



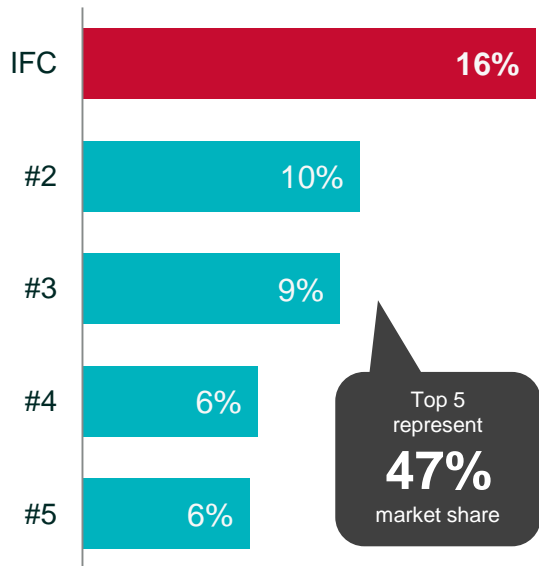
# INVESTOR PRESENTATION

**Intact Financial Corporation (TSX: IFC)**

Updated: August 1st, 2019

# Canada's largest home, auto and business insurer

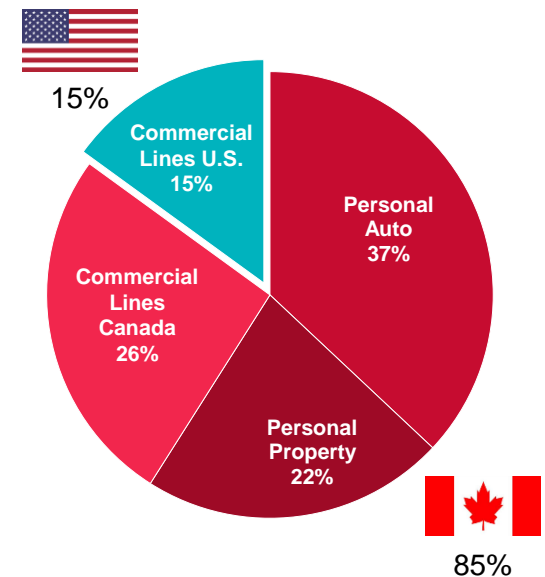
## Largest market share in a fragmented industry <sup>1</sup>



## Distinct brands



## 2018 DPW by line of business



Industry data: IFC estimates based on MSA Research Inc. Please refer to Important notes on page 2 of the Q2-2019 MD&A for further information.

<sup>1</sup> All market share data as at December 31, 2018.

# What we are aiming to achieve



# Unique strategic advantages to achieve our objectives

Every year beat industry ROE by  
**500**<sub>bps</sub>

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

## Leading N. American P&C Operator



Seamless Distribution Strategy



Digital First Experiences



Engaged & Talented Teams

## Scaled & Diversified Core Operation



Sophisticated Data & Analytics Capabilities



Deep Claims Expertise & Network



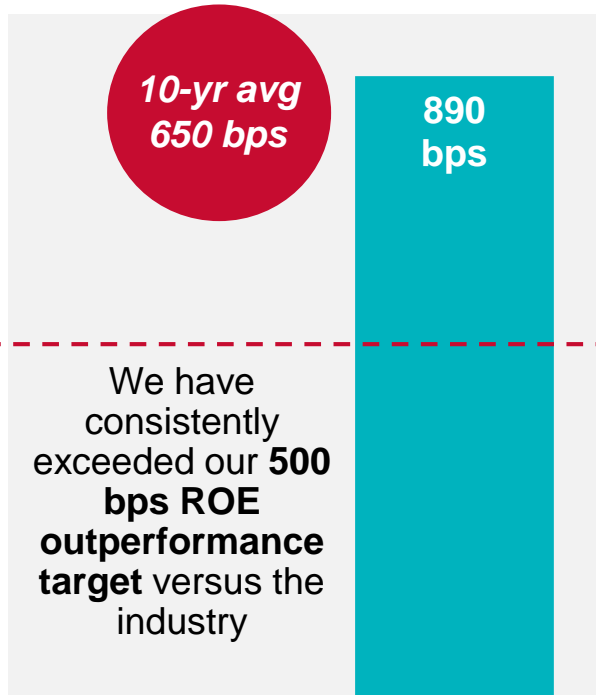
Proven Consolidator & Integrator



Tailored Investment Management

# Strong track record of achieving our financial objectives

## ROE outperformance versus the industry

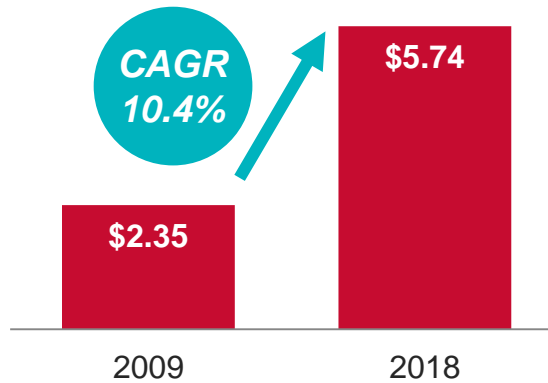


FY2018

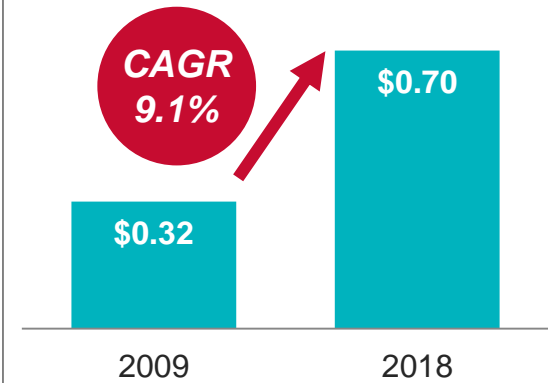
Industry data: IFC estimates based on MSA Research. Please refer to Important notes on page 2 of the Q2-2019 MD&A for further information.

IFC's ROE corresponds to the AROE.

## Net operating income per share



## Quarterly common dividend per share



**AON**  
**BESTEMPLOYER**  
PLATINUM | CANADA | 2019

Canada's Top 100 Employers 2019

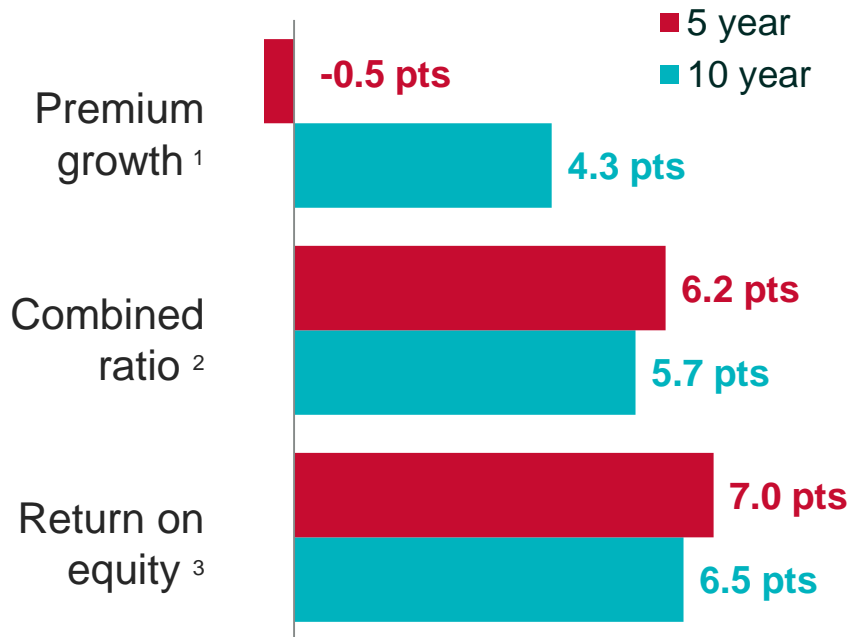
**4<sup>th</sup> CONSECUTIVE YEAR  
AON PLATINUM AWARD AND BEST EMPLOYER**

**BOARD GAMES**

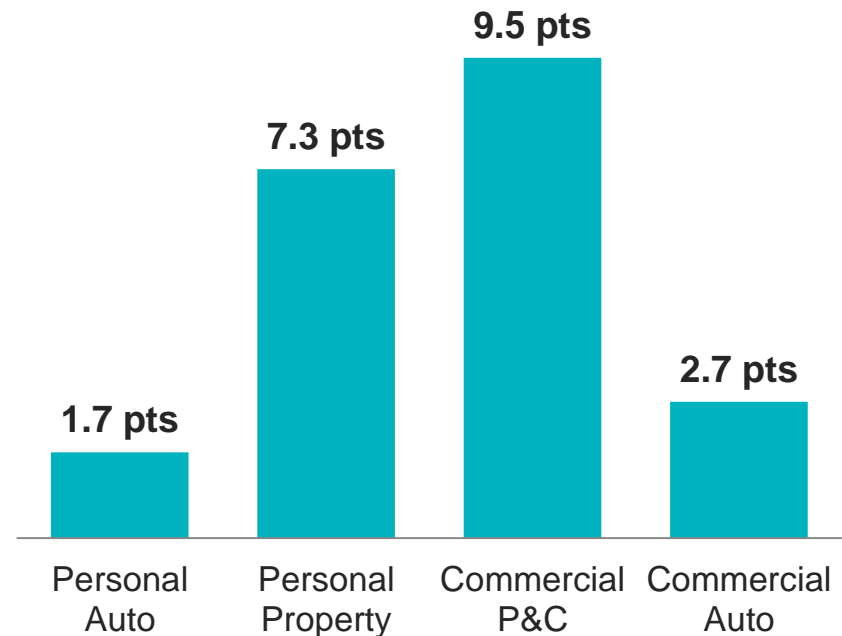
**#2 GOVERNANCE OUT OF 242 COMPANIES IN CANADA**

# Broad based outperformance

Historical outperformance versus the Canadian P&C industry



Five-year average loss ratio outperformance gap in Canada



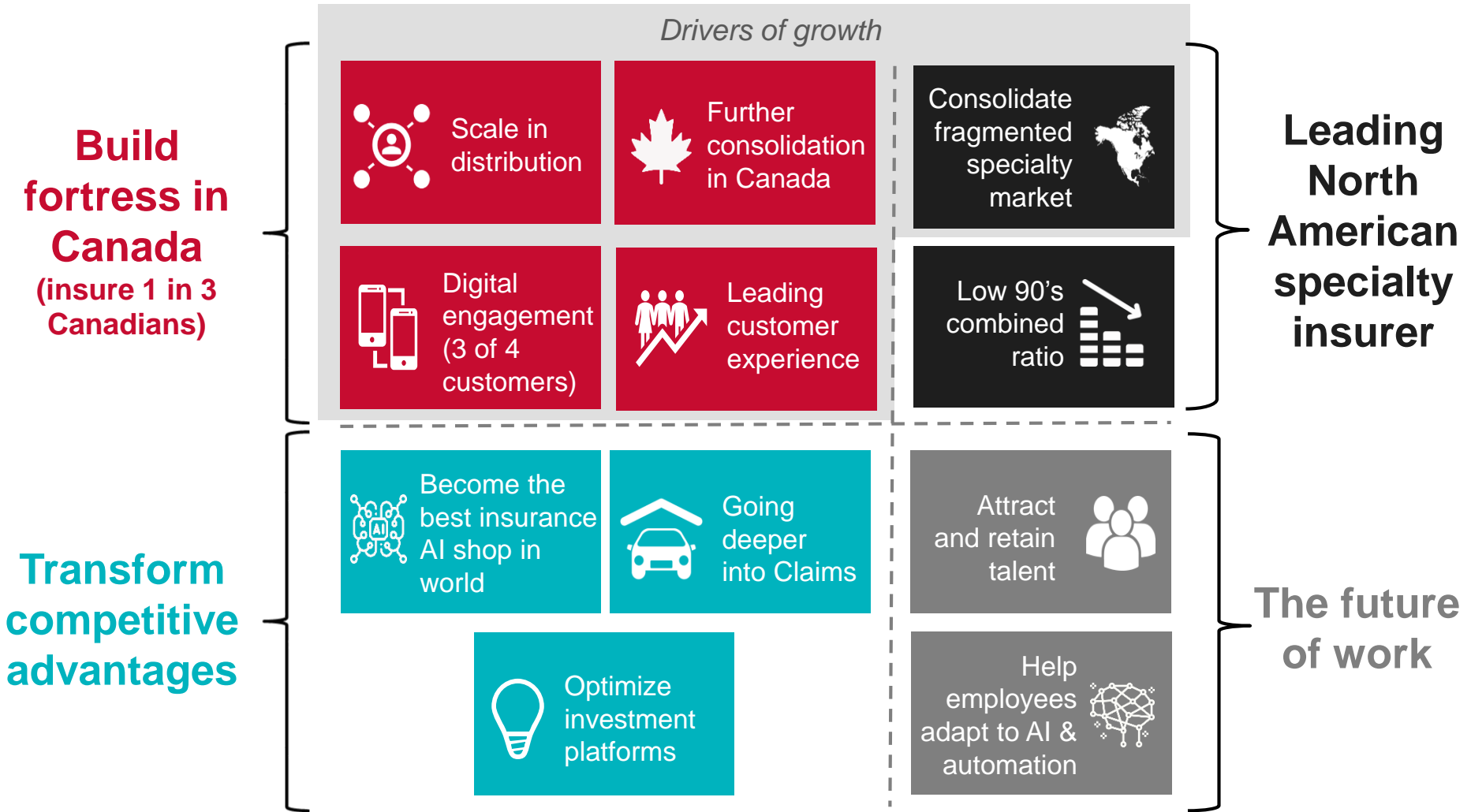
Industry data: IFC estimates based on MSA Research Inc. as at Dec. 31, 2018. Please refer to Important notes on page 2 of the Q2-2019 MD&A for further information in FY2018 industry results.

<sup>1</sup> Premium growth includes the impact of industry pools. Calculated on a CAGR basis. IFC's outperformance versus the industry benchmark.

<sup>2</sup> Combined ratio includes the market yield adjustment (MYA). IFC's outperformance versus the industry benchmark.

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

# How we will outperform in the next decade



# P&C industry 12-month outlook<sup>1</sup>



We expect growth at a *mid-to-upper single-digit* level in personal auto

The market is hard with rate actions continuing, tightening of capacity and further increases in residual market volumes



We expect *mid-to-upper single-digit* growth in personal property

We expect that the severe winter weather will lead to further hardening of market conditions



We expect *upper single-digit to low-double digit* growth in commercial lines Canada

Market conditions are hard, with industry combined ratios above 100% in 2018 and Q1-2019



We expect mid *single-digit* growth in U.S. commercial lines

The market remains competitive but is firming, with improving upward pricing trends continuing



Volatility in capital markets may put some pressure on investment market values and capital levels

Overall the Canadian industry's ROE is expected to **improve but remain below its long-term average of 10%** over the next 12 months

<sup>1</sup> Refer to Section 6 – P&C Insurance Industry Outlook of the Q2-2019 MD&A



# Strong financial position

## Our balance sheet is strong<sup>1</sup>

**\$1.3B**

in total capital margin

**21.6%**

debt-to-total capital ratio  
(returning to 20% by the end of 2019)

## Low BVPS sensitivity to capital markets volatility<sup>2</sup>

**(\$0.98)**

per 100 bps increase in interest rates

**(\$1.53)**

per 10% decrease in common share prices

**(\$0.31)**

per 5% decrease in preferred share prices

## Credit ratings<sup>3</sup>

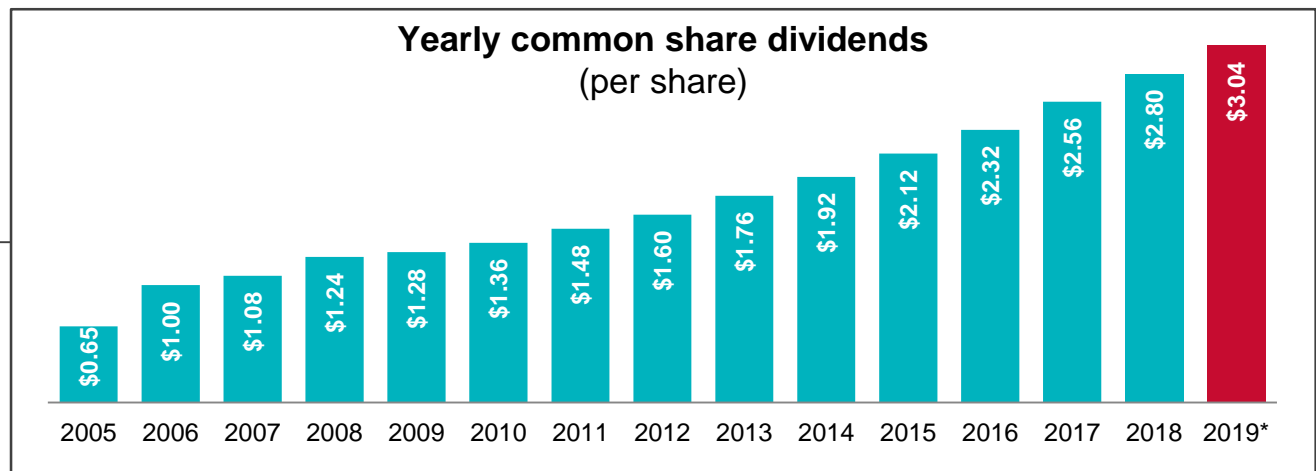
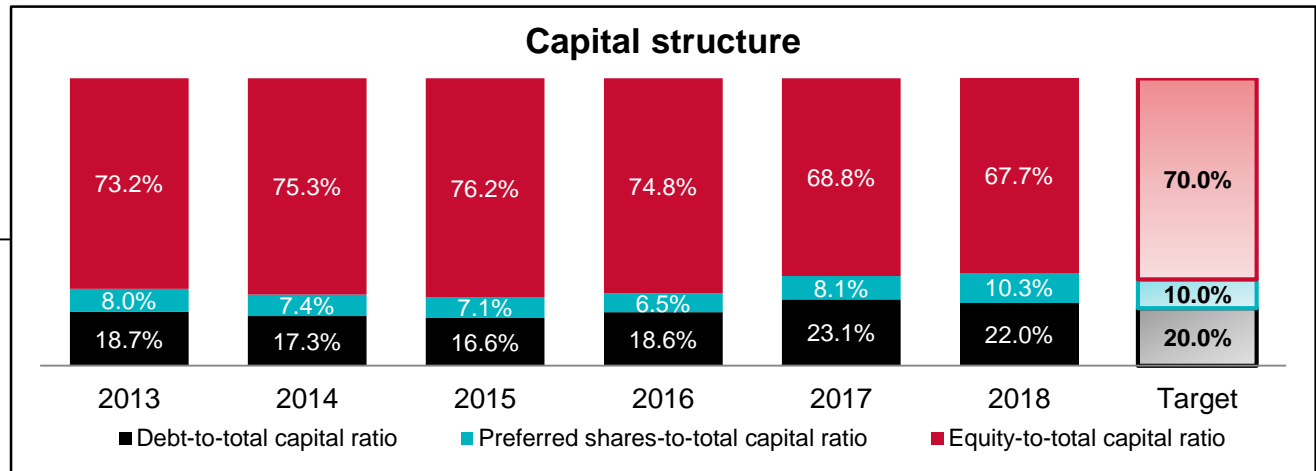
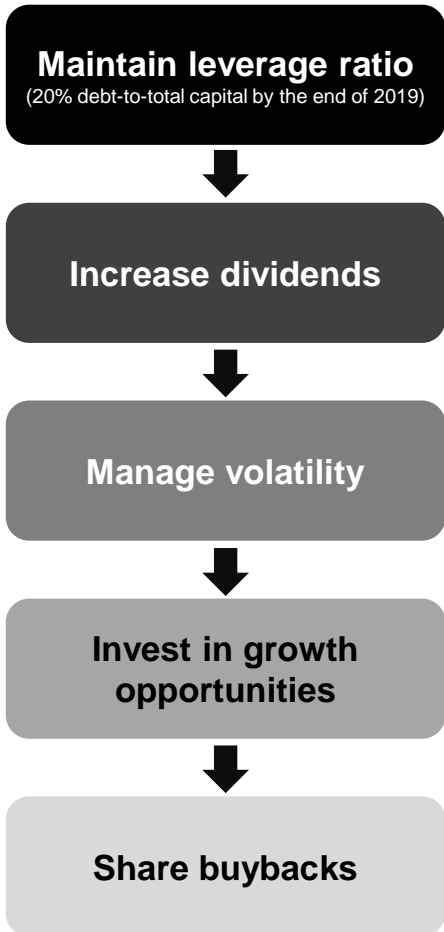
	A.M. Best	DBRS	Moody's	Fitch
Financial strength ratings of IFC's principal Canadian P&C insurance subsidiaries	A+	AA (low)	A1	AA-
Senior unsecured debt ratings of IFC	a-	A	Baa1	A-
Financial strength ratings of OneBeacon U.S. regulated entities	A+	-	A2	AA-

<sup>1</sup> As of June 30, 2019.

<sup>2</sup> Refer to Section 24 – *Sensitivity analyses* of the Q4-2018 MD&A for additional commentary and break outs. Data as of December 31, 2018.

<sup>3</sup> Refer to Section 11.2 – *Credit ratings* of the Q2-2019 MD&A for additional commentary.

# Proven and consistent capital management strategy



\* Annualized quarterly dividend declared

# People advantage

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

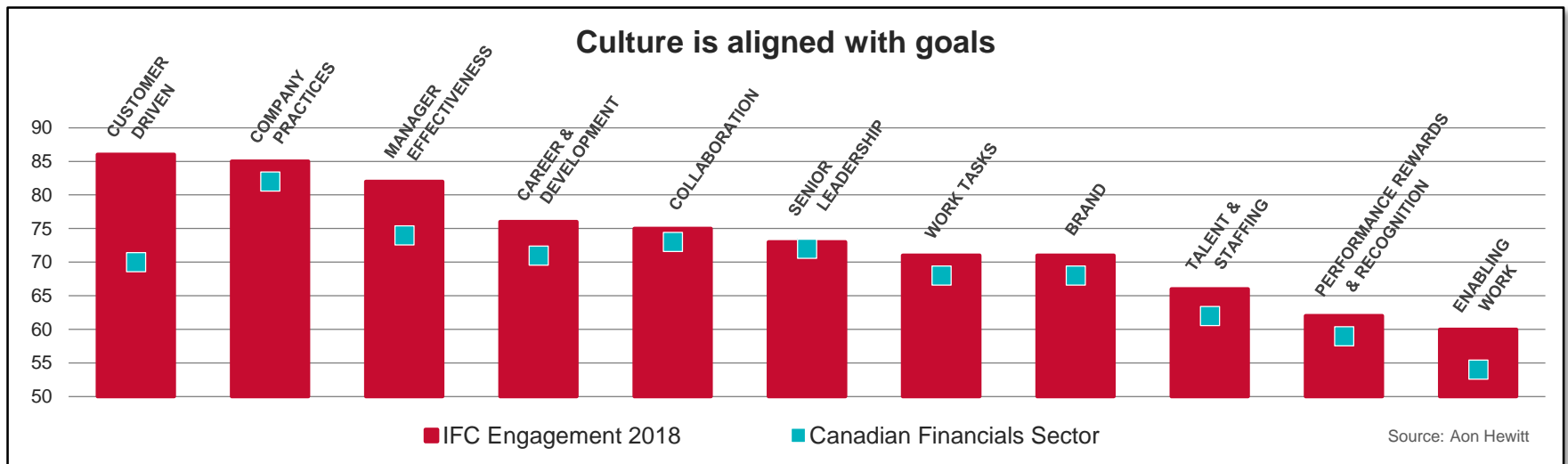
Depth of talent with an average of **8 successors** for each Senior Leadership role



# 16

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

\* As of December 31, 2018



# Key takeaways

1

**Sustainable competitive edge** driven by strong fundamentals, scale and discipline

2

**Customer driven** with diversified offers to meet changing needs

3

**Solid financial position** and proven track record of consolidation

4

**Deep, diverse, engaged, loyal** talent pool



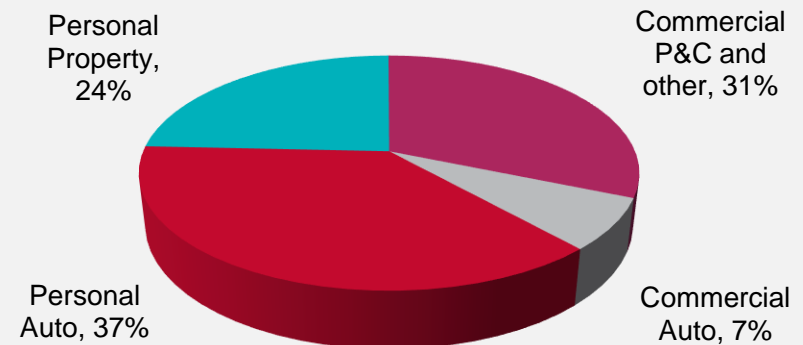
# Appendices

# P&C insurance in Canada

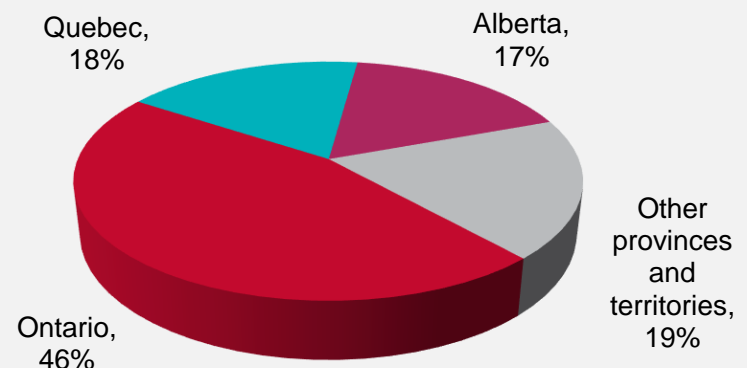
**A \$54 billion market representing approximately 3% of GDP**

- Fragmented market:
  - Top five represent 47%, versus bank/lifeco markets which are closer to 65-75%
  - IFC is largest player with approximately 16% 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 close to two thirds through brokers and 40% through direct writers.
- Industry has grown at ~5% CAGR and delivered ROE of ~10% over the last 30 years.

Industry DPW by line of business



Industry – premiums by province



Industry data: IFC estimates based on MSA Research Inc. and Insurance Bureau of Canada. Please refer to Important notes on page 2 of the Q2-2019 MD&A for further information. All data as at December 31, 2018.

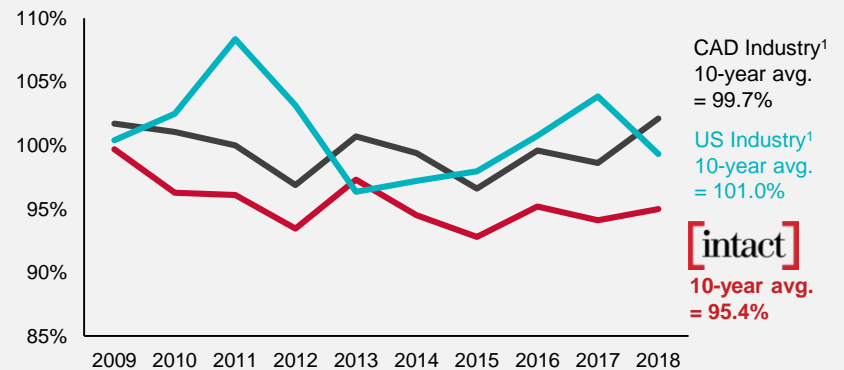
\* OSFI = Office of the Superintendent of Financial Institutions Canada

# P&C industry 10-year performance versus IFC

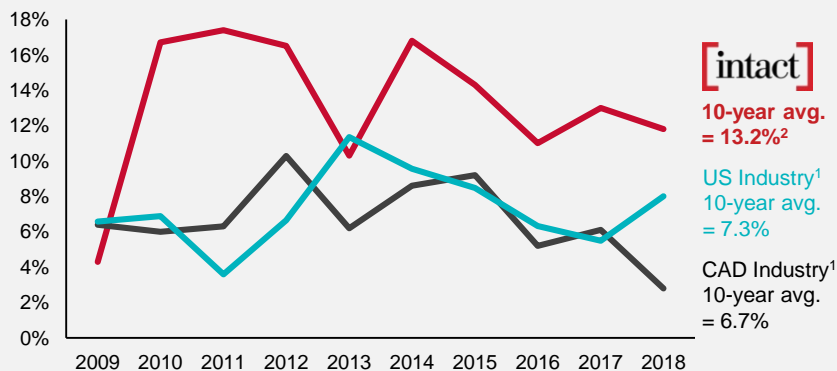
## IFC's competitive advantages

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

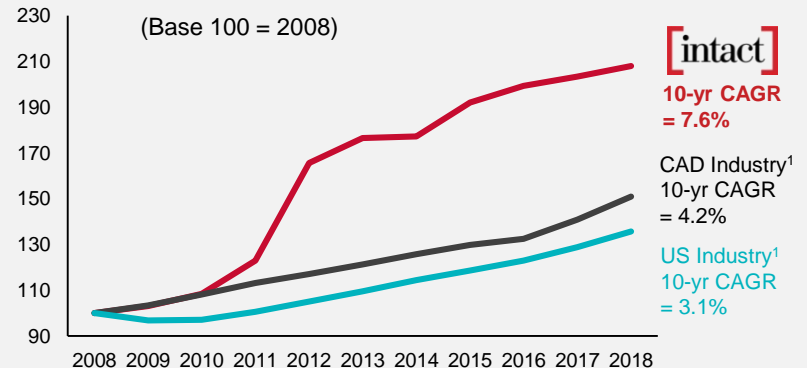
## Combined ratio



## Return on equity



## Direct premiums written growth



<sup>1</sup> Industry data: IFC estimates based on S&P Global Market Intelligence and MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC. All data as at Dec 31, 2018.  
<sup>2</sup> ROEs reflect IFRS beginning in 2010. Since 2011, IFC's ROE is adjusted return on common shareholders' equity (AROE).

# Q2-19 Personal Lines Performance

## Personal auto commentary:

- DPW were up 6%, driven by rate increases in hard market conditions, supported by strong rate momentum across all regions. Our improving competitiveness is also driving unit momentum.
- Combined ratio of 99.5% reflects strong underlying performance, offset by 9.9 points of unfavourable PYD.
- Our profitability actions combined with strong rate momentum in hard market conditions, position us well to capture growth opportunities as our competitive position continues to improve.

<small>(in C\$ millions, except as otherwise noted)</small>	Q2-2019	Q2-2018	Change
DPW	1,204	1,137	6%
Written insured risks (in thousands)	1,310	1,318	(1)%
NEP	939	935	-
Underwriting income (loss)	4	42	(90)%
Claims ratio	77.1%	72.9%	4.2 pts
Expense ratio	22.4%	22.7%	(0.3) pts
<b>Combined ratio</b>	<b>99.5%</b>	95.6%	3.9 pts

## Personal property commentary:

- DPW growth was strong at 6%, driven by rate increases and accelerating unit growth supported by hardening market conditions.
- Combined ratio of 99.6% improved by 3.1 points, mainly driven by lower CAT losses.
- Despite the severe weather experienced so far this year, the fundamentals of this business remain solid and the hardening market conditions position us well for the future.

<small>(in C\$ millions, except as otherwise noted)</small>	Q2-2019	Q2-2018	Change
DPW	679	640	6%
Written insured risks (in thousands)	704	694	1%
NEP	537	521	3%
Underwriting income	2	(14)	114%
Claims ratio	67.5%	69.1%	(1.6) pts
Expense ratio	32.1%	33.6%	(1.5) pts
<b>Combined ratio</b>	<b>99.6%</b>	102.7%	(3.1) pts



# Q2-19 Commercial Lines Performance

## Commercial lines commentary:

- Strong DPW growth of 11% with contributions from all segments, led by rate increases deployed in hard market conditions. Growth in specialty lines was in the mid-teens.
- Combined ratio of 92.8% was solid, despite elevated large losses.
- The underlying fundamentals of this business remain strong, supported by hard market conditions and a high-quality portfolio.

(in C\$ millions, except as otherwise noted)	Q2-2019	Q2-2018	Change
DPW	844	757	11%
Commercial P&C	566	517	9%
Commercial auto	278	240	16%
NEP	679	613	11%
Underwriting income (loss)	49	43	14%
Claims ratio	58.6%	57.1%	1.5 pts
Expense ratio	34.2%	35.8%	(1.6) pts
<b>Combined ratio</b>	<b>92.8%</b>	<b>92.9%</b>	<b>(0.1) pts</b>

## P&C United States<sup>1</sup> commentary:

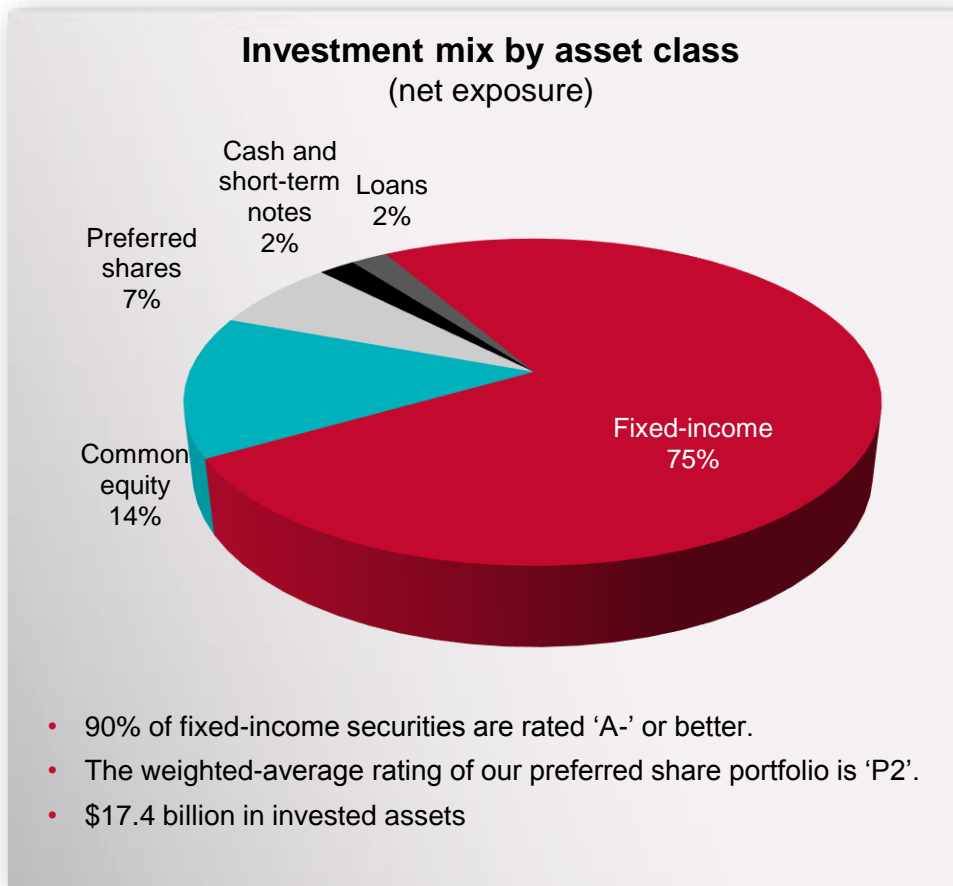
- Premiums of \$425 million reflected strong growth of 10% on a constant currency basis. Strong new business, rate increases and high retention levels drove double-digit growth in lines not undergoing profitability improvement plans.
- Combined ratio was solid at 94.8% and reflected a strong performance in lines not undergoing profitability improvement plans.
- We continued to show good progress towards our goal of achieving a sustainable combined ratio in the low-90s by the end of 2020.

(in C\$ millions, except as otherwise noted)	Q2-2019	Q2-2018	Change
DPW	425	374	14%
NEP	343	340	1%
Underwriting income	18	21	(3)
Claims ratio	56.2%	57.0%	(0.8) pts
Expense ratio	38.6%	36.8%	1.8 pts
<b>Combined ratio</b>	<b>94.8%</b>	<b>93.8%</b>	<b>1.0 pts</b>

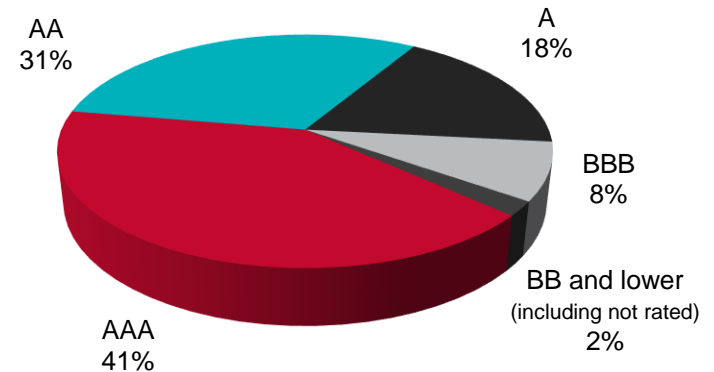
<sup>1</sup> P&C U.S. excludes the results of exited lines

# High quality investment portfolio

*C\$17 billion of high quality investments - strategically managed*



### Fixed-income securities credit quality



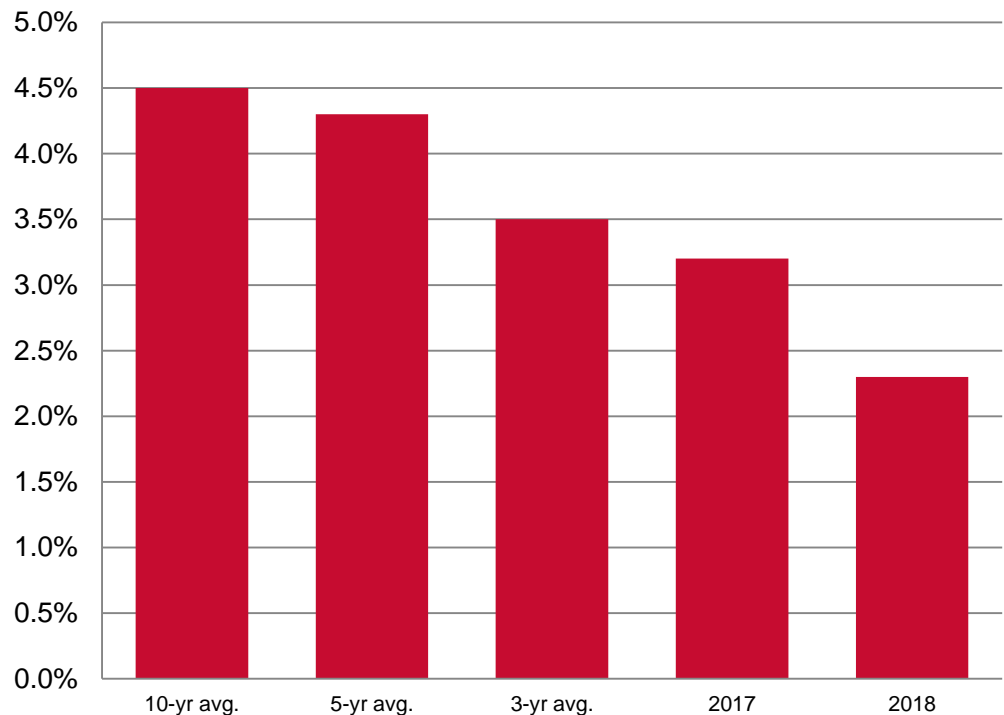
### Preferred shares credit quality



# Track record of prudent reserving practices

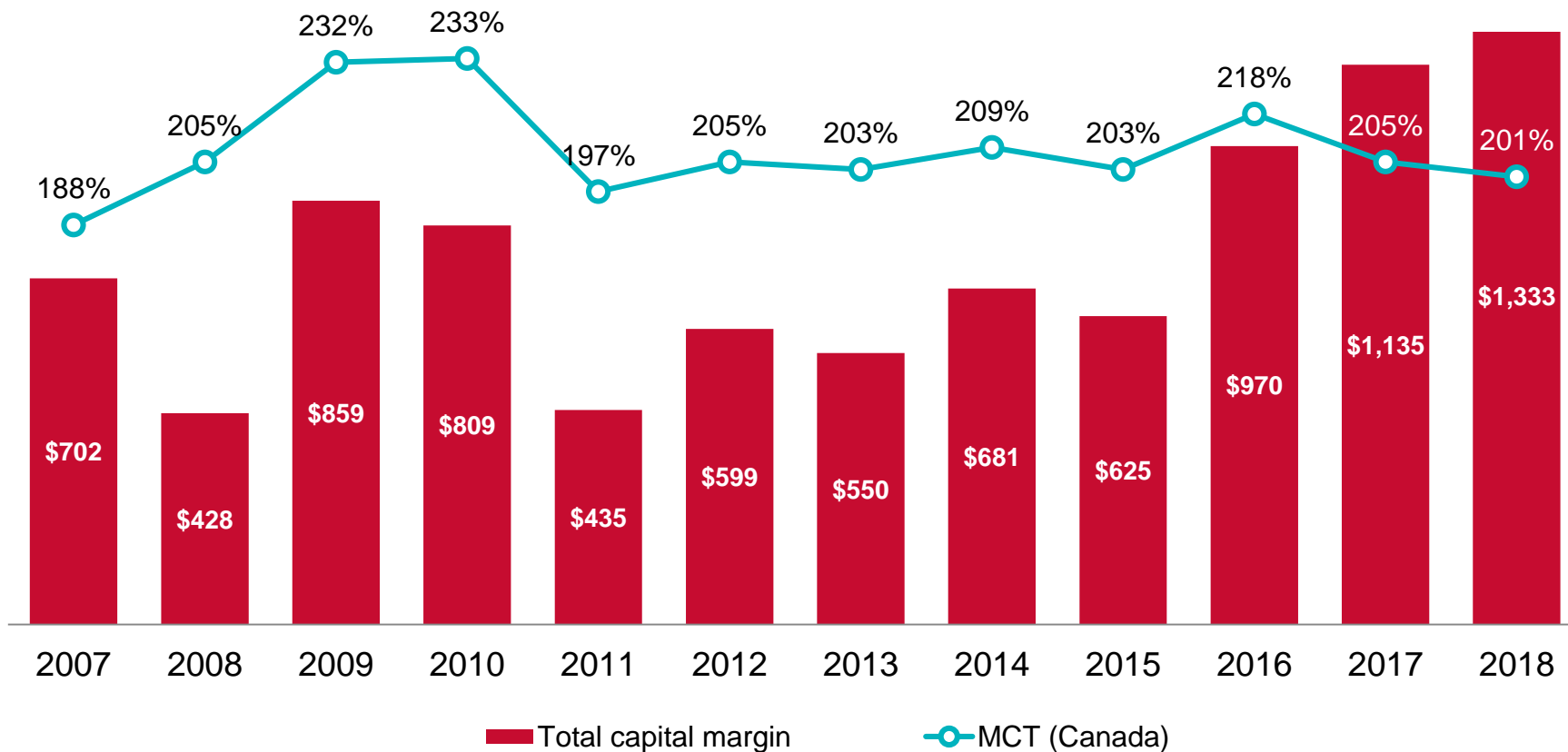
- ❑ PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.
- ❑ As yields have increased, we would expect average favourable PYD as a percentage of opening reserves to be in the 1%-3% range going forward. We expect that the current accident year (CAY) loss ratio will be favourably impacted by these higher yields.
- ❑ Our consistent track record of positive reserve development reflects our preference to take a conservative approach to establishing and managing claims reserves.

Annualized rate of favourable PYD – P&C Canada  
(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 18.2 - *Capital position* of the Q4-2018 MD&A for details). Dollar figures in C\$millions

# Further industry consolidation ahead

## Our domestic acquisition strategy

- Open to manufacturing, distribution, and supply chain opportunities
- M&A will continue to accelerate key strategic focuses: scale, enhanced distribution capabilities, and a broadened customer offering
- Strong track record of executing our strategy with a proven ability to achieve synergy targets and attractive rates of return

## Canadian M&A environment

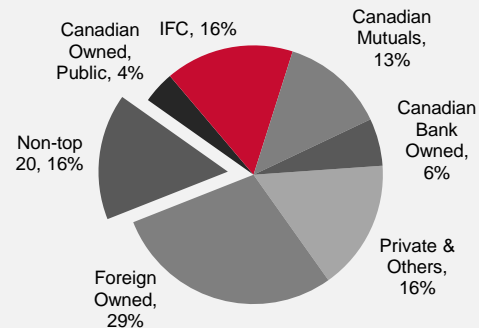
Environment conducive to acquisitions:

- Industry ROEs remain below the long-term average of 10%, while our outperformance gap has widened
- Necessary investments in technology & innovation, increasing CAT experience, and persistently low investment yields continue to favour scale
- 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 = 84% of market



Top 5 - 2018  
**47%**  
OF THE MARKET

↑  
Top 5 - 2009  
**36%**  
OF THE MARKET

# Historical financials

(in millions of Canadian dollars, except as otherwise noted)

	H1-19	H1-18	2018	2017	2016	2015	2014
<b>Financial results</b>							
Direct premiums written	5,367	4,990	10,090	8,730	8,277	7,901	7,441
Underwriting income	38	112	474	486	375	628	519
Net investment income	288	262	541	448	429	439	438
Distribution EBITA	108	92	175	158	134	123	89
Net operating income (NOI)	325	321	839	771	660	860	767
Net income attributable to shareholders	327	264	707	792	541	706	782
<b>Underwriting results</b>							
Claims ratio	69.5%	67.4%	65.3%	65.4%	64.9%	61.3%	62.6%
Expense ratio	29.7%	30.2%	29.8%	28.9%	30.4%	30.4%	30.2%
Combined ratio	99.2%	97.6%	95.1%	94.3%	95.3%	91.7%	92.8%
<b>Per share (basic and diluted) (in \$)</b>							
Net operating income per share (NOIPS)	2.17	2.19	5.74	5.60	4.88	6.38	5.67
Earnings per share to common shareholder (EPS)	2.19	1.78	4.79	5.75	3.97	5.20	5.79
Adjusted EPS (AEPS)	2.49	2.23	5.70	5.82	4.53	5.54	6.01
<b>Return on equity (for the last 12 months)</b>							
Operating ROE (OROE)	12.0%	11.9%	12.1%	12.9%	12.0%	16.6%	16.3%
Return on equity (ROE)	10.6%	10.0%	9.9%	12.8%	9.6%	13.4%	16.1%
Adjusted ROE (AROE)	12.1%	11.3%	11.8%	13.0%	11.0%	14.3%	16.8%
<b>Financial position</b>							
Total investments	17,446	16,946	16,897	16,774	14,386	13,504	13,440
Debt outstanding	2,192	2,266	2,209	2,241	1,393	1,143	1,143
Total shareholder's equity	7,973	7,798	7,810	7,463	6,088	5,724	5,451
Total capital margin	1,269	1,243	1,333	1,135	970	625	681
Book value per share (in \$)	49.90	48.64	48.73	48.00	42.72	39.83	37.75

# Contact us

## General Inquiries

Intact Financial Corporation  
700 University Avenue  
Toronto, ON M5G 0A1

 1 (416) 341-1464

 1-877-341-1464 (toll-free in N.A.)

 [info@intact.net](mailto:info@intact.net)

## Media Inquiries

### **Stephanie Sorensen**


*Director, External Communications*


 1 (416) 344-8027

 [stephanie.sorensen@intact.net](mailto:stephanie.sorensen@intact.net)

## Investor Inquiries

 [ir@intact.net](mailto:ir@intact.net)

 1 (416) 941-5336

 1-866-778-0774 (toll-free in N.A.)

### **Ken Anderson**

*VP Investor Relations & Treasurer*

 1 (855) 646-8228 ext. 87383

 [kenneth.anderson@intact.net](mailto:kenneth.anderson@intact.net)

### **Neil Seneviratne**

*Director, Investor Relations*

 1 (416) 341-1464 ext. 45156

 [neil.seneviratne@intact.net](mailto:neil.seneviratne@intact.net)

### **Husayn Hirji**

*Manager, Investor Relations*

 1 (416) 341-1464 ext. 45110

 [husayn.hirji@intact.net](mailto:husayn.hirji@intact.net)

# 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. Unless otherwise indicated, all forward-looking statements in this Presentation are made as at June 30, 2019, and are subject to change after that date.

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 future claims frequency and severity, including in the personal auto line of business;
- 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;
- the Company's profitability following the acquisition (the "Acquisition") of OneBeacon Insurance Group, Ltd. ("OneBeacon");
- the Company's ability to improve its Combined Ratio in the United States in relation to the Acquisition;
- the Company's ability to retain business and key employees in the United States in relation to the Acquisition;
- undisclosed liabilities in relation to the Acquisition;
- 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 and frequency of catastrophe events, including a major earthquake;
- catastrophe losses caused by severe weather and other weather-related losses, as well as the impact of climate change;
- the Company's ability to maintain its financial strength and issuer credit ratings;
- the Company's access to debt and equity financing;
- 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 in the context of evolving cybersecurity risk;
- the impact of developments in technology and use of data on the Company's products and distribution;
- the Company's dependence on and ability to retain key employees;
- changes in laws or regulations;
- 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;
- the Company's ability to hedge exposures to fluctuations in foreign exchange rates;
- future sales of a substantial number of its common shares; and
- changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

All of the forward-looking statements included in this Presentation, the Q2-2019 MD&A and the quarterly earnings press release dated July 30, 2019 are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 19-24) of our MD&A for the year ended December 31, 2018. 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.



# Disclaimer

This Presentation does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation concerning the Company does not purport to be all-inclusive or to contain all the information that a prospective purchaser or investor may desire to have in evaluating whether or not to make an investment in the Company. The information is qualified entirely by reference to the Company's publicly disclosed information.

No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its the directors, officers or employees as to the accuracy, completeness or fairness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation that may become apparent. The information and opinions contained in this Presentation are provided as at the date of this Presentation. The contents of this Presentation are not to be construed as legal, financial or tax advice. Each prospective purchaser should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

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 analyzes performance based on underwriting ratios such as combined, expense, loss and claims ratios, MCT, RBC and debt-to-total capital, as well as other non-IFRS financial measures, namely DPW, change or growth in constant currency, Underlying current year loss ratio, Underwriting income (loss), Underwriting expenses, NEP, NOI, NOIIPS, OROE, ROE, AROE, Non-operating results, Net distribution income, Adjusted net income, AEPS, Total net claims, and Total capital margin. These measures and other insurance related terms are defined in the Company's glossary available on the Intact Financial Corporation website at [www.intactfc.com](http://www.intactfc.com) in the "Investors" 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).