



Creating a leading UK Commercial Lines insurer

Acquisition of Direct Line Insurance Group plc's brokered Commercial Lines operations

September 6, 2023

A final base shelf prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada. A copy of the final base shelf prospectus, any amendment to the final base shelf prospectus and any applicable shelf prospectus supplement that has been filed, is required to be delivered with this document.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final base shelf prospectus, any amendment and any applicable shelf prospectus supplement for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.



Forward-Looking Statements



Certain of the statements included in this presentation about the acquisition of Direct Line Insurance Group plc's (Direct Line) brokered Commercial Lines operations (the "Transaction") and the issuance of shares pursuant to a bought deal public offering in Canada and in a private offering in the United States pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") (the "Offering"), including the completion of the Transaction and the Offering, the receipt of the approval of shareholders of Direct Line, the timing of the transfer of Direct Line's brokered Commercial Lines operations, the expected sources of financing for the Transaction, expectations regarding contributions of capital, and the anticipated benefits of the Transaction, including the impact of the Transaction on Intact's business, financial condition, cash flows and results of operations, expectations relating to IRR, BVPS, NOIPS, combined ratio, operating ROE, DPW, adjusted debt-to-total capital ratio and market share, Intact's plans in respect of RSA Insurance Group Limited's ("RSA") UK Personal Lines business and the performance of the UK&I Personal Lines business, the timing of closing of the Offering, the expected use of the net proceeds of the Offering, 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 of the date hereof and are subject to change.

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. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the anticipated completion of the Transaction, the sources of financing for the Transaction, the anticipated closing of the Offering and the expected use of the net proceeds thereof. However, the completion of each of the Transaction and the Offering is subject to customary closing conditions, termination rights and other risks and uncertainties, and there can be no assurance that the Transaction and the Offering will be completed within anticipated timeframes or at all. All of the forward-looking statements included in this presentation are qualified by these cautionary statements and those made in the "Risk Management" sections of the Company's 2022 Management's Discussion and Analysis (Sections 30-34) and the Company's Q2-2023 Management's Discussion and Analysis (Sections 19-20), in Notes 10 and 13 of the Company's Consolidated Financial Statements for the year ended December 31, 2022 and in the Company's Annual Information Form dated February 7, 2023, all of which are available on the Company's website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca and those that will be made in the prospectus supplement to be filed in respect of the Offering. 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. Investors should not rely on forward-looking statements to make decisions and investors should ensure the preceding information is carefully considered when reviewing forward-looking statements made in this presentation. The Company has no intention and undertakes 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.

Certain of the forward-looking statements included in this presentation may be considered "financial outlook" for the purposes of applicable Canadian provincial and territorial securities laws. The financial outlook information contained herein may not be appropriate for purposes other than for the purpose of, in connection with the Offering, giving an indication of the expected financial performance of Intact upon and following completion of the Transaction.

Disclaimer



No securities regulatory authority has either approved or disapproved the contents of this presentation. The common shares to be issued pursuant to the Offering and over-allotment option have not been, and will not be, registered under the U.S. Securities Act, or any U.S. state securities laws, and may not be offered or sold in the United States except to qualified institutional buyers, as defined in Rule 144A under the U.S. Securities Act in accordance with Rule 144A under the U.S. Securities Act. Each prospective purchaser in the United States is hereby notified that the offer and sale of the common shares to it is being made in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder. This presentation shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the common shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Any website address included in this presentation is an inactive textual reference only and information appearing on such website is not part of, and is not incorporated by reference in, this presentation.

Non-IFRS Measures

The Company uses both International Financial Reporting Standards (IFRS) and certain non-IFRS measures to assess performance.

Non-IFRS financial measures and Non-IFRS ratios (which are calculated using Non-IFRS financial measures) do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies. They are used by management to assess the Company's performance.

Supplementary financial measures, non-IFRS financial measures and non-IFRS ratios used in this presentation and the Company's financial reports include NOIPS, operating ROE, BVPS, combined ratio, claims ratio, expense ratio, DPW, and adjusted debt-to-total capital ratio.

The following non-IFRS terms are included in this presentation:

- **Book Value Per Share (BVPS)** is a supplementary financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing common shareholders' equity by the number of common shares outstanding.
- **Net Operating Income Per Share (NOIPS)** is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing net operating income attributable to common shareholders, divided by the weighted-average number of common shares outstanding on a daily basis during a specific period. Net operating income attributable to common shareholders is a non-IFRS measure which represents the net income attributable to shareholders, excluding the after-tax impact of non-operating results, net of net income (loss) attributable to non-controlling interests (non-operating component), preferred share dividends and other equity distributions.
- **Combined Ratio** is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is the sum of (i) claims ratio (which is a non-IFRS ratio which represents operating net claims divided by operating net underwriting revenues) and (ii) expense ratio (which is a non-IFRS ratio which represents operating net underwriting expenses divided by operating net underwriting revenues).
- **Gross Written Premiums (GWP)** is a supplementary financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is defined as the total premiums from insurance contracts that were inceptioned during the period.
- **Direct premiums written (DPW)** is a supplementary financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is composed of the total amount of premiums for new and renewal policies written during the reporting period, excluding industry pools, fronting and exited lines.
- **Operating ROE** is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing net operating income attributable to common shareholders by the adjusted average common shareholders' equity (excluding accumulated other comprehensive income).
- **Adjusted debt-to-total capital ratio** is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated using debt outstanding (excluding hybrid debt) divided by adjusted total capital.

For more information about these supplementary financial measures, non-IFRS financial measures and non-IFRS ratios, including definitions and explanations of how these measures provide useful information, refer to *Section 21 – Non-GAAP and other financial measures* in the Company's Q2-2023 Management's Discussion and Analysis dated August 2, 2023, which Section is incorporated by reference into this presentation and which is available on the Company's website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca.



Charles Brindamour

Chief Executive Officer

Acquisition of Direct Line's Brokered Commercial Lines operations

Strong strategic fit

- ✓ Enhances profitability and growth profile of UK&I through increased focus on RSA's outperforming lines
- ✓ Increases RSA's presence in attractive UK Commercial Lines market as the third largest player
- ✓ Strengthens SME & mid-market platform, broadens distribution network and expands product offering

Financially compelling

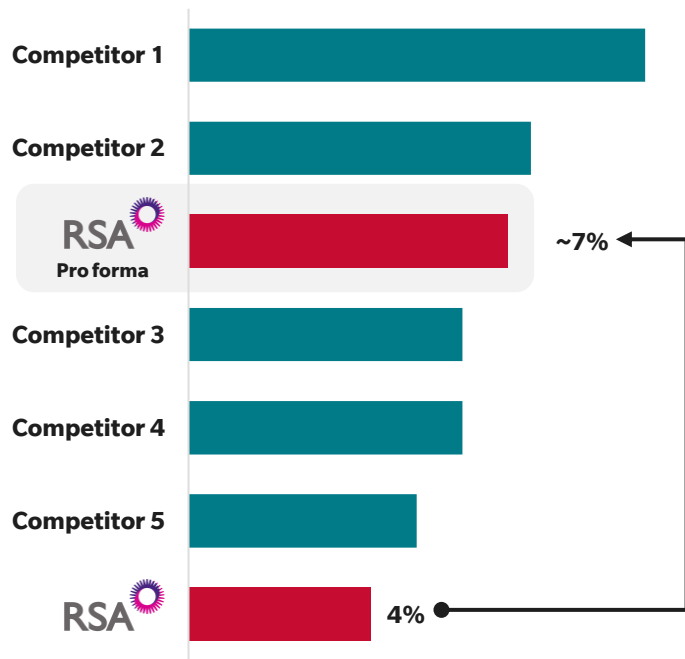
- ✓ Positioned to deliver a sustainable low 90s combined ratio¹ in the UK&I
- ✓ Accretive to NOIPS¹ in 2024, with low single-digit accretion by Year 3
- ✓ Immediately accretive to Book Value per Share (BVPS)² by 2%
- ✓ Expected internal rate of return (IRR) in excess of 15%

Conservative financing structure

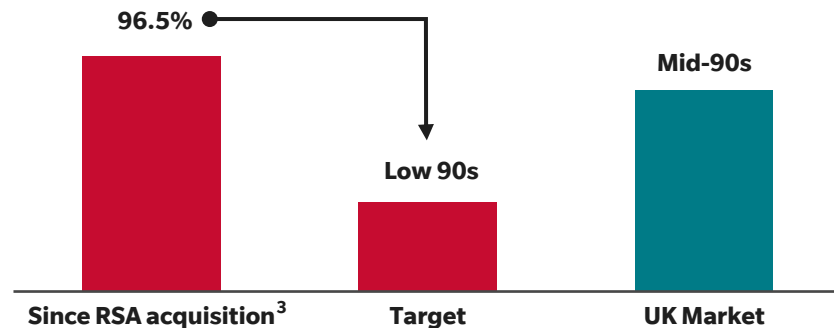
- ✓ Purchase price of £520M and up to £30M earnout
- ✓ Financing expected to include C\$500 million common share offering, medium-term notes, and a new term loan facility

Increased focus on RSA's outperforming Commercial Lines platform

Share of £20B UK Commercial Lines¹ Market



Better positions overall UK&I² business for outperformance



Increased Commercial Lines focus **drives low-90s combined ratio⁴** for our UK&I business

Evaluating strategic options for UK Personal Lines business to further enhance outperformance

¹ Full year 2022 gross written premiums ("GWP"). Excludes Specialty Lines. GWP is defined as the total premiums from insurance contracts that were inception during the period.

² Includes Personal Lines, Commercial and Specialty Lines

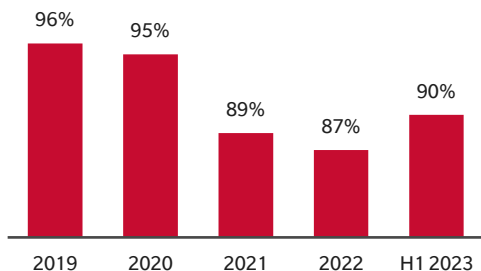
³ Combined ratio calculation based on data from H2-2021 to H1-2023. H2-2021 combined ratio on IFRS 4 basis and 2022 to H1-2023 combined ratio on IFRS 17 basis.

⁴ Non-IFRS ratio. See "Non-IFRS Measures" in the Disclaimer.

Building on our strong Commercial Lines¹ track record

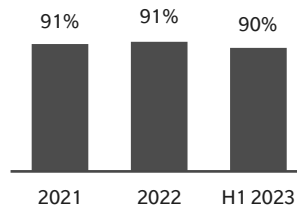
Well positioned to sustain combined ratios² of ~90%

Canada CL combined ratio^{2,3}

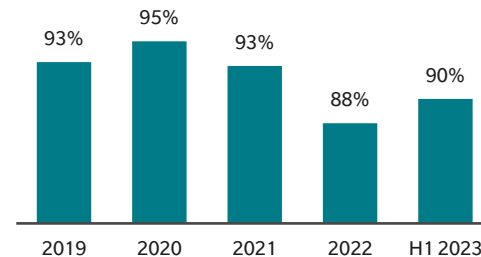


UK&I CL combined ratio^{2,3}

Since RSA Acquisition



US CL combined ratio^{2,3}



Low 90s combined ratios in recent years underpinned by:

- Mid-market commercial and specialty focus
- Price segmentation and risk selection capabilities, bolstered by strength in data and AI
- Underwriting discipline, including targeted portfolio actions as needed

¹ Commercial Lines performance includes contribution from Specialty Lines

² Non-IFRS ratio. See "Non-IFRS Measures" in the Disclaimer.

³ 2019 to 2021 combined ratios are on an IFRS 4 basis, which were presented on a discounted basis. 2022 are presented on an IFRS 17 basis and on an undiscounted basis

Acquiring a well established and highly complementary business

Strengthens distribution

Over 125 years in business

4 offices servicing the UK market

Presence across all broker channels

850+ broker relationships

Leading online distribution capabilities:
~80% of policies eTraded

2021-2022 Insurance Times Broker Service Survey¹:



Insurance Times Overall



Top 50 Brokers

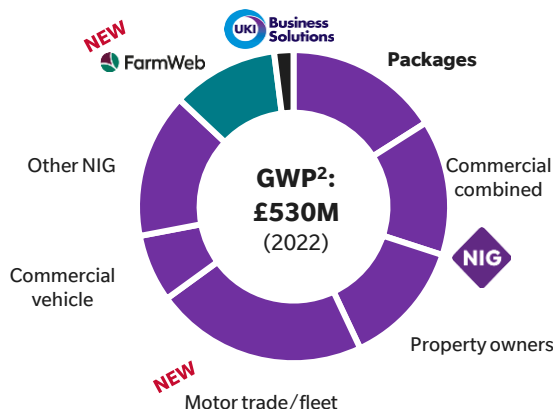


Underwriting Experience



Relationship Management

Deepens and expands product offering



87%
GWP

- Commercial insurance provider
- Trades exclusively through brokers
- Full suite of products for SMEs



11%
GWP

- Specialist agricultural insurer
- Distribution through specialist brokers



2%
GWP

- Affiliate and embedded insurance
- White labelling capabilities



Louis Marcotte

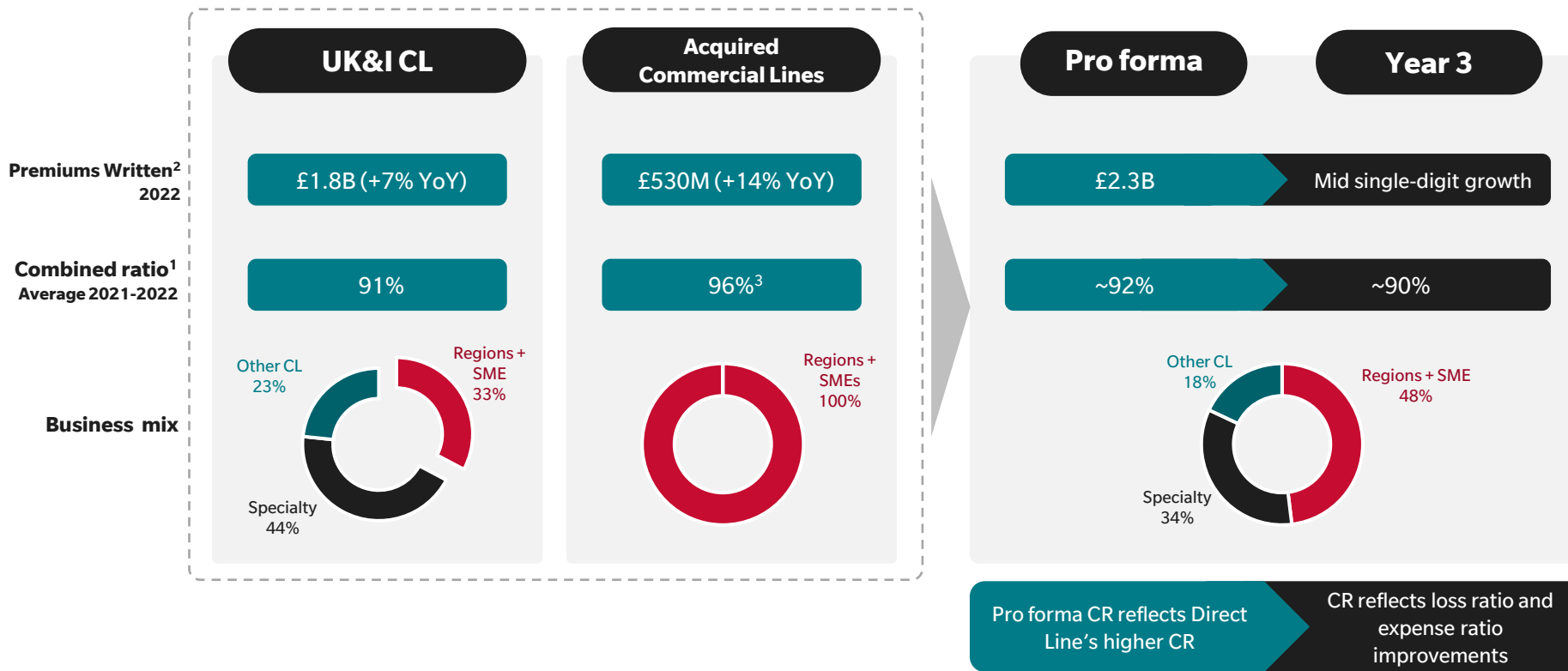
Executive Vice President & Chief Financial Officer





Positioned to strengthen outperformance in UK&I Commercial Lines

Targeting a combined ratio¹ of 90%



¹ Non-IFRS ratio. See "Non-IFRS Measures" in the Disclaimer.

² Supplementary financial measure. See "Non-IFRS Measures" in the Disclaimer.

³ Data provided by Direct Line. Average combined ratio is presented on an IFRS 4 basis.

Transaction highlights

Transaction summary

- Acquisition of Direct Line's brokered Commercial Lines operations for £520M + up to £30M earnout
- Renewal rights, brands, employees, systems and premises to be transferred to RSA
- Additional capital required to support the business to be funded through excess capital in our UK subsidiary

Financially compelling

- Accretive to NOIPS¹ in 2024, with low single-digit accretion by Year 3 and neutral to Operating ROE¹
- Expected internal rate of return (IRR) in excess of our 15% threshold
- Adjusted debt-to-total capital ratio¹ expected to be under 25% after financing completed, with return to pre-transaction levels by end 2024

**NOIPS
accretion**

**Low
single digit**

IRR

>15%

**BVPS
accretion**

+2%

Financing

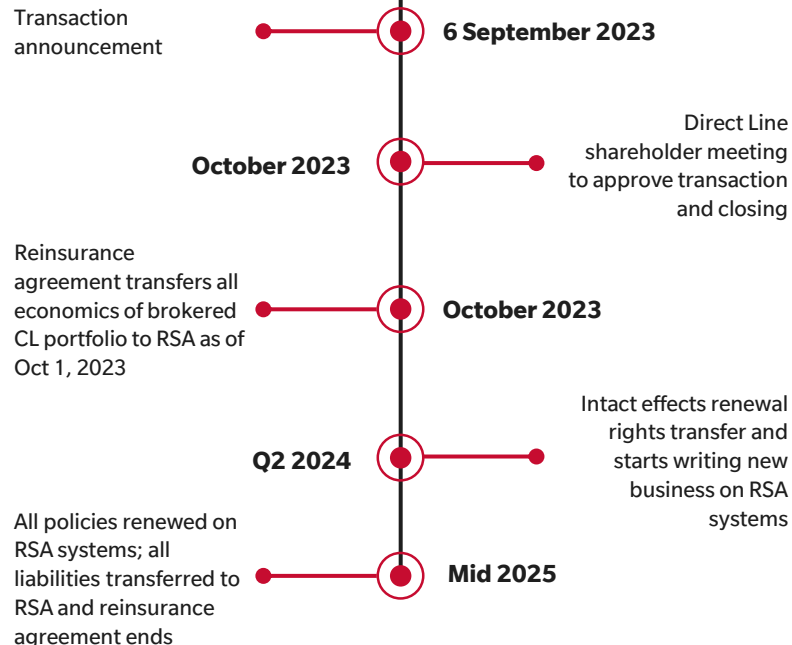
- Transaction expected to be funded through a combination of:
 - A common share offering of C\$500 million
 - Medium term notes
 - A new term loan facility

Transaction structure and expected deal timeline

Transaction structure

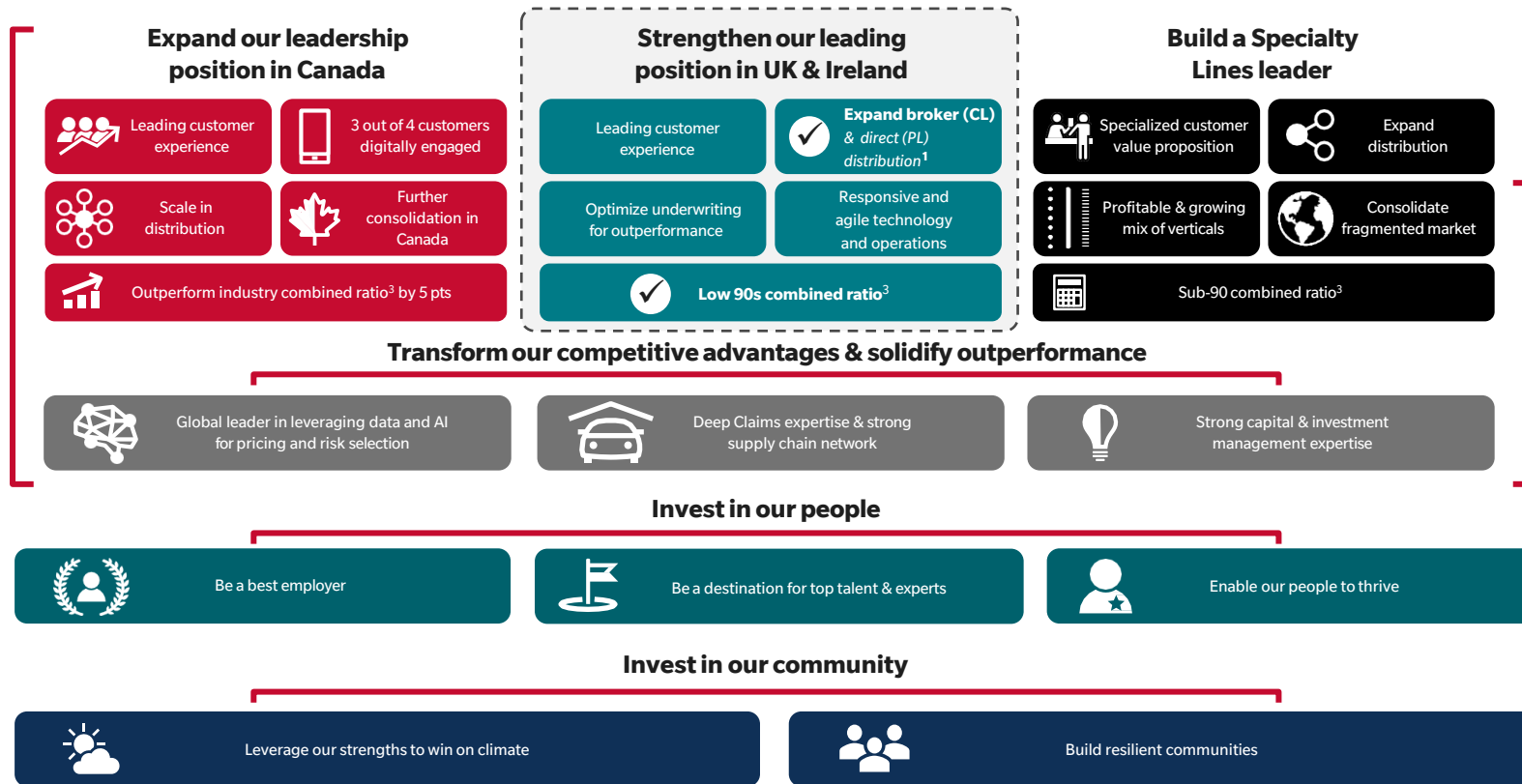
- 1** Intact to make £520 million **payment to Direct Line, reflecting the franchise value and the business to be renewed** onto RSA's balance sheet and systems.
- 2** **Full economics of Direct Line's brokered Commercial Lines operations expect to be transferred to RSA** effective October 1, 2023 via a bilateral reinsurance agreement. Premiums written by Direct Line but not yet earned as of October 1 accrue to RSA.
- 3** **Transfer of the acquired new business franchise and operations**, including renewal rights, brands, employees and IT capabilities. RSA will not be exposed to the pre-October 1, 2023 economics of the acquired business (therefore not exposed to prior-year claims).

Expected deal timeline



Transaction is aligned with our strategic roadmap

**10%
NOIPS³**
GROWTH
ANNUALLY
OVER TIME



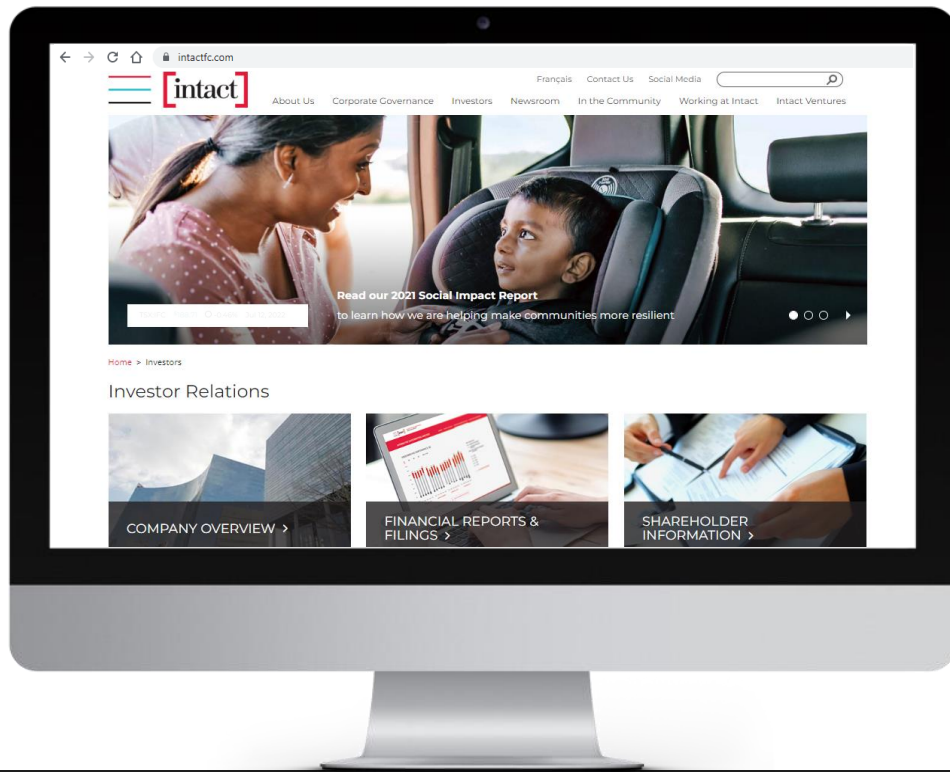
**500 bps
ANNUAL³
ROE**
OUTPERFORMANCE²

¹ Direct (Personal Lines) distribution is currently under strategic review

² Based on a weighted-average ROE benchmark of leading P&C insurers in Canada, UK&I

³ Non-IFRS ratio. See "Non-IFRS Measures" in the Disclaimer.

Contact us



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