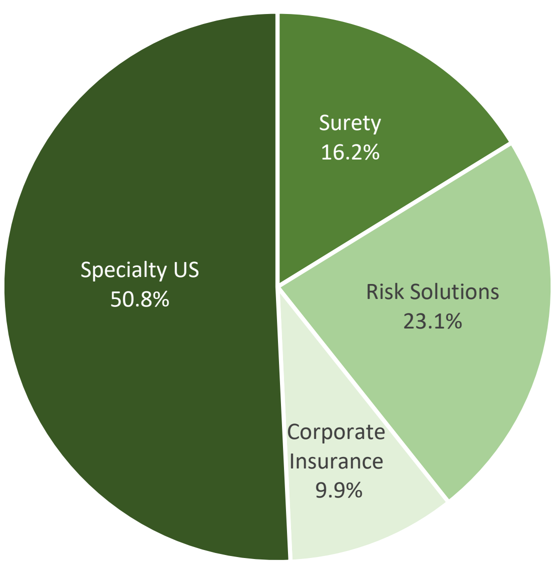
SPECIALTY P&C

Our Specialty P&C business consists of our Surety, Risk Solutions, Corporate Insurance and Fronting business lines which we write in Canada through Trisura Guarantee and a broad range of surplus lines in the United States written through Trisura Specialty.

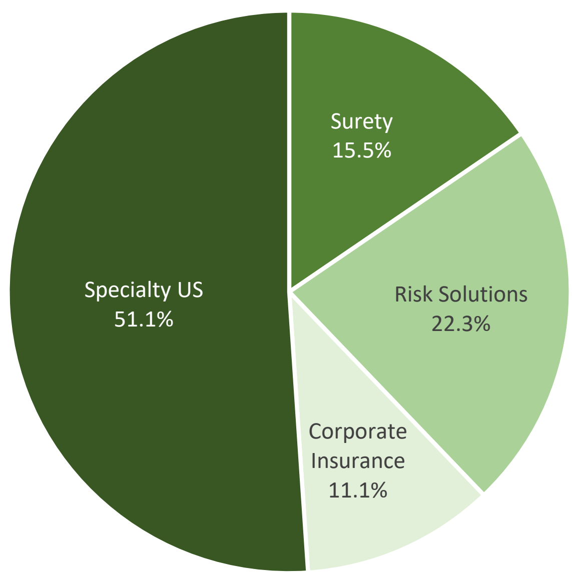
The tables and charts below provide a segmentation of our Specialty P&C GPW and NPW for the second quarters and the Q2 YTD of 2019 and 2018, respectively. US Specialty P&C produced over half of total GPW in Q2 2019 and Q2 2019 YTD having commenced writing business in Q1 2018. In addition, Q2 2019 YTD GPW at each of the three Canadian lines of business increased over the corresponding period in 2018.

GPW	Q2 2019	% of total	% growth over prior year	Q2 2018	% of total	Q2 2019 YTD	% of total	% growth over prior year	Q2 2018 YTD	% of total
Surety	17,723	16.2%	10.5%	16,044	27.4%	29,486	15.5%	11.9%	26,341	28.2%
Risk Solutions	25,242	23.1%	-1.9%	25,729	43.9%	42,676	22.3%	7.5%	39,692	42.5%
Corporate Insurance	10,856	9.9%	17.0%	9,279	15.8%	21,127	11.1%	14.1%	18,524	19.8%
Specialty US	55,467	50.8%	631.3%	7,585	12.9%	97,353	51.1%	996.4%	8,879	9.5%
Total GPW	109,288	100.0%	86.4%	58,637	100.0%	190,642	100.0%	104.0%	93,436	100.0%

Gross Premiums Written Q2 2019



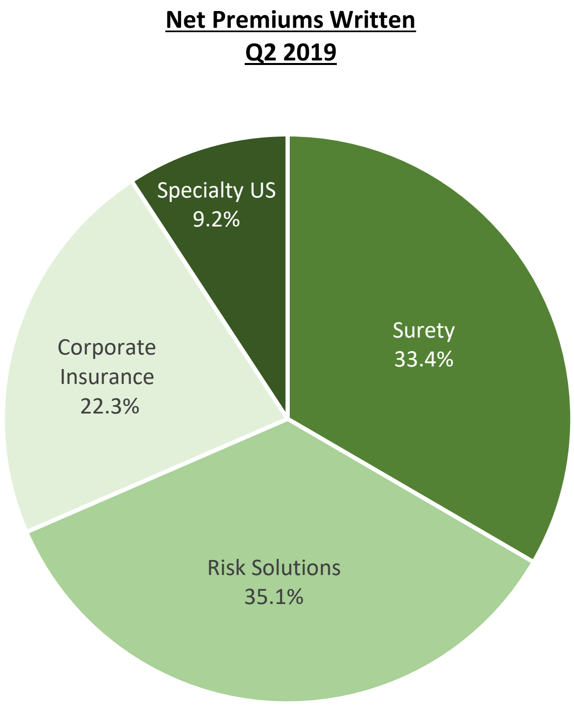
Gross Premiums Written Q2 2019 YTD

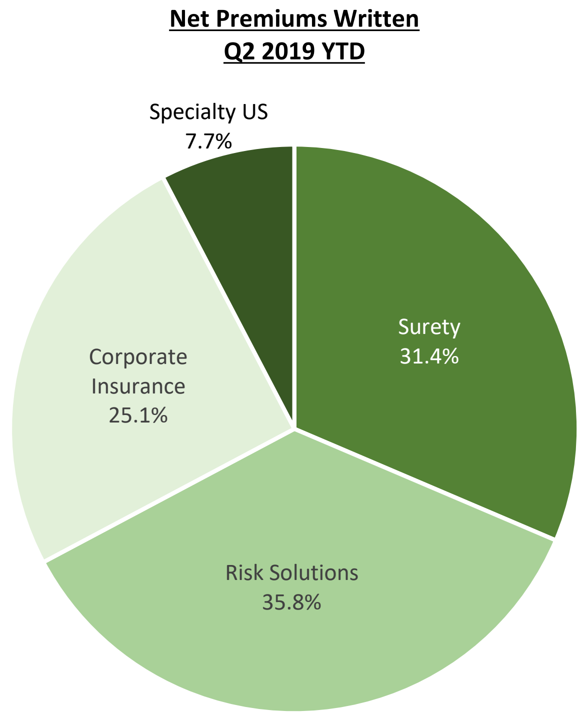


(in thousands of Canadian dollars, except as otherwise noted)

Total NPW grew by 22.2% in Q2 2019 and 20.7% Q2 2019 YTD with growth coming from all segments of the book.

NPW	Q2 2019	% of total	% growth over prior year	Q2 2018	% of total	Q2 2019 YTD	% of total	% growth over prior year	Q2 2018 YTD	% of total
Surety	12,419	33.4%	6.7%	11,639	38.3%	20,575	31.4%	8.6%	18,941	34.9%
Risk Solutions	13,009	35.1%	18.0%	11,021	36.3%	23,456	35.8%	16.7%	20,101	37.1%
Corporate Insurance	8,262	22.3%	14.4%	7,223	23.8%	16,442	25.1%	12.6%	14,605	26.9%
Specialty US	3,422	9.2%	623.5%	473	1.6%	5,020	7.7%	742.3%	596	1.1%
Total NPW	37,112	100.0%	22.2%	30,356	100.0%	65,493	100.0%	20.7%	54,243	100.0%





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

SPECIALTY P&C – CANADA

The table below presents financial highlights for our Canadian Specialty P&C business.

	Q2 2019	Q2 2018	$ variance	% variance	Q2 2019 YTD	Q2 2018 YTD	$ variance	% variance
Gross premiums written	53,821	51,052	2,769	5.4%	93,289	84,557	8,732	10.3%
Net premiums written	33,690	29,883	3,807	12.7%	60,473	53,647	6,826	12.7%
Net premiums earned	24,723	21,175	3,548	16.8%	46,066	40,395	5,671	14.0%
Fee income	212	346	(134)	(38.7%)	3,596	3,616	(20)	(0.6%)
Net underwriting revenue	24,935	21,521	3,414	15.9%	49,662	44,011	5,651	12.8%
Net underwriting income	2,126	1,582	544	34.4%	5,638	4,732	906	19.2%
Net investment income	2,269	1,722	547	31.8%	4,745	2,177	2,568	118.0%
Net income	3,504	2,612	892	34.2%	7,959	5,324	2,635	49.5%
Comprehensive income	2,814	3,020	(206)	(6.8%)	10,322	4,403	5,919	134.4%
Loss ratio: current accident year	29.8%	28.7%		1.1pts	31.3%	31.3%		0.0pts
Loss ratio: prior years' development	(7.0%)	(4.4%)		(2.6pts)	(8.8%)	(7.8%)		(1.0pts)
Loss ratio	22.8%	24.3%		(1.5pts)	22.5%	23.5%		(1.0pts)
Expense ratio	68.6%	68.2%		0.4pts	65.3%	64.8%		0.5pts
Combined ratio	91.4%	92.5%		(1.1pts)	87.8%	88.3%		(0.5pts)
ROE trailing twelve months	21.7%	13.2%		8.5pts	21.7%	13.2%		8.5pts

In Q2 2019 GPW growth in Canadian Specialty P&C business of 5.4% was driven from Surety and Corporate Insurance mitigated by a decline in fronting premium in Risk Solutions. On a YTD basis there was meaningful GPW growth in all business lines. NPW increased across all business lines, particularly Risk Solutions, in Q2 2019 and on a YTD basis.

NPE growth of 16.8% in Q2 2019 and 14.0% YTD were driven by Risk Solutions and Corporate Insurance while Surety NPE grew more slowly as a result of slower GPW growth. Fee income, which arises mainly in the first quarter each year from Surety accounts, was flat YTD.

Q2 2019 and YTD combined ratios of 91.4% and 87.8% respectively improved slightly relative to 2018 due to lower loss ratios. Net underwriting income increased in line with NEP by $0.5 million in Q2 2019 and by $0.9 million on a YTD basis. Expenses were slightly elevated in Q2 2019 as a result of some one-time expenses.

Increased interest and dividend income as a result of portfolio rebalances in 2018 and greater realized gains in the first quarter led to a significant increase in investment income in Q2 2019 and YTD. See Section 5 – Investment Performance Review for further discussion.

The higher net underwriting income and net investment income drove the increases in net income to $3.5 million in Q2 2019 and $8.0 million YTD. These improvements also drove the increase in ROE (trailing 12 months) to 21.7% at Q2 2019 compared to 13.2% as at Q2 2018 which was impacted by weaker underwriting income in 2017.

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

Surety

The main products offered by our Surety business line are:

- ✓ Contract surety bonds, such as performance and labour and material payment bonds, primarily for the construction industry;
- ✓ Commercial surety bonds, such as license and permit, tax and excise, and fiduciary bonds, which are issued on behalf of commercial enterprises and professionals to governments, regulatory bodies or courts to guarantee compliance with legal or fiduciary obligations; and
- ✓ Developer surety bonds, comprising mainly bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects.

In Q2 2019, Surety accounted for 16% and 33% of our overall GPW and NPW, respectively. For Q2 2019 YTD, Surety accounted for 16% and 31% of our overall GPW and NPW, respectively.

	Q2 2019	Q2 2018	$ variance	% variance	Q2 2019 YTD	Q2 2018 YTD	$ variance	% variance
Gross premiums written	17,723	16,044	1,679	10.5%	29,486	26,341	3,145	11.9%
Net premiums written	12,419	11,639	780	6.7%	20,575	18,941	1,634	8.6%
Net premiums earned	9,403	9,100	303	3.3%	16,597	16,378	219	1.3%
Fee income	212	345	(133)	(38.6%)	3,596	3,606	(10)	(0.3%)
Net underwriting revenue	9,615	9,445	170	1.8%	20,193	19,984	209	1.1%
Net underwriting income	747	1,249	(502)	(40.2%)	3,291	4,350	(1,059)	(24.3%)
Loss ratio: current accident year	22.6%	21.3%		1.3pts	22.8%	22.6%		0.2pts
Loss ratio: prior years' development	(5.2%)	(5.8%)		0.6pts	(5.6%)	(11.7%)		6.1pts
Loss ratio	17.4%	15.5%		1.9pts	17.2%	10.9%		6.3pts
Expense ratio	74.6%	70.7%		3.9pts	63.0%	62.6%		0.4pts
Combined ratio	92.0%	86.2%		5.8pts	80.2%	73.5%		6.7pts

Surety GPW and NPW have grown steadily throughout 2019. The slower growth of NPE in 2019 is partially related to the slower GPW growth experienced through 2018. Our surety line focuses on smaller contractors than our competitors, which has supported our strong loss ratios. The corollary to this focus is that growth may be more volatile, as we observed in 2018. Fee income represents fees charged to insureds to maintain their bonding facility with the Company and are typically collected and earned at the beginning of the year. Fee income on a YTD basis is in line with 2018.

Net underwriting income remained strongly positive at $0.7 million in Q2 2019 and at $3.3 million on a YTD basis. NUI was lower than 2018 which benefited from exceptionally low loss ratios. The Q2 2019 YTD expense ratio was in line with 2018. The Q2 2019 expense ratio was greater than the Q2 2018 expense ratio, in part because of higher commission expense as well as some one-time costs in Q2 2019, exacerbated by lower NPE.

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

Risk Solutions

Risk Solutions includes specialty insurance contracts which are structured, including through fronting arrangements, to meet the specific requirements of program administrators, managing general agencies, captive insurance companies, affinity groups and reinsurers. Our Risk Solutions business line consists primarily of warranty programs.

In Q2 2019, Risk Solutions accounted for 23% and 35% of our overall GPW and NPW, respectively. For Q2 2019 YTD, Risk Solutions accounted for 22% and 36% of our overall GPW and NPW, respectively.

	Q2 2019	Q2 2018	$ variance	% variance	Q2 2019 YTD	Q2 2018 YTD	$ variance	% variance
Gross premiums written	25,242	25,729	(487)	(1.9%)	42,676	39,692	2,984	7.5%
Net premiums written	13,009	11,021	1,988	18.0%	23,456	20,101	3,355	16.7%
Net premiums earned	7,539	5,282	2,257	42.7%	14,209	10,759	3,450	32.1%
Fee income	-	-	n/a	n/a	-	10	(10)	nm
Net underwriting revenue	7,539	5,282	2,257	42.7%	14,209	10,769	3,440	31.9%
Net underwriting income	791	281	510	181.5%	1,253	825	428	51.9%
Loss ratio: current accident year	24.8%	25.3%		(0.5pts)	28.2%	31.8%		(3.6pts)
Loss ratio: prior years' development	(0.9%)	(2.9%)		2.0pts	(5.6%)	(10.4%)		4.8pts
Loss ratio	23.9%	22.4%		1.5pts	22.6%	21.4%		1.2pts
Expense ratio	65.5%	72.3%		(6.8pts)	69.1%	70.9%		(1.8pts)
Combined ratio	89.4%	94.7%		(5.3pts)	91.7%	92.3%		(0.6pts)

GPW in Q2 2019 was lower than Q2 2018 because of a reduction in premium volume from a large fronted program, which renews annually in Q2. Risk Solutions grew on a YTD basis as a result of growth in a number of other existing fronting, GAP and warranty programs. Growth in NPW and NPE was high as a result of growth in a number of GAP and warranty programs, both in Q2 and Q2 YTD.

Net underwriting income in Q2 2019 was $0.8 million, an increase of $0.5 million over Q2 2018. This increase arose from a combination of higher NPE and lower expense ratio, partially attributable to a lower commission ratio on current mix of business.

For Q2 2019 YTD the loss ratio, expense ratio and combined ratio were similar to 2018. The $0.4 million increase in net underwriting income to $1.3 million was mostly driven by higher NPE.

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

Corporate Insurance

The main products offered by our Corporate Insurance business line are D&O insurance for public, private and non-profit enterprises, E&O liability insurance for both enterprises and professionals, commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial and financial institutions.

In Q2 2019, Corporate Insurance accounted for 10% and 22% of our overall GPW and NPW respectively. For Q2 2019 YTD, Corporate Insurance accounted for 11% and 25% of our overall GPW and NPW respectively.

	Q2 2019	Q2 2018	$ variance	% variance	Q2 2019 YTD	Q2 2018 YTD	$ variance	% variance
Gross premiums written	10,856	9,279	1,577	17.0%	21,127	18,524	2,603	14.1%
Net premiums written	8,262	7,223	1,039	14.4%	16,442	14,605	1,837	12.6%
Net premiums earned	7,781	6,793	988	14.5%	15,260	13,258	2,002	15.1%
Net underwriting revenue	7,781	6,793	988	14.5%	15,260	13,258	2,002	15.1%
Net underwriting income (loss)	588	45	543	1206.7%	1,094	(443)	1,537	nm
Loss ratio: current accident year	43.4%	41.3%		2.1pts	43.3%	41.5%		1.8pts
Loss ratio: prior years' development	(15.2%)	(3.7%)		(11.5pts)	(15.2%)	(0.8%)		(14.4pts)
Loss ratio	28.2%	37.6%		(9.4pts)	28.1%	40.7%		(12.6pts)
Expense ratio	64.2%	61.8%		2.4pts	64.7%	62.6%		2.1pts
Combined ratio	92.4%	99.4%		(7.0pts)	92.8%	103.3%		(10.5pts)

GPW, NPW and NPE grew strongly in Q2 2019 and on a YTD basis. This was due in part to a combination of new business, better retention rates and an increase in multi-year premiums where the entire premiums are recognized at the time these multi-year policies are written but are earned over the policy terms.

The reduction in the loss ratio in Q2 2019 was driven by stronger levels of favourable PYD compared to 2018. This claim experience alongside consistent expense levels led to a significant improvement in combined ratio and net underwriting income in Q2 2019 where net underwriting income increased by $0.5 million.

For Q2 2019 YTD these same factors of more favourable PYD and consistent expense levels led to net underwriting income of $1.1 million compared to a net underwriting loss of $0.4 million in Q2 2018 YTD.

SPECIALTY P&C – UNITED STATES

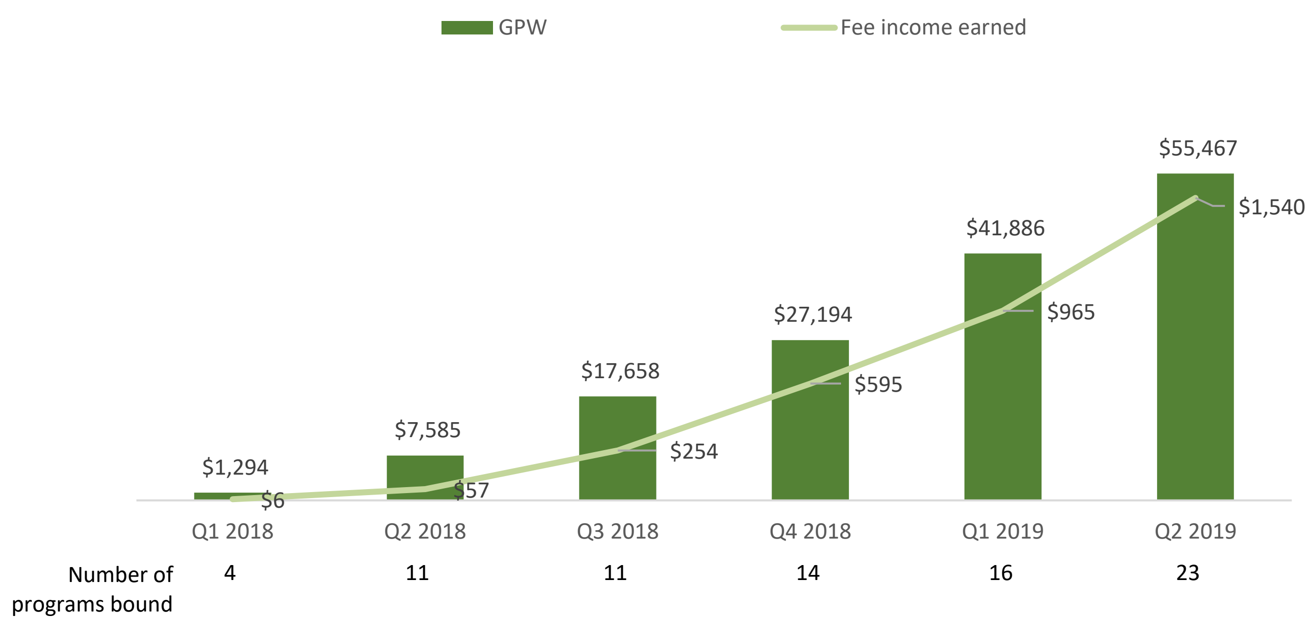
Our US specialty insurance company is a non-admitted surplus line insurer in all states, primarily operating as a hybrid fronting carrier with a fee-based business model.

US Specialty P&C continued to accelerate premium generation, producing GPW of $55.5 million in Q2 2019 across 23 programs bound. The graph below shows the GPW, fee income earned, and number of programs bound of our US Specialty P&C.

The US platform retained 6.2% of Q2 2019 GPW, the remainder of which was ceded to reinsurance partners.

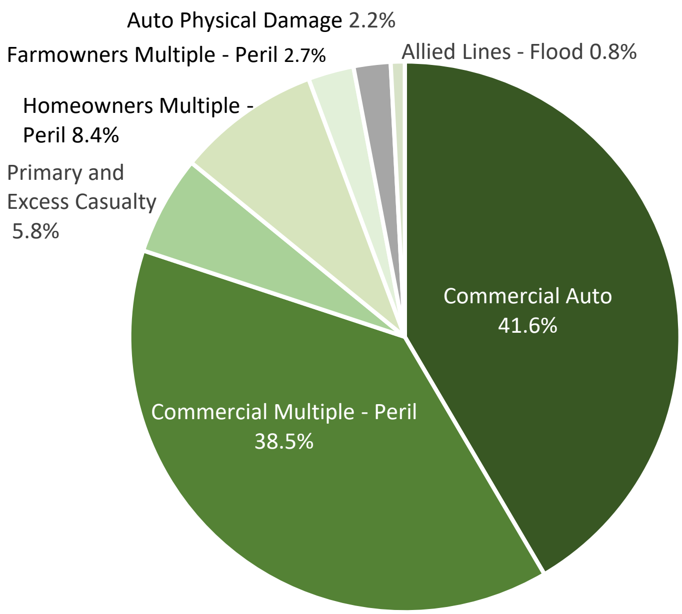
Q2 2019 YTD GPW was $97.4 million with 5.2% retained compared to $8.9 million with 6.7% retained in the corresponding period in 2018.

The following chart shows the growth in GPW and fee income:

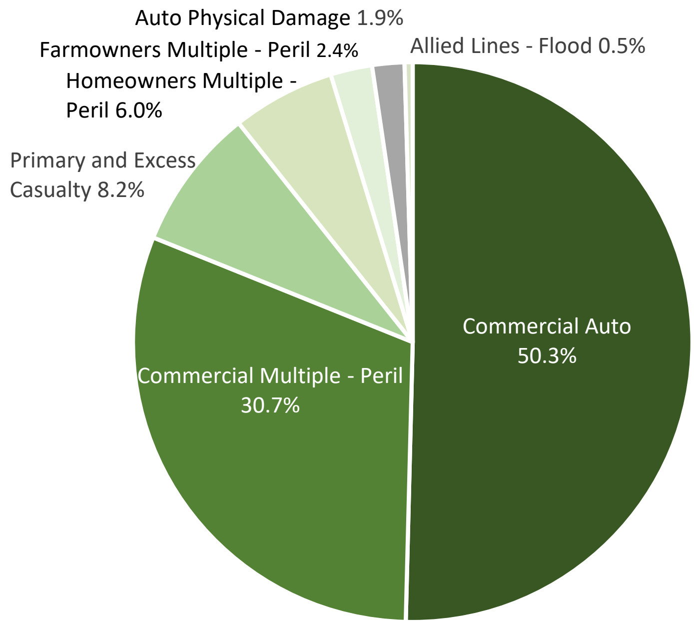


The charts below provide a segmentation by class of business of our US Specialty P&C GPW and NPW for Q2 2019 and Q2 2019 YTD.

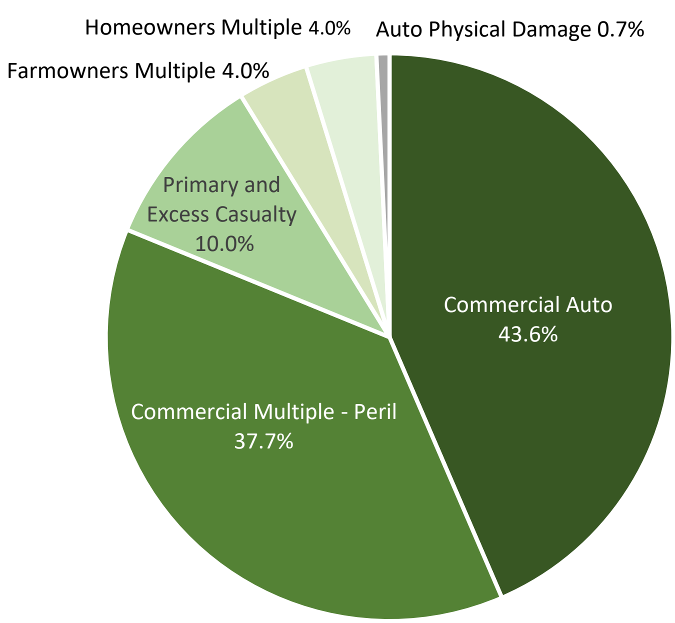
Gross Premiums Written
Q2 2019



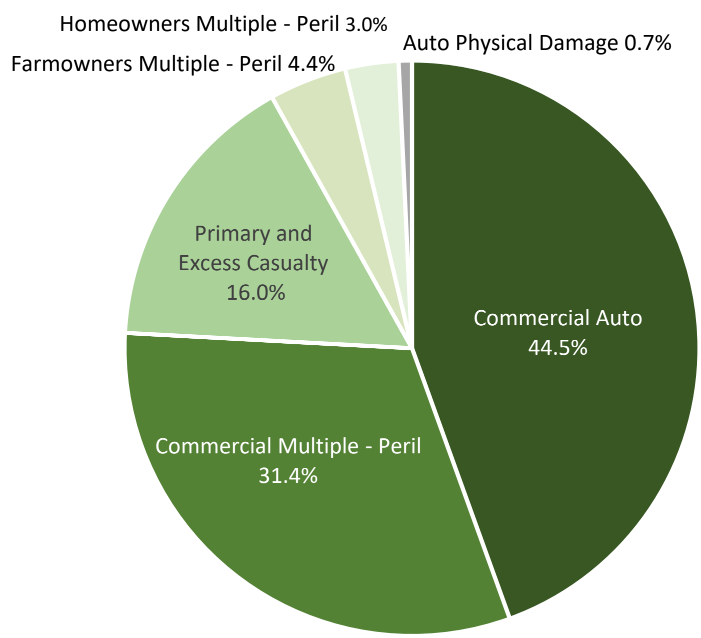
Gross Premiums Written
Q2 2019 YTD



Net Premiums Written
Q2 2019



Net Premiums Written
Q2 2019 YTD



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

Fee income in our US Specialty P&C business is comprised of fronting fees received from reinsurers and are recognized over the life of the insurance contracts they are associated with, similar to the premium earning profile. Earned fronting fees have grown strongly since 2018 in line with the growth of the business and were $1.5 million in Q2 2019 and $2.5 million for Q2 2019 YTD equating to 5.7% of earned ceded premium.

US Specialty achieved its first quarter of positive net underwriting income in Q2 2019 as growth in net earned premiums and fronting fee income exceeded claims and acquisition costs and operating expenses. In addition, net income in Q2 2019 benefited from investment income from our portfolio of investment grade bonds.

The growth in net earned premium and fronting fees also drove the improvement in net income to $0.8 million for Q2 2019 YTD compared to a loss of is $0.8 million in the corresponding period in 2018. Net loss ratio and acquisition ratio for Q2 2019 YTD are in line with the corresponding 2018 period. The operating ratio continues to improve as operating costs are spread over increasing NPE.

	Q2 2019	Q2 2018	$ variance	Q2 2019 YTD	Q2 2018 YTD	$ variance
Gross premiums written	55,467	7,585	47,882	97,353	8,879	88,474
Net premiums written	3,422	473	2,949	5,020	596	4,424
Net premiums earned	1,236	94	1,142	1,958	104	1,854
Fee income	1,540	57	1,483	2,505	63	2,442
Net underwriting revenue	2,776	151	2,625	4,463	167	4,296
Net underwriting income (loss)	183	(845)	1,028	(8)	(1,458)	1,450
Net investment income	574	398	176	671	662	9
Net income (loss)	601	(447)	1,048	845	(796)	1,641
Comprehensive income (loss)	(29)	545	(574)	270	1,280	(1,010)
Loss ratio	65.2%	61.9%		62.4%	61.5%	
Acquisition ratio	30.5%	24.3%		24.0%	25.0%	
Operating ratio	114.1%	983.3%		141.9%	1476.0%	
Expense ratio	144.6%	1007.6%		165.9%	1501.0%	
Combined ratio	209.8%	1069.5%		228.3%	1562.5%	
Fronting operational ratio	93.4%	659.6%		100.2%	973.1%	

Fronting fees are a key component of the profitability of our US Specialty P&C business but are not reflected in the traditional calculation of combined ratios. We therefore show the fronting operational ratio (defined as the sum of claims and expenses divided by the sum of NPE and fronting fees). The ratios were 93.4% in Q2 2019 and 100.2% YTD, both significantly better than the corresponding periods in 2018 reflecting growth in NPE and fronting fees as the business builds scale.

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

REINSURANCE

Our international reinsurance business ceased writing new business in 2008 but previously wrote quota share reinsurance (prospective), loss portfolio transfers (retrospective) and niche, specialty contracts covering international risks across multiple commercial lines. Currently our international reinsurance business is managing its remaining portfolio of in-force reinsurance contracts and is preparing to write new business through a newly established Barbados company in support of our on-shore subsidiaries.

The remaining in-force portfolio of reinsurance contracts is dominated by one large life annuity reinsurance contract denominated in euros. We measure the performance of our reinsurance business by reference to net income in order to capture (i) the change in annuity reserves which is included in net underwriting income; and (ii) the offsetting change in the value of the supporting assets, which is included in net investment income as these supporting assets are designated FVTPL.

	Q2 2019	Q2 2018	$ variance	Q2 2019 YTD	Q2 2018 YTD	$ variance
Net underwriting (loss) income	(10,458)	303	(10,761)	(20,781)	(645)	(20,136)
Net investment income and settlement (loss)	3,246	(51)	3,297	5,267	1,130	4,137
Net (loss) income	(7,293)	102	(7,395)	(8,009)	311	(8,320)
Operating expenses	662	520	142	1,253	1,127	126

The net underwriting loss in Q2 2019 and Q2 2019 YTD arose principally from reserve increases on the life component of the Reinsurance business driven by European interest rate declines to historic lows in 2019. The key interest rate that drives the valuation of our annuity liability is the average of the 10 and 15-year European swap rates on spot and forward bases. These underwriting losses were partially offset by market value gains on the assets supporting these reserves and, in Q1 2019, by a gain related to our structured insurance asset following the settlement of a legal dispute.

The excess on the net underwriting (loss) income over the net investment income and the legal settlement, together with tax accrual on the legal settlement led to the net loss of $7.3 million in Q2 2019 and $8.0 million in Q2 2019 YTD.

Through June and continuing in the third quarter we deployed a large portion of cash collateral into long dated European government bonds, increasing the duration of our assets to more closely match the duration of our annuity liabilities. We have improved our asset liability matching, as well as increasing our expected interest income.

Based on historical correlation of the current asset portfolio to the rates used to determine our liabilities, management believes that a significantly greater proportion of reserve movements will be offset by investment income, supported by recent experience. Declining rates will increase our annuity liability by more than our asset portfolio is expected to grow, however we have narrowed this imbalance materially since the end of the quarter. Conversely, any rise in the average level of the 10 and 15-year European swap rates will decrease our annuity liability by more than our asset portfolio is expected to decline.

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

CORPORATE

Our corporate results represent operating expenses that do not relate specifically to any one business line of the Company as well as debt servicing costs.

Q2 2019 corporate expenses were lower than Q2 2018 which was impacted by some one-time launch costs including professional advisor fees. Q2 2019 also included a one-time cost of $120 related to the acquisition of 21st Century Preferred Insurance Company. Q2 2019 YTD corporate operating expenses were higher than 2018 due to one-time costs in Q1 2019 related to staffing transitions costs. Share-based compensation includes payment to directors and senior management and is impacted by movement in the share price. Share-based compensation increased in Q2 2019 YTD compared to Q2 2018 YTD, in part because of increase in the value of the share price.

Debt servicing costs in 2019 have been in line with 2018.

	Q2 2019	Q2 2018	$ variance	Q2 2019 YTD	Q2 2018 YTD	$ variance
Corporate expenses	508	717	(209)	1,305	965	340
Share-based compensation	253	283	(30)	714	451	263
Debt servicing	257	235	22	526	466	60
Corporate	1,018	1,235	(217)	2,545	1,882	663

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

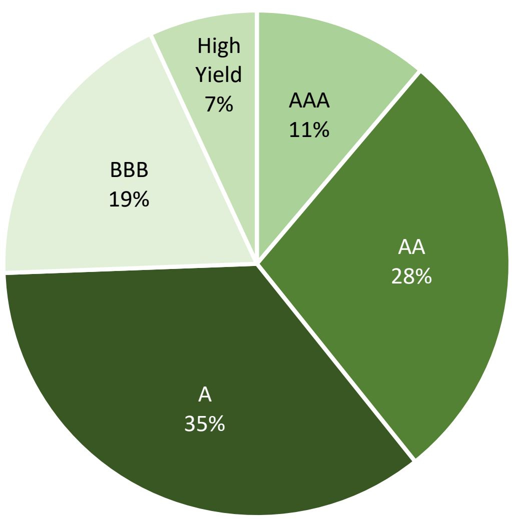
OVERVIEW

The Company's investment policy seeks to achieve attractive total returns without incurring an undue level of investment risk while supporting our liabilities and maintaining strong regulatory and economic capital levels. In 2018 we internalized our investment management and advisory function, allowing the Group to take a centralized investment stance across all subsidiary portfolios. We now have the ability to invest globally through our hedging facilities and have introduced new products selectively to our portfolios.

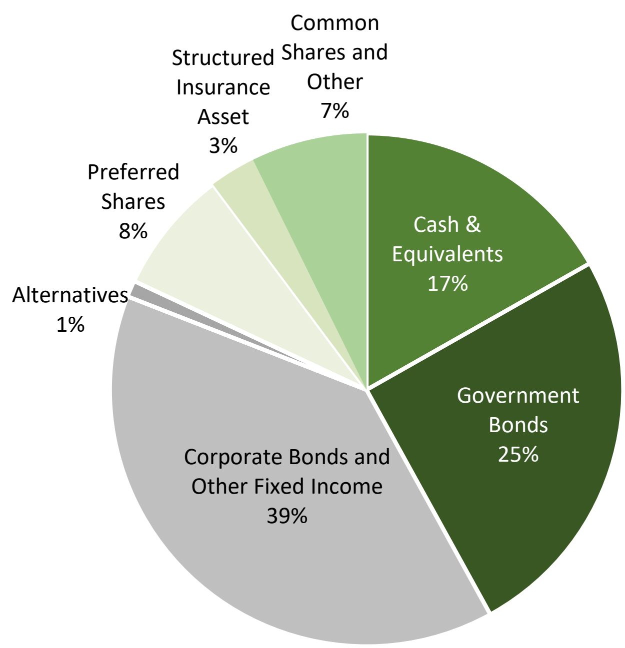
SUMMARY OF INVESTMENT PORTFOLIO

Our $387 million investment portfolio consists of cash and cash equivalents, government and corporate bonds, preferred shares, common shares and a small amount of fund investments. Ninety-three percent of our fixed income holdings are highly liquid, investment grade bonds. A significant portion of the consolidated investment portfolio remains invested in cash and cash equivalents, reflective of capital in our international entity, a significant portion of which is held as collateral supporting our reinsurance policies.

Fixed Income Securities by Rating



Investment Portfolio by Asset Class



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

INVESTMENT PERFORMANCE

Net Investment Income

	Q2 2019	Q2 2018	$ variance	Q2 2019 YTD	Q2 2018 YTD	$ variance
Specialty P&C - Canada	2,269	1,722	547	4,745	2,177	2,568
Specialty P&C - US	574	398	176	671	662	9
Reinsurance	3,249	(41)	3,290	5,272	1,150	4,122
Net investment income	6,092	2,079	4,013	10,688	3,989	6,699
Settlement from structured insurance assets	-	-	-	8,077	-	8,077
Total	6,092	2,079	4,013	18,765	3,989	14,776

The Company's operations currently include Specialty P&C insurance (Surety, Risk Solutions, and Corporate Insurance business lines) in Canada, Specialty P&C insurance in the US and international reinsurance through Trisura International. These businesses focus on different market segments, geographic regions and risks and can be subject to different regulatory investment requirements and accordingly, hold different assets and currencies to support their liabilities. Consequently, investment returns are most appropriately viewed at a business unit level.

Canadian Specialty P&C net investment income is driven by interest and dividend income on portfolio assets. Interest and dividend income in Q2 2019 improved over Q2 2018, driven by a rotation to higher-yielding securities, combined with realized gains from continued portfolio rotation, primarily in the equity portfolio. The market-based yield of the Canadian Specialty P&C portfolio as at June 30, 2019 was 4.0%. We continue to broaden the Canadian Specialty P&C portfolio's diversity, having introduced further alternative investments in 2019, which are expected to enhance portfolio yield and grow as a portion of the portfolio going forward.

Currently the U.S. P&C portfolio is allocated to fixed income, almost all of which is held in investment grade bonds as we prioritize minimum capital levels and lower volatility in the start-up phase of the business. The market-based yield of the US Specialty P&C portfolio as at June 30, 2019 was 3.5%. Investment income, which is driven by interest income on this portfolio of bonds, grew in Q2 2019 as a result of increased cash deployment versus Q2 2018.

In the Reinsurance portfolio, Euro-denominated bonds supporting the life annuity reserves are held at FVTPL. Investment returns have grown in this portfolio as we continue to deploy cash to better match our reinsurance liabilities, and interest rates continue to decline. The market-based yield of the Reinsurance portfolio as at June 30, 2019 was 1.7%. The Reinsurance portfolio also benefitted from a favourable legal settlement on our structured insurance asset in Q1 2019, adding to the performance on a year-to-date basis. Since the end of the quarter we have continued to redeploy cash in the Reinsurance portfolio to better match the duration of our liabilities as discussed above.

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

Other Comprehensive Income ("OCI")

	Q2 2019	Q2 2018	$ variance	Q2 2019 YTD	Q2 2018 YTD	$ variance
Unrealized gains (losses) in OCI	133	11	122	4,734	(1,973)	6,707
Cumulative translation	(1,843)	1,931	(3,774)	(3,786)	4,217	(8,003)
OCI	(1,710)	1,942	(3,652)	948	2,244	(1,296)

The Company records unrealized gains and losses in the market value of its AFS assets through OCI. The mark to market impact of these assets on OCI was positive in Q2 2019. This was driven by unrealized gains in the U.S. fixed income portfolio, partially offset by unrealized losses in the preferred shares in Canada.

Foreign exchange differences arising from the translation of the financial statements of Trisura International and Trisura Specialty to Canadian dollars are recognized as cumulative translation gains or losses, which are a constituent part of overall OCI. The cumulative translation losses in Q2 2019 and YTD were due to the strengthening of the Canadian currency against the US dollar, driving lower Canadian dollar valuations of capital and securities held outside of Canada.

Refer to Note 16 in the Condensed Interim Consolidated Financial Statements for more detail on the components of investment returns.

SECTION 6 – OUTLOOK & STRATEGY

INDUSTRY

The specialty insurance market offers products and services that are not written by most insurance companies. The risks covered by specialty insurance policies generally require specialist underwriting knowledge and technical financial and actuarial expertise. Specialty lines are niche segments of the market that tend to involve more complex risks and a more concentrated set of competitors. Consequently, these risks are difficult to place in the standard insurance market where many carriers are unable or unwilling to underwrite them. As a result, specialty insurers have more pricing and policy form flexibility than traditional market insurers whose prices and policy forms are subject to authorization and approval by insurance regulators. Specialty lines are less commoditized areas of the market where relationships, product expertise and product structure are not easily replicated. For this reason, specialty insurers have historically, and are expected to continue to outperform the standard markets by having lower claims ratios and combined ratios than traditional insurance companies.

In contrast to the standard P&C insurance market, which is divided almost evenly between personal and commercial lines, specialty insurers are focused almost exclusively on commercial lines. Even within the commercial sector, the business mix of the specialty insurers can vary significantly from that of the overall P&C industry. Although no standard definition for the specialty insurance market exists, some common examples of business written by specialty insurers include: non-standard insurance, niche market segments (such as Surety, D&O and E&O) and products that require tailored underwriting. Many insurance groups with a specialty focus have several different carriers and licenses and allocate business between these carriers depending on market conditions and regulatory requirements. The agency channel is the primary distribution channel for specialty insurance. Managing general agents often serve an important role in helping carriers distribute specialty insurance products.

In the US, the specialty P&C insurance industry is more fragmented than the standard marketplace. It is estimated that the top ten players capture just under 40% of market share, with the top 25 players averaging one to two percent market share positions. An estimated $150 to $200 billion of specialty insurance direct premiums (including excess and surplus) were written in 2016. Excess and surplus lines continue to demonstrate significant growth vs. the broader P&C industry, expanding by 43% in 2017. From 2000 until 2017, the average combined ratio for excess and surplus markets was 96.6% versus 102% for the P&C industry.

OUTLOOK AND STRATEGY

Our Company has an experienced management team with strong industry relationships and excellent reputations with rating agencies, insurance regulators and business partners. We have operated in the Canadian specialty P&C insurance market for more than 13 years and in the international specialty reinsurance market for over 17 years, establishing a conservative underwriting and investing track record.

In Canada, we have built our brand through Trisura Guarantee to serve our clients, brokers and institutional partners as a leading provider of niche specialty insurance products. Trisura Guarantee will continue to build out its product offerings in existing and new niche segments of the market with suitably skilled underwriters and professionals. Trisura Guarantee remains committed to its broker distribution channel to promote and sell its insurance products. Trisura Guarantee is selective in partnering with a limited brokerage force, focusing its efforts on leading brokerage firms in the industry with expertise in specialty lines. This distribution network currently comprises over 150 major international, national and regional brokerage firms operating across Canada in all provinces and territories as well as boutique niche brokers with a focus on specialty lines.

Our US specialty insurance business, Trisura Specialty, is fully operational and commenced binding transactions in 2018. It is licensed as a domestic excess and surplus lines insurer in Oklahoma. Trisura Specialty can operate as a non-admitted surplus lines insurer in all states and is rated A- (Excellent) by A.M. Best with stable outlook. It is our belief that the conditions are favourable for the continued growth of Trisura Specialty, which operates as a hybrid fronting carrier using a fee-based business model. Its focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our business activity to date these program administrators welcome our new capacity as there is currently a lack of fronting carriers and the products and arrangements currently offered to them by the existing market do not always meet the needs of their business and clients.

Furthermore, we continue to believe there is a strong supply of highly rated international reinsurance capacity keen to gain exposure to this business, allowing Trisura Specialty to cede the majority of the risk on its policies to these reinsurers on commercially favourable terms. This belief has been supported by our experience in the market through 2018 and Q2 2019. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, limiting underwriting risk and aligning our interests with our program distribution partners and reinsurers. As Trisura Specialty grows, we expect that our US operations will become a more significant component of our Company.

We will continue to develop our distribution network, building on our existing partner network in Canada and our core base of program administrators in the US. Our Company will strive to increase the penetration of our products in our partner network by providing the support they require to enhance the effectiveness of their sales and marketing efforts.

We also intend to consider acquisitions on an opportunistic basis and pursue those that fit with our strategic plan. Building on the knowledge and expertise of our existing operations, we intend to initially target businesses in the US that operate in similar niches of the specialty insurance market, or that can expand our licensing. Additionally, our reinsurance business is preparing to write new business in support of our on-shore subsidiaries and will continue to evaluate writing third party new business in the context of market conditions.

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

SECTION 7 – OTHER INFORMATION

RATINGS

Trisura Guarantee has been rated A- (Excellent) by A.M. Best since 2012. This rating was reaffirmed with stable outlook by A.M. Best in October 2018. Trisura Specialty obtained an A- (Excellent) rating with stable outlook from A.M. Best in September 2017, which was reaffirmed in October 2018. A.M Best increased the financial size category of Trisura Specialty from VI to VII (US $45 million to US $50 million capital) in May 2018.

CASH FLOW SUMMARY

	Q2 2019	Q2 2018	$ variance	Q2 2019 YTD	Q2 2018 YTD	$ variance
Net (loss) income from operating activities	(4,138)	984	(5,122)	(1,621)	2,847	(4,468)
Non-cash items to be deducted	(2,385)	1,443	(3,828)	(942)	2,632	(3,574)
Change in working capital operating items	16,713	4,819	11,894	14,278	(2,245)	16,523
Realized (gains) losses on AFS investments	(325)	(191)	(134)	(1,746)	301	(2,047)
Income taxes paid	(1,007)	(1,010)	3	(1,867)	(1,941)	74
Interest paid	(423)	(236)	(187)	(706)	(469)	(237)
Net cash from operating activities	8,435	5,809	2,626	7,396	1,125	6,271
Proceeds on disposal of investments	15,009	26,356	(11,347)	28,549	32,118	(3,569)
Purchases of investments	(39,451)	(40,532)	1,081	(63,244)	(104,749)	41,505
Net purchases of capital and intangible assets	(104)	(86)	(18)	(304)	(315)	11
Net cash used in investing activities	(24,546)	(14,262)	(10,284)	(34,999)	(72,946)	37,947
Dividends paid	(24)	(24)	-	(48)	(48)	-
Issuance of new loan payable	-	-	-	-	29,700	(29,700)
Repayment of loan payable	-	-	-	-	(29,700)	29,700
Lease payments	(182)	-	(182)	(495)	-	(495)
Net cash used in financing activities	(206)	(24)	(182)	(543)	(48)	(495)
Net decrease in cash	(16,317)	(8,477)	(7,840)	(28,146)	(71,869)	43,723
Cash at beginning of the period	82,072	104,627	(22,555)	95,212	165,675	(70,463)
Currency translation	(806)	1,589	(2,395)	(2,117)	3,933	(6,050)
Cash at the end of the period	64,949	97,739	(32,790)	64,949	97,739	(32,790)

The main cash flow activities in Q2 2019 as well as Q2 2018 were investing activities and reflected the purchase and disposal of investments, primarily related to activity in our bond portfolios, and to a lesser extent our common share and preferred share portfolios. The investing activities in Q2 YTD 2019 and Q2 YTD 2018 were also primarily related to purchases and disposals of investments. In Q2 YTD 2018, purchases of investments also included the deployment of cash to purchase bonds in the Trisura Specialty portfolio.

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

In Q2 2019 cash from in operating activities was primarily related to Change in working capital at Trisura International, partly related to an increase in unpaid claims liabilities. In Q2 2018 the positive change in working capital was primarily related to Trisura Guarantee, and an increase in Unearned premium in that entity. Cash from operating activities in Q2 YTD 2019 increased primarily as a result of an increase in Change in working capital at Trisura International. In Q2 YTD 2018, Change in working capital was negative driven mostly by negative Change in working capital at Trisura International. In both years, the Change in working capital at Trisura International was driven by changes in unpaid claims.

During 2018, the Company replaced the outstanding Loan payable of $29.7 million held at an intermediary holding company, with a new credit facility with an outstanding balance of $29.7 million (see Note 13 in the Condensed Interim Consolidated Financial Statements). The net impact of this transaction was $nil.

SEGMENTED REPORTING

As at	June 30, 2019				
	Trisura Guarantee	Trisura International(1)	Trisura Specialty	Corporate(2)	Total(3)
Assets	396,602	105,153	251,510	(2,793)	750,472
Liabilities	313,195	92,591	184,695	30,542	621,023
Shareholder's Equity	83,407	12,562	66,815	(33,335)	129,449
Book Value Per Share, $(4)	12.60	1.90	10.09	(5.04)	19.55

(1) Subsidiary includes the assets and liabilities of its holding company and adjustments for intercompany loans.
(2) Corporate includes consolidation adjustments and intercompany loans.
(3) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(4) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at June 30, 2019.

As at	December 31, 2018				
	Trisura Guarantee	Trisura International(1)	Trisura Specialty	Corporate(2)	Total(3)
Assets	349,356	103,113	150,966	(2,453)	600,982
Liabilities	274,770	81,703	84,421	30,136	471,030
Shareholder's Equity	74,586	21,410	66,545	(32,589)	129,952
Book Value Per Share, $(4)	11.26	3.23	10.05	(4.91)	19.63

(1) Subsidiary includes the assets and liabilities of its holding company and adjustments for intercompany loans.
(2) Corporate includes consolidation adjustments and intercompany loans.
(3) Total reflects the Group's Assets, Liabilities, and Book Value Per Share after consolidation adjustments.
(4) Number of common shares used in the calculation of book value per share equals to the Group's total number of common shares outstanding as at December 31, 2018.

FINANCIAL INSTRUMENTS

See Note 4 in the Company's Condensed Interim Consolidated Financial Statements.

OPERATING METRICS

We use operating metrics to assess our operating performance.

Combined Ratio

The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of net premiums earned, or underwriting margin. A combined ratio under 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.

Loss Ratio

The loss ratio is claims and loss adjustment expenses incurred as a percentage of net premiums earned.

Acquisition Ratio

The acquisition ratio is commissions and reinsurance commissions incurred as a percentage of net premiums earned.

Operating Ratio

The operating ratio is operating expenses (net of fee income in Trisura Guarantee) incurred as a percentage of net premiums earned.

Expense Ratio

The expense ratio is all expenses incurred (net of fee income in Trisura Guarantee) as a percentage of net premiums earned. The expense ratio is the sum of the acquisition ratio and the operating ratio.

Fronting Operational Ratio

The fronting operational ratio is the sum of claims and expenses divided by the sum of NPE and fronting fees.

ROE

We use ROE as a measure of operating performance. ROE is calculated based on net income, divided by the average amount of shareholders' equity of the Company for a given time period.

MCT

We report the results of our MCT as prescribed by OSFI's *Guideline A — Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies*, as amended, restated or supplemented from time to time. MCT determines the supervisory regulatory capital levels required by Trisura Guarantee.

These operating metrics are operating performance measures that highlight trends in our core business or are required ratios used to measure compliance with OSFI and other regulatory standards. Our Company also believes that securities analysts, investors and other interested parties use these operating metrics to compare our Company's performance against others in the specialty insurance industry. Our Company's management also uses these operating metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Such operating metrics should not be considered as the sole indicators of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A 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 Trisura Group Ltd. 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," "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 Trisura Group Ltd. 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: 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; ability to collect amounts owed; catastrophic events, such as earthquakes and hurricanes; 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, Trisura Group Ltd. 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.

GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AFS	Available for Sale Financial Asset
BVPS	Book Value Per Share
CTA	Cumulative Translation Adjustment
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Earnings Per Share
FVTPL	Fair Value Through Profit & Loss
GAP	Guaranteed Asset Protection
GPW	Gross Premium Written
MCT	Minimum Capital Test
Minority interests	The liability to participating shareholders
n/a	not available
NII	Net Investment Income
nm	not meaningful
NPE	Net Premium Earned
NPW	Net Premium Written
NUI	Net Underwriting Income
OCI	Other Comprehensive Income
pts	Percentage points
PYD	Prior Years' Net Reserve Development
Q1, Q2, Q3, Q4	The three months ended March 31, June 30, September 30 and December 31 respectively
Q2 YTD	The six months ended June 30
Q3 YTD	The nine months ended September 30
Q4 YTD	The twelve months ended December 31
ROE	Return on Shareholders' Equity
YTD	Year to Date