



“Thank you!”

for your overwhelming support to shift the Western Investment Company of Canada Limited (“**Western**”) from a private equity investment platform to a property and casualty insurance and investment holding company.

Letter to Shareholders

SCOTT TANNAS

President and Chief Executive Officer

November 15, 2024



Dear Fellow Shareholders,

On behalf of Western’s Board of Directors and Management Team, I want to thank you for the overwhelming support we have received to shift your company from a private equity investment platform to a property and casualty insurance and investment holding company. Your support has translated into a very well received Private Placement that was subsequently up-sized to \$30 million to drive your company’s growth in the insurance space. Our Rights Offering also appears to be enjoying a strong reception in the market. We are collectively excited about the shareholder value we can create over the long-term as a property and casualty insurance and investment holding company, and the tremendous opportunities this shift will unlock.

Focusing on What We’re Best At

Our shift towards an insurance focus began with a small company we funded as a private equity investment back in 2019 called the Fortress Insurance Company (“**Fortress**”). It was a fully licensed, but under-utilized, insurance company doing about \$0.4 million per year in business for one client. From there, under Shafeen Mawani’s leadership, Fortress grew its gross written premiums at a compound annual growth rate (“**CAGR**”) of more than 170% between 2019 and 2023, all while keeping loss ratios low and maintaining very high capital reserves. (Fortress expects the CAGR of its gross written premiums to moderate to 112% for full-year 2024 compared with 2020)

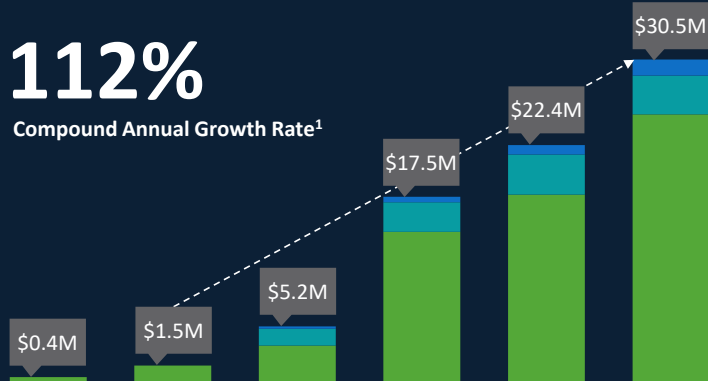
Given the outstanding success of Fortress, our fundamental background in insurance, and all of the strong relationships we have built along the way, about a year ago we decided it was time to focus on what we do best.

Fortress Insurance's Gross Written Premium Growth

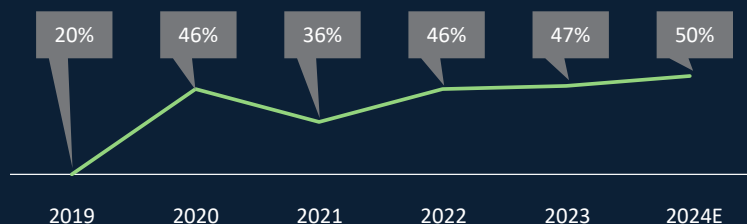
■ Programs ■ Fronting ■ Fortress COA

112%

Compound Annual Growth Rate¹



Fortress Insurance's Loss Ratio with IBNR (%)



Rapidly Growing a High-Quality Book of Business

43%

Average Loss Ratio²
Includes incurred but not reported ("IBNR") losses
(Incurred + IBNR losses)/Earned premiums

\$100 million

in written premiums per year targeted by

2028

1. Between 2020 and 2024E
2. Three-year average as at December 31, 2023

Establishing a Controlling Interest in Fortress

One of our stated goals was to consolidate Western's ownership of Fortress to at least 51%. We are particularly gratified that not only 100% of Fortress shareholders agreed to tender their shares, but the vast majority of them accepted shares in Western. This leaves us with more available cash to build Fortress and pursue other accretive opportunities as we move forward. As of the date of this letter, Western currently owns 85% of Fortress with agreements to acquire the remaining 15%.

Managing the Float for Enhanced Return

At around the same time we decided to focus on insurance, we met Paul Rivett. Paul's name is familiar to many given his time and success at Fairfax Financial. Paul joined Fairfax in 2003 and served as President between 2013 and 2020. Over this period, Paul established his reputation as a trusted builder of partnerships and relationships with a value investor's philosophy.

We very quickly began pursuing the idea of teaming up with Paul because of his value focus, conservative float management philosophy, impeccable track record of success, integrity, and how his vision aligned with our aspirations for Western.

The irony to us is that float management seems antithetical to most insurance companies who hand their investment management over to an outside agency despite the significant returns that can be achieved with modest effort, and a highly conservative strategy. That is why several industry leaders have pursued this model. Given their enormous success, it's puzzling that only a handful of people see that these two separate activities - insurance underwriting and float management - belong in one business. While at Fairfax, Paul was at the center of this approach and their value investing philosophy. He has seen it, knows it, lived it, and succeeded at it. We

are confident he can do the same at Western.

Growth Opportunities and Capital Allocation

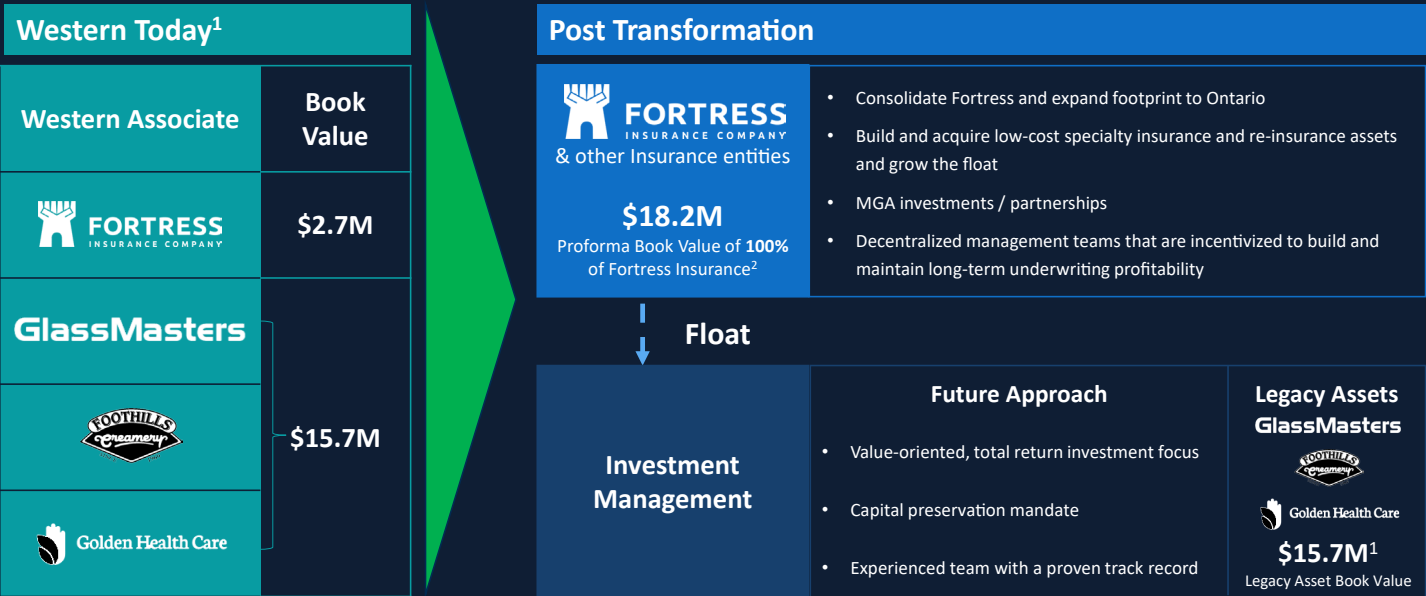
The advantage of being a smaller company is that even modest opportunities can meaningfully increase our earnings and book value per share. In other words, small gains in both investments and acquisitions can substantially increase shareholder value. With our collective years of experience and trusted relationships, we can surface bespoke opportunities that will create considerable shareholder value. We are focused on a mix between prudent organic growth and accretive acquisitions, which we think will grow Fortress to \$100 million per annum in written premiums by 2028, while maintaining low loss ratios and excess capital reserves.

We also recognize that there are additional opportunities arising from individuals that can bring specialized expertise and books of business. In recent months we have received a number of calls from established brokers, producers, and underwriters that want to work in, and with, a more entrepreneurial and nimbler group like Western. Hiring additional talent and acquiring books of business will meaningfully contribute to our growth.

Currently, most of the assets we aim to acquire are not “for sale”, but the addressable opportunity set is quite large. Our team is compiling and prioritizing a comprehensive database of potential bespoke opportunities. In Canada, out of approximately 100 small insurers in the market, both domestic and internationally owned, we are conducting a comprehensive 360-degree analysis. We will methodically monitor and maintain detailed proprietary information on these selected targets. At the outset, we are emphasizing a focus on specialty lines of insurance business, \$10 to \$30 million in annual premiums, with a strategic moat. While these opportunities

Western Transformed

Western will be run as a holding company with decentralized ownership of insurance businesses and centralized management incentives, capital allocation and investment management of the insurance company float



1) Book value of Investments in Associate as of June 30, 2024 2) Book value of Fortress is at transaction value

Combined Proven Experience



PAUL RIVETT

- Joined Fairfax in 2003 and became President in 2013
- Led Fairfax corporate development, including debt and equity financings and M&A, as well as prominent investment and insurance/reinsurance float transactions
- Attracted proprietary insurance and non-insurance investments with commitment to long-term, decentralized approach



SHAFEEEN MAWANI

- More than 15 years of financial services, M&A, financing, risk management and actuarial experience
- Appointed CEO of Fortress Insurance in 2021
- MBA from the Ivey School of Business, University of Western Ontario
- Chartered Financial Analyst Charterholder
- Associate from the Society of Actuaries

may fall outside the typical acquisition scope of major insurance firms, they hold significant potential for us. Their smaller size allows for more reasonable valuation multiples. However, we are not interested in under-performing companies or mediocre businesses, even if they are available at substantial discounts. We are only seeking good businesses at fair prices.

Similarly with respect to investing the insurance float, we do not need to pursue overly ambitious goals or speculate on macro-economic trends to achieve successful compound returns. As Paul likes to say, “we’ll keep it on the fairway”. It takes a lot of work to earn a dollar and, when we do, our first priority will be protecting and growing that dollar prudently.

Finally, regarding our other existing private equity investments, while our focus will shift to insurance, our approach is to ensure that our actions do not negatively impact the other investments in our portfolio. We have invested significant effort and resources in guiding these private equity investments through the challenges posed by COVID-19, and we are committed to preserving and building on that progress in order to maximize their value for Western shareholders. We will continue our good stewardship of these outstanding businesses.

While Western’s shift towards insurance is no longer reliant on a vote at the Annual General and Special Meeting, we invite you to exercise your rights as a shareholder and vote your shares on December 6, 2024. Thank you again for your overwhelming support. We are grateful for your trust, and look forward to our shared success.

Sincerely,

Scott Tannas

Advisories

This Letter to Shareholders contains Forward Looking Statements (“**FLS**”) and Future Oriented Financial Information (“**FOFI**”). Please refer to Western’s November 15, 2024 news release for a more comprehensive discussion of the FLS and FOFI found herein.