Q1-2021

Review of Performance

Wednesday, May 12, 2021
Intact Financial Corporation (TSX: IFC)

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 MD&A are made as at December 31, 2020, and are subject to change after that date. This MD&A contains forward-looking statements 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, as well as with respect to the acquisition of The Guarantee and Frank Cowan Company Limited ("FCC") 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 refinance the bridge for 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 cost 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 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 and in the risk section entitled Risk management (Section 19) of our MD&A for the quarter that ended March 31, 2021. 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 Company both IFRS and non-IFRS financial measures to assess our performance. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. The non-IFRS measures included in this MD&A are: direct premiums written (DPW) and DPW growth in constant currency; net earned premiums (NEP); underlying current year loss ratio; PYD and PYD ratio; total net claims and claims ratio; underwriting expenses and expense ratio; underwriting income and combined ratio; distribution EBITA and Other; finance costs; other income (expense); income before income taxes and total income taxes; pre-tax operating income, net operating income (NOI), net operating income per share (NOIPS) and operating return on equity (OROE); adjusted net income, adjusted earnings per share (AEPS) and adjusted return on equity (AROE). See Section 21 – Non-IFRS financial measures 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 25 – Glossary and definitions of our Q1-2021 MD&A.
- Underwriting results exclude the impact of exited lines from the effective date with no restatement of comparatives. See Section 20 – Non-operating results for details of our Q1-2021 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 Insurance Group plc (RSA). All financing is secured and closing is expected on June 1, 2021. See Section 11 – Acquisition of RSA's Canadian, UK and International operations of our Q1-2021 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

$2.40
NOIPS
increased 49%, driven by strong underwriting and distribution performances

89.3%
Combined Ratio
improved by 5.0 points, driven by strong fundamentals across the business

+1%
Premium Growth
but approximately +6% on an underlying basis

+20%
BVPS
year-over-year, to $62.19 driven by strong operating performance and investment gains

19.0%
Operating ROE
Above our historical mid-teens average

$3.0B
Total Capital Margin
including $850 million in debt and hybrids issued to finance the RSA acquisition

Personal lines results

Personal Auto

-8%
DPW growth

93.4%
combined ratio

Key Points

- **Premium growth** declined 8%, after reflecting 9 pts of additional relief and 2 pts due to the B.C. auto exit
- **Combined ratio** was strong, improving 1.2 pts over last year, driven by solid underlying performance and healthy favourable PYD

Personal Property

+6%
DPW growth

77.4%
combined ratio

Key Points

- **Premium growth** increased 6% in the quarter, driven by firm market conditions and unit growth
- **Combined ratio** improved 4.4 pts year-over-year, reflecting strong underlying performance and favourable PYD

Commercial lines results

Canadian Commercial

+5%
DPW growth

90.1%
combined ratio

Key Points

- **Premium growth** reflected hard market conditions and strong new business, tempered by lower volumes in sharing economy products in Commercial auto
- **Combined ratio** was strong, improving 10.6 pts year-over-year and driven by our profitability actions, strong favourable PYD and mild weather conditions

U.S. Commercial

+6%
DPW growth
(constant currency basis)

96.3%
combined ratio

Key Points

- **Premium growth** was driven by hard market conditions and recent MGA acquisitions, tempered by the impact of the economic slowdown in some lines of business driven by the COVID-19 crisis.
- **Combined ratio** included 7.6 pts of CAT losses, which were above expectations and related to the severe Texas winter storms.

RSA Acquisition Update

Integration and transition planning are progressing well. We are moving diligently towards the expected closing date on June 1, 2021

Building the best team

- ✓ We are ready to welcome our **RSA colleagues** into the Intact family
- ✓ Finalizing our **leadership structure** to further **strengthen our bench**, **elevate top talent** and operate with the **best team**

Integration & Value Creation

- ✓ Detailed bottom-up planning to ensure we can immediately begin to deliver on our strategic and financial objectives
- ✓ Reaffirming **NOIPS accretion** targets:
  - High-single digit in the first year
  - Increasing to upper-teens within 36 months
- ✓ **BVPS** expected to increase by approximately 25% at closing
- ✓ Mid-teens **OROE** in the medium term
- ✓ Over **$2.0B total capital margin** at closing with a **debt-to-total-capital** expected to return to 20% within 36 months

Nov 18, 2020
✓ RSA Acquisition announcement

Nov 25, 2020
✓ $3.2B Sub Receipt Cornerstone Investors

Dec 3, 2020
✓ $1.25B Sub Receipts Offering

Dec 16, 2020
✓ $600M Medium Term Note Offering

Jan 12, 2021
✓ Approval from the Canadian Competition Bureau

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

Mar 31, 2021
✓ $250M Completed Fixed-To-Fixed Rate Subordinated Notes Offering

May 6, 2021
✓ All anti-trust and regulatory approvals received

May 25, 2021
Awaiting approval High Court of Justice in England and Wales

June 1, 2021
Expected closing

We started 2021 with strong momentum

With NOIPS up 49%, BVPS up 20% year over year and an OROE of 19%

We continue to strengthen our competitive advantages

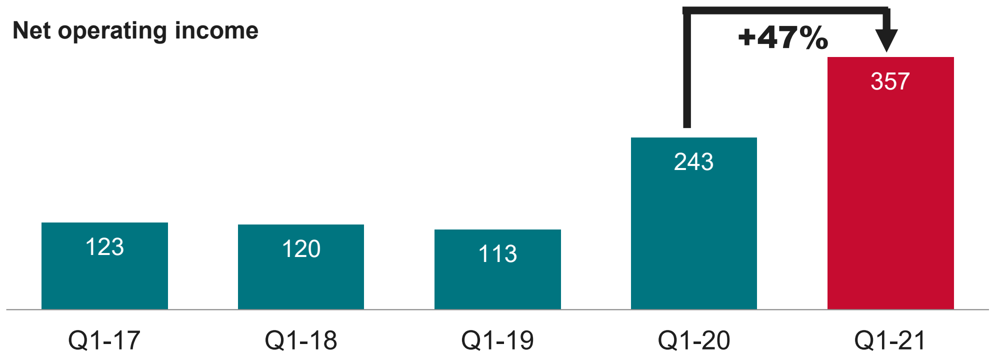
to ensure NOIPS growth of 10% annually over time and industry ROE outperformance of 500 bps yearly

RSA acquisition expected to close June 1, 2021

Look forward to welcoming the RSA team and continue to build outperformance


[intact]
Louis Marcotte
Senior Vice President & Chief Financial Officer

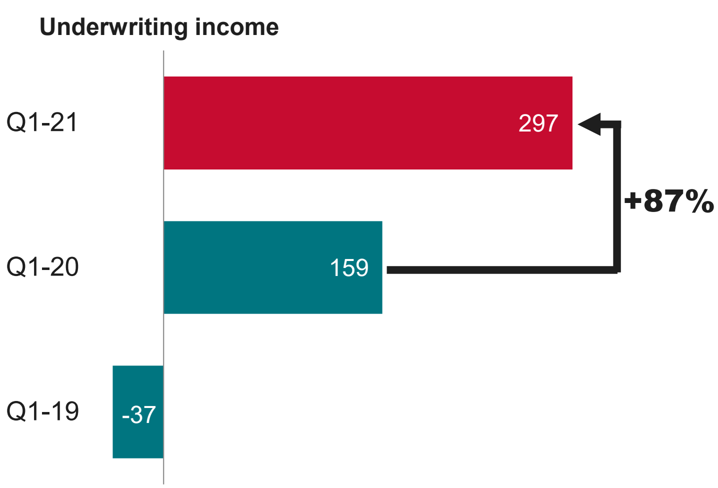
Operating income

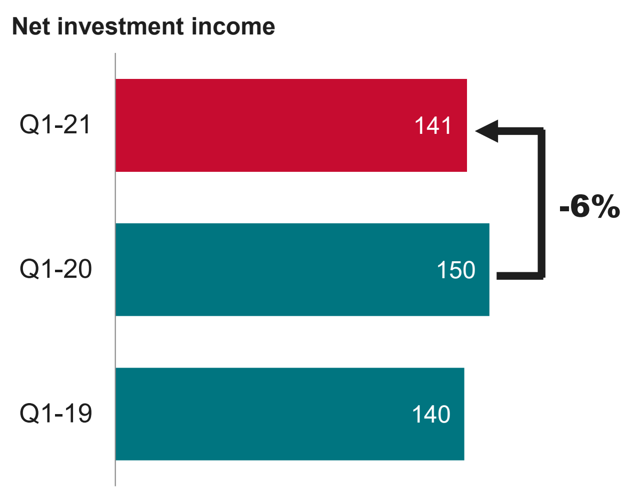


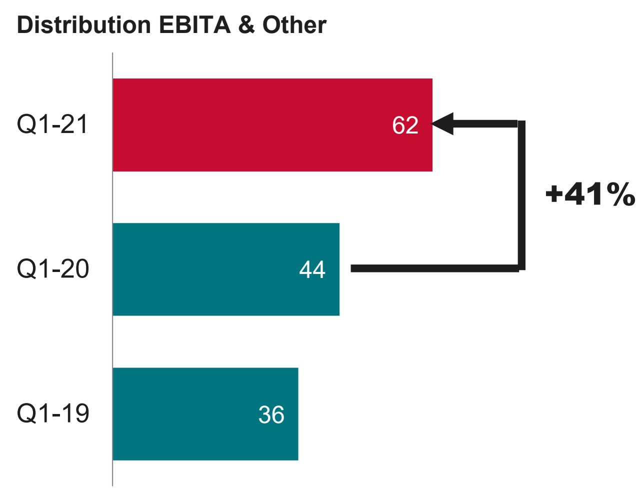
Net Operating income up 47% to $357 million, reflects strong growth in underwriting income and Distribution EBITA and Other.

Net investment income declined 6% year-over-year, driven by lower reinvestment yields combined with a weaker U.S. dollar, partly offset by the benefit of higher invested assets.

Distribution EBITA & Other grew by 41%, reflecting solid organic growth due to strong underwriting results, accretive acquisitions and continuing expense management

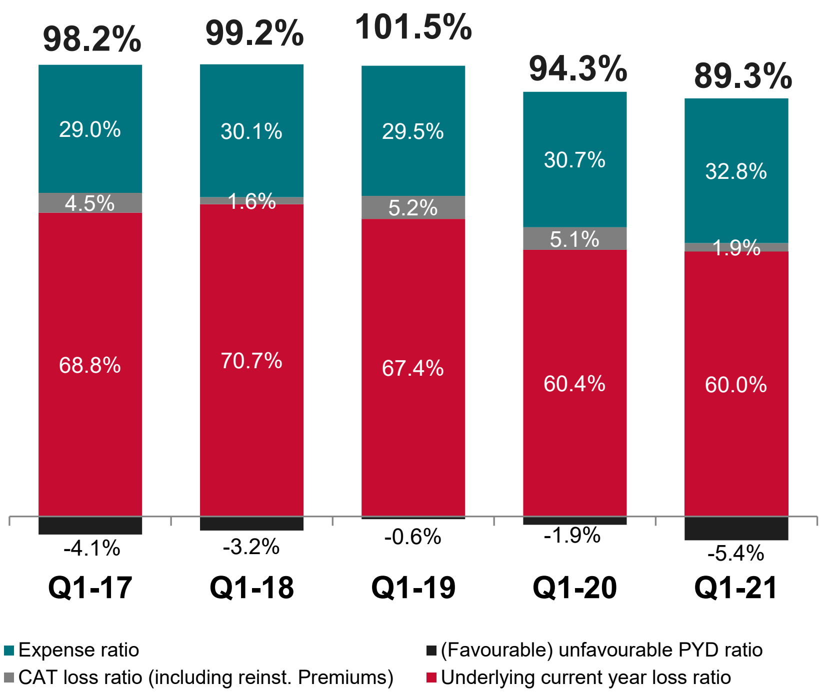






Underwriting Review

Combined ratio of 89.3%, with strong underlying performance and favourable PYD

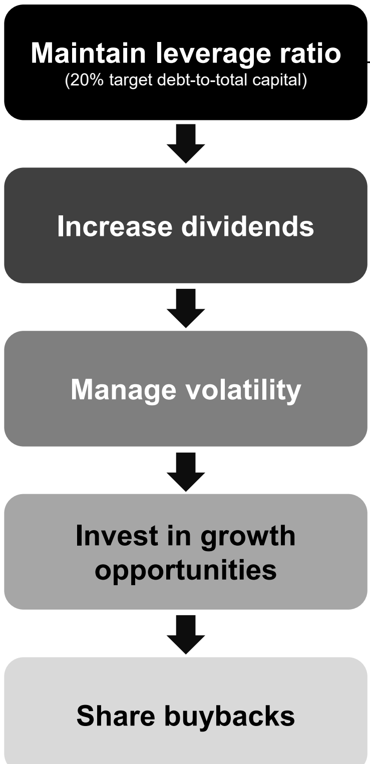


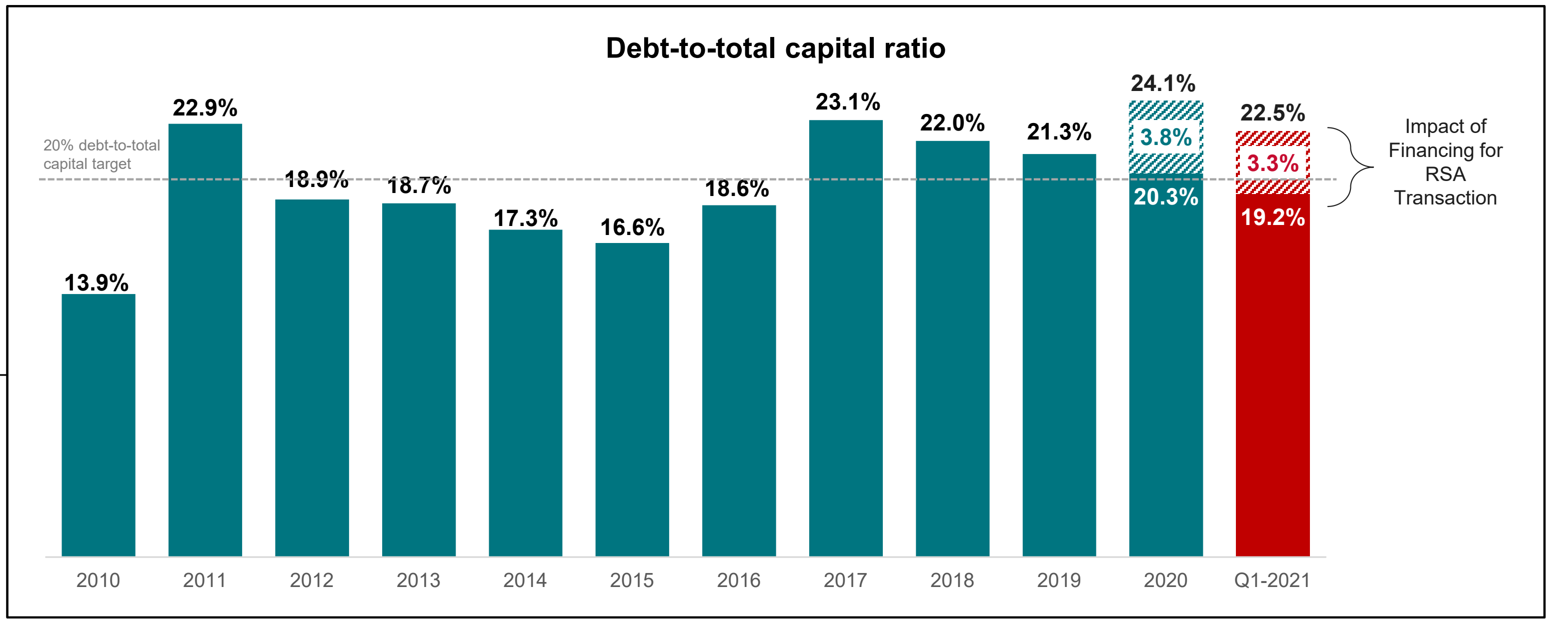
In Canada, the combined ratio improved by 5.1 points to a strong 88.2%, with strength across all lines of business.

The improvement over last year was mainly driven by the absence of COVID-19 CAT losses, lower weather-related CAT losses and higher favourable PYD

In the U.S., the 96.3% combined ratio was elevated, with 7.6 points of weather-related CAT losses well above expectations. The fundamentals of our U.S. business are strong, and we aim to deliver a low 90's combined ratio on a sustainable basis

Proven and Consistent Capital Management Strategy





The debt-to-total capital ratio includes the $600 million medium-term notes to fund the RSA transaction

Excluding financing for the RSA transaction, the debt-to-total capital ratio was **20.3% in 2020** and **19.2% in Q1-2021**

P&C industry outlook

Personal Auto

COVID-19 crisis is temporarily creating a market with lower rate increases in personal auto as claims frequency remains below historical levels

- Companies, including IFC, have provided various relief measures to consumers
- Industry growth was approximately 6% in 2020, as the rate trend tempered. Rates are expected to remain tempered for the industry while claims frequency remains below historical levels
- Given poor industry profitability since 2017 driven by claims cost inflation, we expect corrective measures to resume once impact of crisis eases

Personal Property

COVID-19 crisis has not materially impacted personal property

- We expect continued firm market conditions since this line of business is subject to challenging weather over time
- Industry growth was 9% in 2020
- We expect industry premium growth at a mid single-digit level over the next 12 months

Commercial Lines

Hard market conditions expected to continue in Canadian Commercial Lines

- **Commercial P&C:** market is hard with rate actions continuing, driven by low industry profitability and tight capacity
- **Commercial auto:** industry continues to pursue rate increases, albeit at a slightly tempered pace due to the COVID-19 crisis
- While economic conditions may impact industry unit growth, we expect industry premium growth at an upper single-digit level over the next 12 months
- In 2020, the industry reported growth of 12%

US Commercial Lines

A mix of hard and hardening market conditions across in U.S. Commercial Lines

- Market conditions expected to persist in near term, supported by low interest rates, rising reinsurance costs, elevated CAT losses, and concerns over social inflation
- Industry growth decelerated to approximately 3-4% in 2020, as strong rate increases were partially offset by reduced exposures and impact of a slower economy
- We expect industry premium growth at an upper single-digit level over the next 12 months.

A high single-digit industry ROE over the past year supports a continuation of the hard market environment once the crisis has passed. We expect the industry ROE in 2021 to be in the high-single to low-double digit range.

Strong operating performance across the business

with growth in underwriting and distribution results

Our financial position remains strong

with a total capital margin of $3.0 billion and all financing for the RSA acquisition now fully secured

Increased confidence in RSA value creation

with high-single-digit NOIPS accretion expected in the first year, increasing to upper teens within 36 months

Q&A

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