Intact Financial Corporation (TSX: IFC)

Continuing our journey to build a world-class P&C insurer

Investor Presentation
February 2014

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

Who we are[1]

- Largest P&C insurer in Canada
- $7 billion in direct premiums written
- #1 in BC, Alberta, Ontario, Quebec, Nova Scotia
- $12.3 billion cash and invested assets
- Proven industry consolidator

Distinct brands

intact INSURANCE

belairdirect.

GREY POWER

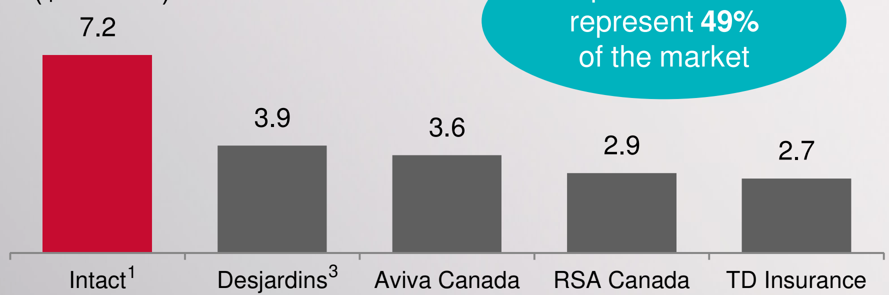
BrokerLink

JEVCO

Leader in a fragmented industry

2012 Direct premiums written[2]
($ billions)

Top five insurers represent **49%** of the market



Estimated Market Share

17.2%	9.3%	8.5%	7.0%	6.5%

Industry outperformer

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

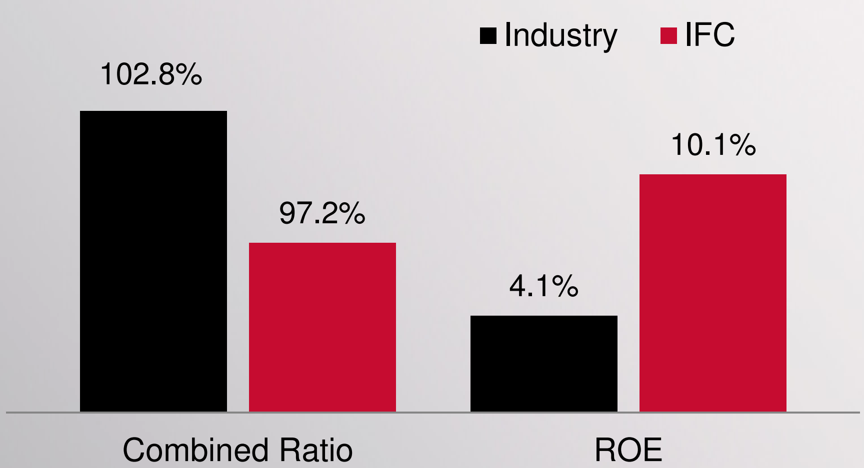
Premium growth	**4.2 pts**
Combined ratio[4]	**3.2 pts**
Return on equity[5]	**8.5 pts**

[1] IFC's direct premiums written in 2012 is pro forma Jevco for a full year
[2] Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC. All data as at Dec 31, 2012.
[3] Desjardins direct premiums written in 2012 is pro forma State Farm for a full year
[4] Combined ratio includes the market yield adjustment (MYA)
[5] ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE)

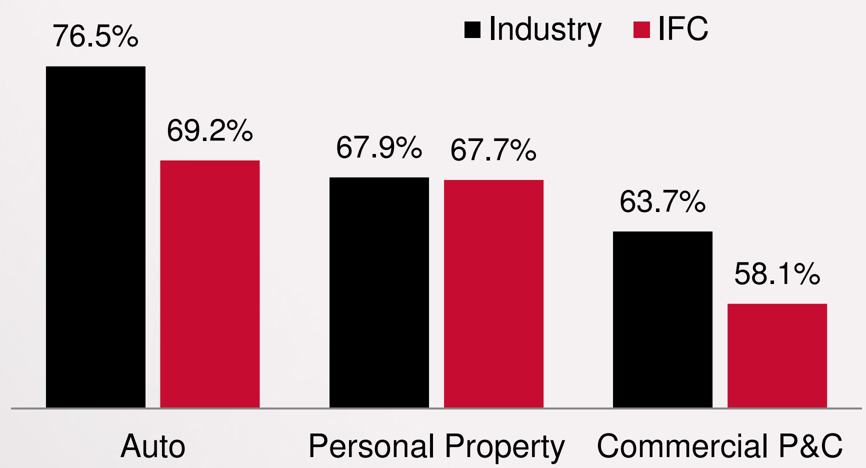
Consistent industry **outperformance**

Significant scale advantage	Sophisticated pricing and underwriting	In-house claims expertise	Broker relationships	Multi-channel distribution	Proven acquisition strategy	Solid investment returns
						

YTD Q3-2013 metrics



Five-year average loss ratios



Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC
Data in five-year chart is for the period ended December 31, 2012
Includes market yield adjustment (MYA)

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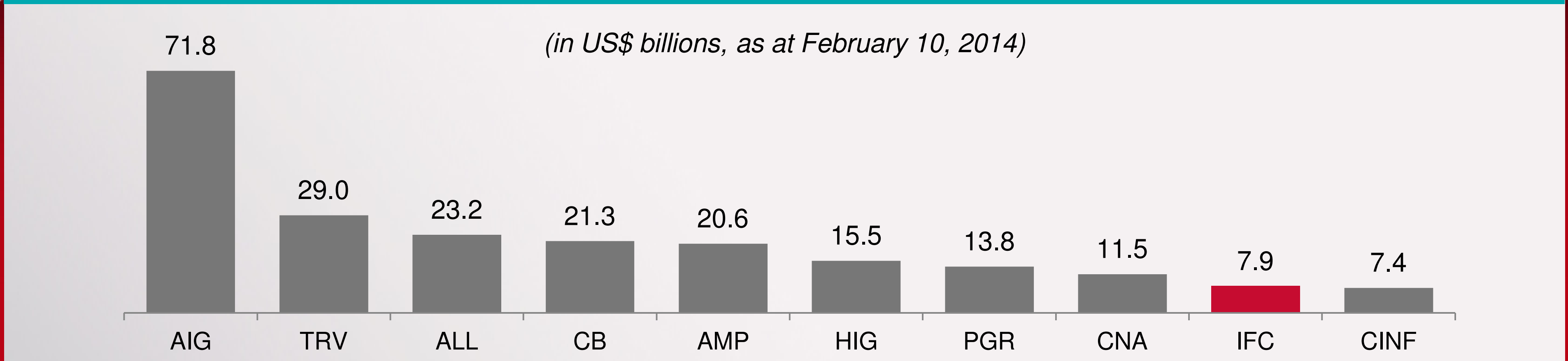
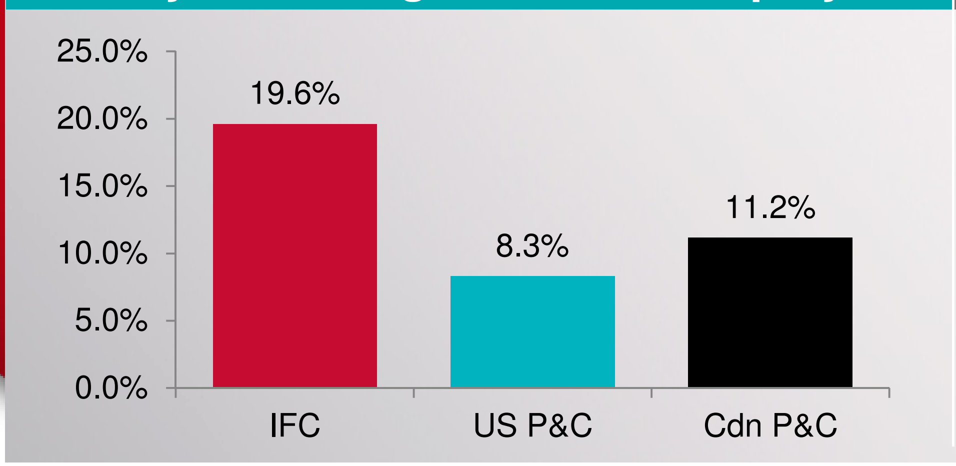
IFC is a **top-tier** North American insurer

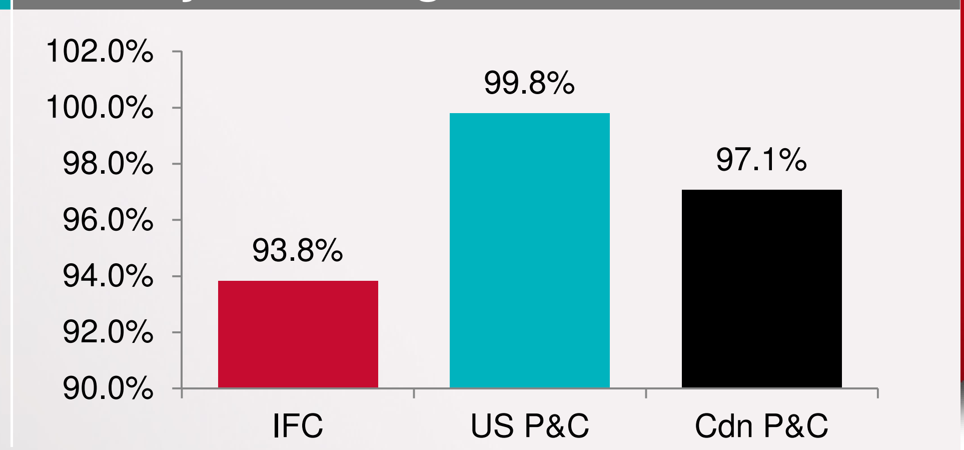
Largest North American Non-Life Insurers by Market Capitalization



10-year Average Return on Equity[1]



10-year Average Combined Ratio[1]



[1] For the ten-year period ending December 31, 2012
Sources: SNL Financial, NAIC, III, and MSA Research (excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth,and IFC)

Canadian P&C industry **12-month 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 low single-digit rate, with low single-digit growth in personal auto and commercial lines and upper single-digit growth in personal property. • We expect premium reductions in Ontario auto to be commensurate with cost reductions and, as such, we do not foresee a material deterioration in profitability.
Underwriting	• We expect the current hard market conditions in personal property to accelerate meaningfully as the magnitude of 2013 catastrophe losses negatively impacts industry results. • We believe continued low interest rates and the impact on commercial lines loss ratios from elevated catastrophe losses in 2013 could translate into firmer conditions over time.
Return on equity	• We expect the industry's ROE to trend back toward its long term average of 10% in 2014. • We believe we will outperform the industry's ROE by at least 500 basis points in the next 12 months.

A 36-month roadmap for **outperformance**

Beat industry ROE by 5 points every year

Pricing & Segmentation:
2 points

Claims management:
3 points

Investments and capital management: 2 points

Total: 7 points
Leaves 2 points to reinvest in customer experience (price, product, service, brand)

NOIPS growth of 10% per year over time

Organic growth:
4-6%

Margin improvement:
0-3%

Capital management/deployment:
2-4%

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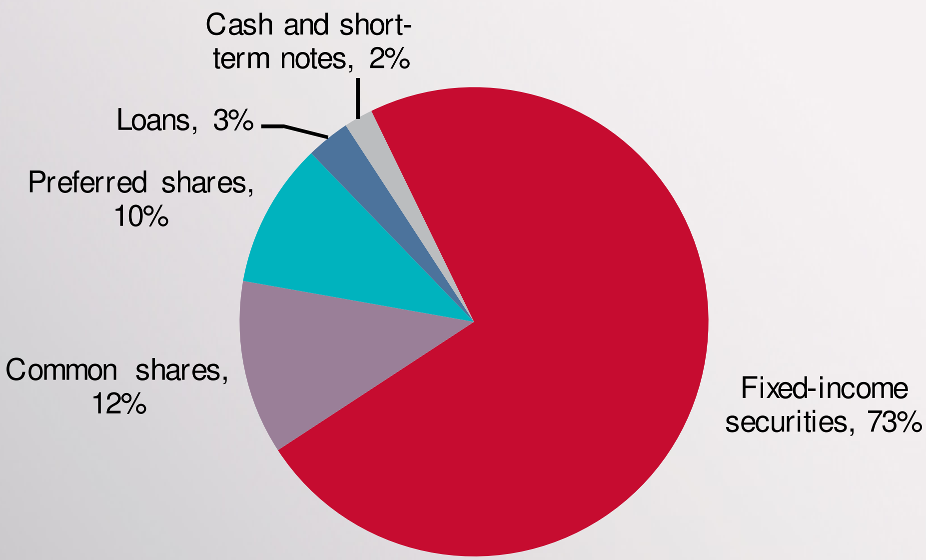
Strong financial **foundation for growth**

$12.3 billion – conservatively managed

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



- 99% of fixed-income securities are rated ‘A’ or better
- >90% of preferred shares are rated ‘P1’ or ‘P2’
- Minimal European exposure
- No leveraged investments

Solid balance sheet

- $550 million in total excess capital
- MCT of 203%
- Debt-to-capital ratio of 18.7%, below our target level of 20%
- Low sensitivity to capital markets volatility:
  - 1% increase in rates ~ 4 pts of MCT
  - 10% decline in equity markets ~ 4 pts of MCT
- Credit ratings:

	A.M. Best	Moody’s[1]	DBRS
Long-term issuer credit ratings of IFC	a-	Baa1	A (low)
IFC’s principal insurance subsidiaries[2]	A+	A1	n/a

* As of December 31, 2013
[1] Jevco and companies previously held by AXA Canada are not rated by Moody’s.
[2] On April 25, 2013, A.M. Best upgraded the financial strength rating of Jevco to ‘A+’ (Superior) from ‘A’ (Excellent) and revised the outlook to stable.

Strategic capital management

Capital management framework

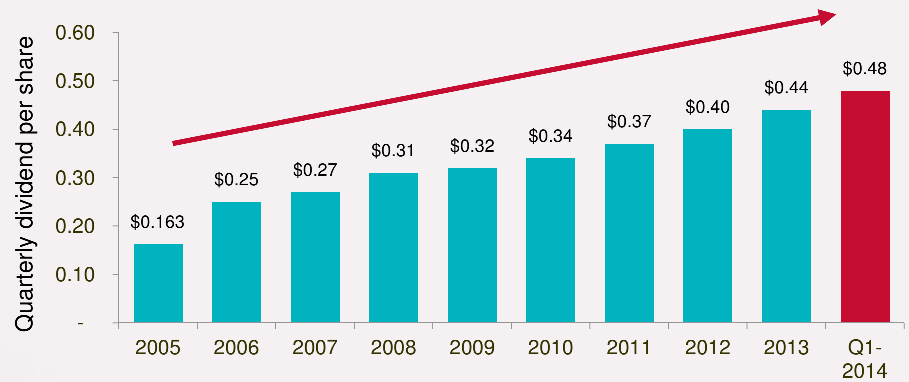
Strong capital base has allowed us to pursue our growth objectives while returning capital to shareholders

- 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 13 accretive acquisitions, the most recent being AXA Canada and Jevco
- We have returned over $1.2 billion to shareholders in the form of buybacks in the past five years

Four distinct avenues for **growth**

Firming market conditions **(0-2 years)**

Personal lines

- Build on outperformance in auto to accelerate growth
- Industry premiums likely to be bolstered by hard market conditions in personal property

Commercial lines

- Leverage acquired expertise and products, and our industry outperformance to gain share in a firming environment

Develop existing platforms **(0-3 years)**

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GREY POWER

BrokerLink Auto/Home/Business Insurance

- Continue to expand support to our broker partners
- Optimize brand architecture
- Expand direct capabilities
- Build operated distribution to $1 billion

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 **(0-5+ years)**

Principle

- Build organic growth pipeline with meaningful impact within 5+ years

Strategy

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

Integration activities are **now complete**

AXA Canada	Jevco
• Policy conversions are complete • We continue to make progress with the decommissioning of AXA systems • We remain on track to reach our $100 million in annual after-tax synergies by early 2014 – $94 million synergies run-rate at December 31, 2013 • IRR estimated above 23%	• The process of converting policies onto IFC systems has been largely completed and targeted broker service and customer retention levels have been met • We remain on track to decommission the Jevco systems through to Q3-2014 • Our after-tax synergies run-rate estimate at the end of 2013 was $17 million, surpassing our initial estimate of $15 million • IRR estimated above 20%

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Building on our **sustainable competitive advantages**

- ✓ We have a sustainable competitive advantage versus the industry due to our disciplined approach and quality operations
- ✓ We remain committed to adapting products to suit consumers’ needs
- ✓ We continue our shareholder-friendly approach to capital management
- ✓ Our solid financial position enables us to take advantage of growth opportunities which may present themselves in a consolidating industry
- ✓ Best-in-class team in place to reach our goals

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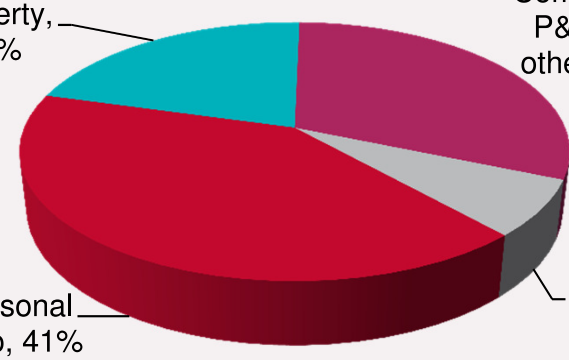
Appendices

P&C insurance – a **$42 billion** market in Canada

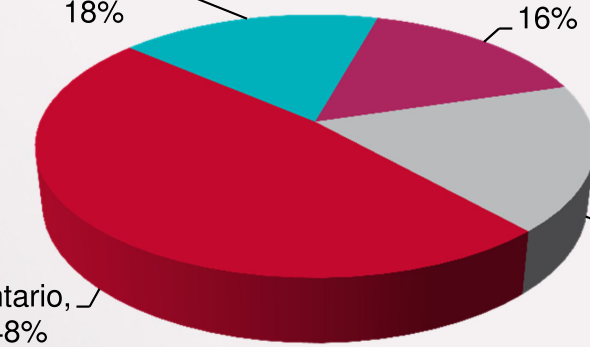
3% of GDP in Canada

- Fragmented market[1]:
  - Top five represent 49%, versus bank/lifeco markets which are closer to 65-75%
  - IFC is largest player with approx. 17% 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



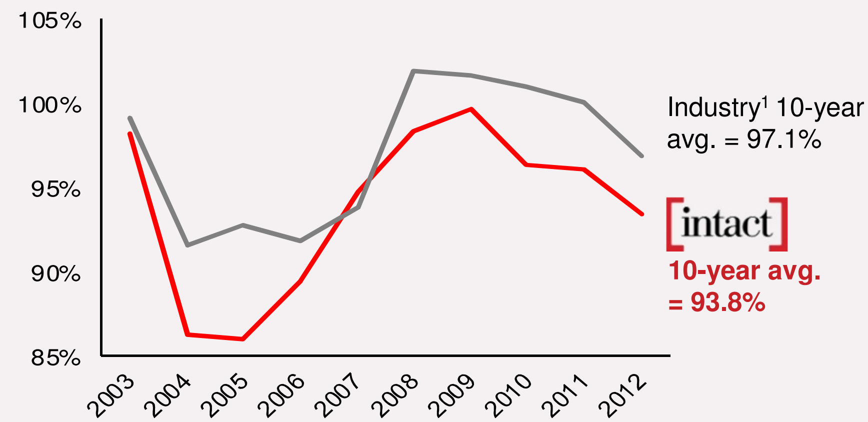
[1] Pro forma IFC's acquisition of AXA Canada
Industry data source: MSA Research excluding Lloyd's, ICBC, SAF, SGI, MPI and Genworth.
OSFI = Office of the Superintendent of Financial Institutions Canada
Data as at the end of 2012.

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

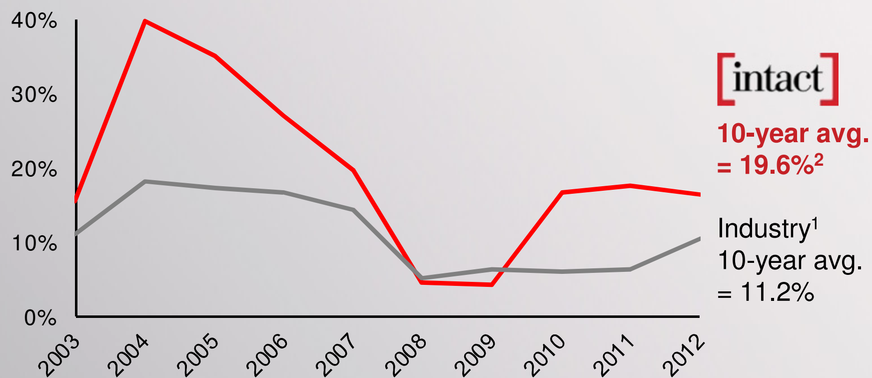
IFC's competitive advantages

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

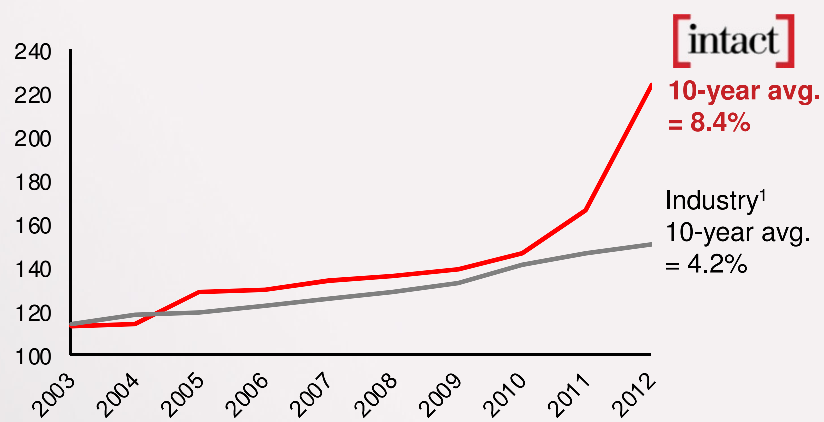
Combined ratio



Return on equity



Direct premiums written growth



[1]Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC. All data as at Dec 31, 2012.
[2]ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE).

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Ontario auto environment

Ontario government's strategy to reduce both rates and costs

- Reduce insurance rates by an average of 15% over 2 years
  - Average 4% industry reduction approved in Q4-2013, effective on new business and renewals through the first half of 2014 (approximately half of the market filed an average reduction of 8%)
  - We expect companies that have not yet taken a rate reduction will do so in the coming months, to largely meet the government's mid-term target of a cumulative 8% reduction by August 2014
  - IFC will be reducing rates by 5% on average, targeting discounts to safe drivers
- We continue to believe we can protect our profitability in the Ontario auto book of business, but the implementation of additional cost reduction measures is important

Arbitration update

- Total FSCO arbitrations essentially doubled in the past 10 months, while IFC arbitrations have increased only 17%, given our proactive approach to managing files
- The volume is expected to normalize by the second quarter of 2014

We outperform the industry

- Ontario auto accounts for a little less than one quarter of our direct premiums written
- Industry near breakeven after the first nine months of 2013
- Continued our solid outperformance versus the industry in YTD Q3-2013

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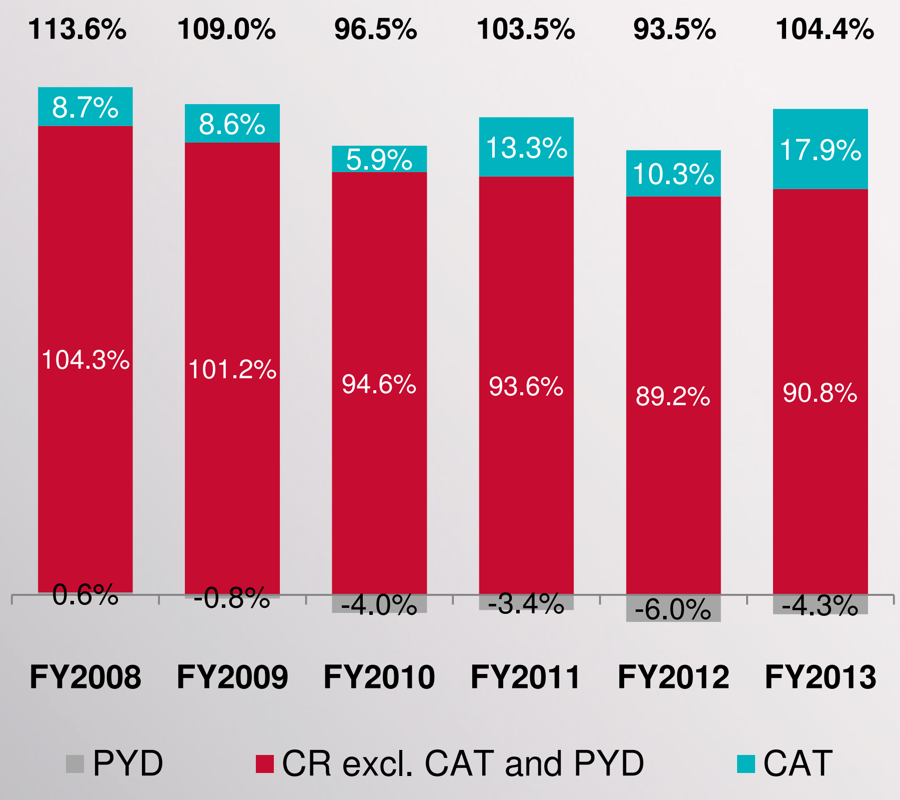
Plan for delivering **10 point improvement** in personal property

Combined Ratio Composition



Benefits generated next 18-24 months

Ongoing:

- Renewals at the higher rates
- Increasing education and awareness
- Reducing earthquake exposure

Targets for 2014:

- Revise product wordings to present specific weather and water-related perils:
  - Increase base deductibles
  - Reduce maximum coverage for specific perils in high-risk areas
- Claims management initiatives during Cats
- Tie prevention to pricing

Further **industry consolidation** ahead

Our domestic acquisition strategy

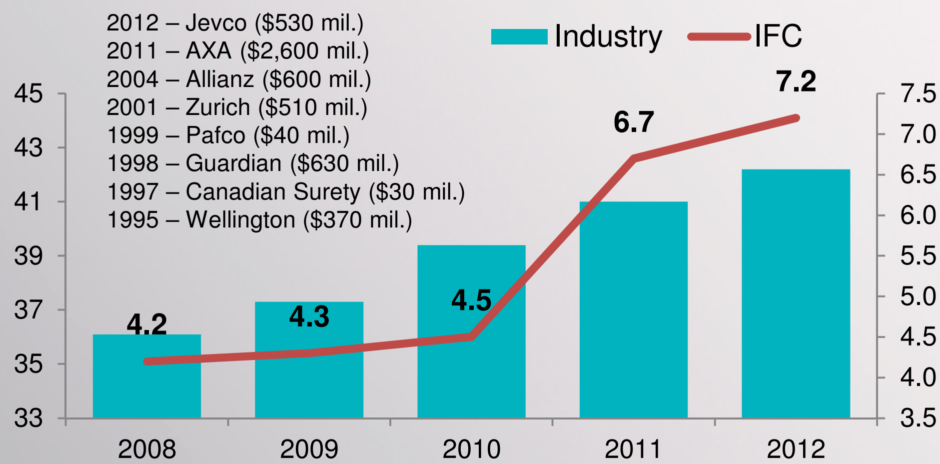
- Targeting large-scale acquisitions of $500 million or more in direct premiums written
- Pursuing acquisitions in lines of business where we have expertise
- Acquisition target IRR of 15%
- Targets:
  - Bring loss ratio of acquired book of business to our average loss ratio within 18 to 24 months
 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

Canadian M&A environment

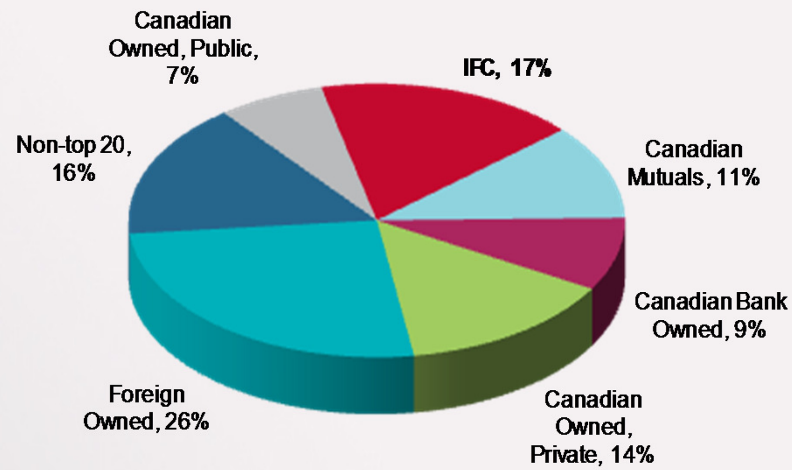
Environment more conducive to acquisitions now than in recent years:

- 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[1]



Top 20 P&C insurers = 84% of market



[1] Direct premiums written in $ billions, including pools, excluding second term of 2-year policies. IFC's direct premiums written in 2012 is pro forma Jevco for a full year. Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, and Genworth. All data as at Dec 31, 2012.

Historical **financials**

(in $ millions, except as otherwise noted)	IFRS				Cdn. GAAP
	2013	**2012**	**2011**	**2010**	**2009**
Income statement highlights					
Direct written premiums	$7,319	$6,868	$5,099	$4,498	$4,275
Underwriting income	142	451	273	193	54
Net operating income (NOI)	500	675	460	402	282
NOIPS to common shareholders (in dollars)	3.62	5.00	3.91	3.49	2.35
Balance sheet highlights					
Total investments	$12,261	$12,959	$11,828	$8,653	$8,057
Debt outstanding	1,143	1,143	1,293	496	398
Total shareholders' equity (excl. AOCI)	4,842	4,710	4,135	2,654	3,047
Performance metrics					
Claims ratio	66.9%	61.6%	63.9%	65.4%	70.0%
Expense ratio	31.1%	31.5%	30.5%	30.0%	28.7%
Combined ratio	98.0%	93.1%	94.4%	95.4%	98.7%
Operating ROE (excl. AOCI)	11.2%	16.8%	15.3%	15.1%	9.2%
Debt / Capital	18.7%	18.9%	22.9%	14.3%	11.8%
Combined ratios by line of business					
Personal auto	93.2%	95.7%	90.9%	98.1%	94.9%
Personal property	104.4%	93.5%	103.5%	96.5%	109.0%
Commercial auto	93.3%	81.5%	86.5%	86.0%	79.8%
Commercial P&C	103.9%	91.6%	95.6%	90.7%	104.1%

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Cash and invested assets

Asset class

Fixed income

Corporate	36%
Cdn. federal government and agency	36%
Cdn. provincial and municipal	23%
Supra-National & Foreign	3%
ABS/MBS	2%
TOTAL	100%

Quality:
99% of bonds rated ‘A’ or better

Common shares

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

100% Canadian

Preferred shares

Perpetual and callable floating and reset	67.5%
Fixed-rate perpetual	23.9%
Retractable	8.6%
TOTAL	100.0%

Quality:
96% rated ‘P1’ or ‘P2’

100% Canadian

Geographic exposure of portfolio

Canadian	93%
United States	3%
Int’l (excl. U.S.)	4%
TOTAL	100%

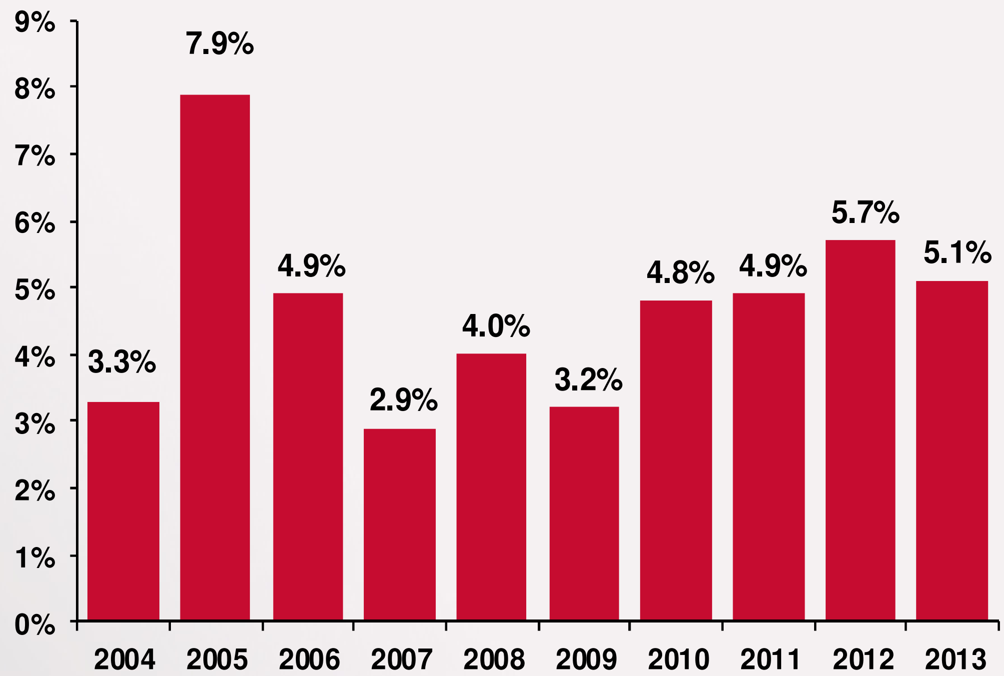
* As of December 31, 2013

Track record of **prudent** reserving practices

- Quarterly and annual fluctuations in reserve development are normal
- 2005 reserve development was unusually high due to the favourable effects of certain auto insurance reforms
- This reflects our preference to take a conservative approach to establishing claims reserves

Rate of claims reserve development

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



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Forward looking statements and disclaimer

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