



## **The Westaim Corporation Provides Update on HIIG**

Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted.

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Toronto, Canada – March 19, 2020 – Further to its press releases of November 13, 2019 and January 13, 2020, The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) is pleased to provide an update on various developments relating to Houston International Insurance Group, Ltd. (“HIIG”).

#### **2019 HIIG Results**

Westaim is pleased to provide the following update on the results for HIIG as at and for the year ending December 31, 2019. Gross written premium for the year ending December 31, 2019 was \$878.3 million, an increase of 26% over the same period in 2018. Net written premium for the year ending December 31, 2019 was \$421.7 million, an increase of 40% over the same period in 2018. Net income after-tax was \$32.3 million for the year ending December 31, 2019 and the combined ratio for the year was 98.4%.

Stockholders’ equity as at December 31, 2019 was \$370.2 million, an increase of 12% from \$329.9 million as at December 31, 2018. A discussion of HIIG’s results will be included with Westaim’s fourth quarter and year end annual report expected to be released on March 26, 2020. Additionally, Westaim will make HIIG’s audited financial statements as at and for the year ending December 31, 2019 available on SEDAR on or before March 31, 2020.

Subsequent to December 31, 2019, the onset of COVID-19 and the novel coronavirus has caused considerable angst in the community and its potential economic impact has caused high levels of volatility in world financial markets.

After a considered review, Westaim advises that it does not believe HIIG has material exposure to the impacts of the pandemic under the policies of insurance it currently has in force. However, particularly in March 2020, considerable volatility experienced in financial markets has resulted in unrealized losses on the equity securities portion of HIIG’s investment portfolio, which portfolio represented approximately 9% of HIIG’s total investment portfolio as at December 31, 2019. These unrealized losses are expected to impact reported net income (loss) for the 2020 fiscal year, unless a recovery in the equity markets, and particularly HIIG’s portfolio of equity securities, is experienced during the remainder of the year. Westaim advises that HIIG’s strategy and intention is to hold and measure its equity investments over the long term in accordance with its investment strategy.

Westaim further advises HIIG has implemented its business continuity plan which includes employees working from home or other remote locations to continue service to its policyholders, reinsurance partners, clients, agents, and producers.

In addition, the HIIG board of directors recently approved two transactions.

#### **Loss Portfolio Transfer Transaction**

Westaim advises that HIIG has been evaluating the prospect of a loss portfolio transfer (“LPT”) transaction to help minimize future prior period adverse loss and loss adjustment expense (“LAE”) reserve development. An LPT transaction is typically designed to mitigate the potential impact of adverse development on prior period loss and LAE reserves. In February 2020, HIIG entered into a commitment letter for an LPT transaction with respect to reserves for certain divisions, primarily related to 2017 and prior policy years. The closing of the LPT is subject to regulatory approval and is currently expected to close in the second quarter of 2020. Westaim further advises that HIIG is expected to record an after-tax expense of approximately \$34.3 million upon the closing of this LPT transaction.

#### **Rights Offering**

Westaim also advises that HIIG’s board of directors has approved a rights offering designed to raise up to \$100 million (the “Rights Offering”). Under the Rights Offering existing direct and indirect holders of shares of HIIG’s common stock (“HIIG Common Shares”) will be entitled to subscribe on a pro rata basis for shares of Series A Convertible Preferred Stock (the “Preferred Shares”). The Preferred Shares will have a face value of \$50.00 per share (the “Face Value”) and will be convertible at the option of the holder into HIIG Common Shares.

The Preferred Shares will initially be convertible into HIIG Common Shares based on a conversion price of \$1.74 (the “Conversion Price”) which price will be subject to adjustment from time to time based on the occurrence of certain events. Thereafter, the Preferred Shares will be convertible, at any time and from time to time, into such number of

HIIG Common Shares as is determined by dividing the aggregate Face Value of such Preferred Shares by the Conversion Price in effect at the time of conversion.

In connection with the Rights Offering, Westaim advises that HIIG has received indicative commitments for \$94 million of Preferred Shares, with Westaim committing to subscribe for approximately \$44 million of Preferred Shares, representing its pro rata ownership of HIIG Common Shares through the Partnership.

Completion of the Rights Offering is expected to occur during the second quarter of 2020 and is subject to the receipt of all necessary regulatory approvals including, without limitation, the approval of the TSX Venture Exchange.

Cam MacDonald, the President and Chief Executive Officer of Westaim commented: "The property and casualty insurance industry is currently experiencing improving conditions, with both pricing and terms strengthening. Marsh Global Analytics has stated that global commercial insurance prices have increased for nine consecutive quarters with the fourth quarter of 2019 increasing 10.6%, the largest year-over-year increase since 2012. We expect the LPT to mitigate against adverse loss development in respect of the reserves covered and we believe that the Rights Offering will put HIIG in a strong capital position."

### **About Westaim**

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim's investments include significant interests in HIIG and the Arena Group. Westaim's Common Shares are listed on the TSX Venture Exchange under the trading symbol WED. This release is made solely on behalf of Westaim and not on behalf of HIIG.

For more information, contact:

J. Cameron MacDonald, President and Chief Executive Officer or

Robert T. Kittel, Chief Operating Officer

The Westaim Corporation

info@westaim.com

(416)969-3333

Certain portions of this press release as well as other public statements by Westaim contain forward-looking statements. Such forward-looking statements include but are not limited to statements concerning the investment strategies and expected rates of return; and strategic alternatives to maximize value for shareholders. These statements are based on current expectations that are subject to risks, uncertainties and assumptions and Westaim can give no assurance that these expectations are correct. Westaim's actual results could differ materially from those anticipated by forward-looking statements for various reasons generally beyond our control, including but not limited to: (i) our ability to obtain all requisite approvals, including TSXV approval, as applicable, in connection with the Offering; (ii) HIIG's ability to complete the Offering on the terms described herein or at all; (iii) HIIG's ability to complete the LPT; (iv) changes in market conditions or deterioration in underlying investments; (v) general economic, market, financing, regulatory and industry developments and conditions; and (vi) other risk factors set forth in Westaim's 2018 Audited Annual Financial Statements and Management's Discussion and Analysis, quarterly reports or annual information form.

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