

definity.



# INVESTOR PRESENTATION

February 2024



# ADVISORY REGARDING FORWARD-LOOKING INFORMATION

This presentation contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future business, financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “forecasts”, “projections”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding possible future events or circumstances.

Forward-looking information in this presentation is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as at the date such statements are made, and are subject to many factors that could cause our actual results, performance or achievements, or other future events or developments, to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors:

- Definity’s ability to continue to offer competitive pricing, product features, and services that are attractive to customers;
- Definity’s ability to appropriately price its insurance products to produce an acceptable return, particularly in provinces where the regulatory environment requires auto insurance rate increases to be approved or that otherwise impose regulatory constraints on auto insurance rate increases;
- Definity’s ability to accurately assess the risks associated with the insurance policies that it writes;
- Definity’s ability to assess and pay claims in accordance with its insurance policies;
- litigation and regulatory actions, including potential claims in relation to demutualization and our IPO, and COVID-19-related class-action lawsuits that have arisen and which may arise, together with associated legal costs;
- Definity’s ability to obtain adequate reinsurance coverage to transfer risk;
- Definity’s ability to accurately predict future claims frequency or severity, including the frequency and severity of weather-related events and the impact of climate change;
- Definity’s ability to address inflationary cost pressures through pricing, supply chain, or cost management actions;
- the occurrence of unpredictable catastrophe events;
- unfavourable capital market developments, interest rate movements, changes to dividend policies or other factors which may affect our investments or the market price of our common shares;
- changes associated with the transition to a low-carbon economy, including reputational and business implications from stakeholders’ views of our climate change approach, that of our industry, or that of our customers;
- Definity’s ability to successfully manage credit risk from its counterparties;
- foreign currency fluctuations;
- Definity’s ability to meet payment obligations as they become due;
- Definity’s ability to maintain its financial strength rating or credit rating;
- Definity’s dependence on key people;
- Definity’s ability to attract, develop, motivate, and retain an appropriate number of employees with the necessary skills, capabilities, and knowledge;
- Definity’s ability to appropriately collect, store, transfer, and dispose of information;
- Definity’s reliance on information technology systems and internet, network, data centre, voice or data communications services and the potential disruption or failure of those systems or services, including as a result of cyber security risk;
- failure of key service providers or vendors to provide services or supplies as expected, or comply with contractual or business terms;
- Definity’s ability to obtain, maintain and protect its intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology;
- compliance with and changes in legislation or its interpretation or application, or supervisory expectations or requirements, including changes in the scope of regulatory oversight, effective income tax rates, risk-based capital guidelines, and accounting standards;
- failure to design, implement and maintain effective controls over financial reporting which could have a material adverse effect on our business;
- deceptive or illegal acts undertaken by an employee or a third party, including fraud in the course of underwriting insurance or administering insurance claims;
- Definity’s ability to respond to events impacting its ability to conduct business as normal;
- Definity’s ability to implement its strategy or operate its business as management currently expects;
- general business, economic, financial, political, and social conditions, particularly those in Canada;
- the emergence or continuation of widespread health emergencies or pandemics, and their impact on local, national, or international economies, as well as their heightening of certain risks that may affect our business or future results;
- the competitive market environment and cyclical nature of the P&C insurance industry;
- the introduction of disruptive innovation or alternative business models by current market participants or new market entrants;
- distribution channel risk, including Definity’s reliance on brokers to sell its products;
- Definity’s dividend payments being subject to the discretion of the Board and dependent on a variety of factors and conditions existing from time to time;
- the discontinuance, modification, or failure to complete Definity’s normal course issuer bid (“NCIB”);
- Definity’s dependence on the results of operations of its subsidiaries and the ability of the subsidiaries to pay dividends;
- Definity’s ability to manage and access capital and liquidity effectively;
- Definity’s ability to successfully identify, complete, integrate and realize the benefits of acquisitions or manage the associated risks;
- management’s estimates and judgments in respect of the adoption of IFRS 17 and its impact on various financial metrics;
- periodic negative publicity regarding the insurance industry, Definity, or Definity Insurance Foundation; and
- management’s estimates and expectations in relation to interests in the broker distribution channel and the resulting impact on growth, income, and accretion in various financial metrics.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in Section 12 – “Risk Management and Corporate Governance” of the December 31, 2023 Management’s Discussion and Analysis should be considered carefully by readers.

Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, the factors above are not intended to represent a complete list and there may be other factors not currently known to us or that we currently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as at the date made. The forward-looking information contained in this presentation represents our expectations as at the date of this presentation (or as at the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

All of the forward-looking information contained in this presentation is expressly qualified by the foregoing cautionary statements.



# COMPANY OVERVIEW

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# COMPANY HIGHLIGHTS

**Leading Canadian P&C Insurer in a Large and Growing Market**

**Superior Customer and Broker Experience**

**Highly Scalable Digital Platforms and Growing Broker Distribution Capabilities**

**Market Leading Commercial Insurance Capabilities**

**Sophisticated Pricing Methodologies and Disciplined Underwriting Underpin Profitability**

**Significant Financial Flexibility to Support Value Creation**

**Seasoned Management Team and Dynamic Corporate Culture**

# DEFINITY IS A LEADING CANADIAN P&C INSURER

We are a personal and commercial P&C insurer offering auto, property, liability, pet, and specialty insurance solutions through multiple distribution channels



**Over 150 Years** of Operations in Canada



**6<sup>th</sup> Largest P&C Insurance Carrier in Canada<sup>(1)</sup>**

**3<sup>rd</sup> Largest Carrier in Broker Channel Canada<sup>(1)</sup>**



**Deeply Engaged Team**

~3,500 employees in 15 regional offices and a national network of over 600 independent brokerage firms



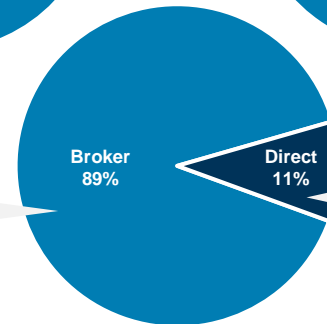
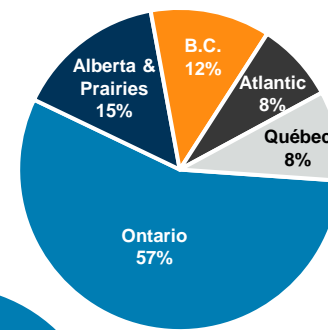
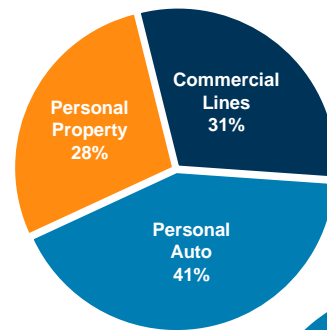
**Advanced Data Analytics Capabilities and a Passion for Innovation**  
Demonstrated by Award-winning Digital Platforms



**Profitable Growth**

**GWP<sup>(3)</sup> CAGR of 12% and Underwriting Income<sup>(4)</sup> Improvement of ~\$263M in 2019-2023**

**\$4.0B IN GROSS WRITTEN PREMIUMS<sup>(3)</sup> IN FY-2023<sup>(2)</sup>**



1. As of December 31, 2022, based on direct written premiums ("DWP") from MSA Research. Market share of Canadian P&C insurance industry DWP of \$73.2 billion for the twelve months ended December 31, 2022, excluding accident and sickness insurance and policies for insurance written outside of Canada, Canada Guaranty Mortgage Insurance Company, Genworth Financial Mortgage Insurance Company, Green Shield Canada, Insurance Corporation of British Columbia, Lloyd's Underwriters Canada, Saskatchewan Auto Fund, and Saskatchewan Government Insurance.  
2. 2023 GWP breakdown by business line, distribution channel, and region.  
3. Restated under current GWP definition. GWP is a supplementary financial measure. Refer to Section 13 — Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios in the Q4-2023 MD&A for further details.  
4. 2019-2022 under IFRS 4. 2023 under IFRS 17. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 13 — Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2023 MD&A for further details.

# OUR STRATEGY

## OUR PURPOSE

Building a better world by helping our clients and communities adapt and thrive

## OUR AMBITION

To be one of Canada's leading and most innovative P&C insurers

## OUR PROMISE

Making insurance better

## STRATEGIC OBJECTIVES

Become one of the five largest P&C insurers in Canada

Maintain our digital leadership

Consistently deliver disciplined financial management

Position Definity as a purpose-driven sustainability leader

## KEY FOCUS AREAS

- Drive profitable growth in personal lines with digital capabilities across broker and digital direct channels
- Grow and diversify our commercial insurance business
- Deliver a superior claims experience to customers while prudently managing claim costs
- Diversify and strengthen our growth through acquisitions and partnerships
- Maintain our pace of innovation
- Attract and retain top talent to empower a high-performance culture
- Thoughtfully integrate ESG priorities and deliver on our targets to create positive outcomes in our business and communities

# SUPERIOR CUSTOMER AND BROKER EXPERIENCE

Our Digital Platforms, Sonnet and Vyne, enable our customers and brokers to access competitively priced insurance in a fast, easy to use manner

**sonnet.**  
INSURANCE

**vyne**<sup>™</sup>  
GROW WITH  
CONFIDENCE

- ✓ Purchase insurance in as little as 5 minutes
  - ✓ Easy-to-understand language and available support
  - ✓ Fully digital
  - ✓ Real-time customization, processing and underwriting
  - ✓ Automated underwriting and advanced data analytics used to deliver personalized pricing
- ✓ Quickly obtain and process bindable quotes
  - ✓ Integration with all major BMS<sup>(1)</sup> and quoting vendors
  - ✓ Uses the technology and learnings of Sonnet
  - ✓ Real-time customization, processing and underwriting
  - ✓ Automated underwriting and advanced data analytics used to deliver personalized pricing

## IMPACT EVERY ASPECT OF THE VALUE CHAIN

- ▶ We believe that our sophisticated Digital Platforms **enable rapid scaling of our business**
- ▶ Ability to **directly drive new business** from over 30,000 individual brokers and thousands of customers who engage with us directly **while reducing variable costs**
- ▶ Ability to **respond to market conditions with greater speed and agility** drives improvements in our personal lines claims ratio
- ▶ **Automated, data-driven model supports** customer acquisition and retention
- ▶ We expect that these platforms will also enable us to **drive synergies in connection with potential future acquisitions**

1. Broker management systems.

# USING ANALYTICS & AI TO CREATE BUSINESS VALUE



200+ data & analytics practitioners



Over 25 years of high-quality, digitized data + access to extensive third-party datasets



A robust enterprise data & analytics strategy






Early adoption of Generative AI to drive further business value in a safe & responsible manner



Large-scale technology initiatives to continuously improve our data platforms & analytics capabilities, including strategic partnership with Google Cloud established in 2022



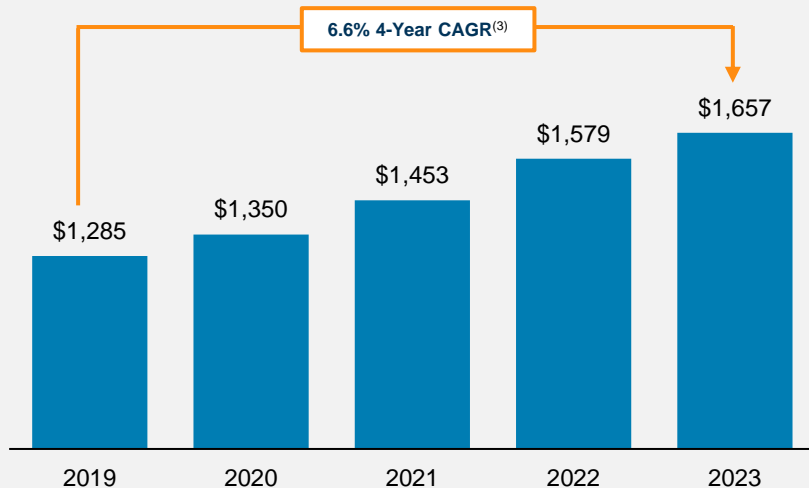
Leading model risk management and data & analytics ethics practices

 ALL LINES	 PERSONAL LINES	 COMMERCIAL LINES
Numerous models <b>triage &amp; evaluate claims in real time</b> upon first notification of loss	Predictive modelling evaluates <b>customer profitability, loss propensity, conversion, retention</b> , and need for <b>underwriter intervention</b>	Predictive models are foundational to our <b>pricing, target market identification, and quote prioritization</b>
Analytics & machine learning <b>enable effective claim management &amp; fraud detection</b> throughout the claim lifecycle	Real-time underwriting <b>fraud detection &amp; deflection</b> to protect Sonnet profitability	Machine learning <b>prioritizes building inspections &amp; consultative risk services</b> for targeted customers
Granular analytics <b>assess broker performance</b>	AI deployed to <b>improve Contact Centre efficiency</b>	AI deployed to <b>improve intake efficiency &amp; broker experience</b>
<b>125+ predictive models to improve profitability, growth, and the customer experience</b>		



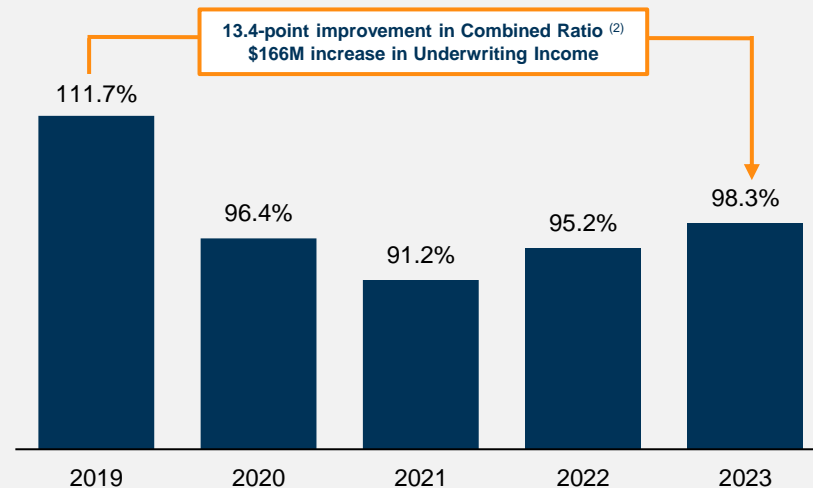
# DRIVING PROFITABLE GROWTH IN PERSONAL AUTO BY LEVERAGING DIGITAL ASSETS AND BROKER RELATIONSHIPS

## PERSONAL AUTO GWP GROWTH <sup>(1,2)</sup>



- We expect personal auto growth to remain in the **mid-single digits** for the year 2024, reflecting our commitment to taking a disciplined approach to growth.

## PERSONAL AUTO COMBINED RATIO<sup>(2,4)</sup>



- We expect our personal auto combined ratio<sup>(3)</sup> to remain in the **mid to upper 90s target** range in the near term.

Note: Figures in millions, unless otherwise noted.

1. Restated under current GWP definition.

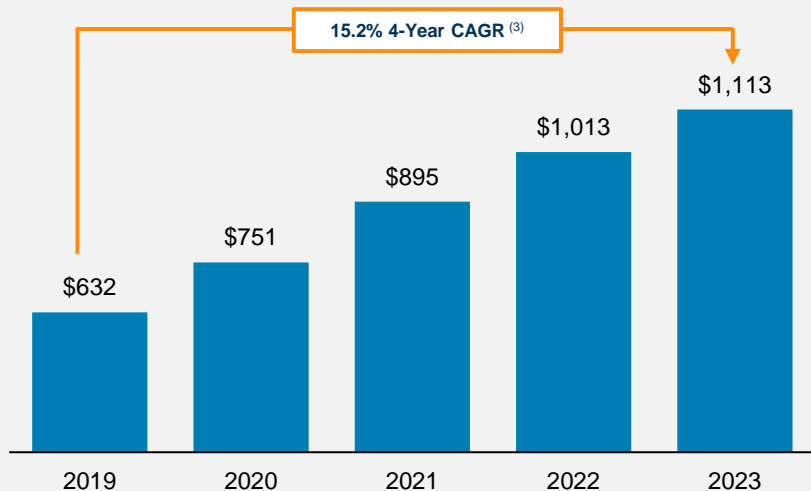
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3. 4Y CAGR from 2019-2023

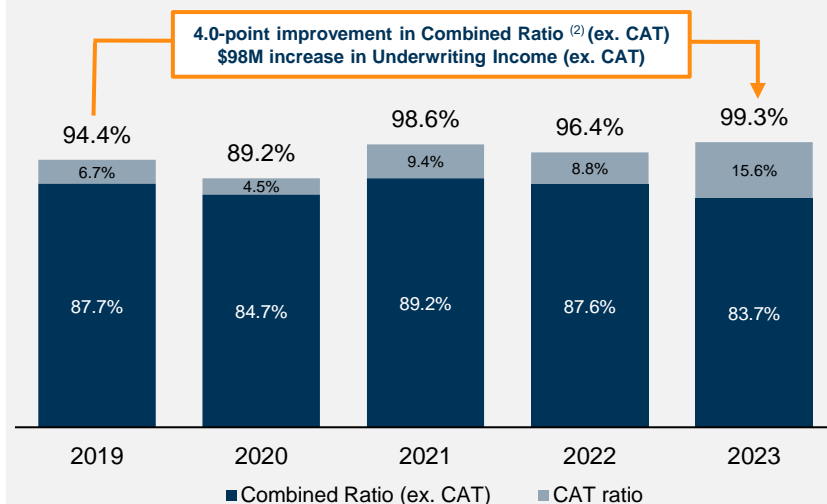
4. The years 2019 - 2021 are under IFRS 4 and 2022 – 2023 are under IFRS 17.

# ROBUST GROWTH IN PERSONAL PROPERTY WITH IMPROVED UNDERWRITING

## PERSONAL PROPERTY GWP GROWTH <sup>(1,2)</sup>



## PERSONAL PROPERTY COMBINED RATIO <sup>(2,4)</sup>



- We expect personal property to grow at a **mid-to-upper single digit** pace for the full year 2024.
- We continue to target a **mid-90s** combined ratio<sup>(3)</sup> for the personal property line of business on an annual basis.

Note: Figures in millions, unless otherwise noted.

1. Restated under current GWP definition.

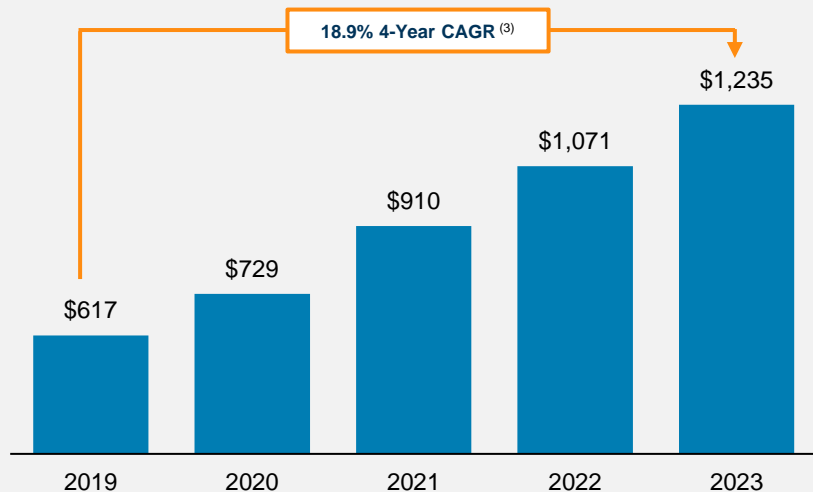
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3. 4Y CAGR from 2019-2023

4. The years 2019 - 2021 are under IFRS 4 and 2022 – 2023 are under IFRS 17.

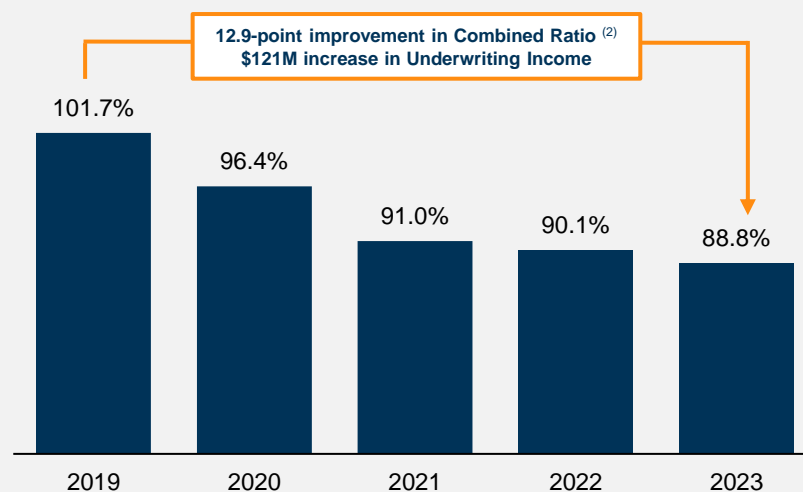
# GROWING AND PROFITABLE COMMERCIAL INSURANCE CAPABILITIES

## COMMERCIAL INSURANCE GWP GROWTH <sup>(1,2)</sup>



- We expect our commercial business to grow at a **low double-digit to low teens** pace in 2024.

## COMMERCIAL INSURANCE COMBINED RATIO <sup>(2,4)</sup>



- We continue to expect the commercial insurance business to sustainably deliver annual combined ratios<sup>(3)</sup> in the **low 90s**.

Note: Figures in millions, unless otherwise noted.

1. Restated under current GWP definition.

2. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2023 MD&A for further details.

3. 4Y CAGR from 2019-2023

4. The years 2019 - 2021 are under IFRS 4 and 2022 – 2023 are under IFRS 17.

# POSITIONED FOR EXPANSION ACROSS SEVERAL COMMERCIAL INSURANCE SEGMENTS



## SMALL BUSINESS

Target market size: ~\$9.5B<sup>(1)</sup>

### Key growth opportunities:

- Leverage digital capability of “Vyne Commercial” to drive growth in the broker channel



## MID-MARKET

Target market size: ~\$8.5B<sup>(1)</sup>

### Key growth opportunities:

- Deepening broker relationships to drive new business
- Comprehensive product suite and recently introduced cross-border capabilities



## SPECIALTY

Target market size: ~\$6.0B<sup>(1)</sup>

### Key growth opportunities:

- Continue to add new products to become a core market for strategic broker partners
- Leverage insights gained from Uber partnership to further enhance digital underwriting capabilities



Uber

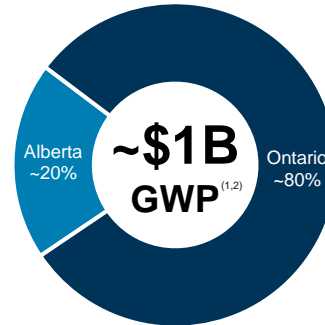
1. Based on GWP as of December 31, 2022.

# OUR LEADING BROKER PLATFORM

Our national broker platform provides immediate opportunities to scale and grow the earnings profile of the business

## Benefits to Definity

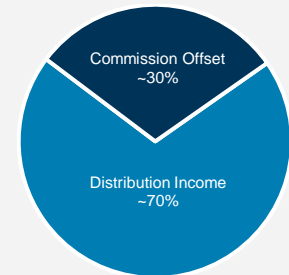
- Diversified product base allows for repeatable distribution income and complementary earnings contribution
- Strong loss ratios and operating margins
- Scale positions in Ontario and Alberta with deep management team and proven M&A experience
- Relationships with over 50 carrier markets with a robust product suite
- Access to high quality portfolios by fostering stronger relationships with brokers
- Demonstrated organic and acquisition-based growth potential



## 3-5 Year Ambition

**\$1.5B  
GWP<sup>(2)</sup>**

Portfolio of broker investments is expected to generate an operating income<sup>(2)</sup> before finance costs, taxes and minority interests of **~\$75 million** in 2024.



1. Broker Platform annual GWP includes transactions completed after January 1, 2024.

2. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2023 MD&A for further details.

# A HEIGHTENED FOCUS ON CULTURE AND DEVELOPING EXECUTIVE BENCH STRENGTH



**Rowan Saunders**  
President & CEO



**Philip Mather**  
EVP & CFO



**Paul MacDonald**  
EVP, Personal Insurance  
& Digital Channels



**Fabian Richenberger**  
EVP, Commercial  
Insurance & Insurance  
Operations



**Liam McFarlane**  
SVP & Chief Risk and  
Actuarial Officer



**Brigid Pelino**  
SVP & Chief People &  
Culture Officer



**Innes Dey**  
SVP,  
Legal and Strategy



**Tatjana Lalkovic**  
SVP & Chief  
Technology Officer



**Tom Reikman**  
SVP & Chief  
Distribution Officer



**Donna Ince**  
SVP & Chief  
Underwriting Officer,  
Personal Insurance



**Obaid Rahman**  
SVP & Chief  
Underwriting Officer,  
Commercial Insurance



**Craig Richardson**  
SVP,  
Chief Claims Officer

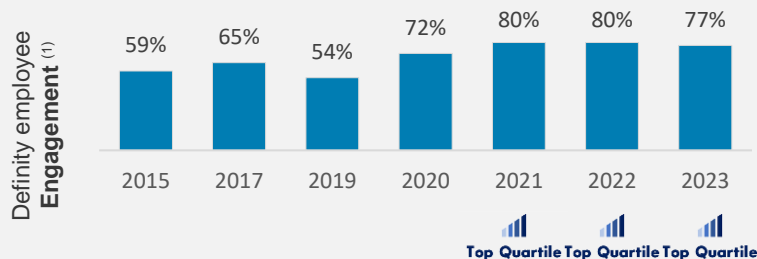
- ✓ ~60% of the Senior Leadership Team have been with Definity for more than 5 years
- ✓ Senior Leadership Team has an average of more than 20 years of P&C insurance industry experience

# DEFINITY, IT'S BETTER HERE

## 2023 Company Recognition



## Our engagement journey



### *A better employee experience* <sup>(2)</sup>

+23 pts increase in employee engagement since 2019 <sup>(1)</sup>

97% of eligible employees have ownership in the Company through the Definity Share Ownership Plan

88% of SLT level employees are engaged

81% of employees would recommend Definity as a great place to work

86% of employees at Definity feel they have the flexibility they need in their work schedule to meet work and personal needs

## Key Statistics



**94%** retention rate of high-performers



**88%** of employees feel accepted and included for who they are at work



**54%** of all hires in the past 12 months are women



**47%** of managerial positions are held by women



**49%** of employees who have completed the Confidential Self-Disclosure process identified as **Black, Indigenous, Person of Colour, LGBTQ+ and/or Person with Disability**

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1. Engagement surveys conducted with several providers. Score calculation based on equivalent 3-5 dimensions across all years.

2. Data as of December 31, 2023

# ESG HIGHLIGHTS

**Our purpose:** Building a better world by helping our clients and communities adapt and thrive.

## ENVIRONMENT

- Target: Achieve **net zero emissions from operations and investments<sup>(1)</sup> by 2040** or sooner, including interim targets
- Achieved **-10% in Scope 1 & 2 GHG emissions** (market-based) year-over year in 2022; -35% relative to 2019
- Active member of **Climate Proof Canada** coalition advocating for investment and timely implementation of National Adaptation Strategy

## SOCIAL

- Target: At least **30% women, 15% equity-deserving** (BIPOC, LGBTQ+, with disabilities) in **VP+ roles by 2026**
- 2023 employer awards include: **Canada's Best Employers for Diversity** (Forbes); **Best Workplaces™** in Financial Services and Insurance (Great Place to Work®)
- Partnered with Definity Insurance Foundation on **\$1.1 M to Windmill Microlending** in support of career development for newcomers to Canada

## GOVERNANCE

- **12 of 13 Board directors are independent<sup>(2)</sup>**, including the Chair
- Executive **ESG Steering Committee** chaired by SVP, Legal & Strategy to oversee strategy and execution with Board oversight
- **Sustainability-linked loan** ties credit facility pricing to annual ESG performance metrics aligned with executive compensation

1. Listed equities and corporate bonds.

2. Only non-independent Board director is the CEO.





# FINANCIAL PERFORMANCE AND RISK MANAGEMENT

# OUR FINANCIAL TARGETS

Gross Written Premium <sup>(1)</sup>

**9.4%**

FY-2023

**Grow GWP at an upper single digit to approximately 10% rate <sup>(2)</sup>**

This target compares to our GWP <sup>(1)</sup> growth rates of 9.4% in 2023 (compared to 2022) and 12.4% in 2022 (compared to 2021)

Combined Ratio <sup>(1)</sup>

**95.9%**

FY-2023

**Maintain a full year combined ratio in the mid-90s <sup>(2)</sup>**

This target compares to our combined ratios <sup>(1)</sup> of 95.9% in 2023 (inclusive of higher than anticipated levels of catastrophe losses) and 94.2% in 2022

Operating ROE <sup>(1)</sup>

**9.2%**

for the last 12 months

**Generate a full year operating ROE in the range of 10% to below teens <sup>(2)</sup>**

This target compares to our operating ROE <sup>(1)</sup> of 9.2% in 2023 (inclusive of higher than anticipated levels of catastrophe losses) and 9.4% in 2022.

<sup>1</sup> This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 13 – *Supplementary financial measures and non-GAAP financial measures and ratios* in the Q4-2023 MD&A for further details.

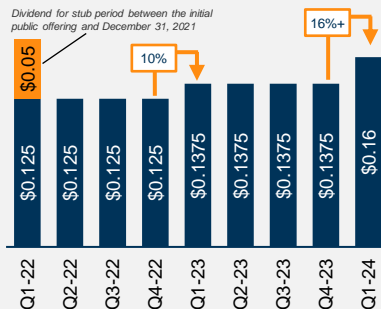
<sup>2</sup> Current financial targets.

# SIGNIFICANT FINANCIAL FLEXIBILITY

## CAPITAL MANAGEMENT FRAMEWORK

- Establishment of flexible capital management tools to support the business strategy
- Ensuring an appropriate level of liquidity to support operational and other corporate requirements
- Maximizing long-term shareholder value through capital optimization
- Maintaining strong credit ratings to support capital raising
- Maintaining strong regulatory capital in our operating insurance entities to safeguard policyholders

## DIVIDEND GROWTH



(\$ in millions, except as otherwise noted)

Dec 31-23<sup>(2)</sup>

Excess capital for Definity Insurance	\$107
Additional capital at Definity Financial Corp.	\$275
<b>Total Excess Capital</b>	<b>\$382</b>
Leverage Capacity <sup>(1)</sup>	\$888
<b>Financial Capacity<sup>(1)</sup> as at Q4-2023</b>	<b>\$1,270</b>

## Capital Deployment Priorities

### Organic Growth

We retain capital to support the growth in our premium volumes as well as invest in talent and technology that advance our strategic objectives

### Common Shareholder Dividends

We intend to have a sustainable and growing dividend per common share that will be reviewed on a regular basis

### Inorganic Growth

We intend to actively pursue carrier and distribution acquisition opportunities in the Canadian market. To fund these transactions, we expect to utilize excess capital, increase leverage, and, if required, access the capital markets

### Share Buybacks

We will consider the use of share buybacks as a flexible capital management tool

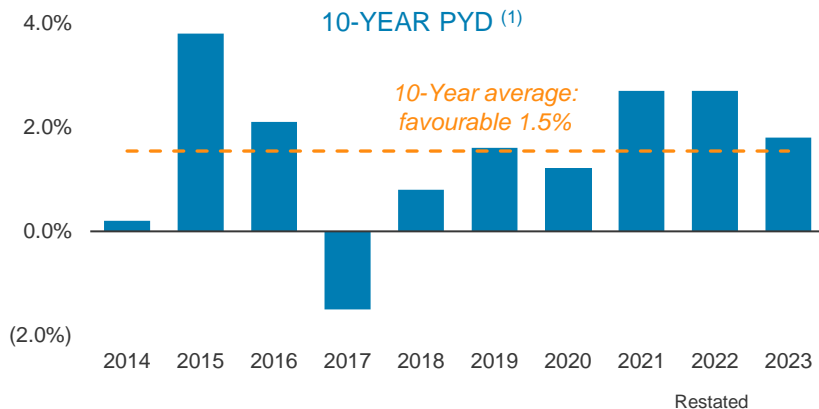
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<sup>2</sup> Pro forma Definity Financial Corporation continuance to *Canada Business Corporations Act* (CBCA) Jan 1, 2024. Refer to Section 8 – *Liquidity and capital resources* in the Q4-2023 MD&A for further details.

# PRUDENT APPROACH TO RESERVING AND REINSURANCE

## PRUDENT RESERVING PRACTICES

- Closely monitor **adequacy of reserves**
- Favourable prior year development (PYD)<sup>(1)</sup> in **9 out of 10 years** between 2014-2023
- 2014-2023 **average favourable PYD<sup>(1)</sup> of 1.5%**<sup>(2)</sup>



## ROBUST REINSURANCE FRAMEWORK

Structured to provide **protection against individual large losses and catastrophe events**

**97.6%** of the Company's reinsurers have a credit rating of **"A-" or better**, as of December 31, 2023

**Over \$2 billion** of catastrophe protection provides coverage for 1-in-500 year event and supports growth ambitions

**Additional reinsurance programs in place** provide further protections for commercial and/or casualty exposures

**Catastrophe aggregate treaty** provides **\$25 million** of additional protection for 2024

1. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios advisory and Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2022 MD&A and Q4-2023 MD&A for further details.

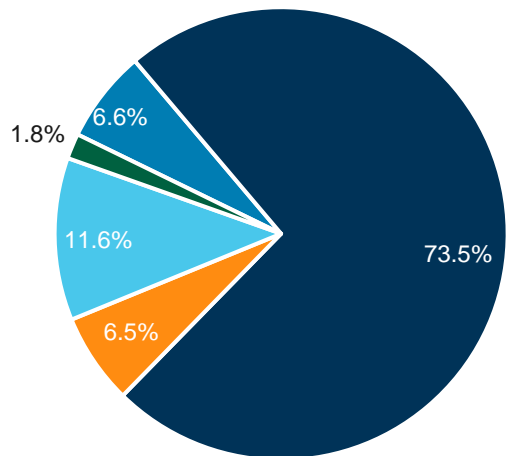
2. Favourable (adverse) development on prior year claims, undiscounted. The years of 2014 - 2021 are under IFRS 4 and full year 2022 - 2023 under IFRS 17.

# CONSERVATIVE AND DIVERSIFIED INVESTMENT PORTFOLIO

## PORTFOLIO HIGHLIGHTS

- ✓ **80%** of total portfolio in high quality fixed income securities, cash, and short-term investments
- ✓ **77%** of the preferred stocks in the portfolio rated “P2L” or better
- ✓ Significant component of **short-duration investments**
- ✓ Our investment portfolio sector mix is concentrated in the **secure and liquid** government and financials sectors
- ✓ More than **\$190M** of net investment income expected in FY2024

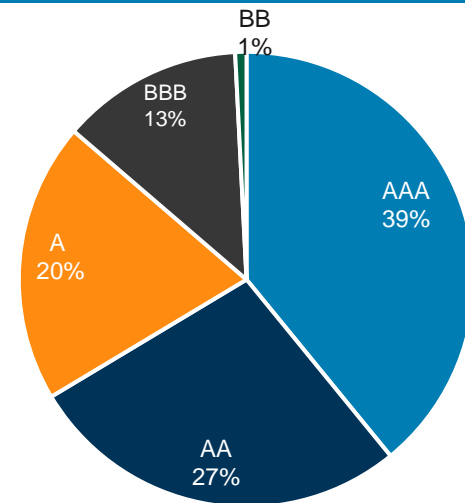
## DIVERSE ASSET ALLOCATION



**\$5.1B**

- Cash and ST Investments<sup>(2)</sup>
- Preferred stocks
- Bonds
- Common stocks
- Others<sup>(3)</sup>

## FIXED INCOME PORTFOLIO<sup>(1)</sup>



**\$3.8B**

**86%** of the bonds in our portfolio are rated “A-” or better

Note: Data as of Dec 31, 2023, unless otherwise noted.

1. Using the lowest of S&P and DBRS ratings.

2. Cash and ST Investments includes Cash and cash eq. of 3.9% and ST Investments of 2.7%.

3. Other includes Pooled funds of 1.5% and Commercial loans of 0.3%.



# APPENDIX

# 12-MONTH INDUSTRY OUTLOOK



## Personal Auto

- We expect the inflationary pressures affecting vehicle damage claims to remain elevated in 2024 but more consistent with pre-pandemic auto physical damage inflationary trends.
- Severity trends as well as elevated theft levels are expected to continue to drive firming industry pricing and a focus on disciplined underwriting in the next 12 months.
- The escalating trend in automotive theft has garnered increased attention at all levels of government.



## Personal Property

- The volatility of weather events is expected to continue to be a risk for this line of business over the long term. Enhanced focus and action on loss prevention and mitigation will continue to be required, including rate, coverage, and appetite changes.
- Inflationary pressure on building materials and labour, which has decreased year over year but remains elevated, means claim costs on a dollar basis are expected to continue to increase and should be reflected in firm premium pricing over the next 12 months.



## Commercial Insurance

- We expect the commercial lines market conditions to remain firm into 2024 as carriers focus on ensuring long-term profitability and sustainable availability of capacity. We expect the pricing environment to be influenced by weather events, inflation trends, expected investment returns, and the industry's overall underwriting performance.
- Elevated reinsurance costs, as well as increasing frequency and severity of weather-related catastrophe events, are expected to prolong firm commercial lines market conditions and pricing.

# FINANCIAL RESULTS

	IFRS 17 / IFRS 9				IFRS 4 / IAS 39			
	Q4-2023	Q4-2022	FY 2023	FY 2022	2022	2021	2020	2019
Insurance revenue	1,003.8	911.7	3,850.3	3,485.7				
Insurance service expenses	(857.3)	(777.8)	(3,377.1)	(3,028.9)				
Net income (expenses) from reinsurance contracts held	1.4	(0.7)	(48.8)	(14.9)				
<b>Insurance service result</b>	<b>147.9</b>	<b>133.2</b>	<b>424.4</b>	<b>441.9</b>				
Net investment income	49.4	39.5	179.5	133.1	133.1	96.8	100.3	105.4
Recognized gains (losses) on FVTPL investments / Recognized (losses) gains on investments	222.6	18.1	151.8	(446.1)	(228.3)	(20.8)	79.8	68.3
Finance (expenses) income from insurance contracts issued	(79.0)	16.5	(152.4)	96.3				
Finance income (expenses) from reinsurance contracts held	7.5	(0.6)	13.3	(5.2)				
Distribution revenues	35.8	19.9	127.4	19.9	19.9	-	-	-
Other (expenses) income	(78.7)	(0.8)	(271.5)	(125.5)	26.2	(34.0)	(1.9)	(6.0)
Interest expense	(1.7)	(0.6)	(5.3)	(0.6)	(0.6)	-	-	-
Restructuring recovery	-	-	-	-	-	-	-	0.8
<b>Income (loss) before income taxes</b>	<b>303.8</b>	<b>225.2</b>	<b>467.2</b>	<b>113.8</b>	<b>305.2</b>	<b>281.2</b>	<b>200.6</b>	<b>21.2</b>
Income tax (expense) recovery	(77.4)	(39.6)	(112.7)	(2.3)	(52.6)	(68.0)	(46.7)	(3.8)
<b>Net income (loss)</b>	<b>226.4</b>	<b>185.6</b>	<b>354.5</b>	<b>111.5</b>	<b>252.6</b>	<b>213.2</b>	<b>153.9</b>	<b>17.4</b>
Net income (loss) attributable to common shareholders	225.9	185.0	350.1	110.9	252.0	213.2	153.9	17.4
Net income attributable to non-controlling interests	0.5	0.6	4.4	0.6	0.6	-	-	-
Gross written premiums <sup>1</sup>	1,033.2	951.9	4,005.2	3,662.3	3,662.3	3,258.1	2,829.2	2,533.9
Net underwriting revenue / Net earned premiums <sup>1</sup>	922.4	850.4	3,542.6	3,251.2	3,248.6	2,833.6	2,508.7	2,343.2
Underwriting income (loss) <sup>1</sup>	87.0	66.7	144.9	189.4	192.3	194.5	136.4	(118.3)
Net investment income	49.4	39.5	179.5	133.1	133.1	96.8	100.3	105.4
Distribution income <sup>1</sup>	8.8	4.8	39.3	14.1	14.1	8.0	4.1	3.5
Interest expense	(1.7)	(0.6)	(5.3)	(0.6)	(0.6)	-	-	-
Other operating (expenses) income	(8.6)	(9.2)	(37.0)	(28.3)	(28.4)	(8.4)	1.3	(0.5)
<b>Operating income (loss)<sup>1</sup></b>	<b>134.9</b>	<b>101.2</b>	<b>321.4</b>	<b>307.7</b>	<b>310.5</b>	<b>290.9</b>	<b>242.1</b>	<b>(9.9)</b>
<b>Operating net income (loss)<sup>1</sup></b>	<b>100.7</b>	<b>76.6</b>	<b>246.5</b>	<b>236.8</b>	<b>238.9</b>	<b>220.4</b>	<b>184.4</b>	<b>(5.4)</b>

Note: Figures in millions, unless otherwise noted.

1. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2023 Management's Discussion and Analysis dated February 15, 2024 for further details, which is available on the Company's website at [www.definityfinancial.com](http://www.definityfinancial.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Refer to Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2022 Management's Discussion and Analysis dated February 9, 2023 for further details of non-GAAP financial measures and ratios prior to the adoption of IFRS 17 and IFRS 9.





# SELECTED FINANCIAL RATIOS

	IFRS 17 / IFRS 9				IFRS 4 / IAS 39			
	Q4-2023	Q4-2022	FY-2023	FY-2022	2022	2021	2020	2019
Gross Written Premium YOY Growth	8.5%	11.0%	9.4%	12.4%	12.4%	15.2%	11.7%	1.5%
Claims ratio <sup>1</sup>	61.1%	59.5%	65.1%	61.7%	61.2%	60.8%	62.3%	73.1%
Expense ratio <sup>1</sup>	29.5%	32.7%	30.8%	32.5%	32.9%	32.3%	32.3%	31.9%
<b>Combined ratio<sup>1</sup></b>	<b>90.6%</b>	<b>92.2%</b>	<b>95.9%</b>	<b>94.2%</b>	<b>94.1%</b>	<b>93.1%</b>	<b>94.6%</b>	<b>105.0%</b>
ROE <sup>1</sup>	13.0%	4.3%	13.0%	4.3%	10.6%	10.7%	9.0%	1.1%
Operating ROE <sup>1</sup>	9.2%	9.4%	9.2%	9.4%	10.0%	11.5%	11.0%	(0.3%)
Minimum capital test (MCT) ratio <sup>2</sup>	205%		205%		204%	275%	268%	239%
Earnings per common share, basic	\$ 1.96	\$ 1.60	\$ 3.04	\$ 0.96	\$ 2.19	\$ 2.03	\$ 1.48	\$ 0.17
Earnings per common share, diluted	\$ 1.94	\$ 1.59	\$ 3.00	\$ 0.95	\$ 2.15	\$ 2.02	\$ 1.48	\$ 0.17
Operating earnings (loss) per common share <sup>1</sup>	\$ 0.86	\$ 0.66	\$ 2.11	\$ 2.03	\$ 2.04	\$ 2.09	\$ 1.77	\$ (0.05)
Book value per share <sup>1</sup>	\$ 24.78	\$ 22.30	\$ 24.78	\$ 22.30	\$ 20.74	\$ 20.68	\$ 17.48	\$ 15.49

Note: Figures in millions, unless otherwise noted.

1. This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Section 13 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2023 Management's Discussion and Analysis dated February 15, 2024 for further details, which is available on the Company's website at [www.definityfinancial.com](http://www.definityfinancial.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Refer to Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2022 Management's Discussion and Analysis dated February 9, 2023 for further details of non-GAAP financial measures and ratios prior to the adoption of IFRS 17 and IFRS 9.

2. Consolidated Definity Insurance Company.

# BALANCE SHEET

	IFRS 17 / IFRS 9		IFRS 4 / IAS 39			
	FY-2023	FY-2022	2022	2021	2020	2019
Total cash and investments	5,128.5	5,097.7	5,098.4	5,753.1	4,876.6	4,285.7
Restricted cash	244.0	302.1	302.1	110.8	-	-
Cash held in escrow	-	-	-	-	-	-
Premiums receivable			1,188.8	1,075.9	958.7	850.7
Income taxes receivable	-	81.7	81.7	0.2	2.1	3.0
Reinsurance receivable and recoverable			255.8	179.2	95.6	95.1
Reinsurance contract assets	330.4	305.1				
Deferred policy acquisition expenses			327.0	295.1	260.2	235.6
Property and equipment	103.1	83.8	83.8	57.0	56.9	61.1
Deferred income tax assets	23.6	25.2	55.0	62.5	40.2	89.8
Goodwill and intangible assets	1,229.9	771.6	771.6	219.7	211.6	210.9
Other assets	200.0	152.5	152.6	137.9	118.4	124.6
<b>Total assets</b>	<b>7,259.5</b>	<b>6,819.7</b>	<b>8,316.8</b>	<b>7,891.4</b>	<b>6,620.3</b>	<b>5,956.5</b>
Unearned premiums			1,765.4	1,599.2	1,433.1	1,294.5
Claim liabilities			3,254.3	3,336.1	3,026.3	2,808.2
Insurance contract liabilities	3,493.8	3,577.7				
Accounts payable and other liabilities	131.9	139.0	405.7	393.4	324.2	240.6
Income taxes payable	117.9	-	-	55.6	18.7	2.2
Deferred income tax liabilities	150.7	103.5	69.8	-	-	-
Debt outstanding	114.3	39.1	39.1	-	-	-
Demutualization amounts outstanding	244.0	302.1	302.1	110.8	-	-
<b>Total liabilities</b>	<b>4,252.6</b>	<b>4,161.4</b>	<b>5,836.4</b>	<b>5,495.1</b>	<b>4,802.3</b>	<b>4,345.5</b>
Share capital	2,273.0	2,254.2	2,254.2	2,307.8	-	-
Contributed surplus	40.4	40.2	40.2	19.3	-	-
Retained earnings (deficit)	561.3	287.8	179.3	(28.8)	1,755.9	1,608.6
Accumulated other comprehensive (loss) income (AOCI)	(27.0)	(32.4)	(101.8)	98.0	62.1	2.4
Equity attributable to common shareholders	2,847.7	2,549.8	2,371.9	2,396.3	1,818.0	1,611.0
Non-controlling interests	159.2	108.5	108.5	-	-	-
<b>Total equity</b>	<b>3,006.9</b>	<b>2,658.3</b>	<b>2,480.4</b>	<b>2,396.3</b>	<b>1,818.0</b>	<b>1,611.0</b>
<b>Total liabilities and equity</b>	<b>7,259.5</b>	<b>6,819.7</b>	<b>8,316.8</b>	<b>7,891.4</b>	<b>6,620.3</b>	<b>5,956.5</b>

Note: Figures in millions, unless otherwise noted.

## FINANCIAL STRENGTH AND ISSUER RATINGS

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

	Credit Rating Agency	Rating	Outlook	Date
<i>Financial strength ratings</i>				
Definity Insurance	AM Best	A- (Excellent)	Positive	December 13, 2023
Definity Insurance	DBRS	A	Stable	June 28, 2023
<i>Issuer rating</i>				
Definity Financial Corp.	DBRS	BBB (high)	Stable	June 28, 2023

# SUPPLEMENTARY FINANCIAL MEASURES AND NON-GAAP FINANCIAL MEASURES AND RATIOS

The Company's audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

We measure and evaluate performance of our business using a number of financial measures. Among these measures are the "supplementary financial measures", "non-GAAP financial measures", and "non-GAAP ratios" (as such terms are defined under Canadian Securities Administrators' National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure) included in this presentation, and in each case are not standardized financial measures under GAAP. The supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios in this presentation may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as a substitute for analysis of our financial information reported under GAAP. For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, including (where applicable) an explanation of how that measure provides useful information and a quantitative reconciliation of each non-GAAP financial measure to its most directly comparable GAAP measure disclosed in our audited consolidated financial statements, see Section 13 — "Supplementary Financial Measures and Non-GAAP Financial Measures and Ratios" in the Management's Discussion and Analysis dated February 15, 2024 ("Q4-2023 MD&A"), available on [www.sedarplus.ca](http://www.sedarplus.ca).

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

**Supplementary Financial Measures:** Book value per share, catastrophe losses, financial capacity, gross written premiums, and leverage capacity.

**Non-GAAP Financial Measures:** Core accident year claims and adjustment expenses, distribution income, net claims and adjustment expenses, net commissions, net underwriting expenses, net underwriting revenue, non-operating gains (losses), operating income, operating net income, prior year claims development, and underwriting income.

**Non-GAAP Ratios:** Claims ratio, combined ratio, expense ratio, return on equity ("ROE"), operating return on equity ("operating ROE"), operating earnings per common share ("operating EPS"), and certain other ratios.

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