

A blurred background image of an office at night. Two people, a woman with curly hair and a man, are looking at a computer screen. A desk lamp is visible. A large red vertical bar is on the left side of the image.

# Make it Intact

Intact Financial Corporation (TSX: IFC)  
**Q1-2021 Investor Presentation**  
*June 2021*





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# Business Overview

# Canada's Leading P&C Insurer



**SCALE ADVANTAGE  
IN FRAGMENTED MARKETS AND  
INTERNATIONAL EXPERTISE**



**MULTI-CHANNEL  
DISTRIBUTION**

**[intact] belairdirect.**  
INSURANCE

**[intact] specialty solutions** **BrokerLink™**  
INSURANCE

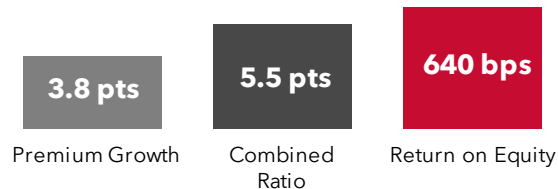
**[intact] prestige**  
INSURANCE

**RSA**  
MORE TH>N®  
WE DO MORE

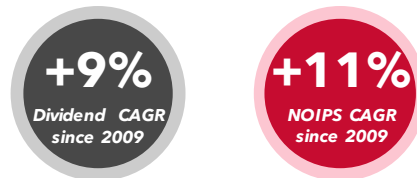
**JOHNSON**  
INSURANCE  
**123.ie**

**PROVEN LONG TERM  
TRACK RECORD**

**INDUSTRY OUTPERFORMANCE IN CANADA<sup>1</sup>**



**DIVIDEND AND NOIPS GROWTH**



**AVERAGE ANNUAL TSR<sup>2</sup>**



**PROVEN INDUSTRY CONSOLIDATOR**

<sup>1</sup>Industry data - IFC estimate based on MSA Research Inc. data - 2009 to 2020. Please refer to section 9 of Q1-2021 MD&A for further information on our performance for 2020.  
<sup>2</sup>TSR = Total shareholder return, figures from 04/02/2009 to 31/05/2021

# What We Are Aiming to Achieve

**3 out of 4** customers are our advocates

**3 out of 4** customers actively engage with us digitally

Our customers are our advocates

Our people are engaged

Be a **best employer**

Our employees and leaders are **representative of the communities we serve**

**Achieve combined ratio** in the low 90s

Generate **\$6 billion** in annual DPW by 2025

Our Specialty Solutions business is a **leader**

Our company is one of the most respected

Exceed industry **ROE by 500 bps**

Grow **NOIPS 10%** yearly over time

**3 out of 4 stakeholders** recognize us as a leader in building resilient communities

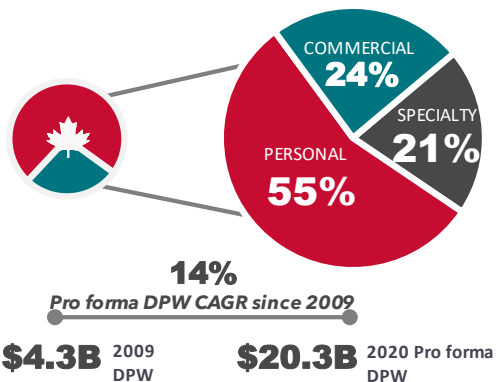
**OBJECTIVE:**  
**10% NOIPS GROWTH ANNUALLY OVER TIME**

# Our Track Record of Consistent Compounding

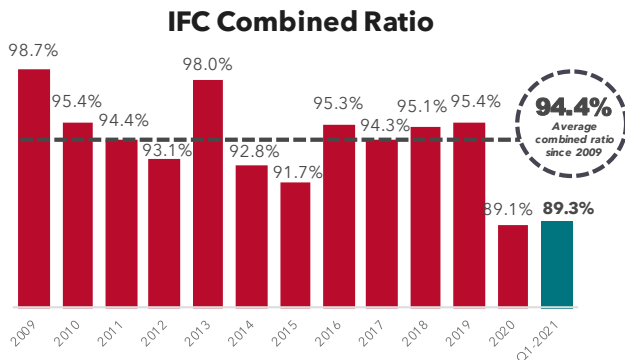


**RESULT:** +11% NOIPS CAGR since 2009

## ROBUST PREMIUM GROWTH



## STRONG UNDERWRITING PERFORMANCE



## STRATEGIC CAPITAL DEPLOYMENT

**\$18.7B OF TOTAL CAPITAL DEPLOYED SINCE 2009**

**Dividends**

**Organic Growth**

**M&A\*\***

**Buybacks**

\*\*Includes P&C Insurance, Distribution and Ventures.

**SCALE IN DISTRIBUTION**

**DIGITAL ENGAGEMENT**

**DATA ADVANTAGE**

**DEEP CLAIMS EXPERTISE**

**MANAGE LEVERAGE**

**INCREASE DIVIDENDS**

**MANAGE VOLATILITY**

**INVEST IN GROWTH**

**SHARE BUYBACKS**

**OBJECTIVE:**  
**500<sub>bps</sub>**  
**ANNUAL**  
**ROE**  
**OUTPERFORMANCE**

# Sustainable Competitive Advantages Drive our Outperformance



**RESULT:** 640 bps industry ROE outperformance since 2009<sup>1</sup>

## CLAIMS MANAGEMENT

## PRICING & RISK SELECTION

## INVESTMENT & CAPITAL MANAGEMENT

### BROAD BASED LOSS RATIO OUTPERFORMANCE<sup>1</sup>

3.3 pts

Personal Auto

3.1 pts

Personal Property

5.3 pts

Commercial P&C

3.4 pts

Commercial Auto



CLAIMS  
MANAGEMENT



PRICING & RISK  
SELECTION



DIGITAL, DATA &  
AI PLATFORMS



TRANSFORMING  
OUR  
COMPETITIVE  
ADVANTAGES

+ 112  
bps

INVESTMENT  
MANAGEMENT  
OUTPERFORMANCE<sup>2</sup>

+ 19%

M&A INTERNAL  
RATE OF  
RETURN<sup>3</sup>

## DISCIPLINED DEPLOYMENT OF CAPITAL GENERATED

CANADA P&C INSURANCE

CANADA DISTRIBUTION

SPECIALTY LINES

<sup>1</sup>Industry data - IFC estimate based on MSA Research Inc. data - 2009 to 2020.

<sup>2</sup>Industry data: IFC estimates based on MSA Research Inc. 10-year average as of December 31, 2020

<sup>3</sup> Average M&A Internal Rate of Return since 2009, excluding RSA Insurance Group plc acquisition

# Our Strategic Roadmap to Drive Continued Growth and Outperformance



**10%  
NOIPS  
GROWTH**  
ANNUALLY  
OVER TIME

## EXPAND OUR **LEADERSHIP** POSITION IN CANADA



## STRENGTHEN OUR **LEADING** POSITION IN UK & IRELAND



## BUILD A **SPECIALTY** SOLUTIONS LEADER



**500<sup>bps</sup>  
ANNUAL  
ROE**  
OUTPERFORMANCE

## TRANSFORM OUR **COMPETITIVE ADVANTAGES**



Global leader in leveraging data and AI for pricing and risk selection



Deep Claims expertise & strong supply chain network



Strong capital & investment management expertise

## STRENGTHEN OUR **OUTPERFORMANCE MINDSET**

## INVEST IN OUR **PEOPLE**



Be a best employer



Be a destination for top talent & experts



Future proof our people to succeed



# The RSA Acquisition: Building a Leading P&C Insurer



Expands our leadership position in Canada

Creates a leading specialty lines platform

Entry into the UK & Ireland at scale

**With the acquisition of RSA, Intact is taking a significant step to accelerate its strategy, increase investment in core competencies, and drive significant value creation**

**Financially compelling** with significant shareholder value creation



Anticipated **IRR** above the Company's 15% threshold



High single digit **NOIPS accretion** in the first 12 months, increasing to upper teens within 36 months

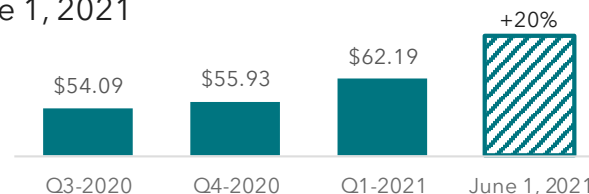


**\$250 million** of pre-tax annual run-rate **synergies** expected within 36 months.



**Operating ROE** expected to be in the mid-teens level in the medium term

**BVPS** is estimated to increase by over 20%, as of June 1, 2021



**Total Capital Margin**  
**Above**  
**\$2B**

**Debt-to-Capital Ratio<sup>1</sup>**  
**Below**  
**26%**

<sup>1</sup> As of June 30, 2021. We expect to reach our target of 20% within 36 months

# Expand our Leadership Position in Canada



*Our leadership position expands with an approximate 30% increase in premiums to \$13 billion*



Leading customer experience



Digital engagement

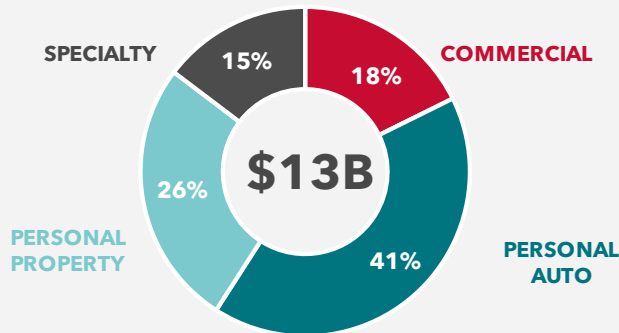


Scale in distribution



Further consolidation in Canada

## Canada 2020 DPW By lines of business, pro forma



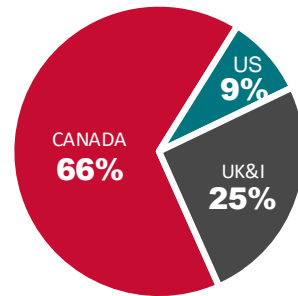
RSA **bolsters** our Canadian business while **unlocking synergies** and **opportunities for growth** and **outperformance**

Builds on our **strengths in data, claims, pricing and segmentation**

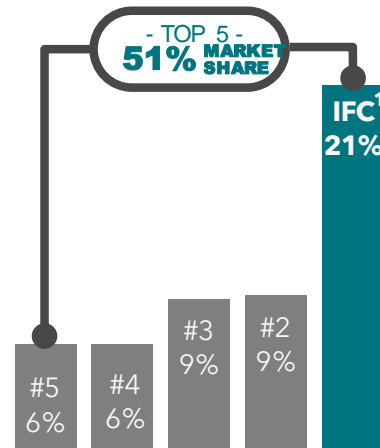
Adds a **leading affinity platform** with Johnson Insurance

Better positions us to **service the broker channel**

**Canada** remains at the core of our \$20B premium business



**Leader** in a **fragmented market** and over 2x our closest competitor



<sup>1</sup> Industry data: pro forma including RSA, IFC estimates based on MSA Research Inc. as of December 31, 2020.

# Build a Specialty Solutions Leader



*Our specialty lines platform grows by approximately 30% to over \$4 billion of annual premiums*



**Specialized  
customer value  
proposition**



**Expand  
distribution**

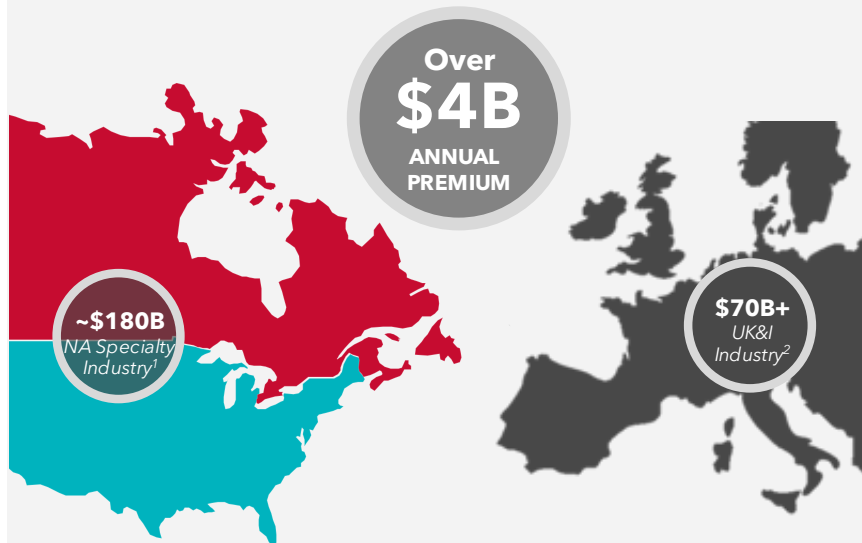


**Profitable &  
growing mix of  
verticals**



**Consolidate  
fragmented  
market**

Our North American specialty lines platform is bolstered by **adding international capabilities, scale** and **expertise** in existing lines, as well as **adding new verticals**.



**A runway for growth and  
outperformance**

Leading global franchises in **marine and specialty property**

**20+ specialty verticals** across the platform

**Global Network** facilitates placement of tailored, multinational insurance programs allowing us to **better service customers globally**

**\$6B DPW target by 2025**, while sustaining a **low-90s combined ratio**

<sup>1</sup>Source: SNL 2020 premiums for Commercial and Specialty lines for U.S. (USD)

<sup>2</sup>The London Market GWP in 2017 per EY 2020 UK Insurance Outlook report, IUA London Company Market Statistics Report (October 2020), and Lloyd's of London 2019 annual report. Excludes North America.

# Strengthen Our Leading Position in the UK & Ireland



*We will build on the strong brands and leadership positions, and continue the underwriting momentum*



Leading customer experience



Digital engagement

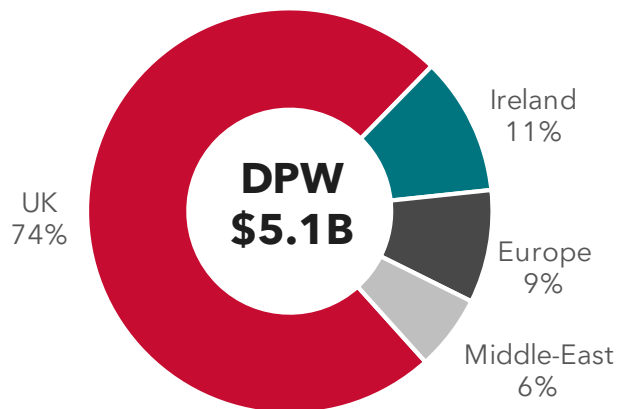


Focus footprint for outperformance



Optimize underwriting performance

## UK & INTERNATIONAL



DPW  
\$5.1B

5% share in  
**\$80B+**  
UK P&C Industry<sup>1</sup>

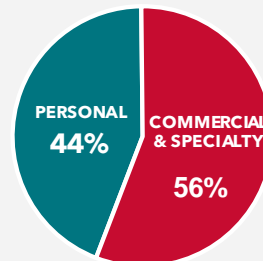
Ireland  
**9%**  
Industry share<sup>2</sup>

**Optimize underwriting performance** by applying our risk selection and claims management expertise

**Attractive commercial portfolio** to share our successful operating model

**Deploy our customer driven and digital advantages** in personal lines

## UK & INTERNATIONAL DPW by lines of business



Leading Home and Commercial Businesses

Well-recognized RSA brands

Modest Exposure to Personal Auto

<sup>1</sup>GBP converted to CAD at exchange rate of 1.725 where applicable.

<sup>2</sup>EY 2020 UK Insurance Outlook report. 2018 GWP for UK non-life risks, excluding most of Lloyd's business, reinsurance and marine / aviation risks.

<sup>3</sup>Source: Insurance Ireland Factfile 2017. Total non-life GWP in 2017.

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

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

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

**Engaged, diverse, and deep** talent pool

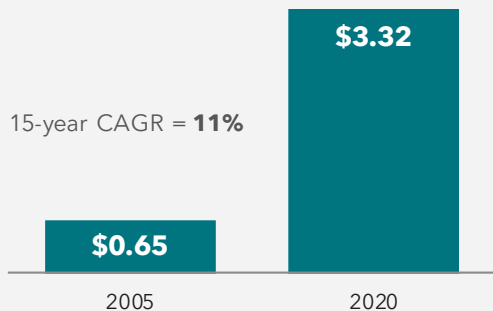




# Capital Management

# Proven and Consistent Capital Management Strategy

## YEARLY COMMON SHARE DIVIDENDS (PER SHARE)



## CAPITAL DEPLOYMENT

MANAGE  
LEVERAGE

INCREASE  
DIVIDENDS

MANAGE  
VOLATILITY

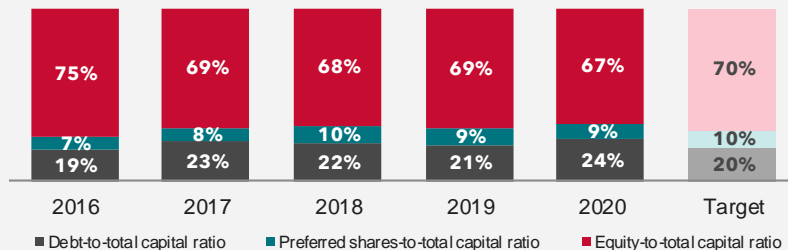
INVEST IN  
GROWTH  
OPPORTUNITIES

SHARE  
BUYBACKS

## CAPITAL INVESTED IN GROWTH SINCE 2009

**\$12.7B**

## CAPITAL STRUCTURE



## LOW BVPS SENSIVITY TO CAPITAL MARKETS VOLATILITY<sup>1</sup>

**(\$0.47)**

per 100 bps  
increase in  
interest rates<sup>2</sup>

**(\$1.63)**

per 10%  
decrease in  
common share  
prices

**(\$0.45)**

per 5% decrease  
in preferred  
share prices

**(\$1.29)**

Strengthening of  
the CAD by 10%  
vs all currencies

## CAPITAL RETURNED THROUGH BUYBACKS SINCE 2009

**\$627M**

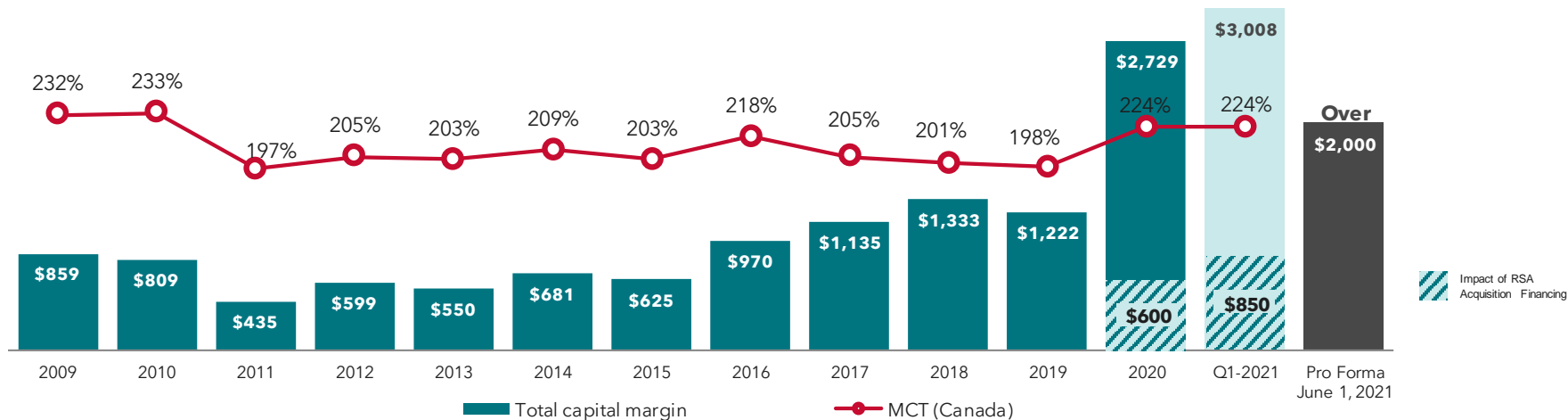
<sup>1</sup> Refer to Section 19 – Sensitivity analyses of the Q1-2021 MD&A for additional commentary and break outs. Data as of March 31, 2021

<sup>2</sup> Interest rate sensitivity includes impact of net claims liabilities and Defined benefit pension plan obligation

# Strong Capital Base



Total capital margin is maintained to ensure a **very low probability** of breaching company action levels<sup>1</sup>



## CREDIT RATINGS<sup>2</sup>

### Financial strength

IFC's principal Canadian P&C insurance subsidiaries

Intact Insurance Group USA Holdings Inc. regulated entities

Senior unsecured debt ratings of IFC

A.M. BEST	DBRS	MOODY'S	FITCH
A+	AA (low)	A1	AA-
A+	AA (low)	A2	AA-
a-	A	Baa1	A-

<sup>1</sup>All references to "total capital margin" represent the aggregate of capital in excess of company action levels in regulated entities (165% MCT (effective April 1, 2020), 200% RBC) plus available cash and investments in unregulated entities (see Section 16.2 - Maintaining a strong capital position of the Q1-2021 MD&A for details). Dollar figures in C\$millions

<sup>2</sup>Refer to Section 16.4 - Strong ratings of the Q1-2021 MD&A for additional commentary



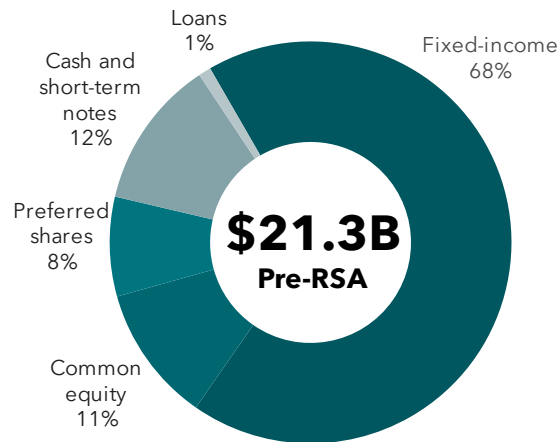
# Strategic Management of High Quality Investment Portfolio

We seek to **optimize** the composition of our **investment portfolio**, taking into account factors including risk, return, capital, regulation and tax legislation changes.

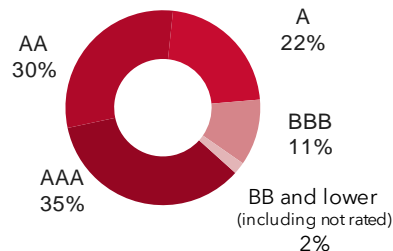
Our **in-house investment management team** seeks to **maximize** after-tax returns while preserving capital and limiting volatility.

The annual performance of our individual strategies **exceeds the benchmark 80% of the time** over the past ten years

**Investment mix by asset class**  
(net exposure)

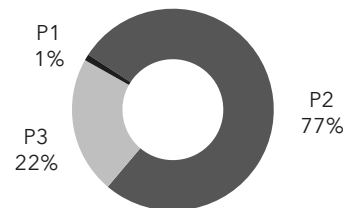


**Fixed-income securities credit quality**



**87% of fixed-income securities are rated 'A-' or better** and on a consolidated basis, the **weighted-average rating of our fixed-income portfolio** was **'AA'**, as of March 31, 2021.

**Preferred shares credit quality**



The weighted-average rating of our **preferred share portfolio** is **'P2'**

**The RSA acquisition adds a \$15B high quality international investment portfolio**



# Social Impact

# Our Values Guide Us



*Our values guide our decision making and emphasize our commitment to excel in all aspects of our business. We won't compromise on our values because our values matter as much as results.*

## INTEGRITY



- Be honest, open and fair
- Set high standards
- Stand up for what is right

## RESPECT



- Be kind
- See diversity as a strength
- Be inclusive and collaborate

## CUSTOMER DRIVEN



- Listen to our customers
- Make it easy, find solutions
- Deliver second-to-none experiences

## EXCELLENCE



- Act with discipline and drive to outperform
- Embrace change, improve every day
- Celebrate success, yet remain humble

## GENEROSITY



- Help others
- Protect the environment
- Make our communities more resilient

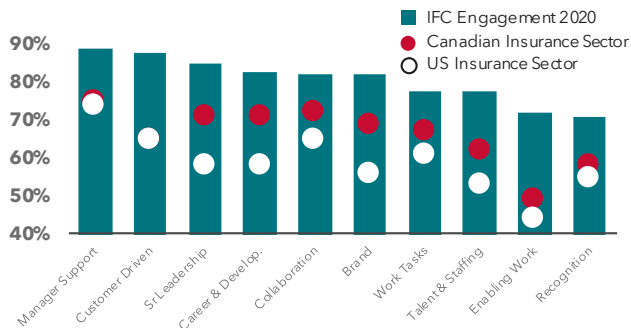
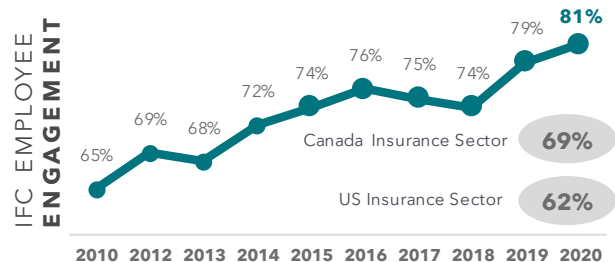
**Our purpose is clear: to help people, businesses and society prosper in good times and be resilient in bad times.**

# We Invest in our People

People are at the heart of everything we do and employees are essential to our success.



## BE A BEST EMPLOYER



KINCENTRIC®  
Best Employer

NORTH AMERICA 2020

KINCENTRIC®  
Best Employer

CANADA 2020

KINCENTRIC®  
Best Employer

UNITED STATES 2020



## BE A DESTINATION FOR TOP TALENT & EXPERTS

Nearly **3,000** employees move throughout IFC to new roles each year

In 2020, **26%** of employees were **promoted or moved to new roles** and

**74%** of Manager, Team Lead and Director positions **were filled internally**

## FUTURE PROOF OUR PEOPLE TO SUCCEED

By anticipating the **future of work** we strive to **help employees** adapt to **AI & automation**

Our action plan addresses the **challenges and opportunities** related to the pace of technology change and the **future of work**

# Building Resilient Communities is at our Core



*Intact is a purpose-driven business. Helping people drives everything we do and gives meaning to our work.*

## Climate Change

- **Climate change** is integrated into our strategy.
- We aim to become **carbon neutral** by **2025**
- Committed nearly \$10M to establish an applied research centre at the University of Waterloo - the **Intact Centre on Climate Adaptation**.
- **Invested over \$3.6M** in 21 climate resilience projects through the Intact Adaptation Action Grants Program.
- Signed **The Principles for Sustainable Insurance** global sustainability framework for insurers.

## Investing in Communities

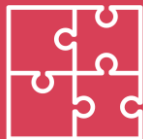
- Over **\$4M invested** across North America to help people most vulnerable to the impacts of the **COVID-19 pandemic**.
- Over **\$3.3M invested** with United Way partners to **address the root causes of child poverty** in 2020.
- Over **\$3.5M committed to Breakfast Clubs of Canada** to accelerate food security programs for children.
- **\$1M commitment** to The Dallaire Institute on Children, Peace and Security to **help end the recruitment and use of child soldiers**.

## Employee Generosity

- Our **Community Impact Program** matches employee donations dollar for dollar, or \$20/hour volunteered, up to \$1,000/year.
- Together with our employees, our Community Impact Program provided **over \$850,000 to nearly 800 organizations** in 2020.
- Our annual **Generosity in Action** campaign enables employees to donate to community. **Employees donated over \$1.9M** last year.



Read more details in our [\*\*2020 Social Impact Report\*\*](#)



# Our Perspective on M&A

# Successful M&A is a Core Competency



DPW  
Added



Average  
IRR<sup>1</sup>



Employees  
Onboarded



Synergies  
Achieved<sup>1</sup>

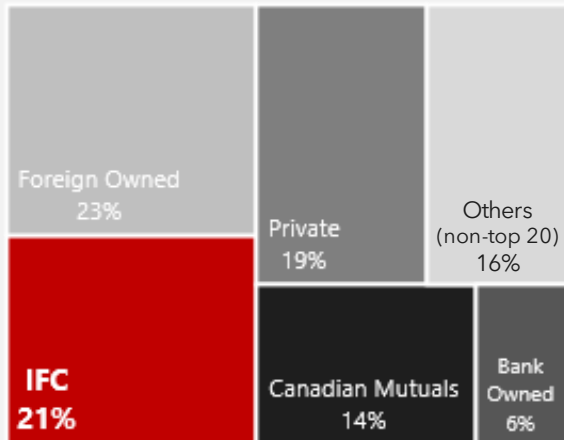
<sup>1</sup>Excludes the impact of RSA acquisition, closed on June 1, 2021

# Substantial M&A Runway in Fragmented Markets

## CANADA P&C INSURANCE

**Environment remains conducive**  
to acquisitions  
**~C\$64B<sup>1</sup>**

**TOP 20 = 84% OF P&C MARKET<sup>1</sup>**



## CANADA VERTICAL INTEGRATION

### BrokerLink

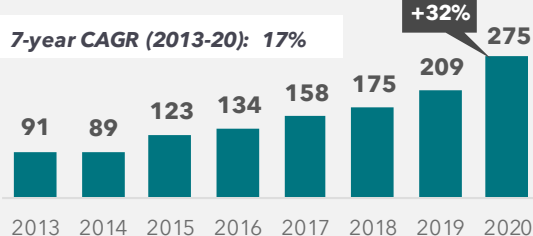
- Continue to build scale in distribution
- Be the 'go to' solution for brokers looking for economic exit from their business

### Broker Financial Solutions (BFS)

- Continue to support brokers financially, providing innovative solutions for their varied needs
- Targeting \$3B in DPW at BrokerLink

### Distribution EBITA & Other

7-year CAGR (2013-20): 17%



## SPECIALTY SOLUTIONS PLATFORM

**Attractive opportunities** to pursue  
specialty lines growth  
**~US\$180B<sup>2</sup>**

**UNDERWRITING**  
Intact Specialty Solutions today

**INTERMEDIARIES**  
MGU, MGA, Wholesaler



<sup>1</sup> Industry data: IFC estimates based on MSA Research Inc. as of Dec. 31, 2020. Refer to section 9 of the Q1-2020 MD&A for further details on the 2020 P&C market update

<sup>2</sup> SNL 2020 including commercial & specialty lines





# Recent Quarterly Results

# Q1-2021 IFC Financial Highlights



**DPW**  
**\$2.5B** ↑ 1%

**NOIPS**  
**\$2.40** ↑ 49%

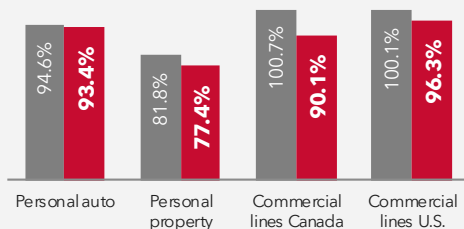
**BVPS**  
**\$62.19** ↑ 20%

**Combined ratio**  
**89.3%** ↓ 5.0 pts

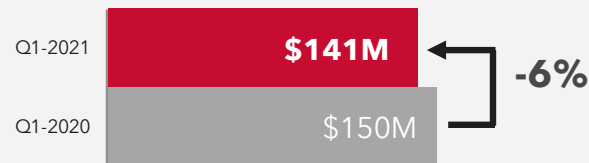
**OROE**  
**19.0%** ↑ 5.0pts

**Total Capital Margin**  
**\$3.0B**

## Combined ratio by line of business



## Net investment income



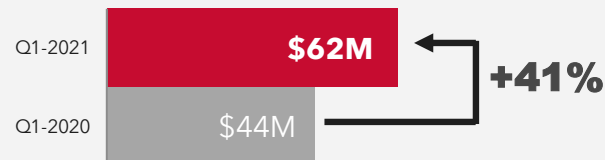
## Combined ratio by segment



**Canada**  
**88.2%**

**U.S.**  
**96.3%**

## Distribution EBITA & Other



# Q1-2021 Personal Lines Performance



## Personal auto commentary:

- **Premiums declined by 8%**, after reflecting an estimated 9 pts (\$75 million) of new relief and 2 pts due to the BC exit. Excluding these items, premium growth was 3%, driven by 4 pts of units.
- **Underlying current year loss ratio improved to a strong 69.1%**, reflecting lower claims frequency, net of severity, and the benefit of our profitability actions, partly offset by relief.
- **Favourable PYD improved 1.5 pts to 1.8%**, with roughly half driven by industry pools.
- **Expense ratio increased by 2.2 pts to 26.1%**, mainly due to the impact of relief on NEP and higher variable commissions due to profitability.
- **Combined ratio was strong at 93.4%**, including 9.3 pts of total earned relief, driven by strong underlying performance and healthy PYD.

(in C\$ millions, except as otherwise noted)	Q1-2021	Q1-2020	Change
DPW	814	882	(8)%
Written insured risks (in thousands)	861	851	1%
NEP	983	1,029	(4)%
Underwriting income (loss)	64	56	14%
Claims ratio	67.3%	70.7%	(3.4) pts
Expense ratio	26.1%	23.9%	2.2 pts
<b>Combined ratio</b>	<b>93.4%</b>	94.6%	(1.2) pts



## Personal property commentary:

- **Solid premium growth of 6%**, driven by firm market conditions and unit growth.
- **Strong underlying current year loss ratio improved to 50.0%**, driven by strong fundamentals and market conditions.
- **Favourable PYD ratio was strong, improving by 3.2 points to 7.0%**
- **CAT loss ratio was muted**, reflecting mild weather.
- **Expense ratio increased by 1.5 pts** to 34.3%, mainly due to higher variable commissions.
- **Combined ratio was very strong at 77.4%**, reflecting strong underlying performance and higher favourable PYD.

(in C\$ millions, except as otherwise noted)	Q1-2021	Q1-2020	Change
DPW	518	491	6%
Written insured risks (in thousands)	487	475	2%
NEP	621	593	5%
Underwriting income (loss)	141	107	32%
Claims ratio	43.1%	49.0%	(5.9) pts
Expense ratio	34.3%	32.8%	1.5 pts
<b>Combined ratio</b>	<b>77.4%</b>	81.8%	(4.4) pts

# Q1-2021 Commercial Lines Performance



## Commercial lines commentary:

- **Solid DPW growth of 5%** reflected hard market conditions and strong new business in both regular and specialty lines, tempered by lower volumes in sharing economy products in Commercial auto.
- **Underlying current year loss ratio remain strong at 59.5%**
- **CAT loss ratio of 2.7% was below expectations for a first quarter.** This compares favourably to last year where we had both non-weather CAT losses and 6.6 points (\$50 million) of direct COVID-19 related losses.
- **Favourable PYD ratio was strong at 8.8%** reflecting favourable development on prior year CAT and large losses.
- **Expense ratio increased by 2.7 pts to 36.7%,** mainly due to higher variable commissions and business mix.
- **Combined ratio was solid at 90.1%,** driven by the benefit of our profitability actions, strong favourable PYD and mild weather conditions, partially offset by higher expense ratio.

(in C\$ millions, except as otherwise noted)	Q1-2021	Q1-2020	Change
DPW	793	752	5%
NEP	778	756	3%
Underwriting income (loss)	77	(5)	nm
Claims ratio	53.4%	66.7%	(13.3) pts
Expense ratio	36.7%	34.0%	2.7 pts
<b>Combined ratio</b>	<b>90.1%</b>	100.7%	(10.6) pts



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

- **On a constant currency basis, DPW growth was solid at 6%,** driven by hard market conditions and recent MGA acquisitions, tempered by the impact of the economic slowdown in some lines of business driven by the COVID-19 crisis. We continue to see increased new business and strong renewals in most lines.
- **Underlying current year loss ratio increased by 2.2 pts to 53.8%,** mainly reflecting higher non-CAT weather-related losses and a handful of large losses.
- **CAT losses of \$28 million in Q1-2021** were higher than expected and driven by the severe Texas winter storms. No COVID-19 losses were booked in Q1-2021.
- **Favourable PYD ratio of 5.3%,** driven by favourable development across the business
- **Expense ratio of 40.2%** reflected the business mix and seasonality of our operations
- **Combined ratio was elevated at 96.3%** but included 7.6 pts of weather-related CAT losses well above expectations. When removing the excess CAT losses, the Q1-2021 combined ratio represented a solid underwriting performance.

(in C\$ millions, except as otherwise noted)	Q1-2021	Q1-2020	Change
DPW	397	396	-%
<i>Growth in constant currency</i>			6%
NEP	373	386	(3)%
Underwriting income (loss)	14	(1)	15
Claims ratio	56.1%	61.1%	(5.0) pts
Expense ratio	40.2%	39.0%	1.2 pts
<b>Combined ratio</b>	<b>96.3%</b>	100.1%	(3.8) pts

<sup>1</sup> P&C U.S. excludes the results of exited lines (see Section 21 - Non-IFRS Financial Measures of the Q1-2021 MD&A)

# North American P&C Industry Outlook



*Starting in Q2-2021, we will be adding a UK & International P&C industry outlook*



## Personal Auto

**COVID-19 crisis is temporarily creating a market with lower rate increases in personal auto as claims frequency remains below historical levels**

- Companies, including IFC, have provided various relief measures to consumers
- Industry growth was approximately 6% in 2020, as the rate trend tempered. Rates are expected to remain tempered for the industry while claims frequency remains below historical levels
- Given poor industry profitability since 2017 driven by claims cost inflation, we expect corrective measures to resume once impact of crisis eases



## Personal Property

**COVID-19 crisis has not materially impacted personal property**

- We expect continued firm market conditions since this line of business is subject to challenging weather over time
- Industry growth was 9% in 2020
- We expect industry premium growth at a mid single-digit level over the next 12 months



## Commercial Lines

**Hard market conditions expected to continue in Canadian Commercial Lines**

- **Commercial P&C:** market is hard with rate actions continuing, driven by low industry profitability and tight capacity
- **Commercial auto:** industry continues to pursue rate increases, albeit at a slightly tempered pace due to the COVID-19 crisis
- While economic conditions may impact industry unit growth, we expect industry premium growth at an upper single-digit level over the next 12 months
- In 2020, the industry reported growth of 12%



## US Commercial Lines

**A mix of hard and hardening market conditions across in U.S. Commercial Lines**

- Market conditions expected to persist in near term, supported by low interest rates, rising reinsurance costs, elevated CAT losses, and concerns over social inflation
- Industry growth decelerated to approximately 3-4% in 2020, as strong rate increases were partially offset by reduced exposures and impact of a slower economy
- We expect industry premium growth at an upper single-digit level over the next 12 months.

A high single-digit industry ROE over the past year supports a continuation of the hard market environment once the crisis has passed.<sup>29</sup>  
We expect the industry ROE in 2021 to be in the high-single to low double-digit range.



## APPENDIX

# P&C Insurance in Canada

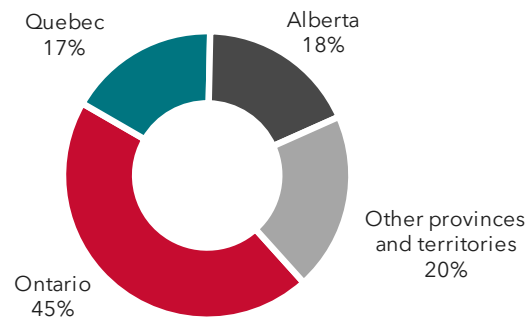
**A ~\$64 billion market representing close to 3.7% of GDP**

- Fragmented market:
  - Top five represent 84%, versus bank/lifeco markets which are closer to 65-75%
  - IFC is the largest player with approximately 21% 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 roughly 40% through direct writers.
- Industry has grown at ~5% CAGR and delivered ROE of ~10% over the last 40 years.

**Industry DPW by line of business**



**Industry premiums by province**



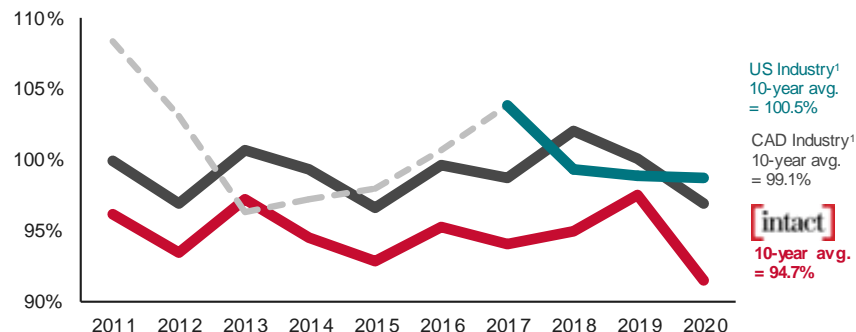
# IFC Outperformance vs P&C Industry



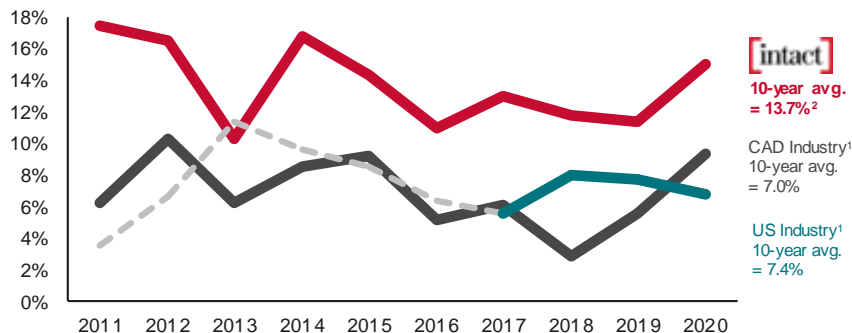
## IFC's competitive advantages

- Scale in distribution
- Digital engagement
- Investing in people
- Diversified business mix
- Global leader in leveraging data and AI for pricing and risk selection
- Deep claims expertise & strong supply chain network
- Strong capital and investment management expertise
- Proven consolidator & integrator

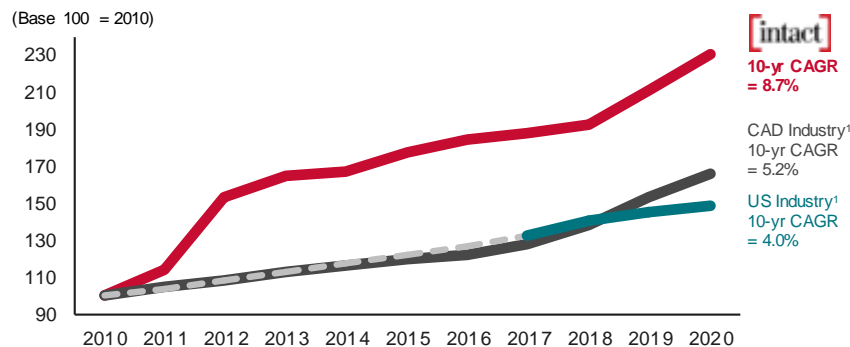
### Combined ratio (including MYA)



### 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, 2020.

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

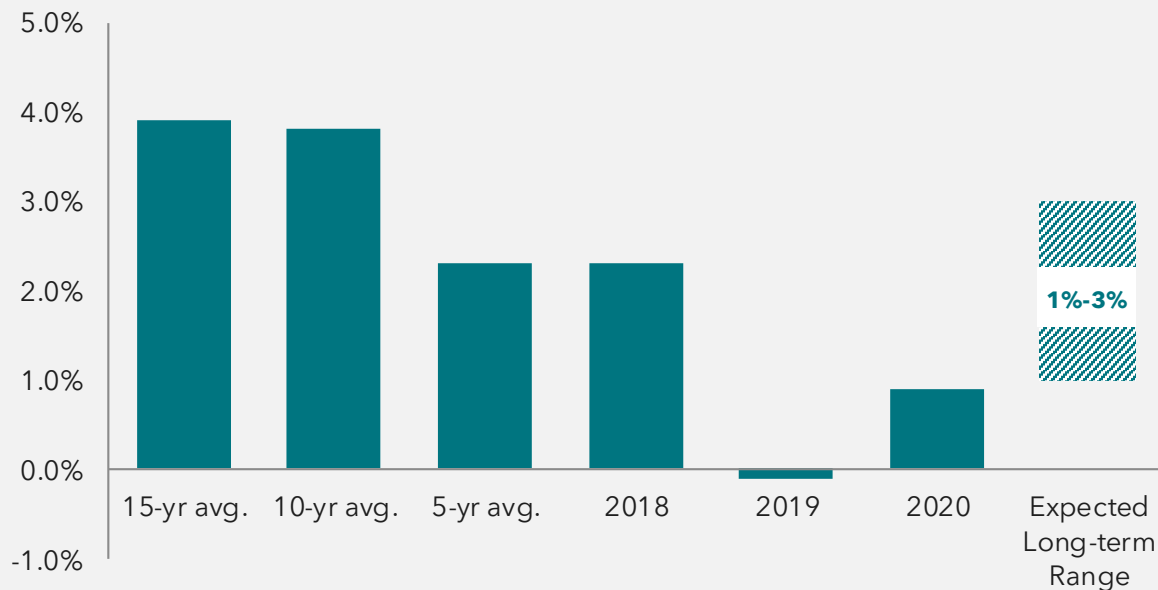


# Track Record of Prudent Reserving Practices

PYD can fluctuate from quarter to quarter and year to year and, therefore, should be **evaluated over longer periods of time**

We expect average favourable PYD as a percentage of opening reserves to be in the **1-3% range over the long-term**

**Annualized rate of favourable PYD - P&C Canada**  
(as a % of opening reserves)



# Historical Financials

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

	Q1-2021	Q1-2020	2020 Annual	2019 Annual	2018 Annual	2017 Annual	2016 Annual
<b>Financial results</b>							
Direct premiums written	2,522	2,521	12,039	11,049	10,090	8,730	8,277
Net earned premiums	2,759	2,766	11,220	10,211	9,715	8,530	7,946
Underwriting income	297	159	1,227	465	474	486	375
Net investment income	141	150	577	576	541	448	429
Distribution EBITA & Other	62	44	275	209	175	158	134
Net operating income (NOI)	357	243	1,471	905	839	771	660
Net income attributable to shareholders	514	107	1,082	754	707	792	541
<b>Underwriting results</b>							
Claims ratio	56.5%	63.6%	57.8%	66.0%	65.3%	65.4%	64.9%
Expense ratio	32.8%	30.7%	31.3%	29.4%	29.8%	28.9%	30.4%
Combined ratio	89.3%	94.3%	89.1%	95.4%	95.1%	94.3%	95.3%
<b>Per share (basic and diluted) (in \$)</b>							
Net operating income per share (NOIPS)	2.40	1.61	9.92	6.16	5.74	5.60	4.88
Adjusted EPS (AEPS)	3.97	1.01	8.48	5.75	5.70	5.82	4.53
Earnings per share to common shareholder (EPS)	3.51	0.66	7.20	5.08	4.79	5.75	3.97
<b>Return on equity (for the last 12 months)</b>							
Operating ROE (OROE)	19.0%	14.0%	18.4%	12.5%	12.1%	12.9%	12.0%
Adjusted ROE (AROE)	20.1%	11.0%	15.0%	11.4%	11.8%	13.0%	11.0%
Return on equity (ROE)	17.6%	9.2%	12.8%	10.0%	9.9%	12.8%	9.6%
<b>Financial position</b>							
Total investments	21,266	17,824	20,630	18,608	16,897	16,774	14,386
Debt outstanding	3,237	2,725	3,041	2,362	2,209	2,241	1,393
Common shares	3,265	3,265	3,265	3,265	2,816	2,816	2,082
Total capital margin	3.008	1,485	2,729	1,222	1,333	1,135	970
Book value per share (in \$)	62.19	51.71	58.79	53.97	48.73	48.00	42.72

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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. Unless otherwise indicated, all forward-looking statements in this MD&A are made as at December 31, 2020, and are subject to change after that date. This MD&A contains forward-looking statements with respect to the proposed acquisition (the "RSA Acquisition") of RSA Insurance Group PLC ("RSA") and the completion of and timing for completion of the RSA Acquisition, as well as with respect to the acquisition of The Guaranteee and Frank Cowan Company Limited ("FCC") and with respect to the impact of COVID-19 and related economic conditions on the Company's operations and financial performance.

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. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the receipt of all requisite approvals relating to the RSA Acquisition in a timely manner and on terms acceptable to the Company, the realization of the expected strategic, financial and other benefits of the RSA Acquisition, and economic and political environments and industry conditions. However, the completion of the RSA Acquisition is subject to customary closing conditions, termination rights and other risks and uncertainties, including, without limitation, regulatory approvals, and there can be no assurance that the RSA Acquisition will be completed. There can also be no assurance that if the RSA Acquisition is completed, the strategic and financial benefits expected to result from the RSA Acquisition will be realized. 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:

- expected regulatory processes and outcomes in connection with its business;
- 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, including the impact of the COVID-19 pandemic and related economic conditions, 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 high net worth and personal auto lines of business;
- government regulations designed to protect policyholders and creditors rather than investors;
- litigation and regulatory actions, including with respect to the COVID-19 pandemic;
- 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 and the impact of COVID-19 and related economic conditions on such brokers and third parties;
- 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 uncertainty of obtaining in a timely manner, or at all, the regulatory approvals required to complete the RSA Acquisition;
- unfavourable capital markets developments or other factors that may adversely affect the Company's ability to refinance the bridge for the RSA Acquisition;
- the Company's ability to improve its combined ratio, retain existing and attract new business, retain key employees and achieve synergies and maintain market position arising from successful integration plans relating to the RSA Acquisition, as well as management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the RSA Acquisition and resulting impact on growth and accretion in various financial metrics;
- the Company's ability to otherwise complete the integration of the business acquired within anticipated time periods and at expected cost levels, as well as its ability to operate in new jurisdictions relating to the RSA Acquisition;
- the Company's profitability and ability to improve its combined ratio in the United States;
- 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 occurrence of and response to public health crises including epidemics, pandemics or outbreaks of new infectious diseases, including, most recently, the COVID-19 pandemic and ensuing events;
- 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 the impact on the ability of our workforce to perform necessary business functions remotely, as well as 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, including those adopted in response to COVID-19 that would, for example, require insurers to cover business interruption claims irrespective of terms after policies have been issued, and could result in an unexpected increase in the number of claims and have a material adverse impact on the Company's results;
- COVID-19 related coverage issues and claims, including certain class actions and related defence costs, could negatively impact our claims reserves;
- 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 in the context of the COVID-19 crisis;
- the Company's ability to hedge exposures to fluctuations in foreign exchange rates, including those related to purchase price and book value related to the RSA Acquisition;
- 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 are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 28-33) of our MD&A for the year ended December 31, 2020 and in the risk section entitled Risk management (Section 19) of our MD&A for the quarter that ended March 31, 2021. 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.

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The Company both IFRS and non-IFRS financial measures to assess our performance. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. The non-IFRS measures included in this MD&A are: direct premiums written (DPW) and DPW growth in constant currency; net earned premiums (NEP); underlying current year loss ratio; PYD and PYD ratio; total net claims and claims ratio; underwriting expenses and expense ratio; underwriting income and combined ratio; distribution EBITA and Other; finance costs; other income (expense); income before income taxes and total income taxes; pre-tax operating income, net operating income (NOI), net operating income per share (NOIPS) and operating return on equity (OROE); adjusted net income, adjusted earnings per share (AEPS) and adjusted return on equity (AROE). See Section 21 – Non-IFRS financial measures for the definition and reconciliation to the most comparable IFRS measures.

## Important notes:

- Non-IFRS financial measures and other insurance-related terms used in this presentation are defined in the glossary available in the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com).
- Abbreviations and definitions of selected key terms used in this presentation are defined in Section 25 – Glossary and definitions of our Q1-2021 MD&A.
- Underwriting results exclude the impact of exited lines from the effective date with no restatement of comparatives. See Section 20 – Non-operating results for details of our Q1-2021 MD&A.
- When relevant, to enhance the analysis of our results with comparative periods, we present changes in constant currency, which exclude the impact of fluctuations in foreign exchange rates from one period to the other. Approximately 15% of our DPW is denominated in USD.
- On November 18, 2020, we announced that, together with the Scandinavian P&C leader Tryg A/S, we have reached an agreement to acquire RSA Insurance Group plc (RSA). All financing is secured and closing is expected on June 1, 2021. See Section 11 – Acquisition of RSA's Canadian, UK and International operations of our Q1-2021 MD&A.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.