First Quarter 2021

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Management's Discussion and Analysis
For the quarter ended March 31, 2021

Intact Financial Corporation

[intact]

INTACT FINANCIAL CORPORATION

Management's Discussion and Analysis for the quarter ended March 31, 2021

(in millions of Canadian dollars, except as otherwise noted)

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(in millions of Canadian dollars, except as otherwise noted)

The following MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors (or "Board") for the quarter ended March 31, 2021. This MD&A is intended to enable the reader to assess our results of operations and financial condition for the three-month period ended March 31, 2021, compared to the corresponding period in 2020. It should be read in conjunction with our interim Consolidated financial statements, as well as the MD&A and the Consolidated financial statements included in our 2020 Annual Report. This MD&A is dated May 11, 2021. "Intact", the "Company", "IFC", "we" and "our" are terms used throughout the document to refer to Intact Financial Corporation and its subsidiaries. Further information about Intact Financial Corporation, including the Annual Information Form, may be found online on SEDAR at www.sedar.com.

Non-IFRS financial measures

We use 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) and debt-to-total capital ratio. ***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 MD&A 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 MD&A are defined in ***Section 25 – Glossary and definitions.***
- 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.***
- 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.***
- 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%.

Cautionary note regarding forward-looking statements

Certain of the statements included in this MD&A 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 March 31, 2021, 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 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 MD&A and the quarterly earnings press release dated May 11, 2021 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 this MD&A. 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.

OVERVIEW

Section 1 - About Intact Financial Corporation

1.1 Our purpose, values and core belief

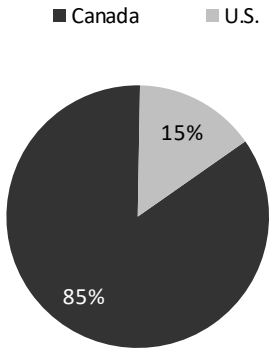
- **Our purpose is clear** – to help people, businesses and society prosper in good times and be resilient in bad times. Our purpose extends beyond getting customers back on track after a crisis. We combine our financial strength and deep industry expertise to also help build a resilient society.
- Our strength is based on **living our Values**, caring for people, being open and honest, taking accountability, and driving change.
- **We believe that insurance is about people, not things.**

Our Values guide us Integrity | Respect | Customer-driven | Excellence | Generosity

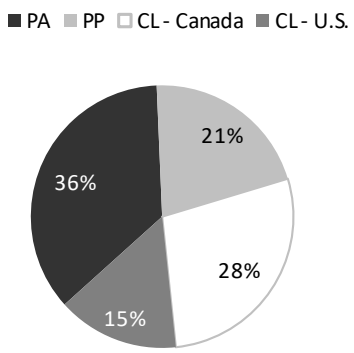
1.2 Who we are

- Largest provider of P&C insurance in Canada and a leading provider of specialty insurance in North America, with over $12 billion in annual DPW.
- A recognized best employer in Canada and the U.S, with over 16,000 employees who serve more than five million personal, business and public sector customers through offices in Canada and the U.S.
- In Canada, we distribute insurance under the Intact Insurance brand through a wide network of brokers, including our wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. Intact Public Entities (formerly known as Frank Cowan Company), a Canadian MGA, distributes public entity insurance programs, including risk and claims management services in Canada.
- In the U.S., Intact Insurance Specialty Solutions provides a range of specialty insurance products and services sold through independent agencies, regional and national brokers, wholesalers and managing general agencies. Products are underwritten by the insurance company subsidiaries of Intact Insurance Group USA, LLC.
- Our North American specialty operations are now distributed under a single brand – Intact Insurance Specialty Solutions.
- Proven industry consolidator with a track record of 17 successful P&C acquisitions since 1988.

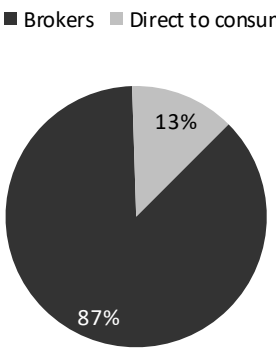
2020 DPW by business segment



2020 DPW by line of business



2020 DPW by distribution channel



PA: Personal auto; PP: Personal property: CL: Commercial lines

PERFORMANCE

Section 2 - Consolidated performance

2.1 Consolidated highlights

Q1-2021 Highlights

- **Net operating income per share up 49% to $2.40 and OROE of 19.0%,** driven by strong underwriting performance and distribution results
- Premiums grew 1% impacted by an additional **$75 million of COVID-19 related relief** for personal auto customers
- **Combined ratio of 89.3%** was strong, with Canada at 88.2% and the U.S. at 96.3%, which included 7.6 points of weather-related CAT losses in the U.S.
- **EPS of $3.51 for the quarter** and **BVPS up 20% year-over-year to $62.19,** driven by strong operating results and investment gains
- **Integration and transition planning with the RSA team is progressing well;** all financing is secured, and closing is expected on June 1, 2021

Table 1 - Consolidated results[1]

	Section	Q1-2021	Q1-2020	Change
DPW *(growth in constant currency)*		**2,522**	2,521	1%
NEP		**2,759**	2,766	-
Operating income				
Underwriting income		**297**	159	87%
Net investment income	*7.1*	**141**	150	(6)%
Distribution EBITA and Other	*4.3*	**62**	44	41%
Finance costs		**(32)**	(31)	3%
Other income (expense)		**(6)**	(8)	(25)%
Pre-tax operating income (PTOI)		**462**	314	47%
Net operating income (NOI)		**357**	243	47%
After-tax non-operating gains (losses)	*20*	**157**	(136)	nm
Net income		**514**	107	380%
Combined ratio				
Claims ratio		**56.5%**	63.6%	(7.1) pts
Expense ratio		**32.8%**	30.7%	2.1 pts
Combined ratio		**89.3%**	94.3%	(5.0) pts
NOIPS		**2.40**	1.61	49%
EPS		**3.51**	0.66	432%
BVPS	*16.3*	**62.19**	51.71	20%
Return on equity for the last 12 months				
OROE		**19.0%**	14.0%	5.0 pts
AROE		**20.1%**	11.0%	9.1 pts
ROE		**17.6%**	9.2%	8.4 pts
Total capital margin	*16.2*	**3,008**	1,485	1,523
Debt-to-total capital ratio	*16.2*	**22.5%**	24.1%	(1.6) pts

[1] *See Section 21 – Non-IFRS financial measures.*

COVID-19 crisis update

• In March 2021, we announced a new customer relief program to reflect changes in driving habits during the second wave of the COVID-19 crisis. We are providing premium relief equivalent to one month of premiums for eligible personal auto customers in Canada. This is in addition to the $530 million relief provided in 2020.
• Q1-2021 DPW and NEP reflected our best estimate of relief to be claimed under the new program. Any additional relief above this estimate will impact both DPW and NEP in Q2-2021.
• In Q1-2021, customer premium relief lowered:
  o DPW by $75 million (3 points); and
  o NEP by $157 million, including the impact of premium relief written but unearned in 2020 ($82 million).
• In Q1-2021, we recorded no direct COVID-19 losses, compared to $83 million in Q1-2020.
• Our operations and financial position remain strong and we are well positioned to continue to protect our employees, support our customers and advance our strategic objectives.

2.2 Consolidated underwriting performance

Table 2 – Consolidated underwriting performance

Section		Q1-2021	Q1-2020	Change
DPW *(growth in constant currency)*				
Canada		**2,125**	2,125	-
U.S.		**397**	396	6%
Consolidated		**2,522**	2,521	1%
Combined ratio				
Canada	*4.1*	**88.2%**	93.3%	(5.1) pts
U.S.	*5.1*	**96.3%**	100.1%	(3.8) pts
Consolidated		**89.3%**	94.3%	(5.0) pts

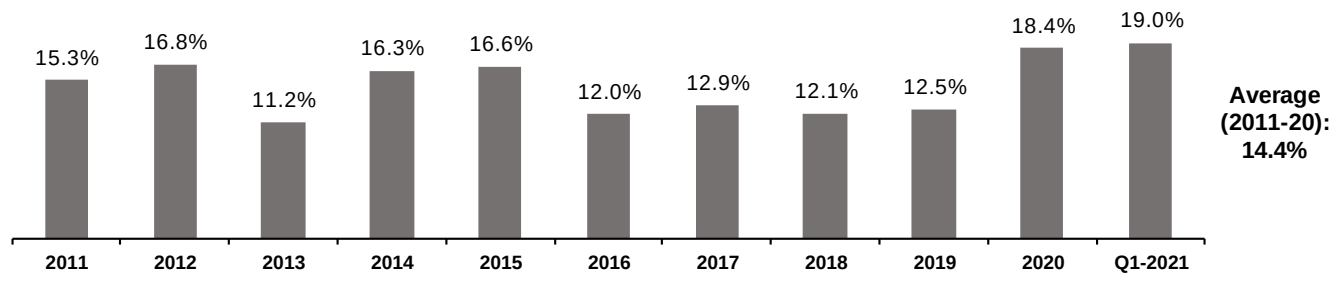
Q1-2021 vs Q1-2020	
Premiums growth ***in constant currency***	• **Premium growth of 1%** reflected solid growth in the U.S, while growth in Canada was tempered by an estimated 3 points ($75 million) of customer premium relief measures. • **In Canada, premium growth was muted**, after reflecting the impact of relief, lower volumes in sharing economy products in Commercial auto and the exit of BC auto. • **In the U.S., premium growth was solid at 6%,** driven by hard market conditions and recent MGA acquisitions. Growth was tempered by the impact of the economic slowdown in some lines of business driven by the COVID-19 crisis.
Underwriting performance	• **Overall combined ratio improved by 5.0 points to a strong 89.3%,** with strong favourable PYD and lower CAT losses compared to Q1-2020, where we recorded 3 points of COVID-19 CAT losses.
	• **In Canada, combined ratio improved by 5.1 points to a strong 88.2%,** mainly driven by the absence of COVID-19 CAT losses, lower weather-related CAT losses and higher favourable PYD.
	• **In the U.S, combined ratio was elevated at 96.3%** but included 7.6 points of weather-related CAT losses well above expectations. When removing the excess CAT losses, the underwriting performance was solid. This business is positioned to run in the low 90s sustainably.

2.3 Consolidated performance

Q1-2021 vs Q1-2020	
Underwriting income	• **Underwriting income increased by $138 million,** after reflecting an estimated $157 million of relief measures.
Net investment income	• **As expected, net investment income declined by 6% to $141 million**, due to the impact of lower reinvestment yields and a weaker U.S. dollar, partly offset by the benefit of higher invested assets.
Distribution EBITA and Other	• **Distribution EBITA and Other grew by 41% to $62 million,** reflecting solid organic growth due to strong underwriting results, accretive acquisitions and continuing expense management. For full year 2021, we expect growth to be in the mid-to-upper teens.
NOIPS	• **NOIPS increased by 49% to $2.40,** driven by strong underwriting and distribution performances.
Non-operating results *(see Section 20)*	• **After-tax non-operating gains of $157 million** included a pre-tax gain of $273 million, mostly related to the exchange of an investment in associate for its now publicly issued shares. *See Section 7.3 – Net gains (losses) excluding FVTPL bonds.*
Effective income tax rates[1]	• **Operating effective income tax rate of 22.7% for Q1-2021** was in line with expectations and reflected a higher proportion of Canadian underwriting income over total pre-tax operating income. • **Total effective income tax rate of 18.9% for Q1-2021** was lower than expectations and reflected the impact of the above-mentioned capital gain taxed at a lower rate.
EPS	• **EPS increased to $3.51**, driven by strong operating results and investment gains.
Return on equity	• **Operating ROE for the last 12 months improved by 5 points to 19.0%,** driven by strong underwriting and distribution performances.
BVPS *(see Section 16.3)*	• **BVPS increased by 20% to $62.19,** mainly driven by strong operating performance and mark-to-market investment gains due to the market recovery since Q1-2020.
Debt-to-total capital ratio (leverage ratio)	• **Leverage ratio decreased by 1.6 points to 22.5%**, The decrease was mainly driven by the growth in total capital margin from earnings (including investment gains) and the issuance of subordinated notes, which are considered hybrid securities and included with preferred shares. *See Section 16.4 – Managing leverage.*
Financial condition	• **We ended the quarter in a strong financial position, with $3.0 billion of total capital margin**, including $850 million proceeds from the issuance of medium-term notes and hybrid debt to partly finance the RSA Acquisition. *See Section 16 – Capital management.*

[1] *See Note 15.2 – Effective income tax rate to the Consolidated financial statements for further details.*

OROE performance over time



Section 3 - Segment performance

We report our financial results under the two business segments set out below. The composition of our segments is aligned with our internal financial reporting based on management structure and geography. Activities managed at the Corporate level, including investing related to P&C insurance, treasury and capital management, as well as other corporate activities, are reported under Corporate and Other.

Intact Financial Corporation		
Canada (CAN) Segment	**U.S. Segment**	**Corporate and other (Corporate)**
Underwriting (P&C Canada) and distribution activities in Canada	Underwriting activities in the U.S. (P&C U.S.)	Activities managed at the Corporate level, as well as other corporate activities
Section 4	*Section 5*	*Section 6*

Table 3 – Operating performance by segment[1]

For the quarters ended March 31,	2021				2020			
	CAN	U.S.	Corporate	Total	CAN	U.S.	Corporate	Total
DPW	**2,125**	**397**	**-**	**2,522**	2,125	396	-	2,521
Growth in constant currency	-	*6%*		*1%*	*15%*	*9%*		*14%*
NEP	**2,382**	**373**	**4**	**2,759**	2,378	386	2	2,766
Operating income								
Underwriting income[2]	**282**	**14**	**1**	**297**	158	(1)	2	159
Of which COVID-19 CAT losses	**-**	**-**	**-**	**-**	*50*	*33*	-	*83*
Net investment income	**-**	**-**	**141**	**141**	-	-	150	150
Distribution EBITA and Other	**62**	**-**	**-**	**62**	44	-	-	44
Finance costs	**(4)**	**-**	**(28)**	**(32)**	(3)	-	(28)	(31)
Other income (expense)	**-**	**-**	**(6)**	**(6)**	-	-	(8)	(8)
PTOI	**340**	**14**	**108**	**462**	199	(1)	116	314
NOI				**357**				243
NOIPS (in dollars)				**2.40**				1.61

[1] *See Section 21 – Non-IFRS financial measures.*

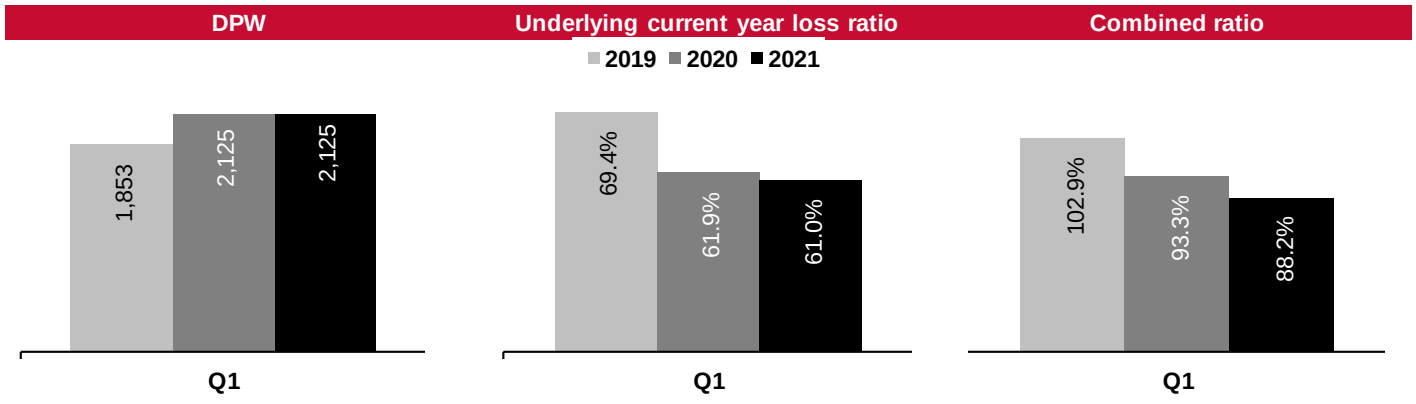
Section 4 - Canada

4.1 P&C Canada

Table 4 – Underwriting results for P&C Canada[1]

	Section	Q1-2021	Q1-2020	Change
DPW		**2,125**	2,125	-
Personal auto	*4.4*	**814**	882	(8)%
Personal property	*4.5*	**518**	491	6%
Commercial lines	*4.6*	**793**	752	5%
NEP		**2,382**	2,378	-
Current year claims (excluding CAT claims)		**1,454**	1,473	(19)
Current year CAT claims		**21**	94	(73)
(Favourable) unfavourable PYD		**(130)**	(44)	(86)
Total net claims		**1,345**	1,523	(178)
Underwriting expenses		**755**	697	58
Underwriting income		**282**	158	124
Underwriting ratios				
Underlying current year loss ratio		**61.0%**	61.9%	(0.9) pts
CAT loss ratio		**0.9%**	4.0%	(3.1) pts
(Favourable) unfavourable PYD ratio		**(5.4)%**	(1.9)%	(3.5) pts
Claims ratio		**56.5%**	64.0%	(7.5) pts
Commissions		**17.5%**	15.9%	1.6 pts
General expenses		**10.4%**	9.7%	0.7 pts
Premium taxes		**3.8%**	3.7%	0.1 pts
Expense ratio		**31.7%**	29.3%	2.4 pts
Combined ratio		**88.2%**	93.3%	(5.1) pts
Personal auto	*4.4*	**93.4%**	94.6%	(1.2) pts
Personal property	*4.5*	**77.4%**	81.8%	(4.4) pts
Commercial lines	*4.6*	**90.1%**	100.7%	(10.6) pts

[1] *See Section 21 – Non-IFRS financial measures.*



Q1-2021 vs Q1-2020

- **Premium growth was muted**, after reflecting the impact of relief, lower volumes in sharing economy products and the exit of BC auto.
- **NEP growth was also muted,** after reflecting an estimated $157 million (6.6 points) of relief measures, of which $75 million from the new program and $82 million from 2020.
- **Underlying current year loss ratio improved to a strong 61.0%**, reflecting lower claims frequency across the business and the benefit of our profitability actions, partly offset by the impact of relief measures. Both years experienced mild weather conditions, which also contributed to the low claims frequency.
- **CAT losses of $21 million in Q1-2021** were below expectations for a first quarter due to mild winter weather conditions.
  - ***REMINDER:*** CAT losses of $94 million in Q1-2020 included $50 million of direct COVID-19 related losses in Commercial lines.
- **Favourable PYD ratio was strong at 5.4%** across all lines of business.
- **Expense ratio increased to 31.7%,** mainly due to the impact of relief measures on NEP and higher variable commissions due to profitability.
- **Combined ratio was strong at 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.

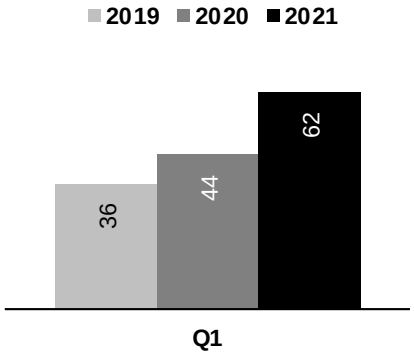
4.2 Weather conditions in Canada

Weather conditions in Q1-2021

- In Q1-2021, the winter in Canada was particularly mild and dry, with temperatures warmer than average, especially in January. The high temperatures and low precipitation contributed to an early snowmelt. In Western Canada, a polar vortex hit in February, drastically decreasing temperatures. Overall, weather-related losses were lower than expected for a first quarter.

4.3 Distribution and other activities

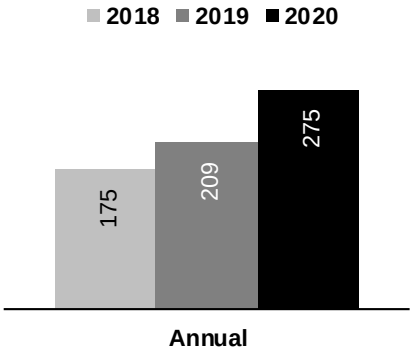
First quarter



Distribution EBITA and Other grew 41% to $62 million, reflecting solid organic growth due to strong underwriting results, accretive acquisitions and continuing expense management.

For full year 2021, we expect growth to be in the mid-to-upper teens.

Full year



4.4 Personal auto

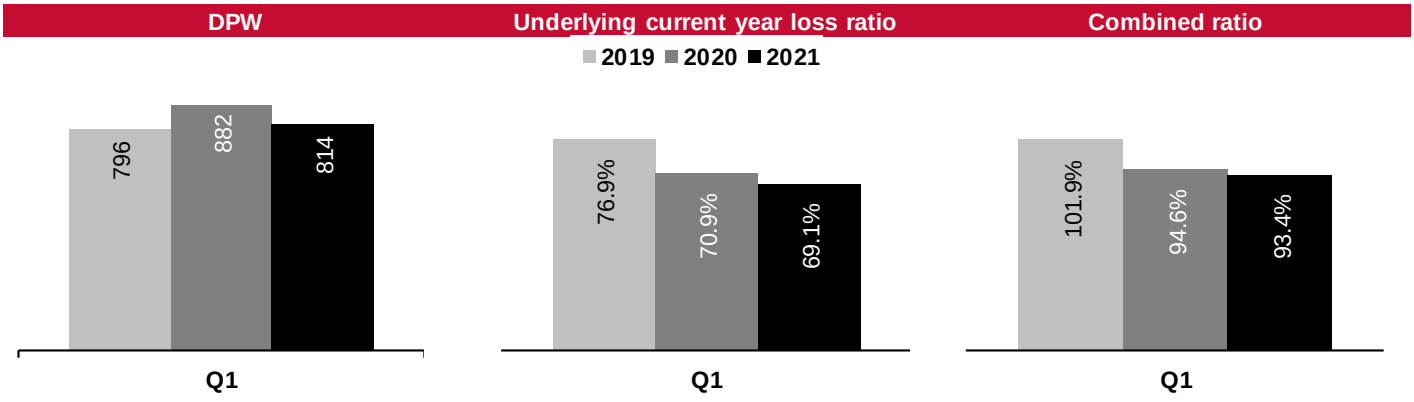
Table 5 – Underwriting results for personal auto[1]

	Q1-2021	Q1-2020	Change
DPW	**814**	882	(8)%
Written insured risks (in thousands)	**861**	851	1%
NEP	**983**	1,029	(4)%
Underwriting income	**64**	56	14%
Underlying current year loss ratio	**69.1%**	70.9%	(1.8) pts
CAT loss ratio	**-**	0.1%	(0.1) pts
(Favourable) unfavourable PYD ratio	**(1.8)%**	(0.3)%	(1.5) pts
Claims ratio	**67.3%**	70.7%	(3.4) pts
Expense ratio	**26.1%**	23.9%	2.2 pts
Combined ratio	**93.4%**	94.6%	(1.2) pts

[1] *See Section 21 – Non-IFRS financial measures.*

Q1-2021 vs Q1-2020

- **Premiums declined by 8%,** after reflecting an estimated 9 points ($75 million) of new relief and 2 points due to the BC auto exit. Excluding these items, premiums growth was 3%, driven by 4 points of units. Any additional relief above this estimate will impact both DPW and NEP in Q2-2021.
- **NEP declined by 4%,** after reflecting an estimated 11 points ($121 million) from Q1-2021 and 2020 relief.
- **Underlying current year loss ratio improved to a strong 69.1%,** reflecting lower claims frequency, net of severity, and the benefit of our profitability actions, partly offset by relief.
- **Favourable PYD improved 1.5 points to 1.8%,** with roughly half driven by industry pools.
- **Expense ratio increased by 2.2 points to 26.1%,** mainly due to the impact of relief on NEP and higher variable commissions due to profitability.
- **Combined ratio was strong at 93.4%**, including 9.3 points of total earned relief, driven by strong underlying performance and healthy favourable PYD.



4.5 Personal property

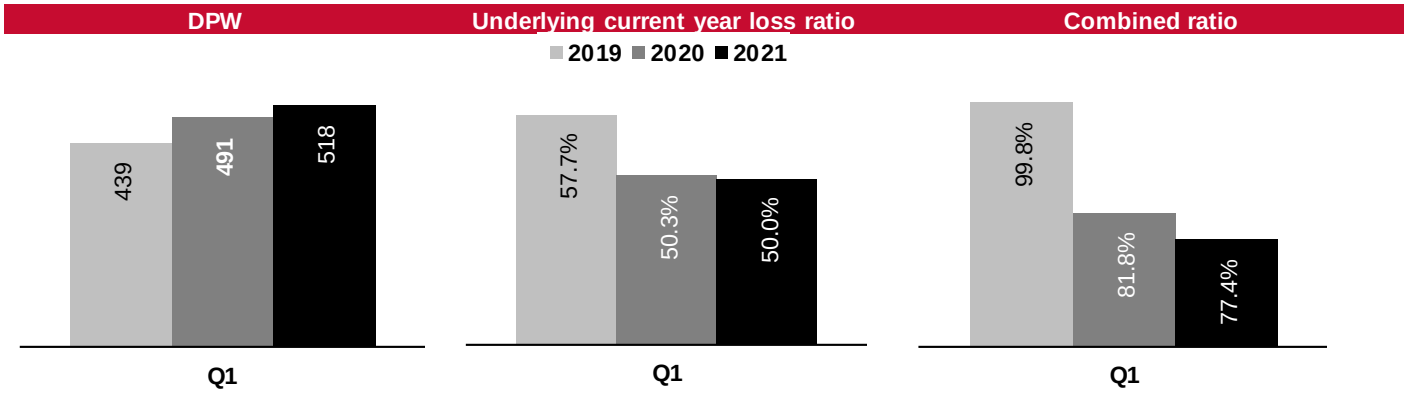
Table 6 – Underwriting results for Personal property[1]

	Q1-2021	Q1-2020	Change
DPW	**518**	491	6%
Written insured risks (in thousands)	**487**	475	2%
NEP	**621**	593	5%
Underwriting income (loss)	**141**	107	32%
Underlying current year loss ratio	**50.0%**	50.3%	(0.3) pts
CAT loss ratio	**0.1%**	2.5%	(2.4) pts
(Favourable) unfavourable PYD ratio	**(7.0)%**	(3.8)%	(3.2) pts
Claims ratio	**43.1%**	49.0%	(5.9) pts
Expense ratio	**34.3%**	32.8%	1.5 pts
Combined ratio	**77.4%**	81.8%	(4.4) pts

[1] *See Section 21 – Non-IFRS financial measures.*

Q1-2021 vs Q1-2020

- **Solid DPW growth of 6%**, driven by firm market conditions and unit growth.
- **Strong underlying current year loss ratio of 50.0%,** driven by strong fundamentals and market conditions.
- **CAT loss ratio was muted,** reflecting mild weather.
- **Favourable PYD ratio was strong, improving by 3.2 points to 7.0%**.
- **Expense ratio increased by 1.5 points to 34.3%,** mainly due to higher variable commissions.
- **Combined ratio was very strong at 77.4%,** reflecting strong underlying performance and higher favourable PYD.



4.6 Commercial lines

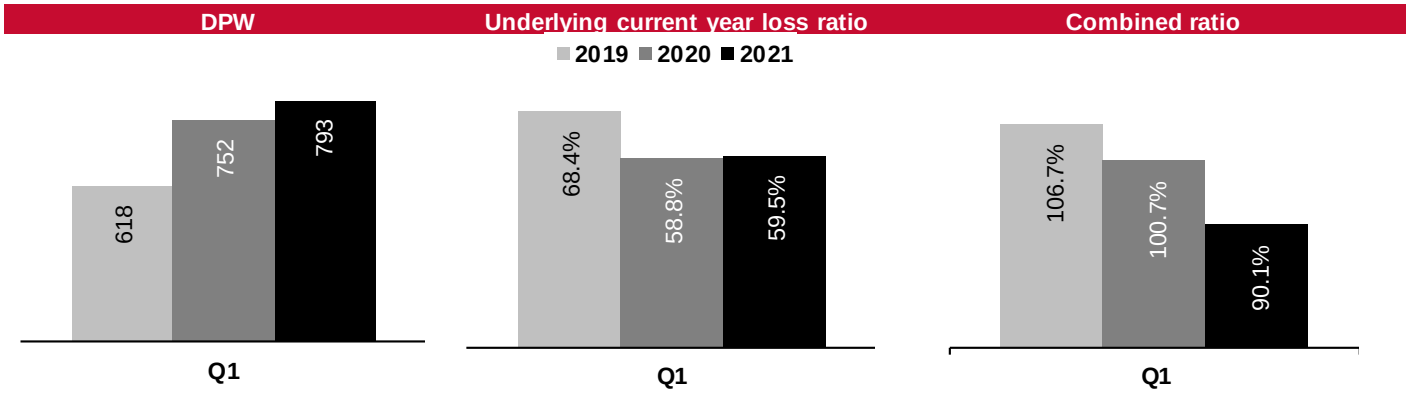
Table 7 – Underwriting results for Commercial lines Canada, including Commercial P&C and Commercial auto[1]

	Q1-2021	Q1-2020	Change
DPW	**793**	752	5%
Commercial P&C	**593**	530	12%
Commercial auto	**200**	222	(10)%
NEP	**778**	756	3%
Underwriting income (loss)	**77**	(5)	nm
Underlying current year loss ratio	**59.5%**	58.8%	0.7 pts
CAT loss ratio	**2.7%**	10.3%	(7.6) pts
(Favourable) unfavourable PYD ratio	**(8.8)%**	(2.4)%	(6.4) pts
Claims ratio	**53.4%**	66.7%	(13.3) pts
Expense ratio	**36.7%**	34.0%	2.7 pts
Combined ratio	**90.1%**	100.7%	(10.6) pts

[1] *See Section 21 – Non-IFRS financial measures.*

Q1-2021 vs Q1-2020

- **Solid DPW growth of 5%** reflected hard market conditions and strong new business in both regular and specialty lines, tempered by lower volumes in sharing economy products in Commercial auto.
- **Underlying current year loss ratio remained strong at 59.5%.**
- **CAT loss ratio of 2.7% was below expectations for a first quarter**. This compares favourably to last year where we had both non-weather CAT losses and 6.6 points ($50 million) of direct COVID-19 related losses.
- **Favourable PYD ratio was strong at 8.8%,** reflecting favourable development on prior year CAT and large losses.
- **Expense ratio increased by 2.7 points to 36.7%,** mainly due to higher variable commissions and change in business mix.
- **Combined ratio was solid at 90.1%,** driven by the benefit of our profitability actions, strong favourable PYD and mild weather conditions, partially offset by a higher expense ratio.



Section 5 - U.S.

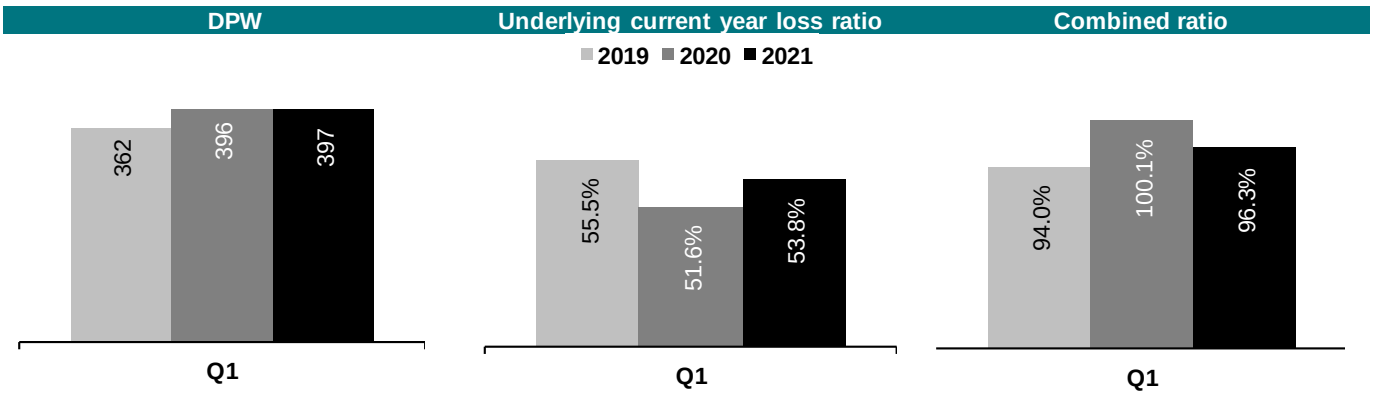
5.1 P&C U.S.

All figures in the table below are shown in CAD, using an U.S./CAD average exchange rate of 1.27 for Q1-2021 (1.34 for Q1-2020)

Table 8 – Underwriting results for P&C U.S.[1]

	Q1-2021	Q1-2020	Change
DPW	**397**	396	-%
Growth in constant currency			6%
NEP	**373**	386	(3)%
Current year claims	**201**	201	-
Current year CAT claims	**28**	43	(15)
(Favourable) unfavourable PYD	**(20)**	(8)	(12)
Net claims incurred	**209**	236	(27)
Underwriting expenses	**150**	151	(1)
Underwriting income	**14**	(1)	15
Underwriting ratios			
Underlying current year loss ratio	**53.8%**	51.6%	2.2 pts
CAT loss ratio	**7.6%**	11.7%	(4.1) pts
(Favourable) unfavourable PYD ratio	**(5.3)%**	(2.2)%	(3.1) pts
Claims ratio	**56.1%**	61.1%	(5.0) pts
Commissions	**17.5%**	16.0%	1.5 pts
General expenses	**20.4%**	20.7%	(0.3) pts
Premium taxes	**2.3%**	2.3%	- pts
Expense ratio	**40.2%**	39.0%	1.2 pts
Combined ratio	**96.3%**	100.1%	(3.8) pts

[1] *See Section 21 – Non-IFRS financial measures.*



Q1-2021 vs Q1-2020

- **On a constant currency basis, DPW growth was solid at 6%,** 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. We continue to see increased new business and strong renewals in most lines.
- **NEP** reflected an estimated 1.5 points of prior year reinsurance premium adjustments, which negatively impacted the claims ratio by 1 point and the expense ratio by 0.5 point.
- **Underlying current year loss ratio increased by 2.2 points to 53.8%,** reflecting higher non-CAT weather-related losses and a handful of large losses.
- **CAT losses of $28 million in Q1-2021** were higher than expected and driven by the severe Texas winter storms. No COVID-19 losses were booked in Q1-2021.
    - ***REMINDER:*** CAT losses of $43 million in Q1-2020 included $33 million of direct COVID-19 related losses.
- **Favourable PYD ratio of 5.3%,** driven by favourable development across the business.
- **Expense ratio of 40.2%** reflected the business mix and seasonality of our operations.
- **Combined ratio was elevated at 96.3%** but included 7.6 points of weather-related CAT losses well above expectations. When removing the excess CAT losses, the Q1-2021 combined ratio represented a solid underwriting performance. This business is positioned to run in the low 90s sustainably.

5.2 Weather conditions in the U.S.

Weather conditions in Q1-2021

- In Q1-2021, weather-related losses were elevated, driven by significant winter storms, particularly a cold snap that hit several southern states, including Texas, during February 2021, with power outages compounding the impact. The severe weather resulted in extensive insurance industry losses estimated between $10 billion to $20 billion (comparable to Category 4 Hurricane Harvey in 2017).
- Severe winter events led to higher than usual CAT and non-CAT weather-related losses, mainly related to flooding resulting from frozen pipes in the Specialty Property, Technology and Financial Services businesses.

Section 6 - Corporate and Other

6.1 Corporate and Other (operating performance)

Table 9 – Corporate and other (operating performance)

	Section	Q1-2021	Q1-2020	Change
Underwriting income (loss)[1]		**1**	2	(1)
Net investment income	*7.1*	**141**	150	(9)
Finance costs[2]		**(28)**	(28)	-
Other income (expense)[3]		**(6)**	(8)	2
Corporate and other		**108**	116	(8)

[1] Reflects the impact of our internal catastrophe reinsurance treaty.
[2] Finance costs (other than those related to our Canadian broker associates), excluding pre-acquisition finance costs related to the debt issuance contingent to the closing of the RSA Acquisition *(see Section 20 – Non-operating results).*
[3] Other income (expense) can fluctuate from quarter to quarter and includes general corporate expenses and income, consolidation adjustments, regulatory fees related to our public company status, special projects and other operating items.

Section 7 - Investment performance

7.1 Net investment income

Table 10 – Net investment income

	Q1-2021	Q1-2020	Change
Interest income	**84**	93	(10)%
Dividend income	**62**	62	-
Investment income, before expenses	**146**	155	(6)%
Expenses	**(5)**	(5)	-
Net investment income	**141**	150	(6)%
Average net investments[1]	**20,101**	18,135	11%
Market-based yield[2]	**2.92%**	3.43%	(51) bps

[1] Defined as the mid-month average fair value of net equity and fixed-income securities held during the reporting period.
[2] Represents the annualized total pre-tax investment income (before expenses), divided by the average net investments.

Q1-2021 vs Q1-2020

- **As expected, net investment income declined by 6% to $141 million,** due to the impact of lower reinvestment yields (following the significant decrease in interest rates late March 2020) and a weaker U.S. dollar, partly offset by the benefit of higher invested assets.
- **Average net investments increased by 11%,** reflecting cash inflows from operations and the $850 million proceeds from the issuance of medium-term notes and hybrid debt to partly finance the RSA Acquisition.
- **Market based yield decreased to 2.92%,** mainly due to the impact of higher average net investments and lower reinvestment yields. The above-mentioned $850 million proceeds negatively impacted the yield by 10 bps.

7.2 Realized and unrealized gains (losses) on FVTPL bonds

Realized and unrealized gains and losses on our FVTPL bonds are expected to be offset by the impact of the change in rates used to discount our claims liabilities (MYA) *(see Section 20 – Non-operating results)*.

Q1-2021

- **Net losses of $165 million in Q1-2021**, mainly driven by the increase in interest rates in both Canada and the U.S. *(see Section 14.1 – Capital markets update)*.

7.3 Net gains (losses) excluding FVTPL bonds

Net investment gains (losses) are reported in Non-operating results and included the following items. *See Section 14.1 – Capital market update for more details on market performance.*

Table 11 – Net gains (losses) excluding FVTPL bonds[1]

	Q1-2021	Q1-2020	Change
Realized and unrealized gains (losses)[2] on:			
AFS bonds, net of derivatives	**(9)**	9	(18)
Equity securities, net of derivatives	**79**	(12)	91
Embedded derivatives	**(43)**	39	(82)
Net foreign currency gains (losses) on investments	**1**	11	(10)
Impairment losses on AFS common shares	**-**	(96)	96
Currency derivative hedges (RSA Acquisition):			
Purchase price	**(18)**	-	(18)
Book value	**2**	-	2
Gain related to an investment in associate	**273**	-	273
Impairment loss on Intact U.S. Surplus notes	**-**	(30)	30
Other	**(2)**	8	(10)
Gains (losses) excluding FVTPL bonds	**283**	(71)	354

[1] *See Note 14 – Net gains (losses) to the interim Consolidated financial statements for further details.*
[2] Excluding foreign currency impact, which is reported in Net foreign currency gains (losses) on investments.

Q1-2021

Net gains of $283 million in Q1-2021, mainly reflected a gain of $273 million, mostly related to the exchange of an investment in associate for its now publicly issued shares. This Intact venture investment has now been classified as AFS common shares, with changes in fair value recognized in OCI *(see Section 14.4 – Net unrealized gains (losses) on AFS securities).*

ENVIRONMENT & OUTLOOK

Section 8 - P&C insurance industry outlook

- The Canadian industry combined ratio was 97% and the industry ROE was above 9% for the full year 2020. We expect firm to hard market conditions in Canada and hard market conditions in the U.S. to continue, driven by low industry underwriting profitability and low investment yields.
- In commercial lines on both sides of the border, hard market conditions are expected to continue. In personal lines, firm market conditions are expected in personal property, while in the personal auto market rate increases are prudently lower in the current environment.
- During the COVID-19 crisis, we have tempered rate increases and provided relief to customers by allowing for payment deferrals and waiving late payment fees. In Q1-2021 we announced an additional relief program for personal auto customers, which complements existing and ongoing measures to best protect and support customers most impacted by the pandemic .
- Our on-going relief measures include customer-driven rate strategies, accelerated deployment of UBI, product enhancements in personal property and continued support to the most vulnerable small businesses.

	P&C insurance industry 12-month outlook	Our response
Personal auto	• The COVID-19 crisis is temporarily creating a market with lower rate increases in personal auto as claims frequency remains below historical levels. As well, companies have provided various relief measures to customers. • 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 the impact of the crisis eases. • In 2020, the personal auto industry reported an estimate combined ratio in the mid-to-high-90s.	• We adjusted auto premiums and provided flexibility for changed customer risk profiles in response to the pandemic. In Q1-2021 we recorded an additional $75 million of COVID-19 related relief, equivalent to one month of auto premiums for eligible customers upon request. • Our UBI offering is well positioned in an environment where drivers want insurance to reflect their own behaviours and where value for money is becoming more important. • We are leveraging our leading data and analytic tools, including UBI, to dynamically monitor driving activity and customer behaviour. Our relief measures are risk- and needs-based, enabling us to adapt while maintaining margins. • We continue to invest in telematics, big data, and artificial intelligence to maintain our advantage in data and segmentation. • Our brand investments and focus on customer driven digital leadership will continue to help grow our business. • We maintain an emphasis on portfolio quality and are focused on maintaining overall profitability levels.
Personal Property	• The COVID-19 crisis has not materially impacted personal property. Consumers continue to need protection against theft, fire, water and an increasing trend in climate-related damages. • Industry growth was 9% in 2020. • We expect continued firm market conditions since this line of business is subject to challenging weather over time. • We expect premium growth at a mid single-digit level over the next 12 months.	• We have provided relief to customers impacted by the COVID-19 crisis by offering payment flexibility and coverage flexibility for those who have used their homes during the crisis for different purposes. • We are continuously adapting our products and profitability actions over time have positioned this business very well. • We continue aim for sustainable results even with severe weather. • On Side deepens our supply chain penetration to improve customer experience, while capturing margins and expanding capacity.

	P&C insurance industry 12-month outlook	Our response
Commercial lines Canada	• In commercial P&C, the market is hard with rate actions continuing, driven by low industry profitability and tight capacity. • In commercial auto, the industry continues to pursue rate increases, albeit at a slightly tempered pace due to the COVID-19 crisis. • Overall in Canadian commercial lines, we expect to see hard market conditions continue. • 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% and an estimated industry combined ratio over 100%.	• We have provided risk- and needs-based relief to customers impacted by the COVID-19 crisis through premium adjustments to reflect changed commercial automobile usage; and provided mid-term premium adjustments and rate relief for small- and medium-sized businesses impacted by declining revenues, sales receipts and payroll. • In Q4-2020, we also provided a total of $50 million of relief to approximately 100,000 affected small business customers. • The majority of our businesses had low exposure to COVID-19 related claims. We are maintaining an emphasis on portfolio quality while our focus on loss prevention and service excellence remains. • We continue to develop innovative products to address customer needs and pursue acquisitions to strengthen our capabilities and product suite.
U.S. Commercial lines	• The U.S. commercial P&C industry continues to experience a mix of hard and hardening market conditions across lines, including sustained price increases and tightening terms and conditions. • We expect these market conditions to persist in the near term, supported by low interest rates, rising reinsurance costs, elevated CAT losses, and concerns over social inflation. • U.S. Commercial P&C industry top line growth decelerated to approximately 3-4% in 2020 as strong rate increases were partially offset by reduced exposures and the impact of a slower economy. The industry combined ratio in 2020 was estimated close to 100%. • We expect industry premium growth at an upper single-digit level over the next 12 months.	• Despite the COVID-19 crisis, our underwriting appetite for new and renewal business remains largely unchanged. • The majority of our businesses have low exposure to COVID-19 related claims. Losses are expected and have been provided for in certain segments – primarily event cancellation and production shutdowns in the Entertainment business, and to a much lesser extent, specifically endorsed business interruption in select specialized programs. • Our objective remains to expand our U.S. specialty business. Growth opportunities, including the acquisitions of The Guarantee Company of North America ("The Guarantee") and International Bond & Marine Brokerage Ltd. ("IB&M"), are being successfully pursued in the segments of the portfolio performing at or above expectations. • We believe the underlying fundamentals of our U.S. commercial business remain strong and are well positioned to maintain a low 90's combined ratio in line with our objective.

	P&C insurance industry 12-month outlook	Our response
Investments	• The on-going support from governments to businesses and economies, as well as the COVID-19 vaccination campaign, led to favourable equity markets in Q1-2021. Nevertheless, capital markets are expected to remain volatile until the COVID-19 crisis has passed and economies fully reopen. • Investment yields remain low despite interest rate increases in Q1-2021. • In the current interest rate environment, we expect the industry's pre-tax investment yield to decline over time as portfolios roll over. • Remaining uncertainty around COVID-19, continue to expose capital markets to volatility which may put additional pressure on investment market values and capital levels.	• Our investment portfolio is managed like the rest of our business, for the long-term. Our investment management team seeks to maximize after-tax returns while preserving capital and limiting volatility. • We are well positioned for a low interest rate environment. Our insurance products are short-term in nature and priced to generate mid-teens ROEs, taking into account our investment portfolio yields. • We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.
Overall	• 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.	• The RSA Acquisition will expand our leadership position in Canada, create a leading specialty lines platform with international expertise, and provide entry into the UK and Ireland market at scale. • With our action plans and strategies, we expect to exceed our 500-basis point industry ROE outperformance target, while remaining focused on a mid-teens OROE level.

Section 9 - 2020 P&C market update

9.1 IFC's Canadian industry outperformance over time

Industry data below represents an IFC estimate based on MSA. Industry benchmark generally consists of the 20 largest comparable companies in the P&C industry based on industry premium data.

Table 12 – Canadian P&C Industry – IFC outperformance (underperformance)

Full year	2020	2019	2018
ROE (for the last 12 months)			
IFC[1]	**15.0%**	11.4%	11.8%
Outperformance vs P&C Industry	**5.7 pts**	5.8 pts	8.9 pts
DPW growth			
IFC: P&C Canada[1]	**9.4%**	9.7%	2.3%
Outperformance (underperformance) vs Industry benchmark	**2.0 pts**	- pts	(4.4) pts
Combined ratio			
IFC: P&C Canada[1]	**91.5%**	97.5%	95.0%
Outperformance vs Industry benchmark	**5.0 pts**	3.6 pts	8.3 pts

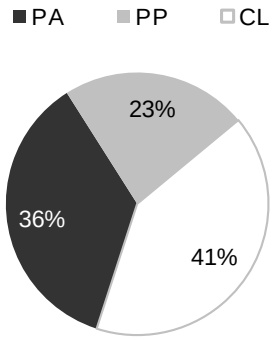
[1] For comparison purposes, IFC's ROE corresponds to the AROE, which is the most comparable to the industry, and the IFC DPW growth and combined ratio are based on financial statements presentation. *See Section 20 – Non-operating results.*

- **Compared to the Canadian P&C insurance industry, our ROE outperformance of 5.7 points** was above our objective of 5 points, largely driven by our combined ratio outperformance, as well as strong distribution results. The industry's ROE improved by close to 4 points in 2020 to 9.3% from both underwriting improvement and realized investment gains.
- **Compared to the industry benchmark, our growth outperformance was 2.0 points**, as the impact of the acquisition of The Guarantee was partially muted by the premium relief provided in 2020.
- **Compared to the industry benchmark, our combined ratio outperformance was 5.0 points,** mainly reflecting a significant underlying outperformance in all lines of business.

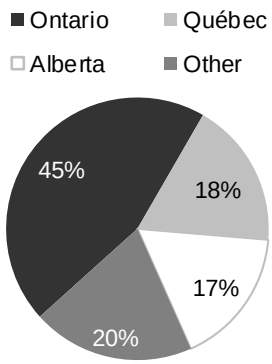
9.2 P&C insurance in Canada

- In 2020, the P&C market grew by 9%, driven by rate increases, to $64 billion in annual premiums, representing close to 3.7% of gross domestic product (GDP).
- Highly fragmented market, with the top five insurers representing 46% of the market, and the top 20 having a combined market share of 84%.
- Intact remains the largest player with an estimated market share of 16% in 2020, before the impact of the RSA Acquisition.
- Intact holds an estimated market share of 19% in personal auto, 17% in personal property and 13% in commercial lines.

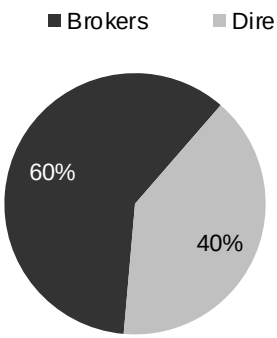
2020 Industry DPW by line of business



2020 Industry DPW by region



2020 Industry DPW by distribution channel



9.3 Performance against U.S. Specialty P&C industry

The industry benchmark consists of the 11 most relevant competitors in the U.S. Specialty P&C industry, for which reliable and comparable information is publicly available. The data below is compiled from company and segment data from SEC filings.

Table 13 – U.S. Specialty P&C industry – IFC outperformance (underperformance) vs industry benchmark

Full year	2020	2019	2018
DPW growth (in local currency)			
IFC: U.S. Commercial	**9.6%**	8.0%	2.2%
Outperformance (underperformance)	**1.4 pts**	(1.2) pts	(6.7) pts
Combined ratio[1]			
IFC: U.S. Commercial	**93.8%**	92.8%	93.6%
Outperformance (underperformance)	**4.5 pts**	2.3 pts	1.3 pts

[1] Excluding the risk margin and discount impact for comparability purposes.

2020 performance

- **Compared to the industry benchmark, our DPW growth outperformance of 1.4 points** was mainly driven by the acquisition of The Guarantee. In 2020, much like our peers, we have experienced a combination of hard market conditions, partially offset by lower volumes in lines impacted by the COVID-19 crisis.
- **Compared to the industry benchmark, our combined ratio outperformance of 4.5 points** reflected both robust underlying outperformance, including strong results in most lines, as well as a comparatively smaller adverse impact from the COVID-19 crisis and weather-related losses, which while elevated, were lower than peers.

9.4 U.S. specialty market

2020 P&C market update

- The U.S. commercial P&C insurance market grew roughly 4% in 2020 to nearly US$340 billion in annual premiums, with specialty insurance accounting for approximately 45%, or more than US$150 billion.
- U.S. commercial specialty insurance industry is a fragmented industry, with the largest player having approximately 7% market share in 2020.
- Outside of the top seven players, no single insurer contributes more than 3% to the total estimated market. The majority of the top 25 players have a market share between 1% and 2.5%.

9.5 Overall IFC performance versus Canadian and U.S. P&C industry

We also measure IFC's ROE outperformance against a combined weighted[1] Canadian and U.S. P&C industry ROE. In 2020 IFC outperformed the combined industry ROE by 650 basis points.

[1] For comparison purposes, IFC's ROE corresponds to the AROE, which is the most comparable to the industry. The weightings for the combined ROE are 80% Canadian industry, 20% U.S. industry, reflecting the approximate amount of capital deployed by IFC in each market.

STRATEGY

Section 10 - What we are aiming to achieve

As a purpose-driven business, we are here to help people, businesses and society prosper in good times and be resilient in bad times. Our people are at the heart of our strategy therefore having a highly engaged team and ensuring our company is one of the most respected are key to our strategy. We've introduced two new measures to reinforce our commitment to people and society.

The COVID-19 crisis brought many social justice issues – including systemic racism – to the forefront. It was a wake-up call for society. Intact's leadership team and the Board have committed to accelerating our Diversity and Inclusion strategy with actions that include adding a new strategic objective to ensure **our leaders and employees are representative of the communities we serve**, and new targets to increase the diversity at all levels of management – including at the Board of Directors and the Executive Committee.

A dimension of being a most respected company is measuring all aspects of success – including our impact on society. We're building a framework that will capture how we deliver value for customers, shareholders and society, and will concretely measure our effectiveness in **building resilient communities**. We are enhancing our social impact mandate to accelerate our leadership in climate change adaptation and create opportunities for families living in poverty and intend to use our strengths to accomplish this.

Section 11 - Acquisition of RSA's Canadian, UK and International operations

11.1 Highly strategic, with significant shareholder value creation

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). RSA is a multinational insurance group with strong positions in the P&C insurance market in the UK, Scandinavia and Canada along with supporting international business in Ireland, Continental Europe and the Middle East.

Pursuant to the RSA Acquisition, we will retain RSA's Canadian, UK and International operations, Tryg will retain RSA's Swedish and Norwegian businesses, and Intact and Tryg will co-own RSA's Danish business.

The acquisition was approved by the Boards of Directors of all three companies on announcement and was approved by RSA's shareholders on January 18, 2021.

As of May 6, 2021, all required anti-trust and regulatory approvals have been received. A court hearing is scheduled for May 25, 2021 for a formal approval of the transaction by the High Court of Justice in England and Wales. Upon approval, the Acquisition is expected to close on June 1, 2021.

With the RSA Acquisition, we are taking a significant step to accelerate our strategy. The acquisition will expand our leadership position in Canada, create a leading specialty lines platform with international expertise, and provide entry into the UK and Ireland market at scale. The acquisition will also strengthen our ability to outperform with increased investments in our core capabilities of data, risk selection, claims and supply chain management. The RSA Acquisition will create significant value for our shareholders.

Expands our leadership position in Canada	Creates a leading specialty lines platform	Entry into the UK & Ireland at scale	Financially compelling

Financially compelling	• Net assets to be acquired at 0.9x book value, with expected internal rate of return in excess of our 15% threshold • High-single-digit NOIPS accretion expected in the first year after close, increasing to upper teens within 36 months • OROE expected to be in the mid-teens level in the medium term • BVPS expected to increase by approximately 25% at closing • Over $2.0 billion total capital margin estimated at closing • Debt-to-total-capital ratio expected to return to 20% within 36 months following closing

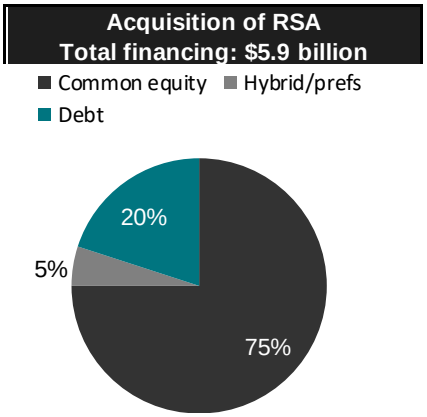
In Q1-2021, we recorded $17 million of acquisition-related costs, which were reported in non-operating results.

11.2 Financing and hedging

Financing of our share of the purchase price of approximately $5.2 billion (£3.0 billion) and expected related transaction costs of approximately $0.7 billion has been raised as follows:

- $4.45 billion of private placement subscription receipts;
- €392 million ($578 million) bank term loan facility to be drawn on closing;
- $600 million of medium-term notes; and
- $250 million of subordinated notes ("hybrid debt") issued in March 2021 *(see Section 16.4 – Managing leverage).*

The purchase price, which is set in GBP, was hedged against foreign currency fluctuations in November 2020. *See Section 18 – Foreign currency management.*



11.3 Integration and transition planning

Integration and transition planning is on track and strategic planning is taking place across all geographies. We have 27 teams planning the integration and transition to ensure we continue to deliver second-to-none customer service, build the best team and deliver on our financial objectives.

	Q1-2021 update
Building the best team	• We are focused on welcoming our new colleagues into the Intact family in Q2-2021. • On March 4, 2021, we confirmed the appointment of Scott Egan as CEO of the UK & International ("UK&I") business. He will sit on the Executive Committee of IFC, reporting to CEO Charles Brindamour. Egan is a strong leader and has significantly improved the performance of the UK&I business over the last two years. • On April 22, 2021, we confirmed the appointment of Christian Baltzer as CEO of Codan Denmark.

Value creation	• We expect over $250 million of pre-tax annual run-rate synergies within 36 months following close, before risk selection improvements. We are increasingly confident in our $250 million of synergies, and, given the speed at which we integrate companies, we expect a gradual ramp over the next 3 years.
	• Approximately 75% of total synergies are expected to be generated in RSA's Canadian operations and the remainder in the UK&I operations and Specialty Lines.
	  o In Canada, policy migration, which is expected to start before the end of 2021, claims internalization, share services integration and associated system shutdowns will drive the majority of the expense savings.
	  o In UK&I, we strive to generate expense synergies from capital, reinsurance and tax optimization, and publicly listed related costs.
	  o In Specialty Lines, synergies are largely related to general expenses and reinsurance, and we are identifying opportunities to strengthen the combined international platform and introduce our proven governance and profitability model.
	• In addition to expense synergies, we expect to generate additional value by applying our core expertise in digital, data and AI platforms, pricing and risk selection. This additional value is not included in our disclosed financial metrics.

Impact on our disclosure	• We expect to close the RSA Acquisition on June 1, 2021. RSA's results of operations and balance sheet will be included in our consolidated results from the closing date.
	• In Q2-2021, RSA's operating results will be reported in Corporate and Other under the relevant captions.
	• In Q3-2021, RSA's results will be integrated into our consolidated performance as follows:
	  o RSA's Canadian operations will be integrated in our Canada segment and reported under our current lines of business: personal auto, personal property and commercial lines, and in Distribution EBITA and Other as appropriate.
	  o Our U.S. Commercial lines will not be materially impacted.
	  o We will introduce a new UK&I segment, which will include RSA's operations in the U.K., Ireland, Continental Europe and Middle East. The UK&I segment will be reported under two lines of business: personal lines and commercial lines.
	  o Corporate and Other will include RSA's net investment income, the results of our Denmark operations, and other operating results, in line with our current reporting.
	• The composition of our segments is aligned with our internal financial reporting based on management structure and geography.

Section 12 - Progress on our strategic roadmap

With the RSA Acquisition, we are taking a significant step to accelerate our strategy. Please refer to our Intact website at www.intactfc.com for further information related to this acquisition, which is expected to close on June 1, 2021.

Strengthening our leadership position in Canada

- In Q1-2021, we announced additional **customer relief measures** to support customers whose driving habits have changed during the latest COVID-19 wave. Personal auto customers can apply to receive relief, equivalent to one month of their auto premium.
- Customers' growing appetite for **digital engagement** continued through the first quarter. Client Centre registrations for both Intact Insurance and belairdirect increased versus last quarter. Intact Insurance reached a milestone of 1 million registrations, more than doubling registrations within a year.
- During the quarter, a second phase of the "**Make it Intact" national branding campaign** launched for Intact Insurance. Positive results being seen from coast-to-coast make the campaign our most successful yet.

Build a North American Specialty Leader

- **Frank Cowan Company Limited has been rebranded to Intact Public Entities**, another step in bringing our specialty capabilities under one unified brand, Intact Insurance Specialty Solutions.
- We remain focused primarily on:
  - **capitalizing on agreements** made in 2020, through the acquisition of International Bond & Marine Brokerage Ltd. (IB&M) and the Resilience insurance partnership, to drive growth and deepen our expertise.
  - **capturing market opportunities**, particularly through rate actions, in lines of business with favourable market conditions.

Transform our competitive advantages

- **Integration planning for RSA** is well underway with 27 internal committees deployed. ***Refer to Section 11 - Acquisition of RSA's Canadian, UK and International operations.***
- On February 1, 2021, **On Side Restoration completed the purchase of 204 Restoration Services Ltd** marking their debut in the Manitoba market. On Side also completed the purchase of Quebec-based Groupe Dijon Inc. in January.
- We continue to develop our **AI-based rating algorithms in personal lines** to expand its use and to deploy a second iteration updated to incorporate our learnings to date.

Invest in our people

- **belairdirect was named one of the Best Places to work** in 2021 by Glassdoor.
- **Employee engagement remained at a record high** this quarter as employees continue to deliver on strategic priorities, help customers through unprecendented times and advancing plans to integrate RSA into our organization.
- A series of **new virtual learning paths** was introduced to all leaders and employees in early April to further develop skillsets as we continue to address the Future of Work.
- More than one third of our leaders have either completed or enrolled in our **refreshed leadership program** which was introduced last year with modernized content and enhanced collaborative platforms.
- Our Investor Relations team received the **"Best Investor Relations During a Corporate Transaction"** award by IR Magazine highlighting the calibre, strength and expertise of our team.

Social Impact

- We released our **2020 Social Impact Report**, highlighting our contributions to building a resilient society. Included in the report is our TCFD disclosure and initial disclosure to the Sustainability Accounting Standards Board (SASB) standards for the Insurance Sector.
- The Intact Centre, released a new report *Climate Change and the Preparedness of 16 Major Canadian Cities to Limit Flood Risk*, assessing rating municipalities on their flood preparedness.
- belairdirect renewed **its partnership with the Breakfast Club of Canada of $1.5 million** over the next three years.

FINANCIAL CONDITION

Section 13 - Financial position

Q1-2021 Highlights

Investment portfolio	Claims liabilities	BVPS for the last 12 months	Debt-to-total capital ratio
$21.3 billion	$12.8 billion	+20%	22.5%

13.1 Balance sheets

Table 14 – Balance sheets

As at	Section	March 31, 2021	December 31, 2020
Assets			
Investments	*14*	**21,266**	20,630
Premium receivables		**3,454**	3,822
Reinsurance assets	*15*	**1,498**	1,533
Deferred acquisition costs		**1,031**	1,089
Other assets		**2,694**	2,718
Intangible assets and goodwill		**5,321**	5,327
Total assets		**35,264**	35,119
Liabilities			
Claims liabilities	*15*	**12,750**	12,780
Unearned premiums		**5,880**	6,256
Financial liabilities related to investments		**216**	89
Other liabilities		**3,112**	3,370
Debt outstanding	*16*	**3,237**	3,041
Total liabilities		**25,195**	25,536
Shareholders' equity			
Common shares		**3,265**	3,265
Preferred shares		**1,175**	1,175
Contributed surplus		**187**	187
Retained earnings		**5,077**	4,547
AOCI		**365**	409
Shareholders' equity		**10,069**	9,583
Book value per share (in dollars)	*16.3*	**62.19**	58.79

Section 14 - Investments and capital markets

14.1 Capital market update

While restrictions eased for parts of the economy towards the end of 2020, the second wave of the COVID-19 crisis increased uncertainty and led to renewed lockdown measures. The emergence of new variants resulting in the third wave and uncertainty regarding vaccine effectiveness and distribution continue to contribute to economic uncertainty. Until the crisis has passed and economies fully reopen, the Company expects financial markets to remain volatile.

While the correlation between the performance of capital markets and the performance of our investment portfolio is not perfect, the following market indicators may be useful in understanding the overall performance of our investment portfolio. ***See Section 7.1 – Net investment income and Section 7.3 – Net gains (losses) excluding FVTPL bonds.***

Table 15 – Selected market indicators

Selected market Indicators	Q1-2021	Q1-2020
Common shares		
S&P/TSX Composite	**7 %**	(22)%
S&P/TSX Financials	**13 %**	(22)%
S&P/TSX Energy	**19 %**	(38)%
DJ Dividend 100 Composite (U.S.)	**13 %**	(22)%
Preferred shares		
S&P/TSX Preferred Share Index	**7 %**	(24)%
Fixed-income securities		
5Y Canada Sovereign Index (estimated variance in bps)	**32 bps**	(114) bps
5Y U.S. Sovereign Index (estimated variance in bps)	**58 bps**	(131) bps
5Y AA Corporate spread (estimated variance in bps)	**13 bps**	118 bps
Strengthening (weakening) of USD vs CAD	**(1)%**	8%

14.2 Investment portfolio

Our investment portfolio is mainly comprised of Canadian and U.S. securities. The Canadian securities mainly comprise a mix of cash and short-term notes, fixed-income securities, preferred shares, common shares and loans. The U.S. securities mainly comprise fixed-income securities (including asset-backed securities and corporate bonds) and common shares.

Table 16 – Investment portfolio

As at	March 31, 2021	December 31, 2020
Cash, cash equivalents, and short-term notes	**1,963**	1,601
Fixed-income	**12,918**	13,414
Preferred shares	**1,751**	1,552
Common equities	**4,385**	3,779
Loans	**249**	284
	21,266	20,630

Quarter

Our investments increased by $636 million, driven by:

- the proceeds from the issuance of $250 million of subordinated notes to partly finance the RSA Acquisition; and
- reinvestment and mark-to-market gains on equity securities, driven by favourable equity markets in Q1-2021, partly offset by mark-to-market losses on fixed-income securities, due to the increase in interest rates.

14.3 High quality portfolio

Our fixed-income portfolio includes high quality government and corporate bonds. Approximately 87% of our fixed-income portfolio was rated 'A-' or better as at March 31, 2021 (89% as at December 31, 2020). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was 'AA' as at March 31, 2021 and December 31, 2020. The average duration of our fixed-income portfolio was 3.69 years as at March 31, 2021 (3.74 years as at December 31, 2020).

Our preferred share portfolio is made up of high-quality Canadian issuers. The weighted-average rating of our preferred share portfolio was 'P2' as at March 31, 2021 and December 31, 2020.

14.4 Net pre-tax unrealized gain (loss) on AFS securities

Table 17 – Net pre-tax unrealized gain (loss) on AFS securities

As at	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Fixed-income securities	**159**	297	310	300	165
Preferred shares	**96**	(8)	(97)	(218)	(376)
Common shares	**251**	224	44	(31)	(294)
Net pre-tax unrealized gain (loss) position	**506**	513	257	51	(505)

Quarter

Unrealized gain position decreased by $7 million, mainly driven by:

- mark-to-market gains on equity securities, driven by favourable equity markets in Q1-2021, mostly offset by:
- an unrealized loss of $100 million related to an Intact venture investment; and
- mark-to-market losses on fixed-income securities, due to the increase in interest rates.

14.5 Aging of unrealized losses on AFS common shares

Table 18 – Aging of unrealized losses on AFS common shares

As at	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020
Less than 25% below book value	**25**	**66**	97	106	102
More than 25% below book value for less than 6 consecutive months	**102**	**-**	1	99	270
More than 25% below book value for 6 consecutive months or more, but less than 9 consecutive months	**-**	**-**	96	3	15
Unrealized losses on AFS common shares	**127**	**66**	194	208	387

Highlights

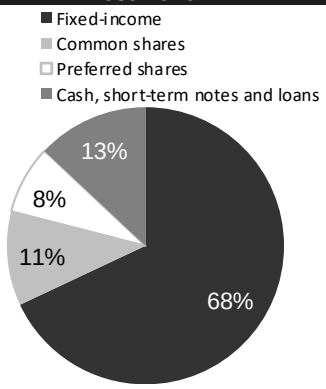
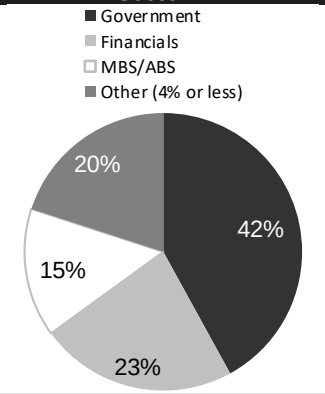
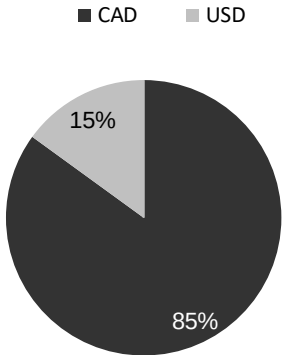
- In Q1-2021, no impairments were recorded on AFS common shares, compared to $96 million in Q1-2020.
- Most of the unrealized losses balance as at March 31, 2021 related to an Intact venture investment, which is subject to normal impairment rules.
- Since common shares are measured at fair value on our balance sheet, impairment losses have no impact on our BVPS and capital position.

See Note 2 – Summary of significant accounting policies to the Consolidated financial statements for the year ended December 31, 2020 for additional details on our accounting policy regarding the impairment of financial assets.

14.6 Net exposure

As part of our investment strategies, from time to time we take long/short equity positions in order to maximize the value added from active equity portfolio management, or to mitigate overall common share market volatility. We also use strategies where market risk from long common share positions is reduced through the use of swap agreements or other hedging instruments.

Our net exposure as at March 31, 2021 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below.

Total portfolio Investment mix	Fixed-income strategies Sector mix	Total portfolio Currency
		
We had highly liquid assets at the Corporate level and in our insurance subsidiaries to provide additional financial flexibility and to support our customers through the COVID-19 crisis.	Our fixed-income portfolio remains concentrated in highly liquid instruments, such as securities in the government and financial sectors.	We have no material net exposure to other currencies.

Net exposure by asset class

Table 19 – Investment mix by asset class (net exposure)

As at	March 31, 2021	December 31, 2020
Cash, cash equivalents, and short-term notes	**12%**	10%
Fixed-income	**68%**	72%
Preferred shares	**8%**	7%
Common equities	**11%**	10%
Loans	**1%**	1%
	100%	100%

As at March 31, 2021, the net exposure by asset class was mostly impacted by market conditions.

Net sectoral exposure

Table 20 – Sector mix by asset class, excluding cash, short-term notes and loans (net exposure)

As at	Fixed-income securities	Preferred shares	Common shares	Total March 31, 2021	Total Dec. 31, 2020
Government	**42%**	**-**	**-**	**30%**	32%
Financials	**23%**	**76%**	**29%**	**35%**	32%
ABS and MBS[1]	**15%**	**-**	**-**	**10%**	11%
Energy	**1%**	**11%**	**12%**	**3%**	3%
Industrials	**2%**	**-**	**8%**	**3%**	3%
Consumer staples	**2%**	**-**	**9%**	**3%**	3%
Communication Services	**2%**	**3%**	**8%**	**3%**	3%
Utilities	**3%**	**10%**	**12%**	**5%**	5%
Consumer discretionary	**1%**	**-**	**5%**	**1%**	1%
Materials	**1%**	**-**	**7%**	**1%**	1%
Information technology	**4%**	**-**	**4%**	**3%**	3%
Health care	**4%**	**-**	**6%**	**3%**	3%
	100%	**100%**	**100%**	**100%**	100%

[1] Our structured debt securities comprised $482 million of ABS and $1,399 million of MBS as at March 31, 2021. Residential MBS and Commercial MBS make up respectively 48% and 52% of our MBS portfolio. Approximately 97% of these structured debt securities are rated 'A' or better. We continue to have no exposure to leveraged securities.

Net currency exposure

Table 21 – Net currency exposure

As at	March 31, 2021	December 31, 2020
CAD	**85%**	85%
USD	**15%**	15%
	100%	100%

Section 15 - Claims liabilities and reinsurance

15.1 Prior year claims development

- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.
- We expect average favourable PYD as a percentage of opening reserves to be in the 1-3% range over the long-term.
- The level of PYD could be more volatile in the first quarter compared to other quarters since all prior quarter claims development experienced in the first quarter is reported as PYD.

Table 22 – PYD by line of business

	Q1-2021	Q1-2020	Change
By line of business			
Personal auto	**(18)**	(3)	(15)
Personal property	**(43)**	(23)	(20)
Commercial lines – Canada	**(69)**	(18)	(51)
Commercial lines – U.S.	**(20)**	(8)	(12)
Total (favourable) unfavourable development	**(150)**	(52)	(97)
(Favourable) unfavourable annualized rate of PYD[1]			
P&C Canada	**(5.3)%**	(1.9)%	(3.4) pts
P&C U.S.	**(5.2)%**	(2.2)%	(3.0) pts
Consolidated	**(5.3)%**	(2.0)%	(3.3) pts

[1] As a % of opening reserves.

15.2 Reinsurance

In the ordinary course of business, we reinsure certain risks with other reinsurers to limit our maximum loss in the event of catastrophic events or other significant losses.

Annually, we review and adjust our reinsurance coverage as well as our net retention of risks in order to reflect our current exposures and our capital base. The coverage limits are well in excess of the regulatory requirements with respect to the earthquake risk.

See Note 14 – Reinsurance to the Consolidated Financial statements for the year ended December 31, 2020 for further details on our reinsurance net retention and coverage limits by nature of risk.

Section 16 - Capital management

16.1 Our capital management framework

Capital management objectives

Our objectives when managing capital consist of:

- maximizing long-term shareholder value by optimizing capital used to operate and grow the Company; and
- maintaining strong regulatory capital levels, to ensure policyholders are well protected.

16.2 Maintaining a strong capital position

Capital position

All our regulated P&C insurance subsidiaries are well capitalized on an individual basis with capital levels well in excess of regulator supervisory minimum levels and Company action levels (CALs). CALs represent the thresholds below which regulator notification is required together with a company action plan to restore capital levels.

Table 23 – Estimated aggregated capital position

As at	March 31, 2021	December 31, 2020
Canadian regulated entities		
Regulatory capital ratio (MCT)	**224%**	224%
Industry-wide supervisory minimum levels	**150%**	150%
Capital above CALs (capital margin)	**1,170**	1,101
Other regulated entities		
Capital above CALs (capital margin)[1]	**629**	640
Unregulated entities	**1,209**	988
Total capital margin[2]	**3,008**	2,729
Debt-to-total capital[3]	**22.5%**	24.1%

[1] Includes Atlantic Specialty Insurance (U.S.) ("ASIC"), Split Rock Insurance, Ltd. (Bermuda), IB Reinsurance Inc. (Barbados) and The Guarantee Company of North America USA.

[2] Consists of the aggregate of capital in excess of CALs in regulated entities plus available cash and investments in unregulated entities, including the issuances of $600 million of medium-term notes in December 2020 and $250 million of subordinated notes in March 2021. The CAL is 165% MCT for most Canadian insurance subsidiaries and 200% RBC for U.S. insurance subsidiaries.

[3] Total debt outstanding divided by the sum of total shareholders' equity and total debt outstanding, at the same date. Hybrid debt is excluded from debt outstanding and is instead included in the total financial leverage with preferred shares. *See Section 16.4 – Managing leverage*.

The following table summarizes the movement in our key capital indicators for the quarter.

Table 24 – Key capital indicators

As at	MCT	RBC	Debt-to-total capital ratio	Capital margin
December 31, 2020	**224%**	**469%**	**24.1%**	**2,729**
Insurance operations and investments[1]	**10%**	**14%**	**(1.1)%**	**209**
Dividends paid	**(10)%**	**(25)%**	**0.2%**	**(132)**
Financing raised (RSA Acquisition)[2]	**-**	**-**	**(0.4)%**	**247**
Deleveraging	**-**	**-**	**(0.3)%**	**(45)**
March 31, 2021	**224%**	**458%**	**22.5%**	**3,008**

[1] Net of tax. U.S. figures are based on statutory accounting, which differs from IFRS.

[2] Refer to *Section 16.4 – Managing leverage*.

Q1-2021 highlights

- As at March 31, 2021, our Canadian insurance companies have a MCT of 224% and our U.S. subsidiary has a RBC of 458%, both solid levels.
- Our total capital margin stood at a strong $3.0 billion as at March 31, 2021, including $850 million proceeds from the issuance of medium-term notes and hybrid debt to partly finance the RSA Acquisition. By maintaining a strong balance sheet and capital position, we can withstand shocks driven by volatility in financial markets and are ready to capture growth opportunities.
- Our debt-to-total capital ratio decreased by 1.6 points to 22.5% as at March 31, 2021, mainly driven by growth in total capital margin from earnings (including investment gains) and the subordinated notes issuance (hybrids) in Q1-2021.

Outlook - Post RSA Closing

- All regulatory capital requirements to remain above minimum levels and internal targets.
- Over $2.0 billion total capital margin estimated at closing, driven by favourable capital generation in the last quarters, as well as increased capital margin for the RSA entity in the UK.
- Closing debt-to-total-capital below initial estimate of 26%, with an expectation to return to 20% withing 36 months following closing.
- Maintain a strong liquidity position with capacity in the undrawn credit facility and revenue from non-regulated entities.

16.3 Book value per share

Table 25 – Evolution of BVPS (in dollars)

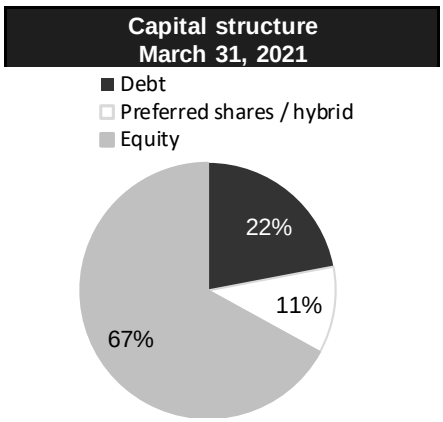
As at	Q1-2021	Last 12 months
BVPS, beginning of period	**58.79**	**51.71**
EPS	**3.51**	**10.05**
Dividends on common shares	**(0.83)**	**(3.32)**
Impact of market movements on AFS securities	**(0.15)**	**5.59**
Net actuarial gains (losses) on employee future benefits	**1.06**	**(0.14)**
Foreign exchange impact	**(0.16)**	**(1.71)**
Shared-based payments and other	**(0.03)**	**0.01**
BVPS, end of period	**62.19**	**62.19**
Period-over-period increase	**6%**	**20%**

16.4 Managing leverage

We believe that our optimal financing structure is one where:

- the debt-to-total capital ratio is generally at 20%; and
- approximately 10% of our total capital is comprised of preferred shares and hybrids.

We classify hybrids with the preferred shares since they are convertible to preferred shares pari passu to our existing preferred shares in case of default or bankruptcy.



Financing of the RSA Acquisition

Financing of our share of the purchase price of approximately $5.2 billion (£3.0 billion) and expected related transaction costs of approximately $0.7 billion has been raised as follows:

- $4.45 billion of private placement subscription receipts;
- €392 million ($578 million) bank term loan facility to be drawn on closing;
- $600 million of medium-term notes; and
- $250 million of subordinated notes issued in March 2021.

On March 31, 2021, we completed an offering of $250 million principal amount of subordinated notes Series 1 (the "Notes"), due March 31, 2081, with the option for the issuer to redeem the Notes every five years.The Notes bear interest at a fixed annual rate of 4.125% for the initial five years. The Notes will be converted automatically into Non-Cumulative Class A Series 10 preferred shares of the Company upon certain bankruptcy or insolvency related events. The Notes are direct unsecured obligations and are subordinated to all senior indebtedness of the Company. The net proceeds from this offering will be used to partly finance the RSA Acquisition. ***Refer to Note 11 – Debt outstanding to the interim Consolidated financial statements for more details.***

Credit facility

Our $750 million credit facility matures on November 26, 2024. As at March 31, 2021 and December 31, 2020, no balance was drawn under our credit facility and all covenants were fully met. In 2020, the credit facility was amended to comply with all covenants upon closing of the RSA Acquisition. Furthermore, the credit facility will be increased from $750 million to $1.5 billion in order to provide incremental liquidity, contingent upon the closing of the RSA Acquisition.

Strong ratings

Independent third-party rating agencies assess our insurance subsidiaries' ability to meet their ongoing policyholder obligations ("financial strength rating") and our ability to honour our financial obligations ("senior unsecured debt rating").

Table 26 – Ratings

	A. M. Best	DBRS	Moody's	Fitch
Financial strength ratings				
IFC's principal Canadian P&C insurance subsidiaries	**A+**	**AA(low)**	**A1**	**AA-**
Intact U.S. (OneBeacon) U.S. regulated entities	**A+**	**AA(low)**	**A2**	**AA-**
Senior unsecured debt ratings				
IFC	**a-**	**A**	**Baa1**	**A-**
Intact U.S. (OneBeacon)	**a-**	**A**	**Baa2**	**A-**

We do not anticipate the RSA Acquisition and its planned financing structure to lead to a change in our current credit ratings.

16.5 Common shareholder dividends

With a strong financial position and confidence in earnings growth, we will continue to protect our people, support our customers and advance on our strategic objectives. We intend to increase our dividend this year as we have in the past 15 years.

Section 17 - Treasury management

17.1 Understanding our cash flows

Cash flows used in operating activities mainly consist of insurance premiums less claims and expense payments, plus investment income. Cash is used to pay dividends on common and preferred shares. Cash may also be deployed for strategic purposes like business acquisitions, investments in brokerage firms and share buybacks, or to repay outstanding financing. Cash inflows in excess of these outflows are moved to our investment portfolio to generate additional investment income in the future.

Table 27 – Cash flows

For the three-month periods ended March 31,	2021	2020	Change
Net cash flows provided by operating activities	**401**	100	301
Cash flows generated from (deployed on):			
Proceeds from issuance of debt, net of issuance costs[1]	**247**	299	(52)
Repayment of debt	**(45)**	-	(45)
Borrowing (repayment) on the credit facility, net	**-**	12	(12)
Proceeds from issuance of Class A Preferred Shares	**-**	146	(146)
Dividends on common shares and preferred shares	**(132)**	(131)	(1)
Proceeds (purchases) of brokerages and other equity invesrments, net	**17**	(43)	60
Purchases of intangibles and P&E, net	**(50)**	(29)	(21)
Payments of lease liabilities	**(16)**	(15)	(1)
Proceeds from (repayment of) securities sold under repos	**-**	(20)	20
Repurchase of common shares for share-based payments	**(13)**	(11)	(2)
Net cash inflows (outflows) before the following:	**409**	308	101
Proceeds from investment sales (purchases), net	**(259)**	(69)	(190)
Net increase (decrease) in cash and cash equivalents	**150**	239	(89)
Cash and cash equivalents at beginning of the period	**917**	936	(19)
Exchange rate difference on cash and cash equivalents	**(5)**	32	(37)
Cash and cash equivalents at end of the period	**1,062**	1,207	(145)

[1] *See Section 16 – Capital management.*

We have ample liquidity at the holding company level and within our investment portfolio to protect against market volatility, support our customers through the crisis, and quickly respond to market opportunities that may arise.

We have sufficient capital resources, cash flows from operating activities and borrowing capacity to support our current and anticipated activities, scheduled principal and interest payments on our outstanding debt, the payment of dividends and other expected financial commitments in the near term.

Section 18 - Foreign currency management

18.1 Currency hedging in relation with the RSA Acquisition

Purchase price hedges	• In November 2020, we entered into foreign currency forward contracts in order to hedge the £3.0 billion ($5.2 billion) purchase price to exposures from fluctuations in the CAD/GBP and EUR/GBP currency pairs. • These derivatives have a notional of £2.7 billion ($4.7 billion) GBP/CAD and £0.3 billion ($0.6 billion) GBP/EUR, of which £2.4 billion ($4.2 billion) are contingent on the closing of the RSA Acquisition. • Since January 18, 2021 (RSA's shareholders approval date), the effective portion of changes in the fair value of GBP/CAD derivatives with a notional value of £2.1 billion ($3.6 billion) has been recognized in OCI. • In Q1-2021, we recognized an unrealized loss of $18 million, driven by the mark-to-market through net income of the derivatives that do not qualify as cash flow hedges as well as the ineffective portion of the cash flow hedge. *See Table 11 – Gains (losses) excluding FVTPL bonds.*
Book value hedges	• In November 2020, we entered into foreign currency forward contracts for a notional of £700 million ($1.2 billion), whereby we sell GBP for CAD in order to reduce our book value exposure to the GBP. • These derivatives represent economic hedges and the changes in the fair value are recognized through net income until closing of the RSA Acquisition. We recognized an unrealized gain of $2 million in Q1-2021. *See Table 11 – Gains (losses) excluding FVTPL bonds.*

We also intend to hedge our book value exposure to the DKK after closing with our €392 million ($578 million) bank term loan facility.

See Note 7 – Derivative financial instruments to the Consolidated financial Statements for more details.

RISK MANAGEMENT

Section 19 - Sensitivity analyses

Sensitivity analyses are one risk management technique that assists management in ensuring that risks assumed remain within our risk tolerance level. Sensitivity analyses involve varying a single factor to assess the impact that this would have on our results and financial condition. No management action is considered. Actual results can differ materially from these estimates for a variety of reasons and therefore, these sensitivities should be considered as directional estimates.

Table 28 – Sensitivity analysis (after tax)

For the periods ended	March 31, 2021			Estimated split		December 31, 2020		
	Net income	OCI	BVPS	Canada	U.S.	Net income	OCI	BVPS
Equity price risk								
Common share prices (10% decrease)[1]	**31**	**(264)**	**(1.63)**	**74%**	**26%**	11	(221)	(1.47)
Preferred share prices (5% decrease)[2]	**15**	**(79)**	**(0.45)**	**100%**	**-**	12	(68)	(0.39)
Interest rate risk (100 basis point increase)								
Debt securities[3,4]	**(206)**	**(177)**	**(2.68)**	**65%**	**35%**	(198)	(197)	(2.76)
Net claims liabilities	**207**	**-**	**1.45**	**88%**	**12%**	200	-	1.40
Defined benefit pension plan obligation, net of related debt securities	**-**	**109**	**0.76**	**100%**	**-**	-	130	0.91
Currency risk[5]								
Strengthening of CAD by 10% vs all currencies								
Book value of foreign operations	**6**	**(191)**	**(1.29)**	**-**	**100%**	6	(196)	(1.33)
Currency derivatives related to RSA Acquisition	**-**	**(283)**	**(1.98)**	**100%**	**-**	-	(283)	(1.98)
Strengthening of GBP by 10% vs EUR								
Currency derivatives related to RSA Acquisition	**(52)**	**-**	**(0.36)**	**100%**	**-**	(52)	-	(0.36)

[1] Including the impact of common shares related to the defined benefit pension plan. Net of any equity hedges, including the impact of any impairment.
[2] Including the impact on related embedded derivatives.
[3] Excludes the impact of debt securities related to the defined benefit pension plan.
[4] Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 50% of both government-related and corporate-related securities.
[5] After giving effect to forward-exchange contracts.

The above analyses were prepared using the following assumptions:
- shifts in the yield curve are parallel;
- interest rates, equity prices and foreign currency move independently;
- credit, liquidity, spread and basis risks have not been considered;
- impact on our pension plans has been considered; and
- risk reduction measures perform as expected, with no material basis risk and no counterparty defaults.

AFS debt or equity securities in an unrealized loss position, as reflected in AOCI may be realized through sales in the future.

A decline in the price of AFS perpetual preferred shares is recorded in OCI and would normally lead to a lower valuation for associated embedded derivative liabilities which are recorded as gains in Net income. Conversely, an increase in the price of these preferred shares is also recorded in OCI and would normally lead to a higher valuation for associated embedded derivative liabilities which are recorded as losses in Net income.

ADDITIONAL INFORMATION

Section 20 - Non-operating results

Non-operating results, a non-IFRS financial measure, include elements that are not representative of our operating performance because they relate to special items, bear significant volatility from one period to another, or because they are not part of our normal activities. As a result, these elements are excluded from the calculation of NOI and related non-IFRS financial measures.

Table 29 – Non-operating results

	Q1-2021	Q1-2020	Change
Net gains (losses)			
Gains (losses) excluding FVTPL bonds *(Table 11)*	**283**	(71)	354
Realized and unrealized gains (losses) on FVTPL bonds	**(165)**	50	(215)
Positive (negative) impact of MYA on underwriting	**146**	(58)	204
Amortization of intangible assets recognized in business combinations	**(29)**	(37)	8
Acquisition, integration and restructuring costs	**(43)**	(24)	(19)
Non-operating pension expense	**(16)**	(13)	(3)
Underwriting results of exited lines	**(2)**	(8)	6
Other	**(2)**	(5)	3
Non-operating gains (losses)	**172**	(166)	338
Income tax recovery (expense) on the above items	**(15)**	30	(45)
After-tax non-operating gains (losses)	**157**	(136)	293

- **Net gains and losses** as well as the effect of **MYA** on underwriting arise mostly from changes in market conditions, which can be volatile to earnings.
- Claims liabilities are discounted at the estimated market yield of the assets backing these liabilities. The impact of changes in the discount rate used to discount claims liabilities based on the change in the market-based yield of the underlying assets is referred to as **MYA**. MYA is included in Net claims incurred in our consolidated statements of income.
- **Acquisition, integration and restructuring costs** include items such as acquisition-related expenses, severances, retention bonuses, system integration costs, changes in the fair value of the contingent considerations, as well as expenses related to the implementation of significant new accounting standards.
- The **non-operating pension expense** represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets versus the IFRS discount rate. The expected return better reflects our operating performance given our internal investment management expertise and the composition of our pension asset portfolio.
- **Underwriting results of exited lines** included the results of the U.S. Commercial's Programs, Architects and Engineers and Healthcare (effective July 1, 2019) exited lines of business, as well as BC auto, exited effective in Q4-2020.

Section 21 - Non-IFRS financial measures

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. They are used by management and financial analysts to assess our performance. Further, they provide users with an enhanced understanding of our results and related trends, and increase transparency and clarity into the core results of the business.

The non-IFRS financial measures used in this MD&A include measures related to:

- Our underwriting performance *(see Section 21.1)*: Change or growth in constant currency, DPW, underwriting income (loss), combined ratio, NEP, total net claims, underlying current year loss ratio, PYD and underwriting expenses.
- Our consolidated performance *(see Section 21.2)*: Distribution EBITA and Other, finance costs, other income (expense), total income taxes, income before income taxes, NOI, NOIPS, OROE, adjusted net income, AEPS and AROE.

21.1 Underwriting performance

Growth or change in constant currency

- Represents the growth or change between two figures, excluding the impact of foreign currency fluctuations. This is calculated by applying the exchange rate in effect for the current year to the results of the previous year. We believe that this measure enhances the analysis of our results with comparative periods with respect to the KPI of our U.S. segment.

DPW

- Represents the total amount of premiums for new and renewal policies written during the reporting period, normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines. We consider that this measure better reflects the operating performance of our core operations, and that it is the most useful measure in terms of measuring growth, volume of business and market share. This measure matches premiums written to the year in which coverage is provided, whereas under IFRS, the full value of multi-year policies is recognized in the year the policy is written.

Table 30 – Reconciliation of DPW and DPW growth to DPW, as reported under IFRS

	Q1-2021	Q1-2020
DPW, as reported under IFRS	**2,543**	2,557
Remove: impact of industry pools and fronting	**(19)**	(49)
Remove: DPW of exited lines	**(2)**	(2)
DPW (full term)	**2,522**	2,506
Add impact of the normalization for multi-year policies	**-**	15
DPW, as reported in the MD&A	**2,522**	2,521
DPW growth	**-%**	14%
DPW growth (in constant currency)	**1%**	14%

Underwriting income (loss)

Table 31 – Reconciliation of underwriting income to underwriting income, as reported under IFRS

	Q1-2021	Q1-2020
Underwriting income, as reported under IFRS[1]	**425**	80
Remove: impact of MYA on underwriting results	**(146)**	58
Remove: non-operating pension expense	**16**	13
Remove: underwriting loss of exited lines	**2**	8
Underwriting income (loss), as reported in the MD&A	**297**	159
NEP, as reported in the MD&A	**2,759**	2,766
Combined ratio	**89.3%**	94.3%

[1] Comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses.

Underlying current year loss ratio

- Represents our current year claims ratio excluding catastrophe losses, reinstatement premiums, and PYD.
- Catastrophe events are not predictable and subject to volatility, and as such, excluding them provides clearer insight into our analysis of current year performance.

Table 32 – Reconciliation of NEP before reinstatement premiums to NEP and of current year claims to net claims incurred, as reported under IFRS

	Q1-2021	Q1-2020
NEP, as reported under IFRS	**2,777**	2,766
Remove: NEP of exited lines	**(18)**	-
NEP, as reported in the MD&A	**2,759**	2,766
Remove: reinstatement premiums ceded (recovered)	**1**	4
NEP, before reinstatement premiums	**2,760**	2.770
Net claims incurred, as reported under IFRS	**1,431**	1,829
Remove: impact of MYA on underwriting results	**146**	(58)
Remove: adjustment for non-operating pension expense	**(6)**	(5)
Remove: net claims of exited lines	**(14)**	(7)
Total net claims, as reported in the MD&A	**1,557**	1,759
Remove: current year CAT claims	**(52)**	(137)
Remove: PYD	**150**	52
Current year claims (excluding CATs and PYD)	**1,655**	1,674
NEP, before reinstatement premiums	**2,760**	2,770
Underlying current year loss ratio	**60.0%**	60.4%
CAT loss ratio (including reinstatement premiums)	**1.9%**	5.1%
(Favourable) unfavourable PYD ratio *(see Table 33 below)* [1]	**(5.4)%**	(1.9)%
Claims ratio	**56.5%**	63.6%

[1] Calculated using NEP, as reported in the MD&A.

Prior year claims development (PYD)

Table 33 – Reconciliation of PYD to prior year claims development, as reported under IFRS

	Q1-2021	Q1-2020
(Favourable) unfavourable PYD, as reported under IFRS	**(142)**	(47)
Remove: unfavourable PYD of exited lines	**(8)**	(5)
(Favourable) unfavourable PYD, as reported in the MD&A	**(150)**	(52)
NEP, as reported in the MD&A	**2,759**	2,766
(Favourable) unfavourable PYD ratio	**(5.4)%**	(1.9)%

Underwriting expenses

Table 34 – Reconciliation of underwriting expenses to underwriting expenses, as reported under IFRS

	Q1-2021	Q1-2020
Underwriting expenses, as reported under IFRS	**956**	890
Net with: other underwriting revenues	**(35)**	(33)
Remove: adjustment for non-operating pension expense	**(10)**	(8)
Remove: underwriting expenses of exited lines	**(6)**	(1)
Underwriting expenses, MD&A basis	**905**	848
NEP, as reported in the MD&A	**2,759**	2,766
Expense ratio	**32.8%**	30.7%

21.2 Consolidated performance

Distribution EBITA and Other, finance costs, other income (expense) and total income taxes

- Distribution EBITA and Other is the measure used to report the performance of our distribution channel, which includes operating income before interest and taxes from our consolidated brokers (including BrokerLink) and our broker associates, Intact Public Entities Inc. (a specialty MGA in Canada formerly operating as Frank Cowan Company) and On Side (a Canadian restoration firm).
- Other income (expense) include general corporate expenses and income, consolidation adjustments, regulatory fees related to our public company status, special projects and other operating items.
- Finance costs (MD&A) and income taxes (MD&A) include finance costs and income taxes (in their respective captions) from our broker associates, which are accounted for using the equity method under IFRS.

Table 35 – Reconciliation of Distribution EBITA and Other, Finance costs and other income (expense) with the Consolidated financial statements

	MD&A Captions				Pre-tax	
As presented in the Financial statements	Distribution EBITA and Other	Finance costs	Other income (expense)	Total income taxes	Non-operating losses[1]	Total F/S caption
For the quarter ended March 31, 2021						
Other revenues	**89**	**-**	**3**	**-**	**-**	**92**
Share of profits from invest. in ass. & JV	**23**	**(4)**	**-**	**(4)**	**(4)**	**11**
Other expenses	**(50)**	**-**	**(9)**	**-**	**(27)**	**(86)**
Finance costs	**-**	**(28)**	**-**	**-**	**-**	**(28)**
Income tax recovery (expense)	**-**	**-**	**-**	**(116)**	**-**	**(116)**
Total, as reported in MD&A	**62**	**(32)**	**(6)**	**(120)**		
For the quarter ended March 31, 2020						
Other revenues	71	-	4	-	-	75
Share of profits from invest. in ass. & JV	17	(3)	-	(2)	(9)	3
Other expenses	(44)	-	(12)	-	(33)	(89)
Finance costs	-	(28)	-	-	-	(28)
Income tax recovery (expense)	-	-	-	(39)	-	(39)
Total, as reported in MD&A	44	(31)	(8)	(41)		

[1] Comprised of $29 million relating to amortization of intangible assets recognized in business combinations and $2 million to other non-operating results for Q1-2021 ($37 million and 5 million respectively for Q1-2020).

Income before income taxes

- Includes income taxes related to broker associates, which are accounted for net of tax under IFRS. This measure is better aligned with how management analyzes the operating performance of our broker associates (recorded in distribution EBITA and Other), which is on a pre-tax basis.

Table 36 – Reconciliation of income before income taxes under IFRS to income before income taxes (MD&A)

	Q1-2021	Q1-2020
Income before income taxes, as reported under IFRS	**630**	146
Add: share of income tax expense of broker associates	**4**	2
Income before income taxes, as reported in the MD&A	**634**	148
Income tax benefit (expense), as reported in the MD&A *(table 35)*	**(120)**	(41)
Net income	**514**	107
Effective income tax rate, as reported in the MD&A	**18.9%**	27.9%

ROE

- Excludes the dividends declared on preferred shares. Average common shareholder's equity is the mean of the shareholder's equity at the beginning and the end of the period, adjusted for significant capital transactions, if appropriate.

Table 37 – Reconciliation of ROE to net income

	Q1-2021	Q1-2020
Net income	**514**	107
Remove: preferred share dividends	**(13)**	(12)
Net income attributable to common shareholders	**501**	95
Net income attributable to common shareholders for the last 12 months	**1,436**	655
Average common shareholders' equity	**8,145**	7,113
ROE for the last 12 months	**17.6%**	9.2%

NOI, NOIPS and OROE

- Exclude non-operating results *(see Section 20 – Non-operating results for details)*.

Table 38 – Reconciliation of NOI, NOIPS and OROE to net income

	Q1-2021	Q1-2020
Net income	**514**	107
Remove: income tax expense (benefit), as reported in the MD&A *(table 35)*	**120**	41
Remove: non-operating losses (gains)	**(172)**	166
Pre-tax operating income	**462**	314
Operating income tax benefit (expense)	**(105)**	(71)
NOI	**357**	243
Remove: preferred share dividends	**(13)**	(12)
NOI to common shareholders	**344**	231
Divided by weighted-average number of common shares (in millions)	**143.0**	143.0
NOIPS, basic and diluted (in dollars)	**2.40**	1.61
NOI to common shareholders for the last 12 months	**1,532**	989
Average common shareholders' equity, excluding AOCI	**8,058**	7,083
OROE for the last 12 months	**19.0%**	14.0%

AEPS and AROE

- Exclude the after-tax impact of amortization of intangible assets recognized in business combinations, as well as acquisition and integration costs. We believe that these acquisition-related items are not appropriate in assessing our performance compared to our peers.

Table 39 – Reconciliation of AEPS and AROE to net income

	Q1-2021	Q1-2020
Net income	**514**	107
Adjustments, net of tax		
Remove: amortization of intangibles recognized in business combinations	**22**	28
Remove: acquisition and integration costs	**31**	15
Remove: impact of deferred income tax benefit recognized	**-**	5
Remove: net loss (gain) on currency derivative economic hedges related to the RSA Acquisition	**14**	-
Remove: impact of tax adjustments on prior-year acquisition-related items	**-**	2
Adjusted net income	**581**	157
Remove: preferred share dividends	**(13)**	(12)
Adjusted net income attributable to common shareholders	**568**	145
Divided by weighted-average number of common shares (in millions)	**143.0**	143.0
AEPS, basic and diluted (in dollars)	**3.97**	1.01
Adjusted net income attributable to common shareholders for the last 12 months	**1,636**	781
Average common shareholders' equity	**8,145**	7,113
AROE for the last 12 months	**20.1%**	11.0%

Section 22 - Accounting and disclosure matters

Reference to our interim Consolidated financial statements	
Significant accounting judgments, estimates and assumptions	**Standards issued but not yet effective**
Note 3	*Note 21*

22.1 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to use judgments, estimates and assumptions that can have a significant impact on reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

The key estimates and assumptions that have a risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next financial year are as follows:

Reference to our interim Consolidated financial statements			
COVID-19 pandemic	**Business combinations**	**Valuation of claims liabilities**	**Valuation of defined benefit obligation**
Note 2.5	*Note 4*	*Note 9.1*	*Note 18.3*

22.4 Disclosure controls and procedures

We are committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. Management is responsible for establishing and maintaining our disclosure controls and procedures to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. We continue to evolve and enhance our system of controls and procedures.

Management, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company, has evaluated the design of our disclosure controls and procedures. The evaluation was conducted in accordance with the requirements of National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") of the Canadian Securities Administrators. This evaluation confirmed, subject to the inherent limitations noted above, the appropriateness of the design of disclosure controls and procedures as at March 31, 2021. Management can therefore provide reasonable assurance that material information relating to the Company and its subsidiaries is reported to it on a timely basis so that it may provide investors with complete and reliable information.

22.5 Internal controls over financial reporting

Management has designed and is responsible for maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has evaluated the design of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the ICFR were appropriately designed as at March 31, 2021.

In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

No significant changes were made to our ongoing ICFR during Q1-2021 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Section 23 - Shareholder information

23.1 Authorized share capital and outstanding share data

Our authorized share capital consists of an unlimited number of common shares and Class A shares.

Table 40 – Outstanding share data (number of shares)

As at May 10, 2021	
Common shares	**143,018,134**
Class A	
Series 1 preferred shares	**10,000,000**
Series 3 preferred shares	**8,405,004**
Series 4 preferred shares	**1,594,996**
Series 5 preferred shares	**6,000,000**
Series 6 preferred shares	**6,000,000**
Series 7 preferred shares	**10,000,000**
Series 9 preferred shares	**6,000,000**

Refer to our Annual Information Form for more detailed information on the rights of shareholders.

23.2 Quarterly dividends declared on common shares and preferred shares

Table 41 – Dividends declared per share

	Q1-2021	Q4-2020
Common shares	**0.83**	**0.83**
Class A		
Series 1 preferred shares	**0.21225**	**0.21225**
Series 3 preferred shares	**0.20825**	**0.20825**
Series 4 preferred shares (floating rate)	**0.1706925**	**0.1765225**
Series 5 preferred shares	**0.325**	**0.325**
Series 6 preferred shares	**0.33125**	**0.33125**
Series 7 preferred shares	**0.30625**	**0.30625**
Series 9 preferred shares	**0.3375**	**0.3375**

On May 11, 2021, the Board of Directors approved the quarterly dividend for Q2-2021. ***See Section 16.5 - Common shareholder dividends.***

23.3 Expected release dates of our financial results

Q2-2021	Q3-2021	Q4-2021	Q1-2022
July 27, 2021	November 9, 2021	February 8, 2022	May 10, 2022

Section 24 - Selected annual and quarterly information

24.1 Selected quarterly information

Table 42 – Selected quarterly information[1]

	2021				2020			2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
DPW	**2,522**	2,872	3,264	3,382	2,521	2,670	3,012	3,152
Total revenue[2]	**2,997**	3,120	3,092	2,939	2,996	2,957	2,775	2,699
NEP	**2,759**	2,879	2,863	2,712	2,766	2,692	2,581	2,500
Current year CAT losses	**52**	74	24	124	137	115	53	70
Favourable PYD	**(150)**	(28)	(17)	(3)	(52)	(39)	(11)	64
Underwriting income	**297**	415	369	284	159	229	198	75
Combined ratio	**89.3%**	85.6%	87.1%	89.5%	94.3%	91.5%	92.3%	97.0%
Net investment income	**141**	143	143	141	150	142	146	148
Distribution EBITA and Other	**62**	72	81	78	44	45	56	72
NOI	**357**	467	411	350	243	303	277	212
Net income	**514**	378	334	263	107	240	187	168
Per share measures, basic and diluted (in dollars)								
NOIPS	**2.40**	3.18	2.78	2.35	1.61	2.08	1.91	1.44
EPS	**3.51**	2.55	2.25	1.74	0.66	1.63	1.26	1.13

[1] *See Section 21 – Non-IFRS financial measures.*

[2] Total revenue exclude other underwriting revenues and NEP of exited lines.

24.2 Seasonality of the P&C insurance business

The P&C insurance business is seasonal in nature. While NEP are generally stable from quarter to quarter, underwriting results are driven by weather conditions which may vary significantly between quarters *See Section 39.3 – Seasonality of the P&C insurance business of our 2020 MD&A for more details.*

Section 25 - Glossary and definitions

This icon represents data relevant to environmental, social and governance (ESG) disclosure, and its impact on our results where applicable.

25.1 Glossary of abbreviations

	Description		Description
AEPS	Adjusted EPS	**KPI**	Key performance indicator
AFS	Available for sale	**M&A**	Mergers and acquisitions
AMF	Autorité des marchés financiers	**MCT**	Minimum capital test (Canada)
AOCI	Accumulated OCI	**MD&A**	Management's Discussion and Analysis
AROE	Adjusted ROE	**Moody's**	Moody's Investor Service Inc.
BC	British Columbia	**MGA**	Managing general agent
BVPS	Book value per share	**MYA**	Market yield adjustment
CAD	Canadian Dollar	**NAIC**	National Association of Insurance Commissioners
CAGR	Compound annual growth rate	**NEP**	Net earned premiums
CAL	Company action level	**NOI**	Net operating income
CAN	Canada	**NOIPS**	NOI per share
CAT	Catastrophe	**OCI**	Other comprehensive income
DBRS	Dominion Bond Rating Services	**OROE**	Operating ROE
DKK (kr.)	Danish krone, Denmark's official currency	**OSFI**	Office of the Superintendent of Financial Institutions
DPW	Direct premiums written	**P&C**	Property & Casualty
D&I	Diversity and Inclusion	**P&E**	Property and equipment
D&O	Directors and Officers	**PTOI**	Pre-tax operating income
EPS	Earnings per share to common shareholders	**PYD**	Prior year claims development
Euro (€)	Currency of the European Union	**RBC**	Risk-based capital
E&O	Errors and Omissions	**Repos**	Repurchase agreements
F/S	Financial Statements	**ROE**	Return on equity
Fitch	Fitch Ratings Inc.	**S&P**	Standard & Poor's
FVTPL	Fair value through profit and loss	**UK**	United Kingdom
GBP (£)	British pound sterling, UK's official currency	**U.S.**	United States
IFRS	International Financial Reporting Standards		

25.2 Definitions of selected key terms used in our MD&A

- Unless otherwise noted, DPW refer to DPW normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines (referred to as "DPW" in this MD&A). ***See Section 20 — Non-operating results for details on exited lines and Table 30 for the reconciliation*** to DPW, as reported under IFRS.
- Unless otherwise noted, all underwriting results and related ratios exclude the MYA, as well as the results of exited lines, including those of our BC Auto effective in Q4-2020, with no restatement of comparatives. The expense and general expense ratios are presented herein net of other underwriting revenues.
- Catastrophe claims are any one claim, or group of claims, equal to or greater than $7.5 million for P&C Canada (US$5 million for P&C U.S.) before reinsurance related to a single event (referred to as the "CAT threshold"), and can either be weather-related or not weather-related ("other than weather-related").
- A non-catastrophe weather event is a group of claims, which is considered significant but that is smaller than the CAT threshold, related to a single weather event.
- A large loss is defined as a single claim larger than $0.25 million for P&C Canada (US$0.25 million for P&C U.S.) but smaller than the CAT threshold.
- Non-CAT weather-related losses represent claims which we attribute to weather conditions. We estimate the impact of weather on our results by matching increases in claims frequency with specific weather events, and also by considering the underlying cause of claims.
- Regulatory Capital Ratios refer to MCT (as defined by OSFI and the AMF in Canada) and RBC (as defined by the NAIC in the U.S.). All references to "total capital margin" in this MD&A include the aggregate of capital in excess of company action levels (CALs) in regulated entities plus available cash and investments in unregulated entities. The CAL is 165% MCT for most Canadian insurance subsidiaries and 200% RBC and other CALs in other jurisdictions.