Genworth MI Canada Inc.

(now operating as Sagen MI Canada™)

Management's Discussion and Analysis

For the three and nine months ended September 30, 2020

Interpretation

The current and prior period comparative results for Genworth MI Canada Inc. ("**Genworth Canada**" or the "**Company**") reflect the consolidation of the Company and its subsidiaries, including Genworth Financial 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 November 2, 2020 is prepared for the three and nine months ended September 30, 2020. The unaudited condensed consolidated interim 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 "$", "CDN$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "US$" 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 "Genworth Canada" or the "Company" refer to Genworth 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, statements with respect to the impact of any potential guideline changes by OSFI or legislative changes introduced in connection with the *Protection of Residential Mortgage or Hypothecary Insurance Act* ("**PRMHIA**"); the effect of changes to the mortgage insurance rules, including government guarantee mortgage eligibility rules; the impact of the COVID-19 pandemic on the economy and the Company's business; the Company's beliefs as to housing demand and home price appreciation, key macroeconomic factors, unemployment rates; the Company's future operating and financial results; the operating range for the Company's expense ratio; expectations regarding premiums written; and capital expenditure plans, dividend policy and the ability 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 majority shareholder, Brookfield Business Partners L.P. ("**Brookfield Business Partners**" or "**Brookfield**"); interest rate 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; 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; loss of members of the Company's senior management team; potential legal, tax and regulatory investigations and actions; the failure of the Company's computer systems or potential cyber threats; potential conflicts of interest between the Company and its majority shareholder, Brookfield Business Partners.

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 11, 2020. 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 Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.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-IFRS financial measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with IFRS, the Company uses certain non-IFRS financial measures to analyze performance. The Company's key performance indicators and certain other information included in this MD&A include non-IFRS financial measures. Such non-IFRS financial measures used by the Company to analyze performance include, among others, net operating income (excluding fee on early redemption of debt, as applicable), operating investment income, interest and dividend income, net of investment expenses, operating earnings per common share (basic) and operating earnings per common share (diluted).

Other non-IFRS financial measures used by the Company to analyze performance for which no comparable IFRS measure is available include outstanding insured mortgage balances, new insurance written, loss ratio, expense ratio, combined ratio, operating return on equity, investment yield, Mortgage Insurer Capital Adequacy Test ("**MICAT**") ratio and delinquency ratio on outstanding insured mortgage balances. The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-IFRS financial measures do not have standardized meanings and are unlikely to be comparable to any similar measures presented by other companies.

See the "*Non-IFRS financial measures*" section at the end of this MD&A for a reconciliation of total investment income to interest and dividend income, net of investment expenses, net income to net operating income, earnings per common share (basic) to operating earnings per common share (basic) and earnings per common share (diluted) to operating earnings per common share (diluted).

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

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Business profile

Business background

Genworth Canada 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. Genworth Canada underwrites mortgage insurance for residential properties in all provinces and territories of Canada and has the leading market share among private-sector mortgage insurers. The Canada Mortgage and Housing Corporation ("**CMHC**"), a crown corporation, and Canada Guaranty, a private mortgage insurer, are the Company's main competitors.

The Company offers both transactional and portfolio mortgage insurance.

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'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 Genworth Canada, 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 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.

The Company and the Insurance Subsidiary commenced operating as Sagen MI Canada™ and Sagen™ respectively in October 2020.
The legal names of each entity are expected to be amended in 2021 subject to shareholder approval.

Seasonality

The transactional mortgage insurance business is seasonal. Premiums written vary each quarter, while premiums earned, interest and dividend income, net of investment expenses, and administrative expenses tend to be relatively stable from quarter to quarter. The variations in premiums written are driven by mortgage origination activity and associated transactional new insurance written, 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, due primarily to an increase in new delinquencies, and decrease during the spring and summer months. The Company believes that the COVID-19 pandemic impacted typical seasonal patterns in 2020, which resulted in the dampening of the typically higher transactional premiums written in the second quarter, followed by a significant increase in demand in the third quarter resulting in higher transactional premiums written

The Company's new insurance written from portfolio mortgage insurance varies 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 mortgage originators in Canada and provide the majority of financing for residential mortgages.

Overview

Third quarter financial highlights

Table 1: Selected financial information

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars, unless otherwise specified)	**2020**	**2019**	**2020**	**2019**
Premiums written				
Transactional insurance	**291**	213	**568**	500
Portfolio insurance	**6**	6	**70**	19
Total premiums written	**$ 297**	$ 218	**$ 638**	$ 518
Premiums earned	**$ 173**	$ 171	**$ 516**	$ 508
Losses on claims	**23**	31	**94**	82
Expenses	**33**	33	**102**	101
Total losses on claims and expenses	**56**	64	**196**	183
Net underwriting income	**117**	106	**320**	325
Interest and dividend income, net of investment expenses[1]	**44**	50	**134**	147
Realized income from the interest rate hedging program	**4**	7	**15**	23
Net gains (losses) from investments, derivatives and foreign exchange[2]	**7**	(5)	**(27)**	(45)
Total investment income	**55**	52	**122**	125
Interest expense	**6**	6	**19**	18
Fee on early redemption of long-term debt	**-**	-	**2**	3
Income before income taxes	**166**	152	**422**	429
Net income	**$ 124**	$ 111	**$ 317**	$ 318
Net operating income[1]	**$ 119**	$ 115	**$ 338**	$ 354
Weighted average number of common shares outstanding				
Basic	**86,291,079**	85,998,556	**86,280,183**	86,853,210
Diluted[3]	**86,546,306**	85,998,704	**86,599,187**	86,866,645
Earnings per common share				
Earnings per common share (basic)	**$ 1.44**	$ 1.29	**$ 3.67**	$ 3.66
Earnings per common share (diluted)[3]	**$ 1.44**	$ 1.29	**$ 3.57**	$ 3.66
Selected non-IFRS financial measures[1]				
Operating earnings per common share (basic)	**$ 1.38**	$ 1.34	**$ 3.91**	$ 4.07
Operating earnings per common share (diluted)[3]	**$ 1.38**	$ 1.34	**$ 3.90**	$ 4.07
Outstanding insured mortgage balances[4]	**$ 205,644**	$ 203,200	**$ 205,644**	$ 203,200
Transactional new insurance written	**$ 8,291**	$ 6,070	**$ 16,258**	$ 14,283
Portfolio new insurance written	**$ 1,607**	$ 1,290	**$ 16,003**	$ 4,730
Loss ratio	**13%**	18%	**18%**	16%
Expense ratio	**19%**	20%	**20%**	20%
Combined ratio	**32%**	38%	**38%**	36%
Operating return on equity	**13%**	11%	**12%**	12%
MICAT ratio[5]	**179%**	172%	**179%**	172%
Delinquency ratio on outstanding insured mortgage balances	**0.20%**	0.20%	**0.20%**	0.20%

Note: Amounts may not total due to rounding.
[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information. [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] The difference between basic and diluted number of common shares outstanding, basic and diluted earnings per common share, and basic and diluted operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards. [4] This estimate is based on the amounts reported by lenders to the Company which represents the vast majority of outstanding insured mortgage balances. [5] Company estimate at September 30, 2020. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under PRMHIA is 150% and the Company's internal target ratio under the MICAT is 157%.

Key third quarter of 2020 financial results:

The Company reported net income of $124 million and net operating income of $119 million in the third quarter of 2020 as compared to $111 million and $115 million, respectively, in the same quarter in the prior year.

- Total premiums written of $297 million increased by $79 million, or 36%, as compared to the same quarter in the prior year. Premiums written from transactional insurance were $291 million, an increase of $79 million, or 37%, as compared to the same quarter in the prior year, primarily due to an increase in transactional mortgage originations resulting from the carryover of demand from the traditional spring market in the second quarter to the third quarter due to COVID-19 restrictions and an increase in market share. Premiums written from portfolio insurance were $6 million, relatively unchanged as compared to the same quarter in the prior year.
- Premiums earned of $173 million increased by $2 million, or 1%, as compared to the same quarter in the prior year, reflecting relatively higher levels of premiums written in 2019 and the first nine months of 2020.
- New delinquencies, net of cures, were negative 8, consisting of 756 new delinquencies offset by 764 cures, and were 381 lower than the same quarter in the prior year. New delinquencies decreased by 194 primarily due to the mortgage payment deferral program, as discussed below. Cures increased by 187 due to strong housing conditions and improved unemployment rates during the third quarter. Regionally, there were decreases in all regions including Alberta (145), Quebec (79) and the Atlantic region (77).
- Losses on claims of $23 million, decreased by $8 million, or 34%, as compared to the same quarter in the prior year, primarily due to significant favourable development on existing delinquencies related to the strong housing market and improved unemployment rates. The loss ratio was 13% for the quarter as compared to 18% in the same quarter in the prior year. Excluding the favourable development on existing delinquencies, the loss ratio would have been 23% for the quarter.
- Expenses of $33 million decreased by $1 million, or 3%, as compared to the same quarter in the prior year. The expense ratio for the quarter was 19% as compared to 20% in the same quarter in the prior year.
- Operating investment income of $48 million decreased by $9 million, or 15%, as compared to the same quarter in the prior year, primarily due to a lower average book value of invested assets and the impact of the low interest rate environment on interest and dividend income, net of investment expenses, and lower realized income from the interest rate hedging program.
- Net gains from investment sales, derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $7 million in the third quarter of 2020 as compared to net losses of $5 million in the same quarter in the prior year.

Year-to-date financial results:

The Company reported net income of $317 million and net operating income of $338 million in the nine months ended September 30, 2020 as compared to $318 million and $354 million, respectively, in the prior year period.

- Total premiums written of $638 million increased by $120 million, or 23%, as compared to the prior year period. Premiums written from transactional insurance were $568 million, an increase of $68 million, or 14%, as compared to the prior year period, primarily due to an increase in transactional mortgage originations and an increase in market share. Premiums written from portfolio insurance were $70 million, an increase of $52 million, as compared to the prior year period, primarily due to higher lender demand for portfolio insurance and a higher average premium rate.
- Premiums earned of $516 million increased by $8 million, or 2%, as compared to the prior year period, reflecting the relatively higher levels of total premiums written in 2019 and the first nine months of 2020 as compared to the preceding years.
- New delinquencies, net of cures, of 767, were 292 fewer than the prior year period primarily due to the mortgage payment deferral program. Regionally, there were decreases in Alberta (173), the Atlantic region (105), Quebec (40), the Pacific region (15) and the Prairies region (5), partially offset by an increase in Ontario (46). The loss ratio was 18% in the nine months ended September 30, 2020, two percentage points higher than the prior year period.
- Losses on claims were $94 million in the nine months ended September 30, 2020, an increase of $12 million, or 14%, as compared to the prior year period primarily due the Company's estimate of the losses from defaults that would otherwise have occurred had the payment deferral program not been in place. Favourable loss reserve development was $21 million for the nine months ended September 30, 2020, as compared to $14 million in the prior year period.

- Expenses of $102 million were $1 million, or 1%, higher as compared to the prior year period. The expense ratio for the period was 20% and remained relatively unchanged compared to the prior year period and is consistent with the Company's expected operating range of 18% to 20%.
- Operating investment income of $149 million decreased by $21 million, or 12%, as compared to the prior year period primarily due to a lower average amount of invested assets and the impact of the low interest rate environment on interest and dividend income, net of investment expenses, and lower realized income from the interest rate hedging program.
- Net losses from investment sales, derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $27 million in the nine months ended September 30, 2020 as compared to net losses of $45 million in prior year period.
- The regulatory capital ratio or MICAT ratio estimate of approximately 179% was 9 percentage points higher as compared to the MICAT ratio at December 31, 2019, 22 percentage points higher as compared to the internal MICAT ratio target of 157% and 29 percentage points higher as compared to the OSFI Supervisory MICAT target ratio of 150%.

Recent business and regulatory developments

Subsequent events

On October 26, 2020, the Company announced that it has entered into a definitive arrangement agreement (the "**Arrangement Agreement**") pursuant to which Brookfield Business Partners together with certain of its affiliates and institutional partners (collectively, the "**Purchaser**") will purchase all of the outstanding common shares of the Company (the "**Common Shares**") that are not already owned by the Purchaser at a price of $43.50 per Common Share in cash pursuant to a court-approved plan of arrangement (the "**Transaction**").

The Transaction is to be implemented by way of and subject to a court-approved plan of arrangement under the *Canada Business Corporations Act*. Completion of the Transaction requires approval by two thirds of the votes cast by shareholders, as well as the approval by a simple majority of votes cast by minority shareholders (which excludes the Purchaser) present (or represented by proxy) at a special meeting of shareholders to be held to approve the Transaction (the "**Special Meeting**"). Each of the directors of the Company (other than those associated with the Purchaser) and certain officers of the Company have also entered into voting support agreements, pursuant to which, among other things, such persons have agreed to vote their Common Shares in favour of the Transaction. The Transaction is also subject to court approval, approval by the federal Minister of Finance, and the satisfaction of other customary closing conditions. The Company expects to mail an information circular for the Special Meeting in November 2020, and to hold the Special Meeting in late December 2020. The Transaction is expected to close in the first half of 2021.

Following closing, the Company intends to continue to satisfy the public float requirement of the *Insurance Companies Act* (Canada) through the issuance of a new class of publicly-traded voting preferred shares of the Company, which preferred shares are intended to be issued prior to or concurrently with closing of the Transaction. A special resolution of shareholders to create this new class of voting preferred shares will be presented to Company shareholders for approval at the Special Meeting.

Further details regarding the terms and conditions of the Transaction are set out in the Arrangement Agreement, which [will be/has been] publicly filed by the Company under its profile at www.sedar.com. Additional information regarding the terms of the Arrangement Agreement, the background to the Transaction and the independent valuation and fairness opinion will be provided in the information circular for the special meeting of shareholders, which will also be filed at www.sedar.com.

CMHC product changes

On June 4, 2020, CMHC announced that, effective July 1, 2020, it would start applying the following underwriting criteria to insured mortgages:

- A minimum credit score of 680 as compared to the PRMHIA minimum of 600 for loan-to-value ratios greater than 80%;
- Limiting the gross debt service ratio ("**GDSR**") to 35% of annual income, as compared to the PRMHIA limit of 39%;
- Limiting the total debt service ratio ("**TDSR**") to 42% of annual income as compared to the PRMHIA limit of 44%; and
- Non-traditional sources of down payment that increase indebtedness will no longer be treated as equity for insurance purposes.

Both the GDSR and TDSR ratios are calculated using the Bank of Canada qualifying rate, which was 4.79% as of September 30, 2020, approximately 200 to 250 basis points higher than the contract rate for new insurance written in the second quarter of 2020. The proportion of new insurance written in the third quarter with gross debt service ratios above 35 per cent or total debt service ratios above 42 per cent was approximately 41 per cent.

The Company confirmed it had no plans to change its underwriting policy related to debt service ratio limits, minimum credit score and down payment requirements. The Company believes that its risk management framework, dynamic underwriting policies and processes and ongoing monitoring of conditions and market developments allow it to prudently adjudicate and manage its mortgage insurance exposure, including its exposure to this segment of borrowers with lower credit scores or higher debt service ratios. Exposure to loans with a high debt service ratio and credit score below 720 remained low at just over 3 per cent in the third quarter.

The Company believes these CMHC product changes resulted in an increase in the Company's market share, but it is too early to determine the long-term impact on transactional new insurance written. In June 2020 and the third quarter of 2020, the transactional mortgage insurance commitments issued by the Company increased by approximately 50% and 80%, respectively, as compared to the same periods in 2019. The Company believes that the increases in commitments was primarily due to pent up demand from the delay in the traditional spring homebuying season due to the COVID-19 pandemic and market share gains in the third quarter of 2020. The Company expects that these increased commitments should ultimately translate into increased new insurance written in subsequent months of a similar percentage increase, assuming typical historical conversion rates.

Coronavirus pandemic ("COVID-19") actions

At this time, the Company does not know the duration of the following changes, if further actions will be forthcoming from the Government of Canada, or the full implications on the housing markets, or the business of the Company. The Company is monitoring the potential impact of COVID-19 on the Canadian economy, in particular with regard to the housing and labour markets.

I. Government stimulus programs

As of September 11, 2020, the Government of Canada had pledged over $450 billion in relief via direct fiscal stimulus, tax payment deferrals and increased lending capacity. The following are some of the government initiatives to help ensure liquidity is available to mortgage lenders and to support the continued availability of mortgage credit.

- On October 28, 2020, the Bank of Canada maintained the overnight rate at one quarter percent.
- The government reintroduced the Insured Mortgage Purchase Program ("IMPP") under which the government will purchase up to $150 billion of insured mortgage pools under the National Housing Act Mortgage-Backed Securities ("NHA MBS") program.
- CMHC expanded the annual issuance limit for Canada Mortgage Bonds, an insured mortgage-funding solution, from $40 billion to up to $60 billion. This additional issuance will depend on market conditions and investor demand.
- The Bank of Canada purchased secondary market Canada Mortgage Bonds through a competitive tender process, which targeted up to $500 million in purchases per week. Purchases under the program, which ended the week of October 26, 2020, were approximately $8 billion.

The company believes that these measures will provide financial institutions with more liquidity. The additional liquidity will facilitate lending to businesses and individual customers who face hardship and need flexibility, on a case by case basis.

The Company views government-support measures as having been very important in supporting the financial situation of consumers. The government also introduced several programs to support individuals and businesses impacted by COVID-19. The Canada Emergency Response Benefit ("**CERB**") and the Canada Emergency Wage Subsidy ("**CEWS**") programs are the most relevant to the mortgage and mortgage insurance industries, and these programs were extended beyond the originally announced respective eligibility periods as described below.

- The CEWS program, which provides eligible employers a subsidy of 75% of employee wages up to a maximum of $847 per week, was extended to December 19, 2020.
- The CERB program, which provides $500 per week to eligible workers displaced by COVID-19, was extended from a maximum of 16 weeks to a maximum of 28 weeks, ending October 3, 2020.
- On August 20, 2020, the government announced changes to the Employment Insurance ("EI") program and new income support benefits to all Canadians. The changes to the EI program among others, extended eligibility to certain Canadians who previously would not have would not have qualified for the program. Those receiving EI will be eligible for a minimum taxable benefit of $400 dollars per week, or $240 per week for extended parental benefits. Regular EI benefits will be accessible for a minimum period of 26 weeks.
- On October 2, 2020 Bill C-2 received Royal Assent. Bill C-2 creates the following new benefits:
    - The Canada Recovery Benefit ("**CRB**") which will provide $500 dollars per week for up to 26 weeks to self-employed workers or those who do not qualify for EI.

- The Canada Recovery Sickness Benefit ("**CRSB**") provides $500 dollars per week for up to two weeks, financial support to employed and self-employed individuals who are unable to work because they are sick or need to self-isolate due to COVID-19, or have an underlying health condition that puts them at greater risk of getting COVID-19.
- The Canada Caregiving Sickness Benefit ("**CRCB**") gives income support to employed and self-employed individuals who are unable to work because they must care for their child under 12 years old or a family member who needs supervised care.

II. Mortgage payment deferrals

The Company, as well as Canada's other mortgage insurers, have committed to providing homeowners with solutions to mitigate temporary financial hardship due to COVID-19. Consistent with lenders policies for uninsured mortgages, Canada Guaranty Mortgage Insurance Company, CMHC and Genworth Canada have each separately communicated that lenders are permitted to defer up to six (6) monthly mortgage payments for borrowers impacted by COVID-19. The following are additional details of the mortgage deferral program:

- Interest can be capitalized for up to six months for qualified borrowers;
- The deferral program is available in addition to any previous payment deferrals;
- Approval by the mortgage insurer is not required in order to use this program; and
- The lender's approval of the deferred payment must occur on or before September 30, 2020, after the extension granted by the mortgage insurers and lenders.

The goal of this program is to give borrowers affected by COVID-19 time to return to work in order to avoid defaulting on their mortgage. Borrowers that have chosen, with the agreement of their lender, to defer their mortgage payments for COVID-19 reasons will not make payments as set out in the original payment schedule. Mortgages subject to payment deferrals will be treated as being in good standing by lenders during the deferral period.

The Company believes that mortgage payment deferrals are an effective loss mitigation strategy in the COVID-19 environment because the deferrals help borrowers bridge income interruptions. Based on reporting on Genworth-insured mortgages by the majority of our lenders, the Company estimates that approximately 6 percent of the balance of its outstanding insured mortgages as at September 30, 2020 have taken payment deferrals. Approximately 66% of mortgage balances subject to payment deferrals have an estimated effective loan-to-value of less than 80%.

The table below illustrates deferral rate by effective loan-to-value (**"LTV"**) and region as at September 30, 2020.

Effective LTV Group	<=80				>80				Total			
Region	**Deferral #**	**Mortgage deferrals $B**	**Average effective LTV**	**Deferral rate**	**Deferral #**	**Mortgage deferrals $B**	**Average effective LTV**	**Deferral rate**	**Deferral #**	**Mortgage deferrals $B**	**Average effective LTV**	**Deferral rate**
Alberta	7,309	$1.8	61.5%	8.1%	7,245	$2.4	90.9%	12.0%	14,554	$4.2	75.3%	9.9%
Atlantic	2,872	$0.5	55.9%	5.4%	307	$0.1	84.7%	4.5%	3,179	$0.5	58.3%	5.2%
Ontario	12,117	$3.3	40.3%	4.2%	1,275	$0.6	85.3%	7.1%	13,392	$3.9	43.8%	4.5%
Pacific	3,401	$1.0	39.2%	4.6%	999	$0.4	91.1%	7.4%	4,400	$1.5	47.3%	5.2%
Prairies	2,570	$0.5	60.6%	6.0%	1,395	$0.4	87.5%	8.2%	3,965	$0.9	69.4%	6.7%
Quebec	4,445	$0.9	53.1%	4.5%	996	$0.3	89.7%	6.2%	5,441	$1.2	59.0%	4.8%
Total	32,714	$8.0	46.9%	5.0%	12,217	$4.1	89.6%	9.2%	44,931	$12.2	55.9%	5.9%

Overall, the Company expects that the vast majority of payment deferrals will result in borrowers returning to make regularly scheduled mortgage payments after the end of the deferral period. However, the Company expects that a subset of insured mortgages with payment deferrals will likely end up in default after the deferral period ends. As a result, the Company and its lenders have plans in place to increase loss mitigation activities to address the increase in reported delinquencies that is expected starting in the fourth quarter of this year.

In addition, starting in the second quarter of 2020, the Company has included a provision in its IBNR reserve for its estimate of the losses from defaults that would have otherwise occurred had payment deferrals not been in place. The Company has estimated the IBNR reserve for payment deferrals using the Company's internal loss forecasting model and multiple forward-looking economic scenarios for regional unemployment rates and home prices. The Company considers three economic scenarios: a base-case scenario, an upside scenario and a downside scenario. Each scenario is assigned a probability weighting, with the base-case scenario receiving the highest weight. The probability-weighted scenarios are incorporated into the Company's estimate of its IBNR reserve related to mortgages under payment deferral arrangements.

The following table provides the primary macroeconomic variables and probability weightings used in the loss forecasting model to estimate the IBNR reserve related to mortgages under payment deferral arrangements for the current quarter end as at September 30, 2020 and the prior quarter end as of June 30, 2020. The economic assumptions are management's estimates based primarily on the available forecasts published by the Canadian banks and Moody's Analytics.

As at September 30, 2020	**Base Case Scenario**		**Upside Scenario**		**Downside Scenario**	
	Second half of 2020	2021	Second half of 2020	2021	Second half of 2020	2021
Probability weighting	60.0%		5%		35%	
Real GDP growth rate %[1]	(6.1)%	4.5%	(5.6)%	5.5%	(7.8)%	1.0%
Average Unemployment ("**UE**") rate %[2]	10.0%	8.7%	9.8%	8.2%	10.3%	9.9%
Average Home Price Index growth rate %[3]	(0.3)%	(2.0)%	1.3%	2.5%	(7.5)%	(6.5)%
As at June 30, 2020	Base Case Scenario		Upside Scenario		Downside Scenario	
	Second half of 2020	2021	Second half of 2020	2021	Second half of 2020	2021
Probability weighting	65.0%		5%		30%	
Real GDP growth rate %[1]	(7.1)%	5.0%	(5.0)%	5.5%	(9.0)%	1.0%
Average Unemployment ("**UE**") rate %[2]	11.9%	8.6%	11.5%	8.0%	16.2%	10.5%
Average Home price index growth rate %[3]	(8.7)%	1.3%	(2.7)%	1.3%	(10.1)	(5.7)%

1 GDP is based on the projected annual change for the full year 2020 and 2021
2 UE rate for the second half is the projected average unemployment rate for the second half of 2020; UE rate for the year 2021 is the projected average for 2021
3 Home Price Index growth rate for the second half of 2020 is the change from June 2020 to December 2020 and for 2021 is the year over year change from December 2020 to December 2021.

During the current quarter, the national Home Price Index increased by 2% primarily due to increased demand from both the satisfaction of pent up demand after lower than normal spring market activity and improved housing affordability related to lower mortgage rates. Furthermore, the national unemployment rate declined to 9.0% in September 2020 from 12.3% in June 2020. As a result of these positive developments, the Company has revised the macroeconomic assumptions used to estimate the IBNR reserve related to mortgages under payment deferral arrangements as at September 30, 2020. The Company increased the probability weighting for the downside scenario by 5% to 35% and reduced the weighting for the base scenario to 60% in recognition of the increased likelihood of a second wave of COVID-19 in the fall or winter months. The total IBNR reserve is $71 million, consisting of estimated losses primarily for mortgages under payment deferral arrangements that the Company estimates would otherwise have become delinquent in the reporting period, net of estimated losses incurred on delinquencies reported to the Company with a default date in April 2020 or subsequently.

The IBNR reserve is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, the probability weightings of the three scenarios and other factors considered when applying expert credit judgments. Changes in these inputs, assumptions, models and judgments would have an impact on the assessment of credit risk and the measurement of the IBNR reserve. The losses incurred in the current quarter of $23 million include favourable development of $4 million in relation to the IBNR reserves at the end of the second quarter primarily from the revision in the macroeconomic assumptions and a further $12 million of favourable development related to reported delinquencies as at June 30, 2020.

If the payment deferral and income subsidy programs are successful in helping to financially bridge borrowers whose employment was adversely impacted by the COVID-19 pandemic, the combined impact of these programs should be to reduce the number of borrowers that ultimately default on their mortgage obligations. Given the Company's revised view on unemployment rates, home prices, housing activity, and loss performance to date, the Company has revised its expected full year loss ratio range for 2020 to be 15% to 25%, consistent with the "base" and "downside" economic scenarios outlined below.

Given the potential economic scenarios related to the impact of the COVID-19 pandemic, the Company reviewed and updated the premium recognition curve in the current quarter. The impact of this change on premiums earned in the current quarter was not significant.

Mortgage rate stress test for all insured and uninsured mortgages

In early 2020, the Government of Canada announced that instead of using the Bank of Canada's conventional five-year fixed posted rate as the benchmark rate used to determine the minimum qualifying rate for insured mortgages, a new benchmark rate would be used, being the weekly median 5-year fixed insured mortgage rate from mortgage insurance applications, plus 2%. This adjustment to the stress test was introduced with the intent of allowing the stress test to be more representative of the mortgage rates offered by lenders and more responsive to market conditions. At the same time these changes were introduced, OSFI also announced that it is considering the same new benchmark rate to determine the minimum qualifying rate for uninsured mortgages. In response to the COVID-19 pandemic, the Government of Canada has since suspended the implementation of the new benchmark for insured mortgages and the consultation for the new benchmark for uninsured mortgages. At this time, the Company does not know if, or when, this new benchmark will be reintroduced, or if it will remain in substantially the same form as initially introduced by the government.

Collection and foreclosure delays

For existing delinquencies, the timeline for collection and foreclosures will likely be longer primarily due to the temporary suspension of collection and foreclosure activities by lenders, and a longer court process in some provinces as they deal with a backlog of cases resulting from the COVID 19 pandemic. As a result, losses on claims may be adversely impacted as time-related costs such as property taxes, accrued interest and property management costs will likely increase.

III. Portfolio insurance eligibility criteria

The Minister of Finance temporarily relaxed the eligibility criteria for portfolio insurance. This will allow previously uninsured mortgage loans that were funded before March 20, 2020, to be eligible for mortgage insurance and to be included in future NHA MBS issuances.

Effective March 24, 2020, the following low loan-to-value mortgages funded prior to the date of the March 20, 2020 announcement are eligible for government-guaranteed insurance:

- Low loan-to-value mortgages with a maximum amortization term up to 30 years commencing from when the loan was funded; and
- Low loan-to-value mortgages whose purpose includes the purchase of a property, subsequent renewal of such a loan, or refinancing.

All other eligibility criteria for government-guaranteed insurance will continue to apply to these mortgages. The above amendments will remain in force until December 31, 2020, at which time the eligibility criteria will revert to the rules that existed prior to this change. The Minister of Finance has reserved the right to make amendments prior to this date, should circumstances change. The other existing criteria which apply for transactional mortgage insurance will remain unchanged.

The Company experienced an increase in demand for portfolio insurance during the second quarter of 2020 as insured mortgages are the underlying collateral for a number of the liquidity support programs. The Company's portfolio new insurance written in 2020 will depend on lender demand as well as the Company's risk appetite with respect to portfolio quality and capital availability.

IV. OSFI Regulatory Changes

OSFI also announced several regulatory actions aimed at supporting Canada's financial institutions including the following measures:

- The current 5.5% of total assets issuance limit for covered bonds issued by banks has been temporarily increased to 10%.
- Under regulatory capital requirements for mortgage insurers, payment deferrals will not cause insured mortgages to be treated as delinquent or in arrears for up to six months, consistent with expectations for financial institutions. On August 31, 2020 OSFI announced that it will gradually phase out the special capital treatment for loans subject to payment deferrals
- The new proposed benchmark rate for insured mortgages, scheduled to take effect on April 6, 2020, was suspended and the benchmark rate as currently published by the Bank of Canada will remain in force until further notice. See "Mortgage rate stress test for all insured and uninsured mortgages" for further details.
- On June 23, 2020 OSFI announced that the Domestic Stability Buffer for banks will remain at 1.00% of total risk-weighted assets.
- Consultation and policy development were temporarily suspended. On July 13, 2020 OSFI announced it would gradually restart consultation and policy development in the fall of 2020 including the planned resumption of directed consultations on the MICAT 2023.

Revision of 2020 outlook as a result of COVID-19

While the government and the mortgage industry, including mortgage insurers, have taken steps to help protect and assist homeowners from foreclosure during this time, it is premature at this time to determine the magnitude, duration or long-term impact that will result from these measures.

The measures will impact the Company's losses on claims, including possibly delaying the timing of reported delinquencies in the short to medium term, and in the longer term possibly increasing the losses on claims, depending on the value of home prices or increased costs that could arise in the collection and foreclosure processes due to delays.

After slowing significantly in March and April, real estate activity started to rebound in May and June in most regions across the country. As a result, the Company's mortgage insurance commitment volumes for the second quarter of 2020 were marginally higher as compared to the same quarter in 2019. Mortgage insurance commitment volumes in the third quarter of 2020 increased by approximately 80% over the same quarter in 2019. Additionally, the CMHC product changes have resulted in a market share increase for the Company. As a result, the Company has revised its 2020 outlook with respect to premiums written for 2020 to be significantly higher as compared to 2019. The complete revised outlook is described in the "Performance against strategic priorities" section.

Key transition activities and significant new contracts

Pursuant to the terms of the Transition Services Agreement dated July 7, 2009 between Genworth Canada and Genworth Financial Inc. ("**Genworth Financial**") and its subsidiaries, certain services were provided to Genworth Canada on a temporary, transitional basis following the sale of Genworth Financial's majority interest in the Company to Brookfield, which closed in December 2019 (the "**Brookfield Transaction**"). The services provided by Genworth Financial to Genworth Canada include finance (including investment services and accounting) and related services; human resources, employee benefits and related services; information technology, infrastructure and technical support services; and other specified services. The time period for the provision of each specific service is determined on the basis of anticipated need, but it is expected that most services will be transitioned to new service providers within 12 months of the closing date of the Brookfield Transaction.

During the first quarter of 2020, the Company entered into agreements with third party vendors for the following services.

- A new general ledger system, accounts payable system, investment accounting system, employee expense reporting system and investment trade order system.
- Information technology services, including managed service data center and managed security services.

As each system, or service, is implemented, corresponding services with Genworth Financial will be formally discontinued. During the third quarter of 2020, the Company implemented the new general ledger system, accounts payable system, investment accounting system, employee expense reporting system and investment trade order system and the corresponding services with Genworth Financial were formally discontinued.

Ernst & Young LLP ("**Ernst & Young**") is the present auditor of the Company. On February 28, 2020 KPMG LLP ("**KPMG**") resigned as external auditor of the Company, following the Brookfield Transaction, and was replaced by Ernst & Young at that time. Additional documents related to the change in auditor, being the Change of Auditor Notice and the acknowledgments of that notice by Ernst & Young and KPMG, are included in the most recent Management Information Circular of the Company and are also available on SEDAR at www.sedar.com.

Related party transactions

During the first quarter of 2020, the Company entered into agreements with two Brookfield companies Oaktree Capital Management L.P. ("**Oaktree**") and Brookfield Public Services Group, L.L.C**.** ("**Brookfield PSG**"), to provide investment management services for certain investment portfolios, replacing investment management services provided by Genworth Financial. Each of Oaktree and Brookfield PSG are affiliates of Brookfield Business Partners. Investment management services with Oaktree and Brookfield PSG commenced in the second quarter of 2020.

During the second quarter of 2020, the Company entered into an agreement with Brookfield company Watserv Inc. to provide software services.

Additionally, the Company entered into transactions with Brookfield company RPS Real Property Solutions Inc.

Director fees for Brookfield affiliated directors

Due to internal policies of Brookfield and those of its institutional partners in respect of the investment in Genworth Canada, employees of Brookfield and such institutional partners who serve on the Board are prohibited from personally receiving director fees from Genworth Canada. Consequently, Genworth Canada has agreed to pay director fees and other related amounts otherwise owing to such directors directly to Brookfield.

Credit facility

On January 16, 2020, the Company entered into an unsecured syndicated credit facility for an aggregate amount of up to $700 million composed of a senior unsecured revolver of $300 million which matures in January 2025 (the "**Revolving Facility**"), a $200 million five-year term loan which matures in January 2025 (the "**Term Facility**") and a $200 million four-month bridge facility originally schedule to mature in January 2021 (the **"Bridge Facility"** and, together with the Revolving Facility and the Term Facility, the ("**Credit Facility**"). On February 28, 2020, the Company terminated the Bridge Facility. The Credit Facility replaced an existing facility of $300 million.

	Revolving Facility	**Term Facility**	**Bridge Facility (Terminated)**
Amount	Up to $300 million	Up to $200 million	Up to $200 million
Maturity Date	January 16, 2025	January 16, 2025	January 16, 2021
Tenure	5 years	5 years	12 months
Draw Period	5 years	First 4 months after closing	First 4 months after closing
Status	Active	Active and Drawn	Terminated

The Revolving 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.

Pursuant to the Credit Facility agreement, the Company may specify whether credit is extended by way of a Prime Rate Loan, a U.S. Base Rate Loan, or a LIBOR Loan.

Any borrowings under the applicable facility will accrue interest on the outstanding principal amount from time to time of each:

- Prime Rate Loan at a rate per annum equal to a prime rate plus an applicable margin,
- U.S. Base Rate Loan at the rate per annum equal to a U.S. base rate plus an applicable margin; and
- LIBOR Loan at the rate per annum equal to a LIBOR rate plus an applicable margin.

The Company also pays a standby fee based on the committed principal amount of the Credit Facility, which is recorded in interest expense in the consolidated statement of income. The Credit Facility includes customary representations, warranties, covenants, terms and conditions for transactions of this type.

On February 10, 2020, the Company borrowed US $150 million, or approximately $199 million, under the Term Facility. During the three months ended March 31, 2020, the Company repaid US $102 million (or approximately $136 million) of this amount. The interest on the Term Facility has been calculated at the London Inter-bank Offered Rate ("LIBOR") rate plus the applicable margin.

On May 11, 2020 the Company repaid its existing LIBOR Loan under the Term Facility in the amount of US $48 million and replaced it with a Prime Rate Loan of $76 million under the Term Facility. The interest on the Prime Rate Loan has been calculated at the bankers' acceptance rate plus the applicable margin. On May 11, 2020, the Company executed additional interest rate swaps to mitigate the interest rate risk associated with the Prime Rate Loan.

The outstanding amount on the Term Facility as at September 30, 2020 was $76 million. As at September 30, 2020 there was no amount outstanding under the Revolving Facility and all covenants under the Credit Facilities were fully met.

Dividends

The Company paid the following dividends in the nine months ended September 30, 2020:

- A quarterly dividend of $0.54 per common share on September 2, 2020;
- A quarterly dividend of $0.54 per common share on June 3, 2020;
- A special dividend of $2.32 per common share on March 19, 2020;
- A quarterly dividend of $0.54 per common share on March 5, 2020; and
- A special dividend of $2.32 per common share on February 11, 2020.

Long-term debt

On February 20, 2020, the Company completed an offering of $300 million principal amount of 2.955% debentures due March 1, 2027 (the "**Series 4 Debentures**"). The Series 4 Debentures were issued for gross proceeds of approximately $300 million, before approximate issuance costs of $1.9 million.

On March 23, 2020, the Company used the proceeds from the Series 4 Debenture offering, in part, to redeem $175 million aggregate principal amount of its 5.68% Series 1 debentures (the "**Series 1 Debentures**"), being all of the outstanding Series 1 Debentures, which were to mature on June 15, 2020. The redemption price for the Series 1 Debentures was approximately $177 million plus accrued and unpaid interest up to the redemption date. The redemption price included an early redemption fee equal to the difference between the redemption price and the principal amount of $1.8 million which was recognized in income in the first quarter of 2020.

Share repurchases

On April 30, 2019, the Company received approval from the Toronto Stock Exchange (the "**TSX**") for the Company to undertake a normal course issuer bid (the "**2019 NCIB**") following the expiration of its prior normal course issuer bid. Pursuant to the 2019 NCIB, the Company was authorized to purchase, for cancellation, up to 4,379,933 shares, representing approximately 5% of its outstanding common shares as of April 26, 2019. Purchases of common shares under the 2019 NCIB were permitted to commence on or after May 7, 2019 and would conclude on the earlier of May 6, 2020 and the date on which the Company has purchased the maximum number of shares under the 2019 NCIB.

In connection with the closing of the Brookfield Transaction, Genworth Canada had terminated the automatic share purchase plan (the "**ASPP**") and the related automatic share disposition plan (the "**ASDP**") entered into in connection with the 2019 NCIB. The ASPP and ASDP had facilitated the implementation of the 2019 NCIB.

During the nine months ended September 30, 2020, the Company did not purchase any shares under the 2019 NCIB. The 2019 NCIB expired on May 6, 2020 and was not renewed.

Rebranding

Subsequent to the closing of the Brookfield Transaction, the Company registered the business names Sagen™ and Sagen MI Canada™. Effective October 2020, the Company and the Insurance Subsidiary are conducting business as Sagen MI Canada™ and Sagen™ respectively. The legal names of each entity are expected to be amended in 2021, subject to shareholder approval.

Economic environment

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

Given the rapidly evolving nature and uncertainty related to the COVID-19 pandemic and its impact on the economy, there are a wider range of potential economic outcomes in 2020. The Company has considered a number of potential scenarios and has included the assumptions for its "base", or current estimate, and "downside" economic scenarios below, based on the macroeconomic factors that may impact the Company's business over the remainder of 2020.

Base economic scenario assumptions:	**Downside economic scenario assumptions:**
GDP The Company's base scenario assumes a slow recovery through the rest of 2020 after the severe decline in GDP in first six months of 2020. Recovery in Canada is expected to slowly continue in the fourth quarter of 2020 as increasing COVID-19 cases result in more targeted shutdowns of provincial economies. GDP growth in Canada is projected to be negative for the full year 2020 followed by a moderate rebound in 2021.	**GDP** The Company's downside scenario assumes a second wave of COVID-19 cases in the second half of 2020 resulting in a deeper economic shock and slower recovery. The increase in new cases forces provinces to reintroduce mandatory business closures and more restrictive social distancing rules. GDP growth in Canada is projected to be negative for 2020 with expansion beginning in 2021.
Unemployment Rates Unemployment rates peaked in the second quarter of 2020 in the mid-teens and is expected to end the year in the 9-10% range as the economy starts to normalize in the fourth quarter of 2020. Government programs continue to support employment retention and rehiring thus reducing the peak and end of year unemployment rate. Lower oil prices and reduced consumer and business confidence results in a slower recovery in the unemployment rate in the oil producing regions.	**Unemployment Rates** Unemployment rates peaked in the second quarter of 2020 and is expected to end the year in the 10-11% range due to a second wave of COVID-19 cases resulting in provincial shutdowns causing further business and mobility restrictions. Government stimulus programs are projected to be extended in support of employees and businesses. However, their impact on employment retention and rehiring is partially reduced as companies focus on cost containment.
Housing market activity Record sales activity reflecting pent-up demand is expected to normalize in the fourth quarter of 2020 and early 2021. Home prices are expected to be relatively flat to modestly lower in 2021 as the market returns to a more balanced state. Oil producing regions are expected to show a muted recovery due to sector specific concerns.	**Housing market activity** Supply and demand issues resolve in the fourth quarter of 2020 and result in a material rebalancing of the market. Housing transactions are expected to be 20-30% below 2019 levels in late 2020 and through 2021. House prices deteriorate in the fourth quarter of 2020 and through part of 2021 as increased supply outpaces demand. Housing sales activity and prices start to improve in the second half of 2021 supported by recovering employment growth and rising consumer confidence.
Average price of West Texas Intermediate (WTI) US$30-40 per barrel for 2020 and $40-50 per barrel in 2021	**Average price of West Texas Intermediate (WTI)** US$30-35 per barrel for 2020 and $30-40 per barrel for 2021

Performance against strategic priorities

The Company's long-term objective is to enhance shareholder value by achieving a return on equity that exceeds its cost of capital and by increasing earnings per share over time. The Company's performance relative to its key strategic priorities for 2020 are identified below. Due to the anticipated impact of the COVID-19 pandemic on the Canadian economy, the Company suspended its outlook for capital redeployment and revised its outlook for premiums written, premiums earned and loss ratio in both the second and third quarters of 2020, based on the most currently available information.

2020 Planning metrics	Year-to-date performance and revised outlook
Premiums Written and Premiums Earned	
Original Objective: Relatively flat to modestly higher transactional new insurance written, and premiums written. **Current Revised Outlook: Significantly higher transactional new insurance written, and premiums written.**	Transactional new insurance written increase: **14%** Transactional premiums written increase: 1**4%** Transactional new insurance written was $16.3 billion, in the first nine months of 2020 representing an increase of $2 billion, or 14%, as compared to the prior year period. The increase was primarily due to an increase in mortgage originations and an increase in market share. Premiums written from transactional insurance were $568 million in the first nine months of 2020, an increase of $68 million, or 14%, as compared to the prior year period. The average premium rate of 349 basis points in the first nine months of 2020 was relatively consistent as compared to the prior year period. In the second quarter, the Company revised its outlook for transactional new insurance written and premiums written for 2020 to be modestly higher as compared to 2019 for the factors noted above. In the third quarter of 2020 as a result of the market share opportunity and the year over year increase in housing activity, the Company has revised its outlook for transactional new insurance written and premiums written for 2020 to be significantly higher as compared to 2019.

2020 Planning metrics	Year-to-date performance and revised outlook
Premiums Written and Premiums Earned (cont.)	
Original Objective: Flat to modestly higher portfolio new insurance written, and flat premiums written. **Current Revised Outlook: Significantly higher portfolio new insurance written and premiums written.**	Portfolio new insurance written increase: 238**%** Portfolio premiums written increase: 276**%** New insurance written from portfolio insurance was $16.0 billion in the first nine months of 2020 representing an increase of $11.3 billion as compared to the prior year period due to higher lender demand for portfolio insurance. Premiums written from portfolio insurance were $70 million in the first nine months of 2020, an increase of $52 million, as compared to the prior year period. The increase was primarily due to higher new insurance written from portfolio insurance and a higher average premium rate due to a shift in mix. The Company's current outlook for portfolio new insurance written and premiums written for 2020 to be significantly higher as compared to 2019 and remains consistent with our outlook in the second quarter of 2020.
Original Objective: Modestly higher premiums written. **Current Revised Outlook: Significantly higher total premiums written.**	Total premiums written increase: 23**%** Total premiums written of $638 million in the first nine months of 2020 increased by $120 million, or 23%, as compared to the prior year period. The Company has revised its outlook for total premiums written for 2020 to be significantly higher as a result of the current revised outlook for significantly higher transactional new insurance written.
Original Objective: Premiums earned are expected to be flat to modestly higher. **Current Revised Outlook: Premiums earned are expected to be modestly higher**	Premiums earned of $516 million in the first nine months of 2020 increased by $8 million, or 2%, as compared to the prior year period, reflecting relatively higher levels of total premiums written in 2019 and nine months ended September 30, 2020 as compared to the preceding years. Given the single upfront premium model, the Company is generally able to reliably estimate the proportion of unearned premiums that will be earned into revenues as premiums earned over the next 12 to 18 months, as long as there are no significant changes to the Company's current premium recognition curve. In addition to premiums earned of $516 million in the first nine months of 2020, the Company expects to realize between $165 and $175 million of premiums earned in the remaining three months of 2020 from the unearned premiums reserve of $2.2 billion as at September 30, 2020. The Company has revised its outlook for premiums earned for 2020 to modestly higher as compared to 2019 due to the revised outlook for total premiums written that are now expected to be significantly higher as compared to 2019.

2020 Planning metrics	Year-to-date performance and revised outlook
Losses on Claims	
Original Objective: Loss ratio range of 15% to 25%.	Loss ratio: 18**%**
Revised Outlook (Aug 2020): Loss ratio range of 25% to 35% **Current Revised Outlook: Loss ratio range of 15% to 25%.**	The Company's loss ratio of 18% is within Company's originally anticipated range of 15% to 25% for 2020. Losses on claims were $94 million in the first nine months of 2020, an increase of $12 million, or 14%, as compared to the prior year period. On August 4, 2020, the Company revised its loss ratio range for 2020 to be 25% to 35% which was consistent with the current "base" and "downside" economic scenarios at that time. The Company has further revised its loss ratio range for 2020 to be 15% to 25%, which is consistent with the current "base" and "downside" economic scenarios outlined above.
Portfolio Quality and Risk Management	
Original Objective: Maintain a high-quality insurance portfolio through prudent underwriting guidelines, proactive risk management and disciplined underwriting: **Current Revised Outlook: Unchanged**	
• Average transactional credit score of greater than 730 • Average transactional credit score below 660 of less than 5%	Average transactional credit score: **751** Average transactional credit score below 660: **2%** The Company continues to originate a high-quality insurance portfolio in the first nine months of 2020 with an average transactional credit score of 751, primarily due to continued underwriting discipline and the impact of the government guarantee eligibility rules including a mortgage rate stress test introduced in the fourth quarter of 2016.
Capital Management	
Original Objectives: **Prudently manage capital to balance capital strength, flexibility and efficiency.**	
Ordinary dividend payout ratio[1] of 35% to 45%.	Ordinary dividend payout ratio[1]: **41%**
Debt-to-total capital ratio of less than or equal to 15%.	Debt-to-total capital ratio as at September 30, 2020: **14%**
Holding company cash and liquid investments of approximately $100 million.	Holding Company cash and liquid investments as at September 30, 2020: **$123 million**

2020 Planning metrics	Year-to-date performance and revised outlook
Capital Management (cont.)	
MICAT target range of 160-165%.	MICAT ratio as at September 30, 2020: **Estimated at 179%**
Redeployment of $600 to $700 million, including $400 to $500 million of organically generated capital and $200 million from an increase in the debt-to-total capital ratio to approximately 15%, in addition to regular quarterly dividends.	Redeployment of capital above regular quarterly dividends in the first quarter of 2020: $400 million, consisting of the payment of special dividends in the aggregate amount of $4.64 per common share.
Revised Outlook: After capital redeployment of approximately $400 million in the first quarter, the Company does not anticipate any further capital redeployment for the remainder of 2020. Capital redeployment is in addition to regular quarterly dividends.	OSFI communicated its expectation for all federally regulated financial institutions that dividend increases and share buybacks should be halted for the time being. As a result of the economic uncertainty related to COVID-19 and its potential impact on the Company's financial results including losses on claims, the levels of new insurance written for transactional and portfolio insurance, and regulatory capital requirements, the Company does not anticipate any further capital redeployment in addition to regular quarterly dividends for the remainder of 2020.
Investment Management	
Original Objectives: **Optimize investment portfolio to maximize investment yield while maintaining a high-quality investment portfolio to minimize the correlation of risk with the Company's insurance in-force:**	The Company maintained a high-quality investment portfolio, with 93% of its holdings in cash and investment grade bonds and debentures, including collateralized loan obligations, and 7% in preferred shares.
Total operating investment income is expected to be modestly lower primarily due to lower invested assets after the actual and expected redeployment of capital in 2019 and 2020 respectively.	Operating investment income of $149 million in the first nine months of 2020 decreased by $21 million, or 12%, as compared to the prior year period, primarily due to a lower amount of invested assets, higher average cash balance, and a decrease in realized income from the interest rate hedging program.
The Company's interest rate hedging program is expected to contribute $20 to $25 million to operating investment income. **Revised Outlook:** The Company's interest rate hedging program is expected to contribute $15 to $20 million to operating investment income due to the decline in interest rates.	The contribution from the interest rate hedging program was $15 million in the first nine months of 2020 as compared to $23 million in the prior year period.

[1] This financial measure is not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information

Third quarter review

Table 2: Results of operations

	Three months ended September 30,				Nine months ended September 30,			
(in millions of dollars, unless otherwise specified)	**2020**	**2019**	**Change**		**2020**	**2019**	**Change**	
Premiums written	**$ 297**	$ 218	$ 79	36 %	**$ 638**	$ 518	$ 120	23 %
Premiums earned	**$ 173**	$ 171	$ 2	1 %	**$ 516**	$ 508	$ 8	2 %
Losses on claims and expenses:								
Losses on claims	**23**	31	(8)	(25)%	**94**	82	12	14 %
Expenses	**33**	33	(1)	(3)%	**102**	101	1	1 %
Total losses on claims and expenses	**56**	64	(9)	(14)%	**196**	183	13	7 %
Net underwriting income	**117**	106	11	11 %	**320**	325	(5)	(1)%
Investment income:								
Interest and dividend income, net of investment expenses[1]	**44**	50	(6)	(12)%	**134**	147	(13)	(9)%
Realized income from the interest rate hedging program	**4**	7	(3)	(44)%	**15**	23	(7)	(33)%
Net gains (losses) from investments, derivatives and foreign exchange[2]	**7**	(5)	12	NM	**(27)**	(45)	18	(40)%
Total investment income	**55**	52	3	6 %	**122**	125	(2)	(2)%
Interest expense	**6**	6	-	-	**19**	18	(2)	9 %
Fee on early redemption of long-term debt	**-**	-	-	NM	**2**	3	(1)	(46)%
Income before income taxes	**166**	152	14	9 %	**422**	429	(7)	(2)%
Provision for income taxes	**42**	41	1	3 %	**105**	111	(6)	(5)%
Net income	**$ 124**	$ 111	$ 13	12 %	**$ 317**	$ 318	$ (2)	(1)%
Adjustment to net income, net of taxes:								
Fee on early redemption of long-term debt	**-**	-	-	-	**1**	2	(1)	(46)%
Net (gains) losses from investments, derivatives and foreign exchange[2]	**(5)**	4	(9)	NM	**20**	33	(13)	(41)%
Net operating income[1]	**$ 119**	$ 115	$ 4	4 %	**$ 338**	$ 354	$ (16)	(5)%
Effective tax rate	**25.3%**	26.9%		(1.7) pts	**24.9%**	25.8%		(0.9) pts
Selected non-IFRS financial measures[1]								
Transactional new insurance written	**$ 8,291**	$ 6,070	$ 2,221	37 %	**$ 16,258**	$ 14,283	$ 1,975	14 %
Portfolio new insurance written	**$ 1,607**	$ 1,290	$ 317	25 %	**$ 16,003**	$ 4,730	$ 11,273	238%
Loss ratio	**13%**	18%		(5) pts	**18%**	16%		2 pts
Expense ratio	**19%**	20%		(1) pts	**20%**	20%		- pts
Combined ratio	**32%**	38%		(6) pts	**38%**	36%		2 pts
Operating return on equity	**13%**	11%		2 pts	**12%**	12%		1 pts
Investment yield	**3.0%**	3.3%		(0.3) pts	**3.1%**	3.3%		(0.2) pts

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

Table 3: New insurance written, premiums written, and premiums earned

	Three months ended September 30,				Nine months ended September 30,			
(in millions of dollars, unless otherwise specified)	**2020**	**2019**	**Change**		**2020**	**2019**	**Change**	
New insurance written								
Transactional	**$ 8,291**	$ 6,070	$ 2,221	37 %	**$ 16,258**	$ 14,283	$ 1,975	14 %
Portfolio	**1,607**	1,290	317	25%	**16,003**	4,730	11,273	238 %
Total	**$ 9,898**	$ 7,360	$ 2,538	34 %	**$ 32,261**	$ 19,013	$ 9,804	44 %
Premiums written								
Transactional	**291**	213	79	37 %	**568**	500	68	14 %
Portfolio	**6**	6	-	-	**70**	19	52	276 %
Total	**$ 297**	$ 218	$ 79	36 %	**$ 638**	$ 518	$ 120	23 %
Average premium rate *(in basis points)*								
Transactional	**351**	350	1	-	**349**	350	-	-
Portfolio	**37**	45	(7)	(16)%	**44**	40	4	11 %
Total	**300**	297	4	1 %	**198**	273	(75)	(27)%
Premiums earned	**$ 173**	$ 171	$ 2	1 %	**$ 516**	$ 508	$ 8	2 %

Note: Amounts may not total due to rounding. NM means Not Meaningful.

Current quarter

Transactional new insurance written was $8.3 billion in the third quarter of 2020, an increase of $2.2 billion, or 37%, as compared to the same quarter in the prior year primarily due to an increase in transactional mortgage originations resulting from a shift in the traditional spring market from the second quarter to the third quarter due to COVID-19 restrictions and an increase in market share.

New insurance written from portfolio insurance was $1.6 billion in the third quarter of 2020, an increase of $0.3 billion as compared to the same quarter in the prior year due to higher lender demand.

Premiums written from transactional insurance were $291 million in the third quarter of 2020, an increase of $79 million, or 37%, as compared to the same quarter in the prior year. The increase was primarily related to higher transactional new insurance written. The average premium rate of 351 basis points in the third quarter of 2020 was relatively consistent with the same quarter in the prior year.

Premiums written from portfolio insurance were $6.0 million in the third quarter of 2020, relatively flat, as compared to the same quarter in the prior year. This was primarily due to higher new insurance written from portfolio insurance offset by a 7-basis point lower average premium rate as a result of a lower proportion of 75% loan-to-value loans which have a higher average premium rate.

Premiums earned of $173 million in the third quarter of 2020 increased by $2 million, or 1%, as compared to the same quarter in the prior year, reflecting relatively higher levels of total premiums written in 2019 and the first nine months of 2020 as compared to the preceding years.

Year-to-date

Transactional new insurance written was $16.3 billion in the nine months ended September 30, 2020, an increase of $2.0 billion, or 14%, as compared to the prior year period primarily due to a larger mortgage originations market and an increase in market share.

New insurance written from portfolio insurance was $16.0 billion in the nine months ended September 30, 2020, an increase of $11.3 billion, as compared to the prior year period, primarily due to higher lender demand for portfolio insurance in the period.

Premiums written from transactional insurance were $568 million in the nine months ended September 30, 2020, an increase of $68 million, or 14%, as compared to the prior year period. The increase was primarily related to higher transactional new insurance written. The average premium rate of 349 basis points in the nine months ended September 30, 2020, was relatively consistent with the prior year period.

Premiums written from portfolio insurance were $70 million in the nine months ended September 30, 2020, an increase of $52 million, as compared to the prior year period. The increase was primarily due to higher new insurance written from portfolio insurance and a 21-basis point higher average premium rate, as a result of a shift in mix.

Premiums earned of $516 million in the nine months ended September 30, 2020 increased by $8 million, or 2%, as compared to the prior year period, reflecting relatively higher levels of total premiums written in 2019 and the first nine months of 2020 as compared to the preceding years.

Table 4: Losses on claims

	Three months ended September 30,				Nine months ended September 30,			
	2020	**2019**	**Change**		**2020**	**2019**	**Change**	
New reported delinquencies	**756**	950	(194)	(20)%	**2,552**	2,797	(245)	(9)%
Cures	**764**	577	187	32 %	**1,785**	1,738	47	3 %
New reported delinquencies, net of cures	**(8)**	373	(381)	NM	**767**	1,059	(292)	(28)%
Average reserve per delinquency *(in thousands of dollars)*	**$ 101**	$ 78	$ 24	31 %	**$ 101**	$ 78	$ 24	31 %
Losses on claims *(in millions of dollars)*	**$ 23**	$ 31	$ (8)	(25)%	**$ 94**	$ 82	$ 12	14 %
Loss ratio	**13%**	18%		(5) pts	**18%**	16%		2 pts

Note: Amounts may not total due to rounding. NM means Not Meaningful

Current quarter

New delinquencies, net of cures were negative 8, consisting of 756 new delinquencies offset by 764 cures, and were 381 lower than the same quarter in the prior year. New delinquencies decreased by 194 primarily due to the mortgage payment deferral program. Cures increased by 187 due to strong housing conditions and improved unemployment rates during the third quarter. Regionally, there were decreases in Alberta (145), Quebec (79) and the Atlantic region (77).

The average reserve per delinquency increased by approximately $24 thousand primarily due to the higher IBNR reserve which accounted for approximately 40% of total loss reserves.

Losses on claims were $23 million in the third quarter of 2020, a decrease of $8 million, or 25%, as compared to the same quarter in the prior year primarily due to significant favourable development of $16 million on existing delinquencies in the current quarter including $4 million in relation to the IBNR reserves primarily from the revision in the macroeconomic assumptions and a further $12 million of favourable development related to reported delinquencies as at June 30,2020 . The loss ratio was 13% for the third quarter of 2020 as compared to 18% in the same quarter in the prior year. Excluding the favourable development, the loss ratio would have been 23%.

Year-to-date

New delinquencies, net of cures, of 767, were 292 lower than the prior year period primarily due to the mortgage payment deferral program. Regionally, there were decreases in Alberta (173), the Atlantic region (105), Quebec (40), the Pacific region (15) and Prairies region (5), partially offset by an increase in Ontario (46).

Losses on claims were $94 million in the nine months ended September 30, 2020, an increase of $12 million, or 14%, as compared to the prior year period primarily due to a higher IBNR reserve. The IBNR reserve at the end of the quarter includes the Company's estimate of the losses from defaults that would otherwise have occurred in the quarter had the payment deferral program not been in place. Favourable loss reserve development was $21 million in the nine months ended September 30, 2020, as compared to $14 million the prior year period.

Table 5: Expenses

	Three months ended September 30,				Nine months ended September 30,			
(in millions of dollars, unless otherwise specified)	**2020**	2019	Change		**2020**	2019	Change	
Expenses								
Premium taxes and underwriting fees	**$ 22**	$ 15	$ 7	44 %	**$ 47**	$ 38	$ 9	23 %
Employee compensation	**12**	13	-	-	**38**	36	1	4 %
Other	**8**	8	-	-	**26**	26	-	-
Expenses before net change in deferred policy acquisition costs	**43**	36	7	19 %	**111**	101	10	10 %
Deferral of policy acquisition costs	**(27)**	(19)	(8)	(40)%	**(59)**	(50)	(9)	(18)%
Amortization of deferred policy acquisition costs	**17**	17	-	-	**51**	51	-	-
Total Expenses	**$ 33**	$ 33	$ (1)	(3)%	**$ 102**	$ 101	$ 1	1 %
Expense ratio	**19%**	20%		(1) pts	**20%**	20%		- pts

Note: Amounts may not total due to rounding.

Current quarter

Total expenses of $33 million decreased by $1 million and the expense ratio of 19% was one percentage point lower in the third quarter of 2020 as compared to the same quarter in the prior year. Expenses before net change in deferred policy acquisition costs increased by $7 million, or 19%, to $43 million in the third quarter of 2020 as compared to the same quarter in the prior year. The increase was primarily due to a $7 million increase in premium taxes and underwriting fees related to the higher levels of premium written in the current quarter.

Deferral of policy acquisition costs increased by approximately $8 million and the amortization of previously deferred policy acquisition costs was consistent with the same quarter in the prior year.

Year-to-date

Total expenses of $102 million increased by $1 million and the expense ratio of 20% remained relatively unchanged in the nine months ended September 30, 2020 as compared to the prior year period. Expenses before net change in deferred policy acquisition costs increased by $10 million, or 10%, to $111 million in the nine months ended September 30, 2020 as compared to the prior year period. The increase was primarily due to a $9 million increase in premium taxes and underwriting fees, related to the higher levels of premiums written in the current period, and a $1 million increase in employee compensation, including share-based compensation.

Deferral of policy acquisition costs increased by approximately $9 million and the amortization of previously deferred policy acquisition costs was consistent with the prior year period.

Table 6: Investment income

	Three months ended September 30,							Nine months ended September 30,						
(in millions of dollars, unless otherwise specified)		**2020**		2019		Change			**2020**		2019		Change	
Interest and dividend income, net of investment expenses[1]	**$**	**44**	$	50	$	(6)	(12)%	**$**	**134**	$	147	$	(13)	(9)%
Realized income from the interest rate hedging program		**4**		7		(3)	(44)%		**15**		23		(7)	(33)%
Operating investment income[1]		**48**		57		(9)	(15)%		**149**		170		(21)	(12)%
Net realized gains on sale of investments		**9**		5		4	96 %		**16**		17		(1)	(8)%
Net (losses) from derivatives and foreign exchange[2]		**(2)**		(10)		7	(77)%		**(43)**		(63)		20	(31)%
Total investment income	**$**	**55**	$	52	$	3	6 %	**$**	**122**	$	125	$	(2)	(2)%
Invested assets, fair value average	**$**	**6,592**	$	6,587	$	5	-	**$**	**6,432**	$	6,509	$	(76)	(1)%
Invested assets, book value average		**6,458**		6,535		(77)	(1)%		**6,390**		6,483		(93)	(1)%
Investment yield, average		**3.0%**		3.3%			(0.3) pts		**3.1%**		3.3%			(0.2) pts

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

Current quarter

Operating investment income of $48 million was $9 million, or 15%, lower in the third quarter of 2020 as compared to the same quarter in the prior year primarily due to a lower average book value of invested assets and the impact of the low interest rate environment on interest and dividend income, net of investment expenses, and realized income from the interest rate hedging program. The average market value of invested assets was relatively consistent with the prior year period and was impacted by capital distributions, partially offset by strong cashflow from operating activities in the period. and the low interest rate environment. As the average Canadian Dollar Offered rate ("**CDOR**") in the period was 52 basis points, below the floor strike rate of 185 basis points, the realized income from the interest rate hedging program of $4 million primarily represented the difference between the floor strike rate and the average fixed pay rate of 117 basis points.

The investment yield for the third quarter of 2020 was 3.0%, approximately 30 basis points lower as compared to the same quarter in the prior year. The decrease in investment yield was a result of lower reinvestment rates in a low interest rate environment and higher cash balances.

The Company realized $9 million of net realized gains on sale of investments, primarily fixed income securities, in the third quarter of 2020 as compared to $5 million in the same quarter in the prior year.

Net losses from derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $2 million in the third quarter of 2020 primarily due to a decrease of $25 million in the market value of the Company's invested assets denominated in U.S. dollars as a result of the appreciation of the Canadian dollar and a decrease of $7 million in the market value of the interest rate floors, which were partially offset by an increase of $28 million driven by the impact of foreign exchange derivatives and an increase of $2 million in the market value of the Company's interest rate swaps used to hedge interest rate risk. Net losses from derivatives and foreign exchange of $10 million in the same quarter in the prior year were primarily due to a net decrease of $8 million driven by the impact of foreign exchange derivatives, partially offset by revaluation of the Company's invested assets denominated in U.S. dollars, and a decrease of $3 million in the market value of the interest rate floors, which were partially offset by a $1 million increase in the market value of the Company's interest rate swap.

Year-to-date

Operating investment income of $149 million was $21 million lower in the nine months ended September 30, 2020 as compared to the prior year period, primarily due to a decrease in interest and dividend income, net of investment expenses, due to a lower amount of invested assets, and a decrease in realized income from the interest rate hedging program. The average market value of invested assets decreased by $76 million, or 1%, over the period, primarily as a result of capital distributions and from the impact of a low interest rate environment and widening of credit spreads that adversely impacted the market value of preferred shares and corporate bonds, partially offset by an increase in market value of government bonds from the favourable impact of the low interest rate environment and an increase of invested assets from strong cashflows from operating activities in the period. As the average CDOR in the period was 100 basis points, below the floor strike rate of 185 basis points, the realized income from the interest rate hedging program of $15 million primarily represented the difference between the floor strike rate and the average fixed pay rate of 117 basis points

The investment yield for the period was 3.1%, approximately 20 basis points lower as compared to the same period in the prior year. The decrease in investment yield was a result of lower reinvestment rates in a low interest rate environment.

The Company recorded $16 million net realized gains on sales of investments in the nine months ended September 30, 2020 as compared to $17 million of net realized losses in the prior year period, primarily due to the sale of fixed income securities.

Net losses from derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $43 million in the nine months ended September 30, 2020 primarily due to a decline of $81 million in the market value of the Company's interest rate swaps used to hedge interest rate risk, resulting from a lower interest rate environment, and a decrease of $27 million driven by the impact of foreign exchange derivatives, partially offset by an increase of $25 million in the market value of the Company's invested assets denominated in U.S. dollars as a result of the depreciation of the Canadian dollar, and an increase of $40 million in market value of the interest rate floors. Net losses from derivatives and foreign exchange of $63 million in the prior year period were primarily due to a decline of $55 million in the market value of the Company's interest rate swaps and a net decline of $18 million from the impact of the appreciation of the Canadian dollar on the Company's invested assets denominated in U.S. dollars and the impact of foreign exchange derivatives, which were partially offset by an increase of $10 million in market value of the interest rate floors.

Table 7: Net Income

	Three months ended September 30,				Nine months ended September 30,			
(in millions of dollars, unless otherwise specified)	**2020**	2019	Change		**2020**	2019	Change	
Income before income taxes	**$ 166**	$ 152	$ 14	9 %	**$ 422**	$ 429	$ (7)	(2)%
Provision for income taxes	**42**	41	1	3 %	**105**	111	(6)	(5)%
Net income	**$ 124**	$ 111	$ 13	12 %	**$ 317**	$ 318	$ (2)	(1)%
Effective tax rate	**25.3%**	26.9%		(1.7) pts	**24.9%**	25.8%		(0.9) pts

Note: Amounts may not total due to rounding.

Current quarter

Income before income taxes increased by $14 million, or 9%, to $166 million and net income increased by $13 million, or 12%, to $124 million in the third quarter of 2020 as compared to the same quarter in the prior year, primarily as a result of lower losses on claims, higher investment income, higher premiums earned and lower expenses. The effective tax rate was 25.3% for the third quarter of 2020, a decrease of approximately 170 basis points as compared to the same quarter in the prior year, primarily due to lower non-deductible expenses and a lower tax rate due to decreases in tax rates in certain provinces.

Year-to-date

Income before income taxes decreased by $7 million, or 2%, to $422 million and net income decreased by $2 million, or 1%, to $317 million in the nine months ended September 30, 2020 as compared to the prior year period, primarily as a result of higher losses on claims, higher interest expense, lower investment income, and higher expenses partially offset by higher premiums earned. The effective tax rate was 24.9% for the nine months ended September 30, 2020, a decrease of approximately 90 basis points as compared to the prior year period, primarily due to lower non-deductible expenses and a lower tax rate due to decreases in tax rates in certain provinces.

Table 8: Statement of financial position highlights

(in millions of dollars, unless otherwise specified)		As at September 30, 2020		As at December 31, 2019		Change	
Total investments	**$**	**6,700**	$	6,415	$	285	4 %
Other assets		**301**		293		8	3 %
Derivative financial instruments		**99**		69		29	42 %
Subrogation recoverable		**36**		56		(20)	(36)%
Total assets		**7,135**		6,833		302	4 %
Unearned premiums reserve		**2,233**		2,111		122	6 %
Loss reserves		**179**		141		38	27 %
Long-term debt		**634**		436		198	45 %
Derivative financial instruments		**129**		43		87	NM
Other liabilities		**199**		235		(36)	(15)%
Total liabilities		**3,375**		2,966		410	14 %
Shareholders' equity excluding accumulated other comprehensive income ("**AOCI**")		**3,637**		3,857		(220)	(6)%
AOCI		**123**		11		112	NM
Shareholders' equity		**3,760**		3,868		(108)	(3)%
Total liabilities and shareholders' equity	**$**	**7,135**	$	6,833	$	302	4 %
Book value per common share							
Number of common shares outstanding (basic)		**86,291,079**		86,228,879		62,200	-
Book value per common share including AOCI (basic)	**$**	**43.57**	$	44.85	$	(1.28)	(3)%
Book value per common share excluding AOCI (basic)	**$**	**42.15**	$	44.73	$	(2.58)	(6)%
Number of common shares outstanding (diluted)[1]		**86,654,319**		86,763,768		(109,449)	-
Book value per common share including AOCI (diluted)[1]	**$**	**43.39**	$	44.58	$	(1.19)	(3)%
Book value per common share excluding AOCI (diluted)[1]	**$**	**41.97**	$	44.45	$	(2.48)	(6)%
Dividends paid or declared per common share during the year[2]	**$**	**6.26**	$	6.24			

Note: Amounts may not total due to rounding. NM means Not Meaningful.

[1] The difference between basic and diluted number of common shares outstanding, book value per common share including AOCI and book value per common share excluding AOCI is caused by the potentially dilutive impact of share-based compensation awards. [2] Dividends paid or declared per common share for the nine months ended September 30, 2020 include quarterly common share dividend payments of $0.54 in March 2020 May 2020 and September 2020, a special dividend of $2.32 per common share paid in February 2020 and a special dividend of $2.32 paid in March 2020. Dividends paid or declared per common share for the year ended December 31, 2019 include aggregate quarterly common share dividend payments of $2.07, a special dividend of $0.40 per common share paid in June 2019, a special dividend of $1.45 paid in October 2019 and a special dividend of $2.32 per common share paid in December 2019.

Summary of quarterly results

Table 9: Summary of quarterly results

(in millions of dollars, unless otherwise specified)	Q3'20	Q2'20	Q1'20	Q4'19	Q3'19	Q2'19	Q1'19	Q4'18
Premiums written	**$ 297**	$ 227	$ 114	$ 183	$ 218	$ 195	$ 105	$ 156
Premiums earned	**173**	172	171	171	171	169	169	169
Losses on claims	**23**	46	25	34	31	26	25	30
Expenses	**33**	32	37	35	33	34	33	32
Net underwriting income	**117**	94	109	102	106	109	110	106
Interest and dividend income, net of investment expenses[1]	**44**	43	47	49	50	49	48	50
Realized income from the interest rate hedging program	**4**	5	7	7	7	7	9	7
Net gains (losses) from investments, derivatives and foreign exchange[2]	**7**	(5)	(29)	(6)	(5)	(10)	(30)	(46)
Total investment income	**55**	43	25	50	52	46	27	11
Interest expense	**6**	6	8	6	6	6	6	6
Fee on early redemption of long-term debt	**-**	-	2	-	-	3	-	-
Net income	**$ 124**	$ 98	$ 95	$ 108	$ 111	$ 110	$ 97	$ 80
Adjustment to net income, net of taxes:								
Fee on early redemption of long-term debt	**-**	-	1	-	-	2	-	-
Net gains (losses) from investments, derivatives and foreign exchange[2]	**(5)**	4	21	4	4	8	22	37
Net operating income[1]	**$ 119**	$ 101	$ 117	$ 112	$ 115	$ 120	$ 119	$ 117
Earnings per common share:								
Earnings per common share (basic)	**$ 1.44**	$ 1.13	$ 1.10	$ 1.25	$ 1.29	$ 1.26	$ 1.11	$ 0.90
Earnings per common share (diluted)[3]	**$ 1.44**	$ 1.13	$ 0.99	$ 1.25	$ 1.29	$ 1.26	$ 1.10	$ 0.88
Selected non-IFRS financial measures[1]								
Loss ratio	**13%**	27%	14%	20%	18%	15%	15%	18%
Expense ratio	**19%**	19%	22%	20%	20%	20%	20%	19%
Combined ratio	**32%**	45%	36%	41%	38%	35%	35%	37%
Operating earnings per common share (basic)	**$ 1.38**	$ 1.17	$ 1.36	$ 1.30	$ 1.34	$ 1.38	$ 1.36	$ 1.32
Operating earnings per common share (diluted)[3]	**$ 1.38**	$ 1.17	$ 1.35	$ 1.30	$ 1.34	$ 1.38	$ 1.35	$ 1.32
Operating return on equity	**13%**	11%	13%	11%	11%	12%	12%	12%

Note: Amounts may not total due to rounding.
[1] These financial measures are not calculated based on IFRS. See the "Non-IFRS financial measures" section at the end of this MD&A for additional information. [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] The difference between basic and diluted earnings per common share and basic and diluted operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

The Company's key financial measures for each of the last eight quarters are summarized in the table above. This table illustrates the Company's profitability, operating return on equity, loss ratio, expense ratio and combined ratio. The transactional mortgage insurance business is seasonal. Premiums written vary each quarter, while premiums earned, interest and dividend income, net of investment expenses, and administrative expenses tend to be relatively stable from quarter to quarter. The variations in premiums written are driven by mortgage origination activity and associated new insurance written, 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 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 COVID-19 pandemic has impacted the typical seasonal patterns in 2020 most notably on transactional premiums written as there was a shift in the traditional spring market from the second quarter to the third quarter.

Financial condition

Financial instruments

As at September 30, 2020, the Company had total cash and cash equivalents and invested assets of approximately $6.7 billion in its investment portfolio. All of the Company's invested assets are classified as available-for-sale ("**AFS**") with the exception of cash and cash equivalents and accrued investment income and other receivables which are classified as loans and receivables, and derivative financial instruments which are classified as Fair Value through Profit or Loss ("**FVTPL**"). Fair value measurements for AFS securities 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.

Table 10: Invested assets by asset class for the portfolio

Asset Class	**As at September 30, 2020**			**As at December 31, 2019**		
(in millions of dollars, unless otherwise specified)	**Fair value**	**%**	**Unrealized gains (losses)**	**Fair value**	**%**	**Unrealized gains (losses)**
Collateralized loan obligations	**$ 568**	**8%**	**$ (8)**	$ 520	8	$ (5)
Corporate bonds and debentures:						
Financial	**814**	**12%**	**36**	780	12	14
Energy	**279**	**4%**	**19**	335	5	12
Infrastructure	**112**	**2%**	**8**	120	2	5
Utilities	**398**	**6%**	**26**	349	5	12
All other sectors	**708**	**11%**	**38**	599	9	19
Total corporate bonds and debentures	**2,311**	**35%**	**127**	2,183	34	61
Short-term investments:						
Canadian federal government treasury bills	**39**	**1%**	**-**	115	2	-
Total short-term investments	**39**	**1%**	**-**	115	2	-
Government bonds and debentures:						
Canadian federal government	**2,047**	**31%**	**113**	2,018	31	21
Canadian provincial and municipal governments	**785**	**12%**	**57**	767	12	32
Total government bonds and debentures	**2,832**	**42%**	**170**	2,785	43	53
Preferred shares:						
Financial	**344**	**5%**	**(63)**	336	5	(57)
Energy	**72**	**1%**	**(31)**	85	1	(15)
Utilities	**82**	**1%**	**(20)**	82	1	(17)
All other sectors	**14**	**-**	**(7)**	16	-	(5)
Total preferred shares	**512**	**8%**	**(122)**	519	8	(94)
Total invested assets	**$ 6,262**	**93%**	**$ 168**	$ 6,122	95	$ 15
Cash and cash equivalents[1]	**438**	**7%**	**-**	293	5	-
Total investments	**$ 6,700**	**100%**	**$ 168**	$ 6,415	100	$ 15
Accrued investment income and other receivables	**34**		**-**	38		-
Derivative financial instruments (asset net of liability for cash collateral)	**(31)**		**(31)**	27		27
Total invested assets, derivatives, accrued investment income and other receivables	**$ 6,703**		**$ 137**	$ 6,479		$ 42

Note: Amounts may not total due to rounding.
[1] At December 31, 2019, cash and cash equivalents includes $3 million of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in liabilities for derivative financial instruments

Unrealized gains on AFS securities in the portfolio were $168 million as at September 30, 2020, an increase of $69 million, as compared to unrealized gains of $99 million as at June 30, 2020 and an increase of $153 million, as compared to unrealized gains of $15 million as at December 31, 2019. The Bank of Canada left overnight rates unchanged at 0.25% and the government and the Company's portfolio benefitted from the large-scale credit easing in both the provincial and corporate bond markets aimed at easing borrowing rates and improving liquidity.

Unrealized losses from the preferred shares were $122 million at as September 30, 2020, a recovery of $55 million, as compared to unrealized losses of $177 million as at June 30, 2020 and a retraction of $27 million as compared to unrealized losses of $94 million as at December 31, 2019.

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 $31 million as at September 30, 2020 as compared to a net asset value of $27 million as at December 31, 2019., The net market value of these derivatives is a net liability value of $31 million as at September 30, 2020 as compared to a net asset value of $29 million as at December 31, 2019 excluding the liability of $3 million cash pledged as collateral as at December 31, 2019.

The Company's average investment yield for the third quarter of 2020 was 3.0%, which included the favourable impact of non-taxable dividend income from its preferred shares.

The Company assigns credit ratings based on the asset risk guideline as outlined in OSFI's MICAT guideline. Based on the 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**") or Moody's ratings.

Table 11: Invested assets by credit rating for the portfolio

Credit Rating	**As at September 30, 2020**			**As at December 31, 2019**		
(in millions of dollars, unless otherwise specified)	**Fair value**	**%**	**Unrealized gains (losses)**	**Fair value**	**%**	**Unrealized gains (losses)**
Cash and cash equivalents	**$ 438**	**7**	**$ -**	$ 293	5	$ -
AAA	**2,398**	**39**	**110**	2,429	41	19
AA	**1,214**	**20**	**60**	1,078	18	30
A	**1,487**	**24**	**85**	1,585	27	42
BBB	**642**	**10**	**35**	505	9	19
Below BBB	**9**	**-**	**-**	6	-	-
Total investments (excluding preferred shares)	**$ 6,188**	**100**	**S 289**	$ 5,895	100	S 110
Preferred shares						
P2	**393**	**77**	**(74)**	414	80	(70)
P3	**119**	**23**	**(47)**	106	20	(24)
Total preferred shares	**512**	**100**	**(122)**	519	100	(95)
Total investments	**$ 6,700**		**$ 168**	$ 6,415		$ 15

Note: Amounts may not total due to rounding.

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. 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 six external investment managers. 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, Capital and Investment Committee of the Board.

During the first quarter of 2020, the Company entered into agreements to replace Genworth Financial with investment managers Oaktree and Brookfield PSG. Transactions with Oaktree and Brookfield PSG commenced in the second quarter of 2020.

Collateralized loan obligations

The Company held approximately 8% of the investment portfolio in collateralized loan obligations as of September 30, 2020, relatively consistent with the level as at December 31, 2019. These securities are floating rate collateralized loan obligations denominated in U.S. dollars, of which 59% are rated AAA, 36% are rated AA and 5% are rated A.

Corporate bonds and debentures

As of September 30, 2020, approximately 35% of the investment portfolio was held in corporate bonds and debentures, relatively consistent to the level as at December 31, 2019. 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 12% of the investment portfolio, or approximately 35% of the 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 6% and 4% of the investment portfolio respectively.

Securities rated BBB and below BBB were $642 million and $9 million, respectively, or 10% of the investment portfolio, as of September 30, 2020.

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 September 30, 2020, 42% of the investment portfolio was invested in sovereign fixed income securities, consisting of approximately 31% in federal fixed income securities and 12% in provincial and municipal fixed income securities, relatively consistent with December 31, 2019.

Canadian federal government treasury bills held by the Company consist primarily of short-term investments with original maturities greater than 90 days and less than 365 days. The Company held $39 million in Canadian federal government short-term treasury bills in the investment portfolio as of September 30, 2020, a decrease of $76 million from December 31, 2019.

Preferred shares

As of September 30, 2020, the Company held $512 million of preferred shares, of which the financial sector represented 67%. 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. Utilities sector and energy sector exposure through preferred shares represents 2% of the investment portfolio.

Unrealized losses from the preferred shares were $122 million at as September 30, 2020, a recovery of $55 million, as compared to unrealized losses of $177 million as at June 30, 2020 and a retraction of $27 million as compared to unrealized losses of $94 million as at December 31, 2019.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in bank accounts and government treasury bills with original maturities of 90 days 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 $438 million, or 6%, as of September 30, 2020. Refer to "Liquidity" section below for additional information. Cash and liquid investments held outside of the Insurance Subsidiary were $123 million as at September 30, 2020.

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 six 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 and equity, and a Revolving Facility. The Company has an aggregate amount of $634 million in debt outstanding. The Company believes it has the flexibility to obtain, 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 12: Summary of the Company's cash flows

	Nine months ended September 30,	
(in millions of dollars)	**2020**	**2019**
Cash provided by (used in):		
Operating activities	**$ 438**	$ 431
Financing activities	**(347)**	(234)
Investing activities	**55**	4
Change in cash and cash equivalents	**$ 146**	$ 201
Cash and cash equivalents, beginning of period	**293**	278
Cash and cash equivalents, end of period	**$ 438**	$ 479

Note: Amounts may not total due to rounding.

The Company generated $438 million of cash from operating activities in the nine months ended September 30, 2020 as compared to $431 million generated in the same period of the prior year.

The Company used $347 million of cash related to financing activities in the nine months ended September 30, 2020, primarily related to the payment of ordinary and special dividends of $540 million partially offset by net debt financing proceeds of $192 million. In the prior year period, the Company used $234 million of cash related to financing activities, primarily related to the payment of ordinary and special dividends of $168 million and approximately $68 million for the repurchase of common shares under the 2019 NCIB.

The Company generated $55 million of cash from investing activities in the nine months ended September 30, 2020 as compared to $4 million generated in the same quarter in the prior year, primarily from the proceeds of sales or maturities of investments.

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 September 30, 2020, the Company held liquid assets of approximately $1.1 billion, comprised of $438 million in cash and cash equivalents, and $653 million in bonds and debentures and short-term investments maturing within one year. Of the approximately $1.1 billion liquid assets, $123 million were held outside of the Insurance Subsidiary. As at September 30, 2020 the duration of the fixed income portfolio was 3.6 years.

In addition to cash and cash equivalents, 43%, or $2,870 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, claims payments, and interest expense, 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.

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 equity total return swaps to hedge a portion of its economic exposure from the changes in fair market value of the Company's common shares in relation to risks associated with share-based compensation expense.

The Company uses fixed-for-floating 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.

Effective in the three months ended September 30, 2020, a cash flow hedge relationship has been designated between the Prime Rate Loan and fixed for floating interest rate swap which was put in place in the second quarter of 2020. The cash flow hedge relationship will mitigate the variability in cash flows arising from interest rate fluctuations relating to the Company's interest payments on the Prime Rate Loan.

The Company uses interest rate floors to mitigate the downside risk that may arise from existing fixed-for-floating interest rate swaps. The interest rate floors are derivative financial instruments in which the counterparty will compensate the Company when a reference interest rate falls below an agreed upon floor strike rate at a specified date.

Table 13: Fair value and notional amounts of derivatives by terms of maturity

				Notional Amount				
(in millions of dollars, unless otherwise specified)	**Derivative asset**	**Derivative liability[1]**	**Net fair value**	**1 year or less**	**1–3 years**	**3–5 years**	**Over 5 years**	**Total**
September 30, 2020								
Fair value through profit and loss								
Foreign currency forwards	$ 6	$ (41)	$ (35)	$ 653	$ 98	$ 82	$ 96	$ 930
Cross currency interest rate swaps	-	(12)	(12)	55	77	78	73	283
Equity total return swaps	-	-	-	17	-	-	-	17
Interest rate swaps	45	(75)	(30)	1,200	2,300	4,000	-	7,500
Interest rate floors	47	-	47	700	2,300	-	-	3,000
	99	(129)	(31)	2,626	4,775	4,160	170	11,730
Elected for hedge accounting								
Interest rate swaps	-	-	-	-	-	76	-	76
Total	**$ 99**	**$ (129)**	**$ (31)**	**$ 2,626**	**$ 4,775**	**$ 4,235**	**$ 170**	**$ 11,806**
December 31, 2019								
Foreign currency forwards	$ 7	$ (32)	$ (25)	$ 423	$ 73	$ 74	$ 87	$ 657
Cross currency interest rate swaps	1	(8)	(7)	206	92	71	114	484
Equity total return swaps	2	-	2	32	-	-	-	32
Interest rate swaps	51	-	51	-	3,500	-	-	3,500
Interest rate floors	9	-	9	-	3,000	-	-	3,000
Total	**$ 69**	**$ (40)**	**$ 29**	**$ 661**	**$ 6,665**	**$ 146**	**$ 201**	**$ 7,673**

Note: Amounts may not total due to rounding. [1] Excludes $3 million cash pledged as collateral by counterparties for derivative contracts as at December 31, 2019.

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 transition of services previously provided by Genworth Financial. In the nine months ended September 30, 2020, the Company invested approximately $7 million in underwriting, loss mitigation and risk management technology enhancements and the transition of services previously provided by Genworth Financial, relatively consistent with the prior year period. The Company expects that future capital expenditures will be related to underwriting, loss mitigation, risk management technology improvements, and transition of services previously provided by Genworth Financial, and that capital expenditures in 2020 will be in the $10 to $12 million range including, approximately, $5 to $7 million related to transition expenses. It is anticipated that such expenditures will be funded primarily from operating cash flows. The COVID-19 pandemic is not expected to impact capital expenditures in 2020.

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, 2019. Under the MICAT, 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 September 30, 2020, the Insurance Subsidiary's MICAT ratio estimate was approximately 179%, 9 percentage points higher as compared to the MICAT as at December 31, 2019, 29 percentage points higher as compared to the OSFI Supervisory MICAT target ratio and 22 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 Genworth Canada, to repurchase common shares of the Company, to pay dividends or other distributions, for acquisitions, for repayment of debt, or for such other uses as permitted by law and approved by the Board. OSFI communicated its expectation for all federally regulated financial institutions that dividend increases and share buybacks should be halted for the time being.

Table 14: MICAT as at September 30, 2020 and as at December 31, 2019

(in millions of dollars, unless otherwise specified)	**As at September 30, 2020**	**As at December 31, 2019**
Capital available	**$4,217**	$4,186
Capital required at 100% MICAT ratio	**$2,358**	$2,461
MICAT ratio[1]	**179%**	170%

[1] Company estimate at September 30, 2020. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under PRMHIA is 150% and the Company's internal target ratio under the MICAT is 157%.

Capital available increased in the nine months ended September 30, 2020, primarily due to ongoing profitability, net of dividends paid by the Insurance Subsidiary, and the change in the unrealized gain position of the investment portfolio from $15 million as at December 31, 2019 to an unrealized gain position of $168 million as at September 30, 2020. Capital required decreased in the same period primarily due to the decline in capital required for prior books of business, a decrease in interest rate risk due to the addition of $0.5 billion in new interest rates swaps in the third quarter of 2020 and $1.5 billion in in the first quarter of 2020, net of the impact of the increasing duration of the existing swaps. This decline was partially offset by increase from new insurance written on portfolio insurance and new insurance written on transactional insurance in the nine months ended September 30, 2020.

Debt

The Company proactively manages capital to balance capital strength, flexibility and efficiency. The Company currently has an aggregate outstanding amount of $634 million in debt, with a debt-to-capital ratio as at September 30, 2020 of 14%. The Company also has access to a Revolving Facility of up to $300 million. At September 30, 2020 approximately $76 million was outstanding on the Credit facility. See "Credit facility" found under the "Recent business and regulatory developments" section.

On February 20, 2020, the Company completed an offering of $300 million principal amount of Series 4 Debentures. The Series 4 Debentures were issued for gross proceeds of approximately $300 million before approximate issuance costs of $1.9 million.

On March 23, 2020, the Company used the proceeds from the Series 4 Debenture offering, in part, to redeem $175 million aggregate principal amount of the Series 1 Debentures, being all the outstanding Series 1 Debentures, which were to mature on September 15, 2020. The redemption price for the Series 1 Debentures was approximately $177 million plus accrued and unpaid interest up to the redemption date. The redemption price included an early redemption fee equal to the difference between the redemption price and the principal amount of $1.8 million which was recognized in income in the first quarter of 2020.

Table 15: Details of the Company's long-term debt

Series	**Series 1 (redeemed)**	**Series 3**	**Series 4**
Timing of maturity	Less than 1 year	3 – 5 years	More than 5 years
Principal amount outstanding	$175 million	$260 million	$300 million
Date issued	June 29, 2010	April 1, 2014	February 20 2020
Date of supplemental issue		May 22, 2019	
Maturity date	June 15, 2020	April 21, 2024	March 1 2027
Fixed annual rate	5.68%	4.242%	2.955%
Semi-annual coupon payments due each year on	June 15, December 15	October 1, April 1	March 1, September 1
Debenture Ratings			
S&P[1]	BBB+, Negative	BBB+, Negative	BBB+, Negative
DBRS[1]	A (High), Negative	A (High), Negative	A (High), Negative

[1] See "Financial Strength Rating" section of this MD&A for additional information.

The principal debt covenants associated with 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 ratably 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 September 30, 2020, all debt covenants have been met.

In the case of certain events of default under the terms of the Series 3 Debentures and the Series 4 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 summary above does not include all details relating to the Company's debentures. For all details on the terms and conditions of the Company's debentures, please see the relevant prospectus, prospectus supplement, trust indenture and supplemental trust indenture as amended in the case of the Series 3 Debentures copies of which are available with the Company's filings on the SEDAR website at www.sedar.com.

Financial strength ratings

The Insurance Subsidiary has financial strength ratings from both S&P and DBRS. 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.

On September 24, 2020, DBRS affirmed the Insurance Subsidiary's AA financial strength rating and the Company's issuer rating and senior unsecured debentures rating of A (high) rating with a negative outlook.[1]

On August 21, 2020, S&P affirmed the Insurance Subsidiary's A+ financial strength rating and the Company's issuer rating and senior unsecured debentures rating of BBB+ with a negative outlook.[2]

Ratings Summary	S&P	DBRS
Issuer Rating		
Company	BBB+, Negative	A (High), Negative
Financial Strength		
Insurance Subsidiary	A+, Negative	AA, Negative
Senior Unsecured Debentures		
Company	BBB+, Negative	A (High), Negative

Capital transactions

On April 30, 2019, the Company received approval from the TSX for the Company to undertake the 2019 NCIB following the expiration of the Company's prior normal course issuer bid. Pursuant to the 2019 NCIB, the Company can purchase, for cancellation, up to 4,379,933 shares, representing approximately 5% of its outstanding common shares as of April 26, 2019. Purchases of common shares under the 2019 NCIB were permitted to commence on or after May 7, 2019 and would conclude on the earlier of May 6, 2020 and the date on which the Company has purchased the maximum number of shares under the 2019 NCIB.

During the nine months ended September 30, 2020, the Company did not purchase any shares under the 2019 NCIB. The 2019 NCIB expired on May 6, 2020 and was not renewed.

In connection with the closing of the Brookfield Transaction, Genworth Canada terminated the ASPP and the related ASDP entered into in connection with the 2019 NCIB. The ASPP and ADSP facilitated the implementation of the 2019 NCIB.

[1] DBRS September 24, 2020 press release: DBRS Morningstar Confirms Genworth Financial Mortgage Insurance Company Canada at AA; Trend Revised to Negative.

[2] S&P August 21, 2020 Research Update: Genworth MI Canada Inc. 'BBB+' Ratings Affirmed; Outlook negative.

Restrictions on dividends and capital transactions

The Insurance Subsidiary is subject to certain restrictions with respect to dividend and capital transactions. The *Insurance Companies Act* ("**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, including its expectation that all federally regulated financial institutions should halt dividend increases and share buybacks for the time being.

Outstanding share data

Table 16: Changes in the number of common shares outstanding at September 30, 2020 and December 31, 2019

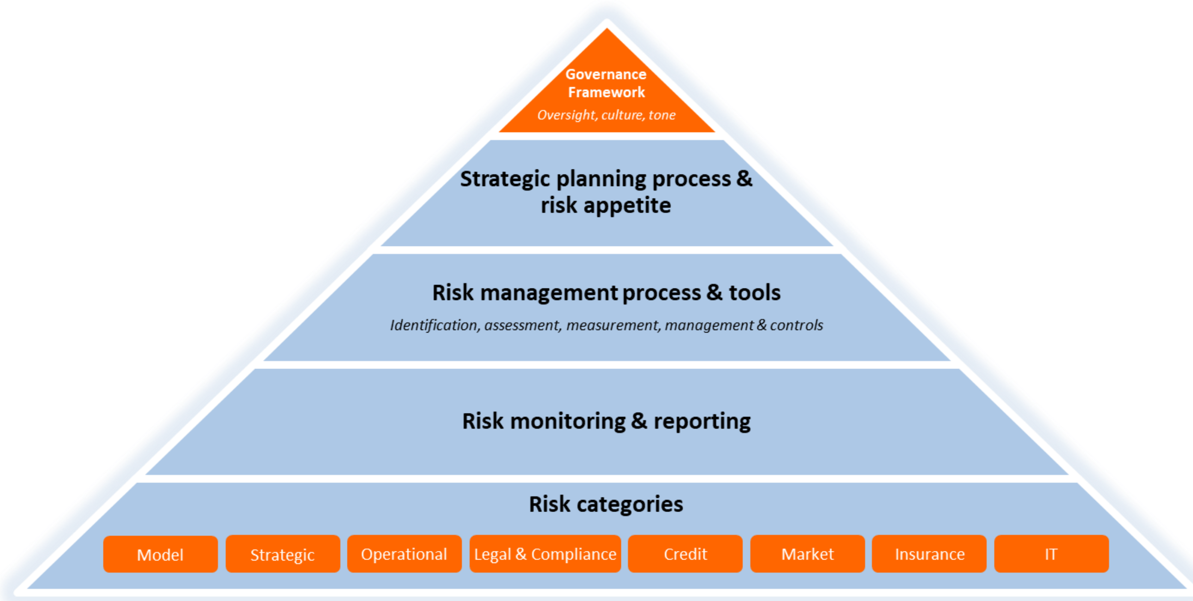
	September 30, 2020	December 31, 2019
Common shares, beginning of period	**86,228,879**	87,591,163
Effect of share repurchase	**-**	(1,650,951)
Common shares issued in connection with share-based compensation plans	**62,200**	288,667
Common shares, end of period	**86,291,079**	86,228,879

As at September 30, 2020, Brookfield beneficially owned 48,944,645 common shares, or approximately 56.7% of the Company's outstanding 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. The key elements of the ERM Framework are illustrated in the diagram below.



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. The governance framework is comprised of three core elements:

I. Board's oversight of risk and risk management practices;

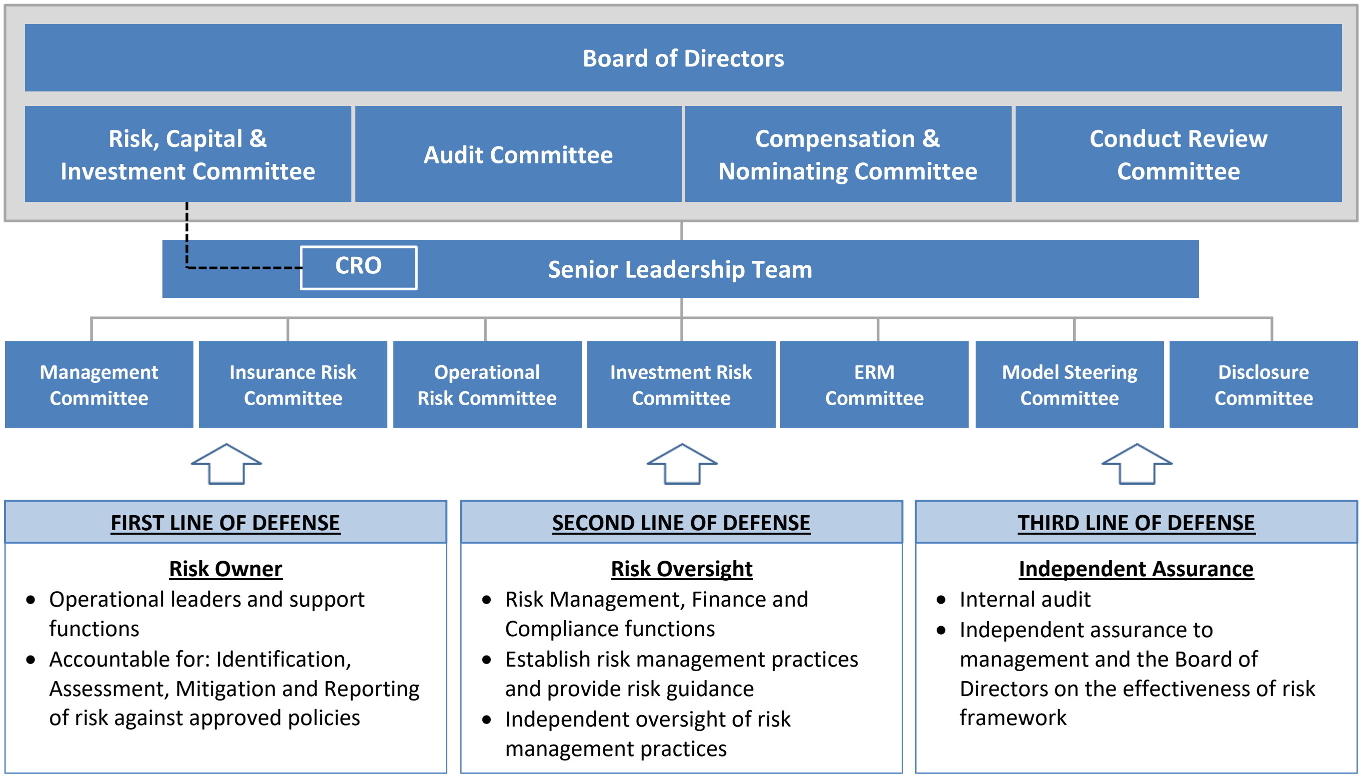
II. Management's oversight of risks; and

III. 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, Capital and Investment Committee having responsibility for oversight of insurance, investment and operational risks.

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 Chief Risk Officer ("**CRO**"), who oversees the Risk Management Group, reports to the Chief Executive Officer ("**CEO**") but has direct access via in-camera sessions with the Risk, Capital and Investment Committee of the Board.

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 751 in the nine months ended September 30, 2020 including 2% below 660 primarily due to continued underwriting diligence. The average home price for transactional insurance originations in the first nine months of was approximately $367 thousand, representing an increase of approximately 6% over the prior year's period. The average gross debt service ratio in the nine months ended September 30, 2020 was 22%, relatively consistent with the prior year's period and below the PRMHIA mortgage stress test threshold of 39%.

To the extent that home prices appreciate over time and/or the principal amount of the loan is paid down, the effective loan-to-value of the Company's insurance written in a given year decreases.

Table 17: Estimated effective loan-to-value % of the Company's outstanding insured mortgage balances[1] by book of business

	As at September 30, 2020			As at December 31, 2019		
	Transactional	**Portfolio**	**Total**	**Transactional**	**Portfolio**	**Total**
2009 & prior	30	16	23	32	17	25
2010	43	21	34	47	23	37
2011	46	22	33	51	24	37
2012	50	26	36	55	29	39
2013	54	28	37	58	31	40
2014	60	32	42	65	35	46
2015	63	34	42	67	38	46
2016	66	38	47	72	42	52
2017	75	46	64	82	51	73
2018	81	47	65	88	51	75
2019	85	49	70	92	56	86
2020	91	55	85	-	-	-
Total	**62**	**33**	**46**	**64**	**35**	**48**

[1] This estimate is based on the amounts reported by lenders to the Company, which represents the vast majority of insurance in-force.

Genworth Canada'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 score, loan type and amount, total debt service ratio, property type and loan-to-value. 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 internally developed stochastic modelling to estimate projected losses on claims and to measure the severity of loss and delinquency rate sensitivity to both changes in the economic environment as well as individual loan or borrower attributes.

The Company's mortgage portfolio risk management function is organized into three primary groups: portfolio analysis, underwriting policies and guidelines, and risk technology and actuarial modeling. 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 monthly basis. The Company closely monitors the delinquency performance as a key indicator of insurance portfolio performance.

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 are reviewed by management on a monthly 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.

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 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 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. Potential liquidity risks are discussed in more detail in the "Risk Factors" section of the Company's AIF and the "Liquidity" section in this MD&A.

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 and interest rate floors 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 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.

During this unprecedented environment following the onset of the COVID-19 pandemic, 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.

Financial reporting controls and accounting disclosures

Disclosure controls and procedures and internal controls over financial reporting

As required by National Instrument 52-109, the Company has in place disclosure controls and procedures and internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission (Framework (2013)) to ensure the disclosure of all material information or changes relating to the Company to all members of the public in a fair and timely manner. Such controls and procedures ensure that all relevant material is gathered and reported to senior management (including the CEO, CFO and General Counsel) and the Company's management-level disclosure committee on a timely basis so that appropriate decisions can be made regarding public disclosure. An evaluation and certification of the Company's disclosure controls and procedures and internal controls over financial reporting is done regularly under supervision by the Company's CEO and CFO in accordance with the requirements of National Instrument 52-109 of the Canadian Securities Administrators, and such certifications are available with the Company's filings on the SEDAR website at www.sedar.com. The certifications filed in connection with certain interim and annual financial disclosure documents, confirm that the CEO and CFO have concluded that the design and operation of the disclosure controls and procedures and internal controls over financial reporting were effective, for such periods. Outside of the creation of additional control activities in relation to new processes as a result of the transition, there were no material changes in the Company's internal controls over financial reporting during the third quarter of 2020 that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting

The Company's Internal Audit team has been working with counterparts at Genworth Financial and their external auditors to obtain testing results around control activities performed on behalf of the Company throughout the transition period to ensure controls are designed and operating effectively. There have been no identified or communicated deficiencies around control activities impacting the Company's financial reporting environment.

Changes in accounting standards and future accounting standards

The following amendments of existing standards have been issued by the IASB and are effective in 2020.

Amendments to IFRS 3 - Business combinations ("IFRS 3"): Definition of a business

In October 2019, the IASB issued amendments to IFRS 3 that clarify the definition of a business. The objective of the amendments is to assist entities in determining whether a transaction should be accounted for as a business combination or an asset acquisition.

On January 1, 2020, the Company adopted the amendments to IFRS 3 prospectively. The amendments had no impact on the Company's consolidated financial statements.

Amendments to IFRS 7 – Financial instrument: disclosures ("IFRS 7") IFRS 9 – Financial instruments ("IFRS 9") and IAS 39 – Financial instruments: recognition and measurement ("IAS 39"): Interest rate benchmark reform: Phase 1

In August 2020, the IASB issued amendments that complement those issued in 2019 (interest rate benchmark reform — Phase 1) and focus on the effects on financial statements when a Company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform (post-replacement period). The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with early adoption permitted. The amendments modified the requirements in IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting, and disclosures.

The Company is currently evaluating the impact that the Phase 2 amendments may have on its consolidated financial statements.

In the three months ended September 30, 2020, the Company designated a cash flow hedge relationship and commenced applying hedge accounting. However, the hedged item and hedging instrument in the hedge relationship do not reference Interbank Offered

Rate (IBOR) or other benchmark interest rates impacted by the reform. The amendments had no impact to the Company's condensed consolidated interim financial statements.

Amendments to IFRS 16 – Leases ("IFRS 16"): COVID-19-Related Rent Concessions

The amendment to IFRS 16 permits lessees, as a practical expedient, not to assess whether eligible COVID-19 related rent concessions are lease modifications, and instead to account for those rent concessions as if they were not lease modifications. The amendment is effective for annual reporting periods on or after June 1, 2020. The amendment has no impact to the Company's condensed consolidated financial statements as the Company did not receive rent concessions during the COVID-19 pandemic.

Future accounting standards

The following new accounting standards have been issued by the IASB and are expected to be adopted by the Company after December 31, 2020.

IFRS 17 - Insurance contracts ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which is a comprehensive standard that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 will replace IFRS 4 – Insurance contracts ("**IFRS 4**").

The measurement approach for insurance liabilities under IFRS 17 is based on the following:

(a) Fulfilment cash flows which comprise:

- (i) A current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfills the contract;
- (ii) The effect of the time value of money;
- (iii) A risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and

(b) A contractual service margin which represents the unearned profit in a contract and that is recognized in profit or loss over time as the insurance coverage is provided.

There will also be new financial statement presentation for insurance contracts and additional disclosure requirements.

IFRS 17 requires the Company to distinguish between groups of contracts expected to be profitable and groups of contracts expected to be onerous.

IFRS 17 is to be applied retrospectively to each group of insurance contracts. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value methods may be used.

The original effective date of IFRS 17 was for annual periods beginning on or after January 1, 2021. However, in June 2019, the IASB issued an exposure draft which proposed amendments to IFRS 17, including the deferral of the effective date. In June 2020, the IASB finalized the amendments to IFRS 17 and the effective date of IFRS 17 was deferred by two years to or after January 1, 2023. The fixed expiry date of the temporary exemption from applying IFRS 9 for qualifying insurers was also extended to January 1, 2023. The other amendments are not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements and MD&A. In addition, it could have a material effect on tax, regulatory capital positions and other financial metrics that are dependent on IFRS accounting values.

IFRS 17 will require more data, calculations, disclosures and controls compared to the current accounting standard. To support adoption of IFRS 17, the Company has established a formal governance framework and developed an implementation project plan. A multidisciplinary project team has been established to analyze and implement IFRS 17 in accordance with the project plan. The Company has completed its evaluation of IFRS 17, including selecting accounting policies and elections available under IFRS 17. The Company is currently assessing the financial statement and business implications of adopting IFRS 17, identifying where changes to the Company's existing accounting and reporting processes will be required and designing IFRS 17 methodologies which includes the continuous development of loss forecasting capabilities. Additionally, the Company has selected its IFRS 17 software solution and has commenced implementation of changes to existing systems that will be required for the implementation of IFRS 17.

IFRS 9

In July 2014, the IASB published the final version of IFRS 9, which replaces IAS 39: Financial instruments: recognition and measurement ("**IAS 39**") and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces a single impairment model for financial instruments not measured at FVTPL that requires recognition of expected credit losses at initial recognition of a financial instrument and the recognition of lifetime expected credit losses if certain criteria are met. The new model for hedge accounting aligns hedge accounting with risk management activities.

IFRS 9 is generally effective for periods beginning on or after January 1, 2018. However, in September 2016, the IASB issued amendments to IFRS 4 which provide optional relief to eligible insurers in respect of IFRS 9. The options permit entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17, (a) a temporary exemption to defer the implementation of IFRS 9, or alternatively (b) the option to remove from income the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9.

The Company has analyzed the amendments to IFRS 4 and has concluded that it is an eligible insurer that qualifies for the transitional relief. The Company has elected to apply the optional transitional relief that permits the deferral of the adoption of IFRS 9 for eligible insurers. As a result, the Company did not adopt IFRS 9 as at January 1, 2018.

Entities that apply either of the transitional relief options were initially required to adopt IFRS 9 on January 1, 2021. However, in June 2020, the IASB finalized amendments to IFRS 17 that deferred the effective date of IFRS 17 by two years to annual periods beginning on or after January 1, 2023. IFRS 4 was also amended to extend the fixed expiry date for the optional relief in respect of IFRS 9 by two years. As a result, the Company is expected to continue to apply IAS 39 until January 1, 2023.

Effective in reporting periods in 2018, an insurer that elected to apply the transitional relief under IFRS 4 is required to provide additional disclosures that enable comparison with entities that applied IFRS 9 at January 1, 2018. The amendments to IFRS 4 require entities to disclose additional information regarding the contractual cash flow characteristics and credit exposure of their financial instruments. These disclosures are included in the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2020.

Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4, IFRS 16: Interest rate benchmark reform: Phase 2

In August 2020, the IASB issued amendments that complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform (post-replacement period). The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with early adoption permitted. The amendments modified the requirements in IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cashflows of financial assets, financial liabilities and lease liabilities; hedge accounting; and disclosures.

The Company is currently evaluating the impact that the Phase 2 amendments may have on its financial statements.

Significant estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods covered by the financial statements. The principal financial statement components subject to measurement uncertainty are outlined below as accounting estimates and judgments. Actual results may differ from the estimates used, and such differences may be material.

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustment within the next 12 months are as follows:

Premiums earned

Mortgage insurance premiums are deferred and then taken into underwriting revenues over the terms of the related policies using a factor-based premium recognition curve that is based on the Company's expected loss emergence pattern. In constructing the premium recognition curve, the Company applies actuarial forecasting techniques to historical loss data to determine expected loss development and the related loss emergence pattern. The Company performs actuarial studies of loss emergence at least annually and may adjust the factors in the premium recognition curve in accordance with the results of such studies. Changes in the premium recognition curve are treated as a change in estimate and are recognized on a prospective basis.

Loss reserves

Loss reserves represent the amount needed to provide for the expected ultimate net cost of settling claims including adjustment expenses related to defaults by borrowers (both reported and unreported) that have occurred on or before the reporting date. Loss reserves are discounted to take into account the time value of money and include a supplemental provision for adverse deviation. In determining the ultimate claim amount, the Company estimates the expected recovery from the property securing the insured loan and the legal, property maintenance and other loss adjustment expenses incurred in the claim settlement process. Loss reserves consist of individual case reserves, IBNR reserves and supplemental loss reserves for potential adverse deviation.

For the purpose of quantifying case reserves, the Company analyzes each reported delinquent loan on a case-by-case basis and establishes a case reserve based on the expected loss, if any. The ultimate expected claim amount is influenced significantly by housing market conditions, changes in property values, and the condition of properties in default.

The IBNR reserve is the Company's best estimate of losses that have been incurred but not reported from the time the first scheduled mortgage payment has been missed by a mortgage borrower. The Company establishes reserves for IBNR based on the reporting lag from the date of first missed payment to the reporting date for mortgages in default that have not been reported to the Company. IBNR has historically been calculated using estimates of expected claim frequency and claim severity based on the most current available historical loss data, adjusted for seasonality.

Effective in the first quarter of 2020, Canada's mortgage insurers have communicated to lenders that they are permitted to defer up to six months of mortgage payments for eligible borrowers impacted by COVID-19. The Company expects that a subset of insured mortgages with payment deferrals will end up in default after the deferral period ends. As a result, effective in the second quarter of 2020, the Company has included a provision in its IBNR reserve for its estimate of the losses from defaults that would have otherwise occurred had payment deferrals not been in place. The Company has estimated the IBNR reserve for payment deferrals using the Company's internal loss forecasting model and multiple forward-looking economic scenarios for regional unemployment rates and home prices. The Company considers three economic scenarios: a base-case scenario, an upside scenario and a downside scenario. Each scenario is assigned a probability weighting, with the base-case scenario receiving the highest weight. The probability-weighted scenarios are incorporated into the Company's estimate of its IBNR reserve related to mortgages under payment deferral arrangements. The IBNR reserve is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, the probability weightings of the three scenarios, and other factors considered when applying expert credit judgment. Changes in these inputs, assumptions, models, and judgments would have an impact on the assessment of credit risk and the measurement of IBNR reserve.

In order to discount loss reserves to present value, the Company's appointed actuary determines a discount rate based on the market yield of the Company's investment portfolio.

The Company recognizes a provision for adverse deviation based on assessment of the adequacy of the Company's loss reserves and with reference to the current and future expected condition of the Canadian housing market and its impact on the expected development of losses.

In recognition that many homeowners in Canada face financial challenges because of the COVID-19 pandemic, Canadian mortgage insurers have agreed to provide solutions to mitigate temporary financial hardship faced by Canadian homeowners. In the first quarter of 2020, Canadian mortgage insurers had advised that for insured mortgages in default, lenders should temporarily cease all legal enforcement and collection activities. In the second quarter of 2020, the mortgage insurers notified lenders that legal enforcement may resume or commence. The additional carrying costs incurred from delaying the foreclosure process has been reflected in the Company's loss reserves for the nine months ended September 30, 2020.

The process for the establishment of loss reserves relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal and economic trends and on expectations as to future developments. This process involves risks that actual results will deviate, perhaps substantially, from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liability.

Subrogation recoverable

The Company estimates the fair value of subrogation rights related to real estate included in subrogation recoverable based on third party property appraisals or other types of third-party valuations deemed to be more appropriate for a particular property.

The Company estimates borrower recoveries related to claims paid and loss reserves included in subrogation recoverable based on historical recovery experience. Estimated borrower recoveries are discounted to present value and include an actuarial margin for adverse deviation.

Deferred policy acquisition costs

Deferred policy acquisition costs are comprised of premium taxes, appraisal costs, risk fee, certain employee compensation, and other expenses that relate directly to the acquisition of new mortgage insurance business. Deferred policy acquisition costs are deferred and expensed in proportion to and over the periods in which premiums are earned.

The Company estimates expenses eligible for deferral based on the nature of expenses incurred and results of time and activity studies performed to identify the portion of time the Company's employees incur in the acquisition of new mortgage insurance business.

Objective evidence of impairment of AFS financial assets

As of each reporting date, the Company evaluates AFS financial assets for objective evidence of impairment.

For investments in bonds and debentures and preferred shares, evaluation of whether impairment has occurred is based on the Company's assessment that a loss event has occurred and the Company's best estimate of the cash flows to be collected at the individual investment level. The Company considers all available information relevant to the collectability of the investment, including information about past events, current conditions, and reasonable and supportable forecasts. Impairment assessment is a qualitative and quantitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of any underlying collateral for asset-backed investments. Impairment for bonds and debentures and preferred shares is deemed to exist when the Company does not expect full recovery of the amortized cost of the investment based on the estimate of cash flows to be collected or when the Company intends to sell the investment prior to recovery from its unrealized loss position.

In first quarter of, 2020, due to market volatility driven by the COVID-19 pandemic and resulting decreases in interest rates, the preferred shares owned by the Company have experienced significant declines in value. In the second and third quarter of 2020, the preferred shares have partially recovered. The Company has assessed that the declines in fair value are temporary in nature. Full recoverability of the investments is expected based on the credit quality of the issuers and expectations of continued dividend income from the preferred shares

Transactions with related parties

Services

During the first quarter of 2020, the Company entered into agreements with Oaktree and Brookfield PSG to provide investment management services for certain investment portfolios, replacing investment management services provided by Genworth Financial. Each of Oaktree and Brookfield PSG are affiliates of Brookfield Business Partners. Investment management services with Oaktree and Brookfield PSG commenced in the second quarter of 2020.

During the second quarter of 2020, the Company entered into an agreement with Brookfield company Watserv to provide software services.

For the three and nine months ended September 30, 2020, transactions with Brookfield entities were valued at less than one million dollars.

Internal controls over transition activities

The Company's Internal Audit team has been working with counterparts at Genworth Financial and their external auditors to obtain testing results around control activities performed on behalf of the Company throughout the transition period to ensure controls are designed and operating effectively. There have been no identified or communicated deficiencies around control activities impacting the Company's financial reporting environment.

Non-IFRS financial measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with IFRS, the Company uses non-IFRS financial measures to analyze performance. The Company's key performance indicators and certain other information included in this MD&A include non-IFRS financial measures. Such non-IFRS financial measures used by the Company to analyze performance include, among others, net operating income (excluding fee on early redemption of long-term debt), operating investment income, interest and dividend income, net of investment expenses, operating earnings per common share (basic) and operating earnings per common share (diluted). The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-IFRS financial measures do not have standardized meanings and are unlikely to be comparable to any similar measures presented by other companies.

Table 18: Non-IFRS financial measures reconciled to comparable IFRS measures for such periods

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars, unless otherwise specified)	**2020**	2019	**2020**	2019
Total investment income	**$ 55**	$ 52	**$ 122**	$ 125
Adjustment to investment income:				
Net Losses from Investments, derivatives and foreign exchange [1]	**(7)**	5	**27**	45
Operating investment income	**48**	57	**149**	170
Realized expense (income) from the interest rate hedging program	**(4)**	(7)	**(15)**	(23)
Interest and dividend income, net of investment expenses	**$ 44**	$ 50	**134**	$ 147
Net income	**124**	111	**317**	318
Adjustments to net income, net of taxes:				
Fee on early redemption of long-term debt	**-**	-	**1**	2
Net losses (gains) from investments, derivatives and foreign exchange[1]	**(5)**	4	**20**	33
Net operating income	**$ 119**	$ 115	**$ 338**	$ 354
Earnings per common share (basic)	**$ 1.44**	$ 1.29	**$ 3.67**	$ 3.66
Adjustment to earnings per common share, net of taxes:				
Fee on early redemption of long-term debt	**-**	-	**0.02**	0.03
Net losses (gains) from investments, derivatives and foreign exchange[1]	**(0.06)**	0.04	**0.23**	0.38
Operating earnings per common share (basic)	**$ 1.38**	$ 1.34	**$ 3.91**	$ 4.07
Earnings per common share (diluted)[2]	**$ 1.44**	$ 1.29	**$ 3.57**	$ 3.66
Adjustment to earnings per common share, net of taxes:				
Fee on early redemption of long-term debt	**-**	-	**0.02**	0.03
Share based compensation re-measurement amount	**-**	-	**0.08**	-
Net losses (gains) from investments, derivatives and foreign exchange[1]	**(0.06)**	0.04	**0.23**	0.38
Operating earnings per common share (diluted)[2]	**$ 1.38**	$ 1.34	**$ 3.90**	$ 4.07

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. [2] The difference between basic and diluted earnings per common share and basic and diluted operating earnings per common share is caused by the potentially dilutive impact of share-based compensation awards.

Other non-IFRS financial measures used by the Company to analyze performance for which no comparable IFRS measure is available include outstanding insured mortgage balances, new insurance written, loss ratio, expense ratio, combined ratio, operating return on equity, investment yield, dividend payout ratio, MICAT ratio, and delinquency ratio on outstanding insured mortgage balances.

Table 19: Non-IFRS financial performance measures for which no comparable IFRS measure is available
For a more meaningful description of the measure, refer to the "Non-IFRS financial measures glossary".

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars, unless otherwise specified)	**2020**	**2019**	**2020**	**2019**
Selected non-IFRS financial measures				
Outstanding insured mortgage balances[1]	**$ 205,644**	$ 203,200	**205,644**	203,200
New insurance written	**$ 9,898**	$ 7,360	**$ 32,261**	$ 19,013
Transactional new insurance written	**$ 8,291**	$ 6,070	**$ 16,258**	14,283
Portfolio new insurance written	**$ 1,607**	$ 1,290	**$ 16,003**	4,730
Loss ratio	**13%**	18%	**18%**	16%
Expense ratio	**19%**	20%	**20%**	20%
Combined ratio	**32%**	38%	**38%**	36%
Operating return on equity	**13%**	11%	**12%**	12%
Investment yield	**3.0%**	3.3%	**3.1%**	3.3%
MICAT[2]	**179%**	172%	**179%**	172%
Delinquency ratio on outstanding insured mortgage balances	**0.20%**	0.20%	**0.20%**	0.20%

[1] This estimate is based on amounts reported to the Company by lenders which represent the vast majority of outstanding insured mortgage balances. [2] Company estimate at September 30, 2020. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under PRMHIA is 150% and the Company's internal target ratio under the MICAT is 157%.

Non-IFRS financial measures glossary

"**combined ratio**" means the sum of the loss ratio and the expense ratio. The combined ratio measures the proportion of the Company's total cost to its premiums earned and is used to assess the profitability of the Company's insurance underwriting activities.

"**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.

"**expense ratio**" means the ratio (expressed as a percentage) of sales, underwriting and administrative expenses to premiums earned 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.

"**interest and dividend income, net of investment expenses**" means the total net investment income excluding investment gains (losses) from derivatives and foreign exchange. This measure is an indicator of the core operating performance of the investment portfolio.

"**investment yield**" means the annualized investment income before investment fees and excluding net investment gains (losses) tax affected for dividends 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 investment income using the average of beginning and ending investments book value, for such quarter.

"**loss ratio**" means the ratio (expressed as a percentage) of the total amount of losses on claims associated with insurance policies incurred during a specified period to premiums earned 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.

"**Mortgage Insurer Capital Adequacy Test**" or "**MICAT**" means the minimum capital test for federally regulated mortgage insurance companies established by OSFI (as defined herein). 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. Replaced "Minimum Capital Test" or "MCT" effective January 1, 2019.

“**net operating income**” means net income excluding after-tax net realized gains (losses) on sale of investments, unrealized gains (losses) on Fair Value through Profit or Loss (“**FVTPL**”) securities, fee on early redemption of debt and including realized income (expense) from the interest rate hedging program as represented by the difference between the fixed rate and floating rate. Net operating income estimates the recurring after-tax earnings from core business activities and is an indicator of core operating performance.

“**operating earnings per common share (basic)**” means the net operating income divided by the average common shares outstanding during the period.

“**operating earnings per common share (diluted)**” means the net operating income divided by the diluted average common shares outstanding during the period. The Company excludes the impact of the share-based compensation re-measurement amount from operating earnings per share (diluted) as it believes this results in a better indicator of core operating performance.

“**operating investment income**” means the total net investment income excluding gains (losses) from 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.

“**operating return on equity**” means the net operating income for a period divided by the average of the quarterly shareholders’ equity, excluding AOCI, for such period. For quarterly results, the operating return is the annualized operating return on equity using the average of beginning and ending shareholders’ equity, excluding AOCI, for such quarter. Operating return on equity is an indicator of return on invested capital in the core business activities.

“**ordinary dividend payout ratio**” means the ratio (expressed as a percentage) of the dollar amount of ordinary dividends paid on a rolling four quarter basis to shareholders as a percentage of net operating income over the same period. This is a measure of the proportion of net operating income returned to shareholders in the form of ordinary dividends.

“**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 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.

“**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.

Other Glossary

"**accumulated other comprehensive income**" or "**AOCI**" is a component of shareholders' equity and reflects the unrealized gains and losses, net of taxes, related to available-for-sale assets. Unrealized gains and losses on assets classified as available-for-sale are recorded in the consolidated statement of comprehensive income and included in accumulated other comprehensive income until recognized in the consolidated statement of income.

"**available-for-sale**" or "**AFS**" means investments recorded at fair value on the balance sheet, using quoted market prices, with changes in the fair value of these investments included in AOCI.

"**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 loss reserves 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.

"**book value per common share excluding AOCI (basic)**" means the per common share amount of shareholders' equity excluding AOCI to the number of basic common shares outstanding at a specified date.

"**book value per common share excluding AOCI (diluted)**" means the per common share amount of shareholders' equity excluding AOCI to the number of diluted common shares outstanding at a specified date. Diluted common shares outstanding takes into account all of the outstanding dilutive securities that could potentially be exercised.

"**book value per common share including AOCI (basic)**" means the per common share amount of shareholders' equity including AOCI to the number of basic common shares outstanding at a specified date.

"**book value per common share including AOCI (diluted)**" means the per common share amount of shareholders' equity including AOCI to the number of diluted common shares outstanding at a specified date. Diluted common shares outstanding takes into account all of the outstanding dilutive securities that could potentially be exercised.

"**book value per common share**" is a measure of the carrying value of each individual share of the Company and is a key metric used in assessing the market value of the Company.

"**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.

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

"**common shares**" means the issued and outstanding common shares of the Company.

"**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.

"**debt-to-capital ratio**" means the ratio (expressed as a percentage) of debt to total capital (the sum of debt and equity). This is a measure of financial leverage that the Company considers in capital management planning.

“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**” 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.

“**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 loan-to-value**” means a Company estimate based on the estimated balance of loans insured divided by the estimated fair market value of the mortgaged property using the Teranet - National Bank Home Price Index Composite 11.

“**effective tax rate**” means the ratio (expressed as a percentage) of provision for 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 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.

“**gross debt service ratio**” or “**GDSR**” means the percentage of borrowers’ total monthly debt servicing costs, in respect of the debt in question, as a percentage of borrower’s monthly gross income. 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.

“**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.

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

“**loss adjustment 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.

“**loss reserves**” 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.

“**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.

“**net underwriting income**” means the sum of premiums earned and fees and other income, less losses and sales, underwriting and administrative expenses during a specified period.

“**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.

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

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

“**sales, underwriting and administrative expenses**” means the cost of marketing and underwriting new mortgage insurance policies and other general and administrative expenses, including premium taxes, risk fee and net of the change in deferred policy acquisition costs.

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

“**share based compensation re-measurement amount**” means the impact of revaluation of stock option liability as required under IFRS due to the cash settlement option. The Company believes that excluding this impact from operating earnings per share (diluted) is a better indicator of core operating performance.

“**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.

“**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**” or “**UPR**” 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.