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# EDITED TRANSCRIPT

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## PRESENTATION

**Shubha Khan** - *Intact Financial Corporation - VP of IR*

All right. Good morning, everyone. I'm Shubha Khan, Vice President, Investor Relations at Intact. Welcome to the Intact Financial Corporation 2022 Investor Day. This is our first Investor Day since 2019, in fact, our first since we closed the landmark RSA acquisition last -- a little over a year ago. Today, we have an extensive lineup of speakers that will take you through our strategic road map and our updated ambitions.

But before we do so, a few housekeeping items. First, all of the presentation materials for today will be posted on the website, on the Investor Relations website after the event. For more details, please visit the Investor Relations Events and Presentations section of [intactfc.com](https://intactfc.com).

Second, I'd like to draw your attention to Slide 3 of our presentation on screen right now, which contains our forward-looking statements; and to Slide 4, which contains the standard disclaimers. Please note that these statements apply to all of today's presentations.

We have a tight agenda today with presentations on all of our segments. There will be -- there will, however, be 2 opportunities for Q&A for the audience, the first just after 10:30 a.m. and another at the end of today's presentation shortly after 12:00 p.m. (Operator Instructions)

And finally, after today's event, we invite you to join us for a light lunch in the foyer where you'll have an opportunity to meet with the presenters and the members of the Intact executive team.

So without further ado, I'd like to welcome our CEO, Charles Brindamour; and our CFO, Louis Marcotte, to the stage to kick off today's presentations.

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**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

Thank you, Shubha. Good morning, everyone. I think those were the most boring slides for today. So bear with us. It's going to get more interesting as we move in the morning. So thank you for being here. We're very happy to see you in person. But we're also very happy to have people joining on webcast from around the world. So happy to see you and to share our strategic road map. The focus of today's presentation will be long term in nature. We're looking out fairly far in advance. And what we want to do is really give you a good snapshot of where the road map is, how it's going to pan out overtime, what the ambitions we have in the future of the business and how we'll get there. So that's really the focus for today.

We had our last Investor Day in 2019 in November. You might remember at the time, the title was the next decade. So the decade has already started and little did we know at the time that we'd be facing the greatest crisis, health crisis, I think, in history and lots of change as well for Intact, and particularly with the RSA acquisition. So I think there's lots to update today in our presentation. And I hope that at the end of the day, you'll have a really good sense of our long-term vision and how we will be able to get there.

So I'm an accountant by training. So as much as I like to look into the future, I do rely in the past, and it's important to look at our track record. Actually, we think our credibility when talking about the future is somewhat based on our credibility from the past. So what we think is there's a very solid track record to look back on to. So we come back, look back 10 years. And you know that we have 2 main financial objectives that we continuously talk about: Growth in net operating income per share, NOIPS. And ROE outperformance aiming for 500 basis points at all times. Those are the 2 main ones. And when we look back 10 years, our record is pretty good. NOIPS has grown 12% [per year] (added by company after the call), and we've outperformed on the ROE by 600 basis points on average over the same period.

So I think that's a very good track record. And obviously, beating objectives has got its merits. But what's interesting is really looking at the -- how we have actually beat our objectives. And you might remember in past presentations, we try to define how we will grow our net operating income per share and how we will outperform on ROE. And I guess, not surprisingly here from a growth point of view, 3 areas: premium growth, margin expansion, strategic capital management. And when we look back for those 10 years, every headwind was planned for except the fire alarm -- that's out of our control. It's a bit disturbing -- all right.

(technical difficulty)

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**Operator**

Ladies and gentlemen, we'll take a 15-minute break and resume -- if you're following along on the webcast, please log in, in approximately 15 minutes. Thank you.

(Break)

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**Operator**

Ladies and gentlemen, I believe we've received the all clear from the fire Department. Kindly begin to take your seats. We will resume the presentation in 1 minute and 38 seconds. Thank you.

(Break)

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**Operator**

And reintroducing Mr. Louis Marcotte. Louis, back to you.

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**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

All right. Thank you, and apologies for the unexpected break. So let's continue. I do want to remind you about the solid track record, quite important to me. And just someone was asking at the break, what was the NOIPS at the time, well, December 2019, \$6.16, and the stock closed on the day of Investor Day at about \$135 at the time.

So things have changed quite a bit, and I think largely driven by the performance. So I was going into where is the performance coming from. On growth in net operating income per share, we attribute the growth of 12% along the 3 main buckets: premium growth, organic premium growth over that period. Margin expansion, largely a combined ratio improvement from December '19 to -- sorry, over the 10 years that represents 5 points of the 12%, and strategic capital deployment is filling the rest. So it's balanced. When we set ourselves targets, we think that the 3 sources will contribute. And when we look back, obviously, this is how they've contributed.

In terms of ROE outperformance, you'll remember, we don't -- it's nice to report on it, but we actually plan our strategies to outperform along these buckets. So it's claims management. First one. We have pricing and risk selection secondly. Then we have capital management, capital deployment and investment management, which over time has included our distribution activities. And distribution has become, on its own, a fairly big contributor to outperformance. So we're isolating it here. But you see pretty substantial contributions from claims and underwriting activities at 290 basis points, and then distribution is now 140 basis points.

To some extent, not surprising. We're one of the few players that has actually distribution activities. So of course, it would contribute to outperformance if we drive a decent ROE off of the activities, and we do, and then investment and capital management.

So this is quite aligned with what are trying to build. We try to leverage our competitive advantages, as you know, that's a key factor. One of them over time has been M&A. And of course, one of the biggest changes since we spoke last time was the RSA acquisition. And we believe M&A is a big contributor and it's -- we don't see M&A as a strategy. It is an accelerator of our strategy, and RSA is a really good example of this. And so what we've pulled out here are actually the impact of the RSA acquisition over 12 months. So this is from July 1 last year to June 30 this year, 12 months activity, and you can see the meaningful impact this has had, and we talked about 15% accretion since inception of the deal a bit over a year ago. So meaning, very meaningful impact. And of course, the results here speak for themselves, and nobody will argue that this has been a financially compelling transaction for us.

So if anybody doubts about accelerating strategy, I think these numbers would put doubt to rest. So I think it's nice to look at numbers, but I think it's also nice to look at how we've adapted our business to the external environment. And we do very much, in our strategic planning process, look at the environment, how it's changing, how the trends are changing. So taking a bit of an outside-in view and trying to build the future of our business. And that's a lot about what you're going to be hearing today. But if we also look back, and this one dates back to the time we became IFC, the growth has been quite impressive as well.

If you look at our turnover, our premium is now \$20 billion, that's roughly 5x what they were when we became Intact, so quite significant. We've added 20,000 employees over that period of time. And now, market cap is around \$35 billion, 8x what it was when we became IFC. That's interesting.

It puts us in a category of P&Cs worldwide where we're in the top tier. And I think what that really affords us now is the capacity to do -- control our future, which is really important, and then a lot more opportunities than we would have had when we became IFC at the time. So the size today is really interesting in those 2 respects.

And I think the other element here is not only have we delivered on financials, but there were headwinds during the last 10, 12 years too. It's not like the situation has been flat and we just grew out of it, there were headwinds. I think this is showing, really, how we've been able to adapt to change over that period of time.

So today, we're really excited to share our vision of the future. You've seen now, we financially have done well. I think we've adapted to change, but let's talk about the future now. And I think the best person to start talking about it is the Chief Architect of the strategy, and I'll introduce Charles Brindamour.

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

(foreign language). At Intact, every fire alarm without a fire is success. And so it is a very good start to the day.

Now, thank you very much for being here. We're really glad to see you in person. I think the punchline for me in Louis's presentation is that the focus we've had on defining growth as earnings power growth and then defining our moat as ROE outperformance has clearly translated in value creation. And therefore, we take nothing for granted. As a firm, we challenge ourselves all the time when things are good, when things are bad, that's very much our mindset.

But we think sitting here today, looking back 10 years, that being focused on ROE outperformance and NOIPS growth was pretty good metrics to be focused on.

This is the past. Today, we're here to talk about the future and our game plan for the coming years. As Louis mentioned, our thought process when it comes to strategy or the game plan is very much an outside-in process. That is, we start with the big trends, the deep trends, the thing that -- the trends that we're pretty sure will happen. And then we figure out how our strengths can help us grow in that environment and build our outperformance.

So what I thought I'd do this morning as a kickoff is to give you a sense of what we think those deep trends are and how we'll position the organization to make the most of that. And then following me, my colleagues will come and unpack really how we'll do that in every business unit in which we operate.

I think before we go into the deep trends or the trends themselves, probably good to define what success actually looks like at Intact. If you want to steer an organization and if you want everybody to row in the same direction, your definition of success has to be very clear. And I think it's important for you guys to understand that. We talk about ROE outperformance. We talk about NOIPS, it's just one portion of how success is defined. In fact, it's more an output.

Success for us starts with customers. Customers ultimately decide who win, and if shareholders want to win, our customers need to win first. And therefore, our first definition of success is we want to make sure that 3 out of 4 of our customers are advocates. We made really good progress over the years. We're probably north of one in 2, and Anne will talk about that a little bit later this morning, but this is our top priority. And this means strong brands, differentiated, better experiences, both in the digital and the physical world, and very strong distribution. We'll get back to that in a moment.

4 out of 5 brokers, we're pretty much in that zone. Today, we want to deepen the relationship we have with brokers, and we want to be recognized for our specialized expertise.

The key to drive great customer experience, though, is employee engagement. People need to be proud of what they do, proud of where they work, and they need to look forward to coming to work. And that's really how we define engagement. We've been a best employer in North America

for a number of years, in Canada for 6 years. We're focused on that in the U.K. under Ken's leadership, but this is hugely important for us. And then we want to make sure that success for us is that our people really represent who we serve. And we've made, I think, good progress. You'll hear about the Board this morning where we have 50% gender parity. At the executive level, we're in the 35% to 40% zone. Succession plan is very well represented as well, but that remains a definition of success for us.

And then the third definition of success, we always say that at the office, it's not about love, it's about respect. We don't aim to be popular. We aim to be respected and be the most respected operators where we play. And really, we define that in 2 ways. One is, are we seen as a force for good where we operate? The reason why Intact exists is really about helping people, business and society do well in good times and be resilient in bad times. We want to measure that. And therefore, we're aiming to have 3 out of 4 stakeholders, that is customers, employees, brokers, government officials and investors, recognize that we're actually moving the needle and that we're serious about that. So that's a big portion of respect. You've heard about our commitment and our game plan on the climate front, you'll hear about that some more this morning. That's also part of respect.

And then respect for us means beating your competitors day in, day out. The way we measure that is ROE outperformance, that's the moat, and that's an input in our thought process. And then as Louis mentioned, growth is earnings power growth.

And when I look at those 2 and I look at the game plan and the sandbox in which we operate, there's very little doubt in my mind that our ability to drive growth in earnings and outperformance as we have in the past decade can very much be replicated in the next decade. But I think it requires a deep understanding of the landscape in which we'll operate and the environment in which we will compete, and I'll get into that in a moment.

I think the point that's really important to make though is that at Intact, beyond strategy, there's strategy change, people change. The environment changes. But one thing that we're very determined that shouldn't change are the values of the organization. And when we created Intact in its current form, we have defined very clearly what we believed in and the value set or the moral compass of the organization, which we call the values. And those values, they're not a poster in the cafeteria. Well, there might be one, but it's really about how we make decisions day in, day out.

If you sit in a debate about an issue at Intact, you'll hear about the values. That's how we choose people. That's how we promote. That's how we coach. It's also how we pay people. And so we really mean business when it comes to the values. And in fact, what we tell employees often is that no compromise on values, because it is more important than results. And I think it's important to understand that this is a cornerstone of how we operate, but also how we think about the strategy.

As I said, the strategies and outside-in process, those who have been associated with Intact, who have followed Intact over the years and have come to previous Investors Day, you'll have heard about those deep trends. A big portion of the thesis we've laid out over the past few years has actually played out. And I thought I'd just touch on that thesis again, and maybe talk about where we see inflection points right now and how that impacts our strategy.

As I mentioned earlier, consumers decide who win. And therefore, the biggest, most important trend for us is the speed at which consumers' expectations are changing. And here, we're talking about simplicity, transparency and value for money. And I'll say this is an area in the -- those 3 expectations in the past 2, 3 years have really changed meaningfully, more so than probably what we would have anticipated. I'd say if we look at where we are today and the cost of living crisis in which we're living, where consumers will, in the markets where we operate this year, probably lose close to 5% of their purchasing power. We think value for money, out of those 3 sort of big expectations, is the one that will change the most in the next 36 months. And as a result, our value proposition, you'll hear about that a bit today, needs to take that into account.

Second big theme we've been focused on over the years is how software technology, broadly speaking, changes how we gather information, how we consume, how we share and how we live. And I think that that has driven the transformation we've led on digital, which you'll hear about a little bit later this morning. And this as well has accelerated. We look at the speed at which people embrace the value proposition we've brought on online, you're seeing changes in the 30% to 50% clip over the past year or 2. And we think this will accelerate. The things to watch, we think in the environment, as we operate in today, and one big accelerator, we think, is 5G. We think that in the next 5 to 7 years, 80% of the markets in which we operate will be supported by 5G. And we think that this will accelerate meaningfully, in particular, IoT or Internet of Things. And as you know, this is an area where we've been quite focused on, and therefore, we'll remain very focused on that.

One byproduct of the change in terms of how people live, is the explosion in data and the democratization of data. And if you're a firm that has 1/3 of its competitive advantage in how you use data, democratization of data is something you should be really focused on. And by that, I mean, if you look at the next 3 years, the data sets that exist globally will increase by a factor of 3x. The cost of storage in the last decade dropped by 95%, and the processing power increased by a factor of 3x. We had a big advantage historically. We felt this was a threat and an opportunity. And that's why we really pivoted 6, 7 years ago to go very deep with machine learning, AI and expanding our data sets. We think it's very important to remain very focused on that.

One thing we expect to see, though, is the power around data is likely to shift to a greater extent to consumers, to customers. And so building an edge in terms of what we do with the data, an edge that will be hard to transfer to other players, is very, very important. UBI is just one example of what's happening there.

The other byproduct of the data explosion, clear inflection point in the last couple of years which maybe was not a big part of our thesis 7, 8 years ago is cyber. Ransomware up 3x in the last 2 years. Attacks up 50% in the last year. In Canada alone, it's \$3 billion net of the investments on cyber defense of losses for Canadian and Canadian businesses. We see this as a big pool of opportunity, a big pool of risk that we want to find a way to grow in that environment, and Mike will touch on that a bit later.

The environment -- look, we've been on this for over a decade. We've been really focused on the fact that natural disasters over the past 30 years will increase, have increased by a factor of 4. Sitting here today, it's great to see that there's a ton of momentum towards the transition, and we'll be very focused on finding an opportunity in the transition.

Our perspective is that this transition will be tough. Just to illustrate things, if we want to keep global warming within the confines of the Paris agreement, we would need to reduce emissions right now by 15% every year, year after year after year. In the pandemic, emissions were down 6% when the economy basically ground to a halt for half the year, and so it will be a challenge. Our perspective and projection is that the trends we've seen in natural disaster will continue unabated for at least a decade. And therefore, our first response on this deep trend is double down on adaptation.

This is a big pool of risk that is expanding. It's a -- protecting the consumers in the markets where we operate against natural disaster, is a big source of opportunity. We'll remain focused on that. There is, however, a big wall of money coming towards the transition. 70-ish percent of AUM globally are committed, 90% of countries are. Therefore, we think there's a big growth opportunity there. And whether it's product, prevention, the relationships we have with customers, we'll definitely tap on that.

From a socioeconomic point of view, I think the key point, I would say, the main inflection point goes back to the cost of living crisis. It's not unreasonable to expect in the next 3 years to have pressure from elected officials at different levels of our operation. And as a result, regulator. And clearly, in this environment, Canadians are saying, look, not just Canadians. In fact, people in the Western world that have been surveyed on trust. People are saying businesses really need to step up to solve society's problem, way more than in the past. You survey people, 3 out of 4 are saying, yes, we expect businesses to do more than what they're currently doing, and this is an area in particular climate adaptation and resilience in communities we're quite focused.

At the industry level, there, the thesis, again, is intact. We expect consolidation in both manufacturing and distribution, and we see that in every market where we operate, and we'll be very focused on that. And talent, I'm not going to talk about return to work. That's what you're hearing about everyone all the time. The main point would be that about 1/4 of the workforce is 55 and above. And that's a challenge because when you look at the growth ambition you'll hear about this morning, just fueling that with talent will be a key challenge for us, which means 2 things. Finding ways to remain a Best Employers that are differentiated in this changing environment is number one. And number two, we've put 3/4 of our effort on the data and AI front in risk selection and predictive modeling only to tweak that a little bit towards service and operation to a greater extent than what we had planned to do.

That all translates into a road map to achieve our ambition. Some people call that a strategy. You're, I think, largely familiar with it, but you'll hear about it in more detail this morning. I'll just emphasize what I think are the most important elements in every parts of the strategy.



First, in Canada, the single most important thing we need to do is to deepen our relationships with customers. There's a lot of upside in Canada, and we will talk about that. But doubling down on what we're doing from a customer experience point of view, both at the digital level and in the physical world, fundamental. And then expanding our advantage from a branding point of view is also one of the key elements that goes into deepening our relationship with customers. And then, it is about distribution. It is about being as present, influential and in control of our distribution as possible.

In the U.K. and Ireland, a big opportunity in particular in mid-market commercial lines, where we have strength. That's the big area of focus. The second thing we need to do is to really increase our risk selection capabilities and pricing capabilities in that market. Ken will talk about that a bit later this morning.

In specialty lines, massive growth opportunity. Mike and team have built outperformance pretty much everywhere we operate. This business is firing on all cylinders. The good news is the sandbox is huge, and we're quite small in it. We don't need to expand ourselves or stretch ourselves too thin. We just need to get bigger and better at what we're doing today. And that will be a big source of opportunity as far as we're concerned, and you'll hear about that.

Our competitive advantage around pricing and risk selection. I mean, we have -- in Personal Lines, north of 250 models in application. The big focus in the next 3 years is to bring the science to a much greater extent in the field in Commercial lines as well as in Specialty lines. Supply chain, more of the same. As you know, we're going deep.

In the supply chain. This is a big advantage from a service and from an outperformance point of view, and we'll remain focused on that. I think the key element on capital and investment management is with the acquisition of RSA, the options we have there, whether it is on the asset side, on the capital side or on the tax side are much bigger than where we were just a year ago. And the team is very focused on that, and you'll hear about that.

And then finally, on people. As I've mentioned, it is about upping our game and being a Best Employer. Going deep in deepening the talent pool, not just in North America, but now across the whole platform where there's a lot of depth.

And finally, making sure that our people are ready to make the most of the trends in which we're operating. So the growth opportunities are very significant. The -- last 5 years has meant that we've expanded our opportunity set by 10. And with what we're doing today, we're playing in a much, much bigger sandbox, and so the good news is we should get better, more focused and bigger in what we're doing today as opposed to venture in all sorts of new area, which gives me -- comfort is the wrong word, but certainly a sense that we're in really good position to achieve the objectives that we've laid out.

And I'll leave you with one thought. And that is the fact that not only do we have the competitive advantage and the financial resources to pursue our ambition, but the bench at Intact is very deep, and you'll have a picture of that this morning. But for the top 250 jobs, we have 7 successors available to step up in these roles north of 80% of all promotions at the top of the organization are inside promotions. So our challenge is more to find opportunities for the pipeline of talent than to find talent for the opportunities. And I think that's a good place to be. On that, I'd like to invite Louis Gagnon, who is running Canada, Anne Fortin and Imen Zitouni to come and talk about our game plan here in Canada.

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**Louis Gagnon** - Intact Financial Corporation - CEO of Canada

Thank you, Charles. Pretty cool to be introduced by the CEO of the Year. That's pretty cool. It's great to be here. It's always a pleasure to meet all of you guys. 2019 seems so far away there that last time, that we've done that. Pretty exciting time in -- at Intact. And when I see Louis Marcotte or Charles presenting and talk about the past and our results, I'm very proud of that. But at the same time, it makes me realize that that's not how we run our business. And Charles mentioned it there. We run our business with the knife in our deep -- we make sure that when we wake up in the morning, we are looking at the stuff that we can leverage that are going well. But I have to tell you that we're deep diving in the stuff that are not growing that well. And we have not changed that and we will not change that. Just a reminder, we're not just sleeping on our success. We are wanting to do even better, growing and making sure that we're doing the right thing.



So in Canada, there, that \$14 billion of volume that we have now is really the base that we have to protect, that we have to make sure that we continue to grow and build on. It's very key because I think that's where we have a lot of value and that value has to continue. So again, our track record is pretty great. We talked about it. Lots of the track record that we've seen in the past happen in Canada there. So again, we will continue to focus on outperforming on growth, outperforming on combined ratio. Those are the key. We talked about it. We will talk about it a few times again today. But in Canada there, that is definitely the focus.

RSA has completely transformed the operation. We've -- I mean buying -- acquiring RSA is a game changer for the Canadian operation, 30% more volume in the business. Again, a much bigger part of our business now is in the direct channel with the acquisition of Johnson, something that we were really looking for. And specialty lines continue to be a big part. And Mike will go deeper into specialty lines. So again, a great, great addition to our business. So I'm very proud of that. But the thing is I always tease the guys that are doing the acquisition that are doing the financing and all those things and great effort. They're doing well, but their success of an acquisition really is how you integrate that business. We've had a lot of success in the past integrating the businesses. I think we've created a place with people that want to integrate business. They like to welcome new people and that is where the value is created. And we have a few other things at Intact that are pretty specific about integration. We want to make sure that we go very quickly there.

One of the things about integration that is fundamental, you want to remove uncertainty. You want to remove uncertainty. I mean, every time you do a deal, your customers, your brokers, your suppliers, the regulators, they're all wondering what you're going to do. So you have to go fast. You have to make sure that you integrate the people, you convert the business. And as you see on that slide, we've been going at a very fast speed. It's been a year a bit -- a year and a bit now that we've been done the acquisition and mostly all our policy that are with brokers have been converted in our system. So now employees, brokers can work with us with one system, one way of doing things. No more confusion about the process. And I think it's a big success.

We're also internalizing a lot more than we -- and it's a big part of our synergies. We are internalizing our claims process more. We're doing our own claims. We're doing our own legal work. So again, it creates a lot of good things. And so far, 90% of our retention of customers is at 90%. Again, a great number. It's comparable to the Intact number. So when you look back, this is a bit better than what we were expecting when we did the acquisition. So we're very, very proud of the work that our people are doing, our brokers are really embracing seriously the acquisition -- are working with us. And I think after a year and a bit there, I think we're in a very, very good place.

But the thing is, I think Canada continued to be a place where there's a lot of opportunity. We have 20% of the market share right now. We'll talk a bit more about acquisition going forward. But again, I think we are in a position right now to even go and create an environment where we can insure one out of the 3 Canadians there. So again, lots of opportunity. We believe that 15% of the market share are going to move in the next 5 to 10 years, and we want to be part definitely of those opportunities.

So as Charles was mentioning, very strong strategic road map across IFC. But in Canada, in particular, there's 4, 5 different things that are so important going forward. We want to lead in customer experience, and Anne is going to talk about that. So that's for us a key. We want to have our customers to be digitally engaged with us there. So we want to create an environment, a digital environment that customers like, but also that is a good one. It's better than the competition. And Imen is going to talk to us about that. We're going to continue to scale in distribution. I'll come back on that. And as I mentioned, we want to continue to consolidate the market.

So on that, I will let Anne, our specialist to talk about customer experience.

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**Anne Fortin** - Intact Financial Corporation - Executive VP of Direct Distribution and Chief Marketing & Communications Officer

Is that better? Sorry about that. Yes. Okay. So delivering a second-to-none customer experience. You've heard Charles talk about before, one of our key strategic objective is to get 3 out of 4 of our customers to be our advocates.

That means that we want them to be willing to recommend us to their friends and family. Today, we have a little bit over 1 in 2 of our customers who are willing to recommend us to their friends and family. And that's the entire face of our customers. So when you think of customers who have had an interaction with us, I think.

## Unidentified Company Representative

Keep going.

**Anne Fortin** - Intact Financial Corporation - Executive VP of Direct Distribution and Chief Marketing & Communications Officer

Okay. I'll try to speak really loud. If it's too much, tell me to slow down. Let's go. So delivering on a second-to-none customer experience. We want to get to 3 out of 4. We have one out of 2, but when we take a subgroup of the customers who've had an interaction with us in the past year, we get to 2 out of 3 of our customers who are willing to recommend us to their friends and family. So we really feel confident that we can get to our objective, but we need to continue delivering. And the 5 points that you see on the slides here are the -- is the strategy that we're going to pursue to continue to deliver that experience. So I'll be talking about the first 3 points. Imen will be talking about digital engagement, and you'll be hearing a little bit later from Isabelle Girard, the Head of our Data Lab through a video.

But let's start by looking at the market because we recognize that there's a lot of diversity in the market. Each customers have different needs. So we want to make sure that we're offering the best product and the best offering to the market. So starting with personal lines, we've introduced a new segmentation a couple of years ago, and it continues to be a key part of our strategy. So looking at personal lines, we have the do-it-yourself who just want to do their own research, buy their policy online. We have the deal seekers who want value for money. We have the advice seekers who want to understand their options and really understand what they're buying. And then we have the do it from me, who honestly just want to relinquish how everything that has to do with insurance. And there's a specific subset within that segment that have very specific needs, and that's why we've introduced Intact Prestige back in 2020 to really answer the needs of the people who want to make sure they're ensuring their most valuable assets.

We have recently also added affinity. They really fall into our personalized segmentation, but they come to us with an affinity and with some of the partners that we deal with. We have small -- we serve small commercial line, now with the RSA acquisition mid-market. And of course, we have specialty that Mike and the team will be talking about with us later. So we feel that we are covering the market very well with our product offering. Another thing that's really important for us is brand leadership. We want to make sure that we have some of the strongest brands, and we do have some of the strongest brands in Canada. Why is that important? Because when people are thinking about their insurance needs or are trying to shop for insurance, they need to be able to think about our brands in the process. So really important that we do that. We have Intact Insurance as the #1 brand in Canada in insurance. One out of 3 Canadians can name our brand or think about our brand when they're shopping for insurance.

We outperformed with Intact Insurance by 13 points, the best competitors in the market, and we aim to outperform by 20 points by 2025. And with belairedirect, we actually have one in 4 Canadians who can do the same, name our brand when they're shopping for an insurance and we outperformed by 6 points, and we aim to outperform by 10. So really strong brands in the market.

But it's good to be known. But as I'd like to say, it's much better to be known for some people -- something that people actually care about. So we look at all the attributes that our consumers are telling us are really important when they're shopping for insurance. And we make sure that we differentiate ourselves on these attributes on some of the key attributes. And not only do we differentiate ourselves to the competitors, but we make sure that our 2 brands are differentiated and that they cater to the specific segments that we're serving.

So the second point in the customer experience that I was referring to before, is omnichannel. And omnichannel is really the way for us to put the customer at the heart of everything that we do. It's about letting them choose when and how they want to interact with us. So if a customer in the do-it-yourself segment wants to make a change to their policy, we got an app for that. If an advice seeker wants to understand more of their options, they can give us a call. And we do that also with e-mail, SMS, chat bot, and we make sure that this experience out of all these channels is unified and comes together in the platforms that we're building so that these platforms contain all the information that our agents need to know so that they can get to know the customer so that, ultimately, they get to serve them better.

But really at the heart of our customer experience is claims. I'm not a claims expert, but at IFC, claims is everybody's business. So we want to make sure that we provide the best customer experience. And we know that our customers are already recognizing this because remember when I talked

about advocacy, when a customer has a claims with us, almost 3 out of 4 of them after the claims experience are saying that they are willing to recommend us to their friends and family. So we're already providing a great experience and we want to continue to improve. And when they go through our service centers, this number, this NPS number, this advocacy gets even higher. So we also strategically invest in our supply chain to provide an improved service at a lower cost. An example of this is On Side. And On Side -- at On Side right now, we're serving about 40% of all of our home claims is served by On Side. So this allows us to provide a great experience at a lower cost and allow us to have capacity, for example, when there is a catastrophe. We also determined that we're delivering or we are aiming to deliver 3.5 points of outperformance through our claims [initiatives] (corrected by company after the call), and that's done through claims internalization that I just talked about and our strong supply chain network, but also with the deep database expertise that we've developed at IFC and our indemnity controls.

But continuing to optimize our claims experience comes with 3 things. First, we need to continue simplifying our processes. We need the right digital experience, and we need the right technology because unsurprisingly, technology is at the heart of the best experience that we can bring to our customers. And on that, I will pass the mic or you have your own mic to Imen so that she can talk to us about that.

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**Imen Zitouni** - *Intact Financial Corporation - Senior VP, Intact Lab*

Thank you. So as Anne just rightfully mentioned, digital is a significant component of our digital experience, and I'll spend the next few minutes for you how digital fits into Intact strategic priorities and also how it contributes to our financial outperformance via new business growth, expense ratio management and loss ratio improvement.

So as part of the strategic goal to continue expanding our leadership position in Canada, a few years back, we set our ambition to digitally engage with 3 out of 4 of our customers. And at the core of our digital strategy is our ability to convert our own customers to the self-serve tools available in client center and in our mobile app. And we do that by continuously enriching the offer we have online, as you can see on the time line shown on this slide. So in addition to the insurance transactions that customers are expecting, we are also introducing added value features to give additional reasons for customers to connect with us, therefore, strengthening their relationship with them. An example of this feature is crash assist. You might see the feature on the app, and we'll talk about it later. Crash assist, a feature that we were the first insurer to launch this feature in North America.

What we see with customers that are engaging with their value-added features, not only are they connected more often to our digital ecosystem, but they also present a higher NPS, a higher retention and also a higher propensity to self-serve. As a result of all of that, in our direct channel, we've already surpassed the 3 out of 4 customers digitally engaged. And on the broker side, we went from 17% of customers engaging with us in 2019 to today, 50% of our -- close to 50% of our customers connecting to client center.

In total, at IFC in Canada, we're now at one out of 2 of our customers who are digitally engaging with us on our way to reach the 3 out of 4 [mark]. So our effort in digitizing the end-to-end customer journey starts with the online insurance shopping. And our quoting engines are a significant driver of growth, generating \$150 million of new business last year. And this is thanks to our continued investment in modernizing our technology platforms that allowed us to quickly and efficiently expand our digital footprint across our different markets nationally and also across our brands.

And now that those tools are -- can you still hear me? I'm back. I would have preferred that then (inaudible) honestly for this. So as I was saying, now that the tools are online for our customers to use. We rely on our design experts and our behavioral scientists to continuously study how users are interacting with our (inaudible) online and are there to provide us a path for -- to optimize sales conversion and also provide opportunities for cross-sell and upsell.

Another important element to sustain the growth of our business digitally is the strong brand awareness that Anne talked about. Today, the #1 source of traffic on our quoting engine is coming from users searching specifically for our brand names. And as our brand awareness increases, we also see the volume of that natural traffic increase as well. So this combination of marketing, design and technology have contributed to increase the book of business coming from digital to \$850 million. At the last Investor Day in 2019, we announced an ambition to reach the C\$ 1 billion mark by 2025, and we're confident we will reach that milestone.

So digital engagement goes beyond the acquisition point, and we spent a big part of our time developing the self-service platform that allows our customers to interact with us at any step of the journey. This digitization has translated into over 3 million transactions done by customers that would have otherwise called us, therefore, contributing to the expense ratio management. The second way digital is playing a part in that financial performance. We want to highlight that those customers really chose to go -- to interact with us digitally because as I mentioned, as part of our omnichannel strategy, we leave the choice to customer to connect with us any way they want.

So now that, that digitization is well underway. We're really focusing on automating the full experience to remove the remaining human intervention from our insurance processes that we still need to validate some of the transactions done by customers. And for that, we're leveraging our AI model to automate the decision-making process so that in the process of being touchless, we make no compromise on the profitability of the book generated online and maintain the same quality of book as we've seen in our traditional channels. All of that while working towards our ambition to get to 50% of all transactions fully automated.

So the last way that digital contributes to profitability is through UBI and the added value features that are central to the latest generation of that experience that we launched earlier this year. So thanks to the proprietary models developed by our data and AI colleagues, UBI has proven to be a highly predictive variable. We see that -- we said 65 point gap in loss ratio between the best and the worst drivers. But I'll let our Chief Data Officer, give you more detail in the video that you'll see later on.

To accelerate the segmentation benefits brought by UBI, we are improving our program. So the previous versions were discount-based only and we now move to a discount and surcharge model based on the driving profile. On top of this, our previous versions of UBI were mainly targeted -- targeting our new business customers on which 50% -- and we signed 50% uptake in the direct channel. Now we want to accelerate UBI penetration within our existing book of business. And for this, as we saw a few minutes ago, we already have 1 out of 3 of our customers that are on our mobile app, and we want to attach it to that opportunity to increase adoption through a feature that we invented that's called self-enrollment. So what does self-enrollment do? It prompts every mobile user who has an active policy to simply in a few clicks and enroll in UBI. And since the launch of that tool a few months ago, already 25% of the UBI -- of the UBI new users are coming from this strategy.

So we think that, that combination of having as part of our digital experience, the insurance transactions that people are expecting, UBI and also added value features are really offering a leading digital experience to our customers.

But enough talking and before passing it back to Louis, let's spend the next few minutes to demonstrate to you the features that are really appreciated by our customers. And now this video...

(presentation)

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**Louis Gagnon** - Intact Financial Corporation - CEO of Canada

So Okay. So great to know our customers, great to have great tools for them to use. We really put a lot of emphasis on distribution. You have to reach to those customers, you have to make sure that you have a way for them to access you. So we've built in the last, I would say, 20 years, a lot of optionality there to -- for customers, for future customers to reach out to us. So we have a wide range of optionality in distribution going from the broker channel to the direct channel. We're doing some white labeling.

So we've built a very strong platform for distribution. And that distribution -- just on the -- and Louis mentioned that, it's generated 140 basis points of ROE outperformance. And what are those different things that are important in that is that, first, we are dealing with 2,000 brokers across the land. From coast to coast, we're bringing to the broker, the technology. We're testing that we're creating in our direct channel, the app, the things that we are wanting to make sure that customers have access to. So broker also have access to that. And we survey those brokers all the time. They are pretty happy to work with Intact. We have a very strong suite of product. We -- and service at Intact is everything. We've spent a lot of time making sure that brokers have good service. We have good training of our underwriters, the people that are connecting with them. So again, I think we're in a very, very good position with the brokers.

We also help broker to grow -- help broker to support their succession. So we have 182 relationship with brokers across the land to help them grow their business. And that's a really good source of also -- of distribution income. Broker financial solution is also a great way to connect with broker but also to benefit from distribution at the same time. In Quebec, we've transformed a few brokering agencies, lots of regulatory discussion in the last few years. And now we have close to \$400 million of our business that is managed through an agency in personal lines. So again, those are just a bit of a highlight of what we do with brokers.

We have also one large broker -- BrokerLink got that broker from a past acquisition. It's now reaching \$3 billion of DWP of direct written premium. BrokerLink is generating close to [\$165 million] (corrected by company after the call) of distribution income in 2022. This is a really well-oiled machine of acquisition. But also our objective with BrokerLink is to grow organically. We want to grow that business at the same pace that we grow the direct business. So we're going to, again, import a lot of things that we do in the direct channel to build up the broker and the customer experience of BrokerLink. Great objective here. We want to grow that business -- that is at \$3 billion today, up to \$5 billion in 2025. We -- I think we are on the path. We've doubled that business over the last 3 years. So again, a great position to continue. We believe that there's lots of opportunity in distribution in the market. I don't -- I'm not a specialist of direct distribution. We have the specialist here. She's been running belair for a while, so Anne, give us a bit of an input on belair.

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**Anne Fortin** - Intact Financial Corporation - Executive VP of Direct Distribution and Chief Marketing & Communications Officer

Sure. Thanks, Louis. It would have been awkward for me to be on stage and not be the one that talks about direct distribution. It's been quite a big part of my life for the past few years. So starting with the belairdirect, we've set out a few years ago to simplify insurance for our customers, and we had 3 things in mind and when we wanted to do that. First, we want to be the #1 digital insurer, and we want to make sure that we can digitalize our digital and automate our digital -- half of our digital transactions by 2025. We want to remain best employer, but -- and we want to reduce our expense ratio. So our aspirational goal is to get to 15%. We've already been able to reduce by 6 points over the last few years, our expense ratio. This gives us a competitive advantage over our competitors because we have an advantage on the expense ratio that we can use to bring more value to our customers.

We also said that the last Investor Day that we wanted to reach \$3 billion in premium by 2025. And I'm happy today to say that we'll reach that goal by the end of this year. Of course, this was helped very much by the acquisition of Johnson. And so we're very happy to welcome Johnson into the family. We've been wanting to get into that space for quite a while now, and this provides us the opportunity to come in as a top nonbank affinity writer and really benefit from all the expertise at Johnson coming with over 400 affinity partners and also diversification of product, and it brings also group benefits and travel. So we're very excited about that and lots of opportunity to continue to grow that business.

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**Louis Gagnon** - Intact Financial Corporation - CEO of Canada

Perfect. Thank you, Anne. So we're well on our way to get to 1 out of 3 Canadians as our customers. We have a pretty, I would say, ambitious plan. The team is all aligned to get to \$20 billion. So everyone is, I mean, focused on getting to \$20 billion by 2027. And I think we have all the tools to do that with. So on that, I would like to maybe introduce a little video on a bit of what we do in AI with Isabelle Girard.

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**Unidentified Company Representative**

[video presentation] Intact's ambition is to be the best insurance AI shop in the world.

Since 2017, we've been focused on transforming our competitive advantage in risk selection by embracing AI and machine learning to make our operations as efficient as possible while creating outstanding interactions with our customers.

Our Data Lab has more than 400 experts working on transforming our business and generating outperformance.

**Isabelle Girard** - Intact Financial Corporation - SVP & Chief Data Officer

[video presentation] Success to us is a data model that is able to be fully integrated in our core systems and business processes to create the most value.

Our goal is to be the best at leveraging data and AI to make a difference.

We have hundreds of AI models in production - continuously enriched by new data sources. This year alone, the projects delivered since the inception of the DataLab brought \$70M in benefits.

The key to winning and outperforming is our ability to extract value from a high volume of quality data.

As an example, advanced machine learning techniques have allowed us to test more than 100 new proprietary weather variables and deploy more than 10 specific spatial and geographical models, all created by our very own meteorologists.

We can now better predict losses and customer behaviour, allowing us to extend our already impressive outperformance across markets.

A good example is our Machine learning modeling pipeline used by close to 75% of our homeowner personal property book. This rating pipeline has contributed to a combined ratio improvement of 1.5 to 2 pts.

And through telematics, we're able to optimize customer premiums by using the raw data to create our own scores.

In fact, UBI allows us to identify up to a 65% gap between the best and worst one-third (1/3) of drivers. Not many competitors have the volume of data to replicate this process.

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#### Unidentified Company Representative

[video presentation] Using better data to improve our algorithms, and scaling and embedding AI into everything we do is key to Intact's future success.

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**Isabelle Girard** - Intact Financial Corporation - SVP & Chief Data Officer

[video presentation] Our proprietary car valuation AI model translates into a huge efficiency gain for the claims team which sees roughly 75,000 total loss car claims per year. The value assessment cycle time on car claims has gone from days to a few minutes, an incredible feat of efficiency.

Our AI models have reduced quality review times by half on the close to 3 million calls we receive per year at belairdirect.

We can now scale all the benefits to all our call centers.

And of the more than 150,000 claims and belairdirect chats and chatbots initiated so far this year, 35% were handled without the intervention of an agent.

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#### Unidentified Company Representative

[video presentation] At the same time, we're laying the foundations for becoming an omni-channel insurer -- offering customers solutions regardless of how they choose to communicate with us.

We are also focusing on the quality and governance that will ensure sustainability as we scale up.

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**Isabelle Girard** - Intact Financial Corporation - SVP & Chief Data Officer

[video presentation] We started using AI in personal auto rating, and then expanded it to property. Soon it will enhance Commercial lines and Specialty solutions as well.

Our speech to text initiatives - initially developed for our direct channel - are now moving to claims and to brokers.

We're also scaling across geographies -- like on the pricing side with our UK teams.

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**Unidentified Company Representative**

[video presentation] Since its creation in 2017, the Intact Data Lab has successfully implemented more than 265 AI models in addition to creating strategic intellectual property that sets us apart from our competitors.

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**Isabelle Girard** - Intact Financial Corporation - SVP & Chief Data Officer

[video presentation] Our teams are passionate about making sure that what we are doing is truly helping our customers, businesses and society to prosper in good times, and be resilient in bad times.

We can't fully predict what 2030 will look like, but we know what we can do to prepare. With industry-leading technologies and expertise, we are currently building the future of insurance, ... and we are only getting started.

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**Operator**

Our next agenda item is outperforming in the UK&I. Please welcome to the stage, our leaders from RSA UK&I, Ken Norgrove, Chief Executive Officer; and Ken Anderson, Executive Vice President and Chief Financial Officer.

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**Ken Norgrove** - RSA - CEO, UK & International

Thank you. Good morning, everybody. I'm not sure we have as good a show as the Canadians, but we have an aspiration to be there quite soon. My name is Ken Norgrove, I'm new to the Intact family. I joined in January of this year as CEO of the U.K. and International business. I've spent most of my career in the European and U.K. markets. And my most recent role was that of the CEO of the RSA Scandinavian business based out of Denmark.

So I'm delighted to be here today and to meet you all for the first time. I'm joined on stage by my CFO, Ken Anderson, who's very familiar to most of you in the room already. And today, I'd like to go through what our current focus areas are in -- since I've joined the business. And then just counter through the agenda of what myself and Ken would like to cover today. As you can see, simplification is going to be a theme. We're both Kens. We both have an Irish background and heritage. So you'll see that simplification theme come through as we talk about what we've been doing in the business over the last 12 to 18 months and some of our future plans.

I guess since joining the business, I've had 3 key focus areas: completing the strategic review of the business, building the leadership team for the U.K. and international business and continuing the post-acquisition activity, which for the U.K. business in particular, was about really refocusing the footprint and repurposing the footprint for future outperformance. So it's been a real story of focusing on performance in that period of time.

The agenda that we're going to try and cover off today is what has been our recent performance trajectory, what the U.K. and the Irish markets hold for us in terms of opportunity and scale. A little bit about the market dynamics, what's similar to what you're used to in Canada and what's very different. Talk about the strategic road map and ambition that we've set out for the business to achieve outperformance by the end of 2025. And then what that financial flight path actually looks like. And we'll focus on the U.K. commercial mid-market SME business and the Irish business,



and Mike Miller and my colleague will cover the specialty lines aspect of the UK&I business, which is primarily London-market traded business and our European business.

So what does our performance look like over the recent history? We've been running the business about a 99% combined ratio on a rolling 3-year average from 2017 to 2019. And you can see the step change in improvement that's happened over the last 2 years. That's come down to a combined ratio around the 93% to 94% mark, which on the right-hand side of the screen, you'll see is about market average. And in the Intact family, that's just not good enough. We're aiming for outperformance in the market. But you can see some of the individual components of that. The Irish business has a very strong platform and has been performing well over a consistent period of time and is running at a sub-90 combined ratio. Our UK&I specialty business, which Mike will cover is also running at a sub-90 combined ratio.

U.K. Commercial Lines, which is one of the focus areas for today is a 94% to 95% combined ratio. And we can see strengths that exist within the business and a clear path to low 90s for that business. And then finally, our U.K. Personal Lines business, which is our most challenged business and the area that needs significant focus in terms of enhancing our pricing, data, AI and technology improvements, and we're going to unpack that for you today as we go through the presentation.

In Ireland, the strong performance and the U.K. Commercial Lines performance gives us hope for really being able to hit those ambitions by the end of 2025. So really a 3-year time horizon, and that will remain the focus over the coming years.

So what have we done since the acquisition? Well, we've really transformed the business quite significantly -- we've had GBP 320 million of exits since the acquisition. That includes niche motor and home partnership business, delegated portfolio business, which is within our commercial footprint, which covers small MGAs and delegated scheme business. And we've also sold our Middle East business at above book value. They collectively were running at a combined ratio of around 111% and some of those exits will continue to impact our top line through 2023.

But we haven't just been focusing on those exits. We've also been focusing on the underlying performance of the business, primarily around pricing and underwriting excellence. And you heard from Isabelle in her video just now around the deployment of the data lab capabilities into our personal lines pricing business. We have 2 squads currently working full time on the Irish business in the data lab in Canada. We've been looking on our commercial proposition, on our service proposition to brokers and we'll talk more about that broker promise and enhancing that proposition. And we've also been focused on further product simplification, not just the exits we've had. But also in our Personal Lines business, we've already reduced our product variants by 40% and are continuing that simplification journey, both in personal lines and commercial lines.

And finally, people. We've been enhancing not just the leadership team, but also the pipeline right across the business and leveraging the real focus that Intact have on talent. Within the business now and within my executive team, we have 2 very senior Intact people, Ken as CFO; and Nathalie Dufresne as our Chief Underwriting Officer. And as I mentioned earlier, we've also been deploying the data lab expertise right across the UK&I business.

So a little bit about the market opportunity in the U.K. It's a significant market. It's a GBP 40 billion market in the U.K. split roughly 50-50 between commercial lines and personal lines, and we hold a top [10] (corrected by company after the call) position in those markets. The market runs reasonably profitable at a 94% combined ratio in commercial and 92% in personal lines. In Ireland, it's a much smaller market. It's a GBP 3 billion market, but we have a 10% market share and a #4 position and the market performs reasonably well. And we have a very strong, scalable platform in Ireland in which to build a future business.

We've very strong focused brands. So our commercial and broker brand is the RSA brand across U.K. and Ireland. We have a direct brand in the U.K. called MORE THAN and a direct brand in Ireland called 123 with very strong brand recognition in the markets that they operate. And we have a very strong leading position in partnerships. And these are critical in the home and pet markets in the U.K. So we're #2 position in the banking and building society, home partnerships where they dominate. And the #1 position in the pet market.

And just to break it out a little bit more and go into a little bit more detail splitting it between commercial and personal lines. Commercial is almost identical to the Canadian market. It's dominated by brokers. Over 86% of the business is underwritten through brokers. Distribution similarities are quite the same. But there's no clear outstanding winner in that market. So there's plenty of space for us to grab that control of that market. There's

nobody deploying pricing capability or customer service that stands out in the U.K. commercial market. In personal lines market is quite different to Canadian market. 2 big differences. One, the presence of price comparison websites or aggregators as they're called, which means there's a very strong focus on price in the offering for motor, home and pet insurance. And those aggregators roughly control 75% of new business placement in the market. And then secondly, the partners that I mentioned earlier, the home market, roughly 70% of the business is placed through partnerships, primarily through banks and building societies. And in the pet market, it's about 60% of the market through retail brands such as John Lewis, Tesco, Pet and so on.

So what's our strategy? What's the strategy to win? This chart will be familiar to you from the previous presentations that you've seen. Well, 4 core areas that we're focusing on, leading customer experience, expanding our broker proposition in commercial and doubling down on our direct-to-consumer proposition in personal lines. The reason direct consumer position is important to us in personal lines is because the control -- being able to control the contractual financials within the partnerships gives us an ability to have scale and to leverage the data that we have on those partnerships, but it doesn't give us the ability to outperform from a financial performance point of view, and hence, the focus on doubling down on direct-to-consumer business. We want to improve our technical agility and operations through the deployment of new technologies across our business. And finally and most importantly, is really leveraging the Intact scale, capability around pricing, underwriting, data and AI. And that's where the greatest opportunity for our business comes in the near term. So we have an ambition to hit a low 90s combined ratio by the end of '25, and we're going to pick that between commercial, personal and the Irish business now.

So our Commercial business has 3 component parts. It has our Regions business, which is essentially our mid-market business, commercial business. It's about a GBP 455 million book, and we've just over a 10% market share. SME is our online tool and online facility for small and micro-sized businesses. And Delegated is where we underwrite MGA and scheme business, and you can see the size of that. And we have an ambition to take that business at an operating level, from 95% combined to 90%, and we've a clear line of sight on what needs to happen to enable that.

I'm going to focus on the regional component part of that. But just before I do, the focus areas post acquisition that I mentioned earlier around -- you would have seen a figure around exiting GBP 85 million of Delegated business is the work we've been doing to improve the performance of the Delegated business. And that also includes some of the scheme business which sat within our SME portfolio. So they are the areas where we've been focusing on performance.

However, in regions, we're already performing at a sub-90 combined ratio, and this is the real sweet spot for us. And we're doing that in a market with no clear competitive -- competitors that are outperforming in the market. This is a real strength of ours. We feel there's 2 areas of opportunity for us. One is to expand our broker distribution. We currently deal with about 500 of 2,000 brokers across the market, so we'll gradually increase our distribution reach across the U.K. market. Expand on the existing relationships we have across our 10 regional offices, and double down on our technical pricing and risk selection, which whilst it's outperforming at a sub-90 combined ratio at the moment, we really believe we can turbocharge further improvements as we grow that portfolio of business.

With that, I'm going to hand over to Ken.

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**Kenneth Anderson** - RSA - EVP & CFO, UK & International

Thanks. Thanks, Ken. Yes. So the Personal lines business in the U.K., about -- sorry, GBP 850 million, it represents about 6% of the total IFC portfolio. The strength in Personal lines in the U.K. for RSA are certainly in home and pet insurance.

In terms of distribution, the direct distribution is about 30% of the portfolio, and that's where we use that MORE THAN brand, which is synonymous with, I would say, a high-quality product offer. The partnership business, the other 70%, is through long-standing relationships with retail and financial brands in the U.K. You noticed the motor business, it's a 1% share. It's very much subscale right now, and clearly an area of focus as we move forward to grow market share.

Financial ambition. In terms of today, the business is running at an upper 90s level. Our ambition is now to take that to a mid-90s over the next 36 months. How are we going to do that? There's 3 main levers.

Firstly, that distribution tilt, currently 70% with partnerships. Our aim would be to bring it closer to a 50-50 between the direct business and the partnership business. That will mean a focus on that MORE THAN brand and the positioning of that brand and a product refresh, which is already well underway.

The second area is very much the technical capability, leveraging the Intact strengths. Firstly, pricing and risk selection, where machine learning and utilizing the Intact Lab will really be important. And already, the Intact Lab is collaborating with the teams in the U.K. as we speak. Second area is in claims. Here, systems, implementation of Guidewire and process improvement is already in flight and will bring benefits.

The third area then is technology. Here, the current technology in the U.K. is costly and lacks the flexibility we need to win in the market. So investment will be required to reposition the business and to fuel that profitable growth. That will take 24 to 36 months to deliver benefits, but it will position the portfolio for success in the mid to longer term.

I would say that success in personal lines is not assured and there may be need to pivot over time the strategy as required. But those 3 pillars in terms of distribution, 50-50, technical capability and technology, we believe, is the road map to that mid-90s performance.

So if we turn to the Irish business, about GBP 350 million of premiums, a top 5 position, 10% market share. The performance is really good, already running in a 90% combined ratio zone and very much the aim is to sustain that. The Commercial lines business has -- commands a lot of brand respect in Ireland, and there's an attractive product offering, both North and South. In Personal lines, there are strength in the affinities but there's also strength in the direct 123.ie brand, which has about a 12% share of the direct business. As I said, the aim is to sustain that low 90s performance and to drive profitable growth.

I'd just note that Ken presided over the Irish business from 2014 to 2019, and presided over a significant turnaround in the business. And he left Kevin Thompson, now as CEO, and a very engaged Irish team very much living the Intact values.

So the team operates and the business operates a very scalable platform focused on agile and lean. I would say the multichannel strategy supports growth across the business, and the focus areas in Ireland are firstly in personal lines where the emphasis is on that 123.ie brand to improve penetration across the market. And indeed, Anne Fortin is on the Board of the Irish business and brings the Intact and belairdirect capabilities to the table. And in Commercial lines, very much a focus on the mid commercial property and liability. And also worth noting that the Irish team are #1 in terms of renewable energy, and that's very much a growth opportunity in the Irish market moving forward. So a good road map, and a great team setting themselves up for success.

Back to you, Ken.

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**Ken Norgrove - RSA - CEO, UK & International**

Thanks, Ken. So I want to leave you with the final slide and comments, and I'll pause on this slide for a little moment.

I guess we've made significant progress. We can see the performance improvement from '19 through to '21, where we've taken deliberate action to improve the performance of the business. There are clear strengths that Intact brings to the table, and we have a clear road map to leverage those trends, particularly in pricing and in claims. And you can see that a significant portion of our improvement we see coming from those performance activities, which are well honed here in Canada and that we want to leverage into the U.K. business. We'll also drive some efficiencies in the business through both the growth of the business and the development of new technology and more simplified processes right across the business. And clearly, that will take an investment to make that all happen right across the business.

So we believe we've got that clear path to a low 90s combined ratio. That will mean when you look at the individual component parts, we expect to hit 95% for our Personal Lines business, around the 90% combined ratio for our Commercial and Irish business, and a sub-90 combined ratio for our Specialty Lines business, which Mike will cover in the next presentation.

So that's it on the U.K. for now. But I guess before I pass on and introduce the next video, the next video covers talent. And since I've joined Intact, one of the most impressive activities I've seen is how Intact managed talent on a constant and continuous basis. It's a constant focus for the executive team. And that focus has always been driven by the purpose of the organization and underpinned by the value. So when there are conversations about talent, it all focuses in on the individual's commitment and alignment with the values of the organization.

And I just want to introduce Carla Smith on the video, who's going to talk about Intact talent management.

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**Carla Smith** - Intact Financial Corporation - Executive Vice President & Chief People, Strategy, and Climate Officer

[video presentation] At Intact we believe that Insurance is about people, not about things. We're able to deliver peace of mind to our customers because our employees commit to being there when they are needed for advice or assistance.

Our Values and Leadership Success Factors are embedded in everything we do and provide the critical foundation that helps us to deliver outperformance.

To achieve financial outperformance, we must achieve talent outperformance and grow our talent at the pace of our business ambitions. We do this by executing on our People Strategy -- built on three pillars: be a best employer, be a destination for top talent & experts and future proof our people to succeed.

Being a best employer means three things: one, that our employees are willing to say positive things about us; two, that they intend to stay with us; and three, that they strive to go above and beyond what is normally expected from them.

We measure how we are doing in these areas through an independent annual Engagement Survey, benchmarked against other top employers. We have been surpassing average global scores since 2010, and have been recognized as a Best Employer consistently for the past 6 years. This is a level of recognition only 15% of participating employers achieve.

But being a best employer isn't just about a great survey result, it's about delivering on our Employee Promise every day as we create opportunities for our employees to shape the future by helping us to better protect people, businesses, and society as the world changes around us, to grow with us by continuously refreshing their skills and building a successful and enjoyable career, and to win as a team by collaborating with inspiring colleagues and leaders, in a diverse environment where they can truly feel comfortable to be themselves.

The second pillar of our people strategy is to be a destination for the top talent & experts who will lead us into the future.

Our Data Lab is one great example of how we've done this. We replicated the success of our Actuarial Intern Program in Data Science & AI Engineering, by partnering with leading universities to gain access to the best graduates. Today, over 50% of our new hires come from this program.

Over the years, acquisitions have also accelerated the expansion of our talent pool. We've added over 15,000 new employees in the last decade through manufacturing acquisitions alone -- this growth ensures continued diversity of thought and constantly challenges the status quo -- two ingredients that we think are essential for stimulating outperformance.

The third pillar of our people strategy is to future-proof our people to succeed. By continuously developing our employees, they have a better chance of contributing to our overall outperformance.

Our dedicated learning & development team has deployed a number of actions to move the needle here, such as modernizing and digitizing our L&D offerings through the launch of a new portal.

In the end though, the proof is in the promotions. In North America, over 85% of our leader vacancies in 2022 have been filled internally. A testament to both our L&D approach, and our robust succession planning process.

As an employee of Intact, I feel lucky to have landed here 23 years ago. I'm proud to be surrounded by such talented people, not only because it makes my days fun... but because when you're surrounded by talent - it feels reasonable to dream big.

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## Operator

Please welcome, our leaders from Global Specialty lines to the stage. Speaking on building a global specialty lines insurer are Mike Miller, Chief Executive Officer; Darren Godfrey, Executive Vice President; and Lynn O'Leary, Senior Vice President and Chief Operations Officer.

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## Michael Miller - Intact Financial Corporation - CEO of Global Specialty Lines

All right. Good morning. It's great to be here to have an opportunity to give you an update on our Specialty lines progress. We started this conversation in 2019, and actually, we've got a lot of exciting things to share with you today about our progress as well as our future ambitions.

You could hear from the previous presentations by Louis and Ken, one of the best parts of our job in Specialty is that we get to deal with all of the different geographies across Intact. So we have presence and capabilities in the U.K. and in Ireland as well as in Europe and obviously, a significant position in Canada as well in addition to our U.S. capabilities. So part of our opportunity is to bring those capabilities to all those different markets, which is really an exciting piece for us.

So in the next 20 minutes, what we want to do is share with you a few key things. One, first of all, where we've been in the last 5 years, okay. Picking up on Louis Marcotte's presentation, what we've done, what we said we were going to do. Second, to really talk to you about what we see now as the opportunity post the RSA acquisition. The opportunities for us to continue to expand and bring our capabilities to new markets and some new products. The third piece we'll talk about is what our capabilities are and what we think they need to be in order to succeed in Specialty around the globe. And the final piece that we'll update you on, that Darren will take you through, will be our new ambitions.

And the one thing that I would say related to where we've been, which really is sort of kicking off looking at the results. As you'll recall, just back in 2016, Intact began a discussion around creating specialization. And that starting point, as you can see on the left-hand side of the slide, really began with roughly \$628 million of premium. Over the last 5 years, that has now grown, as you can see, to over \$5 billion of premium. And importantly, you see the expansion as well into the different markets. You'll recall in 2017 with the acquisition of OneBeacon, we talked about our near-term ambition by 2020 was to get Specialty across at the time, North America, to \$3 billion and to perform in the low 90s. Which clearly, as you can see on the slide, we accomplished.

Before we got to that point, we updated our guidance to say what we really have aspirations to do now is by 2025, developed \$6 billion of specialized premium at a low 90s combined. And as you can see from this slide as well, here we sit in 2022 at over \$5 billion of premium performing in the low 90s. So that gives you a reason or understanding of why today we'll share with you what our new ambition is.

So the exciting part of that, I think, and an important part of our confidence in where we're going, is the ambitions that we've set out for ourselves both in terms of top line and bottom line, we've shown an ability to deliver on, and we'll bring that same confidence to our next round of expectations.

The RSA acquisition, as you've heard today, was meaningful on many fronts. And for us, across specialty lines, what it did was open up a significant additional new area of opportunity. So today, as we look at the global specialty lines marketplace, which roughly would be estimated at around \$375 billion, that is the sandbox that we now have the opportunity to play in. If you go back to that first slide and go back to 2016, what this obviously indicates to you is that we have -- the opportunity set for us has gone up twentyfold since 2016. And so when we talk about aspirations, when we talk about the ability to execute, we're doing it inside of a market opportunity that is dramatically different than where we were.

The other important element I would point to on this slide for you to understand is that these positions give us now access to roughly 70% of that global specialty lines volume. So in the near term, both in the capabilities that we have as well as adding new capabilities, and importantly, as you'll learn in the next few minutes, leveraging those capabilities in different parts of the world, we have tremendous opportunity in the geographies that we now have meaningful presence in that we're excited about.

So with that, I'll turn it over to Lynn to take you through our capabilities. I'm sorry, hold on.

One last piece that you've seen on Louis and Ken's, these are the 4 main pillars organizationally as we look towards the future and in the near term on the road that we're focused on. At the core of everything we do is specialized customer value proposition. The reason for specialty to exist is there are capabilities with particular niches or products where specialization is a key differentiator in terms of product offering and in terms of profitability. So that value proposition around those specialized customer segments and geographies is critical to our success and a core focus.

As you heard in Ken's discussion and different elements, we as well, with the additional geographies we have and the opportunities, will continue to expand our distribution reach. We'll do that both in terms of deepening relationships with existing partners where we don't necessarily have penetration in products that we offer, as well as new distributors that we have the opportunity to bring those capabilities to. And all of that inside of an important element of that marketplace, the market opportunity that we have is very fragmented, with no single market across that \$375 billion accounting for more than 5% of the volume. So it's a fragmented market, which, to us, means significant opportunity to both expand our capabilities and grow our profitability.

And importantly, we will continue to add new verticals or segmentation and specialization which, again, is the key. All of that inside of what is already a track record that is performing at the low 90s level with aspirations to do better than that.

So with that, I'll now turn it over to Lynn.

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**Lynn O'Leary** - *Intact Financial Corporation - SVP and COO of Global Specialty Lines*

Thanks, Mike. Good morning, everyone. So as Mike talked about, we are going to leverage our strong core platform in order to really capitalize on the opportunities that you just heard about and to support the ambition and growth that Darren is going to share with us in a minute.

So as a core platform, we really have 3 pillars: talent and expertise, deep distribution relationships and diverse product offerings. With respect to talent and expertise, for Specialty, our customer value proposition is really about our expertise and our talent, and the way that that talent is used to support the unique customer segment that we're in. But that expertise doesn't just exist within our underwriting sections and our leading -- our underwriters and our business leaders, it's across our entire organization. We have talented teams with expertise as claim handlers, as actuaries, as legal teams, and all of these teams are embedded in our businesses so that they understand the strategy, the risks, the appetite that really enable them to more effectively support the business.

So with the focus on developing and deepening our expertise, it's really important for us to look at the factors of how we think about that. One, experience. Our leaders have over 25 years of experience in their respective segments. They know their customer group, they understand the challenges, the needs and the services required in order to service that group. They also have strong relationships with their distribution partners. We also look to our leaders to really develop our talent and create a strong talent pipeline as well as keep engagement high. And the status of best employer, we think, is indicative of our ability to really keep people engaged and excited about being a part of the organization.

The other piece of our development and deepening of expertise is really equipping our teams with best-in-class tools and capabilities. So post that acquisition of RSA, we now have the capability of performing at a global level through their in-house network where we can service multinational customers around the globe by being able to offer local policies and handle claims locally in more than 150 countries and territories.

The second prong of our core platform is a diverse distribution platform. So as you can see on the slide, we have a meaningful mix of premium between our global brokers and our local brokers. Given our geographic expansion post RSA, our growth -- the growth and consolidation of the global broker market, these broker partners will be key to us in outperforming and reaching the strategy that we've set out today.

As meaningful, our relationships with our local distribution partners. Their specialization at a regional level is really in the customer segments where we operate, so it's important for us to maintain strong relationships with those local brokers.



To round out our distribution platform is our MGA strategy. So we are growing our portfolio of MGAs. As you can see on the screen, we've reached nearly \$1 billion in volume with those MGAs. And really, the MGA strategy aligns well with our specialty strategy, which is finding MGAs with deep expertise, a compelling customer value proposition and long-standing relationships in the industry. A perfect example of this is our acquisition of Highland Insurance, which we just acquired in earlier this summer. Highland has a team of experts in the builder -- wood frame builder risk segment, deep expertise in that area. They also have a technology platform that is customized and nimble so they can support their customers, and they have long-standing relationships in the industry with both their customers and their broker partners.

The third and final prong of our core platform is our diverse product offering. So as you can see on this slide, on the right-hand side, we have over 20 diverse underwriting segments that we operate in all 4 of our regions. And many of these, we have leading positions in. We also offer customized products in each of these segments.

So a couple of observations on this slide. As you can see, some of the segments are located or we write those segments in all 4 regions, which gives us a chance to look at opportunities to run these businesses at a global level. As you'll also note, some of the segments are not -- do not exist in the other -- or in all regions. So that gives us the opportunity to export that business into those regions, really using the expertise that we have, but also the local footprint and distribution relationships.

So with 3 at-scale platforms, a team of highly engaged and expert talent, a diverse distribution channel and with expanding those and expanding our MGA portfolio, as well as a diverse product offering, we feel incredibly well positioned and confident in our abilities to support the growth ambition that Darren is going to speak to next.

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**Darren Godfrey** - Intact Financial Corporation - EVP of Global Specialty Lines

Thanks, Lynn. Good morning, everybody.

So let's wind the clock back a little bit to 2019. We talked about \$6 billion of premium by 2025, operating in sustainable low 90s. But clearly, a lot has changed since that time. We have clear line of sight on our top line objectives and are very confident that we will exceed them by 2025. And we are at, today, sustainable low 90s.

But obviously, following the acquisition of RSA, as Mike has outlined, our footprint has changed dramatically. Our market opportunity has changed dramatically. Our products breadth has got deeper, and also we've gained incredible expertise in not just in Canada but also in the U.K. and Europe as well. So really, it's now time to raise the bar again in typical Intact fashion. So we're setting out today our next ambition as a global specialty lines platform, which is to achieve \$10 billion in premium by the end of the decade and further deepening our outperformance in this sector to operate at a sub 90s level. So let's unpack that a little bit.

So how do we go about doubling our premium base from today? As we've outlined, our opportunity set ahead of us is 20x where we were back in [2016] (corrected by company after the call). We need to do more of what we do well today. Many of our existing lines of business today are operating at scale. I can think about surety, property, marine, we need to do more of what we do well today. Some of our lines, obviously, will become global in nature. Marine is a great example of that. That does not mean that we operate with the same appetite globally either. Because what is key to success in Specialty lines is deep expertise to your local market. So does that -- does not mean that we have to have the same appetite globally as we operate global lines, for example, marine and a few others.

We obviously have deep distribution partners, as Lynn outlined. We need to increase those relationships. We need to broaden the depth of our products sold across those various different relationships, strong lever for growth moving forward as well. Even if lines don't become global in nature, we have capabilities and expertise that we're looking to export, whether it's underwriting, actuarial claims, loss control, there's a lot of capabilities that we need to be sharing across our various different franchises within global specialty lines.

We have 2 emerging market segments in the industry: cyber and renewable energy. As you well know about our partnership with Resilience, where we have a minority ownership position, we believe that that team is best-in-class in this industry. We're looking to grow upon that, not just in the U.S. but to take our relationship and take our offering beyond the U.S. as well, working hand-in-hand with that team.



Renewable energy is clearly, in the next decade, another significant source of growth for us as well. In fact, through the RSA acquisition, we already have, in addition to the Irish renewable energy portfolio that Ken outlined within Canada and the U.K., a \$50 million portfolio to build upon. But again, like all of our other verticals, we'll be very deliberate in where we play, with deep expertise to take advantage of the market opportunity ahead of us. And then lastly, of course, our well-proven track record of value creation through M&A, which [Werner] will talk about in a moment.

It's great to think about top line, but it's the bottom line that gives us the license to grow. That's the same today, and will be the same moving forward as well. We see our greatest opportunity both in the short and medium term is around pricing and risk selection sophistication. You've heard that theme today a lot in our different geographies, equally applies in specialty lines as well. And we're looking to over-index, overinvest in our actuarial skill set, supported by Isabelle and the team at the Lab.

Portfolio optimization will continue as it does today. As Lynn laid out, we have a very diverse broad product suite across many different geographies. We will over-index, under-index based on performance. A lot of those lines are not correlated. Some are insurance-cycle related, some are economic-related, some aren't related to any particular cycle at all, and we'll be able to use those levers from a performance standpoint to continue to optimize the portfolio to further enhance our outperformance.

Our performance improvement plan, governance process that we've talked about in the past, works. Brings great visibility, clear actions that we measure, monitor to drive performance. I could highlight 2 lines in the U.S. in particular that were at one point designated as PIP lines, Inland Marine, Management Liability, both are operating sustainably in the 80s today. While we've seen success with PIP, we're also not afraid to pull out of lines as well if we don't see a clear path forward from a profitability standpoint, that we're prepared to exit from. And obviously, you've seen us do that in the past as well, and that will continue to be another lever on which we could play in the future.

As I said, success in SL has been very deliberate in where you play. Lynn highlighted deep expertise across all of our value proposition. What does that deep expertise enable us to do? Influence product, influence price, attract talent, leverage data. As we do today, we're continuing to build upon those skill sets as we move forward in the next short to medium term.

While governance processes are key to success, and I've highlighted about our performance improvement plan. That will continue today, and we're taking a lot of that governance process that we're well established in North America, bringing that expertise both to the U.K. and to Europe as well. But local market expertise is key. So while we govern the portfolio on a global basis, our people stay close to customers, close to the market, close to our distribution partners to outperform in their local market.

So as you can see, we have many levers at our disposal. And we have a lot of confidence that we can really continue to expand our outperformance in specialty lines to move the business from where we are today, sustainable low 90s performance to move us into a different zone, which is in the sub 90s, which very, very few operating today at scale, and this will put us well beyond upper quartile performance moving forward.

With that, I'll pass it back to Mike.

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**Michael Miller** - Intact Financial Corporation - CEO of Global Specialty Lines

Great. Thanks, Darren. So key takeaways that we'd like to leave you with that we've highlighted, hopefully through this discussion, that are evident to you. One, we have an understanding and a clear focus on the critical elements of what it takes to build a specialty solutions leader. In fact, at over \$5 billion, we're already a meaningful leader in a number of the business segments and geographies that we're in. Number two, we have a strong core platform. So that base of 20 different verticals and those capabilities that we have the opportunity to bring different geographies form a very strong base. And as you've seen in the recent results in 2021, and first half of '22 already performing towards our aspirational goals.

The other key element that we've highlighted that is just unavoidable and exciting is the access to the market size. The capabilities that we have, the geographies we have, the talent that we have and all of those meaningful geographies is really an exciting element to our opportunity in front of us. So we're very confident in our ability to deliver the top line capabilities on the \$10 billion, and more importantly, the bottom line capability. And if we do that, obviously, it continues to grow the impact and cement the specialty lines capabilities as a key contributor of value creation at Intact.

So with that, I will ask Charles and Louis and Shubha come back for the first Q&A session.

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## QUESTIONS AND ANSWERS

**Louis Marcotte** - *Intact Financial Corporation - Executive VP & CFO*

That was a lot of ambition. Time for Q&A before the break. And so we'd like to give you a chance to share a few questions, if you have any, before we break off for the break. So Charles, Shubha and myself and all the management team that have just presented are here to answer your questions. So let's go right ahead. Any questions, and we'll need help from the room just to see you because we're a bit blinded by the lights.

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**Shubha Khan** - *Intact Financial Corporation - VP of IR*

So we'll commentate questions from both the live audience here in the room as well as from the webcast. (Operator Instructions).

So with that, we have approximately 15 minutes. Invite you to raise your hands if you have any questions.

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

In the spirit of not deterred by adversity, we'll try to get back on track despite the fire alarm, so we'll keep it tight.

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**John Aiken** - *Barclays Bank PLC, Research Division - Director & Senior Analyst*

John Aiken with Barclays. Unfortunately, my first question is going to be a little bit more specific in terms of the Canadian operations, very interested about On Side. The claim -- 40% of claims are actually being done through On Side, if I remember correctly from the slide show presentation. I wanted to know what type of combined ratio benefit On Side has, and ultimately, what can that percentage of claims get up to? Are we talking 80%, 90% ultimately when all your aspirations are achieved?

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

So why don't we ask Patrick Barbeau. Many of you are familiar with Patrick, Chief Operating Officer, one of the architects behind the On Side buildup. So, Patrick?

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**Patrick Barbeau** - *Intact Financial Corporation - Executive VP & COO*

Thanks for the question. Very excited with On Side. The main goal of On Side, why we acquired it was from a customer experience perspective. So while it brings some benefits, that's not the main focus or the goal. We've seen over the past decade, a lack of capacity in the repair market. That does -- and cycle times that extend beyond 90 days in average for property claims.

What we've seen so far with On Side is an average NPS that went up by 20 points compared to what we had in average before, and as well the cycle time reduced by a third. Our ambition continues to be more from -- continuing to push the experience further. But we think that we can probably double the size of On Side in the coming years. By expanding the footprint, we have 40 locations across Canada, but there are still parts of the country that we can expand our capacity even further. And it contributes to the distribution income. That's how the income of On Side is captured in our results. But the efficiency that we have in managing the repairs helps also on our combined ratio, but the main focus is on improving the capacity overall and the customer experience.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

I think the real upside for us from a financial point of view is the bottom line of On Side as a firm. There's a big capacity issue in the market, and there's a quality issue, and that's the business that we're seeing from -- we call that distribution income, but it's the On Side profit. Maybe you want to give your perspective, Louis, on that.

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**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

Sure. So we've been ramping up the business, transferring more business to On Side. RSA has added to that. We're probably in the \$300 million range in terms of billings there, and the margins are in the low teens area. So we're ramping this up, but this is what we're capturing on the distribution income. So that EBITDA margin of On Side, which was previously gone privately, is now coming back to us. And that's really, I think, where the upside is.

So the margins will expand as we scale it up, but we have the capacity to scale it up pretty much under our control. And that's really where it's impacting the most. Otherwise, it's on the underwriting, it's the operations more than the combined ratio. It's not hugely visible on combined, but on distribution income, it is a driver of the growth in distribution income.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

The other thing, John, that I like about On Side, other than the fact that in itself, it's a very distinct, much bigger business than any other player in the marketplace is that bottom line is uncorrelated with underwriting performance in property. Because the more pressure you have on the underwriting front, the more demand On Side has, and we've seen that in the first half of this year. And so nice element to narrow the range of the ROE movement as well.

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**Shubha Khan** - Intact Financial Corporation - VP of IR

Any other questions on the floor? One over here.

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**Unidentified Analyst**

It's Rob Poole from Picton Mahoney. Just a quick question on, I guess, the combined guidance in specialty lines. You're moving it from lower -- low 90s to sub-90. How do you think of it from -- if I like decouple expenses and loss rates? Like, do you -- is it a scale benefit, or is it improved risk selection underwriting as well or like a mix of both? And if it is a mix, where do you see the skew next?

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

Take this?

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**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

I can take it, and maybe Darren will participate. I think the scale will certainly help on the expense ratio. There's no doubt. But I think the first focus is really points coming from the underwriting. So the pricing, the risk selection, I think, is where we have most of the upside. And then expense will be helped, but it's not really the driver of the improvement.

**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

Yes. That's exactly right. To be clear, we're not happy with the expense ratio. But the guidance, the game plan is risk selection driven first and foremost. And I think we're looking at what Mike and the team have been able to do in the past 3, 4 years, and my own perspective is that there's a lot of upside to just elevate the science on the front line, and that I think will be a big driver of it. But we're not happy with the expense ratio.

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**Jaeme Gloyn** - National Bank Financial, Inc., Research Division - Analyst

Yes. Thanks. Jaeme Gloyn with National Bank, over here in the middle guys.

Question is on the specialty lines growth ambition. Can you break it down between organic and M&A to get the doubling from \$5 billion to \$10 billion in premiums? And then in terms of the M&A outlook, can you break that down even further between the MGA space and, let's say, traditional manufacturing companies and the opportunities there? And as I think about the MGA space, there's a lot of demand for MGAs. It's been a very rapidly growing market and valuations are high, so maybe a little bit of color around that market opportunity from an acquisition standpoint.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

So Mike, pull up the spreadsheet, please. But good question, Jaeme.

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**Michael Miller** - Intact Financial Corporation - CEO of Global Specialty Lines

A couple of comments I would say, Jaeme, to the question. One, in the near term, we think we have both, obviously, nice organic upside. We think over that period of time, it takes us to 2030. We think that if you do the math, averaging between 5 and 10 points of organic growth during that period of time, we think, is reasonable. And then obviously, with M&A filling in on that, if you will.

And then number two, on the M&A front, your observation is correct. Clearly, high demand right now. Two things I would say there. One, we don't -- our focus is not on buying, at this point, MGAs that sort of cover the waterfront in terms of a variety of different segments and products that are in. Some of the biggest ones that have just recently traded hands that have 30 to 40 different programs and niches, et cetera. We're really looking at it on a very narrow focus, like what Lynn highlighted this morning with Highlands, as well as some of the others that you see on the chart that we have. So those would include IPE Public Entity here in Canada, which is really focused solely on public entity. IB&M in the U.S., which is solely surety. Highlands, which is really wood frame builders risk. And so we look at it as additional expertise and capabilities that we add to our offerings overall, not just trying to say at this stage, we're just trying to become an MGA owner and player, too.

Now when we look at \$1 billion, approaching \$1 billion of premium, clearly, you're creating EBITDA and distribution income there as well. But our real focus is driven by that expertise and the underwriting capabilities that we're adding.

So I think that game plan that we're looking at, we'll continue to participate. The prices today are clearly at the upper end of recent pricing, but I think as you get into very narrow niches, it's a little different discussion than trying to go acquire a \$2 billion of MGA premium on its own, individually.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

Yes. I think the road map has M&A in it. But my own perspective is that it can all be organic growth driven, given the time line that Mike has sort of laid out here.

Look at our position in the U.S. I mean, yes, if you look at it in absolute terms, there is scale. There's outperformance. That's good. But in the context of the U.S., just putting more people in the field in the lines in which we're in, you're talking double-digit growth, not much debate there.

I think in Canada, if we leverage the distribution relationships that Intact Insurance has fully in specialty lines, a ton of upside there. And we're not even talking about tapping into international customer segments, which we now can do with the global network. That's just North American upside. And then, obviously, U.K. and Europe is untapped in that scenario.

So we're keen to scale up with manufacturing opportunities. It's not clear to me though that the dependency to get to 10 over that time line is dependent on M&A.

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**Louis Marcotte** - *Intact Financial Corporation - Executive VP & CFO*

We would use capital, if an opportunity came up, and it would be an accelerator at the end. But I think in this case here, you saw the platform can expand quite significantly on its own.

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**Shubha Khan** - *Intact Financial Corporation - VP of IR*

Perhaps we will take a question from the live webcast, the audience following via live webcast.

First question is on the UK&I. Do you need to have a personal motor offering in order to grow personal property? Are these products bundled like they are in North America.

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

Ken? That's a good question for you. It's a question you're being asked all the time, so.

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**Ken Norgrove** - *RSA - CEO, UK & International*

I don't think there's a direct correlation there. So in the U.K., aggregators and the direct players have really fed off the motor market. There is a move for a lot of those large motor players to start to focus on non-motor strategies, so it will be interesting to see how that develops over time. But no, I don't think there's a need or a direct correlation, and we're proof of that. We have a top 5 position in Home and Pet and we have less than 1% market share in motor. So we're currently existing proof that correlation doesn't necessarily need to be there.

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

Yes. I think that's exactly right. If you look back, the answer is no. If you look forward because the big guys have growth challenges, you can say, well, maybe this is where the market is going, but it's not clear it's the case, and it certainly was not the case historically.

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**Shubha Khan** - *Intact Financial Corporation - VP of IR*

Scan the room for further questions.

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**Lemar Persaud** - *Cormark Securities Inc., Research Division - Research Analyst*

Lemar Persaud from Cormark. My question is probably for Louis. You had a slide earlier kind of breaking down the 12% NOIPS growth over the past 10 years. My question is really on the operating margin expansion, the 5% contribution. Can you kind of talk about how that's going to evolve over the next 10 years? Because Intact is a very different company today than it was 10 years ago, so you're starting from a real position of strength. So how does that kind of break down into the 10% growth mix evolve over the next decade?

**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

Sure. Very good question. So you saw 5 points on the 12% so far. And I mentioned earlier, in fact, I went back myself to 2011 and the starting point was a 94 combined ratio, and now we're hitting low 90s. So we're -- that explains why it's such a big portion of this tranche of 10 years.

When we look forward, you've heard from the discussions this morning, where will be the margin improvements. Clearly, I will say U.K. is where there's margin improvement and then global specialty lines. Those points of combined ratio to get to a sub-90. Those are the 2 fundamental ones that will drive margin expansion. I will say what also would come in here where there's no M&A would be additional distribution income, for example, which we'll feed into there and potentially some investment income that would feed that is not driven by M&A acquisition activity or capital deployment.

So that's where I would say there's -- I call it operating margin because whatever feeds into NOIPS, that grows our NOIPS margin would feed into one of those 3 buckets. So that's how it sort of gets allocated.

**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

I'd add the fourth layer, which you'll talk about later in the conversation, but it's the synergies that are not yet earned following the RSA acquisition, which also will contribute to margins.

**Shubha Khan** - Intact Financial Corporation - VP of IR

So we're out of time for this first segment of the Q&A. There will be another opportunity for Q&A at the end of today's presentations.

At this point, we will take a 10-minute break. Refreshments are available in the foyer outside. Thank you.

(Break)

## PRESENTATION

**Justin Smith-Lorenzetti** - Intact Financial Corporation - Vice President & Head of Investments, Intact Ventures

[video presentation] Intact Ventures invests in some of the most exciting early-stage technology companies in the insurance industry, and adjacent sectors.

Intact Ventures was founded in 2016, and we now manage \$400 million and have invested in over 30 start-ups and venture funds in 5 countries ranging across a wide variety of business models.

We operate with a dual mandate of, one, generating outsized and significant financial returns, while also ensuring that Intact is deeply tapped into the flow of what's happening in the fast-changing world of tech. This allows us to operate at the frontier of our industry, defend against disruptive forces and apply our knowledge to influence product development, data strategy, partnership engagements, which are some of the countless ways in which we strive to surpass consumer expectations.

We invest in 4 main areas: the distribution of financial products, mobility & Supply Chain, Data & AI, and the sharing of assets, risk and expertise.

We aim to deploy up to \$10m per deal and take active roles in assisting our portfolio companies in their growth trajectory.

Start-ups continue to impress us with the speed at which they're creating new products.

When investing we think about how to best combine the expertise of technologist founders with our knowledge of insurance markets.

We deploy capital into some of the highest growth areas within insurance globally, including emerging risk classes like cyber insurance.

To give you an idea of the type of founder we work with and hear why he has chosen to work with Intact Ventures -- I'd like you to meet Vishaal, the CEO of Resilience Insurance, a top global Insurtech business.

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**Vishaal Hariprasad** - *Resilience Insurance - CEO*

[video presentation] "I will say that it's been an absolute pleasure meeting all of the folks at intact, and it's more of a partnership, not just an investment. What I mean by that is the finances are great, but every time I've come up and met folks, whether its Intact Specialty in North America or Intact Corporate, I've left with a respect and admiration for the level of talent around the table and the passion with which they take care of their clients, as well as their partners, ourselves included. I think that combination of trust and that partnership, giving us the rigor to maintain high standards and helping us properly combine the two, go after the market incumbents has been all the key elements to our success so far."

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**Justin Smith-Lorenzetti** - *Intact Financial Corporation - Vice President & Head of Investments, Intact Ventures*

[video presentation] In the past seven years, we've been fortunate to work with several impressive founders like Vishaal.

What sets us apart from many of our peer corporate venture funds, is our willingness and ability to invest in areas adjacent to our core business.

A great example of this is Gatik, the company behind the first commercial autonomous transportation deployment in Canada. We were an early investor in the business and now support Gatik's insurance needs across North America.

Our learnings from the venture space support our belief that scale is our best friend at Intact.

Manufacturing is complex, pricing requires deep specialization, and at the end of day, claims need to be serviced and optimized via sophisticated supply chains.

We believe that the entry point for disruption continues to be distribution, and the best insurance technology businesses will need to partner with leading companies like us, because it's difficult to replicate every facet of what a company like Intact can do.

We're still at the very early stages of what Intact Ventures will grow into. We are backing some of the brightest minds in early-stage tech and returns will continue to be amplified as many more companies join the likes of Resilience as breakout winners in our portfolio.

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**Operator**

We invite now to the stage the Chair of the Intact Board, Bill Young; and Dr. Indira Samarasekera, Corporate Director, for a panel discussion on our global strategy and governance moderated by Frederic Cotnoir, Executive Vice President and Chief Legal Officer.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Good morning, everyone. So I'm joined today by Bill and Indira. Bill will share his view on strategy, Board composition; and Indira on Human Capital management and governance relating to ESG matters.

Bill has a very deep corporate expertise, was Chair of Magna for 10 years until this May, is the Chair of SNC since last year, and more importantly, he's the Chair of IFC since the last AGM in May.



Like Bill, Indira has a very deep and broad expertise -- deep expertise in engineering, but was the President of the University of Alberta for 10 years and is also on the Board of a number of Canadian corporations, including TC Energy and Magna.

Please note that Bill and Indira will not take any questions at the end, but Bill will be available to discuss with you and so will Jane Kinney, the Chair of our Audit Committee, that is present with us this morning.

So Bill, can you let us know whether you expect any change in terms of the focus of the Board now that you're Chair replacing Claude that had been our Chair for a period of close to 15 years?

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**William L. Young** - *Intact Financial Corporation - Independent Chairman*

Thank you, Frederic, and good morning. Is my mic working? Good. So first of all, looking back over Claude's tenure, this was a period of incredible growth for Intact and sustained outperformance. And Claude developed a very positive and constructive and effective dynamic in the Boardroom. And my objective is to maintain that.

In terms of the areas of focus for the Board, there are really five principal areas that we're going to continue to work on: the first is refreshing strategy periodically, including topics like corporate development and M&A; overseeing the implementation of strategy is also a key role for the Board and a key priority; third, HR matters, in particular succession for senior members of the management team, a topic we're frequently focusing on; fourth, oversight of risk throughout the group; and fifth, governance-related matters.

So on the latter point, governance, if you look back over the last 2 years and certainly since this group was together in 2019, there's been a significant growth in the group. Premiums have doubled in scale, and the group is now active in Europe, the UK and Ireland. And the Board is very focused on making sure our governance framework is expanded to mitigate risk across a broader set of geographies and to provide a consistency or ensure consistency of execution across more geographies and ensure that the group is leveraging its competitive capabilities uniformly across all the countries it competes in.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Bill, there's been very significant renewal at the Board level in the last 2 years. In fact, close to half of our directors have joined us in the last 2 years. You were the Chair of the Governance Committee, and therefore, with Claude, you were very instrumental in designing the Board composition. Could you share your view on how you went about this work and whether we have the right people to support management for the coming years?

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**William L. Young** - *Intact Financial Corporation - Independent Chairman*

Well, I certainly think we've got the right people. We've been thoughtful about the selection process and in particular, looked to bring together a group of diverse and complementary perspectives. And as we recruited particularly over the last 2 years, we are focused on the macro issues that Charles described during his presentation earlier this morning, namely having people in the room that could provide us perspective on evolving consumer expectations, that had perspective on technology and big data, could understand societal focus on net zero, understood the socioeconomic issues of the day, increasing cost of living, and more recently, inflation pressures that bring an understanding of industry dynamics to the table and the evolution of the workplace.

So when you think about those macro trends and look back over the last 2 years, the directors we added starting with Mike Katchen, Mike is the Founder and CEO of WealthSimple. Mike brings, in addition to age diversity, he's younger than the average Board member, brings incredible perspectives on consumer expectations, how those are evolving, digital engagement and understands disruption in the financial industry.

Stuart Russell, a true pioneer in the AI space, understands how data and AI are likely to shape society in the future and understands how large data sets can be utilized to enhance and improve customer experience, and therefore, profitability.

Carolyn Wilkins was the Senior Deputy of the Bank of Canada, dealing with the economic and financial research at the bank and most recently has been involved in international forums dealing with the development of economic policy.

Emmanuel Clarke, who joined the Board most recently, CEO of European -- earlier in his career, CEO of a European reinsurance company, brings very deep industry knowledge to the Board table, understands the dynamics of global specialty insurance and brings deep European operational expertise to the Board, which is particularly relevant given the RSA activities in the U.K., Ireland and Europe.

And Stephani Kingsmill was the CHRO of a Multinational Life Co, brings to the Board an understanding of HR practices and how these can be evolved with the future and changing environment of the workplace.

And last but not least, Indira Samarasekera, whom Frederic introduced a short while ago.

So a final note on Board renewal. The Board has consistently been focused on gender parity over the years, and we've now achieved that. We're proud of that development. And this is an area that we can -- we will maintain going forward. Future appointments will deal with additional areas of diversity, including ethnicity and also geographic diversity.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Thank you, Bill. So Bill, you highlight strategy as a key area of focus for the Board. Can you share with us in practice how this is achieved exactly? How does the Board provide input?

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**William L. Young** - *Intact Financial Corporation - Independent Chairman*

Yes. So every meeting, there are inevitably strategy -- topics that the Board deals with at a strategic level. And a good percentage of the agenda is designed to enable us to do that. But there is also an underlying annual process that the Board works through with the senior management team, which really comes in three parts.

The first is a deep dive on the external environment and a research program run by the management team looking at the industry, looking at economic factors, looking at societal trends, looking at technology. And through this process of research, the idea is to identify big macro trends and areas of disruption, whether those be opportunities or threats. So that's the first element.

Coming out of that, the second is a focus on key strategic topics. And in a subsequent meeting, the Board discusses these together with potential sources of disruption. And the key question that's asked every year is does the evolving view of the external environment provide an opportunity to leverage the group's core competencies to a greater extent or into new areas.

And then finally and the third part of the process is to establish detailed strategic priorities for the next year. So in a 1-year cycle, it's starting with a deep dive on the external environment and then working through to a very granular review of the strategic road map at the end of the year. It's also, just as a footnote on this, important that the Board be -- have membership that enables it to be effective across the topics that I described earlier. So the selection of people and their backgrounds is a critical component to the Board being an effective partner to the management team in evolving the annual strategy.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

So Bill, going back to this relationship between our core competencies, the industry dynamics, including our ability to export core competencies in other markets, could you let us know how the Board got comfortable with the RSA transaction?

**William L. Young** - *Intact Financial Corporation - Independent Chairman*

So the RSA transaction had a very long gestation period within the senior management team and the Board at Intact. When I joined the Board in 2018, it was already a pretty mature topic that had been well discussed well before I joined the Board. The initial interest was predicated on RSA Canada, and I think that's where the overall interest in the RSA Group developed from and the recognition that the fit between the RSA Canada and Intact's existing operations would not only enhance the Group's leadership position in Canada but drive out very significant financial benefits through the realized synergies.

There's also a very attractive specialty lines within RSA that was a good fit with the U.S. specialty lines business. However, I remember in 2018 and some of the discussions back then, the -- one of the issues that wasn't clear was how would we deal with the scale of the group, including the Scandinavian activities, which is -- which were apparently exceptionally well run. In other words, it was -- it would have been difficult for Intact to add significant value to those operations. And Intact obviously didn't have any strategic presence in Scandinavia. So there's no synergies to be derived there.

And as we were thinking through that, we identified a partner in Tryg who became the bidding partner to Intact and put a strategic valuation on the Scandinavian assets. And the combination of our view of the value of the Canadian RSA business, Tryg's view of the Scandinavian value created a situation where the net cost of the UK&I business was such that almost through any set of circumstances, that would be a successful financial outcome for Intact. So that's how we got there, but it was really a very disciplined and prolonged view by the management team and the Board to get to that stage.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

And Bill, you've mentioned the role of the Board and overseeing the execution of the strategy. Using the RSA integration as an example, how do you go exactly about overseeing that execution?

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**William L. Young** - *Intact Financial Corporation - Independent Chairman*

Yes. RSA is a good example. So when the transaction closed, we on a quarterly basis at the quarterly Board meetings go through a review of all of the key metrics with respect to the RSA integration, including synergies realized to date, synergies projected in the coming years, talent-related topics such as talent retention, the evolving view towards the longer-term organization structure, policy conversions and other strategic issues. And we compare these to the acquisition models and use this as a way of identifying any need for adjustments.

The one other topic concerning RSA integration is governance. And right at the beginning, just after the transaction closed, we appointed Rob Leary, who is Chair of the Intact Board's Risk Committee and Claude Dussault to the U.K. subsidiary Board, and that provided additional lines of sight for the Intact Board into how the integration was evolving and how the communications could be enhanced.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Thank you, Bill. Indira, like Bill, you're new to your role. You became the Chair of the Human Resources Committee last May. Could you let us know whether you expect any change with respect to how we manage talent, think about succession and compensation?

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**Indira Vasanti Samarasekera** - *Intact Financial Corporation - Independent Director*

Thank you, Fred. Well, first of all, let me say good morning again, and it's a real pleasure to be here and to be in this role. So the question of any changes, I don't think so. I mean we had a very good system under a very good Chair. And we'll continue to focus on the two items: obviously, CEO succession, senior leader succession, very critical, compensation; but the second thing is really our role to assess the external environment and support management in really the evolution of the people strategy. So those are the two big pieces.

One change, however, is the governance in terms of our -- given our larger footprint, right? We've got now RSA and the U.K. So what does that all mean? If you look at what we've done in the past, of course succession planning, as I mentioned earlier. But what is relatively new, I think, is the fact that we need to have a talent model that's truly global. This is a real opportunity, I think. And the global talent model will then allow us to look at not only succession in each of our core regions, look at the holistic organization and the needs and really look for putting the best talent in the right places given that we now have Canada, the U.S. and the U.K.

We have a number of individuals based in the U.S. and the U.K. leading group functions, many of whom spoke to you this morning, and again, a real benefit for that cross-fertilization. That really is our competitive advantage now, I think this global talent model.

In the context of the Canadian P&C industry, the group-wide talent model promotes again engagement, facilitates a sort of adoption of best strategies and practices and sharing expertise across geographies.

An example, the integration of the North American specialty line platform certainly strengthened our expertise for the benefit of our Canadian clients. So therefore, we're really just striving to get more familiar, I think, with key executives in all our regions in U.S. and Europe and to have them participate in Board discussions so we can get to know them better.

Finally, let me say, considering all the talent that has joined the organization on top of the great talent that the organization already had, our succession pool is deeper than ever, and it's a really, really good pool of talent for all executive positions in the organization. So that's sort of a nutshell.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Thank you. And moving to compensation. I mean listening to the presentation today, there's a lot of growth ambition in the coming years. Do you think that we have the right structure in place to promote the desired behaviors?

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**Indira Vasanti Samarasekera** - *Intact Financial Corporation - Independent Director*

Well, I think we do. There's been a lot of work leading up to the current compensation practice with some changes. The compensation is extremely well aligned with our stated financial objectives of growing NOIPS by 10% year-over-year and exceeding industry ROE by 500 basis points.

So if I summarized the key components of the compensation structure, the long-term incentive plan is based on ROE over a 3-year cycle, while the annual bonuses are based on NOIPS combined ratio and growth. Now when it comes to the compensation of executives in the U.S. and in Europe, that compensation structure is mostly based on specific combined ratio targets such as -- because the ROE and NOIPS are less relevant, so specific combined ratio targets depending on the region and the business.

For all metrics, we have stretched objectives almost in every metric. And that requires management to outperform the industry for the various elements of the compensation to receive pay at target. So I think the consistency in the message and the incentives provided to management has served us well and will do so, I think, in the future.

Let me summarize by saying we have very ambitious growth targets, as you saw today, and I think we do provide the right incentives to management. The ultimate goal, of course, is to increase NOIPS per share and maintain the ROE outperformance. The plans have been designed such that management should always prioritize profitability over growth.

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**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Moving to ESG matters, Indira, whether climate, diversity, inclusion, customer treatment, I mean, those topics have been top of mind for quite some time and will remain top of mind, rightly so, has there been any recent change to our approach to ESG matters?

**Indira Vasanti Samarasekera** - *Intact Financial Corporation - Independent Director*

So at the fundamental level, no. ESG has been a key element and been the core to who Intact is and is fully integrated into the corporate strategy. As you all know, we exist to help people prosper in good times and be resilient in bad times. So our mission is very aligned with societal objectives and sustainability, remains very, very important.

However, using the same approach that Bill and Charles earlier talked about, the outside-in approach, we're certainly attuned to the rapidly changing expectations of society and stakeholders, and so we are devoting more time on ESG matters such as diversity, inclusion and climate. And considering the time devoted to such matters, we've slightly adjusted our governance. So for instance, the Board has responsibilities for the key strategic elements such as climate strategy, and each committee then oversees elements such as whatever is related to their mandate. So for example, climate risk will be in the Risk Committee and any issues associated with HR will be in the HR Committee. So we've asked our Governance Committee then to oversee the ESG priorities, things like benchmarking, disclosure and communications. So this allows the Board then more time to really focus, I think, more broadly on ESG strategy in response to, I think, changing societal expectations.

Climate, absolutely a top priority. And whether it was adapting our products, risk and underwriting practices or helping society cope with the effects of climate change, we have spent a lot of time in the last 10 years developing an expertise in the business of climate adaptation. What the Board now sees -- Board and management, it's increasingly our view that the climate -- a plan needs to be more all-encompassing. What do I mean by that? Tackling things like reducing emissions and support the achievement of society's net-zero objective. So we've gone beyond climate adaptation too. These are the two topics.

So we've accordingly reviewed our climate strategy. And of course, Hussain Dhalla from our strategy team will, I think, shortly review the key elements of our climate strategy.

Let me just close with the link back to compensation. As you know, our compensation metrics now, of course, include in addition to ESG matters such as employee engagement, diversity and metrics related to implementation of our climate strategy has been now added as a final piece to what we had before. So it's really beginning to link in, in a more integrated way, ESG and climate into compensation.

**Frederic Cotnoir** - *Intact Financial Corporation - Executive VP, Chief Legal Officer & Secretary*

Thank you, Indira. Thank you, Bill, for your insight on the Board priorities and Board functioning. As luck would have it, Indira your latest remark are perfect introduction to the next video, Hussain Dhalla from our Strategy and Climate team will introduce and summarize our climate strategy.

**Hussain Dhalla** - *Intact Financial Corporation - Deputy SVP, Strategy and Climate*

Alongside our customers, we've seen the devastating effects of climate change up close. And for over a decade, Intact has been helping strengthen the climate resilience of the communities we serve. To understand what motivates Intact's climate story, we need to start with why we exist. Our purpose is to help people, businesses and society prosper in good times and be resilient in bad times.

In April 2022, Intact launched our climate strategy with five big intentions. Intact is committed to net-zero by 2050 and cutting operations emissions in half by 2030. We're doing this by electrifying our fleet of nearly 2,000 vehicles globally, rationalizing our corporate travel and reducing the carbon footprint of our offices. We've been quietly making good progress on our commitment. Operations emissions are down 30% when compared to 2019. Climate adaptation is becoming increasingly urgent. And Intact has been a leader in adaptation and in building climate-resilient communities for over a decade in Canada.

We're increasing funding and extending our support for the Intact Center on Climate Adaptation at the University of Waterloo through to 2025. The Intact Center is Canada's lighthouse partnership on climate adaptation and through applied research, it provides practical guidance for Canadians as they adapt to floods, wildfires and extreme heat. Given the importance of nature-based solutions for mitigation and adaptation, earlier this year, we announced a 5-year partnership between Intact and the Nature Conservancy of Canada.

People and businesses also need to change their commuting and consumption habits. Opportunities exist for us to shape behaviors through our products, pricing and by raising climate change awareness. We can help our customers to build back in a more climate-conscious way by restoring instead of replacing things, for example. We can also help customers prevent losses altogether through devices like water sensors that detect imminent flooding.

By leveraging our strength in data and AI, we're able to anticipate and model the impacts of climate transition on our business, whether it's to understand the engineering impacts of new materials in construction or by modeling the effects of flood, fire or wind. Some industries will be transformed, and new industries will be created to support and enable the transition. In the coming decades, we will play an active role in derisking and supporting companies that are critical in the journey to a sustainable future. We're taking an inclusionary approach and engaging across our value chain to encourage our partners to reach net zero.

For example, the Intact investment management team is engaging with top emitters to reduce their impact. As an industry leader, we collaborate with governments and industries to accelerate the most impactful climate change actions. If there are just a few things I would like our people, customers, investors and all stakeholders to walk away with it's these: as our economies invest and retool to transition to a low-carbon future, we're laser-focused on finding opportunities to win in the marketplace.

At Intact, we exist to help people. We're leveraging our strengths towards where we can have the greatest impact. In today's world, community resilience requires climate resilience. We see lots of opportunity to help society and win in the marketplace together.

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## Operator

Next up, to discuss how we are investing for returns, Werner Muehlemann, Executive Vice President and Managing Director of Intact Investment Management; and Louis Marcotte, Executive Vice President and Chief Financial Officer.

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## Louis Marcotte - Intact Financial Corporation - Executive VP & CFO

All right. Thank you. Nice to be back. We're continuing now on the competitive advantages, and we'll focus our session right now on capital and investment management. So we heard the leaders talk about all the businesses, and now let's leverage a bit our capital and balance sheet positions.

It all starts with our balance sheet. Our balance sheet is precious. It is extremely important for us to maintain balance sheet strength at all times. And you won't be surprised if we want to capture opportunities over time, we need to have our balance sheet ready. So whether we want to capture opportunities or weather storms, we need to have a strong balance sheet. We know there will be headwinds. There has been a lot of ambition discussed and shared with you this morning. We need to have the balance sheet to take over those opportunities but also make sure that when there are headwinds, and there will be some, our balance sheet can stomach them. So it's important. We know we're facing some inflation, rising inflation, rising interest rates right now. We're seeing supply chain challenges. There are many headwinds we're facing. And for us, that the strength of the balance sheet is key.

If I take the balance sheet and decompose it in its three main components, we've got the investment side of the balance sheet, which is key, of course. And Wern will discuss it in more detail.

We've got the reserves on the right side of the balance sheet. You guys are well aware of the strength of our reserves. Our historical track record on prior year development is extremely strong, and our guidance looking forward is unchanged. We've been sharing with you that the current status of reserves is very strong. We've been prudent during the pandemic, and that's still true. So we won't focus too much time today on the reserving.

But we will come back on the capital side of it, and that's the other element of strength is the equity, the capital base. And we'll spend some time focused on this. So the strength of balance sheet is key, as I said earlier. And let's start with the investment side of the equation. I'll pass it on to Wern.

**Werner Muehleemann** - Intact Financial Corporation - Executive VP & MD of Intact Investment Management Inc.

Thank you, Louis. So we have a different perspective about folks investing our assets, which is well aligned with our corporate objectives. We focus on total return on an after-tax basis. We want to produce high and sustainable income over time. We have over time, as you can see, investment income has represented approximately 50% of our operating income. This is due to the composition of our portfolio, where we have a high weighting towards bonds, high-quality preferred shares and dividend paying securities.

So in addition to us bringing this investment income which is a good starting point for our ROE, we challenge ourselves also to the ambition of adding -- to contributing to the 500 basis points ROE gap. We have done that over the last 10 years. Approximately over 100 basis points is coming from investment. Half of this is coming from active management, where our portfolio managers are exceeding their benchmark; and the other half is coming from the asset allocation, where we build an asset allocation that is built to the constraints and needs of Intact.

Let me give you some more details of the ingredients of this success. A big portion of this success comes from our internal investment management team, better known as IIM. The assets have grown at the pace of the acquisition. IIM is represented by approximately 80 professionals, which are based in Canada, U.S. and the U.K. So these people are developing new strategies and managing the existing strategy to outperformance. They've won numerous awards over time. In 2021 alone, they were nominated by Brendan Woods as the best equity team in Canada, which also held the best portfolio manager in Canada as well.

Our preferred share Fund won the Lipper Award for a 3-year best performance. So this is great. It talks about our professionals, but better than awards is the numbers. So in 2021, our equity strategies outperformed their respective benchmark, generating over \$100 million of value-added after-tax. In addition, over a 5- and 10-year period, these strategies have been outperforming 80% of the time.

So as you can see, active management is a strong contributor, but asset allocation is as well. So we focus on growing book value over time. We're focused on creating the best optimal after-tax return.

Given our M&A ambitions, capital is an important part. We want to be sure that we always have a strong balance sheet and a capital position to be able to do an acquisition in any market environment.

Liquidity is another consideration. However, considering that we have a portfolio that is highly liquid and that is creating a strong income stream of investment income, we can essentially afford ourselves to have some illiquids. And for this reason, we've been growing the private debt asset class, where we essentially are capturing liquidity premium in the investment-grade portion of that. And we have a complexity premium for the sub-investment-grade portion where we have a strong focus on the covenants.

So as you can see this process of asset allocation is really a good tool for optimization and outperformance, but it can also be a very great tool in a situation of an acquisition. So in the RSA acquisition, we brought the assets of RSA and Intact globally altogether, reoptimized the portfolio and this added another \$80 million of after-tax income compared to the starting point.

We did that by two initiatives. The first one is really bringing the RSA assets closer to our target mix, the Intact mix, which means bringing equities in Canada and the U.K. Second, RSA had a strong expertise in private debt. This enabled us to accelerate our private debt deployment.

Finally, another important consideration, talked about IIM. We internalized management of all the Canadian assets and a portion of the U.K. assets, and this produced an additional \$6 million of synergies per year. So this is great in terms of performance, but it also added in terms of risk management. So bringing on the RSA assets enabled us to continue the diversification path where we added new geographic regions, new asset classes and different investment mandates.

On that, I'll pass it to Louis for capital.



**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

All right. Thank you, Wern, and congratulations on those awards. Moving on to the right side, and I mentioned the capital side. So you know that we -- we're turning or running around a capital margin of about \$2.5 billion recently, latest quarter. And our debt to total capital ratio is about 20%, pretty aligned with our long-term target. So I think that's the first sign of capital health here.

Let's dig into the capital base a bit more. You know that our capital margin is the sum of the capital level -- the excess capital over the company action levels, which are the basic minimums that we promise regulators not to breach. So what is in excess of those company-action levels is considered capital margin. We add it up for the three geographies where we have most of our operations. And to that, we add the holding company capital. That is your capital margin, and that's the number we track on a constant basis and provides a good basis to understand whether we have a strong capital position or not.

So in the \$2.5 billion, we feel very comfortable that we have a strong capital position. And you see the capital ratios for each of the geographies here in excess of, I would say, operating margins where we would want to be operating at. So this is very healthy.

The question is, how much is excess or deployable capital? So not all of the capital margin can be deployed should an opportunity come up. Certainly, most of it would be used for absorption, should shock -- should we be hit by shocks. But from a deployable capital, a portion of the capital margin would be available. And we reckon, depending on the exact level the capital margin is at that something between 5% and 20% of the capital margin could be used for acquisitions.

So based on that, you certainly want to ask, how would you fund a transaction or a capital opportunity in the future? Well, I will say here, we're very consistent over time in terms of our capital allocation strategy. And what we've done historically is, I would say, logically, first use excess capital. Then we'd go into short-term debt or long-term debt with a view that we work around our 20% target. And then if needed, if the acquisition is bigger, preferred shares, and then ultimately, common equity. And if you look back, that's pretty much how we finance most of our transactions.

Of course, that allocation may change depending on the specific circumstances of a deal, the timing of that transaction, the capital position we're in and the capital position of the target. And so that may fluctuate, but generally speaking, those would be the way we would finance our transaction.

In terms of leverage, you know that we would give ourselves an opportunity to go up to 25% in terms of leverage. And the guide we try to use is our ability to come back to 20% within 3 years. That's what we try to manage capital or leverage to in the period of acquisition. And then you've seen it with RSA, we came back faster than initially anticipated. Thanks to good proceeds, in particular for the Danish asset.

I think what's really rich about our situation and the results you've seen before, the track record in terms of earnings is very strong, but the earnings also generate a lot of capital. And when we look back at the last 10 years, it's \$8 billion of capital that we've been generating from our operations. So that's substantial. You'll ask, "Okay, where is that capital going?"

A lot of it has gone back to investors through dividends or through share buybacks. But the most significant deployment has gone to M&A over time. So it's been a big portion of our capital deployed. And then ultimately, should we not have use for excess capital, we will do buybacks. And we have done some over the last 10 years, as you know, but it's been the smallest amount of capital allocated, which is logical in our minds.

Our organic growth has the highest return, M&A is the second. And we have a threshold of 15%, as you'll remember; distribution acquisitions, where we try to get 12% ROE on the manufacturing -- sorry, on the distribution side; and then ultimately, buybacks where we try to manage capital levels and buy back if there is excess capital.

So it's been \$17 billion of capital deployed over the last 10 years. So of course -- I don't want to steal Wern's thunder here. But we get a lot of questions from investors on M&A and what -- who better to talk about M&A than the person responsible for corp dev, Wern, back to you.

**Werner Muehleemann** - *Intact Financial Corporation - Executive VP & MD of Intact Investment Management Inc.*

Thank you, Louis. So M&A has been really, as we mentioned during the presentation, a strong contributor to our strategy. It has helped us create over 15% CAGR on our NOIPS since the beginning of Intact. But even if the company has grown multiple times, we can see that our outperformance targets, we've attained them over time in a good fashion.

You can also see that strategically, it gave us a strong position in Canada. We were capable of building a global specialty insurer, and we will also have the opportunity to enter into new markets.

So many acquisitions in the past. However, we think that there's many opportunities in front of us. In Canada, we think that 10% to 15% of market share will trade in the future, and our ambition is to serve 1 out of 3 Canadians. On the distribution side, we will continue to make acquisitions as we have in the last few years.

Moving to global specialty. As you can see, the market opportunity there is very big. However, we will remain disciplined in acquiring business where we have core competencies and where we can outperform our competitors. We will also add distribution in there on the global specialty lines in niche markets and which can also contribute to our manufacturing ambitions.

Finally, in the U.K. and Ireland, we're in the top 7 of those businesses. We are looking at opportunities, but our near-term focus is really on outperformance and integrating the business.

So as you can see, this -- our corporate development is really a core competency of ours. If we look at the last 9 transactions, large manufacturing transactions, we've produced over 19% IRR on average. So really strong results. How do we do it? Well, we monitor companies for many years, refining models, researching the companies until we are capable of essentially acting upon it. Then there's a real strong team that's capable of making the deals, but also importantly, doing a due diligence in a short time frame and looking at what are the risks and managing those risks of that acquisition.

Finally, when we come to announcement of a deal, that's where teams across the organization use the experience of the last 9 deals to integrate that business. They have blueprints ready, and they are focused on essentially delivering the synergies, getting our strategic objectives but also focusing on having high retention on clients and brokers. And also, very importantly, having people who are going to -- the employees who are being onboarded have strong engagement.

So if we look at RSA, a great example of an outstanding transaction. So strategically, it brought us to 20% in market share. We grew our global specialty line by 50%, and we entered into 2 new markets with scale.

Attractive valuation. We bought our part of RSA at 1x book value. However, if we net out the sale of Denmark, which was done at 4x the original book value, our price for Canada, U.K. and Ireland is less than 0.9x book value. Risk management, as I mentioned, very important in the transaction. We had three initiatives. We sold the Middle East and Denmark within 13 months of closing the RSA deal. We bought over \$500 million of adverse development coverage, reducing the risk -- the downside risk on our reserves. And finally, we reduced our exposure to earthquake by 40%.

On that, I will let Louis talk about the financial benefits of this acquisition.

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**Louis Marcotte** - *Intact Financial Corporation - Executive VP & CFO*

Thank you, Wern. So let me provide you a bit of an update on synergies. We've been talking about \$250 million of synergies in the first 36 months of the transaction. At June reports, we reported a run rate at \$175 million, so somewhat ahead of our expectations. And we are updating today our synergy expectations to \$350 million. So we're adding \$100 million of synergies. It would be, I will say, \$350 million-plus. I think we'll beat that. But we're talking about \$350 million.

This includes the loss ratio improvements that initially were not included in our estimates. And there is a small portion as well for some investment income -- additional investment income, some acceleration of integration benefits and a bit of tax benefits as well. So that really makes up the majority is loss ratio, but there's still a small portion of other elements in there.

At \$350 million, that takes the accretion to over 20% for the deal, so slightly better than what we had initially announced for the transaction in the upper teens through 36 months. And the IRR for this transaction is over 20%. So here again, the financial metrics are extremely compelling, a very successful transaction. Again, the increase is underwriting actions, acceleration of synergies and new sources of savings that we've developed over the past year as we've -- since we closed the transaction.

So I think this is very positive for the transaction. And on this bright note, I will move on to closing remarks. Thank you, Wern, for sharing your views on corp dev and on the investment portfolio.

So let's move on now to the last chapter of the presentation. I hope that at the end of the morning today, our road map is clear. And we talk strategy. What we try to do is summarize it in this road map. And what you're really seeing is the three main businesses: Canada, which is the really the foundation of the group, and Louis shared his views today; UK&I and then our global specialty lines business; and then the competitive advantages.

And I don't know if you noticed while Wern was talking this investment management part and the M&A becoming actually a competitive advantage as well. And so that gray line is what we try to transform over time. It gets eroded. Competitors catch up, and we try to stay ahead. That's a lot of the effort, and that's what you're hearing about digital, that's what you're hearing about AI, about supply chain, about On Side. That's what we're trying to maintain.

And then, of course, protecting our most important competitive asset, and that's our employees. That's so important. And it's part and parcel of this road map because we need to prepare them for the future and for us to meet targets.

I'd like to think -- and I have to remind people about the little brackets on the outside because what I track are the two little numbers outside those brackets. And so we are maintaining those objectives. We've had them for more than a decade. You've seen the track record. In fact, our view is that track record has actually benefited investors as well.

The total shareholder return is probably double over the last 10 years that of the TSX. And we think, therefore, our financial objectives, if we deliver on them, will actually transport themselves into the share price, which is obviously the desired outcome. So we are maintaining those objectives for the future.

You've heard a lot of ambition this morning, multiple ambitions as well as lots of dollars flying around. You know the guidance for the 12 months. That has not changed. We're repeating it here for convenience. What's important is the right side, what are medium- to long-term ambitions. You've heard Ken speak about the UK&I. We've got a target of 2025 here. And his goal is bringing his combined ratio to a consistent, sustainable low 90s. We're not there yet. We have work to do. And until we printed a couple of quarters in a row, we can cry victory, but we're not there yet. That's his agenda. And I will say that also means top line will not be a big needle mover. It's not a top line play in the U.K. It's going to be selective growth, but we're not expecting big top line there.

Now if we move to Canada, that's another story. Louis has laid out his plans. He's laid out his ambition, and we talk about serving 1 out of 3 Canadians as an objective. That's massive. And when Louis converts that into dollars, he says, "I want my team to achieve \$20 billion of premiums in 5 years." I'm the CFO, and I'm saying woah, that sounds bold, that sounds ambitious. But the reality is when we map it out, if you take 4% organic growth for 5 years and you add 3 to 4 points of market share, we're there.

And you know we've done M&A. You know that the market -- we think the market will consolidate further. So 4% organic growth is not huge. It's feasible, and that's what he's trying to achieve while maintaining 5 points of combined ratio outperformance. You may not have noticed earlier, but he's actually -- his track record is 4.8. So he's not trying to expand it, but growing 50% and maintaining the outperformance is a feat in itself.

So as Louis says, he has a knife. His whole team has a knife in their mouth, ready to go to war every single day. That's because those targets are ambitious. But I think they're credible. And I'm sure -- our track record tells me that we're going to get there.

And then finally, global specialty lines. Wow, so we're going from 5 to 10. Mike has laid out the plan. And you see the expertise in the team. You see the product range we have in there, the geographic coverage we have. We have all the platforms to be able to get there. You may not have noticed in Wern's slide, but when you looked at our share of that \$350 billion market, it was very small. So us taking from \$5 billion to \$10 billion in \$350 billion doesn't seem like too aggressive. And as we discussed earlier, organic growth could be here in the teens easily because there's a lot of growth opportunities. So I think that's a very credible plan.

And then guess what, Wern is standing there, he's got a strong balance sheet behind him and M&A expertise. If we need to complement our teams in terms of their growth to get to those targets, we have the capacity to do so. So I think the ambition is clear, and I think it's credible. So that's really good news when we look at the future.

2030, that is the GSL plan and 2027 for Louis. So it's scattered over time. It's not perfect. We'd like to line up everything, but I think those are the best time lines we can offer today.

So of course, come back to our objectives, how do we reach them. And here, this is an estimate. We think that we're going to have contributions for NOIPS growth from organic, from margin expansion as well as capital deployment. Our best estimate is 1/3 each. It's going to vary, and we'll be happy to share with you how it pans out in the future.

And then we keep the same focus on ROE outperformance, reinvent ourselves in terms of claims, in terms of AI, in terms of pricing and risk selection, expand our talent into new markets as well. And then distribution and investment in capital management will share as well some of that with the goal of beating our 500 basis points over time.

It won't be easy. It will not come easy. There's a lot of work to be done behind there. But I will say when I look at -- the best comfort we can get is our track record. We've done it in the past and I -- some might think there's more headwinds ahead of us than behind us, but I actually think there's a lot -- there was a lot of headwind over time. So the track record suggests we can achieve this.

I also take a bit of solace that we have a product that we can change every year. We can reprice every year. So our ability to change the product over time is important. And the discipline we've shown over time as well is key to us being successful in the future and delivering on this ambition.

And finally, what's really interesting is how much distribution and investment income form a solid basis to our ROE. Internally, we call this the Monday morning ROE. This is Charles' way of saying, "Guys, we have half the ROE in the bed -- in the bank when we start the week, let's go out and do some underwriting business, okay?" But what it really says is between the two, which are -- have been stable, growing over time actually deliver half of our mid-teens ROE target right off the bat.

We're going to grow them. We're going to grow distribution. There's no doubt in my mind. And there's a pretty good tailwind on the investment income, too. But just imagine, we're almost at 10% ROE right off the bat. That's a pretty good zone to be in. It makes us confident that we can meet our targets.

So I think this is a pretty compelling story. I hope you're as convinced as we are about our ability to deliver on this in the future. And on this, it's a bit it for me, and I will leave the last words to Charles to finish the session today.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

Thank you, Louis. Very well done. I'll leave you with five ideas in a stretch to get us back on track and get us back on time. I think the first point would be that at the heart of our performance is our competitive advantage. And our competitive advantage, whether it's risk selection, claims, capital and investment management, we over-index on this year-after-year-after-year. And when I look out forward, it's clear to me that the competitive advantage is stronger today than it was a decade ago.

The second point or second idea would be that, as I look out, the sandbox is 10x what it was just 5 years ago. And therefore, our perspective on growing with the tools we have today, without getting overly fancy, just being better and bigger in the areas where we play, I think will fuel the growth objectives that we've laid out.

The third idea is that there's depth in the organization from a talent point of view to go after these opportunities.

The fourth idea, which I think is most important is the fact that we're a values-driven organization. And that's really important. It's not just soft stuff. That's the stuff that if you live it day in, day out, it keeps you moving forward. Because when you fail on the values, you step back, and that's something we're fighting against day in day out. And we're privileged with the fact that our employees live the values throughout, day in, day out.

And I'll leave you with a final point, which is I think the track record speaks to it. But if there's one defining feature of the organization it's that we do what we say we will do. And I think that's very much top of mind for us. That's how we think, how we behave and it's something that you can count on.

So on that, thank you very much. And maybe a brief Q&A to close.

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**Shubha Khan** - Intact Financial Corporation - VP of IR

Yes.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

Good.

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**Shubha Khan** - Intact Financial Corporation - VP of IR

All right. So we have -- we'll try to accommodate as many questions from both the audience and the live webcast audience ahead of lunch. We'll try to respect the growling stomachs as well. So we'll start with -- we'll open up the floor right away. If there are any questions, please raise your hand, and we'll have a microphone brought to you.

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## QUESTIONS AND ANSWERS

**Shubha Khan** - Intact Financial Corporation - VP of IR

Gentleman over there?

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**Nigel R. D'Souza** - Veritas Investment Research Corporation - Investment Analyst

Nigel D'Souza from Veritas. I wanted to circle back on the investment portfolio and maybe build a bit more out on your expectations for net investment income. Given what we're seeing in market volatility and maybe a higher-for-longer rate environment, how does that impact your outlook? What's the contribution to NOI from that investment income? And maybe if you could touch on the balance sheet impact from the valuation pressures on asset classes, from higher rates, fixed income, equities, private assets, et cetera?

**Louis Marcotte** - Intact Financial Corporation - Executive VP & CFO

So maybe I'll start and then maybe, Wern, you can join me on this one. Remember, I talked about the contributions and one of them is the operating margin. Part of the -- I will say the tailwind we're seeing right now with rising yields on net operating income will be helpful. So it will be for some time, I'm not sure how long, certainly helpful to some of the NOIPS growth going forward.

And then, of course, the balance sheet is offset on the other side. Because the rates going up, the fixed income portfolio is being hit. We already had quite a bit since the -- for the first half of the year. I will say based on duration, we have to be careful with current fluctuations that we're seeing in the -- versus duration of our portfolio, which is obviously longer and hit by longer yields. But there is an impact on the balance sheet on the other side, obviously, from the fixed income portfolio.

So Wern, I don't know if you...

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**Werner Muehleemann** - Intact Financial Corporation - Executive VP & MD of Intact Investment Management Inc.

Yes. The only thing I would mention is essentially the duration of our portfolio is quite short. It's less than 4 years. So that is, I mean, I'd say, positive on it. And I think like Louis mentioned is when you look at our balance sheet and if you look at, for example, the unrealized loss, you have to remember that there's a big portion of the bonds that are also hedging the liabilities, which are kind of discounted at the same rate. So these are going -- are moving together. And again, the fact that we have a short-duration portfolio, we are capturing essentially the benefits on the income side quite rapidly.

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**Charles J. G. Brindamour** - Intact Financial Corporation - CEO & Director

I might add, maybe coming at it from a different angle, two points. I think that most important in the rate discussion for me is what's driving rates and inflation. And I think there is inflation pressure here at the product level. As we said, we can reprice. We're, I think, on top of inflation, but there's pressure there. And for me, that supersedes probably in terms of where the energy is going the impact of rates.

The second point I would make in relationship with rates is that we have defined benefit obligation pension funds in Canada and in the U.K. And clearly, the rate environment is upside from that point of view, and it creates opportunities to derisk things that we're looking at.

I think part of your question was also about pricing. I couldn't hear it because the speakers are in front. The speakers that is, not those speakers. And there, I think I go back to the inflation point I've made. Yes, investment income is up.

In absolute terms, it's not up dramatically, and there's inflation in the system. So net-net, our perspective would be, and it's reflected in the guidance, that we're operating in a firm and hard market environment in commercial lines, specialty lines, in personal property to a certain extent, and we expect that to continue for more than a year.

And then the inflation pressure we've talked about at the end of Q2 on personal automobile insurance will also, I think, lead to a rate environment that will be firm in personal automobile as well. And I think our job, given the outperformance and the position we're in, which is very cautious, I would say, means that this should help growth of the organization over time. But there's headwind when it comes to inflation, and that is probably the tactical issue #1 at this stage.

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**Shubha Khan** - Intact Financial Corporation - VP of IR

Rob?

**Rob Poole** - *Picton Mahoney Asset Management - Research Analyst*

Rob from Picton again. Just a quick question on -- as Intact continues to grow and diversify its business, I guess, in theory, underwriting margin volatility should be -- should kind of come down with business mix diversifying and all that. Is there any structural change where you guys could argue for higher underwriting leverage? And what do the rating agencies think about that? Is it something that could really be kind of like a nice sweetener to the story going forward?

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**Louis Marcotte** - *Intact Financial Corporation - Executive VP & CFO*

Yes. On the -- so I don't think we're looking for a specific mix that would drive -- that would enable us to increase leverage, to be honest. Part of it is growing what we have and what we're good at and maximizing the position there.

From a rating point of view here, I don't see any pressure nor an obvious opportunity that we should be chasing at this point in time. I think you're right that the mix is actually good on overall volatility. But then we start from a reality, the ratings -- or the regulatory capital in each country is sort of focused on each of those countries, and that's probably a bigger constraint than the rating agency themselves.

So -- but there's not -- it's not like we have a mix or targeted products that are meant to diversify per se. There's the opportunity and trying to leverage the strengths we have right now to grow those because we know them well, and we think we can be successful.

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

I would say volatility is not something we're necessarily afraid of or concerned about. I think it's more how much are you paid for it and can you outperform and align where there is volatility. The diversification that has arisen with RSA is a nice side benefit. But diversification is not really a strategy for us. I think we're prepared to double down where we think we can win.

I don't see much upside in terms of capital relief of various kinds, including the impact of diversification. One area that's clear to me in terms of capital optimization is as we improve performance in the U.K., I think capital requirements in that context should be helpful. And that's why I think when you hear Ken's areas of focus, it is really about bottom line and that should help capital. I think that we have more options now in terms of how we manage capital investment and tax. That in itself is a source of upside, but structural capital benefit, not something we're necessarily counting on at this stage.

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**Shubha Khan** - *Intact Financial Corporation - VP of IR*

So we'll take one question from the online audience. This one is on specialty lines. The excess and surplus or E&S market in the U.S. is growing at more than twice the rate of the standard commercial lines market and is expected to continue to outpace the growth of the standard market. What is your strategy with respect to this market?

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

We'll ask Mike.

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**Michael Miller** - *Intact Financial Corporation - CEO of Global Specialty Lines*

Good question. We have certain of our segments that are in the excess and surplus lines market. We don't have a separate dedicated division that just does excess and surplus lines or if you want to think about it by distribution in the wholesale market, but we do have parts of our portfolio that have seen significant hard market growth. Those would include special property. Some of our management liability products would be the most



notable. And so we continue to sort of focus on the segments that we think we can do well at. Some of those are augmented by the growth in excess and surplus lines.

The other opportunity for us really is on the distribution side as far as the distributors, the wholesalers, if you will, that have become a meaningful part of the distribution world in the U.S. that are the key, if you will, drivers and distributors in that wholesale growth. And so some of our products, be they admitted or non-admitted, are distributed through those wholesalers, and that's an opportunity for us as well.

So we have nice growth in those segments, but we don't look at -- our view is it's really about the underwriting performance, the opportunity to outperform over time. Certainly, wholesale will be a part of it and excess and surplus part of it. But that's our current position.

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**Shubha Khan** - *Intact Financial Corporation - VP of IR*

Any questions in the audience? Perhaps another one from the online audience. As Charles earlier in the -- in your -- in the day, you said -- you talked about cost of living pressures. So if the cost of living crisis is the biggest issue facing consumers, when do you expect you'll experience a pushback from either regulators or from consumers on future premium increases in personal lines?

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**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

I think that regulators understand the cost pressures of consumers, no doubt about it. It comes from elected officials, but they also understand very well and are quite sophisticated about the cost pressure that the manufacturers, that is the insurers, are also under. And I think so long as you can back your demand for rates, and I'm talking personal automobile in, say, 3/4 of Canada because in the U.K., you can pretty much do what you want from a pricing point of view. But so long as you can back your demand for rates with data, in general, it goes quite well.

The other thing is the more on top of trends you are and the more you're prepared to act before everybody else, which is very much our mindset, the easier it is to work with regulators. It gets tough when capacity is tight and when affordability becomes a real problem. And so when people miss the trend, and then they react aggressively by trying to catch up with 2, 3 years of trend catch-up at the same time, this is when it gets tricky.

And so our strategy or tactics, so to speak, from a pricing point of view and working with regulators has been to try to be on the trends as fast as we can and then take a leadership position from a pricing point of view. And in general, it's been good. I think the cost of living pressure, if I translate it into what could happen, there will be pressure from elected officials and regulators, I suspect, if inflation picks up. But I think, more importantly, the thing we haven't seen in the past 2, 3 years is people shopping. There hasn't been much shopping. Like the retentions have been really high, generating traffic has been quite expensive because people didn't shop as much.

We do expect shopping to pick up meaningfully in the coming period. This is, on one hand, a source of opportunity. On the other hand, you could say affordability is an issue, and there's a drive towards value for money. This is a good environment to bring new players in the marketplace and disruptive players in the marketplace.

And I would say when I look at both, I think these are two things one has to have in mind in a period where people are really keen to improve that pocketbook. I think we're -- as Anne has laid out, we're really well placed to play to that, especially with some of the changes that we've made with insurance simplified and the work we've done on the digital side of things.

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**Shubha Khan** - *Intact Financial Corporation - VP of IR*

Thank you. So that's all the time we have for Q&A today.

**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

Great.

**Shubha Khan** - *Intact Financial Corporation - VP of IR*

For the audience in the room here, lunch will be served in the foyer. And for those joining us via the live webcast, this concludes our presentation for today. Thank you very much for joining us.

**Charles J. G. Brindamour** - *Intact Financial Corporation - CEO & Director*

Thank you.

**Shubha Khan** - *Intact Financial Corporation - VP of IR*

See you at the next event.

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