



AUTO



HOME



BUSINESS

Investor Presentation

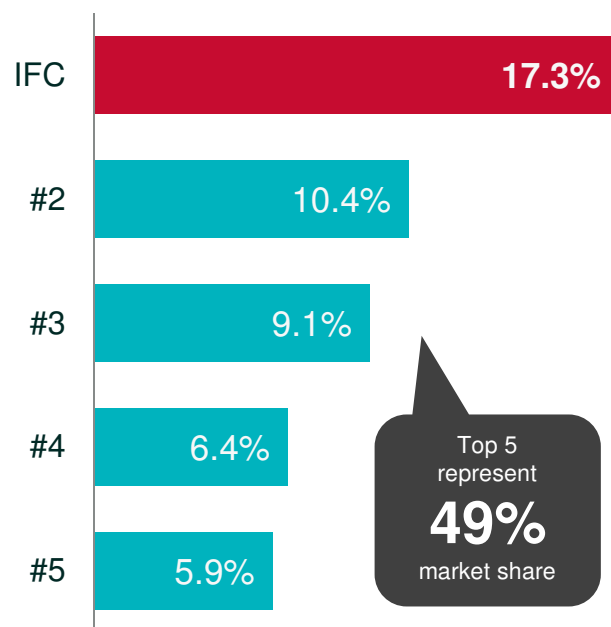
Intact Financial Corporation (TSX: IFC)

November 2017



Canada's largest home, auto and business insurer

Largest market share in a fragmented industry



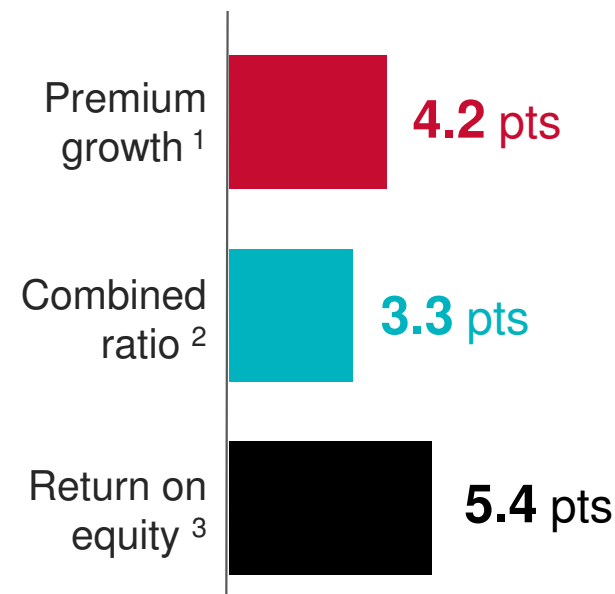
Distinct brands



New U.S. platform



10-year outperformance versus the industry



Industry data: IFC estimates based on MSA Research Inc. Please refer to Important notes on page 3 of the Q3-2017 MD&A for further information.

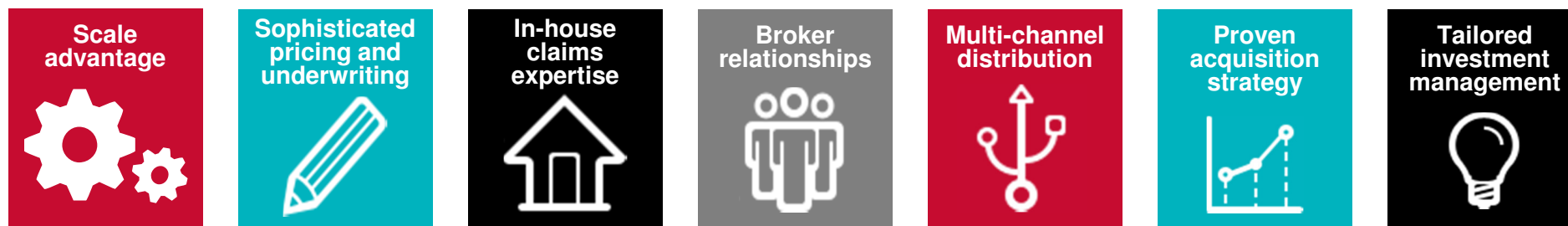
All market share and outperformance data as at December 31, 2016.

¹ Premium growth includes the impact of industry pools.

² Combined ratio includes the market yield adjustment (MYA).

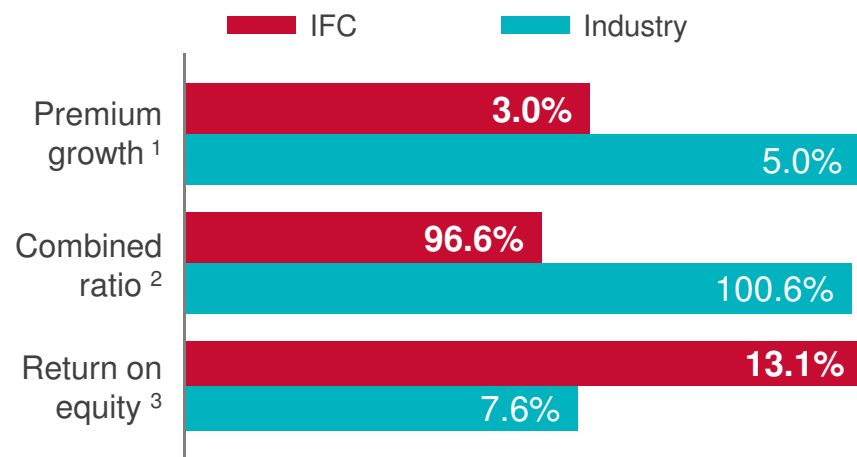
³ ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE).

Consistent outperformance



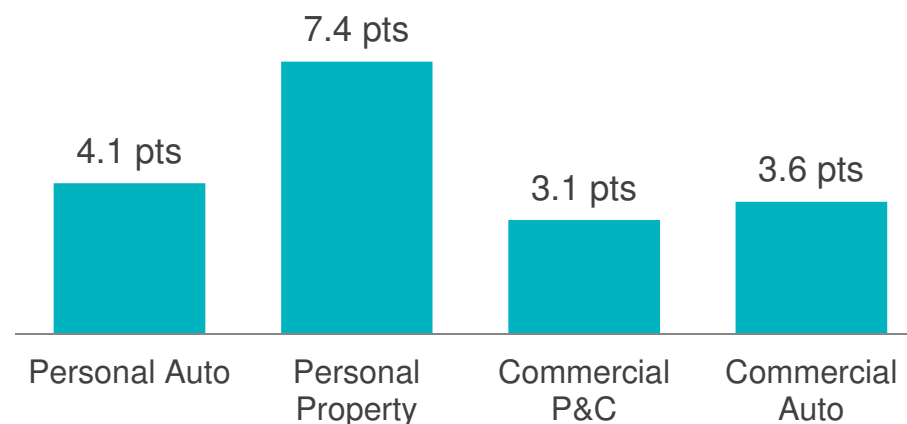
H1-2017 performance vs. industry

(for the period ended June 30, 2017)



Five-year average loss ratio outperformance gap

(for the period ended December 31, 2016)



Industry data: IFC estimates based on MSA Research Inc. Please refer to Important notes on page 3 of the Q3-2017 MD&A for further information.

¹ Premium growth includes the impact of industry pools.

² Combined ratio includes the market yield adjustment (MYA).

³ IFC's ROE is adjusted return on common shareholders' equity (AROE).

What we are aiming to achieve

Our customers are
our **advocates**

- 3 out of 4 customers are our advocates
- 3 out of 4 customers actively engage with us digitally

Our employees are **engaged**

- Be a best employer
- Be a destination for top talent and experts

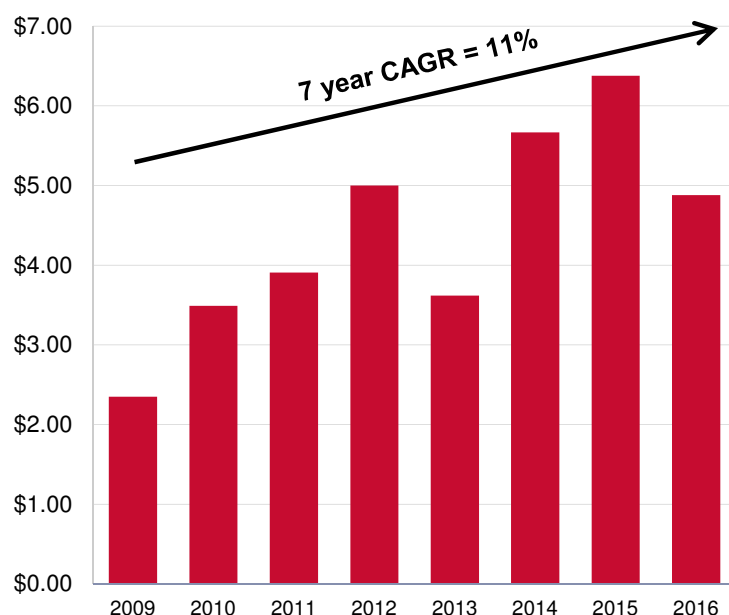
Our Specialty Solutions business
is a **leader** in North America

- Profitably grow annual premiums
- Achieve combined ratio in the low 90's

Our company is one of the
most respected

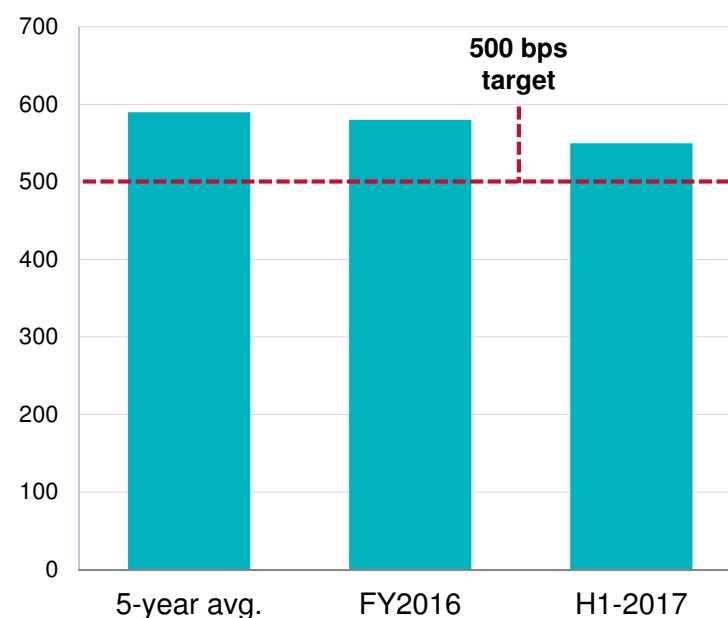
- Exceed industry ROE by 500 bps
- Grow NOIPS 10% yearly over time

Progress on key financial objectives



NOIPS growth

Since we became a widely held Canadian company in 2009 our net operating income per share has grown at a compound growth rate of 11%. We target NOIPS growth of 10% per year over time.



ROE outperformance

We have regularly exceeded our 500 bps ROE outperformance target versus the industry.

Industry data: IFC estimates based on MSA Research. Please refer to Important notes on page 3 of the Q3-2017 MD&A for further information.

IFC's ROE corresponds to the AROE.

Sustaining performance going forward

*NOIPS growth of **10%** per year over time*

*Beat industry ROE by **5 points** every year*

3-5%

Capital management and deployment

Claims management

3 pts

2-4%

Organic growth

Pricing & Segmentation

2 pts

2-4%

Margin improvement

Investments and capital mgmt.

2 pts

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

P&C industry 12-month outlook

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

Market environment

- We expect growth at a mid single-digit rate in personal auto, as our view of a firming market is supported by increased volume in the risk sharing pools and non-standard auto markets, together with the rate action we see across the country.
- We expect mid single-digit growth in personal property in current firm market conditions, as companies adjust to changing weather patterns.
- We expect low single-digit growth in commercial lines in Canada, as these lines of business remain competitive, mainly in the larger risks.
- In the U.S., while the pricing environment is competitive, there are early signs of upward trends in certain specialty lines.

Investments & Financial Strength

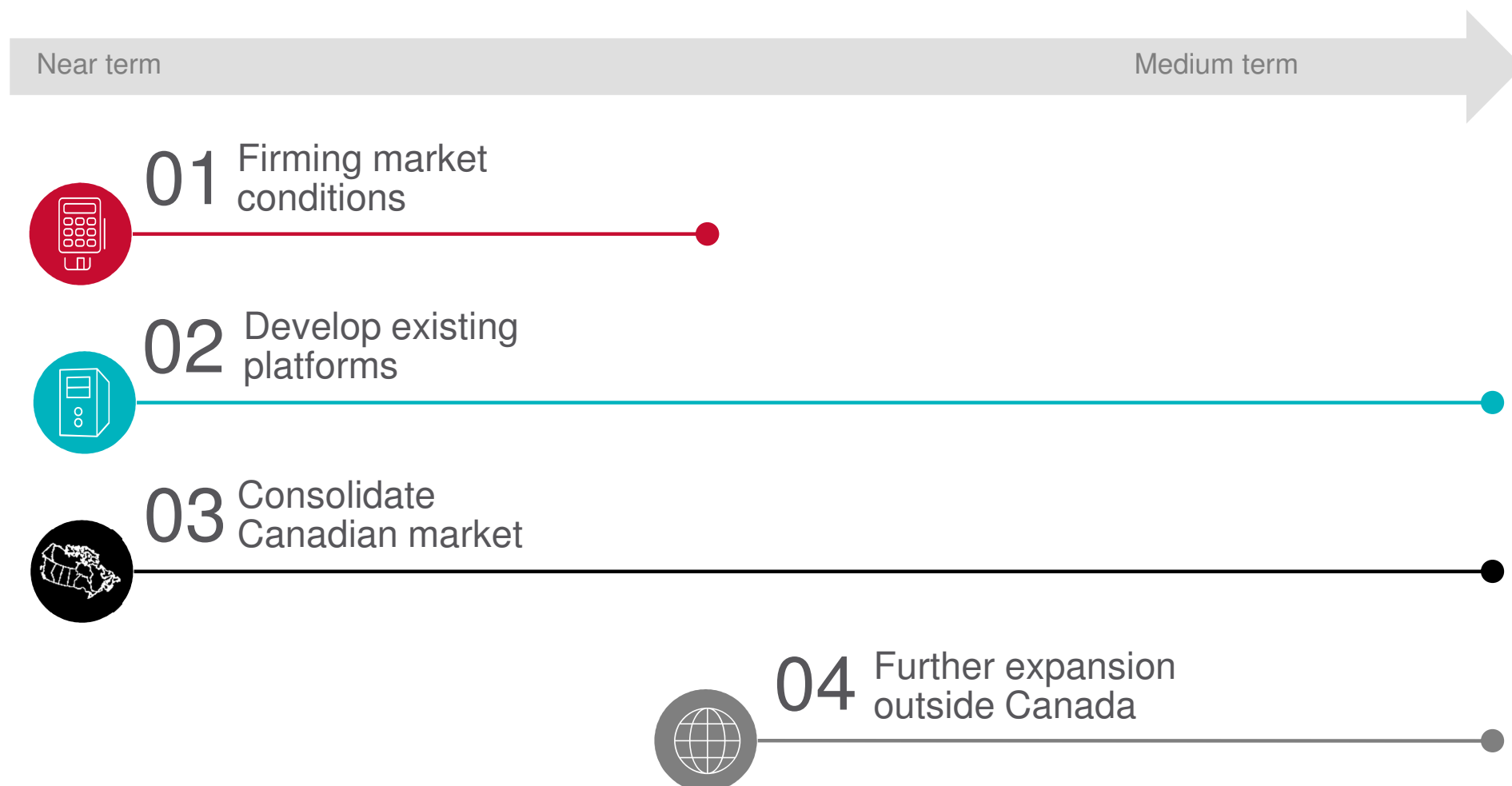
- In the current interest rate environment, we estimate that the industry's pre-tax investment yield will continue to decline slightly, given its asset mix and duration.
- Global capital requirements are continuing to influence the asset allocation decisions of many companies.

Overall

- We expect growth at a low-to-mid single-digit rate.
- Overall, we expect the Canadian P&C insurance industry's ROE to improve but remain below its long-term average of 10% over the next 12 months.

Four avenues of growth

Multiple levers for profitable growth



OneBeacon transition underway

Value Creation

- With the addition of the OneBeacon team we have created a leading North American specialty lines insurer focused on small to medium sized enterprises.
- We expect the acquisition to deliver mid-single digit accretion to net operating income per share by the end of 2019.

Profitable Growth

- Actions are in progress to grow the many profitable OneBeacon specialty lines.
- Additional growth pipelines have been opened with commercial lines underwriting desks on each side of the border to support customers with businesses in both countries.
- We also plan to leverage OneBeacon's expertise in tailored specialty products and services in Canada beginning with the introduction of technology and entertainment products in Q4-2017.

Profitability Improvement

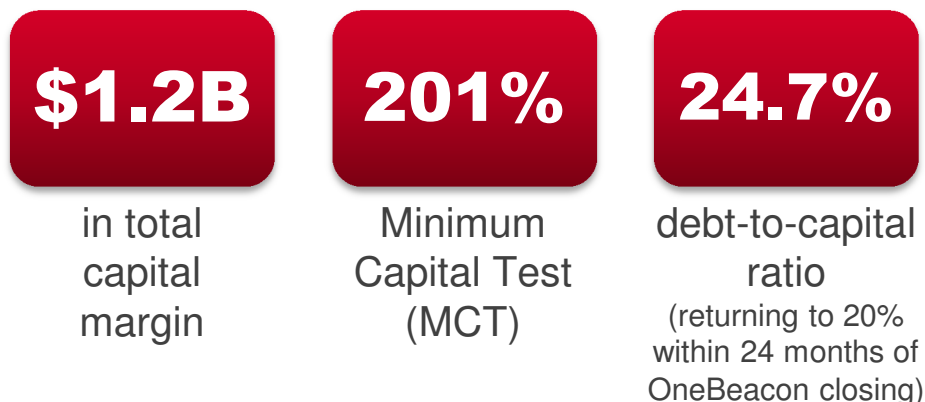
- We are targeting a low-90s combined ratio for the U.S. specialty business within 24-36 months.
- The profitability action plan is now in progress, comprising:
 - 1 **Underwriting**: Exit Programs and Architects & Engineers plus leveraging IFC's analytics and segmentation expertise to take underwriting actions in select other lines
 - 2 **Deploy proven claims practices**: increase internalization of claims handling and indemnity control procedures
 - 3 **Other savings**: reinsurance, eliminate public company costs, shared services and technology savings, and internalize investment management

Driving cross market opportunities

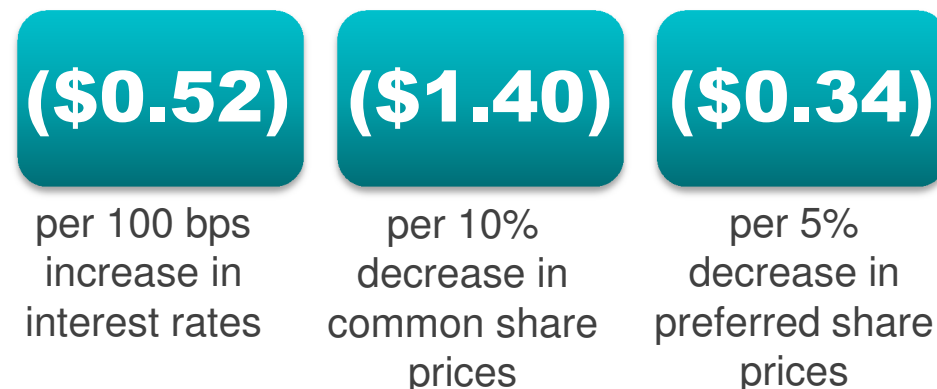


Strong financial position

Our balance sheet is strong



Low BVPS sensitivity to capital markets volatility²



Credit ratings¹

	A.M. Best	DBRS	Moody's	Fitch
Financial strength ratings of IFC's principal Canadian P&C insurance subsidiaries	A+	AA (low)	A1	AA-
Senior unsecured debt ratings of IFC	a-	A	Baa1	A-
Financial strength ratings of OneBeacon U.S. regulated entities	A		A2	AA-

* All data as of September 30, 2017

¹ Refer to Section 11.2 – *Ratings* of the Q3-2017 MD&A for additional commentary.

² Refer to Section 13– *Sensitivity analyses* of the Q3-2017 MD&A for additional commentary.

Strategic capital management

Maintain leverage ratio

(20% debt-to-total capital within 24 months of OneBeacon closing)

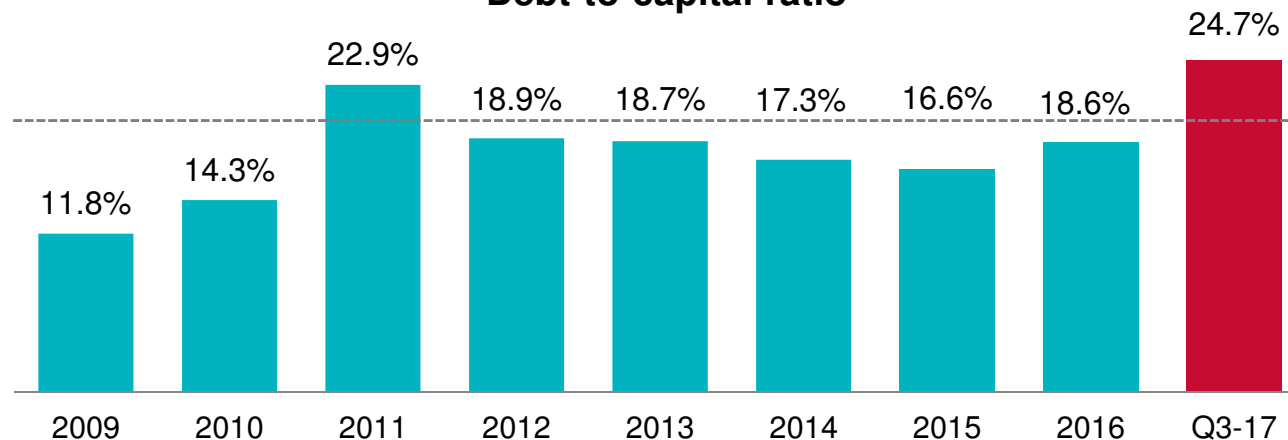
Increase dividends

Manage volatility

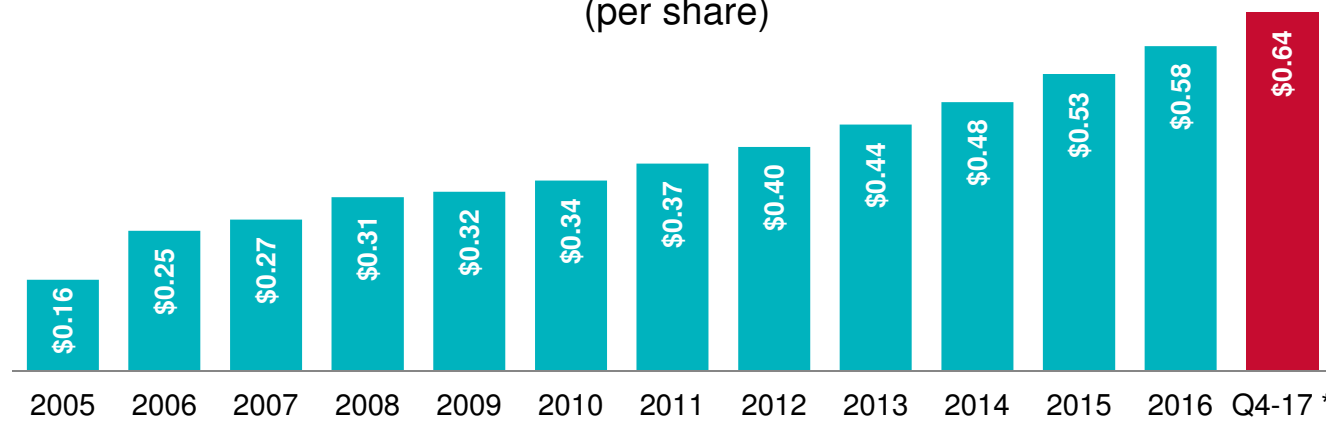
Invest in growth opportunities

Share buybacks

Debt-to-capital ratio



Quarterly common share dividends (per share)

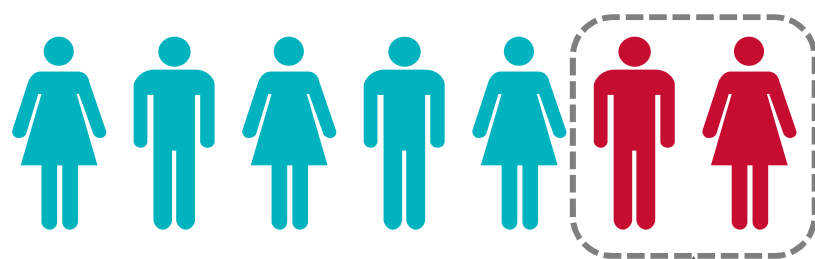


* Declared

Our people advantage

*We will continue to **invest in people** and create a strong and diverse workplace*

Depth of talent with an average of **7 successors** for each Senior Leadership role



Two more than in 2015

16

years of experience, on average, that Executive Committee members have with the organization in various roles

* As of December 31, 2016

*For a third year in a row, we were recognized as one of **Aon's Platinum Level Best Employers** and as one of **Canada's Top 100 Employers**, reflecting our strong employee offering and our high levels of engagement.*

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Key takeaways

1

We have a **sustainable competitive edge** driven by strong fundamentals, scale and discipline

2

We are **customer driven** with diversified offers to meet changing needs

3

We have a **strong financial position** and a proven track record of consolidation

4

Deep bench in place and growing talent reflective of the evolving environment

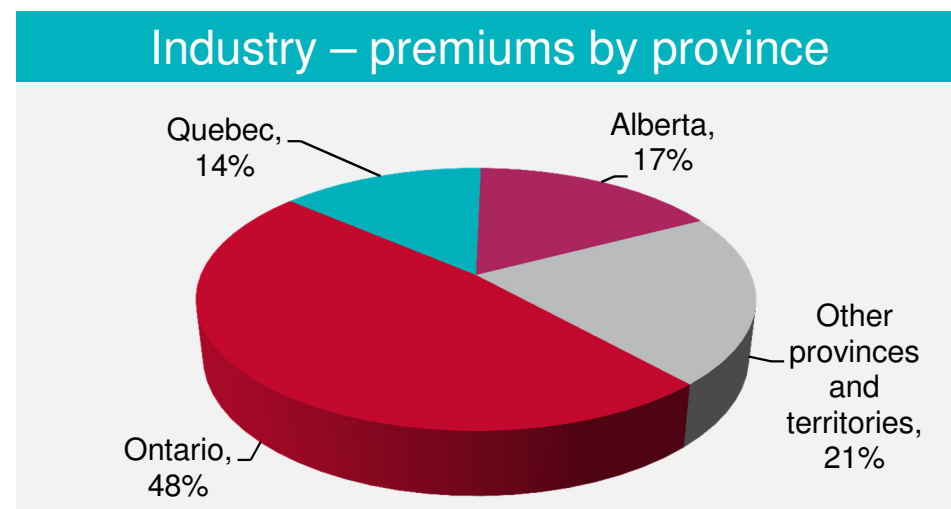
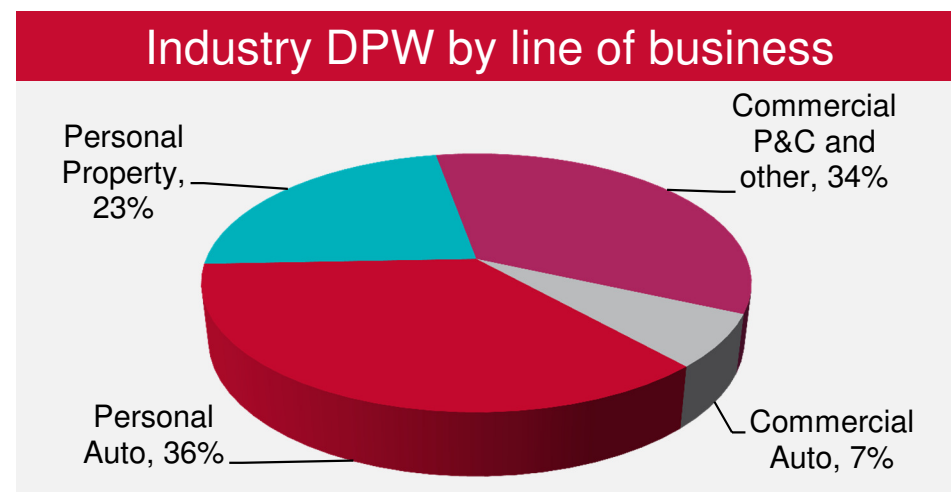


Appendices

P&C insurance in Canada

A \$48 billion market representing approximately 3% of GDP

- Fragmented market:
 - 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
- Home and commercial insurance rates unregulated; personal auto rates regulated in many provinces.
- Capital is regulated nationally by OSFI* and by provincial authorities in the case of provincial insurance companies.
- Distribution in the industry is currently about 60% through brokers and 40% through the direct/agency channel.
- Industry has grown at 5.1% CAGR and delivered ROE of ~10% over the last 30 years.



Industry data: IFC estimates based on MSA Research Inc. and Insurance Bureau of Canada. Please refer to Important notes on page 3 of the Q1-2017 MD&A for further information. All data as at December 31, 2016.

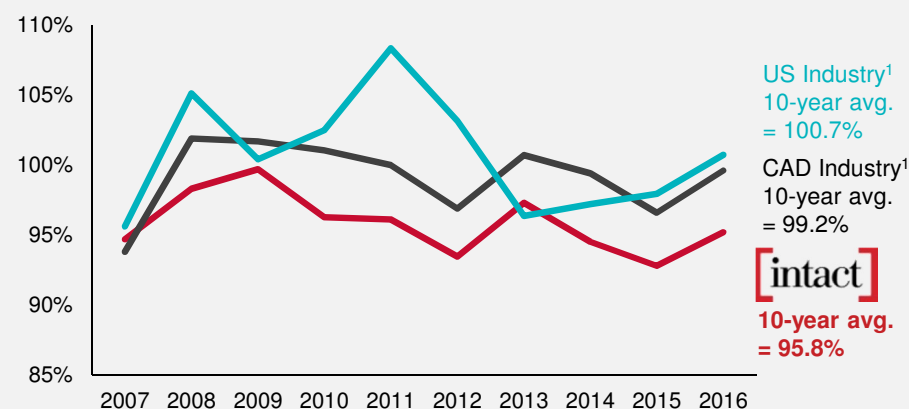
* OSFI = Office of the Superintendent of Financial Institutions Canada

P&C industry 10-year performance versus IFC

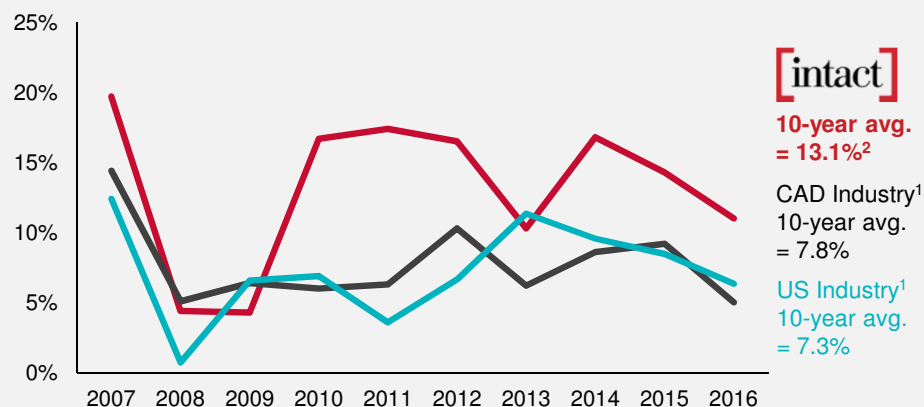
IFC's competitive advantages

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

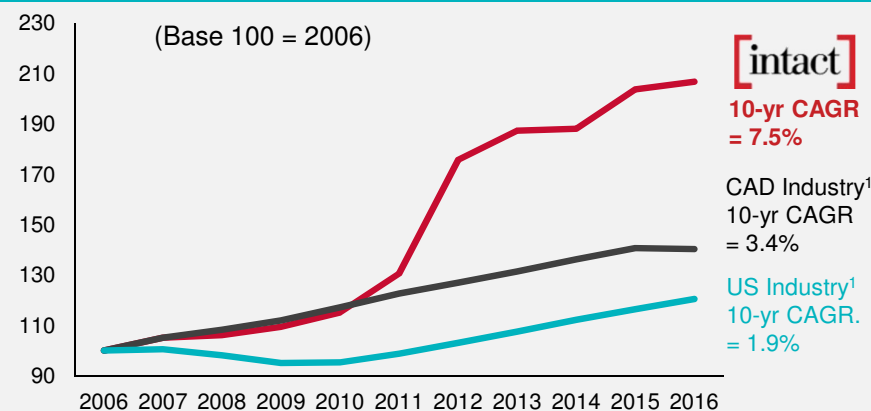
Combined ratio



Return on equity



Direct premiums written growth



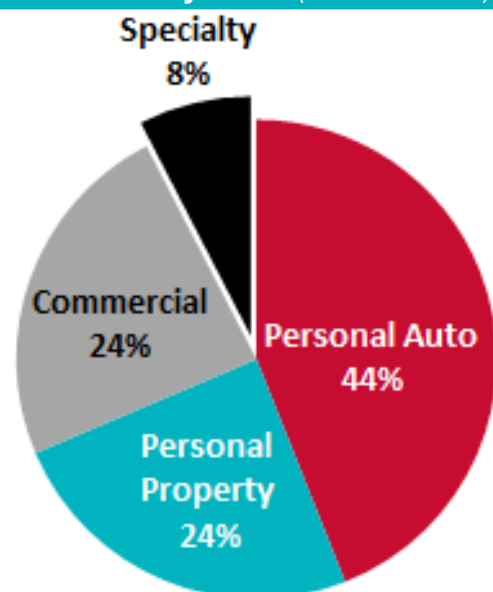
¹ Industry data: IFC estimates based on SNL Financial and MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC. All data as at Dec 31, 2015.

² ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE).

Improved business mix with OneBeacon

[intact]

DPW by LOB (C\$8.3 billion)



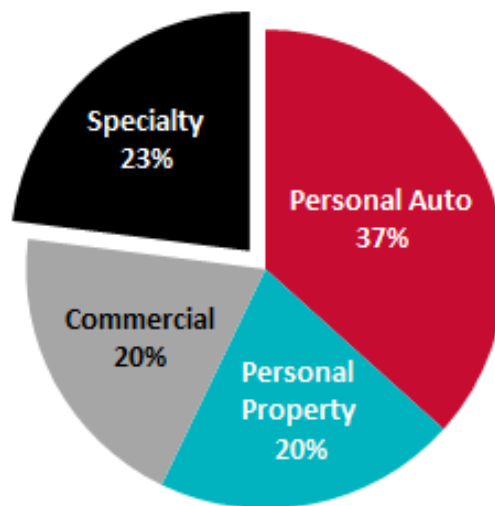
Specialty: \$628 million

[intact]

+

OneBeacon
INSURANCE GROUP

DPW by LOB (C\$9.9 billion)



Specialty: \$2.3 billion

[intact]

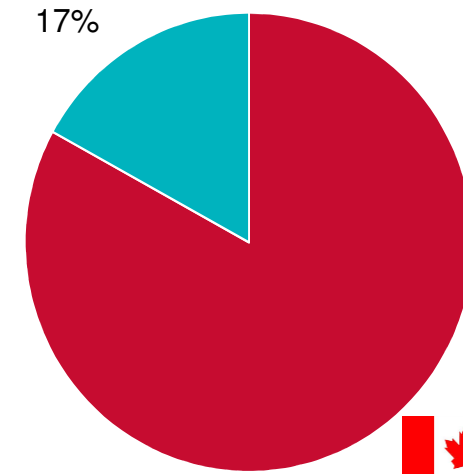
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OneBeacon
INSURANCE GROUP

DPW by Country (C\$9.9 billion)



17%



83%

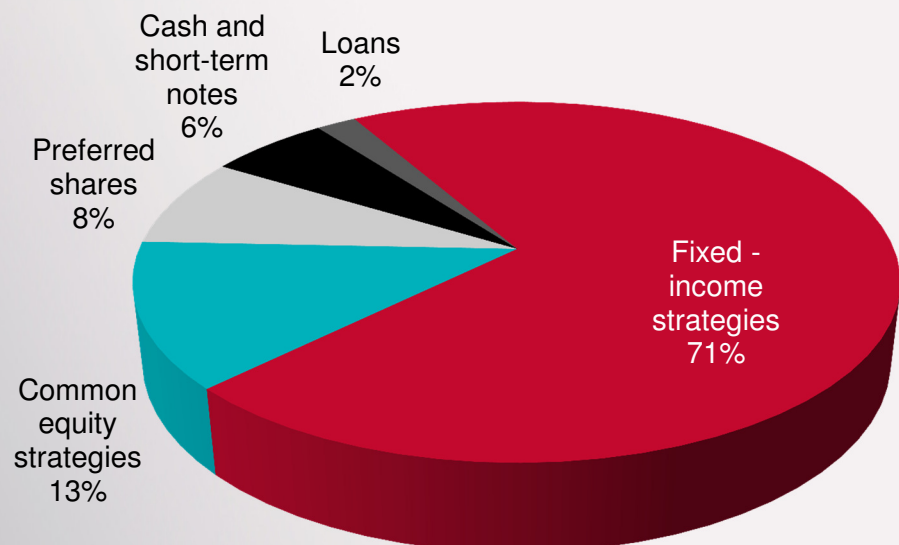
- Provides a more balanced portfolio by line of business
- Expands presence in attractive Specialty Lines sector
- Adds meaningful geographic diversification providing access to a new market for future growth

High quality investment portfolio

C\$17.1 billion of high quality investments - strategically managed

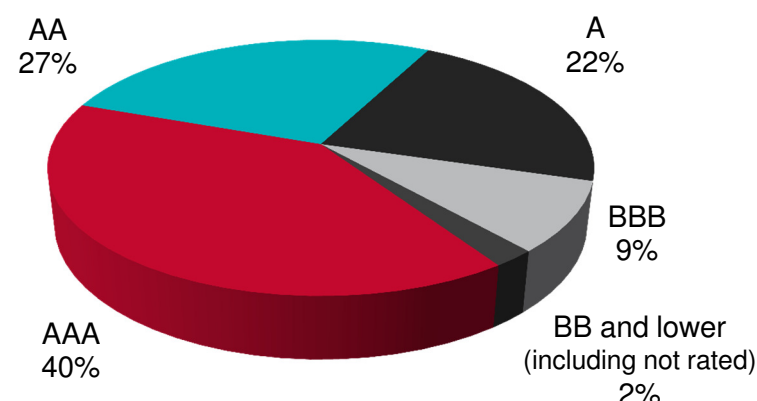
Investment mix

(net of hedging positions and financial liabilities related to investments)

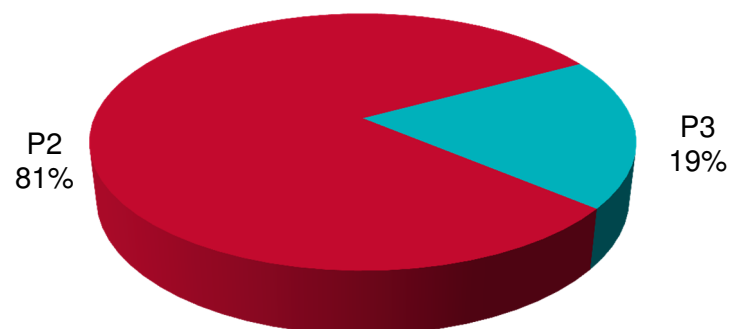


- 89% of fixed-income securities are rated 'A-' or better.
- 81% of preferred shares are rated at least 'P2L'.
- 74% and 95% respectively of our corporate bond and ABS/MBS portfolios were rated 'A' or higher.

Fixed-income securities credit quality



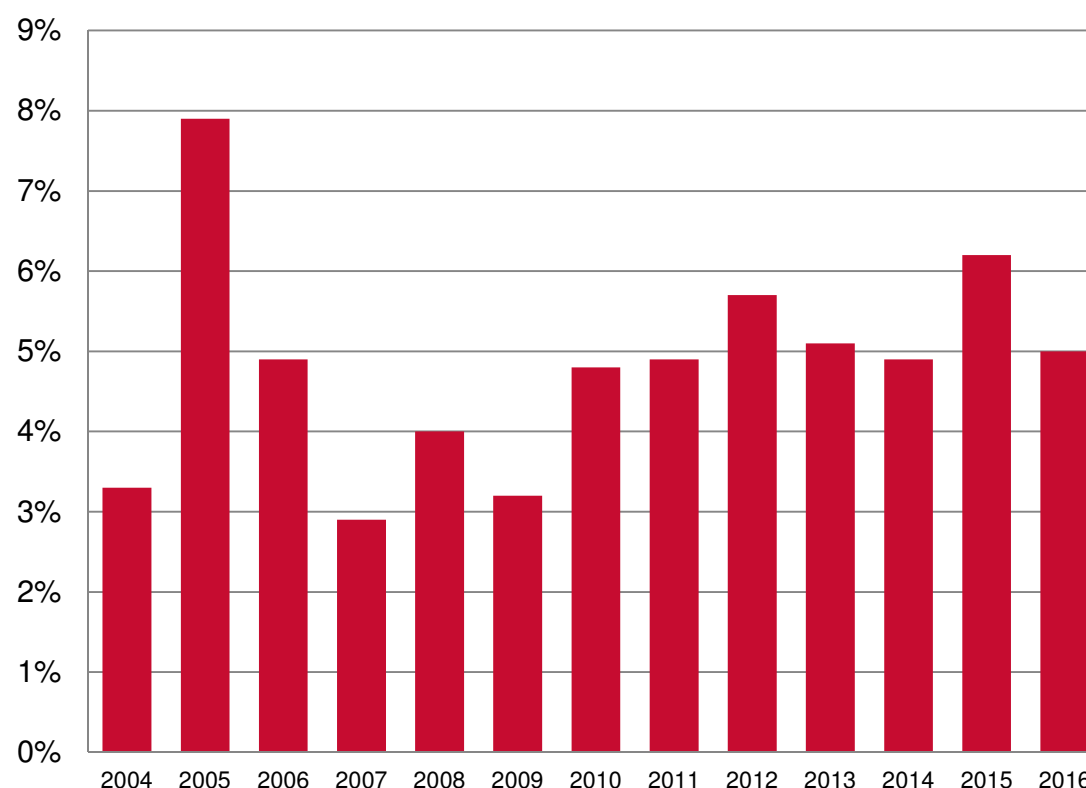
Preferred shares credit quality



Track record of prudent reserving practices

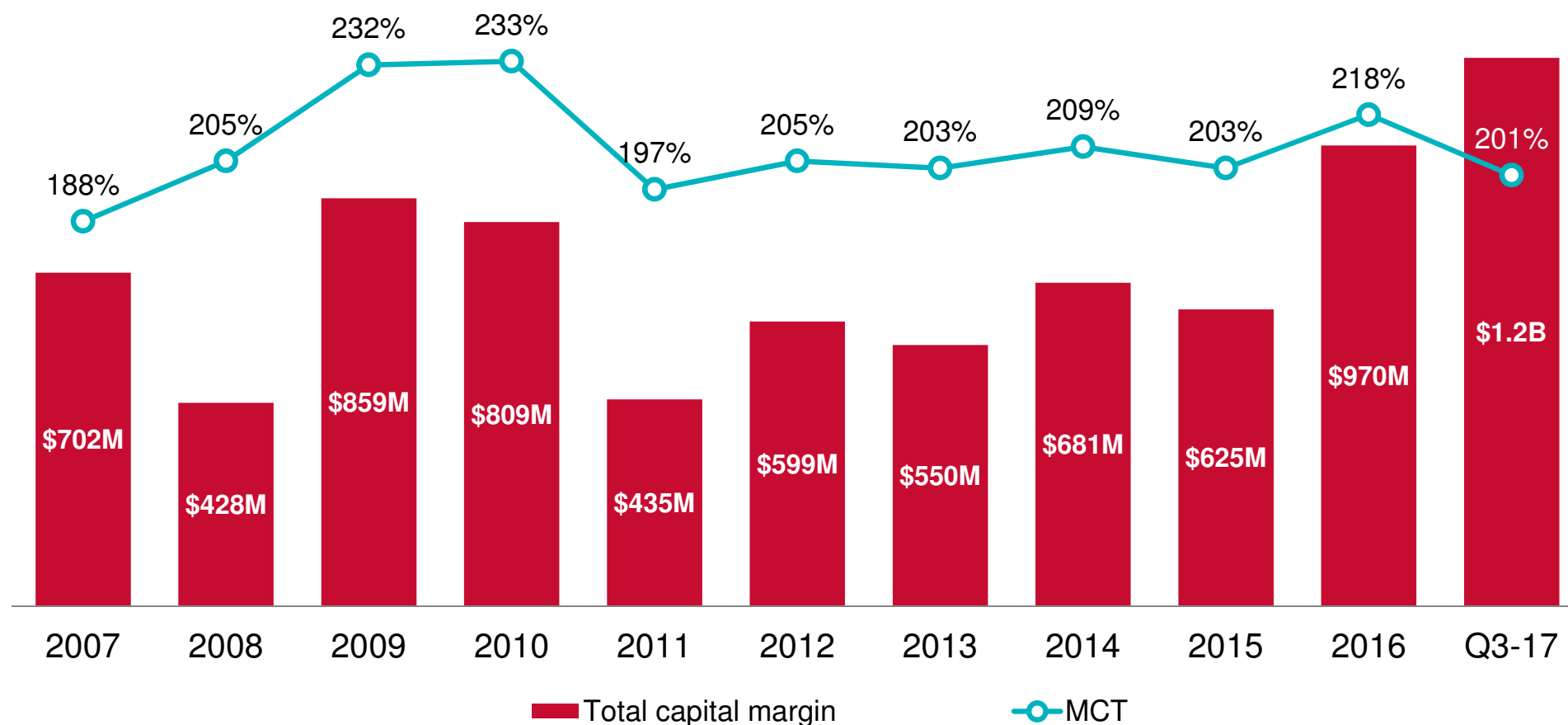
- ❑ Quarterly and annual fluctuations in reserve development are normal
- ❑ 2005 reserve development was unusually high due to the favourable effects of certain auto insurance reforms
- ❑ Our consistent track record of positive reserve development reflects our preference to take a conservative approach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

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



Strong capital base

Total capital margin is maintained to ensure a **very low probability** of breaching company action levels



* All references to "total capital margin" include the aggregate of capital in excess of company action levels in regulated entities (170% MCT, 200% RBC) plus available cash in unregulated entities (see Section 12.2 - *Capital position* of the Q3-2017 MD&A for details).

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 $\geq 15\%$
- 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

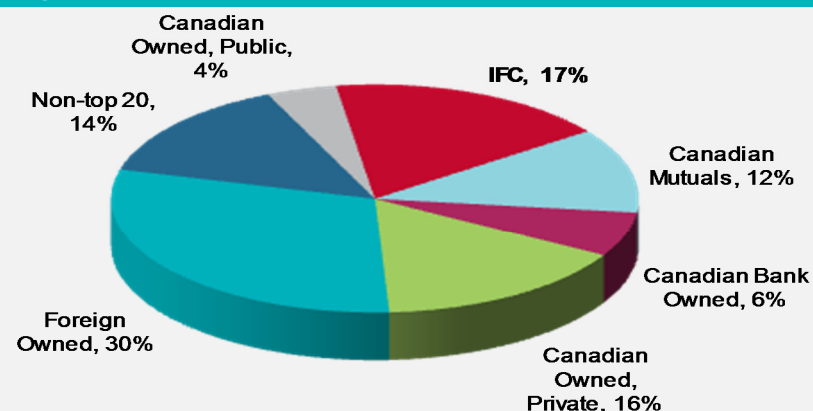
Environment more conducive to acquisitions now than in recent years:

- 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

Track record of acquisitions since 2001

Year	Company	DPW
2017	OneBeacon Insurance Group, Ltd.	US\$1.2 billion
2016	InnovAssur, assurances générales inc.	C\$50 million
2015	Canadian Direct Insurance Inc.	C\$143 million
2014	Metro General Insurance Corporation Ltd.	C\$27 million
2012	JEVCO Insurance Company	C\$350 million
2011	AXA Canada Inc.	C\$2 billion
2004	Allianz of Canada, Inc.	C\$672 million
2001	Zurich North America Canada	C\$510 million

Top 20 P&C insurers = 85% of market



Industry data: IFC estimates based on MSA Research. Please refer to Important notes on page 3 of the Q1-2017 MD&A for further information.
All data as at December 31, 2016.

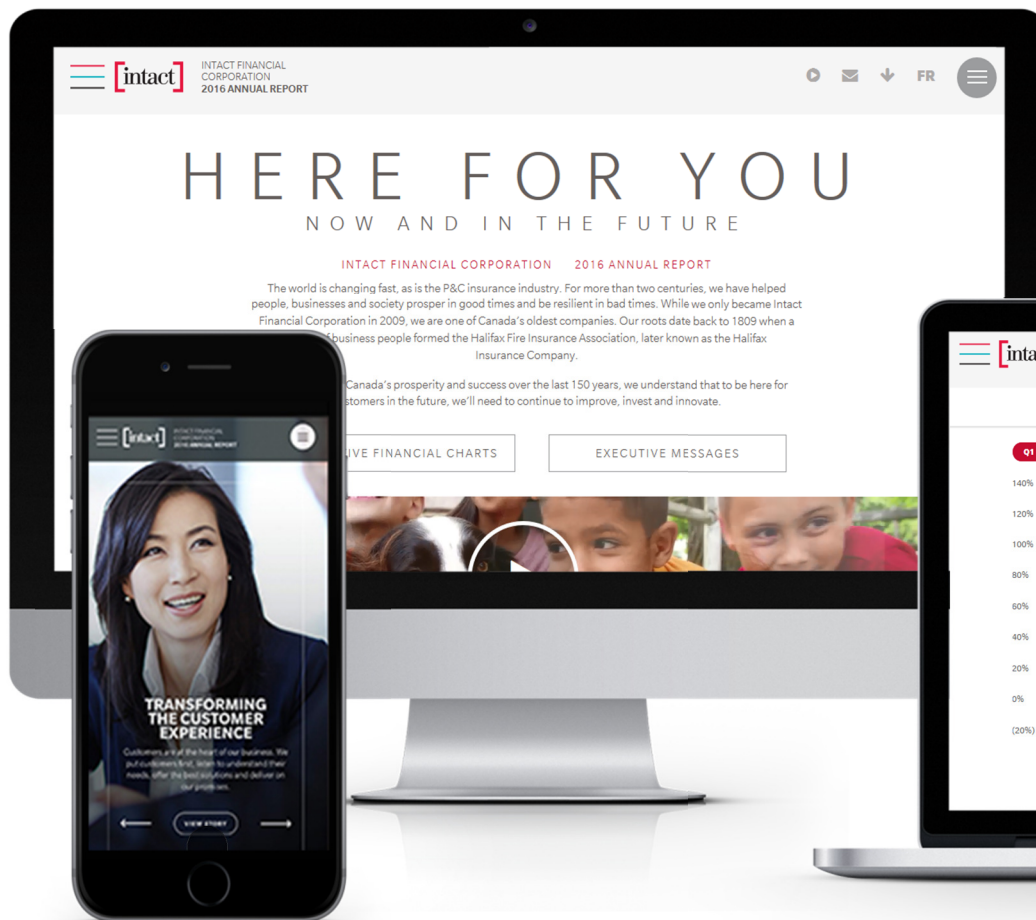
Historical financials

(in C\$ millions, except as otherwise noted)

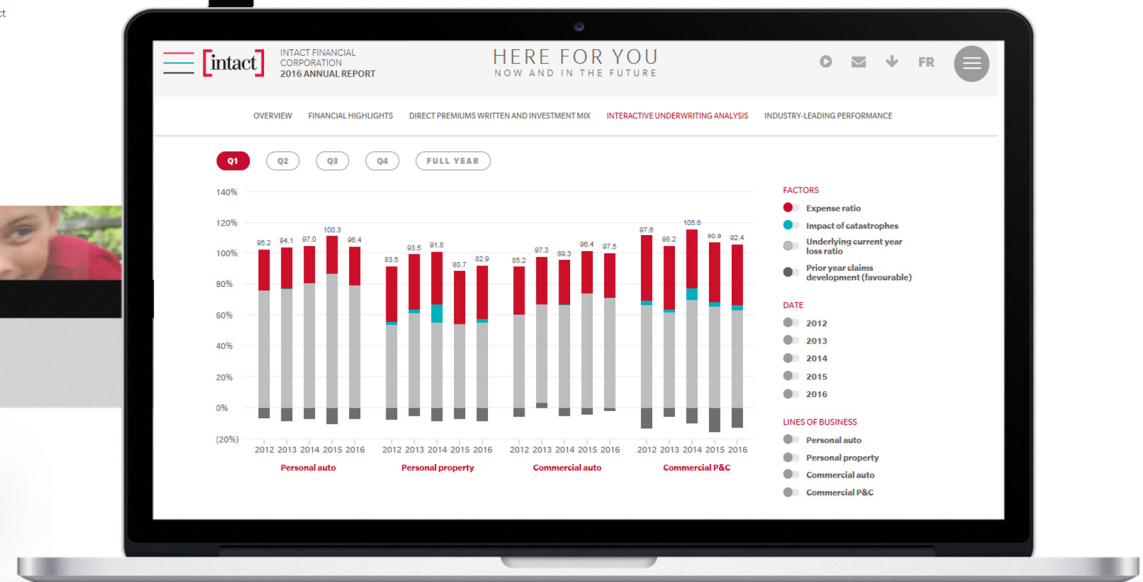
	YTD Q3-17	YTD Q3-16	2016	2015	2014	2013	2012
Income statement highlights							
Direct premiums written	6,453	6,332	8,293	7,922	7,461	7,345	6,854
Underwriting income	308	222	375	628	519	142	451
Net investment income	311	310	414	424	427	406	389
Net distribution income	104	87	111	104	75	75	83
Net operating income (NOI)	535	448	660	860	767	500	675
NOIPS to common shareholders (in \$)	3.95	3.30	4.88	6.38	5.67	3.62	5.00
Balance sheet highlights							
Total investments	17,093	14,342	14,386	13,504	13,440	12,261	12,959
Debt outstanding	2,389	1,392	1,393	1,143	1,143	1,143	1,143
Common shareholders' equity	6,481	5,437	5,599	5,235	4,962	4,461	4,400
Performance metrics							
Claims ratio	66.2%	65.6%	64.9%	61.3%	62.6%	66.9%	61.6%
Expense ratio	28.8%	30.6%	30.4%	30.4%	30.2%	31.1%	31.5%
Combined ratio	95.0%	96.2%	95.3%	91.7%	92.8%	98.0%	93.1%
Operating ROE (OROE) for the last 12 mo.	13.3%	13.4%	12.0%	16.6%	16.3%	11.2%	16.8%
Debt / Capital	24.7%	19.0%	18.6%	16.6%	17.3%	18.7%	18.9%
Combined ratios by line of business							
Personal auto	101.9%	99.5%	99.9%	95.4%	94.5%	93.2%	95.7%
Personal property	92.4%	96.4%	90.9%	85.9%	89.0%	104.4%	93.5%
Commercial P&C	84.2%	90.5%	90.2%	86.8%	94.2%	103.9%	91.6%
Commercial auto	90.9%	92.0%	94.6%	99.0%	89.6%	93.3%	81.5%

Visit our online annual report!

Please visit our online annual report to view videos, interactive features and additional information on how we are preparing for the future.



reports.intactfc.com/2016



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Forward-looking statements

Certain of the statements included in this presentation 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", "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, floating rate securities and funding obligations under its pension plans; the cyclical nature of the P&C insurance industry; management's ability to accurately predict claims inflation and future claims frequency and severity, including in the Ontario personal auto line of business, as well as the evaluation of losses relating to the Fort McMurray wildfires, catastrophe losses caused by severe weather and other weather-related losses; government regulations designed to protect policyholders and creditors rather than investors; 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 to clients and provide services to the Company; the Company's ability to successfully pursue its acquisition strategy; the Company's ability to execute its business strategy; the Company's ability to achieve synergies arising from successful integration plans relating to acquisitions, as well as management's estimates and expectations in relation to MCT and debt-to-capital ratio; including the ability if the Company to achieve the benefits expected from the acquisition of OneBeacon Insurance Group Ltd. ("OneBeacon"); the Company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools; terrorist attacks and ensuing events; the occurrence of catastrophe events, including a major earthquake; the Company's ability to maintain its financial strength and issuer credit ratings; access to debt financing and the Company's ability to compete for large commercial business; 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 ability to contain fraud and/or abuse; the Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including evolving cyber-attack risk; the Company's dependence on key employees; changes in laws or regulations; the exercise of the over-allotment option in connection with the Offering; general economic, financial and political conditions; the Company's dependence on the results of operations of its subsidiaries and the ability of the Company's subsidiaries to pay dividends; the volatility of the stock market and other factors affecting the trading prices of the Company's securities (including the Subscription Receipts once issued); the Company's ability to hedge exposures to fluctuations in foreign exchange rates; future sales of a substantial number of its common shares; changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; and the timing of the distribution of the Subscription Receipts pursuant to the Offering, including the expected closing date of the Offering and the distribution of common shares of the Company upon closing of the Acquisition.

All of the forward-looking statements included in this presentation are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 17-21) of our MD&A for the year ended December 31, 2016 and the additional risks of the Company following the completion of the acquisition of OneBeacon described in the section entitled Risk Factors (pp.S-43 to S-53) of the Company's Prospectus Supplement dated May 4, 2017. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed 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.

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