Dear shareholders

In 2018, Intact Financial Corporation (IFC) continued to grow, adapt and innovate to define the future of insurance, deliver second-to-none experiences for our customers, and

help to build resilient communities.

Our success in 2018, and over the last 10 years, has been possible becauseof the foundation it is built on and the people who work here. As I write this letter, we are celebrating our 10th

anniversary. I want to share with you what has transpired in that time and why it matters.

Ten years ago, with the support of employees, brokers and the financial markets, we raised $2.4 billion and parted ways with our majority shareholder ING. We brought the leadership of property and casualty (P&C) insurance industry back to Canada – establishing IFC as an

independent, widely held company.

The financial crisis was at its peak – the status quo was not an option and we had to move with lightning speed. The excitement was palpable, and it worked – because we created a company

based on values and a belief that insurance is about people, not things.

People needed to know who we were and what we stood for. Within days of the transaction we announced our name, our colours and our values, and we used those to transform the organization and make it what it is today.

Our brands are now among the most recognized insurance brands in Canada – a testament to our focus on getting customers back on track. We have doubled the number of employees

to 14,000, become a best employer and attracted a diverse and talented group of people. Our strategy – to deliver exceptional customer service, engage our employees and earn the right to

be one of the most respected companies – has delivered strong returns for our shareholders.

Over the last decade, organic growth and six major acquisitions have driven a 10% CAGR in Direct Premiums Written (DPW)1. With the acquisition of OneBeacon, we have launched a new

growth pipeline in the U.S. We have outperformed the P&C industry on Return on Equity (ROE) by an average of 650 basis points (bps). Our market capitalization has quadrupled to $14 billion, and we have delivered an average annual total shareholder return of over 15%, almost double

that of the TSX60.

Over the next 10 years, we will build an unparalleled advantage in Canada by transforming the customer experience and extending our presence and expertise in the U.S. As we focus on

excelling at the fundamentals, we will continue to challenge ourselves to stay ahead of changing consumer expectations. We will lead in artificial intelligence as the explosion of data and

technology advancements continue rapidly. These big trends combined with the impacts of climate change will have a profound effect on the kinds of products we offer and the way we work. Our values, purpose and strategy will guide us as we tackle these trends, serve our customers and communities, and build a world-class P&C insurer.

**2018 year in review**

2018 was our first full year operating in both Canada and the U.S. DPW grew by 16%, driven by the acquisition of OneBeacon and strong growth in both commercial and specialty lines in Canada. We saw improving market conditions as the year progressed and expect personal lines to be a greater contributor to growth in 2019.

Net Operating Income Per Share (NOIPS)1 grew 3% to $5.74, with solid underwriting performance in both Canada and the U.S., and improved net investment and distribution income.

Net investment income was up a strong 22% due to the growth resulting from the integration of our Canadian and U.S. investment portfolio, as well as investment optimization initiatives and higher yields.

The combined ratio1 for Canada was 95.2%, with continued strong performance from personal property and significant improvement in personal auto. We are pleased with the profitability trajectory in auto and are focused on sustaining a mid-90s combined ratio in 2019. Canadian

commercial lines experienced higher large losses and higher CAT losses in 2018, but the underlying fundamentals of the business remain strong.

OneBeacon, in its first full year, produced a combined ratio of 94.8%. We realized synergies in excess of US $25 million in 2018, ahead of schedule. OneBeacon business segments under

profit improvement plans are responding positively and claims initiatives are being rolled out and are gaining traction. NOIPS accretion from OneBeacon was roughly 6% in 2018 and we remain on track for a sustainable low 90s combined ratio by the end of 2020.

The Operating ROE (OROE)1 was 12.1% in 2018, below our mid-teen expectations and historical track record. That being said, we outperformed the industry on ROE by close to 900 bps, a significant margin. We expect our OROE to improve in 2019 given the success of our profitability actions and the improving market outlook.

Our balance sheet is strong, with $1.3 billion of total capital margin and debt-to-total capital of 22%. This strength fuels the execution of our strategy and gives us the flexibility to take advantage of consolidation opportunities in Canada moving forward. Our balance sheet, combined with good earnings momentum and a favourable growth outlook, led us to once again raise our quarterly dividend this year by 9% to $0.76.

**Favourable industry outlook supportive of growth and profitability initiatives**

2018 was a challenging year for the Canadian P&C industry with a combined ratio of 102.1% and ROE of 2.8%. Industry-wide actions including rate increases have led to the firm conditions

we now see across all lines. We expect to see at least mid single-digit premium growth for the Canadian industry in 2019. In personal auto and commercial lines, profitability challenges are putting upward pressure on rates, while in personal property, companies continue to adjust to changing weather patterns. As industry rate increases catch up and our competitive position improves, we expect our growth in personal lines to improve in 2019.

In U.S. Commercial, the pricing environment is competitive but stable, with modest upward pricing trends. We expect low to mid single-digit industry growth in the coming year, while our

strategies in U.S. Specialty position us to do better than that. Overall, we expect the industry’s ROE to improve but remain below its long-term average of 10% over the next 12 months.

While we maintain our 500 bps industry outperformance objective, our strategies, strong distribution networks and depth of talent across the organization should help us exceed this target and capture improving growth opportunities in 2019.

**Our strategy shapes our success**

In the medium term, we will continue to excel at the fundamentals and execute on our four strategic pillars to solidify our position as Canada’s number one P&C insurer and a leading

North American specialty insurer.

**Our customers are our advocates**

This year, substantial investments in technology, digital tools, design expertise and artificial intelligence (AI) helped us deliver industry-leading platforms and provide more convenience

for customers. Our new Client Centre self-service app makes it easier for customers and brokers to do business with us. And our recently launched mobile Usage Based Insurance (UBI) 2.0 can now detect distracted driving and improve safety.

We are making things simpler for small and mid-sized business customers to get quotes through our new Quick Quote tool for commercial lines – prefilling more than half the questions using geomatics and external data sources. Our claims service is a key differentiator and is at the heart of what we promise. We continue to increase satisfaction by providing customers with options to tailor their experience – offering both online self-service options as well as face-to-face, full-service centres.

By 2020, we aim to have three out of four customers as advocates by delivering second-to-none experiences. Through awareness and digital adoption, we aim to have three out of four people actively digitally engaged.

**Our people are engaged**

Our people are central to the success of our customer driven transformation. They are the ones who help customers get back on track, develop new products, and make it easier to do business with us. We are a growing destination for top talent as a company that invests in the skills and tools of our employees, provides an inspiring environment and wants to be a force for good in society.

We are actively recruiting people with a wide range of expertise, from those focused on the front-line customer service; to industry experts; to software engineers, designers and data scientists. We all share a common goal of wanting to shape the future of insurance and provide second-to-none customer experiences.

A team that is engaged and inspired is central to that future. As our company grows and evolves, we continue to have strong engagement. In 2018, employees recognized our company

as being customer driven, for living our values and for having leaders who care for people, are open and honest, take accountability and drive change. For the 4th year in a row, we were named one of Canada’s Top 100 Employers and an Aon Best Employer –Canada 2019,

Platinum level. And for the first time, we were named one of the 25 Best Places to Work in Canada by Glassdoor, as determined by those who know a company best – employees.

**Our specialty solutions business is a leader in North America**

Our Canadian specialty lines platform has grown close to 50% over the past five years. In 2017, we boosted our ambitions in specialty lines with the acquisition of OneBeacon. The

transition has gone very well – our culture and values have been aligned from the beginning. It feels like we've been working together for a long time and we are seeing positive results.

Combined specialty lines premiums grew to $2.3 billion in 2018, nearly a quarter of IFC’s book of business. We are on track to reach our goal of $3 billion and achieve a sustainable

combined ratio in the low 90s in the medium term. Having the right people with the right

expertise is critical to the success of the specialty business. We are now better positioned to leverage the significant opportunities we see in specialty lines across North America including growing our Canadian cross-border business, expanding the most attractive OneBeacon product offerings in both the U.S. and Canada, and leveraging our sharing economy expertise.

**Our company is one of the most respected**

To be one of the most respected companies we must, above all, live our values in the marketplace every day. That includes putting in place strong governance and abiding by

the highest ethical standards. As our Chairman notes in his letter, we have consistently performed well in external governance reviews.

We continue to drive change, increase broker satisfaction, and take customer experience to the next level across our personal and commercial businesses while deepening our strengths in pricing, risk selection, claims and investments. We have laid out clear performance targets to earn respect including exceeding industry ROE by 500 bps in Canada and the U.S. and growing

NOIPS 10% yearly over time. We have continued to perform well against those targets. In 2018, we exceeded industry ROE by close to 900 bps, taking average annual outperformance on this metric to 650 bps over the past decade. Since becoming Intact Financial in 2009, we’ve grown NOIPS at a compound annual growth rate just north of 10%.

This outperformance allows us to invest in transformation – including leveraging AI to design relevant products and services for customers. We aspire to be the best insurance AI shop in the

world and we are building unique partnerships with leading universities in Canada to build a top talent pipeline of actuaries and data scientists, and to develop cutting-edge products.

Our team of data scientists and actuaries at the Data Lab are rolling out our latest rating algorithms. We see strong evidence that our investments in AI will drive efficiencies, growth and

margin expansion in the years ahead through more accurate pricing to better reflect risk and a more personalized product for customers.

**Making a difference**

Making a difference is in our DNA, and it is reflected in our purpose and how we live our values. Those values help us make the right decisions whether we are talking about financial performance or supporting our communities. Employees and customers are increasingly looking to businesses to take the lead on important societal issues. We must challenge ourselves

over the next 10 years to have a greater presence in our communities, and to be more generous of our time, our knowhow and our financial resources. So how do we begin to raise the bar?

Over the last 10 years, we have donated more than $37 million to charitable causes, including more than $6 million in 2018 alone. Climate change adaptation, addressing the root causes of child poverty, and supporting employee citizenship through our community impact program are at the heart of our giving. Supporting climate change adaptation initiatives has been, and will continue to be, at the top of our list. We saw the canary in the coal mine 10 years ago and we’ve been helping our customers manage the direct effects of increased flooding, fire and other extreme weather events ever since. We continue to see the benefits in our investment in the Intact Centre for Climate Adaptation at the University of Waterloo. Dr. Blair Feltmate and the team had outstanding success this year working with government partners to strengthen building codes and flood standards and to give homeowners practical tools and tips

to protect their homes from flooding. We are working with other global insurers, governments and nongovernment organizations on climate change. This year, we joined the United

Nations Environment Programme Finance Initiative (UNEP FI) Task Force on Climate-related Financial Disclosures (TCFD) pilot, bringing together 16 of the world's largest insurers to better

understand the impacts of climate change on their business and how to account for them.

We also co-hosted the Geneva Association Global Forum on Pathways to Climate-Resilient Critical Infrastructure in Toronto last September. We will continue to use our knowledge,

experience and expertise in 2019 to work with our partners to find solutions.

Child poverty is another serious issue that needs immediate attention right here in our own backyard. Today one in five children in Canada lives in poverty. This year, Intact’s donation

to the United Way was designated to agencies that specifically address child poverty issues. And we will continue to build on our commitment in this area of focus.

In 2018, we also supported the Roméo Dallaire Child Soldiers Initiative to establish a regional centre of training and learning in Rwanda. These funds will help the Dallaire Initiative establish a

permanent presence in Africa. This is a cause that has been widely embraced by our employees and I spent time in Rwanda last spring with the Dallaire Initiative and saw first-hand the importance of their work. While the problem of using children in wars is far from resolved, the General's team is moving the needle and making progress.

We will challenge ourselves to do better in supporting climate change adaptation and addressing the root causes of child poverty in 2019 and beyond. As beneficiaries of the power of AI, we will also turn more of our attention to the uncertainty this creates around

the future of work. People are increasingly concerned about the impact of technology on jobs and whether they can continue to get ahead. It is up to companies like Intact to help our employees navigate this uncertainty and gain new skills, and for us to continue to grow and provide good jobs in the future.

**Conclusion**

Our values, our people and our strategy have been foundational to our success over the last 10 years and they will continue to underpin our work over the next 10.

Our customer driven culture and our care for our people during a period of transformational change are what will differentiate us. We are confident that this will fuel profitable growth and

another decade of outperformance on our financial objectives as we establish ourselves as a world-class P&C insurance company.

I would like to thank our shareholders and brokers for their support over the last 10 years and our world-class team of employees across North America for their dedication to our customers

and communities.

**Charles Brindamour**

Chief Executive Officer