Intact Financial Corporation (TSX: IFC)

Building a world-class P&C insurer

Investor Presentation
November 2012

Canada's **P&C insurance leader**

Who we are[1]

- Largest P&C insurer in Canada
- $7.0 billion in direct premiums written
- #1 in BC, Alberta, Ontario, Quebec, Nova Scotia
- $12.8 billion cash and invested assets
- Proven industry consolidator

Distinct brands

intact INSURANCE
belairdirect.
GREY POWER
BrokerLink Auto/Home/Business Insurance
JEVCO

Leader in a fragmented industry

2011 Direct premiums written[2]
($ billions)

Top five insurers represent 43.7% of the market

IFC[1]	Aviva	RSA	TD	Co-operators
17.2%	8.3%	6.2%	6.1%	5.9%

Industry outperformer

10-year performance –
IFC vs. P&C industry[2]

Premium growth	**3.3 pts**
Combined ratio[3]	**3.4 pts**
Return on equity[4]	**8.2 pts**

[1] Pro forma AXA Canada and JEVCO for a full year
[2] Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, and Genworth. All data as at Dec 31, 2011.
[3] Combined ratio includes the market yield adjustment (MYA)
[4] ROEs reflect IFRS beginning in 2010. IFC's 2011 ROE is adjusted return on common shareholders' equity (AROE)

Consistent industry **outperformance**

Significant scale advantage

Sophisticated pricing and underwriting

In-house claims expertise

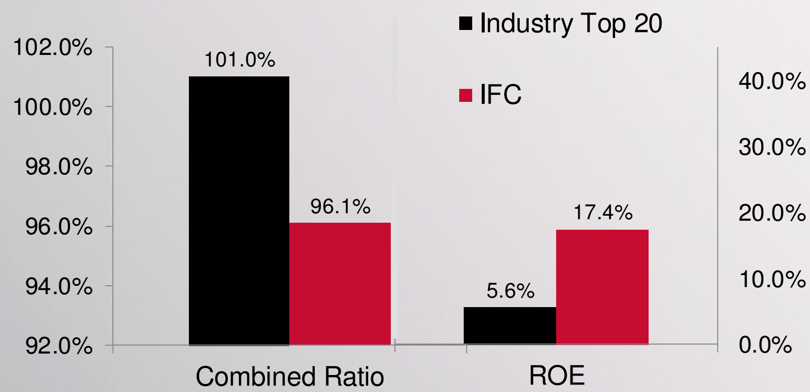
Broker relationships

Multi-channel distribution

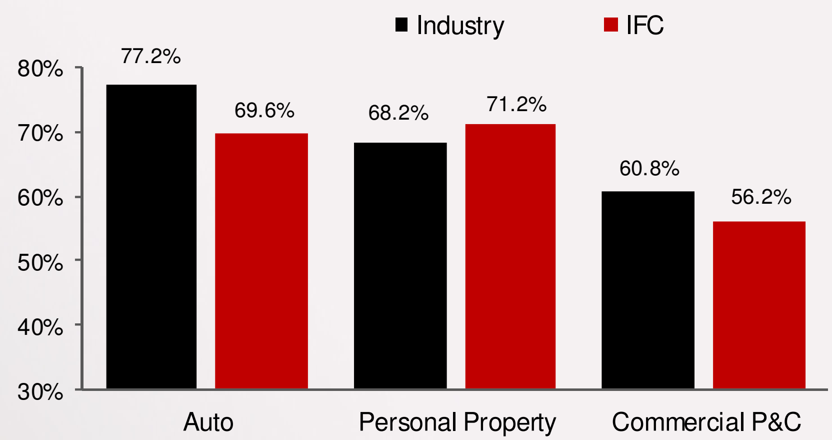
Proven acquisition strategy

Solid investment returns

2011 metrics



Five-year average loss ratios



Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth, IFC and AXA Canada (in 2011)
Data in both charts is for the year ended December 31, 2011
Includes market yield adjustment (MYA)
* Top 20 excludes Lloyd's, IFC and AXA Canada

A **strong base** from which to grow

Enhanced business mix

Line of Business	H1-2011	H1-2012
Personal Auto	49%	46%
Personal Property	23%	22%
Commercial	28%	32%

Geography	H1-2011	H1-2012
Ontario	47%	41%
Quebec	24%	30%
Alberta	19%	17%
Rest of Canada	10%	12%

Note: Change in business mix reflects the acquisition of AXA Canada

Strong capacity to outperform

Combined Ratio[1]	H1-2012
IFC	92.8%
Top 20 Industry[2]	94.3%
Outperformance	**1.5 pts**

Return on Equity[3]	H1-2012
IFC[4]	18.0%
Top 20 Industry[2]	12.8%
Outperformance	**5.2 pts**

[1] Includes MYA
[2] Industry data source: MSA Research excluding Lloyd's, Genworth, and IFC
[3] Numbers reflect H1-2012 annualized
[4] IFC's ROE corresponds to the adjusted return on equity (AROE)

Industry **outlook** for 2012

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

Premium growth	• Overall premium growth to be driven by hard market conditions in personal property • Low interest rate environment will likely lead to firmer conditions over time
Underwriting	• Industry combined ratio was 100% in 2011. In 2012, we foresee: – Some improvement from personal auto (rate increases already in the system and Ontario reforms) – Improvement in personal property (mild weather in Q1-2012 and continued premium increases, somewhat offset by an active summer storm season)
Return on equity	• Industry ROE was 6% in 2011; we expect 2012 to be in the upper single digit range, bolstered by a strong first half at 11.5% • We believe we are likely to outperform the industry's ROE by at least 500 basis points in 2012

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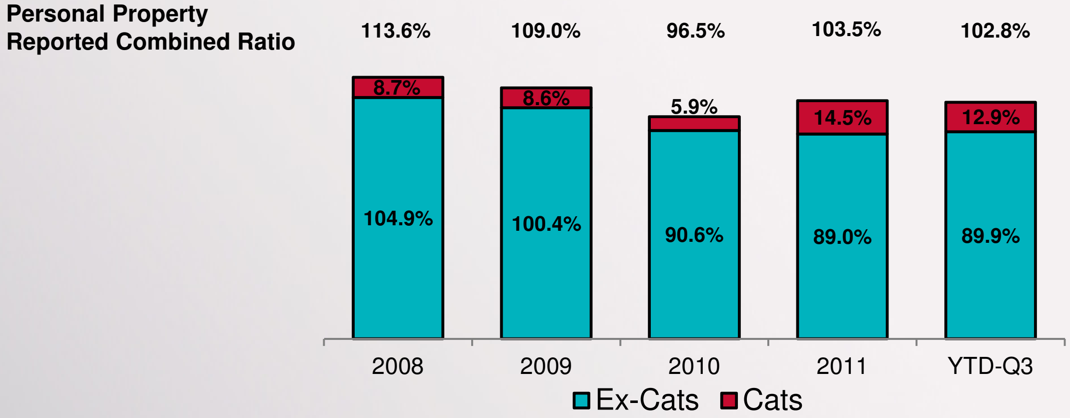
Ensuring profitability by **mitigating Cat losses**

Combined ratios impacted by Cats



- We are committed to running the business at a combined ratio of 95% or better
- Initiatives to improve the performance will be rolled-out in H1-2013
- We expect to fully realize the benefits of our actions within 24-36 months
- In the meantime, results could remain challenging if elevated Cat activity continues

Home Improvement Plan to Date

- 2011 & 2012 impacted by double normal Cat activity
- 13-14 points of Cats: Alberta 40 points in last 2 years
- CAY results trending towards 15pts improvement
- Renewals being issued at ~ +9%
- Segmentation by type of loss
- Claims initiatives on-going
- Product design evolving

Still to Come

- Continuous monitoring of Cat loading to improve profitability should recent elevated levels persist
- Continued rate increases
- Water/hail/wind – higher deductibles, sub-limits
- New claims initiatives
- Prevention & education

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Recent acquisitions are **on track**

	2012	2013	2014
AXA Canada	LAE reductions	Operational efficiencies	Systems
	Shared services	LAE reductions	
	Operational efficiencies	Systems	
Synergy run-rate	**$50 million**	**$90 million**	**$100 million**
JEVCO	Shared services	LAE reductions	Systems
	Operational efficiencies	Reinsurance	LAE reductions
Synergy run-rate	**minimal**	**$7 million**	**$15 million**

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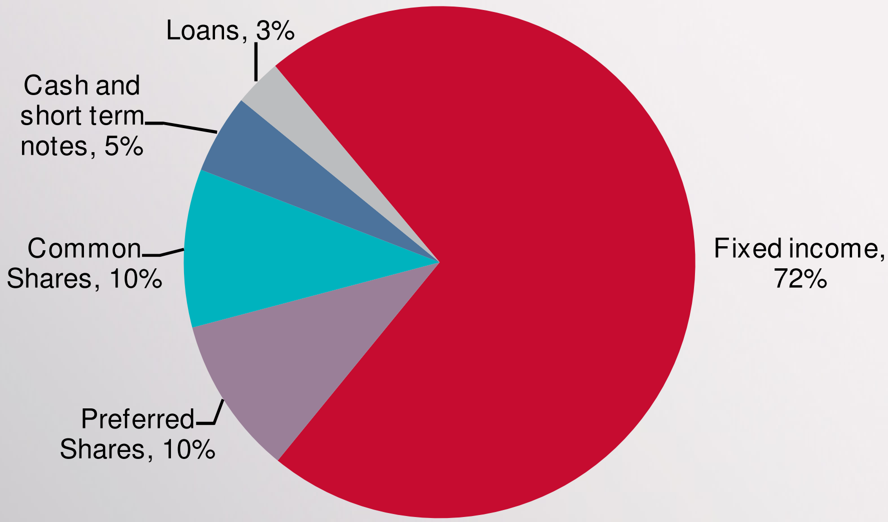
Strong financial **foundation for growth**

$12.8 billion – conservatively managed

Note: Investment mix is net of hedging positions and financial liabilities related to investments.



- 98% of bonds are rated ‘A’ or better
- 89% of preferred shares are rated ‘P1’ or ‘P2’
- Minimal U.S. or European exposure
- No leveraged investments

Solid balance sheet

- **$598 million** in total excess capital
- MCT of **201%**
- Debt-to-capital ratio of **19.5%,** below our target level of 20%
- Low sensitivity to capital markets volatility:
  - 1% increase in rates ~ 5 pts of MCT
  - 10% decline in equity markets ~ 3 pts of MCT
- Additional capital buffers:

	Capital	**MCT**
Alternative equity strategies	$215M	15 pts
Common Shares	$317M	23 pts
Bond duration	$108M	7 pts

Strategic capital management

Capital management framework

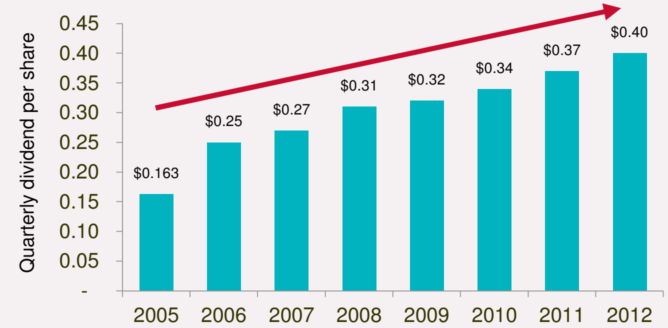
Strong capital base has allowed us to pursue our growth objectives while returning capital to shareholders

- Maintain leverage ratio (target 20% debt to total capital)
- Maintain existing dividends
- Increase dividends
- Invest in growth initiatives
- Share buybacks

Excess capital

Shareholder friendly approach

- We have increased our dividend each year since our IPO



- We believe we have organic growth opportunities within our multi-brand offering
- We have a track record of 11 accretive acquisitions
  - AXA and JEVCO will be #12 and #13
- We have returned over **$1.1 billion** to shareholders in the form of buybacks in the past five years

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Four distinct avenues for growth

Firming market conditions (0-2 years)

Personal lines

- Industry premiums likely to be bolstered by hard market conditions in personal property

Commercial lines

- Moderate firming in the past 12-18 months
- Leverage acquired expertise to expand product offer and gain share in the mid-market

Develop existing platforms (0-3 years)

- Continue to expand support to our broker partners
- Leverage addition of JEVCO
- Expand and grow belairdirect and Grey Power
- Build a broker offer better able to compete with direct writers

Consolidate Canadian market (0-5 years)

Capital

- Solid financial position

Strategy

- Grow areas where IFC has a competitive advantage

Opportunities

- Canadian P&C industry remains fragmented
- Global capital requirements becoming more stringent
- Continued difficulties in global capital markets

Expand beyond existing markets (5+ years)

Principles

- Financial guideposts: long-term customer growth, IRR>20%
- Build growth pipeline with meaningful impact in 5+ years

Strategy

- Enter new market by leveraging our world-class strengths: 1) pricing and segmentation, 2) claims management and 3) online expertise

Building on our **sustainable competitive advantages**

- ✓ We have a sustainable competitive advantage versus the industry
- ✓ Our solid financial position enables us to take advantage of growth opportunities
- ✓ Acquisition synergies are on track, but headwinds exist with low yields and challenging property results
- ✓ We continue our shareholder-friendly approach to capital management
- ✓ Best-in-class team in place to reach our goals

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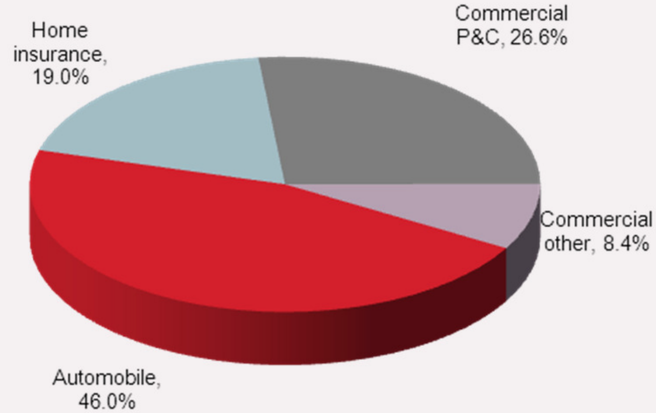
Appendices

P&C insurance – a **$40 billion** market in Canada

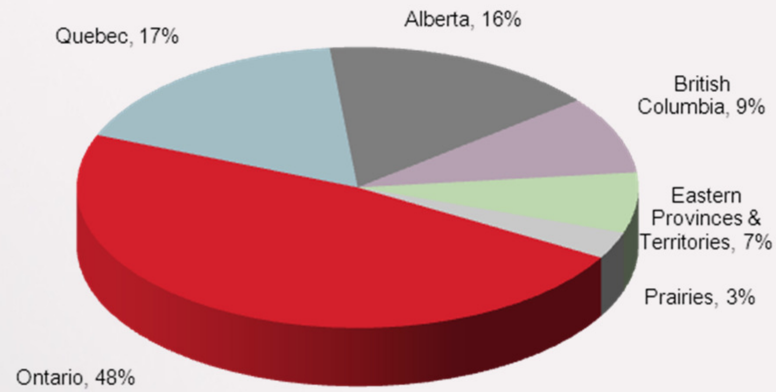
3% of GDP in Canada

- Fragmented market[1]:
  - Top five represent 44%, versus bank/lifeco markets which are closer to 65-75%
  - IFC is largest player with 17.2% 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



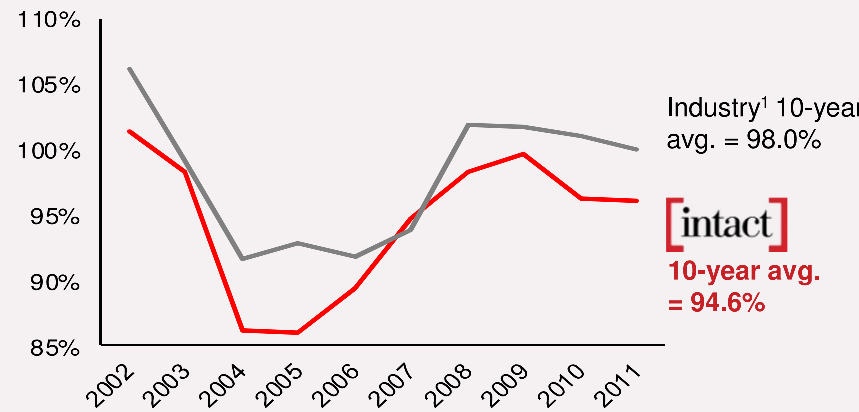
[1] Pro forma IFC's acquisition of AXA Canada
Industry data source: MSA Research excluding Lloyd's, ICBC, SAF, SGI, MPI and Genworth.
OSFI = Office of the Superintendent of Financial Institutions Canada
Data as at the end of 2010.

P&C industry **10-year** performance versus IFC

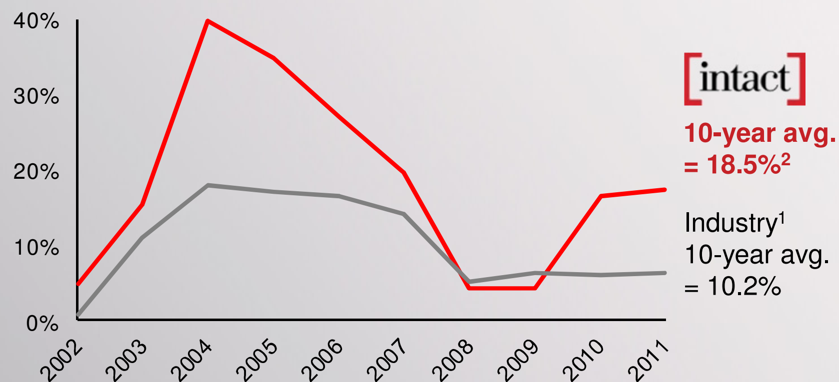
IFC's competitive advantages

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

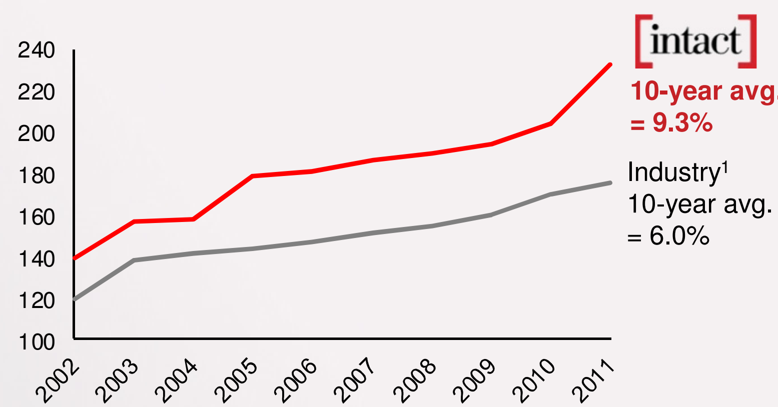
Combined ratio



Return on equity



Direct premiums written growth



[1]Industry data source: MSA Research. excluded Lloyd's, ICBC, SGI, SAF, MPI, Genworth, IFC and AXA Canada (in 2011)
[2]ROEs reflect IFRS beginning in 2010. IFC's 2011 ROE is adjusted return on common shareholders' equity (AROE)

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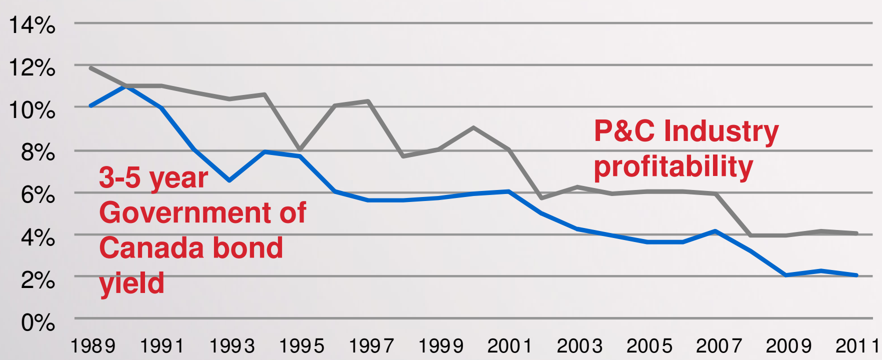
Near-term themes to monitor

Impact on Industry from Low Yields

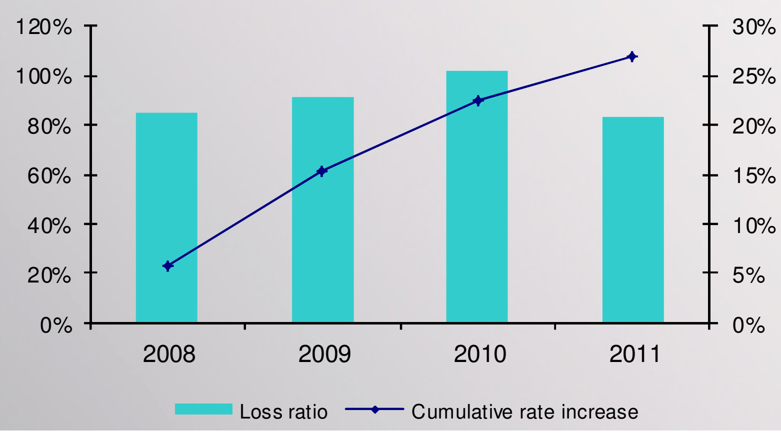


Source: Insurance Bureau of Canada

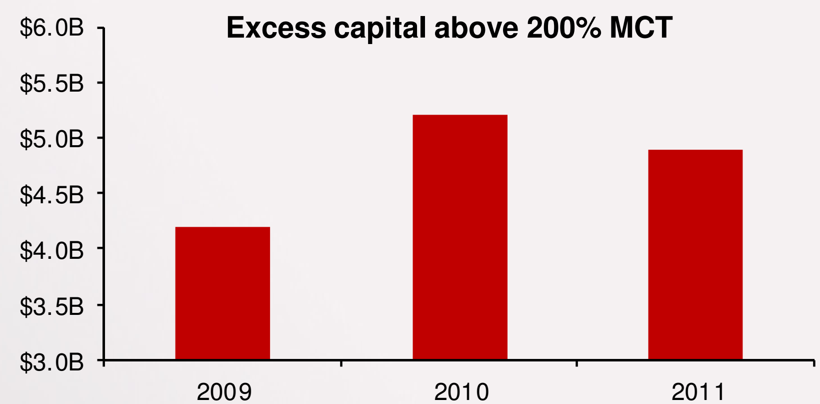
Reinsurance

- Major catastrophes in the world in 2011 have impacted reinsurer's capital levels
- The Canadian industry one of the most conservative markets in the world in terms of earthquake coverage required by regulators
- IFC's B.C. earthquake exposure increased due to the acquisition of AXA Canada

Ontario Auto Industry Results



Industry Capital Levels



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Further **industry consolidation** ahead

Our 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

Canadian M&A environment

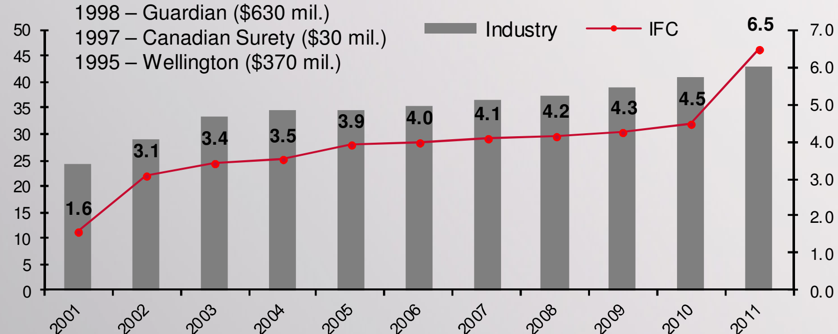
Environment more conducive to acquisitions now than in recent years:

- Industry ROEs, although slightly improved from trough levels of mid-2009, are well below prior peak
- Foreign parent companies are generally in less favourable capital position
- Demutualization likely for P&C insurance industry

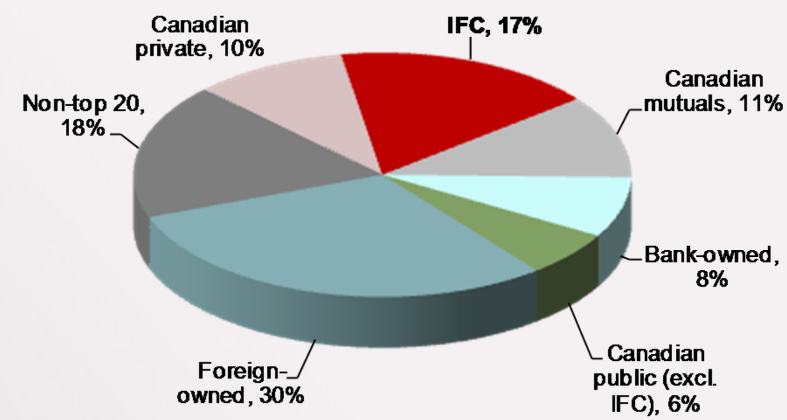
Our track record of acquisitions

2012 – JEVCO ($530 mil.)
2011 – AXA ($2,600 mil.)
2004 – Allianz ($600 mil.)
2001 – Zurich ($510 mil.)
1999 – Pafco ($40 mil.)
1998 – Guardian ($630 mil.)
1997 – Canadian Surety ($30 mil.)
1995 – Wellington ($370 mil.)

Source: MSA Research; excluding Lloyd's and Genworth (based on 2011 DPW); IFC's 2011 DPW includes AXA Canada



Top 20 P&C insurers = 82% of market



Source: MSA Research; excluding Lloyd's and Genworth (based on 2011 DPW)

Historical **financials**

(in $ millions, except as otherwise noted)	IFRS		Canadian GAAP		
	2011	**2010**	**2009**	**2008**	**2007**
Income statement highlights					
Direct written premiums	$5,099	$4,498	$4,275	$4,146	$4,109
Underwriting income	273	193	54	117	189
Net operating income	460	402	282	361	457
Net operating income per share (in dollars)	3.91	3.49	2.35	2.96	3.61
Balance sheet highlights					
Total investments	$11,828	$8,653	$8,057	$6,605	$7,231
Debt	1,293	496	398	-	-
Total shareholders' equity (excl. AOCI)	4,135	2,654	3,047	3,079	3,290
Performance metrics					
Loss ratio	63.9%	65.4%	70.0%	68.2%	66.2%
Expense ratio	30.5%	30.0%	28.7%	28.9%	29.0%
Combined ratio	94.4%	95.4%	98.7%	97.1%	95.2%
Net operating ROE (excl. AOCI)	15.3%	15.1%	9.2%	11.3%	13.6%
Debt / Capital	22.9%	14.3%	11.8%	-	-
Combined ratios by line of business					
Personal auto	90.9%	98.1%	94.9%	95.9%	94.5%
Personal property	103.5%	96.5%	109.0%	113.6%	102.2%
Commercial auto	86.5%	86.0%	79.8%	87.2%	93.7%
Commercial P&C	95.6%	90.7%	104.1%	85.3%	90.1%

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Cash and invested assets

Asset class

Fixed income

Corporate	32%
Federal government and agency	28%
Cdn. Provincial and municipal	33%
Supranational	4%
ABS/MBS	4%
Private placements	0%
TOTAL	100%

Canadian	94%
United States	1%
Int'l (excl. U.S.)	5%
TOTAL	100%

Quality:
98% of bonds rated 'A' or better

Preferred shares

Perpetual and callable floating and reset	65.6%
Fixed-rate perpetual	24.1%
Retractable	10.3%
TOTAL	100.0%

Quality:
Approx. 89% rated 'P1' or 'P2'

100% Canadian

Common shares

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

100% Canadian

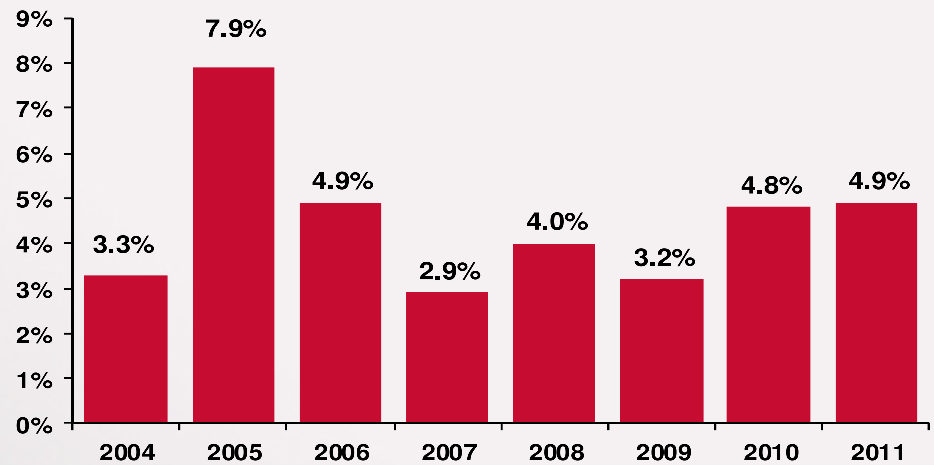
* As of September 30, 2012

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

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