intact

INVESTOR DAY 2014

Wednesday, December 3, 2014
Toronto, Ontario, Canada

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.

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All of the forward-looking statements included in this presentation are qualified by these cautionary statements and those made in the Risk management section of our MD&A for the year ended December 31, 2013. 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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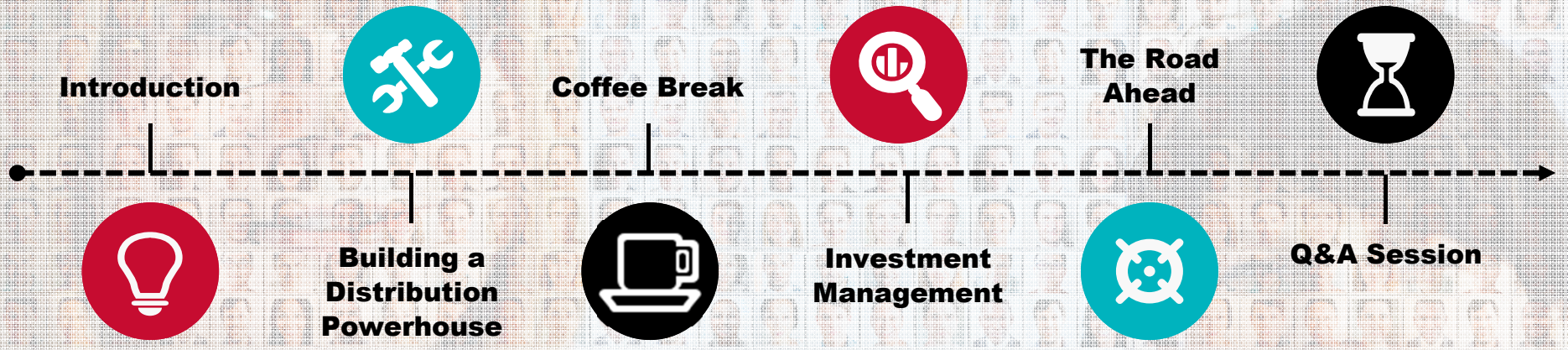
The Company uses both International Financial Reporting Standards ("IFRS") and certain non-IFRS measures to assess performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to any similar measures presented by other companies. Management of the Company analyzes performance based on underwriting ratios such as combined, general expenses and claims ratios as well as other performance measures such as return on equity ("ROE") and operating return on equity. These measures and other insurance related terms are defined in the Company's glossary available on the Intact Financial Corporation web site at www.intactfc.com in the "Investor Relations" section. Additional information about the Company, including the Annual Information Form, may be found online on SEDAR at www.sedar.com.

Agenda

Today's schedule

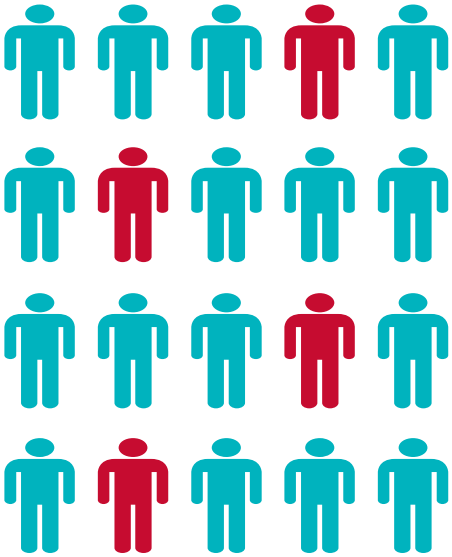


INTRODUCTION

Charles Brindamour, Chief Executive Officer

Who we are

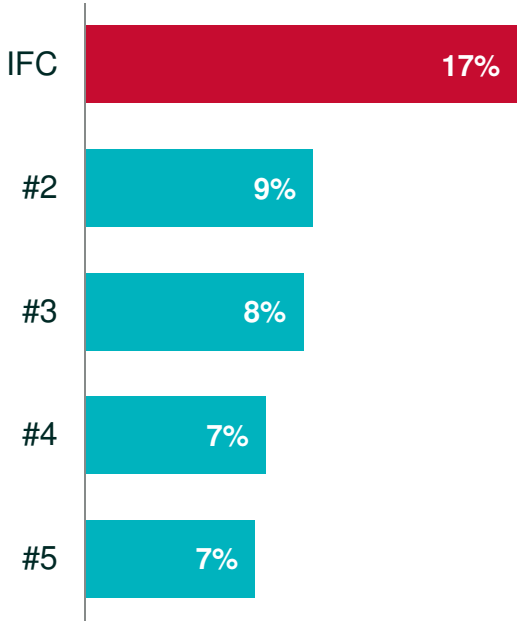
Canada's P&C insurance leader



intact INSURANCE

belairdirect.

BrokerLink



We insure more than **five million** individuals and businesses

Our **multi-channel distribution** strategy allows us to maximize growth opportunities and be more responsive to customer needs.

With an approximate **market share of 17%,** we are almost twice as large as our nearest competitor

What we are aiming to achieve

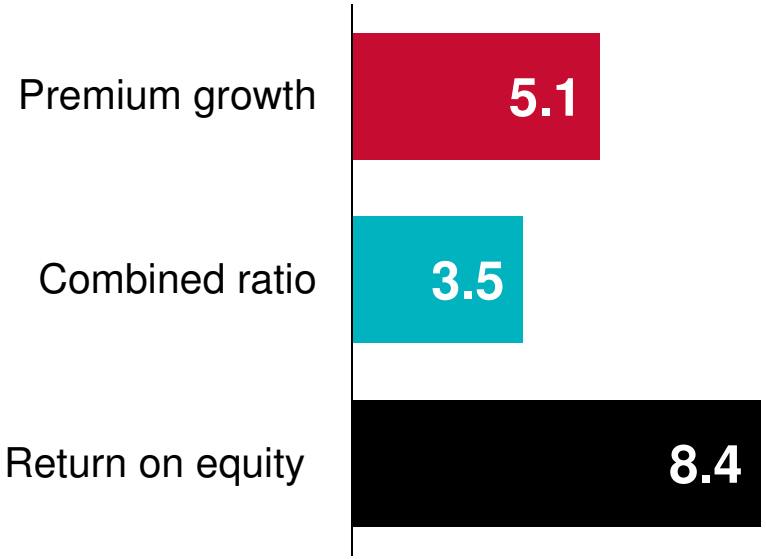
Our customers are our **advocates**	• 1 million advocates
Our employees are **engaged**	• Become a best employer
Our company is the **most respected** insurer in Canada	• Beat industry ROE by **5 pts** each year • NOIPS up **10%** per year over time

We sustain our success by being customer driven, investing in our people, strengthening our distribution channels and striving to be the most profitable and respected insurance company in the markets where we operate

Our track record

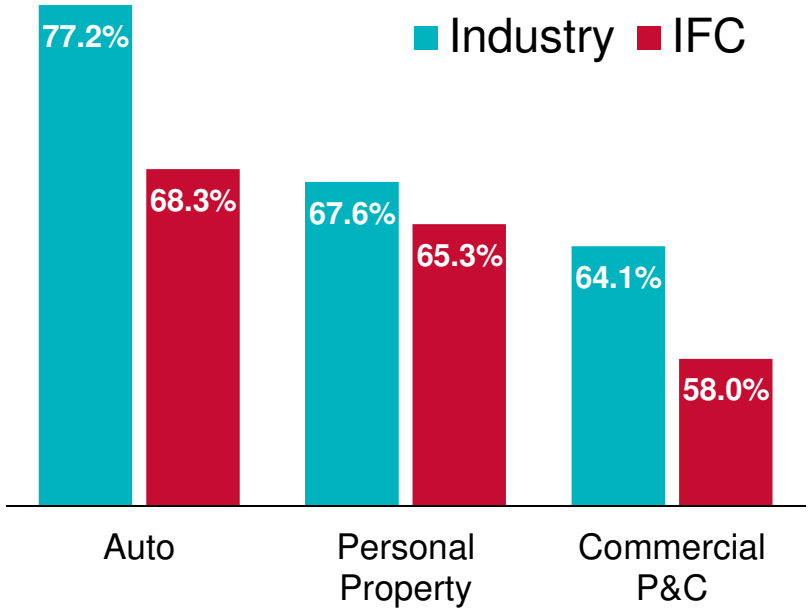
Consistent industry outperformer

10-year outperformance gap
(in points)



Our **superior underwriting results**, **investment performance** and **capital management** have led to significant outperformance versus the industry.

5-year average loss ratios



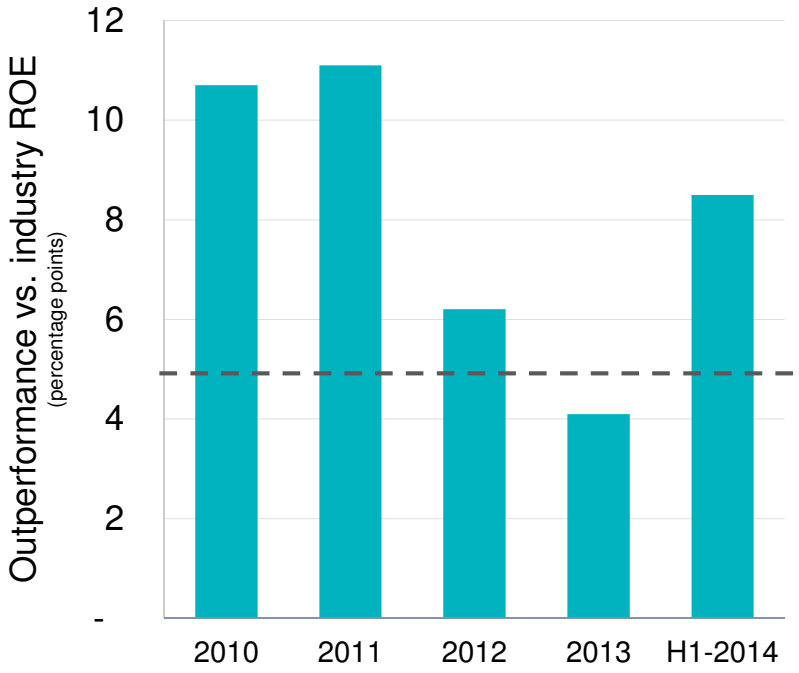
Our **sophisticated pricing**, **underwriting** and **claims expertise** have enabled us to consistently outperform the industry across all segments.

Industry data source: MSA Research excluding Lloyd's, ICBC, SGI, SAF, MPI, Genworth and IFC
For the period ended December 31, 2013
Combined ratio includes market yield adjustment (MYA)
IFC's ROE corresponds to the AROE

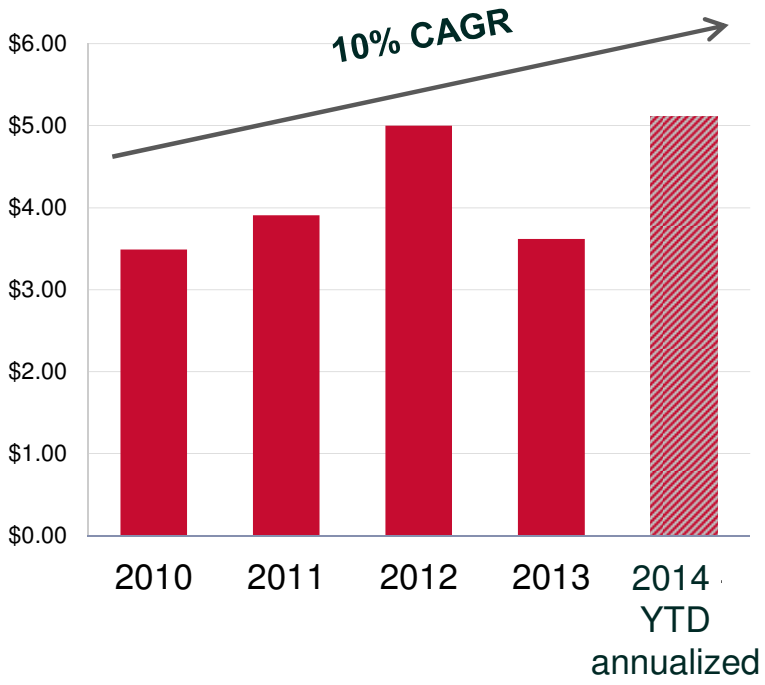
Our track record

Achieving and outperforming our objectives

Beat industry ROE by **5 percentage points** each year



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



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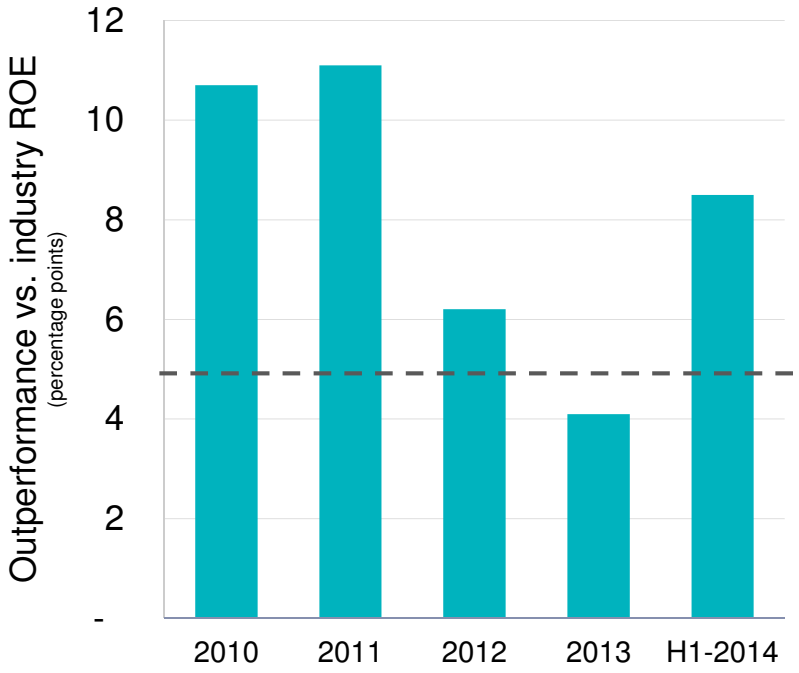

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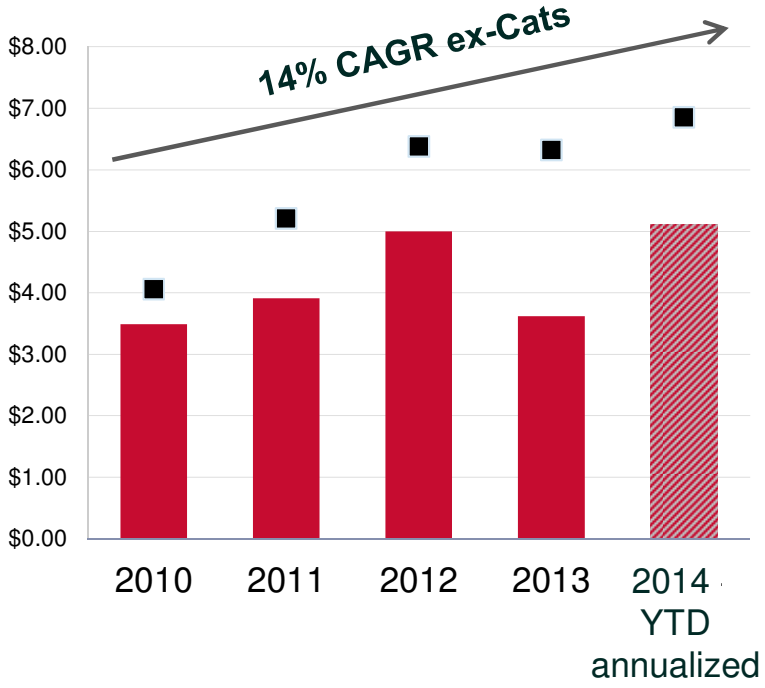

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For the period ended December 31, 2013
Combined ratio includes market yield adjustment (MYA)
IFC's ROE corresponds to the AROE

How we achieve our objectives

36 month roadmap

Beat industry ROE by 5 points every year

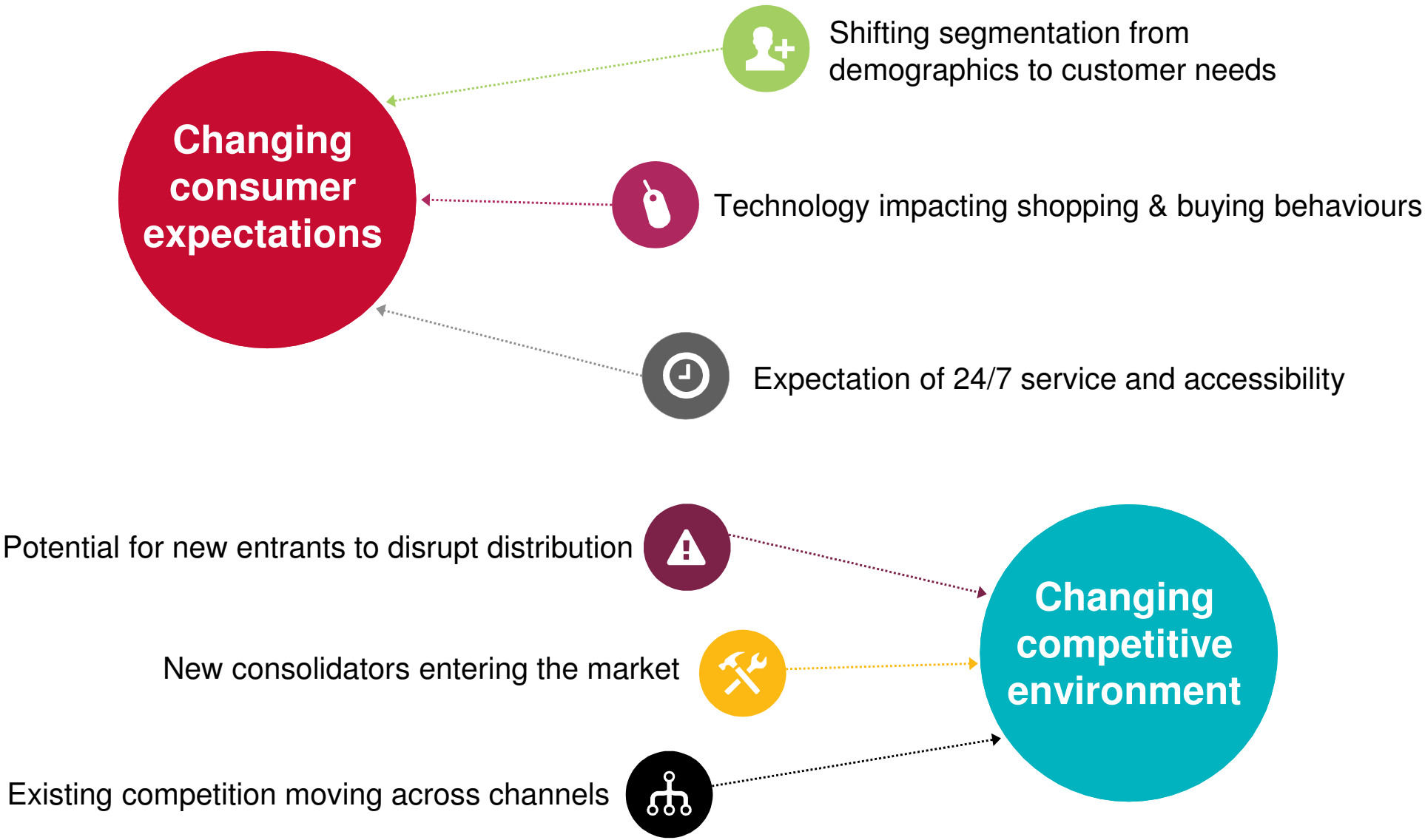
3 pts	Claims management
2 pts	Pricing & Segmentation
2 pts	Investments and capital management

NOIPS growth of 10% per year over time

Organic growth	3–5%
Capital management/deployment	3–5%
Margin improvement	0–3%

Changing landscape

Changing customer expectations and competitive environment



BUILDING A DISTRIBUTION POWERHOUSE

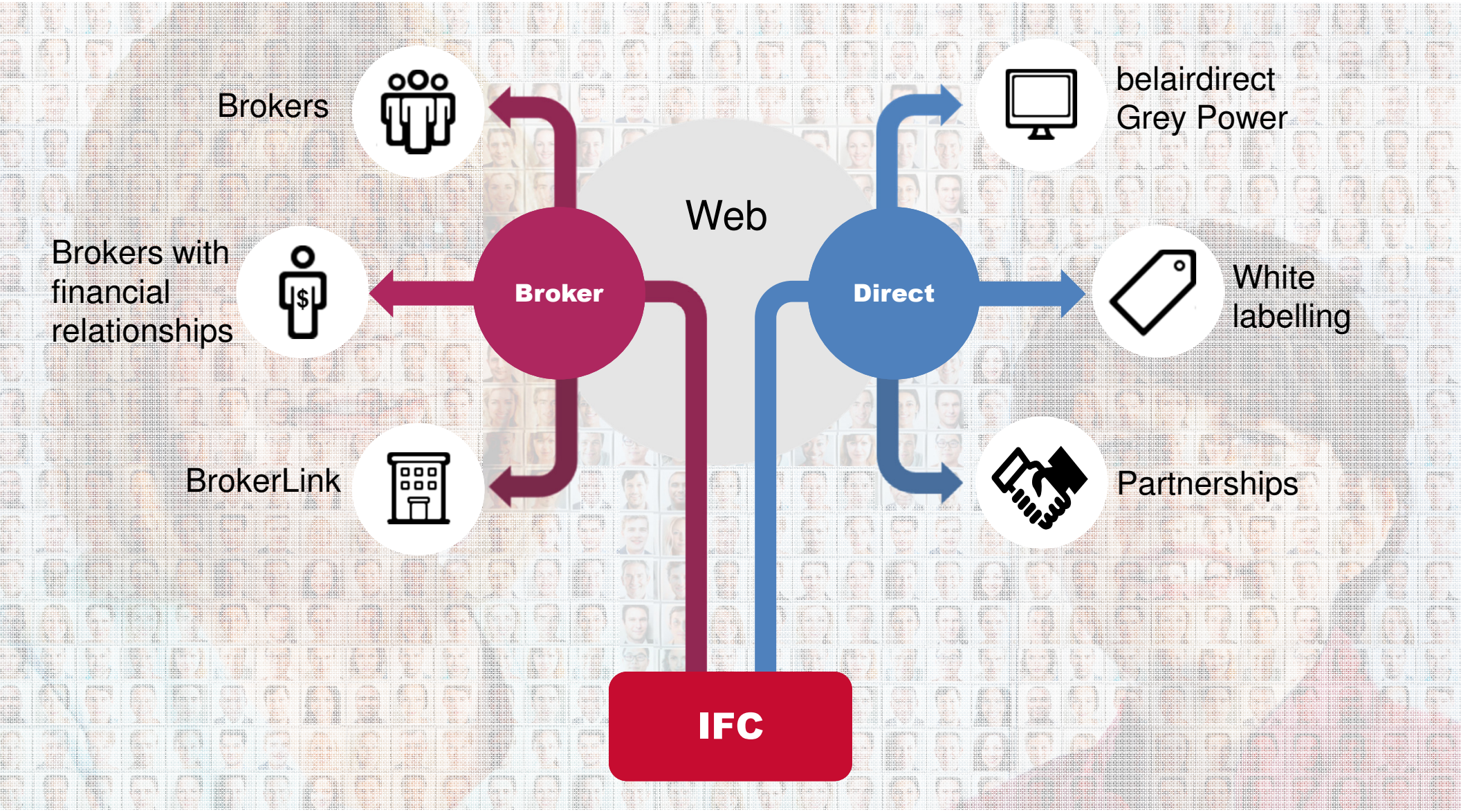
Louis Gagnon, President, Service and Distribution

Monika Federau, SVP and Chief Strategy Officer

Pete Weightman, President, BrokerLink

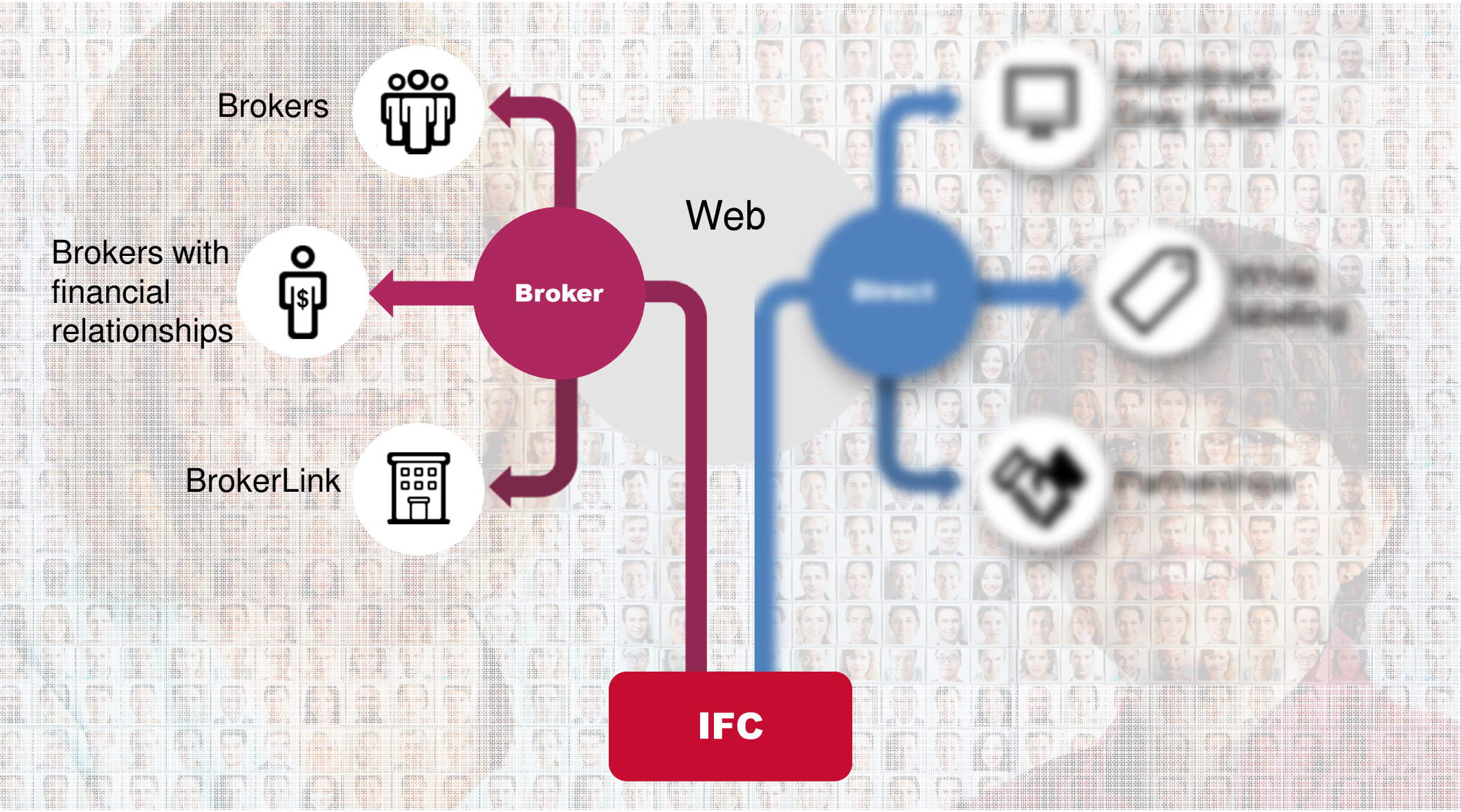
Overview

How we manage distribution



Overview

A closer look at the broker channel



BRINGING SCALE TO BROKERS

Monika Federau, SVP and Chief Strategy Officer

Bringing scale to brokers

Overview

Brand

strong brands build trust

Technology

ease of access

Products and Expertise

meet all client needs

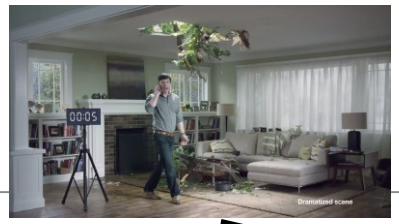
Financing Solutions

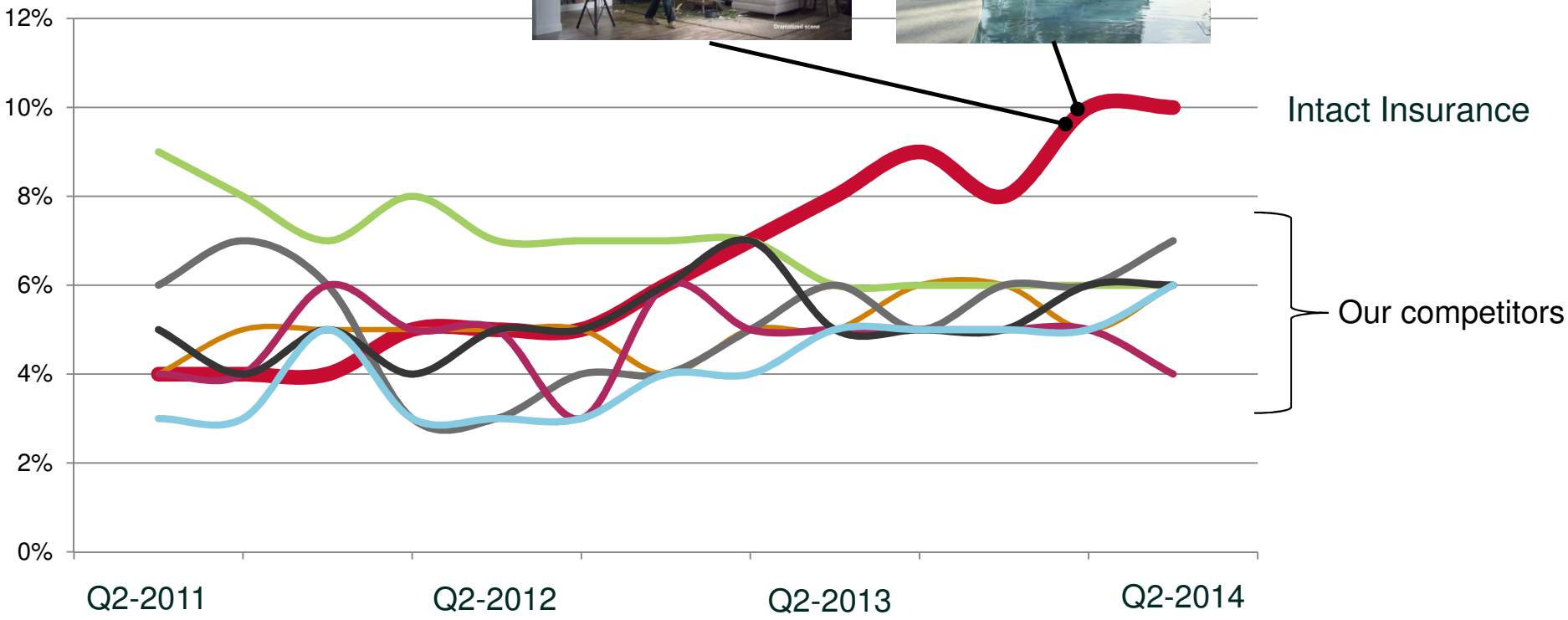
fuel entrepreneurial spirit

National brand recognition

Intact Insurance top-of-mind awareness exceeds that of more established companies

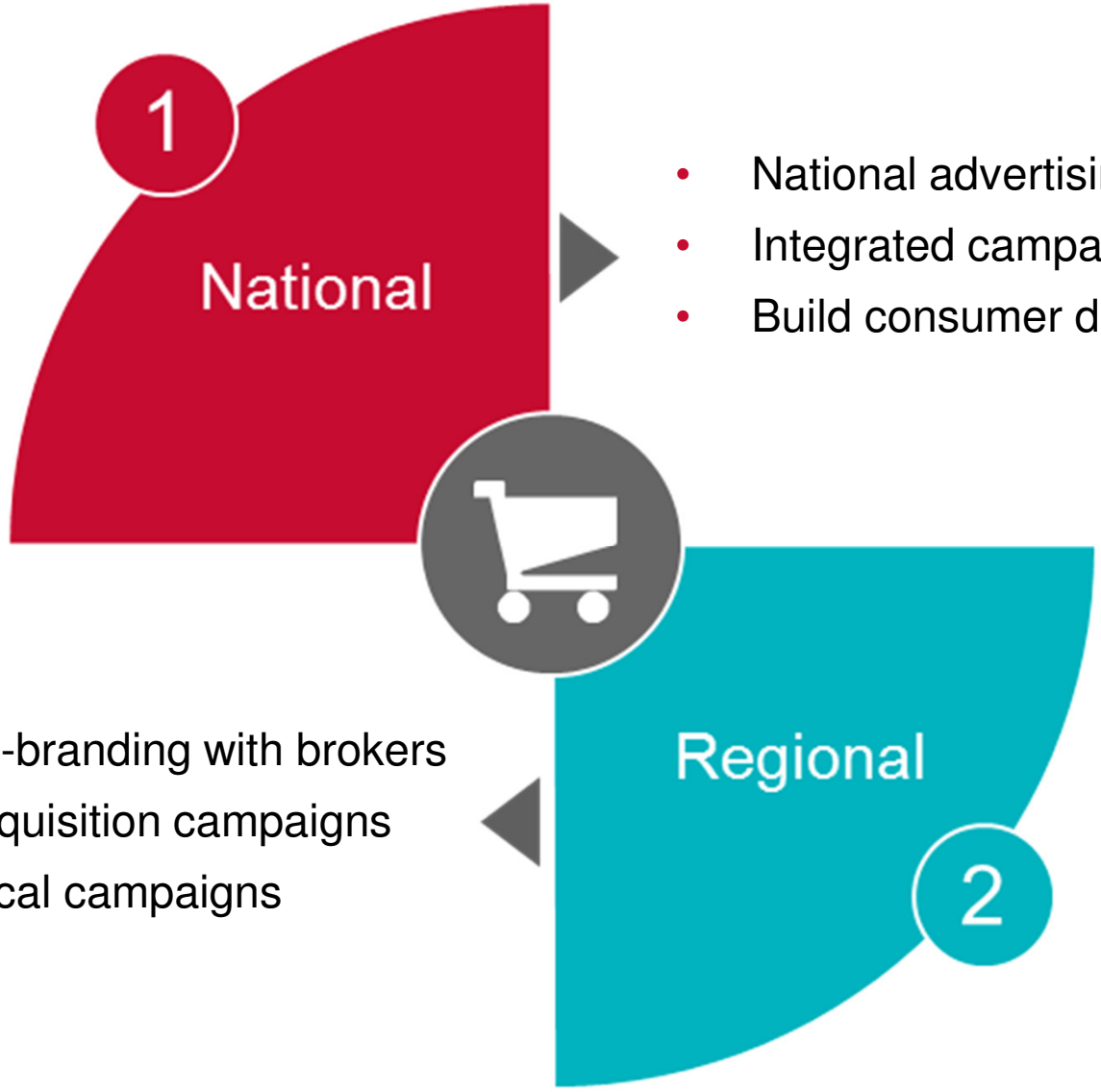
Customers were asked: ***"Thinking about providers of home and car insurance products and services, which brand or company first comes to mind?"***





Brand strategy

How do we think about branding?



- National advertising
- Integrated campaigns
- Build consumer demand

- Co-branding with brokers
- Acquisition campaigns
- Local campaigns

Brand strategy

Strong brands build strong businesses

more likely to obtain a **quote**

more likely to **purchase**

*JD Power – US Purchase Report

Technology

Responding to customer needs

Brokers

Market leading technology for broker channel*

Single national commercial lines platform

Customers

Buy-online

Claims centre

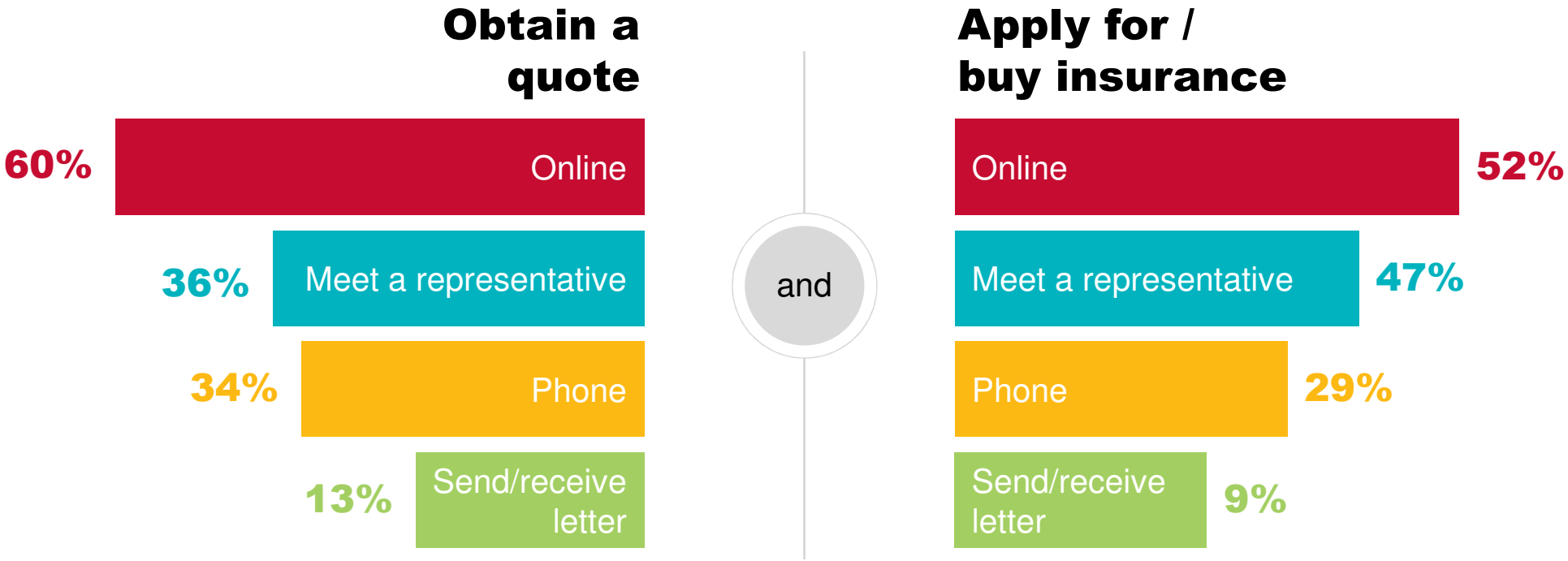
Going paperless

Billing

* Navicom 2013 broker survey

Technology

Customers are increasingly online

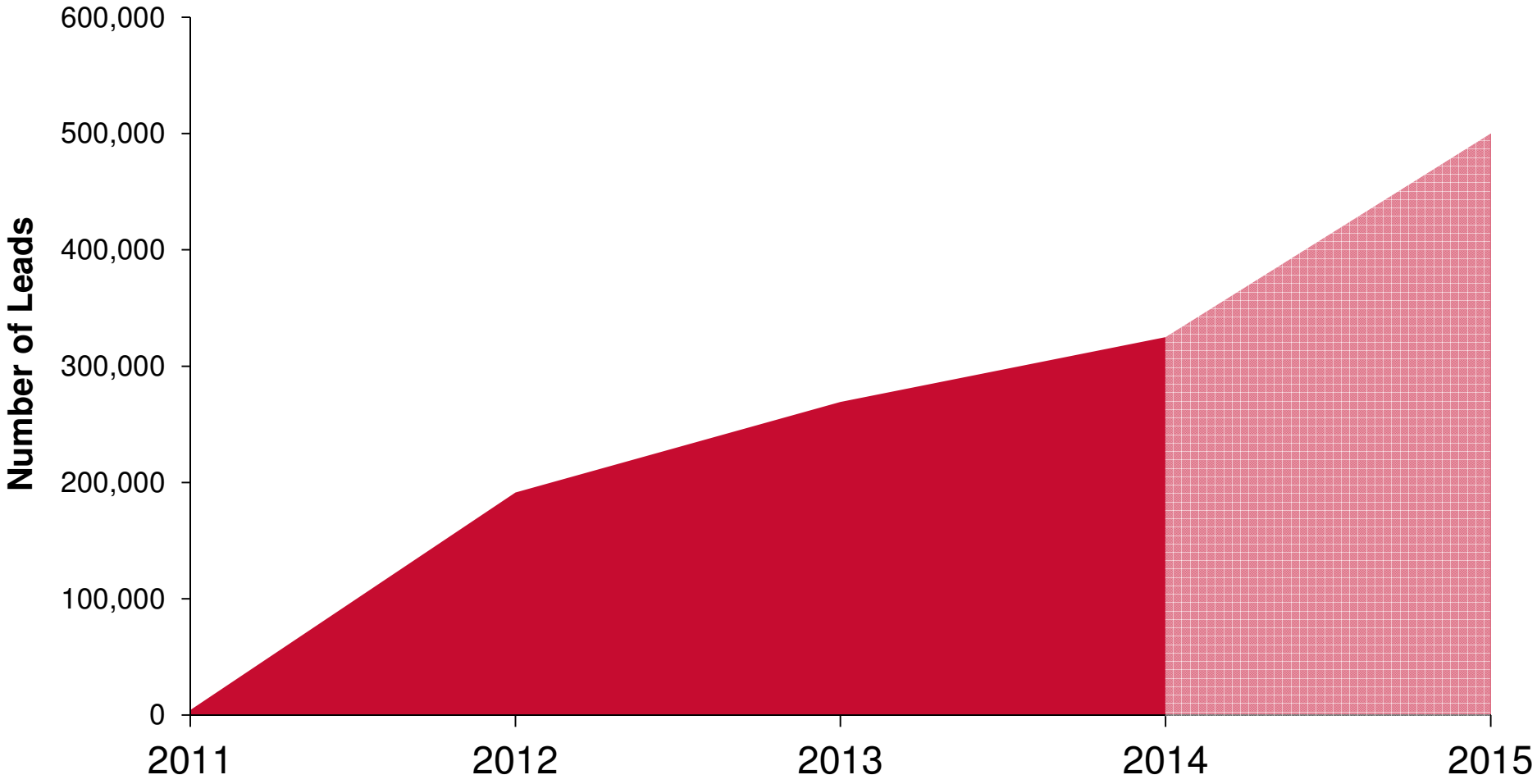


The majority of consumers want to obtain a quote online (60%) and 52% are interested in buying online, but few brokers are well-equipped to attract these potential customers.

Source: 2013 Accenture study of digital habits of consumers.

Buy-online

Building digital capability to drive growth for brokers



Note: 2015 projection based on projected media spend.

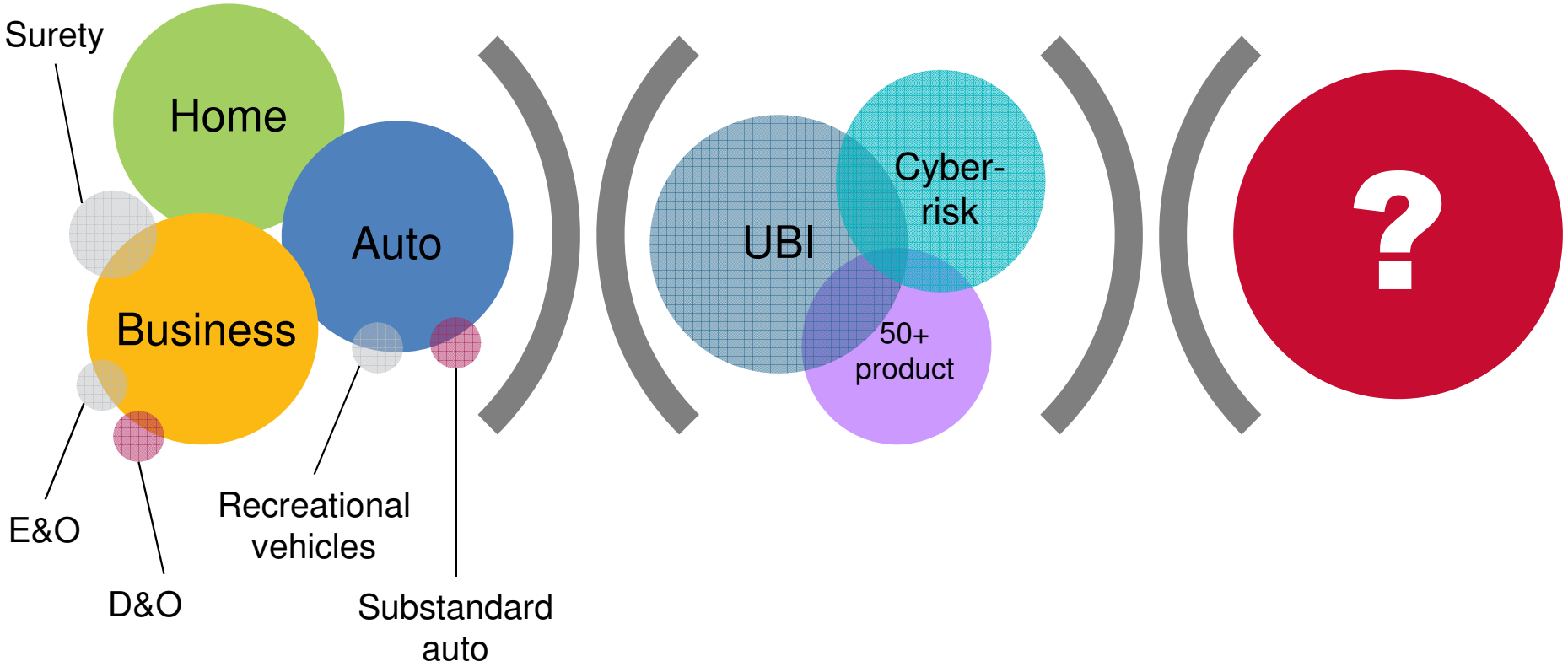
Broad product suite

Addressing all customer needs

Current product suite

New products

To come in near future



Broad product suite

Usage-Based Insurance

- Intact was the first to offer UBI via the broker channel
- First to offer on Commercial Auto
- Drives new business
- Encourages safer driving
- Available in ON, QC, NB; coming to AB and NS in 2015

21%
uptake in new business

52k++
enrolments

168M
kilometres driven

9.1%
average discount

Broad product suite

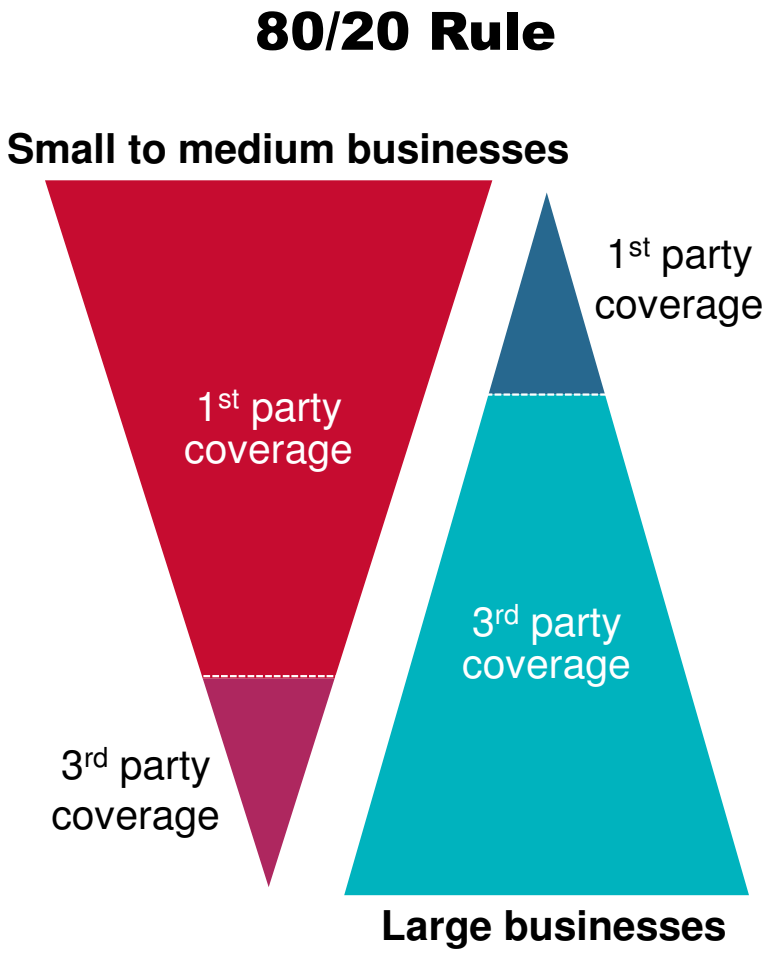
Cyber-risk

Rates have significantly increased and there is capacity shortage

Intact's Plan

- First party expense based coverage endorsement
- Small-medium sized businesses
- Supported by vendor

Risk limited to $100,000 per insured

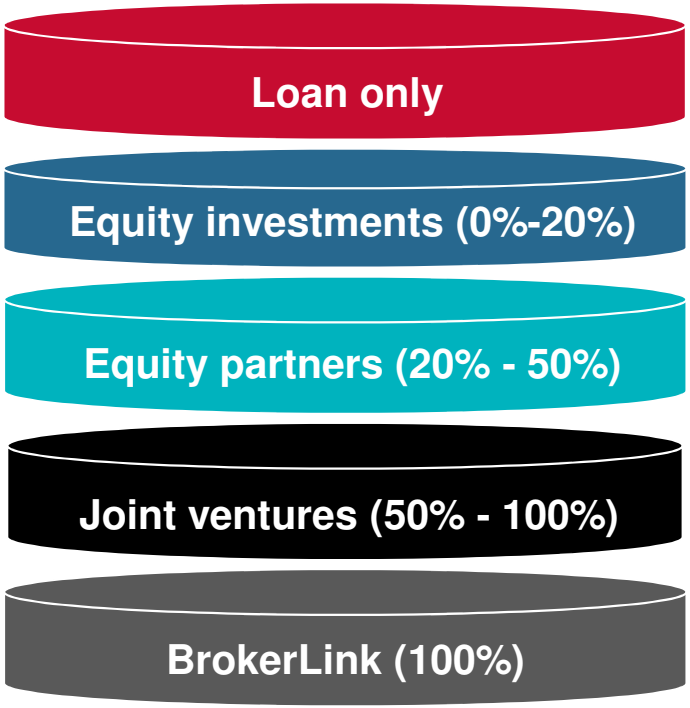


Multiple financing options

Ranging from loans to full equity ownership

Broker needs

Potential solutions



Broker Financial Solutions (BFS)

Benefits for **Brokers**

Strategic advice

Financial solutions

Customized business solutions

Benefits for **IFC**

Stimulate our long-term growth

Fuel brokers' entrepreneurial spirit

Distribution income

BFS economics

Now and future potential

Distribution income

Expect to reach $50 million run rate in 2015

Manufacturing upside

~$2 billion Intact Insurance premiums distributed through BFS

BROKERLINK

Pete Weightman, President, BrokerLink

BrokerLink Profile

Overview of our business

$900M DPW
106 offices
1,100 employees

$320M DPW
29 offices
370 employees

$505M DPW
58 offices
600 employees

$75M DPW
19 offices
130 employees

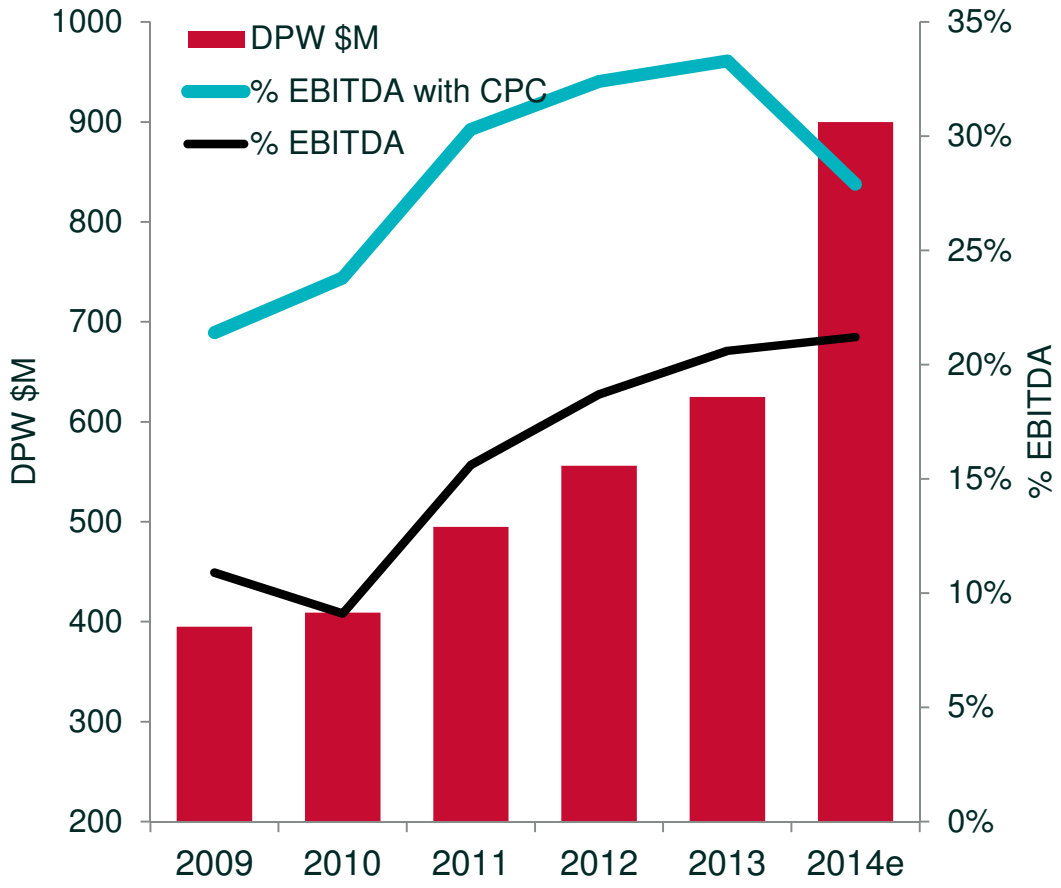
Objective:
Build a broker model that can compete with direct writers

Business model:
- Build scale
- Drive operational efficiencies
- Reinvest in brand & technology
- Maintain choice of markets

Benchmarks:
- Organic growth profile that emulates direct writer
- EBITDA (ex. CPC) > 20%

BrokerLink

The financial performance of the business is strong



18% DPW 5-year CAGR

~21% % EBITDA (pre-CPC)

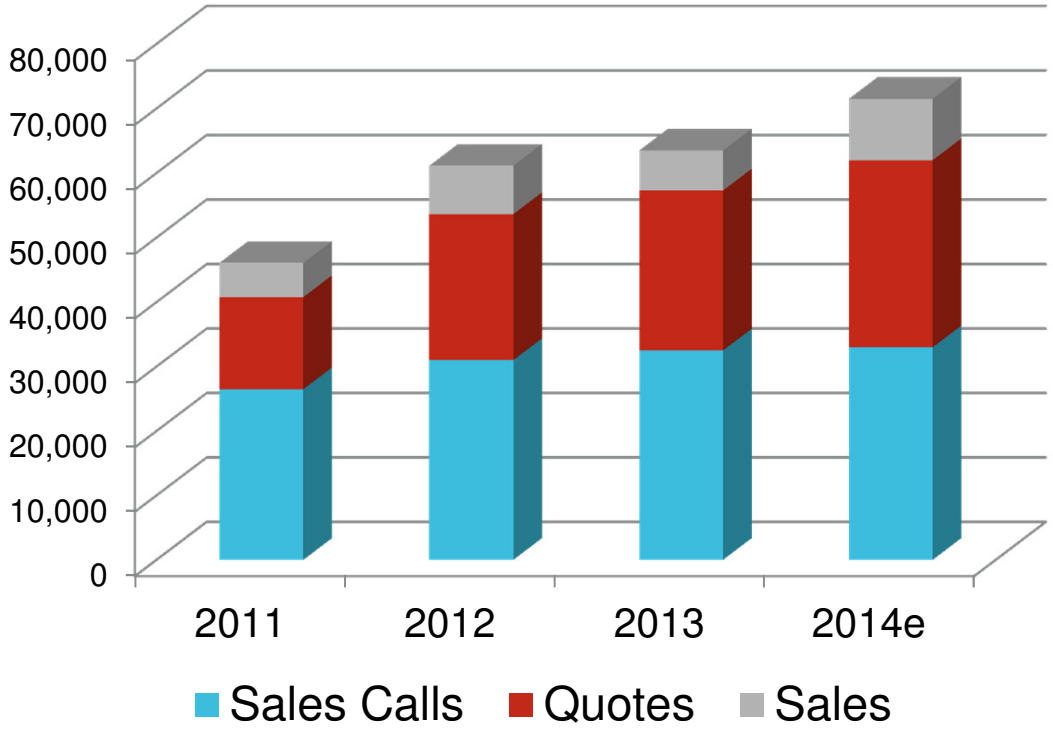
$50M $ EBITDA in 2015

Growth opportunities

Mass marketing

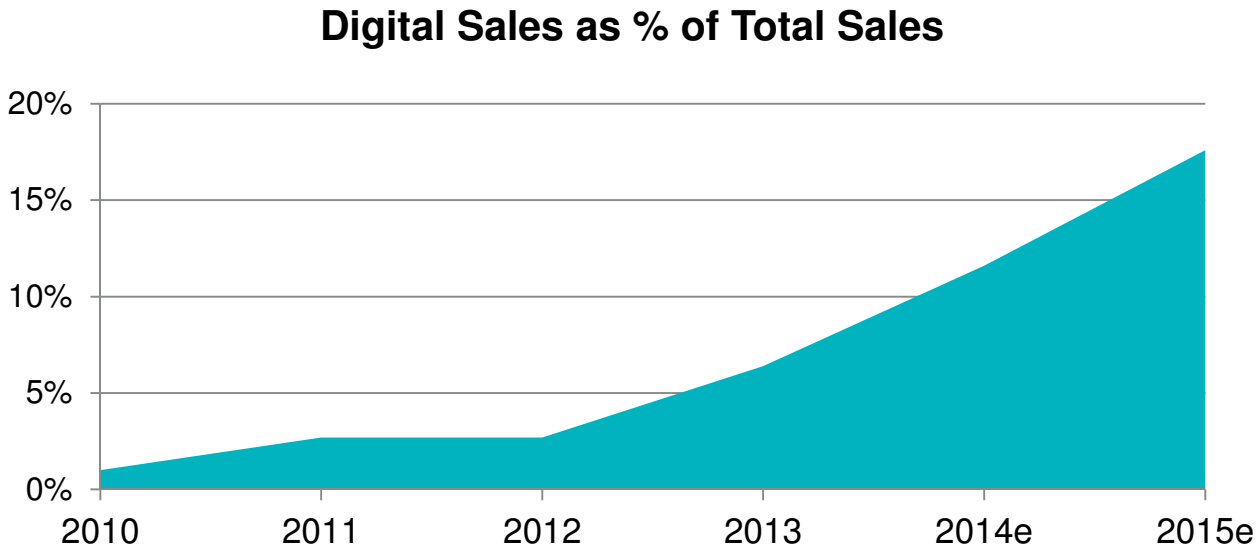
Campaign sales to new customers in four flagship offices (vs. same period last year):

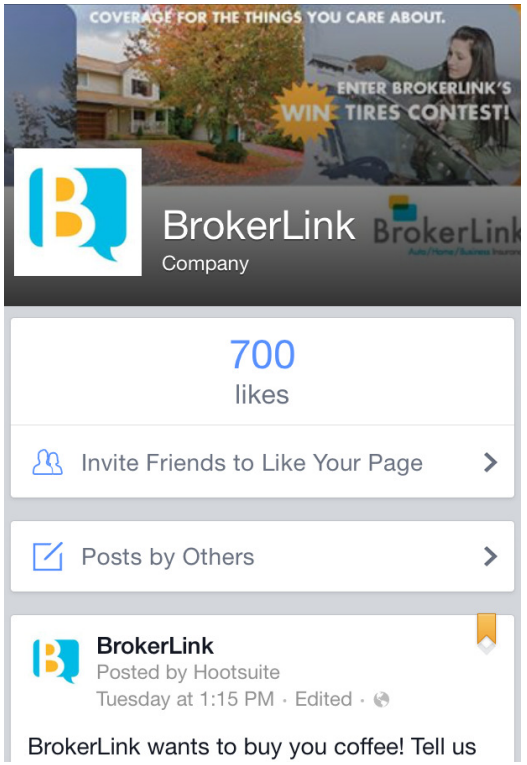
- Spring campaign **+32%**
- Fall campaign **+91%**

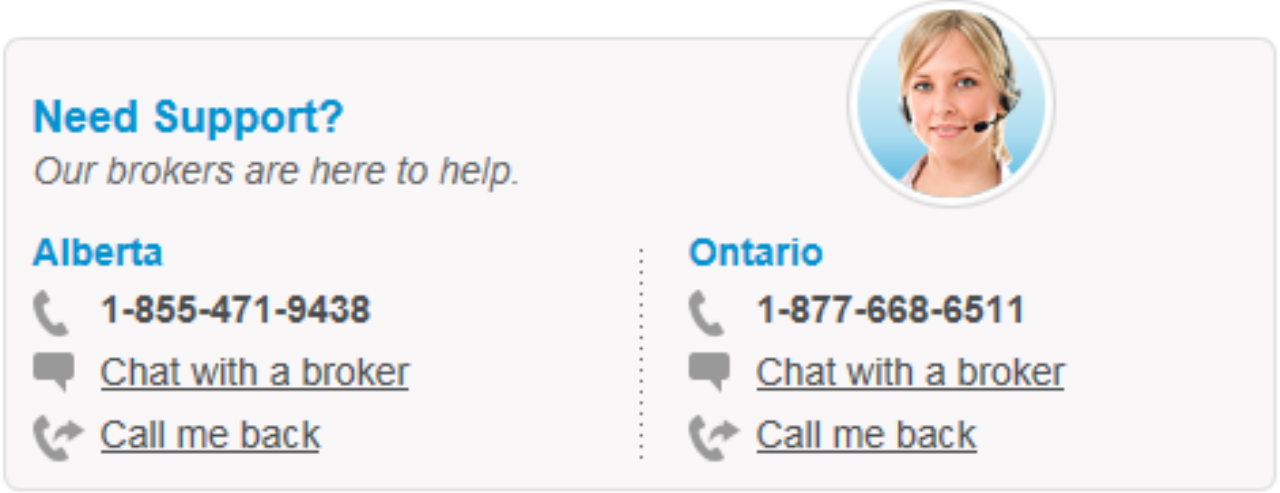


Growth opportunities

Digital sales







Growth opportunities

Acquisitions

BrokerLink's acquisition track record:

Year	# of transactions	DPW ($M)
2011	6	19
2012	10	59
2013	6	56
2014	10	265

Continued opportunity due to:

- Succession planning
- Technology investments
- Strong valuations

BrokerLink

Looking ahead

- Solid and sustainable financial results
- Committed to significant mass marketing spend
- Well positioned to capture digital opportunities

$2 billion DPW
in the mid-term

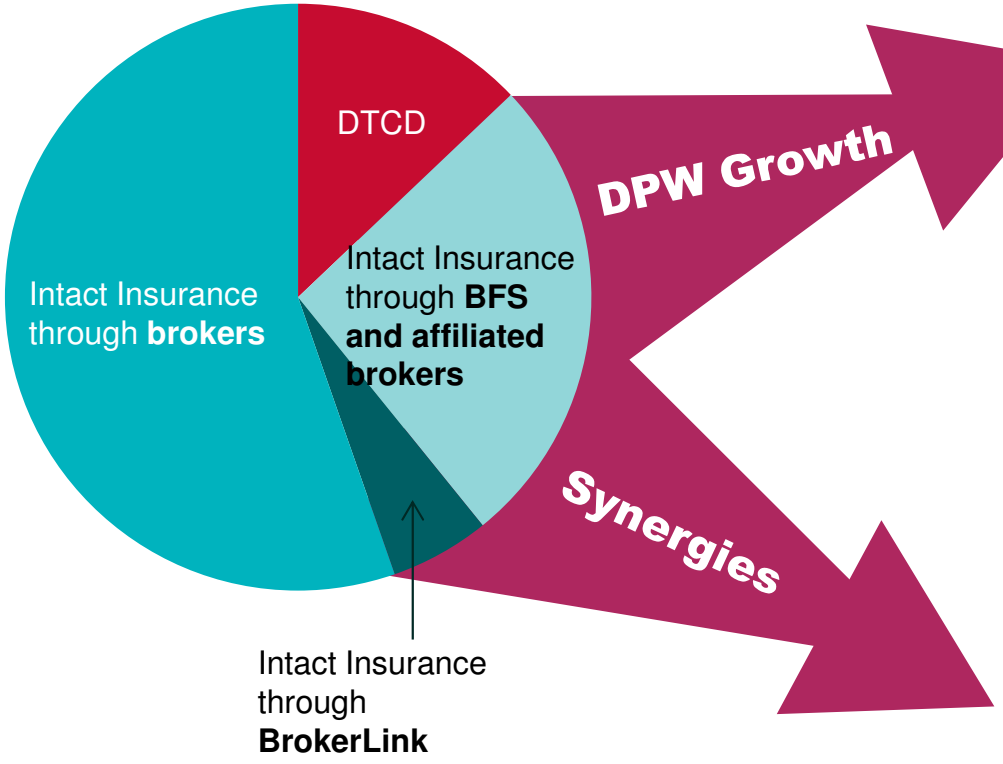
BRINGING SCALE

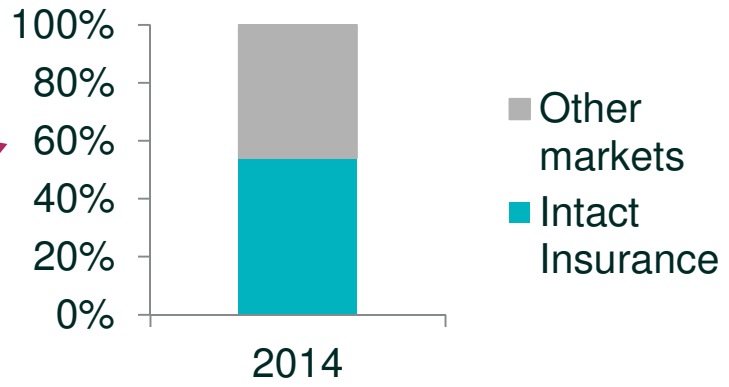
Louis Gagnon, President, Service and Distribution

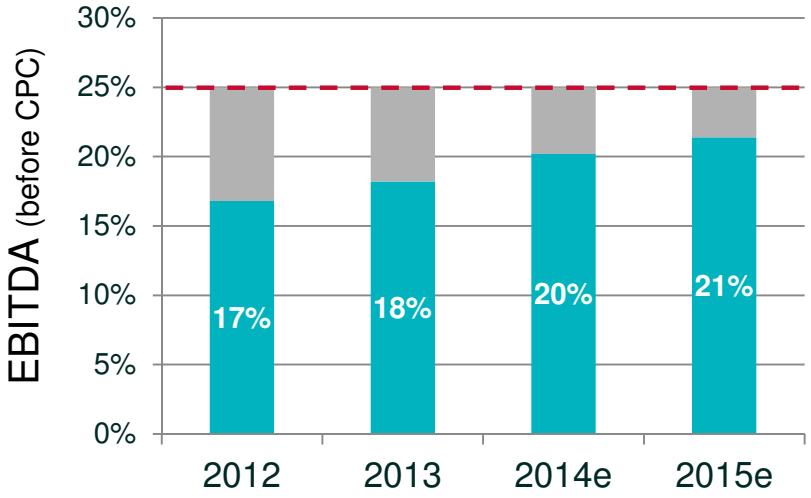
Benefits of investing in brokers

Distribution income, premium growth and operational efficiencies

IFC DPW by distribution channel



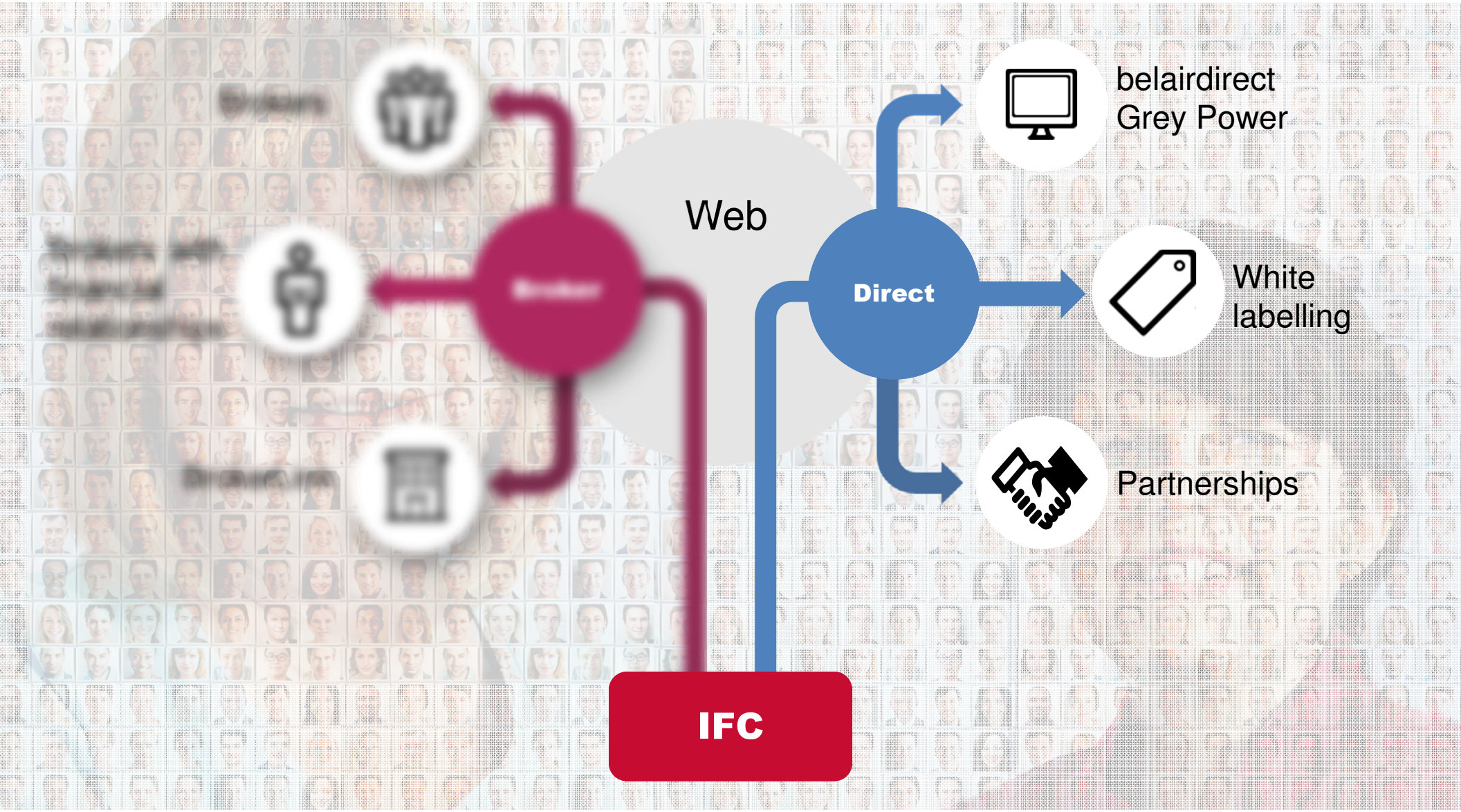




$100M in distribution income in 2015

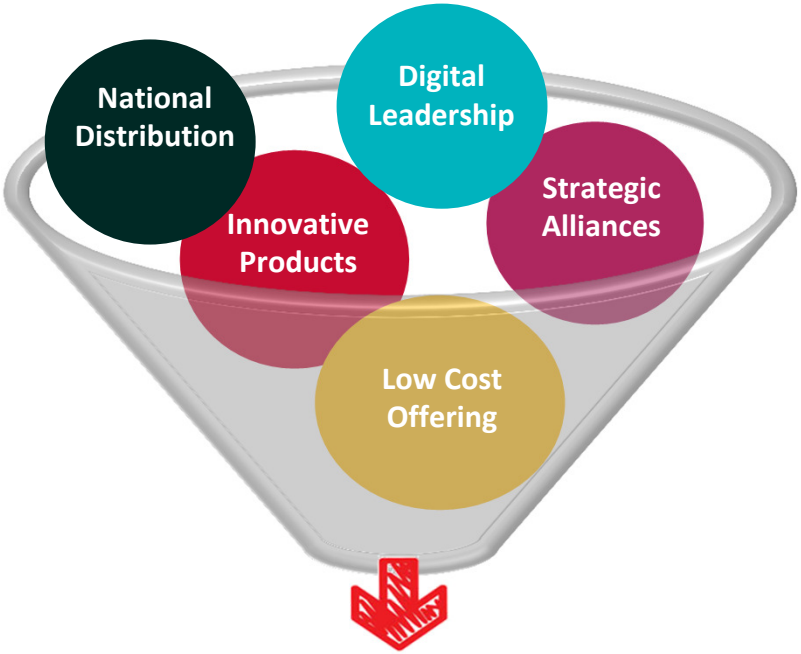
Overview

A closer look at direct-to-consumer distribution



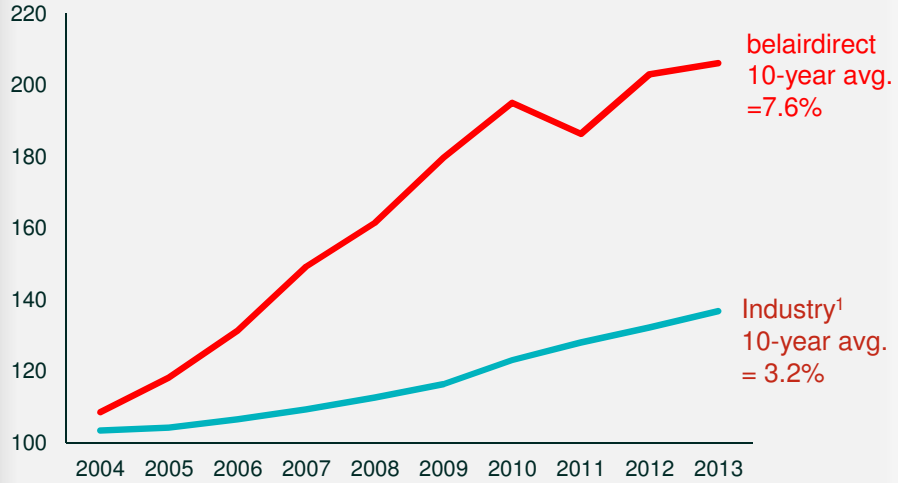
Direct-to-consumer distribution

Our strategy



$2 billion in revenues over the mid-term

Organic growth track record



belairdirect #1 in customer satisfaction in Ontario

Doubling our direct

Three avenues of growth

Accelerating organic growth

Maximize the potential of digital

Adapting to the changing consumer

New sources of distribution

White labelling

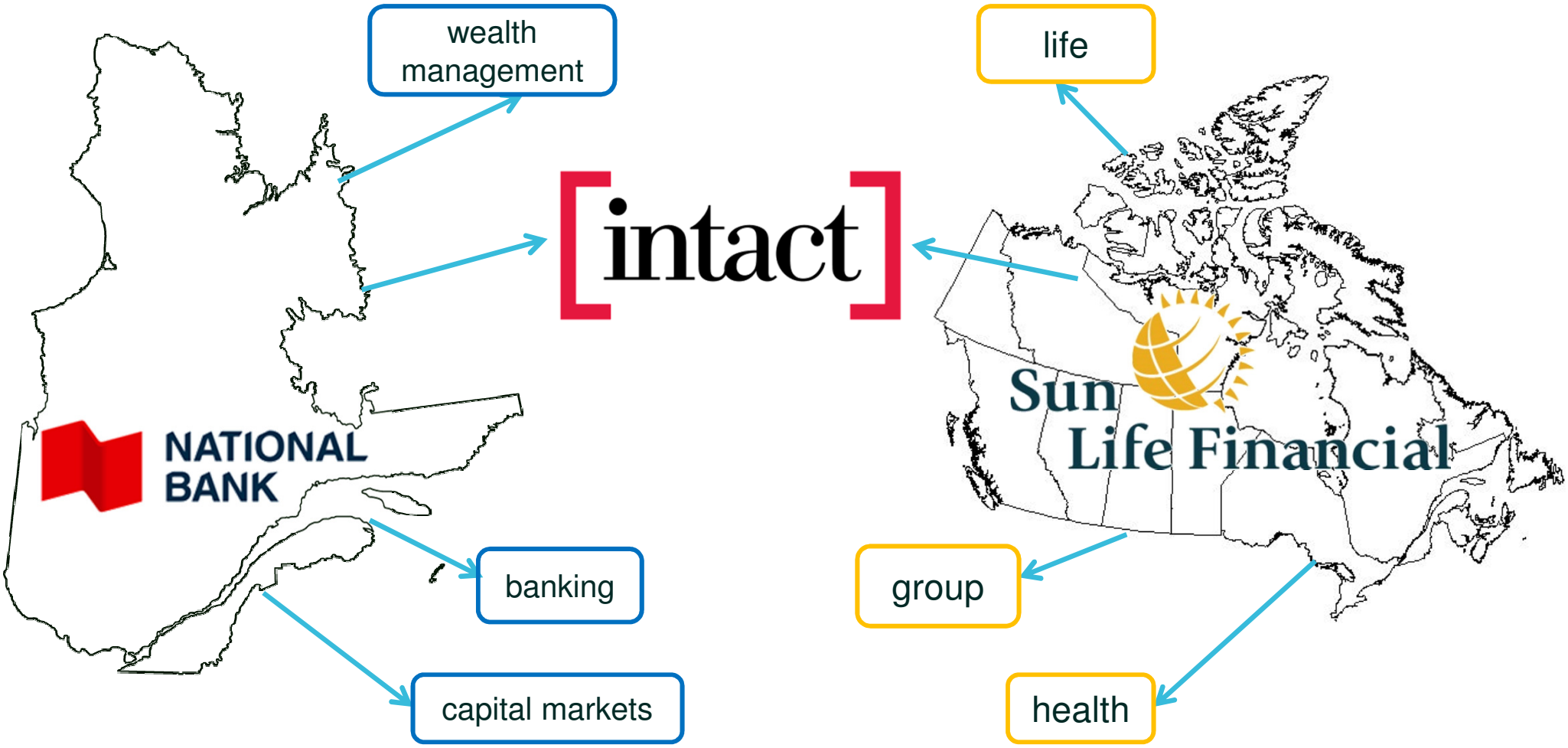
Partnerships

Inorganic growth

Acquisitions

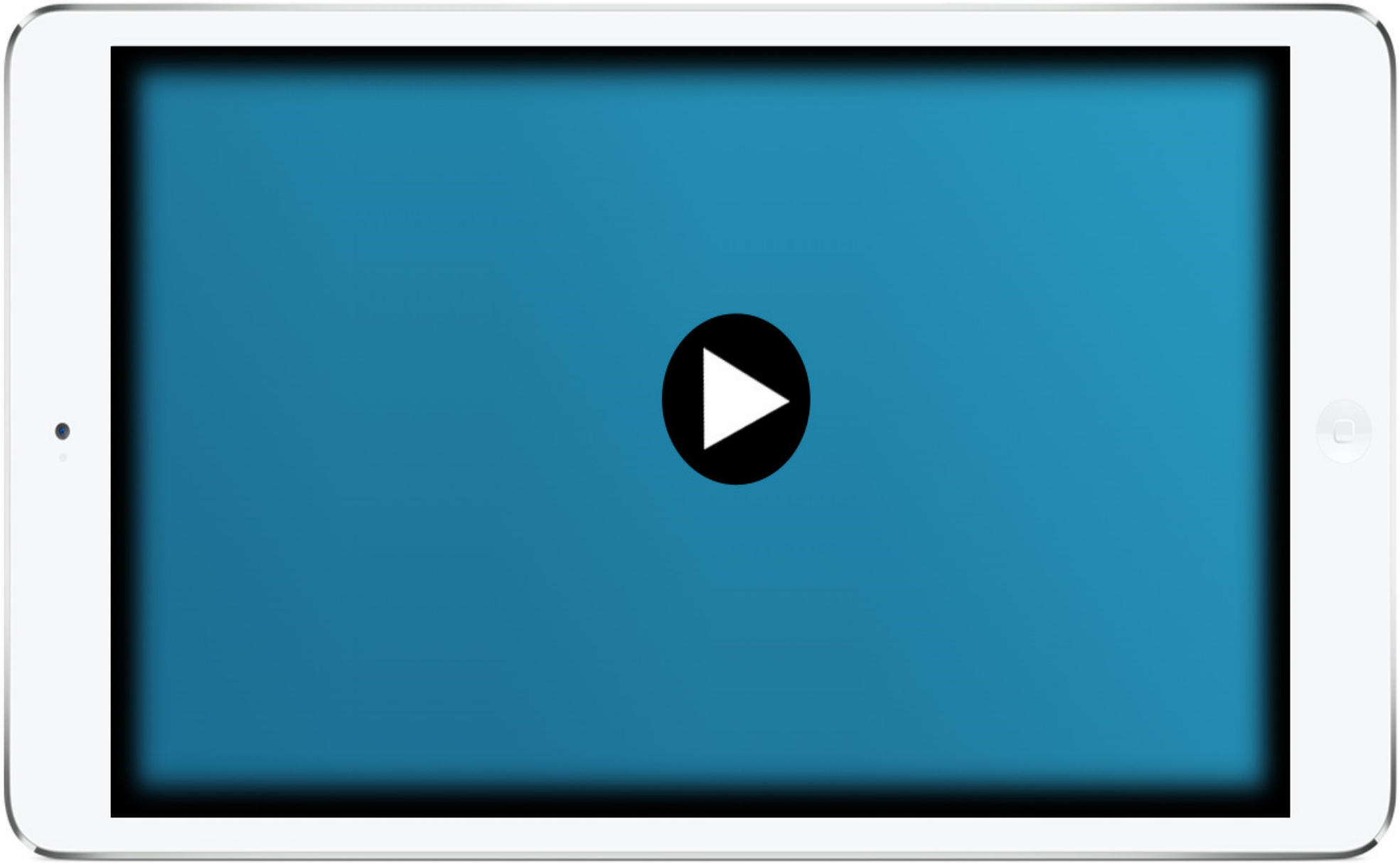
New sources of distribution

Leveraging well known brands to increase our penetration



Accelerating organic growth

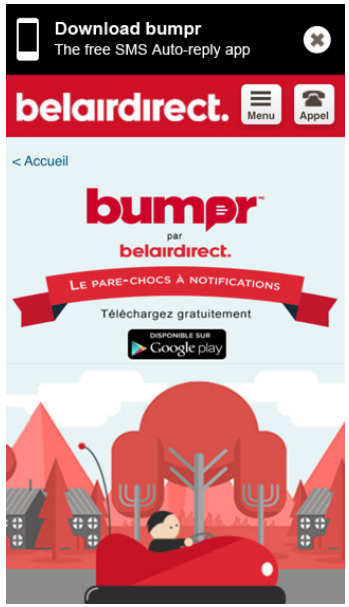
Empowering consumers by maximizing the potential of digital



Maximizing the potential of digital

Using digital to generate response

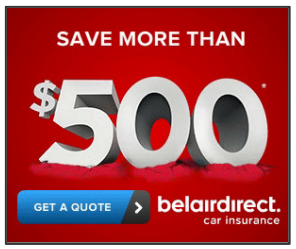
- belairdirect: quotes completed online represent an large portion of business
- Strong presence in all digital media
- Internal and external data used to customize ads, refine segmentation and retarget
- Web quotes increased by 87%, cost per acquisition reduced by 56%

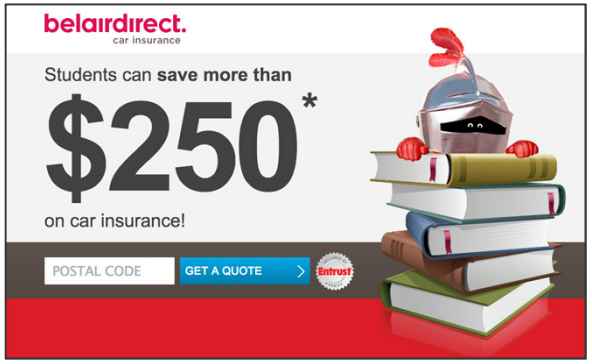


Up to

17,000

ads / month



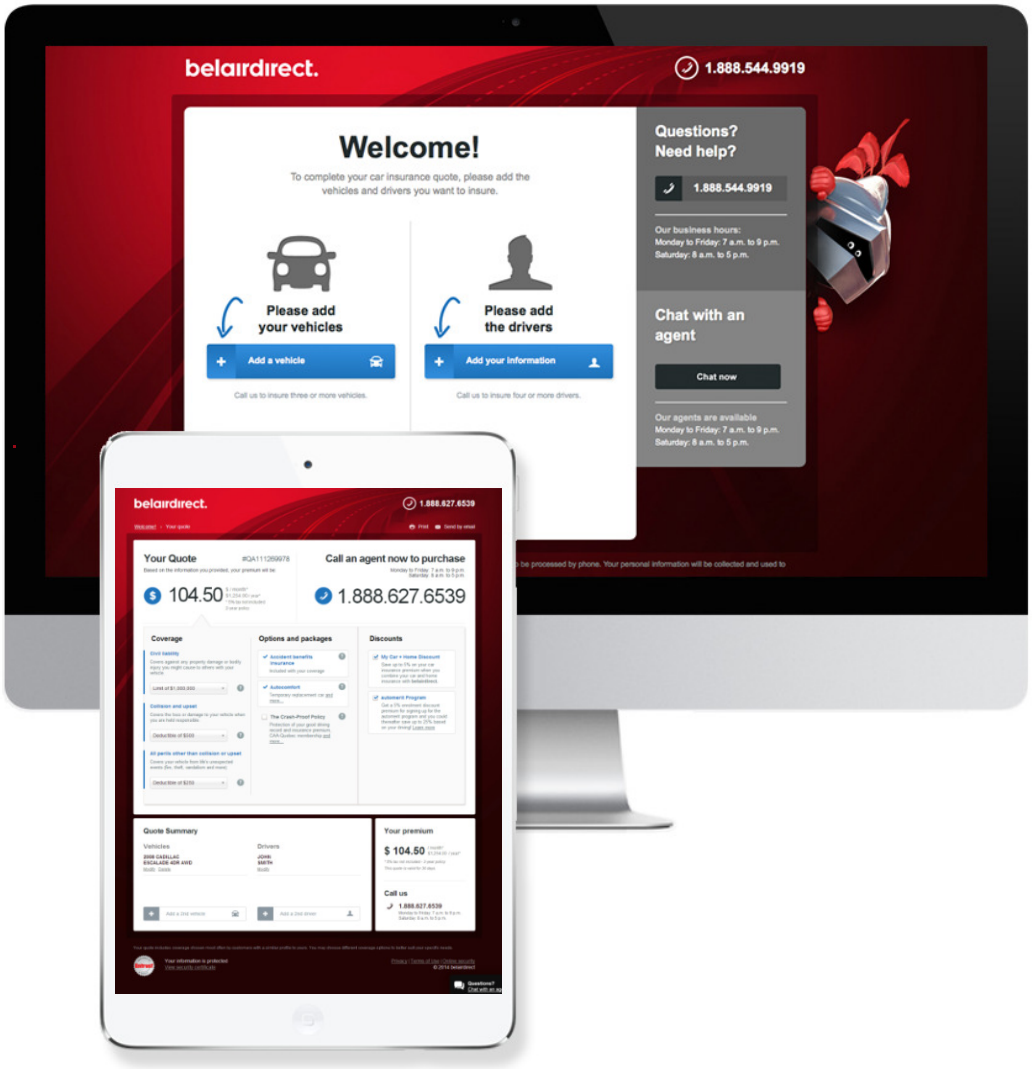


Maximizing the potential of digital

Using digital for customer acquisition

A new auto quote experience

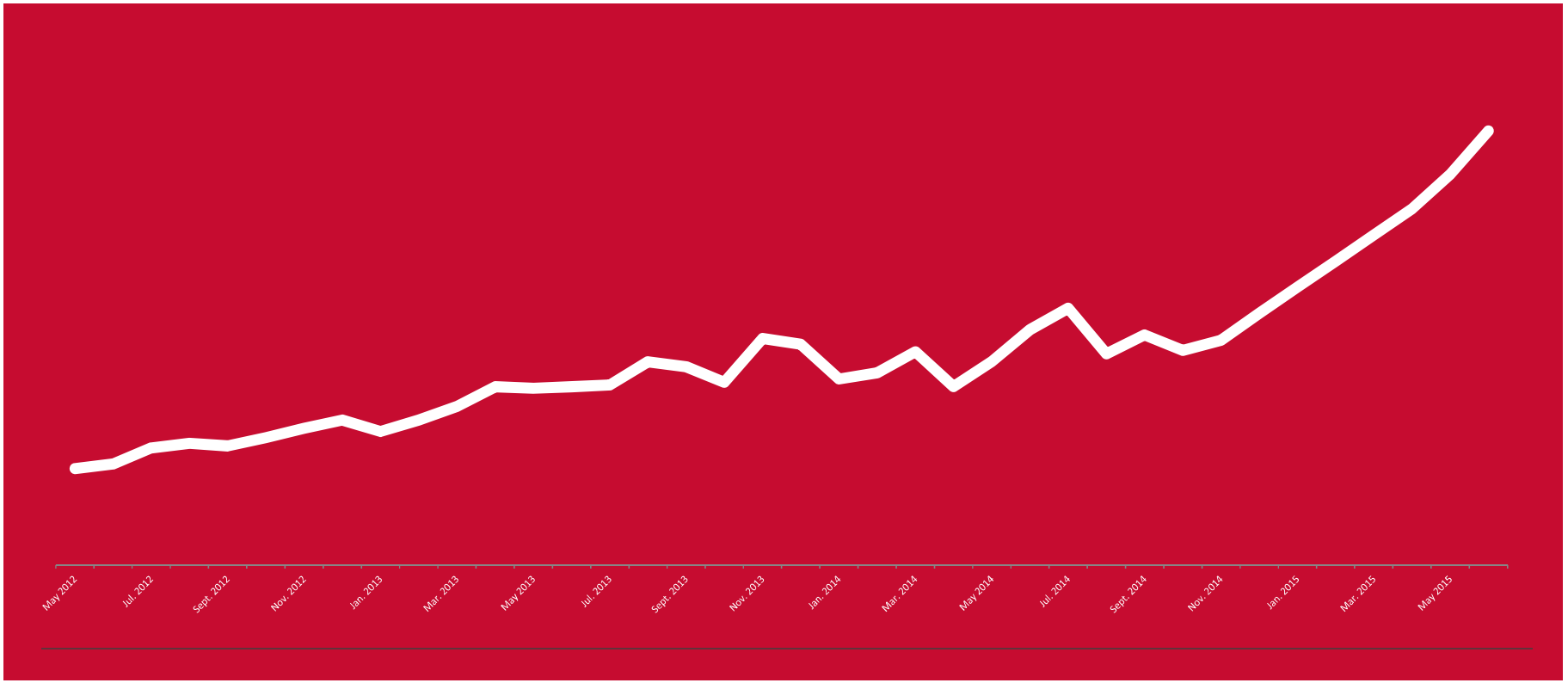
- Simplified online quoting
- Customer-driven approach
- Product adapted to users
- Increased online quotes



Adapting to changing consumers

Expanding our offer to mobile

Evolution of mobile traffic on belairdirect.com (2012-2015)



Adapting to changing consumers

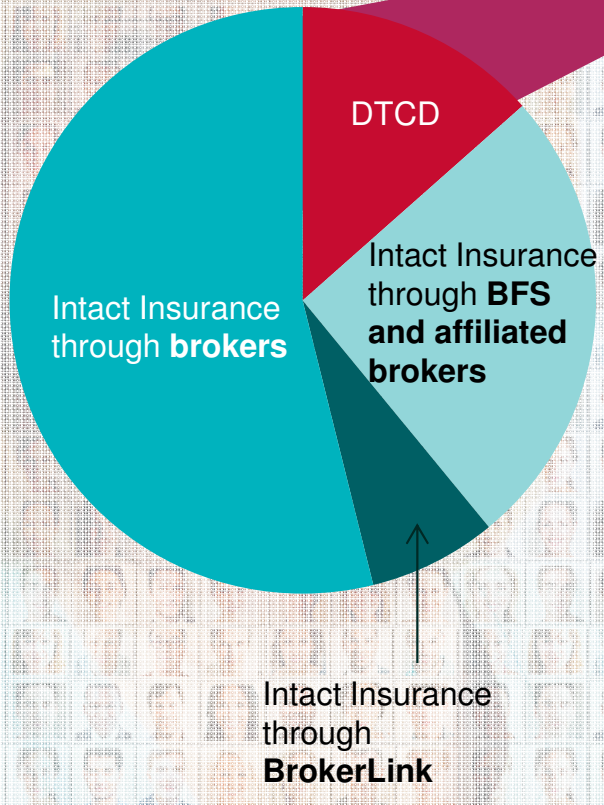
Simplifying insurance for mobile users

Quick Quote: Fast-forward conversion

Using mobility for acquisition

- 12 questions asked to see a premium, thanks to smart default values
- Adapted for desktop, tablets and mobile

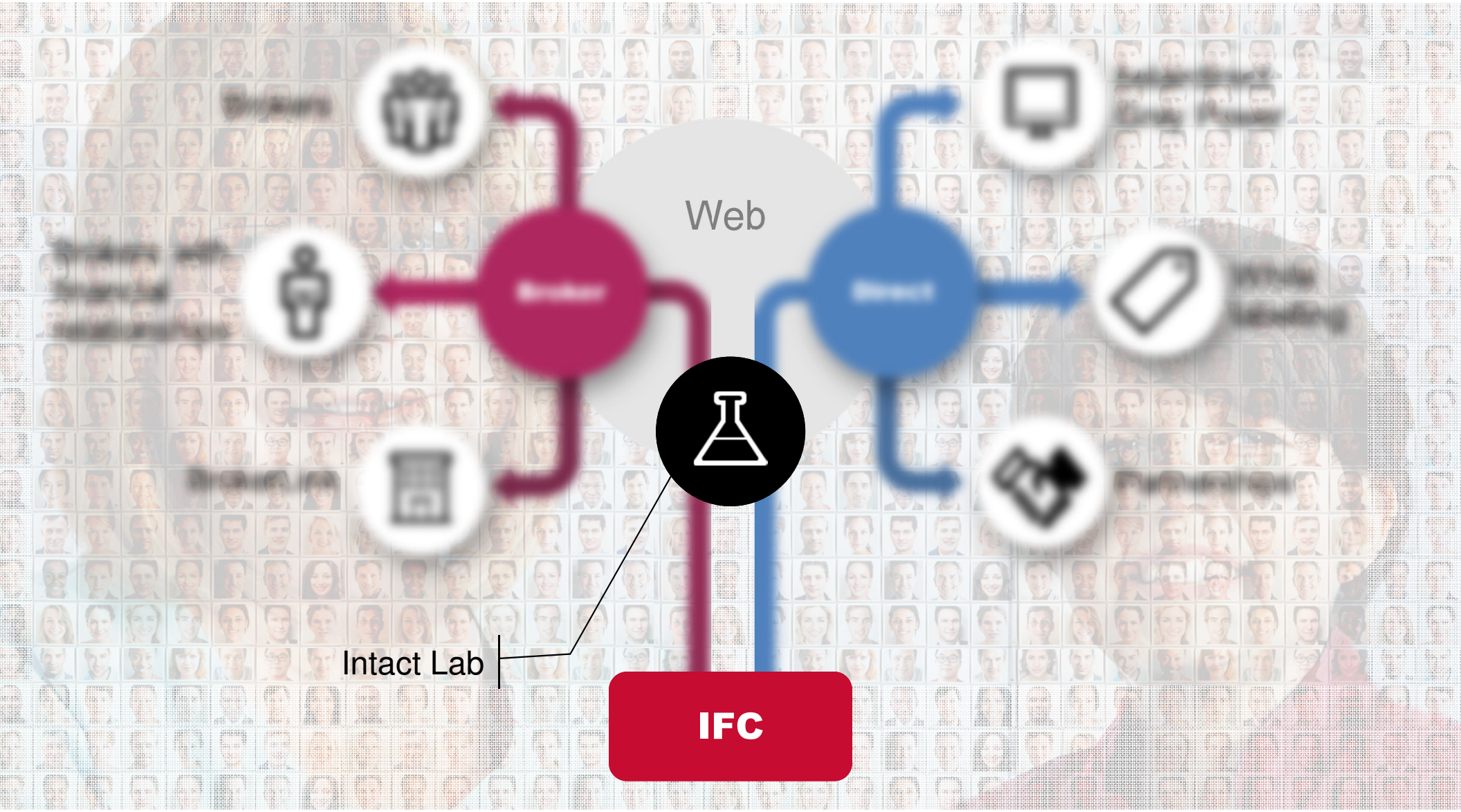
Potential in DTCD channel



- Double in the mid-term
- Digital leadership
- Testing ground for new ideas

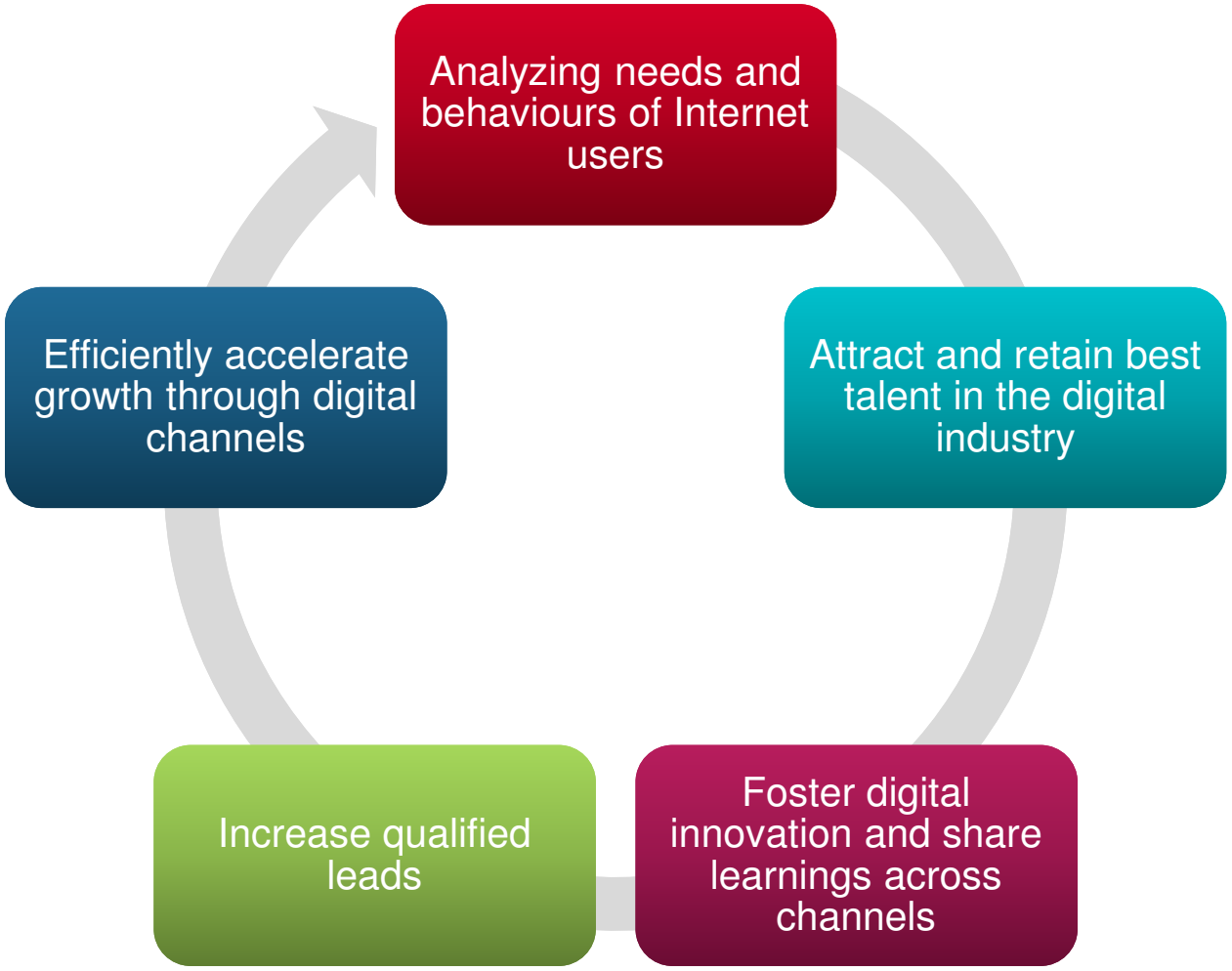
Overview

Introducing Intact Lab



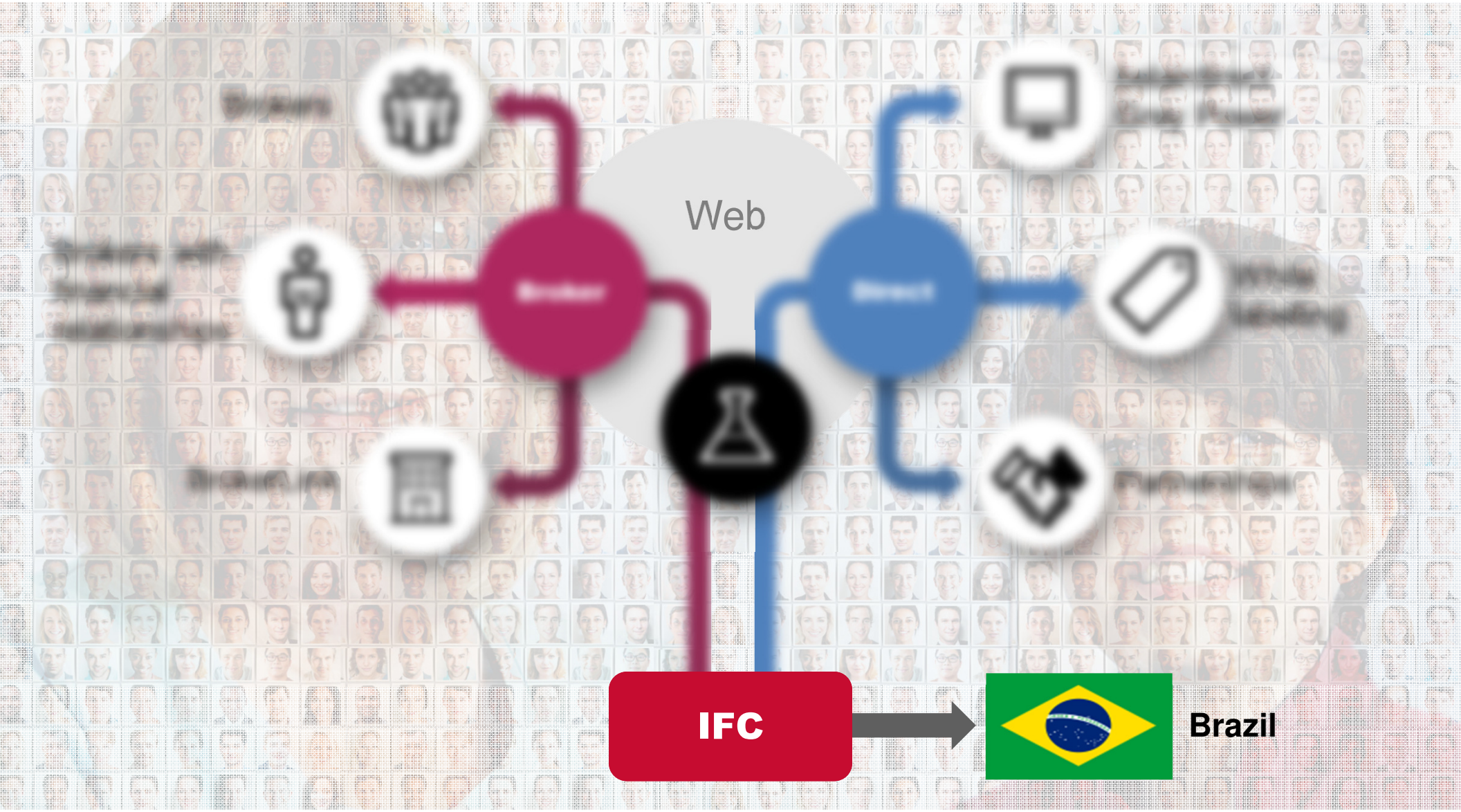
Intact Lab

Centralized team to make sure IFC captures all digital opportunities that can maximize customer satisfaction and sales revenues



Overview

Our recent investment in Brazil



Brazil

An initial step to expand beyond Canada

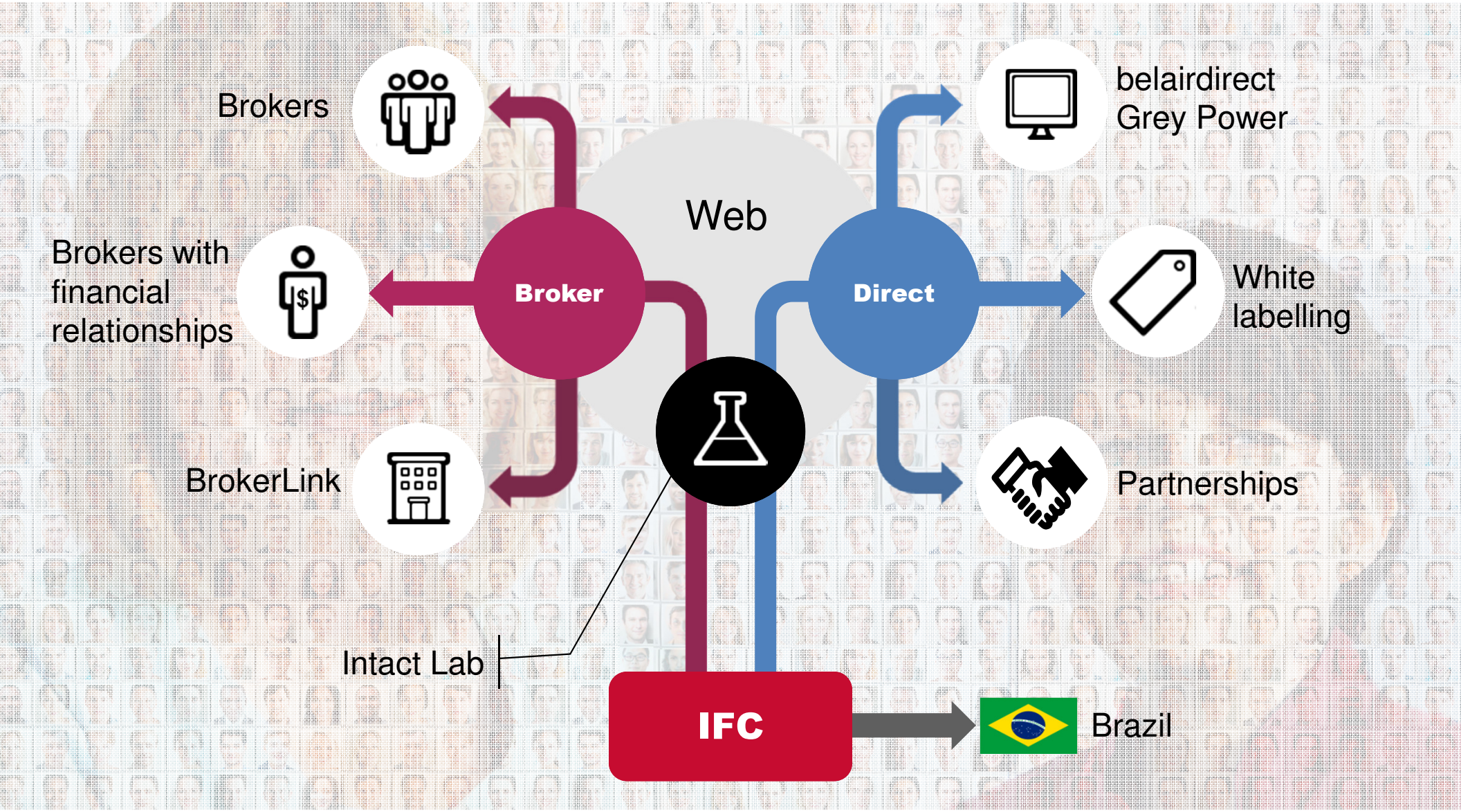
Small investment **(<$20M)** in Brazilian electronic marketplace

- Gain experience and intelligence on that market
- Apply our manufacturing knowledge

Stable regulatory environment, growing middle class, and underpenetrated auto insurance market

Overview

How we manage our distribution



IT’S TIME FOR A BREAK

INVESTMENT MANAGEMENT

David Tremblay, VP and Deputy CIO, Fixed Income and Asset Allocation
Werner Muehlemann, VP and Deputy CIO, Equities and Operations

Intact Investment Management

Overview

- **$13.2B of assets under management**
- **Expect net investment income of ~$420MM for 2014, similar for 2015**
- **50 employees including 20 portfolio managers, analysts and traders**
- **Excellent long term asset management track record**
  - 1987 Preferred shares
  - 1988 Canadian fixed income
  - 1995 Dividend equities

Conservative and sustainable investment process, focused on after tax returns and adapted to the risks and constraints of Intact.

Contribution to outperformance

ROE outperformance

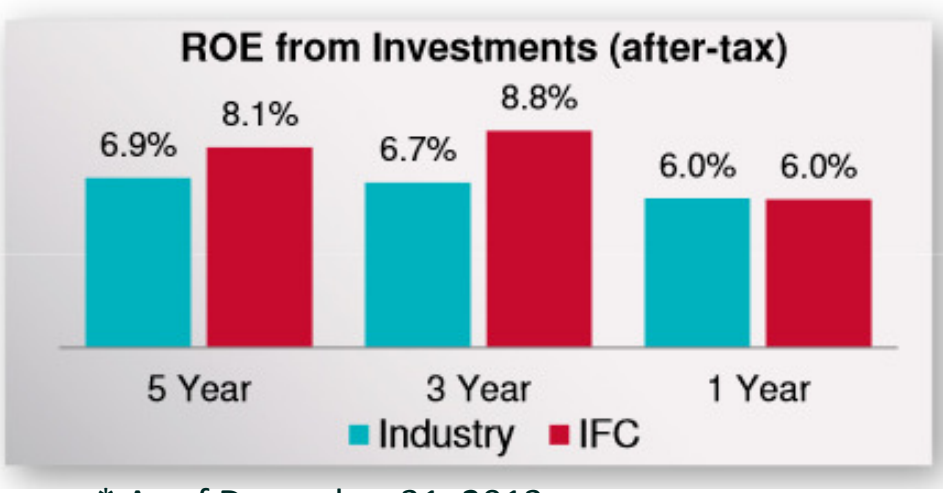
Objective: 160 bps of ROE outperformance

50% Investment Policy

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

50% Active Management

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



* As of December 31, 2013

Asset allocation

Custom designed optimization process

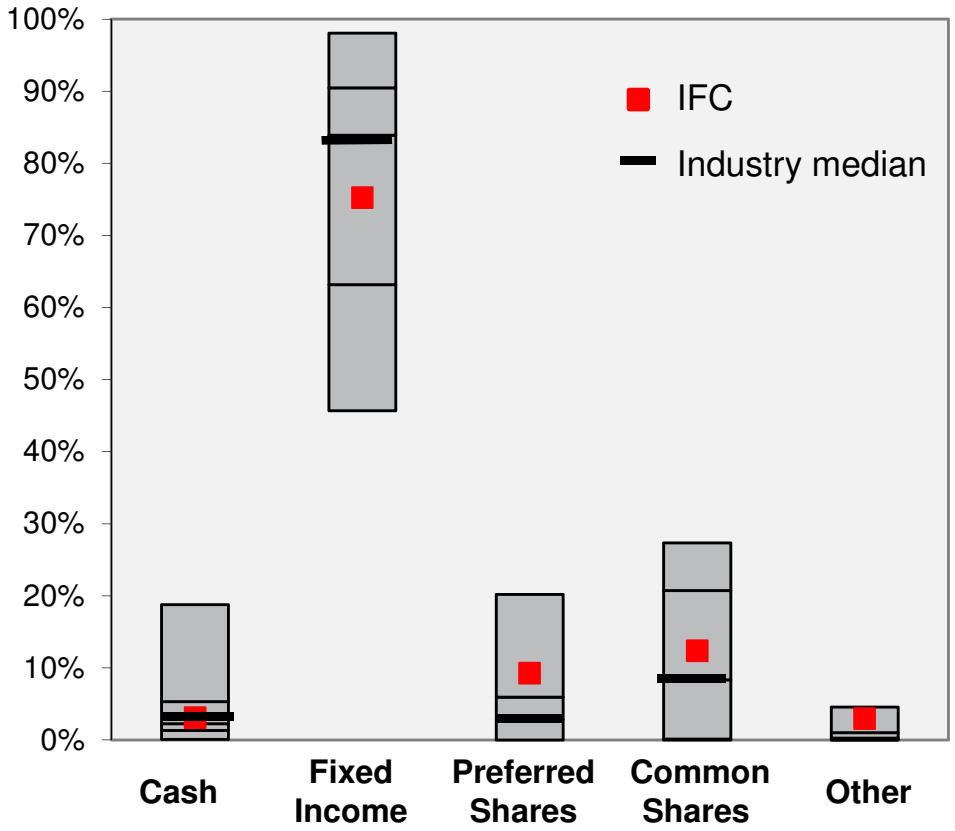
- Objective
  - Optimize for after-tax total return
- Critical considerations
  - Risk appetite, including insurance business
  - Insurance liability cash flow profile
  - Corporate strategy
  - Regulatory capital
  - Liquidity requirements

Asset allocation

IFC allocation contributes to ROE outperformance

IFC vs. Canadian P&C insurance industry[1]

Asset mix net of hedges (%)[2]



Higher expected after tax return

- More common shares
  - Quality dividend equities
- More preferred shares

Conservative fixed income portfolio

- High credit quality
- Available liquidity

Source: MSA and Intact. P&C industry data as of June 30, 2014. Intact data as of September 30, 2014.

(1) Excl. Lloyds, ICBC, SAF/SGI Canada, Manitoba, Genworth and IFC.

(2) Net of hedging positions and financial liabilities related to investments.

Risk management

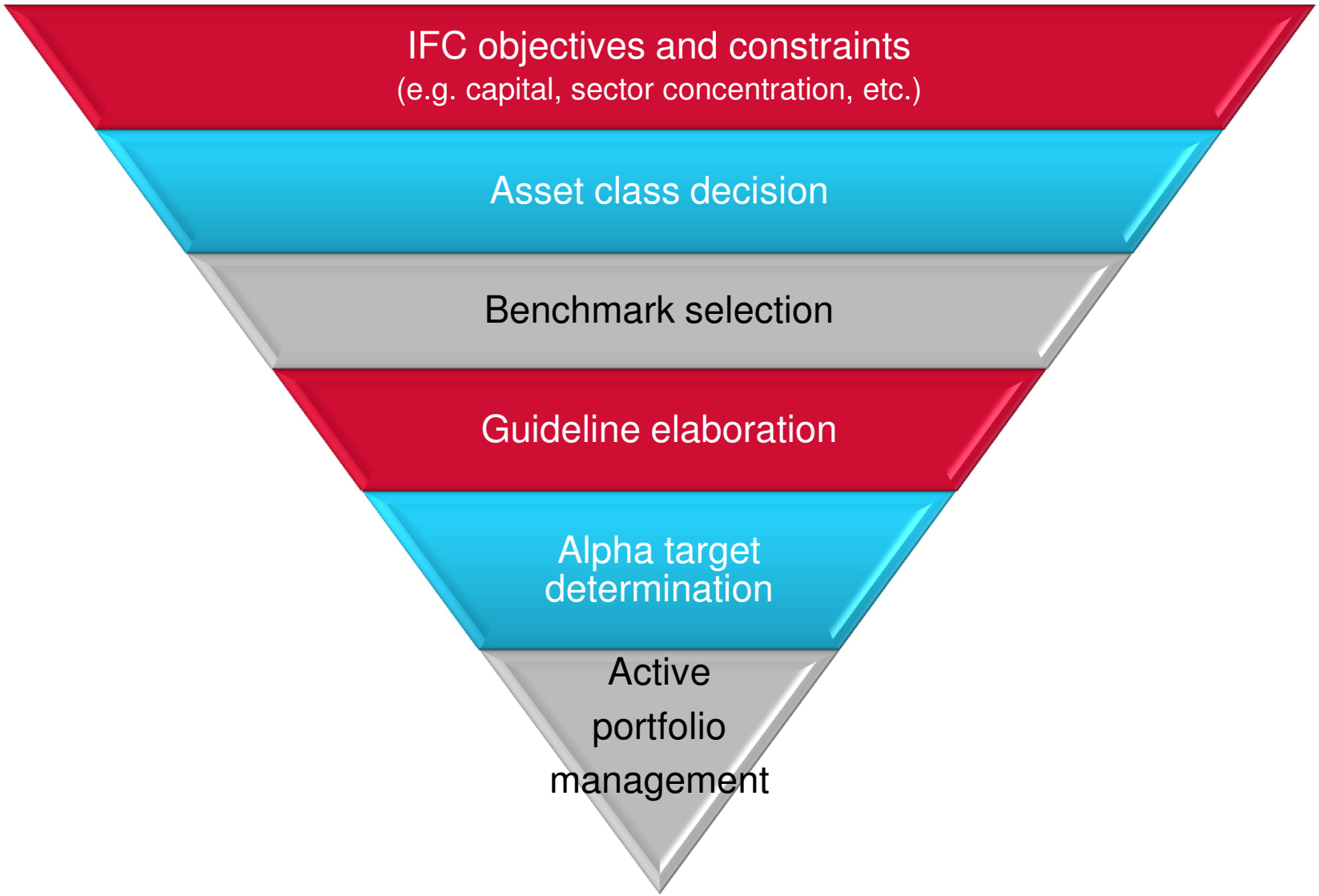
Solid contribution to the investment management process

- **Continual assessment of investment risk and operational risk**
- **Issuer and sector limits applied across asset classes**
- **Well defined risk appetite contributes to setting the right target mix**
  - **Low sensitivity to markets**

	Interest rate sensitivity		Equity market sensitivity	
	100bps ↑	**100 bps ↓**	**10% ↑ Commons 5% ↑ Prefs**	**10% ↓ Commons 5% ↓ Prefs**
Net income	19	(19)	(33)	29
OCI	(167)	167	176	(172)
MCT	(3) pts	2 pts	4 pts	(4) pts

Customized investment strategies

Culture of Innovation: Strategies that fit Intact's objectives



Equities

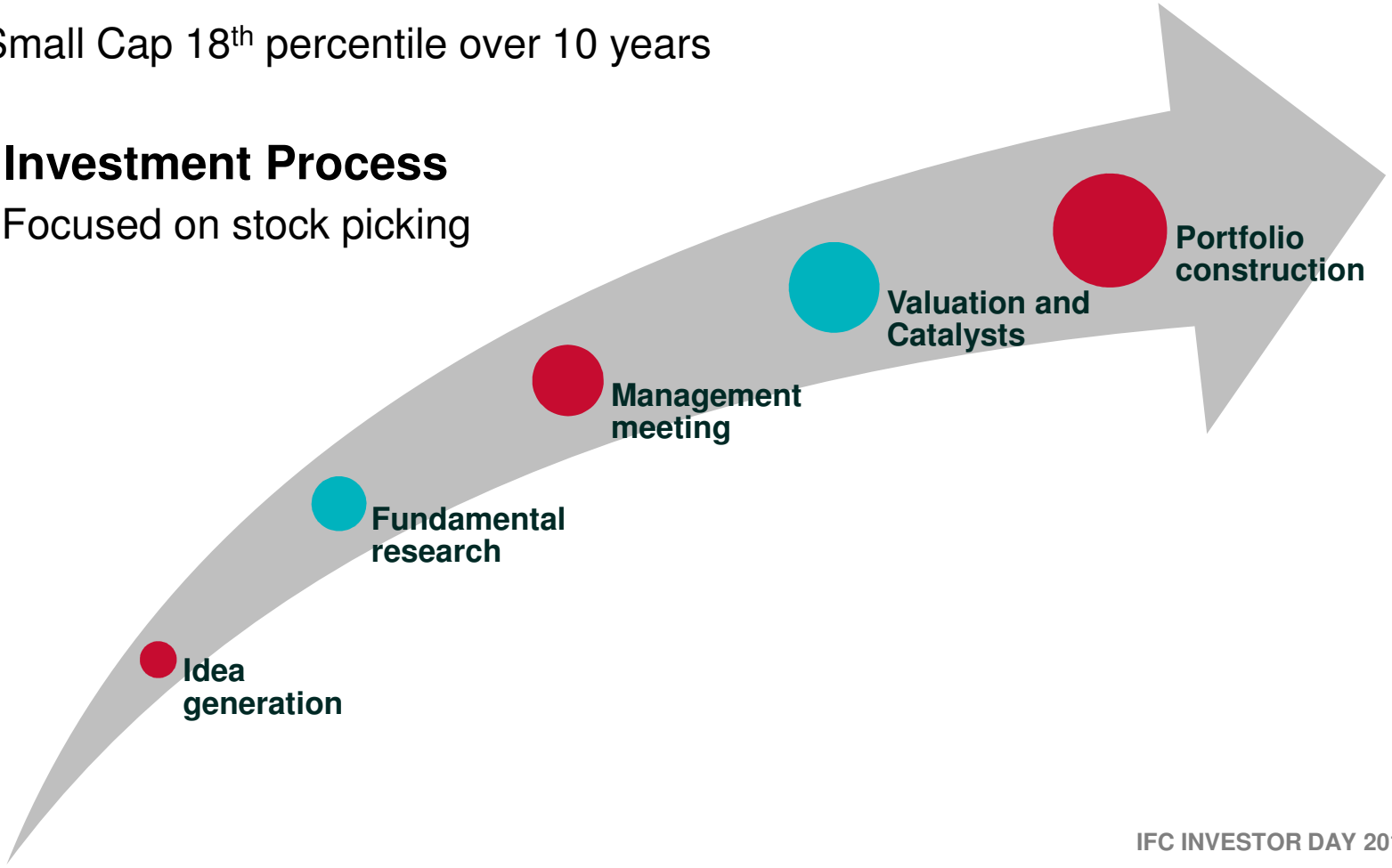
Consistent outperformance

First Quartile performance Equity Performance

- 83% of annual positive alpha over 10 years
- Large Cap: 2nd percentile over 10 years
- Small Cap 18th percentile over 10 years

Equity Investment Process

- Focused on stock picking



Equity alpha strategies

How we use securities selection

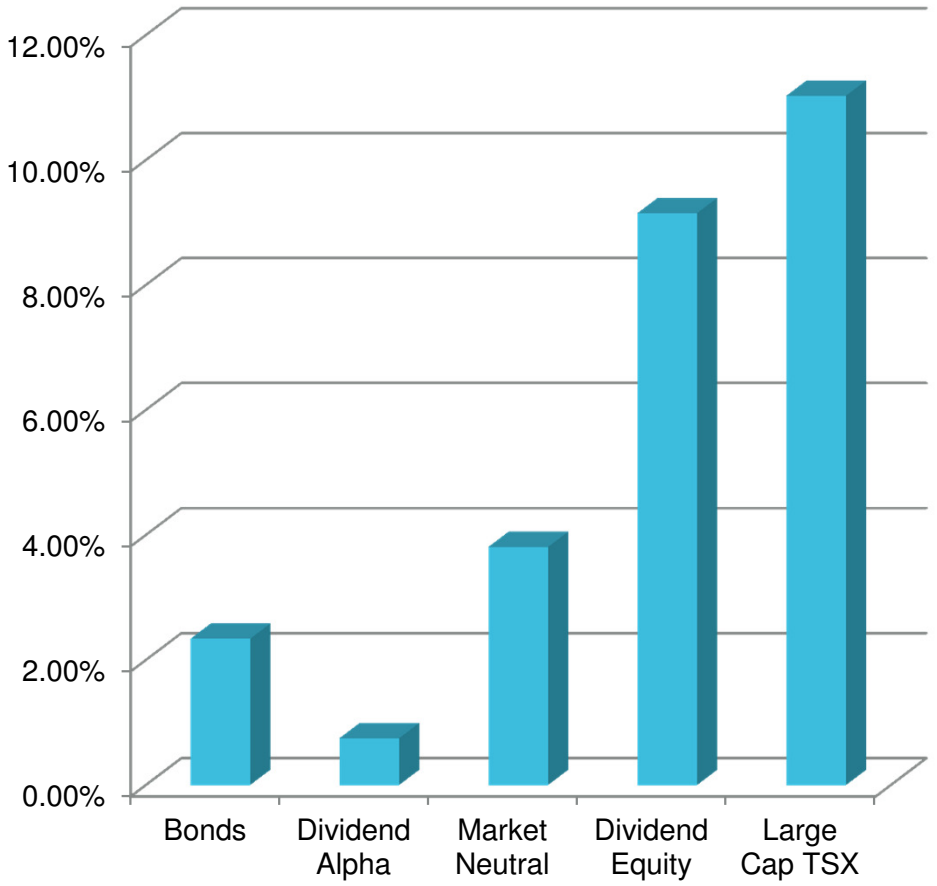
Equity Alpha Strategies:

- Market Neutral: Long/Short Equities
  - ~ Sector Neutral
  - ~ Dollar Neutral
  - ~ Beta Neutral
- Dividend Alpha
  - ~ Long Dividend Stocks
  - ~ Short Dividend Benchmark

Opportunities/Risks

- Alpha generation
- No market exposure
- MCT

Historical volatility by strategy



Lower cost of management

It costs IFC less to manage investments internally

~20bps Cost of external institutional investment management (i.e. if we outsourced)

~10bps Cost of internal investment management

~4bps Cost of internal investment management, net of revenues received from managing external funds (pensions and external clients)

Conclusion

A "world class" investment business

- ✓ Conservative and **sustainable** investment process
- ✓ Focused on **after tax returns**
- ✓ Adapted to the **objectives and constraints** of Intact
- ✓ **Integrated** with insurance business
- ✓ **Lower** investment management costs than external management
- ✓ Capacity to **grow** investment assets

THE ROAD AHEAD

Charles Brindamour, Chief Executive Officer

Industry growth outlook

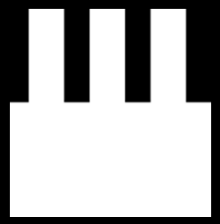
Firming market conditions

Total auto
LTM growth:
Industry 2.5%

Rate reductions in Ontario likely to largely offset growth in other jurisdictions, leading to low single-digit growth

Personal property
LTM growth:
Industry 8.4%

Hard market conditions expected to continue, following elevated level of catastrophe losses



Commercial P&C
LTM growth:
Industry 4.2%

Low interest rates and impact on loss ratios from elevated catastrophe losses is translating into firmer conditions

Four avenues of growth

Highly visible options for growth

Personal lines
- Build on outperformance in auto
- Hard market in personal property

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

Firming market conditions (0-2 years)

Develop existing platforms (0-5 years)

- Bring advantages of scale to brokers
- Optimize brand architecture
- Double direct capabilities
- Double operated distribution

Consolidate Canadian market (0-5 years)

Capital
- Strong financial position

Strategy
- Grow areas where IFC has a competitive advantage

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

Expand beyond existing markets (3-5 years)

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

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

Leadership

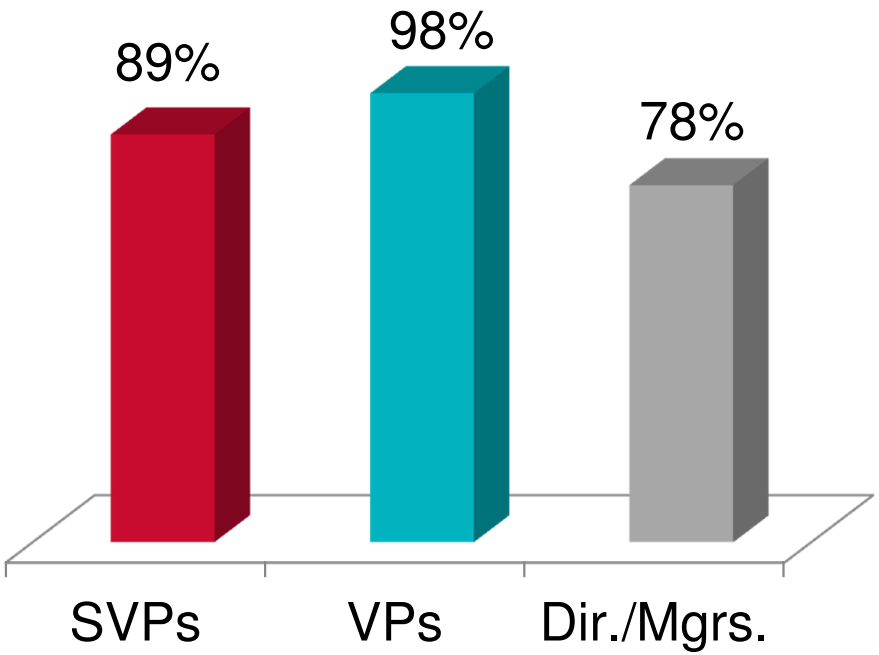
Building the best insurance team

Identification, development and retention of key talent is fundamental to our talent management strategy

Leader's Success Factors:

- ✓ Can-do attitude
- ✓ Genuine care for people
- ✓ Open and honest
- ✓ Embrace change
- ✓ Live our values

% of positions with successors ready now or in 1-3 years



Total number of successors:

SVPs	VPs	Dir./Mgrs.
57	229	1018

Conclusion

Well-positioned for sustainable outperformance

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

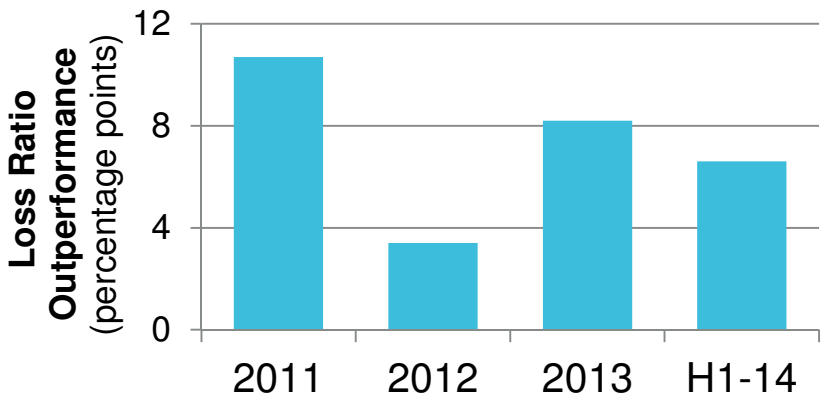
FREQUENTLY ASKED QUESTIONS

QUESTION #1

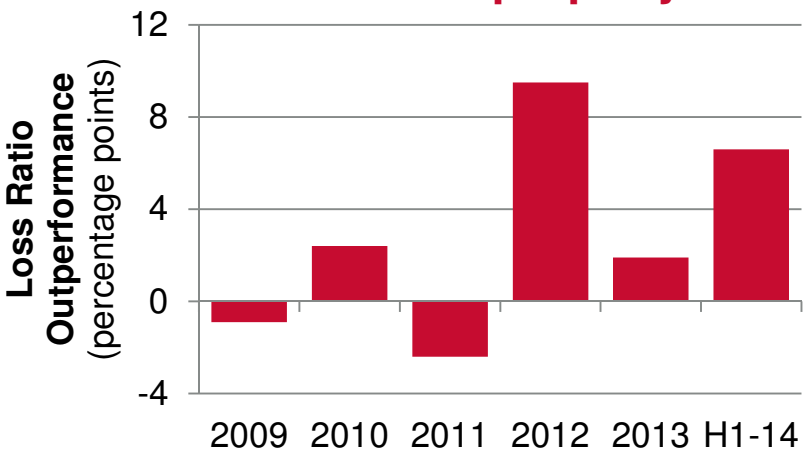
How do you plan to outperform in personal lines over the next one or two years?

Personal lines

Personal auto



Personal property



Existing outperformance factors

- ✓ Scale advantage
- ✓ Fraud management
- ✓ Supply chain

Potential outperformance factors

- ➢ UBI
- ➢ Behavioural analytics
- ➢ Claims management

Existing outperformance factors

- ✓ Home Improvement Plan (rates, product, prevention)

Potential outperformance factors

- ➢ New Sewer Backup endorsement
- ➢ R&D
- ➢ Claims management

QUESTION #2

Can you provide an update on Ontario auto?

Ontario auto

Protecting our advantage

8.1%

personal auto outperformance in Ontario

4.8%

personal auto outperformance outside Ontario

Bill 65 introduced

- Licensing clinics
- Confirming MIG language

Bill 15 Passed

- Pre-judgment interest
- Regulating towing & storage practices
- Dispute resolution reform

Next steps

- AB Cat definition
- Tort reform

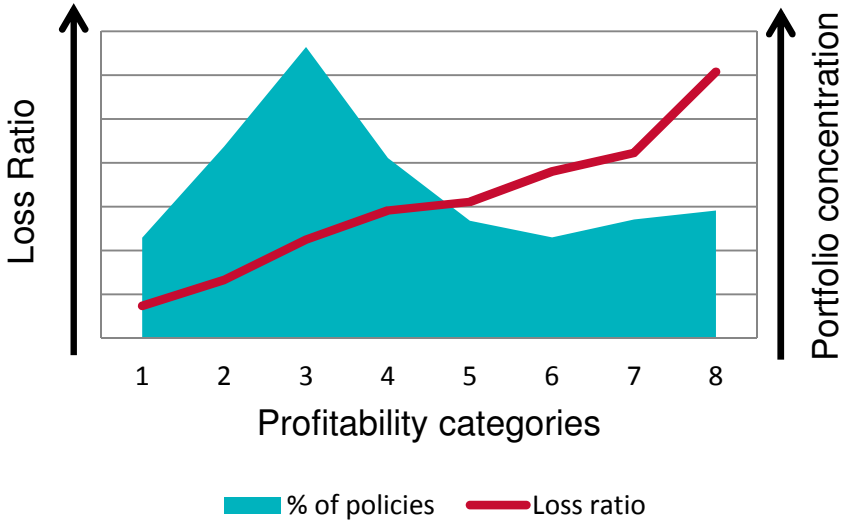
QUESTION #3

How is your Commercial P&C action plan going?

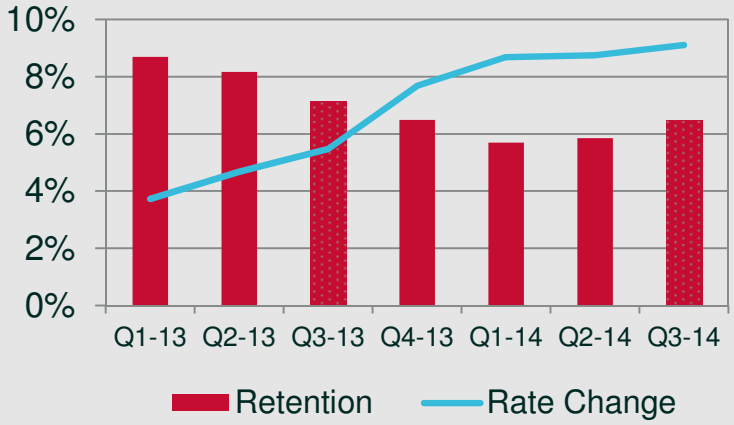
Commercial P&C action plan

Good progress on rate increases in least profitable segments

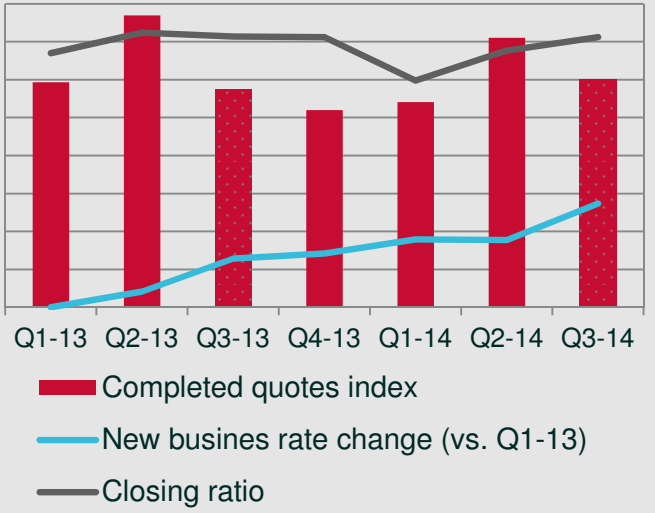
- We have a good handle on segmentation
- We have been increasing rate on the bottom quartile of the book; more on worst 5%
- Despite rate increases, retention on renewals and closing ratios on new business are returning to historical levels



Renewal of inadequately priced policies

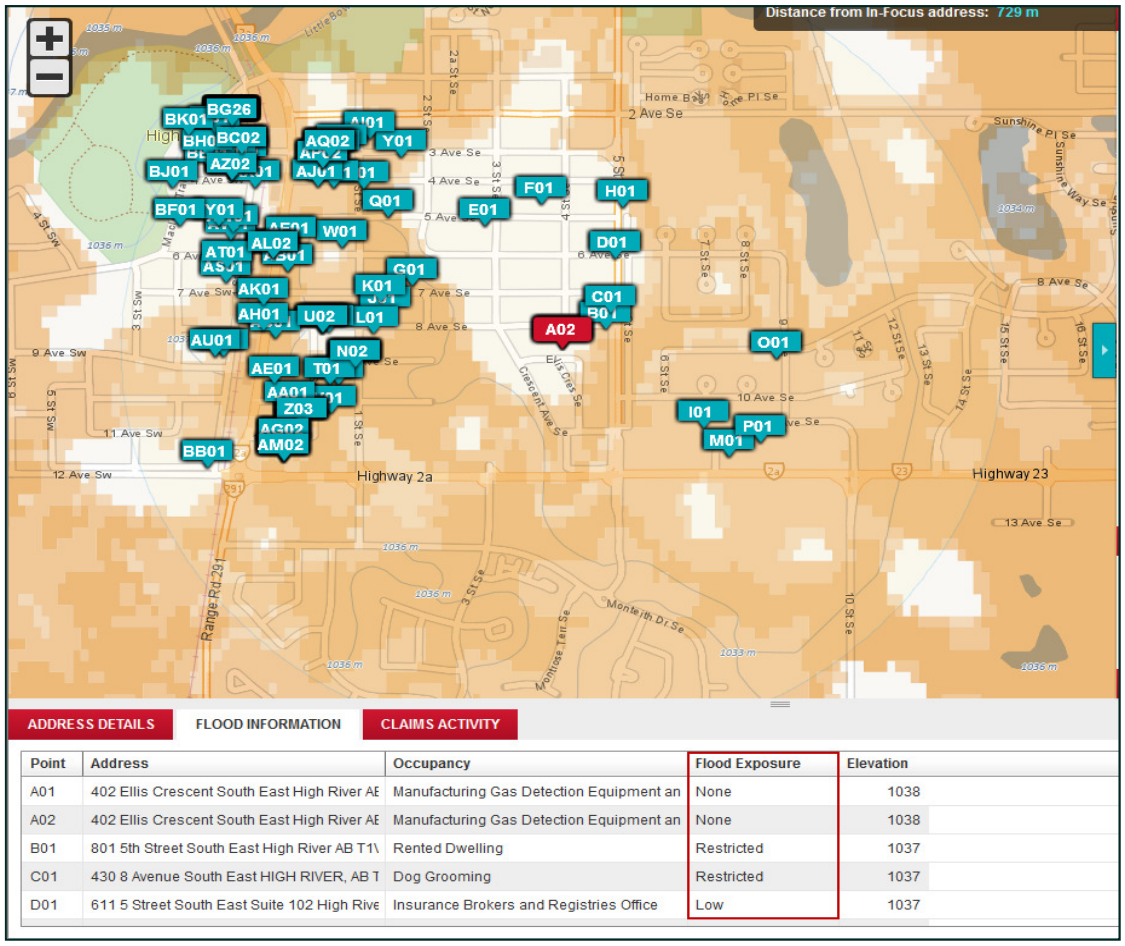


New business



Commercial P&C action plan

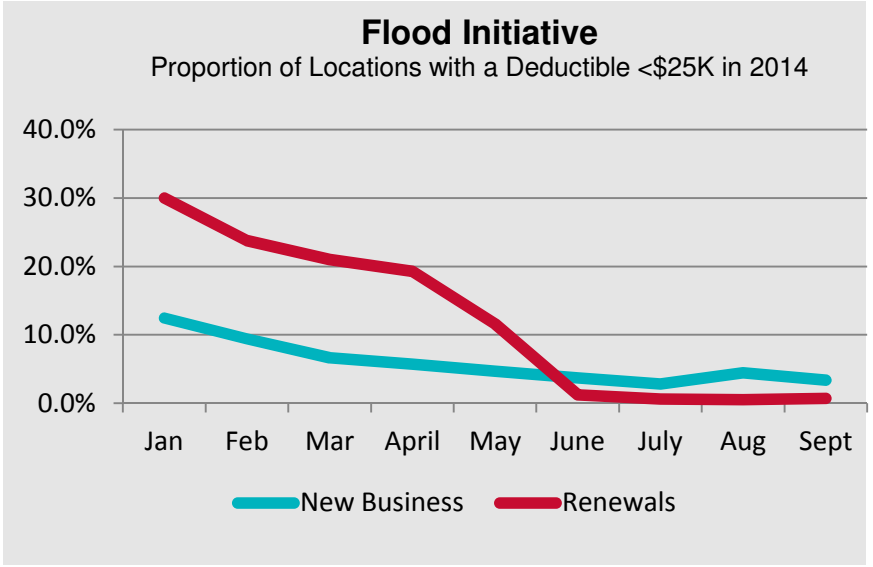
Other actions in progress



ADDRESS DETAILS | FLOOD INFORMATION | CLAIMS ACTIVITY

Point	Address	Occupancy	Flood Exposure	Elevation
A01	402 Ellis Crescent South East High River AE	Manufacturing Gas Detection Equipment an	None	1038
A02	402 Ellis Crescent South East High River AE	Manufacturing Gas Detection Equipment an	None	1038
B01	801 5th Street South East High River AB T1\	Rented Dwelling	Restricted	1037
C01	430 8 Avenue South East HIGH RIVER, AB T	Dog Grooming	Restricted	1037
D01	611 5 Street South East Suite 102 High Rive	Insurance Brokers and Registries Office	Low	1037

- Rates
- Action on earthquake exposure management – almost completed!
- Action on flood exposure segmentation
- Anticipate ~ 8 points from these actions; ~40% earned by year-end



QUESTION #4

Do you anticipate any changes to the reinsurance program in 2015?

Reinsurance

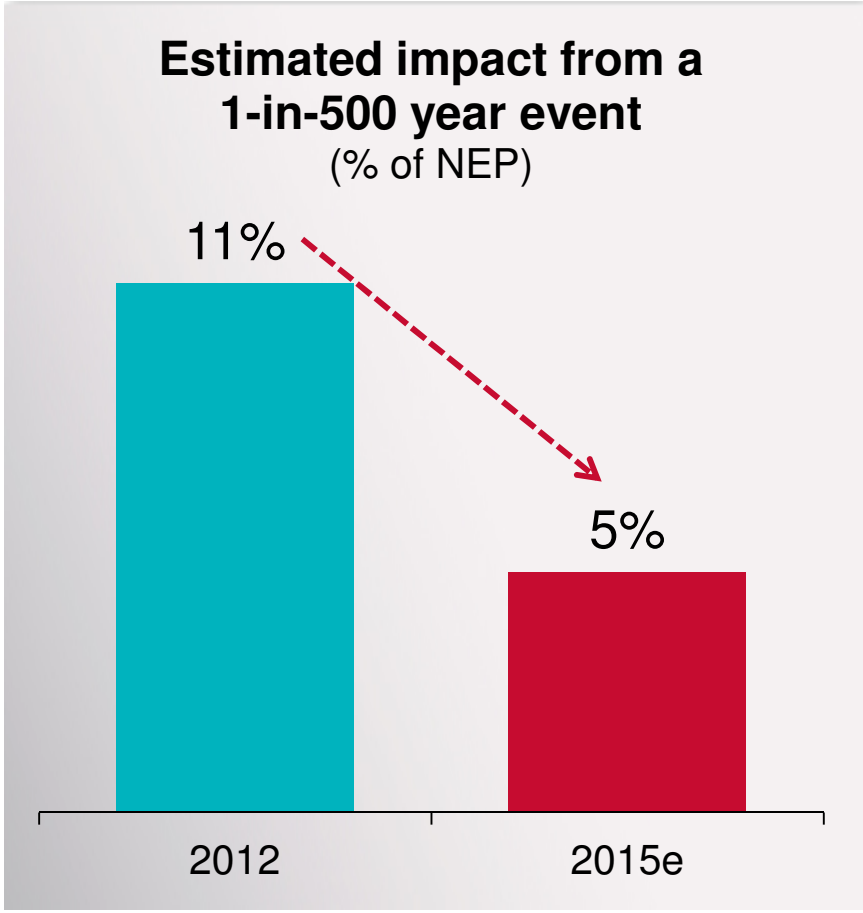
Managing our tail risk by reducing earthquake exposure

~24%
reduction in PML since 2012

allows Cat protection to be reduced to
$2.75B
at YE2014

~8%
current retention above $100M threshold

2015
rates still under negotiation



Question & Answer

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Thanks for watching !