Intact Financial Corporation (IFC)

**Investor Presentation**

February 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 $5.0 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

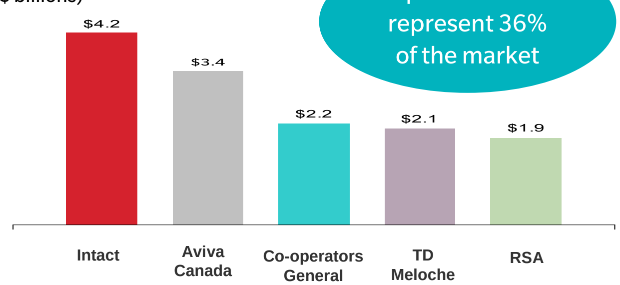
## Who we are

- Largest P&C insurer in Canada
- $4.5 billion in direct premiums written
- #1 in Ontario, Québec, Alberta, Nova Scotia
- Substantial size and scale advantage
- 11 successful acquisitions since 1988
- $8.7 billion cash and invested assets

## Distinct brands

## Scale advantage

2009 Direct premiums written[1]
($ billions)




Top five insurers represent 36% of the market

| | Intact | Aviva Canada | Co-operators General | TD Meloche | RSA |
|---|---|---|---|---|---|
| Market share | 11.0% | 8.8% | 5.8% | 5.5% | 4.9% |

## 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

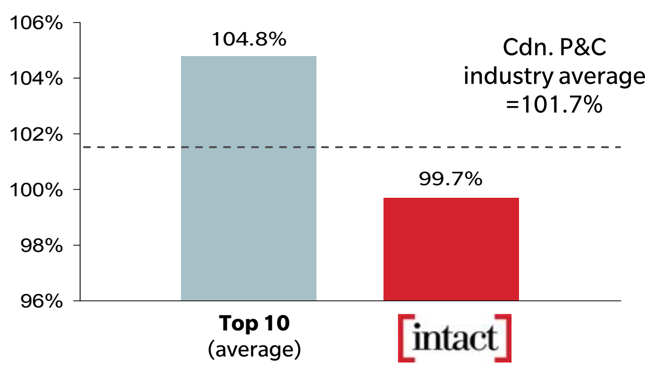
In-house claims expertise

Broker relationships

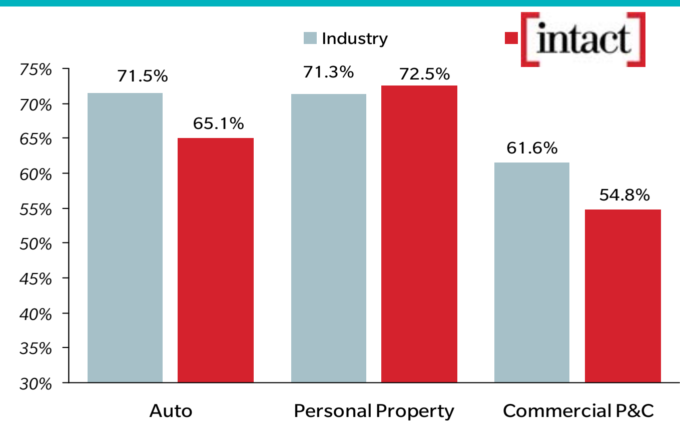
Multi-channel distribution

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)

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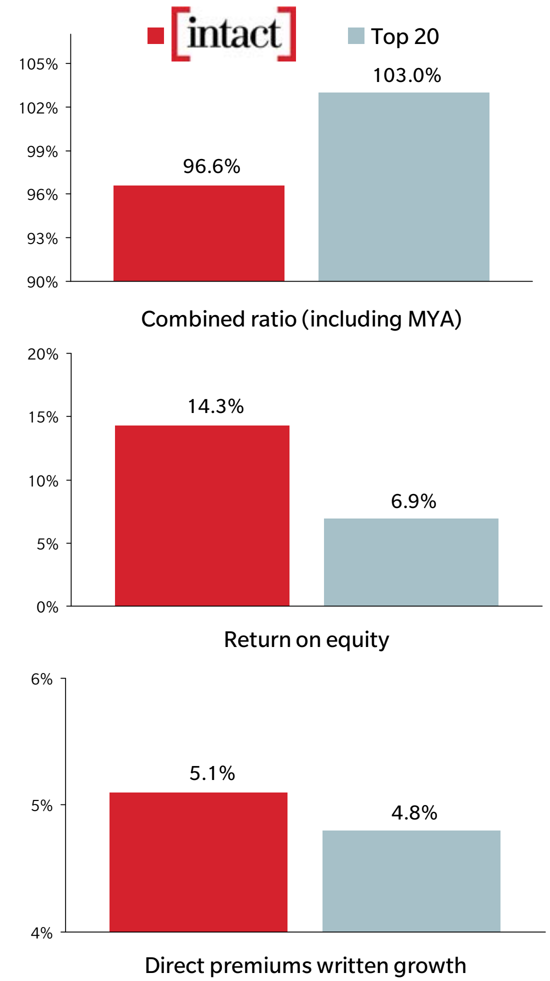
# We continue to outperform the industry

## Operating highlights: Full year 2010 results

- Net operating income per share of $3.47 or 47.7% higher than 2009 due to improved underwriting performance
- Solid overall combined ratio of 95.4%
- Growth of 5.2% based on contributions from all lines of business
- Book value per share growth of 10.0% during the past 12 months
- Return on equity of 13.9% in 2010
- Quarterly dividend increased for the sixth consecutive year; up 8.8% to $0.37 per share

## Comparison with Canadian P&C industry[1] benchmark YTD Q3-10




1. Industry data source: MSA Research excluding Lloyd's and Genworth

# Q4 and FY-2010 Financial highlights

| (in $ millions, except as otherwise noted) | Q4-2010 | Q4-2009 | Change | 2010 | 2009 | Change |
|---|---|---|---|---|---|---|
| Direct premiums written | $1,062.2 | $1,011.4 | 4.8% | $4,498.1 | $4,274.9 | 5.2% |
| Net underwriting income | $21.8 | $56.0 | (61.1)% | $193.8 | $54.0 | 258.9% |
| Combined ratio | 98.0% | 94.6% | 3.4 pts | 95.4% | 98.7% | (3.3) pts |
| Net operating income per share (in dollars) | $0.70 | $0.82 | (14.6)% | $3.47 | $2.35 | 47.7% |
| Earnings per share (in dollars) | $0.87 | $0.81 | 7.4% | $3.65 | $1.06 | 244.3% |
| Trailing 12-month operating ROE | 13.2% | 9.2% | 4.0 pts | | | |

- 98.0% combined ratio for the quarter primarily reflects the increased level of catastrophe losses; relating to both current and prior period events
- Operating ROE of 13.2% (ROE of 13.9%) with 10% increase in book value per share in 2010
- Premium growth continued at a steady pace; 4.8% for the quarter and 5.2% for the full year

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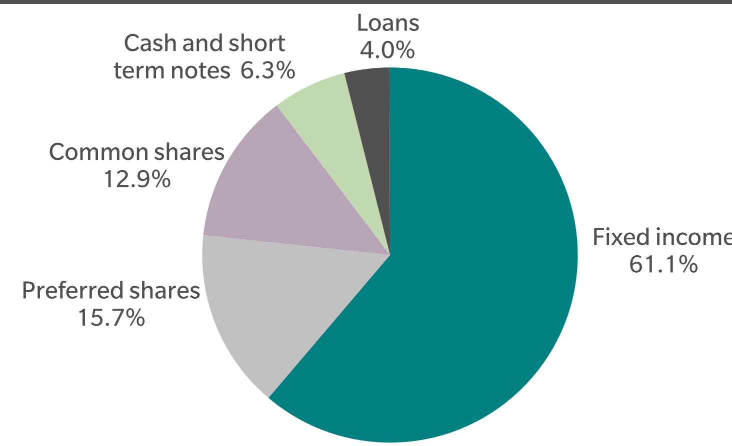
# Strong financial position and excess capital

## Strong balance sheet

- Excess capital of $809 million, based on 170% MCT
- As at December 31, 2010, the debt to total capital ratio was 13.9%. Based on a debt to total capital ratio of 20%, approximately $271.4 million of additional debt capacity remains
- Solid ratings from A.M. Best, Moody’s and DBRS
- Adequate claims reserves evidenced by consistent favourable development

## $8.7 billion in cash and invested assets




Note: Invested asset mix is net of hedging positions

## Acquisition capacity ($ millions)

| | |
|---|---|
| Excess capital at December 31, 2010[1] | $809 |
| Remaining debt capacity[2] | $271 |
| Total acquisition capacity (without issuing equity) | Approx. $1.1 b |

## High-quality investment portfolio

- 98.6% of bonds are rated A or better
- 80.0% of preferred shares are rated P1 or P2
- Minimal U.S. exposure
- No leveraged investments

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

[intact]

# 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 to earn an underwriting profit in the next 12 months
- 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% at the end of Q3-2010), as low yields could offset potential CR improvement
- We believe the IFC is likely to outperform the industry's ROE by at least 500 basis points in the next 12 months

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# 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 Grey Power
- 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, (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

intact INSURANCE

- 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
- 20% + growth since 2008
- Web and call centres

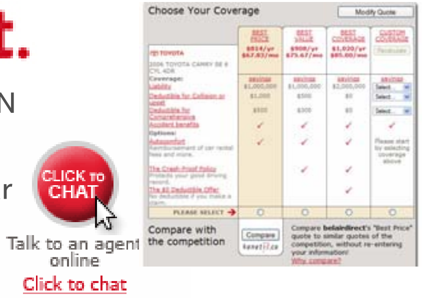
In 10 yrs, 25% of the Canadian population will be 50 years+

**Growth opportunity: expand market share**

## 1/3 Canadians to buy insurance online[1]

belairdirect.

- #1 brand awareness in ON and PQ
- Growing at ~10% per year
- Operating in ON and PQ
- Leveraging 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 Auto/Home/Business Insurance

- Proprietary brokers with $500 million in direct premiums written and over 200,000 customers
- More than 55 offices in ON and AB

**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

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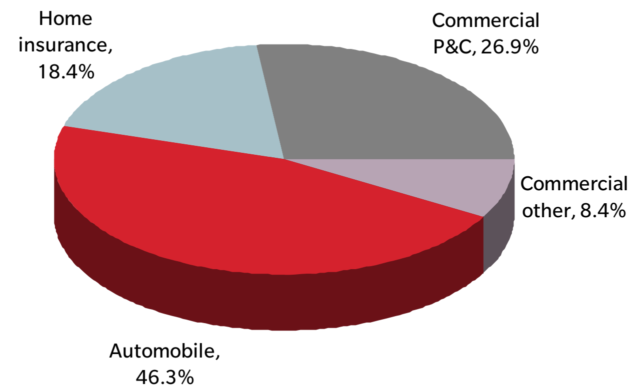
# Appendices

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

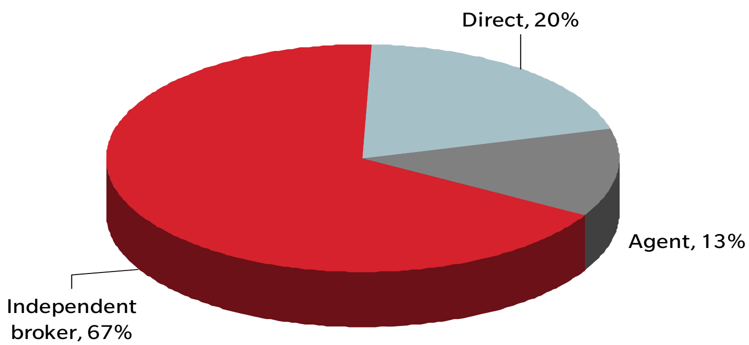
## 3% of GDP in Canada

- 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%

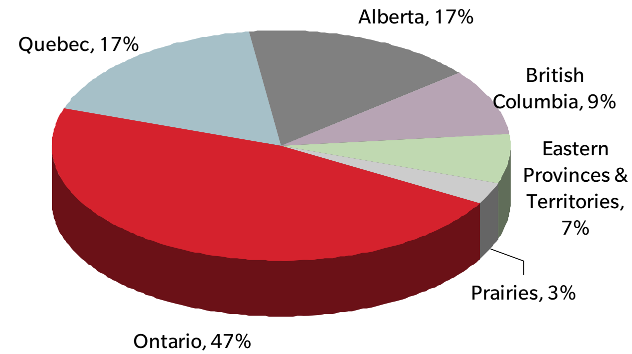
## Industry DPW by line of business




## Brokers dominate; direct growing[1]




## Industry - Premiums by province




OSFI = Office of the Superintendent of Financial Institutions

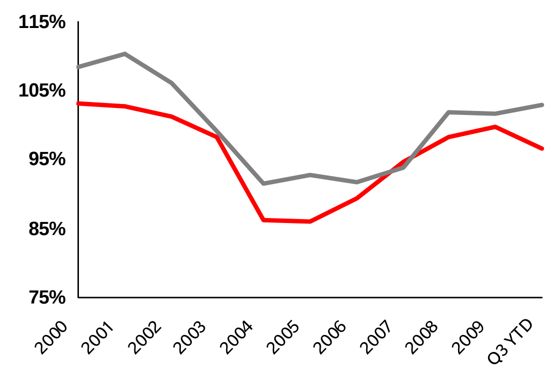
[1] Industry data source: MSA data excluding Lloyd's, ICBC, SAF, SGI, MPIC, Genworth, Promutual Re and Mutuals in Quebec. All data as at the end of 2009.

# 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

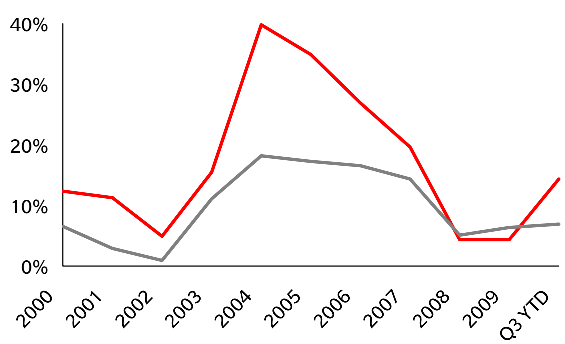
## Combined ratio




Canadian P&C industry[1] 10-year avg. = 99.8%

[intact] **10-year avg. = 96.0%**

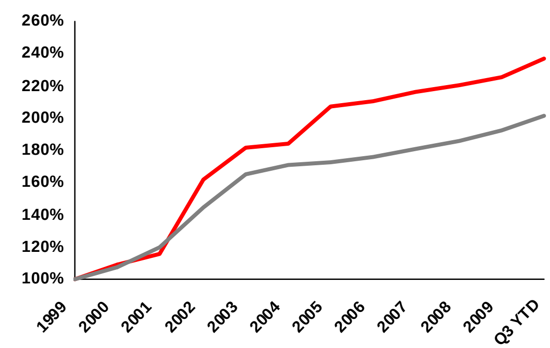
## Return on equity




[intact] **10-year avg. = 17.4%[2]**

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

## Direct premium written growth




[intact] **10-year CAGR = 8.5%**

Industry[1] 10-year CAGR = 6.8%

[1]Industry data source: MSA Research. excluded Lloyd's, ICBC, SGI, SAF, MPI
[2]ROE is for Intact's P&C insurance subsidiaries

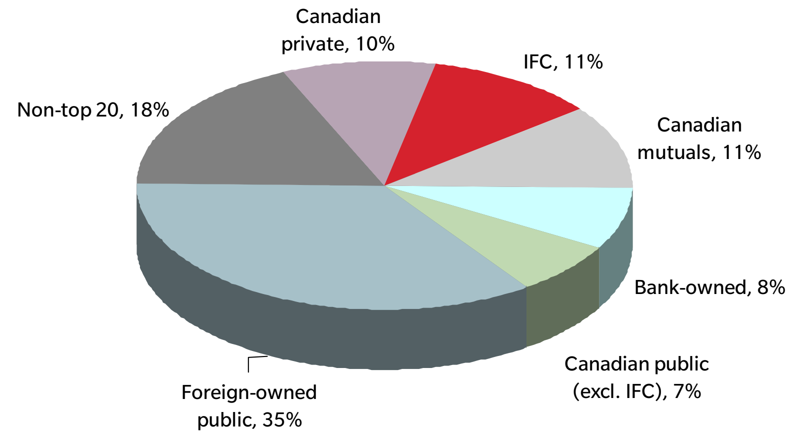
# Further consolidation in Canadian P&C market likely

## 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

# Historical financials

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Income statement highlights** | | | | | |
| Direct written premiums (excluding pools) | $4,498 | $4,275 | $4,146 | $4,109 | $3,994 |
| Underwriting income (excluding MYA*) | 194 | 54 | 117 | 189 | 404 |
| Net operating income (excluding MYA*) | 399 | 282 | 361 | 457 | 531 |
| Net operating EPS (excluding MYA*) | 3.47 | 2.35 | 2.96 | 3.61 | 3.97 |
| **Balance sheet highlights** | | | | | |
| Total invested assets | $8,515 | $7,997 | $6,109 | $7,238 | $7,242 |
| Debt | 496 | 398 | 0 | 0 | 0 |
| Total shareholders' equity (ex-AOCI) | 2,983 | 3,047 | 3,079 | 3,290 | 3,421 |
| **Performance metrics** | | | | | |
| Loss ratio (excluding MYA*) | 65.4% | 70.0 % | 68.2 % | 66.2 % | 59.1 % |
| Expense ratio | 30.0% | 28.7 % | 28.9 % | 29.0% | 30.3% |
| Combined ratio (excluding MYA*) | 95.4% | 98.7% | 97.1% | 95.2% | 89.4% |
| Net operating ROE (excl. AOCI) | 13.2% | 9.2% | 11.3% | 13.6% | 16.8% |
| Debt / Capital | 13.9% | 11.8% | 0.0% | 0.0% | 0.0% |
| **Combined ratios by line of business (excl. MYA)** | | | | | |
| 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% |

* 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

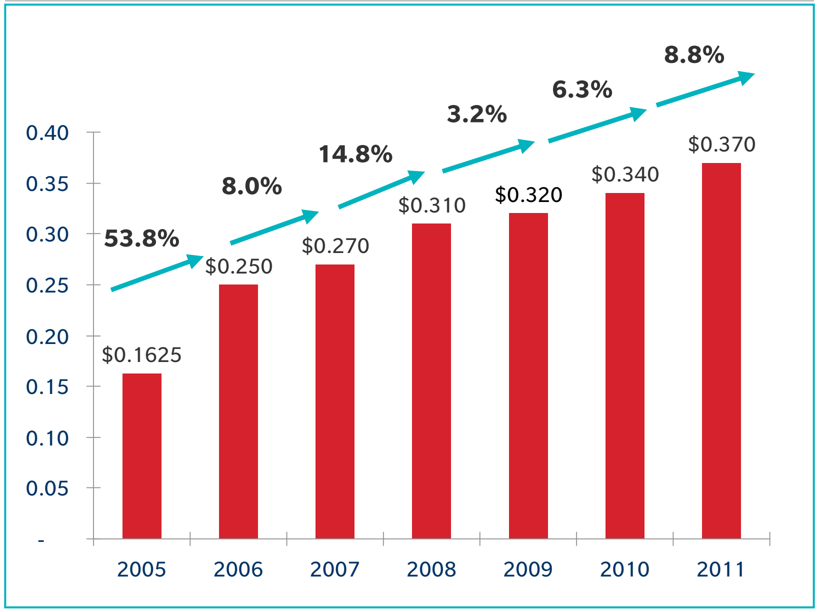
- Acquisitions
- Dividends
- Share buybacks

## Share buyback history

- 2011 – Board authorized renewal of NCIB for an additional 5%
- 2010* – Repurchased 9.5 million shares for a total of $425 million
- 2008 – Repurchased 4.6 million shares for a total of $176 million
- 2007 – $500 million Substantial Issuer Bid

* Feb. 21, 2010 – Feb. 10, 2011

## Quarterly dividend



# Cash and invested assets

## Asset class

### Fixed income

| | |
|---|---|
| Federal government and agency | 32.7% |
| Corporate | 30.4% |
| Cdn. Provincial and municipal | 27.8% |
| Supranational and foreign | 7.9% |
| ABS/MBS | 1.1% |
| Private placements | 0.1% |
| TOTAL | 100% |

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

**Quality:** 98.6% of bonds rated A or better

### Preferred shares

| | |
|---|---|
| Fixed perpetual | 44% |
| Perpetual and callable floating and reset | 38% |
| Fixed callable | 19% |
| TOTAL | 100% |

**Quality:**
Approx. 80% rated P1 or P2

100% Canadian

### Common shares

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

100% Canadian

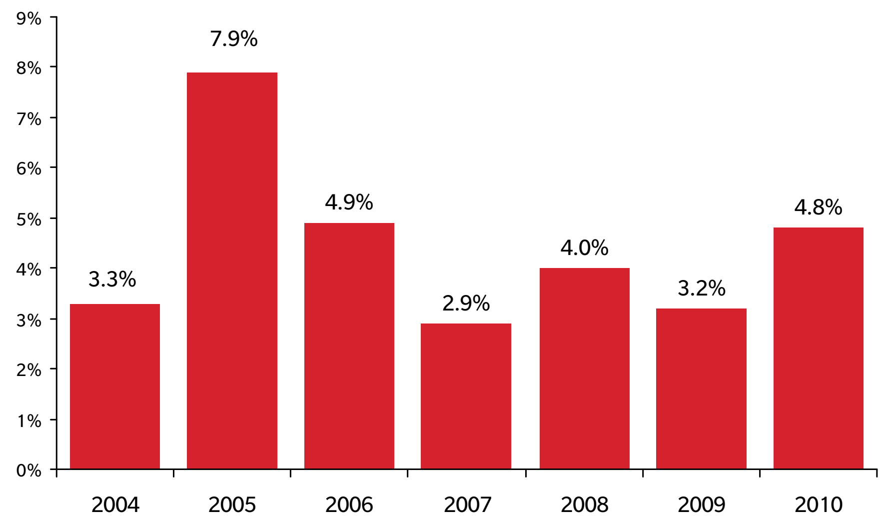
As of December 31, 2010

# 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

| | | Years In Industry | Years With IFC |
|---|---|---|---|
| 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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