Q4-2020

Review of Performance

Wednesday, February 10, 2021

Intact Financial Corporation (TSX: IFC)

[intact]

Forward-looking statements

Certain of the statements included in this Presentation about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this presentation are made as December 31, 2020 and are subject to change after that date. This presentation contains forward-looking statements with respect to the acquisition of The Guarantee Company of North America ("The Guarantee") and Frank Cowan Company Limited ("Frank Cowan"), the acquisition of On Side Developments Ltd. ("On Side"), as well as with respect to the proposed acquisition (the "RSA Acquisition") of RSA Insurance Group PLC ("RSA") and the completion of and timing for completion of the RSA Acquisition, and with respect to the impact of COVID-19 and related economic conditions on the Company's operations and financial performance.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the receipt of all requisite approvals relating to the RSA Acquisition in a timely manner and on terms acceptable to the Company, the realization of the expected strategic, financial and other benefits of the RSA Acquisition, and economic and political environments and industry conditions. However, the completion of the RSA Acquisition is subject to customary closing conditions, termination rights and other risks and uncertainties, including, without limitation, regulatory approvals, and there can be no assurance that the RSA Acquisition will be completed. There can also be no assurance that if the RSA Acquisition is completed, the strategic and financial benefits expected to result from the RSA Acquisition will be realized. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors:

- expected regulatory processes and outcomes in connection with its business;
- the Company's ability to implement its strategy or operate its business as management currently expects;
- its ability to accurately assess the risks associated with the insurance policies that the Company writes;
- unfavourable capital market developments or other factors, including the impact of the COVID-19 pandemic and related economic conditions, which may affect the Company's investments, floating rate securities and funding obligations under its pension plans;
- the cyclical nature of the P&C insurance industry;
- management's ability to accurately predict future claims frequency and severity, including in the high net worth and personal auto lines of business;
- government regulations designed to protect policyholders and creditors rather than investors;
- litigation and regulatory actions, including with respect to the COVID-19 pandemic;
- periodic negative publicity regarding the insurance industry;
- intense competition;
- the Company's reliance on brokers and third parties to sell its products to clients and provide services to the Company and the impact of COVID-19 and related economic conditions on such brokers and third parties;
- the Company's ability to successfully pursue its acquisition strategy;
- the Company's ability to execute its business strategy;
- the Company's ability to achieve synergies arising from successful integration plans relating to acquisitions;
- the uncertainty of obtaining in a timely manner, or at all, the regulatory approvals required to complete the RSA Acquisition;
- Unfavourable capital markets developments or other factors that may adversely affect the Company's ability to finance the RSA Acquisition;
- the Company's ability to improve its combined ratio, retain existing and attract new business, retain key employees and achieve synergies and maintain market position arising from successful integration plans relating to the RSA Acquisition, as well as management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the RSA Acquisition and resulting impact on growth and accretion in various financial metrics.
- The Company's ability to otherwise complete the integration of the business acquired within anticipated time periods and at expected costs levels, as well as its ability to operate in new jurisdictions relating to the RSA Acquisition;
- the Company's profitability and ability to improve its combined ratio in the United States;
- the Company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools;
- terrorist attacks and ensuing events;
- the occurrence and frequency of catastrophe events, including a major earthquake;
- catastrophe losses caused by severe weather and other weather-related losses, as well as the impact of climate change;
- The occurrence of and response to public health crises including epidemics, pandemics or outbreaks of new infectious diseases, including most recently, the COVID-19 pandemic and ensuing events;
- the Company's ability to maintain its financial strength and issuer credit ratings;
- the Company's access to debt and equity financing;
- the Company's ability to compete for large commercial business;
- the Company's ability to alleviate risk through reinsurance;
- the Company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers);
- the Company's ability to contain fraud and/or abuse;
- the Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including in the context of the impact on the ability of our workforce to perform necessary business functions remotely, as well as in the context of evolving cybersecurity risk;
- the impact of developments in technology and use of data on the Company's products and distribution;
- the Company's dependence on and ability to retain key employees;
- changes in laws or regulations, including those adopted in response to COVID-19 that would, for example, require insurers to cover business interruption claims irrespective of terms after policies have been issued, and could result in an unexpected increase in the number of claims and have a material adverse impact on the Company's results;
- COVID-19 related coverage issues and claims, including certain class actions and related defence costs could negatively impact our claims reserves;
- general economic, financial and political conditions;
- the Company's dependence on the results of operations of its subsidiaries and the ability of the Company's subsidiaries to pay dividends;
- the volatility of the stock market and other factors affecting the trading prices of the Company's securities, including in the context of the COVID-19 crisis;
- the Company's ability to hedge exposures to fluctuations in foreign exchange rates including those related to the purchase price and book value related to the RSA Acquisition;
- future sales of a substantial number of its common shares; and
- changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

All of the forward-looking statements included in this presentation are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 28-33) of our MD&A for the year ended December 31, 2020. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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The information contained in this presentation concerning the Company does not purport to be all-inclusive or to contain all the information that a prospective purchaser or investor may desire to have in evaluating whether or not to make an investment in the Company. The information is qualified entirely by reference to the Company's publicly disclosed information.

No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its the directors, officers or employees as to the accuracy, completeness or fairness of the information or opinions contained in this presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this presentation, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this presentation or to correct any inaccuracies in, or omissions from, this presentation that may become apparent. The information and opinions contained in this presentation are provided as at the date of this presentation. The contents of this presentation are not to be construed as legal, financial or tax advice. Each prospective purchaser should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

The Company uses both International Financial Reporting Standards ("IFRS") and non-IFRS measures to assess performance. Non-IFRS measures do not have any standardized meanings prescribed by IFRS and may not be comparable to any similar measures presented by other companies in the industry. The non-IFRS measures that may be included in this presentation are: growth in constant currency, direct premiums written (DPW), underwriting income (loss), combined ratio, net earned premiums (NEP), total net claims, underlying current year loss ratio, PYD and PYD ratio, underwriting expenses and expense ratio, distribution EBITA and Other, financial costs, other income (expense), total income taxes, income before income taxes, net operating income (NOI), net operating income per share (NOIPS), operating return on equity (OROE), adjusted net income, adjusted earnings per share (AEPS) and adjusted return on equity (AROE). See Section 36 – Non-IFRS financial measures in our MD&A for the year ended December 31, 2020 for the definition and reconciliation to the most comparable IFRS measures.

Important notes:

- Non-IFRS financial measures and other insurance-related terms used in this presentation are defined in the glossary available in the "Investors" section of our web site at www.intactfc.com.
- Abbreviations and definitions of selected key terms used in this presentation are defined in Section 40 – Glossary and definitions of the Q4-2020 MD&A.
- When relevant, to enhance the analysis of our results with comparative periods, we present changes in constant currency, which exclude the impact of fluctuations in foreign exchange rates from one period to the other. Approximately 15% of our DPW is denominated in USD.
- On November 18, 2020, we announced that, together with the Scandinavian P&C leader Tryg A/S, we have reached an agreement to acquire RSA. A significant portion of the financing for the RSA acquisition was raised in Q4-2020. See Section 2 – Acquisition of RSA's Canadian, UK and International operations of the Q4-2020 MD&A.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

Charles Brindamour

Chief Executive Officer

Key points & highlights

$3.18
NOIPS
increased 53%, driven by strong underwriting performance and distribution results

+8%
Premium Growth
with solid growth in all lines and The Guarantee acquisition

85.6%
Combined Ratio
included $74 million of CAT losses, with $23 million related to COVID-19

+9%
BVPS
year-over-year, to $58.79 thanks to strong operating performance and favourable capital markets

18.4%
Operating ROE
improved 5.9 points year-over-year

$2.7B
Total Capital Margin
with a significant portion of financing for the RSA acquisition secured in Q4-2020

Personal lines results

Personal Auto

5%
DPW growth

82.6%
combined ratio

Key Points

- **Premium growth** included an estimated 6 pts of customer premium relief measures. Our competitive position remains solid with north of 3% unit growth after adjusting for our exit from BC Auto.
- **Combined ratio** improved 13.9 pts, driven by improvement in underlying performance.

Personal Property

10%
DPW growth

73.2%
combined ratio

Key Points

- **Premium growth** reflected an estimated 3 pts of customer premium relief measures, driven by solid unit growth and firm market conditions.
- **Combined ratio** improved 8.8 pts, driven by strong fundamentals, market conditions and lower weather-related losses.

Commercial lines results

Canadian Commercial

5%
DPW growth

95.3%
combined ratio

Key Points

- **Premium growth** driven by the acquisition of The Guarantee, but also reflecting an estimated 6 pts for the $50-million targeted relief program for small business customers.
- **Combined ratio** driven by strong underlying performance, offset by the impact of our targeted customer relief program, COVID-19 CAT losses and higher expenses.

U.S. Commercial

19%
DPW growth
(constant currency basis)

92.0%
combined ratio

Key Points

- **Very strong premium growth** included 6 pts from The Guarantee acquisition, was driven by hard market conditions, strong new business growth and solid retention.
- **Combined ratio** increased 3.2 pts, mainly due to unfavourable PYD development, higher non-CAT weather-related losses.

RSA Acquisition Update

Integration and transition planning are well underway. We are moving diligently towards closing in Q2-2021

Closing

- ✓ Approval from **Canadian Competition Bureau**
- ✓ Approval from **RSA Shareholders**

Working closely with relevant regulatory authorities for remaining approvals

Value Creation

- ✓ Reaffirming **NOIPS accretion** targets:
  - **High-single digit** in the **first year**
  - Increasing to **upper-teens within 36 months**
- ✓ **BVPS expected to increase in excess of 25% at closing**
- ✓ Mid-teens **OROE** in the medium term

People

- ✓ Engaging with RSA's **Senior Management** team to strategically review the business
- ✓ Shared **outperformance mindset**

November 18, 2020
✓ RSA Insurance Group Acquisition announced

November 25, 2020
✓ Completed $3.2B Private Placement Subscription Receipt Offering with Cornerstone Investors

December 3, 2020
✓ Completed $1.25B Bought Deal Placement of Subscription Receipts Offering

December 16, 2020
✓ Completed $600M Medium Term Note Offering

January 12, 2021
✓ Approval from the Canadian Competition Bureau

January 18, 2021
✓ RSA shareholders voted in favour of the acquisition

Q2-2021
Expected closing

P&C industry outlook

Our outlook reflects the impact of the COVID-19 pandemic and is dependent on the duration and severity of the crisis.

Personal Auto

COVID-19 crisis is temporarily softening market conditions as claims frequency remains below historical levels.

- Companies, including IFC, have provided various relief measures to consumers.
- In the first three quarters, industry growth was approximately 6%, as the rate trend tempered and may continue, while claims frequency remains below historical levels.
- We expect corrective measures to resume once the impact of the crisis eases.

Personal Property

There is no direct impact from the COVID-19 crisis

- Firm market conditions are expected to continue since this line of business is subject to challenging weather overtime.
- Industry growth was above 8% in the first three quarters of 2020.
- We expect growth at a mid single-digit level over the next 12 months.

Commercial Lines

Hard market conditions are continuing, with industry rate increases back to pre-crisis levels

- Overall, we expect to see hard market conditions as the impact of the crisis eases.
- In **commercial P&C**, hard market conditions are continuing, with industry rate increases back to pre-crisis levels, driven by low industry profitability and tight capacity
- In **commercial auto**, the industry, on average, continues to pursue rate increases, albeit at a slightly tempered pace due to the COVID-19 crisis.

US Commercial Lines

A mix of hard and hardening market conditions across lines are expected to continue.

- Rising reinsurance costs, lower-for-longer interest rates, and an active CAT season will further support recent trends.
- The economic impact of the pandemic affected some lines more than others.
- Lines that are economically sensitive were more impacted and continue to see upward pricing trends.

The COVID-19 crisis resulted in dislocation in the Canadian P&C market, a mid-to-high single-digit industry ROE over the past year supports a continuation of the hard market environment once the crisis has passed.

Strong fourth quarter and 2020 results

with NOIPS up 61% to $9.92 on strong underwriting and distribution performance

RSA Acquisition on track for Q2-2021 closing

This transaction accelerates our strategy and strengthens our ability to outperform

Significant customer relief provided

$530 million of COVID-related relief to more than 1.2 million policyholders

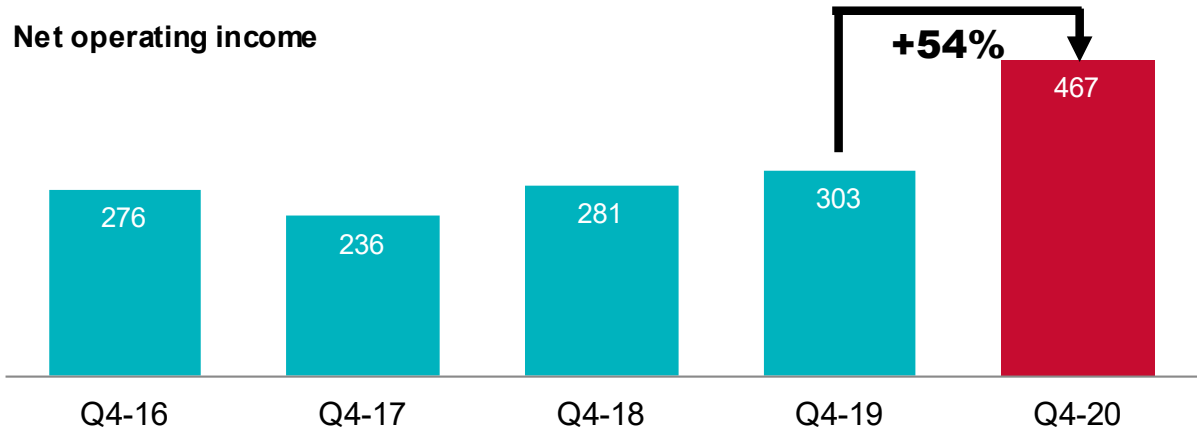
We enter 2021 with momentum,

the best team, and a resilient business. We intend to increase our dividend in 2021.

Louis Marcotte

Senior Vice President & Chief Financial Officer

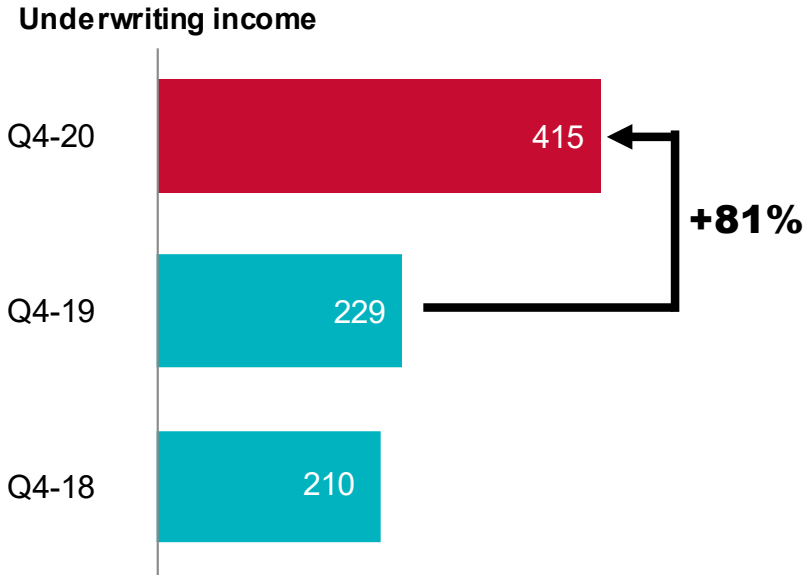
Operating income

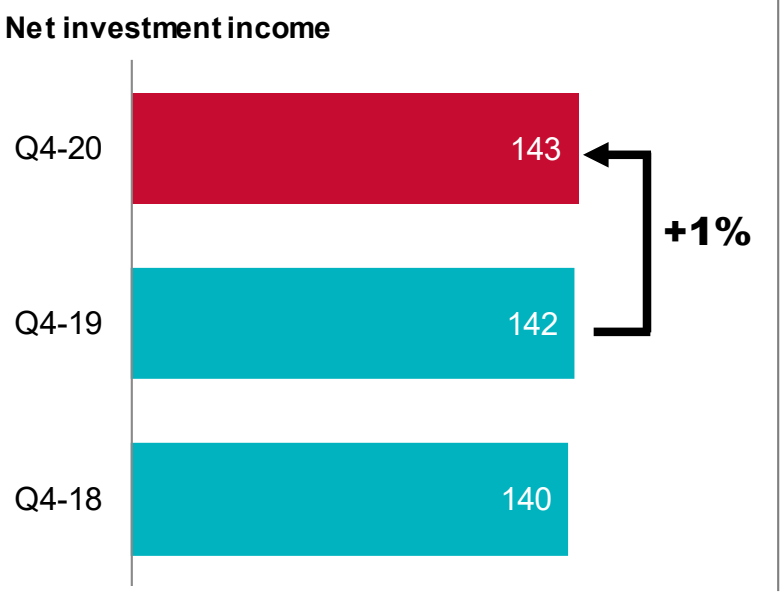


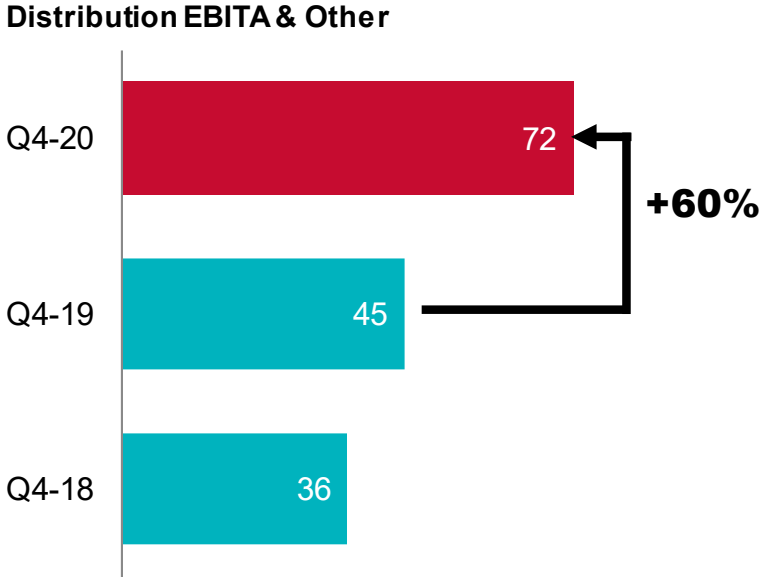
Net Operating income rose to $467 million, reflects strong growth in underwriting income and Distribution EBITA and Other.

Net investment income of $143M, was in line with last year, as the benefit of higher invested assets was offset by the impact of lower reinvestment yields.

Distribution EBITA & Other increased 60%, thanks to solid organic growth, disciplined expense management, higher variable commissions, and continuing M&A.

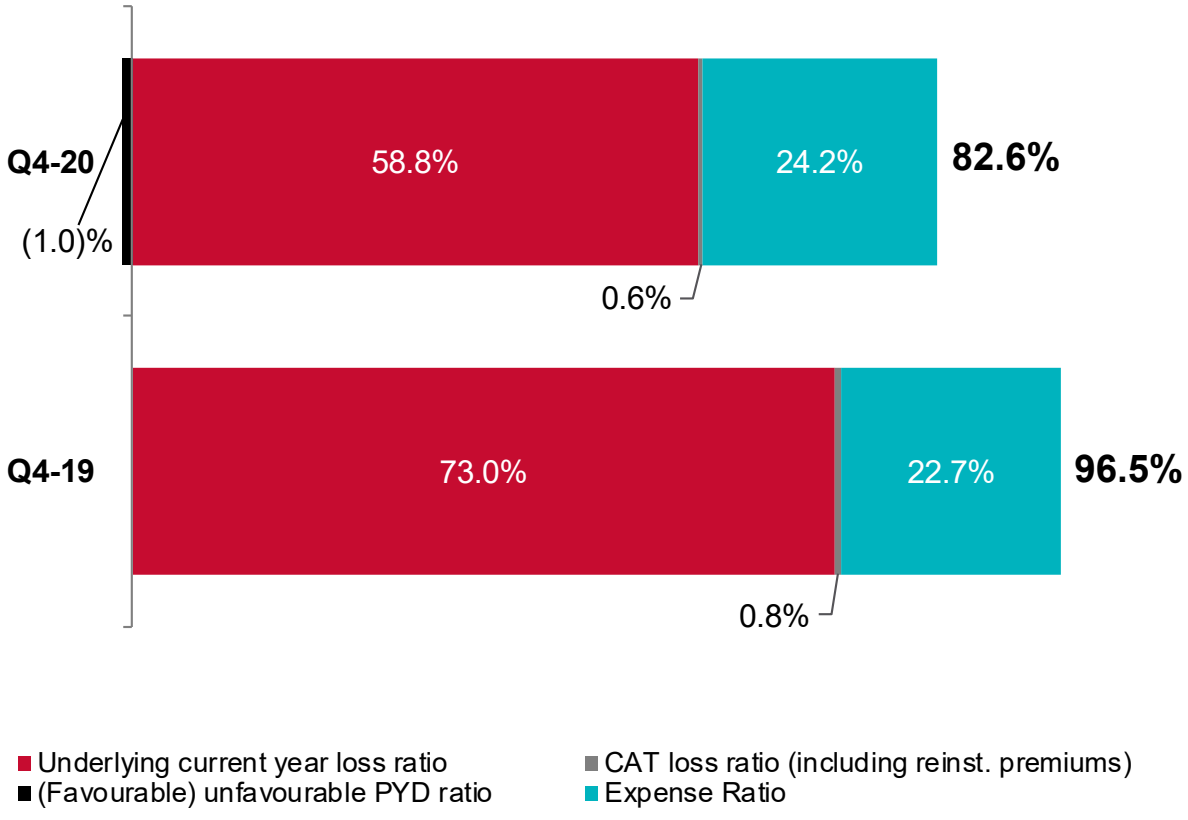




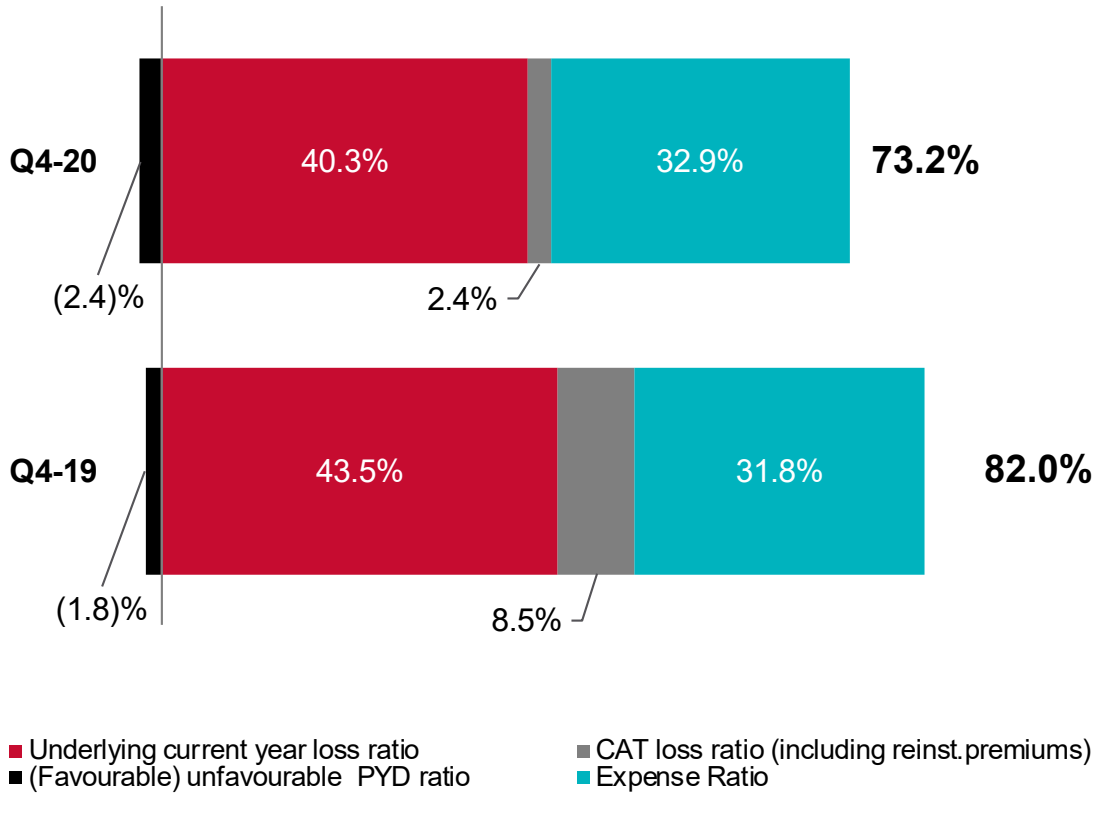


Personal lines underwriting review

Personal Auto

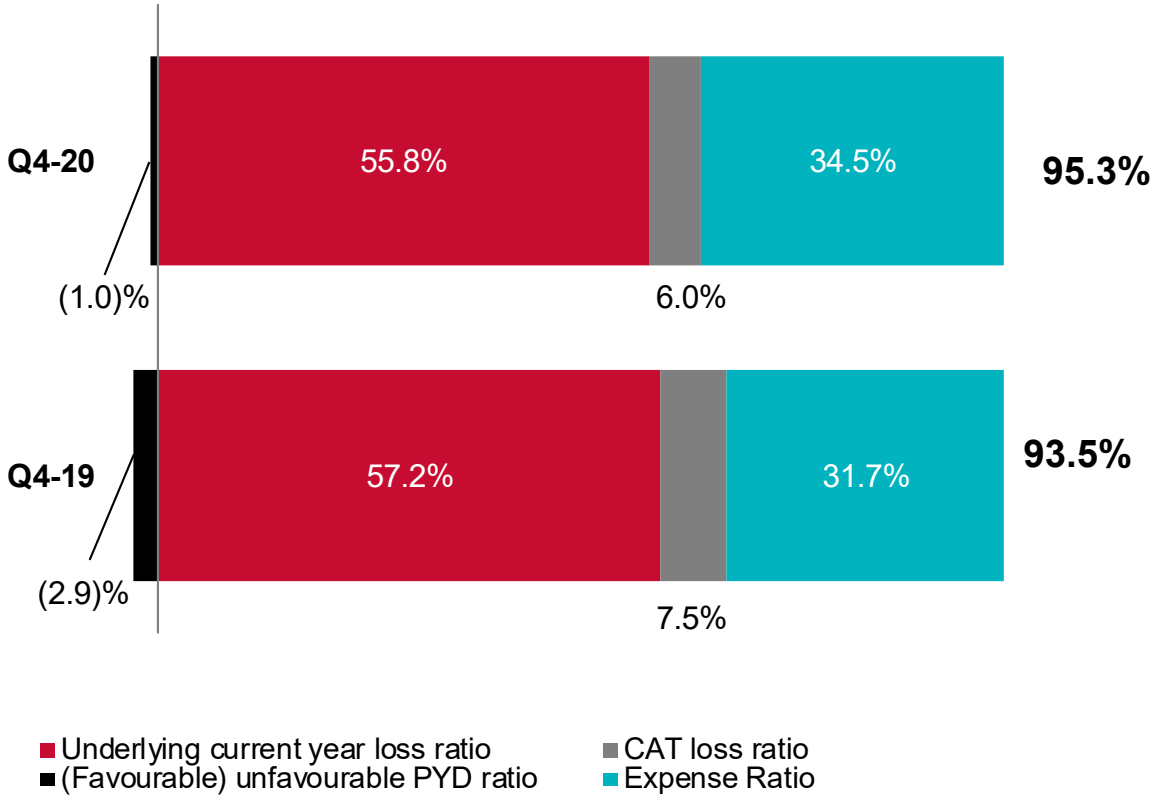


Personal Property

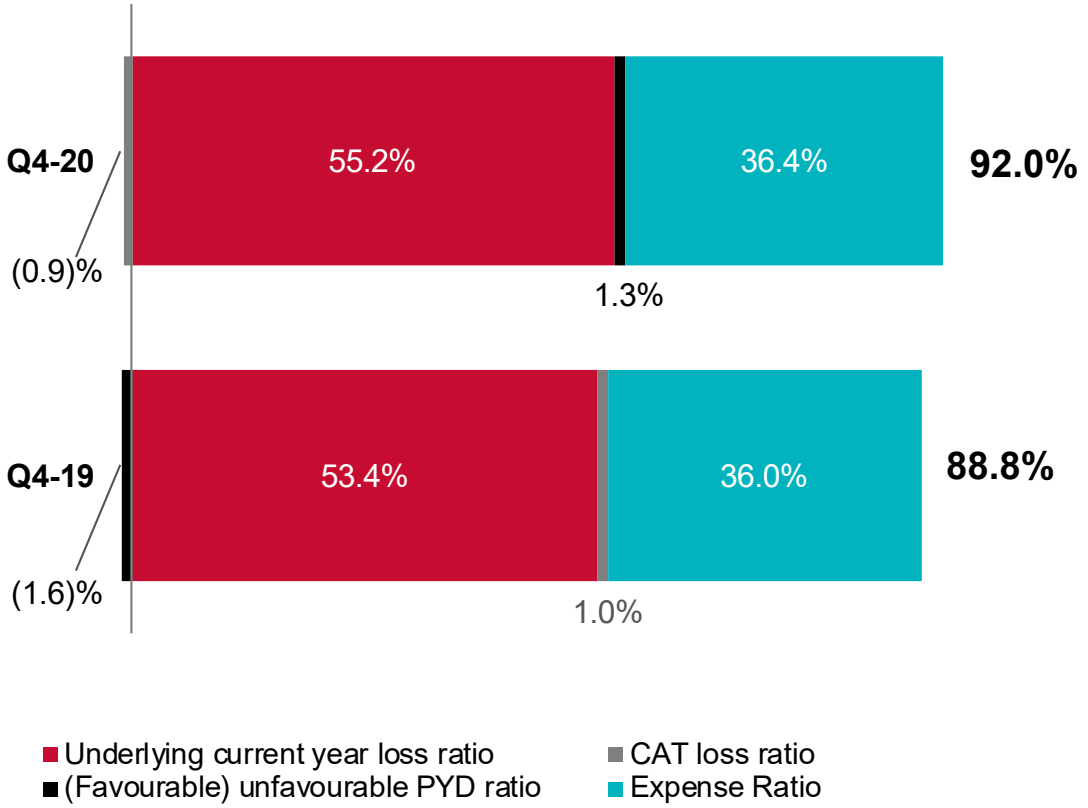


Commercial lines underwriting review

Canadian Commercial



U.S. Commercial



Proven and Consistent Capital Management Strategy

Maintain leverage ratio
(20% target debt-to-total capital)

↓

Increase dividends

↓

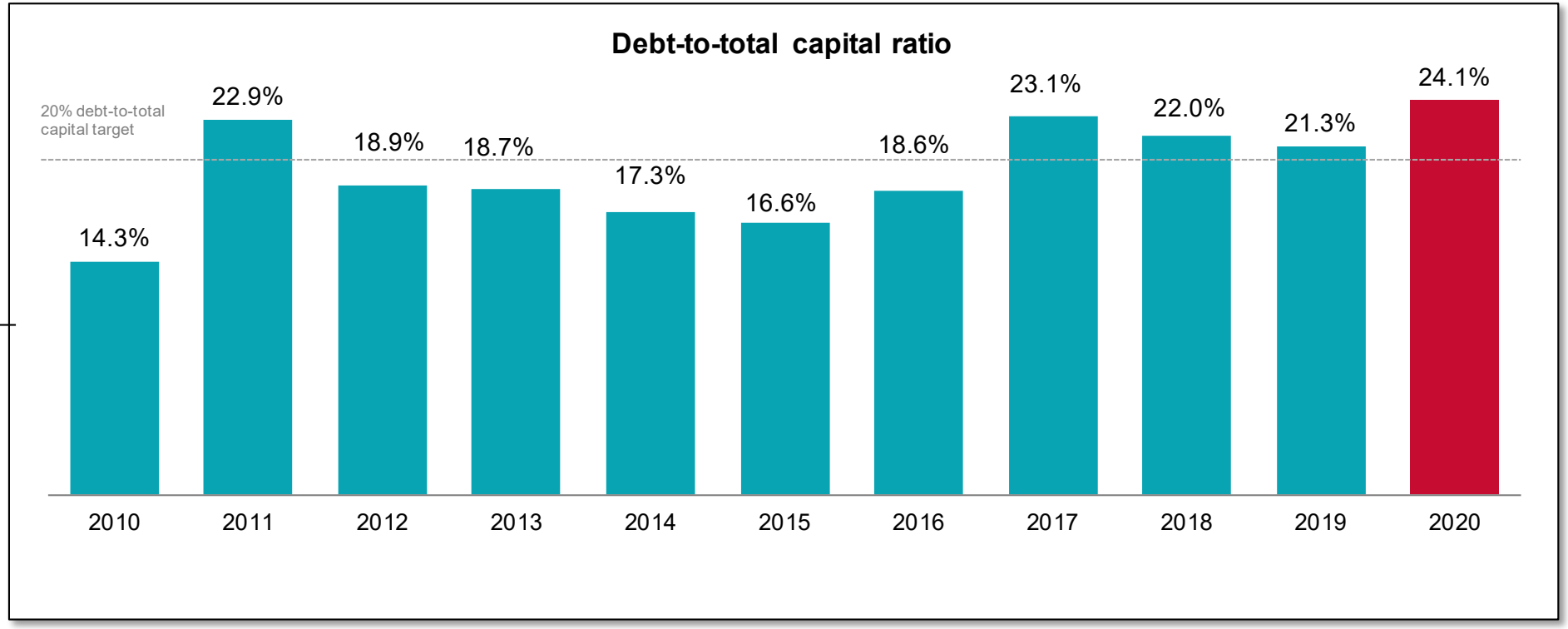
Manage volatility

↓

Invest in growth opportunities

↓

Share buybacks



Strong performance across the business

with significant growth in underwriting and distribution results in 2020

Maintaining prudent provisions for COVID losses

The intense second wave led to a $23 million increase, bringing our total to $106 million

Strong balance sheet and capital position

with financing for the RSA acquisition largely secured

RSA integration and transition planning are well underway

We are gaining further visibility on our expected $250 million in pre-tax expense synergies

Q&A

intact

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