Intact Financial Corporation (TSX: IFC)

Q2-2022 Review of Performance

Friday, July 29, 2022

intact

Forward-looking statements

Certain of the statements included in this presentation about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this presentation are made as at June 30, 2022, and are subject to change after this date. This presentation contains forward-looking statements with respect to the acquisition (the "RSA Acquisition") and integration of RSA Insurance Group PLC ("RSA"), the sale of the Company's 50% stake in RSA Middle East B.S.C. (c) to National Life & General Insurance Company (NLGIC) (the "Sale of Middle East"), the receipt of all requisite approvals or clearances of the Sale of Middle East in a timely manner and on terms acceptable to the Company, the realization of the expected strategic, financial and other benefits of the Sale of Middle East and the sale (the "Sale") of Codan Forsikring A/S's Danish business ("Codan DK") to Alm. Brand A/S group ("Alm.Brand"), 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 realization of the expected strategic, financial and other benefits of the RSA Acquisition, the Sale of Middle East and the Sale, and economic and political environments and industry conditions. However, the completion of the Sale of Middle East is subject to customary closing conditions, termination rights and other risks and uncertainties, including, without limitation, regulatory approvals and clearances, and there can be no assurance that the Sale of Middle East will be completed in a timely manner, or at all. There can also be no assurance that the strategic and financial benefits expected to result from the RSA Acquisition, the Sale of Middle East or the Sale, 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;
- government regulations designed to protect policyholders and creditors rather than investors;
- 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;
- intense competition and disruption;
- 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 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;
- 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 ability to achieve synergies arising from successful integration plans relating to acquisitions;
- 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 ability to contain fraud and/or abuse;
- periodic negative publicity regarding the insurance industry;
- 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 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 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 economic crisis;
- litigation and regulatory actions, including with respect to the COVID-19 pandemic;
- 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 financial results;
- COVID-19 related coverage issues and claims, including certain class actions and related defence costs, could negatively impact our claims reserves;
- terrorist attacks 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 dependence on and ability to retain key employees;
- the cyclical nature of the P&C insurance industry;
- management's ability to accurately predict future claims frequency and severity
- ,
- the Company's ability to successfully pursue its acquisition strategy;
- the Company's ability to execute its business strategy;
- management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Sale of Middle East and the Sale and resulting impact on growth and accretion in various financial metrics;
- the Company's ability to improve its combined ratio, retain existing and attract new business, attract and retain key employees with the in-depth knowledge and necessary skills, 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 participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools;
- 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 Company's ability to hedge exposures to fluctuations in foreign exchange rates;
- future sales of a substantial number of its common shares;
- the Company's ability to meet its net zero carbon emission targets; and
- changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

All of the forward-looking statements included in this presentation, the MD&A and the quarterly earnings press release dated July 28, 2022 are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 30-35) of our MD&A for the year ended December 31, 2021 and the Company's Annual Information Form for the year ended December 31, 2021. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

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Non-GAAP and Other Financial Measures
We use both Generally Accepted Accounting Principles (GAAP) financial measures ("reported measures"), as well as Non-GAAP financial measures and Non-GAAP ratios (each as defined in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure") to assess our performance. Non-GAAP financial measures and Non-GAAP ratios (which are calculated using Non-GAAP 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-GAAP financial measures included in the MD&A and other financial reports are: operating DPW, operating NPW, operating NEP, operating net claims, operating net underwriting expenses, underwriting income, operating net investment income, distribution income, total finance costs, other operating income (expense), operating and total income tax expense (benefit), PTOI, NOI, NOI attributable to common shareholders, pre-tax income, non-operating results, adjusted net income, adjusted average common shareholder's equity, adjusted average common shareholder's equity (excluding AOCI), debt outstanding (excluding hybrid debt), debt outstanding and preferred shares (including NCI) and adjusted total capital.

The Non-GAAP ratios included in the presentation and other financial reports (other than Consolidated financial statements) are:
- operating growth and operating growth in constant currency (for both operating DPW and NPW);
- operating NEP growth and operating NEP growth in constant currency;
- operating combined ratio, claims ratio (including underlying current year loss ratio, CAT loss ratio and PYD ratio) and expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio);
- operating and total effective income tax rates;
- NOIPS and AEPS, as well as ROE, OROE and AROE;
- book value per share (BVPS) excluding AOCI; and adjusted debt-to-total capital ratio and total leverage ratio.

We believe that similar measures and ratios are widely used in the industry and provide investors, financial analysts, rating agencies and other stakeholders with a better understanding of our business activity and financial results over time, in line with how management analyses performance. Non-GAAP and other financial measures used by management are fully defined and reconciled to the corresponding GAAP measures. We also use other financial measures to assess our performance, including supplementary financial measures and segment measures, which are further presented in the MD&A.

See Section 19 – Non-GAAP and other financial measures of the Q2-2022 MD&A for the definition and reconciliation to the most comparable GAAP measures (or "reported measures").

Important notes:
- Abbreviations and definitions of selected key terms used in this presentation are defined in Section 23 – *Glossary and definitions* of our Q2-2022 MD&A
- Other insurance-related terms are defined in *Section 23 – Glossary and definitions* of our Q2-2022 MD&A, as well as in the glossary available in the "Investors" section of our web site at www.intactfc.com.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

Charles Brindamour

Chief Executive Officer

Key points & highlights

$3.14
NOIPS[1]
with meaningful accretion from RSA and strong investment and underwriting results

$6.64
EPS
increased 85%, reflecting strong operating results significant gains on investments and the sale of Codan Denmark

90.7%
Operating Combined Ratio[1]
with all segments delivering operating combined ratios in the low-90s.

+36% *constant currency*
Operating DPW Growth[1]
driven by the RSA acquisition and organic growth of 4%

+41%
DPW Growth
as reported under IFRS

$80.86
BVPS
increased by 4% y-o-y, as strong earnings were offset in part by mark-to-market losses on our investments caused by the increase in interest rates and recent volatility in capital markets

15.4%
OROE[1]

18.5%
ROE[1]

reflecting robust operating and non-operating performance

$2.5B
Total Capital Margin[2]
Strong financial position and solid regulated capital ratios in all jurisdictions, despite volatile capital markets

[1]This is a non-GAAP measure. See section 19 – *Non-GAAP and other financial measures* of the Q2-2022 MD&A, available on www.sedar.com.
[2] See section 17.2 - *Maintaining a strong capital position* of the Q2-2022 MD&A, available on www.sedar.com

Q2-2022 Canadian results

Personal Auto

$1,608M **+28%**

Operating DPW growth reflects the impact of the RSA acquisition, and relief provided in 2021.

89.8%

Operating combined ratio increased by 7.4 points from last year, as the impact of increased driving activity and higher claims severity was offset in part by lower variable commissions.

Personal Property

$1,008M **+28%**

Excluding the impact of the RSA acquisition, **operating DPW growth** was 6%, mainly driven by healthy rate increases in firm market conditions.

97.6%

Operating combined ratio increased by 14.3 points from last year, and included elevated CAT and non-CAT weather-related losses, compared to mild conditions last year.

Canadian Commercial

$1,431M **+42%**

Excluding the impact of the RSA acquisition, **operating DPW growth** was strong at 7% reflecting continued hard market conditions and strong organic growth in specialty lines.

86.0%

Operating combined ratio improved 3.6 points, driven by our profitability actions and lower variable commissions, offset by lower favourable prior year development.

Q2-2022 UK&I and US results

UK&I Personal

$424M

Operating DPW growth declined in Q2-2022 as we remained disciplined in competitive market conditions, with pricing reforms impacting home and motor.

88.3%

Operating combined ratio was strong, reflecting favourable development in catastrophe losses driven by a revised estimate of the February windstorms, bolstered by favourable seasonality in Q2.

UK&I Commercial

$733M

Operating DPW grew upper-single digits in H1-2022 (excluding the Middle East), reflecting continued hard market conditions, with high-single to low-double digit rate increases, and strong retention levels.

93.6%

Operating combined ratio included 7.7 points of catastrophe losses.

US Commercial

$603M **+14%** constant currency

Operating DPW growth was strong, despite a 4-point negative impact from the exit of Public Entities.

91.1%

Operating combined ratio was driven by a solid underlying performance, offset in part by higher catastrophe losses and commissions.

Q2-2022 RSA integration update

OPTIMIZING OUR FOOTPRINT

- **Completed the sale of our 50% stake in RSA Middle East** to National Life & General Insurance Company.
  - *Proceeds of ~$175M, subject to post-closing adjustments.*
- Proceeds from **sale of Codan DK** used to repay debt, decreasing **adjusted debt-to-total capital ratio to 20.3%,** in line with our long-term target
- **Reducing our major earthquake exposure** by over 40%, in part by winding down CNS operations acquired from RSA.

VALUE CREATION

- **Internal rate of return (IRR)** on RSA transaction expected to **exceed 20%,** above 15% target announced with acquisition.
- RSA contributed **15% accretion to NOIPS** in thirteen-month since closing, **ahead of high single digit accretion target** disclosed at time of acquisition.

  We remain very confident in our target of upper-teens NOIPS accretion in the first 36 months.
- As at June 30, 2022 we estimate that we have delivered **$175M in run-rate synergies.**

  We remain on track to realize at least $250M by 2024.

OPERATIONS

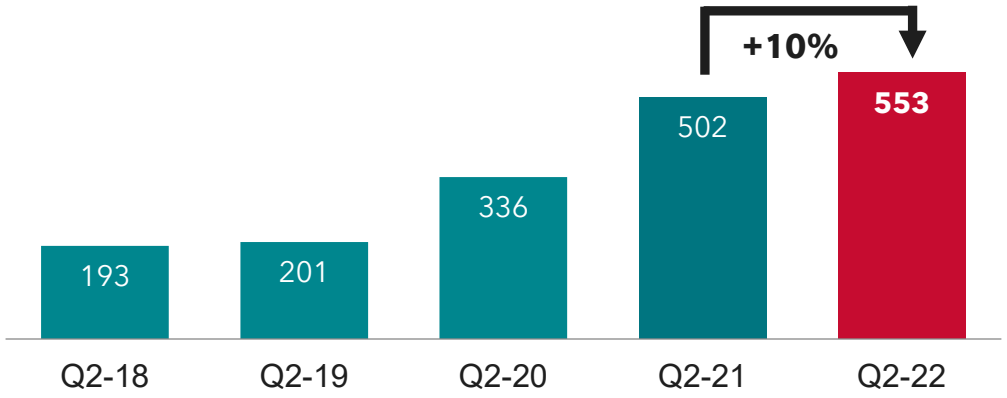
- In **Canada**, nearly 85% of Personal lines broker policies and Commercial lines small business and fleet policies converted to Intact systems.
  - In Q2-2022, we started the conversion of large Commercial lines policies.
- In **Specialty lines**, conversions to begin in Q2-2023, with continued progress on product and vertical plan development.
- In **Claims**, nearly all RSA Canada claims are now being handled by our internal adjusters.
- In **Direct Distribution**, Johnson policy conversions to begin in Q3-2022. Engagement with affinity partners remains strong.

Louis Marcotte

Executive Vice President &
Chief Financial Officer

Operating income

Net operating income attributable to common shareholders[1]

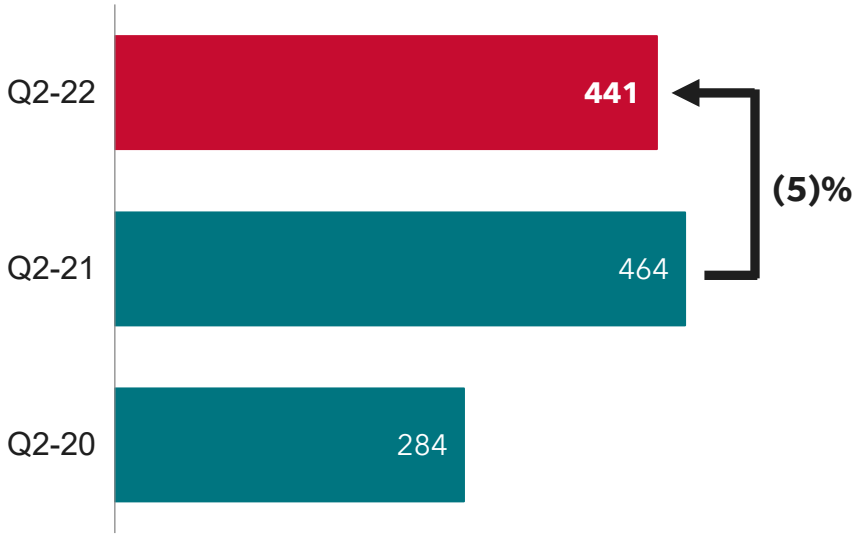


Net operating income attributable to common shareholders up 10% to **$553 million**, reflecting the contribution from RSA, as well as strong investment and underwriting performances.

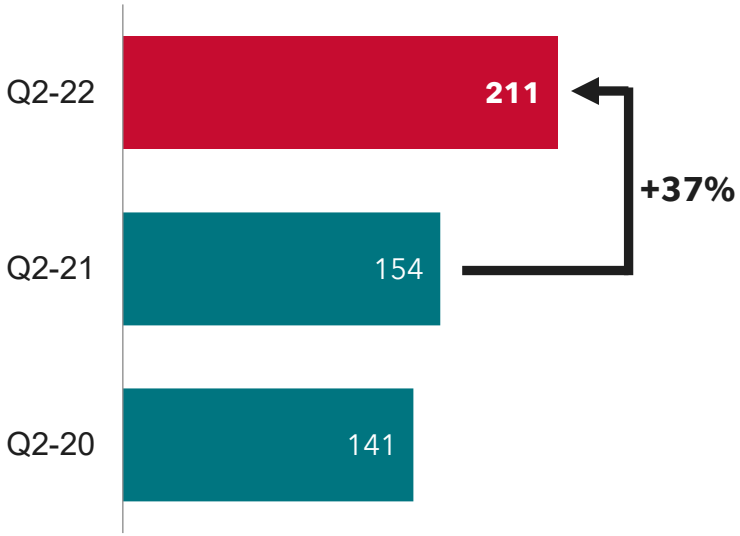
Operating net investment income increased by 37% to **$211 million** for the quarter, mainly driven by the growth in our investment portfolio following the RSA Acquisition. We also continued to capture the benefits of rising yields.

Distribution income grew by 19% to **$141 million**, driven by accretive acquisitions and a strong contribution from our On Side restoration business.

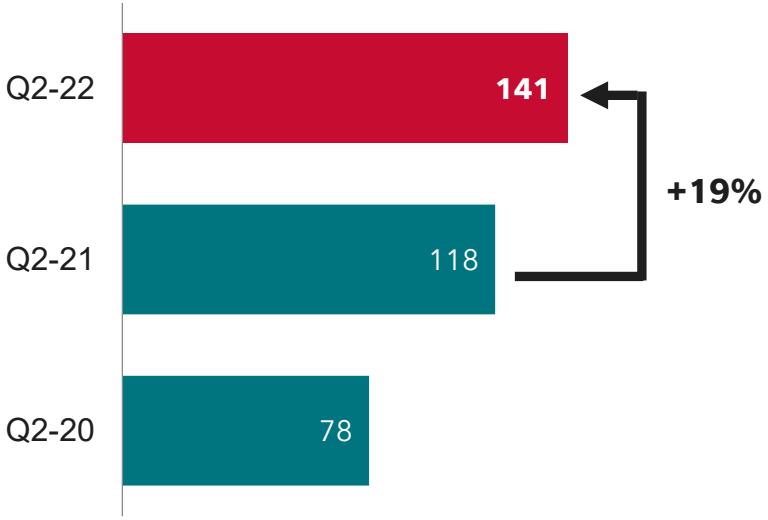
Underwriting income[1]



Operating Net investment income



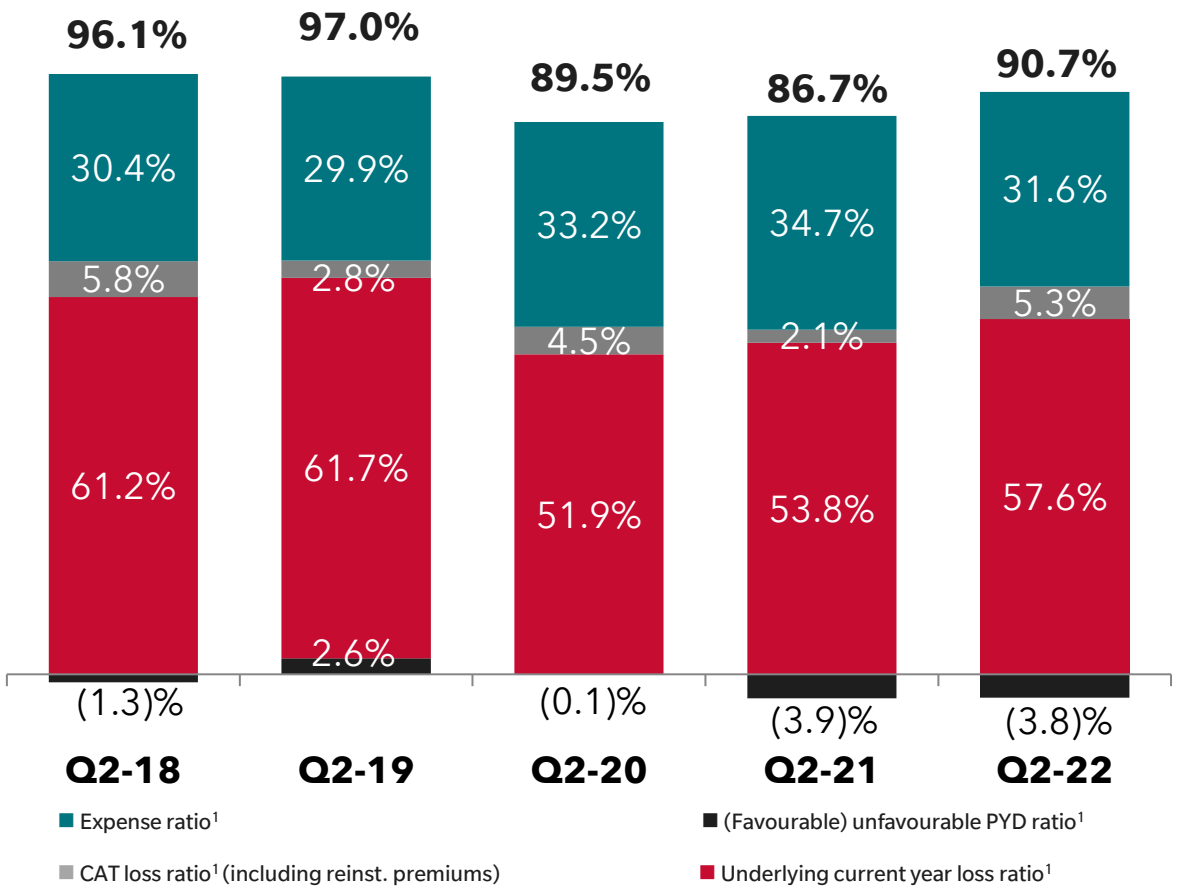
Distribution income[1]



[1]This is a non-GAAP measure. See to section 19 – *Non-GAAP and other financial measures* of the Q2-2022 MD&A, available on www.sedar.com.

Underwriting review

Strong operating combined ratio of 90.7%, with all segments delivering operating combined ratios in the low-90s.



Operating combined ratio was solid at 90.6%, up 5.6 points from the prior year, driven by higher CATs and increased driving activity, offset in part by lower variable commissions.

In the UK&I, operating combined ratio of 91.3% was solid in a seasonally favourable quarter and reflects a revised estimate of Q1 CAT losses in personal lines, partly offset by elevated CAT losses in commercial lines.

In the US, operating combined ratio of 91.1% was driven by solid underlying performance, offset in part by higher catastrophe losses and commissions.

[1]This is a non-GAAP measure. For details on the reconciliation of the non-GAAP ratios presented, see to section 19 – *Non-GAAP and other financial measures* of the Q2-2022 MD&A, Section 22 – *Non-IFRS financial measures* of the Q2-2021 MD&A, Section 20 - *Non-IFRS financial measures* of the Q2-2020 MD&A, and Section 16 - Non-IFRS financial measures of the Q2-2019 MD&A , available on www.sedar.com.

Proven and consistent capital management strategy

CAPITAL DEPLOYMENT

ADJUSTED DEBT-TO-TOTAL CAPITAL RATIO[1]

20.3%

In-line with our long-term target

CAPITAL INVESTED IN GROWTH SINCE 2009

$14.6B

MANAGE VOLATILITY

LOW BOOK VALUE PER SHARE SENSITIVITY TO CAPITAL MARKETS VOLATILITY[2]

-3%
per 10% decrease in common share prices[3]

-3%
per 100 bps increase in interest rates

-0.4%
per 5% decrease in preferred share prices[4]

-3%
Strengthening of CAD by 10% vs USD and GBP

MAINTAIN LEVERAGE RATIO

INCREASE DIVIDENDS

ANNUAL DIVIDEND INCREASE

Dividend CAGR since 2005

11%

17 consecutive annual dividend increases since 2005

INVEST IN GROWTH OPPORTUNITIES

SHARE BUYBACKS

BUYBACKS SINCE 2009

$727M

Our share buyback program (NCIB) is in effect until February 2023

[1]This is a non-GAAP measure. See to section 19 – *Non-GAAP and other financial measures* of the Q2-2022 MD&A, available on www.sedar.com
[2]Data as of June 30, 2022. See to Section 18 – *Sensitivity analyses to market risk* of the Q2-2022 MD&A for additional commentary and break outs.
[3]Including the impact of common shares (net of any equity hedges, including the impact of any impairment) or investment property related to the defined benefit pension plan.
[4]Including the impact on related embedded derivatives.

P&C insurance industry outlook[1]

Personal Auto Canada

Industry premium growth expected to progress towards the **mid single-digit range over the next twelve months** to reflect inflation and evolving driving patterns.

Personal Property Canada

Firm market conditions expected to continue since this line of business is subject to challenging weather and inflation over time.

Industry premium growth expected at a **mid to high single-digit level** over the next 12 months.

Commercial Lines Canada

Industry premium growth expected at **upper single-digit level** over the next 12 months, led by specialty lines, in favourable market conditions.

Personal Lines UK&I

Commercial Lines UK&I

In **UK Motor**, inflation pressures are expected to drive rate increases and greater market discipline towards the latter half of the year.

In **UK property**, property claims inflation and challenging weather conditions are expected to drive rate increases over time.

In **Ireland**, property rates are experiencing low single-digit increases.

UK and EU commercial industry premium rates are expected to grow at an **upper single-digit level** over the next 12 months, led by specialty lines.

Commercial Lines US

Industry premium growth expected at an **upper single-digit** level over the next 12 months.

We expect our industry benchmark ROE[2] to be around its long-term average of 10% over the next 12 months.

[1] For more details, please see Section 11 – *P&C insurance industry outlook* of the Q2-2022 MD&A, available on www.sedar.com

[2] Our P&C industry benchmark ROE reflects a weighting based on the approximate amount of capital deployed by IFC in the markets in which we operate.

Q&A

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Investor Day 2022

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Save THE Date

Thursday

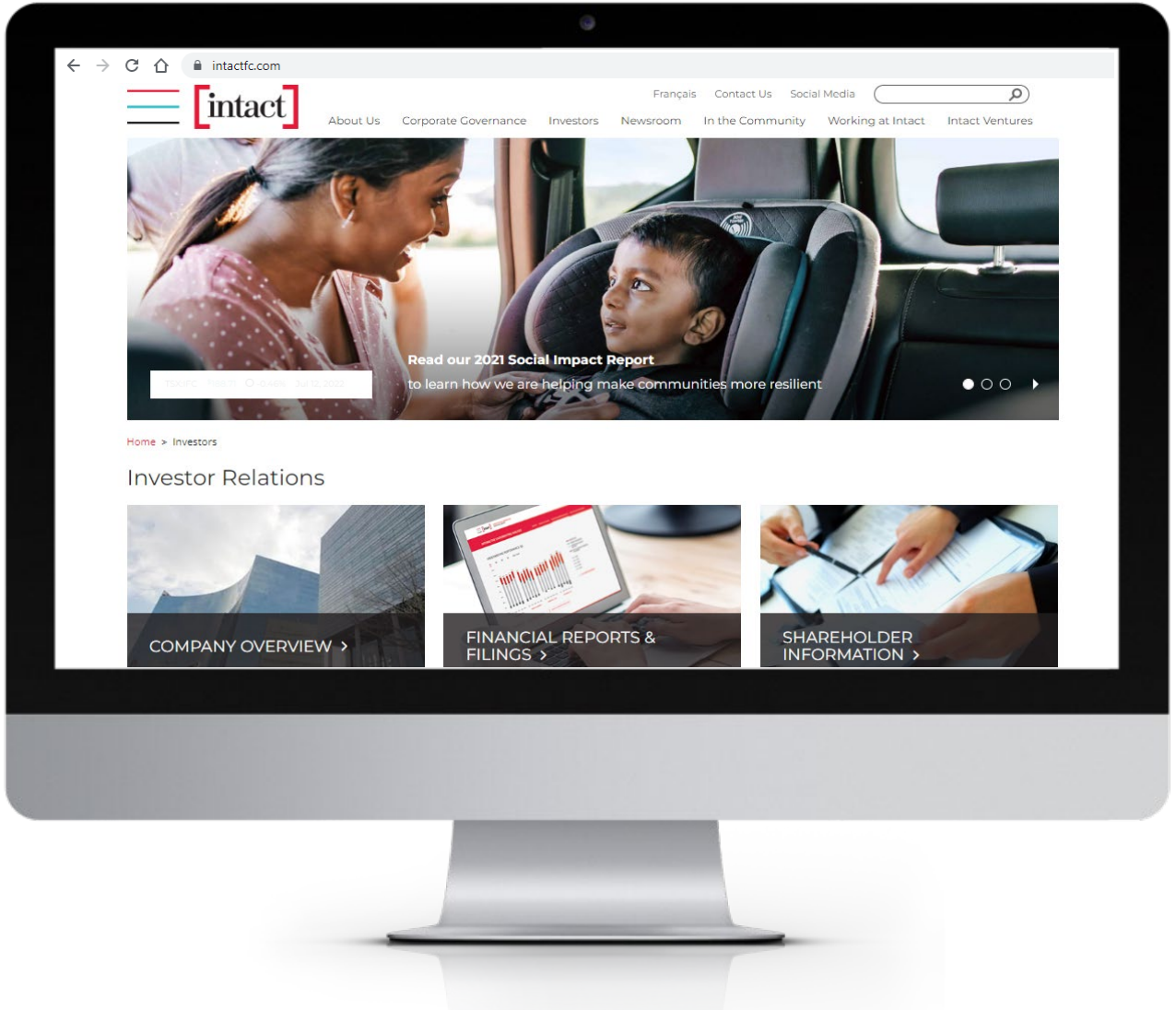
September 22, 2022

9:00 a.m. - 12:30 p.m. ET

Please visit our website for more details

www.intactfc.com

Contact us



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