Intact Financial Corporation (TSX: IFC)

Investor Presentation

May 2011

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 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

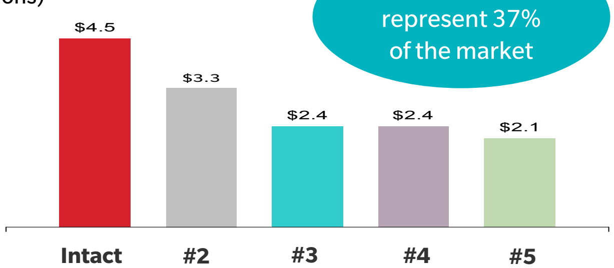
- Largest P&C insurer in Canada
- $4.5 billion in direct premiums written
- #1 in Ontario, Quebec, Alberta, Nova Scotia
- Substantial size and scale advantage
- 11 successful acquisitions since 1988
- $8.6 billion cash and invested assets

Distinct brands

Scale advantage

2010 Direct premiums written[1]
($ billions)

Top five insurers represent 37% of the market



	Intact	#2	#3	#4	#5
Market share	11.4%	8.4%	6.1%	6.0%	5.3%

Industry outperformer

10-year performance – IFC vs. P&C industry[1]	IFC outperformance
Premium growth	1.8 pts
Combined ratio[2]	3.8 pts
Return on equity[3]	7.7 pts

[1] Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI and Genworth. All data as at the end of 2010.
[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

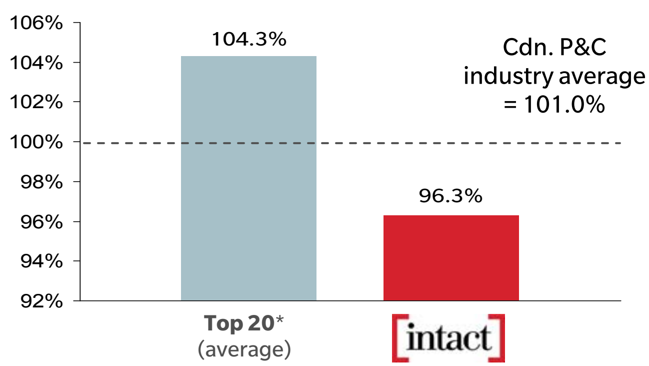
In-house claims expertise

Broker relationships

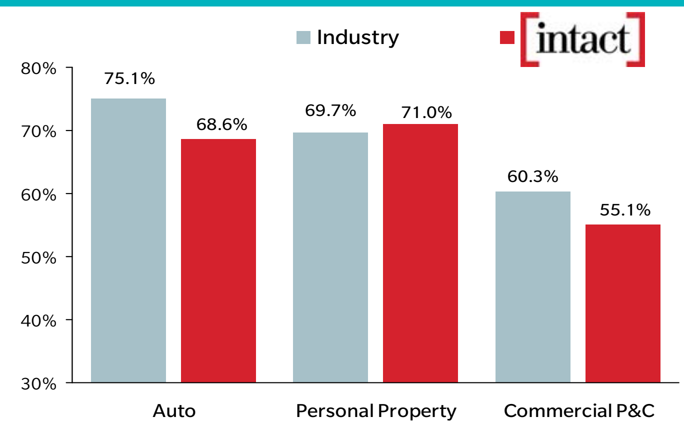
Multi-channel distribution

Proven acquisition strategy

2010 combined ratios



Five-year average loss ratios



Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI and Genworth
Data in both charts is for the year ended December 31, 2010
Includes market yield adjustment (MYA)
* Top 20 excludes Lloyd's, Genworth and IFC

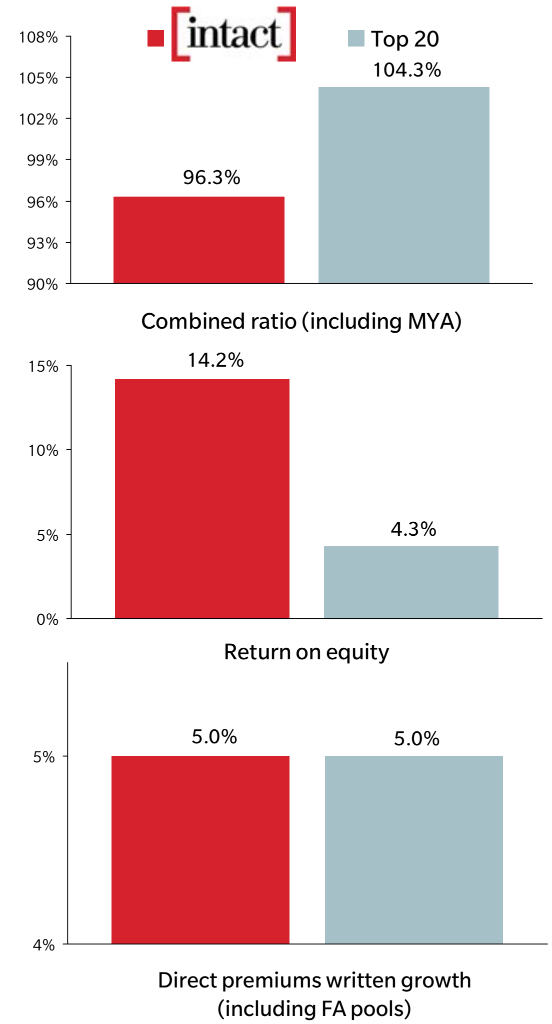
intact

We continue to outperform the industry

Operating highlights: Q1-2011 results

- Net operating income per share of $0.91 – a strong start to the year
- Healthy combined ratio of 94.6%, above last year's exceptional 93.2%, based on this year's more normal weather conditions
- Growth in direct premiums written of 3% reflects our continued prudent approach to the Ontario auto market
- Operating ROE of 14.8% for the last 12 months, with $784 million in excess capital
- Book value per share growth of 11% in the past 12 months

Comparison with Canadian P&C industry[1] benchmark



1. Industry data source: MSA Research, excluding Lloyd's, Genworth and Intact, full year 2010 results
For comparison purposes, ROE in chart is for Intact's P&C insurance subsidiaries

Q1-2011 Financial highlights

(in $ millions, except as otherwise noted)

	Q1-2011	Q1-2010	Change
Direct premiums written	$943	$914	3%
Net underwriting income	$58	$69	(16)%
Combined ratio	94.6%	93.2%	1.4 pts
Net operating income per share (in dollars)	$0.91	$0.95	(4)%
Earnings per share (in dollars)	$1.42	$1.19	19%
Operating ROE for the last 12 months	14.8%	n/a	n/a
ROE for the last 12 months	17.8%	n/a	n/a

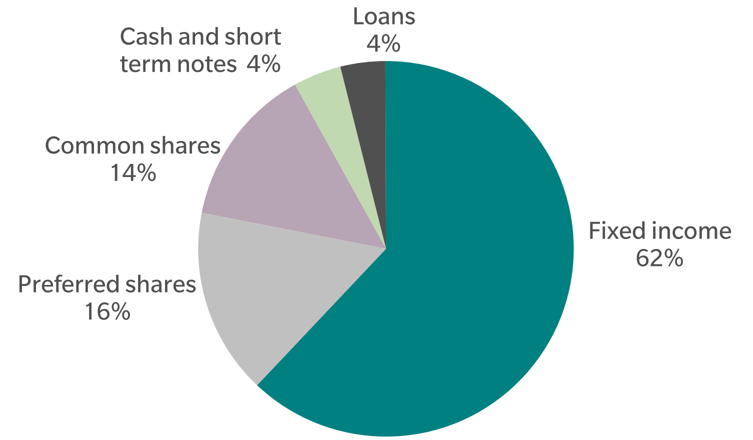
- Combined ratio of 94.6% reflects more normal weather patterns and higher catastrophe losses, partly offset by higher favourable prior year development, compared to a year ago
- Operating ROE of 14.8% (ROE of 17.8%) with an 11% increase in book value per share in the last 12 months
- Healthy DPW growth in all lines of business, except Ontario auto due to our prudent approach to growth in that province

Strong financial position and excess capital

Strong balance sheet

- Excess capital of $784 million, based on 170% MCT
- As at March 31, 2011, the debt to total capital ratio was 14.4%. Based on a debt to total capital ratio of 20%, approximately $241 million of additional debt capacity remains
- Solid ratings from A.M. Best, Moody's and DBRS
- Adequate claims reserves evidenced by consistent favourable development

$8.6 billion in cash and invested assets



Note: Invested asset mix is net of hedging positions

Acquisition capacity ($ millions)

Excess capital at March 31, 2011[1]	$784
Remaining debt capacity[2]	$271
Total acquisition capacity (without issuing equity)	Approx. $1.1 b

High-quality investment portfolio

- Approx. 99.0% of bonds are rated A or better
- 80.4% of preferred shares are rated P1 or P2
- During Q1 $73 million in net investment income and market based yield of 4.0%

All figures as at December 31, 2010 unless otherwise noted
[1] Excess capital over MCT of 170%
[2] At 20% debt-to-total capital. Remaining debt capacity at December 31, 2010

12-month industry outlook

We remain well-positioned to continue outperforming the Canadian P&C insurance industry in the current environment

Premium growth

- Industry premiums are likely to increase at a similar pace as in 2010, with mid-single digit growth in personal auto (driven by Ontario); upper-single digit growth in personal property (reflecting the impact of water-related losses and more frequent and/or severe storms); and low single digit growth in commercial lines (with no acceleration from 2010)
- As a result of IFC's disciplined pricing strategy, we are well-positioned to grow organically as other companies reduce their appetite for new business and market pricing becomes more rational

Underwriting

- Despite the potential combined ratio improvement (driven by personal lines), we do not expect the industry's earnings to improve materially in 2011
- Our scale and pricing strategy have historically translated into a combined ratio advantage versus the industry

Return on equity

- We do not expect improvement in industry ROEs in the near term (~7% in 2010), as low yields could offset potential combined ratio improvement
- We believe IFC is likely to outperform the industry's ROE by at least 500 basis points in the next 12 months

Four distinct avenues for growth

Benefit from firming market conditions

Personal lines
- Industry premiums remain inadequate in ON auto
- Home insurance premiums also on the rise

Commercial lines
- Evidence of price firming in the past year
- Opportunity to gain share in mid-market

Develop existing platforms

- Continue to expand support to our broker partners
- Expand and grow belairdirect and GP Car and Home
- Transform BrokerLink by leveraging scale

Consolidate Canadian P&C market

Capital
- Approx. $1.1 billion of total acquisition capacity

Strategy
- Grow areas where IFC has a competitive advantage

Opportunities
- Global capital requirements becoming more stringent
- Industry underwriting results remain challenged
- Continued difficulties in global capital markets

Expand beyond existing markets

Principles
- 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

Strategy
- Enter new market in auto insurance by leveraging strengths: 1) pricing, 2) claims and 3) online expertise

Opportunities
- 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 coast-to-coast
- 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 25+ years of good driving

- Operating in Alberta, Ontario and the Maritimes
- 20% + growth since 2008
- Via the Internet and call centre

Growth opportunity: expand market share

1/3 Canadians to buy insurance online[1]

- #1 in brand awareness
- Growing at ~10% a year
- Operating in Ontario and Quebec
- Leveraging the explosive growth of the Internet

[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

Leveraging scale in distribution

- BrokerLink is a proprietary brokerage with $500 million in direct premiums written and over 200,000 customers
- More than 50 offices and 700 employees in Ontario and Alberta

Growth opportunity: leverage scale in sales, marketing and technology

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

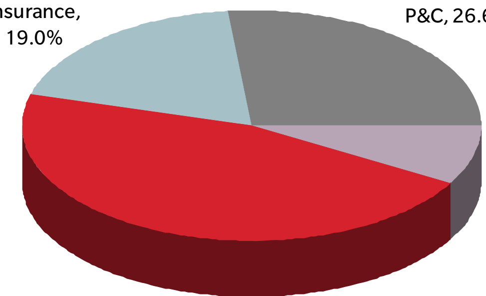
Appendices

P&C insurance is a $40 billion market in Canada

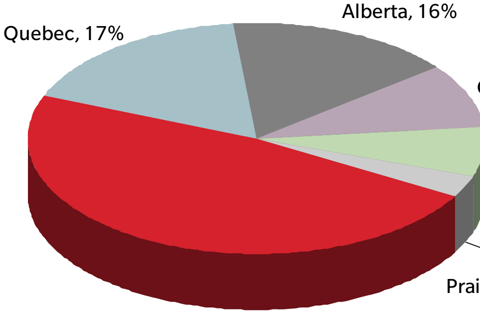
3% of GDP in Canada

- Fragmented market:
  - Top five less than 36%, versus bank/lifeco markets which are closer to 65-75%
  - IFC is largest player with 11% market share, versus largest bank/lifeco with 22-25% market share
  - P&C insurance shares the same regulator as the banks and lifecos
- Barriers to entry: scale, regulation, manufacturing capability, market knowledge
- Home and commercial insurance rates unregulated; personal auto rates regulated in some provinces
- Capital is regulated nationally by OSFI
- Brokers continue to own commercial lines and a large share of personal lines in Canada; direct-to-consumer channel is growing (distribution = brokers 67% and direct 33%)
- 30-year return on equity for the industry is approximately 10%

Industry DPW by line of business



Industry – premiums by province

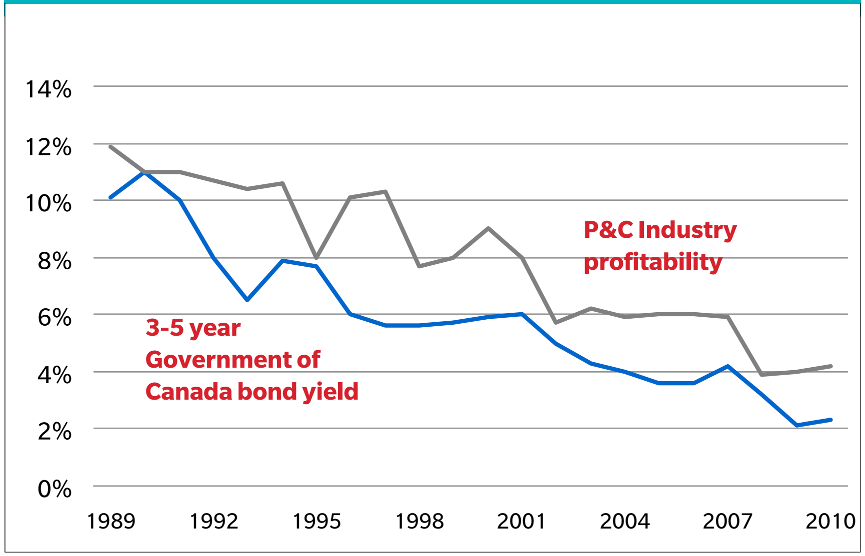


Industry data source: MSA Research excluding Lloyd's, ICBC, SAF, SGI, MPI and Genworth.
OSFI = Office of the Superintendent of Financial Institutions Canada
Data as at the end of 2010.

Economic uncertainties will affect industry profitability

- Slow global recovery with significant downside risks
- Continued volatility in financial, currency and commodity markets
- Financial systems still somewhat vulnerable to downside shocks
- Uncertainties will put pressure on financial institutions' capital worldwide
- Interest rates to remain low for the next 18 to 24 months
- A drop of 1% in investment income is equivalent to a 2 to 3 point increase in the combined ratio

The Canadian P&C industry can no longer count on high investment income



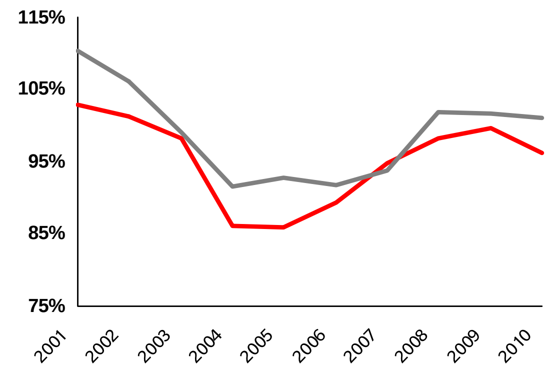
Source: Insurance Bureau of Canada

P&C industry 10-year performance versus IFC

IFC's competitive advantages

- Significant scale advantage
- Sophisticated pricing and underwriting discipline
- In-house claims expertise
- Broker relationships
- Solid investment returns
- Proven acquisition strategy
- Strong organic growth potential

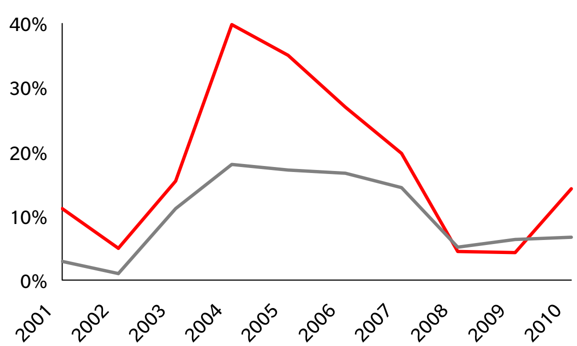
Combined ratio



Industry[1]
10-year avg.
= 99.0%

10-year avg.
= 95.3%

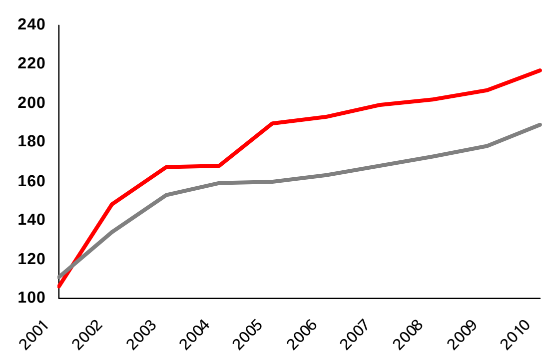
Return on equity



10-year avg.
= 17.6%[2]

Industry
10-year avg.[1]
= 9.9%

Direct premiums written growth



Year 2000 = base 100

10-year avg.
= 8.6%

Industry[1]
10-year avg.
= 6.7%

[1]Industry data source: MSA Research. excluded Lloyd's, ICBC, SGI, SAF, MPI and Genworth. All data up to the end of 2010.
[2]ROE is for Intact's P&C insurance subsidiaries

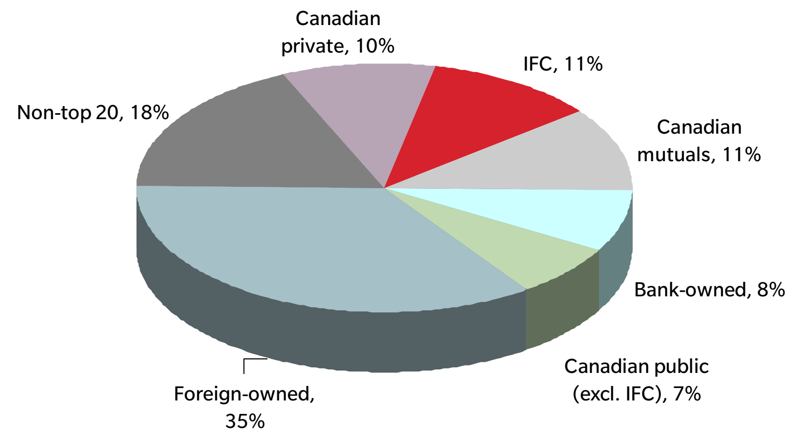
Further consolidation in the Canadian P&C market is likely

Acquisition strategy

- Targeting large-scale acquisitions of $500 million or more in 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 to 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 2010 DPW)

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

Historical financials

(in $ millions, except as otherwise noted)

	IFRS	Canadian GAAP			
	2010	2009	2008	2007	2006
Income statement highlights					
Direct written premiums	$4,498	$4,275	$4,146	$4,109	$3,994
Underwriting income	194	54	117	189	404
Net operating income	402	282	361	457	531
Net operating income per share (in dollars)	3.50	2.35	2.96	3.61	3.97
Balance sheet highlights					
Total investments	$8,653	$8,057	$6,605	$7,231	$7,353
Debt	496	398	-	-	-
Total shareholders' equity (excl. AOCI)	2,686	3,047	3,079	3,290	3,421
Performance metrics					
Loss ratio	65.4%	70.0%	68.2%	66.2%	59.1%
Expense ratio	30.0%	28.7%	28.9%	29.0%	30.3%
Combined ratio	95.4%	98.7%	97.1%	95.2%	89.4%
Net operating ROE (excl. AOCI)	15.0%	9.2%	11.3%	13.6%	16.8%
Debt / Capital	14.3%	11.8%	-	-	-
Combined ratios by line of business					
Personal auto	98.1%	94.9%	95.9%	94.5%	87.3%
Personal property	96.5%	109.0%	113.6%	102.2%	100.0%
Commercial auto	86.0%	79.8%	87.2%	93.7%	86.9%
Commercial P&C	90.7%	104.1%	85.3%	90.1%	85.2%

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Strategic capital management

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

Capital priorities

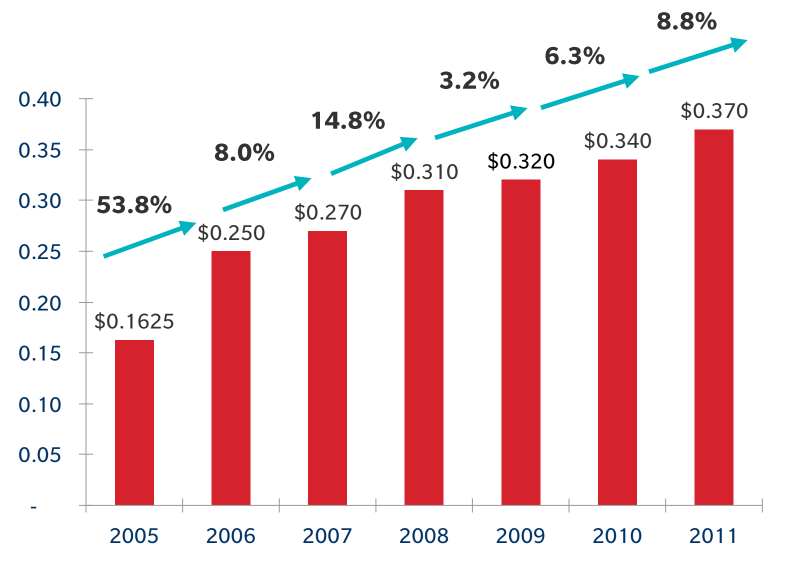
- Acquisitions
- Dividends
- Share buybacks

Share buyback history

- 2011 – Board authorized renewal of NCIB for an additional 5%
- 2010* – Repurchased 9.7 million shares for a total of $433 million
- 2008 – Repurchased 4.6 million shares for a total of $176 million
- 2007 – Completed a $500 million Substantial Issuer Bid

* Feb. 22, 2010 – Feb. 21, 2011

Quarterly dividend



Cash and invested assets

Asset class

Fixed income

Federal government and agency	29.0%
Corporate	34.6%
Cdn. Provincial and municipal	27.1%
Supranational and foreign	8.1%
ABS/MBS	1.1%
Private placements	0.1%
TOTAL	100%

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

Quality: 99% of bonds rated A or better

Preferred shares

Fixed perpetual	40%
Perpetual and callable floating and reset	42%
Fixed callable	18%
TOTAL	100%

Quality:
Approx. 80.4% rated P1 or P2

100% Canadian

Common shares

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

100% Canadian

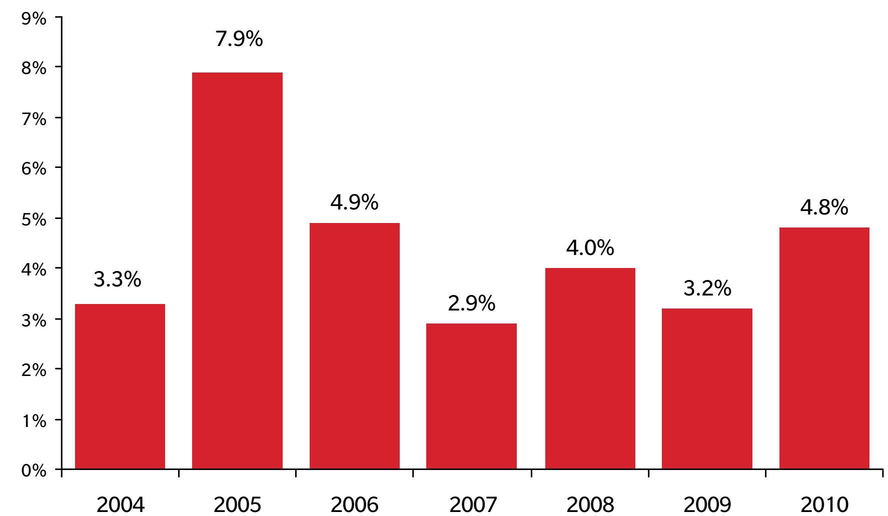
As of March 31, 2011

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

		Years In Industry	Years With IFC
Brindamour, Charles	President & CEO	18	18
Beaulieu, Martin	SVP, Personal Lines	23	23
Black, Susan	SVP, Chief HR Officer	3	3
Blair, Alan	SVP, Atlantic Canada	27	27
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	26	26
Hindle, Byron	SVP, Commercial Lines	32	10
Iles, Derek	SVP, Western Canada	38	20
Lincoln, David	SVP, Corporate Audit Services (Canada)	32	14
Ott, Jack	SVP, Chief Information Officer	29	14
Pontbriand, Marc	Executive Vice President	13	13
Provost, Marc	SVP & Managing Director IIM and Chief Investment Officer	27	13
Tullis, Mark	Chief Financial Officer	32	12
Weightman, Peter	President, BrokerLink	24	24

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