Management's Discussion and Analysis

For the three and nine months ended September 30, 2022

Interpretation

The current and prior period comparative results for Sagen MI Canada Inc. ("**Sagen**" or the "**Company**"), formerly Genworth MI Canada Inc., reflect the consolidation of the Company and its subsidiaries, including Sagen Mortgage Insurance Company Canada, (the "**Insurance Subsidiary**"), formerly Genworth Financial Mortgage Insurance Company Canada. 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, 2022 is prepared for the three and nine months ended September 30, 2022. The unaudited consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). This MD&A should be read in conjunction with the Company's financial statements.

In this MD&A, references to "$", "CDN$", "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 "Sagen" or the "Company" refer to Sagen MI Canada Inc. and its subsidiaries.

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

Caution regarding forward-looking information and statements

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws ("**forward-looking statements**"). When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company are intended to identify forward-looking statements. Specific forward-looking statements in this document include, but are not limited to, 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 the sole holder of the Company's Class A common shares, Brookfield Business Partners L.P. together with certain of its affiliates and institutional partners ("**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; and potential conflicts of interest between the Company and its sole Class A common shareholder, Brookfield.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Some of these and other factors are discussed in more detail in the Company's Annual Information Form (the "**AIF**") dated March 21, 2022. 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-GAAP and other financial measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with Generally Accepted Accounting Principals ("**GAAP**")**,** the Company uses certain non-GAAP financial measures to analyze performance. Such non-GAAP financial measures include net operating income, operating investment income and interest and dividend income, net of investment expenses and pre-tax equivalent operating investment income. See the **Non-GAAP and other financial measures** section at the end of this MD&A for a reconciliation of (i) operating investment income and interest and dividend income, net of investment expenses to the comparable financial measure of total investment income (ii) net operating income to the comparable financial measure of net income and (iii) pre-tax equivalent operating investment income to the comparable financial measure of total investment income.

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

Non-GAAP ratios used by the Company include investment yield. See the **Investment income** section for the calculation of the investment yield.

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

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

Operational metrics

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

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Business profile

Business background

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

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

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

Seasonality

The transactional mortgage insurance business is seasonal. 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. Strong housing demand throughout the second half of 2020 and 2021 impacted the typical seasonal variations in transactional premiums written in 2020 and 2021. In 2022, a weaker spring housing market muted the impact of seasonality.

Losses on claims vary from quarter to quarter, primarily as the result of prevailing economic conditions, changes in employment levels and characteristics of the outstanding insured mortgage balances, such as size, age, seasonality and geographic mix of delinquencies. Typically, losses on claims increase during the winter months, primarily due to an increase in new delinquencies, and decrease during the spring and summer months. The COVID-19 pandemic and actions taken by lenders and mortgage insurers in respect of mortgage payment deferrals impacted the typical seasonal patterns of mortgage delinquencies in 2020 and 2021. Through the first nine months ended September 30, 2022, the cumulative favourable impact of home price appreciation from 2020 and 2021 in most regions of Canada has resulted in relatively low levels of losses on claims and largely muted the typical seasonal pattern.

The Company's premiums 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 residential mortgage originators in Canada.

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)	**2022**	2021	**2022**	2021
Premiums written	**$ 255**	$ 372	**$ 671**	$ 975
Premiums earned	**$ 219**	$ 206	**$ 647**	$ 590
Losses on claims and expenses:				
Net losses (recoveries) on claims	**7**	(32)	**4**	(43)
Expenses after net change in deferred policy acquisition costs	**38**	38	**112**	112
Total losses on claims and expenses	**45**	6	**116**	70
Net underwriting income	**174**	200	**531**	520
Investment income:				
Interest	**48**	39	**131**	115
Dividends	**7**	7	**20**	22
General investment expenses	**(2)**	(2)	**(7)**	(6)
Interest and dividend income, net of investment expenses[1]	**52**	44	**144**	130
Realized income from the interest rate hedging program	**-**	3	**1**	9
Net gains (losses) from investments, derivatives and foreign exchange[2]	**9**	(2)	**10**	(16)
Total investment income	**61**	45	**155**	123
Interest expense	**9**	11	**29**	28
Gain on repurchase of long-term debt	**-**	-	**(2)**	-
Income before income taxes	**225**	234	**659**	616
Provision for income taxes	**58**	60	**167**	156
Net income	**$ 167**	$ 174	**$ 491**	$ 460
Adjustment to net income, net of taxes:				
Gain on repurchase of long-term debt	**-**	-	**(1)**	-
Net (gains) losses from investments, derivatives and foreign exchange[2]	**(7)**	2	**(8)**	12
Net operating income[1]	**$ 160**	$ 176	**$ 482**	$ 472
Effective tax rate	**25.8 %**	25.6 %	**25.4 %**	25.3 %
Selected measures				
Outstanding insured mortgage balances[3]	**195,400**	203,500	**195,400**	203,500
Delinquency ratio on outstanding insured mortgage balances[3]	**0.15 %**	0.16 %	**0.15 %**	0.16 %
Loss ratio[4]	**3 %**	(16)%	**1 %**	(7)%
Expense ratio[4]	**17 %**	18 %	**17 %**	19 %
Combined ratio[4]	**21 %**	3 %	**18 %**	12 %
MICAT[5]	**172 %**	214 %	**172 %**	214 %

Note: Amounts may not total due to rounding. [1] Non-GAAP financial measures. [2] Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income or expense from the interest rate hedging program. [3] This estimate is based on the amounts reported by lenders to the Company which represents the vast majority of outstanding insured mortgage balances. [4] Supplementary financial measures. [5] Company estimate as at September 30, 2022. The Company calculates its MICAT ratio in accordance with OSFI's Mortgage Insurer Capital Adequacy Test Guideline dated January 1, 2019. 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%. See the **Non-GAAP and other financial measures** section at the end of this MD&A for additional information.

The Company reported net income of $167 million in the third quarter of 2022, $7 million higher than the same quarter in the prior year, primarily due to higher premiums earned and higher investment income which was partially offset by higher losses on claims. Net operating income of $160 million in the third quarter of 2022 was lower than net income due to the after-tax impact of net gains from investments, derivatives, and foreign exchange, which are excluded from net operating income.

The Company reported net income of $491 million in the nine months ended September 30, 2022, $32 million higher than the prior year's period, primarily due to higher premiums earned, higher investment income and a gain on repurchase of long-term debt of the Company, partially offset by higher losses on claims. Net operating income of $482 million in the nine months ended September 30, 2022 was lower

than net income due to the after-tax impact of net gains from investments, derivatives, and foreign exchange, and a gain on repurchase of long-term debt of the Company, which are excluded from net operating income.

Recent business and regulatory developments

OSFI MICAT interpretation for Variable Rate Mortgages ("VRMs")

On September 28, 2022, OSFI issued an advisory with revisions to the Mortgage Insurer Capital Adequacy Test ("**MICAT**") primarily related to VRMs. As a result of rising interest rates, VRMs that have fixed payments for a period of time, potentially until the end of a term of up to five years, could have the calculated remaining amortization period temporarily increase until such time as the payment is reset to align to the original amortization period. OSFI's MICAT framework captures the risks associated with differing mortgage amortization periods of up to 40 years, however it was not designed or calibrated for situations in which the calculated remaining amortization period temporarily increases including, in some cases, to periods exceeding 40 years.

Accordingly, on September 28, 2022, OSFI issued an advisory indicating that the lesser of the calculated remaining amortization period and 40 years should be used in the calculation of base and supplemental capital requirements for an individual VRM mortgage. As a result, the Company's total capital required increased by approximately $220 million, which was the primary driver of the 7 percentage points decrease of the MICAT ratio as at September 30, 2022, to 172%, as compared to 179% as at June 30, 2022.

Furthermore, with regard to the rising interest rate environment and its impact on VRMs, on October 11, 2022, the Financial Consumer Agency of Canada ("**FCAC**") issued a note to all federally regulated financial institutions ("**FRFIs**") which sets out expectations for the FRFIs to pay particular attention to consumers impacted by higher interest rates. More specifically, FCAC expects FRFIs to:

- proactively contact their consumers whose trigger rate (or trigger point) is reached or will soon be reached;
- consider providing their consumers with accommodations including reducing or waiving fees and charges;
- ensure their consumers are being offered and sold appropriate financial products and services;
- ensure front-line staff are equipped and trained to provide appropriate advice and assistance to their consumers; and,
- direct their consumers to trustworthy sources of information to help them make informed mortgage decisions

Debt

During the third quarter of 2022, the Company repurchased a principal amount of $9 million of long-term debt of the Company and extended the maturity of its Credit Facility (as defined below) from January 2025 to September 2027. Refer to the **Debt** section for additional information.

During the second quarter of 2022, the Company repaid in full approximately $76 million of the term loan under its term facility with a maturity date of January 16, 2025 and repurchased a principal amount of $24 million of long-term debt of the Company. Refer to the **Debt** section for additional information.

Investment in the India Mortgage Guarantee Corporation

On June 8, 2022, the Company paid approximately $32 million to acquire a 31.39% ownership interest in India Mortgage Guarantee Corporation Private Limited ("**IMGC**"), an entity based in India. On October 19, 2022, the Company acquired additional common shares in the capital of IMGC from existing shareholders for approximately $10 million increasing its ownership interest to approximately 40%.

IMGC offers mortgage guarantees against borrower defaults on housing loans from mortgage lenders in India. As the only mortgage guarantee company in India, IMGC designs products that help lenders expand their businesses and enter new and underserved markets by providing them with an added layer of protection through a mortgage guarantee. The financial impact of this transaction is expected to be minimal on the consolidated results of the Company. The investment in this entity has been classified as an investment in associate and is accounted for using the equity method. Under the equity method, investments are initially measured at cost, including attributable goodwill and intangible assets, and are adjusted thereafter by the Company's share of the changes in the investment's net assets. The Company's

after-tax share of the results of operations of the associates is presented in "Share of profit or loss from investments in associates" in the consolidated statement of income.

Federal budget

On April 7, 2022, the Government of Canada released its 2022 budget ("**Budget 2022**"). Among other priorities, the budget focuses on affordable housing initiatives for Canadians and additional tax measures targeted at financial institutions and other insurers.

Taxation of banks, life insurers and related financial institutions:

Budget 2022 proposes two targeted measures aimed at banks, life insurance companies and related financial institutions.

The first measure proposes raising the general corporate income tax rate by 1.5%, from 15% to 16.5%, for these financial institutions. The tax is effective for taxation years ending after April 7, 2022 and includes an exemption of $100 million that must be shared among members of a related corporate group of banks, life insurers and other related financial institutions defined in Part VI of the *Income Tax Act* (Canada).

The second measure involves applying the Canada Recovery Dividend (the "**CRD**") to any members of a corporate group that are banks, life insurers and related financial institutions. The CRD is a one-time 15% tax that is applied to the taxable income of such a corporate group for taxation years ending in 2021 and is payable equally over a five-year period. A corporate group will have a $1 billion taxable income exemption that must be shared between the members of the group.

Based on the Company's review of the budget documents, the Company believes that it will not be subject to these two targeted measures, as the definition of a financial institution in the *Income Tax Act* (Canada) does not include mortgage insurers.

Taxation under IFRS 17 Insurance Contracts ("**IFRS 17**")*:*

IFRS 17, the new accounting standard for insurance, will become effective on January 1, 2023. IFRS 17 introduces a new reserve, the contractual service margin ("**CSM**"), which presents the expected unearned profit on the insurance contract that is deferred and released into income over the estimated life of the insurance contract. Under Budget 2022, the CSM will not be fully deductible for life insurers, mortgage insurers and title insurers. However, Budget 2022 permits 10% of the CSM to be deducted in respect of life, mortgage and title insurance contracts. This deduction is intended to reflect future non-attributable expenses included as part of the CSM. The 10% deductible portion would then be included in income for tax purposes when the non-attributable expenses are incurred in the future. There will be a five-year transition period for the tax impacts of adopting IFRS 17, including the 90% non-deductible portion of the CSM. The proposed measures, including the transitional rules, will be effective as of January 1, 2023, concurrent with the effective date of IFRS 17.

Home price appreciation experienced in recent years may result in lower expected future losses on claims and a relatively lower liability for fulfilment cash flows under IFRS 17 as compared to long term expectations. This relatively lower liability for fulfilment cash flows combined with significant levels of premiums written in 2020 and 2021 may result in a relatively higher CSM liability under IFRS 17. Therefore, the impact of this proposal could result in a larger current tax obligation for the Company in 2023, with the recognition of a corresponding deferred tax asset arising from the timing differences between the recognition of taxable income and accounting income.

Affordable housing initiatives:

Budget 2022 introduced housing measures to address housing supply, provide additional support for first time homebuyers and introduce controls on housing speculation and foreign investment. Key housing measures include:

Housing supply:

- $4 billion over 5 years to CMHC in a Housing Accelerator Fund to support the construction of 100,000 net new homes by 2027;
- Tying infrastructure and transit funding to provincial/territorial and municipal actions to increase housing supply; and
- $1.5 billion expansion of the Rapid Housing Initiative over two years (starting in 2022-23) to address the urgent need for additional affordable housing units. The $1.5 billion expansion will be provided to CMHC. The new funding is expected to create at least 6,000 new affordable housing units

First-time homebuyer ("**FTHB**") support:

- $40,000 tax-free savings account in which contributions would be tax-deductible and withdrawals tax-free (hybrid of TFSA & RRSP);
- Doubling the existing FTHB tax credit from $5,000 to $10,000; and
- Extension of the FTHB incentive which allows eligible first-time home buyers to lower borrowing costs by sharing the cost of buying with the government. Budget 2022 included an extension of this program to March 31, 2025;
- Subsequent to the announcement of Budget 2022, the Canadian federal government announced further changes to the FTHB incentive eligibility for the census metropolitan areas of Toronto, Vancouver and Victoria, including:
    - Eligible household income up to $150,000 (up from $120,000); and
    - Maximum loan amount up to 4.5 times the household income (up from 4 times).
- The Canadian federal government announced a cap on the share of the home price appreciation/depreciation at the time of repayment. As of June 1, 2022, homeowners will repay up to a maximum gain of 8% per annum on the incentive amount; in the event of home price depreciation, the amount of loss will be capped at 8% per annum of the incentive amount.

Controls on housing speculation and foreign investment:

- 2-year ban on foreign buyers from purchasing residential property;
- Recognizing capital gains on real estate held for less than 12-months as business income, making assignment sales subject to GST/HST; and
- Commitment to homebuyers' bill of rights, which includes a ban on blind bidding and a legal right to a home inspection.

The Company believes that these Budget 2022 measures aimed at improving affordability will have a positive impact on the Company in the medium term.

Economic environment and housing market

On October 26, 2022, the Bank of Canada increased the overnight lending rate by 50 basis points to 3.75% guided by the Bank of Canada's commitment to achieving its inflation targets. The Bank of Canada remarked that future rate increases will be influenced by its assessments of how tighter monetary policy is working to slow demand, how supply challenges are resolving and how inflation and inflation expectations are responding.

The Bank of Canada had previously increased the overnight lending rate:

- On September 7, 2022 by 75 basis points to 3.25%;
- On July 13, 2022 by 100 basis points to 2.50%;
- On June 1, 2022 by 50 basis points to 1.50%;
- On April 13, 2022, by 50 basis points to 1.00%; and
- On March 2, 2022, by 25 basis points to 0.50%.

Minimum qualifying rates, which are in effect for insured and uninsured mortgages, are intended to ensure borrowers will be able to make mortgage payments in the event that there is an increase in mortgage rates or loss of income. The qualifying rate is the higher of the mortgage contract rate plus 2% or 5.25%, which will be reviewed at least annually by the Department of Finance and OSFI in December of each year, to ensure that it remains appropriate for the inherent risks.

The higher interest rates and resulting higher minimum qualifying rates has resulted in a smaller mortgage insurance market in 2022 as compared to 2021.

Canada's unemployment was reported at 5.2% in September 2022 after hitting a record low of 4.9% in June and July 2022, still reflecting an economy running at nearly full capacity. The tight labour market conditions are resulting in acceleration of wage growth.

Higher interest rates have also resulted in a decline in the fair value of the bonds and other fixed income securities owned by the Company, which has resulted in significant losses recognized in other comprehensive income.

Dividends

On November 2, 2022, the Board of Directors (the **"Board**") declared a dividend of $0.3375 per non-cumulative Class A Preferred Shares, Series 1 (the "**Series 1 Preferred Shares**"), or approximately $1 million in the aggregate, payable on December 30, 2022, to holders of record at the close of business on December 15, 2022.

In the nine months ended September 30, 2022, Company paid the following dividends on the Series 1 Preferred Shares:

- On September 30, 2022, a dividend of $0.3375 per Series 1 Preferred Share, or approximately $1 million in the aggregate, to holders of record at the close of business on September 15, 2022;
- On June 30, 2022, a dividend of $0.3375 per Series 1 Preferred Share, or approximately $1 million in the aggregate, to holders of record at the close of business on June 15, 2022; and
- On March 31, 2022, a dividend of $0.3375 per Series 1 Preferred Share, or approximately $1 million in the aggregate, to holders of record at the close of business on March 15, 2022.

In the nine months ended September 30, 2022, the Company paid the following dividends on the Class A common shares held by Brookfield, the sole holder of the Class A common shares:

- On August 5, 2022, a quarterly dividend of $64.77 per Class A common share, or approximately $65 million in the aggregate;
- On June 28, 2022, a special dividend of approximately $74.74 per Class A common share, or approximately $75 million in the aggregate;
- On May 6, 2022, a quarterly dividend of $64.77 per Class A common share, or approximately $65 million in the aggregate;
- On March 29, 2022, a special dividend of approximately $398.60 per Class A common share, or approximately $400 million in the aggregate; and
- On February 4, 2022, a quarterly dividend of $64.77 per Class A common share, or approximately $65 million in the aggregate.

OSFI regulatory changes

On July 21, 2022, OSFI issued the final MICAT guideline defining regulatory capital requirements under the new IFRS 17 and IFRS 9 Financial Instruments ("**IFRS 9**"), which will come into force on January 1, 2023. The guideline introduces new concepts in the definitions of capital available and capital required to conform to the changes in measurement and presentation under the new accounting standards. As a result of the implementation of the new guideline, the Company expects its capital required to increase and, therefore, will continue to operate above its internal MICAT target ratios of 160% to 165% throughout the remainder of 2022.

On June 28, 2022, OSFI released a new advisory under guideline B-20: Clarification on the Treatment of Innovative Real Estate Secured Lending Products. The advisory complements existing expectations under guideline B-20, which articulates OSFI's expectations regarding underwriting practices and procedures for reverse residential mortgages, residential mortgages with shared equity features and combined loan plans. The new advisory is intended to address the risk of persistent, outstanding consumer debt that can make lenders more vulnerable to negative economic shocks.

On July 13, 2022, OSFI issued guideline B-13: Technology and Cyber Risk Management which will be effective January 1, 2024. B-13 is intended to provide financial institutions with a risk-based approach to compete effectively and take full advantage of digital innovation, while maintaining sound technology and cyber risk management.

On May 26, 2022, OSFI published draft guideline B-15: Climate Risk Management, which sets out OSFI's expectations related to FRFIs' management of climate-related risk. The guideline is open for consultation until at least September 30, 2022 with the final guideline expected to be released in early 2023.

On January 31, 2022, OSFI announced revised capital, leverage, liquidity and disclosure rules that incorporate the final Basel III banking reforms for federally regulated deposit-taking institutions, most of which take effect in the second fiscal quarter of 2023.These rules include a change to the capital treatment of privately insured mortgages that are partially guarantee by the government under PRMHIA, which may increase the regulatory capital held by the banks on those mortgages.

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

Mortgage payment deferrals

The Company, as well as Canada's other mortgage insurers, provided eligible homeowners with opportunities in 2020 and early 2021 to mitigate temporary financial hardship due to the COVID-19 pandemic by deferring up to six monthly mortgage payments. The mortgage deferral program ended on March 31, 2021 and the vast majority of borrowers with payment deferrals have returned to making regular scheduled mortgage payments. Strong home price appreciation experienced in most markets across the country in 2020 and 2021 contributed to accumulated home equity, preventing or remediating delinquencies that may have otherwise occurred.

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)	**2022**	2021	Change		**2022**	2021	Change	
Premiums written	**$ 255**	$ 372	$ (116)	(31)%	**$ 671**	$ 975	$ (303)	(31)%
Premiums earned	**$ 219**	$ 206	$ 13	6 %	**$ 647**	$ 590	$ 58	10 %
Losses on claims and expenses:								
Net losses (recoveries) on claims	**7**	(32)	40	(122)%	**4**	(43)	47	(110)%
Expenses after net change in deferred policy acquisition costs	**38**	38	-	0 %	**112**	112	-	0 %
Total losses on claims and expenses	**45**	6	40	NM	**116**	70	47	67 %
Net underwriting income	**174**	200	(26)	(13)%	**531**	520	11	2 %
Investment income:								
Interest	**48**	39	9	22 %	**131**	115	16	14 %
Dividends	**7**	7	(1)	(9)%	**20**	22	(2)	(8)%
General investment expenses	**(2)**	(2)	-	0 %	**(7)**	(6)	-	0 %
Interest and dividend income, net of investment expenses[1]	**52**	44	8	19 %	**144**	130	14	11 %
Realized income from the interest rate hedging program	**-**	3	(3)	NM	**1**	9	(8)	(90)%
Net gains (losses) from investments, derivatives and foreign exchange[2]	**9**	(2)	12	NM	**10**	(16)	26	NM
Total investment income	**61**	45	17	37 %	**155**	123	32	26 %
Interest expense	**9**	11	(1)	(11)%	**29**	28	2	6 %
Gain on repurchase of long-term debt	-	-	-	NM	(2)	-	(2)	NM
Income before income taxes	**225**	234	(9)	(4)%	**659**	616	43	7 %
Provision for income taxes	**58**	60	(2)	(3)%	**167**	156	11	7 %
Net income	**$ 167**	$ 174	$ (7)	(4)%	**$ 491**	$ 460	$ 32	7 %
Adjustment to net income, net of taxes:								
Gain on repurchase of long-term debt	-	-	-	-	(1)	-	(1)	-
Net (gains) losses from investments, derivatives and foreign exchange[2]	**(7)**	2	(9)	NM	**(8)**	12	(20)	(164)%
Net operating income[1]	**$ 160**	$ 176	$ (16)	(9)%	**$ 482**	$ 472	$ 10	2 %
Effective tax rate	**25.8 %**	25.6 %		0.3 pts	**25.4 %**	25.3 %		0.1 pts
Supplementary financial measures								
Loss ratio	**3 %**	(16)%		19 pts	**1 %**	(7)%		8 pts
Expense ratio	**17 %**	18 %		(1) pts	**17 %**	19 %		(2) pts
Combined ratio	**21 %**	3 %		18 pts	**18 %**	12 %		6 pts

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

[1] Non-GAAP financial measure. [2] Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program. See the **Non-GAAP and other financial measures** section at the end of this MD&A for additional information.

Table 3: Premiums written and premiums earned

(in millions of dollars, unless otherwise specified)	Three months ended September 30, 2022	2021	Change		Nine months ended September 30, 2022	2021	Change	
Premiums written								
Transactional	**249**	364	(116)	(32)%	**656**	955	(298)	(31)%
Portfolio	**6**	7	(1)	(9)%	**15**	20	(5)	(25)%
Total	**$ 255**	$ 372	$ (116)	(31)%	**$ 671**	$ 975	$ (303)	(31)%
Average premium rate *(in basis points)*								
Transactional	**352**	351	1	- %	**351**	351	-	- %
Portfolio	**43**	40	2	6 %	**41**	36	5	13 %
Total	**298**	306	(9)	(3)%	**300**	298	3	1 %
Premiums earned	**$ 219**	$ 206	$ 13	6 %	**$ 647**	$ 590	$ 58	10 %

Note: Amounts may not total due to rounding.

Current quarter

Premiums written from transactional insurance were $249 million in the third quarter of 2022, a decrease of $116 million, or 32%, as compared to the same quarter in the prior year. The decrease was primarily related to a decrease in transactional new insurance written arising from a smaller transactional insurance market associated with slower housing activity and a decrease in the Company's market share due to the impact of CMHC reverting to their pre-COVID pandemic underwriting guidelines in July 2021, which are similar to those of Sagen. The average premium rate of 352 basis points in the third quarter of 2022 was consistent with the same quarter in the prior year.

Premiums written from portfolio insurance were $6 million in the third quarter of 2022, a decrease of $1 million, or 9%, as compared to the same quarter in the prior year as demand for portfolio insurance remains low. A 2-basis point higher average premium rate in the third quarter of 2022 as compared to the same quarter in the prior year was primarily as a result of a modest shift in the loan to value mix in the current period.

Premiums earned of $219 million in the third quarter of 2022 increased by $13 million, or 6%, as compared to the same quarter in the prior year, reflecting relatively higher levels of total premiums written in 2021, 2020 and 2019 as compared to the preceding years.

Year-to-date

Premiums written from transactional insurance were $656 million in the nine months ended September 30, 2022, a decrease of $298 million, or 31%, as compared to the prior year's period. The decrease was primarily related to a decrease in transactional new insurance written arising from a smaller transactional insurance market associated with slower housing activity and a decrease in the Company's market share due to the impact of CMHC reverting to their pre-COVID pandemic underwriting guidelines in July 2021. The average premium rate of 351 basis points in the nine months ended September 30, 2022 was consistent with the prior year's period.

Premiums written from portfolio insurance were $15 million in the nine months ended September 30, 2022, a decrease of $5 million as compared to the prior year's period. The decrease was primarily related to the lower demand for portfolio insurance partially offset by a 5-basis point higher average premium rate primarily as a result of a modest shift in the loan to value mix in the current period.

Premiums earned of $647 million in the nine months ended September 30, 2022 increased by $58 million, or 10%, as compared to prior year's period, reflecting relatively higher levels of total premiums written in 2021, 2020 and 2019 as compared to the preceding years.

Table 4: Losses on claims

	Three months ended September 30,							Nine months ended September 30,						
		2022		2021		Change			2022		2021		Change	
New reported delinquencies		**539**		496		43	9 %		**1,624**		2,007		(383)	(19)%
Cures		**438**		450		(12)	(3)%		**1,351**		1,616		(265)	(16)%
New reported delinquencies, net of cures		**101**		46		55	NM		**273**		391		(118)	(30)%
Average reserve per delinquency *(in thousands of dollars)*	**$**	**53**	$	71	$	(18)	(26)%	**$**	**53**	$	71	$	(18)	(26)%
Net losses (recoveries) on claims *(in millions of dollars)*	**$**	**7**	$	(32)	$	40	(122)%	**$**	**4**	$	(43)	$	47	(110)%
Loss ratio		**3 %**		(16)%			19 pts		**1 %**		(7)%			8 pts

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

Current quarter

Losses on claims were $7 million in the third quarter of 2022, as compared to a recovery position of negative $32 million in same quarter in the prior year, primarily due to lower favourable reserve development on existing delinquencies and higher new delinquencies, net of cures, reflecting a softer housing market beginning in 2022.

The prior year included a higher level of favourable reserve development from accumulated home equity related to the strong housing market beginning in the second half of 2020 and improvement in the unemployment rate. The loss ratio was 3% for the third quarter of 2022 as compared to negative 16% in the same quarter in the prior year.

Year-to-date

Losses on claims were $4 million in the nine months ended September 30, 2022, as compared to a recovery position of negative $43 million in the prior year's period, primarily due to lower favourable reserve development on existing delinquencies reflecting a softer housing market beginning in 2022.

The prior year included a higher level of favourable reserve development from accumulated home equity related to the strong housing market beginning in the second half of 2020 and improvement in the unemployment rate. The loss ratio was 1% for the nine months ended September 30, 2022, as compared to negative 7% in prior year's period.

Table 5: Expenses

	Three months ended September 30,				Nine months ended September 30,			
(in millions of dollars, unless otherwise specified)	**2022**	2021	Change		**2022**	2021	Change	
Expenses								
Premium taxes and underwriting fees	**$ 18**	$ 25	$ (8)	(30)%	**$ 49**	$ 71	$ (22)	(31)%
Employee compensation	**12**	16	(3)	(20)%	**39**	45	(5)	(12)%
Other	**9**	8	2	23 %	**25**	25	-	-
Total expenses	**39**	49	(9)	(19)%	**113**	141	(28)	(20)%
Deferral of policy acquisition costs	**(21)**	(30)	9	29 %	**(61)**	(85)	24	28 %
Amortization of deferred policy acquisition costs	**20**	19	1	4 %	**60**	56	4	7 %
Total expenses after net change in deferred policy acquisition costs	**$ 38**	$ 38	$ -	-	**$ 112**	$ 112	$ -	-
Expense ratio	**17 %**	18 %		(1) pts	**17 %**	19 %		(2) pts

Note: Amounts may not total due to rounding.

Current quarter

Total expenses decreased by $9 million, or 19%, to $39 million in the third quarter of 2022 as compared to the same quarter in the prior year. The decrease was primarily due to a $8 million decrease in premium taxes and underwriting fees related to the lower level of premiums written and a $3 million decrease in employee compensation including lower share-based compensation. Total expenses after net change in deferred policy acquisition costs of $38 million was unchanged as compared to the same quarter in the prior year and the expense ratio, as a percentage of premiums earned, of 17% in the third quarter of 2022 was one percentage point lower as compared to the same quarter in the prior year and is below the Company’s expected operating range of 18% to 20%.

Deferral of policy acquisition costs decreased by approximately $9 million in the third quarter of 2022 related to the lower level of premiums written and the amortization of previously deferred policy acquisition costs increased by $1 million as compared to the same quarter in the prior year due to the higher levels of premiums written in recent years.

Year-to-date

Total expenses of $113 million decreased by $28 million, or 20%, in the nine months ended September 30, 2022 as compared to the prior year’s period. The decrease was primarily related to a $22 million decrease in premium taxes and underwriting fees related to the lower level of premiums written, and a $5 million decrease in employee compensation, net of higher share-based compensation, and including lower restructuring expenses. Total expenses after net change in deferred policy acquisition costs of $112 million in the nine months ended September 30, 2022 was relatively unchanged as compared to the prior year’s period and the expense ratio, as a percentage of premiums earned, of 17% in the nine months ended September 30, 2022 was two percentage points lower as compared to the prior year’s period and is below the Company’s expected operating range of 18% to 20%.

Deferral of policy acquisition costs decreased by approximately $24 million in the nine months ended September 30, 2022 related to the lower level of premiums written and the amortization of previously deferred policy acquisition costs, which increased by $4 million in the nine months ended September 30, 2022 as compared to prior year’s period due to the higher levels of premiums written in recent years.

Table 6: Investment income

(in millions of dollars, unless otherwise specified)	Three months ended September 30, 2022	2021	Change		Nine months ended September 30, 2022	2021	Change	
Interest and dividend income, net of investment expenses[1]	**$ 52**	$ 44	$ 8	19 %	**$ 144**	$ 130	$ 14	11 %
Realized income from the interest rate hedging program	**-**	3	(3)	NM	**1**	9	(8)	(90)%
Operating investment income[1]	**52**	47	5	11 %	**145**	139	6	4 %
Net realized (losses) gains on sale of investments	**(8)**	1	(9)	NM	**(12)**	(2)	(10)	NM
Net gains (losses) from derivatives and foreign exchange[2]	**17**	(4)	21	NM	**21**	(15)	36	NM
Total investment income	**$ 61**	$ 45	$ 17	37 %	**$ 155**	$ 123	$ 32	26 %
Invested assets, fair value average	**$ 6,021**	$ 7,380	$ (1,360)	(18)%	**$ 6,289**	$ 7,327	$ (1,037)	(14)%
Investment yield [3]								
Interest income	**48**	$ 39	9	22 %	**131**	$ 115	16	14 %
Dividend income	**7**	7	(1)	(9)%	**20**	22	(2)	(8)%
Gross-up for tax-exempt treatment of Canadian inter-corporate dividends	**2**	3	-	-	**7**	8	(1)	(9)%
Pre-tax equivalent operating investment income[1]	**57**	49	8	16 %	**158**	144	14	9 %
Invested assets, book value average	**6,469**	7,203	(734)	(10)%	**6,517**	7,146	(629)	(9)%
Investment yield	**3.5 %**	2.7 %		0.8 pts	**3.2 %**	2.7 %		0.5 pts

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

Current quarter

Operating investment income of $52 million was $5 million, or 11%, higher in the third quarter of 2022 as compared to the same quarter in the prior year, primarily due higher reinvestment rates primarily reflecting rising interest rates, credit spread widening, and higher interest income earned on floating rate assets which more than offset the impact of the declining invested assets and the lower realized income from the interest rate hedging program. The average fair value of invested assets decreased by $1,360 million, or 18%, and the average book value of invested assets decreased by $734 million, or 10% over the period, primarily as a result of the decrease in invested assets to fund the payment of dividends on the Class A common shares. The average fair value of invested assets in the third quarter of 2022 is $448 million lower as compared to the average book value of invested assets as a result of the rising interest rates and financial market volatility.

The investment yield for the third quarter of 2022 was 3.5%, approximately 80 basis points higher as compared to the same quarter in the prior year. The increase in investment yield was primarily the result of the higher reinvestment rates and higher interest income earned on floating rate collateralized loan obligations.

The Company recognized $8 million of net realized losses on sale of investments in the third quarter of 2022 as compared to $1 million gain on sales of investments in the third quarter of 2021.

Net gains from derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $17 million in the third quarter of 2022 primarily due to a net gain on foreign exchange of $17 million from the strengthening of the U.S dollar.

Net losses from derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $4 million in the third quarter of 2021, primarily due to a net loss of $3 million in the net market value change of the Company's interest rate swaps and interest rate floors used to hedge interest rate risk and a net loss on foreign exchange of $1 million.

Year-to-date

Operating investment income of $145 million was $6 million, or 4%, higher in the nine months ended September 30, 2022 as compared to the prior year's period primarily due to higher reinvestment rates due to rising interest rates, credit spread widening, and higher interest income earned on floating rate assets which more than offset the impact of the declining invested assets to fund the payment of dividends on the Class A common shares and the lower realized income from the interest rate hedging program. The average fair value of invested assets decreased by $1,037 million, or 14%, over the period, primarily as a result of the decrease in invested assets to fund the payment of dividends on the Class A common shares. The average fair value of invested assets in the nine months ended September 30, 2022 was $228 million lower as compared to the average book value of invested assets as a result of the rising interest rates and volatility in financial markets.

The investment yield for the nine months ended September 30, 2022 was 3.2%, approximately 50 basis points higher as compared to the prior year's period. The increase in investment yield was primarily the result of the higher reinvestment rates from rising interest rates, credit spread widening, and higher interest income earned on floating rate collateralized loan obligations.

The Company recognized $12 million of net realized losses on sale of investments in the nine months ended September 30, 2022 primarily driven by losses on the sale of bonds as compared to $2 million realized losses in the prior year's period.

Net gains from derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $21 million in the nine months ended September 30, 2022 primarily due to a net gain on foreign exchange of $20 million from the strengthening of the U.S dollar, and $1 million gain in the net market value change of the Company's interest rate swaps and floors used to hedge interest rate risk.

Net losses from derivatives and foreign exchange, excluding realized income from the interest rate hedging program, were $15 million in the nine months ended September 30, 2021 primarily due to a net loss of $9 million in the market value change of the Company's interest rate swaps and interest rate floors used to hedge interest rate risk and a net loss on foreign exchange of $6 million.

Table 7: Net Income

	Three months ended September 30,				Nine months ended September 30,			
(in millions of dollars, unless otherwise specified)	**2022**	2021	Change		**2022**	2021	Change	
Income before income taxes	**$ 225**	$ 234	$ (9)	(4)%	**$ 659**	$ 616	$ 43	7 %
Provision for income taxes	**58**	60	(2)	(3)%	**167**	156	11	7 %
Net income	**$ 167**	$ 174	$ (7)	(4)%	**$ 491**	$ 460	$ 32	7 %
Effective tax rate	**25.8 %**	25.6 %		0.3 pts	**25.4 %**	25.3 %		0.1 pts

Note: Amounts may not total due to rounding.

Current quarter

Income before income taxes decreased by $9 million, or 4%, to $225 million and net income decreased by $7 million, or 4%, to $167 million in the third quarter of 2022 as compared to the same quarter in the prior year, primarily as a result of higher losses on claims, partially offset by higher premiums earned and higher investment income. The effective tax rate was 25.8% for the third quarter of 2022, approximately 30 basis points higher as compared to the same quarter in the prior year primarily due to higher income tax adjustments in respect of prior years.

Year-to-date

Income before income taxes increased by $43 million, or 7%, to $659 million and net income increased by $32 million, or 7%, to $491 million in the nine months ended September 30, 2022 as compared to the prior year's period, primarily as a result of higher premiums earned, higher investment income and a gain on repurchase of long-term debt of the Company, partially offset by higher losses on claims and higher interest on the Company's long-term debt. The effective tax rate was 25.4% for the third quarter of 2022, approximately 10 basis points higher as compared to the prior year's period primarily due to higher non-deductible expenses and higher income tax adjustments in respect of prior years.

Table 8: Statement of Financial Position

(in millions of dollars, unless otherwise specified)		As at September 30, 2022		As at December 31, 2021		Change	
Total investments	**$**	**6,104**	$	6,926	$	(822)	(12)%
Derivative financial instruments		**184**		52		132	NM
Subrogation recoverable		**23**		24		(2)	(7)%
Other assets		**611**		370		241	65 %
Total assets		**6,922**		7,373		(451)	(6)%
Unearned premiums reserve		**2,840**		2,816		24	1 %
Loss reserves		**63**		89		(26)	(29)%
Debt outstanding		**973**		1,102		(129)	(12)%
Derivative financial instruments		**328**		74		254	NM
Other liabilities		**274**		199		75	38 %
Total liabilities		**4,479**		4,281		198	5 %
Shareholders' equity excluding accumulated other comprehensive income & preferred shares		**2,718**		2,901		(183)	(6)%
Preferred shares		**98**		98		-	-
Accumulated other comprehensive (loss) income		**(373)**		93		(466)	NM
Shareholders' equity		**2,443**		3,092		(649)	(21)%
Total liabilities and shareholders' equity	**$**	**6,922**	$	7,373	$	(451)	(6)%
Dividends paid per share during the year:[1]							
Common share	**$**	**-**	$	0.54			
Class A common share	**$**	**667.66**	$	723.19			
Series 1 preferred share	**$**	**1.01**	$	1.16			
Financial leverage ratio[2]		**31%**		29%			3 pts

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

[1] The number of common shares outstanding as at March 31, 2021 was approximately 86 million. Dividends paid per common share in 2021, included a quarterly dividend of $0.54 per common share in the first quarter of 2021. As part of the reorganization transaction (the "**Share Exchange**") on April 1, 2021, the Company exchanged its 86 million common shares for 1 million Class A common shares and a demand note. The number of Class A common shares outstanding as at September 30, 2022 was approximately 1 million. Dividends paid per Class A common share in 2022 included quarterly dividends of $64.77 in the first, second and third quarters of 2022 and special dividends of $398.60 and $74.74 in the first and second quarters of 2022, respectively. The number of Class A common shares outstanding as at December 31, 2021 was approximately 1 million. Dividends paid per Class A common share in 2021 included quarterly dividends of $50.00 in November 2021, August 2021 and May 2021, a special dividend of approximately $518.19 in December 2021, a special dividend of $50.00 in June 2021, and a special dividend of $5.00 in April 2021. Dividends paid per Series 1 Preferred Share in 2022 includes a quarterly dividend of $0.34 in the first, second and third quarters of 2022. Dividends paid per Series 1 Preferred Share in 2021 included quarterly dividends of $0.49 in the second quarter of 2021 and $0.34 in the third and fourth quarters of 2021. [2] Supplementary financial measure.

Summary of quarterly results

Table 9: Summary of quarterly results

(in millions of dollars, unless otherwise specified)	3Q'22	2Q'22	1Q'22	4Q'21	3Q'21	2Q'21	1Q'21	4Q'20
Premiums written	**$ 255**	$ 261	$ 155	$ 235	$ 372	$ 380	$ 223	$ 354
Premiums earned	**219**	215	213	210	206	196	188	181
Net losses (recoveries) on claims	**7**	(5)	3	6	(32)	(17)	6	18
Expenses after net change of deferred policy acquisition costs	**38**	36	37	31	38	39	35	38
Net underwriting income	**174**	184	173	173	200	173	147	125
Interest and dividend income, net of investment expenses[1]	**52**	50	42	42	44	44	43	43
Realized income (expense) from the interest rate hedging program	**-**	(1)	2	2	3	3	3	4
Net gains (losses) from investments, derivatives and foreign exchange[2]	**9**	1	-	7	(2)	(6)	(8)	1
Total investment income	**61**	49	45	50	45	41	38	48
Interest expense	**9**	10	10	11	11	11	7	6
Gain on repurchase of long-term debt	**-**	(2)	-	-	-	-	-	-
Net income	**$ 167**	$ 169	$ 155	$ 160	$ 174	$ 152	$ 133	$ 124
Adjustment to net income, net of taxes:								
Gain on repurchase of long-term debt	**-**	(1)	-	-	-	-	-	-
Net (gains) losses from investments, derivatives and foreign exchange[2]	**(7)**	(1)	-	(5)	2	4	6	(1)
Net operating income[1]	**$ 160**	$ 166	$ 155	$ 169	$ 176	$ 156	$ 139	$ 124
Supplementary financial measures								
Loss ratio	**3 %**	(3)%	1 %	3 %	(16)%	(9)%	3 %	10 %
Expense ratio	**17 %**	17 %	18 %	15 %	18 %	20 %	19 %	21 %
Combined ratio	**21 %**	14 %	19 %	18 %	3 %	11 %	22 %	31 %

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

The Company's key financial measures for each of the last eight quarters are summarized in the above table. This table illustrates the Company's net income, loss ratio, expense ratio and combined ratio. The transactional mortgage insurance business is seasonal. Premiums written vary each quarter, while premiums earned, interest and dividend income, net of investment expenses, and operating 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. The COVID-19 pandemic impacted the typical seasonal patterns, most notably on transactional premiums written as there was a shift in the traditional spring market from the second quarter of 2020 to the second half of 2020 and the housing market remained strong in 2021. 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 loss ratios for the second and third quarters of 2021 were negative 9% and negative 16%, respectively, due to favourable loss development related to the strong housing market. The loss ratio in the second quarter of 2022 was negative 3% and included favourable loss development on existing delinquencies related to the cumulative impact of strong home price appreciation and declining unemployment.

Financial condition

Financial instruments

As at September 30, 2022, the Company had total cash and cash equivalents and invested assets of approximately $6.1 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, private credit loans which are classified as amortized cost, 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, 2022**			**As at December 31, 2021**		
(in millions of dollars, unless otherwise specified)	**Carrying value**	**%**	**Unrealized gains (losses)**	**Carrying value**	**%**	**Unrealized gains (losses)**
Cash and cash equivalents[1]	**320**	**5**	**-**	357	5	-
Investments at amortized cost:						
Private credit loans[2]	**$ 39**	**1**	**$ -**	$		$
Total investments at amortized cost	**$ 39**	**1**	**$ -**	$		$
Short-term investments:						
Canadian federal government treasury bills	**122**	**-**	**-**	30	-	-
Total short-term investments	**122**	**-**	**-**	30	-	-
Government bonds and debentures:						
Canadian federal government	**1,422**	**23**	**(94)**	1,810	26	28
Canadian provincial and municipal governments	**569**	**9**	**(32)**	682	10	26
Total government bonds and debentures	**1,991**	**33**	**(126)**	2,492	36	54
Corporate bonds and debentures:						
Financial	**631**	**10**	**(46)**	751	11	13
Utilities	**439**	**7**	**(41)**	536	8	16
Energy	**303**	**5**	**(35)**	308	4	6
Infrastructure	**91**	**1**	**(9)**	125	2	4
All other sectors	**746**	**12**	**(89)**	787	11	14
Total corporate bonds and debentures	**2,210**	**36**	**(220)**	2,508	36	53
Collateralized loan obligations	**934**	**15**	**(49)**	900	13	-
Preferred shares:						
Financial	**312**	**5**	**(65)**	416	6	15
Utilities	**103**	**2**	**(22)**	129	2	4
Energy	**55**	**1**	**(13)**	69	1	-
All other sectors	**18**	**-**	**(7)**	24	-	-
Total preferred shares	**487**	**8**	**(107)**	639	9	19
Total investments	**$ 6,104**	**100**	**$ (502)**	$ 6,926	100	$ 125
Accrued investment income and other receivables	**102**		**-**	51		-
Net Derivative financial instruments	**(144)**		**(144)**	(22)		(22)
Total invested assets, derivatives, accrued investment income and other receivables	**$ 6,061**		**$ (646)**	$ 6,955		$ 103

Note: Amounts may not total due to rounding.
[1] Cash and cash equivalents includes $33 million of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities (2021 - $2 million). [2] Private credit loans are carried at amortized cost.

Unrealized losses on total investments were $502 million as at September 30, 2022, a decrease of $627 million, as compared to unrealized gains of $125 million as at December 31, 2021. The decline in market values of investments was primarily due to interest rate increases by the Bank of Canada in response to inflation and wider credit spreads related to geopolitical tensions and increased recession risk.

Unrealized losses from the preferred shares were $107 million as at September 30, 2022, a decline of $126 million as compared to unrealized gains of $19 million as at December 31, 2021. The decrease in unrealized gains was primarily due to wider credit spreads related to increased recession risk and market volatility.

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 $144 million as at September 30, 2022 as compared to a net liability value of $22 million as at December 31, 2021.

As at September 30, 2022, the duration of the fixed income portfolio was 3.1 years.

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**"), Fitch, or Moody's ratings.

Table 11: Invested assets by credit rating for the portfolio

Credit Rating	**As at September 30, 2022**			**As at December 31, 2021**		
(in millions of dollars, unless otherwise specified)	**Carrying value**	**%**	**Unrealized gains (losses)**	**Carrying value**	**%**	**Unrealized gains (losses)**
Cash and cash equivalents[1]	**$ 320**	**6**	**$ -**	$ 357	6	$ -
AAA	**2,029**	**36**	**(118)**	2,340	37	28
AA	**1,192**	**21**	**(73)**	1,273	20	27
A	**1,052**	**19**	**(69)**	1,332	21	37
BBB	**628**	**11**	**(76)**	657	10	12
BB and B	**356**	**6**	**(59)**	328	5	2
Unrated[2]	**39**	**1**	**-**			
Total investments (excluding preferred shares)	**$ 5,616**	**100**	**$ (395)**	$ 6,287	100	$ 106
Preferred shares						
P1	**9**	**2**	**(1)**	22	3	1
P2	**382**	**78**	**(83)**	514	80	16
P3	**96**	**20**	**(23)**	103	16	2
Total preferred shares	**487**	**100**	**(107)**	639	100	19
Total investments	**$ 6,104**		**$ (502)**	$ 6,926		$ 125

Note: Amounts may not total due to rounding.

[1] Cash and cash equivalents includes $33 million of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities (2021 - $2 million). [2] Unrated investments pertain to private credit loans that are carried at amortized cost.

Investment portfolio management

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

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

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in bank accounts and government treasury bills with original maturities of three months or less. The Company determines its target cash and cash equivalents based on near-term liquidity needs, market conditions and perceived favourable future investment opportunities. The Company's cash and cash equivalents in the investment portfolio were $320 million, or 5%, as at September 30, 2022 as compared to $357 million as at December 31, 2021. Refer to the **Liquidity** section below for additional information. Cash and liquid investments held outside of the Insurance Subsidiary were $36 million as at September 30, 2022, excluding $3 million of collateral posted.

Private credit loans

The Company commenced directly investing in private credit loans in 2022. These private credit loans, which generate interest income at higher yields when compared to the government and corporate bonds within the investment portfolio. As of September 30, 2022, the Company held $39 million of unrated private credit loans.

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, 2022, 33% of the investment portfolio was invested in sovereign fixed income securities, consisting of approximately 23% in federal fixed income securities and 9% in provincial and municipal fixed income securities, consistent with December 31, 2021.

Canadian federal government treasury bills held by the Company consist primarily of short-term investments with original maturities greater than three months and less than 365 days. The Company held $122 million in Canadian federal government short-term treasury bills in the investment portfolio as of September 30, 2022, an increase of $92 million from December 31, 2021.

Corporate bonds and debentures

As of September 30, 2022, approximately 36% of the investment portfolio was held in corporate bonds and debentures, relatively unchanged as compared to the level as at December 31, 2021. 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 10% of the investment portfolio, or approximately 29% of the total corporate bonds and debentures. The Company continuously monitors and repositions its exposure to the financial sector, which represents a significant proportion of the corporate issuances of fixed income securities in the Canadian marketplace. The Company is mindful of correlation risk and looks for opportunities to diversify the portfolio outside of Canada to sectors and issuers that have a lower correlated risk to Canada. Utilities sector and energy sector exposure through corporate bonds and debentures represent 7% and 5% of the investment portfolio, respectively.

Securities rated BBB were $628 million or 11% of the total bonds and debentures as of September 30, 2022 relatively unchanged as compared to the level as of December 31, 2021. Securities rated BB and B were $356 million, or 6% of the total bonds and debentures, as of September 30, 2022, as compared to 5% as of December 31, 2021.

Collateralized loan obligations

The Company held approximately 15% of the investment portfolio in collateralized loan obligations as of September 30, 2022, two percentage points higher as compared to the level as at December 31, 2021. These securities are floating rate collateralized loan obligations denominated in U.S. dollars, of which 58% are rated AAA, 37% are rated AA and 5% are rated A.

Preferred shares

As of September 30, 2022, the Company held $487 million, or 8%, in preferred shares, a decrease of $152 million as compared to $639 million, or 9%, as at December 31, 2021. The financial sector represented 64% of total preferred shares. The Company believes that preferred shares have a comparable dividend yield to common shares and offer a more attractive risk and capital adjusted return profile to that of common shares under the current MICAT guidelines. Utilities sector and energy sector exposure through preferred shares represents 2% and 1% of the investment portfolio, respectively.

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company's financial commitments and obligations. The Company has several primary sources of funds, consisting of premiums written from operations, investment income, cash and short-term investments, investment maturities or sales, proceeds from the issuance of debt securities, preferred shares and equity and a Credit Facility. The Company has an aggregate outstanding net carrying value of $973 million in debt and $98 million in preferred shares outstanding. The Company believes it has the flexibility to generate, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year and in future financial years.

Table 12: Summary of the Company's cash flows

	Nine months ended September 30,	
(in millions of dollars)	**2022**	**2021**
Cash provided by (used in):		
Operating activities	**$ 478**	$ 722
Financing activities	**(803)**	(213)
Investing activities	**288**	(473)
Change in cash and cash equivalents	**$ (37)**	$ 36
Cash and cash equivalents, beginning of period	**357**	537
Cash and cash equivalents, end of period	**$ 320**	$ 573

Note: Amounts may not total due to rounding.

The Company generated $478 million of cash from operating activities in the nine months ended September 30, 2022, primarily from premiums written, compared to $722 million in the prior year's period.

The Company used $803 million of cash for financing activities in the nine months ended September 30, 2022, primarily for the payment of dividends on Class A common shares of $670 million, debt repayments of $97 million and the repurchase of long-term debt of the Company at a repurchase price of approximately $31 million. In the prior year's period, the Company used $213 million of cash related to financing activities primarily for the repayment of the demand loan of $700 million and the payment of quarterly and special dividends of $205 million, partially offset by the aggregate net proceeds of $691 million from the debt issuance by the Company, borrowings under the Company's credit facility and the preferred shares issuance by the Company.

The Company generated $288 million of cash for investing activities in the nine months ended September 30, 2022, primarily from the proceeds from sales or maturities of bonds, as compared to $473 million utilized for the net purchase of investments in the prior year's period.

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, 2022, the Company held liquid assets of approximately $756 million, comprised of $320 million in cash and cash equivalents, and $435 million in bonds and debentures and short-term investments maturing within one year. Of the approximately $756 million of liquid assets, $36 million was held outside of the Insurance Subsidiary, excluding $3 million of collateral posted.

In addition to cash and cash equivalents, 35%, or $2,114 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 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.

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**	**Net fair value**	**1 year or less**	**1–3 years**	**3–5 years**	**Over 5 years**	**Total**
September 30, 2022								
Fair value through profit and loss								
Foreign currency forwards	$ 1	$ (134)	$ (133)	$ 1,497	$ 93	$ 79	$ 170	$ 1,839
Cross currency interest rate swaps	4	(11)	(7)	30	64	68	102	264
Interest rate swaps	179	(183)	(4)	-	4,000	4,000	-	8,000
Interest rate floors	-	-	-	-	-	-	-	-
	184	(328)	(144)	1,527	4,157	4,147	273	10,103
Elected for hedge accounting								
Interest rate swaps	-	-	-	-	-	-	-	-
Total	**$ 184**	**$ (328)**	**$ (144)**	**$ 1,527**	**$ 4,157**	**$ 4,147**	**$ 273**	**$ 10,103**
December 31, 2021								
Fair value through profit and loss								
Foreign currency forwards	$ 6	$ (33)	$ (28)	$ 1,396	$ 83	$ 112	$ 159	$ 1,750
Cross currency interest rate swaps	5	(2)	3	30	62	73	130	296
Interest rate swaps	34	(39)	(5)	1,500	-	4,000	-	5,500
Interest rate floors	5	-	5	1,500	-	-	-	1,500
	50	(74)	(24)	4,427	144	4,185	290	9,046
Elected for hedge accounting								
Interest rate swaps	2	-	2	-	-	76	-	76
Total	**$ 52**	**$ (74)**	**$ (22)**	**$ 4,427**	**$ 144**	**$ 4,261**	**$ 290**	**$ 9,122**

Note: Amounts may not total due to rounding.

Capital expenditures

The Company's capital expenditures primarily relate to technology investments aimed at improving operational efficiency and effectiveness for sales, underwriting, risk management, loss mitigation and accounting operations. In the third quarter of 2022 and nine months ended September 2022, the Company invested approximately $1 million and $5 million, respectively, in information technologies funded primarily from operating cash flows as compared to approximately $2 million and $5 million, respectively, in the third quarter of 2021 and nine months ended September 30, 2021.

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, 2022, the Insurance Subsidiary's MICAT ratio estimate was approximately 172%, 25% percentage points lower as compared to the MICAT of 197% as at December 31, 2021, 22 percentage points higher as compared to the OSFI Supervisory MICAT target ratio of 150% and 15% percentage points higher as compared to the Company's internal MICAT target ratio of 157%. The Company calculates its MICAT ratio in accordance with OSFI's Mortgage Insurer Capital Adequacy Test Guideline dated January 1, 2019.

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

On November 4, 2021, OSFI issued a statement noting that institutions may again increase regular dividends and executive compensation and, subject to the existing requirement for OSFI approval, repurchase shares. The measures to temporarily suspend dividend increases, share buybacks or increases in executive compensation had been put in place in 2020 in response to the COVID-19 pandemic.

Table 14: MICAT as at September 30, 2022 and as at December 31, 2021

(in millions of dollars, unless otherwise specified)	**As at September 30, 2022**	**As at December 31, 2021**
Capital available	**$3,458**	$4,096
Capital required at 100% MICAT ratio	**$2,003**	$2,084
MICAT ratio[1]	**172 %**	197 %

[1] Company estimate as at September 30, 2022. The Company calculates is MICAT ratio in accordance with OSFI's Mortgage Insurer Capital Adequacy Test Guideline dated January 1, 2019.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 decreased in 2022, primarily due to $790 million of dividends paid by the Insurance Subsidiary, and the decrease in the after-tax unrealized gain/loss of the investment portfolio from approximately $91 million after tax unrealized gain as at December 31, 2021 to approximately $373 million after tax unrealized loss as at September 30, 2022, which was partially offset by ongoing profitability.

Capital required decreased in 2022, primarily due to the decline of the outstanding mortgage balances for prior books of business as a result of aging and additional interest rate swaps, partially offset by the impact from rising interest rates on the remaining amortization of VRMs and new insurance written on transactional and portfolio insurance in 2022.

Debt

The Company proactively manages capital in order to balance capital strength, flexibility and efficiency. The Company currently has an aggregate debt outstanding net carrying value of $973 million, and $98 million of preferred shares, with a financial leverage ratio, including preferred shares, as at September 30, 2022 of 31%. During the nine months ended September 30, 2022, the Company undertook the following:

- On July 26, 2022, the Company repurchased a portion of its Series 3 debentures, in the market, as permitted by the terms of such debentures. The principal amount of Series 3 debentures repurchased was $9 million, and the repurchase price was approximately $9 million, plus accrued and unpaid interest up to the date of repurchase. The nominal difference between the repurchase price of such debentures and the carrying value as at July 26, 2022 was recognized as gain on repurchase in income in the third quarter of 2022. The repurchased debentures were cancelled in accordance with their terms.
- On May 27, 2022, the Company repurchased a portion of its Series 4 and Series 5 debentures, in the market, as permitted by the terms of such debentures. The principal amount of Series 4 and Series 5 debentures repurchased was $18 million and $6 million, respectively, and the repurchase price was approximately $17 million and $5 million, respectively, plus accrued and unpaid interest up to the date of repurchase. The difference between the aggregate repurchase price of such debentures and the aggregate carrying value as at May 27, 2022 of $2 million was recognized as gain on repurchase in income in the second quarter of 2022. The repurchased debentures were cancelled in accordance with their terms.
- On May 3, 2022, the Company repaid the full amount outstanding of $76 million of the Prime Rate Loan under the Company's term facility with a maturity date of January 16, 2025.
- On March 29, 2022, the Company repaid the remaining outstanding balance of US$17 million, or approximately $22 million, of a LIBOR Loan under the Company's term facility with a maturity date of March 31, 2026.

The Company also has access to the Credit Facility up to $300 million. As at September 30, 2022 there was no amount outstanding under the Credit Facility. See the **Credit Facility** section for further details.

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

	Debentures			Hybrid Notes Series 6 [1]
	Series 3	**Series 4**	**Series 5**	
Timing of maturity	1 – 3 years	3 – 5 years	More than 5 years	More than 5 years
Principal amount outstanding	$251 million	$282 million	$294 million	$150 million
Net carrying value	$252 million	$281 million	$292 million	$148 million
Date issued	April 1, 2014	February 20, 2020	March 5, 2021	March 24, 2021
Date of supplemental issue	May 22, 2019	-	-	-
Maturity date	April 1, 2024	March 1, 2027	March 5, 2031	March 24, 2081
Coupon rate	4.242%	2.955%	3.261%	4.950%
Coupon payments due each year on	April 1 October 1	March 1, September 1	March 5, September 5	March 24, September 24
Ratings				
S&P[4]	BBB+, Stable	BBB+, Stable	BBB+, Stable	BBB-, Stable
DBRS[4]	A (High), Stable	A (High), Stable	A (High), Stable	A (Low), Stable

[1]The Series 6 notes initially have a coupon of 4.95% per annum. On March 24, 2031, and on every fifth anniversary thereafter, the coupon rate will reset to a rate per annum equal to the five-year Government of Canada Yield plus a spread of 3.566% for the period from March 2031 to March 2051, and 4.316% for the period from March 2051 until maturity. The Series 6 notes may be redeemed at the option of the Company on or after March 24, 2026 at a redemption price between 101% to 104% of the principal amount if redeemed prior to March 24, 2030, with the redemption price declining for each year that the notes remain outstanding, and 100% of the principal amount if redeemed on or after March 24, 2030, plus accrued and unpaid interest. The Series 6 notes are subordinated to all indebtedness and obligations of the Company and are subject to automatic conversion into preferred shares of the Company in the event of bankruptcy or insolvency. [2] Prime Rate Loan under 2025 Term Facility was repaid on May 3, 2022. [3] LIBOR Loan under Term Facility was repaid on March 29, 2022. [4] See **Financial Strength Rating** section of this MD&A for additional information.

The principal debt covenants associated with the Series 3 debentures, Series 4 debentures and Series 5 debentures (collectively, the "**Debentures**") are summarized as follows:

- A negative pledge under which the Company will not assume or create any security interest (other than permitted encumbrances) unless the Debentures are secured equally and 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, 2022, all debt covenants with respect to the Debentures have been met.

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

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

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

As of September 30, 2022, all debt covenants with respect to the Series 6 notes have been met.

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

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

Credit facility

On September 30, 2022, the Company had access to a revolving facility of up to $300 million (the "**Credit Facility**"). During the three months ended September 30, 2022, the Company extended the term of the Credit Facility, with the maturity date revised from January 2025 to September 2027. The terms of the Credit Facility are described in the summary below.

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

The Credit Facility includes an accordion feature that permits the Company to request that individual commitments with respect to the Credit Facility be increased by an aggregate amount of up to $100 million. As at September 30, 2022 there was no amount outstanding under the Credit Facility.

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

Preferred shares

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

Preferred Shares Series 1	
Outstanding number of shares	4,000,000
Principal amount outstanding	$100 million
Net carrying value	$98 million
Date issued	February 18, 2021
Option to redeem	April 21, 2024
Dividend yield	5.40%
Dividend per quarter	$0.3375
Dividend payments, if declared, due each year on	March 31, June 30 September 30, December 31
TSX Symbol	MIC.PR.A
Ratings	
S&P	P-2 (low) Stable
DBRS	Pfd-2 (high) Stable

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

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

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

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

Financial strength ratings

The Insurance Subsidiary has financial strength ratings from both S&P and DBRS which were affirmed in October 2022. Although the Insurance Subsidiary is not required to have ratings to conduct its business, ratings may influence the confidence in an insurer and its products.

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

Entity	Ratings Summary	S&P	DBRS
Insurance Subsidiary	Financial Strength	A+, Stable	AA, Stable
Company	Issuer Rating	BBB+, Stable	A (High), Stable
Company	Senior Unsecured Debentures (Series 3, 4, 5)	BBB+, Stable	A (High), Stable
Company	Subordinated Notes (Series 6)	BBB-, Stable	A (Low), Stable
Company	Preferred Shares (Series 1)	P-2 (low), Stable	Pfd-2 (high), Stable

Capital transactions

In the third quarter of 2022 and in the nine months ended September 30, 2022, the Company paid dividends of $65 million and $670 million, in the aggregate, on the Class A common shares held by Brookfield and a dividend of approximately $1 million and $3 million, in the aggregate, to holders of the Series 1 Preferred Shares, respectively.

Restrictions on dividends and capital transactions

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

Outstanding share data

Table 16: Changes in the number of common shares, Class A common shares and Series 1 Preferred Shares outstanding

	September 30, 2022	December 31, 2021
Common shares, beginning of period	**-**	86,357,979
Common shares issued in connection with share-based compensation plans	**-**	50,000
Common shares cancelled in connection with the Share Exchange	**-**	(86,407,979)
Common shares, end of period	**-**	-
Class A common shares, beginning of period	**1,003,503**	-
Class A common shares issued in connection with the Share Exchange	**-**	1,000,000
Class A common shares issued in connection with corporate reorganization	**-**	3,503
Class A common shares, end of period	**1,003,503**	1,003,503
Series 1 Preferred Shares, beginning of period	**4,000,000**	-
Series 1 Preferred Shares issued	**-**	4,000,000
Series 1 Preferred shares, end of period	**4,000,000**	4,000,000

On April 1, 2021, the Company and Brookfield completed the plan of arrangement (the "Transaction") pursuant to which Brookfield, purchased all of the common shares that were not already owned by Brookfield at a price of $43.50 in cash per common share or approximately $1.6 billion in the aggregate. All of the common shares were exchanged in the Share Exchange pursuant to which 1,000,000 Class A common shares and a demand note in the amount of $700 million bearing interest of 1.00% per annum were issued to Brookfield resulting in no common shares outstanding and Brookfield being the sole holder of the Class A common shares. The Class A common shares are not listed on the TSX. On April 1, 2021, the Company repaid the Brookfield $700 million demand note in full and also paid a dividend of $5 million on the Class A common shares held by Brookfield.

On April 1, 2021, the closing of the Transaction and the de-listing of the Company's shares from the TSX resulted in changes to the Company's share-based compensation plans. The Company settled all of its directors deferred shares units and in-the-money stock options ("**Options**") in cash and out-of-the-money Options were cancelled. The Company also transitioned its outstanding restricted share units, performance share units and executive deferred share units to a private company share-based compensation plan. Additionally, on May 3, 2021, Options were granted to certain employees under the Company's new Option plan. The value of the revised share-based compensation plans is based on the fair market value of the Company's Class A common shares which is determined based on an internal valuation.

On December 20, 2021, as part of a corporate reorganization, the Company issued 3,503 Class A common shares to Falcon Holdings Acquisition Corporation.

Risk management

Enterprise risk management framework

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

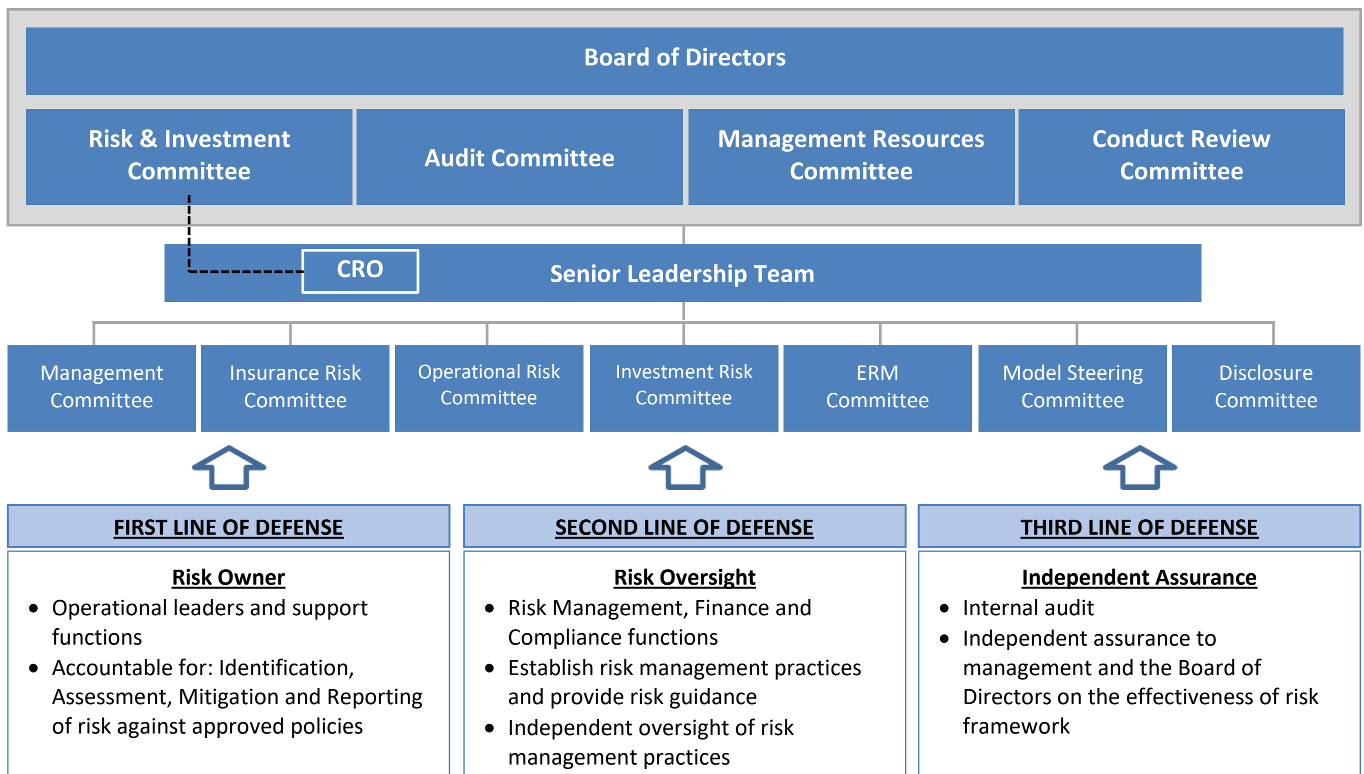
Governance framework

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

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

The Company's management is responsible for risk management under the oversight of the Board and fulfills its responsibility through several risk committees, as noted in the chart below. The following internal control functions have a reporting relationship to the Board and/or its Committees: Compliance, the CFO, internal audit, the Appointed Actuary and the Chief Risk Officer.

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 754 in the third quarter of 2022 with less than 2% of transactional new insurance written below 660, primarily due to continued underwriting diligence. The average home price for transactional insurance originations in the third quarter of 2022 was approximately $434 thousand, representing an increase of approximately 4% over the average home price in the same quarter in the prior year. The average gross debt service ratio in the third quarter of 2022 was 27%, approximately 2 percentage points higher as compared to the average gross debt service ratio in the same quarter in the prior year and below the PRMHIA mortgage stress test threshold of 39%.

Sagen's extensive historical database and innovative information technology systems are important tools in its approach to risk management. The Company utilizes its proprietary transactional insurance performance database to build and improve its mortgage scoring model. This mortgage scoring model employs a number of evaluation criteria to assign a score to each insured mortgage loan which is an indicator of the likelihood of a future claim. This evaluation includes criteria such as borrower credit 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. There have been no significant changes in the credit quality of the Company's investment portfolio as a result of the COVID-19 pandemic.

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 the 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 & procedures and internal control over financial reporting

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

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

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

Senior management, including the CEO and CFO, have evaluated and concluded that the Company's DCP and ICFR were designed and operating effectively as at September 30, 2022. Additionally, there were no material changes in the Company's DCP and ICFR during the third quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting.

Changes in accounting standards and future accounting standards

The following amendments of existing standards have been issued by the IASB and are effective in 2022.

- Amendments to IAS 16: Property, plant and equipment – Proceeds before intended use
- Amendments to IAS 37: Provisions, contingent liabilities, and contingent assets – Onerous contracts – cost of fulfilling a contract
- Amendments to IFRS 3: Business combinations – Reference to the conceptual framework
- Annual improvements to certain standards

These amendments had no impact to the Company's condensed consolidated interim financial statements. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

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, 2022.

IFRS 17 – Insurance contracts

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 17 is effective for annual periods on or after January 1, 2023.

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; and
  (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. As a result, comparative information will be restated. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value methods may be used.

In July 2021, the IASB issued an Exposure Draft that proposed a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. This proposed amendment relates to financial assets for which comparative information presented on initial application of IFRS 17 and IFRS 9 has not been restated for IFRS 9. Applying the proposed amendment, an entity would be permitted to present comparative information about such a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. The Exposure Draft proposes no change to the transition requirements in IFRS 9.

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, systems, calculations, disclosures and controls compared to the current accounting standard.

To support the adoption of IFRS 17, the Company has established a formal governance framework and developed an implementation project plan. A multi-disciplinary 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 has also assessed 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. The Company has selected its IFRS 17 software solution and is currently nearing completion of the implementation of the software solution as well as other financial systems supporting IFRS 17 data and calculations. Additionally, the Company is delivering training on IFRS 17 to various stakeholders throughout the business. The Company is also preparing its IFRS 17 transition adjustment as at January 1, 2022 and the quarterly 2022 comparative financial statements prepared on the IFRS 17 and IFRS 9 basis. The Company expects to be compliant with the standard effective January 1, 2023.

For mortgage insurance, the risk of loss is highest at the point of mortgage origination and declines over time as borrowers build home equity as the value of the home appreciates and the outstanding mortgage balance declines as mortgage payments are made. In recent years, demand for housing has outpaced supply and interest rates have remained at historically low levels, contributing to significant year-over-year home price appreciation, particularly from the second half of 2020 to the first half of 2022. Home price appreciation experienced in respect of the Company's insurance portfolio could result in lower expected future losses on claims, driving a relatively lower liability for fulfilment cash flows under IFRS 17. As a result, this may impact the insurance liabilities and revenue recognition pattern under IFRS 17 upon its adoption on January 1, 2023 including a relatively lower liability for fulfilment cash flows and a relatively higher CSM liability.

IFRS 9 – Financial Instruments

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 concluded that it is an eligible insurer that qualifies for the transitional relief as its activities are predominantly connected with insurance and it has not previously applied IFRS 9. 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 at January 1, 2018. Following the two-year deferral of IFRS 17, the fixed expiry date of the temporary exemption from applying IFRS 9 for qualifying insurers was also extended to January 1, 2023. The Company plans to adopt IFRS 9 on the same effective date as IFRS 17.

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 consolidated financial statements.

IFRS 9 will be applied retrospectively with restatement of 2022 comparative information. IFRS 9 will result in reclassification differences as certain financial instruments that are classified as AFS are expected to be classified as FVTPL which will result in increased volatility in income. The expected credit loss model is not expected to have a significant impact due to the high quality of the Company’s investment portfolio. The Company is currently completing its IFRS 9 transition adjustment as at January 1, 2022 and the quarterly 2022 comparative financial statements prepared on the IFRS 17 and IFRS 9 basis.

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.

In the third quarter of 2022, the Company completed a review of its loss emergence pattern and determined that no update to its premium recognition curve was required based on the results of the review.

Loss reserves

The IBNR reserve is the Company's best estimate of losses that have been incurred but not reported. The Company establishes its IBNR reserves 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 reserves are calculated using estimates of expected claim frequency and claim severity based on the most available historical loss data, adjusted for seasonality.

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.

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, private credit loans 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, private credit loans 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.

Transactions with related parties

Services

During the nine months ended September 30 2022, the Company has in place service relationships with Brookfield Asset Management Private Institutional Capital Adviser US LLC and Brookfield subsidiaries Oaktree Capital Management L.P. and Brookfield Public Securities Group LLC to provide investment management services for certain investment portfolios. Additionally, during the three months ended September 30, 2022, the Company entered into an agreement with Brookfield Asset Management Reinsurance Partners Ltd. for the provision of investment management services related to the Company's private credit loans. RPS Real Property Solutions Inc. provides property valuation services and WatServ Canada provides software services. All of these arrangements are undertaken at market terms and conditions. The Company also pays director fees and other related amounts otherwise owing to directors directly to Brookfield.

The Company incurred aggregate charges of approximately $2 million for the third quarter of 2022 and $5 million in the nine months ended September 30, 2022 for services provided by Brookfield entities, similar to the amounts paid in the prior year.

Non-GAAP and other financial measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with GAAP, the Company uses certain **non-GAAP financial measures** to analyze performance. Such non-GAAP financial measures include net operating income, operating investment income and interest and dividend income, net of investment expenses.

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

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

Table 17: Non-GAAP financial measures reconciled to comparable GAAP measures

	Three months ended September 30,		Nine months ended September 30,	
(in millions of dollars, unless otherwise specified)	**2022**	**2021**	**2022**	**2021**
Total investment income (i)	**$ 61**	**$** 45	**$ 155**	**$** 123
Adjustment to investment income:				
Net (gains) losses from investments, derivatives and foreign exchange[1]	**(9)**	2	**(10)**	16
Operating investment income	**52**	47	**145**	139
Realized income from the interest rate hedging program	**-**	(3)	**(1)**	(9)
Interest and dividend income, net of investment expenses	**$ 52**	$ 44	**144**	$ 130
Net income (ii)	**167**	174	**491**	460
Adjustments to net income, net of taxes:				
Gain on repurchase of long-term debt	-	-	(1)	-
Net (gains) losses from investments, derivatives and foreign exchange[1]	**(7)**	2	**(8)**	12
Net operating income	**$ 160**	$ 176	**$ 482**	$ 472
Total investment income (iii)	**61**	**45**	**155**	**123**
Adjustments to investment income:				
General investment expenses	2	2	7	6
Net realized losses (gains) on sale of investments	8	(1)	12	2
Net (gains) losses on derivatives and foreign exchange	(17)	1	(22)	6
Pretax equivalent operating investment income	**57**	**49**	**158**	**144**

Note: Amounts may not total due to rounding.

[1] Includes realized and unrealized gains and losses from derivatives and foreign exchange, excluding realized income and expense from the interest rate hedging program.

Non-GAAP and other financial measures glossary

"**combined ratio**" means the ratio (expressed as a percentage) of the sum of total amount of expenses inclusive of deferred policy acquisition costs and the total amount of losses (recoveries) on claims to premiums earned for a specified period. 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.

"**expense ratio**" means the ratio (expressed as a percentage) of expenses inclusive of deferred policy acquisition 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.

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

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

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

"**net operating income**" means net income excluding the following after-tax amounts,

- 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
- Gain or loss on debt repurchases.

and including the following after-tax amounts,

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

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

"**operating investment income**" means the total net investment income excluding gains (losses) from derivatives and foreign exchange and including realized income (expense) from the interest rate hedging program. This measure is an indicator of the realized operating performance of the investment portfolio and related hedging program.

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

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.

"**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.

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

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

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

"**deferred policy acquisition costs**" 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.

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

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

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

"**effective tax rate**" means the ratio (expressed as a percentage) of 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.

"**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.

"**Mortgage Insurer Capital Adequacy Test**" or "**MICAT**" means the minimum capital test for federally regulated mortgage insurance companies established by OSFI. Under MICAT, companies calculate an MICAT ratio of regulatory capital available to regulatory capital required using a defined risk-based methodology prescribed by OSFI in monitoring the adequacy of a company's capital. The MICAT ratio is a key metric of the adequacy of the Company's capital in comparison to regulatory requirements and is used for comparisons to other mortgage insurers and internal targets. Replaced "Minimum Capital Test" or "MCT" effective January 1, 2019.

"**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.

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

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

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

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

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

"**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.

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

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

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

"**underwriter**" means an individual who examines and accepts or rejects mortgage insurance risks based on the Company's approved underwriting policies and guidelines.

"**unearned premiums reserve**" 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.