# TILL CAPITAL LTD.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the Three and Six Months Ended June 30, 2019 and 2018

*The following management's discussion and analysis ("MD&A") of the activities, results of operations, and financial position of Till Capital Ltd. should be read in conjunction with the interim unaudited condensed consolidated financial statements for the three and six months ended June 30, 2019 and the audited consolidated financial statements for the year ended December 31, 2018 and the related notes that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts in this MD&A are stated in United States dollars unless otherwise indicated. This MD&A was prepared as of August 22, 2019.*

*Additional information related to Till, including its Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Till's website is www.tillcap.com.*

## BACKGROUND AND CORE BUSINESS

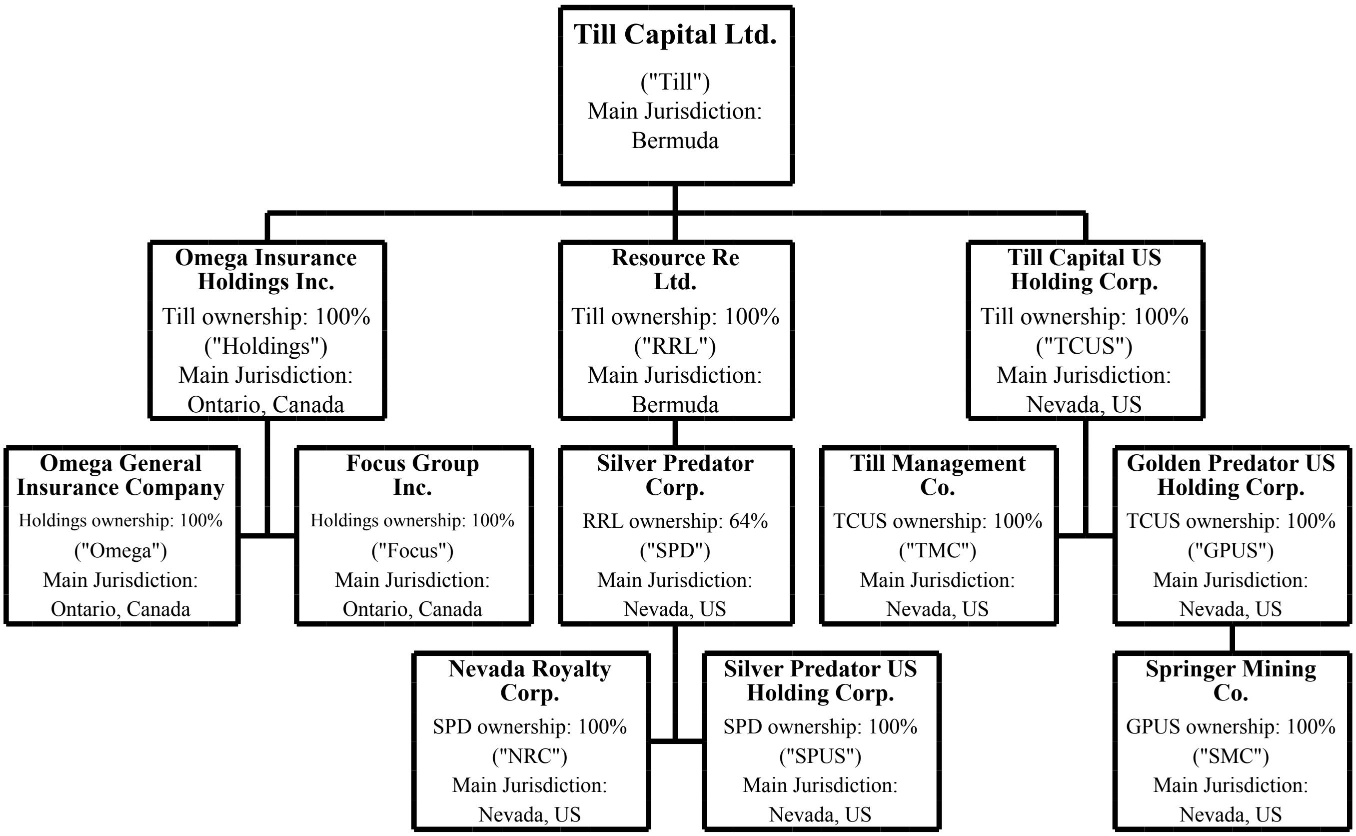
Till Capital Ltd. ("Till") is a holding company domiciled in Bermuda. Through two of Till's wholly-owned subsidiaries, Resource Re Ltd. ("RRL") and Omega General Insurance Company ("Omega"), Till provides property and casualty insurance and reinsurance. Till operates in a single segment, specifically insurance.

RRL, a Bermuda domiciled company, was organized to offer reinsurance coverage to a select group of insurance companies, e.g., captive insurers, privately-held insurers, and other global insurers and reinsurers. RRL entered into its initial reinsurance contracts effective December 31, 2014. Those initial reinsurance contracts were novated in September 2015. RRL has no reinsurance contracts in effect as of June 30, 2019, and in July 2019, RRL submitted an application to the BMA to deregister as a Class 3A Insurer. That deregistration became effective August 9, 2019.

RRL also owns 64% of the outstanding shares of Silver Predator Corp. ("SPD"), a Canadian-based junior mineral exploration company that has historically been engaged in exploring for and developing economically viable silver and gold deposits in the United States, with a focus on Nevada and Idaho. SPD is not currently engaged in any mining or exploration activities; however, a drill program for its Copper King property is being considered for 2019.

Omega underwrites direct insurance and reinsurance business. Omega is a primary insurer, direct writer, for insurance companies looking to write Canadian business, but lacking the appropriate Canadian insurance licenses. In that capacity, Omega acts as the direct writer, or fronting company, for a specific insurance company, and, typically, will cede most or all of that fronted business to that insurer. As a reinsurer, Omega provides assumption reinsurance to insurance companies that want to exit the Canadian market, and to insurance companies that want to transfer all of their remaining claim liabilities on particular books of business; those arrangements are commonly referred to as "run-off" or "loss portfolio transfer" assumption business. Omega has three sources of revenue, namely, (i) premiums on direct and fronting business, (ii) premiums on portfolio transfer transactions and fees related to managing Canadian branch offices in "run-off", and (iii) assumption reinsurance, including servicing fees on certain transactions.

The following chart sets forth Till's corporate structure as of June 30, 2019:




The discussion of Till's financial condition and results of operations that follows is intended to provide summarized information to assist the reader in understanding Till's interim unaudited condensed consolidated financial statements and related notes for the three and six months ended June 30, 2019 and 2018, as well as to provide summary explanations as regards the primary factors for financial statement changes between specified periods. That discussion should be read in conjunction with Till's annual financial statements for the year ended December 31, 2018 that were prepared in accordance with IFRS. Those financial statements disclose information for the year ended December 31, 2018 that is material to the understanding of the interim unaudited condensed consolidated financial statements for the three and six months ended June 30, 2019 and 2018, and this MD&A.

## CORPORATE DEVELOPMENTS, SIGNIFICANT TRANSACTIONS, AND FACTORS AFFECTING RESULTS OF OPERATONS

*(a) Sale of IG Copper LLC ("IGC")*

On November 6, 2018, RRL received $5 million from IGC for RRL's ownership units in IGC, including payment arising from a cashless exercise of warrants, valued at $0.15 million, and a deferred payment, subject to various provisions, equal to $0.3 million, due in 2019. That deferred payment is included in other assets as of June 30, 2019. In the second quarter of 2019, RRL received $0.15 million of the $0.3 million due in 2019.

Till's investment in IGC was accounted for under the equity method of accounting. The sale of RRL's interest in IGC resulted in an investment gain of $3.99 million in the year ended December 31, 2018.

*(b) Changes to Till's officers*

On June 20, 2019, Till announced that its Chief Executive Officer, Dr. John T. (“Terry”) Rickard, had submitted his resignation to Till effective July 1, 2019 and agreed to remain on the Till Board.

On June 20, 2019, Till’s Board of Directors announced that Mr. Brian P. Lupien had been named to succeed Dr. Rickard as Till’s Chief Executive Officer, effective as of July 1, 2019. Mr. Lupien, Till’s Chief Financial Officer, has been with Till since 2014. Mr. Lupien also serves on the Board of Directors of Till’s wholly-owned subsidiaries, Omega Insurance Holdings Inc. and Omega General Insurance Company. Mr. Lupien previously served as Treasurer of Till prior to assuming, in 2016, the position of Chief Financial Officer. A graduate of the University of California at Davis, Mr. Lupien earned his Bachelor of Science degree in 1995, majoring in Managerial Economics. Mr. Lupien is a Certified Public Accountant.

On June 20, 2019, Till’s Board of Directors announced that Ms. Weiying (“Mary”) Zhu had been appointed Till’s Chief Financial Officer to succeed Mr. Lupien effective as of July 1, 2019. Ms. Zhu has been with Till since April of 2015, and has served as Controller of Till since 2015 and as Controller and Treasurer of Till since 2016. Ms. Zhu holds a master’s degree in accounting and a bachelor’s degree in International Finance. Ms. Zhu is a Certified Public Accountant (since 1996) and Certified Treasury Professional (since 2003) with over 20 years of experience in accounting and finance. Prior to joining Till, Ms. Zhu served in various accounting and finance positions at Hecla Mining Company during the 1996-2015 period, including 10 years as Treasury Manager.

*(c) Contingent asset*

Omega has negotiated a settlement for a portion of the damages caused by the insolvency of a reinsurer and Till believes that a favorable outcome is probable. However, the contingent asset has not been recognized as a receivable at June 30, 2019 as settlement is dependent on, among other matters, the satisfactory transfer of certain real estate property, as negotiated. Based on an independent appraisal, and adjusted for expected transfer fees and other costs related to that real estate property, the value of the contingent asset is estimated at $750,000 and title is expected to transfer to Omega before September 30, 2019.

## OUTLOOK

Till's capital management and operating strategies are key for generating future profitability, managing its business, and maximizing shareholder value. Profitability is predominately determined by insurance results and investment returns.

The insurance markets in which Till operates have historically been cyclical. During periods of excess underwriting capacity, as defined by the availability of capital, competition can result in lower pricing and less favorable policy terms and conditions for insurers and reinsurers. Historically, underwriting capacity has been affected by several factors, including industry losses, the impact of catastrophes, changes in legal and regulatory guidelines, new entrants, investment results (including interest rate levels), and the credit ratings and financial strength of competitors. Till's insurance operations, both on a direct and reinsurance basis, have been particularly affected by traditional cycles related to pricing, underwriting capacity, and capital availability. As a result of those factors, Till has limited entering into new business and expanding its existing direct and reinsurance business.

## FINANCIAL HIGHLIGHTS

($ in millions, except per share amounts)

| | 2019 | | 2018 | | | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| | Apr - Jun 2019 | Jan - Mar 2019 | Oct - Dec 2018 | Jul - Sep 2018 | Apr - Jun 2018 | Jan - Mar 2018 | Oct - Dec 2017 | Jul - Sep 2017 |
| Revenue (loss) | $ 0.37 | $ 0.47 | $ 3.66 | $ (0.08) | $ 0.47 | $ (1.44) | $ 0.25 | $ (0.02) |
| Income (loss) attributable to the shareholders of Till | $ (0.10) | $ (0.13) | $ 2.78 | $ (1.65) | $ (0.46) | $ (2.34) | $ (1.31) | $ (2.06) |
| Basic and diluted income (loss) per share attributable to the shareholders of Till | $ (0.03) | $ (0.04) | $ 0.85 | $ (0.52) | $ (0.14) | $ (0.71) | $ (0.39) | $ (0.62) |
| Total assets at end of period | $ 68.21 | $ 69.15 | $ 65.41 | $ 67.72 | $ 69.74 | $ 72.81 | $ 74.65 | $ 75.13 |
| Total non-current financial liabilities at end of period | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |

Income (loss) attributable to the shareholders of Till is substantially determined by insurance and investment results and asset valuations. Expenses, such as general and administrative and salaries and benefits, have been declining due to the efforts of Till's management to reduce expenses.

Over the prior eight quarters, total assets are largely unchanged.

*(a) Results of operations for the three months ended June 30, 2019*

The loss for the three months ended June 30, 2019 decreased $0.25 million to $0.12 million (three months ended June 30, 2018 - $0.37 million). Individual items comprising that decrease are as follows:

- Expenses for the three months ended June 30, 2019 decreased $0.29 million to $0.49 million (three months ended June 30, 2018 - $0.78 million) due to lower claims and claims adjustment expenses and general and administrative expenses, partly offset by no exploration expense recovery during the three months ended June 30, 2019.

- Revenue decreased $0.1 million to $0.37 million (three months ended June 30, 2018 - $0.47 million) due primarily to decreased net insurance premiums earned.

*(b) Results of operations for the six months ended June 30, 2019*

The loss for the six months ended June 30, 2019 decreased $2.46 million to $0.27 million (six months ended June 30, 2018 - $2.73 million). Individual items comprising that decrease are as follows:

- Net investment income for the six months ended June 30, 2019 increased $1.96 million to $0.05 million (six months ended June 30, 2018 - loss of $1.91 million) primarily as a result of trading gains and reduced investment related expenses. Trading of equity index futures contracts resulted in a gain of $0.04 million for the six months ended June 30, 2019 compared to a loss of $1.03 million for the six months ended June 30, 2018. Income from active trading of equities and options increased $0.28 million from a loss of $0.15 million for the six months ended June 30, 2018 to a gain of $0.13 million for the six months ended June 30, 2019.

- Expenses for the six months ended June 30, 2019 decreased $0.56 million to $1.11 million (six months ended June 30, 2018 - $1.67 million) due to lower claims and claims adjustment expenses, general and administrative expenses, and staff costs, partly offset by no exploration expense recovery during the six months ended June 30, 2019.

*(c) Cash flows for the six months ended June 30, 2019*

Cash outflows from operating activities for the six months ended June 30, 2019 increased $0.11 million to $0.60 million (six months ended June 30, 2018 - $0.49 million) due primarily to changes in insurance-related operating assets and liabilities.

Cash inflows from investing activities for the six months ended June 30, 2019 increased $3.42 million to $0.64 million (six months ended June 30, 2018 - outflows of $2.78 million). That increase was primarily due to net investment sales of $0.42 million during the six months ended June 30, 2019 compared to net investment purchases of $2.56 million during the six months ended June 30, 2018 and no development costs capitalization during the six months ended June 30, 2019 compared to $0.2 million during the six months ended June 30, 2018.

*(d) Financial position*

Cash increased $0.2 million from December 31, 2018 due to net sales of investments, proceeds from property option payment, proceeds from receivable, partly offset by net cash used in operating activities.

Investments increased $0.1 million due primarily to increased value in held for trading securities compared to December 31, 2018.

The net insurance assets and insurance liabilities remain relatively unchanged from December 31, 2018.

## LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2019, Till had working capital of $19.68 million, including cash and investments at market value of $10.44 million and $10.68 million, respectively, as compared to working capital of $19.47 million, including cash and investments at market value of $10.25 million and $10.54 million, at December 31, 2018, respectively. Till has no long-term debt.

Till does not currently have any plans to incur any material indebtedness in the ordinary course of business.

Till manages capital on an aggregate basis, as well as separately for each regulated entity. Till's insurance subsidiaries are subject to the regulatory capital requirements defined by the Office of Superintendent of Financial Institutions (Canada) ("OSFI") for Omega and the Bermuda Monetary Authority ("BMA") for RRL. Till's insurance subsidiaries are subject to minimum capital requirements, which amounts are not available to satisfy liabilities of Till or other subsidiaries.

Till's objectives when managing capital consist of:

- Ensuring that policyholders in the insurance and reinsurance subsidiaries are protected.
- Complying with regulatory capital requirements.
- Maintaining a strong liquidity position.
- Maximizing long-term shareholder value by optimizing capital generated and used by Till.

Till views capital as a scarce and strategic resource. That resource protects the financial well-being of the organization, and is critical in enabling Till to protect its liquidity position and to pursue strategic business goals and opportunities. Adequate capital also acts as a safeguard against possible unexpected losses, and as a basis for confidence in Till by shareholders, policyholders, creditors, and others. For the purpose of capital management, Till has defined capital as shareholders' equity, excluding accumulated other comprehensive income. Capital is monitored by Till's Board of Directors.

*(a) RRL*

RRL is registered under The Bermuda Insurance Act 1978 and related regulations that require RRL to file a statutory financial return and maintain certain measures of solvency and liquidity. The required Minimum General Business Solvency Margin at June 30, 2019 was $1 million. The Minimum Liquidity Ratio is the ratio of the insurer's relevant assets to its relevant liabilities. The minimum allowable ratio is 75%. RRL's relevant assets at June 30, 2019 were $7.1 million (December 31, 2018 - $7.3 million) and 75% of its relevant liabilities as of June 30, 2019 was $0.03 million (December 31, 2018 - $0.2 million). As of June 30, 2019 and December 31, 2018, RRL is in compliance with regulatory requirements for Minimum General Business Solvency Margin and Minimum Liquidity Ratio discussed above.

*(b) Omega*

OSFI has set out expectations of a 100% Minimum Capital Test ("MCT") as the minimum and 150% MCT as the supervisory target for Canadian property and casualty insurance companies. As of June 30, 2019, Omega had total capital available of Cdn$8.7 (US$6.7) million (December 31, 2018 - Cdn$8.2 (US$6.0) million) and a total capital required of Cdn$2.2 (US$1.6) million (December 31, 2018 - Cdn$2.3 (US$1.7) million) resulting in a MCT of 406% (December 31, 2018 of 361%). As of June 30, 2019 and December 31, 2018, Omega is in compliance with OSFI's MCT requirements.

## OUTSTANDING SHARE DATA

At June 30, 2019 and through the date of this filing, Till had 3,191,462 issued and outstanding restricted voting shares, and 117,500 outstanding options with a weighted average exercise price of Cdn$9.55 (US $7.30) and 171,000 outstanding warrants with a weighted average exercise price of Cdn$9.50 (US$7.26).

## RELATED PARTY DISCLOSURES

*(a) Compensation of key management personnel*

Key management personnel comprise all members of Till's Board of Directors and executive officers. The compensation of key management personnel includes fees, salaries, share-based awards, and other employee benefits. During the three and six months ended June 30, 2019, total compensation amounted to $0.14 million and $0.28 million, respectively (three and six months ended June 30, 2018 - $0.14 million and $0.28 million, respectively). One of Till's directors serves as the CEO of SPD, and receives $12,000 a year from SPD for his services.

Not included in the compensation amounts disclosed in the preceding paragraph, are significant compensation amounts that were received by a then Till Officer and current Director (“TOD”) for serving, in 2018, as a director of IG Copper LLC (“IGC”), a private company in which Till had a substantial investment. Till was given the opportunity to have a representative on IGC’s board of directors; the Till Board of Directors authorized TOD to serve in that capacity. As a member of the IGC board of directors, TOD was granted units and warrants, similar to grants made to other members of that board. In addition, in the fourth quarter of 2018, upon the successful completion of a property-sale transaction, TOD, similar to other members of the IGC board, received significant additional compensation in the form of a cash bonus and also sold the IGC units and warrants.

*(b) Service agreements*

Till is party to service agreements with SPD whereby Till provides administration, accounting, and corporate communications services on a cost-plus recovery basis. Till charged SPD $15,000 and $30,000 during the three and six months ended June 30, 2019, respectively, (three and six months ended June 30, 2018 - $9,000 and $18,000, respectively) for those services.

## OFF BALANCE SHEET ARRANGEMENTS

At June 30, 2019, Till had no material off-balance sheet arrangements or any obligations that trigger material financing, liquidity, market, or credit risk to Till.

(Stated in US dollars)

## CRITICAL ACCOUNTING ESTIMATES

The preparation of interim unaudited condensed consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the applicable accounting policies. Those judgments and estimates are based on management's knowledge of the relevant facts and circumstances, input from certain outside advisers, and taking into account previous experience; however, actual results may differ from the amounts reported in the interim unaudited condensed consolidated financial statements.

Areas of estimation and judgment that have the most significant effect on the amounts recognized in the interim unaudited condensed consolidated financial statements include:

*(a) Valuation of insurance and reinsurance liabilities and reinsurance assets*

Estimates are made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of incurred but not yet reported ("IBNR") claims. A significant amount of time may pass before the ultimate claims cost can be established with certainty, and, for some types of policies, IBNR claims form the majority of the liability in the accompanying interim unaudited condensed consolidated statements of financial position.

The ultimate cost of outstanding claims is estimated by using a range of actuarial claim projection techniques. The principal assumption underlying those techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate expected claims costs. Those techniques extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Large claims are usually separately addressed either by being reserved at the value of loss adjusters' estimates or separately projected estimates of their future loss development. Additional qualitative judgment is used to assess the extent that past trends may not apply in the future when estimating the ultimate cost of claims.

Estimates are also made for the portion of the ultimate cost of outstanding claims that are expected to be recoverable from reinsurance ceded policies.

The carrying value of insurance and reinsurance contract liabilities at June 30, 2019 and December 31, 2018 is as follows:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Reserve for unpaid losses and loss adjustment expenses | $ 15,190,768 | $ 14,411,889 |
| Unearned premiums | 14,916,737 | 13,714,347 |
| Reinsurance payables | 14,681,096 | 14,133,878 |
| Unearned commissions | 2,207,660 | 2,091,136 |
| **Total insurance and reinsurance contract liabilities** | **$ 46,996,261** | **$ 44,351,250** |

(Stated in US dollars)

The carrying value of insurance and reinsurance related contract assets at June 30, 2019 and December 31, 2018 is as follows:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Unpaid losses and loss adjustment expenses ceded | $ 10,778,777 | $ 9,879,699 |
| Unearned premiums ceded | 12,968,762 | 11,814,767 |
| Premiums receivable and reinsurance recoverables | 14,438,279 | 14,042,266 |
| Deferred policy acquisition costs | 2,057,502 | 1,939,853 |
| **Total insurance and reinsurance contract assets** | **$ 40,243,320** | **$ 37,676,585** |

*(b) Valuation of mineral properties*

Till follows the guidance of IFRS 6, *Exploration for and Evaluation of Mineral Resources*, to determine when a mineral property asset is impaired. That determination requires significant judgment. In making that judgment, Till evaluates, among other factors, the results of exploration and evaluation activities to date and Till's future plans to explore and evaluate a mineral property.

*(c) Impairment of assets*

Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is assessed at the level of cash-generating units ("CGU") that are identified as the smallest identifiable group of assets that generates cash inflows and which are largely independent of the cash inflows from other assets. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs of disposal ("FVLCD").

The value in use is the net present value of expected future cash flows of the relevant CGU in its current condition, both from continuing use and ultimate disposal. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and that meet the requirements of IFRS.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to correlate with the amount a market participant would pay for the CGU in an arm's length transaction. That amount is often estimated using discounted cash flow techniques.

## CHANGES TO ACCOUNTING STANDARDS

*New standard adopted and standards and interpretations not yet adopted*

*(a)* IFRS 16, *Leases* ("IFRS 16")

IFRS 16, under which all leases are to be included on the balance sheets of lessees, except for those that meet the limited exception criteria set forth therein, was adopted effective for the year ended December 31, 2019 with no material impact on Till's interim unaudited condensed consolidated financial statements.

*(b)* IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 is a three-part standard that replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 became effective for fiscal years beginning on or after January 1, 2018. However, Till meets the eligibility criteria of the temporary exemption from IFRS 9 as provided by IFRS 4, *Insurance Contracts,* and has elected to defer the application of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, *Insurance Contracts* ("IFRS 17"), which is scheduled to become effective January 1, 2022. Till is currently evaluating the impact that IFRS 9, in conjunction with IFRS 17, will have on its interim unaudited condensed consolidated financial statements in future periods.

In accordance with the requirements of the temporary deferral, Till is required to present additional disclosure related to the classification and fair value of financial assets, as well as their credit rating.

*(c)* IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure that replaces IFRS 4 and introduces consistent accounting for all insurance contracts.

IFRS 17 provides a general model for the recognition of insurance contracts, as well as a simplified model (premium allocation approach) for short-duration contracts, that will be applied to most property and casualty insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that give effect to the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize income as it delivers insurance services.

The main features of the simplified new accounting model for property and casualty insurance contracts are summarized as follows:

- A portfolio is a group of contracts covering similar risks and managed together as a single pool. As such, contracts are to be grouped for allocation of deferred policy acquisition costs, the calculation of risk adjustment, the determination of onerous contracts, and the application of the discount rate;

- Insurance liabilities are to be discounted at a rate that takes into consideration the characteristics of the liabilities (as opposed to a rate based on asset returns) and the duration of each portfolio. Entities are to report the effect of changes in discount rates either in net income or in OCI, according to their accounting policy choice;

- Changes in balance sheet presentation whereby unearned premiums are to correspond to premiums received in advance, while accounts receivable are to be comprised of amounts not received when revenue is recognized. In the interim unaudited condensed consolidated statement of income (loss), direct premiums written are no longer to be presented (only earned premiums are presented). Also, insurance results are to be presented without the impact of discounting. Amounts relating to financing and changes in discount rates are to be shown separately;

- Disclosures are to be made to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from those contracts.

In November 2018, the IASB proposed a delay in the implementation of IFRS 17 by one year, to January 1, 2022. Earlier application is permitted if IFRS 9 is also applied. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impractical, the entity is required to select either a modified retrospective approach or a fair value approach. Till plans to adopt the new standard on the required effective date together with IFRS 9 (see above). Till expects the new standard will result in significant changes to its accounting policies for insurance contract liabilities; however, the impact on Till's consolidated financial statements has not yet been determined.

## FINANCIAL RISK MANAGEMENT

*(a) Insurance risk*

Omega principally underwrites insurance lines of business that include personal property, commercial property, and liability lines of business. The various coverages underwritten have specific insurance contracts that set forth the specific insurance risk exposures, including the duration of the coverage. Omega is exposed to risks defined in the insurance contracts.

In addition to underwriting general insurance contracts, Omega has also assumed portfolios of existing business that are in run-off from other insurers through assumption reinsurance transactions. Those portfolios could be from any line of business that the transferring insurer underwrote prior to the effective date of assumption. Under those assumption reinsurance transactions, Omega is exposed to certain risks defined in the underlying insurance contracts that were originally written by the transferring insurer.

The principal risk that Omega faces under both general insurance contracts and assumption reinsurance transactions is that the actual claims and benefit payments, or the timing thereof, differs from the assumptions and/or expectations used to price the general insurance contracts or assumption reinsurance transactions. That insurance risk is influenced by the frequency of claims, severity of claims, emergence of unknown claims, actual benefits paid, and subsequent development of claims, in particular long-tail claims. For long-tail claims that take years to settle, Till is also exposed to inflation risk. Till's objective is to ascertain, based on the business insured and other factors, that sufficient reserves are available to cover known and unknown liabilities related to the business written and assumed.

Risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas and by the use of various underwriting and claim review strategies. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. Omega also purchases reinsurance as part of its risk mitigation strategies. Reinsurance is placed on both a proportional and non-proportional basis. The use of proportional and non-proportional reinsurance varies by line of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying claim liabilities and in accordance with the reinsurance contracts. Although Omega has reinsurance arrangements in effect, Omega is not relieved of its obligations to its policyholders and, thus, a credit risk exposure exists with respect to such reinsurance arrangements.

The key assumption underlying the valuation of the reserve for unpaid losses and loss adjustment expense (“LAE”) is that the future loss development will follow a similar pattern to past loss development experience, including average claim costs, claim handling costs, and other claim factors for each loss year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. Consideration is given to available industry data/information. Judgment is further used to assess the extent to which external factors, such as inflation, court decisions, and government legislation, may affect the estimates. Other factors that may affect the reliability of loss and LAE assumptions include any variation in interest rates, claim settlement delays, and changes in foreign exchange rates.

*(b) Liquidity risk*

Liquidity risk is the risk that Till is unable to meet its financial obligations as they come due. Till manages that risk by continuous monitoring of its working capital to determine that its cash, cash equivalents, and liquid investments exceed its estimated obligations.

*(c) Credit risk*

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its obligations. Till's credit risk is primarily attributable to cash and cash equivalents, investments, premiums receivable, and reinsurance recoverables. Till has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of investments. Till's insurance and reinsurance policies are distributed by brokers and agents who manage cash collection on its behalf and Till monitors its exposure as regards the activities of those brokers and agents. Till has policies in place that limit its exposure to individual reinsurers, and Till conducts regular review processes to assess the creditworthiness of reinsurers with whom it transacts business. In addition, Till holds collateral for certain of its reinsurance arrangements.

## RISKS

*(a) Factors related to the regulatory and legal environment in which Till and its subsidiaries operate*

- Governmental actions, including, but not limited to, implementation of new US federal and state, Bermuda, and Canadian laws and regulations, and court decisions interpreting existing laws and regulations or policy provisions.

- Uncertainties related to regulatory approval of insurance rates, policy forms, insurance products, license applications, dividends from insurance subsidiaries, acquisitions or divestitures of businesses, and other matters within the purview of insurance regulators.

- Till is subject to the risk of possibly becoming an investment company under US federal securities law.

- Insurance regulations to which Till's subsidiaries are, or may become, subject, and potential changes thereto, could have a significant and negative effect on Till's business.

- Unforeseen adverse outcomes in litigation or other legal or regulatory proceedings involving Till, its subsidiaries or non-controlling interests, or affiliates.

*(b) Factors related to insurance claims and related reserves in Till's insurance businesses*

- The number and severity of insurance claims.

- Changes in facts and circumstances affecting assumptions used in determining loss and LAE reserves, including, but not limited to, the number and severity of insurance claims, changes in claim handling procedures, and claim closure and development patterns.

- The impact of inflation on insurance claims, including, but not limited to, the effects of personal injury claims and property claims.

- Developments related to insurance policy claims and coverage issues, including, but not limited to, interpretations or decisions by courts or regulators that may govern or influence losses incurred.

- Orders, interpretations, or other actions by regulators that impact the reporting, adjustment, and payment of claims.

- Changes in the pricing or availability of reinsurance, or in the financial condition of reinsurers, and amounts recoverable therefrom.

*(c) Factors related to Till's ability to compete*

- Changes, if any, in the ratings by rating agencies of Till and/or its insurance company subsidiaries, with regard to credit, financial strength, claims-paying ability, and other areas on which those entities are or may be rated.

- The level of success and costs incurred in realizing or maintaining economies of scale, implementing significant business initiatives, including those related to, but not limited to, expenses, claims, consolidations, reorganizations, integration of acquired businesses and divestitures of businesses.

- Absolute and relative performance of Till's products and services, including, but not limited to, the level of success achieved in designing and introducing new insurance products.

- The ability of Till to maintain the availability of critical systems and manage technology initiatives cost-effectively to address insurance industry developments and regulatory requirements.

- Heightened competition, including, with respect to pricing, entry of new competitors, and alternate distribution channels, introduction of new technologies, refinements of existing products, and development of new products by current or future competitors.

- The ability of Till to maintain adequate capital and liquidity.

*(d) Factors related to the business environment in which Till and its subsidiaries operate*

- Changes in general economic conditions, including, but not limited to, performance of financial markets, interest rates, inflation, unemployment rates, and fluctuating values of certain investments held by Till that may be thinly traded or that are subject to other market considerations.

- Till's outstanding restricted voting shares are not widely held, and, accordingly, the market for those restricted voting shares may be more volatile and less liquid than the securities of other publicly traded companies.

- Absolute and relative performance of investments held by Till, including derivative and resource related investments.

- Investments in junior and intermediate resource companies that may have a significantly higher degree of volatility risk than other types of investments.

- Changes in insurance industry trends and significant industry developments.

- Changes in consumer trends and significant consumer or product developments.

- Changes in capital requirements, including the calculations thereof, used by regulators and rating agencies.

- Regulatory, accounting, or tax changes that may affect the cost of, or demand for, Till's products, services, or after-tax returns from Till's investments.

- Changes in distribution channels, methods, or costs resulting from changes in laws or regulations, lawsuits, or market forces.

- Increased costs and risks related to cybersecurity and information technology, including, but not limited to, identity theft, data breaches, and system disruptions affecting services and actions taken to minimize the risks thereof.

- Failure to maintain the security of personal data that may result in lost business, reputational harm, legal costs, and regulatory penalties.

## INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, and in certain documents incorporated by reference herein, contain "forward-looking statements" within the meaning of applicable securities legislation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of Till to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Till believes the expectations pertaining to those forward-looking statements are reasonable, but there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

In particular, this MD&A includes forward-looking statements pertaining, among others, to the following matters:

- business strategy, strength, and focus;
- proposed future expenditures;
- the satisfaction of certain conditions in respect of certain properties in which Till may obtain an interest;
- the granting of regulatory approvals;
- the timing and receipt of regulatory approvals;
- the resource potential of Till's properties;
- the estimated quantity and quality of mineral resources;
- projections of market prices, costs, and the related sensitivity of distributions;
- expectations regarding the ability to raise capital;
- treatment under governmental regulatory regimes and tax laws, and capital expenditure programs;
- expectations with respect to Till's future working capital position; and

- capital expenditure programs.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements in this MD&A are made as of the date of filing this report or, in the case of documents incorporated by reference herein, as of the date of such documents. Till does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws.

## SUBSEQUENT EVENTS

*(a) Officer changes*

On June 20, 2019, Till announced that Dr. John T. ("Terry") Rickard had submitted his resignation as Chief Executive Officer effective July 1, 2019 and remain on the Till Board. The Board appointed Mr. Brian P. Lupien as Till's Chief Executive Officer to succeed Dr. Rickard effective July 1, 2019. Mr. Lupien has been with Till since 2014 and has served as Chief Financial Officer since 2016. The Board also appointed Ms. Weiying ("Mary") Zhu as Till's Chief Financial Officer to succeed Mr. Lupien effective July 1, 2019. Ms. Zhu joined Till in 2015 as Controller and was appointed Treasurer in 2016.

*(b) Deregistration of Resource Re Ltd.*

On August 20, 2019, Till received notice from the BMA that they had received RRL's application to deregister as a Class 3A Insurer. That deregistration became effective August 9, 2019.