

First Quarter

2023

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Management's Discussion and Analysis
For the quarter ended March 31, 2023

Intact Financial Corporation

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

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The following MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors (the "Board") for the first quarter ended March 31, 2023. This MD&A is intended to enable the reader to assess our results of operations and financial condition for the three-month period ended March 31, 2023, compared to the corresponding periods in 2022. It should be read in conjunction with our interim condensed consolidated financial statements, as well as the MD&A and the Consolidated financial statements included in our 2022 Annual Report. This MD&A is dated May 10, 2023.

"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 or in the "Investors" section of our web site at www.intactfc.com.

- Abbreviations and definitions of selected key terms used in this MD&A are defined in **Section 27 – Glossary and definitions**.
- Other insurance-related terms are defined in **Section 27 – Glossary and definitions** of this MD&A, as well as in the glossary available in the "Investors" section of our web site at www.intactfc.com.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

Adoption of new accounting standards

We adopted *IFRS 17 – Insurance Contracts* ("IFRS 17") in conjunction with *IFRS 9 – Financial instruments* ("IFRS 9") on January 1, 2023, which replace *IFRS 4 – Insurance Contracts* ("IFRS 4") and *IAS 39 – Financial instruments: recognition and measurement* ("IAS 39"), respectively. IFRS 17 was applied retrospectively as at January 1, 2022, as a result comparative information was restated. IFRS 9 was applied retrospectively as of January 1, 2023 with no restatement of comparative information. To help investors prepare for the changes to our financial disclosures, we have provided additional explanations and insights in our IFRS 17 & 9 teach-in presentation dated April 27, 2023, available on our website. For more information, refer to **Note 3 – Adoption of new accounting standards to the interim condensed consolidated financial statements**.

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, Non-GAAP ratios (which are calculated using Non-GAAP financial measures) and other 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 principal **Non-GAAP financial measures** included in the MD&A and other financial reports, alongside their closest GAAP measures, are:

Section	Non-GAAP financial measures	Closest GAAP measures
23.1	Operating net underwriting revenue	Insurance revenue, Allocation of reinsurance premiums
	Operating net claims and Operating net underwriting expenses	Insurance service expense, Amounts recoverable from reinsurers
	Underwriting income (loss)	Insurance service result
23.2	Operating net investment income	Net investment income
	Net unwind of discount on claims liabilities	Unwind of discount (insurance and reinsurance components, included in net insurance financial result)
	Operating net investment result	Net investment income Net insurance financial result (certain components)
	Distribution income	Share of profit from investments in associates and joint ventures, Other income and expense (certain components)
	Total finance costs	Other finance costs
	Other operating income (expense)	Other income and expense (certain components)
23.3	PTOI	Income before income taxes
	NOI attributable to common shareholders	Net income attributable to shareholders

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Section	Non-GAAP financial measures (continued)	Closest GAAP measures (continued)
23.4	Non-operating results	Net gains (losses) on investment portfolio, Net insurance financial result (certain components), Other net gains (losses), Acquisition, integration and restructuring costs
	MYA and FX on claims liabilities	Changes in discount rates and other financial assumptions
23.5	Adjusted net income attributable to common shareholders	Net income attributable to shareholders
23.6	NOIPS	EPS
	Operating and total income tax expense (benefit)	Income tax benefit (expense)
	Pre-tax income	Income before income taxes
23.7	Adjusted average common shareholders' equity	Equity attributable to shareholders
	Adjusted average common shareholders' equity (excluding AOCI)	Equity attributable to shareholders
	Debt outstanding (excluding hybrid debt)	Debt outstanding

The **Non-GAAP financial ratios** included in the MD&A and other financial reports are:

- operating net underwriting revenue growth and operating net underwriting revenue growth in constant currency;
- 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;
- adjusted debt-to-total capital ratio.

We also use other financial measures to assess our performance, including supplementary financial measures and segment measures included in the MD&A and other financial reports (other than the Consolidated financial statements). These include operating DPW, operating DPW growth, operating DPW growth in constant currency, total capital margin, our regulatory capital ratios, BVPS and BVPS (excluding AOCI).

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 analyzes performance. Non-GAAP and other financial measures used by management are fully defined and reconciled to the corresponding GAAP measures, where applicable.

See Section 23 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures (or “reported measures”), as well as the rationale for their use.

Restated 2022 figures include certain reclassifications that do not directly pertain to the adoption of the IFRS 17 accounting standard to align with the presentation adopted in the current year. Our comparative information was restated accordingly to maintain comparability (see “Restated” columns throughout this MD&A).

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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", "indicates", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this MD&A are made as at March 31, 2023, and are subject to change after that date.

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, economic and political environments and industry conditions. 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, credit, market, liquidity, operational, strategic and legal risks and the risks discussed in **Section 33.6- Top and emerging risks that may affect future results** and **Section 33.7- Other risk factors that may affect future results** of our MD&A for the year ended December 31, 2022, including a major earthquake, climate change, catastrophe, increased competition and disruption, turbulence in financial markets, reserving inadequacy, underwriting inadequacy, governmental and/or regulatory intervention, cyber security failure, failure of a major technology initiative, inability to contain fraud and/or abuse, customer dissatisfaction, social unrest, third party reliance, employee defined benefit pension plan, reinsurance inadequacy, distribution risks, inability to retain and to attract talent, business interruption to our operations, credit downgrade, limit on dividend and capital distribution.

All of the forward-looking statements included in this MD&A and the quarterly earnings press release dated May 10, 2023 are qualified by these cautionary statements and those made in the section entitled Risk management (**Sections 30-34**) of our MD&A for the year ended December 31, 2022 and the Company's Annual Information Form for the year ended December 31, 2022. 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 29,000 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.
- In Canada, we distribute insurance under the Intact Insurance brand through a wide network of brokers, including our wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. We also provide affinity insurance solutions through the Johnson Affinity Groups, as well as specialty insurance through our managing general agencies. 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. Our wide network of brokers, agents and managing general agencies distribute more than 75% of our business across all geographies.
- We report our financial results under three business segments: Canada, UK&I and US, and under the following lines of business: personal lines (which includes personal auto and personal property) and commercial lines (which includes specialty lines). Our business has grown organically and through acquisitions to over \$21 billion of total annual operating DPW, of which two-thirds are within our Canada segment. Approximately 50% of our business is within commercial lines across all segments, of which about 50% is Specialty lines.

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PERFORMANCE

Section 2 - Consolidated performance

2.1 Consolidated highlights

Q1-2023 Highlights (under IFRS 17)

- **Operating DPW¹ growth of 4% in Q1-2023**, despite the exit of UK personal lines motor, mainly reflecting rate actions in supportive market conditions
- **Combined ratio¹ of 87.4% (91.9% undiscounted)**, reflected solid underwriting performance in all geographies
- **Net operating income per share¹ up 4% to \$3.06**, on premium growth, higher investment yields and increased distribution income
- **EPS decreased to \$2.06**, due in part to non-recurring UK personal lines motor exit expenses, while **ROE was 15.4%**
- **BVPS¹ decreased 6% from Q4-2022 to \$77.72**, largely reflecting the UK pension de-risking actions
- **Balance sheet remained strong with a total capital margin of \$2.8 billion**, and debt-to-total capital ratio on track to return towards 20% by year end 2023

Table 1 - Consolidated performance¹

	Section	Q1-2023	Q1-2022 Restated ⁴	Change
Operating DPW¹ (growth in constant currency)	2.2	4,809	4,656	4%
Operating income				
Underwriting income (loss) ¹	2.2	613	531	15%
Operating net investment income ¹		295	205	44%
Net unwind of discount on claims liabilities ¹	11	(226)	(83)	nm
Operating net investment result ¹		69	122	(43)%
Distribution income ¹	2.2	105	92	14%
Total finance costs ¹	8	(54)	(42)	nm
Other operating income (expense) ¹	8	(31)	(36)	nm
Pre-tax operating income (PTOI)¹	4	702	667	5%
NOI attributable to common shareholders^{1, 2}		537	516	4%
Non-operating results ¹		(141)	(2)	nm
Net income		377	487	(23)%
Claims ratio ¹		53.4%	56.0%	(2.6) pts
Expense ratio ¹		34.0%	32.9%	1.1 pts
Combined ratio¹ (discounted)	2.2	87.4%	88.9%	(1.5) pts
Per share measures, basic and diluted (in dollars)				
NOIPS ¹	2.2	3.06	2.93	4%
EPS	2.2	2.06	2.76	(25)%
BVPS ¹	20.5	77.72	84.78	(8)%
Return on equity for the last 12 months				
OROE ^{1, 3}	2.2	14.1%	16.6%	n/a
AROE ^{1, 3}	2.2	18.3%	18.8%	n/a
ROE ^{1, 3}	2.2	15.4%	14.9%	n/a
Total capital margin ¹	20.2	2,769	2,567	229
Adjusted debt-to-total capital ratio ¹	20.3	22.4%	23.4%	(1.0) pt

¹ See Section 23 – Non-GAAP and other financial measures for more details.² Net of preferred share dividends and net income attributable to non-controlling interests. See Table 45 for more details.³ OROE, AROE and ROE are not restated for IFRS 17, given that 2021 P&L figures were not restated for IFRS 17 (last 12 months)⁴ Restated for the adoption of IFRS 17 – Insurance contracts

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2.2 Consolidated performance

Table 2 – Consolidated underwriting performance¹

	Section	Q1-2023	Q1-2022 Restated	Change
Operating DPW (<i>growth in constant currency</i>)				
Canada	5.1	2,996	2,893	4%
UK&I	6.1	1,235	1,292	(1)%
US	7.1	578	471	15%
Total		4,809	4,656	4%
Combined ratio (<i>undiscounted</i>)				
Canada	5.1	91.7%	91.1%	0.6 pts
UK&I	6.1	94.6%	98.2%	(3.6) pts
US	7.1	89.1%	86.8%	2.3 pts
Combined ratio (undiscounted)		91.9%	92.1%	(0.2) pts
Impact of discounting ²		(4.5)%	(3.2)%	(1.3) pts
Combined ratio (discounted)		87.4%	88.9%	(1.5) pts

¹ See Section 23 – Non-GAAP and other financial measures for more details.

² Includes the impact of discount build on our claims liabilities for all P&C segments. See Section 3 – IFRS 17 transitional impact for more information.

Q1-2023 vs Q1-2022	
Operating DPW growth¹ (<i>in constant currency</i>) (Sections 5-7)	<ul style="list-style-type: none"> Operating DPW growth was 4%, or 5% excluding strategic exits such as UK personal lines motor and certain UK delegated relationships, reflecting solid rate momentum across all geographies.
Underwriting income¹ (<i>loss</i>) (Sections 5-7)	<ul style="list-style-type: none"> Solid combined ratio of 91.9% (undiscounted), in line with last year, was driven by a robust performance in commercial lines across all segments. Personal lines in Canada performed well, with auto in line with expectations, while the UK&I personal lines were impacted by elevated inflation and water-related losses. Profitability actions, including rate increases and exited portfolios, continue to bear fruit across the business. Solid combined ratio of 87.4% (discounted) was 4.5 points lower than our undiscounted combined ratio, driven by the high discount rates in effect.
Operating net investment result¹ (Section 11)	<ul style="list-style-type: none"> Operating net investment income increased by 44% to \$295 million, driven by higher reinvestment yields and increased turnover over the last 12 months. Net unwind of discount on claims liabilities was \$(226) million this quarter, compared to \$(83) million in Q1-2022, reflecting higher interest rates. The net impact of the discount build and unwind on claims liabilities was a minimal \$(7) million in the quarter, in line with expectations, compared to \$73 million in Q1-2022. See Section 8 – Corporate and other for more details.
Distribution income¹	<ul style="list-style-type: none"> Distribution income increased by 14% to \$105 million, driven by accretive acquisitions and continued strong profitability.
Total finance costs¹ (Section 8)	<ul style="list-style-type: none"> Total finance costs of \$54 million increased compared to last year, reflecting rate increases on new financing and on short-term debt.
Other operating income (expense)¹ (Section 8)	<ul style="list-style-type: none"> Other operating expenses of \$31 million was largely in line with our expected run-rate.
NOIPS¹	<ul style="list-style-type: none"> NOIPS of \$3.06 up 4% from Q1-2022, driven by premium growth with a solid underwriting performance, higher investment yields and an increase in distribution income.
Non-operating results¹ (Section 12)	<ul style="list-style-type: none"> Non-operating losses of \$141 million included underwriting losses and restructuring costs from the UK personal lines motor exit. It also reflected minimal losses on equity investments, compared to significant gains last year.

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Effective income tax rates ²	<ul style="list-style-type: none"> Operating effective income tax rate of 21.2% was essentially in line with 2022 and expectation. Total effective income tax rate of 32.8% was elevated due to a temporary increase in the non-operating income tax expense driven by the UK pension buy-in transaction (<i>See Section 19 – Employee future benefit programs</i> for more details on this transaction).
EPS	<ul style="list-style-type: none"> EPS of \$2.06 decreased by 25%, as the increase in operating earnings was offset in part by the non-operating losses previously mentioned and a temporary increase in the effective tax rate driven by the UK pension buy-in.
Return on equity for the last 12 months ¹	<ul style="list-style-type: none"> Operating ROE of 14.1% reflected a robust operating performance and is expected to increase over the next twelve months, when the full weighted impact of the UK pension buy-in transaction will be recognized in our average common shareholders' equity (currently adjusted on a prorata basis of number of days). Adjusted ROE of 18.3% and ROE of 15.4% also reflected a strong operating result across the business and was bolstered by the gain from the sale of Codan DK in Q2-2022.
BVPS ¹ (Section 20.5)	<ul style="list-style-type: none"> BVPS decreased by 6% from Q4-2022 (restated), driven by the UK pension buy-in transaction, a significant step in de-risking the UK pension plans (see <i>Section 19 – Employee future benefit programs for more details</i>).
Adjusted debt-to-total capital ratio ¹ (Section 20.3)	<ul style="list-style-type: none"> Our adjusted debt-to-total capital ratio increased to 22.4% as at March 31, 2023, in line with expectation, reflecting the impact of the UK pension buy-in transaction. We remain on track to return towards our target of 20% by year end 2023.
Financial condition (Section 20.2)	<ul style="list-style-type: none"> We ended the quarter in a strong financial position, with solid regulatory capital ratios in all jurisdictions and a strong total capital margin of \$2.8 billion, a \$0.4 billion improvement over the quarter, due to a solid underwriting performance and positive impacts related to our investment portfolio.

¹ See Section 23 – Non-GAAP and other financial measures for more details.

² See Note 17.2 – Effective income tax rate to the interim condensed consolidated financial statements and Section 23 – Non-GAAP and other financial measures for more details.

GAAP MEASURES

Throughout our MD&A, we refer to the KPIs that we use to manage our business.

We use the following KPIs that are GAAP measures (Net income and EPS) or ratios based on GAAP measures (BVPS¹). These KPIs are not adjusted from the measures presented in our interim condensed consolidated financial statements:

Net income	EPS	BVPS ¹
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We also use KPIs that are non-GAAP financial measures or non-GAAP ratios which do not have a meaning prescribed by IFRS. We have illustrated them below, alongside their closest GAAP measures.

Non-GAAP KPIs			Closest GAAP measures		
MD&A captions	Q1-2023	Q1-2022	FS captions	Q1-2023	Q1-2022
Operating net underwriting revenue (<i>Table 39</i>)	4,864	4,761	Insurance revenue	6,354	6,806
			Allocation of reinsurance premiums	(847)	(886)
Total operating net claims & expenses (<i>Table 39</i>)	4,251	4,230	Insurance service expense	(5,596)	(6,042)
			Amounts recoverable from reinsurers	733	692
Underwriting income (loss) (<i>Table 39</i>)	613	531	Insurance service result	644	570
Operating net investment result (<i>Section 23.2</i>)	69	122	Net investment income	295	207
			Unwind of discount ²	(203)	(79)
PTOI	702	667	Income before income taxes	551	657
NOI attributable to common shareholders	537	516	Net income attributable to shareholders	377	499
NOIPS	3.06	2.93	EPS	2.06	2.76

¹ BVPS is a supplementary financial measure composed of Common shareholders' equity, as per IFRS, divided by the number of common shares outstanding as at the same date.

² Included within Note 16 – Net investment return and net insurance financial result from the interim condensed consolidated financial statements.

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Section 3 - IFRS 17 transitional impact

Q1-2023 is the first quarter reported under IFRS 17 and IFRS 9. 2022 comparatives were restated for IFRS 17 only. The highlights below are intended to illustrate the key impacts of IFRS 17 on the comparative year (Q1-2022 and FY 2022). For more details, refer to *Note 3 – Adoption of new accounting standards to the interim condensed consolidated financial statements* and our Investor presentation dated April 27, 2023, available on our website at www.intactfc.com.

3.1 Impact on our comparative Q1 and FY 2022 consolidated KPIs (Δ IFRS 4 vs IFRS 17)

KPI	Key highlights (IFRS 17)	Q1-2022 Δ IFRS 4 vs 17	FY 2022 Δ IFRS 4 vs 17
Underwriting income (loss) ¹	<ul style="list-style-type: none"> Impact from changes in recognition patterns and methodologies are largely due to timing differences from deferred acquisition costs (depending on premium growth), onerous contracts (depending on future profitability) and discounting (depending on interest rates). Over time, we do not expect timing differences to be significant. 	+\$52 million	+\$60 million
	<ul style="list-style-type: none"> Overall increase to underwriting income, driven by the reclassification of the net unwind of discount on claims liabilities (with a similar decrease to operating net investment result and no overall impact to NOIPS). 	+\$83 million	+\$378 million
Operating net investment result ¹	<ul style="list-style-type: none"> Overall decrease to operating net investment result, driven by the reclassification of the net unwind of discount on claims liabilities (with a similar increase to underwriting income and no overall impact to NOIPS). 	-\$83 million	-\$378 million
NOIPS ¹	<ul style="list-style-type: none"> The most significant presentation change within operating income was the reclassification of the net unwind of discount on claims liabilities from underwriting income to operating net investment result. Overall increase to Q1-2022 underwriting is driven by a decrease in our net claims liabilities due to the change in discount rate methodology² and risk adjustment³. 	+\$0.23	+\$0.04
EPS	<ul style="list-style-type: none"> Overall increase to net income is driven by the positive NOIPS impact described above, as well as a favourable impact within exited lines, resulting from the change in discount rate methodology², risk adjustment³ and reclassification of the net unwind of discount on claims liabilities. 	+\$0.23	+\$0.17
BVPS ¹	<ul style="list-style-type: none"> Upon transition on January 1, 2022, BVPS has slightly increased mainly due to the deferral of allocated acquisition costs that were previously expensed as incurred. On December 31, 2022, BVPS has slightly increased mainly due to the deferral of allocated acquisition costs and a decrease to our net claims liabilities (as described above), partly offset by the recognition of onerous contracts. 	Q1-2022: \$2.58 (+3%)	Q4-2022: \$2.53 (+3%)

¹ See Section 23 – Non-GAAP and other financial measures for more details.

² Under IFRS 17, our claims liabilities are discounted using a rate based on a reference portfolio of assets that reflects the characteristics and duration of the claims liabilities (as opposed to the estimated market yield of the underlying assets backing the claims liability).

³ Risk adjustment replaces the previous concept of risk margin, and no longer accounts for the investment interest rate risk.

3.2 Equity restatement upon transition to IFRS 17

The table below shows the impact that the IFRS 17 transition had to our equity:							
\$14,499M	\$384M	\$163M	\$(27M)	\$17M	\$16M	\$(133M)	\$14,919M
Equity to common shareholders Dec. 31, 2021 (as reported)	Deferral of acquisition costs	Reserving methodology changes	Onerous contracts	Claims acquired in a business combination	Other	Tax effect	Equity to common shareholders Jan. 1, 2022
+\$420M (AFTER TAX) OR \$2.39 PER SHARE							
Additional impact from restatement of 2022 comparatives is less than 1% of equity (+\$0.14 per share)							

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3.3 Discounted combined ratios by segment and line of business

Discount build and net unwind of discount on claims liabilities are time value concepts that offset to zero over the lifetime of a claim. For a more comprehensive explanation of these concepts, please refer to the Investor presentation dated April 27, 2023, available on our website.

IFRS 4

Both the favourable discount build as well as the unfavourable net unwind of discount on claims liabilities were both included within the combined ratio of each line of business/segment, largely offsetting each other.

IFRS 17

The favourable discount build remains within underwriting income. However, the unfavourable net unwind of discount on claims liabilities is now reported outside of underwriting income, within our operating net investment result. Operating net investment income remains unchanged.

KPI impact

No overall NOIPS impact from the presentation change explained above. Our consolidated combined ratio will improve, with an offset in operating net investment result. This change in presentation does not impact the underlying fundamentals or how we manage our lines of business.

Given the changes described above, **we will now present our segments and lines of business on an undiscounted basis (including risk adjustment) to maintain comparability over time** (throughout Sections 5 to 7). We will also provide discounted combined ratios, as presented in Table 3 below.

Insight

IFRS 17 brought other methodology changes to the calculation of the discount rates. Given that we were already discounting our reserves, the overall impact of these changes is limited.

The new method to calculate the changes in discount rates and other financial assumptions (referred to as **MYA** or market yield adjustment in the MD&A), will now capture less of the movements in rate changes throughout the year. The new method could allow for more volatility in operating results, in years where are significant changes in discount rates. This was the case in the 2022 transition year, and as such we have adjusted the discount build in the transition year (see Table 47 in **Section 23 – Non-GAAP and other financial measures** for more details on this adjustment).

In the table below, we have provided undiscounted and discounted (excluding net unwind of discount on claims liabilities) combined ratios by line of business. When assessing our performance versus our competitors, it is important to compare combined ratios on a similar basis of calculation.

Table 3 - Discounted & undiscounted combined ratios by segment and by lines of business¹

	Q1-2023		Q1-2022	
	Undiscounted	Discounted	Undiscounted	Discounted ²
By segment				
P&C Canada				
Personal auto	97.1%	92.0%	93.7%	90.6%
Personal property	84.5%	83.0%	88.3%	87.5%
Commercial lines	90.8%	84.9%	89.9%	86.9%
	91.7%	87.3%	91.1%	88.6%
P&C UK&I				
Personal lines	107.3%	105.3%	110.5%	108.7%
Commercial lines	88.2%	81.6%	90.3%	87.4%
	94.6%	89.5%	98.2%	95.7%
P&C US	89.1%	84.8%	86.8%	84.6%
Combined ratio	91.9%	87.4%	92.1%	88.9%

¹See **Section 23 – Non-GAAP and other financial measures** for more details.

²Included an adjustment of the discount build in the transition year within Corporate – see **Section 23.4 – Non-operating results** for more details.

Q1-2023 vs. Q1-2022 highlights

- Discount rates in Q1-2023 were elevated compared to recent levels.
- The impact of discounting varies by line of business and is impacted by the duration of claims in that particular line. For example, commercial lines (including specialty lines) and Canada personal auto tend to have longer-tail exposures than Canada personal property and UK&I personal lines, and therefore the impact of discounting is more pronounced in these lines.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 4 - Segment performance

We report our financial results under the three business segments and the 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 12.2 – Income (loss) from exited lines* for more details).

BUSINESS SEGMENTS			Corporate and Other (Corporate)
Canada (CAN) Segment	UK and International (UK&I) Segment	US Segment	
Underwriting and distribution activities in Canada.	Underwriting activities in the UK, Ireland and Europe.	Underwriting and distribution activities in the US.	Corporate underwriting income includes the impact of discount build on our claims liabilities.
Three lines of business: Personal auto Personal property Commercial lines	Two lines of business: Personal lines Commercial lines	One line of business: Commercial lines	Corporate also includes activities managed centrally, including investment activities, financing activities, net unwind of discount on our claims liabilities, as well as corporate centres of expertise outside the business segments and other head office responsibilities.

4.1 Operating performance by segment

Table 4 – Operating performance by segment^{1,2}

For the quarters ended March 31,	2023					2022 - Restated				
	CAN	UK&I	US	Corp.	Total	CAN	UK&I	US	Corp.	Total
Operating DPW	2,996	1,235	578	-	4,809	2,893	1,292	471	-	4,656
Operating income										
Operating net underwriting revenue	3,368	992	496	8	4,864	3,274	1,061	421	5	4,761
Operating net claims	(2,006)	(568)	(244)	219	(2,599)	(1,957)	(663)	(202)	159	(2,663)
Operating net underwriting expenses	(1,083)	(370)	(198)	(1)	(1,652)	(1,025)	(379)	(163)	-	(1,567)
Underwriting income (loss)	279	54	54	226	613	292	19	56	164	531
Operating net investment income	-	-	-	295	295	-	-	-	205	205
Net unwind of discount on claims liabilities	-	-	-	(226)	(226)	-	-	-	(83)	(83)
Operating net investment result	-	-	-	69	69	-	-	-	122	122
Distribution income	100	-	5	-	105	92	-	-	-	92
Total finance costs	(4)	-	-	(50)	(54)	(1)	-	-	(41)	(42)
Other operating income (expense)	-	-	-	(31)	(31)	-	-	-	(36)	(36)
PTOI	375	54	59	214	702	383	19	56	209	667

¹ The totals of the segment measures reconcile to *Table 1 – Consolidated performance*.

² See *Section 23 – Non-GAAP and other financial measures* for more details.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 5 - Canada segment



5.1 P&C Canada

Table 5 – Underwriting results for P&C Canada¹

	Q1-2023	Q1-2022 Restated	Change
Operating DPW	2,996	2,893	4%
Operating net underwriting revenue	3,368	3,274	3%
Underwriting income (loss)	279	292	(4)%
Underwriting ratios			
Underlying current year loss ratio	61.5%	64.1%	(2.6) pts
CAT loss ratio	2.8%	2.2%	0.6 pts
(Favourable) unfavourable PYD ratio	(4.7)%	(6.5)%	1.8 pts
Claims ratio	59.6%	59.8%	(0.2) pts
Commissions	15.7%	15.2%	0.5 pts
General expenses	12.7%	12.2%	0.5 pts
Premium taxes	3.7%	3.9%	(0.2) pts
Expense ratio	32.1%	31.3%	0.8 pts
Combined ratio (undiscounted)	91.7%	91.1%	0.6 pts
Personal auto (undiscounted) 5.2	97.1%	93.7%	3.4 pts
Personal property (undiscounted) 5.3	84.5%	88.3%	(3.8) pts
Commercial lines (undiscounted) 5.4	90.8%	89.9%	0.9 pts

¹ See Section 23 – Non-GAAP and other financial measures and Section 12.2 – Income (loss) from exited lines for more details

Q1-2023 vs Q1-2022

- **Operating DPW growth was 4%**, reflecting continued rate momentum across all lines of business, tempered by muted unit growth.
- **Expense ratio increased to 32.1%** driven by slightly higher marketing and technology expenses, in line with our expectations, as well as slightly higher commissions.
- **Combined ratio was solid at 91.7%**, despite a 0.6-point increase from Q1-2022, reflecting a strong performance in personal property and commercial lines driven by the benefit of our rate increases and favourable weather.



Insight

Our Q1-2023 and Q1-2022 underwriting ratios are based on a higher denominator which includes operating NEP plus the addition of other insurance revenues which were previously netted against underwriting expenses. Overall, this has not impacted underwriting income, but has led an immaterial uptick in combined ratio.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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



5.2 Personal auto

Table 6 – Underwriting results for Personal auto¹

	Q1-2023	Q1-2022 <i>Restated</i>	Change
Operating DPW	1,169	1,115	5%
Written insured risks (in thousands)	1,017	1,034	(2)%
Operating net underwriting revenue	1,379	1,347	2%
Underwriting income (loss)	41	84	(51)%
Underlying current year loss ratio	78.4%	73.9%	4.5 pts
CAT loss ratio	- %	- %	- pts
(Favourable) unfavourable PYD ratio	(7.3)%	(5.1)%	(2.2) pts
Claims ratio	71.1%	68.8%	2.3 pts
Expense ratio	26.0%	24.9%	1.1 pts
Combined ratio (undiscounted)	97.1%	93.7%	3.4 pts

¹ See Section 23 – Non-GAAP and other financial measures for more details

Q1-2023 vs Q1-2022

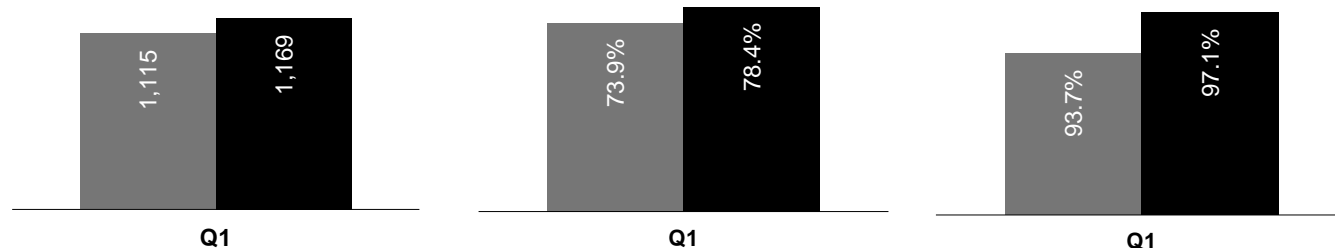
- **Operating DPW growth of 5%, up 3 points from the preceding quarter**, was driven by high single-digit rate increases in a firming market, while retention remains strong.
- **Underlying current year loss ratio of 78.4%** reflects winter seasonality and higher-than-expected theft claims. Increased severity compared to last year was driven by elevated, but moderating, inflation while frequency remained lower than pre-pandemic averages.
- **Favourable PYD of 7.3%** continued to reflect our prudent reserving practices.
- **Expense ratio of 26.0% increased by 1.1 points**, largely due to higher variable commissions, as well as higher general expenses, consistent with the increase at the Canada level.
- **Combined ratio of 97.1%** was 3.4 points higher than last year, driven by increased claims severity, though in line with our sub-95 expectation excluding seasonality. This line has shown its resilience in the quarter, despite higher severity and elevated theft claims, thanks to the benefit of our profitability actions and continued low frequency.
- **We expect to continue to deliver a seasonally adjusted sub-95 combined ratio in the next twelve months.**

Operating DPW

Underlying current year loss ratio

Combined ratio

■ 2022 ■ 2023



Management's Discussion and Analysis for the quarter ended March 31, 2023

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

5.3 Personal property

Table 7 – Underwriting results for Personal property¹

	Q1-2023	Q1-2022 <i>Restated</i>	Change
Operating DPW	760	716	6%
Written insured risks (in thousands)	584	581	1%
Operating net underwriting revenue	878	849	3%
Underwriting income (loss)	136	99	37%
Underlying current year loss ratio	45.0%	50.2%	(5.2) pts
CAT loss ratio	3.4%	6.1%	(2.7) pts
(Favourable) unfavourable PYD ratio	1.8%	(2.7)%	4.5 pts
Claims ratio	50.2%	53.6%	(3.4) pts
Expense ratio	34.3%	34.7%	(0.4) pts
Combined ratio (undiscounted)	84.5%	88.3%	(3.8) pts

¹ See Section 23 – Non-GAAP and other financial measures for more details

Q1-2023 vs Q1-2022

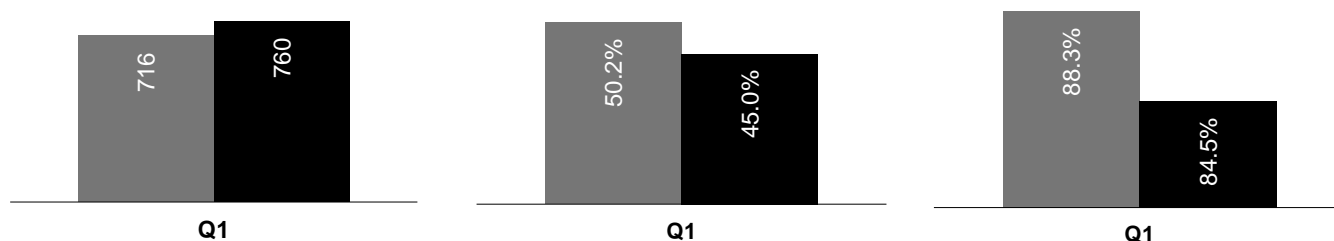
- **Operating DPW growth of 6%** reflected continued rate momentum in firm market conditions.
- **Strong underlying current year loss ratio, which improved 5.2 points to 45.0%**, reflected the benefit of higher earned rates and favourable weather, as well as fewer large fire losses compared to last year's elevated level.
- **CAT loss ratio of 3.4%** was due to the February freeze storm, though it remained lower than last year and expectation.
- **Unfavourable PYD ratio of 1.8%** reflected unfavourable development on last year's CAT losses and on prior year large losses.
- **Expense ratio of 34.3% was essentially in line with last year**, driven by lower variable commissions offset by higher general expenses, consistent with the increase at the Canada level.
- **Combined ratio was strong at 84.5%**, driven by a robust underlying performance and favourable weather.

Operating DPW

Underlying current year loss ratio

Combined ratio

■ 2022 ■ 2023



Management's Discussion and Analysis for the quarter ended March 31, 2023

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

5.4 Commercial lines

Table 8 – Underwriting results for Commercial lines¹

	Q1-2023	Q1-2022 <i>Restated</i>	Change
Operating DPW	1,067	1,062	- %
Operating net underwriting revenue	1,111	1,078	3%
Underwriting income (loss)	102	109	(6)%
Underlying current year loss ratio	53.8%	62.7%	(8.9) pts
CAT loss ratio	5.6%	1.7%	3.9 pts
(Favourable) unfavourable PYD ratio	(6.7)%	(11.1)%	4.4 pts
Claims ratio	52.7%	53.3%	(0.6) pts
Expense ratio	38.1%	36.6%	1.5 pts
Combined ratio (undiscounted)	90.8%	89.9%	0.9 pts

¹ See Section 23 – Non-GAAP and other financial measures for more details

Q1-2023 vs Q1-2022

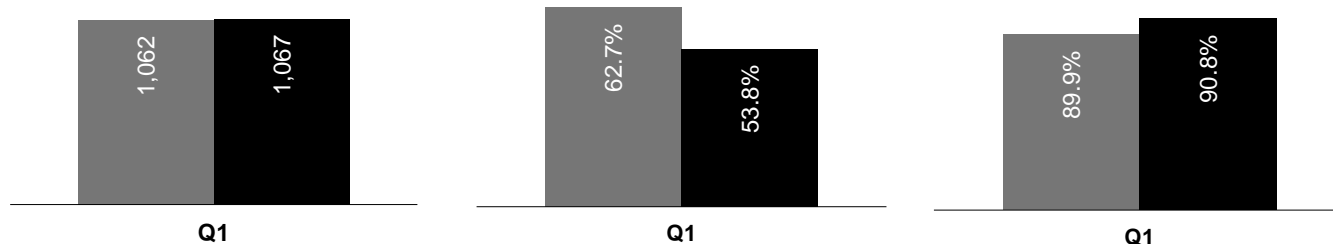
- **Operating DPW growth was muted**, reflecting continued rate increases and strong retention in most lines, offset by targeted actions to optimize the portfolio and increased competition for large accounts in Specialty Lines.
- **Strong underlying current year loss ratio improved by 8.9 points to 53.8%**, reflecting the benefit of our profitability actions, including higher earned rates, and lower frequency from favourable weather.
- **CAT loss ratio of 5.6%** was higher than last year, driven by the February freeze storm and a 2-point impact from a large commercial fire.
- **Favourable PYD ratio was strong at 6.7%**, reflecting favourable development on expected losses from longer-tail exposures.
- **Expense ratio of 38.1% increased by 1.5 points**, largely due to higher variable commissions, as well as higher general expenses, consistent with the increase at the Canada level.
- **Combined ratio was solid at 90.8%**, 0.9 points higher than last year, as our strong underlying performance was offset in part by higher CAT losses and more modest favourable prior year development. **This line remains well positioned to continue to deliver a low-90s combined ratio.**

Operating DPW

Underlying current year loss ratio

Combined ratio

■ 2022 ■ 2023



Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 6 - UK and International (UK&I) segment

6.1 P&C UK&I

Table 9 – Underwriting results for P&C UK&I¹

	Q1-2023	Q1-2022 Restated	Change
Operating DPW	1,235	1,292	(4)%
Growth in constant currency			(1)%
Operating net underwriting revenue	992	1,061	(7)%
Growth in constant currency			(3)%
Underwriting income (loss)	54	19	184%
Underwriting ratios			
Underlying current year loss ratio	60.6%	55.8%	4.8 pts
CAT loss ratio	0.4%	10.5%	(10.1) pts
(Favourable) unfavourable PYD ratio	(3.7)%	(3.8)%	0.1 pts
Claims ratio	57.3%	62.5%	(5.2) pts
Commissions	18.1%	16.1%	2.0 pts
General expenses	19.2%	19.6%	(0.4) pts
Expense ratio	37.3%	35.7%	1.6 pts
Combined ratio (undiscounted)	94.6%	98.2%	(3.6) pts
Personal lines (undiscounted)	6.2	110.5%	(3.2) pts
Commercial lines (undiscounted)	6.3	88.2%	(2.1) pts

¹ See Section 23 – Non-GAAP and other financial measures and Section 12.2 – Income (loss) from exited lines for more details

Q1-2023 vs Q1-2022
<ul style="list-style-type: none"> • Operating DPW decreased by 1% in the quarter on a constant currency basis. This included a 4-point negative impact from the exit of our UK personal lines motor portfolio and a 2-point negative impact from the footprint optimization of our commercial delegated portfolio. Excluding this impact, growth was 5% reflecting strong growth in commercial lines mostly due to speciality, with personal lines broadly flat on an underlying basis. • Expense ratio of 37.3%, 1.6 points higher than last year, which benefitted from variable commissions recoveries relating to the losses from the UK windstorms event. General expenses ratio has improved marginally compared to last year. • Combined ratio of 94.6% was 3.6 points better due to benign CAT losses this quarter and the exit of the UK personal lines motor portfolio. This was partly offset by higher underlying losses in personal lines due to inflation pressures and water related claims. Performance in commercial lines continued to be strong this quarter, with a combined ratio of 88.2%. • On March 28, 2023, we announced our exit from the UK personal lines motor market and entered into an agreement to introduce, upon renewal, our direct motor customers to Atlanta Insurance Intermediaries Limited (Swinton). The exit followed a strategic review of operations with a decision to focus on areas where we have scale and aim to outperform. As such, the results of this line have been reported in our non-operating results, effective January 1, 2023. See Section 12.2 – Income (loss) from exited lines for more details

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

6.2 Personal lines

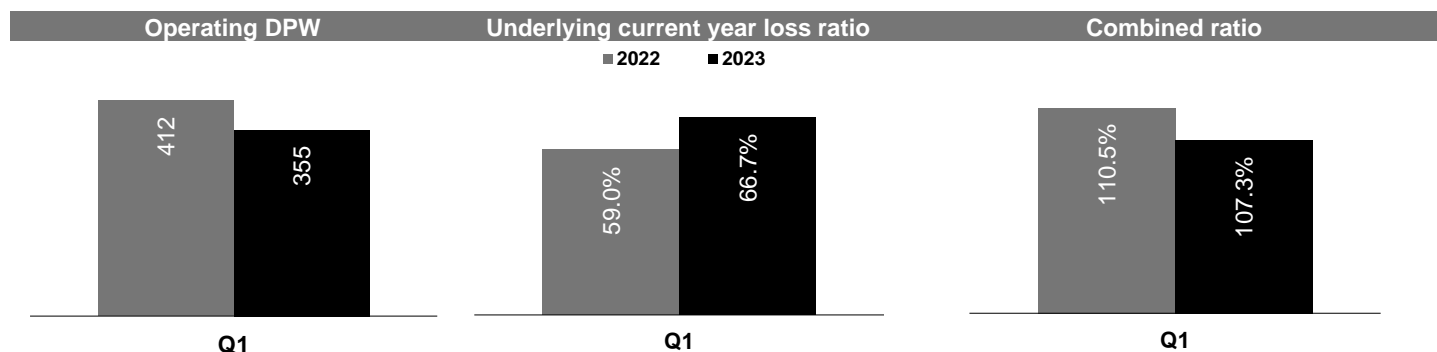
Table 10 – Underwriting results for Personal lines¹

	Q1-2023	Q1-2022 Restated	Change
Operating DPW	355	412	(14)%
Growth in constant currency			(11)%
Operating net underwriting revenue	331	415	(20)%
Growth in constant currency			(17)%
Underwriting income (loss)	(24)	(43)	(44)%
Underlying current year loss ratio	66.7%	59.0%	7.7 pts
CAT loss ratio	- %	14.0%	(14.0) pts
(Favourable) unfavourable PYD ratio	2.2%	1.6%	0.6 pts
Claims ratio	68.9%	74.6%	(5.7) pts
Expense ratio	38.4%	35.9%	2.5 pts
Combined ratio (undiscounted)	107.3%	110.5%	(3.2) pts

¹ See Section 23 – Non-GAAP and other financial measures for more details

Q1-2023 vs Q1-2022

- **Operating DPW decreased by 11% on a constant currency basis for the quarter**, reflecting the exit of our UK personal lines motor portfolio. Excluding this impact, growth would have been flat in the quarter. We remained disciplined in firming but still competitive market conditions, prioritizing risk selection, improving pricing sophistication and managing partnerships for value.
- **Underlying current year loss ratio of 66.7%** was elevated due to inflation pressures and water damage claims relating to burst pipes in our UK home portfolio.
- **There were no CAT losses this quarter.**
- **Unfavourable PYD ratio of 2.2%** was driven by a 4-point adverse development impact from the 2022 December freeze event.
- **Expense ratio of 38.4%** was in line with expectation but 2.5 points higher than last year, which benefitted from variable commission recoveries relating to the UK windstorms event.
- **Combined ratio of 107.3%** reflected a 4-point adverse impact relating to the 2022 December freeze event, as well as inflationary pressures. Q1 is a seasonally unfavourable quarter and we expect performance to be in the upper 90s in the coming quarters as our actions on the home portfolio begin to pay off.



Management's Discussion and Analysis for the quarter ended March 31, 2023

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

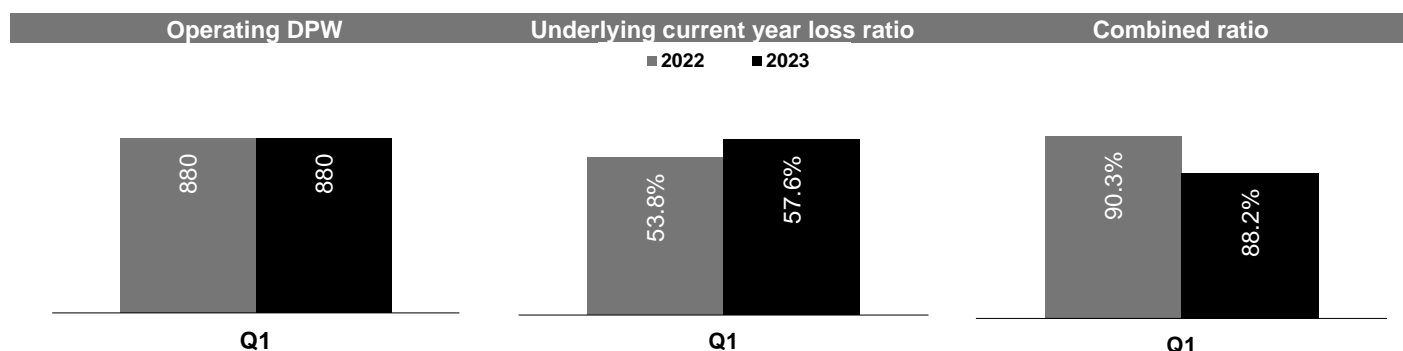
6.3 Commercial lines


Table 11 – Underwriting results for Commercial lines¹

	Q1-2023	Q1-2022 Restated	Change
Operating DPW	880	880	- %
Growth in constant currency			3%
Operating net underwriting revenue	661	646	2%
Growth in constant currency			6%
Underwriting income (loss)	78	62	26%
Underlying current year loss ratio	57.6%	53.8%	3.8 pts
CAT loss ratio	0.6%	8.2%	(7.6) pts
(Favourable) unfavourable PYD ratio	(6.7)%	(7.2)%	0.5 pts
Claims ratio	51.5%	54.8%	(3.3) pts
Expense ratio	36.7%	35.5%	1.2 pts
Combined ratio (undiscounted)	88.2%	90.3%	(2.1) pts

¹ See Section 23 – Non-GAAP and other financial measures for more details

Q1-2023 vs Q1-2022
<ul style="list-style-type: none"> Operating DPW growth in constant currency of 3% for the quarter. Excluding the impact of strategic exits, underlying growth of 6% was driven by low double-digit growth in specialty lines led by mid-single-digit rate increases, strong retention levels and new business. Underlying current year loss ratio of 57.6% was higher than last year driven by non-weather-related losses, mostly in specialty lines, tempered in part by the benefits of rate increases and our focus on portfolio quality. CAT loss ratio of 0.6% reflected a benign quarter. Favourable PYD was strong at 6.7% for the quarter, better than expected, reflecting positive development on non-weather-related losses across most portfolios. Expense ratio of 36.7% is 1.2 points higher than last year, largely due to higher commissions in specialty lines. Combined ratio was strong at 88.2%, reflecting continued benefits of our profitability actions and benign CAT losses in the quarter. Our commercial lines business remains well positioned to grow.



Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 7 - US segment



7.1 P&C US

Table 12 – Underwriting results for P&C US¹

	Q1-2023	Q1-2022 Restated	Change
Operating DPW	578	471	23%
Growth in constant currency			15%
Operating net underwriting revenue	496	421	18%
Growth in constant currency			10%
Underwriting income (loss)	54	56	(4)%
Underlying current year loss ratio	49.7%	50.2%	(0.5) pts
CAT loss ratio	2.1%	- %	2.1 pts
(Favourable) unfavourable PYD ratio	(2.7)%	(2.1)%	(0.6) pts
Claims ratio	49.1%	48.1%	1.0 pt
Commissions	18.7%	17.6%	1.1 pts
General expenses	19.0%	18.9%	0.1 pts
Premium taxes	2.3%	2.2%	0.1 pts
Expense ratio	40.0%	38.7%	1.3 pts
Combined ratio (undiscounted)	89.1%	86.8%	2.3 pts

¹ See Section 23 – Non-GAAP and other financial measures and Section 12.2 – Income (loss) from exited lines for more details

Q1-2023 vs Q1-2022

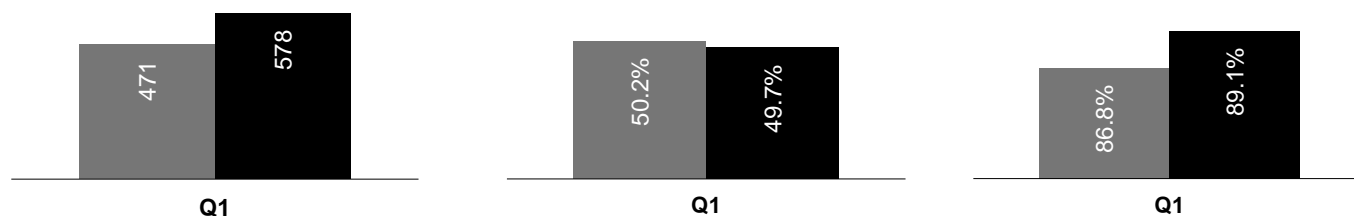
- **Strong operating DPW growth in constant currency of 15%** was driven by newer products (including business written by our Highland MGA, acquired last year), new business, as well as continued rate increases.
- **Operating net underwriting revenue growth in constant currency of 10%** is lower than our operating DPW growth, due to high reinsurance quota-share cessions on newer, high-growth products.
- **Underlying current year loss ratio was strong at 49.7%**, the slight improvement from last year driven by a favourable business mix, offset in part by unfavourable weather.
- **CAT loss ratio of 2.1%** was driven by a large commercial fire.
- **Favourable PYD ratio from our continuing business was solid at 2.7%**, in line with last year.
- **Expense ratio of 40.0%** was mainly driven by higher commissions due to our changing business mix.
- **Combined ratio was solid at 89.1%**, reflecting robust underwriting discipline. The increase of 2.3 points from last year was driven by a large fire-related CAT loss.

Operating DPW

Underlying current year loss ratio

Combined ratio

■ 2022 ■ 2023



Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 8 - Corporate and other

8.1 Corporate and other

Table 13 – Corporate and other¹

	Section	Q1-2023	Q1-2022 Restated	Change
Corporate reinsurance		7	8	(1)
Discount build on claims liabilities		219	156	63
Corporate underwriting income (loss)		226	164	62
Operating net investment income		295	205	90
Net unwind of discount on claims liabilities		(226)	(83)	(143)
Operating net investment result ¹	11	69	122	(53)
Total finance costs		(50)	(41)	(9)
Other operating income (expense) ²		(31)	(36)	5
Total corporate and other		214	209	5

¹ See Section 23 – Non-GAAP and other financial measures for more details² Other operating income (expense) can fluctuate from quarter to quarter and includes consolidation adjustments as well as other operating items.

Q1-2023 vs Q1-2022

- **The discount build on claims liabilities was \$219 million this quarter**, compared to \$156 million in Q1-2022 due to higher interest rates in this quarter compared to last year.
- **Net unwind of discount on claims liabilities was \$(226) million this quarter**, compared to \$(83) million in Q1-2022, reflecting the increase in interest rates between December 31, 2021 and December 31, 2022.
- **Total finance costs of \$50 million** were in line with the preceding quarter, but increased compared to last year, reflecting rate increases on new financing and on short-term debt.
- **Other operating expenses of \$31 million** was largely in line with our expected run-rate.



Insight

We have grouped below the discount & net unwind of discount for comparability with IFRS 4 presentation:

	Q1-2023	Q1-2022	Change
Discount build on claims liabilities	219	156	63
Net unwind of discount on claims liabilities	(226)	(83)	(143)
Total net impact	(7)	73	(80)

- In Q1-2023, the discount build on claims liabilities and the net unwind of discount on claims liabilities largely **offset each other for a minimal effect, in line with expectation**.
- In Q1-2022, **the total net impact of \$73 million was driven by the rapid increase in interest rates**, given that the net unwind on prior year claims is largely calculated based on discount rates fixed at the beginning of the period, while the discount build on current year claims uses the average yield in effect in the quarter.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 9 - Prior year claims development

Table 14 – Net (favourable) unfavourable PYD ratio by segment¹

	Q1-2023	Q1-2022 <i>Restated</i>	Change
P&C Canada			
Personal auto	(7.3)%	(5.1)%	(2.2) pts
Personal property	1.8%	(2.7)%	4.5 pts
Commercial lines	(6.7)%	(11.1)%	4.4 pts
	(4.7)%	(6.5)%	1.8 pts
P&C UK&I			
Personal lines	2.2%	1.6%	0.6 pts
Commercial lines	(6.7)%	(7.2)%	0.5 pts
	(3.7)%	(3.8)%	0.1 pts
P&C US	(2.7)%	(2.1)%	(0.6) pts
Total segments PYD ²	(4.3)%	(5.5)%	1.2 pts
Impact of discount build on PYD ³	(1.0)%	(0.4)%	(0.6) pts
Consolidated	(5.3)%	(5.9)%	0.6 pts

¹ See Section 23 – Non-GAAP and other financial measures for more details

² Includes the impact of PYD on corporate reinsurance.

³ Includes the impact of discount build on claims liabilities across all P&C segments.

Q1-2023 Highlights

- **Favourable PYD ratio of 5.3% for Q1-2023** was strong, and essentially in line with last year.
- Commercial lines across all geographies experienced strong favourable PYD driven by favourable development on large losses.
- In Canada personal property and in UK&I personal lines, unfavourable development on prior year catastrophe losses drove an overall unfavourable PYD ratio.

9.1 PYD guidance & IFRS 17 impact

IFRS 17 impact

- **IFRS 17 has not impacted the underlying fundamentals of our reserving approach.** The reclassification of the unwind of the discount, which is now outside of the underwriting result alongside operating net investment income, has had a favourable impact on our overall PYD metric.
- We expect average favourable PYD as a percentage of operating net underwriting revenue to be in the **2 - 4% range in the mid term**, as a result of the IFRS 17 reclassification changes. Prior year comparatives for Q1-2022 have been restated for IFRS 17 and are therefore on a comparable basis.
- 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 March 31, 2023

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

Section 10 - CAT losses

10.1 Net CAT losses

Table 15 – Net CAT losses by segment¹

	Q1-2023	Q1-2022 <i>Restated</i>	Change
By segment			
P&C Canada	93	71	22
P&C UK&I	4	111	(107)
P&C US	11	-	11
Corporate	-	-	-
Current year CAT losses²	108	182	(74)
Consolidated unfavourable (favourable) PYD on CAT losses ³	24	(14)	38
All accident year CAT losses	132	168	(36)
CAT loss ratio			
P&C Canada	2.8%	2.2%	0.6 pts
P&C UK&I	0.4%	10.5%	(10.1) pts
P&C US	2.1%	-%	2.1 pts
Consolidated	2.2%	3.8%	(1.6) pts

¹ See Section 23 – Non-GAAP and other financial measures for more details.

² Including reinstatement premiums. CAT losses are reported on an undiscounted basis, in line with how we present our business segments.

³ PYD on CAT losses is presented within our PYD captions and ratios.

Q1-2023 vs Q1-2022

- **We reported current year CAT losses of \$108 million (CAT loss ratio of 2.2%),** below our expectations for a first quarter.
- In Canada, the February freeze storm caused devastation in Quebec, Ontario, and the Atlantic with \$70 million worth of damages.
- In the UK&I and the US, the CAT losses were mainly due to large commercial property fires.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 11 - Investment performance

11.1 Operating net investment result

Table 16 – Operating net investment result

	Q1-2023	Q1-2022 Restated	Change
Interest income	224	129	95
Dividend income	76	78	(2)
Investment property rental income	5	6	(1)
Operating investment income	305	213	92
Investment expenses	(10)	(8)	(2)
Operating net investment income¹	295	205	90
Net unwind of discount on claims liabilities ¹	(226)	(83)	(143)
Operating net investment result¹	69	122	(53)
Average investments²	35,623	35,732	- %
Market-based yield³	3.48%	2.41%	107 bps

¹ See Section 23 – Non-GAAP and other financial measures for more details

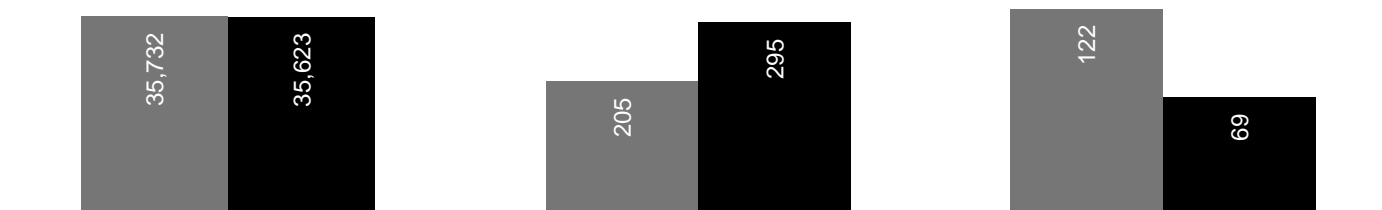
² Defined as the mid-month average fair value of investments held during the reporting period.

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

Q1-2023 vs Q1-2022

- **Operating net investment income increased by 44% to \$295 million** driven by higher reinvestment yields and increased turnover over the last 12 months. At quarter-end, the reinvestment yield of 4.3% exceeded our book yield of 2.6%.
- **The net unwind of discount on claims liabilities of \$(226) million** increased significantly compared to the \$(83) million in Q1-2022 driven by higher discount rates, which increased close to three-fold.
- **Overall, the operating net investment result of \$69 million was low** since our book yield has not yet fully captured the benefit of higher rates, while the net unwind of discount on claims liabilities already reflected the higher rates.
- **Average investments was stable quarter-over-quarter**, reflecting cash inflows from operations, offset by a negative impact from higher interest rates and unfavourable equity markets over the last 12 months.
- **Market-based yield increased by 107 bps to 3.48%** reflecting increased investment income from rising interest rates and turnover, as well as positive cash flows, while average investments remain stable.

Average investments (as of the end of period)	Operating net investment income (for the period)	Operating net investment result (for the period)
■ Q1-2022 ■ Q1-2023		



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

Section 12 - 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.

Net gains (losses) on our FVTPL bonds are expected to offset 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). As part of MYE, we have also included the foreign currency gains (losses) in regard to the currency fluctuations of our claims liabilities and bonds denominated in foreign currencies.

Table 17 – Non-operating results¹

	Q1-2023	Q1-2022 Restated ²	Change
Net gains (losses) on FVTPL bonds and FX ³	166	(412)	578
MYA and FX on claims liabilities ⁴	(48)	413	(461)
Market Yield Effect (MYE)	118	1	117
Net gains (losses) excluding FVTPL bonds (<i>Table 18</i>)	(17)	191	(208)
Other net gains (losses)	17	(20)	37
Income (loss) from exited lines (<i>Table 19</i>)	(60)	(32)	(28)
Restructuring costs	(76)	(9)	(67)
Amortization of acquired intangible assets (<i>Table 49</i>)	(65)	(65)	-
Acquisition and integration costs	(60)	(55)	(5)
Net result from claims acquired in a business combination	(1)	(3)	2
Other	3	(10)	13
Non-operating results	(141)	(2)	(139)

¹ See *Section 23 – Non-GAAP and other financial measures* for the after-tax impacts and non-operating NCI component.

² Comparative figures are only restated for IFRS 17, not for IFRS 9.

³ Includes realized and unrealized gains and losses on our FVTPL bonds, as well as \$(35) million of foreign currency gains (losses) on our bonds.

⁴ Represents the change in rates used to discount our claims liabilities and the foreign currency translation impact on claims.

Q1-2023 vs Q1-2022

- **Non-operating losses of \$141 million for the quarter**, compared to non-operating losses of \$2 million in Q1-2022. The change of \$139 million was driven by underwriting losses and restructuring costs from the UK personal lines motor exit. It also reflected minimal losses on equity investments, compared to significant gains last year (*see Section 12.1 – Net gains (losses) excluding FVTPL bonds*).
- **Net gains on FVTPL bonds and FX of \$166 million for the quarter**, driven by the decrease in interest rates in Canada, US and the UK (*see Section 18.1 – Capital market update*).
- Generally, we expect the impact of MYA on our claims liabilities to be offset in part by the net gains (losses) on FVTPL bonds, given our asset-liability management.
- MYA losses, driven by decreasing interest rates, were more than offset by **gains on our FVTPL bond portfolio** given the favourable mark-to-market impact, including the benefit from the partial unwind of material unrealized losses at the beginning of the year. **The net impact of these elements results in an overall favourable MYE in the quarter.**
- **Exited lines have deteriorated year-over-year**, mainly due to our exit from the UK personal lines motor market from Q1-2023 onwards (*see Section 12.2 – Income (loss) from exited lines*).
- **Restructuring costs were \$76 million in Q1-2023** and reflected mainly a one-time write-off of intangible assets related to the exited UK personal lines motor business.

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12.1 Net gains (losses) excluding FVTPL bonds

Table 18 – Net gains (losses) excluding FVTPL bonds¹

	Q1-2023	Q1-2022	Change
Realized and unrealized gains (losses) on:			
FVTOCI bonds, net of derivatives	9	4	5
Equity securities, net of derivatives	(20)	93	(113)
Embedded derivatives	-	(10)	10
Investment property	1	32	(31)
Other net foreign currency gains (losses)	(6)	78	(84)
Impairment losses	-	(6)	6
Other ²	(1)	-	(1)
Net gains (losses) excluding FVTPL bonds	(17)	191	(208)

¹ See Note 16 – Net investment return and net insurance financial result to the interim condensed consolidated financial statements for further details.

² Includes \$1 million of losses relating to the Expected credit loss model.

Q1-2023 vs Q1-2022

Net losses excluding FVTPL bonds of \$17 million mainly reflected the mark-to-market losses of our equity securities and derivatives. With IFRS 9, the mark-to-market on our common shares is now recognized in P&L. Net gains excluding FVTPL bonds of \$191 million in Q1-2022 mainly reflected realized gains on equity securities from favourable markets and positive mark-to-market on certain investment properties.

IFRS 9 impact

- Common shares and certain preferred shares that were previously classified as AFS are now recognized as FVTPL. The FVTPL designation of some fixed income instruments also changed on transition date.
- The mark-to-market on these instruments is now recognized in Net income as opposed to through OCI, with no overall impact on BVPS or capital.
- Upon transition on January 1, 2023, approximately \$420 million after-tax of net unrealized losses was reclassified from AOCI to Retained earnings with respect to these instruments. Comparative year was not restated.

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

12.2 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 discounted underwriting results and net investment income from the exit and Sale of RSA Middle East. Comparative year was not restated to exclude the exited lines results.

Table 19 – Income (loss) from exited lines¹

	Q1-2023	Q1-2022 <i>Restated</i>	Change
DPW	65	142	(77)
Net underwriting revenue	80	148	(68)
Net claims	(98)	(114)	16
Net underwriting expenses	(42)	(68)	26
Underwriting income (loss)	(60)	(34)	(26)
Net investment income – RSA Middle East operations	-	2	(2)
Income (loss) from exited lines	(60)	(32)	(28)
Canada	(3)	6	(9)
UK&I	(44)	(9)	(35)
US	(13)	(29)	16

¹ See Section 23 – Non-GAAP and other financial measures for more details.

Income (loss) from exited lines	
Canada	<ul style="list-style-type: none"> This includes the exit of BC auto (effective in Q4-2020) and of our CNS operations (wind-down since Q3-2021) as part of our de-risking actions in reducing our major earthquake exposure. These exited lines generated an underwriting loss of \$3 million in Q1-2023. If they had been reported within the Canada segment, the impact would have been an unfavourable 0.2 points on its Q1-2023 combined ratio. As of March 31, 2023, we have approximately \$39 million of net unearned premiums in exited lines.
UK&I	<ul style="list-style-type: none"> This includes the legacy exits of the UK&I portfolio, as well as the exit of the UK personal lines motor portfolio as of Q1-2023 and the Sale of RSA Middle East in 2022. The UK&I exited lines generated an underwriting loss of \$44 million in Q1-2023. This was mainly attributable to the UK personal lines motor portfolio, reflecting the challenging conditions in the UK motor market, as well as a prudent increase in the risk adjustment embedded in our reserves. If exited lines had been reported within the UK&I segment, the impact would have been an unfavourable 4.4 points on its Q1-2023 combined ratio. As of March 31, 2023, we have approximately \$81 million of net unearned premiums in exited lines, which we expect to run-off within the next two years.
US	<ul style="list-style-type: none"> We have exited the Programs, Architects and Engineers business (effective in Q4-2017), the Healthcare business (effective Q3-2019) and Public Entities (effective in Q1-2022) given the fundamental changes to the risk profile in these segments and the profitability challenges that followed. The US exited lines generated an underwriting loss of \$13 million in Q1-2023. Roughly half of our underwriting loss was driven by the exited Healthcare business, due to adverse prior year development on one large claim, while the remaining portion was driven by Public Entities, due to claims activity in both the current and prior accident year. If exited lines had been reported within the US segment, the impact would have been an unfavourable 2.7 points on its Q1-2023 combined ratio. As of March 31, 2023, we have an immaterial amount of net unearned premiums in exited lines.
We are continuously monitoring these lines of business, and ensuring our reserves are appropriate and include a suitable level of prudence.	

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

ENVIRONMENT & OUTLOOK

Section 13 - 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, driven by inflation, natural disasters, and a hard reinsurance market.
- In Canada, we expect firm market conditions to continue in personal property. Personal auto premiums are expected to grow by mid-to-high single-digits in response to inflation and evolving driving patterns.
- In commercial and specialty lines across all geographies, we continue to expect hard market conditions across most lines of business.
- In the UK&I, the personal property market has begun to firm, but further rate increases are required to deal with inflationary pressures, natural disasters, and a hard reinsurance market.

	P&C insurance industry 12-month outlook	Our response
Personal Auto Canada	<ul style="list-style-type: none"> Industry premiums grew by mid-single-digits in 2022. Industry profitability remained strong in 2022, but slightly worse than 2021, reflecting increased inflationary pressures. Given the pickup in claims frequencies, inflation and poor industry profitability prior to the pandemic, industry corrective measures have resumed. We expect industry premium growth to be in the mid-to-high single-digit range in the next twelve months reflecting inflation and evolving driving patterns. 	<ul style="list-style-type: none"> 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. 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 mobility trends. Our brand investments, telematics offering, and customer driven digital leadership will continue to help grow our business. Following the recent regulatory developments in Alberta, we are assessing the necessary actions to protect our profitability. We maintain our emphasis on portfolio quality and expect to sustain a seasonally adjusted sub-95 combined ratio over the next 12 months.
Personal Property Canada	<ul style="list-style-type: none"> The industry grew by high single-digits in 2022. We expect continued firm market conditions since this line of business is subject to challenging weather and inflation over time. We expect premium growth to remain at a high single-digit level over the next 12 months. 	<ul style="list-style-type: none"> 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. We are continuously adapting our products. Profitability actions over time have positioned this business very well. 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.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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	P&C insurance industry 12-month outlook	Our response
Commercial lines Canada	<ul style="list-style-type: none"> The industry reported low double-digit growth in 2022, clear evidence of hard market conditions. Rate actions are continuing, driven by low industry profitability for a number of years and tight capacity. We expect upper single-digit premium growth for the industry over the next 12 months led by specialty lines, in favourable market conditions underpinned by rising reinsurance costs, elevated CAT losses, and inflation pressures. 	<ul style="list-style-type: none"> We maintain our emphasis on portfolio quality and pricing discipline, while remaining focused on loss prevention and service excellence. We have adjusted our pricing and automatic indexation for inflation factors to address inflation and to continue outperforming in a hardening reinsurance market. 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.
UK&I Personal lines	<ul style="list-style-type: none"> In 2022, industry premiums in the UK and Ireland contracted by low single-digits with continuing intensely competitive conditions in home. In UK property, we expect property claims inflation, challenging weather conditions, and a hard reinsurance market to drive rate increases over time. In Ireland, property rates are experiencing low single-digit increases. In Ireland, we have seen motor premiums increase in Q1-2023, and we expect inflation and reinsurance pressures to drive further rate increases in 2023. 	<ul style="list-style-type: none"> We have exited the UK personal lines motor market, which will allow us to focus on outperformance in our Home and Pet lines of business. We continue to invest in responsive and agile technology within our Home and Pet lines of business to drive outperformance. We closely monitor inflation and broader macroeconomic conditions. In all segments we are maintaining our pricing discipline and are active in adapting our pricing strategy accordingly.
UK&I Commercial lines	<ul style="list-style-type: none"> UK&I market conditions remain hard with rate increases driven by CAT weather losses, hardening reinsurance market, and inflationary pressures. We expect the UK and EU commercial industry premium rates to grow at a mid-to-upper single-digit level over the next 12 months. 	<ul style="list-style-type: none"> We continue to increase rates to offset claims inflation, tighten terms and conditions, and increase standardisation of wordings to manage exposures. We remain disciplined on new business, prioritizing quality and profitability. We continue to actively monitor economic conditions in the UK and globally and are taking actions where appropriate to manage exposures.

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

	P&C insurance industry 12-month outlook	Our response
US Commercial lines	<ul style="list-style-type: none"> The US commercial P&C industry continues to experience hard market conditions across most lines, including sustained price increases and tightening terms and conditions. We expect favourable market conditions to persist in the near term, given rising reinsurance costs and elevated CAT losses, both exacerbated by the impact of Hurricane Ian, as well as industry concerns over price inflation, and geopolitical and economic uncertainty. The US commercial P&C industry posted high single-digit growth in 2022, fueled by rate increases and growing exposures. The industry combined ratio for 2022 was estimated in the high 90s. We expect industry premium growth at an upper single-digit level over the next 12 months. 	<ul style="list-style-type: none"> 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. 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. We believe the underlying fundamentals of our US commercial business remain strong and are well positioned to maintain a low 90s combined ratio in line with our near-term objectives.
Investments	<ul style="list-style-type: none"> Capital markets are expected to remain volatile due to inflation trends, contagion concerns around the viability of certain banks, increased probability of recession, and the war in Ukraine. Interest rates remain high. As a result, we expect the industry's pre-tax investment yield to increase as portfolios roll over. 	<ul style="list-style-type: none"> 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. In the current environment, we have decreased common shares exposure below our historical target. We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.
Overall	<ul style="list-style-type: none"> In 2022, industry profitability in Canada remained stable year-over-year as higher frequency and inflation were offset by the beneficial impact of higher interest rates on investment income. While market conditions were also favourable in the US, industry profitability was hampered by higher auto severity and elevated catastrophe losses. In the UK&I, profitability deteriorated in the UK domestic market, but improved materially in the specialty lines market. High pre-pandemic combined ratios, inflation trends and climate change drive the continuation of favourable market conditions. We expect our industry benchmark ROE¹ to be in the high single-digit range in the next 12 months. 	<ul style="list-style-type: none"> 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. With our action plans and strategies, we expect to continue to achieve our 500-basis point industry ROE outperformance target.

¹ 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.

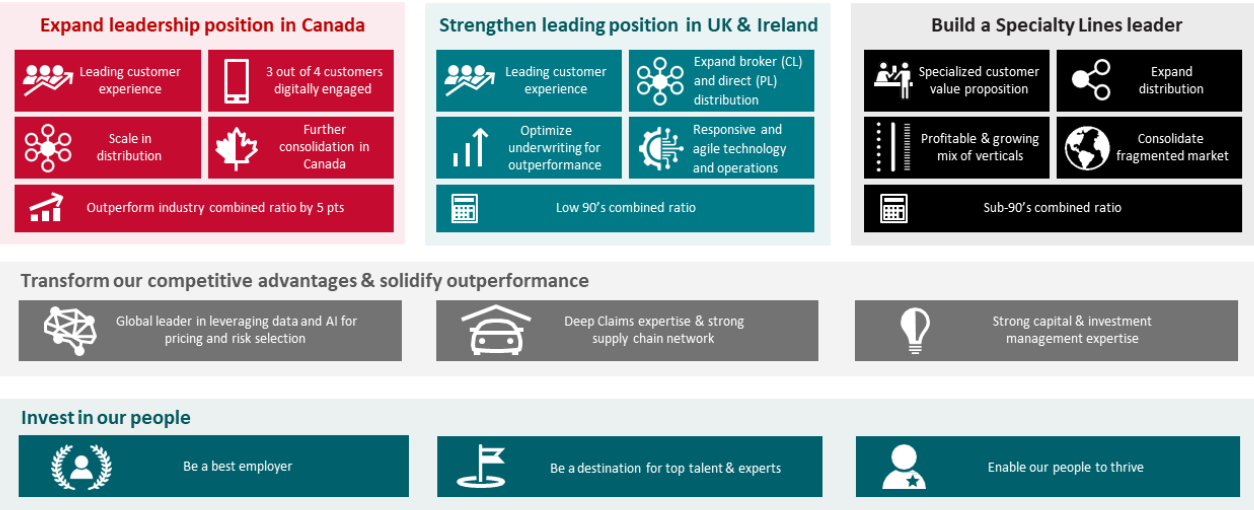
STRATEGIC UPDATE

Section 14 - Our strategic roadmap

Our business philosophy is rooted in three principles – placing customers at the centre of everything we do, making sure our employees are engaged and proud to work at Intact, and being recognized as leaders in building resilient communities and industry outperformance.

Our strategic roadmap outlines how we will achieve our objectives. This section highlights our progress on execution of our strategy and against key financial and non-financial measures. As a purpose-driven business, we are here to help people, businesses and society prosper in good times and be resilient in bad times. Being a most respected company requires performance across all aspects of what we do – including our impact on society. ESG factors have always been embedded in our strategy and are included throughout this section.

10%
NOIPS
GROWTH
ANNUALLY
OVER TIME



500 bps
ANNUAL
ROE
OUTPERFORMANCE

Use our strengths to win on climate | Build resilient communities

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14.1 Progress on our strategic roadmap

Expand our leadership position in Canada

- **New environment-centric features were launched in our mobile apps** to encourage and gamify eco-friendly driving habits and drive digital engagement with customers. The latest value-added features in the Intact Insurance and belairdirect mobile apps have increased active engagement by nearly 50%.
- **Recent enhancements to our digital Client Centre** for customers include a new experience for reporting property claims and the expansion of online payment capabilities for customers and brokers nationally. Since launch, the proportion of payments made online have more than doubled from 2022 levels.
- **Intact Insurance remains the most known home and auto insurance brand nationally** with unaided brand awareness among nearly 1 in 3 Canadians while belairdirect maintained its position at #3 with close to 25% awareness.

Strengthen our leading position in the UK & Ireland

- **On March 28th, IFC and RSA announced the exit from UK personal lines motor**, representing a further step in optimizing our UK footprint around Home and Pet, and our Commercial and Specialty lines of businesses. UK personal lines motor results will be reported in Exited Lines Q1 2023 onwards.
- **We continue to focus on improving the efficiency and simplicity of the broker experience** in Commercial lines. Our efforts have resulted in SME new business to exceed our Q1 target, a key growth opportunity area as we expand our Commercial lines distribution footprint.
- **123.ie, our direct distribution brand in Ireland, continues to bolster its community presence** underpinned by a high-profile sponsorship with Athletics Ireland. As brand awareness campaigns continue, 123.ie maintained its brand position at #4, while closing the gap against #3.

Build a Specialty Solutions leader

- **Our successful Canadian Trade Credit business was extended into the US in Q1**, a solid step towards growing our GSL footprint. Underwriting will commence in the latter part of 2023.
- **Resilience underwriting was successfully launched in Canada in Q1**, with UK and EU launch expected later this year. Resilience has been producing market-leading results in providing cybersecurity solutions and insurance in the US.
- **Global Network placement for US admitted risks moved onto Intact paper** leading to cost reduction and efficiency gains, with E&O and D&O product expansion, allowing us to better support our Global Network partners.

Transform our competitive advantages

- **On Side continued its expansion across Canada** while experimenting with innovative and environmentally-friendly techniques addressing property water damage. Through enhanced drying technology, On Side speeds up cycle time, while reducing claims costs, and improving customer satisfaction.
- **Our first AI-powered call quality tool for brokers was launched in Canada**, as we continue to deploy AI across our operations to increase efficiency as well as enhance customer and broker experience.
- **RSA UK Pension Trustees entered a buy-in agreement worth more than £6 billion, the largest UK pension buy-in transaction to-date, with Pension Insurance Corporation plc (PIC)**. This transaction removes almost all UK pension exposure from IFC's balance sheet, releases capital thereby improving OROE for IFC, and at the same time enhances security for RSA UK pension members.

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Invest in our People

- **Canada's Globe and Mail named Intact executive Imen Zitouni, Chief Digital Officer, Intact Lab**, one of Canada's Best Executives in recognition of her strong leadership and impact in driving digital innovation at Intact.
- **Karim Hirji, Managing Director at Intact Ventures, will expand his responsibilities to include Strategic Investments** where he will guide IFC's long-term technology investments.
- **Maude Choquette has been promoted to SVP, Group Chief Internal Auditor effective April 1.** Maude was previously Chief Accounting Officer and has been instrumental in leading the finance team through various acquisitions and building best-in-class practices. Maude will succeed Sonya Côté, who retired on April 30th.

Social Impact & Environment, Social, Governance (ESG)

- **The Intact Centre on Climate Adaptation was the lead author** on a new CSA Group paper entitled "Managing Flooding and Erosion at the Watershed-Scale: Guidance to Support Governments Using Nature-Based Solutions" with practical approaches to help governments and Indigenous communities address river flooding.
- **Intact renewed its longstanding partnership with the Dallaire Institute for Children, Peace and Security** at Dalhousie University at \$1.25 million over 5 years, to create a Latin America Centre of Excellence.
- **IFC's 2022 Social Impact and ESG Report was recently published**, featuring enhanced climate-related financial disclosures and highlights of our leadership in building resilient communities.

See our 2022 Social Impact and ESG Report for more details.

14.2 RSA integration update

Q1-2023 update	
Financial update	<ul style="list-style-type: none"> • Value creation from the RSA Acquisition has exceeded expectations to date. We remain on track to realize at least \$350 million of pre-tax annual run-rate synergies within 3 years. • As at March 31, 2023, we estimate our run-rate at \$285 million annualized, generated by expense synergies, additional value creation and our underwriting actions. While these synergies support an improvement in our expense ratio, there is also a favourable impact within our claims ratio, net investment income and other elements of NOIPS. • RSA contributed 16% accretion to NOIPS over the last twelve months, on track to reach approximately 20% in 2024. Though the overall RSA contribution was in line with expectations, accretion was hampered by a strong underwriting performance in our stand-alone IFC results, driven by favourable weather and lower CATs than expected.
Canadian operations	<ul style="list-style-type: none"> • Policy conversion in the broker channel, outside of specialty lines and Johnson, has been completed. • In direct distribution, 50% of Johnson's retail policies have converted to belairdirect thus far. Retention continues to be aligned with, or better than, historical RSA experience. Conversion of Johnson's affinity policies will begin in Q4-2023, and engagement with affinity partners similarly remains strong. • In RSA specialty lines, new business began to be written under the Intact brands in Q1-2023, and existing policies will begin conversion in Q2-2023. • In claims, nearly all RSA Canada claims are being handled by our internal adjusters. Claims conversions will continue on through 2024. • Archiving and decommissioning projects continue for core RSA systems; we are on plan to complete these by the end of 2025.

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14.3 Global Specialty Lines (GSL)

- Our specialty lines results are embedded in the commercial operations of each segment (Canada – **Section 5**, UK&I – **Section 6** and US – **Section 7**).
- Specialty insurance is about focus and deep knowledge of a unique customer segment (such as marine, technology and entertainment) or product niche (such as surety, excess property, multi-national programs, management liability and cyber). These insurance products and services are offered through independent agencies, regional and national brokers, as well as wholesalers and managing general agencies.
- Each business unit is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment. Competitive factors for most of our insurance products are price, product terms and conditions, agency and broker relationships, claims service, company scale and financial stability.

Table 20 – Global Specialty Lines results¹

	Q1-2023
Operating DPW (in millions)	1,423
Combined ratio	89.9%

¹ 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 adjustment and reinsurance non-performance risk.

Q1-2023 highlights
<ul style="list-style-type: none"> • Operating DPW in constant currency grew by 7% to \$1.4 billion in Q1-2023 with strength across the US and UK&I. In Canada, headwinds in the quarter reflected targeted actions to optimize the portfolio, as well as increased competition for large accounts. • A solid combined ratio of 89.9% in Q1-2023, driven by a strong performance in the US and UK&I, offset in part by a large commercial property fire, which resulted in a CAT loss in Canada.

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Section 15 - 2022 P&C industry update

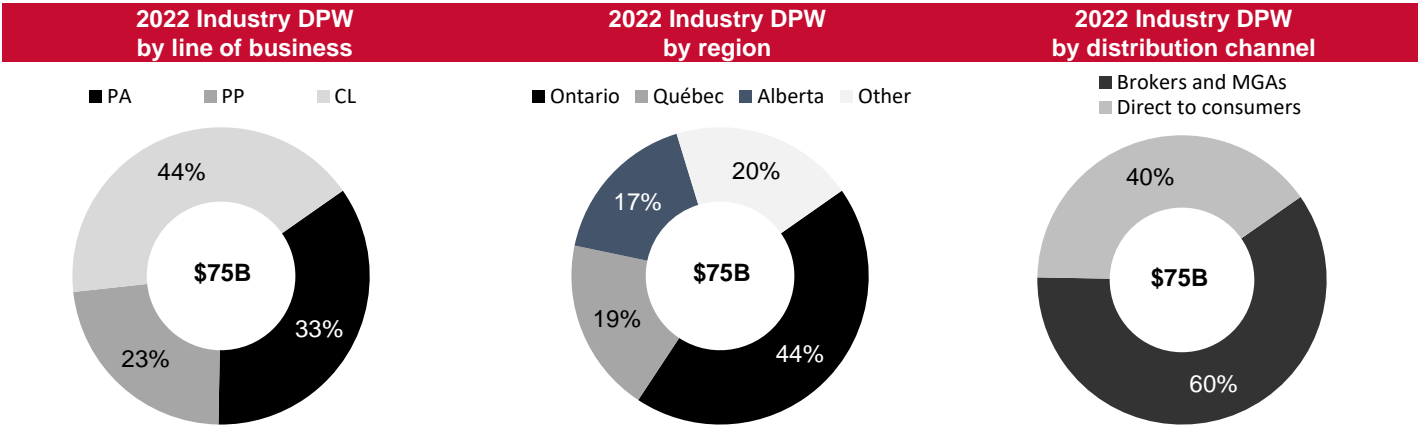


15.1 P&C industry in Canada

2022 P&C market update

- In 2022, the P&C insurance market grew by 9%, driven by rate increases, to approximately \$75 billion in annual premiums, representing close to 2.7% of gross domestic product (GDP).
- Intact remains the largest player with an estimated market share of 19% in 2022.
- Highly fragmented market and largely unchanged, with the top five insurers representing 48% of the market, and the top 20 have a combined market share of 83%.
- Intact holds an estimated market share of 22% in personal auto, 22% in personal property and 15% in commercial lines.

Unless otherwise noted, market share and market related data for P&C Canada are based on the latest available annual market data (2022) from MSA Research Inc. (“MSA”) and excludes Lloyd’s Underwriters Canada, Insurance Corporation of British Columbia, Saskatchewan Government Insurance, Saskatchewan Auto Fund, Genworth Financial Mortgage Insurance Company Canada and Canada Guaranty Mortgage Insurance Company.



15.2 P&C industry in the US

2022 P&C market update

- The US commercial P&C insurance market grew by approximately 7% in 2022 to over US\$410 billion in annual premiums, with specialty insurance accounting for approximately 46%, or nearly US\$189 billion.
- US commercial specialty insurance industry is a fragmented industry, with the largest player of the market having approximately 6.5% market share in 2022.
- Outside of the top nine players, no single insurer contributes more than 3% to the total estimated specialty market. The majority of the top 25 players have a market share between 1% and 2.5%.

P&C industry in the UK

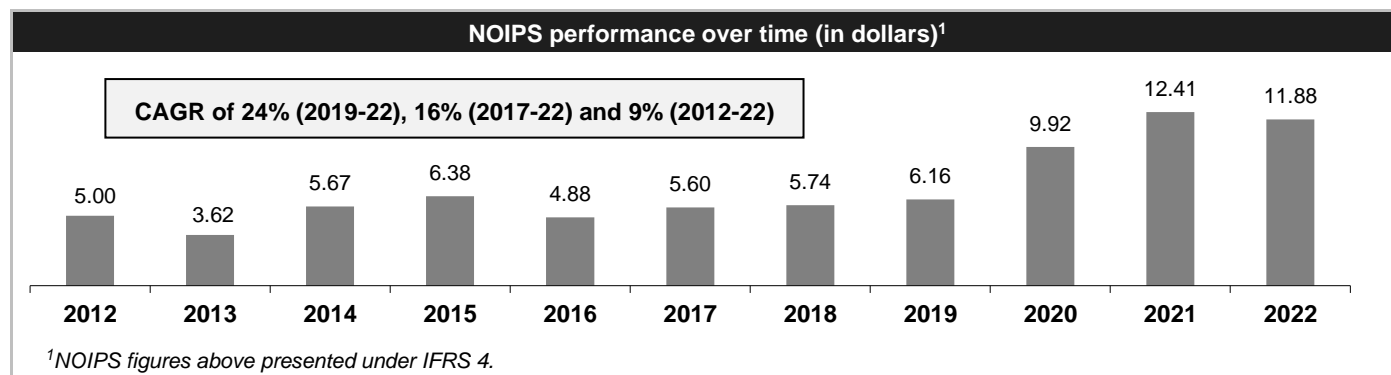
- P&C industry update for the UK is available annually, and will be included in our Q4-2023 MD&A.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 16 - Progress on our two financial objectives

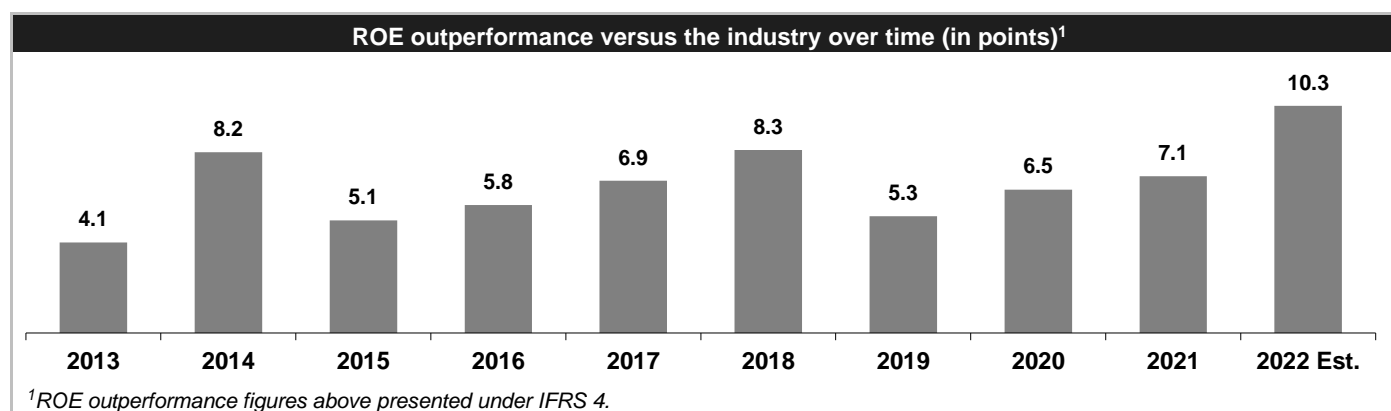
16.1 Grow NOIPS by 10% yearly over time



**10%
NOIPS
GROWTH
ANNUALLY
OVER TIME**

- Over the past 3 and 5 years, our NOIPS grew at a CAGR of 24% and 16% respectively, benefiting from strong underwriting, investment and distribution results. We remain confident in our ability to grow NOIPS by 10% annually, over time.
- The RSA Acquisition has created significant value for our shareholders. We have achieved our target of high single-digit accretion in the first 12 months and expect to reach approximately 20% of accretion within 36 months.

16.2 Exceed industry ROE by 5 points



**500_{bps}
ANNUAL
ROE
OUTPERFORMANCE**

- Our ROE outperformance is measured by comparing IFC's AROE to the weighted-average ROE of the industry for each country. Our estimated ROE industry outperformance is 10.3 points for 2022. Our final 2022 ROE outperformance will be available in Q2-2023.
- During the last decade, we have exceeded the industry ROE by a yearly average of 6.8 points, better than our target. Furthermore, we have achieved our objective of exceeding the industry ROE by 5 points in 9 out of the last 10 years.
- We continue to target 500 basis points of ROE outperformance every year driven by our underwriting, claims, as well as capital and investment management activities.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

16.3 Outperformance metrics

IFC's performance against Canadian P&C benchmark

The industry benchmark consists of the 20 largest comparable companies in the P&C industry based on industry data. Industry data represents an IFC estimate based on MSA, a provider of Canadian insurance industry financial data.

Table 21 – Canadian P&C Industry – IFC outperformance (underperformance) vs industry benchmark

Underwriting performance	Full year 2022	Full year 2021	Full year 2020
DPW growth			
IFC: P&C Canada ¹	14.7%	20.3%	9.4%
Outperformance (underperformance) vs Industry benchmark	6.4 pts	13.2 pts	2.0 pts
Combined ratio			
IFC: P&C Canada ¹	85.3%	85.8%	91.5%
Outperformance (underperformance) vs Industry benchmark	3.2 pts	(0.5) pts	5.0 pts

¹ For comparison purposes, IFC's DPW growth and combined ratio are based on financial statements presentation (and not restated for IFRS 17).

2022 relative performance	<ul style="list-style-type: none"> Our growth outperformance was 6.4 points, mainly due to the RSA Acquisition. Excluding this impact, our growth would be approximately 6.6%, slightly below the industry benchmark. Our combined ratio outperformance was 3.2 points, due to our strong performance in both the loss and expense ratios. In the current context of increased frequency and severity, our underwriting strength in personal auto outperformed our peers².
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² After adjusting for a significant reinsurance transaction.

IFC's performance against UK P&C benchmark

Industry data below represents an IFC estimate based on a group of listed peers in the P&C industry, for which industry data is compiled from each insurers' own reports and accounts.

Table 22 – UK P&C Industry – IFC outperformance (underperformance) vs industry benchmark

Underwriting performance	Full year 2022	Full year 2021 ¹
DPW growth (in constant currency)		
IFC: P&C UK	2.8%	(0.4)%
Outperformance (underperformance) vs Industry benchmark	(1.6) pts	(7.6) pts
Combined ratio²		
IFC: P&C UK	97.0%	94.6%
Outperformance (underperformance) vs Industry benchmark	(1.4) pts	(3.8) pts

¹ Full year 2021 results are on a pro-forma basis: RSA's H1-2021 results pre-acquisition in addition to RSA's H2-2021 results as part of IFC.

² Excluding the risk margin and discount impact for comparability purposes (and not restated for IFRS 17).

2022 relative performance	<ul style="list-style-type: none"> Our growth was 2.8%, underperforming by 1.6 points, reflecting continued discipline in personal lines, prioritising profitability over volume growth and as we rationalise our footprint in commercial lines. Hard market conditions continue to support strong growth in commercial and specialty lines, while challenging market conditions continue to impact personal lines.
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Management's Discussion and Analysis for the quarter ended March 31, 2023

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

2022 relative performance (continued)

- **Our combined ratio was 97.0%, underperforming by 1.4 points but closing the gap vs prior year.** Strong performance in specialty and commercial lines was offset by an underperformance in UK personal lines due to our lack of scale in motor and higher expenses, but positively closed the gap in our personal home portfolio.

IFC's performance against the US P&C benchmark

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

Table 23 – US P&C Industry – IFC outperformance (underperformance) vs industry benchmark

	Full year 2022	Full year 2021	Full year 2020
Underwriting performance			
DPW growth (in constant currency)			
IFC: US Commercial	13.5%	16.7%	9.6%
Outperformance (underperformance) vs Industry benchmark	0.5 pts	(0.4) pts	1.7 pts
Combined ratio¹			
IFC: US Commercial	88.7%	93.9%	93.8%
Outperformance (underperformance) vs Industry benchmark	2.6 pts	(2.0) pts	4.7 pts

¹ Excluding the risk margin and discount impact for comparability purposes (and not restated for IFRS 17).

2022 relative performance

- **Our reported DPW growth of 13.5% slightly outpaced the industry benchmark**, despite a 4-point negative impact from the exit of Public Entities. Growth was driven by strong new business, rate increases and favourable market conditions.
- **Our combined ratio outperformance was 2.6 points** as our strong underlying loss ratio performance continued to compare favourably to peers, tempered by our expense ratio relative underperformance (primarily due to business mix and relative scale).

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

FINANCIAL CONDITION

Section 17 - Financial position

17.1 Balance sheets

Table 24 – Balance sheets

As at	Section	March 31, 2023	December 31, 2022 (Restated)	January 1, 2022 (Restated)
Assets				
Cash and cash equivalents		991	1,010	2,276
Short-term notes		1,136	1,786	516
Fixed-income securities		26,009	25,309	24,791
Preferred shares		1,415	1,421	1,847
Common shares		4,645	4,598	5,686
Investment property		486	476	634
Loans		985	1,001	930
Total investments	18	35,667	35,601	36,680
Reinsurance contract assets		5,237	5,004	4,975
Investments in associates and joint ventures		840	845	760
Intangible assets and goodwill		7,991	8,050	7,702
Other assets		3,957	4,241	4,446
Assets held for sale		-	-	842
Total assets		53,692	53,741	55,405
Liabilities				
Insurance contract liabilities		29,373	29,130	28,946
Debt outstanding	20	4,789	4,522	5,229
Other liabilities		4,004	3,961	4,027
Total liabilities		38,166	37,613	38,202
Equity				
Common shares		7,542	7,542	7,576
Preferred shares and other equity		1,619	1,322	1,175
Share capital		9,161	8,864	8,751
Contributed surplus		257	269	211
Retained earnings		6,307	7,801	6,602
Accumulated other comprehensive income (loss)		(484)	(1,091)	530
Equity attributable to shareholders		15,241	15,843	16,094
Equity attributable to non-controlling interests		285	285	1,109
Total equity		15,526	16,128	17,203
Total liabilities and equity		53,692	53,741	55,405



The 2022 restatement impact under IFRS 17 to total equity attributable to common shareholders is an increase of \$443 million (after-tax) as at December 31, 2022. The main drivers of this increase are:

- the deferral of allocated acquisition costs (which were previously expensed as incurred) and a decrease to our net claims liabilities (reflecting the change in discount rate methodology and risk adjustment)
- offset in part by the recognition of onerous contracts

Refer to Note 3 – Adoption of new accounting standards for more details.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 18 - Investments and capital markets

18.1 Capital market update

We continued to observe significant volatility in financial markets. Several recession indicators are pointing to difficult quarters ahead. Inflation remains elevated, with central banks reaffirming their intention to bring it back to target. The increase in interest rates helped spur the US regional banks crisis, which widened credit spreads and weighed on equity valuations in Q1 2023. We are closely monitoring other risks such as a lower availability of credit, erosion of confidence in banks and the quality of banks assets including commercial real estate lending.

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 25 – Selected market indicators

Selected market Indicators	Q1-2023	Q1-2022
Common shares		
S&P/TSX Composite	4%	3%
S&P/TSX Financials	1%	1%
DJ Dividend 100 Composite (US)	(3)%	(3)%
Preferred shares		
S&P/TSX Preferred Share Index	1%	(4)%
Fixed-income securities (estimated variance in bps)		
5Y Canada Sovereign Index	(40) bps	119 bps
5Y US Sovereign Index	(43) bps	120 bps
5Y UK Sovereign Index	(26) bps	59 bps
5Y Canada AA Corporate spread	5 bps	26 bps
Strengthening (weakening) of:		
USD vs CAD	-%	(1)%
GBP vs CAD	2%	(4)%

18.2 Our portfolio remains of high quality

Highlights March 31, 2023	Investment portfolio by geography (country of incorporation)
<ul style="list-style-type: none"> The \$0.1 billion increase in our investment portfolio during the quarter reflected a positive impact of lower market yields on fixed-income securities, largely offset by the use of excess capital to finance the UK pension buy-in transaction. Our fixed-income portfolio includes high quality Government and corporate bonds. Approximately 81% of our fixed-income portfolio was rated 'A-' or better as at March 31, 2023 (81% as at December 31, 2022). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was 'AA' as at March 31, 2023 and December 31, 2022. The average duration of our fixed-income portfolio was 3.38 years as at March 31, 2023 (3.41 years as at December 31, 2022). Our preferred share portfolio is made up of high-quality Canadian issuers. The weighted-average rating of our preferred share portfolio was 'P2' as at March 31, 2023 and December 31, 2022. We have minimal direct exposure to US regional banks. 	<p>■ Canada ■ US ■ UK ■ Other</p> <p>\$36B</p> <p>53% (Canada), 26% (US), 8% (UK), 13% (Other)</p>

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

18.3 Investment portfolio net exposure

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

Our net exposure as at March 31, 2023 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below.

Table 26 – Investment mix by asset class and currency (net exposure)

As at	March 31, 2023	December 31, 2022
By asset class		
Cash, cash equivalents, and short-term notes	8%	10%
Fixed-income strategies	78%	75%
Preferred shares	4%	4%
Common equity strategies	6%	7%
Investment property	1%	1%
Loans	3%	3%
By currency		
CAD	67%	67%
USD	14%	15%
GBP	15%	14%
Other currencies	4%	4%

Given the recent market volatility, we continued to remain overweight on cash, cash equivalents and short-term notes, and underweight on equities. Our fixed-income strategy remains the same: conservative credit exposure and stable interest rate duration.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Net sectoral exposure

Table 27 – Sector mix by asset class, excluding cash, short-term notes and loans (net exposure)

As at	Fixed-income securities	Preferred shares	Common shares	Total March 31, 2023	Total Dec. 31, 2022
Government	37%	-	-	31%	32%
Financials	26%	72%	22%	31%	31%
ABS and MBS	14%	-	-	12%	12%
Industrials	4%	-	9%	4%	4%
Consumer staples	3%	-	11%	3%	3%
Communication Services	2%	6%	7%	3%	3%
Utilities	4%	12%	13%	5%	5%
Consumer discretionary	2%	-	7%	2%	2%
Energy	1%	10%	13%	2%	2%
Materials	1%	-	8%	1%	1%
Information technology	3%	-	3%	3%	2%
Health care	3%	-	7%	3%	3%
	100%	100%	100%	100%	100%

- RSA's investment property portfolio is unlevered, diversified in terms of sectors (office, commercial and industrial) and geography within the UK.
- Our structured debt securities comprised \$1,413 million of ABS and \$2,311 million of MBS as at March 31, 2023. Residential MBS and Commercial MBS make up respectively 44% and 56% 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.

18.4 Net pre-tax unrealized gain (loss) on FVTOCI fixed-income securities

Table 28 – Net pre-tax unrealized gain (loss) on FVTOCI/AFS fixed-income securities¹

As at	IFRS 9	IAS 39			
	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022
Fixed-income securities	(723)	(1,160)	(1,266)	(912)	(543)
Preferred shares	n/a	(216)	(159)	(49)	109
Common shares	n/a	(113)	(339)	(193)	473
Net pre-tax unrealized gain (loss) position	(723)	(1,489)	(1,764)	(1,154)	39

¹ As of January 1, 2023, on transition to IFRS 9, the Company made an irrevocable election to designate the preferred shares as FVTOCI with fair value changes to be presented directly and permanently in OCI.

Highlights

Unrealized loss position of \$723 million as of March 31, 2023 driven by a significant increase in interest rates in all regions in 2022.

The decrease in unrealized loss position from December 31, 2022 is mainly driven by the reclassification of after-tax unrealized losses of \$420 million for equity and fixed-income instruments, driven by the transition to IFRS 9 and explained below.

[IFRS 9 impact]

- Common shares and certain preferred shares that were previously classified as AFS are now designated as FVTPL. The FVTPL designation of some fixed income instruments also changed on transition date.
- The mark-to-market on these instruments is now recognized in Net income as opposed to through OCI, with no overall impact on BVPS or capital. As a result, it is no longer necessary to assess impairment for our common shares.
- Upon transition on January 1, 2023, approximately \$420 million after-tax of net unrealized losses was reclassified from AOCI to Retained earnings with respect to these instruments. The comparative year was not restated for IFRS 9.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 19 - Employee future benefit programs

We currently offer defined benefit ("DB") pension plans, defined contribution ("DC") pension plans, as well as other pension-related savings plans to our employees. As a Best Employer, these pension offerings are valuable components of our total employee rewards package and are designed to be competitive to attract and retain talent. *See Note 30 – Employee future benefits to the Annual 2022 Consolidated financial statements and Section 27 – Employee future benefits programs of our Q4-2022 MD&A* for further details.

Overall, our DB pension plans are well funded. We continuously manage the risks related to our net DB pension asset (liability) to reduce volatility that stems from both the DB pension obligation and assets by considering and executing strategies such as:

- opportunistic annuity purchases;
- asset diversification;
- asset-liability matching to hedge against interest rate, inflation and credit risks; and
- longevity swaps.

The DB pension plans are recognized as an asset, when plans are in a net surplus position, or as a liability, when plans are in a net deficit position. The net DB pension position by region is summarized below.

Table 29 – DB pension position

As at	March 31, 2023		December 31, 2022	
	UK&I	Canada	UK&I	Canada
Fair value of plan assets <i>(see asset mix below)</i>	9,316	3,129	9,480	3,040
DB obligation	(9,298)	(2,968)	(8,939)	(2,898)
Other net surplus remeasurement	(3)	(7)	(180)	(8)
Net DB pension asset (liability)	15	154	361	134
Pension asset mix¹				
Debt securities	394	1,472	9,541	1,440
Annuity buy-in insurance contracts	9,171	1,028	43	1,021
Common shares	25	821	37	805
Derivative financial instruments	(17)	(1)	(30)	(9)
Deferred annuity premium	(863)	-	-	-
Other	606	(191)	(111)	(217)
Total assets	9,316	3,129	9,480	3,040

¹ The pension plan assets were mainly composed of annuity buy-in insurance contracts, due to the buy-in transaction completed, which changed the composition of the UK&I pension plans.

Q1-2023 Highlights

Canada

- Our annuity buy-in insurance contracts represent over 80% of retirees (over 90% at time of purchase) and over a third of the total pension obligation in Canada.

UK&I

- Significant steps have been taken over recent years to substantially de-risk the UK pension plans. In February 2023, we entered into an agreement with Pension Insurance Corporation plc ("PIC"), a strong and specialized insurance counterparty, for a bulk purchase of annuity buy-in insurance contracts for a total premium payment of £6.3 billion (the "UK pension buy-in transaction").

With the recent UK pension buy-in transaction, annuity buy-ins now represent over 80% of our total plan assets. This significantly reduces the volatility and associated risk, as annuities fluctuate in fair value based on changes in the associated pension obligations.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

19.1 UK pension buy-in transaction

Strategic rationale

The UK pension buy-in transaction transferred substantially all remaining economic and demographic risks associated with two major UK DB pension plans to PIC, removing balance sheet exposure to pension risks that are non-core to our business. It eliminated our obligation to contribute £75 million per year to the pension schemes and released approximately £150 million of capital. This transaction also supported our ROE outperformance objective by improving capital efficiency and our ability to capture future strategic opportunities, as we are no longer constrained by the responsibility of managing the liabilities of these pension schemes and all future funding needs.

Transaction financing

The UK pension buy-in transaction was funded using excess capital, hybrid capital, as well as short term debt. As a result, our adjusted debt-to-total capital ratio increased by 1.7 points to 22.4% at the end of Q1-2023 and we remain on track to return towards our target of 20% by year end 2023. See **Section 20.3 – Managing leverage** for more details on the financing activity.

Capital ratios in all jurisdictions have remained in line with our target operating levels, and well above regulatory requirements. See **Section 20.2 – Maintaining a strong capital position** for more details on the capital position.

Financial impact

The UK pension buy-in transaction temporarily increased the non-operating income tax expense, as the upfront contributions paid to the pension schemes will be deductible over the next three years, resulting in a reclassification of deferred tax assets to OCI from the P&L, as a non-operating expense. This will not hinder our ability to benefit from previously unrecognized tax assets, which will have a favourable impact on our operating ETR in future years.

The UK pension buy-in transaction is also expected to improve OROE by approximately 100bps, with single-digit dilution to BVPS, over the next twelve months. NOIPS is expected to decrease by 1.5% in the first full year after closing, driven by the financing costs associated with the transaction.

For more details on the transaction, please refer to **Note 20.6 - UK DB Pension plans to the interim condensed consolidated financial statements**.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 20 - Capital management

20.1 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.

20.2 Maintaining a strong capital position

Capital position

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

Table 30 – Estimated aggregated capital position¹

As at	Regulatory capital ratios	CAL	March 31, 2023	December 31, 2022	September 30, 2022
Total capital margin					
Canadian regulated entities			1,459	1,005	763
UK & International regulated entities			657	725	901
US regulated entities			600	560	451
Holding Companies			80	89	375
Total capital margin			2,796	2,379	2,490
Regulatory capital ratios					
Canadian regulated entities	MCT	169% ²	210%	197%	188%
UK & International regulated entities ³	SCR	120%	177%	175%	188%
US regulated entities	RBC	200%	406%	388%	357%

¹ See Section 23 – Non-GAAP and other financial measures for more details.

² The weighted-average CAL for all regulated Canadian insurance entities is 169% 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.

³ Indicated CAL and coverage figures are for Royal & Sun Alliance Insurance Limited which includes all UK & International insurance subsidiaries.

Total capital margin highlights

- Total capital margin stood at a strong \$2.8 billion as at March 31, 2023, reflecting an improvement of \$0.4 billion over the quarter. Solid underwriting results in all regions as well as positive impacts related to our investment portfolio contributed to capital generation in the quarter. This was partially offset by the deployment of excess capital to support the UK pension buy-in transaction and other ordinary capital expenditures, including dividends distribution.
- Aggregate regulatory capital levels by jurisdiction are well above minimum regulatory targets.

IFRS 17 impact

- In Canada, where regulatory capital requirements are impacted by IFRS 17 changes, the transition to the new standard did not have a significant impact on our regulatory capital position.
- In the US and UK&I jurisdictions, the regulatory capital calculations are independent of IFRS 17, with no impact upon transition.
- Overall, the new standard did not change our overall capital framework and how we manage capital but had a slightly favourable impact on total capital margin.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

20.3 Managing leverage

We believe that our optimal financing structure is one where:

- the adjusted debt-to-total capital ratio is broadly at 20%; and
- approximately 10% of our total capital is comprised of preferred shares and hybrid debt (including LRCN).

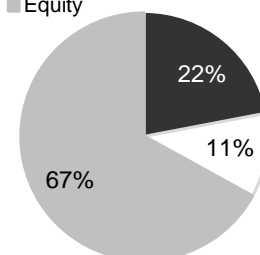
We classify hybrids as preferred shares since they are convertible to preferred shares *pari passu* into our existing preferred shares in case of default or bankruptcy and include an interest payment deferral option, whereby payments can be delayed for a period of up to five consecutive years.

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 mitigate against refinancing and interest rate risk.

For acquisition purposes and other special transactions, 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 at March 31, 2023, our adjusted debt-to-total capital ratio was at 22.4%, slightly above our targeted level, reflecting the impact of the UK pension buy-in transaction. We remain on track to return towards our target of 20% by year end 2023.

**Capital structure
March 31, 2023**

- Debt (excluding hybrid debt)
- Preferred shares and hybrid debt
- Equity



Financing activities in Q1-2023

NCIB program	<ul style="list-style-type: none"> We renewed the NCIB program to purchase for cancellation during the next twelve months up to 3% of IFC's issued and outstanding common shares commencing on February 17, 2023. No common shares were repurchased in Q1-2023 as our excess capital was deployed to support the UK pension buy-in transaction.
Commercial paper program	<ul style="list-style-type: none"> As of March 31, 2023, we had \$105 million outstanding (\$135 million as of December 31, 2022), with weighted-average maturity of 29 days and weighted average annual rate of 4.70%. This program represents an effective short-term funding vehicle. We expect to continue using commercial paper to manage short-term liquidity needs.
\$1.5 billion credit facility	<ul style="list-style-type: none"> As at March 31, 2023, there was no amount drawn under the credit facility (\$2 million as at December 31, 2022). The credit facility serves as a guarantee for the Commercial paper program. As at March 31, 2023, an amount of \$105 million is reserved on the credit facility for this program and as a result, cannot be drawn.
Term loans	<ul style="list-style-type: none"> On February 27, 2023, we entered into a 12-month term loan agreement, issued in 2 tranches. The first tranche was denominated in GBP for an amount of \$167 million (£100 million) (the "GBP tranche") and the second tranche was denominated in CAD for an amount of \$130 million (the "CAD tranche"). The proceeds were used for the partial funding of the UK pension buy-in transaction. Refer to Section 19 for more details.
LRCN Series 1	<ul style="list-style-type: none"> On March 7, 2023, we issued \$300 million of Limited Recourse Capital Notes Series 1 ("LRCN Series 1 Notes") maturing on June 30, 2083, with the option to redeem the LRCN Series 1 Notes every five years. The LRCN Series 1 Notes bear interest at a fixed annual rate of 7.338% until June 30, 2028, at which date the interest rate will reset, and on every fifth anniversary of such date until maturity. The LRCN Series 1 Notes were offered by way of private placement to accredited investors, and the proceeds received were used for the partial funding of the UK pension buy-in transaction. Refer to Section 19 for more details.

See Note 12 – Debt outstanding and Note 13 – Share capital to the interim condensed consolidated financial statements.

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Table 31 – Financing activity

Financing	Debt outstanding (excluding hybrid debt) ¹	Adjusted total capital ²	Adjusted debt-to-total capital ratio ¹
As at January 1, 2023 (restated)	4,275	20,648	20.7%
Commercial paper	(30)	(30)	(0.1%)
Credit facility	(2)	(2)	-%
Term Loans			
GBP tranche	164	164	0.6%
CAD tranche	130	130	0.5%
Preferred shares and other equity		297	(0.3%)
Other movements	5	(892)	1.0%
As at March 31, 2023	4,542	20,315	22.4%

¹ See Section 23 – Non-GAAP and other financial measures for more details.

² Total capital represents the sum of Debt outstanding and Total equity, as reported under IFRS.

Table 32 – Total leverage ratio

As at	March 31, 2023
Debt outstanding (excluding hybrid debt) (as above)	4,542
Hybrid subordinated notes	247
Preferred shares and other equity	1,619
Preferred shares attributable to NCI	285
Debt outstanding and preferred shares	6,693
Adjusted total capital (as above)	20,315
Total leverage ratio	32.9%

20.4 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. Our objective is to maintain stable investment grade ratings at all times.

Table 33 – Ratings

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

Q1-2023 Ratings highlights

- On February 7, 2023, Moody's reaffirmed Intact's ratings in its latest credit opinion.
- On March 1, 2023, A.M. Best reaffirmed Intact's ratings following the UK pension buy-in transaction and noted that the transaction will result in significantly lower pension risk to IFC's balance sheet.

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

20.5 Book value per share

Table 34 – Evolution of BVPS (in dollars)

	Q1-2023	Change in % ³
BVPS, beginning of period under IFRS 4	80.33	
Impact of initial application of IFRS 17 on January 1, 2022	2.39	3.0%
Impact of application of IFRS 17 for the year-ended December 31, 2022	0.14	0.1%
Impact of initial application of IFRS 9 on January 1, 2023 ¹	(0.02)	- %
BVPS, beginning of period (restated)	82.84	3.1%
Net income		
NOIPS, basic and diluted	3.06	3.7%
After-tax non-operating gains (losses)	(1.00)	(1.2)%
Net income attributable to common shareholders (EPS)	2.06	2.5%
Other comprehensive income (loss)		
Impact of market movements on FVTOCI securities	0.86	1.0%
Foreign exchange impact, net of hedges	0.29	0.4%
UK pension buy-in transaction	(6.83)	(8.2)%
Net actuarial gains (losses) on employee future benefits	(0.26)	(0.3)%
Dividends on common shares	(1.10)	(1.3)%
Other ²	(0.14)	(0.3)%
BVPS, end of period	77.72	(6.2)%

¹ Equity attributable to common shareholders was negatively impacted by approximately \$2 million which corresponds to the expected credit losses calculated on our investment portfolio measured at amortized cost.

² Included share-based payments.

³ Changes for movements in the year 2023 are based on the restated opening BVPS.

Q1-2023 BVPS highlights

- **EPS contribution of \$2.06** reflected solid operating earnings, offset in part by non-operating results including UK personal lines motor exit expenses and the tax impact from the UK pension buy-in transaction.
- **Gains on FVTOCI securities of \$0.86 per share** reflected a favourable impact mainly from our debt securities, driven by the decrease in interest rates in all geographies.
- **Foreign exchange gain of \$0.29 per share**, due to the strengthening of the UK pound sterling by 2%.
- **A decrease of \$6.83 per share related to the UK pension buy-in transaction.** This transaction generated a net initial actuarial loss of \$1,195 million (£727 million), which was recognized in OCI. See *Section 19 – Employee future benefit programs* and *Note 20 – Employee future benefits to the interim condensed consolidated financial statements* for more details.

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20.6 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 35 – Cash flows

	Q1-2023	Q1-2022 <i>Restated</i>	Change
Net cash flows provided by operating activities	(506)	594	(1,100)
Cash flows generated from (deployed on):			
Proceeds from issuance of debt, net of issuance costs ¹	294	350	(56)
Repayment of debt ¹	-	(45)	45
Borrowing (repayment) on the credit facility and commercial paper ¹	(32)	(138)	106
Proceeds from issuance of preferred shares and other equity, net	296	146	150
Repurchase of common shares for share-based payments	(53)	(43)	(10)
Repurchase of common shares for cancellation	-	(17)	17
Payment of dividends on common shares, preferred shares	(209)	(189)	(20)
Payment of dividends to non-controlling interests	-	(10)	10
Redemption of non-controlling interests	-	(450)	450
Payments of lease liabilities	(26)	(27)	1
Proceeds from (repurchase of) securities sold under repurchase agreements	-	65	(65)
Proceeds from (purchases of) brokerages and other equity investments, net	56	(44)	100
Purchases of intangibles and property and equipment, net	(110)	(85)	(25)
Net cash inflows (outflows) before the following:	(290)	107	(397)
Proceeds from the sale of investments (purchases of), net	262	(1,113)	1,375
Net increase (decrease) in cash and cash equivalents	(28)	(1,006)	978
Cash and cash equivalents at the beginning of the period, net of held for sale	1,010	2,276	(1,266)
Exchange rate differences on cash and cash equivalents	9	(25)	34
Less: cash and cash equivalents held for sale	-	(94)	94
Cash and cash equivalents at end of the period²	991	1,151	(160)

¹ See Section 20.3 – Managing leverage for details.² Net of bank overdraft.**Cash position at the end of Q1-2023**

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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Holding company cash flow

We hold cash and cash equivalents at the holding company level, Intact Financial Corporation, and within our wholly owned operating subsidiaries. As at March 31, 2023, Intact Financial Corporation (our holding company) had \$26 million of cash and cash equivalents (\$4 million as at December 31, 2022).

Table 36 – Cash flows at the holding company level

	Q1-2023
Net cash and cash equivalents, at the beginning of the period	4
Cash flows generated from:	
Our wholly owned operating subsidiaries	451
Cash flows deployed on:	
Investing, financing and treasury activities	(174)
Capital return to our common shareholders ¹	(193)
Corporate expenses ²	(62)
Net cash and cash equivalents, at the end of the period	26

¹ Including dividends

² Including preferred shares dividends

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RISK MANAGEMENT

Section 21 - Currency risk and currency hedging

21.1 Foreign currency rates

We operate principally in the Canadian, UK and US P&C insurance markets. We are exposed to foreign currency impacts from translating foreign currency denominated transactions to Canadian dollars.

Table 37 – Foreign currency rates

	As at			Average rates for the periods	
	March 31, 2023	Dec. 31, 2022	Jan. 1, 2022	Q1-2023	Q1-2022
Foreign currency vs CAD					
USD	1.352	1.354	1.265	1.352	1.267
GBP	1.667	1.637	1.710	1.644	1.699
EUR	1.466	1.449	1.439	1.451	1.421

21.2 Currency hedging

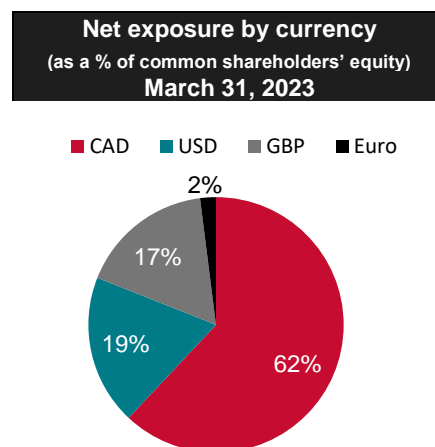
Net investment hedges

- 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.

Operational/ cash flow hedging

- As part of regular operations, we can from time to time enter into derivative contracts to hedge expected future cash flows in different currencies to protect against exchange rate volatility.

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



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Section 22 - 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.

Table 38 – Sensitivity analysis to market risk (after tax)

For the periods ended,	March 31, 2023			December 31, 2022		
	Net income	OCI	BVPS	Net income	OCI	BVPS
Equity price risk						
Common share prices (10% decrease) ¹	(170)	(67)	(1.35)	(166)	(87)	(1.44)
Preferred share prices (5% decrease) ²	(14)	(38)	(0.30)	(15)	(38)	(0.30)
Property price risk (10% decrease)	(36)	(10)	(0.26)	(36)	(22)	(0.33)
Interest rate risk (100 basis point increase) ³						
Debt securities ^{4,5}	(319)	(383)	(4.01)	(368)	(386)	(4.30)
Net claims liabilities	350	-	2.00	360	-	2.05
Defined benefit pension plan obligation, net of related debt securities	-	53	0.30	-	(75)	(0.43)
Currency risk⁶						
Strengthening of CAD by 10% vs all currencies						
Net assets of foreign operations in ⁷ :						
USD	(5)	(229)	(1.34)	(11)	(219)	(1.31)
GBP	4	(181)	(1.01)	4	(235)	(1.32)

¹ Including the impact of common shares (net of any equity hedges) or investment property related to the defined benefit pension plan, recorded in OCI.

² Including the impact on related embedded derivatives (December 31, 2022 only).

³ Excludes the impact of credit spreads.

⁴ Excludes the impact of debt securities related to the defined benefit pension plan.

⁵ Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 47% of government-related securities and 53% of corporate-related securities.

⁶ After giving effect to forward-exchange contracts.

⁷ 2022 comparatives were restated.

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.

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ADDITIONAL INFORMATION

Section 23 - 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:

- Underwriting profitability and premiums volume (*see Section 23.1*)
- Operating net investment result & other corporate results (*see Section 23.2*)
- Consolidated operating performance (*see Section 23.3*)
- Non-operating results (*see Section 23.4*)
- Relative performance KPIs (*see Section 23.5*)
- Consolidated performance KPIs (*see Section 23.6*)
- Equity & financial strength (*see Section 23.7*)

23.1 Underwriting profitability and premiums volume

Operating DPW, Operating DPW growth, Operating net underwriting revenue and Operating net underwriting growth

- Our top line consolidated performance is measured based on operating direct premiums written (**Operating DPW**), a supplementary financial measure not presented in the Consolidated Financial Statements. Operating DPW represents the total amount of premiums for new and renewal policies written during the reporting period, excluding industry pools, fronting and exited lines. **Our operating DPW growth** is measured based on the change in operating DPW year-over-year and represents the growth or decline in our top line measure.
- **Operating net underwriting revenue**, a Non-GAAP financial measure, is comprised of earned premiums net of reinsurance contracts (previously 'Operating NEP') and other revenues directly related to our insurance activities including fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans and fees received for the administration of other policies. Operating net underwriting revenues exclude those from exited lines and commissions assumed/ceded (as well as premium adjustments). The gross-up required for insurance contracts reported under the General Measurement Model (including those acquired through a business combination and the net adverse development cover ("ADC")) is not presented in operating net underwriting revenue. The closest GAAP measure is Insurance revenue, as reported under IFRS, net of Allocation of reinsurance premiums, as reported under IFRS.
- **Our operating net underwriting revenue growth** is measured based on the change in operating net underwriting revenue, which is a non-GAAP ratio. This represents the growth or decline in operating net underwriting revenue year-over-year (*as defined above*).
- For our non-Canadian operating segments, growth is also measured in constant currency, which is calculated by applying the respective exchange rates in effect for the current year to the previous year. We believe that this enhances the analysis of our financial performance with comparative periods as it excludes the impact of foreign currency fluctuations.

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Underwriting income (loss) and combined ratio

- **Our underwriting performance** is measured based on the 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 are comprised of underwriting results from our exited lines, the non-operating pension expense and includes the net impact of applying the business combination standard to acquired claims. 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 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*).

Combined ratio			
A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.			
Claims ratio (see below) + Expense ratio (see below)			
Claims ratio		Expense ratio	
$\frac{\text{Operating net claims* (defined hereafter)}}{\text{Operating net underwriting revenue*}}$		$\frac{\text{Operating net underwriting expenses* (defined hereafter)}}{\text{Operating net underwriting revenue*}}$	
Underlying current year loss ratio	$\frac{\text{Operating net claims excluding current year CAT losses and PYD*}}{\text{Operating net underwriting revenue*}}$	Commissions ratio	$\frac{\text{Commissions*}}{\text{Operating net underwriting revenue*}}$
CAT loss ratio	$\frac{\text{Net current year CAT losses*}}{\text{Operating net underwriting revenue*}}$	General expenses ratio	$\frac{\text{General expenses*}}{\text{Operating net underwriting revenue*}}$
PYD ratio	$\frac{\text{PYD*}}{\text{Operating net underwriting revenue*}}$	Premium taxes ratio	$\frac{\text{Premium taxes*}}{\text{Operating net underwriting revenue*}}$

- Our segments are presented on an undiscounted basis and will continue to include **the risk adjustment**. Risk adjustment, previously called risk margin under IFRS 4, is the fundamental concept of adding additional reserves to cover uncertainty risk (which are released over time if unused). The methodology under IFRS 17 is aligned to the previous method, although it now accounts only for non-financial risks.

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- **Operating net claims*** is an operating measure comprised of claims related to our underwriting activities, including losses on onerous contracts. The claims incurred are net of reinsurance, and exclude the non-operating pension expense as well as claims from exited lines. The gross-up required under IFRS 17 with respect to the General Measurement Model (including those acquired through a business combination and the ADC) will not be presented in Operating net claims.
- To provide more insight into our underlying current year performance, the impact of CAT losses (which can be volatile), and PYD, we further analyze 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***, including reinstatement premiums, 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 (on an undiscounted basis). 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 and IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more, effective January 1, 2023). 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*** is an operating measure comprised of commissions (including regular and variable commissions), premium taxes and general expenses related to our underwriting activities, as well as the amortization of our deferred allocated acquisition costs. These direct and indirect expenses related to our underwriting activities are net of reinsurance, and exclude the non-operating pension expense as well as underwriting expenses from exited lines.
 - Indirect costs include salaries, rent and technology costs, which are indirectly related to our underwriting activities, as well as the net results pursuant to acting as a servicing carrier for the Facility Association.

A reconciliation of our underwriting-related non-GAAP financial measures to their closest comparable GAAP measures can be found on the following page, in Table 39

INTACT FINANCIAL CORPORATION

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

Table 39 – Reconciliation of underwriting results on a MD&A basis with the interim condensed consolidated financial statements

Financial statements	FS IFRS 17	1	2	3	4	5	6	7	8	9	Total	MD&A IFRS 17	MD&A
For the quarter ended March 31, 2023													
Insurance revenue	6,354	(847)	(80)				(541)		(59)	37	(1,490)	4,864	Operating net underwriting revenue
Insurance service expense	(5,596)	733	140	(86)	6	(35)	565		59	(37)	1,345	(4,251)	Sum of: Operating net claims (\$2,599 million) and Operating net underwriting expenses (\$1,652 million)
Allocation of reinsurance premiums	(847)	847									847	-	n/a
Amounts recoverable from reinsurers	733	(733)									(733)	-	n/a
Insurance service result	644	-	60	(86)	6	(35)	24	-	-	-	(31)	613	Underwriting income (loss)
For the quarter ended March 31, 2022													
Insurance revenue	6,806	(886)	(148)				(984)		(56)	29	(2,045)	4,761	Operating net underwriting revenue
Insurance service expense	(6,042)	692	182	(109)	12	(22)	991	39	56	(29)	1,812	(4,230)	Sum of: Operating net claims (\$2,663 million) and Operating net underwriting expenses (\$1,567 million)
Allocation of reinsurance premiums	(886)	886									886	-	n/a
Amounts recoverable from reinsurers	692	(692)									(692)	-	n/a
Insurance service result	570	-	34	(109)	12	(22)	7	39	-	-	(39)	531	Underwriting income (loss)

Reconciling items in the table above:

1	Adjustment to present results net of reinsurance
2	Adjustment to exclude net underwriting revenue, net claims, net underwriting expenses from exited lines (treated as non-operating)
3	Adjustment to include indirect underwriting expenses (from Other income and expense under IFRS)
4	Adjustment to exclude the non-operating pension expense
5	Adjustment to reclassify intercompany commissions (to Distribution income & Other corporate income (expense))
6	Adjustment to exclude Net insurance service results from claims acquired in a business combination (treated as non-operating)
7	Adjustment to normalize discount build in IFRS 17 transition year (from Net insurance financial result under IFRS)
8	Adjustment to reclassify Assumed (ceded) commissions and premium adjustments
9	Adjustment to reclassify Net insurance revenue from retroactive reinsurance contracts

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Table 40 – Reconciliation of the components within Operating net claims

	Q1-2023	Q1-2022 (restated)
Operating net claims, as reported in Table 39	2,599	2,663
Remove: net current year CAT losses (Table 15)	(108)	(182)
Remove: favourable (unfavourable) PYD (Table 14)	259	283
Operating net claims excluding current year CAT losses and PYD	2,750	2,764
Operating net underwriting revenue	4,864	4,761
Underlying current year loss ratio	56.5%	58.1%
CAT loss ratio (Table 15)	2.2%	3.8%
(Favourable) unfavourable PYD ratio (Table 14)	(5.3)%	(5.9)%
Claims ratio	53.4%	56.0%

Table 41 – Reconciliation of the components within Operating net underwriting expenses

	Q1-2023	Q1-2022 (restated)
Operating net underwriting expenses, as reported in Table 39	1,652	1,567
Commissions	801	742
General expenses	715	688
Premium taxes	136	137
Operating net underwriting revenue	4,864	4,761
Commissions ratio	16.5%	15.6%
General expenses ratio	14.7%	14.4%
Premium taxes ratio	2.8%	2.9%
Expense ratio	34.0%	32.9%

23.2 Operating net investment result & other corporate results

Operating net investment result

Operating net investment result is the sum of the following two non-GAAP financial measures (see reconciliation in Table 46):

- **Operating net investment income**, which represents Net investment income as presented in the financial statements, excluding the investment income from the RSA Middle-East exited operations (see Section 12.2 – Income (loss) from exited lines), as presented in Table 42.
- **Net unwind of discount on claims liabilities**, a non-GAAP financial measure defined in the table below, which represents the passage of time of the effect of the discounting of our claims liabilities, as presented in Table 43.

Table 42 – Reconciliation of Operating net investment income to Net investment income, as reported under IFRS

	Q1-2023	Q1-2022 (restated)
Net investment income, as reported under IFRS	295	207
Remove: investment income from the RSA Middle-East exited operations	-	(2)
Operating net investment income	295	205

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Table 43 – Reconciliation of Net unwind of discount on claims liabilities to Net insurance financial result, as reported under IFRS

	Q1-2023	Q1-2022 (restated)
Net insurance financial result, as reported under IFRS	(251)	373
Remove: Changes in discount rates and other financial assumptions ¹	92	(505)
Remove: Net foreign currency gains (losses) ¹	(44)	53
Remove: Net insurance financial result from claims acquired in a business combination	(23)	(4)
Net unwind of discount on claims liabilities	(226)	(83)

¹Included within *Note 16 – Net investment return and net insurance financial result* from the interim condensed consolidated financial statements.

Other corporate results

- **Distribution income*** is an operating measure used to report the performance of our distribution channel, which includes operating income before interest and taxes from our consolidated brokers, broker associates, MGAs and other supply chain related businesses. Other income and expense, as reported under IFRS (for our consolidated entities) as well as our Share of profit from investments in associates and joint ventures (for those that we do not consolidate) under IFRS are the closest GAAP measures.
- **Total finance costs*** includes all finance costs, including those from our broker associates, which are accounted for using the equity method under IFRS. Other finance costs, as reported under IFRS, is the closest GAAP measure.
- **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 and expense, as reported under IFRS, is the closest GAAP measure.

A reconciliation of the above non-GAAP financial measures to their closest comparable GAAP measures can be found on the following pages, in Table 46

23.3 Consolidated operating performance

PTOI

- **Pre-tax operating income (PTOI)***, which is used in the calculation of NOI, represents the Income before income taxes (closest 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 44 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS.*
- 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 4 – Operating performance by segment* for the details of PTOI by component and segment.

Table 44 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q1-2023	Q1-2022 (restated)
Income before income taxes, as reported under IFRS	551	657
Add: share of income tax expense of broker associates	10	8
Remove: Pre-tax non-operating losses (gains) (Table 17)	141	2
PTOI	702	667
Add: operating income tax expense	(149)	(132)
Remove: net operating income attributable to non-controlling interests (NCI)	-	(6)
NOI attributable to shareholders (Table 45)	553	529

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NOI attributable to common shareholders, NOIPS and OROE

- **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. We believe that analysing 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, operating net investment results 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*).

NOIPS for a specific period	NOI attributable to common shareholders* WANSO ¹	OROE for a 12-month period	NOI attributable to common shareholders* Adjusted average common shareholders' equity (excluding AOCI)*
--------------------------------	--	-------------------------------	--

¹ Weighted-average number of common shares outstanding on a daily basis during the period.

- **Net operating income (NOI) attributable to shareholders*** represents the Net income attributable to shareholders (closest GAAP measure), excluding the after-tax impact of Non-operating results, net of net income (loss) attributable to non-controlling interests (non-operating component).
- **Net operating income (NOI) attributable to common shareholders*** represents the Net operating income attributable to shareholders, excluding preferred share dividends and other equity distribution. Net income attributable to shareholders is the closest GAAP measure.

Table 45 - Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS

	Q1-2023	Q1-2022 (restated)
Net income attributable to shareholders, as reported under IFRS	377	499
Remove: pre-tax non-operating results (Table 17)	141	2
Remove: non-operating tax expense (benefit) ¹	35	46
Remove: non-operating component of NCI	-	(18)
NOI attributable to shareholders	553	529
Remove: preferred share dividends and other equity distribution	(16)	(13)
NOI attributable to common shareholders	537	516
Divided by weighted-average number of common shares (in millions)	175.3	176.1
NOIPS, basic and diluted (in dollars)	3.06	2.93
NOI to common shareholders for the last 12 months²	2,114	2,148
Adjusted average common shareholders' equity, excluding AOCI (Table 53) ²	15,039	12,966
OROE for the last 12 months²	14.1%	16.6%

¹ See Table 49 - Acquisition-related gains (losses) and other non-operating results for more details.

² These measures are not restated for IFRS 17, given that the 2021 P&L figures were not restated for IFRS 17

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Table 46 – Reconciliation of consolidated results on a MD&A basis with the interim condensed consolidated financial statements

	MD&A captions					Pre-tax		
As presented in the Financial statements	Distribution income	Total finance costs	Other operating income (expense)	Operating net investment result	Total income taxes	Non-operating results	Underwriting income (loss)	Total F/S caption
For the quarter ended March 31, 2023								
Insurance service result	36		(1)			(90)	699	644
Net investment income				295		-		295
Net gains (losses) on investment portfolio						149		149
Net insurance financial result				(226)		(25)	-	(251)
Share of profits from investments in associates and joint ventures	47	(4)	1		(10)	(4)		30
Other net gains (losses)						17		17
Other income and expense	22		(31)			(52)	(86)	(147)
Other finance costs		(50)						(50)
Acquisition, integration and restructuring costs						(136)		(136)
Income tax benefit (expense)					(174)			(174)
Total, as reported in MD&A	105	(54)	(31)	69	(184)	(141)	613	
For the quarter ended March 31, 2022 (Restated)								
Insurance service result	20		2			(53)	601	570
Net investment income				205		2		207
Net gains (losses) on investment portfolio						(221)		(221)
Net insurance financial result				(83)		417	39	373
Share of profits from investments in associates and joint ventures	38	(1)	1		(8)	(5)		25
Other net gains (losses)						(20)		(20)
Other income and expense	34		(39)			(58)	(109)	(172)
Other finance costs		(41)						(41)
Acquisition, integration and restructuring costs						(64)		(64)
Income tax benefit (expense)					(170)			(170)
Total, as reported in MD&A	92	(42)	(36)	122	(178)	(2)	531	

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23.4 Non-operating results

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 Section 12 – Non-operating results for details.* They are comprised of the following items:

- **Net gains (losses) on investment portfolio**, as reported under IFRS, arise mostly from changes in market conditions and investment decisions, which can be volatile to earnings.
- **MYA and FX on claims liabilities** arises mostly from movements in interest rates, which can be volatile to earnings. Claims liabilities are discounted using yield curves based on risk-free rates adjusted for an illiquidity premium, reflecting the characteristics and duration of claims liabilities. The impact of changes in the discount rate used to discount the claims liabilities throughout the year is referred to as MYA. Starting in Q1-2022, net foreign currency gains (losses) on claims liabilities have been reclassified to MYA and FX on claims liabilities. In the financial statements, MYA and Net foreign currency gains (losses) on claims liabilities are also recognized outside of insurance results, in Net insurance financial result, as determined in accordance with IFRS.
 - 2022 MYA figures under IFRS 17 were adjusted to be equivalent to the 2022 MYA figures calculated under IFRS 4 (offset to Underwriting income (loss) and neutral to Net Income and EPS). Considering the rapid rise of interest rates experienced in 2022, management believes that this normalisation of discount build in transition year makes the results presented more comparable with their expectations of future results.

Table 47 – Reconciliation of MYA to Net insurance financial result, as calculated under IFRS

	Q1-2023	Q1-2022 (restated)
Net insurance financial result, as reported under IFRS	(251)	373
Remove: Unwind of discount on claims liabilities ¹	203	79
Remove: Normalisation of discount build in transition year	-	(39)
MYA and FX on claims liabilities	(48)	413

¹ Included within *Note 16 – Net investment return and net insurance financial result* from the interim condensed consolidated financial statements.

- The **non-operating pension expense** represents:
 - Canadian pension plans: The non-operating pension expense is the difference between the total IAS 19 pension expense and the operating pension expense. The operating pension expense is the current service costs calculated using the expected return on assets as the interest rate, as opposed to the IFRS discount rate, for our Canadian pension plan. The expected return better reflects our operating performance given our internal investment management expertise and the composition of our pension asset portfolio.
 - UK pension plans: the net of the asset return on the DB pension plans assets and the administrative expenses for these plans. The DB pension plans have been closed to new entrants since 2002.
 - The non-operating pension expense is included in Insurance service expense 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.
 - **Acquisition costs** include professional fees related to the closing of an acquisition.
 - **Integration costs** include costs related to an acquisition such as severances, retention bonuses, 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.

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- **Restructuring and other costs** include non-recurring reorganization costs not related to an acquisition, impairment of IT systems related to our exited lines businesses and expenses related to the implementation of significant new accounting standards.
- **Other net gains (losses)**, as reported under IFRS, includes the gains (losses) on acquisition and sale of businesses as well as unrealized gains (losses) related to certain venture investments remeasured at fair value. It is reported in non-operating results given its special nature.
- **Income (loss) from exited lines** includes the underwriting results and net investment income 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. 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. Under IFRS, these are included within Insurance revenue, Insurance service expenses, Net expenses from reinsurance contracts held and Net investment return.
- **Net result from claims acquired in a business combination** is a result of IFRS 17 and applies to all claims from the RSA acquisition in 2021. The standard requires a gross up between insurance revenues and expenses as acquired claims are considered new insurance contracts. In the MD&A, the claims from the acquisition of RSA in 2021 will continue to be treated the same as other claims, and the net impact of applying the standard will be reported separately from our business segments, within non-operating income.

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23.5 Relative performance KPIs**Adjusted net income attributable to common shareholders, 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*).

AEPS for a specific period	Adjusted net income attributable to common shareholders* <hr/> WANSO	AROE for a 12-month period	Adjusted net income attributable to common shareholders* <hr/> Adjusted average common shareholders' equity* (<i>Section 23.7</i>)
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- **Adjusted net income attributable to shareholders*** represents the Net income attributable to shareholders (closest 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.
- **Adjusted net income attributable to common shareholders*** represents the Adjusted net income attributable to shareholders, excluding preferred share dividends and other equity distribution. Net income attributable to shareholders is the closest GAAP measure.

Table 48 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q1-2023	Q1-2022 (restated)
Net income attributable to shareholders, as reported under IFRS	377	499
Adjustments, after tax (<i>see Table 49 for details</i>)		
Remove: amortization of intangibles recognized in business combinations	49	50
Remove: acquisition and integration costs	45	42
Remove: net gain on currency derivative hedges (acquisitions)	-	2
Remove: tax adjustments on acquisition-related items	1	2
Remove: Net result from claims acquired in a business combination	1	2
Adjusted net income attributable to shareholders	473	597
Remove: preferred share dividends other equity distribution	(16)	(13)
Adjusted net income attributable to common shareholders	457	584
Divided by weighted-average number of common shares (in millions)	175.3	176.1
AEPS, basic and diluted (in dollars)	2.61	3.31
Adjusted net income attributable to common shareholders for the last 12 months¹	2,697	2,460
Adjusted average common shareholders' equity (<i>Table 53</i>) ¹	14,672	13,115
AROE for the last 12 months¹	18.3%	18.8%

¹ These measures are not restated for IFRS 17, given that the 2021 P&L figures were not restated for IFRS 17

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Acquisition-related items

- **Acquisition-related items**, which are reported in Non-operating results*, include amortization of acquired intangible assets, acquisition and integration costs, as well as the net result from claims acquired in a business combination.

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

	Q1-2023		Q1-2022 (restated)	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	(65)	(49)	(65)	(50)
Acquisition and integration costs	(60)	(45)	(55)	(42)
Net gain (loss) on currency derivative hedges (acquisitions)	-	-	(2)	(2)
Tax adjustment on acquisition-related items	-	(1)	-	(2)
Net result from claims acquired in a business combination	(1)	(1)	(3)	(2)
Acquisition-related gains (losses)	(126)	(96)	(125)	(98)
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	149	112	(219)	(207)
MYA and FX on claims liabilities	(48)	(35)	413	310
Non-operating pension expense	3	3	(9)	(6)
Other net gains (losses)	17	10	(20)	(18)
Income (loss) from exited lines	(60)	(47)	(32)	(26)
Restructuring and other non-operating costs	(76)	(123)	(10)	(3)
Other non-operating results	(15)	(80)	123	50
Non-operating results	(141)	(176)	(2)	(48)

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23.6 Consolidated performance KPIs

EPS and ROE

- 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	$\frac{\text{Net income attributable to common shareholders}}{\text{WANSO}}$	ROE for a 12-month period	$\frac{\text{Net income attributable to common shareholders}}{\text{Adjusted average common shareholders' equity* (Section 23.7)}}$
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- Net income attributable to common shareholders** is determined in accordance with IFRS and excludes the dividends declared on preferred shares and other equity distribution.

Table 50 – Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q1-2023	Q1-2022 (restated)
Net income attributable to shareholders	377	499
Remove: preferred share dividends other equity distribution	(16)	(13)
Net income attributable to common shareholders	361	486
Divided by weighted-average number of common shares (in millions)	175.3	176.1
EPS, basic and diluted (in dollars)	2.06	2.76
Net income attributable to common shareholders for the last 12 months¹	2,269	1,959
Adjusted average common shareholders' equity (Table 53) ¹	14,672	13,115
ROE for the last 12 months¹	15.4%	14.9%

¹ These measures are not restated for IFRS 17, given that the 2021 income statement figures were not restated for IFRS 17

Table 51 – Reconciliation of AEPS and NOIPS to EPS, as reported under IFRS

	Q1-2023		Q1-2022 (restated)	
	After-tax	Per share	After-tax	Per share
Net income attributable to common shareholders (EPS)	361	2.06	486	2.76
Add back: acquisition-related losses (gains) (Table 49)	96	0.55	98	0.55
Adjusted net income attributable to common shareholders (AEPS)	457	2.61	584	3.31
Add back: other non-operating results (Table 49)	80	0.45	(50)	(0.28)
Add back: non-operating component of NCI	-	-	(18)	(0.10)
NOI attributable to common shareholders (NOIPS)	537	3.06	516	2.93

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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*).

Total effective income tax rate for a specific period	Total income tax expense (benefit)* Pre-tax income*	Operating effective income tax rate for a specific period	Operating income tax expense (benefit)* PTOI* (Section 23.3)
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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.
- 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 52 – Reconciliation of effective income tax rates

	Q1-2023	Q1-2022 (restated)
Income before income taxes, as reported under IFRS	551	657
Add: share of income tax expense of broker associates	10	8
Pre-tax income	561	665
Total income tax benefit (expense) per MD&A (Table 46)	(184)	(178)
Net income	377	487
Total effective income tax rate, as reported in the MD&A	32.8%	26.8%
Pre-tax operating income (PTOI) (Table 44)	702	667
Operating income tax benefit (expense)	(149)	(132)
Netted with: operating component of NCI	-	(6)
NOI attributable to shareholders	553	529
Operating effective income tax rate, as reported in the MD&A	21.2%	19.8%

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23.7 Equity and Financial strength

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 is determined in accordance with IFRS, and excludes preferred shares and other equity, as per IFRS.
- **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 and AOCI are determined in accordance with IFRS, and excludes preferred shares and other equity, as per IFRS.
- We believe that adjusting for common share issuances or other significant capital transactions 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 53 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity (excluding AOCI)

As at March 31,	2023	2022 ¹
Ending common shareholders' equity	13,622	14,465
Remove: significant capital transaction during the period	1,195	(4,311)
Ending common shareholders' equity, excluding significant capital transaction	14,817	10,154
Beginning common shareholders' equity ²	14,923	8,894
Average common shareholders' equity, excluding significant capital transaction	14,870	9,524
Weighted impact of significant capital transaction	(108)	3,591
Adjusted average common shareholders' equity	14,672	13,115
Ending common shareholders' equity (excluding AOCI)	14,106	14,534
Remove: significant capital transaction during the period	1,195	(4,311)
Ending common shareholders' equity, excluding AOCI and significant capital transaction	15,301	10,223
Beginning common shareholders' equity, excluding AOCI ²	14,993	8,529
Average common shareholders' equity, excluding AOCI and significant capital transaction	15,147	9,375
Weighted impact of significant capital transaction	(108)	3,591
Adjusted average common shareholders' equity, excluding AOCI	15,039	12,966

¹ These measures are not restated for IFRS 17, given that the 2021 P&L figures were not restated for IFRS 17.

² Beginning common shareholders' equity has not been adjusted for the adoption of IFRS 9 – Financial instruments ("IFRS 9") for purposes of calculating average common shareholders' equity.

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Total capital margin and regulatory capital ratios

- The capital strength of the group is measured by the **Total capital margin**, a supplementary financial measure. 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, which are also supplementary financial measures. *See Section 20 – Capital management for more details.*

Total capital margin as at the end of a specific period	Total capital margin includes capital in excess of the internal CALs ¹ 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.	Regulatory capital ratios 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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¹ The weighted-average CAL for all regulated Canadian insurance entities is 169% 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&I.

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

- The evolution of our book value is measured using **BVPS**, a supplementary financial measure, which is calculated using GAAP measures (as defined below). 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 supplementary financial measure, in our Supplementary Financial Information available in the "Investors" section of our web site at 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.

BVPS as at the end of a specific period	Common shareholders' equity Number of common shares outstanding at the same date	BVPS (excluding AOCI) as at the end of a specific period	Common shareholders' equity (excluding AOCI) Number of common shares outstanding at the same date
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Table 54 – Calculation of BVPS and BVPS (excluding AOCI)

As at March 31,	2023	2022 (restated)
Equity attributable to shareholders, as reported under IFRS	15,241	16,245
Remove: Preferred shares and other equity, as reported under IFRS	(1,619)	(1,322)
Common shareholders' equity	13,622	14,923
Remove: AOCI, as reported under IFRS	484	70
Common shareholders' equity (excluding AOCI)	14,106	14,993
Number of common shares outstanding at the same date (in millions)	175.3	176.0
BVPS	77.72	84.78
BVPS (excluding AOCI)¹	80.49	85.18

¹ The Company adopted IFRS 9 retrospectively on January 1, 2023 and elected to recognize any IFRS 9 measurement differences by adjusting its Consolidated balance sheet on January 1, 2023, as a result comparative information was not restated. Prior periods continue to be reported under IAS 39 – Financial instruments: recognition and measurement ("IAS 39").

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

Adjusted debt-to-total capital ratio, which is a Non-GAAP ratio, is calculated using the following Non-GAAP financial measures (marked with an asterisk*). Total leverage ratio is a GAAP ratio, which is calculated using GAAP measures (as defined below).

Adjusted debt-to-total capital ratio as at the end of a specific period	Debt outstanding (excluding hybrid debt)* Adjusted total capital	Total leverage ratio as at the end of a specific period	Debt outstanding, preferred shares and other equity (including NCI) 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 and preferred shares instruments held by subsidiaries, at the same date.

Table 55 – Reconciliation of Debt outstanding (excluding hybrid debt) and Total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	March 31 2023	Dec. 31 2022 <i>Restated</i>
Debt outstanding, as reported under IFRS	4,789	4,522
Remove: hybrid subordinated notes (<i>see Note 12.1</i>)	(247)	(247)
Debt outstanding (excluding hybrid debt)	4,542	4,275
Debt outstanding, as reported under IFRS	4,789	4,522
Equity attributable to shareholders, as reported under IFRS	15,241	15,843
Preferred shares from Equity attributable to non-controlling interests	285	285
Adjusted total capital	20,315	20,650
Debt outstanding (excluding hybrid debt)	4,542	4,275
Adjusted total capital	20,315	20,650
Adjusted debt-to-total capital ratio	22.4%	20.7%
Debt outstanding, as reported under IFRS	4,789	4,522
Preferred shares and other equity, as reported under IFRS	1,619	1,322
Preferred shares from Equity attributable to non-controlling interests	285	285
Debt outstanding and preferred shares (including NCI)	6,693	6,129
Adjusted total capital (<i>see above</i>)	20,315	20,650
Total leverage ratio	32.9%	29.7%
Adjusted debt-to-total capital ratio	22.4%	20.7%
Preferred shares and hybrids	10.5%	9.0%

Refer to the *interim condensed consolidated financial statements* for more details on the composition of items presented in the above table.

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Section 24 - Accounting and disclosure matters

24.1 Significant accounting judgments, estimates and assumptions

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

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

Reference to our Consolidated financial statements for the year ended December 31, 2022			
Global economic environment	Note 3.2	Impairment of financial assets	Note 25.2
Business combinations and disposals	Note 5.2	Measurement of income taxes	Note 27.6
Valuation of claims liabilities	Note 11.3	Valuation of defined benefit obligation	Note 30.6
Impairment of goodwill and intangible assets	Note 15.2		

Following the adoption of IFRS 17 – Insurance Contracts (“IFRS 17”) in conjunction with IFRS 9 – Financial instruments (“IFRS 9”) on January 1, 2023, these standards required management to use judgments, estimates and assumptions. Refer to **Note 10.3 – Material accounting judgements, estimates and assumptions** as well as **Note 9.2 a) – Impairment assessment** to the interim condensed consolidated financial statements for more details.

24.2 Disclosure controls and procedures

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

Management, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company, has evaluated the design of our disclosure controls and procedures. The evaluation was conducted in accordance with the requirements of National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* (“NI 52-109”) of the Canadian Securities Administrators. This evaluation confirmed, subject to the inherent limitations noted above, the appropriateness of the design of disclosure controls and procedures as at March 31, 2023. 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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24.3 Internal controls over financial reporting

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

Management has evaluated the design of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the ICFR were appropriately designed as at March 31, 2023.

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.

In the context of the adoption of IFRS 17 and IFRS 9 as at January 1, 2023, management has updated its ICFR to reflect the implementation of new IT systems and the design of new processes and internal controls. No other significant changes were made to our ongoing ICFR during Q1-2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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Section 25 - Shareholder information**25.1 Authorized share capital and outstanding share data**

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

Table 56 – Outstanding share data (number of shares and amount)

As of May 10, 2023	Number of shares	Amount (in millions)
Common shares	175,256,968	7,542
Preferred shares - Class A Shares		
Series 1	10,000,000	244
Series 3	10,000,000	245
Series 5	6,000,000	147
Series 6	6,000,000	147
Series 7	10,000,000	245
Series 9	6,000,000	147
Series 11	6,000,000	147
Other equity		
LRCN Series 1 Notes	n/a	297

Refer to our *Annual Information Form* for more detailed information on the rights of shareholders and to *Note 13 – Share Capital* to the interim condensed consolidated financial statements for additional information.

25.2 Distribution on common shares, preferred shares and other equity instruments

Table 57 – Quarterly dividends declared per share

	Q2-2023	Q1-2023
Common shares	1.10	1.10
Preferred shares – Class A Shares		
Series 1	0.3025625	0.3025625
Series 3	0.2160625	0.2160625
Series 5	0.325	0.325
Series 6	0.33125	0.33125
Series 7	0.30625	0.30625
Series 9	0.3375	0.3375
Series 11	0.328125	0.328125

On May 9, 2023, the Board of Directors approved the quarterly dividend for Q2-2023.

On March 7, 2023, we issued the LRCN Series 1 Notes. Holders are entitled to receive semi-annual payments at a rate of 7.338% per annum until June 30, 2028. Distributions for 2023 are to be made on June 30, 2023, and December 29, 2023.

25.3 Expected release dates of our financial results

Q2-2023	Q3-2023	Q4-2023	Q1-2024
August 2, 2023	November 7, 2023	February 13, 2024	May 7, 2024

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

Section 26 - Selected quarterly information

26.1 Selected quarterly information

Table 58 – Selected quarterly information

	IFRS 17 basis		IFRS 4 basis				IFRS 4 basis			
	2023	2022	2022				2021			
	Q1	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating DPW	4,809	4,656	5,125	5,443	5,807	4,678	5,017	5,447	4,297	2,522
Segment operating revenues ¹	5,325	5,101	5,442	5,244	5,116	5,089	5,270	5,189	3,748	2,997
Operating net underwriting revenue / Operating NEP	4,864	4,761	5,004	4,880	4,758	4,742	4,931	4,871	3,482	2,759
Current year CAT losses	108	182	167	229	248	182	186	365	73	52
Favourable PYD	(259)	(283)	(188)	(143)	(179)	(223)	(160)	(148)	(136)	(150)
Underwriting income (loss)	613	531	427	362	441	396	600	426	464	297
Combined ratio (discounted) ²	87.4%	88.9%	91.5%	92.6%	90.7%	91.7%	87.8%	91.3%	86.7%	89.3%
Operating net investment result / Operating net investment income	69	122	279	232	211	205	220	191	154	141
Distribution income	105	92	93	111	141	92	77	105	118	62
NOI attributable to shareholders	553	529	601	488	569	488	679	519	515	357
Net income	377	487	419	370	1,184	447	701	300	573	514
Net income attributable to shareholders	377	499	412	370	1,183	459	692	295	566	514
Per share measures³										
NOIPS	3.06	2.93	3.34	2.70	3.14	2.70	3.78	2.87	3.26	2.40
EPS	2.06	2.76	2.26	2.02	6.64	2.53	3.85	1.60	3.59	3.51

¹ This measure is aligned with our interim condensed consolidated financial statements

² See Section 26.2 – Seasonality of our P&C insurance business

³ Basic and diluted (in dollars)

26.2 Seasonality of the P&C insurance business

The P&C insurance business is seasonal in nature. While operating net underwriting revenue are generally stable from quarter to quarter, underwriting results are driven by weather conditions which may vary significantly between quarters.

Reference to our Q4-2022 MD&A

Combined ratio seasonal indicator (by quarter) excluding CAT losses

Section 12 – Seasonality of our P&C insurance business

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

Section 27 - Glossary and definitions

27.1 Glossary of abbreviations

Description		Description	
ABI	Association of British Insurers	MBS	Mortgage-backed securities
ADC	Adverse development cover	MCT	Minimum capital test (Canada)
AEPS	Adjusted EPS	MD&A	Management's Discussion and Analysis
AFS	Available for sale	Moody's	Moody's Investor Service Inc.
AMF	Autorité des marchés financiers	MGA	Managing general agent
AOCI	Accumulated OCI	MYA	Market yield adjustment
AROE	Adjusted ROE	MYE	Market yield effect
bps	Basis points	NCI	Non-controlling interests
BVPS	Book value per share	NCIB	Normal course issuer bid
CAD	Canadian Dollar	NAIC	National Association of Insurance Commissioners
CAGR	Compound annual growth rate	NOI	Net operating income
CAL	Company action level	NOIPS	NOI per share
CAN	Canada	OCI	Other comprehensive income
CAT	Catastrophe	OROE	Operating ROE
CL	Commercial lines	OSFI	Office of the Superintendent of Financial Institutions
DB	Defined benefit	P&C	Property & Casualty
DBRS	Dominion Bond Rating Services	PA	Personal auto
DC	Defined contribution	PL	Personal lines
DPW	Direct premiums written	PP	Personal property
EPS	Earnings per share to common shareholders	PRA	Prudential Regulatory Authority
ESG	Environmental, Social and Governance	PTOI	Pre-tax operating income
EUR (€)	Euro, European Union's official currency	PYD	Prior year claims development
FCA	Financial Conduct Authority	RBC	Risk-based capital (US)
FS	Financial Statements	ROE	Return on equity
Fitch	Fitch Ratings Inc.	SCR	Solvency Capital Requirement (Europe)
FVTOCI	Fair value through OCI	SL	Specialty lines
FVTPL	Fair value through profit and loss	S&P	Standard & Poor's
GBP (£)	British pound sterling, UK's official currency	TSX	Toronto Stock Exchange
GMM	General measurement model	UK	United Kingdom
IFRS	International Financial Reporting Standards	UK&I	United Kingdom and International
KPI	Key performance indicator	US	United States
LRCN	Limited recourse capital notes	USD (US\$)	US Dollar

Management's Discussion and Analysis for the quarter ended March 31, 2023

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

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

- Unless otherwise noted, operating DPW refer to DPW 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.
- 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. Our CAT threshold is as follows; P&C Canada: \$10 million, P&C UK&I: £7.5 million, P&C US: US\$5 million and IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more, effective January 1, 2023).
- 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.