

Intact Financial Corporation (IFC)

Investor Presentation
December 2010





Forward-looking statements

Certain of the statements in this document about the company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "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. 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. Many factors could cause the company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the company's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that the company writes; unfavourable capital market developments or other factors which may affect the company's investments and funding obligations under its pension plans; the cyclical nature of the P&C insurance industry; management's ability to accurately predict future claims frequency; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the company's reliance on brokers and third parties to sell its products; the company's ability to successfully pursue its acquisition strategy; its ability to execute its business strategy; the company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; the company's ability to maintain its financial strength ratings; the company's ability to alleviate risk through reinsurance; the company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); the company's reliance on information technology and telecommunications systems; the company's dependence on key employees; general economic, financial and political conditions; the company's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the company's share price; and future sales of a substantial number of its common shares. All of the forward-looking statements included in this document are qualified by these cautionary statements. These factors are not intended to represent a complete list of the factors that could affect the company; however, these factors should be considered carefully, and readers should not place undue reliance 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.

Important notes:

- All references to direct premiums written ("DPW") in this document exclude industry pools, unless otherwise noted.
- All references to "excess capital" in this document include excess capital in the P&C insurance subsidiaries at 170% minimum capital test ("MCT") plus liquid assets in the holding company, unless otherwise noted.
- Catastrophe claims are any one claim, or group of claims, equal to or greater than \$5.0 million, related to a single event.
- All underwriting results and related ratios exclude the MYA, except if noted otherwise.



Canada's leader in auto, home and business insurance

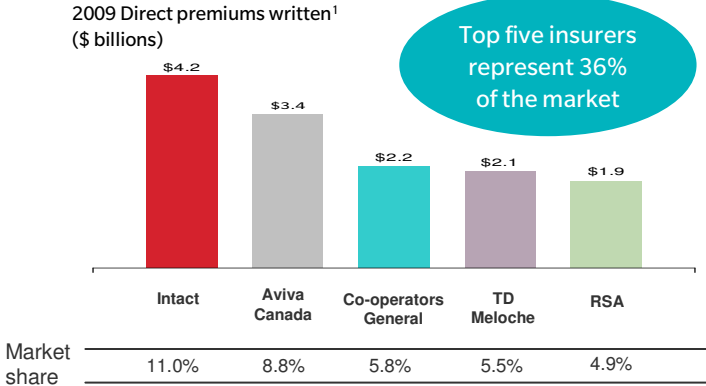
Who we are

- Largest P&C insurer in Canada
- Over \$4 billion in direct premiums written
- #1 in Ontario, Québec, Alberta, Nova Scotia
- Substantial size and scale advantage
- 11 successful acquisitions since 1988
- \$8.6 billion cash and invested assets

Distinct brands



Scale advantage



Industry outperformer

10-year performance – IFC vs. P&C Industry ¹	IFC outperformance
Premium growth	1.7 pts
Combined ratio ²	3.8 pts
Return on equity ³	7.5 pts

¹ Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI and Genworth
² Combined ratio includes the market yield adjustment (MYA)
³ ROE is for Intact's P&C insurance subsidiaries

Consistent industry outperformance



Significant scale advantage



Sophisticated pricing and underwriting



In-house claims expertise



Broker relationships

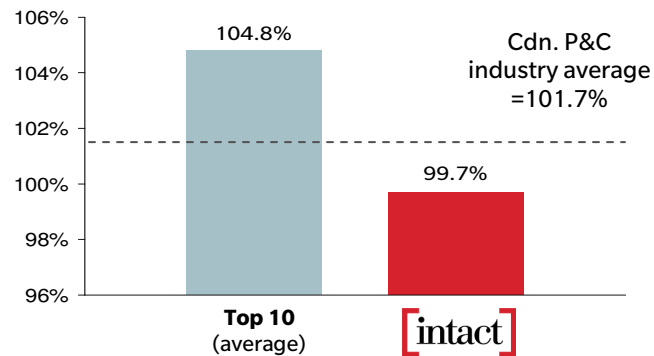


Multi-channel distribution

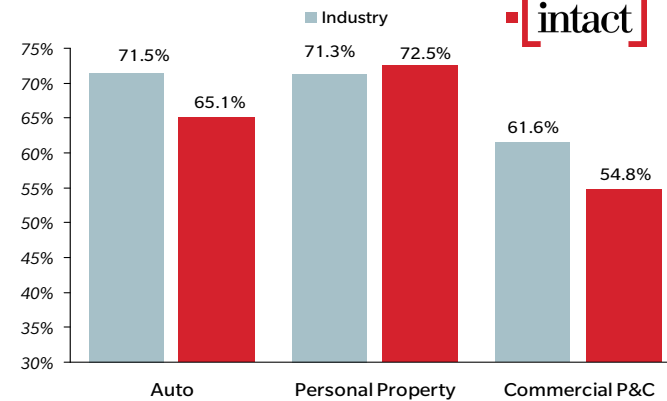


Proven acquisition track record

2009 combined ratios



Five-year average loss ratios



Source: MSA Research 2009

Data in both charts are for the year ended December 31, 2009

Industry results exclude Lloyd's, ICBC, SAF, SGI, MPI, Genworth and Mutuals in Quebec

Includes market yield adjustment (MYA)

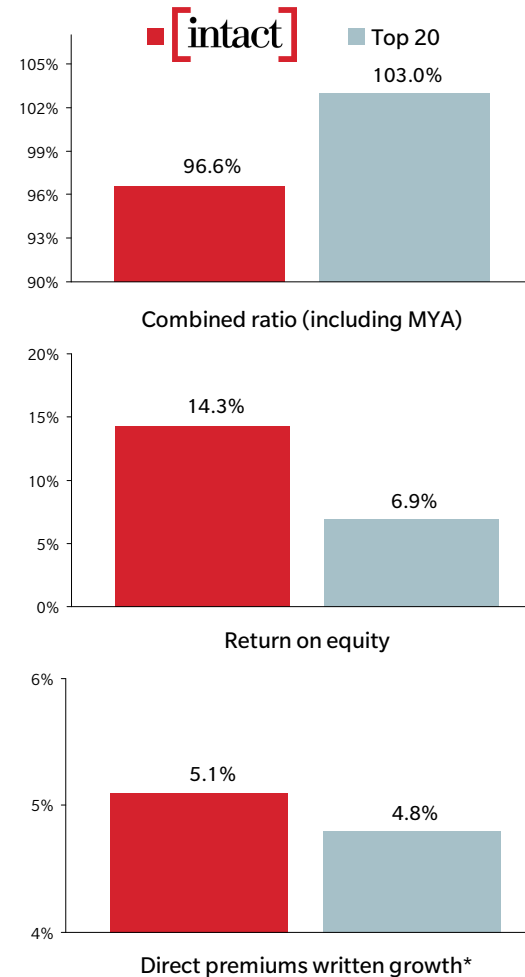


We continue to outperform the industry

Operating highlights: YTD September 30, 2010

- Net operating income of \$320 million or 74.4% higher than last year due to improved underwriting performance
- Solid overall combined ratio of 94.5%
- Growth of 5.3% based on contributions from all lines of business
- Book value per share growth of 10.7% during the past 12 months
- Operating return on equity of 14.1% for the last 12 months

Comparison with Canadian P&C industry¹ benchmark



1. Industry data source: MSA Research excluding Lloyd's and Genworth
* Difference versus 5.3% due to exclusion of industry pools

Q3-2010 Financial highlights

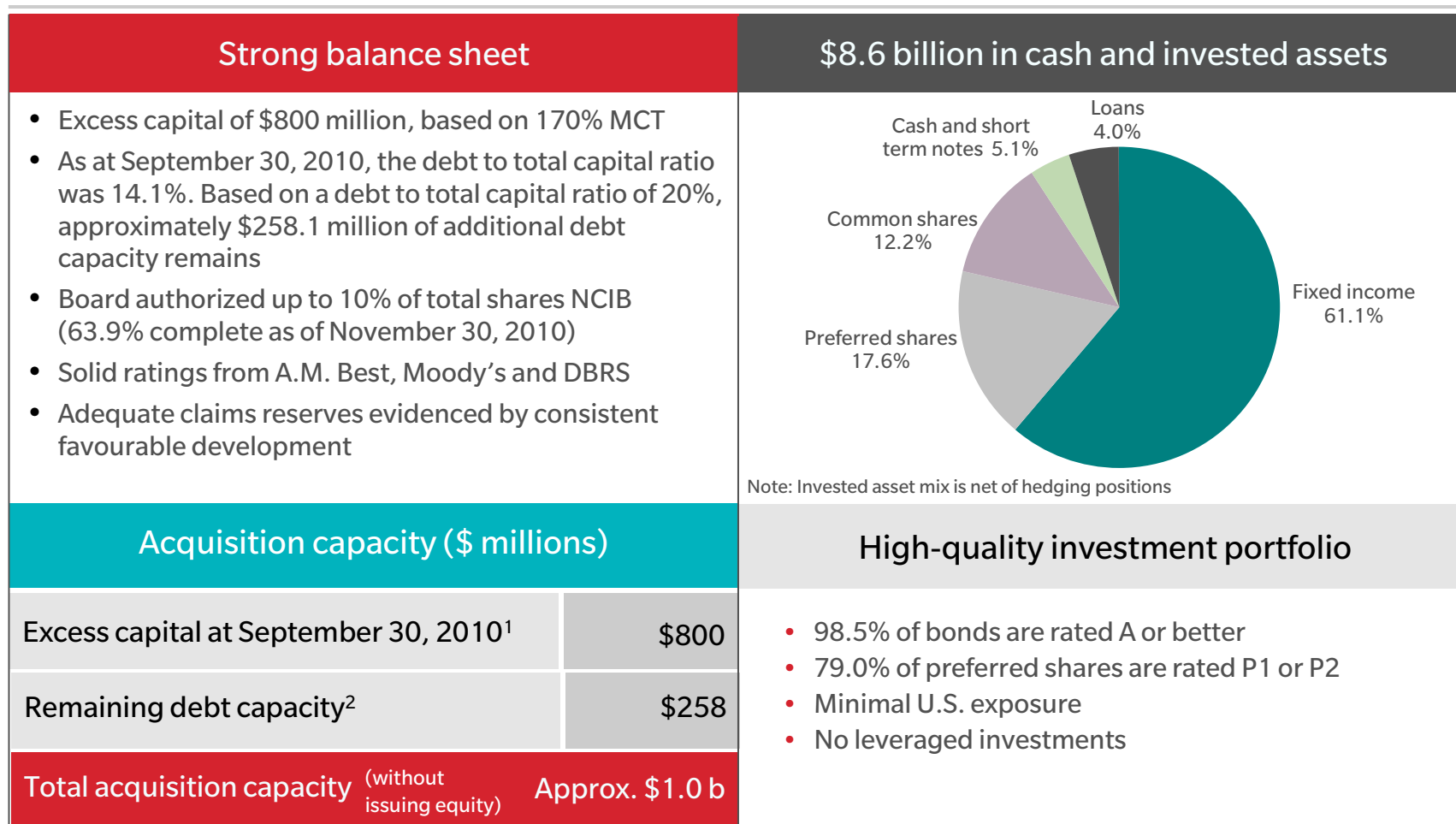
(in \$ millions, except as otherwise noted)

	Q3-2010	Q3-2009	Change	YTD-2010	YTD-2009	Change
Direct premiums written	\$1,205.8	\$1,144.1	5.4%	\$3,437.9	\$3,263.6	5.3%
Net underwriting income	\$36.7	(\$53.2)	n/a	\$171.9	(\$2.1)	n/a
Combined ratio	96.6%	105.2%	(8.6) pts	94.5%	100.1%	(5.6) pts
Net operating income per share (dollars)	\$0.78	\$0.18	333.3%	\$2.76	\$1.53	80.4%
Earnings per share (dollars)	\$0.72	(\$0.07)	n/a	\$2.78	\$0.25	n/a
Trailing 12-month operating ROE	14.1%	8.4%	5.7 pts			

- Overall combined ratio of 96.6%, 8.6 points better than the same quarter last year, was driven by improved current year results
- Good underwriting performance, coupled with healthy investment income, resulted in 12-month operating return on equity of 14.1%



Strong financial position and excess capital



All figures as at September 30, 2010 unless otherwise noted

¹ Excess capital over MCT of 170%

² At 20% debt-to-total capital. Remaining debt capacity at September 30, 2010



Outlook: industry pricing environment firming up


Personal lines	<ul style="list-style-type: none">• Premiums in personal lines increasing due to cost inflation<ul style="list-style-type: none">▶ Recent escalation in the costs of BI and AB claims should subside as a result of the September ON auto reforms; however, we expect further rate increases as industry premiums remain inadequate▶ Home insurance premiums continue to increase reflecting the impact of more frequent and/or severe storms
Commercial lines	<ul style="list-style-type: none">• Pricing conditions remain soft; however, pricing has begun to firm up in segments where we operate over the last 12 months. We expect conditions will improve at a moderate pace over time
Capital markets	<ul style="list-style-type: none">• Capital markets remain volatile, as economic data (particularly outside of Canada) raise questions about the sustainability of global recovery• Low investment yields could influence higher premiums across the industry• Debt and equity capital markets are currently open allowing companies to raise capital at reasonable rates• Global capital requirements are becoming more stringent, whereas changes in requirements for Canadian P&C are likely to remain neutral overall



IFC

- Personal lines growth picking up speed
- Organic growth potential in commercial lines as pricing hardens and industry capacity shrinks
- Strong capital base to participate in industry consolidation

Four distinct avenues for growth

Benefit from firming market conditions	Develop existing platforms
<p>Personal lines</p> <ul style="list-style-type: none"> Industry premiums remain inadequate in ON auto Home insurance premiums also on the rise <p>Commercial lines</p> <ul style="list-style-type: none"> Evidence of price firming in the past year Opportunity to gain share in mid-market 	 <ul style="list-style-type: none"> Continue to expand support to our broker partners Expand and grow belairdirect and Grey Power Transform BrokerLink by leveraging scale
Consolidate Canadian P&C market	Expand beyond existing markets
<p>Capital</p> <ul style="list-style-type: none"> Approx. \$1.0 billion of total acquisition capacity <p>Strategy</p> <ul style="list-style-type: none"> Grow areas where IFC has a competitive advantage <p>Opportunities</p> <ul style="list-style-type: none"> Global capital requirements becoming more stringent Industry underwriting results remain challenged Continued difficulties in global capital markets 	<p>Principles</p> <ul style="list-style-type: none"> Financial guideposts: long-term customer growth, IRR>20% Stepped approach with limited near-term capital outlay Build growth pipeline with meaningful impact in 5+ years <p>Strategy</p> <ul style="list-style-type: none"> Enter new market in auto insurance by leveraging strengths: (1) pricing, (2) claims, (3) online expertise <p>Opportunities</p> <ul style="list-style-type: none"> Emerging markets or unsophisticated targets in mature markets

Strong organic growth potential through multi-channel distribution

#1 Broker insurance company in Canada



- Network of more than 1,800 brokers in Canada
- Brokers in Canada own the commercial market and maintain large share of personal lines
- Many customers prefer the personalized service and choice offered by a broker or agent

Growth opportunity: expand support to our broker partners

Targeting growing 50+ population

GREY POWER

Where Experience Counts.™

- Operating in ON and AB
- Double-digit growth in 2009
- Web and call centres



In 10 yrs, 25% of the Canadian population will be 50 years+

Growth opportunity: expand market share

1/3 Canadians to buy insurance online¹

belairdirect.

- #1 brand awareness in ON and PQ
- Growing at 10%+ per year
- Operating in ON and PQ
- Leveraging explosive growth of the internet



Talk to an agent online
Click to chat

	BEST PRICE	BEST VALUE	BEST COVERAGE	CUSTOM COVERAGE
<p>TD TORONTO</p> <p>2009 TOYOTA CAMRY SE 4</p> <p>CYL 4DR</p> <p>Coverage:</p> <p>Liability \$1,000,000 \$1,000,000 \$2,000,000</p> <p>Optional for Collision or Loss \$1,000 \$500 \$0</p> <p>Optional for Comprehensive Accident Benefits</p> <p>Options:</p> <p>Uninsured Motorist Coverage of car rental fees and more</p> <p>The Credit-Fraud Policy</p> <p>The \$0 Deductible Offer</p>	\$67.83/mo	\$90.95/mo	\$1,800/yr	(\$100/yr)
<p>PLEASE SELECT →</p> <p>Compare with the competition</p> <p>Compare belairdirect's "Best Price" quote to similar quotes of the competition, without re-entering your information!</p>	Compare	Compare	Compare	Compare

¹ World Insurance Report, Capgemini. 1 in 10 customers say they use the internet to buy insurance, 1 in 3 wants to use it to buy insurance within 3 years

Growth opportunity: geographic expansion potential

10

Leveraging scale in distribution



- Proprietary brokers with \$400 million in direct premiums written and approximately 174,000 customers
- More than 45 offices in ON and AB

Growth opportunity: leverage scale in sales, marketing and technology

Recent accolades

Intact Insurance

Highest in Customer Satisfaction among Québec Automotive Insurance Providers¹



Grey Power

Highest in Customer Satisfaction among Private Full-Coverage Automotive Insurance Providers¹



Intact Financial Corporation

Insurance Company of the Year 2010, Canada²



1. J.D. Power and Associates 2010 Canadian Auto Insurance Customer Satisfaction StudySM

2. World Finance Insurance Awards 2010, *World Finance* magazine

Conclusion

Disciplined pricing, underwriting, investment and capital management have positioned us well for the future

- Largest P&C insurance company with substantial scale advantage in the market
- Strong financial position
- Excellent long-term earnings power
- Organic growth platforms easily expandable
- M&A environment more conducive to consolidation
- Well-positioned as industry pricing conditions continue to improve



Appendices

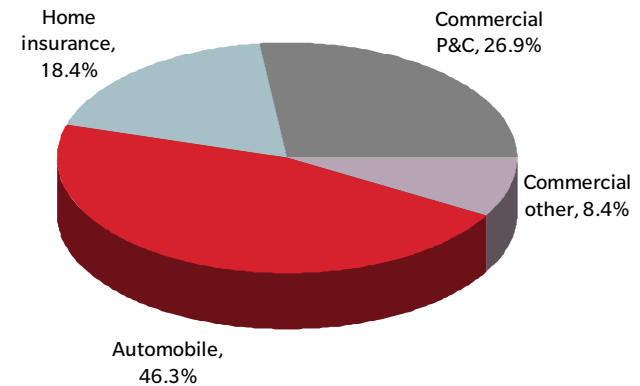


P&C insurance is a \$39 billion market in Canada

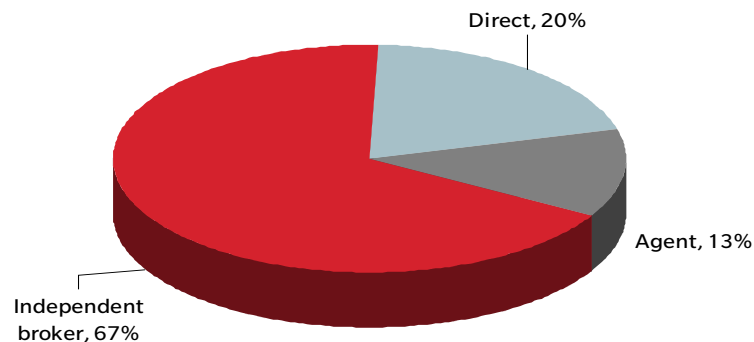
3% of GDP in Canada

- Fragmented market, top five less than 36%, versus bank/lifeco markets which are closer to oligopoly
- Brokers continue to own commercial lines and large share of personal lines in Canada; direct-to-consumer channel growing
- Barriers to entry – scale, regulation, manufacturing capability, market knowledge
- Home/business insurance rates unregulated; personal auto rates regulated in some provinces
- Capital is regulated nationally by OSFI
- 30-year ROE for the industry is approximately 10%

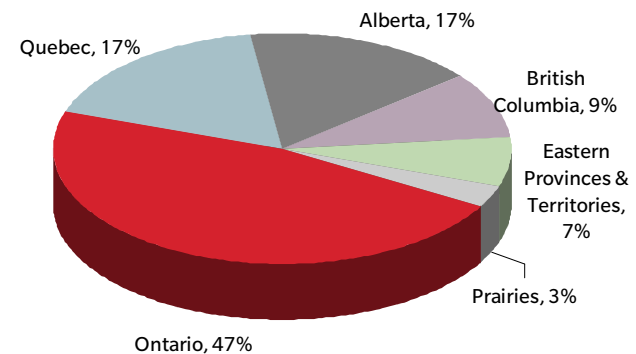
Industry DPW by line of business



Brokers dominate; direct growing¹



Industry - Premiums by province



OSFI = Office of the Superintendent of Financial Institutions

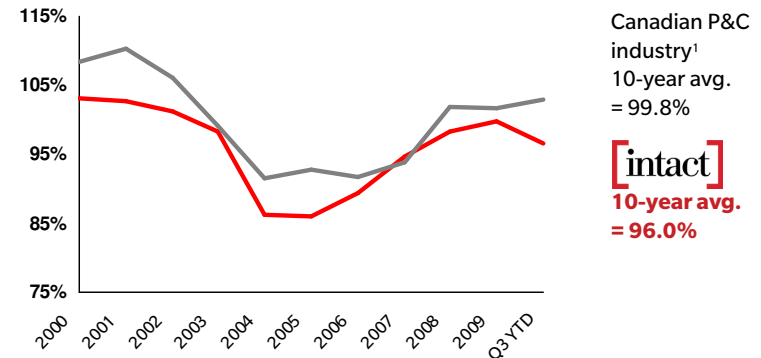
¹ Industry data source: MSA data excluding Lloyd's, ICBC, SAF, SGI, MPIC, Genworth, Promutual Re and Mutuels in Quebec. All data as at the end of 2009.

P&C industry 10-year performance versus IFC

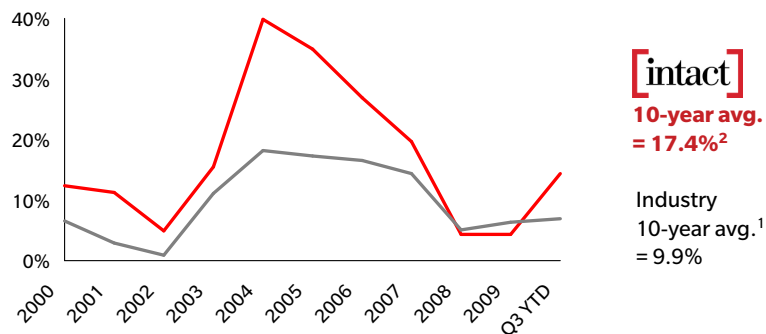
IFC's competitive advantages

- Significant scale advantage
- Sophisticated pricing and underwriting
- In-house claims expertise
- Multi-channel distribution
- Broker relationships
- Investment expertise
- Management continuity

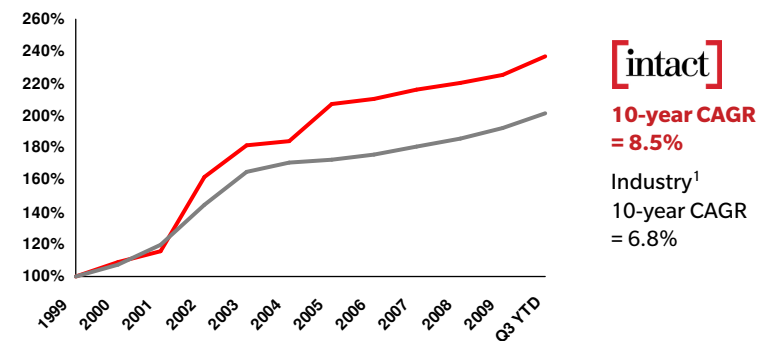
Combined ratio



Return on equity



Direct premium written growth



¹Industry data source: MSA Research. excluded Lloyd's, ICBC, SGI, SAF, MPI

²ROE is for Intact's P&C insurance subsidiaries

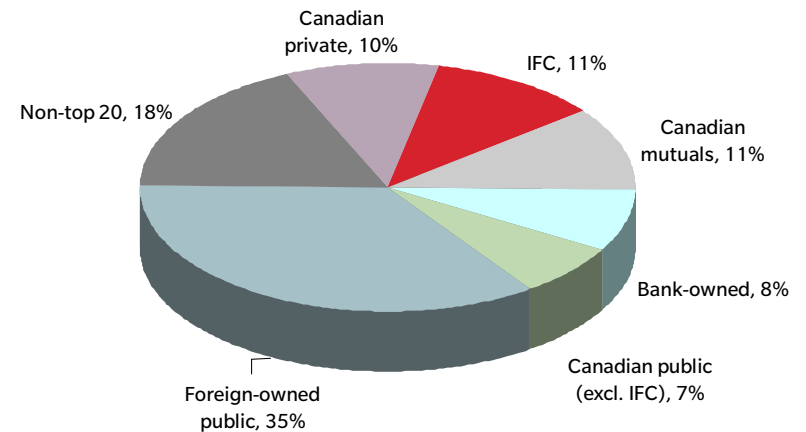
Further consolidation in Canadian P&C market likely

Acquisition strategy

- Targeting large-scale acquisitions of \$500 million or more (direct premiums written)
- Pursuing acquisitions in lines of business where we have expertise
- Acquisition target IRR of 15%
- Targets:
 - Bring loss ratio of acquired book of business to our average loss ratio within 18-24 months
 - Bring expense ratio to 2 pts below IFC ratio

Acquisition	Year of Acquisition	Approximate Size of Acquisition (DPW) ⁽¹⁾ (\$ millions)
Allianz Canada (Personal and Small to Medium Commercial Lines)	2004	600
Zurich (Personal and Small Commercial Lines)	2001	510
Pafco (Niche Products)	1999	40
Guardian	1998	630
Canada Surety Personal Lines (Selected Provinces)	1997	30
Wellington	1995	370
St. Maurice	1994	30
Constitution	1992	30
Metropolitan General	1991	10
Commerce Group/belair	1989	290
Western Union	1988	60

Top 20 P&C insurers = 82% of market



Source: MSA Research; excluding Lloyd's and Genworth (based on 2009 DWP)

M&A environment

Environment more conducive to acquisitions now than in recent years:

- Industry ROEs, although improved from trough levels of mid-2009, are well below prior peak
- Foreign parent companies are generally in less favourable capital position

Ontario auto reforms are now in place

Context

- Accident benefits and tort-related bodily injury cost increases (AB inflation: 19% in last four years) have resulted in the industry raising rates by 20% since January 2008.
- We estimate that the combined ratio of the industry exceeds 110% and that premiums remain inadequate.
- Ontario drivers pay 5% of disposable income for auto insurance compared to 3% in other provinces.
- In March 2010, new regulations providing choice to consumers and controlling costs were approved and became effective September 1, 2010.

Implementation

- FSCO estimates claims cost reduction of 6% upon implementation and reduced inflation going forward.
- Coverage reforms will kick-in on policies that will renew only after Sept. 1, 2010.
- Procedural reforms have impacted claims since Sept. 1, 2010.
- Accidents reported after Aug. 31, 2010 are subject to reforms.

Key features

- Capping medical/rehabilitation and assessment/examination expenses for minor injuries to \$3,500.
- Providing standard medical and rehabilitation coverage for non-catastrophic claims of \$50,000, with optional coverage of \$100,000 or \$1,100,000.
- Offering standard attendant care coverage for non-catastrophic claims of \$36,000, with optional coverage of \$72,000 or \$1,072,000.
- Supplying optional caregiver, housekeeping and home maintenance benefits for non-catastrophic claimants.
- Capping each assessment to \$2,000 – this applies for all assessments.
- Eliminating rebuttal examinations.

Risks

- Political in nature, as many customers will receive renewals for less coverage but with increased rates.
- In parallel with accident benefit cost decreases, tort-related bodily injury costs might increase more than expected.



Good progress to date made on value creation opportunity in home insurance

Industry loss ratio advantage (percentage points)

	Favourable gap (five-year average)
Automobile *	6.4
Personal property	-1.2
Commercial P&C	6.8

* Includes commercial auto

Opportunity to create loss ratio advantage similar to other business lines

- Rate increases
- Segmentation
- Insurance-to-Value
- Management of water damage
- Limit exposure to sewer back-up
- Claims review
- Customer education and incentives on loss control and prevention

Target of 10-15 points by early 2011



- Double-digit premium increases through higher rates and insured amounts

+

- Lower indemnity costs by 5%

Progress-to-date



- Roughly 12 points benefit to the combined ratio as at Q3-2010



Historical financials

	2009	2008	2007	2006	2005
Income statement highlights					
Direct written premiums (excluding pools)	\$ 4,275	\$ 4,146	\$ 4,109	\$ 3,994	\$ 3,906
Underwriting income (excluding MYA*)	54	117	189	404	538
Net operating Income (excluding MYA*)	282	361	457	531	612
Net operating EPS (excluding MYA*)	2.35	2.96	3.61	3.97	4.58
Balance sheet highlights					
Total invested assets	\$ 7,997	\$ 6,094	\$ 7,223	\$ 7,227	\$ 6,707
Debt	400	0	0	0	127
Total shareholders' equity (ex-AOCI)	3,047	3,079	3,290	3,421	2,893
Performance metrics					
Loss ratio (excluding MYA*)	70.0 %	68.2 %	66.2 %	59.1 %	56.3 %
Expense ratio	28.7 %	28.9 %	29.0%	30.3%	29.7%
Combined ratio (excluding MYA*)	98.7%	97.1%	95.2%	89.4%	86.0%
Net operating ROE (excl. AOCI)	9.2%	11.3%	13.6%	16.8%	24.7%
Debt / Capital	11.8%	0.0%	0.0%	0.0%	4.2%
Combined ratios by line of business (excl. MYA)					
Personal auto	94.9%	95.9%	94.5%	87.3%	78.8%
Personal property	109.0%	113.6%	102.2%	100.0%	104.0%
Commercial auto	79.8%	87.2%	93.7%	86.9%	87.0%
Commercial P&C	104.1%	85.3%	90.1%	85.2%	86.4%

* The market yield adjustment (MYA) reflects the impact of changes in the discount rate applied to the company's claims liabilities, as determined by the market-based yield of the underlying assets.



Strategic capital management

- Strong capital base has allowed us to pursue our growth objectives while returning capital to shareholders

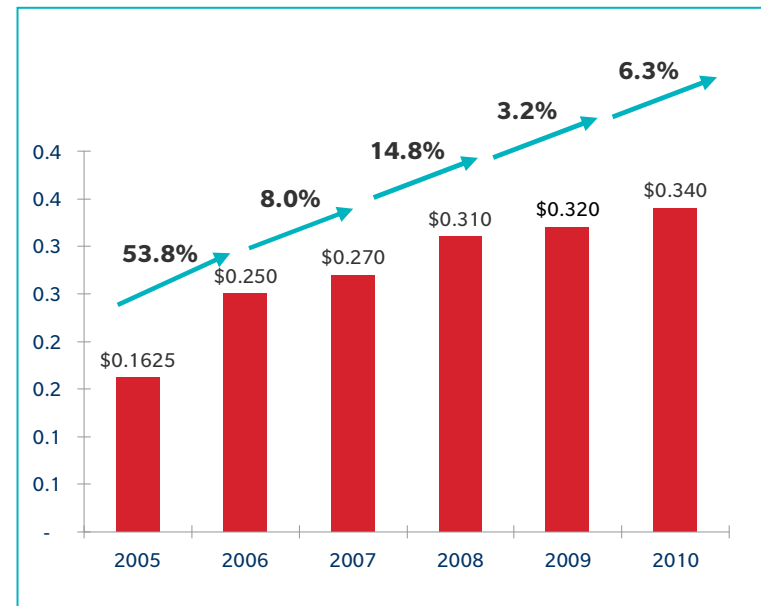
Capital priorities

- Acquisitions
- Dividends
- Share buybacks

Share buyback history

- 2010 – Board authorized up to 10% of total shares NCIB
- 2008 – Repurchased 4.6 million shares for a total of \$176 million
- 2007 – \$500 million Substantial Issuer Bid

Quarterly dividend



Cash and invested assets

Asset class

Fixed income

Federal government and agency	32.2%
Corporate	29.3%
Cdn. Provincial and municipal	27.9%
Supranational and foreign	8.3%
ABS/MBS	2.3%
Private placements	0.1%
TOTAL	100%

Canadian	88%
United States	1%
Int'l (excl. U.S.)	11%
TOTAL	100%

Quality: 98.5% of bonds rated A or better

Preferred shares

Fixed perpetual	45%
Perpetual and callable floating and reset	34%
Fixed callable	21%
TOTAL	100%

Quality:

Approx. 79% rated P1 or P2

100% Canadian

Common shares

High-quality, dividend paying Canadian companies. Objective is to capture non-taxable dividend income

100% Canadian

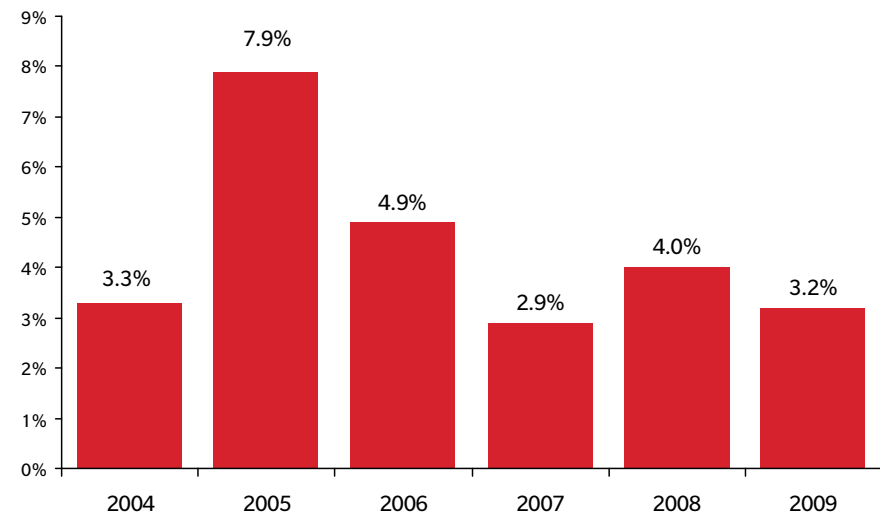
As of September 30, 2010

Long-term track record of prudent reserving practices

- Quarterly and annual fluctuations in reserve development are normal
- 2005/2006 reserve development was unusually high due to the favourable effects of certain auto insurance reforms introduced during that time period
- This reflects our preference to take a conservative approach to managing claims reserves

Rate of claims reserve development

(favourable prior year development as a % of opening reserves)



Historical long-term average has been 3% to 4% per year



Experienced and united leadership team

		<u>Years In Industry</u>	<u>Years With IFC</u>
Brindamour, Charles	President & CEO	18	18
Beaulieu, Martin	SVP, Personal Lines	22	22
Black, Susan	SVP, Chief HR Officer	3	3
Blair, Alan	SVP, Atlantic Canada	26	15
Coull-Cicchini, Debbie	SVP, Ontario	6	6
Désilets, Claude	Chief Risk Officer	29	21
Gagnon, Louis	President, Intact Insurance	18	4
Garneau, Denis	SVP, Quebec	22	8
Guénette, Françoise	SVP, Corporate & Legal Services	22	13
Guertin, Denis	President, Direct to Consumers Distribution	25	25
Hindle, Byron	SVP, Commercial Lines	32	11
Iles, Derek	SVP, Western Canada	38	19
Lincoln, David	SVP, Corporate Audit Services (Canada)	32	13
Ott, Jack	SVP, Chief Information Officer	29	14
Pontbriand, Marc	Executive Vice President	12	12
Provost, Marc	SVP & Managing Director IIM and Chief Investment Officer	27	13
Tullis, Mark	Chief Financial Officer	32	11
Weightman, Peter	President, Canada Brokerlink	24	24





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