

## Introduction

Just over a year ago the world changed with the onset of COVID-19. While I'm optimistic for the future, the pandemic continues to have a profound impact on people, the global economy and society.

Our strong financial position helped us pivot our business to support employees, brokers and customers through this extraordinarily difficult period, while we made meaningful progress on our strategic objectives and continued to outperform in 2020.

That outperformance and financial strength underpinned our ability to provide significant relief to customers who needed our help. And to take on our biggest acquisition to date – RSA Insurance Group PLC – a company that we have admired for more than a decade.

The CAD\$12.5 billion offer, made in partnership with Scandinavian insurer Tryg A/S, was done entirely virtually, and is on track to close in Q2 of 2021. It will be transformational – accelerating our leadership in Canada, expanding our specialty lines platform with international expertise and giving us entry into the UK and Ireland with scale. Above all, it will allow us to invest more heavily in our core capabilities to deliver second-to-none customer services, and to strengthen our outperformance.

We couldn't have achieved these milestones without the commitment and dedication of our employees across Intact – they adapted at an incredible pace last year and with the highest levels of engagement we've seen yet.

Our ability to deliver strong results, accelerate our strategy and provide relief to customers this past year also comes from being grounded in our Values and purpose. Our purpose – to help people, businesses and society prosper in good times and be resilient in bad times – mattered more than ever.

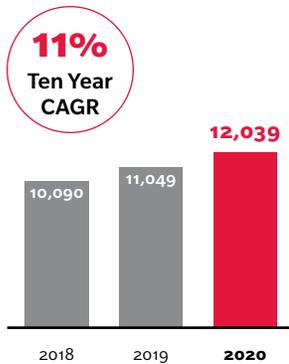
The pandemic has driven home the importance of good risk management practices and the need to prepare for large tail-risk events. While we collectively continue to fight COVID-19, we cannot forget about the existential threat of climate change. Governments, businesses and communities must work together to build a climate-resilient society.

We are committed to elevating our role in helping customers and society **Make it Intact** – building back stronger and being better prepared for the future.

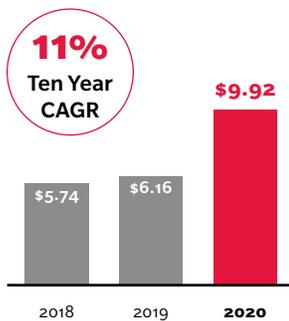


Chief Executive Officer  
**Charles Brindamour**

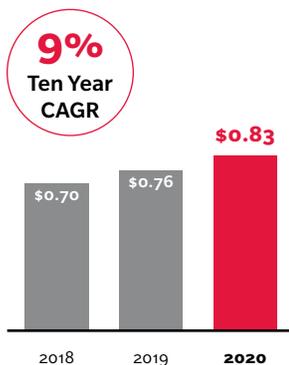
## DPW<sup>1</sup> (in \$ millions)



## NOIPS<sup>1</sup>



## Quarterly dividend per common share



<sup>1</sup> These are non-IFRS financial measures.  
See Glossary on [page 196](#) for definitions.

## Our response to COVID-19

Leadership in a crisis is grounded in experience and a strong sense of purpose. We were able to leverage our leaders' can-do attitude, our employees' willingness to step up, and our strong financial position to offer help for people in need while continuing to execute on our strategy.

Right from the start we took a problem-solving approach and moved quickly to provide relief to both our personal and small business customers. In fact, we were ahead of the industry in our risk-based and needs-based relief efforts. We've helped more than 1.2 million personal and commercial customers, amounting to \$530 million in relief. This took the form of policy adjustments, premium reductions, and flexible payment options. Our Intact Small Business Relief Program offered \$50 million in financial support for about 100,000 small business customers most impacted by the pandemic.

We will continue to provide further support through customer-driven rate strategies, product enhancements and the accelerated deployment of Usage Based Insurance (UBI). Customers who drive less, and safely, can see meaningful reductions in auto premiums through UBI. Late last year we also began offering increased liability and property coverage to new and existing personal lines customers who work from home. As well, we included free access to online mental health and well-being programs for a year.

The first part of 2021 will continue to be difficult for many – especially those affected by the deepening impacts of extended lockdowns. But as large-scale vaccination picks up speed, I'm more optimistic about the remainder of the year. It's important that businesses continue to protect and support their employees and communities. We will continue to do our part – our capital position remains strong and we've shown that our business is tremendously resilient.

## 2020 performance in review

The fundamentals across all our businesses have remained robust. We saw solid premium growth of 9% in 2020, driven by market conditions, new business and the Guarantee Company of North America acquisition. Our combined ratio of 89.1% was strong and driven by our action plans, the impact of reduced driving and benign weather conditions.

In our distribution business, we saw EBITA increase by 32% on strong organic growth, good expense management and broker acquisitions. Our accretive acquisitions of On Side and Frank Cowan Company also contributed to this strong growth. Investment income was flat year-over-year as we continue to face lower reinvestment yields.

This performance led to net operating income per share (NOIPS) increasing 61% to \$9.92 in 2020, a strong Operational ROE of 18.4%, and a 9% increase in book value to \$58.79. Included in these results are \$106 million in losses directly related to the COVID-19 pandemic.

At Intact, we've had a simple capital management philosophy since our inception: to have significant capital available in good and in bad times. Our strong balance sheet position at year-end is the result of this disciplined approach. We ended 2020 with \$2.7 billion in total capital margin, which includes funds to acquire RSA, and strong regulatory capital levels in Canada and the U.S.

Our financial objectives are to increase NOIPS 10% annually over time and outperform the industry ROE by 500 bps every year. We continue to meet and exceed this objective, with NOIPS well over 10% this year, and our ROE outperformance sitting at 570 bps. Our track record over the last decade is strong with NOIPS compounding at 11% annually and our ROE outperformance averaging 680 bps.

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Charles Brindamour, Chief Executive Officer

## Outlook

We are expecting an extended period of economic disruption in Canada and the U.S. While Canada is widely accepted to be in the midst of a rebound, the speed of recovery will be tightly tied to the vaccine rollout and how quickly the pandemic can be controlled. Economic recovery in the U.S. will depend upon how efficiently the Biden administration is able to deliver on the promised raft of health and economic measures to manage the pandemic.

The pandemic has had an extraordinary impact on our collective physical and mental well-being, and on healthcare systems in Canada and the U.S. While immunity in the general population is still some time away, the vaccination data we are seeing related to vulnerable populations, including those in long-term care and seniors, is promising. As society continues to grapple with the introduction of COVID-19 variants, the importance of mass testing and contact tracing remains critical.

Over the past year, we have seen governments around the world take quick and decisive action. However, the pandemic has also highlighted the vital importance of preparedness and the need to have policy mechanisms in place to be able to act quickly. As we brace for a third wave of COVID-19, it is critical that governments adopt a risk-based approach to protecting the health and safety of individuals and society while also focusing on re-opening the economy and getting back on track.

The effects of the pandemic are highly uneven across society. We are likely to see permanent changes in consumer behaviour, the economy and society more broadly. Customers are increasingly adopting digital solutions and are more anchored to value for money. The business landscape will likely see more consolidation of smaller and mid-sized businesses. As well, the gaps in racial and economic equality are rising, as is the resulting political polarization. Business has an important role to play in coming to the table with solutions and narrowing these gaps.

At the Canadian insurance industry level, with the 3-year average ROE in the mid-single digit range and the average combined ratio close to 100%, we expect corrective measures to continue. In commercial lines, we expect hard market conditions, and in personal property we see firm market conditions. Personal auto was the most impacted segment of the industry, given the reduction in driving and claims activity. We expect personal auto conditions to be temporarily soft, until driving activity returns to normal. In the U.S. commercial lines segment, we expect hard market conditions to continue in 2021.

The Canadian P&C industry remains highly fragmented and competitive, which is conducive to further consolidation. We anticipate that 10-15 points of market share will change hands in the coming years, and we are keen to continue to lead.

## Our strategy – delivering strong, sustainable performance

Our teams across North America didn't miss a beat on delivering on our objectives and meaningfully advancing our ten-year strategic roadmap in 2020. We did so while navigating volatile markets and global uncertainty. Our acquisition of RSA will significantly accelerate our strategy and add a fifth pillar to our strategic roadmap.

Here is an update on our roadmap:

### 1. Expanding our leadership position in Canada

Our objective is to have 3 out of 4 customers as advocates and 3 out of 4 customers actively digitally engaged with us, and we've made significant progress this year.

We met increased customer demand for digital options through our market-leading insurance apps and telematics capabilities, and our user-friendly digital tools to file claims. Our mobile app more than doubled the number of monthly users. One out of three claims are now being reported digitally – twice the pre-crisis levels. And, we achieved a major milestone at belairdirect with 3 out of 4 customers now digitally engaged with us.

We also made product enhancements in personal lines to respond to the needs of our customers by accelerating our UBI program and increasing coverage and protection in personal property.

Strengthening distribution continues to be a key focus. BrokerLink reached an important milestone last year achieving more than \$2 billion in DPW, and we have set a new \$3 billion target. We will continue to deploy *insurance simplified* at belairdirect. By simplifying our products and enhancing the claims process and digital experience, we will make it easier to buy online and engage with us. Value for money will be an increasingly important aspect coming out of the pandemic and belairdirect is well positioned to capture this shift.

We have neared completion of the integration of the Guarantee Company of North America and Frank Cowan Company, and we announced the RSA acquisition in November.

Acquiring RSA's business will expand our leadership by 30% at home, while bringing complementary offerings in commercial lines and a well-known affinity business with Johnson Insurance. Canada is where we see the most meaningful value-creation opportunities to drive our outperformance, provide a wider offering to our brokers and deliver second-to-none customer service.

### 2. Building a specialty solutions leader

Specialty Solutions premiums grew to \$3 billion in 2020, meeting our original objective and setting us on a course to achieve \$6 billion in DPW by 2025. Achieving a combined ratio in the low 90s is within sight but progress was slowed somewhat this year with the pandemic.

We expanded our distribution capabilities with the acquisition of IB&M, a privately held brokerage specializing in international trade markets. IB&M and Frank Cowan Company are meaningful investments in the MGA channel, where we see the opportunity to build an attractive stream of distribution earnings and put our underwriting capacity to work. We've got the appetite to do more in this channel.

We also announced a new cyber solutions product delivered in partnership with Resilience Insurance. We now focus on 20 specialty lines, nine of which serve both Canada and the U.S. And lastly, we brought together our North American specialty capabilities under a single brand – Intact Insurance Specialty Solutions.

With the acquisition of RSA, we will expand and broaden our distribution footprint by adding international capabilities and expertise in Europe, creating a \$4 billion+ leading specialty solutions platform. Our specialty lines teams also see a compelling opportunity to build international leadership in Marine, Specialty Property and E&O/D&O. As well, RSA has a strong global network, which we look forward to capitalizing on to accelerate our outperformance.

### 3. Strengthening a leading position in the UK and Ireland

We will enter the large UK and Ireland markets at scale. RSA has a 300-year heritage and strong presence in the UK and will play an important role as a hub for our new combined organization to create second-to-none customer experiences and drive future success.

While these markets are new to us, the products and competitors are not. RSA has leading positions in commercial lines and personal property – we have built outperformance in Canada in the same business lines against many of the same players.

We look forward to working with RSA to build on their strengths and share our core expertise in data, risk selection, claims and supply chain management to further drive sustainable outperformance.

Scott Egan will continue to run the UK and International business once the transaction closes. This sends a strong message to RSA's people, brokers and customers – that we believe in the business. Scott is an impressive leader, there is great chemistry, and I look forward to him joining Intact's Executive Committee.

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Charles Brindamour, Chief Executive Officer

#### 4. Transforming our competitive advantages

Transforming our competitive advantages is key to our outperformance mindset. We are delivering on our objective to exceed industry ROE by five points and grow NOIPS 10% yearly over time.

That mindset helps us deliver value to our customers and create capabilities that are hard to replicate. Our industry-leading capabilities were built over decades and will be particularly important as we integrate RSA.

These core capabilities, our unparalleled access to data and an astounding rate of digital acceleration by customers led to improved experiences and increased operational efficiencies in 2020.

Our team of AI experts has grown by over 40% this year and we’ve doubled our models in production. We’ve developed next-generation algorithms to improve segmentation and risk selection and launched our first Sales and Claims chatbots.

Our customers’ claims experience continues to improve. Through our mobile app, customers can now file a claim and have it appraised digitally by uploading photos – close to 40% of all eligible claims are now being handled in this manner.

We acquired On Side Restoration – a leader in home restoration in Canada – over a year ago. We have grown its top line by over 20%, expanded operations in seven provinces and improved margins by a third. And we have significantly increased customer satisfaction with job cycle times cut by 15%. The On Side team is executing well and there is lots of momentum in this business.

Through the RSA acquisition we will grow the top line by two-thirds. This will give us an unmatched ability to further invest data, risk selection, claims and supply chain management.

And finally, our strong capital management and investment teams navigated a turbulent year with incredible rigour. When the crisis hit in early March last year, they moved quickly to protect our balance sheet and improve liquidity. These early moves, as well as discipline throughout the year, awarded us the flexibility to provide real relief to our customers, protect our employees, and provided the ideal conditions for RSA.

#### 5. Investing in our people

Our people are at the heart of our strategy – it’s why being a best employer with a highly engaged team is a key strategic objective. We are committed to providing employees with the opportunity to shape the future, win as a team, and grow with us.

The importance of investing in our people has never been clearer. Within a two-week period in March 2020 nearly every employee began working from home. We invested quickly in the necessary IT infrastructure and tools to work virtually. And we doubled down on communication across the organization and enhanced mental health support.

We’ve continued to improve the experience throughout the last year. We invested in the rollout of digital collaboration tools and a new e-learning platform to help our employees adapt and succeed and as we prepare for the workplace of the future.

The COVID-19 crisis also brought many social justice issues – including systemic racism – to the forefront. It was a wake-up call for society. My leadership team and the Board have committed to accelerating our Diversity and Inclusion strategy by taking concrete actions to address gaps in our organization.

These actions include adding a new strategic objective to ensure our leaders and employees are representative of the communities we serve, with new targets to increase the diversity at all levels of management – including at the Board of Directors and the Executive Committee.

Despite the challenges, we’ve had record-high levels of engagement in 2020 and our people have not missed a beat. They have been there day in and day out for our customers, brokers and communities. I commend their can-do attitude, flexibility and empathy over the past year.

One of the rewarding aspects of building through acquisitions is the ability to bring new talent into our Intact family quickly. It provides an opportunity to build the best team with a shared outperformance mindset. To our RSA colleagues: I’m looking forward to welcoming you and seeing what we can achieve together.

#### Social impact and climate resilience

The pandemic created a level of societal upheaval not seen since the Great Depression. While we can’t eliminate deep-rooted societal problems overnight, businesses can mobilize quickly to take concrete actions and be a part of the solution.

With that in mind, we’ve challenged ourselves to redefine and build a stronger social impact mandate at Intact in the areas of climate resiliency, and in creating opportunity for children and families living in poverty. We are working on a framework to measure our success in building resilient communities as part of our strategic objective to be recognized as one of the most respected companies.

### Helping people through the pandemic

While our social impact action framework lays out a longer-term plan, we were also focused on immediate action in 2020. Within days of pandemic lockdowns, we committed an initial \$2 million to help the most vulnerable members of our society. This doubled to \$4 million as the impact of the pandemic worsened. From food security, to support for the elderly, to financial support to help accelerate COVID-19 treatments, it was a chance for us to live our purpose.

Through our Generosity in Action campaign we doubled our employee donations match in 2020. Together, we raised over \$5.2 million nationally for the United Way and other community level organizations – an exemplary demonstration of our value of Generosity, and how our employees continue to help people in need.

### Building a climate resilient society

While the pandemic has been top of mind, the ongoing threat and impacts of climate change didn't slow down, with 2020 tied for the warmest year on record. Climate change is a multi-faceted issue, with a critical call to action for society to adapt to a world where disruptive severe weather events are becoming more common.

For Intact, climate change is not simply an Environmental Social and Governance (ESG) issue – it's embedded in our strategy. Climate risk management has been built into our strategy for more than 10 years and we continue to adapt. Over the years, we have implemented several actions to manage the impacts of changing weather patterns including improved risk selection, pricing, product changes, supply chain enhancements and a greater emphasis on and investment in prevention. You can read more about this in our [Social Impact Report](#).

A critical aspect of our approach to prevention is partnerships. In the midst of the pandemic, we committed more than \$1.3 million to five new climate adaptation partners to accelerate solutions at the community level. In addition, we renewed our long-standing partnership with the Intact Centre on Climate Adaptation at the University of Waterloo for another five years. We are working with the Intact Centre to establish best practices to limit the impacts of floods, wildfires and extreme heat. We're focused on helping build the capacity of these partnerships to create, validate and scale solutions to withstand the impacts of climate change.

Simply put – economic resilience requires climate resilience. In order to prosper and grow Canada's economic competitiveness, adaptation and resilience must be integrated into economic policy. We have a collective responsibility to ensure that our most vulnerable and climate-affected communities are climate resilient and we will continue to use our strengths to protect them.

### Conclusion

While the social and economic upheaval caused by COVID-19 will likely continue for some time, our focus has always been on the long term. Returning to the 'new normal' will be a shared responsibility to be coordinated across governments, businesses and society.

We delivered outstanding results throughout a challenging year, and I want to thank our people across North America – you really stepped up.

Our acquisition of RSA will help us to further accelerate our strategy and strengthen our ability to outperform – and we especially look forward to welcoming RSA employees into the Intact family.

As we embark upon 2021, I know that we have the best teams, a business that is tremendously resilient, and strong momentum to surpass our financial objectives.

We're ready to continue delivering strong results and to play a role in rebuilding our communities and the economy. We are energized by the possibilities ahead.



**Charles Brindamour**  
Chief Executive Officer