

CEO Charles Brindamour's Speech at 2020 Annual and Special Meeting of Shareholders

May 6, 2020



Building a Resilient Future

**2020 ANNUAL AND SPECIAL
MEETING OF SHAREHOLDERS**

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-Charles Brindamour, CEO

Building a resilient future

Good afternoon.

Thank you for joining our virtual Annual General Meeting today.

Just a few weeks ago, our world changed in ways we could not have imagined as we closed 2019. The pandemic that took the world hostage has inflicted immense pain and disruption on people, small businesses and communities across the globe.

As we've attempted to protect health care capabilities and the most vulnerable, economic activity has slowed to levels not seen in our lifetime. Very few of us were prepared for this.

But governments have moved quickly to provide support, and people and operational businesses have stepped up to do their part. Across North America, our discipline is starting to pay off as we are thankfully, seeing a slowing of the spread of this virus.

At Intact, our business exists to help people both in good, and in bad times. We have built our business with resilience in mind. We are in a very strong position to help society navigate this crisis and are working with governments to contribute where our strengths matter.

Let me walk you through the steps we've taken so far, and most importantly, the direction we are heading over the coming decade.

COVID-19

Let me be clear -- dealing with the COVID-19 pandemic is our number one priority. We are working around the clock to ensure the safety and well-being of our employees, while supporting our customers, brokers and communities.

While 99% of our people across North America are working from home, we haven't lost a beat. Our people have shown tremendous dedication and flexibility during this unnerving time.

Like everyone right now, our employees are dealing with their own hopes, anxieties and struggles. And yet, they continue to take a problem-solving approach with our customers every day.

We mobilized quickly to help our impacted customers -- providing them with payment flexibility and premium adjustments to recognize financial hardship and changing risk profiles. Our measures are aimed at providing the highest amount of relief to those that need it most.

So far, we have provided more than \$130 million to almost 400,000 customers and we expect the total amount of relief to be well in excess of \$200 million.

Q1 2020 Results

We released our first quarter results yesterday afternoon. Despite the capital market pressure and the \$83 million of direct losses related to COVID-19, our performance remains very strong with an operating ROE above 14%.

We have been very disciplined over the last few years – and ahead of the market -- and as such we have entered this crisis in a position of strength.

With close to 580 basis points of ROE outperformance in 2019, we are in an excellent position to weather the storm and offer relief to our customers across North America. While we are hoping for a swift return to normalcy, we are prepared for the worst.

Next Steps

While unprecedented and extraordinary in its impacts on peoples' health and the global economy, this crisis is temporary. It is important for Intact and other businesses to work with governments to get the economy back on track with a measured and risk-based approach.

We are sharing our knowledge and resources with governments as we speak. We've offered to help with scenario planning and contact tracing of the virus. Our AI and machine learning experts, investigative services and customer service reps are on stand-by to help. And, we are ready with our own cautious and gradual return to office plan.

We've learned a lot in a very short period about our own capabilities and our resilience. We are thinking ahead and charting a path forward.

Last November, we introduced Intact's ten-year strategic roadmap. That roadmap has four big ideas: strengthening our leadership position in Canada; building a leading North American Specialty insurer; transforming our competitive advantages; and, investing in people to sustain our strong, values-driven and engaged workforce.

While we may need to adapt to changes in consumer behaviour, the economy and society more broadly as a result of this crisis, we believe this strategy will guide us to continued growth and success that will benefit all our stakeholders.

Let me expand on this roadmap.

Our **first big idea** is to strengthen our leadership position in Canada. We will achieve this by transforming the customer experience by leveraging our digital capabilities and our service excellence in claims. This also means deepening our distribution footprint by expanding our relationship with brokers across North America and scaling up belairdirect and BrokerLink. We aim to have 3 out of 4 customers as advocates.

The pandemic has been a catalyst in our efforts to advance digital options for our customers. Last week we hit a new milestone – the number of customers using Client Centre has doubled to more than one million users. We will continue to build on and invest in this trend to expand active digital relationships with our customers. We aim to have 3 out of 4 customers digitally engaged with us.

In Canada, the property & casualty market remains highly fragmented and further consolidation is inevitable as businesses retool after the crisis is over. We intend to continue to lead in consolidating the Canadian marketplace.

With that in mind, we completed the acquisition of The Guarantee Company of North America and Frank Cowan Company late last year. Despite the disruption imposed by COVID-19, the integration is on track. Policy conversions are underway. We launched our high net worth brand Intact Prestige in March and we are on track to meet our financial objectives of mid-single-digit NOIPS accretion, including the On Side acquisition, by 2021.

While the current crisis will pass, some of its impacts might last. We anticipate that consumers will engage digitally to a greater extent, that the savings rate will increase, and that Canadians and Americans will want more for their money.

We also expect small-to-mid-size companies to consolidate as the economy gradually recovers. While our strategy is sound, these trends will shape it in the coming months.

Louis Gagnon, Mathieu Lamy, and their teams, have done a phenomenal job of managing the first part of the crisis and no doubt will adapt to win as the environment evolves.

Our **second big idea** is to build a leading North American specialty lines insurer. Mike Miller and his team have made great progress in the specialty space since our acquisition of OneBeacon in 2017. With close to \$3 billion in revenue, we are now aiming to double that in the mid-term while maintaining a low 90s combined ratio and outperforming our peers.

The recent Guarantee of North America acquisition clearly expands our footprint in this segment. Our offer is richer, and we intend to leverage our wide distribution footprint to capitalize on our new capabilities.

The acquisition also gave us a key opportunity to enhance our surety platform making IFC the sixth largest surety provider in North America. We expect to see substantial government stimulus investments in infrastructure across North America in the coming months and surety will play an important part of supporting the construction supply chain and ensuring projects are completed.

Our **third big idea** – to transform our competitive advantages – is centred on three main elements.

The first element is in risk selection. Data is fundamental to extending our leadership in this area and we have moved quickly to integrate machine learning into how we price for and choose risks.

Through Telematics and UBI we have collected about one trillion data points. With this data we are leveraging our 200 machine learning experts in our data lab to create proprietary algorithms for pricing, while providing value-added services for customers and society.

As a large user and custodian of data we recently adopted a set of data governance principles to ensure the responsible use of data and AI. Our principles are focused on security; helping society; data quality; scientific excellence; and, accountability.

Our goal is to be recognized as the best AI insurance shop in the world and we will continue to increase our investments in this regard.

The second element to transforming our competitive advantage is to continue to leverage our scale in **claims** – particularly as it relates to supply chain.

While we have made important strides in leveraging our digital tools in helping customers get back on track, the physical world is still very much where claims happen. Leveraging our scale has allowed us to be the best we can be in terms of customer experience. It has also helped us outperform our peers from an ROE point of view.

We believe that a key component of improving the customer experience -- and our financial performance going forward -- is to get involved deeper in the supply chain. To that effect, we decided last year to invest in On Side, a national home restoration firm. This is a first step and will define a key area of focus in the coming years. Indeed, given

the increased burden of natural disasters, we believe that the demand for professional services in this segment will increase meaningfully over the years.

The third element of our competitive advantage transformation is to build on our proven strengths in investment and capital management.

Our Intact Investment Management team is among the best in the country. Our clear and simple capital management philosophy – that capital should always be available in good times and in bad -- has served us well, especially recently. While we've seen extreme volatility in the markets over the last two months, our operations and capital position remain solid.

Our **fourth big idea** is to invest in our people. Our 16,000 employees are essential to our success.

They are at the heart of everything we do, and they've been at the heart of our customer relief efforts over the past six weeks.

In this environment we are committed to maintaining jobs for our people and to prepare them for the evolving future of work driven by technology and automation and to a lesser extent the pandemic. The need for this has perhaps never been more evident than now. We will increase the speed of our efforts to re-skill and up-skill employees to adapt quickly to changing customer needs and business opportunities.

We are committed to supporting employees to develop skills, expand their knowledge and evolve with our business. In return, we ask our employees to be customer-driven, open to change and be willing to invest in themselves and their careers.

Social Impact

Intact was founded on a universal set of values and a clear purpose to help people. This informs our approach as we help our employees, customers and communities manage through and recover from the severe impacts of this global pandemic.

Communities have been heavily impacted. Beyond the relief measures in place for customers, we are providing more than \$3.5 million to target the immediate needs of individuals and families who are more vulnerable to the effects of this pandemic. Partners include the Breakfast Club of Canada, Meals on Wheels, Feeding America and United Way/Centraide organizations across Canada.

At the same time, we can't slow down our efforts around climate adaptation. Climate change is an existential threat to our industry and a defining trend of the 21st century – the effects are irreversible. We need to mitigate the impact of human influence, but also and equally important, as a society we need to protect our communities and our businesses against the changes we continue to face.

Four years ago, we committed to take a leading position on climate adaptation with a substantial investment in the Intact Centre on Climate Adaptation at the University of Waterloo. The Intact Centre works with homeowners, communities, governments and businesses to identify and reduce the impacts of extreme weather and climate change.

We are renewing that commitment this year and are excited to embark on the next chapter of this partnership.

The challenges are important, and we remain optimistic. We see governments, businesses and people working together, focusing on the solutions. That's good - because we need all hands on deck.

Conclusion

In closing, I'm confident in the resilience of our business during these times and our ability to help our customers, communities, employees and other stakeholders work through this.

This difficult time will pass. I believe we will come out the other side stronger. I am optimistic about the future and the new opportunities and ways of doing business it will bring. Our values and strategic objectives will get us through this period and sustain our growth as a North American leader.

Thank you to our board of directors, shareholders, employees, brokers and more importantly, customers