



TRISURA[®]

Trisura Group Ltd.

Condensed Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2024

TRISURA GROUP LTD.

Condensed Interim Consolidated Financial Statements (unaudited)

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

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

As at	<i>Note</i>	March 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents		636,186	604,016
Investments	4,6	1,056,639	890,157
Other assets	8	33,678	53,712
Reinsurance contract assets	7.2	1,947,341	2,003,589
Capital assets and intangible assets		28,053	16,657
Deferred tax assets		34,890	16,314
Total assets		3,736,787	3,584,445
Liabilities			
Insurance contract liabilities	7.1	2,871,676	2,769,951
Other liabilities	9	127,897	120,065
Loan payable	11	75,000	75,000
		3,074,573	2,965,016
Shareholders' equity			
Common shares	12	479,282	481,023
Contributed surplus		6,645	7,491
Retained earnings		180,007	143,574
Accumulated other comprehensive loss		(3,720)	(12,659)
		662,214	619,429
Total liabilities and shareholders' equity		3,736,787	3,584,445

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.**Condensed Interim Consolidated Statements of Income (unaudited)**

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

For the three months ended March 31,	<i>Note</i>	2024	2023
Insurance revenue	7.1	744,266	639,100
Insurance service expenses		(580,940)	(500,443)
Net expense from reinsurance contracts assets	7.2	(127,878)	(121,942)
Insurance service result		35,448	16,715
Net investment income	14	16,753	10,071
Net gains (losses)	15	12,276	(2,215)
Net credit impairment losses	4.2	(1,830)	(149)
Total investment income		27,199	7,707
Finance expenses from insurance contracts		(36,658)	(36,628)
Finance income from reinsurance contracts		32,800	31,902
Net insurance finance expenses		(3,858)	(4,726)
Net financial result		23,341	2,981
Net insurance and financial result		58,789	19,696
Other income		5,345	5,178
Other operating expenses		(15,012)	(5,432)
Other finance costs	11.2	(614)	(600)
Income before income taxes		48,508	18,842
Income tax expense	17	(12,075)	(4,866)
Net income attributable to shareholders		36,433	13,976
Weighted average number of common shares outstanding during the period (in thousands) – basic		47,596	45,887
Earnings per common share (in dollars) – basic	13	0.77	0.30
Earnings per common share (in dollars) – diluted	13	0.75	0.30

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.**Condensed Interim Consolidated Statements of Comprehensive Income (unaudited)**

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

For the three months ended March 31,	<i>Note</i>	2024	2023
Net income attributable to shareholders		36,433	13,976
Items that may be or are reclassified subsequently to Net income			
Net unrealized (gains) losses on FVOCI investments		(1,694)	6,730
Income tax expense (benefit)		360	(1,757)
FVOCI amounts		(1,334)	4,973
Net realized (gains) losses		(89)	715
Net credit impairment losses	4.2	1,830	149
Income tax expense		(432)	(51)
Items reclassified to Net income		1,309	813
Net unrealized losses on FVOCI investments		2,966	659
Net realized gains on FVOCI investments		-	(96)
Income tax benefit on FVOCI investments		(734)	(215)
Items that will not be reclassified to Net income		2,232	348
Items other than Cumulative translation gain (loss)		2,207	6,134
Cumulative translation gain (loss)		6,732	(213)
Other comprehensive income		8,939	5,921
Total comprehensive income		45,372	19,897

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)

	Note	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (net of income taxes)	Total
Balance as at January 1, 2024		481,023	7,491	143,574	(12,659)	619,429
Net income		-	-	36,433	-	36,433
Other comprehensive income		-	-	-	8,939	8,939
Total comprehensive income		-	-	36,433	8,939	45,372
Share issuance	12	1,335	-	-	-	1,335
Shares purchased under Restricted Share Units ("RSUs") plan	12	(3,076)	-	-	-	(3,076)
Share based payments		-	(846)	-	-	(846)
Balance as at March 31, 2024		479,282	6,645	180,007	(3,720)	662,214

		Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (net of income taxes)	Total
Balance at January 1, 2023, as restated		430,262	5,743	76,633	(18,987)	493,651
Net income		-	-	13,976	-	13,976
Other comprehensive income		-	-	-	5,921	5,921
Total Comprehensive income		-	-	13,976	5,921	19,897
Share issuance		711	-	-	-	711
Shares purchased under Restricted Share Units ("RSUs") plan		(869)	-	-	-	(869)
Share based payments		-	(932)	-	-	(932)
Balance as at March 31, 2023		430,104	4,811	90,609	(13,066)	512,458

See accompanying notes to the Condensed Interim Consolidated Financial Statements

TRISURA GROUP LTD.**Condensed Interim Consolidated Statements of Cash Flows (unaudited)**

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

For the three months ended March 31,	<i>Note</i>	2024	2023
Operating activities			
Net income		36,433	13,976
Items not involving cash:			
Depreciation and amortization		274	460
Unrealized (gains) losses		(8,875)	4,334
Net credit impairment losses	4.2	1,830	149
Stock options granted		387	289
Change in working capital	18	160,070	(1,046)
Realized losses on investments		330	245
Income taxes paid		(4,056)	(3,837)
Interest paid		(115)	(127)
Net cash flows from operating activities		186,278	14,443
Investing activities			
Proceeds on disposal of investments		38,368	31,601
Purchases of investments		(179,636)	(79,987)
Purchases of capital assets		(474)	(79)
Acquisition of subsidiary	19	(15,015)	-
Purchases of intangible assets		(58)	(98)
Net cash flows used in investing activities		(156,815)	(48,563)
Financing activities			
Shares issued	12	1,335	711
Shares purchased under RSU plan	12	(3,076)	(869)
Principal portion of lease payments		(586)	(512)
Net cash flows used in financing activities		(2,327)	(670)
Net increase (decrease) in cash and cash equivalents during the period		27,136	(34,790)
Cash, beginning of period		559,741	381,485
Cash equivalents, beginning of period		44,275	24,883
Cash and cash equivalents, beginning of period		604,016	406,368
Impact of foreign exchange on cash and cash equivalents		5,034	(3,368)
Cash, end of period		562,216	357,896
Cash equivalents, end of period		73,970	10,314
Cash and cash equivalents, end of period		636,186	368,210

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)

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 has investments in wholly owned subsidiaries through which it conducts insurance and reinsurance operations. Those operations are primarily in Canada and the United States.

The Company’s Canadian business operates as a Canadian property and casualty insurance company, licensed in all provinces and territories. Certain lines of the Canadian business operate as a fronting carrier with a large portion of gross premiums written ceded to reinsurers. The Company’s US business is a domestic surplus lines insurer that can write business as a non-admitted surplus line insurer in all states and admitted business in most states. The US business primarily operates as a hybrid fronting carrier where a large portion of its gross premiums written are ceded to reinsurers.

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 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The Condensed Interim Consolidated Financial Statements should be read in conjunction with the annual financial statements for the year ended December 31, 2023. These statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Condensed 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 Condensed Interim Consolidated Statements of Financial Position is in order of liquidity. The Company’s functional and presentation currency is Canadian dollars.

These Condensed Interim Consolidated Financial Statements were authorized for issuance by the Company’s Board of Directors on May 2, 2024.

Note 3 – Summary of material accounting policies

The accounting policies applied during the three months ended March 31, 2024 are the same as those described and disclosed in *Note 2 – Summary of material accounting policies* of the December 31, 2023 Consolidated Financial Statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.1 IFRS 18 – Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosures in Financial Statements*, which will replace IAS 1 *Presentation of Financial Statements*. IFRS 18 enhances disclosure requirements in the following areas: the statement of profit and loss, aggregation and disaggregation of financial information, and management-defined performance measures. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and will be applied retrospectively. The Company is currently assessing potential impacts.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 4 – Investments

4.1 Classification of cash and investments

The following table presents the classification of cash and cash equivalents, short-term securities and investments:

As at March 31, 2024	FVOCI	FVTPL	Amortized Cost	Total
Cash and cash equivalents	-	-	636,186	636,186
Investments				
Short-term securities	-	-	7,500	7,500
Fixed income ⁽¹⁾	669,587	149,631	4,500	823,718
Common shares	-	38,677	-	38,677
Preferred shares	54,008	70,771	-	124,779
Alternatives	-	61,965	-	61,965
Total investments	723,595	321,044	12,000	1,056,639
Total cash, cash equivalents and investments	723,595	321,044	648,186	1,692,825

As at December 31, 2023	FVOCI	FVTPL	Amortized Cost	Total
Cash and cash equivalents	-	-	604,016	604,016
Investments				
Short-term securities	-	-	7,500	7,500
Fixed income ⁽¹⁾	527,880	144,815	2,500	675,195
Common shares	-	35,412	-	35,412
Preferred shares	50,068	65,204	-	115,272
Alternatives	-	56,778	-	56,778
Total investments	577,948	302,209	10,000	890,157
Total cash, cash equivalents and investments	577,948	302,209	614,016	1,494,173

(1) As at March 31, 2024, included in Fixed income are exchange-traded debt funds amounting to \$140,058 (December 31, 2023 - \$138,754).

4.2 Unrealized gains and losses and carrying value of investments

The amortized cost and carrying value of investments as at March 31, 2024 and December 31, 2023 were as follows:

As at March 31, 2024	FVTPL	FVOCI and amortized cost investments				Total
	investments	investments				investments
	At carrying value	Amortized cost	Unrealized gains	Unrealized losses	Carrying value	At carrying value
Short-term securities	-	7,500	-	-	7,500	7,500
Fixed income	149,631	689,477	-	(15,390)	674,087	823,718
Common shares	38,677	-	-	-	-	38,677
Preferred shares	70,771	57,333	-	(3,325)	54,008	124,779
Alternatives	61,965	-	-	-	-	61,965
	321,044	754,310	-	(18,715)	735,595	1,056,639

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 4 – Investments (Continued)

As at December 31, 2023	FVTPL	FVOCI and amortized cost investments				Total
	investments					investments
	At carrying value	Amortized cost	Unrealized gains	Unrealized losses	Carrying value	At carrying value
Short-term securities	-	7,500	-	-	7,500	7,500
Fixed income	144,815	543,868	-	(13,488)	530,380	675,195
Common shares	35,412	-	-	-	-	35,412
Preferred shares	65,204	56,303	-	(6,235)	50,068	115,272
Alternatives	56,778	-	-	-	-	56,778
	302,209	607,671	-	(19,723)	587,948	890,157

The ECL of \$5,122 (2023: \$4,336) is recognized in Other comprehensive income, and does not reduce the carrying amount of these investments in the Condensed Interim Consolidated Statements of Financial Position.

Impairment losses on financial investments subject to impairment assessment

For the three months ended March 31, 2024 and 2023, an analysis of changes in the fair value and the corresponding ECL is as follows:

	For the period ended March 31, 2024			For the period ended March 31, 2023		
	12mECL	LTECL	Total	12mECL	LTECL	Total
Beginning fair value	527,130	750	527,880	441,932	656	442,588
New assets purchased	173,995	-	173,995	56,368	-	56,368
Assets derecognized or matured	(37,730)	-	(37,730)	(25,756)	-	(25,756)
Change in fair value	200	(507)	(307)	6,634	(135)	6,499
Net foreign exchange income	5,749	-	5,749	-	-	-
Movement between 12mECL and LTECL	(2,175)	2,175	-	-	-	-
Ending fair value	667,169	2,418	669,587	479,178	521	479,699

	For the period ended March 31, 2024			For the period ended March 31, 2023		
	12mECL	LTECL	Total	12mECL	LTECL	Total
Beginning ECL	3,193	99	3,292	3,935	252	4,187
New assets purchased	748	-	748	120	-	120
Assets derecognized or matured (excl. writeoffs)	(104)	-	(104)	(110)	-	(110)
Movement in ECL	382	804	1,186	195	(56)	139
Movement between 12mECL and LTECL	(934)	934	-	(167)	167	-
Ending ECL	3,285	1,837	5,122	3,973	363	4,336

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. As at March 31, 2024, the Company has pledged cash amounting to \$499 (December 31, 2023 – \$479), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at March 31, 2024, the Company pledged \$7,939 (December 31, 2023 – \$7,212) of fixed income investments, including \$557 of cash and cash equivalents, as security deposits to various US state insurance departments to be held in trust for various states and are therefore not readily available for general use by the Company.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 5 – Fair value and notional amount of derivatives

The following sets out the fair value and notional amount of derivatives as at March 31, 2024 and December 31, 2023:

As at	March 31, 2024			December 31, 2023		
	Notional amount	Fair value		Notional amount	Fair value	
Asset		Liability	Asset		Liability	
Foreign currency contracts						
Forwards	141,541	-	933	136,312	1,052	-
Equity contracts						
Swap agreement	10,745	13,467	-	11,088	10,907	-
	152,286	13,467	933	147,400	11,959	-
Term to maturity						
less than one year	152,286	13,467	933	136,762	2,396	-
from one to five years	-	-	-	10,638	9,563	-

The Company uses foreign currency forward contracts to reduce its exposure to fluctuations in the exchange rates that could arise from its USD, EUR and GBP denominated investments. The notional amounts of the forwards as at March 31, 2024 are \$100,681 USD (December 31, 2023 – \$97,664 USD), €1,545 EUR (December 31, 2023 – €1,477 EUR) and £2,466 GBP (December 31, 2023 – £2,349 GBP). The Company also uses swap agreements to mitigate exposure to equity market fluctuations associated with its share based compensation. These derivatives are recorded at fair value (see Note 6, Note 8, Note 9) and gains and losses are recorded in Net gains (losses) (see Note 15).

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 6 – Fair value measurement

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at March 31, 2024 and December 31, 2023:

As at March 31, 2024	Total fair value	Level 1	Level 2	Level 3
Fixed income	819,218	-	819,218	-
Common shares	38,677	38,677	-	-
Preferred shares	124,779	124,779	-	-
Alternatives	61,965	-	-	61,965
Total investments	1,044,639	163,456	819,218	61,965
Derivative financial assets	13,467	-	13,467	-
Total assets	1,058,106	163,456	832,685	61,965
Derivative financial liabilities	933	-	933	-
Total liabilities	933	-	933	-

As at December 31, 2023	Total fair value	Level 1	Level 2	Level 3
Fixed income	672,695	-	672,695	-
Common shares	35,412	35,412	-	-
Preferred shares	115,272	115,272	-	-
Alternatives	56,778	-	-	56,778
Total investments	880,157	150,684	672,695	56,778
Derivative financial assets	11,959	-	11,959	-
Total assets	892,116	150,684	684,654	56,778

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Balance at beginning of period	56,778	47,139
Realized and unrealized losses	(122)	(5,787)
Purchase of securities	3,903	16,378
Foreign exchange	1,406	(952)
Balance at end of period	61,965	56,778

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 7 – Insurance and reinsurance contracts

7.1 Roll-forward of net liability for insurance contracts issued showing LRC and LIC

Insurance operations	2024			Total
	LRC	LIC	Risk adj. for non-financial risk	
		Present value of future cash flows		
Opening insurance contract liabilities, as at January 1	700,843	1,841,713	227,395	2,769,951
Insurance revenue	(744,266)	-	-	(744,266)
Insurance service expenses:				
Incurred claims and other directly attributable expenses	13,079	345,038	39,089	397,206
Changes that relate to past service	-	(1,528)	(20,587)	(22,115)
Insurance acquisition cash flows amortization	205,849	-	-	205,849
Insurance service result from insurance contracts	(525,338)	343,510	18,502	(163,326)
Finance expense from insurance contracts	-	36,658	-	36,658
Effects of exchange rate movements	10,713	37,465	4,899	53,077
Total amounts recognized in Comprehensive income	(514,625)	417,633	23,401	(73,591)
Cash flows:				
Premiums received	636,285	-	-	636,285
Claims and other directly attributable expenses paid	5,135	(263,823)	-	(258,688)
Insurance acquisition cash flows	(202,281)	-	-	(202,281)
Total cash flows	439,139	(263,823)	-	175,316
Ending balance of Insurance contract liabilities as at March 31, 2024	625,357	1,995,523	250,796	2,871,676

Insurance operations	2023			Total
	LRC	LIC	Risk adj. for non-financial risk	
		Present value of future cash flows		
Opening insurance contract liabilities, as at January 1	654,687	1,349,318	161,098	2,165,103
Insurance revenue	(639,100)	-	-	(639,100)
Insurance service expenses:				
Incurred claims and other directly attributable expenses	9,961	310,685	33,580	354,226
Changes that relate to past service	-	(12,570)	(16,490)	(29,060)
Insurance acquisition cash flows amortization	175,277	-	-	175,277
Insurance service result from insurance contracts	(453,862)	298,115	17,090	(138,657)
Finance expense from insurance contracts	-	36,628	-	36,628
Effects of exchange rate movements	(352)	(848)	(105)	(1,305)
Total amounts recognized in Comprehensive income	(454,214)	333,895	16,985	(103,334)
Cash flows:				
Premiums received	658,074	-	-	658,074
Claims and other directly attributable expenses paid	-	(210,866)	-	(210,866)
Insurance acquisition cash flows	(190,013)	-	-	(190,013)
Total cash flows	468,061	(210,866)	-	257,195
Ending balance of Insurance contract liabilities as at March 31, 2023	668,534	1,472,347	178,083	2,318,964

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 7 – Insurance and reinsurance contracts (Continued)

As at March 31, 2024, the liability for incurred claims, including the risk adjustment, was calculated at a 73% level of confidence (December 31, 2023 - 73%).

Discount rates applied for discounting of future cash flows are listed below:

Insurance contracts issued and reinsurance contracts	Currency	As at March 31, 2024					As at December 31, 2023				
		1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
	CAD	5.47%	4.89%	5.09%	5.21%	5.06%	5.39%	4.75%	4.79%	4.91%	4.78%
	USD	5.56%	5.04%	5.05%	5.22%	4.95%	6.02%	4.72%	4.54%	4.21%	3.97%

7.2 Roll-forward of net asset for reinsurance contracts held showing Asset for remaining coverage (ARC) and Asset for incurred claims (AIC)

Reinsurance contracts held	2024			Total
	ARC	AIC		
		Present value of future cash flows	Risk adj. for non-financial risk	
Opening reinsurance contract assets	300,000	1,590,376	201,599	2,091,975
Opening reinsurance contract liabilities	(88,386)	-	-	(88,386)
Net opening balance, as at January 1	211,614	1,590,376	201,599	2,003,589
Allocation of reinsurance premiums (ceding premiums paid)	(572,348)	-	-	(572,348)
Claims recovered:				
Amounts recoverable for incurred claims and other directly attributable expenses	130,915	294,707	35,724	461,346
Changes to amounts recoverable for incurred claims	-	1,175	(18,051)	(16,876)
Net expense (income) from reinsurance contracts assets	(441,433)	295,882	17,673	(127,878)
Finance expense from reinsurance contracts	-	32,800	-	32,800
Effects of exchange rate movements	5,214	34,033	4,491	43,738
Total amounts recognized in Comprehensive income	(436,219)	362,715	22,164	(51,340)
Cash flows:				
Premiums paid, net of ceding commissions, and other directly attributable expenses paid	226,472	(231,380)	-	(4,908)
Total cash flows	226,472	(231,380)	-	(4,908)
Ending balance of Reinsurance contract assets as at March 31, 2024	1,867	1,721,711	223,763	1,947,341

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 7 – Insurance and reinsurance contracts (Continued)

	2023			Total
	ARC	AIC		
Reinsurance contracts held		Present value of future cash flows	Risk adj. for non-financial risk	
Opening reinsurance contract assets	245,680	1,162,669	141,963	1,550,312
Opening reinsurance contract liabilities	(22,513)	-	-	(22,513)
Net opening balance, as at January 1	223,167	1,162,669	141,963	1,527,799
Allocation of reinsurance premiums (ceding premiums paid)	(492,945)	-	-	(492,945)
Claims recovered:				
Amounts recoverable for incurred claims and other directly attributable expenses	99,327	261,613	28,640	389,580
Changes to amounts recoverable for incurred claims	-	(4,191)	(14,386)	(18,577)
Net expense (income) from reinsurance contracts assets	(393,618)	257,422	14,254	(121,942)
Finance expense from reinsurance contracts	-	31,902	-	31,902
Effects of exchange rate movements	(130)	(773)	(97)	(1,000)
Total amounts recognized in Comprehensive income	(393,748)	288,551	14,157	(91,040)
Cash flows:				
Premiums paid, net of ceding commissions, and other directly attributable expenses paid	443,632	(177,907)	-	265,725
Total cash flows	443,632	(177,907)	-	265,725
Ending balance of Reinsurance contract assets as at March 31, 2023	273,051	1,273,313	156,120	1,702,484

7.3 Reinsurance Contracts

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 affected 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.

The Company's fronting operations cede the majority of the insurance revenue generated through it to third-party reinsurers. As such, reinsurance contract assets are significant to the Company's financial position, and the associated credit risk is monitored each reporting period.

Reinsurance does not relieve the Company of its obligations to policyholders. The Company's obligation to pay policyholders is not contingent on the reinsurers paying, or honouring its contractual 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 or contract disputes. Reinsurers providing reinsurance policies are generally required to have a minimum A.M. Best credit rating of A- at the inception of each policy or are otherwise required to post agreed upon levels of collateral. Unlicensed reinsurers must post an agreed upon level of collateral.

In Q3 2023, allegations emerged regarding the legitimacy of certain letters of credit associated with a particular bank. Trisura held certain letters of credit from this bank which were provided by one of our US reinsurance partners. This matter was resolved through the replacement of these certain letters of credit in the current period.

There is a provision for reinsurer non-performance of \$14,362 as at March 31, 2024 (December 31, 2023 – \$14,472).

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 8 – Other assets

As at March 31, 2024 and December 31, 2023, Other assets consist of:

As at	March 31, 2024	December 31, 2023
Derivative financial assets	13,467	11,959
Accrued investment income	8,290	6,929
Tax recoveries	3,279	23,954
Prepaid expenses	1,855	2,008
Unsettled investments receivable	3	2,987
Other assets	6,784	5,875
	33,678	53,712

Note 9 – Other liabilities

As at March 31, 2024 and December 31, 2023, Other liabilities consist of:

As at	March 31, 2024	December 31, 2023
Deposits in trust ⁽¹⁾	66,929	51,083
Accrued liabilities	22,410	26,457
Share based payment plan	12,319	9,742
Lease liabilities	10,082	9,698
Taxes payable	5,834	15,133
Derivative financial liabilities	933	-
Other liabilities	9,390	7,952
	127,897	120,065

(1) The Company periodically holds deposits in trust from reinsurers and other counterparties as a form of collateral.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 10 – Capital management

The Company's capital is its shareholders' equity, which consists of common shares, contributed surplus, retained earnings and Accumulated other comprehensive 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.

In Canada, under guidelines established by the Office of the Superintendent of Financial Institutions which apply to the regulated insurance company of Trisura Canada, 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 target MCT level based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Canada's target MCT level in accordance with these requirements.

In the US, the regulated insurance companies of Trisura US Fronting are subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. The Company's admitted carriers are subject to the various capital requirements of each US state in which it is licensed. A requirement of the regulators is that Trisura US Fronting's regulated insurance companies' Risk Based Capital exceed certain minimum thresholds as well as Company Action Levels (CALs), below which the companies would have to notify the regulators.

Note 11 – Loan Payable

11.1 Loan payable

The Company maintains a five-year revolving credit facility (the "Facility") with a Canadian Schedule I bank (the "Bank") which allows for drawings of up to \$50,000. Under this arrangement, the Company is able to draw funds in the form of short-term banker's acceptances, Canadian prime rate advances, base rate advances or Secured Overnight Financing Rate (SOFR) loans. The interest rate is based on the current periods' bankers' acceptance rate, Canadian prime rate, base rate, or SOFR loans 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.

In Q3 2023, the Company issued a Letter of Credit for \$13,500 through this facility. As at March 31, 2024, the undrawn capacity remains unchanged (December 31, 2023 – \$36,500).

As part of the covenants of the current loan arrangement, the Company is required to maintain certain financial ratios, which were fully met as at March 31, 2024 and December 31, 2023.

11.2 Senior unsecured notes

In June 2021, the Company completed an offering of senior unsecured notes (the "Notes"), with a principal amount of \$75,000, which will mature on June 11, 2026. The Notes bear interest at a fixed annual rate of 2.64%. Interest is payable in semi-annual instalments which commenced on December 11, 2021. The Notes are direct unsecured obligations and will rank equally with all other unsecured and unsubordinated indebtedness of the Company.

The following table provides details of the total debt outstanding as at March 31, 2024 and December 31, 2023.

	Maturity date	Term (years)	Fixed rate	Coupon (payment)	Principal amount	Carrying value	
						Mar.31,2024	Dec.31,2023
Senior unsecured notes	June 11, 2026	5	2.64%	Jun, Dec	75,000	75,000	75,000

For the three months ended March 31, 2024, the Company incurred \$614 of interest expense (March 31, 2023 – \$600), of which \$541 (March 31, 2023 – \$540) is related to the senior unsecured notes.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

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). As at March 31, 2024 and December 31, 2023, no non-voting shares were issued and no preferred shares are outstanding.

In August 2023, the Company completed a public offering of 1,620,000 common shares for gross proceeds of \$53,298. The Company incurred costs of \$2,132 in commission paid to underwriters as well as \$371 of costs directly attributable to the share issuance, which have been deducted from equity. As at December 31, 2023, the net impact of the share issuance was an increase in common shares of \$51,458, net of tax impact of \$663 related to the share issuance costs.

For the three months ended March 31, 2024, 94,340 stock options (December 31, 2023 – 77,798 stock options) issued under the Company's existing stock option plan were exercised. Consideration paid by stock option holders to exercise the options resulted in an increase to share capital.

The following table shows the common shares issued and outstanding, excluding treasury shares:

As at	March 31, 2024		December 31, 2023	
	Number of common shares	Amount (in thousands)	Number of common shares	Amount (in thousands)
Balance, beginning of period	47,439,770	481,023	45,783,528	430,262
Shares under RSUs plan	(53,473)	(3,076)	(41,556)	(1,409)
Common shares issued	94,340	1,335	1,697,798	52,170
Balance, end of period	47,480,637	479,282	47,439,770	481,023

As part of the RSUs plan, the Company purchases its own shares which are classified as treasury shares and the costs of these shares are recorded as a reduction to equity. As at March 31, 2024, the Company has an aggregate of 47,673,375 common shares (December 31, 2023 – 47,579,035 common shares) outstanding, which includes 192,738 treasury shares (December 31, 2023 – 139,265 treasury shares).

Note 13 – Earnings per share

Basic earnings per common share are calculated by dividing the net income attributable to common shareholders for the reporting period 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 adjusted for the effects of all dilutive potential common shares, which consist of stock options.

As at March 31,	2024	2023
Net income attributable to common shareholders	36,433	13,976
Weighted-average number of common shares outstanding (in shares)	47,596,173	45,886,524
EPS – basic (in dollars)	0.77	0.30
Dilutive effect of the conversion of options on common shares (in shares)	859,433	901,772
Diluted weighted-average number of common shares outstanding (in shares)	48,455,606	46,788,296
EPS – diluted (in dollars)	0.75	0.30

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 14 – Net investment income

For the three months ended March 31,	2024	2023
Cash and cash equivalents, and short-term securities	6,926	2,511
FVOCI bonds	6,164	4,719
FVTPL bonds	1,783	1,164
Interest income	14,873	8,394
FVTPL common shares	947	810
FVTPL preferred shares	878	761
FVOCI preferred shares	774	731
Dividend income	2,599	2,302
Investment expenses	(719)	(625)
Net investment income	16,753	10,071

Note 15 – Net gains (losses)

For the three months ended March 31,	2024	2023
FVOCI financial instruments:		
FVOCI fixed income	293	(373)
FVTPL financial instruments:		
FVTPL fixed income	(519)	2,053
FVTPL equity securities	6,123	1,026
FVTPL alternatives	(114)	(611)
	5,783	2,095
Derivatives:		
Swap agreements ⁽¹⁾	2,454	(3,954)
Embedded derivatives	(12)	(342)
Net foreign currency gains (losses)	4,051	(14)
Net gains (losses)	12,276	(2,215)

(1) Excluding foreign currency contracts, which are reported in the line Net foreign currency gains (losses).

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 16 – Segmented information

As at March 31, 2024, the Company has two reportable segments. The operations of Trisura Canada comprise Surety and Corporate Insurance business underwritten in both Canada and the United States, as well as Risk Solutions and Fronting products primarily underwritten in Canada. Trisura US Fronting provides specialty fronting insurance solutions underwritten in the United States.

The following tables show the results for the three months ended March 31, 2024 and 2023:

Three Months Ended March 31, 2024	Trisura Canada	Trisura US Fronting	Corporate and Other	Total
Insurance revenue	221,856	522,410	-	744,266
Insurance service expenses	(154,436)	(426,504)	-	(580,940)
Net expense from reinsurance contracts assets	(46,626)	(81,252)	-	(127,878)
Insurance service result	20,794	14,654	-	35,448
Net investment income	8,999	6,709	1,045	16,753
Net gains	4,324	2,423	5,529	12,276
Net credit impairment (losses) reversals	(1,821)	(14)	5	(1,830)
Total investment income	11,502	9,118	6,579	27,199
Finance expenses from insurance contracts	(3,293)	(33,365)	-	(36,658)
Finance income from reinsurance contracts	2,295	30,505	-	32,800
Net insurance finance expenses	(998)	(2,860)	-	(3,858)
Net financial result	10,504	6,258	6,579	23,341
Net insurance and financial result	31,298	20,912	6,579	58,789
Other income	5,345	-	-	5,345
Other operating expenses	(5,846)	(5,007)	(4,159)	(15,012)
Other finance costs	(40)	(33)	(541)	(614)
Income before tax	30,757	15,872	1,879	48,508

Three Months Ended March 31, 2023	Trisura Canada	Trisura US Fronting	Corporate and Other	Total
Insurance revenue	179,793	459,307	-	639,100
Insurance service expenses	(114,882)	(385,548)	(13)	(500,443)
Net expense from reinsurance contracts assets	(46,754)	(75,188)	-	(121,942)
Insurance service result	18,157	(1,429)	(13)	16,715
Net investment income	5,165	4,377	529	10,071
Net gains (losses)	503	1,238	(3,956)	(2,215)
Net credit impairment (losses) reversals	(28)	(174)	53	(149)
Total investment income (loss)	5,640	5,441	(3,374)	7,707
Finance expenses from insurance contracts	(5,165)	(31,463)	-	(36,628)
Finance income from reinsurance contracts	3,390	28,512	-	31,902
Net insurance finance expenses	(1,775)	(2,951)	-	(4,726)
Net financial result	3,865	2,490	(3,374)	2,981
Net insurance and financial result	22,022	1,061	(3,387)	19,696
Other income	5,178	-	-	5,178
Other operating expenses	(4,765)	(3,310)	2,643	(5,432)
Other finance costs	(56)	-	(544)	(600)
Income (loss) before tax	22,379	(2,249)	(1,288)	18,842

TRISURA GROUP LTD.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

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

Note 16 – Segmented information (Continued)

As at March 31, 2024	Trisura Canada	Trisura US Fronting	Corporate and Other	Total
Assets	1,151,549	2,491,080	94,158	3,736,787
Liabilities	817,875	2,201,301	55,397	3,074,573

As at December 31, 2023	Trisura Canada	Trisura US Fronting	Corporate and Other	Total
Assets	1,008,169	2,463,918	112,358	3,584,445
Liabilities	718,385	2,193,711	52,920	2,965,016

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 17 – Income taxes

The following shows the major components of income tax expense for the three months ended March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Current tax expense	30,238	5,829
Deferred tax benefit	(18,163)	(963)
Income tax expense	12,075	4,866
Income taxes recorded in Other comprehensive income:		
Net changes in unrealized gains (losses) on FVOCI investments	(257)	777
Reclassification of net gains on FVOCI investments	432	51
Origination and reversal of temporary differences	631	1,195
Total income tax expense recorded in Other comprehensive income	806	2,023

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax provision included in the Condensed Interim Consolidated Statements of Income for the three months ended March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Income before income taxes	48,508	18,842
Statutory income tax rate	26.5%	26.5%
	12,855	4,993
Variations due to:		
Permanent differences	234	(294)
International operations subject to different tax rates	(708)	232
True up	(306)	(65)
Income tax expense	12,075	4,866

The permanent differences relate primarily to investment income or losses that are non-taxable or taxed at rates lower than the statutory income tax rate, such as non-taxable dividend income and capital gains. In certain circumstances, permanent differences relate to expenses not deductible for tax purposes.

As at March 31, 2024, the Company has unused tax losses of \$10,171 (December 31, 2023 – \$10,689), which will expire in the following years:

	March 31, 2024
2042	1,044
2043	8,538
2044	589
	10,171

TRISURA GROUP LTD.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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

Note 18 – Additional information on the Condensed Interim Consolidated Statements of Cash Flows

The following table shows the changes in working capital for the three months ended March 31, 2024 and March 31, 2023:

For the three months ended March 31,	2024	2023
Insurance contract liabilities	100,835	157,836
Reinsurance contract assets	56,248	(174,158)
Leases and accrued liabilities	14,534	6,752
Other operating liabilities	4,292	327
Income taxes	(3,642)	4,860
Other operating assets	(12,197)	3,337
	160,070	(1,046)

Note 19 – Acquisition

On March 15, 2024, the Company closed its acquisition of 100% of the issued share capital of First Founders Assurance Company ("FFAC"), for cash consideration of \$18.8 million. FFAC is a US Treasury listed surety company and is a business as defined by IFRS 3 *Business Combinations*. This acquisition will allow the Company to access a broader portion of a larger surety market within the US, resulting in increased insurance revenue.

The initial amounts assigned to the identifiable assets acquired, goodwill and liabilities assumed on March 15, 2024 are as set out in the table below.

Cash and cash equivalents	3,791
Investments	6,359
Other assets	83
Insurance contract liabilities	(888)
Other liabilities	(1,372)
Total identifiable assets and liabilities assumed	7,973
Goodwill	10,833
Total consideration transferred in cash	18,806
Net cash outflow arising on acquisition:	
Cash consideration	18,806
Less: cash and cash equivalents acquired	(3,791)
	15,015

The goodwill of \$10.8 million represents the excess of the purchase price over the fair value of the net assets, and is attributable to the future economic benefits and other synergies expected from the Treasury listing certificate obtained and other assets acquired that are not individually identified and separately recognized in the acquisition. None of the goodwill is expected to be deductible for income tax purposes.