



Management's Discussion and Analysis

For the three and twelve months ended December 31, 2024

Interpretation

The current and prior period comparative results for Sagen MI Canada Inc. (“**Sagen**” or the “**Company**”), reflect the consolidation of the Company and its subsidiaries, including Sagen Mortgage Insurance Company Canada (the “**Insurance Subsidiary**”). The Insurance Subsidiary is engaged in the provision of mortgage insurance in Canada and is regulated by the Office of the Superintendent of Financial Institutions (“**OSFI**”) as well as financial services regulators in each province.

The following Management’s Discussion and Analysis (“**MD&A**”) of the financial condition and results of operations as approved by the Company’s board of directors (the “**Board**”) on January 29, 2025, is prepared for the three and twelve months ended December 31, 2024. The audited consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board (“**IASB**”). This MD&A should be read in conjunction with the Company’s financial statements.

In this MD&A, references to “\$”, “dollars” or “Canadian dollars” are to Canadian dollars and references to “US\$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated.

Unless the context otherwise requires, all references in this MD&A to “Sagen” or the “Company” refer to Sagen MI Canada Inc. and its subsidiaries.

Unless the context otherwise requires, all financial information is presented on an IFRS basis.

Caution regarding forward-looking information and statements

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws (“**forward-looking statements**”). When used in this MD&A, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions, as they relate to the Company are intended to identify forward-looking statements. Specific forward-looking statements in this document include, but are not limited to: guideline changes by OSFI; the impact of such changes on the Company; the impact on the Company of the 2024 MICAT Guideline (as defined herein); the impact of the implementation of new accounting standards on the Company’s financial statements; measures introduced by the Canadian federal government in the federal budget in April 2024; the impact of the cancellation of the “First-Time Home Buyer Incentive” program by the Canadian federal government on the Company’s results; the timing and application of CSDS 1 and CSDS 2 (each defined herein); the Company’s beliefs as to housing demand and home price appreciation, key macroeconomic factors, unemployment rates, and potential tariffs imposed by the United States; the Company’s future operating and financial results; expectations regarding premiums written; capital expenditure plans, dividend policy and the ability of the Company to execute on its future operating, investing and financial strategies.

The forward-looking statements contained herein are based on certain factors and assumptions, certain of which appear proximate to the applicable forward-looking statements contained herein. Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company’s ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company’s business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Actual results or developments may differ materially from those contemplated by the forward-looking statements.

The Company’s actual results and performance could differ materially from those anticipated in these forward-looking statements as a result of both known and unknown risks, including: the continued availability of the Canadian government’s guarantee of private mortgage insurance on terms satisfactory to the Company; the Company’s expectations regarding its revenues, expenses and operations; the Company’s plans to implement its strategy and operate its business; the Company’s expectations regarding the compensation of directors and officers; the Company’s anticipated cash needs and its estimates regarding its capital expenditures, capital requirements, reserves and its needs for additional financing; the Company’s plans for and timing of expansion of service and products; the Company’s ability to accurately assess and manage risks associated with the policies that are written; the Company’s ability to accurately manage market, interest and credit risks; the Company’s ability to maintain ratings, which may be affected by the ratings of its sole Class A common shareholder, Brookfield Business Partners L.P., together with certain of its affiliates and institutional partners (“**Brookfield**”); interest rate, credit spreads, foreign exchange rates and equity price fluctuations; a decrease in the volume of high loan-to-value mortgage originations; the cyclical nature of the mortgage insurance industry; changes in government regulations and laws mandating mortgage insurance or impacting the competitive landscape of the mortgage insurance industry; the acceptance by the Company’s lenders of new technologies and products; the Company’s ability to attract lenders and develop and maintain lender relationships; the Company’s competitive position and its expectations regarding competition from other providers of mortgage insurance in Canada; anticipated trends and challenges in the Company’s business and the markets in which it operates; changes in the global or Canadian economies; a decline in the Company’s regulatory capital or an

increase in its regulatory capital requirements; increased market volatility, political risk, regulatory compliance and costs associated with international investing; geopolitical risk, including deterioration in international trade or consumer confidence due to geopolitical instability resulting from armed conflicts or acts of terrorism or war; environmental concerns, including climate change; changes in the value of investment securities held by the Company; loss of members of the Company's senior management team; potential legal, tax and regulatory investigations and actions; negative publicity; operational risks, including the failure of the Company's computer systems or potential cyber threats; reduction of business or adverse selection of loans with key lenders; the Company's reliance on its subsidiaries; litigation; insufficient insurance coverage; and potential conflicts of interest between the Company and its sole Class A common shareholder, Brookfield.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Some of these and other factors are discussed in more detail in the Company's Annual Information Form (the "AIF") dated March 20, 2024. Investors and others should carefully consider these and other factors and not place undue reliance on the forward-looking statements. Further information regarding these and other risk factors is included in the Company's public filings with provincial and territorial securities regulatory authorities (including the Company's AIF) and can be found on the System for Electronic Data Analysis and Retrieval + ("SEDAR+") website at www.sedarplus.com. The forward-looking statements contained in this MD&A represent the Company's views only as of the date hereof. Forward-looking statements contained in this MD&A are based on management's current plans, estimates, projections, beliefs and opinions and the assumptions related to these plans, estimates, projections, beliefs and opinions may change, and are presented for the purpose of assisting the Company's security holders in understanding management's current views regarding those future outcomes and may not be appropriate for other purposes. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company does not undertake to update any forward-looking statements, except to the extent required by applicable securities laws.

Non-GAAP and other financial measures disclosure

Non-GAAP financial measures are used by the Company to analyze performance and supplement its consolidated financial statements, which are prepared in accordance with IFRS. Such non-GAAP financial measures include premiums written; net operating income; operating investment income; interest and dividend income, net of investment expenses; pre-tax equivalent operating investment income; net insurance revenue; and net insurance service results. See the **Non-GAAP and other financial measures** section at the end of this MD&A for a reconciliation of (i) net insurance revenue to the comparable financial measure of insurance revenue, (ii) net insurance service result to the comparable financial measure of insurance service result, (iii) operating investment income and interest and dividend income, net of investment expenses to the comparable financial measure of total investment income; (iv) net operating income to the comparable financial measure of net income; and (v) pre-tax equivalent operating investment income to the comparable financial measure of total investment income. These non-GAAP financial measures have been restated to reflect the impact of new accounting standards as described below.

Non-GAAP ratios used by the Company include investment yield.

Supplementary financial measures used by the Company to analyze performance include loss ratio, expense ratio, combined ratio, financial leverage ratio and contractual service margin ratio. The supplementary financial measures can be calculated using financial measures from the Company's consolidated financial statements.

The Company believes that these non-GAAP financial measures, non-GAAP ratios and supplementary financial measures provide meaningful information regarding its performance and may be useful to investors as they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. These measures and ratios may not have standardized meanings and may not be comparable to similar measures presented by other companies.

Definitions of key non-GAAP and other financial measures and explanations of why these measures are useful to investors and management can be found in the Company's **Non-GAAP and other financial measures glossary**, in the **Non-GAAP and other financial measures** section at the end of this MD&A.

Operational metrics

Operational metrics used by the Company include outstanding insured mortgage balances, delinquency ratio on outstanding insured mortgage balances, new reported delinquencies, cures, average reserve per delinquencies and average premium rate. These metrics are used by the Company to analyze performance in regard to the aggregate amount of outstanding insurance, delinquency trends and premium rate trends.

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Business profile

Business background

Sagen is the largest private-sector residential mortgage insurer in Canada and has been providing mortgage default insurance in the country since 1995. The Company has built a broad underwriting and distribution platform across the country that provides customer-focused products and support services to the vast majority of Canada's residential mortgage lenders and originators. Sagen underwrites mortgage insurance for residential properties in all provinces and territories of Canada and has the leading market share and largest in-force book among private-sector mortgage insurers. The Canada Mortgage and Housing Corporation ("CMHC"), a crown corporation, and Canada Guaranty Mortgage Insurance Company, a private mortgage insurer, are the Company's main competitors.

Federally regulated lenders are required to purchase transactional mortgage insurance in respect of a residential mortgage loan whenever the loan-to-value ratio exceeds 80%. The Company offers both transactional and portfolio mortgage insurance. The Company's transactional mortgage insurance covers default risk on mortgage loans secured by residential properties to protect lenders from any resulting losses on claims. By offering insurance for transactional mortgages, the Company plays a significant role in providing access to homeownership for Canadian residents. Homebuyers who can only afford to make a smaller down payment can, through the benefits provided by mortgage insurers such as Sagen, obtain mortgages at rates comparable to buyers with more substantial down payments.

The Company also provides portfolio mortgage insurance to lenders for loans with loan-to-value ratios of 80% or less. Portfolio mortgage insurance is beneficial to lenders as it provides the ability to manage capital and funding requirements, and mitigate risk. The Company views portfolio mortgage insurance as an extension of its relationship with existing transactional insurance customers. Therefore, the Company carefully manages the level of its portfolio mortgage insurance relative to its overall mortgage insurance business. Premium rates on portfolio mortgage insurance have historically been lower than those on transactional mortgage insurance due to the lower risk profile associated with portfolio loans.

Seasonality

The transactional mortgage insurance business is seasonal. Business volumes vary each quarter, while interest and dividend income, net of investment expenses, and administrative expenses tend to be relatively consistent from quarter to quarter. The variations in business volumes are driven by mortgage origination activity, which typically peak in the spring and summer months.

Losses on claims vary from quarter to quarter, primarily as the result of prevailing economic conditions, changes in employment levels and characteristics of the outstanding insured mortgage balances, such as size, age, seasonality and geographic mix of delinquencies. Typically, losses on claims increase during the winter months, primarily due to an increase in new delinquencies, and decrease during the spring and summer months. During 2022, the cumulative favourable impact of home price appreciation from 2020 and 2021 in most regions of Canada resulted in relatively low levels of losses on claims and largely muted the typical seasonal pattern, which continued throughout 2023 and 2024.

The Company's business volumes from portfolio mortgage insurance vary from period to period based on a number of factors including the amount of portfolio mortgages lenders seek to insure, the competitiveness of the Company's pricing, underwriting guidelines and credit enhancement for portfolio insurance, and the Company's risk appetite for such mortgage insurance.

Distribution and marketing

The Company works with lenders, mortgage brokers and real estate agents across Canada to make homeownership more accessible for first-time homebuyers. Mortgage insurance customers consist of originators of residential mortgage loans, such as banks, mortgage loan and trust companies, credit unions and other lenders. These lenders typically determine which mortgage insurer they will use for the placement of mortgage insurance written on loans originated by them. The five largest Canadian chartered banks have historically been the largest residential mortgage originators in Canada.

Macroeconomic environment

The mortgage insurance business is influenced by macroeconomic conditions. Specifically, the level of business volumes is influenced by economic growth, interest rates, employment, housing activity, home prices and government policy among other factors. Losses on claims are primarily impacted by unemployment rates, home prices and housing activity.

Adoption of new accounting standards

On January 1, 2023, the Company adopted IFRS 17: Insurance contracts ("**IFRS 17**") and IFRS 9: Financial instruments ("**IFRS 9**") for the first time. IFRS 17 and IFRS 9 were applied to the Company's financial statements retrospectively, and comparative information was restated. IFRS 17, which replaced IFRS 4: Insurance contracts ("**IFRS 4**"), had a material impact on the Company's consolidated financial statements in 2023. Despite this impact, the Company's business model and related risks are not affected by these changes in accounting policies.

Overview

Fourth quarter financial highlights

Table 1: Selected financial information

	Three months ended December 31,		Full Year	
<i>(in millions of dollars, unless otherwise specified)</i>	2024	2023	2024	2023
Premiums written¹	\$ 215	\$ 143	\$ 775	\$ 612
Insurance revenue	\$ 236	\$ 199	\$ 848	\$ 730
Net losses on claims	10	11	36	38
Insurance expenses	28	24	109	93
Insurance service expense	38	35	145	131
Insurance service result	198	164	703	600
Insurance finance expense	30	24	96	77
Other operating expenses	11	8	41	37
Net insurance service result¹	157	132	565	485
Investment income:				
Interest	65	63	248	235
Dividends	7	7	29	27
Change in allowance for ECL	1	-	(7)	(1)
Income (loss) from associate	-	-	(2)	(1)
General investment expenses	(3)	(4)	(10)	(14)
Interest and dividend income, net of investment expenses ¹	70	66	259	247
Realized income from the interest rate hedging program	(1)	-	(2)	(1)
Net realized gains (losses) from sales of investments	(2)	1	1	(11)
Net fair value gains (losses) on financial assets at FVTPL	-	11	33	10
Net gains (losses) on derivatives and foreign exchange ²	4	1	(5)	(8)
Total investment income	71	78	286	238
Interest expense	10	10	40	38
Income before income taxes	218	200	811	684
Income taxes	55	50	206	173
Net income	\$ 163	\$ 151	\$ 606	\$ 512
Adjustment to net income, net of taxes:				
Tax benefits from corporate reorganization	21	21	21	21
Net (gains) losses from investments, financial assets at FVTPL, derivatives and foreign exchange ²	(1)	(11)	(22)	6
Net operating income¹	\$ 183	\$ 161	\$ 605	\$ 539
Effective tax rate	25.1 %	24.8 %	25.3 %	25.2 %
Selected measures:				
Outstanding insured mortgage balances ³	193,900	192,400	193,900	192,400
Delinquency ratio on outstanding insured mortgage balances ³	0.18 %	0.16 %	0.18 %	0.16 %
Loss ratio ⁴	5 %	6 %	5 %	6 %
Expense ratio ⁴	19 %	18 %	20 %	20 %
Combined ratio ⁴	24 %	24 %	25 %	26 %
MICAT ⁵	177 %	172 %	177 %	172 %

Note: Amounts may not total due to rounding. ¹ Non-GAAP financial measure. ² Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. ³ This estimate is based on the amounts reported by lenders to the Company which represents the vast majority of outstanding insured mortgage balances. ⁴ Supplementary financial measure. ⁵ Company estimate as at December 31, 2024. The Company calculated its mortgage insurer capital adequacy test ("MICAT") ratio in accordance with OSFI's Mortgage Insurer Capital Adequacy Test Guideline dated January 1, 2023 for the 2023 reporting period and the 2024 MICAT Guideline dated January 1, 2024 for the 2024 reporting period. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under the Protection of Residential Mortgage or Hypothecary Insurance Act ("PRMHIA") is 150% and the Company's internal target ratio under the MICAT is 157%. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

The Company reported net income of \$163 million in the fourth quarter of 2024, \$12 million higher than the same quarter in the prior year, primarily due to higher insurance revenue, partially offset by higher insurance service expense, higher insurance finance expense and lower investment income. Net operating income of \$183 million in the fourth quarter of 2024 was higher than net income primarily due to the tax benefits from corporate reorganization.

The Company reported net income of \$606 million in 2024, \$94 million higher than the prior year, primarily due to higher insurance revenue and higher investment income, partially offset by higher insurance service expense, higher insurance finance expense and higher interest expense. Net operating income of \$605 million in 2024 was modestly lower than net income primarily due to the exclusion of the after-tax impact of net gains from investments, financial assets at FVTPL, derivatives, and foreign exchange, offset by the tax benefits from corporate reorganization.

Recent business and regulatory developments

Canadian Federal Government 2024 Fall Economic Statement

On December 16, 2024, the Canadian federal government released its 2024 Fall Economic Statement which reiterated previously announced programs, and introduced some notable new measures, including:

- Removal of the stress test for low-ratio (loan-to-value ratio up to 80%) insurable mortgages when switching lenders at renewal, provided the mortgage meets the “straight switch” criteria, aligning Canadian federal rules with OSFI’s decision released on November 21, 2024;
- Secondary suites funding, which doubles loan limits for secondary suite program to \$80,000, and offers a 2% interest rate with a 15-year term; and
- The Canadian federal government’s advance of plans to fight mortgage fraud through income verification and consultation with experts and mortgage lenders in order to design a secure and user-friendly tool to help financial institutions mitigate fraud.

OSFI’s Fall Quarterly Release

On November 21, 2024, OSFI held its Fall Quarterly Release and announced measures that will streamline and strengthen its regulatory oversight. OSFI released the following:

- Letter confirming the prescribed minimum qualifying rate (“**MQR**”) for uninsured straight switches at renewal is no longer required and implementing loan-to-income (“**LTI**”) limit on the uninsured mortgage portfolios of institutions. The LTI limit is a simple supervisory measure that will restrict high levels of household debt across each institution’s uninsured mortgage loan portfolio. The LTI limit measure is expected to take effect as of each institution’s respective first fiscal quarter of 2025 and it will not impact insured mortgages. Accordingly, no direct impact from the LTI limit measure is anticipated to the Company;
- Regulatory Notice on Cultural Risk Management, setting expectations for managing culture risk in areas of governance and enterprise-wide culture management. This Regulatory Notice applies to all federally regulated financial institutions (“**FRFIs**”);
- Final Mortgage Insurance Capital Adequacy Test 2025 Guideline (“**2025 MICAT Guideline**”), which updates capital rules for multi-unit residential mortgage insurance risk by standardizing the approach and leveraging the Capital Adequacy Requirements Guideline. The revised 2025 MICAT Guideline became effective on January 1, 2025 and is not expected to have a material impact on the Company’s MICAT ratio; and
- Final International Financial Reporting Standard 17 Guideline, which replaces the IFRS 17 Advisory and brings together existing accounting expectations, removes redundant information, clarifies accounting expectations, and addresses specific comparability concerns. This Guideline applies to federally regulated insurers using IFRS 17. The Company is currently compliant with this Guideline. Accordingly, there is no expected impact from its finalization.

Expansion of Eligible Mortgage Criteria under PRMHIA

On September 16, 2024, the Canadian federal government announced the following changes to mortgage insurance rules in Canada, effective December 15, 2024:

- Increasing the \$1 million price cap for insured mortgages to \$1.5 million; and
- Expanding eligibility for 30-year mortgage amortizations for insured mortgages to all first-time homebuyers and to all buyers of new build properties. This measure expands the change the Canadian federal government made on August 1, 2024, that allowed only first-time homebuyers, who were buying new build properties, access to 30-year insured high ratio mortgages.

These measures were available for high-ratio mortgage insurance applications that were submitted, including previously submitted applications that were resubmitted, on or after December 15, 2024.

On October 8, 2024, as previously announced in the 2024 Canadian federal budget, the Canadian federal government released details for lenders and mortgage insurers to offer the new insured mortgage refinancing products to encourage densification and enable homeowners to add more units to their current homes or properties. More specifically, these changes (i) allow refinancing of insured mortgages for secondary suites, and (ii) increase the mortgage insurance home price limit to \$2 million for those refinancing to build a secondary suite.

This measure was effective for mortgage insurance applications submitted on or after January 15, 2025.

Mortgage Insurer Capital Adequacy Test 2024 Guideline (“2024 MICAT Guideline”)

On October 20, 2023, OSFI published the 2024 MICAT Guideline which built on the existing MICAT guideline and reflected two key revisions, including (i) incorporating the September 28, 2022 advisory, clarifying the maximum remaining amortization in the capital requirements calculations is the lesser of the calculated remaining amortization period and 40 years, and (ii) increasing the maximum loan-to-value ratio from 100% to 105% in the capital requirements calculations, aligning the MICAT capital formula to the maximum permitted loan-to-value ratio for insured mortgages.

The revised 2024 MICAT Guideline became effective on January 1, 2024, and has not had a material impact on the Company’s MICAT ratio. Refer to the **Capital management - Mortgage insurer capital adequacy test** section below for additional information.

OSFI’s new supervisory framework

On February 8, 2024, OSFI released a new supervisory framework for FRFIs and pension plans that came into effect in April 2024. The new framework is designed to respond quickly to the most serious risks that could jeopardize the public’s confidence in the soundness of the Canadian financial system and provide greater transparency to financial institutions through disclosure of (i) a new tier rating based on size, complexity, and potential for contagion, (ii) a rating reflecting viability risk according to an expanded 8-point scale, and (iii) for larger institutions, it also includes ratings of business risk, financial resilience, operational resilience, and risk governance.

OSFI Guideline E-23: Model Risk Management Guideline (“Guideline E-23”)

On November 20, 2023, OSFI proposed revising Guideline E-23 so that it applies to all analytical models used by FRFIs and federally regulated private pension plans. The proposed Guideline E-23 now also includes models used for non-financial risks such as climate, cyber and tech and digital innovation risk. OSFI recognizes that federally regulated insurers, including the Company, heavily rely on models to support their decision-making and is proposing to extend the applicability of Guideline E-23 to include this industry as well. The extended consultation period ended in March 2024, with the final revised guideline set to take effect in July 2025. The Company is currently evaluating the impact of Guideline E-23 on its business and operations.

OSFI Guideline B-20: Residential Mortgage Underwriting Practices and Procedures (“Guideline B-20”)

On January 12, 2023, OSFI launched a public consultation of Guideline B-20 on Residential Mortgage Underwriting Practices and Procedures for federally regulated mortgage lenders.

On October 16, 2023, OSFI published the results and next steps of the initial public consultation on this guideline. OSFI believes additional measures are needed to mitigate the underlying vulnerability of a buildup in highly indebted borrowers, and it indicated that it would pursue targeted supervisory actions that would aim to limit FRFIs’ individual exposures to high household indebtedness over time. These actions would take into account the size, nature, complexity, and risk profile of each FRFI, balancing sound risk management against the need for FRFIs to compete effectively and take reasonable risks.

On September 25, 2024 OSFI announced that uninsured borrowers would no longer undergo the stress test when switching lenders at renewal. This announcement was confirmed on OSFI’s Fall Quarterly Release on November 21, 2024. Although it is OSFI guidelines and PRMHIA that generally set out the applicable requirements for the Company, this announced change is consistent with the Canadian federal government’s announcement on April 2024, relating to changes to the Canadian Mortgage Charter.

OSFI Guideline B-15: Climate Risk Management (“Guideline B-15”)

On March 7, 2023, OSFI published Guideline B-15, which set out OSFI’s expectations related to the management of climate-related risk by FRFIs and aligned its disclosure expectations with the International Sustainability Standards Board’s (“ISSB”) final IFRS S2 Climate-related Disclosures standard (“IFRS S2”). In addition to these updates, OSFI also released new Climate Risk Returns that will be used to collect climate-related data on emissions and exposures from FRFIs. The Company’s mortgage insurance policy does not cover direct damages from climate risks. The economic transition risk is the most significant climate related risk and the Company is in the process of more formally integrating climate related risks into its strategic planning and public reporting process.

Reinforcing residential mortgage risk management practices

On March 11, 2024, OSFI released a regulatory notice that applied to all FRFIs which was effective immediately. The notice responded to the heightened risk environment for real estate secured lending by reinforcing expectations on sound residential mortgage account and portfolio management practices. The notice provided that institutions should apply the notice alongside Guideline B-20, particularly income verification and higher risk mortgage products, such as variable-rate mortgages with fixed payments, and IFRS 9 as relating to significant increases in credit risk and lifetime loss provisions. The notice further provided that institutions should:

- Proactively identify and address vulnerable accounts, portfolio segments and concentrations;
- Ensure forward-looking credit risk measurement, modeling, and stress testing to estimate potential losses; and
- Apply timely recognition of expected and unexpected losses due to account vulnerabilities or adverse shifts in the risk environment.

Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances

On July 5, 2023, the Financial Consumer Agency of Canada (“FCAC”) published its Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances, which set out its expectations for FRFIs to contribute to the protection of consumers of financial products and services by providing tailored support to consumers with an existing residential mortgage loan on such consumer’s principal residence who are experiencing severe financial stress as a result of exceptional circumstances, and are at risk of mortgage default. These exceptional circumstances include the current combined effects of high household indebtedness, the rapid increase in interest rates and the increased cost of living.

The FCAC expects FRFIs to pay particular attention to providing support to:

- Consumers whose payments on variable rate mortgages fluctuate with interest rates (variable payments) and whose payments have thus increased materially;
- Consumers whose payments on variable rate mortgages are fixed and have had a materially larger portion (or all) of their payment covering the increased interest costs or for those who may be facing negative amortization; and
- Consumers with fixed rate mortgages reaching near-term maturity, who may be facing a material increase in payments.

OSFI guideline for assurance on capital, leverage and liquidity returns

On November 7, 2022, OSFI released a new guideline setting out their assurance expectations for capital, leverage and liquidity regulatory returns. This guideline seeks to inform external auditors and institutions on the work to be performed on their regulatory returns in an effort to enhance and align OSFI’s assurance expectations across all FRFIs. OSFI expects senior management to review and attest on the accuracy and completeness of the MICAT cover schedule on a quarterly basis, beginning in fiscal year 2024. In addition, OSFI expects internal auditors to evaluate and opine on the effectiveness of the processes and internal controls over the MICAT, including related systems, effective beginning fiscal year 2023, at least once every three years. Lastly, on an annual basis beginning with year-end reporting for fiscal 2025, OSFI expects external auditors to evaluate and opine on MICAT-related calculations to ensure they have been prepared in accordance with the appropriate regulatory framework and are free of material misstatements.

Federal budget

In April 2024, the Canadian federal government made several announcements leading up to, and included in, the Canadian federal budget. Some of these announcements included:

- Homebuyer Plan - Effective April 16, 2024, the Home Buyers’ Plan limit was increased from \$35,000 to \$60,000. Canadians who withdraw from their Home Buyers’ Plan between January 1, 2022 and December 31, 2025 have their repayment grace period extended by three years to five years from their initial withdrawal date. For other withdrawals the repayment period continues to start after two years from the initial withdrawal date.

The first-time home buyer incentive (“FTHBI”)

In March 2024, the Canadian federal government announced that it was cancelling the FTHBI, first introduced in the 2019 federal budget, and that no new approvals would be granted after March 31, 2024. The FTHBI was originally designed as a shared equity plan where the Canadian federal government would provide 5% or 10% of the purchase price and receive a share in the gain or loss on the property when it was later sold. The cancellation of this program has not had a material impact on the Company's results.

Prohibition on the Purchase of Residential Property by Non-Canadians Act

On January 1, 2023, the *Prohibition on the Purchase of Residential Property by Non-Canadians Act* came into force which limits the ability of non-Canadians to directly or indirectly purchase residential property in Canada for the period of January 1, 2023 to December 31, 2024, subject to certain limited exceptions. On February 4, 2024, the government announced its intention to extend the ban on foreign buying of Canadian homes by an additional two years, to January 1, 2027.

To enhance the flexibility of newcomers and businesses looking to add to Canada's housing supply, the Canadian federal government made amendments to the regulations to expand exceptions to allow non-Canadians to purchase a residential property in certain circumstances. These amendments will further support individuals and families seeking to build a life in Canada by pursuing home ownership in their communities sooner and address housing supply issues. These amendments came into force on March 27, 2023 and are as follows:

- Enable more work permit holders to purchase a home to live in while working in Canada;
- Repealing existing provisions such that the prohibition does not apply to vacant land;
- Exceptions for development purposes; and
- Increasing the corporation foreign control threshold from 3% to 10%.

Minimum Qualifying Rate

The MQR, which is in effect for insured and uninsured mortgages, is intended to ensure borrowers will be able to make mortgage payments in the event that there is a reduction in income or an increase in mortgage rates or related housing expenses. The MQR is the greater of (i) the mortgage contract rate plus 2% or (ii) 5.25%, and is reviewed at least annually in December of each year by the Department of Finance and OSFI to ensure that it remains appropriate for the inherent risks.

On November 2024, OSFI confirmed that the prescribed MQR for uninsured straight switches at renewal is no longer required.

Current macroeconomic environment

On January 29, 2025, the Bank of Canada cut the overnight rate by 25 basis points to 3.00%, following two 50 basis points cuts in October and December, and noted that in the current outlook, the economy is expected to strengthen gradually and inflation to stay close to target. However, if broad-based and significant tariffs were imposed by the U.S. administration, the resilience of Canada's economy would be tested.

The potential impact on Canada's economy from the implementation of tariffs by the new U.S. administration in 2025 could be significant. If tariffs encompass oil and gas, oil producing regions in Canada, including Alberta, would suffer the most. Over the last twelve months, nearly one third of Canadian exports were energy related and accounted for approximately 5% of the country's gross domestic product. Non-energy products, such as autos, machinery, metals and other consumer goods, which represented over 6% of the country's gross domestic product, if tariffed, could impact the economy in a number of Canadian provinces, including, in particular, Ontario and Quebec. On a global landscape, retaliatory measures against U.S. tariffs could effectively increase prices of imports resulting in inflationary pressures in Canada.

The combination of higher interest rates and resulting higher minimum qualifying rates resulted in a smaller mortgage insurance market in 2023 and into the first half of 2024. Higher interest rates also resulted in a decline in the fair value of bonds and other fixed income securities during 2023, with a significant recovery in the second half of 2024, which has resulted in the decrease of losses recognized in the Company's other comprehensive income. Conversely, higher interest rates have also resulted in higher interest income due to higher reinvestment rates and higher interest income on the Company's floating rate invested assets.

Canada's unemployment rate was 6.7% in December 2024, an increase from the unemployment rate of 5.8% in December 2023.

Other OSFI regulatory changes

The following are other key regulatory changes that may impact the Company and/or its customers.

- On August 22, 2024, OSFI released Guideline E-21: Operational Risk Management and Resilience which applies to all FRFIs and sets expectations for managing operational risk and resilience. Robust operational risk and resilience enhance an entity's ability to prevent, detect, respond to, and recover from adverse events, while continuing to deliver critical operations. Financial institutions are expected to have full adherence and operationalization by September 1, 2026. The Company is in the process of implementing this Guideline.
- On August 9, 2023, OSFI made changes to Guideline E-15: Appointed Actuary: Legal Requirements, Qualifications and Peer Review, defining and setting expectations on the role of Appointed Actuary ("**AA**") in federally insurance companies. These changes will not have a material impact on the role of the Company's AA.
- On June 20, 2023, OSFI raised the Domestic Stability Buffer ("**DSB**") by 50 basis points to 3.5% of total risk-weighted assets, which is applied to Canada's six largest banks. A higher DSB gives these institutions more capacity to respond to potential vulnerabilities and ensures more capital is available to continue lending and absorb losses in times of stress. On December 17, 2024, OSFI announced that it was maintaining the DSB at 3.5%.
- On April 24, 2023, OSFI published Guideline B-10: Third-Party Risk Management ("**Guideline B-10**"), which sets out OSFI's expectations related to the management of risks associated with third-party arrangements by FRFIs. The Company has enhanced its third-party risk management policy and practices to align with the principles in Guideline B-10.
- On July 13, 2022, OSFI issued Guideline B-13: Technology and Cyber Risk Management ("**Guideline B-13**"), which became effective January 1, 2024. Guideline B-13 provides financial institutions with a risk-based approach to compete effectively and to take full advantage of digital innovation, while maintaining sound technology and cyber risk management. The Company employs a comprehensive IT and cyber risk management framework and is materially compliant with Guideline B-13.

At this time, the full implications of the regulatory changes on the housing market, the mortgage insurance market or on the market share of the Company, and if further actions will be forthcoming from OSFI, are not known. Regulatory changes are discussed in more detail in the **OSFI Regulatory Changes** section of the Company's AIF.

Debt

As at December 31, 2024, the Company was in compliance with all of its debt covenants for its outstanding debt.

On May 19, 2023, the Company completed a private placement of \$200 million principal amount of 5.909% debentures due May 19, 2028 ("**Series 7 debentures**"). The Series 7 debentures were issued for gross proceeds of approximately \$200 million, before approximate issuance costs of \$2 million. The Series 7 debentures may be redeemed at the option of Sagen, in whole or in part, (i) at any time prior to April 19, 2028 (the "**Par Call Date**") at a redemption price equal to the greater of (a) the Canada Yield Price (as defined in the indenture governing the Series 7 debentures) and (b) par, and (ii) at any time on or after the Par Call Date at a redemption price equal to par, together in each case with accrued and unpaid interest to, but excluding, the date fixed for redemption.

On June 19, 2023, the Company used the proceeds from the Series 7 debentures offering, in part, to redeem approximately \$170 million principal amount of its 4.242% Series 3 debentures due April 1, 2024 (the "**Series 3 debentures**"), being all of the outstanding Series 3 debentures. The redemption price for the Series 3 debentures was approximately \$170 million plus accrued and unpaid interest up to the redemption date.

Investment in the India Mortgage Guarantee Corporation

On February 5, 2024, the Company acquired an additional 7.30% of the outstanding common shares in the capital of the Indian entity India Mortgage Guarantee Corporation Private Limited ("**IMGC**") from existing shareholders of IMGC, increasing the Company's aggregate ownership interest in IMGC from 40.20% to approximately 47.50%.

IMGC offers mortgage guarantees against borrower defaults on housing loans from mortgage lenders in India. As the only mortgage guarantee company in India, IMGC designs products that help lenders expand their businesses and enter new and underserved markets by providing them with an added layer of protection through a mortgage guarantee. The investment in this entity has been classified as an investment in associate and is accounted for using the equity method. The Company's after-tax proportionate share of the results of operations of the associate is presented in the statement of income. IMGC's results of operations did not materially impact the Company's overall financial results in 2023 or 2024.

Dividends

On January 29, 2025, the Board declared a dividend of \$0.3375 per non-cumulative Class A Preferred Shares, Series 1 (the “**Series 1 Preferred Shares**”), or approximately \$1 million in the aggregate, payable on March 31, 2025, to holders of record at the close of business on March 14, 2025.

In 2024, the Company paid the following dividends on the Series 1 Preferred Shares:

- On December 30, 2024, a dividend of \$0.3375 per Series 1 Preferred Share, or approximately \$1 million in the aggregate, to holders of record at the close of business on December 13, 2024;
- On September 27, 2024, a dividend of \$0.3375 per Series 1 Preferred Share, or approximately \$1 million in the aggregate, to holders of record at the close of business on September 13, 2024;
- On June 28, 2024, a dividend of \$0.3375 per Series 1 Preferred Share, or approximately \$1 million in the aggregate, to holders of record at the close of business on June 14, 2024; and
- On March 28, 2024, a dividend of \$0.3375 per Series 1 Preferred Share, or approximately \$1 million in the aggregate, to holders of record at the close of business on March 15, 2024.

In 2024, the Company paid the following dividends on the Class A common shares held by Brookfield, the sole holder of the Class A common shares:

- On December 4, 2024, a special dividend of \$255.99 per Class A common share, or \$260 million in aggregate;
- On November 8, 2024, a dividend of \$63.99 per Class A common share, or \$65 million in aggregate;
- On September 27, 2024, a special dividend of \$29.54 per Class A common share, or \$30 million in aggregate;
- On August 2, 2024, a dividend of \$63.99 per Class A common share, or \$65 million in aggregate;
- On June 26, 2024, a special dividend of \$108.31 per Class A common share, or \$110 million in aggregate;
- On May 3, 2024, a dividend of \$63.99 per Class A common share, or \$65 million in aggregate;
- On February 23, 2024, a special dividend of \$34.46 per Class A common share, or \$35 million in aggregate; and
- On February 2, 2024, a dividend of \$63.99 per Class A common share, or \$65 million in aggregate.

Fourth quarter review

Table 2: Results of operations

(in millions of dollars, unless otherwise specified)	Three months ended December 31,				Full Year			
	2024	2023	Change		2024	2023	Change	
Premiums written¹	\$ 215	\$ 143	\$ 72	50 %	\$ 775	\$ 612	\$ 163	27 %
Insurance revenue	\$ 236	\$ 199	\$ 37	19 %	\$ 848	\$ 730	\$ 118	16 %
Net losses on claims	10	11	(1)	(13)%	36	38	(2)	(5)%
Insurance expenses	28	24	5	19 %	109	93	17	18 %
Insurance service expense	38	35	3	9 %	145	131	15	11 %
Insurance service result	198	164	34	21 %	703	600	103	17 %
Insurance finance expense	30	24	6	26 %	96	77	19	24 %
Other operating expenses	11	8	3	38 %	41	37	4	9 %
Net insurance service result¹	157	132	25	19 %	565	485	81	17 %
Investment income:								
Interest	65	63	2	3 %	248	235	13	5 %
Dividends	7	7	-	-	29	27	1	5 %
Change in allowance for ECL	1	-	2	NM	(7)	(1)	(5)	NM
Income (loss) from associate	-	-	(1)	NM	(2)	(1)	(1)	128 %
General investment expenses	(3)	(4)	1	(29)%	(10)	(14)	4	(26)%
Interest and dividend income, net of investment expenses ¹	70	66	4	6 %	259	247	11	5 %
Realized income from the interest rate hedging program	(1)	-	(1)	292 %	(2)	(1)	(1)	54 %
Net realized gains (losses) from sales of investments	(2)	1	(3)	NM	1	(11)	12	(110)%
Net fair value gains (losses) on financial assets at FVTPL	-	11	(11)	(97)%	33	10	23	233 %
Net gains (losses) on derivatives and foreign exchange ²	4	1	3	NM	(5)	(8)	3	(35)%
Total investment income	71	78	(7)	(10)%	286	238	48	20 %
Interest expense	10	10	-	-	40	38	2	6 %
Income before income taxes	218	200	17	9 %	811	684	127	19 %
Income taxes	55	50	5	10 %	206	173	33	19 %
Net income	\$ 163	\$ 151	\$ 12	8 %	\$ 606	\$ 512	\$ 94	18 %
Adjustment to net income, net of taxes:								
Tax benefits from corporate reorganization	21	21	-	-	21	21	-	-
Net (gains) losses from investments, financial assets at FVTPL, derivatives and foreign exchange ²	(1)	(11)	9	(87)%	(22)	6	(28)	NM
Net operating income¹	\$ 183	\$ 161	\$ 22	14 %	\$ 605	\$ 539	\$ 66	12 %
Effective tax rate	25.1 %	24.8 %		0.3 pts	25.3 %	25.2 %		0.1 pts
Supplementary financial measures								
Loss ratio	5 %	6 %		(2) pts	5 %	6 %		(1) pts
Expense ratio	19 %	18 %		1 pts	20 %	20 %		- pts
Combined ratio	24 %	24 %		(1) pts	25 %	26 %		(1) pts

Note: Amounts may not total due to rounding. NM means Not Meaningful. ¹ Non-GAAP financial measure. ² Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

Table 3: Premiums written

(in millions of dollars, unless otherwise specified)	Three months ended December 31,				Full Year			
	2024	2023	Change		2024	2023	Change	
Premiums written¹								
Transactional	206	138	68	49 %	743	587	157	27 %
Portfolio	9	5	4	84 %	32	26	7	26 %
Total	\$ 215	\$ 143	\$ 72	50 %	\$ 775	\$ 612	\$ 163	27 %
Average premium rate (in basis points)								
Transactional	351	343	9	3 %	348	344	5	1 %
Portfolio	37	40	(4)	(9)%	38	40	(1)	(3)%
Total	260	274	(14)	(5)%	261	260	-	- %

Note: Amounts may not total due to rounding. ¹ Non-GAAP financial measure. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

Current quarter

Premiums written from transactional insurance were \$206 million in the fourth quarter of 2024, an increase of \$68 million, or 49%, as compared to the same quarter in the prior year. The increase was primarily related to an increase in transactional new insurance written arising from higher level of home sales as interest rate cuts stimulated house market activity. The average premium rate of 351 basis points in the fourth quarter of 2024 was higher as compared to the same quarter in the prior year as a result of a modest shift in the loan-to-value mix in the current period.

Premiums written from portfolio insurance were \$9 million in the fourth quarter of 2024, an increase of \$4 million, or 84%, as compared to the same quarter in the prior year as demand for portfolio insurance increased. A four-basis point lower average premium rate in the fourth quarter of 2024, as compared to the same quarter in the prior year, was primarily the result of a shift in the loan-to-value mix in the current period.

Full year

Premiums written from transactional insurance were \$743 million in 2024, an increase of \$157 million, or 27%, as compared to the prior year. The increase was primarily related to an increase in transactional new insurance written arising from higher level of home sales as interest rate cuts stimulated house market activity in the period. The average premium rate of 348 basis points in 2024 was modestly higher as compared to the prior year due to a shift in the loan-to-value mix during the year.

Premiums written from portfolio insurance were \$32 million in 2024, an increase of \$7 million, or 26%, as compared to the prior year as demand for portfolio insurance increased in the period. The average premium rate was relatively consistent with the prior year.

Table 4: Net insurance revenue

(in millions of dollars, unless otherwise specified)	Three months ended December 31,				Full Year			
	2024	2023	Change		2024	2023	Change	
Insurance revenue								
Contractual service margin recognized for services provided	167	134	33	25 %	584	482	101	21 %
Expected insurance service expenses incurred in the period	23	19	4	19 %	87	73	14	19 %
Changes in risk adjustment for non-financial risk recognized	24	27	(3)	(12)%	93	106	(13)	(12)%
Recovery of insurance acquisition expenses through allocation of premiums	22	18	4	20 %	84	69	15	22 %
Insurance revenue	\$ 236	\$ 199	\$ 37	19 %	\$ 848	\$ 730	\$ 118	16 %
Insurance finance expense	(30)	(24)	(6)	26 %	(96)	(77)	(19)	24 %
Net insurance revenue¹	\$ 206	\$ 175	\$ 31	18 %	\$ 752	\$ 653	\$ 99	15 %

Note: Amounts may not total due to rounding. ¹ Non-GAAP financial measure.

Current quarter

Insurance revenue of \$236 million in the fourth quarter of 2024 increased by \$37 million, or 19%, as compared to the same quarter in the prior year reflecting higher contractual service margin (“CSM”) recognition, which was primarily driven by the impact of more favourable forecasted home price changes on the CSM recognition pattern and a modestly higher CSM balance.

Insurance finance expense, representing interest accretion on insurance liabilities of \$30 million in the fourth quarter of 2024 increased by \$6 million, or 26%, as compared to the same quarter in the prior year due to larger recent books of business, with higher locked in discount rates, replacing ageing books of business with lower locked in discount rates.

Full year

Insurance revenue of \$848 million in 2024 increased by \$118 million, or 16%, as compared to the prior year, primarily reflecting higher CSM recognition, which was driven by the impact of more favourable forecasted home price changes on the CSM recognition pattern.

Insurance finance expense, representing interest accretion on insurance liabilities, of \$96 million in 2024 increased by \$19 million, or 24%, as compared to the prior year due to larger recent books of business, with higher locked in discount rates, replacing ageing books of business with lower locked in discount rates.

Table 5: Losses on claims

	Three months ended December 31,				Full Year			
	2024	2023	Change		2024	2023	Change	
New reported delinquencies	676	628	48	8 %	2,710	2,399	311	13 %
Cures	503	453	50	11 %	2,132	1,937	195	10 %
New reported delinquencies, net of cures	173	175	(2)	(1)%	578	462	116	25 %
Average reserve per delinquency (in thousands of dollars)	\$ 35	\$ 34	\$ 1	3 %	\$ 35	\$ 34	\$ 1	3 %
Losses on claims (in millions of dollars)	\$ 10	\$ 11	\$ (1)	(13)%	\$ 36	\$ 38	\$ (2)	(5)%
Loss ratio¹	5 %	6 %	(2) pts		5 %	6 %	(1) pts	

Note: Amounts may not total due to rounding. ¹ Supplementary financial measure. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

Current quarter

Losses on claims were \$10 million in the fourth quarter of 2024, as compared to \$11 million in the same quarter in the prior year, primarily due to modestly lower new reported delinquencies, net of cures, and a higher level of favourable loss reserve development. The loss ratio was 5% for the fourth quarter of 2024 as compared to 6% in the same quarter in the prior year.

Full year

Losses on claims were \$36 million in 2024, as compared to \$38 million in the prior year, primarily due to a higher level of favourable loss reserve development, which was partially offset by higher new reported delinquencies, net of cures. The loss ratio was 5% in 2024 as compared to 6% in the prior year.

Table 6: Expenses

(in millions of dollars, unless otherwise specified)	Three months ended December 31,				Full Year			
	2024	2023	Change		2024	2023	Change	
Expenses								
Premium taxes and underwriting fees	\$ 14	\$ 10	\$ 4	40 %	\$ 53	\$ 44	\$ 9	21 %
Employee compensation	17	16	1	8 %	65	62	4	6 %
Other	10	8	2	24 %	39	38	1	2 %
Total expenses	41	34	7	22 %	157	143	14	10 %
Deferral of insurance acquisition expenses	(24)	(21)	(3)	17 %	(91)	(82)	(9)	11 %
Amortization of insurance acquisition expenses	22	18	4	20 %	84	69	15	22 %
Total expenses after net change in deferred acquisition expenses	\$ 39	\$ 32	\$ 8	24 %	\$ 150	130	20	16 %
Expenses allocated to insurance service expense	\$ 28	\$ 24	\$ 5	19 %	\$ 109	93	17	18 %
Expenses allocated to other operating expenses	11	8	3	38 %	41	37	4	9 %
Total expenses after net change in deferred acquisition expenses	\$ 39	\$ 32	\$ 8	24 %	\$ 150	\$ 130	\$ 20	16 %
Expense ratio¹	19 %	18 %	1 pts		20 %	20 %	- pts	

Note: Amounts may not total due to rounding. ¹ Supplementary financial measure. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

Current quarter

Total expenses increased by \$7 million, or 22%, to \$41 million in the fourth quarter of 2024, as compared to the same quarter in the prior year. The increase was primarily due to an increase in premium taxes and underwriting fees related to the higher level of premiums written. Total expenses after net change in deferred acquisition expenses of \$39 million increased by \$8 million as compared to the same quarter in the prior year due to higher amortization of insurance acquisition expenses. The expense ratio, as a percentage of net insurance revenue, of 19% in the fourth quarter of 2024 was one percentage point higher as compared to the same quarter in the prior year. This increase in the expense ratio was primarily related to higher total expenses after net change in deferred acquisition expenses, as compared to the same quarter in the prior year.

Deferral of insurance acquisition expenses increased by approximately \$3 million in the fourth quarter of 2024 and the amortization of previously deferred insurance acquisition expenses increased by \$4 million in the fourth quarter of 2024, each as compared to the same quarter in the prior year.

Full year

Total expenses increased by \$14 million, or 10%, to \$157 million in 2024, as compared to the prior year. The increase was due to an increase of \$9 million in premium taxes and underwriting fees related to the higher level of premiums written and an increase of \$4 million in employee compensation, primarily due to higher share-based compensation expense from revaluation of outstanding share-based awards. Total expenses after net change in deferred acquisition expenses of \$150 million increased by \$20 million as compared to the prior year due to higher amortization of insurance acquisition expenses. The expense ratio, as a percentage of net insurance revenue, of 20% in 2024, was relatively unchanged as compared to the prior year.

Deferral of insurance acquisition expenses increased by approximately \$9 million in 2024, primarily related to the higher level of premiums written, and the amortization of previously deferred insurance acquisition expenses increased by \$15 million in 2024, as compared to the prior year.

Table 7: Investment income

(in millions of dollars, unless otherwise specified)	Three months ended December 31,				Full Year			
	2024	2023	Change		2024	2023	Change	
Interest and dividend income, net of investment expenses and ECL ¹	\$ 70	\$ 66	\$ 4	6 %	\$ 259	\$ 247	\$ 11	5 %
Realized income from the interest rate hedging program	(1)	-	(1)	292 %	(2)	(1)	(1)	54 %
Operating investment income¹	69	66	3	5 %	257	246	11	4 %
Net realized (losses) gains on sale of investments	(2)	1	(3)	NM	1	(11)	12	(110)%
Net fair value gains (losses) on financial assets at FVTPL	-	11	(11)	(97)%	33	10	23	233 %
Net gains (losses) from derivatives and foreign exchange ²	4	1	3	NM	(5)	(8)	3	(35)%
Total investment income	\$ 71	\$ 78	\$ (7)	(10)%	\$ 286	\$ 238	\$ 48	20 %
Invested assets, fair value average	\$ 6,396	\$ 6,436	\$ (41)	(1)%	\$ 6,348	\$ 6,280	\$ 68	1 %
Investment yield								
Interest income	65	63	2	3 %	248	\$ 235	13	5 %
Dividend income	7	7	-	-	29	27	1	5 %
Gross-up for tax-exempt treatment of Canadian inter-corporate dividends	2	3	-	-	10	10	-	-
Pre-tax equivalent operating investment income¹	\$ 74	\$ 73	\$ 2	2 %	287	273	14	5 %
Invested assets, book value average	\$ 6,400	\$ 6,791	\$ (392)	(6)%	6,470	6,658	(188)	(3)%
Investment yield³	4.6 %	4.2 %		0.4 pts	4.4 %	4.1 %		0.3 pts

Note: Amounts may not total due to rounding. NM means Not Meaningful. ¹ Non-GAAP financial measure. ² Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. ³ Non-GAAP ratio. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

Current quarter

Operating investment income of \$69 million was \$3 million, or 5%, higher in the fourth quarter of 2024 as compared to the same quarter in the prior year primarily due to higher investment yield, partially offset by lower book value average of invested assets. The average fair value of invested assets decreased by \$41 million, and the average book value of invested assets decreased by \$392 million over the period. The average fair value of invested assets in the fourth quarter of 2024 was \$4 million lower as compared to the average book value of invested assets as a result of the higher interest rate environment.

The investment yield for the fourth quarter of 2024 was 4.6%, approximately 40 basis points higher as compared to the same quarter in the prior year. The increase in investment yield was primarily the result of higher reinvestment rates, higher interest income earned on floating rate securities, and run-off of lower yielding investments.

The Company recognized \$2 million of net realized losses on sale of investments in the fourth quarter of 2024 as compared to \$1 million net gain in the fourth quarter of 2023.

Net fair value changes on financial assets classified as FVTPL were a net gain of less than \$1 million in the fourth quarter of 2024 as compared to a net gain of \$11 million from the same quarter in the prior year.

Net gains from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program, were \$4 million in the fourth quarter of 2024 primarily due to gains on foreign exchange from the revaluation of U.S. dollar denominated assets from a strengthening of the U.S. dollar, which was partially offset by losses on foreign exchange derivatives. Net gains from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program, were \$1 million in the fourth quarter of 2023 primarily due to gains on foreign exchange derivatives, partially offset by foreign exchange losses from the revaluation of U.S. dollar denominated assets from a modest weakening of the U.S. dollar.

Full year

Operating investment income of \$257 million was \$11 million, or 4%, higher in 2024 as compared to the prior year, primarily due to higher investment yield, partially offset by lower book value average of invested assets. The average fair value of invested assets increased by \$68 million, and the average book value of invested assets decreased by \$188 million over the period. The average fair value of invested assets in 2024 was \$122 million lower as compared to the average book value of invested assets as a result of the higher interest rate environment.

The investment yield for 2024 was 4.4%, approximately 30 basis points higher as compared to the prior year. The increase in investment yield was primarily the result of higher reinvestment rates, higher interest income earned on floating rate securities, and run-off of lower yielding investments.

The Company recognized \$1 million of net realized gains on sale of investments in 2024 as compared to \$11 million net losses in the prior year.

Net fair value changes on financial assets classified as FVTPL were a net gain of \$33 million in 2024 as compared to a net gain of \$10 million from the prior year.

Net losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program, were \$5 million in 2024, primarily due to losses on foreign exchange derivatives, partially offset by gains on foreign exchange from the revaluation of U.S. dollar denominated assets from a strengthening of the U.S. dollar. Net losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program, were \$8 million in the prior year primarily due to net losses on foreign exchange derivatives, partially offset by foreign exchange gains from the revaluation of U.S. dollar denominated assets as a result of a modest strengthening of the U.S. dollar.

Table 8: Net Income

<i>(in millions of dollars, unless otherwise specified)</i>	Three months ended December 31,					Full Year			
	2024	2023	Change			2024	2023	Change	
Income before income taxes	\$ 218	\$ 200	\$ 17	9 %	\$ 811	\$ 684	\$ 127	19 %	
Income taxes	55	50	5	10 %	206	173	33	19 %	
Net income	\$ 163	\$ 151	\$ 12	8 %	\$ 606	\$ 512	\$ 94	18 %	
Effective tax rate	25.1 %	24.8 %		0.3 pts	25.3 %	25.2 %		0.1 pts	

Note: Amounts may not total due to rounding.

Current quarter

Income before income taxes increased by \$17 million, or 9%, to \$218 million and net income increased by \$12 million, or 8%, to \$163 million in the fourth quarter of 2024 as compared to the same quarter in the prior year, primarily as a result of higher insurance revenue, partially offset by higher insurance service expense, higher insurance finance expense and lower investment income. The effective tax rate was 25.1% for the fourth quarter of 2024, approximately 30 basis points higher as compared to the same quarter in the prior year, primarily due to lower impact of favourable income tax adjustments in respect of prior years.

Full year

Income before income taxes increased by \$127 million, or 19%, to \$811 million and net income increased by \$94 million, or 18%, to \$606 million in 2024 as compared to the prior year, primarily as a result of higher insurance revenue and higher investment income, partially offset higher insurance service expense, higher insurance finance expense and higher interest expense. The effective tax rate was 25.3% for 2024, relatively consistent with the prior year.

Summary of annual information

Table 9: Select annual income statement and performance indicators for the last three years

<i>(in millions of dollars, unless otherwise specified)</i>	2024	2023	2022
Premiums written¹	\$ 775	\$ 612	\$ 825
Insurance revenue	848	730	656
Net losses on claims	36	38	22
Insurance expenses	109	93	75
Insurance service result	703	600	559
Insurance finance expense	96	77	60
Other operating expenses	41	37	31
Net insurance service results ¹	565	485	468
Net investment income	286	238	130
Net income	\$ 606	\$ 512	\$ 421
Adjustment to net income net of taxes:			
(Gain) fee on repurchase/redemption of long-term debt	-	-	(2)
Tax benefits from corporate reorganization	21	21	(20)
Net investment losses (gains) ²	(22)	6	37
Net operating income¹	\$ 605	\$ 539	\$ 476
Supplementary financial measures			
Loss ratio	5 %	6 %	4 %
Expense ratio	20 %	20 %	18 %
Combined ratio	25 %	26 %	22 %

Note: Amounts may not total due to rounding. ¹ Non-GAAP financial measure. ² Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. See the **Non-GAAP and other financial measures** section at the end of this MD&A for additional information.

Table 10: Select annual statement of financial position for the last three years

<i>(in millions of dollars, unless otherwise specified)</i>	As at December 31, 2024	As at December 31, 2023	As at December 31, 2022
Total invested assets	\$ 6,333	\$ 6,421	\$ 6,073
Other assets	414	309	336
Derivative financial instruments	27	176	188
Total assets	6,774	6,906	6,598
Liability for remaining coverage	2,577	2,521	2,523
Liability for incurred claims	48	42	54
Debt outstanding	922	921	892
Derivative financial instruments	131	133	238
Other liabilities	217	457	243
Total liabilities	3,895	4,073	3,949
Shareholders' equity excluding accumulated other comprehensive income ("AOCI") & preferred shared	2,781	2,831	2,739
Preferred shares	98	98	98
Accumulated other comprehensive income:			
Insurance finance reserve	25	55	93
Fair value reserve	(24)	(151)	(282)
Shareholders' equity	2,880	2,833	2,648
Total liabilities and shareholders' equity	\$ 6,774	\$ 6,906	\$ 6,598

Note: Amounts may not total due to rounding.

Table 11: Statement of financial position

	As at December 31,		As at December 31,			
(in millions of dollars, unless otherwise specified)	2024		2023		Change	
Total invested assets	\$	6,333	\$	6,421	\$	(88) (1)%
Derivative financial instruments		27		176		(149) (84)%
Other assets		414		309		105 34 %
Total assets		6,774		6,906		(131) (2)%
Liability for remaining coverage		2,577		2,521		56 2 %
Liability for incurred claims		48		42		7 16 %
Debt outstanding		922		921		1 -
Derivative financial instruments		131		133		(2) (1)%
Other liabilities		217		457		(239) (52)%
Total liabilities		3,895		4,073		(178) (4)%
Shareholders' equity excluding accumulated other comprehensive income & preferred shares		2,781		2,831		(50) (2)%
Preferred shares		98		98		- -
Accumulated other comprehensive income (loss):						
Insurance finance reserve		25		55		(29) (54)%
Fair value reserve		(24)		(151)		127 (84)%
Shareholders' equity		2,880		2,833		46 2 %
Total liabilities and shareholders' equity	\$	6,774	\$	6,906	\$	(131) (2)%
Dividends paid per share during the year:¹						
Class A common share	\$	684.31	\$	448.70		
Series 1 preferred share	\$	1.35	\$	1.35		
Liability for remaining coverage		2,577		2,521		56 2 %
Estimate of the present value of future cash flows		507		475		32 7 %
Risk adjustment		634		629		6 1 %
Contractual service margin		1,435		1,417		18 1 %
Contractual service margin ratio ²		56%		56%		(1) pts
Financial leverage ratio ²		27%		27%		- pts

Note: Amounts may not total due to rounding. ¹The number of Class A common shares outstanding as at December 31, 2024 was approximately 1 million. Dividends paid per Class A common share in 2024 include dividends of \$64.00 in the first, second, third and fourth quarters and special dividends of \$34.46, \$108.31, \$29.54 and \$255.99 in the first, second, third and fourth quarters, respectively. The number of Class A common shares outstanding as at December 31, 2023 was approximately 1 million. Dividends paid per Class A common share in 2023 include a dividend of \$64.38 in the second, third and fourth quarters, and a special dividend of \$255.55 in the fourth quarter. Dividends paid per Series 1 Preferred Share in 2024 include a quarterly dividend of \$0.34 in the first, second, third and fourth quarters. Dividends paid per Series 1 Preferred Share in 2023 included a quarterly dividend of \$0.34 in the first, second, third and fourth quarters. ² Supplementary financial measure.

Summary of quarterly results

Table 12: Summary of quarterly results

<i>(in millions of dollars, unless otherwise specified)</i>	4Q'24	3Q'24	2Q'24	1Q'24	4Q'23	3Q'23	2Q'23	1Q'23
Premiums written¹	\$ 215	\$ 231	\$ 219	\$ 111	\$ 143	\$ 208	\$ 168	\$ 93
Insurance revenue	236	221	199	192	199	216	171	145
Net losses on claims	10	11	1	15	11	8	11	8
Insurance expenses	28	27	26	27	24	27	20	22
Insurance service expense	38	39	27	42	35	35	31	30
Insurance service result	198	183	172	150	164	181	140	115
Insurance finance expense	30	26	22	18	24	23	17	14
Other operating expenses	11	12	7	11	8	11	9	9
Net insurance service result¹	157	145	143	121	132	148	113	92
Interest and dividend income, net of investment expenses ¹	70	65	63	60	66	66	60	56
Realized income (expense) from the interest rate hedging program	(1)	-	-	-	-	-	-	-
Net realized gains (losses) from sales of investments	(2)	5	-	(2)	1	(3)	(5)	(4)
Net fair value gains (losses) on financial assets at FVTPL	-	(3)	6	29	11	1	(1)	(1)
Net gains (losses) on derivatives and foreign exchange ²	4	(5)	(2)	(3)	1	(3)	(7)	2
Total investment income	71	63	68	84	78	60	47	52
Interest expense	10	11	10	10	10	10	10	9
Net income	\$ 163	\$ 147	\$ 151	\$ 145	\$ 151	\$ 148	\$ 112	\$ 101
Adjustment to net income, net of taxes:								
Tax benefits from corporate reorganization	21	-	-	-	21	-	-	-
Net (gains) losses from investments, financial assets at FVTPL, derivatives and foreign exchange ²	(1)	2	(4)	(18)	(11)	4	10	2
Net operating income¹	\$ 183	\$ 149	\$ 146	\$ 127	\$ 161	\$ 152	\$ 122	\$ 104
Non-GAAP ratios								
Loss ratio	5 %	6 %	0 %	8 %	6 %	4 %	7 %	6 %
Expense ratio	19 %	20 %	19 %	22 %	18 %	19 %	19 %	24 %
Combined ratio	24 %	26 %	19 %	30 %	24 %	23 %	26 %	30 %

Note: Amounts may not total due to rounding. ¹ Non-GAAP financial measure. ² Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

The Company's key financial measures for each of the last eight quarters are summarized in the above table. This table illustrates the Company's net income, loss ratio, expense ratio and combined ratio. The transactional mortgage insurance business is seasonal. Business volumes vary each quarter, while interest and dividend income, net of investment expenses, and operating expenses tend to be relatively consistent from quarter to quarter. The variations in business volumes are driven by mortgage origination activity, which typically peak in the spring and summer months, in addition to changes in market share and premium rates. Portfolio mortgage insurance volume and mix of loan-to-value varies from quarter to quarter based on lender demand. Losses on claims vary from quarter to quarter, primarily as the result of prevailing economic conditions and characteristics of the insurance in-force portfolio, such as loan size, age, seasonality and geographic mix of delinquencies. Typically, losses on claims increase during the winter months primarily due to an increase in new delinquencies and decrease during the spring and summer months. The cumulative favourable impact of home price appreciation from 2020 and 2021, and a resilient job market have contributed to lower losses on claims in recent quarters.

Reserve development analysis

Table 13: Reserve development analysis

<i>(in millions of dollars, unless otherwise specified)</i>	2024	2023
Total LIC, at the beginning of the year	\$ 42	\$ 54
LIC for prior periods' delinquent loans, remaining at the end of the current period (A)	1	(6)
Change in LIC for prior years' delinquent loans	40	60
Paid claims for prior years' delinquent loans	(23)	(45)
Favorable (unfavorable) development	17	16
As a percentage of total LIC, at the beginning of the current period	42 %	30 %
LIC for current period's delinquent loans, at the end of the current period (B)	48	49
Paid claims for current year's delinquent loans	(7)	(6)
Effect of discounting	(1)	(1)
Total LIC at the end of the year (A+B)	\$ 48	\$ 42

Note: Amounts may not total due to rounding.

The Company's outstanding LIC represents the Company's future expected cash flows in respect of estimated losses on claims, and a risk adjustment for non-financial risk. Future expected cash flows are comprised of individual case reserves, reserves for external and internal claims adjustment expenses, Incurred but not Reported reserves ("IBNR") subrogation rights related to real estate, and estimated recoveries from borrowers.

The Company's loss-reserving methodology, including reserve development, is reviewed on a quarterly basis and incorporates the most current available information. In the year ended December 31, 2024, the Company experienced favourable development of approximately \$17 million, or 42%, of the total LIC at the beginning of the year.

Financial condition

Financial instruments

As at December 31, 2024, the Company had total cash and cash equivalents and invested assets of approximately \$6.3 billion in its investment portfolio. The Company's invested assets are classified as either: FVTPL, Fair Value through Other Comprehensive Income ("FVOCI") or Amortized Cost. Fair value measurements are based on quoted market prices for identical assets when available. In the event an active market does not exist, estimated fair values are obtained primarily from industry-standard pricing sources using market observable information and through processes such as benchmark curves, benchmarking of like securities and quotes from market participants. The below table summarizes the classification by asset type.

Measurement Category

Financial Assets:

Cash Equivalents	FVOCI
Cash	Amortized Cost
Short-term investments	FVOCI
Accrued investment income and other receivables	Amortized Cost
Derivative financial instruments	FVTPL
Bonds and debentures	FVOCI, FVTPL
Private credit loans	Amortized Cost, FVTPL
Preferred shares	FVTPL, FVOCI (designated)

Financial Liabilities:

Accounts payable and accrued liabilities	Amortized Cost
Derivative financial instruments	FVTPL
Debt outstanding	Amortized Cost

Table 14: Invested assets by asset class for the portfolio

Asset Class	As at December 31, 2024			As at December 31, 2023		
	Carrying value	%	Unrealized gains (losses)	Carrying value	%	Unrealized gains (losses)
<i>(in millions of dollars, unless otherwise specified)</i>						
Cash and cash equivalents¹	\$ 354	6	-	\$ 452	7	-
Private credit loans²	149	2	-	87	1	-
Alternative assets	64	1	(1)	48	1	-
Short-term investments:						
Canadian federal government treasury bills	5	-	-	18	-	-
Total short-term investments	5	-	-	18	-	-
Government bonds and debentures:						
Canadian federal government	1,288	20	(23)	1,423	22	(57)
Canadian provincial and municipal governments	671	11	(8)	664	10	(17)
Total government bonds and debentures	1,959	31	(31)	2,087	33	(74)
Corporate bonds and debentures:						
Financial	559	9	(4)	591	9	(22)
Utilities	497	8	(6)	484	8	(19)
Energy	304	5	(3)	296	5	(10)
Infrastructure	152	2	(3)	106	2	(5)
All other sectors	891	14	(15)	818	13	(33)
Total corporate bonds and debentures	2,404	38	(30)	2,295	36	(90)
Collateralized loan obligations	906	14	2	941	15	(8)
Preferred shares:						
Financial	278	4	10	314	5	(48)
Utilities	116	2	2	101	2	(14)
Energy	79	1	9	60	1	(7)
All other sectors	18	-	1	17	-	-
Total preferred shares	491	8	22	492	7	(68)
Total invested assets	\$ 6,333	100	\$ (39)	\$ 6,421	100	\$ (240)
Accrued investment income and other receivables	122		-	87		-
Net Derivative financial instruments	(103)		(103)	43		43
Total invested assets, derivatives, accrued investment income and other receivables	\$ 6,351		\$ (142)	\$ 6,551		\$ (197)

Note: Amounts may not total due to rounding. ¹ Cash and cash equivalents includes \$4 million of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities (2023 - \$92 million). ² Private credit loans of \$149 million consist of \$149 million carried at amortized cost and \$15 thousand carried at fair value (2023 - \$82 million carried at amortized cost).

Unrealized losses on total investments were \$39 million as at December 31, 2024, reflecting a recovery in fair value of \$201 million, as compared to unrealized losses of \$240 million as at December 31, 2023. The improvement in market values of investments was primarily due to an increase in the market value of the preferred shares, decreasing bond yields and narrowing credit spreads during 2024.

Unrealized gains from the preferred shares were \$22 million as at December 31, 2024, as compared to unrealized losses of \$68 million reported at December 31, 2023.

The Company has economically hedged a portion of its foreign exchange and interest rate risk and the net market value of these derivatives is a net liability value of \$103 million as at December 31, 2024, as compared to a net asset value of \$43 million as at December 31, 2023.

As at December 31, 2024, the duration of the fixed income portfolio was 3.3 years.

The Company assigns credit ratings based on the asset risk guideline as outlined in OSFI's 2024 MICAT Guideline. Based on this guideline, the Company assigns ratings from DBRS Limited ("DBRS") when available. The majority of the assets in the Company's current investment portfolio have a DBRS rating. In the absence of a DBRS rating, the Company assigns Standard & Poor's ("S&P"), Fitch, or Moody's ratings.

Table 15: Invested assets by credit rating for the portfolio

Credit Rating	As at December 31, 2024			As at December 31, 2023		
(in millions of dollars, unless otherwise specified)	Carrying value	%	Unrealized gains (losses)	Carrying value	%	Unrealized gains (losses)
Cash and cash equivalents ¹	\$ 354	6	\$ -	\$ 452	8	\$ -
AAA	1,922	33	(22)	1,981	33	(61)
AA	1,065	18	(12)	1,228	21	(31)
A	1,120	19	(2)	1,049	18	(30)
BBB	770	13	(17)	749	13	(34)
BB and B	468	8	(7)	412	7	(14)
Unrated ²	142	2	(1)	58	1	(1)
Total investments (excluding preferred shares)	\$ 5,841	100	\$ (61)	\$ 5,929	100	\$ (171)
Preferred shares						
P1	-	-	-	3	1	-
P2	392	80	15	380	77	(61)
P3	99	20	7	109	22	(8)
Total preferred shares	491	100	22	492	100	(68)
Total invested assets	\$ 6,333		\$ (39)	\$ 6,421		\$ (240)

Note: Amounts may not total due to rounding. ¹ Cash and cash equivalents includes \$4 million of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities (2023 - \$92 million). ² Unrated investments pertain to private credit loans and alternative assets.

Investment portfolio management

The Company manages its portfolio assets to meet liquidity, credit quality, diversification, and yield objectives by investing primarily in fixed income securities, including federal and provincial government bonds, corporate bonds and preferred shares. The Company also holds short-term investments and alternative assets. In all cases, investments are required to comply with restrictions imposed by law and insurance regulatory authorities as well as the Company's own investment policy, which has been approved by the Board.

To diversify management styles and to broaden credit expertise, the Company has split these assets primarily among seven external investment managers, including Brookfield Public Securities Group LLC, Brookfield Asset Management Insurance Advisor LLC, Oaktree Capital Management L.P., Brookfield Asset Management Private Institutional Capital Advisers US LLC, and Brookfield Asset Management Private Institutional Capital Adviser (Canada) L.P., which are subsidiaries of Brookfield. The Company works with these managers to optimize the performance of the portfolios within the parameters of the stated investment objectives outlined in its investment policy. The policy takes into account the current and expected condition of capital markets, the historical return profiles of various asset classes and the variability of those returns over time, the availability of assets, diversification needs and benefits, the regulatory capital required to support the various asset types, security ratings and other material variables likely to affect the overall performance of the Company's investment portfolio. Compliance with the investment policy is monitored by the Company and reviewed at least quarterly with the Company's management-level Investment Committee and the Risk and Investment Committee of the Board.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in bank accounts and government treasury bills with original maturities of three months or less. The Company determines its target cash and cash equivalents based on near-term liquidity needs, market conditions and perceived favourable future investment opportunities. The Company's cash and cash equivalents in the investment portfolio were \$354 million, or 6%, as at December 31, 2024, as compared to \$452 million, or 7%, as at December 31, 2023. Cash and cash equivalents includes \$4 million of cash collateral posted by counterparties to financial derivative contracts. Refer to the **Liquidity** section below for additional information. Cash and liquid investments held outside of the Insurance Subsidiary were \$71 million as at December 31, 2024, excluding \$4 million of collateral posted by counterparties to financial derivatives contracts.

Private credit loans and alternative assets

The Company commenced directly investing in private credit loans in 2022 and alternative assets in the third quarter of 2023. These investments generate interest income at higher yields when compared to the government and corporate bonds within the investment portfolio. As of December 31, 2024, the Company held \$149 million of private credit loans and \$64 million of alternative assets as compared to \$87 million of private credit loans and \$48 million of alternative assets as at December 31, 2023.

Government bonds and debentures

The Company's investment policy requires that a minimum of 30% of the investment portfolio be invested in sovereign fixed income securities. As of December 31, 2024, 31% of the investment portfolio was invested in sovereign fixed income securities, consisting of approximately 20% in federal fixed income securities and 11% in provincial and municipal fixed income securities, relatively consistent with December 31, 2023.

Short-term investments consist primarily of Canadian federal government treasury bills with original maturities greater than three months and less than 365 days. The Company held \$5 million in short-term Canadian federal government treasury bills in the investment portfolio as of December 31, 2024, a decrease of \$13 million from December 31, 2023.

Corporate bonds and debentures

As of December 31, 2024, approximately 38% of the investment portfolio was held in corporate bonds and debentures, relatively unchanged as compared to the level as at December 31, 2023. The investment policy limits the percentage of the portfolio that can be invested in any single issuer or group of related issuers. Financial sector exposure through corporate bonds and debentures represents 9% of the investment portfolio, or approximately 23% of the total corporate bonds and debentures. The Company continuously monitors and repositions its exposure to the financial sector, which represents a significant proportion of the corporate issuances of fixed income securities in the Canadian marketplace. The Company is mindful of correlation risk and looks for opportunities to diversify the portfolio outside of Canada to sectors and issuers that have a lower correlated risk to Canada. Utilities sector and energy sector exposure through corporate bonds and debentures represent 8% and 5% of the investment portfolio, respectively.

Securities rated BBB were \$770 million or 13% of the investment portfolio as of December 31, 2024, relatively unchanged as compared to the level as of December 31, 2023. Securities rated BB and B were \$468 million, or 8% of the investment portfolio as of December 31, 2024, relatively unchanged as compared to the level as of December 31, 2023.

Collateralized loan obligations

The Company held approximately 14% of the investment portfolio in collateralized loan obligations as of December 31, 2024, relatively unchanged as compared to the level as at December 31, 2023. These securities are floating rate collateralized loan obligations denominated in U.S. dollars, of which 68% are rated AAA, 28% are rated AA and 4% are rated A.

Preferred shares

As of December 31, 2024, the Company held \$491 million, or 8%, in preferred shares, a decrease of \$1 million as compared to \$492 million as at December 31, 2023. The financial sector represented 57% of total preferred shares. Utilities sector and energy sector exposure through preferred shares represents 24% and 16%, respectively, of total preferred shares. The Company believes that preferred shares have a comparable dividend yield to common shares and offer a more attractive risk and capital adjusted return profile to that of common shares under the current MICAT guidelines.

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company's financial commitments and obligations. The Company has several primary sources of funds, consisting of premiums written from operations, investment income, cash and short-term investments, investment maturities or sales, proceeds from the issuance of debt securities, preferred shares and equity and a Credit Facility. The Company has an aggregate outstanding net carrying value of \$922 million in debt and \$98 million in preferred shares outstanding. The Company believes it has the flexibility to generate, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year and in future financial years.

Table 16: Summary of the Company's cash flows

<i>(in millions of dollars)</i>	Full Year	
	2024	2023
Cash provided by (used in):		
Operating activities	\$ 379	\$ 687
Financing activities	(701)	(431)
Investing activities	225	(61)
Change in cash and cash equivalents	\$ (98)	\$ 195
Cash and cash equivalents, beginning of period	452	257
Cash and cash equivalents, end of period	\$ 354	\$ 452

Note: Amounts may not total due to rounding.

The Company generated \$379 million of cash from operating activities in 2024, compared to \$687 million generated in the prior year. The decrease in cash generated from operating activities was due to a larger income tax payment in 2024 in respect of the 2023 taxation year and higher income tax installments.

The Company used \$701 million of cash for financing activities in 2024, primarily for the payment of dividends on the Class A common shares of \$695 million and on the Series 1 Preferred Shares of approximately \$5 million. In the prior year, the Company used \$431 million of cash for financing activities, primarily for the payment of dividends on the Class A common shares of \$453 million and on the Series 1 Preferred Shares of approximately \$5 million, which was partially offset by an increase in debt outstanding of approximately \$28 million after the repayment of the Series 3 debentures in the amount of approximately \$170 million from the net proceeds of approximately \$198 million from the issuance of the Series 7 debentures.

The Company generated \$225 million of cash from investing activities in 2024, primarily from the proceeds of sales or maturities of bonds, as compared to \$61 million used from the net purchase of investments in the prior year.

The Company maintains a portion of its investment portfolio in cash and liquid securities to meet working capital requirements and other financial commitments. As of December 31, 2024, the Company held liquid assets of approximately \$1,090 million, comprised of \$354 million in cash and cash equivalents, and \$736 million in bonds and debentures and short-term investments maturing within one year. Of the total liquid assets, \$71 million was held outside of the Insurance Subsidiary, excluding \$4 million of cash collateral posted by counterparties to financial derivatives contracts.

In addition to cash and cash equivalents, 31%, or \$1,964 million, of the Company's investment portfolio comprises federal and provincial government securities for which there is a highly liquid market. Funds are used primarily for operating expenses, claim payments, and interest expense, for repurchase or repayment of debt outstanding, as well as dividends and other distributions to shareholders. Potential liquidity risks are discussed in more detail in the **Risk Factors** section of the Company's AIF.

The Company has contractual obligations of approximately \$1.1 billion including non-cancellable leases for office space, office equipment, automobiles, long-term debt, accounts payable and accrued liabilities, credit facilities and liability for incurred claims. These contractual obligations consist of the following as at December 31, 2024.

Table 17: Summary of the Company's contractual obligations

(in millions of dollars)	Payment dates due by period				Total
	1 year or less	1-5 years	Over 5 years		
Long-term debt (principal) ¹	\$ -	\$ 480	\$ 441	\$	922
Accounts payables and accrued liabilities	149	-	-		149
Leases	1	3	2		7
Liability for incurred claims	40	10	(1)		48
Total contractual obligations	\$ 190	\$ 493	\$ 443	\$	1,126

Note: Amounts may not total due to rounding. ¹ See **Debt** section below for more details.

Derivative financial instruments

Derivative financial instruments are used by the Company for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio, subject to exposure limits specified within the Company's investment policy guidelines, which have been approved by the Board.

The Company uses foreign currency forwards and cross currency interest rate swaps to mitigate foreign currency risk associated with bonds and collateralized loan obligations denominated in U.S. dollars. Foreign currency forwards and cross currency interest rate swaps are contractual obligations to exchange one currency for another at a predetermined future date.

The Company uses both fixed-for-floating and floating-for-fixed interest rate swaps in conjunction with the management of interest rate risk related to its fixed income securities. The interest rate swaps are derivative financial instruments in which the Company and its counterparty agree to exchange interest rate cash flows based on a specified notional amount from a fixed rate to a floating rate or from a floating rate to a fixed rate.

Table 18: Fair value and notional amounts of derivatives by terms of maturity

(in millions of dollars, unless otherwise specified)	Derivative asset	Derivative liability	Net fair value	Notional Amount					
				1 year or less	1–3 years	3–5 years	Over 5 years	Total	
December 31, 2024									
Fair value through profit and loss									
Foreign currency forwards	\$ 1	(93)	(92)	\$ 1,874	\$ 61	\$ 58	\$ 102	\$ 2,095	
Cross currency interest rate swaps	4	(12)	(8)	41	65	-	98	204	
Interest rate swaps	23	(26)	(3)	4,000	4,000	500	-	8,500	
Total	\$ 27	\$ (131)	\$ (103)	\$ 5,915	\$ 4,126	\$ 558	\$ 201	\$ 10,799	
December 31, 2023									
Fair value through profit and loss									
Foreign currency forwards	\$ 58	\$ (12)	\$ 46	\$ 1,777	\$ 112	\$ 53	\$ 129	\$ 2,071	
Cross currency interest rate swaps	2	(2)	-	24	73	32	98	228	
Interest rate swaps	116	(119)	(3)	-	4,000	4,000	-	8,000	
Total	\$ 176	\$ (133)	\$ 43	\$ 1,801	\$ 4,186	\$ 4,085	\$ 227	\$ 10,299	

Note: Amounts may not total due to rounding.

Capital expenditures

The Company's capital expenditures primarily relate to technology investments aimed at improving operational efficiency and effectiveness for sales, underwriting, risk management, loss mitigation and accounting operations. In the three and twelve months ended December 31, 2024, the Company invested approximately \$2 million and \$7 million, respectively, in information technologies funded primarily from operating cash flows, consistent with 2023 expenditures.

Capital management

Mortgage insurer capital adequacy test

The Insurance Subsidiary is regulated by OSFI and is subject to the MICAT requirements which went into effect January 1, 2024. Under the 2024 MICAT Guideline, an insurer calculates a ratio of capital available to capital required in a prescribed manner. Mortgage insurers are required to maintain a minimum ratio of regulatory capital available, as defined for MICAT purposes, to capital required. The Company has established an internal MICAT target ratio of 157% as compared to the OSFI supervisory MICAT target ratio of 150% and the minimum MICAT ratio under PRMHIA of 150%.

As at December 31, 2024, the Insurance Subsidiary's MICAT ratio estimate was approximately 177%, 5 percentage points higher as compared to the MICAT ratio as at December 31, 2023, 27 percentage points higher as compared to the OSFI supervisory MICAT target ratio of 150% and 20 percentage points higher as compared to the Company's internal MICAT target ratio of 157%.

Capital above the amount required to meet the Insurance Subsidiary's MICAT operating targets could be used to support organic growth of the business or declaration and payment of dividends or other distributions, and if distributed to Sagen, to pay dividends or other distributions, for acquisitions, for repayment or repurchase of debt, or for such other uses as permitted by law and approved by the Board.

Table 19: MICAT as at December 31, 2024, and as at December 31, 2023

<i>(in millions of dollars, unless otherwise specified)</i>		
	As at December 31, 2024	As at December 31, 2023
Capital available	\$3,688	\$3,769
Capital required at 100% MICAT ratio	\$2,081	\$2,187
MICAT ratio ¹	177 %	172 %

¹ Company estimate as at December 31, 2024. The Company calculated its MICAT ratio in accordance with OSFI's MICAT Guideline dated January 1, 2023 for the 2023 reporting period and the 2024 MICAT Guideline dated January 1, 2024 for the 2024 reporting period. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under PRMHIA is 150% and the Company's internal MICAT target ratio is 157%. See the Non-GAAP and other financial measures section at the end of this MD&A for additional information.

Capital available decreased as at December 31, 2024, primarily due to \$895 million of dividends paid by the Insurance Subsidiary in 2024, which was partially offset by ongoing profitability and a decrease in the net after-tax unrealized loss on the investment portfolio from approximately \$151 million as at December 31, 2023 to approximately \$24 million as at December 31, 2024.

Capital required decreased as at December 31, 2024, primarily from the decline of the outstanding mortgage balances for larger prior books of business as a result of aging, partially offset by new insurance written on transactional and portfolio insurance.

Debt

The Company proactively manages capital in order to balance capital strength, flexibility and efficiency. As at December 31, 2024, the Company had an aggregate debt outstanding net carrying value of \$922 million, and \$98 million of preferred shares, with a financial leverage ratio, including preferred shares, of 27%.

The Company also has access to the Credit Facility up to \$300 million. As at December 31, 2024, there was no amount outstanding under the Credit Facility. See the **Credit Facility** section for further details.

Table 20: Details of the Company's long-term debt and hybrid notes

	Debentures			Hybrid Notes
	Series 4	Series 5	Series 7	Series 6 ¹
Timing of maturity	1 – 3 years	More than 5 years	3 – 5 years	More than 5 years
Principal amount outstanding	\$282 million	\$294 million	\$200 million	\$150 million
Net carrying value	\$281 million	\$293 million	\$199 million	\$149 million
Date issued	February 20, 2020	March 5, 2021	May 19, 2023	March 24, 2021
Maturity date	March 1, 2027	March 5, 2031	May 19, 2028	March 24, 2081
Coupon rate	2.955%	3.261%	5.909%	4.950%
Coupon payments due each year on	March 1, September 1	March 5, September 5	May 19, November 19	March 24, September 24
Ratings				
S&P ²	BBB+, Stable	BBB+, Stable	BBB+, Stable	BBB-, Stable
DBRS ²	A (High), Stable	A (High), Stable	A (High), Stable	A (Low), Stable

¹The Series 6 notes initially have a coupon of 4.95% per annum. On March 24, 2031, and on every fifth anniversary thereafter, the coupon rate will reset to a rate per annum equal to the five-year Government of Canada Yield plus a spread of (i) 3.566% for the period from March 2031 to March 2051, and (ii) 4.316% for the period from March 2051 until maturity. The Series 6 notes may be redeemed at the option of the Company on or after March 24, 2026, at a redemption price between 101% to 104% of the principal amount if redeemed prior to March 24, 2030, with the redemption price declining for each year that the notes remain outstanding, and 100% of the principal amount if redeemed on or after March 24, 2030, plus accrued and unpaid interest. The Series 6 notes are subordinated to all indebtedness and obligations of the Company and are subject to automatic conversion into preferred shares of the Company in the event of bankruptcy or insolvency. ²See **Financial Strength Rating** section of this MD&A for additional information.

The principal debt covenants associated with the Series 4 debentures, Series 5 debentures and Series 7 debentures (collectively, the “**Debentures**”) are summarized as follows:

- A negative pledge under which the Company will not assume or create any security interest (other than permitted encumbrances) unless the Debentures are secured equally and rateably with (or prior to) such obligation;
- The Company will not, nor will it permit any of its subsidiaries to, amalgamate, consolidate or merge with or into any other person or liquidate, wind-up or dissolve itself unless (a) the Company or one of its wholly-owned subsidiaries is the continuing or successor company or (b) if the successor company is not a wholly-owned subsidiary, at the time of, and after giving effect to, such transaction, no event of default and no event that, after notice or lapse of time, or both, would become an event of default shall have happened and be continuing under the trust indenture, in each case subject to certain exceptions and limitations set forth in the trust indenture; and
- The Company will not request that the rating agencies withdraw their ratings of the Debentures.

As of December 31, 2024, all debt covenants with respect to the Debentures have been met.

In the case of certain events of default under the terms of the Debentures, the aggregate unpaid principal amount of such debentures, together with all accrued and unpaid interest thereon and any other amounts owing with respect thereto, shall become immediately due and payable. The events of default that would trigger such an acceleration of payment include if the Company takes certain voluntary insolvency actions, such as instituting proceedings for its winding up, liquidation or dissolution, or consents to the filing of such proceedings against it; or if involuntary insolvency proceedings go uncontested by the Company or are not dismissed within a specified time period, or the final order sought in such proceedings is granted against the Company.

The principal debt covenants associated with the Series 6 notes are summarized as follows:

- Unless the Company has paid all accrued and payable interest on the Series 6 notes, the Company will not (i) declare any dividends on the preferred shares in the capital of the Company and the common shares in the capital of the Company ("**Dividend Restricted Shares**"), other than share dividends or dividends in kind, or pay any interest on any class or series of the Company's indebtedness outstanding which ranks on a parity with the Series 6 notes as to distributions upon liquidation, dissolution or winding-up ("**Parity Notes**"), (ii) redeem, purchase or otherwise retire any Dividend Restricted Shares or Parity Notes, or (iii) make any payment to holders of any of the Dividend Restricted Shares or any of the Parity Notes in respect of dividends not declared or paid on such Dividend Restricted Shares or interest not paid on such Parity Notes, respectively;
- For so long as the preferred shares issuable upon the automatic conversion of the Series 6 notes are issuable or outstanding, the Company will not create or issue any preferred shares in the capital of the Company which, in the event of insolvency or winding-up of the Company, would rank in right of payment in priority to such preferred shares;
- The Company will not, nor will it permit any of its subsidiaries to, amalgamate, consolidate or merge with or into any other person or liquidate, wind-up or dissolve itself unless (a) the Company or one of its wholly-owned subsidiaries is the continuing or successor company or (b) if the successor company is not a wholly-owned subsidiary, at the time of, and after giving effect to, such transaction, no event of default and no event that, after notice or lapse of time, or both, would become an event of default shall have happened and be continuing under the trust indenture, in each case subject to certain exceptions and limitations set forth in the trust indenture; and
- The Company will not request that the rating agencies withdraw their ratings of the Series 6 notes.

As of December 31, 2024, all debt covenants with respect to the Series 6 notes have been met.

The Series 6 notes, including accrued and unpaid interest, will be converted automatically into preferred shares in the capital of the Company upon the occurrence of certain bankruptcy or insolvency events.

The summary above does not include all details relating to the Debentures or the Series 6 notes. For all details on the terms and conditions of the Debentures and the Series 6 notes, refer to the relevant prospectus, prospectus supplement, trust indenture and supplemental trust indenture, as applicable, copies of which are available with the Company's filings on the SEDAR+ website at www.sedarplus.com.

Credit facility

On December 31, 2024, the Company had access to a revolving credit facility of up to \$300 million (the "**Credit Facility**"). The terms of the Credit Facility are described in the summary below.

	Revolving Facility
Amount	Up to \$300 million
Maturity Date	September 30, 2027
Tenure	5 years
Draw Period	5 years
Status	Active

The Credit Facility includes an accordion feature that permits the Company to request that individual commitments with respect to the Credit Facility be increased by an aggregate amount of up to \$100 million. As at December 31, 2024, there was no amount outstanding under the Credit Facility. The Company pays a standby fee based on the committed principal amount of the Credit Facility, which is recognized in interest expense in the condensed consolidated interim statement of income. The Credit Facility includes customary representations, warranties, covenants, terms and conditions for agreements of this type.

Preferred shares

The Series 1 Preferred Shares are described in the summary below.

Series 1 Preferred Shares

Outstanding number of shares	4,000,000
Principal amount outstanding	\$100 million
Net carrying value	\$98 million
Date issued	February 18, 2021
Option to redeem	March 31, 2026
Dividend yield	5.40%
Dividend per quarter	\$0.3375
Dividend payments, if declared, due each year on	March 31, June 30 September 30, December 31
TSX Symbol	MIC.PR.A
Ratings	
S&P	P-2 (low) Stable
DBRS	Pfd-2 (high) Stable

Each Series 1 Preferred Share entitles the holder thereof to fixed, non-cumulative dividends, if, as and when declared by the Board, with an annual dividend yield of 5.40%. Such dividends, if declared by the Board, will be paid on the last day of March, June, September and December in each year at a rate equal to \$0.3375 per Series 1 Preferred Share. The Series 1 Preferred Shares commenced trading on February 18, 2021 on the Toronto Stock Exchange under the symbol MIC.PR.A.

On or after March 31, 2026, the Company may redeem, in whole or in part, at its option, the Series 1 Preferred Shares, subject to certain conditions.

In order to maintain in force an exemption order from the public voting requirement in section 411 of the *Insurance Companies Act* (“ICA”) that has been granted to the Insurance Subsidiary, and subject to certain other limitations and conditions, the Class A Preferred Shares, as a class, carry adjustable voting rights to ensure that, at any given time, 35% of the voting rights in the Company will be held by persons who, among other things, do not hold 20% or more of any class of voting shares of the Company.

For purposes of the Company’s financial leverage ratio, the Series 1 Preferred Shares are treated as debt.

Financial strength ratings

The Insurance Subsidiary’s financial strength rating from DBRS is “AA, Stable” and it was confirmed in April 2024. Although the Insurance Subsidiary is not required to have ratings to conduct its business, ratings may influence the confidence in an insurer and its products.

The Company has issuer, debt, and preferred share ratings from both S&P and DBRS.

Entity	Ratings Summary	DBRS ¹	S&P ¹
Insurance Subsidiary	Financial Strength	AA, Stable	N/A ²
Company	Issuer Rating	A (High), Stable	BBB+, Stable
Company	Senior Unsecured Debentures (Series 4, 5, 7)	A (High), Stable	BBB+, Stable
Company	Subordinated Notes (Series 6)	A (Low), Stable	BBB-, Stable
Company	Preferred Shares (Series 1)	Pfd-2 (high), Stable	P-2 (low), Stable

¹Confirmed in April 2024. ²Withdrawn in April 2023 at the company’s request. Rating was A+ with stable outlook at the time of withdrawal.

Capital transactions

In the fourth quarter of 2024 and in the twelve months ended December 31, 2024, the Company paid dividends of \$325 million and \$695 million, in the aggregate, on the Class A common shares held by Brookfield and dividends of approximately \$1 million and \$5 million, in the aggregate, to holders of the Series 1 Preferred Shares, respectively.

Restrictions on dividends and capital transactions

The Insurance Subsidiary is subject to certain restrictions with respect to dividend and capital transactions. The ICA prohibits directors from declaring or paying any dividend on shares of an insurance company if there are reasonable grounds for believing that the company is, or the payment of the dividend would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. The ICA also requires an insurance company to notify OSFI of the declaration of a dividend at least 15 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company or the redemption of any redeemable shares or other similar capital transactions if there are reasonable grounds for believing that the company is, or the payment would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. Share cancellation or redemption would also require the prior approval of OSFI. Finally, OSFI has broad authority to take actions that could restrict the ability of an insurance company to pay dividends. See **OSFI regulatory changes** above for details on recent regulatory changes introduced by OSFI.

Outstanding share data

Table 21: Changes in the number of common shares, Class A common shares and Series 1 Preferred Shares outstanding

	December 31, 2024	December 31, 2023
Class A common shares, beginning of period	1,015,628	1,009,590
Class A common shares issued in connection with corporate reorganizations	5,704	6,038
Class A common shares, end of period	1,021,332	1,015,628
Series 1 Preferred Shares, beginning of period	4,000,000	4,000,000
Series 1 Preferred Shares issued	-	-
Series 1 Preferred shares, end of period	4,000,000	4,000,000

On December 10, 2024, as part of a corporate reorganization, the Company issued 5,704 Class A common shares to Falcon Intermediate Holdings Inc., a Brookfield subsidiary and the sole registered holder of the Class A common shares.

Risk management

Enterprise risk management framework

Risk management is a critical part of the Company’s business. The Company’s Enterprise Risk Management (“ERM”) framework comprises the totality of the frameworks, systems, processes, policies, and people for identifying, assessing, mitigating and monitoring risks.

Governance framework

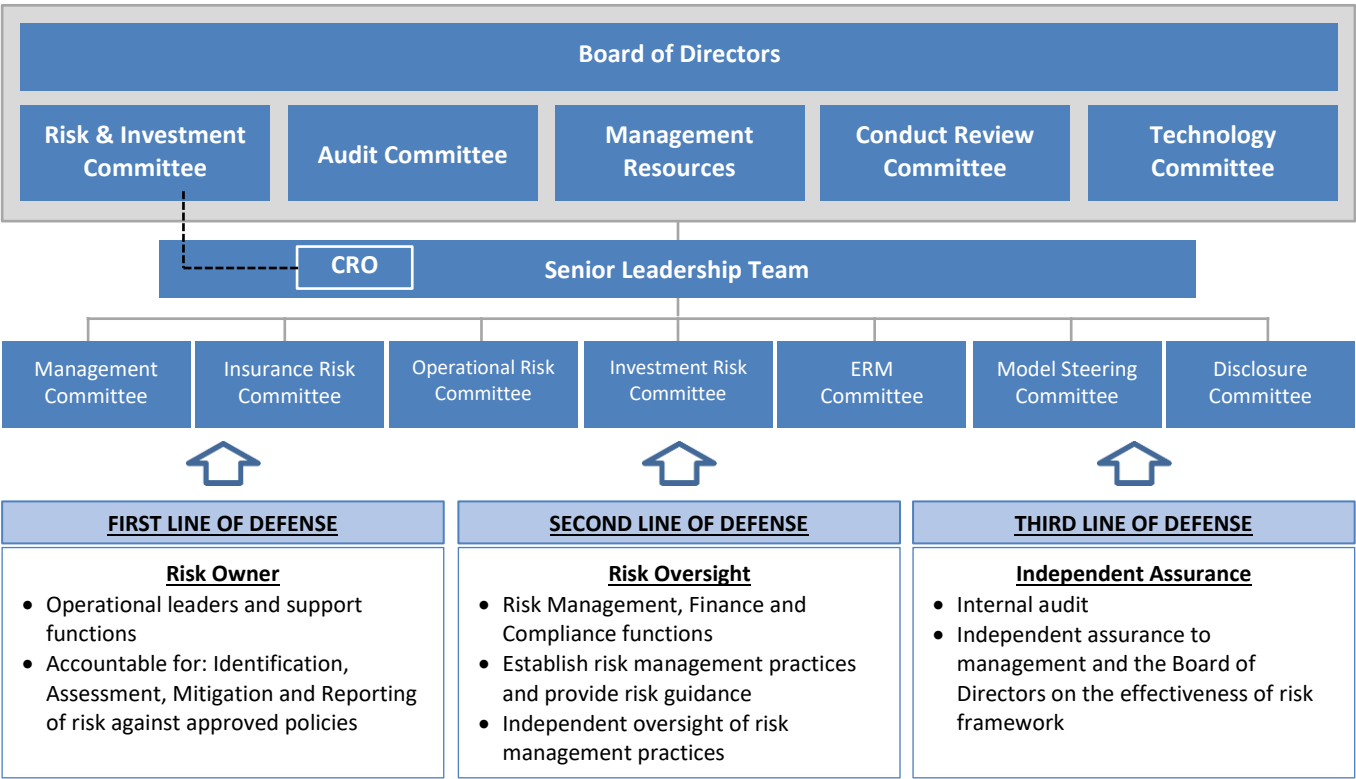
The Company’s governance framework is designed to ensure the Board and management have effective oversight of the risks faced by the Company with clearly defined and articulated roles and responsibilities and inter-relationships with the three core elements of Board oversight of risk management practices; management’s oversight of risks; and the “three lines of defense” operating model.

The Board is responsible for reviewing and approving the Company’s risk appetite and ensuring that it remains consistent with the Company’s short- and long-term strategy, business and capital plans. The Board carries out its risk management mandate primarily through its committees, with the Risk and Investment Committee having responsibility for oversight of insurance, investment and operational, technology and cyber security risks.

In 2024, the Board approved the formation of the Technology Committee (the “Tech Committee”). The primary mandate of the Tech Committee is to review the Company’s technology plans and associated risks. The Tech Committee meets regularly with the members of management, including the Chief Information Office, to discuss updates regarding IT changes and projects, vulnerabilities and remediation efforts, steps being taken by the Company to protect data, changes to the IT systems and further information on any IT incidents and other initiatives. After each meeting, the Tech Committee reports to the Board on its meeting and receives the Board’s feedback.

The Company’s management is responsible for risk management under the oversight of the Board and fulfills its responsibility through several risk committees, as noted in the chart below. The following internal control functions have a reporting relationship to the Board and/or its committees: compliance, the Chief Financial Officer (“CFO”), internal audit, the appointed actuary and the Chief Risk Officer (“CRO”).

The Board and the board of directors of the Insurance Subsidiary use a “three lines of defense” approach to risk management, which serves to allocate accountability and responsibility for risk management within the various business functions, as outlined in the chart below.



Risk principles

The Company employs the following methods of managing risk that originate from the business objectives of the Company:

- Ensure the expected outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite;
- Ensure there is an appropriate balance between risk, return, capital, and liquidity in order to meet policyholder obligations and maximize shareholder value throughout economic cycles;
- Ensure an understanding of risk drivers as they relate to the Company's key objectives, including addressing potential reputational risk;
- Employ a "three lines of defense" risk governance model, which ensures that a responsibility for risk management is shared across the business;
- Proactively address emerging risks as they arise; and
- Ensure strict adherence to legal, compliance and regulatory requirements.

The Company's ERM framework and internal control procedures are designed to reduce the level of volatility in its financial results. The Company's ERM framework is linked to its business strategy and decision-making framework. One of the key tools is the Own Risk and Solvency Assessment ("ORSA") framework. The key elements and considerations of the Company's ORSA framework include: the comprehensive identification and assessment of risks and the adequacy of the Company's risk management; the assessment of the Company's current and likely future capital needs and solvency positions in light of its risk assessments; the distinguishing of Board oversight and management responsibility for such processes; detailing related monitoring and reporting requirements; and detailing the Company's internal controls and objective review process and procedures for such risk assessments. The Company's ORSA framework is forward-looking and is undertaken in conjunction with the Company's business and strategic planning.

Risk appetite framework

Risk appetite is the maximum amount of risk that the Company is willing to accept in the pursuit of its business objectives. The objective in managing risk is to protect the Company from unacceptable loss or an undesirable outcome with respect to earnings volatility, capital adequacy, liquidity or reputation, while supporting the Company's overall business strategy.

The purpose of the risk appetite framework is to provide a framework for management and the Board for understanding the ultimate level of risk the Company is willing to undertake in pursuit of its strategic objectives with due regard to its commitments and regulatory boundaries. It articulates the desired balance between risk objectives, meeting customer needs and profitability objectives, and is a major communication tool that enables the Board to cascade key messages throughout the organization. It establishes a common understanding around the acceptable level of variability in financial performance and answers the question of how much risk the Company is willing to take under expected and extreme scenarios.

The Company has set risk limits that guide the business and ensure that risk taking activities are within its risk appetite. The Company's risk limits will be assessed for appropriateness at least annually and on a more frequent basis if there is a major change to the economic or business environment. The Company communicates risk limits across the organization through its policies, limit structures, operating procedures and risk reporting.

Where possible, the Company's risk appetite is subject to stress and scenario testing and can be expressed as the tolerance with respect to acceptable variances for earnings, liquidity and capital to deviate from their target levels under a variety of different scenarios.

Risk controls

The Company's ERM approach is supported by a comprehensive set of risk controls. The controls are embedded through its ERM framework and risk-specific frameworks. These frameworks lay the foundation for the development and communication of management-approved policies and the establishment of formal review and approval processes. The Company's risk management framework and policies are organized as follows:

- **ERM Framework:** provides an overview of the enterprise-wide program for identifying, measuring, controlling and reporting of material risks the Company faces;
- **Risk-Specific Frameworks:** provides an overview of the Company's program for identifying, measuring, controlling and reporting for each of its material risks; and
- **Company-wide Policies and Procedures:** governs activities such as product risk review and approval, project initiatives, stress testing, risk limits and risk approval authorities.

Risk categories

Insurance risk

The Company's mortgage insurance risk management involves actively managing its borrower credit quality, product and geographic exposures. The Company carefully monitors portfolio concentrations by borrower credit quality, product and geography against pre-determined risk tolerances, taking into account the conditions of the housing market and economy in each region of Canada. The Company continued to originate a high-quality insurance portfolio with an average transactional credit score of 765 in the fourth quarter of 2024 with approximately 1.8% of transactional new insurance written below a credit score of 660, primarily due to continued underwriting diligence. The average home price for transactional insurance originations in the fourth quarter of 2024 was approximately \$437 thousand, representing an increase of approximately 5.5% over the average home price in the same quarter in the prior year. The average gross debt service ratio in the fourth quarter of 2024 was 29%¹ based on the PRMHIA qualifying mortgage rate, below the PRMHIA mortgage stress test threshold of 39%.

The Company carefully monitors the geographic distribution of its insurance portfolio against pre-determined risk tolerances, taking into account the conditions of the housing market and economy in each region of Canada and takes underwriting actions to manage its exposure to the various regions based on prevailing conditions.

Sagen's extensive historical database and innovative information technology systems are important tools in its approach to risk management. The Company utilizes its proprietary transactional insurance performance database to build and improve its mortgage scoring model. This mortgage scoring model employs a number of evaluation criteria to assign a score to each insured mortgage loan which is an indicator of the likelihood of a future claim. This evaluation includes criteria such as borrower credit scores, loan details, debt servicing ratios, property characteristics and loan-to-value ratios. The Company believes these factors, as well as other considerations, significantly enhance the ability of the mortgage scoring model to predict the likelihood of a borrower default, as compared to reliance solely on borrower credit score. The Company also utilizes internal models to estimate projected losses on claims and to measure the severity of loss and delinquency rate.

The Company's mortgage portfolio risk management function is organized into three primary groups: portfolio analysis, underwriting policies and guidelines, and risk technology. The risk management team analyzes and summarizes mortgage portfolio performance, risk concentrations, emerging trends and remedial actions which are reviewed with the Company's management-level insurance risk committee on a regular basis. The Company closely monitors the delinquency performance as a key indicator of insurance portfolio performance.

¹ In the Q2 2023 MD&A the average contractual gross debt service ratio was replaced with the average compliance gross debt service ratio.

Quality assurance

The Company also employs a quality assurance team to ensure that policies and guidelines established by the Company's mortgage portfolio risk management function are adhered to both internally within the Company and by lenders submitting applications to the Company. The quality assurance team conducts daily reviews of a random sample of loans adjudicated by the Company's underwriters. Similarly, external lender audits are conducted on a routine basis, using a statistically relevant sample of insured loans. In addition, the quality assurance team also reviews the Company's loss reserving and mitigation functions to ensure compliance with relevant Company policies and accounting standards. Audit results of all three areas are reviewed by management on a quarterly basis.

Through the Company's risk management system, it takes active steps to identify and prevent fraud. This includes collaborating with industry participants to promote best practices within the mortgage industry and to identify emerging trends, performing quality assurance audits on lender institutions and maintaining a proprietary database of properties or persons known to have been involved in fraud or misrepresentation.

Market and credit risk

The Company monitors and manages the credit risk, liquidity risk and market risk, including interest rate risk, currency risk, emerging markets risk and counterparty risk of its investment portfolio. These risks are discussed in more detail in the **Risk factors** section of the Company's AIF.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk principally through its investment assets. The Company's investment management strategy is to invest primarily in debt instruments of Canadian federal government agencies and other high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer, business sector, or credit rating category, as specified in its investment policy. Credit quality of financial instrument issuers is assessed based on ratings supplied by rating agencies DBRS, S&P and Moody's and credit analysis is completed by the Company and its investment managers.

Credit risk from derivative transactions reflects the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Company. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount. To mitigate credit risk related to derivative counterparties, the Company has adopted a policy whereby, upon signing the derivative contract, the counterparty is required to have a minimum credit rating of A- and to collateralize its derivative obligations.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet policy obligations and other financial commitments as they fall due without raising funds at unfavourable rates or selling assets on a forced basis. To ensure liquidity requirements are met, the Company holds a portion of investment assets in liquid securities. Adverse capital and credit market conditions and the MICAT requirements of the Insurance Subsidiary may significantly affect the Company's access to capital and may affect its ability to meet liquidity or debt refinancing requirements in the future.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Company is exposed are interest rate risk, currency risk, emerging markets risk and counterparty risk.

Interest rate risk

Fluctuations in interest rates have a direct impact on the market valuation of the Company's fixed income investment portfolio. Short-term interest rate fluctuations will generally create unrealized gains or losses. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher-yielding fixed income investments are called, mature or are sold and the proceeds are

reinvested at lower rates, and this will likely result in unrealized gains in the value of fixed income investments the Company continues to hold, as well as realized gains to the extent that the relevant investments are sold. During periods of rising interest rates, the market value of the Company's existing fixed income investments will generally decrease and gains on fixed income investments will likely be reduced or become losses. To mitigate interest rate risk, the Company uses fixed for floating interest rate swaps to hedge a portion of the interest rate risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk arising from investments primarily denominated in U.S. dollars. The Company uses foreign exchange forward contracts and cross currency interest rate swaps to mitigate currency risk.

Emerging markets risk

Emerging markets risk relates to emerging market investment grade bond holdings which are exposed to greater market volatility, have less availability of reliable financial information, carry higher transactional and custody costs, are subject to taxation by foreign governments, have decreased market liquidity and may be exposed to political instability.

Counterparty risk

Counterparty risk relates to the risk that a counterparty will fail to discharge its obligation related to a bond, derivative contract or other trade or transaction.

Operational risk

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems that cannot adequately respond to changes in the business environment. Operational risk can have implications on costs, revenues and/or the Company's reputation. The Company has developed a risk management program that includes risk identification, quantification, governance, policies and procedures and seeks to appropriately identify, monitor, measure, mitigate, control and report operational risks.

The Company's operational risk profile is a function of its operational effectiveness, control environment and its ability to deal with adverse external events.

Due to changes in the economic environment, the Company may face fluctuating new business volumes, claims and loss mitigation requests that are significantly higher than current levels. In order to effectively manage a significant increase in new business volume or loss mitigation requirements, the Company has contingency plans in place to leverage additional capacity when required. For a short-term increase, the business can leverage cross-trained staff from other operational areas (both Underwriting and Loss Mitigation). For a longer-term increase in new business volume or loss mitigation, the business would hire additional new staff. The ability to hire qualified new staff could also be impacted by market conditions. Potential operational risks are discussed in more detail in the **Risk factors** section of the Company's AIF.

Environmental, Social and Governance ("ESG") risks

The Company is exposed to risks related to environmental conditions and extreme weather events that could potentially disrupt its operations, impact its customers and, ultimately, its financial results. Factors contributing to heightened environmental risks include the impacts of climate change and the continued intensification of housing development in areas of greater environmental sensitivity. Business continuity management plans provide the Company's management team with the roadmap and tools that support the restoration, maintenance and management of critical operations and processes in the event of a business disruption. The Company is also exposed to climate-related events and government policies, which could lead to an increase in unemployment as well as negatively impact housing prices in specific areas, or across Canada. This could lead to an increase in new delinquencies and the severity of losses on claims. Further, the Company's investment portfolio, which is predominantly comprised of high quality fixed and floating rate investments, could be impacted by the volatility created by the transition to a more sustainable green market. More information on ESG risks are discussed in the **Description of the business** section of the Company's AIF.

Additional risks and information on the above Company risks are discussed in the **Description of the business** and **Risk factors** sections of the Company's AIF.

Financial reporting controls and accounting disclosures

Disclosure controls & procedures and internal control over financial reporting

Management is responsible for establishing and maintaining adequate disclosure controls and procedures (“**DCP**”) and internal controls over financial reporting (“**ICFR**”), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings.

DCP are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer (“**CEO**”) and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. ICFR is a process designed under the supervision of the CEO and CFO and effected by management and other personnel of the Company, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company’s internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its ICFR. However, because of its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis. The Company used the control framework set forth by the Committee of Sponsoring Organizations Integrated Framework (2013) to design the Company’s ICFR.

The Company’s management, under the supervision of the CEO and the CFO, has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Senior management, including the CEO and CFO, have evaluated and concluded that the Company’s DCP and ICFR were designed and operating effectively as at the end of the periods covered by this MD&A. Additionally, there were no material changes in the Company’s DCP and ICFR during the periods covered by this MD&A that have materially affected, or are reasonably likely to materially affect, the Company’s controls over financial reporting. Management will continue to monitor the effectiveness of the Company’s controls and make further improvements as necessary.

Changes in accounting standards and future accounting standards

The following new accounting standards and amendments of existing standards have been issued by the IASB and are effective January 1, 2024.

- Amendments to IAS 1: Presentation of financial statements (“**IAS 1**”) - Classification of liabilities as current or non-current.
- Amendments to IAS 1: Presentation of financial statements - Non-current liabilities with covenants.
- Amendments to IFRS 16: Lease liability in a sale and leaseback (“**IFRS 16**”).
- Amendments to IAS 7: Statement of cashflows (“**IAS 7**”) and IFRS 7 Financial instruments: Disclosures - Supplier finance arrangements.

The amendments to IAS 1, IFRS 16, and IAS 7 did not have an impact to the Company’s consolidated financial statements.

Future accounting standards, amendments and interpretations

The Company has not early adopted any of the following accounting standards, amendments or interpretations that have been issued by the IASB but are not yet effective in preparing its consolidated financial statements.

- Effective January 1, 2025: Amendments to IAS 21: The effects of changes in foreign exchange rates - Lack of exchangeability.
- Effective January 1, 2026: Amendments to IFRS 9 and IFRS 7: Classification and measurement of financial instruments. Annual improvements to IFRS Accounting Standards – Volume 11.
- Effective January 1, 2027: IFRS 18: Presentation and disclosure in financial statements (“**IFRS 18**”) - IFRS 18 was issued on April 9, 2024 and will replace IAS 1: It includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. IFRS 19: Subsidiaries without public accountability: Disclosures (“**IFRS 19**”) – IFRS 19 was issued on May 9, 2024 and specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.

The Company is currently assessing the impact of these new standards and amendments on the Company’s financial statements.

Sustainability and climate-related reporting standards

On June 26, 2023, The ISSB issued its first two sustainability reporting standards:

- General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), which is the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- Climate-related Disclosures (IFRS S2), which is the first thematic standard, and sets out requirements for entities to disclose information about climate-related risks and opportunities.

These standards included an effective date of January 1, 2024.

On December 18, 2024, the Canadian Sustainability Standards Board ("CSSB") released Canada's inaugural sustainability disclosure standards: "CSDS 1: General Requirements for Disclosure of Sustainability-related Financial Information" ("**CSDS 1**") and "CSDS 2: Climate-related Disclosures" ("**CSDS 2**"). These standards aim to set a new benchmark for the disclosure of sustainability-related information to serve the public interest and uphold the quality of sustainability disclosure in Canada.

Overall, the CSSB's objective aligns the CSDS standards with the ISSB IFRS S1 and S2 except for modifications relating to an effective date for annual reporting periods beginning on or after January 1, 2025, and certain transition reliefs.

The application of CSDS 1 and CSDS 2 remains voluntary until mandated by the appropriate authorities. To become mandatory disclosures under securities legislation in Canada, the CSSB standards would need to be incorporated into a rule adopted by one or more of the Canadian Securities Administrators ("**CSA**"). The CSA continues to work towards a revised climate-related disclosure rule that will consider the CSSB Standards and may include modifications considered appropriate for the Canadian capital markets. The CSA is taking a climate-first approach and therefore is focusing on those requirements necessary to support a climate-related disclosure rule.

In 2025, it is expected that the CSA will publish a revised rule for public comment and seek comment on specific issues, including the scope of application and the need for additional time or guidance for reporting issuers to comply with certain disclosure requirements. The CSA also anticipates consulting on concerns regarding liability with respect to new requirements for climate-related disclosure.

The Company is actively monitoring and participating in different industry discussions on sustainability and climate related disclosures and is currently assessing the impact of these sustainability reporting requirements on its financial statements.

Material accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods covered by the financial statements. Actual results may differ from the estimates used, and such differences may be material.

The critical judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the Company's consolidated financial statements and that have a risk of causing a material adjustment to the carrying value of certain assets and liabilities are indicated in the table below. A detailed description of these judgements, estimates and assumptions is disclosed in the Company's consolidated financial statements for the year ended December 31, 2024.

Judgements, estimates and assumptions	Reference to Consolidated Financial Statements
Insurance contracts	
Level of aggregation	Note 5.h.(i)
Liability for remaining coverage: Estimates of undiscounted future cashflows	Note 5.h.(ii)
Liability for remaining coverage: Determination of risk adjustments for non-financial risk	Note 5.h.(iii)
Liability for remaining coverage: Contractual service margin and coverage unit determination	Note 5.h.(iv)
Liability for incurred claims: Estimates of undiscounted future cashflows	Note 5.h.(v)
Liability for incurred claims: Determination of risk adjustments for non-financial risk	Note 5.h.(vi)
Determination of discount rates, including credit risk adjustments	Note 5.h.(vii)
Investments	
Classification of financial assets	Note 6.(i)
Impairment of financial assets - Determination of allowance for expected credit losses ("ECL")	Note 6.(ii)
Impairment of financial assets - Assessing significant increase in credit risk	Note 6.(iii)
Income taxes	
Recognition and assessment of recoverability of deferred tax assets	Note 8

Transactions with related parties

Services

During 2024 and 2023, the Company had, and continues to have, in place service relationships with Brookfield Asset Management Private Institutional Capital Adviser US LLC, Brookfield Asset Management Private Institutional Capital Advisor (Canada) L.P, and Brookfield subsidiary Brookfield Public Securities Group LLC to provide investment management services for certain investment portfolios. Additionally, the Company has an agreement with Brookfield Asset Management Reinsurance Advisor LLC for the provision of investment management services related to the Company's private credit loans and with Brookfield Private Equity Unit for IT consultancy services. RPS Real Property Solutions Inc., an affiliate of Brookfield, provides property valuation services used by the Company for underwriting purposes. All of these arrangements with affiliates of Brookfield are undertaken at market terms and conditions. The Company also pays director fees and other related amounts otherwise owing to directors directly to Brookfield.

The Company incurred aggregate charges of approximately \$1 million in the fourth quarter of 2024 and \$5 million in 2024, for services provided by Brookfield entities, which are consistent with the prior year periods.

Non-GAAP and other financial measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with IFRS, the Company uses certain **non-GAAP financial measures** to analyze performance. The Company believes that non-GAAP financial measures, supplementary financial measures and non-GAAP ratios provide meaningful information regarding its performance and may be useful to investors as they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. These measures and ratios may not have standardized meanings and may not be comparable to similar measures presented by other companies.

The below table provides a reconciliation of (i) net insurance revenue to the comparable financial measure of insurance revenue, (ii) net insurance service result to the comparable financial measure of insurance service result, (iii) operating investment income and interest and dividend income, net of investment expenses to the comparable financial measure of total investment income; (iv) net operating income to the comparable financial measure of net income; and (v) pre-tax equivalent operating investment income to the comparable financial measure of total investment income.

Table 22: Non-GAAP financial measures reconciled to comparable IFRS measures

	Three months ended December 31,		Full Year	
	2024	2023	2024	2023
<i>(in millions of dollars, unless otherwise specified)</i>				
Insurance revenue (i)	\$ 236	\$ 199	\$ 848	\$ 730
Insurance finance expense	(30)	(24)	(96)	(77)
Net insurance revenue	\$ 206	\$ 175	\$ 752	\$ 653
Insurance service result (ii)	\$ 198	\$ 164	\$ 703	\$ 600
Insurance finance expense	(30)	(24)	(96)	(77)
Other operating expenses	(11)	(8)	(41)	(37)
Net insurance service result	\$ 157	\$ 132	\$ 565	\$ 485
Total investment income (iii)	\$ 71	\$ 78	\$ 286	\$ 238
Adjustment to investment income:				
Net (gains) losses from investments, financial assets at FVTPL, derivatives and foreign exchange ¹	(2)	(13)	(29)	9
Operating investment income	69	66	257	246
Realized income from the interest rate hedging program	1	-	2	1
Interest and dividend income, net of investment expenses	\$ 70	\$ 66	259	\$ 247
Net income (iv)	163	151	606	512
Adjustments to net income, net of taxes:				
Tax benefits from corporate reorganization	21	21	21	21
Net losses from investments, financial assets at FVTPL, derivatives and foreign exchange ¹	(1)	(11)	(22)	6
Net operating income	\$ 183	\$ 161	\$ 605	\$ 539
Total investment income (v)	\$ 71	\$ 78	\$ 286	\$ 238
Adjustments to investment income:				
General investment expenses & change in allowance for ECL	1	4	17	15
Net realized losses (gains) on sale of investments, financial assets at FVTPL, derivatives and foreign exchange	(1)	(12)	(27)	10
Loss (income) from associate	-	-	2	1
Gross up for tax exempt treatment of Canadian inter-corporate dividends	2	3	10	10
Pre-tax equivalent operating investment income	\$ 74	\$ 73	\$ 287	\$ 273

Note: Amounts may not total due to rounding. ¹ Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program.

Non-GAAP and other financial measures glossary

“combined ratio”, means the ratio (expressed as a percentage) of the sum of total amount of insurance service expenses and other operating expenses and the total amount of losses (recoveries) on claims to net insurance revenue for a specified period. The combined ratio measures the proportion of the Company’s total cost to its net insurance revenue and is used to assess the profitability of the Company’s insurance underwriting activities.

“contractual service margin ratio” or **“CSM ratio”** means the ratio (expressed as a percentage) of the contractual service margin to liability for remaining coverage as at specified reporting date. The CSM ratio measures the long run expected profitability of the insurance in force.

“expense ratio” means the ratio (expressed as a percentage) of insurance service expenses and other operating expenses to net insurance revenue for a specified period. The expense ratio measures the operational efficiency of the Company and is a useful comparison to industry benchmarks and internal targets.

“financial leverage ratio” means the ratio (expressed as a percentage) of debt and preferred shares to total capital (the sum of debt and equity, including preferred shares). This is a measure of financial leverage that the Company considers in capital management planning.

“interest and dividend income, net of investment expenses” means the total net investment income, including income (loss) from associate and the change in allowance for expected credit loss, and excluding net gains (losses) from investments, financial assets at FVTPL, derivatives and foreign exchange. This measure is an indicator of the core operating performance of the investment portfolio.

“investment yield” means the annualized pre-tax equivalent investment income for such period divided by the average of the quarterly investment book value, for such period. For quarterly results, the investment yield is the annualized pre-tax equivalent investment income divided by the average of beginning and ending investments book value, for such quarter. For year-to-date and annual results, the investment yield is the annualized pre-tax equivalent investment income divided by the average of the investments book value of each quarter (5-point average for the annual). This measure is an indicator of the core operating performance of the investment portfolio reflective of the interest rate environment.

“loss ratio” means the ratio (expressed as a percentage) of the total amount of losses (recoveries) on claims associated with insurance policies incurred during a specified period to net insurance revenue during such period. The loss ratio is a key measure of underwriting profitability and the quality of the insurance portfolio and is used for comparisons to industry benchmarks and internal targets.

“net insurance revenue” means insurance revenue net of insurance finance expense. Net insurance revenue estimates the net revenue from underwriting for a specific period.

“net insurance service result” means insurance service result net of insurance finance expense and other operating expenses. Net insurance service result measures the underwriting profitability for a specific period.

“net operating income” means net income excluding the following after-tax amounts,

- Net realized gains (losses) on sale of investments,
- Unrealized gains (losses) on FVTPL securities,
- Fee on early redemption of debt, and
- Gain or loss on debt repurchases.

and including the following after-tax amounts,

- realized income (expense) from the interest rate hedging program, and
- income tax benefits realized from an internal corporate reorganization related to the utilization of accumulated income tax losses acquired from the Company’s sole Class A shareholder net of the related purchase price. These income tax recoveries, net of the purchase price, have been recognized as an increase in the share capital in the financial statements.

Net operating income estimates the recurring after-tax earnings from core business activities and is an indicator of core operating performance.

“operating investment income” means the total net investment income excluding gains (losses) from investments, financial assets at FVTPL, derivatives and foreign exchange and including realized income (expense) from the interest rate hedging program. This measure is an indicator of the realized operating performance of the investment portfolio and related hedging program.

“pre-tax equivalent operating investment income” means the interest and dividend income of the investment portfolio inclusive of the gross up for tax exempt treatment of Canadian inter-corporate dividends. This measure is an indicator of the operating performance of the investment portfolio inclusive of the favourable tax treatment of dividend income.

“premiums written” means gross payments received from insurance policies issued during a specified period.

Other Glossary

“accumulated other comprehensive income” or **“AOCI”** is a component of shareholders’ equity and includes the unrealized gains and losses, net of taxes, related to FVOCI financial assets, and the insurance finance reserve which reflects the impact of discount rate changes on insurance liabilities. Unrealized gains and losses on assets classified as available-for-sale and insurance finance expense are recorded in the consolidated statement of comprehensive income and included in accumulated other comprehensive income until recognized in the consolidated statement of income.

“average premium rate” means the average premiums written collected divided by the new insurance written.

“average reserve per delinquency” means the average reserve per delinquent loan calculated by total liability for incurred claims in dollars divided by the number of outstanding delinquent loans reported by lenders. Average reserve per delinquency measures the potential size of the average loss, including delinquent loans with no expected loss, and is used for trending purposes and comparisons against internal targets.

“case reserves” means the expected losses associated with reported delinquent loans. Lenders report delinquent loans to the Company on a monthly basis. The Company analyzes reported delinquent files on a case-by-case basis and derives an estimate of the expected loss. Case reserve estimates incorporate the amount expected to be recovered from the ultimate sale of the residential property securing the insured mortgage. Case reserves are a component of the liability for incurred claims.

“claim” means the amount demanded under a policy of insurance arising from the loss relating to an insured event.

“contractual service margin” or **“CSM”** means the estimated long run embedded profits related to insurance in force at a specific reporting period, as determined under IFRS 17.

“credit score” means the lowest average credit score of all borrowers on a mortgage insurance application. Average credit scores are calculated by averaging the score obtained from both Equifax and TransUnion for each borrower on the application. This is a key measure of household financial health.

“cures” means previously reported delinquent loans where the borrower has made all scheduled mortgage payments or a successful workout has been completed and the loan is no longer considered a delinquent loan.

“deferral rate” means the ratio (expressed as a percentage) of the estimated outstanding balance of mortgage payment deferrals divided by the estimated total outstanding balance.

“deferred policy acquisition costs”, a measure under IFRS 4, means the expenses incurred in the acquisition of new business, comprised of premium taxes and other expenses that relate directly to the acquisition of new business. Policy acquisition costs are only deferred to the extent that they are in excess of the service fees and can be expected to be recovered from unearned premium reserves. Deferred policy acquisition costs are amortized into income in proportion to and over the periods in which premiums are earned. Under IFRS 17, acquisition expenses are included within the liability for remaining coverage at the inception of the insurance contract.

“delinquency ratio on outstanding insured mortgage balances” means the ratio (expressed as a percentage) of the total number of delinquent loans to the total number of outstanding insured mortgages at a specified date. The delinquency ratio is an indicator of the emergence of losses on claims and the quality of the insurance portfolio and is a useful comparison to industry benchmarks and internal targets.

“delinquent loans” means loans where the borrowers have failed to make scheduled mortgage payments under the terms of the mortgage and where the cumulative amount of mortgage payments missed exceeds the scheduled payments due in a three-month period.

“dividends paid per common share” means the portion of the Company’s profits distributed to shareholders during a specified period and measures the total amount distributed by the Company to shareholders.

“effective tax rate” means the ratio (expressed as a percentage) of income taxes to income before income taxes for a specified period. The effective tax rate measures the actual amount of pre-tax income the Company pays in taxes and is a useful comparison to industry benchmarks and prior periods.

“Fair Value through OCI” or **“FVOCI”** means investments recorded at fair value on the statement of financial position using quoted market prices, with changes in the fair value of these investments included in fair value reserve within AOCI.

“Fair Value through Profit or Loss” or **“FVTPL”** means investments recorded at fair value on the statement of financial position with changes in the fair value of these investments recorded in income.

“fulfilment cash flows” or **“FCF”**, as determined under IFRS 17, consist of (i) a current, unbiased probability-weighted estimate of future cash flows expected to fulfill the insurance contracts; (ii) the effect of the time value of money; and (iii) a risk adjustment for non-financial risk that represents the compensation for bearing risk related to uncertainty about the amount and timing of future cash flows

“gross debt service ratio” or **“GDSR”** means the percentage of borrowers’ total monthly housing related costs, in respect of the debt in question, as a percentage of borrower’s monthly gross income. The GDSR calculation applies the mortgage stress test criteria to determine the mortgage payment for qualification purposes. This is a key measure of household financial health.

“incurred but not reported” or **“IBNR”** reserves means the estimated losses on claims for delinquencies that have occurred prior to a specified date, but have not been reported to the Company.

“insurance finance expense” recognized in income, represents the interest accretion calculated using the locked in discount rate for each group of contracts related to future cash flows, risk adjustment and CSM. Insurance finance expense recognized in OCI represents the impact of changes in discount rates on insurance liabilities in the period.

“insurance finance reserve”, a component of AOCI, represents the cumulative impact on the present value of future cash flows and risk adjustment of changes in discount rates to be recycled through Insurance Revenue when the related cash flows and risk adjustment are released to Insurance Revenue.

“investment portfolio” means invested assets (including cash and cash equivalents, short-term investments, bonds or other fixed income securities and equity investments).

“lapse rate” means the rate of expiration of insurance coverage related to full repayments, refinances or sale of the property on the Company’s outstanding insured mortgage balances over a specified period.

“liability for remaining coverage” or **“LRC”** is comprised of FCF and CSM.

“liability for incurred claims” or **“LIC”** means the liability for future cash flows in respect of case reserves based on delinquencies reported to the Company and IBNR, net of recoveries related to subrogation. LIC is discounted to take into account the time value of money and includes a risk adjustment for non-financial risk.

“loss adjustment expenses” or **“claims handling expenses”** means all costs and expenses incurred by the Company in the investigation, adjustment and settlement of claims. Loss adjustment expenses include third-party costs as well as the Company’s internal expenses, including salaries and expenses of loss management personnel and certain administrative costs. These costs are recognized within losses on claims inclusive of fixed and variable overheads.

“loss reserves”, a measure under IFRS 4, means case reserves based on delinquencies reported to the Company, an estimate for losses on claims based on delinquencies that are IBNR, supplemental loss reserves for potential adverse developments related to claim severity and loss adjustment expenses representing an estimate for the administrative costs of investigating, adjusting and settling claims. Loss reserves are discounted to take into account the time value of money.

“losses on claims” means the estimated amount payable under mortgage insurance policies during a specified period. A portion of reported losses on claims represents estimates of costs of pending claims that are still open during the reporting period, as well as estimates of losses associated with claims that have yet to be reported and the cost of investigating, adjusting and settling claims.

“market share” or **“share”** of a mortgage insurer means the insurer’s gross premiums written as a percentage of the reported gross premiums written of the Canadian mortgage insurance industry.

“Mortgage Insurer Capital Adequacy Test” or **“MICAT”** means the minimum capital test for federally regulated mortgage insurance companies established by OSFI. Under MICAT, companies calculate an MICAT ratio of regulatory capital available to regulatory capital required using a defined risk-based methodology prescribed by OSFI in monitoring the adequacy of a company’s capital. The MICAT ratio is a key metric of the adequacy of the Company’s capital in comparison to regulatory requirements and is used for comparisons to other mortgage insurers and internal targets.

“net gains or losses from investments, derivatives and foreign exchange” means the sum of net realized gains or losses on sales of investments, net gains or losses from derivatives and foreign exchanges and impairment losses.

“original loan-to-value ratio” means the original balance of a mortgage loan divided by the original value of the mortgaged property.

“outstanding insured mortgage balances” means the amount of all mortgage insurance policies in effect at a specified date, based on the current balance of mortgages covered by such insurance policies, including any capitalized premiums. Outstanding insured mortgage balances measures the current total risk exposure under insurance contracts at any given time and is used to assess potential losses on claims.

“portfolio insurance” means mortgage insurance covering an individual mortgage that is underwritten as part of a portfolio of mortgages that have a loan-to-value ratio equal to or less than 80% at the time the loan is insured.

“portfolio new insurance written” means the original principal balance of mortgages, insured during a specified period as part of a portfolio of mortgages that have a loan-to-value ratio equal to or less than 80% at the time the loan is insured. New insurance written measures the maximum potential risk exposure under insurance contracts added during a specific time period and is used to determine potential loss exposure.

“premium tax” means a tax paid by insurance companies to provincial and territorial governments calculated as a percentage of gross premiums written.

“risk adjustment” means the compensation that would be required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk.

“severity” means the dollar amount of losses on claims.

“total debt service ratio” or **“TDSR”** means the borrowers’ monthly debt servicing costs as a percentage of borrowers’ monthly gross income.

“transactional insurance” means mortgage insurance covering an individual mortgage that typically has been underwritten individually, and which is predominantly a mortgage with a loan-to-value ratio of greater than 80% at the time the loan is originated.

“transactional new insurance written” means the original principal balance of mortgages, including any capitalized premiums, insured during a specified period predominantly on mortgages with a loan-to-value ratio of greater than 80% at the time the loan is originated. New insurance written measures the maximum potential risk exposure under insurance contracts added during a specific time period and is used to determine potential loss exposure.

“underwriter” means an individual who examines and accepts or rejects mortgage insurance risks based on the Company’s approved underwriting policies and guidelines.

“unearned premiums reserve”, measure under IFRS 4, means that portion of premiums written that has not yet been recognized as revenue. Unearned premium reserves are recognized as revenue over the policy life in accordance with the expected pattern of loss emergence as derived from actuarial analysis of historical loss development.