

# Second Quarter 2022

# 2

Management's Discussion and Analysis  
For the quarter ended June 30, 2022

Intact Financial Corporation



# INTACT FINANCIAL CORPORATION

## Management's Discussion and Analysis for the quarter ended June 30, 2022

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

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## Management's Discussion and Analysis for the quarter ended June 30, 2022

(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 (the "Board") for the period ended June 30, 2022. This MD&A is intended to enable the reader to assess our results of operations and financial condition for the three-month and six-month periods ended June 30, 2022, compared to the corresponding periods in 2021. 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 2021 Annual Report. This MD&A is dated July 28, 2022.

"Intact", the "Company", "IFC", "we" and "our" are terms used throughout this document to refer to Intact Financial Corporation and its subsidiaries. Further information about Intact Financial Corporation, including the Annual Information Form and Social impact report, may be found online on SEDAR at [www.sedar.com](http://www.sedar.com).

- Abbreviations and definitions of selected key terms used in this MD&A are defined in *Section 23 – Glossary and definitions*.
- Other insurance-related terms are defined in *Section 23 – Glossary and definitions* of our MD&A, as well as in the glossary available in the "Investors" section of our web site at [www.intactfc.com](http://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%.

### **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 MD&A 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 for the definition and reconciliation to the most comparable GAAP measures (or "reported measures").*

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**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 June 30, 2022, and are subject to change after this date. This MD&A 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 of Codan Forsikring A/S's Danish business ("Codan DK") to Alm. Brand A/S group ("Alm.Brand") (the 'Sale of Codan DK'), 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 of Codan DK, 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;
- 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 of Codan DK 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

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- 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;
- 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 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.

# OVERVIEW

## Section 1 - About Intact Financial Corporation

### 1.1 Our purpose, values and core belief

**Our purpose** – We are here to help people, businesses and society prosper in good times and be resilient in bad times.

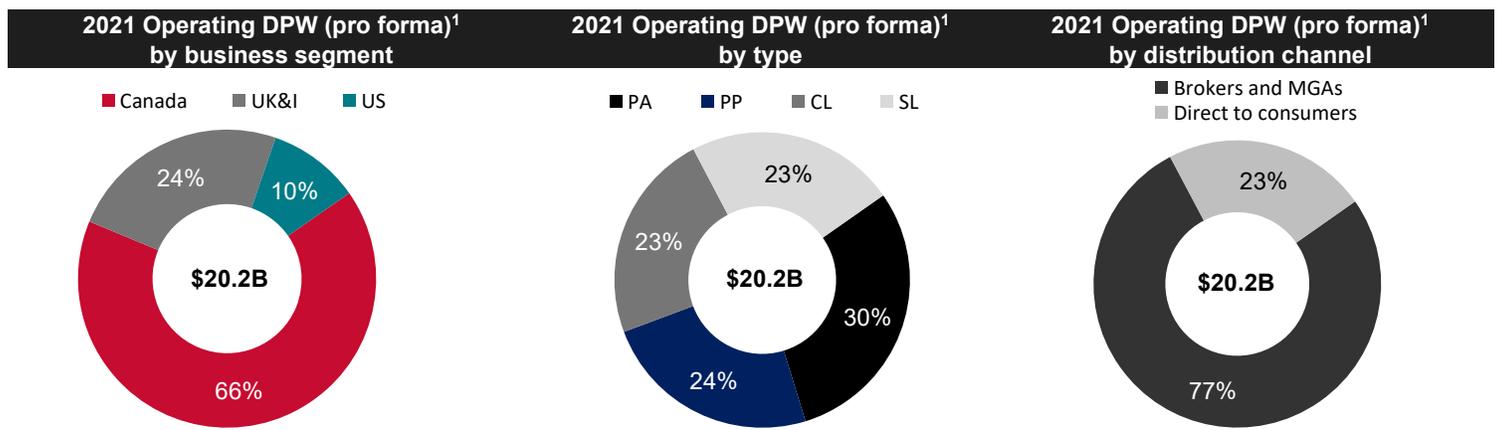
**Our values guide us** – Our values guide our decision-making, keep us grounded, help us outperform and are key to our success.

Integrity | Respect | Customer Driven | Excellence | Generosity

**People are at the heart of our organization, and of our success** – How we do things is just as important as what we achieve. We are a purpose-driven company based on values and a belief that insurance is about people, not things.

### 1.2 What defines us

- A global team of more than 26,000 employees putting our collective strengths to work – supporting customers and brokers and delivering on the key strategies and best in class operations that are essential to the success of Intact Financial Corporation.
- Largest provider of P&C insurance in Canada, a leading specialty lines insurer with international expertise and a leader in personal and commercial lines in the UK and Ireland. Our business has grown organically and through acquisitions to over \$20 billion of total annual premiums.
- In Canada, we distribute insurance under the Intact Insurance and RSA brands through a wide network of brokers, including our wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. We also provide affinity insurance solutions through the Johnson Affinity Groups. In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies. Across the UK, Ireland and Europe, we provide personal, commercial and/or specialty insurance solutions through the RSA brands.



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

<sup>1</sup> Operating DPW (proforma) includes the impact of the RSA Acquisition for a full year but excludes the impact of exited lines. There is no equivalent GAAP measure.

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# PERFORMANCE

## Section 2 - Consolidated performance

### 2.1 Consolidated highlights

#### Highlights

- **Net operating income per share<sup>1</sup> was \$3.14** with meaningful accretion from RSA and strong investment and underwriting results
- **Operating DPW<sup>1</sup> grew 36% in the quarter**, driven by the RSA Acquisition and 4% organic growth, led by commercial lines
- **Operating combined ratio<sup>1</sup> of 90.7% was strong across all geographies**, but higher than last year mainly due to catastrophe losses
- **EPS of \$6.64 in the quarter** reflecting strong operating results, significant gains on investments and the sale of Codan Denmark
- **OROE<sup>1</sup> of 15.4% and ROE<sup>1</sup> of 18.5%**, reflecting robust operating and non-operating performance
- **Total capital margin remains strong at \$2.5 billion** despite a volatile macroeconomic environment
- **After one year, NOIPS<sup>1</sup> accretion from the RSA acquisition was well above expectations at 15%**, and integration remains on track

Table 1 - Consolidated performance<sup>1</sup>

	Section	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>Operating DPW<sup>1</sup> (growth in constant currency)</b>	2.2	<b>5,807</b>	4,297	36%	<b>10,485</b>	6,819	54%
<b>Direct premium written (reported DPW growth)</b>		<b>6,238</b>	4,414	41%	<b>11,331</b>	6,957	63%
<b>Operating NEP<sup>1</sup></b>		<b>4,758</b>	3,482	37%	<b>9,500</b>	6,241	52%
<b>Net earned premiums</b>		<b>4,902</b>	3,508	40%	<b>9,793</b>	6,285	56%
<b>Operating income</b>							
Underwriting income <sup>1</sup>	2.2	<b>441</b>	464	(5)%	<b>837</b>	761	10%
Operating net investment income <sup>1</sup>	9.1	<b>211</b>	154	37%	<b>416</b>	295	41%
Distribution income <sup>1</sup>	2.2	<b>141</b>	118	19%	<b>233</b>	180	29%
Total finance costs and other operating income (expense) <sup>1</sup>	2.2	<b>(77)</b>	(52)	nm	<b>(150)</b>	(90)	nm
<b>Pre-tax operating income (PTOI)<sup>1</sup></b>	3.1	<b>716</b>	684	5%	<b>1,336</b>	1,146	17%
<b>NOI attributable to common shareholders<sup>1</sup></b>		<b>553</b>	502	10%	<b>1,028</b>	846	22%
<b>Net income</b>		<b>1,184</b>	573	107%	<b>1,631</b>	1,087	50%
Claims ratio <sup>1</sup>		<b>59.1%</b>	52.0%	7.1 pts	<b>60.0%</b>	54.0%	6.0 pts
Expense ratio <sup>1</sup>		<b>31.6%</b>	34.7%	(3.1) pts	<b>31.2%</b>	33.8%	(2.6) pts
<b>Operating combined ratio<sup>1</sup></b>	2.2	<b>90.7%</b>	86.7%	4.0 pts	<b>91.2%</b>	87.8%	3.4 pts
<b>Per share measures, basic and diluted (in dollars)</b>							
NOIPS <sup>1</sup>	2.2	<b>3.14</b>	3.26	(4)%	<b>5.84</b>	5.69	3%
EPS	2.2	<b>6.64</b>	3.59	85%	<b>9.17</b>	7.10	29%
BVPS <sup>1</sup>	17.6	<b>80.86</b>	77.67	4%			
<b>Return on equity for the last 12 months</b>							
OROE <sup>1</sup>	2.2	<b>15.4%</b>	19.8%	(4.4) pts			
AROE <sup>1</sup>	2.2	<b>21.9%</b>	22.9%	(1.0) pts			
ROE <sup>1</sup>	2.2	<b>18.5%</b>	19.6%	(1.1) pts			
Total capital margin	17.2	<b>2,479</b>	2,558	(79)			
Adjusted debt-to-total capital ratio <sup>1</sup>	17.3	<b>20.3%</b>	24.1%	(3.8) pts			

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures.

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**2.2 Consolidated performance**

Table 2 – Consolidated underwriting performance

	Section	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>Operating DPW (growth in constant currency)</b>							
Canada	4.1	4,047	3,051	33%	6,956	5,176	34%
UK&I	5.1	1,157	n/a	n/a	2,456	n/a	n/a
US	6.1	603	512	14%	1,073	909	16%
RSA – June 2021 <sup>1</sup>		n/a	734	nm	n/a	734	nm
<b>IFC</b>		<b>5,807</b>	<b>4,297</b>	<b>36%</b>	<b>10,485</b>	<b>6,819</b>	<b>54%</b>
<b>Operating combined ratio</b>							
Canada	4.1	90.6%	85.0%	5.6 pts	90.4%	86.5%	3.9 pts
UK&I	5.1	91.3%	n/a	n/a	95.2%	n/a	n/a
US	6.1	91.1%	90.3%	0.8 pts	89.0%	93.3%	(4.3) pts
RSA – June 2021 <sup>1</sup>		n/a	90.7%	nm	n/a	90.7%	nm
<b>IFC</b>		<b>90.7%</b>	<b>86.7%</b>	<b>4.0 pts</b>	<b>91.2%</b>	<b>87.8%</b>	<b>3.4 pts</b>

<sup>1</sup> Includes RSA's Canadian and UK&I operations for June 2021.

	Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<b>Operating DPW growth (Sections 4-6)</b>	<ul style="list-style-type: none"> <li>Overall premium growth of 36% for Q2-2022, reflects the impact of the RSA Acquisition. Excluding this impact, premium growth was 4%, led by continued momentum in commercial lines.</li> </ul>	<ul style="list-style-type: none"> <li>Overall premium growth of 54% for H1-2022, reflects the impact of the RSA Acquisition (47 points) and relief provided in 2021 (2 points). Excluding these impacts, premium growth was 6%, led by continued momentum in commercial lines.</li> </ul>
<b>Underwriting performance (Sections 4-6)</b>	<ul style="list-style-type: none"> <li>Strong underwriting performance of 90.7%, with all segments delivering operating combined ratios in the low-90s. CAT losses of 5.3 points were slightly higher than expected.</li> </ul>	<ul style="list-style-type: none"> <li>Operating combined ratio of 91.2%, reflected a solid performance despite having absorbed 4.6 points of CAT losses, which were 1.3 points higher than expected in H1.</li> </ul>
<b>Operating net investment income (Section 9.1)</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Operating net investment income increased by 41% to \$416 million year-to-date, mainly driven by the RSA Acquisition. We also increased the turnover pace of the portfolio to capture rising yields.</li> </ul>
<b>Distribution income</b>	<ul style="list-style-type: none"> <li>Distribution income grew by 19% to \$141 million for the quarter, driven by accretive acquisitions and a strong contribution from our On Side restoration business.</li> </ul>	<ul style="list-style-type: none"> <li>Distribution income grew by 29% to \$233 million year-to-date, driven by a strong first quarter and a solid contribution from On Side. Given the strong performance to date, we now expect distribution income to be approximately \$425 million in 2022.</li> </ul>
<b>Total finance costs and other operating income (expense)</b>	<ul style="list-style-type: none"> <li>Total finance costs and other operating expenses of \$77 million for Q2-2022 and \$150 million for H1-2022 were in line with our expectations.</li> </ul>	
<b>NOIPS</b>	<ul style="list-style-type: none"> <li>NOIPS was solid at \$3.14 thanks to meaningful accretion from RSA, as well as strong investment and underwriting performances. Compared to last year, higher CATs led to a 4% decrease in NOIPS.</li> </ul>	<ul style="list-style-type: none"> <li>NOIPS of \$5.84 was essentially in line with last year. A strong contribution from RSA and a solid underlying performance were offset by increased CATs, which were 40% higher than expected.</li> </ul>

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	Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<b>Non-operating results</b> <i>(Section 10)</i>	<ul style="list-style-type: none"> <li>• <b>Non-operating results of \$697 million in Q2-2022 and H1-2022</b> were driven by a \$423 million gain from the sale of Codan Denmark ('Codan DK'), as well as realized gains from our equity portfolio.</li> </ul>	
<b>EPS</b>	<ul style="list-style-type: none"> <li>• <b>EPS of \$6.64</b> increased by 85%, as solid operating results were bolstered by the gain on the sale of Codan DK and investment gains.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>EPS of \$9.17</b> increased by 29%, compared to a strong \$7.10 last year, driven by solid operating results and investment gains.</li> </ul>
<b>Effective income tax rates<sup>1</sup></b>	<ul style="list-style-type: none"> <li>• <b>Operating effective income tax rate of 19.6% for Q2-2022 and 19.9% in H1-2022</b> were lower than 2021, mostly due to approximately 1.2 points of tax benefit relating to the recovery of previously unrecognized losses in the UK.</li> <li>• <b>Total effective income tax rate of 16.2% for Q2-2022</b> was lower than our expected run-rate, reflecting the impact of non-taxable gains, and the previously mentioned UK tax recoveries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Total effective income tax rate of 19.7% for H1-2022</b> was helped by the Q2-2022 non-taxable gains and tax recoveries, offset in part by an unfavourable movement in P&amp;L deferred income taxes in Q1-2022 driven by market movements in the UK portfolio.</li> </ul>
<b>Return on equity for the last 12 months</b>	<ul style="list-style-type: none"> <li>• <b>Operating ROE of 15.4%</b> reflected strong operating performance across the business, even with the elevated CAT losses year-to-date and in the latter half of 2021.</li> <li>• <b>Adjusted ROE of 21.9% and ROE of 18.5%</b> reflected a strong operating performance bolstered by the gain from the sale of Codan DK and realized gains on our equity portfolio.</li> </ul>	
<b>BVPS</b> <i>(Section 17.6)</i>	<ul style="list-style-type: none"> <li>• <b>BVPS of \$80.86 increased by 4% year-over-year</b>, as strong earnings were offset in part by mark-to-market losses on our investments caused by the increase in interest rates and the recent volatility in capital markets.</li> </ul>	
<b>Adjusted debt-to-total capital ratio</b> <i>(Section 17.3)</i>	<ul style="list-style-type: none"> <li>• <b>Our adjusted debt-to-total capital ratio decreased to 20.3% as at June 30, 2022</b>, in line with our long-term target, as the proceeds from the sale of Codan DK were used to repay debt. <i>See Section 17.3 – Managing leverage for more details.</i></li> </ul>	
<b>Financial condition</b> <i>(Section 17.2)</i>	<ul style="list-style-type: none"> <li>• <b>We ended the quarter in a strong financial position, with \$2.5 billion of total capital margin</b> and solid regulated capital ratios in all jurisdictions, despite volatile capital markets. <i>See Section 17.2 – Maintaining a strong capital position for more details.</i></li> </ul>	

**2.3 Subsequent events**

<b>Closing of the sale of Middle East</b>	<ul style="list-style-type: none"> <li>• On July 7, 2022, we completed the sale of our 50% stake in RSA Middle East to National Life &amp; General Insurance Company (NLGIC), <b>the results of which have been reported in exited lines in H1-2022</b>. The sale has minor impacts to UK&amp;I results and follows a strategic review of operations with a decision to focus on our UK, Ireland, and Europe specialty businesses.</li> <li>• Proceeds received were approximately \$175 million (USD135 million), subject to post-closing adjustments, and will be used for general corporate purposes.</li> </ul>
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## Section 3 - Segment performance

Following the completion of the RSA Acquisition on June 1, 2021, we report our financial results under the three business segments and lines of business set out below. The composition of our segments is aligned with our internal financial reporting based on management structure and geography. Underwriting results exclude those of exited lines, which are reported in Income (loss) from exited lines (*see Section 10 – Non-operating results for details*).

SEGMENTS			Corporate and Other (Corporate)
Canada (CAN) Segment	UK and International (UK&I)	US Segment	
Underwriting and distribution activities in Canada.  <b>Three lines of business:</b> Personal auto Personal property Commercial lines	Underwriting activities in the UK, Ireland and Europe.  <b>Two lines of business:</b> Personal lines Commercial lines	Underwriting activities in the US.  <b>One line of business:</b> Commercial lines	Activities managed centrally, including investment results, financing activities as well as corporate centres of expertise outside the business segment, such as: group legal, finance, investor relations, corporate development, strategy and other head office responsibilities.

### 3.1 Operating performance by segment

Table 3 – Operating performance by segment<sup>1</sup>

For the quarters ended June 30,	2022					2021				
	CAN	UK&I	US	Corp	Total	CAN	US	Corp RSA	Other	Total
<b>Operating DPW</b>	<b>4,047</b>	<b>1,157</b>	<b>603</b>	<b>-</b>	<b>5,807</b>	3,051	512	734	-	4,297
<i>Growth in constant currency</i>	<b>33%</b>	<i>n/a</i>	<b>14%</b>	<i>n/a</i>	<b>36%</b>	5%	19%	<i>n/a</i>	<i>n/a</i>	29%
<b>Operating income</b>										
Operating NEP	<b>3,312</b>	<b>1,017</b>	<b>424</b>	<b>5</b>	<b>4,758</b>	2,492	379	608	3	3,482
Operating net claims <sup>2</sup>	<b>1,999</b>	<b>601</b>	<b>212</b>	<b>2</b>	<b>2,814</b>	1,265	188	351	6	1,810
Operating net UW expenses <sup>2</sup>	<b>1,001</b>	<b>327</b>	<b>174</b>	<b>1</b>	<b>1,503</b>	853	154	200	1	1,208
Underwriting income	<b>312</b>	<b>89</b>	<b>38</b>	<b>2</b>	<b>441</b>	374	37	57	(4)	464
Operating net investment income	-	-	-	<b>211</b>	<b>211</b>	-	-	-	154	154
Distribution income	<b>141</b>	-	-	-	<b>141</b>	118	-	-	-	118
Total finance costs	<b>(3)</b>	-	-	<b>(43)</b>	<b>(46)</b>	(2)	-	-	(38)	(40)
Other operating income (expense) <sup>3</sup>	-	-	-	<b>(31)</b>	<b>(31)</b>	-	-	-	(12)	(12)
<b>PTOI</b>	<b>450</b>	<b>89</b>	<b>38</b>	<b>139</b>	<b>716</b>	490	37	57	100	684

**Management's Discussion and Analysis for the quarter ended June 30, 2022**

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

For the six-month periods ended June 30,	2022					2021				
	CAN	UK&I	US	Corp	Total	CAN	US	Corp RSA	Other	Total
<b>Operating DPW</b>	<b>6,956</b>	<b>2,456</b>	<b>1,073</b>	<b>-</b>	<b>10,485</b>	5,176	909	734	-	6,819
<i>Growth in constant currency</i>	<i>34%</i>	<i>n/a</i>	<i>16%</i>	<i>n/a</i>	<i>54%</i>	3%	13%	<i>n/a</i>	<i>n/a</i>	17%
<b>Operating income</b>										
Operating NEP	6,565	2,079	845	11	9,500	4,874	752	608	7	6,241
Operating net claims <sup>2</sup>	3,983	1,301	414	(1)	5,697	2,610	397	351	9	3,367
Operating net UW expenses <sup>2</sup>	1,949	677	338	2	2,966	1,608	304	200	1	2,113
Underwriting income	633	101	93	10	837	656	51	57	(3)	761
Operating net investment income	-	-	-	416	416	-	-	-	295	295
Distribution income	233	-	-	-	233	180	-	-	-	180
Total finance costs	(4)	-	-	(84)	(88)	(6)	-	-	(66)	(72)
Other operating income (expense) <sup>3</sup>	-	-	-	(62)	(62)	-	-	-	(18)	(18)
<b>PTOI</b>	<b>862</b>	<b>101</b>	<b>93</b>	<b>280</b>	<b>1,336</b>	830	51	57	208	1,146

<sup>1</sup> The totals of the segment measures reconcile to *Table 1 – Consolidated performance*.

<sup>2</sup> See *Section 19 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures*

<sup>3</sup> Other operating income (expense) can fluctuate from quarter to quarter and includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments, and other operating items.

Management's Discussion and Analysis for the quarter ended June 30, 2022

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

Section 4 - Canada segment



4.1 P&C Canada

Table 4 – Underwriting results for P&C Canada<sup>1</sup>

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>Operating DPW</b>	<b>4,047</b>	3,051	33%	<b>6,956</b>	5,176	34%
Personal auto	4.2 <b>1,608</b>	1,251	28%	<b>2,723</b>	2,065	32%
Personal property	4.3 <b>1,008</b>	790	28%	<b>1,724</b>	1,308	32%
Commercial lines	4.4 <b>1,431</b>	1,010	42%	<b>2,509</b>	1,803	39%
<b>Operating NEP</b>	<b>3,312</b>	2,492	33%	<b>6,565</b>	4,874	35%
<b>Underwriting income</b>	<b>312</b>	374	(17)%	<b>633</b>	656	(4)%
<b>Underwriting ratios</b>						
Underlying current year loss ratio	<b>58.0%</b>	54.1%	3.9 pts	<b>61.1%</b>	57.6%	3.5 pts
CAT loss ratio	<b>6.4%</b>	2.0%	4.4 pts	<b>4.3%</b>	1.4%	2.9 pts
(Favourable) unfavourable PYD ratio	<b>(4.1)%</b>	(5.3)%	1.2 pts	<b>(4.7)%</b>	(5.4)%	0.7 pts
<b>Claims ratio</b>	<b>60.3%</b>	50.8%	9.5 pts	<b>60.7%</b>	53.6%	7.1 pts
Commissions	<b>16.0%</b>	20.2%	(4.2) pts	<b>15.7%</b>	18.9%	(3.2) pts
General expenses	<b>10.5%</b>	10.3%	0.2 pts	<b>10.2%</b>	10.3%	(0.1) pts
Premium taxes	<b>3.8%</b>	3.7%	0.1 pts	<b>3.8%</b>	3.7%	0.1 pts
<b>Expense ratio</b>	<b>30.3%</b>	34.2%	(3.9) pts	<b>29.7%</b>	32.9%	(3.2) pts
<b>Operating combined ratio</b>	<b>90.6%</b>	85.0%	5.6 pts	<b>90.4%</b>	86.5%	3.9 pts
Personal auto	4.2 <b>89.8%</b>	82.4%	7.4 pts	<b>91.4%</b>	87.8%	3.6 pts
Personal property	4.3 <b>97.6%</b>	83.3%	14.3 pts	<b>92.6%</b>	80.4%	12.2 pts
Commercial lines	4.4 <b>86.0%</b>	89.6%	(3.6) pts	<b>87.3%</b>	89.9%	(2.6) pts

<sup>1</sup>See Section 19 – Non-GAAP and other financial measures.

	Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<ul style="list-style-type: none"> <li>• <b>REMINDER:</b> Comparatives in the table above (Q2-2021 and H1-2021) exclude the June 2021 underwriting results of RSA Canada. For more details, refer to <i>Table 3 – Operating results by segment</i>.</li> <li>• <b>Premium growth of 33% for Q2-2022 and 34% in H1-2022</b> reflected the impact of the RSA Acquisition and relief provided in H1-2021. Excluding these, growth was 5% driven by rate increases across all lines of business, led by continued strength in commercial lines.</li> <li>• <b>Expense ratio decreased to 30.3% for Q2-2022 and 29.7% in H1-2022</b>, driven by lower variable commissions compared to last year's elevated level, as well as a favourable impact from the RSA acquisition including improved mix and earned expense synergies.</li> <li>• <b>Operating combined ratios were solid at 90.6% in Q2-2022 and 90.4% in H1-2022</b>, increasing by 5.6 points and 3.9 points respectively compared to last year driven by higher CATs and increased driving activity, offset in part by lower variable commissions.</li> <li>• Exited lines are excluded from the operating performance of our segments. See more details in <i>Section 10.2 – Income (loss) from exited lines</i>.</li> </ul>		

Management's Discussion and Analysis for the quarter ended June 30, 2022

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



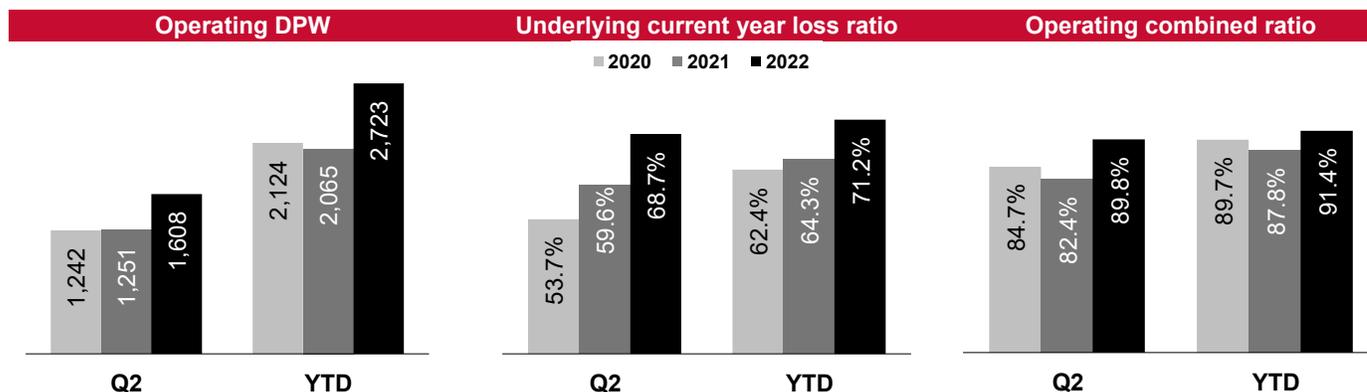
4.2 Personal auto

Table 5 – Underwriting results for Personal auto<sup>1</sup>

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Operating DPW	1,608	1,251	28%	2,723	2,065	32%
Written insured risks (in thousands)	1,549	1,315	18%	2,583	2,176	19%
Operating NEP	1,367	1,048	30%	2,711	2,031	33%
Underwriting income (loss)	139	184	(24)%	233	248	(6)%
Underlying current year loss ratio	68.7%	59.6%	9.1 pts	71.2%	64.3%	6.9 pts
CAT loss ratio	1.6%	-%	1.6 pts	0.8%	-%	0.8 pts
(Favourable) unfavourable PYD ratio	(4.6)%	(5.1)%	0.5 pts	(4.2)%	(3.5)%	(0.7) pts
Claims ratio	65.7%	54.5%	11.2 pts	67.8%	60.8%	7.0 pts
Expense ratio	24.1%	27.9%	(3.8) pts	23.6%	27.0%	(3.4) pts
<b>Operating combined ratio</b>	<b>89.8%</b>	<b>82.4%</b>	<b>7.4 pts</b>	<b>91.4%</b>	<b>87.8%</b>	<b>3.6 pts</b>

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<ul style="list-style-type: none"> <li><b>Premium growth of 28%</b>, reflecting the impact of the RSA Acquisition, and relief provided in 2021. Excluding these, organic growth of 1% was driven by rates, which have been increasing progressively in 2022.</li> <li><b>Underlying current year loss ratio increased by 9.1 points to 68.7% in Q2-2022</b>, reflecting higher frequency and claims severity driven in part by inflation. We maintain our prudent reserving practices as we continue to monitor evolving trends.</li> <li><b>CAT loss ratio of 1.6%</b> was in line with expectations, despite the severe weather events in Québec and Ontario.</li> <li><b>Favourable PYD was strong at 4.6% in Q2-2022 and 4.2% in H1-2022</b>, reflecting reduced uncertainty around claims patterns during the pandemic.</li> <li><b>Expense ratio of 24.1% in Q2-2022 and 23.6% in H1-2022</b>, significantly lower than last year reflecting lower variable commissions, consistent with trends at the Canada level (see Section 4.1 – P&amp;C Canada).</li> <li><b>Operating combined ratio was strong at 89.8% in Q2-2022 and solid at 91.4% in H1-2022</b>, increasing by 7.4 points and 3.6 points respectively from last year, as the impact of increased driving activity and higher claims severity was offset in part by lower variable commissions.</li> </ul>	<ul style="list-style-type: none"> <li><b>Premium growth of 32%</b>, reflecting the impact of the RSA Acquisition (26 points) and relief provided in 2021 (5 points).</li> <li><b>Underlying current year loss ratio increased by 6.9 points to 71.2% in H1-2022</b>, reflecting increased driving activity across the country, though frequency remained lower than pre-pandemic averages.</li> <li><b>CAT loss ratio of 0.8%</b> was in line with expectations.</li> </ul>



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



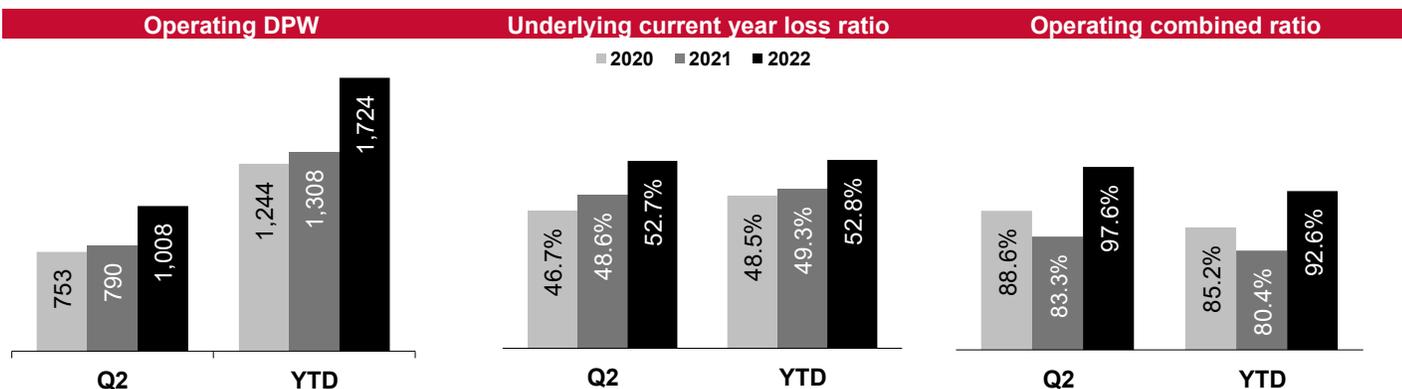
4.3 Personal property

Table 6 – Underwriting results for Personal property<sup>1</sup>

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Operating DPW	1,008	790	28%	1,724	1,308	32%
Written insured risks (in thousands)	863	725	19%	1,444	1,212	19%
Operating NEP	851	637	34%	1,689	1,258	34%
Underwriting income (loss)	20	106	(81)%	124	247	(50)%
Underlying current year loss ratio	52.7%	48.6%	4.1 pts	52.8%	49.3%	3.5 pts
CAT loss ratio	16.3%	1.3%	15.0 pts	11.3%	0.7%	10.6 pts
(Favourable) unfavourable PYD ratio	(2.8)%	(3.5)%	0.7 pts	(2.8)%	(5.2)%	2.4 pts
Claims ratio	66.2%	46.4%	19.8 pts	61.3%	44.8%	16.5 pts
Expense ratio	31.4%	36.9%	(5.5) pts	31.3%	35.6%	(4.3) pts
<b>Operating combined ratio</b>	<b>97.6%</b>	<b>83.3%</b>	<b>14.3 pts</b>	<b>92.6%</b>	<b>80.4%</b>	<b>12.2 pts</b>

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<ul style="list-style-type: none"> <li><b>Premium growth of 28% for Q2-2022 and of 32% for H1-2022</b> was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was 6%, mainly driven by healthy rate increases in firm market conditions.</li> <li><b>Underlying current year loss ratio of 52.7%</b> reflected weather-related claims that were slightly higher than expectations, offset in part by the benefit of higher earned rates.</li> <li><b>Elevated CAT loss ratio of 16.3%</b>, was roughly 4 points higher than expected, driven by the severe windstorm and hail event in Québec and Ontario which caused extensive damages.</li> <li><b>Favourable PYD ratio was healthy at 2.8% in Q2-2022 and H1-2022</b>, essentially in line with expectations and historical averages.</li> <li><b>Expense ratio of 31.4% in Q2-2022 and of 31.3% in H1-2022</b>, significantly lower than last year and consistent with trends at the Canada level (see Section 4.1 – P&amp;C Canada).</li> <li><b>Combined ratio of 97.6%</b> increased by 14.3 points from last year, and included elevated CAT and non-CAT weather-related losses, compared to mild conditions last year.</li> </ul>	<ul style="list-style-type: none"> <li><b>Underlying current year loss ratio of 52.8%</b> reflected elevated large losses offset in part by the benefit of higher earned rates.</li> <li><b>CAT loss ratio of 11.3%</b> for H1 was broadly in line with expectations and mainly weather driven. Last year's mild weather conditions led to low CAT losses.</li> <li><b>Combined ratio of 92.6% for H1-2022</b> was broadly in line with expectations. With market conditions remaining firm, this line is well positioned for the future.</li> </ul>



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



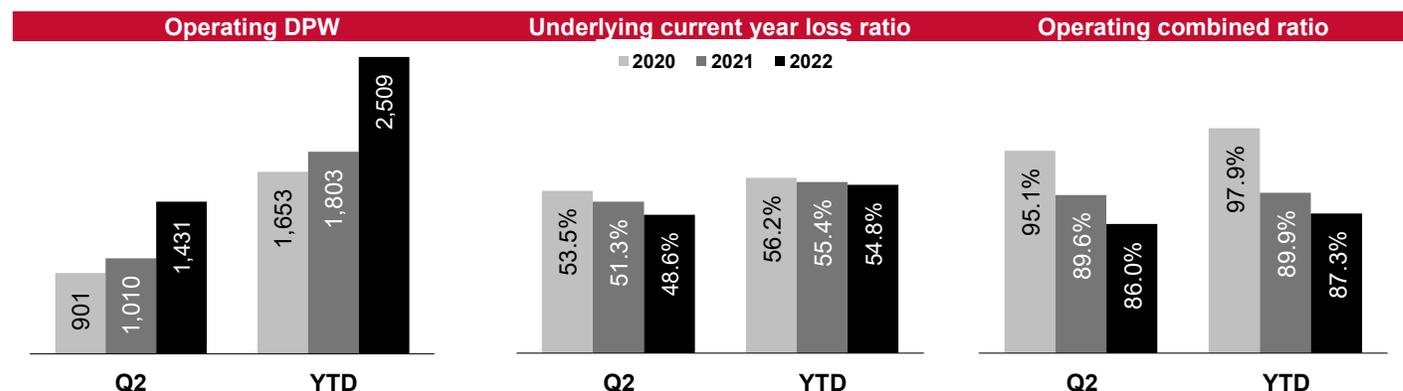
4.4 Commercial lines

Table 7 – Underwriting results for Commercial lines<sup>1</sup>

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Operating DPW	1,431	1,010	42%	2,509	1,803	39%
Operating NEP	1,094	807	36%	2,165	1,585	37%
Underwriting income (loss)	153	84	82%	276	161	71%
Underlying current year loss ratio	48.6%	51.3%	(2.7) pts	54.8%	55.4%	(0.6) pts
CAT loss ratio	4.8%	5.1%	(0.3) pts	3.3%	3.9%	(0.6) pts
(Favourable) unfavourable PYD ratio	(4.3)%	(7.1)%	2.8 pts	(6.9)%	(7.9)%	1.0 pt
Claims ratio	49.1%	49.3%	(0.2) pts	51.2%	51.4%	(0.2) pts
Expense ratio	36.9%	40.3%	(3.4) pts	36.1%	38.5%	(2.4) pts
<b>Operating combined ratio</b>	<b>86.0%</b>	<b>89.6%</b>	<b>(3.6) pts</b>	<b>87.3%</b>	<b>89.9%</b>	<b>(2.6) pts</b>

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<ul style="list-style-type: none"> <li><b>Premium growth of 42%</b> was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was strong at 7% reflecting continued hard market conditions and strong organic growth in specialty lines.</li> <li><b>Very strong underlying current year loss ratio of 48.6%</b>, a 2.7 point improvement from last year driven by the benefit of our profitability actions, including earned rates.</li> <li><b>CAT loss ratio of 4.8% for Q2-2022 and of 3.3% for H1-2022</b> was mainly weather-driven and slightly above expectations.</li> <li><b>Favourable PYD ratio was healthy at 4.3% in Q2-2022</b>, lower than last year's strong level.</li> <li><b>Expense ratio of 36.9% in Q2-2022 and of 36.1% in H1-2022</b> drove a significant improvement in the operating combined ratio, due to lower variable commissions compared to last year's elevated levels.</li> <li><b>Very strong operating combined ratio improved by 3.6 points to 86.0%</b>, driven by our profitability actions and lower variable commissions, offset by lower favourable PYD.</li> </ul>	<ul style="list-style-type: none"> <li><b>Premium growth of 39%</b> was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was strong at 10%, reflecting continued hard market conditions and strength in specialty lines.</li> <li><b>Underlying current year loss ratio improved to 54.8%</b>, reflecting the benefit of our profitability actions, offset in part by higher large losses compared to a particularly low-level last year.</li> <li><b>Favourable PYD ratio was elevated at 6.9% in H1-2022</b>, but one point lower than last year's strong level.</li> <li><b>Operating combined ratio of 87.3% remained strong</b>, improving by 2.6 points from last year driven mainly by lower variable commissions.</li> </ul>



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

**Section 5 - UK and International (UK&I) segment****5.1 P&C UK&I**Table 8 – Underwriting results for P&C UK&I<sup>1</sup>

	Section	Q2-2022	H1-2022
<b>Operating DPW</b>		<b>1,157</b>	<b>2,456</b>
Personal lines	5.2	424	903
Commercial lines	5.3	733	1,553
<b>Operating NEP</b>		<b>1,017</b>	<b>2,079</b>
<b>Underwriting income</b>		<b>89</b>	<b>101</b>
<b>Underwriting ratios</b>			
Underlying current year loss ratio		60.8%	60.0%
CAT loss ratio		2.2%	6.4%
(Favourable) unfavourable PYD ratio		(4.0)%	(3.8)%
<b>Claims ratio</b>		<b>59.0%</b>	<b>62.6%</b>
Commissions		17.5%	16.7%
General expenses		14.8%	15.9%
<b>Expense ratio</b>		<b>32.3%</b>	<b>32.6%</b>
<b>Operating combined ratio</b>		<b>91.3%</b>	<b>95.2%</b>
Personal lines	5.2	88.3%	99.7%
Commercial lines	5.3	93.6%	91.8%

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

	Q2-2022	H1-2022
<ul style="list-style-type: none"> <li>Operating DPW stood at \$1.2 billion in Q2-2022 and \$2.5 billion in H1-2022, with growth momentum in commercial and specialty lines, supported by strong rate increases and good retention. Personal lines premium growth remained subdued, reflecting our continued discipline as we navigate competitive and evolving market conditions.</li> <li>Operating combined ratio of 91.3% was strong in a seasonally favourable quarter and reflects a revised estimate of Q1 CAT losses in personal lines (February windstorms), partly offset by elevated CAT losses in commercial lines.</li> <li><b>REMINDER:</b> UK&amp;I's June 2021 underwriting results are excluded in the table above, as they were included in the Corporate segment. For more details, refer to <i>Table 3 – Operating results by segment</i>.</li> <li>Exited lines are excluded from the operating performance of our segments. See more details in <i>Section 10.2 – Income (loss) from exited lines</i>.</li> </ul>	<ul style="list-style-type: none"> <li>Operating combined ratio of 95.2%, was impacted by elevated CAT losses, which were 4 points higher than expected, offsetting an overall solid underlying performance.</li> </ul>	

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5.2 Personal lines

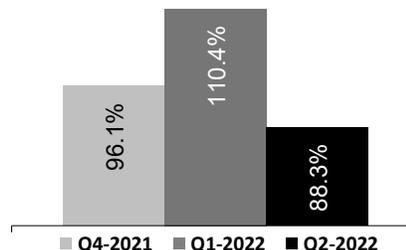
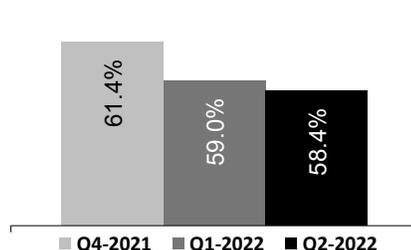
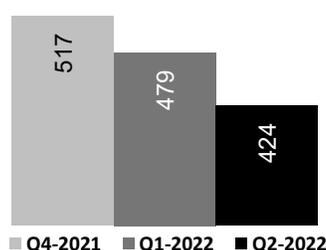
Table 9 – Underwriting results for Personal lines<sup>1</sup>

	Q2-2022	H1-2022
Operating DPW	424	903
Operating NEP	431	892
Underwriting income (loss)	51	3
Underlying current year loss ratio	58.4%	58.7%
CAT loss ratio	(5.2)%	4.6%
(Favourable) unfavourable PYD ratio	(4.3)%	(1.6)%
Claims ratio	48.9%	61.7%
Expense ratio	39.4%	38.0%
<b>Operating combined ratio</b>	<b>88.3%</b>	<b>99.7%</b>

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

Q2-2022	H1-2022
<ul style="list-style-type: none"> <li><b>Operating DPW of \$424 million</b> declined in Q2-2022 and in H1-2022, as we remained disciplined in competitive market conditions, with pricing reforms impacting home and motor. Pet insurance continues to perform well with strong retention levels and new business growth.</li> <li><b>Underlying current year loss ratio of 58.4%</b> was slightly higher than expected, reflecting inflation pressures and elevated water-related losses, offset in part by continued strong performance in pet.</li> <li><b>CAT loss ratio of (5.2)%</b> was favourable due to the revised estimate of the February windstorms, which had an offsetting 2.8 point unfavourable impact on variable commissions.</li> <li><b>Favourable PYD ratio was strong at 4.3% for Q2-2022</b>, driven by favourable development in UK home and Ireland motor, as well as prior year weather losses.</li> <li><b>Expense ratio of 39.4%</b> was elevated due to higher variable commissions following the revised estimate of the February windstorms.</li> <li><b>Operating combined ratio was strong at 88.3%</b>. Excluding the net favourable impact from the revised estimate of the February windstorms, operating combined ratio would have been approximately 91%, a solid result consistent with expected seasonality patterns.</li> </ul>	<ul style="list-style-type: none"> <li><b>Underlying current year loss ratio of 58.7%</b> was in line with expectations, as the strong performance in pet was partly offset by inflation pressures.</li> <li><b>CAT loss ratio of 4.6%</b> was above expectations, despite the revised estimate in Q2 of the February windstorms.</li> <li><b>PYD was favourable at 1.6% for H1-2022</b>, driven by favourable experience in UK pet and Ireland motor.</li> <li><b>Expense ratio of 38.0%</b> was in line with expectations, benefitting from the lower variable commissions on a year-to-date basis.</li> <li><b>Operating combined ratio of 99.7%</b> included elevated CAT losses, which offset healthy underlying performance as well as lower variable commissions.</li> </ul>

Operating DPW      Underlying current year loss ratio      Operating combined ratio



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



5.3 Commercial lines

Table 10 – Underwriting results for Commercial lines<sup>1</sup>

	Q2-2022	H1-2022
Operating DPW	733	1,553
Operating NEP	586	1,187
Underwriting income	38	98
Underlying current year loss ratio	62.6%	61.0%
CAT loss ratio	7.7%	7.7%
(Favourable) unfavourable PYD ratio	(3.8)%	(5.5)%
Claims ratio	66.5%	63.2%
Expense ratio	27.1%	28.6%
<b>Operating combined ratio</b>	<b>93.6%</b>	<b>91.8%</b>

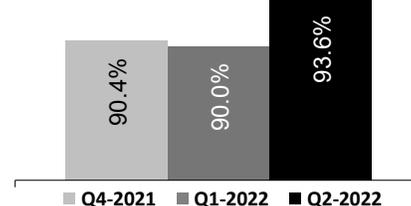
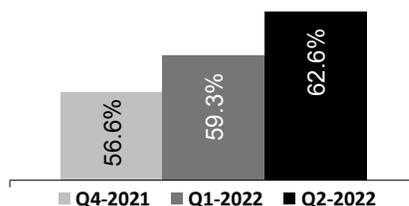
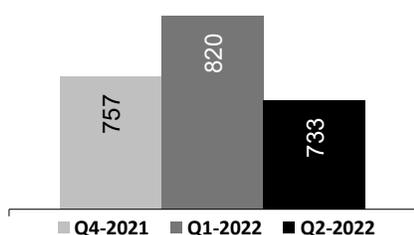
<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

Q2-2022	H1-2022
<ul style="list-style-type: none"> <li>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.</li> <li>Underlying current year loss ratio of 62.6% was elevated, reflecting inflation pressures and higher large losses, partly offset by continued pricing actions and benign weather.</li> <li>CAT loss ratio of 7.7% was elevated, driven by CAT losses insured through our global business in specialty lines.</li> <li>Favourable PYD was solid at 3.8% for Q2-2022 and 5.5% for H1-2022, mainly reflecting favourable development on prior year large losses.</li> <li>Expense ratio of 27.1% was lower than expected, reflecting favourable commission rates and a refund received in specialty lines, as well as continued expense management discipline.</li> <li>Operating combined ratio of 93.6% included 7.7 points of CAT losses, more than 4 points higher than expected. Excluding this, operating combined ratio was strong, driven by healthy PYD and lower than expected expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Underlying current year loss ratio of 61.0% reflected emerging inflation pressures, partly offset by the benefit of continued pricing actions and benign weather.</li> <li>CAT loss ratio of 7.7% was above expectations, driven by both weather-related and non-weather-related CAT losses.</li> <li>Expense ratio of 28.6% was lower than expected, reflecting the benefit of higher earned rates, favourable commission rates in Q2, as well as continued expense management discipline.</li> <li>Operating combined ratio was solid at 91.8%, as elevated CAT losses were largely offset by favourable PYD and lower than expected expenses.</li> </ul>

Operating DPW

Underlying current year loss ratio

Operating combined ratio



Management’s Discussion and Analysis for the quarter ended June 30, 2022

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

Section 6 - US segment



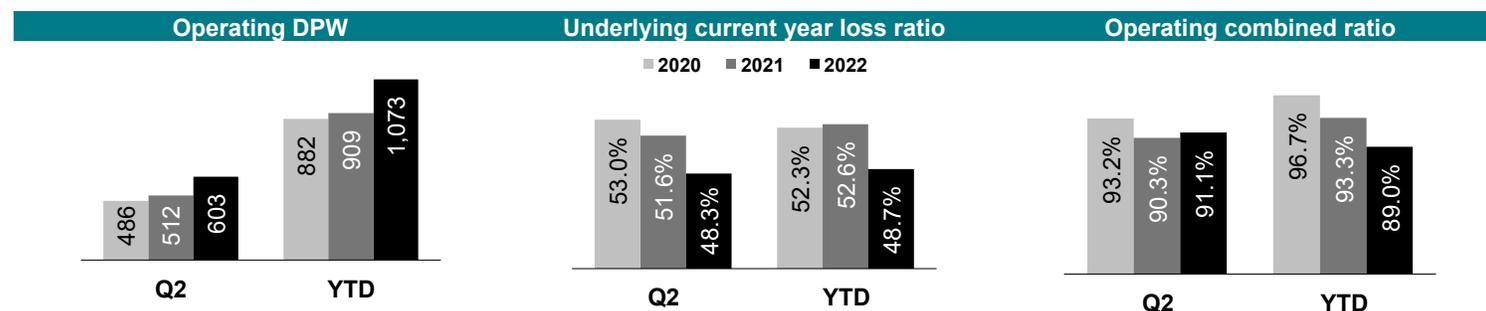
6.1 P&C US

Table 11 – Underwriting results for P&C US<sup>1</sup>

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>Operating DPW</b>	<b>603</b>	512	18%	<b>1,073</b>	909	18%
Growth in constant currency			14%			16%
<b>Operating NEP</b>	<b>424</b>	379	12%	<b>845</b>	752	12%
Growth in constant currency			8%			10%
<b>Underwriting income</b>	<b>38</b>	37	3%	<b>93</b>	51	82%
Underlying current year loss ratio	<b>48.3%</b>	51.6%	(3.3) pts	<b>48.7%</b>	52.6%	(3.9) pts
CAT loss ratio	<b>3.2%</b>	(0.2)%	3.4 pts	<b>1.6%</b>	3.8%	(2.2) pts
(Favourable) unfavourable PYD ratio	<b>(1.5)%</b>	(1.7)%	0.2 pts	<b>(1.4)%</b>	(3.5)%	2.1 pts
<b>Claims ratio</b>	<b>50.0%</b>	49.7%	0.3 pts	<b>48.9%</b>	52.9%	(4.0) pts
Commissions	<b>18.9%</b>	17.1%	1.8 pts	<b>18.2%</b>	17.3%	0.9 pts
General expenses	<b>20.6%</b>	21.0%	(0.4) pts	<b>20.0%</b>	20.7%	(0.7) pts
Premium taxes	<b>1.6%</b>	2.5%	(0.9) pts	<b>1.9%</b>	2.4%	(0.5) pts
<b>Expense ratio</b>	<b>41.1%</b>	40.6%	0.5 pts	<b>40.1%</b>	40.4%	(0.3) pts
<b>Operating combined ratio</b>	<b>91.1%</b>	90.3%	0.8 pts	<b>89.0%</b>	93.3%	(4.3) pts

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

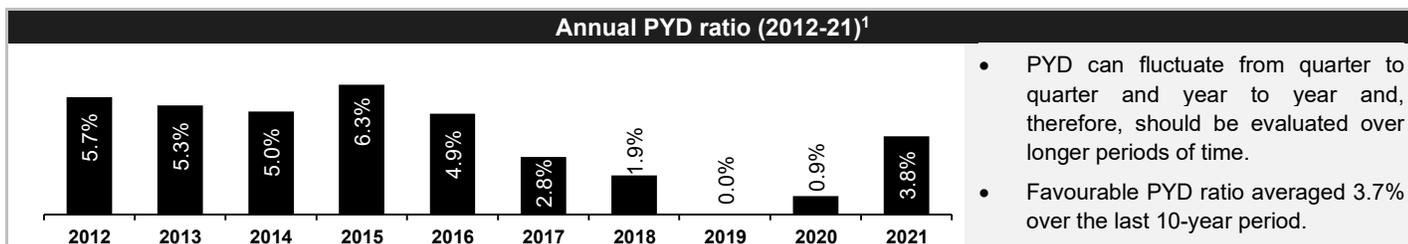
Q2-2022 vs Q2-2021		H1-2022 vs. H1-2021	
<ul style="list-style-type: none"> <li>Operating DPW growth in constant currency was strong at 14% for Q2-2022 and 16% for H1-2022, despite a 4 point negative impact quarter-to-date and a 3 point negative impact year-to-date from the exit of Public Entities. Growth was mainly due to new business, increased exposures and rate increases in favourable market conditions.</li> <li>Underlying current year loss ratio improved by 3.3 points driven by our profitability actions and favourable business mix.</li> <li>CAT loss ratio of 3.2%, was higher than expectations and driven by two large property fires.</li> <li>Favourable PYD ratio was a healthy 1.5%.</li> <li>Expense ratio increased to 41.1%, due to higher variable commissions given the strong performance in certain lines.</li> <li>Operating combined ratio of 91.1% driven by a solid underlying performance, offset in part by higher CAT losses and commissions.</li> <li>Exited lines are excluded from the operating performance of our segments. See more details in Section 10.2 – Income (loss) from exited lines.</li> </ul>	<ul style="list-style-type: none"> <li>Underlying current year loss ratio was strong at 48.7%, driven by our profitability actions, as well as benign weather conditions.</li> <li>CAT loss ratio of 1.6%, compares favourably to last year, which was impacted by the severe Texas winter storms in Q1-2022.</li> <li>Favourable PYD ratio was healthy at 1.4%, driven by favourable development in most lines.</li> <li>Expense ratio decreased to 40.1%, mainly due to continued expense management with a growing premium base.</li> <li>Operating combined ratio remained strong at 89.0%, reflecting solid underlying performance and our exit from Public Entities as of Q1-2022.</li> </ul>		



Management's Discussion and Analysis for the quarter ended June 30, 2022

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

## Section 7 - Prior year claims development



<sup>1</sup> As a % of NEP.

Table 12 – Net (favourable) unfavourable PYD by segment

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>By segment</b>						
P&C Canada						
Personal auto	(64)	(53)	(11)	(114)	(71)	(43)
Personal property	(24)	(23)	(1)	(47)	(66)	19
Commercial lines	(47)	(57)	10	(150)	(126)	(24)
	(135)	(133)	(2)	(311)	(263)	(48)
P&C UK&I						
Personal lines	(19)	n/a	nm	(15)	n/a	nm
Commercial lines	(22)	n/a	nm	(65)	n/a	nm
	(41)	n/a	nm	(80)	n/a	nm
P&C US						
Corporate <sup>1</sup>	(6)	(6)	-	(11)	(26)	15
	3	3	-	-	3	(3)
<b>Consolidated</b>	<b>(179)</b>	<b>(136)</b>	<b>(43)</b>	<b>(402)</b>	<b>(286)</b>	<b>(116)</b>
<b>(Favourable) unfavourable PYD ratio<sup>2</sup></b>						
P&C Canada	(4.1)%	(5.3)%	1.2 pts	(4.7)%	(5.4)%	0.7 pts
P&C UK&I	(4.0)%	n/a	nm	(3.8)%	n/a	nm
P&C US	(1.5)%	(1.7)%	0.2 pts	(1.4)%	(3.5)%	2.1 pts
<b>Consolidated</b>	<b>(3.8)%</b>	<b>(3.9)%</b>	<b>0.1 pts</b>	<b>(4.2)%</b>	<b>(4.6)%</b>	<b>0.4 pts</b>

<sup>1</sup> Includes the impact of Corporate reinsurance programs.

<sup>2</sup> As a % of NEP. See Section 19 – Non-GAAP and other financial measures.

### Highlights

- **Healthy favourable PYD ratio of 3.8% for Q2-2022 was favourable across all segments and slightly above guidance.**

## 7.1 PYD guidance

- We expect average favourable PYD as a percentage of operating NEP to be in the 1-3% range over the long-term.
- In the short term, we expect favourable PYD in the upper half of the range.
- The RSA Acquisition does not change our view over the long term.
- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.

Management's Discussion and Analysis for the quarter ended June 30, 2022

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

**Section 8 - CAT losses and weather conditions**



**8.1 Net current year CAT losses**

Table 13 – Net current year CAT losses by segment

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>P&amp;C Canada</b>						
Personal auto	22	-	22	23	-	23
Personal property	138	8	130	190	8	182
Commercial lines	53	41	12	72	62	10
	213	49	164	285	70	215
<b>P&amp;C UK&amp;I</b>						
Personal lines	(22)	n/a	nm	41	n/a	nm
Commercial lines	43	n/a	nm	90	n/a	nm
	21	n/a	nm	131	n/a	nm
<b>P&amp;C US</b>	14	(1)	15	14	27	(13)
RSA – June 2021	n/a	25	nm	n/a	25	nm
Corporate	-	-	-	-	3	(3)
<b>Consolidated</b>	<b>248</b>	<b>73</b>	<b>175</b>	<b>430</b>	<b>125</b>	<b>305</b>
<b>CAT loss ratio<sup>1</sup></b>						
P&C Canada	6.4%	2.0%	4.4 pts	4.3%	1.4%	2.9 pts
P&C UK&I	2.2%	n/a	nm	6.4%	n/a	nm
P&C US	3.2%	(0.2)%	3.4 pts	1.6%	3.8%	(2.2) pts
<b>Consolidated</b>	<b>5.3%</b>	<b>2.1%</b>	<b>3.2 pts</b>	<b>4.6%</b>	<b>2.0%</b>	<b>2.6 pts</b>

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures.

Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<ul style="list-style-type: none"> <li>In Q2-2022, we reported net CAT losses of \$248 million (CAT loss ratio of 5.3%). This is slightly above our expectations for total Q2 CAT losses.</li> <li>In Canada, severe windstorms and hail in Québec and Ontario in mid-May were the cause of significant property damage.</li> <li>In the UK&amp;I, two large commercial property fires and a large flooding event were partially offset by a revised estimate of the February windstorms.</li> <li>In the US, two large commercial property fires impacted results.</li> </ul>	<ul style="list-style-type: none"> <li>Overall, net CAT losses of \$430 million (CAT loss ratio of 4.6%) were well above expectations in H1-2022. Severe wind and water events in Québec, Ontario and the UK accounted for more than two thirds of claims, while large commercial property fires in the UK and the US also impacted results.</li> </ul>

**Management's Discussion and Analysis for the quarter ended June 30, 2022**

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

**8.2 Weather conditions**

**CANADA**

- **In Q1-2022**, temperatures were colder than average across Canada, leading to more snow and freezing rain than average. Major cities such as Toronto and Winnipeg recorded their snowiest winters in the past 30 years. Overall, weather-related losses were essentially in line with expectations for a first quarter.
- **In Q2-2022**, the weather was cold in the West, warm in the East and wetter than average almost everywhere across the country. It was relatively quiet in terms of severe weather, except for the strong May windstorms (Derecho), which caused widespread damage in Québec and Ontario. This resulted in a significant CAT loss in Canada for Q2-2022.

**UK&I**

- **In Q1-2022**, the UK&I region experienced significant weather-related losses due to three storms (Dudley, Eunice and Franklin) during a seven-day period in February. These storms led to extensive flooding and wind damage across Northern Europe. Gross industry losses approximate £5 billion with the UK, Germany and Netherlands experiencing the heaviest damage. IFC losses are mainly driven by windstorms in the UK.
- **In Q2-2022**, domestic weather was largely benign across the UK and European regions. Our Global Specialty lines were however impacted by some large CAT weather losses.

**US**

- **In Q1-2022**, weather conditions were very mild, with no weather CAT losses during the quarter.
- **In Q2-2022**, weather conditions were fairly mild, with no weather CAT losses during the quarter.

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

Section 9 - Investment performance

9.1 Operating net investment income

Table 14 – Operating net investment income

	Q2-2022	Q2-2021 <sup>4</sup>	Change	H1-2022	H1-2021 <sup>4</sup>	Change
Interest income	136	93	43	265	177	88
Dividend income	78	66	12	156	128	28
Investment property rental income	6	2	4	12	2	10
Operating investment income, before expenses	220	161	59	433	307	126
Expenses	(9)	(7)	(2)	(17)	(12)	(5)
<b>Operating net investment income<sup>1</sup></b>	<b>211</b>	<b>154</b>	<b>57</b>	<b>416</b>	<b>295</b>	<b>121</b>
<b>Average investments<sup>2</sup></b>	<b>34,498</b>	<b>26,113</b>	<b>32%</b>	<b>35,114</b>	<b>23,537</b>	<b>49%</b>
<b>Market-based yield<sup>3</sup></b>	<b>2.58%</b>	<b>2.50%</b>	<b>8 bps</b>	<b>2.50%</b>	<b>2.64%</b>	<b>(14) bps</b>

<sup>1</sup> See Section 19 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures.

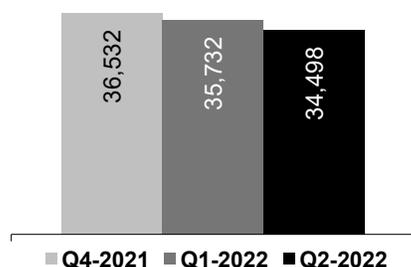
<sup>2</sup> Defined as the mid-month average fair value of investments held during the reporting period. See Section 15.1 – Balance sheets for more details.

<sup>3</sup> Defined as the annualized total pre-tax investment income (before expenses), divided by the weighted-average investments.

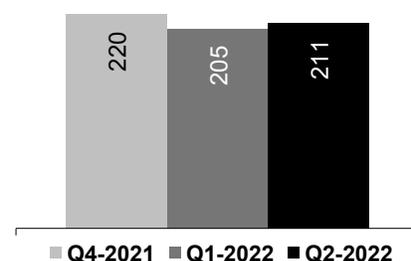
<sup>4</sup> Q2-2021 and H1-2021 above only include a one-month impact from RSA’s investment portfolio (June 2021).

Q2-2022 vs Q2-2021	H1-2022 vs H1-2021
<ul style="list-style-type: none"> <li>Operating net investment income increased by 37% to \$211 million in Q2-2022 and by 41% to \$416 million in H1-2022, driven by the growth in our investment portfolio following the RSA Acquisition. We also continued to capture the benefits of rising yields, bolstered by the increased turnover of our portfolio.</li> <li>Average investments increased by 32% in the quarter and 49% year-to-date, reflecting the addition of RSA’s investment portfolio and cash inflows from operations, partly offset by a negative mark-to-market impact.</li> <li>Market-based yield of 2.58% in Q2-2022 and 2.50% in H1-2022 reflected rising interest rates and the related decrease in the market value of our fixed income portfolio. This increase was offset by the impact of the RSA Acquisition, reflected through higher average investments and lower yields, resulting in overall market-based yields similar to last year.</li> </ul>	

Average investments (as of the end of period)	Operating net investment income (for the period)
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Operating net investment income was \$6 million higher than Q1-2022, driven by rising yields.



Management's Discussion and Analysis for the quarter ended June 30, 2022

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

## Section 10 - Non-operating results

Non-operating results include acquisition related items and elements that bear significant volatility from one period to another. These items are not representative of our operating performance and as such are excluded from the calculation of NOI and related financial measures.

Realized and unrealized gains and losses on our FVTPL bonds are expected to offset the change in rates used to discount our claims liabilities (MYA), which are both reflected in non-operating results. The net result of these two items is referred to as the Market Yield Effect (MYE).

Table 15 – Non-operating results

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Net gains (losses) excluding FVTPL bonds ( <i>Table 16</i> )	400	16	384	516	299	217
Realized and unrealized gains (losses) on FVTPL bonds	(277)	9	(286)	(689)	(156)	(533)
Positive (negative) impact of MYA on underwriting results	363	(29)	392	829	117	712
Net (MYE)	86	(20)	106	140	(39)	179
Amortization of intangible assets recognized in business combinations	(60)	(41)	(19)	(125)	(70)	(55)
Acquisition, integration and restructuring costs ( <i>Table 35</i> )	(103)	(138)	35	(167)	(181)	14
Gain on the RSA Acquisition ( <i>Note 4</i> ) <sup>1</sup>	-	200	(200)	-	200	(200)
Gain on sale of business ( <i>Note 11.1</i> ) <sup>1</sup>	423	-	423	423	-	423
Non-operating pension expense	(14)	(16)	2	(27)	(32)	5
Income (loss) from exited lines ( <i>Table 17</i> )	(33)	5	(38)	(60)	3	(63)
Other	(2)	-	(2)	(3)	(2)	(1)
<b>Non-operating results</b>	<b>697</b>	<b>6</b>	<b>691</b>	<b>697</b>	<b>178</b>	<b>519</b>
<b>After-tax Non-operating results (<i>Table 35</i>)</b>	<b>608</b>	<b>51</b>	<b>557</b>	<b>561</b>	<b>208</b>	<b>353</b>
Attributable to shareholders	614	51	563	585	208	377
Attributable to NCI ( <i>Note 11.2</i> ) <sup>1</sup>	(6)	-	(6)	(24)	-	(24)

<sup>1</sup> See respective Notes of the interim Consolidated financial statements for details.

### 10.1 Net gains (losses)

Table 16 – Net gains (losses) excluding FVTPL bonds (reported in Non-operating results)<sup>1</sup>

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Realized and unrealized gains (losses) on:						
AFS bonds, net of derivatives	(5)	(7)	2	(1)	(16)	15
Equity securities, net of derivatives	316	44	272	409	123	286
Embedded derivatives	33	(25)	58	23	(68)	91
Investment property	28	4	24	60	4	56
Net foreign currency gains (losses)	34	1	33	48	2	46
Impairment losses on AFS investments	(6)	(2)	(4)	(12)	(2)	(10)
Currency derivative hedges (RSA Acquisition)	-	(19)	19	-	(35)	35
Gain related to an investment in associate	-	-	-	-	273	(273)
Impairment loss on the remeasurement of the Middle East net assets	-	-	-	(24)	-	(24)
Other	-	20	(20)	13	18	(5)
<b>Gains (losses) excluding FVTPL bonds</b>	<b>400</b>	<b>16</b>	<b>384</b>	<b>516</b>	<b>299</b>	<b>217</b>

<sup>1</sup> See Note 17 – Net gains (losses) to the interim Consolidated financial statements for further details.

**Management’s Discussion and Analysis for the quarter ended June 30, 2022**

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

Q2-2022 vs. Q2-2021	H1-2022 vs. H1-2021
<p><b>Net gains excluding FVTPL bonds of \$400 million</b>, mainly reflected:</p> <ul style="list-style-type: none"> <li>realized gains on equity securities as we repositioned certain common stock portfolios in a volatile environment;</li> <li>gains on embedded derivatives of \$33 million; and</li> <li>positive mark-to-market on certain investment properties</li> </ul>	<ul style="list-style-type: none"> <li><b>Net gains excluding FVTPL bonds of \$516 million</b>, mainly reflected realized gains on equity securities in favourable markets in Q1-2022 and the repositioning of certain common stock portfolios in Q2-2022</li> <li><b>REMINDER: Net gains excluding FVTPL bonds of \$299 million in H1-2021</b>, mainly reflected a gain of \$273 million, mostly related to a venture investment.</li> </ul>
<p><b>Net losses on FVTPL bonds of \$277 million for Q2-2022 and \$689 million for H1-2022</b>, mainly driven by the increase in interest rates in Canada, the US and the UK (see Section 16.1 – Capital market update). These losses were mostly offset by the positive impact of MYA on underwriting results given our asset-liability management (see Table 15 – Non-operating results).</p>	

**10.2 Income (loss) from exited lines**

Lines are classified as Exited once we have a formal decision to exit a specific line of business and/or geographical area of operations. This can be due to profitability concerns, the absence of a pathway to outperformance, or other strategic reasons. The results of these lines are considered non-operating as they are no longer part of the core business and cannot be extrapolated to evaluate future earnings. The specific treatment of each exit may vary but can include sale of the business or renewal rights to another party, or wind down of the existing business by ceasing to renew or write new policies. Income (loss) from exited lines include the underwriting results and net investment income from exited lines, with no restatement of comparatives.

Table 17 – Income (loss) from exited lines (reported in Non-operating results)

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
DPW	149	5	144	290	7	283
NEP	144	26	118	293	44	249
Net claims	(118)	(12)	(106)	(233)	(26)	(207)
Net underwriting expenses	(61)	(9)	(52)	(124)	(15)	(109)
<b>Underwriting income (loss)</b>	<b>(35)</b>	<b>5</b>	<b>(40)</b>	<b>(64)</b>	<b>3</b>	<b>(67)</b>
<b>Net investment income – Middle East operations</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Income (loss) from exited lines</b>	<b>(33)</b>	<b>5</b>	<b>(38)</b>	<b>(60)</b>	<b>3</b>	<b>(63)</b>
Canada	13	1	12	22	5	17
UK&I <sup>1</sup>	(26)	(3)	(23)	(31)	(3)	(28)
US	(20)	7	(27)	(51)	1	(52)

Income (loss) from exited lines	
<b>Canada</b>	<ul style="list-style-type: none"> <li>Included CNS and BC auto lines, which have generated an underwriting income of \$13 million in Q2-2022.</li> <li>If exited lines had been reported within the Canada segment’s operating income, the impact would have been a favourable 0.3 points on the Q2-2022 operating combined ratio.</li> </ul>
<b>UK&amp;I</b>	<ul style="list-style-type: none"> <li>In Q2-2022, the Middle East<sup>1</sup> operations generated an underwriting loss of \$3 million and net investment income of \$2 million. The operations were sold on July 7, 2022, with the final impact expected to be recorded in our income statement in Q3-2022.</li> <li>The other UK&amp;I exited lines (UK and Europe) have generated an underwriting loss of \$25 million in Q2-2022, mainly due to unfavourable PYD on large losses in commercial exits.</li> <li>If exited lines had been reported within the UK&amp;I segment’s operating income, the impact would have been an unfavourable 3.2 points on the Q2-2022 operating combined ratio.</li> </ul>
<b>US</b>	<ul style="list-style-type: none"> <li>Losses were driven by our exited Public Entity business.</li> <li>If exited lines had been reported within the US segment’s operating income, the impact would have been an unfavourable 4.8 points on the Q2-2022 operating combined ratio.</li> </ul>

<sup>1</sup> On July 7, 2022, we completed the sale of our 50% stake in RSA Middle East to National Life & General Insurance Company (‘NLGIC’).

# ENVIRONMENT & OUTLOOK

## Section 11 - P&C insurance industry outlook

### Summary

- Over the next twelve months, we expect the firm-to-hard insurance market conditions to continue in most lines of business, supported by high pre-pandemic combined ratios, inflation, and climate change.
- In Canada, we expect firm market conditions to continue in personal property. Personal auto premium growth is expected to progress towards the mid-single-digit range to reflect inflation and evolving driving patterns.
- In commercial lines in both the US and Canada, hard market conditions are expected to continue.
- In the UK&I, hard market conditions are expected to continue across commercial lines. In personal lines, near term industry growth levels are uncertain as companies navigate pricing reforms and inflation.

	P&C insurance industry 12-month outlook	Our response
<b>Personal Auto Canada</b>	<ul style="list-style-type: none"> <li>• Industry premiums grew by low single-digits in Q1-2022.</li> <li>• Industry profitability remained strong in Q1-2022 due to the change in driving patterns since the beginning of the pandemic and higher favourable prior year development.</li> <li>• However, given the pickup in claims frequencies, inflation and poor industry profitability prior to the pandemic, industry corrective measures are slowly resuming.</li> <li>• We expect industry premium growth to progress towards the mid-single-digit range over the next twelve months to reflect inflation and evolving driving patterns.</li> </ul>	<ul style="list-style-type: none"> <li>• We are actively monitoring inflation in our portfolio and adjusting our pricing and claims strategies to maintain control on indemnity. We are leveraging our strong supply chain model, and our tools and analytics to reduce cycle time.</li> <li>• We continue to invest in telematics, big data, and artificial intelligence to maintain our advantage in data and segmentation. We continue to adapt our rating strategies to evolving driving and mobility trends.</li> <li>• Our brand investments, telematics offering, and customer driven digital leadership will continue to help grow our business.</li> <li>• We maintain our emphasis on portfolio quality and sustaining target profitability levels.</li> </ul>
<b>Personal Property Canada</b>	<ul style="list-style-type: none"> <li>• Industry growth was mid to high single-digit in Q1-2022.</li> <li>• We expect continued firm market conditions since this line of business is subject to challenging weather and inflation over time. We expect premium growth at a mid to high single-digit level over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• We actively monitor and defend against inflation within our portfolio through pricing actions, supply chain initiatives and increasing internalization of claims. For example, the acquisition of On Side Restoration helped improve customer experience, capture margins, expand capacity, and control costs.</li> <li>• We are continuously adapting our products. Profitability actions over time have positioned this business very well.</li> <li>• We continue to execute on our claims, pricing and risk selection strategy to achieve our objective of a 95% or better full year combined ratio, even with severe weather.</li> </ul>

**Management’s Discussion and Analysis for the quarter ended June 30, 2022**

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

	<b>P&amp;C insurance industry 12-month outlook</b>	<b>Our response</b>
<b>Commercial lines Canada</b>	<ul style="list-style-type: none"> <li>In Q1-2022, the industry reported low teens growth, clear evidence of hard market conditions. Rate actions are continuing, driven by low industry profitability for a number of years and tight capacity.</li> <li>We expect upper single-digit premium growth for the industry over the next 12 months led by specialty lines, in favourable market conditions supported by rising reinsurance costs, elevated CAT losses, and inflation pressures.</li> </ul>	<ul style="list-style-type: none"> <li>We maintain our emphasis on portfolio quality and pricing discipline, while remaining focused on loss prevention and service excellence.</li> <li>With the addition of RSA, we have broadened our product suite, strengthened our presence in mid-market and specialty lines, and are well positioned to take advantage of hard market conditions.</li> </ul>
<b>UK&amp;I Personal lines</b>	<ul style="list-style-type: none"> <li>Q1-2022 industry premiums in the UK and Ireland contracted by low single-digits with continuing competitive conditions in motor and home, offset by growth in pet.</li> <li>In UK motor, we expect inflation pressures to drive rate increases and greater market discipline towards the latter half of the year.</li> <li>In UK property, we expect property claims inflation and challenging weather conditions to drive rate increases over time. In Ireland, property rates are experiencing low single-digit increases.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to prioritise risk selection and improvements to pricing sophistication and ensure partner contracts reflect changing market conditions.</li> <li>We are closely monitoring inflation and the impact of pricing reforms introduced on January 1, 2022. In all segments we are maintaining our pricing discipline and are active in adapting our pricing strategy accordingly.</li> <li>In UK motor, we have moved to a tiered product offering to increase customer choice while improving pricing and segmentation.</li> </ul>
<b>UK&amp;I Commercial lines</b>	<ul style="list-style-type: none"> <li>UK&amp;I market conditions remain hard with rate increases driven by CAT losses (including COVID-19 and recent weather events), tightening capacity and growing inflationary pressures.</li> <li>We expect the UK and EU commercial industry premium rates to grow at an upper single-digit level over the next 12 months, led by specialty lines.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to increase rates to offset claims inflation, tighten terms and conditions, and increase standardisation of wordings to manage exposures.</li> <li>We remain disciplined on new business, prioritizing quality and profitability.</li> <li>We continue to actively monitor for indirect impacts from the Russia-Ukraine war, including potential global macroeconomic implications.</li> </ul>

**Management's Discussion and Analysis for the quarter ended June 30, 2022**

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	<b>P&amp;C insurance industry 12-month outlook</b>	<b>Our response</b>
<b>US Commercial lines</b>	<ul style="list-style-type: none"> <li>The US commercial P&amp;C industry continues to experience hard market conditions across lines, including sustained price increases and tightening terms and conditions.</li> <li>We expect favourable market conditions to persist in the near term, supported by rising reinsurance costs, elevated CAT losses, industry concerns over price inflation, and potential impact from geopolitical and economic uncertainty.</li> <li>The US commercial P&amp;C industry posted upper single-digit growth in Q1-2022, fueled by rate increases and growing exposures. The industry combined ratio for Q1-2022 was estimated in the low-to-mid 90's.</li> <li>We expect industry premium growth at an upper single-digit level over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>Our objective remains to expand our US specialty business while outperforming on profitability. Growth opportunities are being successfully pursued in the segments of the portfolio performing at or above expectations, and focused corrective actions are being applied to underperforming segments.</li> <li>We continue to execute on pricing actions across the portfolio, achieving rate increases consistent with the broader industry while maintaining retention levels in line with expectations.</li> <li>We believe the underlying fundamentals of our US commercial business remain strong and are well positioned to maintain a low 90's combined ratio in line with our objectives.</li> </ul>
<b>Investments</b>	<ul style="list-style-type: none"> <li>Capital markets are expected to remain volatile due to inflation trends, slowing GDP growth, and the war in Ukraine.</li> <li>Central banks are expected to continue increasing rates and decrease balance sheet size. As a result, reinvestment yields are improving further from current levels.</li> <li>In the current interest rate environment, we expect the industry's pre-tax investment yield to increase as portfolios roll over.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.</li> </ul>
<b>Overall</b>	<ul style="list-style-type: none"> <li>Over the last 12 months, industry profitability in Canada and the UK was helped in part by favourable market conditions and the change in driving patterns. In the US, industry profitability remained around its long-term average.</li> <li>High pre-pandemic combined ratios, inflation trends and climate change support continuation of favourable market conditions.</li> <li>We expect our industry benchmark ROE<sup>1</sup> to be in the high single-digit range in the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>The RSA Acquisition expanded our leadership position in Canada, created a leading specialty lines platform with international expertise, and provided entry into the UK and Ireland markets at scale.</li> <li>With our action plans and strategies, we expect to continue to achieve our 500-basis point industry ROE outperformance target.</li> </ul>

<sup>1</sup> 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

# STRATEGIC UPDATE

## Section 12 - Our strategic roadmap



## Section 13 - Strategic updates



### Expand our leadership position in Canada

- **The launch of a new digital reporting feature enhanced the customer experience for property claims.** Through our mobile apps, Intact and belairdirect customers can now report a claim more conveniently and efficiently than before. One out of five claimants have used this feature since launch, helping to reduce claims cycle times and to improve the service we provide our customers.
- **A new self-enrolment feature for our usage-based insurance (“UBI”) program was introduced on our mobile apps.** Intact and belairdirect mobile app users in Ontario and Québec can now enrol in UBI at any point during their policy term without the intervention of agents or brokers. The new feature is an important on-ramp to our UBI program, generating 30% of enrolments, and will help drive digital engagement among customers as UBI customers are 4 times more digitally engaged than non-UBI customers.
- **BrokerLink achieved the largest M&A quarter in its history** closing 10 acquisitions in Q2, representing close to \$200 million in DPW and strengthening our footprint in all regions where BrokerLink operates.

### Strengthen our leading position in the UK & Ireland

- **To strengthen our leading market positions in our pet and direct home businesses** we began accelerating the modernizing of our policy management systems supporting both businesses, allowing for improved risk selection and pricing sophistication as we look to achieve a sustainable low-90s combined ratio in the UK.
- **Personal lines simplification is progressing well** with more than half of the 2,000 product variants closed in the last 12 months, helping to improve business agility. Simplification plans for commercial products are underway.
- This quarter, we launched a pilot program aimed at **improving our service to brokers in commercial lines**. Results show a favourable uplift in the broker experience, an important turning point as we look to capitalize on opportunities in this space.

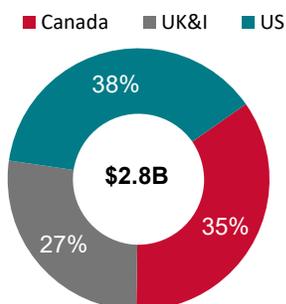
Management’s Discussion and Analysis for the quarter ended June 30, 2022

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**Build a Specialty Solutions leader**

- On June 27<sup>th</sup>, we announced the acquisition of **Highland Insurance Solutions, a Managing General Agent (MGA) specializing in builders risk insurance in the construction market**. This transaction, expected to close in H2-2022, expands Intact’s portfolio of owned distribution assets, and supports our growth strategies of profitable verticals as we build a global specialty leader.

**Operating DPW (H1-2022)<sup>1</sup>**



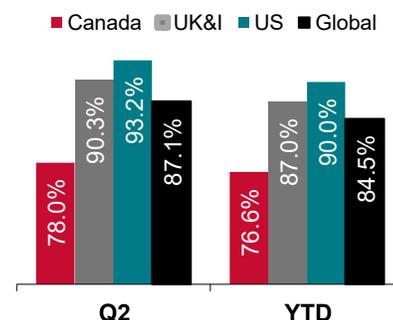
**Q2-2022**

**Global Specialty Lines (GSL)**

Operating DPW grew by 14% to \$1.5 billion in Q2-2022 and by 15% to \$2.8 billion in H1-2022 with strength across all geographies.

**GSL delivered a strong combined ratio of 87.1% in Q2-2022 and 84.5% in H1-2022.**

**Operating combined ratio<sup>1</sup>**



<sup>1</sup> Figures above have been aggregated, using management reports from each segment, and are based on the current definition of specialty lines, which may change over time. Combined ratio for Global Specialty Lines is undiscounted and excludes the impact of risk margin.

**Transform our competitive advantages**

- Our claims team mounted a **robust response to the May 21<sup>st</sup> windstorm in Ontario and Québec – one of the most impactful windstorms in Canadian history**. Our national scale enabled us to leverage internal claims expertise coast-to-coast to help over 12,000 customers get back on track.
- During the quarter, the Data Lab implemented and scaled several predictive models including a **new machine learning pricing model for personal property** to help improve pricing and segmentation to support continued profitable growth in Ontario. Our **belairdirect matching algorithm** has gained scale, aimed at matching individual customers to best-fit agents in real time to amplify our second-to-none customer experience while optimizing growth.
- Intact Ventures led the Series A funding round of insurance technology start-up Urban Jungle**, a UK-based home and tenant insurance start-up and one of the region’s fastest growing insurance technology start-ups. This investment will enable us to increase our exposure to innovation in the UK and European insurance industry.

**Invest in our People**

- Diversity is a strength, and we aim to ensure our employees and leaders are representative of the communities we serve. **We launched career sponsorship programs for talent from underrepresented communities in the US**, pairing employees with executive leaders to support career advancement and diversity, equity, and inclusion.
- Anne Fortin**, Executive Vice President, Direct Distribution and Chief Marketing and Communications Officer, **was awarded the 2022 Geneva Association Women in Insurance Award** for her work in putting the customer at the centre of the insurance. The award recognizes women leaders in insurance whose work positively impacts society and demonstrates the power of insurance to be a force of good.
- We are proud of the **Intact Investment Management team for being named amongst the top 10 investment teams in Canada** by Brendan Wood International, and the **Investor Relations team for receiving the “Best IR for Financials and Real Estate” award** by IR Magazine Canada.

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**Social Impact & Environment, Social, Governance (ESG)**

- Intact Public Entities and Intact Financial Corporation announced the 10 Canadian communities that have been **granted a total of \$1 million to develop practical and effective solutions** that build resilience against flood and wildfire risk.
- **RSA Ireland was appointed as a member of the Climate Risk and Sustainable Finance Forum**, chaired by the Central Bank of Ireland. The forum is made up of representatives from across the Irish financial sector to advance the understanding, measurement, and management of climate related risks.
- The US Intact Charitable Trust released its 2021 report, noting **\$325,000 donated to 98 non-profit and educational institution partnerships** in support of our employees and producers.

**Section 14 - RSA integration update**

**Q2-2022 update**

<b>Financial update</b>	<ul style="list-style-type: none"> <li>• <b>RSA contributed 15% accretion to NOIPS in the thirteen-month period since closing, ahead of the high single-digit accretion target disclosed at the time of the acquisition.</b> Given the overall strength of Intact’s results, double-digit accretion is evidence of the quality of the acquired businesses. We remain very confident in our target of upper teens accretion in the first 36 months, reinforced by our progress to date on this objective.</li> <li>• <b>We remain on track to realize at least \$250 million of pre-tax annual run-rate synergies in 2024. As at June 30, 2022, we estimate our run rate at \$175 million annualized.</b> We persist in our efforts to accelerate this timeline as we continue to see good progress on policy conversion, claims internalization and other integration initiatives.</li> <li>• <b>We aim to realize loss ratio improvement over time</b> by harnessing our core competencies in pricing and risk selection, digital, as well as data and AI.</li> </ul>
<b>Canadian operations</b>	<ul style="list-style-type: none"> <li>• <b>Policy conversion in the broker channel</b> remains a top priority and continues to progress well. In Q2, we started the conversion of the larger Commercial lines policies, while nearly 85% of Personal broker policies and Commercial lines small business and fleet policies have converted to Intact systems to date. Retention continues to be aligned with or better than historical RSA experience.</li> <li>• The <b>specialty lines conversions</b> will begin in Q2-2023 by line of business and segment, with continued progress on product and vertical plan development.</li> <li>• In direct distribution, the <b>Johnson policy conversions</b> will begin in Q3-2022, with a focus on the customer journey and digital capabilities. Engagement with affinity partners similarly remains strong.</li> <li>• In <b>claims</b>, nearly all RSA Canada claims are now being handled by our internal adjusters. We continue to work on internalizing and integrating other claims operations, leveraging On Side as well as refining the conversion roadmap.</li> <li>• The wind-down of CNS business was announced on May 10<sup>th</sup>, effective October 1<sup>st</sup> for renewals. No impact to NOIPS is expected, as the operations are currently reported in exited lines. We are committed to a slow and orderly wind-down that provides a smooth transition for customers. This includes actively working with brokers to manage the impact of this news and ensure they are well informed as we progress through the operational wind-down.</li> </ul>

## Management's Discussion and Analysis for the quarter ended June 30, 2022

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

# FINANCIAL CONDITION

## Section 15 - Financial position

### 15.1 Balance sheets

Table 18 – Balance sheets

As at	Section	June 30, 2022	March 31, 2022	December 31, 2021
<b>Assets</b>				
Cash, cash equivalents		1,223	1,151	2,276
Short-term notes		956	569	516
Fixed-income securities		23,782	24,089	24,791
Preferred shares		1,601	1,812	1,847
Common equities		5,004	5,981	5,686
Investment property		643	643	634
Loans		931	975	930
<b>Investments</b>	<b>16</b>	<b>34,140</b>	<b>35,220</b>	<b>36,680</b>
Premiums receivable		7,770	7,212	7,838
Reinsurance assets		5,371	5,586	5,616
Deferred acquisition costs		2,015	1,888	2,024
Intangible assets and goodwill		7,679	7,569	7,702
Other assets		6,054	6,176	5,647
Assets held for sale <sup>1</sup>		893	1,703	842
<b>Total assets</b>		<b>63,922</b>	<b>65,354</b>	<b>66,349</b>
<b>Liabilities</b>				
Claims liabilities		24,182	24,508	25,116
Unearned premiums		11,692	11,054	11,703
Debt outstanding	17	4,345	5,370	5,229
Other liabilities		7,182	7,625	7,518
Liabilities associated with assets held for sale <sup>1</sup>		434	438	-
<b>Total liabilities</b>		<b>47,835</b>	<b>48,995</b>	<b>49,566</b>
<b>Equity</b>				
Common shares		7,552	7,572	7,576
Preferred shares		1,322	1,322	1,175
Contributed surplus		203	208	211
Retained earnings		7,602	6,754	6,183
AOCI		(1,164)	(69)	529
<b>Equity attributable to shareholders</b>		<b>15,515</b>	<b>15,787</b>	<b>15,674</b>
Equity attributable to non-controlling interests		572	572	1,109
<b>Total equity</b>		<b>16,087</b>	<b>16,359</b>	<b>16,783</b>

<sup>1</sup> Includes the assets held for sale of the Middle East business as at June 30, 2022. See Note 11 – Asset held for sale to the interim Consolidated financial statements for details. On July 7, 2022, we completed the sale of our 50% shareholding in Middle East. As a result of this transaction, the assets and associated liabilities are presented as held for sale in our interim Consolidated balance sheets as at June 30, 2022.

On May 2, 2022, the sale of Codan DK was completed for a total base cash consideration of DKK12.6 billion (\$2.3 billion), subject to post-closing adjustments. We received 50% of the total proceeds, which represents approximately \$1.2 billion. As a result of this transaction, a gain on sale of \$423 million pre-tax, including the impact of the hedges, was recognized in Non-operating results (see Section 10).

Management’s Discussion and Analysis for the quarter ended June 30, 2022

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

Section 16 - Investments and capital markets

16.1 Capital market update

The recent war in Ukraine has caused instability in the global economy and markets. We have no direct investment exposure in Russia and Ukraine and are vigilant in our adherence to sanctions. The situation will continue to be closely monitored for any indirect impacts that could emerge.

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.

Table 19 – Selected market indicators

Selected market indicators	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Common shares</b>				
S&P/TSX Composite	(14)%	8%	(11)%	16%
S&P/TSX Financials	(14)%	7%	(13)%	21%
DJ Dividend 100 Composite (US)	(9)%	4%	(11)%	18%
<b>Preferred shares</b>				
S&P/TSX Preferred Share Index	(9)%	4%	(12)%	11%
<b>Fixed-income securities</b> (estimated variance in bps)				
5Y Canada Sovereign Index	77 bps	15 bps	196 bps	47 bps
5Y US Sovereign Index	58 bps	(5) bps	177 bps	53 bps
5Y UK Sovereign Index	49 bps	(1) bps	108 bps	(1) bps
5Y Canada AA Corporate spread	25 bps	(1) bps	51 bps	12 bps
<b>Strengthening (weakening) of:</b>				
USD vs CAD	3%	(1)%	2%	(3)%
GBP vs CAD	(5)%	(1)%	(8)%	(1)%

16.2 \$34 billion of diversified and high-quality investments

Highlights June 30, 2022	Investment portfolio by geography (country of incorporation)
<ul style="list-style-type: none"> <li>The \$1.1 billion decrease in our investment portfolio during the quarter reflected negative impact of higher rates, unfavourable equity markets as well as weak GBP.</li> <li>Our investment portfolio is well-diversified by asset class and geography. We have no direct exposure to Russia or Ukraine in our investments.</li> <li>Our <b>fixed-income portfolio</b> includes high quality government and corporate bonds. Approximately 80% of our fixed-income portfolio was rated ‘A-’ or better as at June 30, 2022 (83% as at December 31, 2021). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was ‘AA’ as at June 30, 2022 and December 31, 2021. The average duration of our fixed-income portfolio was 3.48 years as at June 30, 2022 (3.52 years as at December 31, 2021).</li> <li>Our <b>preferred share portfolio</b> is made up of high-quality Canadian issuers. The weighted-average rating of our preferred share portfolio was ‘P2’ as at June 30, 2022 and December 31, 2021.</li> </ul>	<p>Legend: ■ Canada ■ US ■ UK ■ Other</p> <p>Total: \$34.1B</p>

**Management's Discussion and Analysis for the quarter ended June 30, 2022**

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

**16.3 Investment portfolio net exposure**

Our net exposure as at June 30, 2022 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below.

Table 20 – Investment mix by asset class and currency (net exposure)

As at	June 30, 2022	March 31, 2022	December 31, 2021
<b>By asset class</b>			
Cash, cash equivalents, and short-term notes	7%	6%	9%
Fixed-income strategies	74%	74%	72%
Preferred shares	5%	5%	5%
Common equity strategies	9%	10%	9%
Investment property	2%	2%	2%
Loans	3%	3%	3%
<b>By currency</b>			
CAD	68%	69%	68%
USD	14%	14%	14%
GBP	14%	13%	14%
Other currencies	4%	4%	4%

Table 21 – Sector mix by asset class, excluding cash, short-term notes and loans (net exposure)

As at	Fixed-income securities	Preferred shares	Common shares	Total June 30, 2022	Total March 31, 2022	Total Dec. 31, 2021
Government	37%	-	-	29%	27%	28%
Financials	28%	72%	26%	34%	35%	34%
ABS and MBS <sup>1</sup>	14%	-	-	11%	11%	12%
Industrials	4%	-	7%	4%	4%	4%
Consumer staples	2%	-	10%	3%	3%	3%
Communication Services	2%	5%	8%	3%	3%	3%
Utilities	4%	12%	12%	5%	5%	5%
Consumer discretionary	1%	-	5%	1%	2%	2%
Energy	1%	11%	14%	3%	3%	3%
Materials	1%	-	7%	1%	2%	1%
Information technology	3%	-	4%	3%	2%	2%
Health care	3%	-	7%	3%	3%	3%
	100%	100%	100%	100%	100%	100%

<sup>1</sup> Our structured debt securities comprised \$1,199 million of ABS and \$2,207 million of MBS as at June 30, 2022. Residential MBS and Commercial MBS make up respectively 48% and 52% of our MBS portfolio. Approximately 99% of these structured debt securities are rated 'A' or better. We continue to have no exposure to leveraged securities.

- RSA's investment property portfolio is unlevered, diversified in terms of sectors (office, commercial and industrial) and geography within UK.

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

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

Table 22 – Net pre-tax unrealized gain (loss) on AFS securities

As at	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021
Fixed-income securities	(912)	(543)	30	129	190
Preferred shares	(49)	109	171	179	151
Common shares	(193)	473	421	395	342
<b>Net pre-tax unrealized gain (loss) position</b>	<b>(1,154)</b>	<b>39</b>	<b>622</b>	<b>703</b>	<b>683</b>

**Quarter****Unrealized loss position of \$1,154 million as of June 30 2022**, driven by:

- mark-to-market losses on fixed-income securities, due to the increase in interest rates in all regions;
- realized gains on equity securities recognized in net income, which led to an offsetting decrease in our unrealized gain position, as well as;
- mark-to-market losses on equity securities, due to unfavourable equity markets.

**16.5 Aging of unrealized losses on AFS common shares**

Table 23 – Aging of unrealized losses on AFS common shares

As at	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021
Less than 25% below book value	229	66	52	38	23
More than 25% below book value for less than 6 consecutive months	83	5	2	4	117
More than 25% below book value for 6 consecutive months or more, but less than 9 consecutive months	17	6	-	3	-
<b>Unrealized losses on AFS common shares</b>	<b>329</b>	<b>77</b>	<b>54</b>	<b>45</b>	<b>140</b>

**Highlights**

- In Q2-2022, we recorded \$6 million of impairment on AFS common shares, compared to \$2 million of impairment in Q2-2021.
- Since AFS investments are measured at fair value on our balance sheet, impairment losses have no impact on our BVPS and capital position.

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## Section 17 - Capital management

### 17.1 Capital management objectives

Capital management is a vital part of the financial management of the Company and is aligned with its strategy and business plan. Capital is managed on a group basis as well as individually for each operating subsidiary.

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 and the probability of breaching regulatory minimum requirements is very low.

### 17.2 Maintaining a strong capital position

#### Capital position

All our regulated P&C insurance subsidiaries are well capitalized by jurisdiction.

Table 24 – Estimated aggregated capital position

As at	Regulatory capital ratios	CAL	June 30, 2022	March 31, 2022	December 31, 2021
<b>Total capital margin</b>			<b>2,479</b>	2,567	2,891
<b>Regulatory capital ratios</b>					
Canadian regulated entities	MCT	168% <sup>1</sup>	<b>194%</b>	203%	206%
UK & International regulated entities <sup>2</sup>	SCR	120%	<b>180%</b>	175%	180%
US regulated entities	RBC	200%	<b>414%</b>	439%	448%
Adjusted debt-to-total capital <sup>3</sup> (Table 47)			<b>20.3%</b>	23.9%	23.0%
<b>Total leverage ratio<sup>3,4</sup> (Table 47)</b>			<b>29.5%</b>	32.5%	33.2%

<sup>1</sup> The average CAL for all regulated Canadian insurance entities is 168% MCT. The CAL varies by legal Canadian entity. The change in CAL reflects the revision of RSA Canada’s internal target as the integration process matures.

<sup>2</sup> Indicated CAL and coverage figures are for Royal & Sun Alliance Insurance Limited which includes all UK & International insurance subsidiaries.

<sup>3</sup> See Section 19 – Non-GAAP and other financial measures for more details.

<sup>4</sup> Including debt, preferred shares and hybrids.

Total capital margin Highlights	Total capital margin by geography
<ul style="list-style-type: none"> <li>• Total capital margin stood at a strong \$2.5 billion as at June 30, 2022, reflecting a solid capital position amidst a volatile global environment.</li> <li>• The capital margin remained broadly stable during the quarter, decreasing slightly by \$88 million, due to volatility in financial markets and higher CATs in Canada, which offset strong underwriting results. The closing of the sale of Codan DK also enabled a significant reduction in debt.</li> <li>• Aggregate regulatory capital levels by jurisdiction are well above minimum regulatory targets.</li> </ul>	<p>Legend: ■ Canada ■ US □ UK&amp;I</p> <p>34% 24% 42%</p>

In July 2022, OSFI issued the final MCT 2023 guidelines to adapt the MCT calculation for the new accounting standards coming into effect January 1, 2023 (IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments). We are currently assessing the impact on our regulatory capital as information becomes available. Based on our preliminary review, it is not expected to change our overall capital framework and how we manage capital.

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

**17.3 Managing leverage**

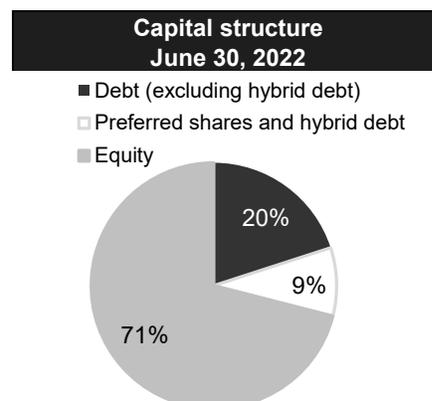
Our optimal financing structure is one where:

- 1) the adjusted debt-to-total capital ratio is broadly at 20%; and
- 2) approximately 10% of our total capital is comprised of preferred shares and hybrids.

We classify hybrids with preferred shares since they are convertible to preferred shares pari passu to our existing preferred shares in case of default or bankruptcy and include an interest payment deferral option, whereby payments can be delayed for a period of up to five consecutive years.

Our financing is composed of a well diversified array of funding instruments. From short-term commercial paper, bank debt, medium-term notes, subordinated notes, preferred shares and common shares. These are spread across the maturity ladder to allow for deleveraging opportunities and to mitigate against refinancing and interest rate risk.

For acquisition purposes, we allow for temporary increases in the adjusted debt-to-total capital ratio above our targeted level when we have good visibility on our ability to return to 20% in the short to medium term. As of May 2, 2022, a portion of the proceeds from the sale of Codan DK was used to deleverage and get back to our target capital structure, as our adjusted debt-to-total-capital ratio decreased to 20.3% at the end of Q2.



**Financing activities in Q2-2022**

<b>Launch of NCIB program</b>	<ul style="list-style-type: none"> <li>• On February 17, 2022, we commenced a NCIB program to repurchase for cancellation, up to 5,282,458 common shares until February 15, 2023, representing approximately 3% of the issued and outstanding common shares of IFC as of February 8, 2022.</li> <li>• From February 17, 2022, to June 30, 2022, a total of 556,440 common shares were repurchased under the NCIB program at an average price of \$179 per share for a total consideration of approximately \$100 million.</li> </ul>
<b>Commercial paper program</b>	<ul style="list-style-type: none"> <li>• This program represents an effective short-term funding vehicle. We expect to continue using commercial paper to manage short-term liquidity needs.</li> <li>• As of June 30, 2022, we had \$180 million outstanding, with weighted-average maturity of 29 days and weighted average annual rate of 1.79%.</li> </ul>
<b>\$1.5 billion credit facility</b>	<ul style="list-style-type: none"> <li>• As at June 30, 2022, there was no amount drawn under the credit facility (nil as at December 31, 2021). We have extended the term of the credit facility for an additional twelve months (until May 2027).</li> <li>• The credit facility serves as a guarantee for the Commercial paper program. As at June 30, 2022, an amount of \$180 million is reserved on the credit facility for this program and as a result, cannot be drawn.</li> </ul>

See Note 12 – Debt outstanding and Note 13 – Common shares and preferred shares to the interim Consolidated financial statements for more details.

**INTACT FINANCIAL CORPORATION**
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(in millions of Canadian dollars, except as otherwise noted)

Table 25 – Financing activity

Financing	Debt outstanding (excluding hybrid debt) <sup>1, 2</sup>	Adjusted total capital <sup>2</sup>	Adjusted debt-to-total capital ratio <sup>2</sup>
<b>As at December 31, 2021</b>	<b>4,982</b>	<b>21,698</b>	<b>23.0%</b>
Bank term loan facility	350	350	1.2%
Commercial paper	(182)	(182)	(0.6)%
Credit facility	44	44	0.2%
Repayment of US Term loan	(45)	(45)	(0.2)%
Tier 1 notes	-	(510)	0.5%
Preferred shares	-	147	(0.2)%
NCIB program	-	(17)	-
Other movements	(26)	(43)	-
<b>As at March 31, 2022</b>	<b>5,123</b>	<b>21,442</b>	<b>23.9%</b>
Bank term loan facility	(350)	(350)	(1.3)%
Commercial paper	(77)	(77)	(0.3)%
Credit facility	(44)	(44)	(0.2)%
Repayment of US Term loan	(570)	(570)	(2.1)%
NCIB program	-	(83)	0.1%
Other movements	16	(173)	0.2%
<b>As at June 30, 2022</b>	<b>4,098</b>	<b>20,145</b>	<b>20.3%</b>
<b>Reconciliation to the most comparable GAAP measures</b>			
Hybrid subordinated notes <sup>1</sup>	247		
Equity attributable to NCI (Middle East) <sup>3</sup> (Note 14.1)		287	
<b>Debt outstanding<sup>1</sup></b>	<b>4,345</b>		
<b>Total capital<sup>4</sup></b>		<b>20,432</b>	

<sup>1</sup> Debt is presented at carrying value. See Note 12.3 – Summary of debt outstanding to the interim Consolidated financial statements for more details.

<sup>2</sup> See Section 19 – Non-GAAP and other financial measures for more details.

<sup>3</sup> Excluded from Adjusted total capital to reflect capital attributable to common shareholders.

<sup>4</sup> Total capital represents the sum of Debt outstanding and Total equity, as reported under IFRS.

## 17.4 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"). Ratings are an important factor in establishing our competitive position in the insurance market, mainly in commercial insurance, and accessing capital markets at competitive pricing levels.

Table 26 – Ratings

	A. M. Best	DBRS	Moody's	Fitch
<b>Financial strength ratings</b>				
IFC's principal Canadian P&C insurance subsidiaries	<b>A+</b>	<b>AA(low)</b>	<b>A1</b>	<b>AA-</b>
RSA Canadian entities	<b>not rated</b>	<b>AA(low)</b>	<b>A1</b>	<b>AA-</b>
Intact Insurance Specialty Solutions (US regulated entities)	<b>A+</b>	<b>AA(low)</b>	<b>A2</b>	<b>AA-</b>
RSA Insurance Group UK&I	<b>A</b>	<b>AA(low)</b>	<b>A2</b>	<b>AA-</b>
<b>Senior unsecured debt ratings</b>				
IFC	<b>a-</b>	<b>A</b>	<b>Baa1</b>	<b>A-</b>
Intact Insurance Specialty Solutions (US regulated entities)	<b>a-</b>	<b>A</b>	<b>Baa2</b>	<b>A-</b>
RSA Insurance Group plc.	<b>not rated</b>	<b>A</b>	<b>Baa1</b>	<b>A-</b>

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**17.5 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

	Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
<b>Net cash flows provided by operating activities</b>	<b>689</b>	577	112	<b>1,283</b>	982	301
<b>Cash flows generated from (deployed on):</b>						
Business combinations, net of cash acquired <sup>1</sup>	-	(11,076)	11,076	-	(11,076)	11,076
Proceeds from the sale of business <sup>1</sup>	<b>1,183</b>	7,209	(6,026)	<b>1,183</b>	7,209	(6,026)
Proceeds from issuance of debt, net <sup>2</sup>	-	1,567	(1,567)	<b>350</b>	1,814	(1,464)
Repayment of debt <sup>2</sup>	<b>(922)</b>	(901)	(21)	<b>(967)</b>	(946)	(21)
Borrowing (repayment) on the credit facility and commercial paper <sup>2</sup>	<b>(121)</b>	-	(121)	<b>(259)</b>	-	(259)
Payment of contingent consideration related to business combinations	-	(15)	15	-	(15)	15
Proceeds from issuance of common shares and preferred shares, net of issuance costs <sup>2</sup>	-	4,263	(4,263)	<b>146</b>	4,263	(4,117)
Repurchase of common shares for share-based payments	<b>(55)</b>	(53)	(2)	<b>(98)</b>	(70)	(28)
Repurchase of common shares for cancellation	<b>(83)</b>	-	(83)	<b>(100)</b>	-	(100)
Payment of dividends on common shares and preferred shares	<b>(192)</b>	(214)	22	<b>(381)</b>	(346)	(35)
Payment of dividends to non-controlling interests	<b>(7)</b>	(7)	-	<b>(17)</b>	(7)	(10)
Redemption of non-controlling interests	-	-	-	<b>(450)</b>	-	(450)
Proceeds from (purchases of) brokerages and other equity investments, net	<b>(110)</b>	(73)	(37)	<b>(154)</b>	(56)	(98)
Purchases of intangibles and property and equipment, net	<b>(108)</b>	(65)	(43)	<b>(193)</b>	(115)	(78)
Payments of lease liabilities	<b>(30)</b>	(19)	(11)	<b>(57)</b>	(35)	(22)
Proceeds from (repurchase of) securities sold under repurchase agreements	<b>(65)</b>	252	(317)	-	252	(252)
<b>Net cash inflows (outflows) before the following:</b>	<b>179</b>	1,445	(1,266)	<b>286</b>	1,854	(1,568)
Proceeds from the sale of investments (purchases of), net	<b>(132)</b>	883	(1,015)	<b>(1,245)</b>	624	(1,869)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>47</b>	2,328	(2,281)	<b>(959)</b>	2,478	(3,437)
Cash and cash equivalents at the beginning of the period	<b>1,151</b>	1,062	89	<b>2,276</b>	917	1,359
Exchange rate difference on cash and cash equivalents	<b>(6)</b>	(8)	2	<b>(31)</b>	(13)	(18)
Less: cash and cash equivalents held for sale	<b>31</b>	-	31	<b>(63)</b>	-	(63)
<b>Cash and cash equivalents at end of the period, net of held for sale<sup>3</sup>.</b>	<b>1,223</b>	3,382	(2,159)	<b>1,223</b>	3,382	(2,159)

<sup>1</sup> See Note 4 – Business combination and disposals to the interim Consolidated financial statements for details.

<sup>2</sup> See Section 17.3 – Managing leverage for details.

<sup>3</sup> Net of bank overdraft.

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.

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17.6 Book value per share

Table 28 – Evolution of BVPS (in dollars)

	Q2-2022	H1-2022	Last 12 months
<b>BVPS, beginning of period</b>	<b>82.20</b>	<b>82.34</b>	<b>77.67</b>
<b>Net income</b>			
NOIPS, basic and diluted	3.14	5.84	12.49
After-tax non-operating results	3.50	3.33	2.13
Net income attributable to common shareholders (EPS)	6.64	9.17	14.62
<b>Other comprehensive income (loss)</b>			
Impact of market movements on AFS securities	(5.77)	(8.37)	(8.45)
Foreign exchange impact	(0.39)	(1.33)	(1.10)
Net actuarial gains (losses) on employee future benefits	(0.35)	1.15	1.65
Cash flow hedge impact	(0.08)	(0.03)	0.01
Net impact from common shares repurchased for cancellation	(0.27)	(0.30)	(0.32)
Dividends on common shares	(1.00)	(2.00)	(3.74)
Other <sup>1</sup>	(0.12)	0.23	0.52
<b>BVPS, end of period</b>	<b>80.86</b>	<b>80.86</b>	<b>80.86</b>
<b>Period-over-period increase (decrease)</b>	<b>(2)%</b>	<b>(2)%</b>	<b>4%</b>

<sup>1</sup> Includes share-based payments.

Q2-2022 BVPS highlights

- **Strong EPS contribution of \$6.64** reflected solid operating results across the business, the gain on the sale of Codan DK and investment gains.
- **Losses on AFS securities of \$5.77 per share**, representing 7% of our BVPS, included the following adverse impacts:
  - A decrease of **\$3.83 relating to our equity investments**, including:
    - **Mark-to-market losses of \$2.61** driven by unfavourable capital markets;
    - **Realized gains of \$1.22**, which are offset within EPS and thus have a nil overall impact on BVPS;
  - A decrease of **\$1.94 from mark-to-market losses on fixed-income securities**, caused by a rise in interest rates in all regions
- **Foreign exchange loss of \$0.39 per share**, representing less than 1% of our BVPS, due to a weakening of the UK pound sterling of 5% in the quarter, partly offset by a strengthening of the US dollar of 3%.
- **Decrease of \$0.35 per share** relating to the OCI movement of our pension plans, as the impact of unfavourable market conditions was tempered by our prudent investment strategy.
- **Net decrease from our NCIB of \$0.27 per share**. We have repurchased 556,440 common shares to date in Q2, at an average price of \$179 per share, for a total consideration of approximately \$100 million.

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**17.7 Currency hedging**

**Currency hedging in place in Q2-2022**

- |                          |   |
|--------------------------|---|
| <b>Book value hedges</b> | <ul style="list-style-type: none"><li>• We protect our book value from currency risk arising from our ownership of non-Canadian entities by hedging foreign currency. The hedging is done using foreign currency forward contracts and cross-currency swap agreements as per our internal risk appetite.</li><li>• Our Q2-2022 currency exposure is 60% in CAD, 20% in GBP, 18% in USD and 2% in Euro.</li><li>• As of June 30, 2022, we hedge approximately 27% of the GBP book value.</li></ul> |
|--------------------------|---|

*See Note 7 – Derivative financial instruments to the interim Consolidated financial statements for more details.*

# RISK MANAGEMENT



## Section 18 - Sensitivity analysis to market risk

Sensitivity analysis is a risk management technique that assists management in ensuring that risks assumed remain within our risk tolerance level. Sensitivity analysis involves varying a single factor to assess the impact that this would have on our results and financial condition, excluding any management action. Actual results can differ materially from these estimates for a variety of reasons and therefore, these sensitivities should be considered as directional estimates. Sensitivity analysis excludes the impact of the Middle East operations as of Q1-2022.

Table 29 – Sensitivity analysis to market risk (after tax)

For the periods ended,	June 30, 2022			December 31, 2021		
	Net income	OCI	BVPS	Net income	OCI	BVPS
<b>Equity price risk</b>						
Common share prices (10% decrease) <sup>1</sup>	12	(371)	(2.04)	27	(446)	(2.38)
Preferred share prices (5% decrease) <sup>2</sup>	15	(74)	(0.34)	19	(88)	(0.39)
<b>Property price risk (10% decrease)</b>	(52)	(36)	(0.50)	(51)	(40)	(0.52)
<b>Interest rate risk (100 basis point increase)<sup>3</sup></b>						
Debt securities <sup>4,5</sup>	(233)	(429)	(3.77)	(237)	(445)	(3.87)
Net claims liabilities	344	-	1.96	378	-	2.15
Defined benefit pension plan obligation, net of related debt securities	-	(154)	(0.88)	-	11	0.06
<b>Currency risk<sup>6</sup></b>						
<b>Strengthening of CAD by 10% vs all currencies</b>						
Net assets of foreign operations in:						
USD	(8)	(221)	(1.30)	10	(305)	(1.68)
GBP	3	(259)	(1.45)	8	(411)	(2.29)

<sup>1</sup> 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.

<sup>2</sup> Including the impact on related embedded derivatives.

<sup>3</sup> Excludes the impact of credit spreads.

<sup>4</sup> Excludes the impact of debt securities related to the defined benefit pension plan.

<sup>5</sup> Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 50% of government-related securities and 50% of corporate-related securities.

<sup>6</sup> After giving effect to forward-exchange contracts.

The sensitivity analysis was prepared using the following assumptions:

- shifts in the yield curve are parallel;
- interest rates, equity prices, property 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 19 - Non-GAAP and other financial measures

Non-GAAP financial measures and Non-GAAP ratios (which are calculated using Non-GAAP financial measures) do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry. Non-GAAP and other financial measures are used by management and financial analysts to assess our performance. Further, they provide users with an enhanced understanding of our financial results and related trends, and increase transparency and clarity into the core results of the business.

Non-GAAP financial measures and Non-GAAP ratios used in this MD&A and other Company’s financial reports include measures related to our consolidated performance (see Section 19.1 to Section 19.3), our underwriting performance (see Section 19.4 and Section 19.5) and our financial strength (see Section 19.6).

#### 19.1 Operating performance

##### NOIPS, OROE, NOI and PTOI

- **Our operating performance** is measured based on NOIPS and OROE, which are Non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude elements that are not representative of our operating performance (referred to as “Non-operating results”). Non-operating results include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or that are not part of our normal activities (see *Non-operating results hereafter*). We believe that analyzing our consolidated performance excluding these elements reflects more accurately our underlying business performance over time.
- We note that investors, financial analysts, rating agencies and media organizations use NOIPS, OROE and other components of operating income (such as underwriting income, net investment income and distribution income) to evaluate and report our financial performance and make investment decisions and recommendations. These measures are widely used as they represent a reliable, representative and consistent measure of our financial performance over time.
- NOIPS is also used in incentive compensation as one of our financial objectives is to grow NOIPS by 10% yearly over time.

NOIPS and OROE are calculated as follows, using the following Non-GAAP financial measures (marked with an asterisk\*).

<b>NOIPS</b> for a specific period	$\frac{\text{NOI}^* \text{ attributable to common shareholders}}{\text{WANSO}^1}$	<b>OROE</b> for a 12-month period	$\frac{\text{NOI}^* \text{ attributable to common shareholders}}{\text{Adjusted average common shareholders' equity (excluding AOCI)}^* \text{ (Section 19.6)}}$
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<sup>1</sup> Weighted-average number of common shares outstanding on a daily basis during the period.

- **Net operating income (NOI)\*** represents the Net income attributable to shareholders (most directly comparable GAAP measure), excluding the after-tax impact of Non-operating results. NOI is net of net income (loss) attributable to non-controlling interests (operating component). See *Table 30 – Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS*.
- **Pre-tax operating income (PTOI)\***, which is used in the calculation of NOI, represents the Income before income taxes (most directly comparable GAAP measure), including the Share of income tax expense (benefit) of broker associates (accounted for using the equity method – net of tax – under IFRS), and excluding the pre-tax impact of Non-operating results. See *Table 31 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS*. PTOI is comprised of the following items:
  - **Underwriting income (loss)\*** is an operating measure calculated as Operating NEP\* less Operating net claims\*, less Operating net underwriting expenses\* (as described in Section 19.5 – *Underwriting profitability*). Underwriting income (loss) represents Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses, all of which are reported under IFRS, excluding the impact of MYA on underwriting results, non-operating pension expense and underwriting results from exited lines.
  - **Operating net investment income** – calculated as Investment income less Investment expenses, as reported under

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IFRS, excluding the impact of exited lines. *See Table 14 – Operating net investment income for details.*

- **Distribution income\*** is the measure used to report the performance of our distribution channel, which includes operating income before interest and taxes from our consolidated brokers, broker associates, Intact Public Entities, On Side, Coast Underwriters and Johnson Group Benefits. Distribution income is calculated using components of Other income and Other expenses (for our consolidated entities) and Share of profit from investments in associates and joint ventures (for those that we do not consolidate) under IFRS.
- **Total finance costs\*** are comprised of Finance costs (most directly comparable GAAP measure), adjusted to include finance costs from our broker associates, which are accounted for using the equity method under IFRS (included in Share of profit from investments in associates and joint ventures under IFRS).
- **Other operating income (expense)\*** includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments, and other operating items. Other income (expense) is calculated using components of Other income and Other expenses under IFRS.

*See Table 32 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the interim Consolidated financial statements*

- PTOI on a segment basis, which is determined in the same manner as PTOI, increases transparency and clarity of the core results of the business. *See Table 3 – Operating performance by segment for the details of PTOI by component and segment.*

**Non-operating results**

- **Non-operating results\*** include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or that are not part of our normal activities. They are comprised of the following items:
  - **Net gains (losses)**, as reported under IFRS, arise mostly from changes in market conditions and investment decisions, which can be volatile to earnings. *See Section 10 – Non-operating results for details.*
  - **Positive (negative) impact of MYA on underwriting** arises mostly from movements in interest rates, 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 under IFRS.  
Realized and unrealized gains and losses on our FVTPL bonds are expected to offset the change in rates used to discount our claims liabilities (MYA), which are both reflected in non-operating results.
  - 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 on Intact's Canadian pension plan assets. The expected return better reflects our operating performance given our internal investment management expertise and the composition of our pension asset portfolio. The non-operating pension expense is included in Net claims incurred and Underwriting expenses under IFRS.
  - **Acquisition, integration and restructuring costs**, as reported under IFRS. Acquisition and integration costs incurred in connection with an acquired business do not represent an ongoing operating expense of the business. *See Section 10 – Non-operating results for details.*
    - **Acquisition costs** include professional fees and stamp duties related to the closing of an acquisition.
    - **Integration costs** include restructuring costs related to an acquisition such as severances, retention bonuses and system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition, as well as changes in the fair value of the contingent considerations.
    - **Restructuring and other costs** include restructuring costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.
  - **Income (loss) from exited lines** included in NEP, Net claims incurred, Underwriting expenses and Investment income under IFRS. We believe that such results could obscure the ability to compare period over period results for our ongoing businesses. *See Section 10 – Non-operating results for details.*

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Table 30 - Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Net income attributable to shareholders, as reported under IFRS</b>	<b>1,183</b>	566	<b>1,642</b>	1,080
Remove: pre-tax non-operating losses (gains) (Table 15)	(697)	(6)	(697)	(178)
Remove: non-operating tax expense (benefit) <sup>1</sup>	89	(45)	136	(30)
Remove: non-operating component of NCI	(6)	-	(24)	-
<b>NOI</b>	<b>569</b>	515	<b>1,057</b>	872
Remove: preferred share dividends	(16)	(13)	(29)	(26)
<b>NOI attributable to common shareholders</b>	<b>553</b>	502	<b>1,028</b>	846
Divided by weighted-average number of common shares (in millions)	175.8	153.9	175.9	148.5
<b>NOIPS, basic and diluted (in dollars)</b>	<b>3.14</b>	3.26	<b>5.84</b>	5.69
<b>NOI to common shareholders for the last 12 months</b>	<b>2,199</b>	1,698		
Adjusted average common shareholders' equity, excluding AOCI (Table 46)	14,275	8,567		
<b>OROE for the last 12 months</b>	<b>15.4%</b>	19.8%		

<sup>1</sup> See Table 35 - Acquisition-related gains (losses) and other non-operating gains (losses) for more details.

Table 31 - Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Income before income taxes, as reported under IFRS</b>	<b>1,399</b>	676	<b>2,011</b>	1,306
Add: share of income tax expense of broker associates	14	14	22	18
Remove: pre-tax non-operating losses (gains) (Table 15)	(697)	(6)	(697)	(178)
<b>PTOI</b>	<b>716</b>	684	<b>1,336</b>	1,146
Add: operating income tax expense	(140)	(162)	(266)	(267)
Netted with: operating component of NCI	(7)	(7)	(13)	(7)
<b>NOI (Table 30)</b>	<b>569</b>	515	<b>1,057</b>	872

**INTACT FINANCIAL CORPORATION**
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Table 32 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the interim Consolidated financial statements

As presented in the Financial statements	MD&A captions					Pre-tax		Underwriting income	Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense) <sup>1</sup>	Operating investment income	Total income taxes	Non-operating results			
<b>For the quarter ended June 30, 2022</b>									
Underwriting income <sup>1</sup> (Table 42)	-	-	-	-	-	314	-	441	755
Investment income	-	-	-	220	-	2	-	-	222
Other revenues	137	-	1	-	-	-	-	-	138
Net gains (losses)	-	-	-	-	-	123	-	-	123
Gain on sale of business	-	-	-	-	-	423	-	-	423
Share of profits from investments in associates and joint ventures	59	(3)	-	-	(14)	(5)	-	-	37
Finance costs	-	(43)	-	-	-	-	-	-	(43)
Acquisition, integration and restructuring costs	-	-	-	-	-	(103)	-	-	(103)
Other expenses	(55)	-	(32)	-	-	(57)	-	-	(144)
Income tax benefit (expense)	-	-	-	-	(215)	-	-	-	(215)
<b>Total, as reported in MD&amp;A</b>	<b>141</b>	<b>(46)</b>	<b>(31)</b>	<b>220</b>	<b>(229)</b>	<b>697</b>	<b>441</b>		
<b>For the quarter ended June 30, 2021</b>									
Underwriting income <sup>1</sup> (Table 42)	-	-	-	-	-	(40)	-	464	424
Investment income	-	-	-	161	-	-	-	-	161
Other revenues	92	-	13	-	-	-	-	-	105
Net gains (losses)	-	-	-	-	-	25	-	-	25
Gain on the RSA Acquisition	-	-	-	-	-	200	-	-	200
Share of profits from investments in associates and joint ventures	60	(2)	-	-	(14)	(6)	-	-	38
Finance costs	-	(38)	-	-	-	-	-	-	(38)
Acquisition, integration and restructuring costs	-	-	-	-	-	(138)	-	-	(138)
Other expenses	(34)	-	(25)	-	-	(35)	-	-	(94)
Income tax benefit (expense)	-	-	-	-	(103)	-	-	-	(103)
<b>Total, as reported in MD&amp;A</b>	<b>118</b>	<b>(40)</b>	<b>(12)</b>	<b>161</b>	<b>(117)</b>	<b>6</b>	<b>464</b>		

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

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Table 33 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the interim Consolidated financial statements

As presented in the Financial statements	MD&A captions					Pre-tax	Underwriting income	Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense) <sup>1</sup>	Operating investment income	Total income taxes	Non-operating results		
<b>For the six-month period ended June 30, 2022</b>								
Underwriting income <sup>1</sup> (Table 42)	-	-	-	-	-	738	837	1,575
Investment income	-	-	-	433	-	4	-	437
Other revenues	268	-	4	-	-	-	-	272
Net gains (losses)	-	-	-	-	-	(173)	-	(173)
Gain on sale of business	-	-	-	-	-	423	-	423
Share of profits from investments in associates and joint ventures	97	(4)	-	-	(22)	(9)	-	62
Finance costs	-	(84)	-	-	-	-	-	(84)
Acquisition, integration and restructuring costs	-	-	-	-	-	(167)	-	(167)
Other expenses	(132)	-	(66)	-	-	(119)	-	(317)
Income tax benefit (expense)	-	-	-	-	(380)	-	-	(380)
<b>Total, as reported in MD&amp;A</b>	<b>233</b>	<b>(88)</b>	<b>(62)</b>	<b>433</b>	<b>(402)</b>	<b>697</b>	<b>837</b>	
<b>For the six-month period ended June 30, 2021</b>								
Underwriting income <sup>1</sup> (Table 42)	-	-	-	-	-	88	761	849
Investment income	-	-	-	307	-	-	-	307
Other revenues	181	-	16	-	-	-	-	197
Net gains (losses)	-	-	-	-	-	143	-	143
Gain on the RSA Acquisition	-	-	-	-	-	200	-	200
Share of profits from investments in associates and joint ventures	83	(6)	-	-	(18)	(10)	-	49
Finance costs	-	(66)	-	-	-	-	-	(66)
Acquisition, integration and restructuring costs	-	-	-	-	-	(181)	-	(181)
Other expenses	(84)	-	(34)	-	-	(62)	-	(180)
Income tax benefit (expense)	-	-	-	-	(219)	-	-	(219)
<b>Total, as reported in MD&amp;A</b>	<b>180</b>	<b>(72)</b>	<b>(18)</b>	<b>307</b>	<b>(237)</b>	<b>178</b>	<b>761</b>	

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

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**19.2 Relative performance**

**Adjusted net income, AEPS and AROE**

- Our **relative performance** is measured based on AEPS and AROE, which are Non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude the impact of acquisition-related items (*as detailed hereafter*). We believe that analyzing our consolidated performance excluding these items reflect more accurately our financial performance compared to our peers over time.
- One of our key financial objectives is to exceed industry ROE by 500 basis points annually. For industry comparison and incentive compensation purposes, IFC's ROE corresponds to IFC's AROE, which we believe is the most comparable to the industry.

AEPS and AROE are calculated using the following Non-GAAP financial measures (marked with an asterisk\*).

<b>AEPS</b> for a specific period	Adjusted net income* attributable to common shareholders <hr/> WANSO	<b>AROE</b> for a 12-month period	Adjusted net income* attributable to common shareholders <hr/> Adjusted average common shareholders' equity* ( <i>Section 19.6</i> )
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- **Adjusted net income\*** represents the Net income attributable to shareholders (most directly comparable GAAP measure), excluding the after-tax impact of Acquisition-related items. Adjusted net income is net of net income (loss) attributable to non-controlling interests. *See Table 34 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS.*

Table 34 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Net income attributable to shareholders, as reported under IFRS</b>	<b>1,183</b>	566	<b>1,642</b>	1,080
Adjustments, after tax ( <i>see Table 35 for details</i> )				
Remove: amortization of intangibles recognized in business combinations	45	30	95	52
Remove: acquisition and integration costs	71	97	113	128
Remove: net gain on currency derivative hedges (acquisitions)	(2)	17	-	31
Remove: tax adjustments on acquisition-related items	1	(10)	3	(10)
<b>Adjusted net income</b>	<b>1,298</b>	700	<b>1,853</b>	1,281
Remove: preferred share dividends	(16)	(13)	(29)	(26)
<b>Adjusted net income attributable to common shareholders</b>	<b>1,282</b>	687	<b>1,824</b>	1,255
Divided by weighted-average number of common shares (in millions)	<b>175.8</b>	153.9	<b>175.9</b>	148.5
<b>AEPS, basic and diluted (in dollars)</b>	<b>7.29</b>	4.47	<b>10.37</b>	8.45
<b>Adjusted net income attributable to common shareholders for the last 12 months</b>	<b>3,055</b>	2,035		
Adjusted average common shareholders' equity ( <i>Table 46</i> )	<b>13,934</b>	8,895		
<b>AROE for the last 12 months</b>	<b>21.9%</b>	22.9%		

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## Acquisition-related items

- **Acquisition-related items, which are reported in Non-operating results\***, include amortization of intangible assets recognized in business combinations, as well as acquisition and integration costs. See *Table 35 below and Section 19.1 – Operating performance for details*.

The following table provides the breakdown of non-operating results between acquisition-related items and other non-operating results, showing the pre-tax and after-tax amount by line item.

Table 35 – Acquisition-related gains (losses) and other non-operating results

	Q2-2022		Q2-2021	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of intangible assets recognized in business combinations	(60)	(45)	(41)	(30)
Acquisition and integration costs	(90)	(71)	(116)	(97)
Net gain (loss) on currency derivative hedges (acquisitions)	2	2	(19)	(17)
Tax adjustment on acquisition-related items	-	(1)	-	10
<b>Acquisition-related gains (losses)</b>	<b>(148)</b>	<b>(115)</b>	<b>(176)</b>	<b>(134)</b>
Other net gains (losses)	121	88	44	35
Positive (negative) impact of MYA on underwriting	363	276	(29)	(22)
Non-operating pension expense	(14)	(8)	(16)	(12)
Gain on the RSA Acquisition	-	-	200	200
Gain on sale of business	423	411	-	-
Income (loss) from exited lines	(33)	(26)	5	2
Restructuring and other non-operating costs	(15)	(18)	(22)	(18)
<b>Other non-operating results</b>	<b>845</b>	<b>723</b>	<b>182</b>	<b>185</b>
<b>Non-operating results</b>	<b>697</b>	<b>608</b>	<b>6</b>	<b>51</b>
	H1-2022		H1-2021	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of intangible assets recognized in business combinations	(125)	(95)	(70)	(52)
Acquisition and integration costs	(145)	(113)	(154)	(128)
Net gain (loss) on currency derivative hedges (acquisitions)	-	-	(35)	(31)
Tax adjustment on acquisition-related items	-	(3)	-	10
<b>Acquisition-related gains (losses)</b>	<b>(270)</b>	<b>(211)</b>	<b>(259)</b>	<b>(201)</b>
Other net gains (losses)	(173)	(182)	178	170
Positive (negative) impact of MYA on underwriting	829	629	117	86
Non-operating pension expense	(27)	(18)	(32)	(24)
Gain on the RSA Acquisition	-	-	200	200
Gain on sale of business	423	411	-	-
Income (loss) from exited lines	(60)	(49)	3	1
Restructuring and other non-operating costs	(25)	(19)	(29)	(24)
<b>Other non-operating results</b>	<b>967</b>	<b>772</b>	<b>437</b>	<b>409</b>
<b>Non-operating results</b>	<b>697</b>	<b>561</b>	<b>178</b>	<b>208</b>

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19.3 Consolidated performance

ROE and Adjusted average common shareholder's equity

- Our **consolidated performance** is measured based on EPS (GAAP) and ROE, a Non-GAAP ratio. ROE is based on Net income attributable to common shareholders. However, the denominator is adjusted to reflect the weighted-impact of significant capital transactions.
- EPS and ROE are calculated as follows. Non-GAAP financial measures are marked with an asterisk\*.

EPS for a specific period	As reported in the Consolidated statements of income  Net income attributable to common shareholders  WANSO	ROE for a 12-month period	Net income attributable to common shareholders  Adjusted average common shareholders' equity* (Section 19.6)
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- **Net income attributable to common shareholders** is determined in accordance with IFRS excludes the dividends declared on preferred shares.

Table 36 – Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Net income attributable to shareholders</b>	1,183	566	1,642	1,080
Remove: preferred share dividends	(16)	(13)	(29)	(26)
<b>Net income attributable to common shareholders</b>	1,167	553	1,613	1,054
Divided by weighted-average number of common shares (in millions)	175.8	153.9	175.9	148.5
<b>EPS, basic and diluted (in dollars)</b>	6.64	3.59	9.17	7.10
<b>Net income attributable to common shareholders for the last 12 months</b>	2,573	1,740		
Adjusted average common shareholders' equity (Table 46)	13,934	8,895		
<b>ROE for the last 12 months</b>	18.5%	19.6%		

Table 37 – Reconciliation of AEPS and NOIPS to EPS, as reported under IFRS

	Q2-2022		Q2-2021	
	After-tax	Per share	After-tax	Per share
<b>Net income attributable to common shareholders (EPS)</b>	1,167	6.64	553	3.59
Add back: acquisition-related losses (gains) (Table 35)	115	0.65	134	0.88
<b>Adjusted net income attributable to common shareholders (AEPS)</b>	1,282	7.29	687	4.47
Add back: other non-operating results (Table 35)	(723)	(4.11)	(185)	(1.21)
Add back: non-operating component of NCI	(6)	(0.04)	-	-
<b>NOI attributable to common shareholders (NOIPS)</b>	553	3.14	502	3.26
	H1-2022		H1-2021	
	After-tax	Per share	After-tax	Per share
<b>Net income attributable to common shareholders (EPS)</b>	1,613	9.17	1,054	7.10
Add back: acquisition-related losses (gains) (Table 35)	211	1.20	201	1.35
<b>Adjusted net income attributable to common shareholders (AEPS)</b>	1,824	10.37	1,255	8.45
Add back: other non-operating results (Table 35)	(772)	(4.39)	(409)	(2.76)
Add back: non-operating component of NCI	(24)	(0.14)	-	-
<b>NOI attributable to common shareholders (NOIPS)</b>	1,028	5.84	846	5.69

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**Effective income tax rates**

- Our **effective income tax rates** are measured based on **Total effective income tax rate** and **Operating effective income tax rate**, which are Non-GAAP ratios. These ratios take into account the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS.

Total effective income tax rate and Operating effective income tax rate are calculated using the following Non-GAAP financial measures (marked with an asterisk\*).

<b>Total effective income tax rate</b> for a specific period	$\frac{\text{Total income tax expense (benefit)*}}{\text{Pre-tax income*}}$	<b>Operating effective income tax rate</b> for a specific period	$\frac{\text{Operating income tax expense (benefit)*}}{\text{PTOI* (Section 19.1)}}$
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- **Total income tax expense (benefit)** and **Operating income tax expense (benefit)** include the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS. See **Table 32 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the interim Consolidated financial statements**. **Pre-tax income** and **PTOI** are presented on a consistent basis. These Non-GAAP financial measures are aligned with how management analyzes the operating performance of our broker associates (recorded in Distribution income), which is on a pre-tax basis.

Table 38 – Reconciliation of effective income tax rates

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Income before income taxes, as reported under IFRS</b>	<b>1,399</b>	676	<b>2,011</b>	1,306
Add: share of income tax expense of broker associates	<b>14</b>	14	<b>22</b>	18
<b>Pre-tax income</b>	<b>1,413</b>	690	<b>2,033</b>	1,324
Total income tax benefit (expense) (Table 32)	<b>(229)</b>	(117)	<b>(402)</b>	(237)
<b>Net income</b>	<b>1,184</b>	573	<b>1,631</b>	1,087
<b>Total effective income tax rate, as reported in the MD&amp;A</b>	<b>16.2%</b>	17.0%	<b>19.7%</b>	17.9%
<b>Pre-tax operating income (PTOI) (Table 31)</b>	<b>716</b>	684	<b>1,336</b>	1,146
Operating income tax benefit (expense)	<b>(140)</b>	(162)	<b>(266)</b>	(267)
Netted with: operating component of NCI	<b>(7)</b>	(7)	<b>(13)</b>	(7)
<b>NOI – net of NCI</b>	<b>569</b>	515	<b>1,057</b>	872
<b>Operating effective income tax rate, as reported in the MD&amp;A</b>	<b>19.6%</b>	23.7%	<b>19.9%</b>	23.3%

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**19.4 Premiums volume**

**Change in operating DPW and Change in operating DPW in constant currency**

- Our **top line consolidated performance (in terms of premiums written)** is measured based on **Change in operating DPW in constant currency**, which is a Non-GAAP ratio. This ratio represents the growth (or decline) in Operating DPW (*as defined below*) calculated by applying the exchange rate in effect for the current year to the Operating DPW of the previous year.
- With the RSA Acquisition, approximately 65% of our operating DPW are denominated in CAD, 19% in GBP, 10% in USD, and the remaining, mainly in Euro. *See Section 20.3 – Foreign currency rates*. Constant currency is widely used by multinational companies to highlight the economic performance. Like our peers, we believe that this measure enhances the analysis of our top line performance with comparative periods as it excludes the impact of foreign exchange fluctuations.
- The **top line segmented performance** of our non-Canadian operating segments, as applicable, is also measured based on the Change in operating DPW in constant currency, which reflects the Operating DPW growth, as reported and managed at the segment level (in the functional currency).
- In our MD&A or other financial reports, we also present **Change in operating DPW**, which is a Non-GAAP ratio. This ratio represents the growth or decline in Operating DPW (*as defined below*) calculated by applying the respective exchange rates in effect for the current year and previous year. When relevant, we disclose both ratios to highlight the impact of foreign currency fluctuations on our top line performance.

<b>Change in operating DPW</b>	$\frac{\text{Operating DPW for a specified period} - \text{Operating DPW for the previous year}}{\text{Operating DPW for the previous year}}$	<b>Change in operating DPW in constant currency</b>	$\frac{\text{Operating DPW (in CAD) for a specified period} - \text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}{\text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}$
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Change in operating DPW in constant currency and Change in operating DPW are calculated using **Operating DPW**, a Non-GAAP financial measure.

- **Operating 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. 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. DPW is the most comparable GAAP measure to Operating DPW.
- 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 and volume of business.
- To calculate the Company's performance relative to the Canadian industry for incentive compensation purposes, our DPW growth is based on financial statements presentation.

Table 39 – Reconciliation of Operating DPW to DPW

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>DPW, as reported under IFRS</b>	<b>6,238</b>	4,414	<b>11,331</b>	6,957
Remove: impact of industry pools and fronting	(300)	(114)	(585)	(133)
Remove: DPW from exited lines	(149)	(5)	(290)	(7)
Add: impact of the normalization for multi-year policies	18	2	29	2
<b>Operating DPW, as reported in the MD&amp;A</b>	<b>5,807</b>	4,297	<b>10,485</b>	6,819
<b>Operating DPW growth</b>	<b>35%</b>	27%	<b>54%</b>	16%
<b>Operating DPW growth (in constant currency)</b>	<b>36%</b>	29%	<b>54%</b>	17%

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**Operating NPW**

- We note that several peers in the industry use Net premiums written (NPW) to report their top line performance. NPW reflect the risk assumed and ceded on premiums written.
- To enhance the analysis of our top line performance with peers in the industry, we provide Operating NPW, a Non-GAAP financial measure, in our Supplementary Financial Information available in the “Investors” section of our web site at [www.intactfc.com](http://www.intactfc.com). Operating NPW is calculated as NPW (most directly comparable GAAP measure) normalized for the effect of multi-year policies, excluding NPW from exited lines. *See Table 40 below.*

Table 40 – Reconciliation of Operating NPW to NPW, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>NPW, as reported under IFRS</b>	<b>5,697</b>	4,146	<b>9,944</b>	6,565
Remove: NPW from exited lines	(132)	(16)	(247)	(22)
Add: impact of normalization for multi-year policies	18	1	29	3
<b>Operating NPW</b>	<b>5,583</b>	4,131	<b>9,726</b>	6,546

**Change in operating NEP and Change in operating NEP in constant currency**

- Our **consolidated operating NEP growth** is measured based on **Change in operating NEP**, which is a non-GAAP ratio.
- The **segmented operating NEP growth** of our non-Canadian operating segments, as applicable, is measured based on **Change in operating NEP in constant currency**, which is a Non-GAAP ratio, that reflect the Operating NEP growth, as reported and managed at the segment level (in the functional currency). We believe that this ratio enhances the analysis of our financial performance with comparative periods as it excludes the impact of foreign currency fluctuations. When relevant, as we do for Operating DPW, we disclose both ratios to highlight the impact of foreign currency fluctuations on our Operating NEP growth.
- Change in operating NEP and Change in operating NEP in constant currency are calculated using the same methodology as for Change in operating DPW and Change in operating DPW (in constant currency) but using Operating NEP, a Non-GAAP financial measure.
- **Operating NEP** represents NEP (most directly comparable GAAP measure), excluding those from exited lines. We believe that this measure better reflects the operating performance of our core operations. *See Table 41 below.*

Table 41 – Reconciliation of Operating NEP to NEP, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>NEP, as reported under IFRS</b>	<b>4,902</b>	3,508	<b>9,793</b>	6,285
Remove: NEP from exited lines	(144)	(26)	(293)	(44)
<b>Operating NEP, as reported in the MD&amp;A</b>	<b>4,758</b>	3,482	<b>9,500</b>	6,241
<b>Operating NEP growth</b>	<b>37%</b>	28%	<b>52%</b>	14%

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**19.5 Underwriting profitability**

**Underwriting income (loss) and Operating combined ratio**

- **Our underwriting performance** is measured based on 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), which are Non-GAAP ratios (*as defined below*).
- Our underwriting performance is consistently managed and measured on an **operating basis**, in line with how we report NOI and NOIPS. Non-operating items excluded from our underwriting performance comprised the underwriting results from exited lines, the non-operating pension expense and the impact of MYA on underwriting results (*see 19.1 – Operating performance for details*). We believe that this basis provides investors and financial analysts with a valuable measure of our ongoing underwriting performance in terms of underwriting discipline and profitability.
- While operating combined ratio and components of underwriting performance are commonly used across the industry, they do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry.
- Our underwriting ratios are calculated using the following Non-GAAP financial measures (marked with an asterisk\*).

<b>Operating combined ratio</b>			
An operating combined ratio below 100% indicates a profitable underwriting result. An operating combined ratio over 100% indicates an unprofitable underwriting result.			
<b>Claims ratio (see below) + Expense ratio (see below)</b>			
<b>Claims ratio</b>		<b>Expense ratio</b>	
Operating net claims* ( <i>defined hereafter</i> )  Operating NEP* ( <i>Section 19.4</i> )		Operating net underwriting expenses* ( <i>defined hereafter</i> )  Operating NEP* ( <i>Section 19.4</i> )	
<b>Underlying current year loss ratio</b>	Operating net claims excluding current year CAT losses and PYD <sup>1</sup> ( <i>Section 19.5</i> )  Operating NEP* before the impact of reinstatement premiums ( <i>Section 19.4</i> )	<b>Commissions ratio</b>	Commissions <sup>1</sup> ( <i>Section 19.5</i> )  Operating NEP* ( <i>Section 19.4</i> )
<b>CAT loss ratio</b>	Net current year CAT losses <sup>1</sup> plus net reinstatement premiums ( <i>Section 19.5</i> )  Operating NEP* before the impact of reinstatement premiums ( <i>Section 19.4</i> )	<b>General expenses ratio</b>	General expenses <sup>1</sup> ( <i>Section 19.5</i> )  Operating NEP* ( <i>Section 19.4</i> )
<b>PYD ratio</b>	PYD <sup>1</sup> ( <i>Section 19.5</i> )  Operating NEP* ( <i>Section 19.4</i> )	<b>Premium taxes ratio</b>	Premium taxes <sup>1</sup> ( <i>Section 19.5</i> )  Operating NEP* ( <i>Section 19.4</i> )

<sup>1</sup> These supplementary measures, which are defined hereafter, are disclosed on a quarterly basis in our MD&A and other financial reports to provide more details on claims ratio and expense ratio.

- **Underwriting income (loss)\***, which is used in the calculation of the Operating combined ratio, is an operating measure calculated as Operating NEP, less Operating net claims and Operating net underwriting expenses. The most directly comparable GAAP measure is Underwriting income comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses. *See Table 42 – Reconciliation of Underwriting income to Underwriting income, as reported under IFRS*

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- **Operating net claims** are used in the calculation of the Claims ratio. Operating net claims represent Net claims incurred (most comparable GAAP measure), excluding the impact of MYA on underwriting results, an adjustment for Non-operating pension expense and Net claims from exited lines. *See Table 43 – Reconciliation of Operating net claims to Net claims incurred, as reported under IFRS.*
- To provide more insight into our underlying current year performance, the impact of CAT losses (which can be volatile), and PYD, we further analyse Operating net claims as follows in our MD&A and other financial reports.
  - **Operating net claims excluding current year CAT losses and PYD** are used in the calculation of the Underlying current year loss ratio. CAT losses and PYD are not predictable and subject to volatility, and as such, excluding them provides clearer insight into our analysis of underlying current year performance.
  - **Net current year CAT losses** are used in the calculation of the CAT loss ratio. A CAT loss represents any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event for the current accident year. Effective July 1, 2021, our CAT threshold is as follows by segment: P&C Canada: \$10 million, P&C UK&I: £7.5 million and P&C US: US\$5 million. Reported CAT losses can either be weather-related or not weather-related and exclude those from exited lines.
  - **Prior year claims development (PYD)** is used in the calculation of the PYD ratio. PYD represents the change in total prior year claims liabilities during the period, net of reinsurance, excluding the PYD related to exited lines. A decrease to claims liabilities is referred to as favourable prior year claims development. An increase in claims liabilities is referred to as unfavourable prior year claims development.
- **Operating net underwriting expenses** are comprised of commissions (including regular and variable commissions), premium taxes and general expenses related to underwriting activities, net of other underwriting revenues. Operating net underwriting expenses are used in the calculation of the Expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio).
  - Operating net underwriting expenses represent Underwriting expenses (most comparable GAAP measure), net of other underwriting revenues and excluding an adjustment for non-operating pension expense and underwriting expenses from exited lines.
  - Other underwriting revenues include fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans, as well as fees received for the administration of a portion of the Facility Association and other policies.

*See Table 44 – Reconciliation of Operating net underwriting expenses to Underwriting expenses, as reported under IFRS.*

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Table 42 – Reconciliation of Underwriting income to Underwriting income, as calculated under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
Net earned premiums, as reported under IFRS	4,902	3,508	9,793	6,285
Other underwriting revenues, as reported under IFRS	78	45	151	80
Net claims incurred, as reported under IFRS	(2,585)	(1,857)	(5,132)	(3,288)
Underwriting expenses, as reported under IFRS	(1,640)	(1,272)	(3,237)	(2,228)
<b>Underwriting income (loss), as calculated under IFRS</b>	<b>755</b>	<b>424</b>	<b>1,575</b>	<b>849</b>
Remove: impact of MYA on underwriting results (Table 15)	(363)	29	(829)	(117)
Remove: non-operating pension expense (Table 15)	14	16	27	32
Remove: underwriting loss (income) from exited lines (Table 17)	35	(5)	64	(3)
<b>Underwriting income (loss), as reported in the MD&amp;A</b>	<b>441</b>	<b>464</b>	<b>837</b>	<b>761</b>
<b>Operating NEP (Table 41)</b>	<b>4,758</b>	<b>3,482</b>	<b>9,500</b>	<b>6,241</b>
<b>Operating combined ratio</b>	<b>90.7%</b>	<b>86.7%</b>	<b>91.2%</b>	<b>87.8%</b>

Table 43 – Reconciliation of Operating net claims to Net claims incurred, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Net claims incurred, as reported under IFRS</b>	<b>2,585</b>	<b>1,857</b>	<b>5,132</b>	<b>3,288</b>
Remove: positive (negative) impact of MYA on underwriting results	363	(29)	829	117
Remove: adjustment for non-operating pension expense	(5)	(6)	(10)	(12)
Remove: net claims from exited lines	(118)	(12)	(233)	(26)
Net with: other underwriting revenues	(11)	-	(21)	-
<b>Operating net claims, as reported in the MD&amp;A</b>	<b>2,814</b>	<b>1,810</b>	<b>5,697</b>	<b>3,367</b>
Remove: net current year CAT losses (Table 13)	(248)	(73)	(430)	(125)
Remove: favourable (unfavourable) PYD (Table 12)	179	136	402	286
Operating net claims excluding current year CAT losses and PYD	2,745	1,873	5,669	3,528
<b>Operating NEP (Table 41)</b>	<b>4,758</b>	<b>3,482</b>	<b>9,500</b>	<b>6,241</b>
Remove: reinstatement premiums ceded (recovered)	3	-	3	1
<b>Operating NEP before reinstatement premiums</b>	<b>4,761</b>	<b>3,482</b>	<b>9,503</b>	<b>6,242</b>
Underlying current year loss ratio <sup>1</sup>	57.6%	53.8%	59.6%	56.6%
CAT loss ratio (including reinstatement premiums) <sup>1</sup> (Table 13)	5.3%	2.1%	4.6%	2.0%
(Favourable) unfavourable PYD ratio <sup>2</sup> (Table 12)	(3.8)%	(3.9)%	(4.2)%	(4.6)%
<b>Claims ratio<sup>2</sup></b>	<b>59.1%</b>	<b>52.0%</b>	<b>60.0%</b>	<b>54.0%</b>

<sup>1</sup> Calculated using Operating NEP before reinstatement premiums.

<sup>2</sup> Calculated using Operating NEP.

Table 44 – Reconciliation of Operating net underwriting expenses to Underwriting expenses, as reported under IFRS

	Q2-2022	Q2-2021	H1-2022	H1-2021
<b>Underwriting expenses, as reported under IFRS</b>	<b>1,640</b>	<b>1,272</b>	<b>3,237</b>	<b>2,228</b>
Net with: other underwriting revenues	(67)	(45)	(130)	(80)
Remove: adjustment for non-operating pension expense	(9)	(10)	(17)	(20)
Remove: underwriting expenses from exited lines	(61)	(9)	(124)	(15)
<b>Operating net underwriting expenses, as reported in the MD&amp;A</b>	<b>1,503</b>	<b>1,208</b>	<b>2,966</b>	<b>2,113</b>
Commissions	787	673	1,528	1,155
General expenses	583	422	1,172	747
Premium taxes	133	113	266	211
<b>Operating NEP (Table 41)</b>	<b>4,758</b>	<b>3,482</b>	<b>9,500</b>	<b>6,241</b>
Commissions ratio	16.6%	19.4%	16.1%	18.5%
General expenses ratio	12.2%	12.1%	12.3%	11.9%
Premium taxes ratio	2.8%	3.2%	2.8%	3.4%
<b>Expense ratio</b>	<b>31.6%</b>	<b>34.7%</b>	<b>31.2%</b>	<b>33.8%</b>

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**19.6 Financial strength**

**Total capital margin and regulatory capital ratios**

- The **capital strength of the group is measured by the Total capital margin**.
- Each regulated insurance jurisdiction has its own supervisory capital ratio that is used to evaluate the ability of insurance companies to meet all policyholder liabilities. *See Section 17 – Capital management for more details.*

<b>Total capital margin</b> as at the end of a specific period	Total capital margin includes capital in excess of the internal CALs <sup>1</sup> for regulated insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities, less any ancillary own funds committed by the Company.	<b>Regulatory capital ratios</b> as at the end of a specific period	Minimum capital test (as defined by OSFI and the AMF in Canada), Risk-based capital (as defined by the NAIC in the US) and Solvency Capital Requirement (as defined by the PRA in the UK&I)
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<sup>1</sup> The average CAL for all regulated Canadian insurance entities is 168% MCT. The CAL varies by legal Canadian entity. The CAL is 200% RBC for regulated insurance entities in the US and 120% SCR for those in the UK.

**Book value per share (BVPS) and BVPS (excluding AOCI)**

- The evolution of our book value is measured using BVPS (*as defined below*), which is calculated using GAAP measures. BVPS is an important valuation measure used by investors and is consistently disclosed in our MD&A and other financial reports.
- In line with a number of peers in the industry, we also disclose BVPS (excluding AOCI), a Non-GAAP financial ratio, in our Supplementary Financial Information available in the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com). We believe that excluding AOCI from the numerator is useful to investors because it eliminates volatility that arises mostly from changes in market conditions, such as changes in interest and foreign exchange rates.

<b>BVPS</b> as at the end of a specific period	$\frac{\text{Common shareholders' equity}}{\text{Number of common shares outstanding at the same date}}$	<b>BVPS (excluding AOCI)</b> as at the end of a specific period	$\frac{\text{Common shareholders' equity (excluding AOCI)}}{\text{Number of common shares outstanding at the same date}}$
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Table 45 – Calculation of BVPS and BVPS (excluding AOCI)

As at June 30,	2022	2021
Equity attributable to shareholders, as reported under IFRS	15,515	14,851
Remove: Preferred shares, as reported under IFRS	(1,322)	(1,175)
<b>Common shareholders' equity</b>	<b>14,193</b>	13,676
Remove: AOCI, as reported under IFRS	1,165	(483)
<b>Common shareholders' equity (excluding AOCI)</b>	<b>15,358</b>	13,193
Number of common shares outstanding at the same date (in millions)	175.5	176.1
<b>BVPS</b>	<b>80.86</b>	77.67
<b>BVPS (excluding AOCI)</b>	<b>87.50</b>	74.93

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**Adjusted average common shareholders' equity**

- **Adjusted average common shareholders' equity\*** is a Non-GAAP financial measure used in the calculation of ROE and AROE. It is the mean of the shareholders' equity at the beginning and the end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders and Preferred shares are determined in accordance with IFRS. *See Table 46 below.*
- **Adjusted average common shareholders' equity, excluding AOCI** is a Non-GAAP financial measure used in the calculation of OROE. It is the mean of the shareholders' equity, excluding AOCI at the beginning and the end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders, Preferred shares and AOCI are determined in accordance with IFRS. *See Table 46 below.*
- We believe that adjusting for common share issuance on prorata basis based on the number of days is a better reflection of our average common shareholders' equity base used to calculate ROE, AROE and OROE.

Table 46 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity (excluding AOCI)

As at June 30,	2022	2021
Ending common shareholders' equity ( <i>Table 45</i> )	14,193	13,676
Remove: common shares issued during the period	-	(4,311)
Ending common shareholders' equity, excluding common shares issued during the period	14,193	9,365
Beginning common shareholders' equity	13,676	7,716
Average common shareholders' equity, excluding common shares issued during the period	13,934	8,541
Weighted impact of June 1, 2021 common shares issuance	-	354
<b>Adjusted average common shareholders' equity</b>	<b>13,934</b>	<b>8,895</b>
Ending common shareholders' equity (excluding AOCI) ( <i>Table 45</i> )	15,358	13,193
Remove: common shares issued during the period	-	(4,311)
Ending common shareholders' equity, excluding AOCI and common shares issued during the period	15,358	8,882
Beginning common shareholders' equity, excluding AOCI	13,193	7,544
Average common shareholders' equity, excluding AOCI and common shares issued during the period	14,275	8,213
Weighted impact of June 1, 2021 common shares issuance	-	354
<b>Adjusted average common shareholders' equity, excluding AOCI</b>	<b>14,275</b>	<b>8,567</b>

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**Adjusted total capital and Adjusted debt-to-total capital ratio**

Adjusted debt-to-capital ratio and Total leverage ratio, which are Non-GAAP ratios, are calculated using the following Non-GAAP financial measures (marked with an asterix\*).

<b>Adjusted debt-to-capital ratio</b> as at the end of a specific period	Debt outstanding (excluding hybrid debt)* <i>(see Table 47)</i> <hr/> Adjusted total capital*	<b>Total leverage ratio</b> as at the end of a specific period	Debt outstanding and preferred shares (including NCI)* <i>(see Table 47)</i> <hr/> Adjusted total capital*
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- **Debt outstanding (excluding hybrid debt)** represents the debt outstanding (most comparable GAAP measure), excluding hybrid subordinated notes. 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.
- **Adjusted total capital\*** represents the sum of Debt outstanding, Equity attributable to shareholders, Restricted Tier 1 notes and preferred shares instruments held by subsidiaries, at the same date *(see Table 47 below)*. The restricted Tier 1 notes and preferred shares instruments held by subsidiaries are included in Equity attributable to NCI.

Table 47 – Reconciliation of Debt outstanding (excluding hybrid debt) and Adjusted total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	June 30 2022	March 31 2022	Dec. 31 2021
<b>Debt outstanding, as reported under IFRS</b>	<b>4,345</b>	5,370	5,229
Remove: hybrid subordinated notes <i>(see Note 12.3)</i>	<b>(247)</b>	(247)	(247)
<b>Debt outstanding (excluding hybrid debt)</b>	<b>4,098</b>	5,123	4,982
<b>Debt outstanding, as reported under IFRS</b>	<b>4,345</b>	5,370	5,229
Equity attributable to shareholders, as reported under IFRS	<b>15,515</b>	15,787	15,674
Equity attributable to NCI, as reported under IFRS			
Include: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes <i>(Note 14.1)</i>	-	-	510
Preferred shares <i>(Note 14.1)</i>	<b>285</b>	285	285
<b>Adjusted total capital</b>	<b>20,145</b>	21,442	21,698
Debt outstanding (excluding hybrid debt)	<b>4,098</b>	5,123	4,982
Adjusted total capital	<b>20,145</b>	21,442	21,698
<b>Adjusted debt-to-total capital ratio</b>	<b>20.3%</b>	23.9%	23.0%
Debt outstanding, as reported under IFRS	<b>4,345</b>	5,370	5,229
Preferred shares, as reported under IFRS	<b>1,322</b>	1,322	1,175
Equity attributable to NCI: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes <i>(Note 14.1)</i>	-	-	510
Preferred shares <i>(Note 14.1)</i>	<b>285</b>	285	285
Debt outstanding and preferred shares (including NCI)	<b>5,952</b>	6,977	7,199
Adjusted total capital <i>(see above)</i>	<b>20,145</b>	21,442	21,698
<b>Total leverage ratio</b>	<b>29.5%</b>	32.5%	33.2%
Adjusted debt-to-total capital ratio	<b>20.3%</b>	23.9%	23.0%
Preferred shares and hybrids	<b>9.2%</b>	8.6%	10.2%

Refer to Note 12 – Debt outstanding and Note 14 – Non-controlling interests to the interim Consolidated financial statements for more details on the composition of items presented in the above table.

## Section 20 - Accounting and disclosure matters

### 20.1 Transition to IFRS 17 – Insurance contracts and IFRS 9 – Financial instruments

On January 1, 2023, IFRS 17 – Insurance Contracts (“IFRS 17”) and IFRS 9 – Financial instruments (“IFRS 9”) will come into effect. Refer to Note 24.1 – Insurance contracts and financial instruments to the interim Consolidated financial statements for details and for the expected impact to our financial statements.

*The highlights presented below are intended to be helpful in advance of the implementation of these two standards, based on our ongoing preliminary assessment of their impact, which is subject to change.*

#### At a glance

- **P&C insurance companies are expected to be less impacted by IFRS 17 than Life Insurance companies**, given that this new standard is more closely aligned to the current standard (IFRS 4) for short-tail insurance contracts eligible for the simplified approach.
- **Overall, these standards have no impact on our economics and strategy, and our two financial objectives remain unchanged** (to grow NOIPS by 10% yearly over time, and to exceed the industry ROE by 5 points).
- **These new standards bring limited changes to our overall MD&A**, as they do not impact how we manage and measure our performance. However, significant changes to Financial Statement presentation and disclosure are expected.
- **Transition impact on BVPS not expected to be significant** based on preliminary estimate of a low single-digit impact.
- **No significant changes to NOIPS are expected** over time based on our initial view, however presentation changes will lead to reclassifications within operating income.
- Our investments will continue to be measured at fair value, though certain equity investments will now be marked-to-market through the income statement as opposed to through OCI. **This could bring more volatility to non-operating results and EPS but will not impact NOIPS, BVPS or regulatory capital.**

#### Key Highlights (IFRS 17 & IFRS 9)

##### Timing & comparatives

- **IFRS 17 will be effective January 1, 2023**, with **IFRS 9 implemented simultaneously** as insurers were offered an exemption to delay the adoption of IFRS 9 to align with IFRS 17.
- **Prior year comparatives (2022 quarterly results) will be fully restated for IFRS 17**, with the transition impact recorded in the January 1, 2022 opening balance sheet.
- **Comparatives will not be restated for IFRS 9**, with the transition impact being reflected in the January 1, 2023 opening balance sheet.

##### Impact to operating income

**The principal changes expected are outlined below, based on our preliminary assessment:**

##### Measurement changes

- IFC’s insurance contracts are predominately short tail which allows for a simplified accounting (*the premium allocation approach or “PAA”*). Given that this is generally aligned to current accounting practices, **we expect limited impact on operating income**. The more complex general measurement model (“GMM”) will apply only to a limited number of reinsurance contracts and the claims acquired in the RSA Acquisition.
- Losses on onerous (unprofitable) contracts must be recorded in earnings as soon as the insurance contract is issued. This change in timing is **expected to have limited impact** on an ongoing basis given that our groups of contracts are generally expected to be profitable.
- We will continue to discount and apply a risk adjustment to our claims liabilities. The changes in methodology are **not expected to have a significant impact** based on our initial assessment.

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<p><b>Impact to operating income, continued</b></p>	<p><i>Presentation changes</i></p> <ul style="list-style-type: none"> <li>○ Overall, expected <b>to positively impact underwriting income and operating combined ratio:</b> <ul style="list-style-type: none"> <li>○ Main change is the unwinding of the claims discount, which will be presented outside of net claims incurred but will remain in operating income.</li> <li>○ Our underwriting ratios will be based on a higher denominator which will include the current operating NEP plus the addition of other insurance-related revenues (which are currently netted against underwriting expenses). This will not impact underwriting income.</li> </ul> </li> <li>○ We expect other presentation changes – within the various components of operating income such as underwriting and distribution income, and/or between expense and claims ratio.</li> </ul> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>In aggregate, changes are <b>not expected to have a significant impact on operating income over time.</b></p> </div>
<p><b>Impact to non-operating results</b></p>	<p><b>The principal changes expected are outlined below, based on our preliminary assessment:</b></p> <ul style="list-style-type: none"> <li>○ IFRS 9 will result in classification changes, with more equity investments now classified as FVTPL. The mark-to-market on these equity investments will now be recognized in the income statement as opposed to through OCI. Though this will result in increased volatility to net income, it will only impact the timing of the recognition of gains/losses, <b>with no impact on BVPS or total equity.</b></li> <li>○ Our investment strategy is designed to generate total return outperformance over time, and while it may bring short-term volatility, it is expected to remain within our risk appetite.</li> <li>○ The <b>MYA on our claims liabilities will continue to be presented in non-operating results</b>, along with the market movements of the underlying investments that support them.</li> <li>○ The new expected credit losses impairment model is not expected to have a significant impact on our financials given the high quality of our investment portfolio.</li> </ul> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>Though IFRS 9 will result in increased volatility to net income and EPS, it will <b>not impact BVPS.</b></p> </div>
<p><b>Impact to Equity &amp; Ratios</b></p>	<p><b>The principal changes expected are outlined below, based on our preliminary assessment:</b></p> <p><i>Measurement changes</i></p> <ul style="list-style-type: none"> <li>○ As mentioned above, <b>impact to BVPS upon transition is not expected to be significant</b></li> <li>○ Changes from IFRS 9 investment classification could <b>bring volatility to AROE and ROE</b>, with the expected fluctuation of capital markets resulting in a positive impact over time.</li> <li>○ <b>No significant impact to our adjusted debt-to-capital ratio expected</b></li> <li>○ <b>No change to our overall capital framework</b> and how we manage capital.</li> </ul> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>Overall impact on <b>equity, adjusted debt-to-total capital and capital framework is not expected to be significant</b>, but IFRS 9 could <b>result in volatility to AROE and ROE.</b></p> </div>

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**20.2 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 are as follows:

Reference to our Consolidated financial statements for the year ended December 31, 2021			
COVID-19 pandemic	<i>Note 3.2</i>	Impairment of financial assets	<i>Note 25.2</i>
Business combinations	<i>Note 5.2</i>	Measurement of income taxes	<i>Note 27.3</i>
Valuation of claims liabilities	<i>Note 11.3</i>	Valuation of defined benefit obligation	<i>Note 30.6</i>
Impairment of goodwill and intangible assets	<i>Note 15.2</i>		

**20.3 Foreign currency rates**

Table 48 – Foreign currency rates

	As at		Average rates for the periods			
	June 30, 2022	Dec. 31, 2021	Q2-2022	Q2-2021	H1-2022	H1-2021
Foreign currency vs CAD						
USD	<b>1.28720</b>	1.26450	<b>1.27656</b>	1.22829	<b>1.27162</b>	1.24698
GBP	<b>1.56665</b>	1.71017	<b>1.60320</b>	1.71739	<b>1.65049</b>	1.73152
EUR	<b>1.34886</b>	1.43850	<b>1.35891</b>	1.48029	<b>1.38961</b>	1.50278
DKK <sup>1</sup>	<b>0.18136</b>	0.19342	<b>0.18267</b>	0.19795	<b>0.18677</b>	0.19795

<sup>1</sup> For June 30, 2021, the average rate reflects the period from June 1 to June 30, 2021 in relation to the RSA acquisition.

**20.4 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 June 30, 2022. 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.

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**20.5 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 June 30, 2022.

In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed and operated, 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 Q2-2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

**Management's Discussion and Analysis for the quarter ended June 30, 2022**

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

## Section 21 - Shareholder information

### 21.1 Authorized share capital and outstanding share data

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

Table 49 – Outstanding share data (number of shares)

<b>As of July 27, 2022</b>	
Common shares <sup>1</sup>	175,386,668
Class A	
Series 1 preferred shares	10,000,000
Series 3 preferred shares	10,000,000
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
Series 11 preferred shares <sup>2</sup>	6,000,000

<sup>1</sup> Reflects 175,525,518 common shares outstanding as at June 30, 2022 less 138,850 common shares repurchased and cancelled under the NCIB program since that date.

<sup>2</sup> Preferred shares issued on March 15, 2022.

*Refer to our Annual Information Form for more detailed information on the rights of shareholders and to Note 13 – Common shares and preferred shares to the interim Consolidated financial statements for additional information.*

### 21.2 Quarterly dividends declared on common shares and preferred shares

Table 50 – Dividends declared per share

	Q3-2022	Q2-2022
Common shares	1.00	1.00
Class A		
Series 1 preferred shares	0.21225	0.21225
Series 3 preferred shares	0.2160625	0.2160625
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
Series 11 preferred shares	0.328125	0.3848

On July 28, 2022, the Board of Directors approved the quarterly dividend for Q3-2022.

### 21.3 Expected release dates of our financial results

Q3-2022	Q4-2022	Q1-2023	Q2-2023
November 8, 2022	February 7, 2023	May 9, 2023	August 1, 2023

## Management's Discussion and Analysis for the quarter ended June 30, 2022

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

## Section 22 - Selected quarterly information

## 22.1 Selected quarterly information

Table 51 – Selected quarterly information<sup>1</sup>

	2022				2021				2020
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Direct premiums written	6,238	5,093	5,318	5,719	4,414	2,543	2,928	3,269	3,389
Operating DPW	5,807	4,678	5,017	5,447	4,297	2,522	2,872	3,264	3,382
Segment operating revenues <sup>1</sup>	5,118	5,089	5,270	5,189	3,748	2,997	3,120	3,092	2,939
Operating NEP	4,758	4,742	4,931	4,871	3,482	2,759	2,879	2,863	2,712
Current year CAT losses	248	182	186	365	73	52	74	24	124
Favourable PYD	(179)	(223)	(160)	(148)	(136)	(150)	(28)	(17)	(3)
Underwriting income	441	396	600	426	464	297	415	369	284
Operating combined ratio <sup>2</sup>	90.7%	91.7%	87.8%	91.3%	86.7%	89.3%	85.6%	87.1%	89.5%
Operating net investment income	211	205	220	191	154	141	143	143	141
Distribution income	141	92	77	105	118	62	72	81	78
NOI	569	488	678	519	515	357	467	411	350
Net income	1,184	447	701	300	573	514	378	334	263
Net income attributable to shareholders	1,183	459	692	295	566	514	378	334	263
<b>Per share measures, basic and diluted (in dollars)</b>									
NOIPS	3.14	2.70	3.78	2.87	3.26	2.40	3.18	2.78	2.35
EPS	6.64	2.53	3.85	1.60	3.59	3.51	2.55	2.25	1.74

<sup>1</sup> This measure has been adjusted to align with our interim Consolidated financial statements. Comparative figures are reported on the same basis.<sup>2</sup> See Section 22.2 – Seasonality of our P&C insurance business.

## 22.2 Seasonality of the P&amp;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.

## Reference to our Q4-2021 MD&amp;A

Combined ratio seasonal indicator (by quarter) excluding CAT losses

Section 17 – Seasonality of the P&amp;C insurance business

## Section 23 - Glossary and definitions

 This icon represents data relevant to ESG disclosure, and its impact on our results where applicable.

### 23.1 Glossary of abbreviations

Description		Description	
<b>ABI</b>	Association of British Insurers	<b>MCT</b>	Minimum capital test (Canada)
<b>AEPS</b>	Adjusted EPS	<b>Moody's</b>	Moody's Investor Service Inc.
<b>AFS</b>	Available for sale	<b>MGA</b>	Managing general agent
<b>AMF</b>	Autorité des marchés financiers	<b>MYA</b>	Market yield adjustment
<b>AOCI</b>	Accumulated OCI	<b>NCI</b>	Non-controlling interests
<b>AROE</b>	Adjusted ROE	<b>NAIC</b>	National Association of Insurance Commissioners
<b>BC</b>	British Columbia	<b>NCIB</b>	Normal course issuer bid
<b>bps</b>	Basis points	<b>NEP</b>	Net earned premiums
<b>BVPS</b>	Book value per share	<b>NOI</b>	Net operating income
<b>CAD</b>	Canadian Dollar	<b>NOIPS</b>	NOI per share
<b>CAGR</b>	Compound annual growth rate	<b>OCI</b>	Other comprehensive income
<b>CAL</b>	Company action level	<b>OROE</b>	Operating ROE
<b>CAN</b>	Canada	<b>OSFI</b>	Office of the Superintendent of Financial Institutions
<b>CDOR</b>	Canadian Dollar Offered Rate	<b>PA</b>	Personal auto
<b>CL</b>	Commercial lines	<b>PP</b>	Personal property
<b>CAT</b>	Catastrophe	<b>PRA</b>	Prudential Regulatory Authority
<b>DBRS</b>	Dominion Bond Rating Services	<b>PTOI</b>	Pre-tax operating income
<b>DKK (kr.)</b>	Danish krone, Denmark's official currency	<b>PYD</b>	Prior year claims development
<b>DPW</b>	Direct premiums written	<b>P&amp;C</b>	Property & Casualty
<b>EPS</b>	Earnings per share to common shareholders	<b>P&amp;E</b>	Property and equipment
<b>ESG</b>	Environmental, Social and Governance	<b>RBC</b>	Risk-based capital (US)
<b>Euro (€)</b>	Currency of the European Union	<b>ROE</b>	Return on equity
<b>FCA</b>	Financial Conduct Authority	<b>SCR</b>	Solvency Capital Requirement (Europe)
<b>F/S</b>	Financial Statements	<b>SL</b>	Specialty lines
<b>Fitch</b>	Fitch Ratings Inc.	<b>SME</b>	Small and medium-sized enterprise
<b>FVTPL</b>	Fair value through profit and loss	<b>S&amp;P</b>	Standard & Poor's
<b>GBP (£)</b>	British pound sterling, UK's official currency	<b>TSX</b>	Toronto Stock Exchange
<b>IFRS</b>	International Financial Reporting Standards	<b>UK</b>	United Kingdom
<b>KPI</b>	Key performance indicator	<b>UK&amp;I</b>	United Kingdom and International
<b>M&amp;A</b>	Mergers and acquisitions	<b>US</b>	United States
<b>MD&amp;A</b>	Management's Discussion and Analysis	<b>USD</b>	US Dollar

**Management's Discussion and Analysis for the quarter ended June 30, 2022**

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

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**23.2 Definitions of performance measures and key terms used in our MD&A**

- Unless otherwise noted, operating DPW refer to DPW normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines (referred to as "operating DPW" in this MD&A).
- Unless otherwise noted, all underwriting results and related ratios exclude the MYA, as well as the results from exited lines. 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 a predetermined CAT threshold, before reinsurance, related to a single event. Reported CAT losses can either be weather-related or not weather-related ('other than weather-related') and exclude those from exited lines. Effective July 1, 2021, our CAT threshold is as follows; P&C Canada: \$10 million, P&C UK&I: £7.5 million and P&C U.S: US\$5 million.
- A large loss is defined as a single claim, which is considered significant but that is smaller than the CAT threshold.
- 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.
- 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.