

# **INTACT FINANCIAL CORPORATION (TSX: IFC)**

Scotiabank Financials Summit

Charles Brindamour, CEO  
September 4, 2014



# Forward-looking statements

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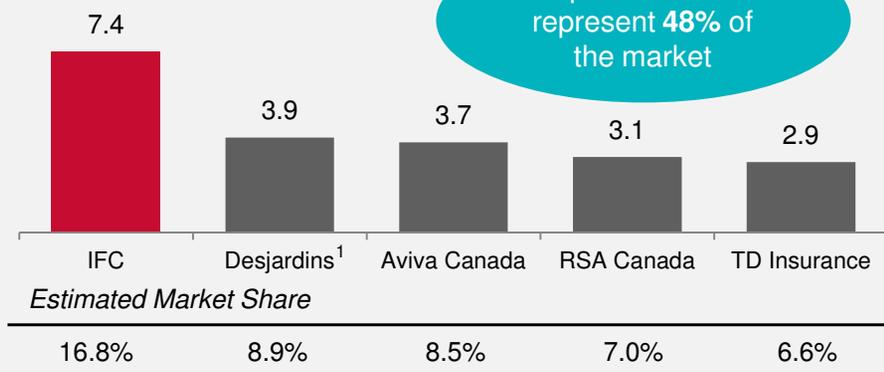
The Company uses both International Financial Reporting Standards ("IFRS") and certain non-IFRS measures to assess performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to any similar measures presented by other companies. Management of the Company analyzes performance based on underwriting ratios such as combined, general expenses and claims ratios as well as other performance measures such as return on equity ("ROE") and operating return on equity. These measures and other insurance related terms are defined in the Company's glossary available on the Intact Financial Corporation web site at [www.intactfc.com](http://www.intactfc.com) in the "Investor Relations" section. Additional information about the Company, including the Annual Information Form, may be found online on SEDAR at [www.sedar.com](http://www.sedar.com).

# Canada's P&C insurance leader

## Leader in a fragmented industry

- Largest P&C insurer in Canada
- Over \$7 billion in direct premiums written
- #1 in British Columbia, Alberta, Ontario, Quebec and Nova Scotia
- \$12.9 billion investment portfolio
- Proven industry consolidator

2013 Direct premiums written (\$ billions)



## Distinct brands



## 10-year outperformance IFC vs. P&C industry<sup>2</sup>

Premium growth	5.1 pts
Combined ratio <sup>3</sup>	3.5 pts
Return on equity <sup>4</sup>	8.4 pts

<sup>1</sup> Desjardins direct premiums written in 2013 is pro forma including State Farm.

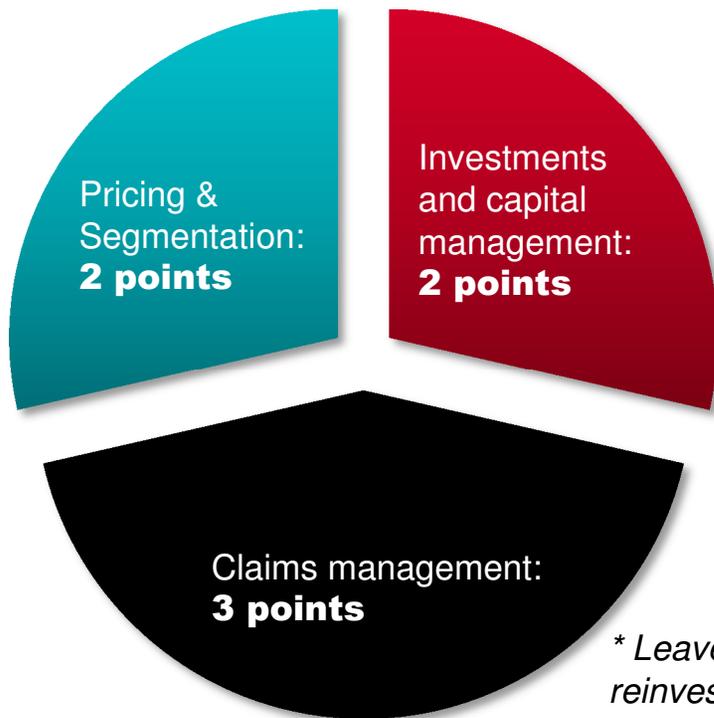
<sup>2</sup> Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC. All data as at December 31, 2013.

<sup>3</sup> Combined ratio includes the market yield adjustment (MYA).

<sup>4</sup> ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE).

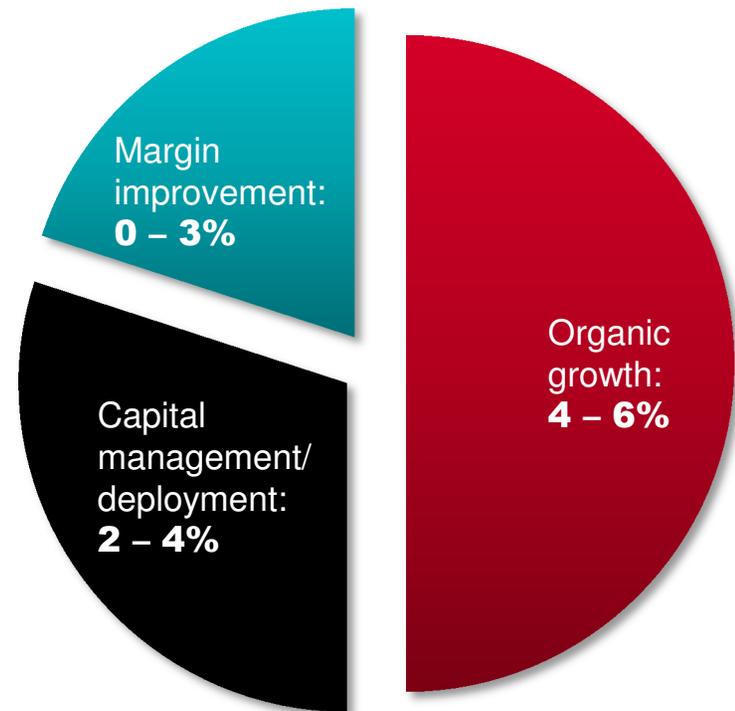
# 36-month performance roadmap

BEAT INDUSTRY ROE BY **5 POINTS**  
EVERY YEAR



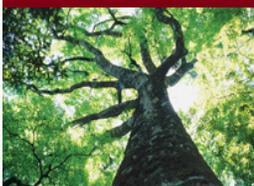
*\* Leaves **2 points** to reinvest in customer experience (price, product, service, brand)*

NOIPS GROWTH OF **10%** PER YEAR  
OVER TIME



# Consistent outperformance

Significant scale advantage



Sophisticated pricing and underwriting



In-house claims expertise



Broker relationships



Multi-channel distribution



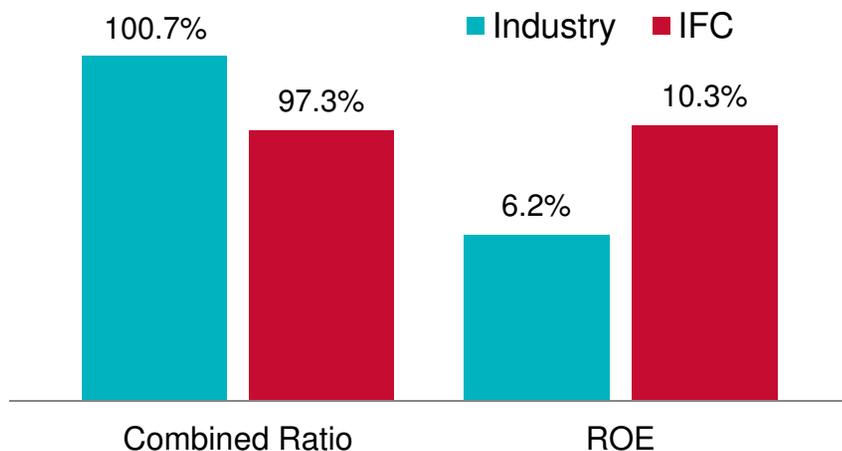
Proven acquisition strategy



Solid investment returns



## 2013 outperformance



## Five-year average loss ratios



Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC

Data in charts is for the period ended December 31, 2013

Combined ratio includes market yield adjustment (MYA)

ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE)

# Internally managed investments

\$12.9 billion investment portfolio

**Objective: 160 bps  
of ROE outperformance**

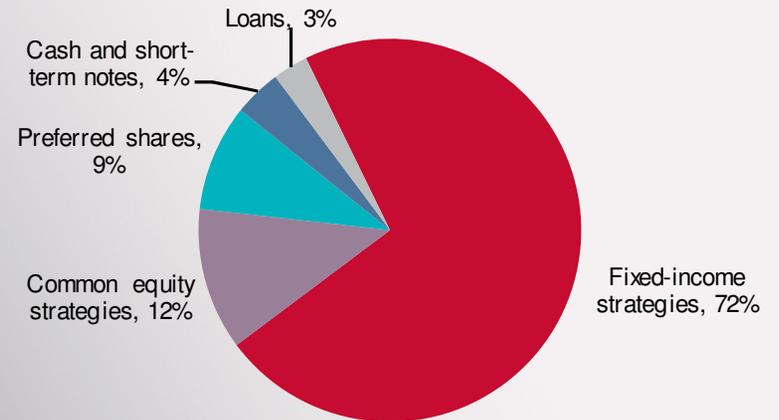
## 50% Investment Policy

- Leverage the tax-free nature of dividends
- Overweight equities and preferred shares to improve after-tax returns

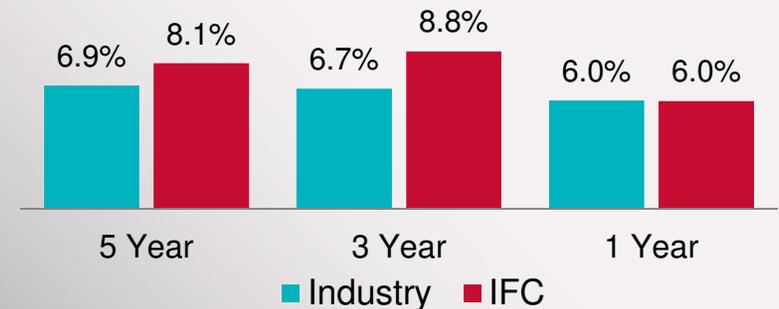
## 50% Active Management

- Active management has contributed to our solid track record of consistently outperforming our benchmarks

**Investment mix**  
(net of hedging positions and financial liabilities related to investments, as of June 30, 2014)



**ROE from Investments (after-tax)**



# Strategic capital management

## Capital management framework

- Strong capital base has allowed us to pursue our growth objectives while returning capital to shareholders
- **\$657 million** in total excess capital \*

Maintain leverage ratio  
(target 20% debt-to-total capital)

Maintain existing dividends

Increase dividends

Invest in growth initiatives

Share buybacks

Excess capital

## History of dividend growth

- 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

\* As of June 30, 2014

# Four avenues of growth

## Personal lines

- Build on outperformance in auto
- Hard market conditions in personal property

## Commercial lines

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

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

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

- Bring advantages of scale to brokers
  - Optimize brand architecture
    - Double direct capabilities
    - Build operated distribution to \$1 billion

## Capital

- Strong financial position

## Strategy

- Grow areas where IFC has a competitive advantage

## Opportunities

- Canadian P&C industry remains fragmented
- We expect 15-20% of market share will change hands in the next 5 years

**Consolidate Canadian market**  
(0-5 years)

**Expand beyond existing markets**  
(0-5+ years)

Build organic growth pipeline by leveraging our world-class strengths in:

- 1) pricing and segmentation,
- 2) claims management, and
- 3) online expertise

# Our people advantage

## ✓ Building the best insurance team

- Identification, development and retention of key talent is fundamental to our talent management strategy
  - In 2013, 22% of key talent were promoted or developed through exposure to other business units
  - Voluntary turnover is significantly better than industry average\*

## ✓ Deep executive talent pool

- Executive Committee members have an average of 15 years experience with the organization in various roles
- We have identified approximately 7 successors for each Executive Committee position

## ✓ Becoming a best employer

\* 2013 Mercer survey of 17 Canadian P&C insurance companies (GIHRG Index)

# Key takeaways

- ✓ We have a **sustainable competitive edge** due to our disciplined approach and size advantage
- ✓ Our **broad distribution platform** positions us well for organic growth
- ✓ We have a **strong financial position** and a proven track record of consolidation
- ✓ **Deep bench** in place to ensure the sustainability of our performance

# Contact Investor Relations

## General Contact Info

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To access our inaugural online annual report, including interactive graphs, CEO's message and other customer and broker testimonials, please scan the QR code or visit [reports.intactfc.com](http://reports.intactfc.com).