



Make it Intact

Intact Financial Corporation (TSX: IFC)

Q3-2022 Review of Performance

Wednesday, November 9, 2022



Forward-looking statements

Certain of the statements included in this presentation about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this presentation are made as at September 30, 2022, and are subject to change after this date. This presentation contains forward-looking statements with respect to the acquisition (the "RSA Acquisition") and integration of RSA Insurance Group PLC ("RSA"), the sale of the Company's 50% stake in RSA Middle East B.S.C. (c) to National Life & General Insurance Company (NLGIC) (the "Sale of Middle East"), the realization of the expected strategic, financial and other benefits of the Sale of Middle East, and with respect to the impact of COVID-19 and related economic conditions on the Company's operations and financial performance.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the realization of the expected strategic, financial and other benefits of the RSA Acquisition, the Sale of Middle East, and economic and political environments and industry conditions. There can be no assurance that the strategic and financial benefits expected to result from the RSA Acquisition or the Sale of Middle East will be realized. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors:

- expected regulatory processes and outcomes in connection with its business;
- government regulations designed to protect policyholders and creditors rather than investors;
- the occurrence and frequency of catastrophe events, including a major earthquake;
- catastrophe losses caused by severe weather and other weather-related losses, as well as the impact of climate change;
- intense competition and disruption;
- unfavourable capital market developments or other factors, including the impact of the COVID-19 pandemic and related economic conditions, which may affect the Company's investments, floating rate securities and funding obligations under its pension plans;
- the Company's ability to implement its strategy or operate its business as management currently expects;
- its ability to accurately assess the risks associated with the insurance policies that the Company writes;
- the Company's ability to otherwise complete the integration of the business acquired within anticipated time periods and at expected cost levels, as well as its ability to operate in new jurisdictions relating to the RSA Acquisition;
- the Company's ability to achieve synergies arising from successful integration plans relating to acquisitions;
- the Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including in the context of the impact on the ability of our workforce to perform necessary business functions remotely, as well as in the context of evolving cybersecurity risk;
- the impact of developments in technology and use of data on the Company's products and distribution;
- the Company's ability to contain fraud and/or abuse;
- periodic negative publicity regarding the insurance industry;
- the Company's reliance on brokers and third parties to sell its products to clients and provide services to the Company, and the impact of COVID-19 and related economic conditions on such brokers and third parties;
- the occurrence of and response to public health crises including epidemics, pandemics or outbreaks of new infectious diseases, including, most recently, the COVID-19 pandemic and ensuing events;
- the volatility of the stock market and other factors affecting the trading prices of the Company's securities, including in the context of the COVID-19 economic crisis;
- litigation and regulatory actions, including with respect to the COVID-19 pandemic;
- changes in laws or regulations, including those adopted in response to COVID-19 that would, for example, require insurers to cover business interruption claims irrespective of terms after policies have been issued, and could result in an unexpected increase in the number of claims and have a material adverse impact on the Company's financial results;
- COVID-19 related coverage issues and claims, including certain class actions and related defence costs, could negatively impact our claims reserves;
- terrorist attacks and ensuing events;
- the Company's ability to maintain its financial strength and issuer credit ratings;
- the Company's access to debt and equity financing;
- the Company's ability to compete for large commercial business;
- the Company's ability to alleviate risk through reinsurance;
- the Company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers);
- the Company's dependence on and ability to retain key employees;
- the cyclical nature of the P&C insurance industry;
- management's ability to accurately predict future claims frequency and severity;
- the Company's ability to successfully pursue its acquisition strategy;
- the Company's ability to execute its business strategy;
- management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Sale of Middle East and resulting impact on growth and accretion in various financial metrics;
- the Company's ability to improve its combined ratio, retain existing and attract new business, attract and retain key employees with the in-depth knowledge and necessary skills, maintain market position arising from successful integration plans relating to the RSA Acquisition, as well as management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the RSA Acquisition and resulting impact on growth and accretion in various financial metrics;
- the Company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools;
- general economic, financial and political conditions;
- the Company's dependence on the results of operations of its subsidiaries and the ability of the Company's subsidiaries to pay dividends;
- the Company's ability to hedge exposures to fluctuations in foreign exchange rates;
- future sales of a substantial number of its common shares;
- the Company's ability to meet its net zero carbon emission targets; and
- changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

All of the forward-looking statements included in this presentation, the MD&A and the quarterly earnings press release dated November 8, 2022 are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 30-35) of our MD&A for the year ended December 31, 2021 and the Company's Annual Information Form for the year ended December 31, 2021. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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Non-GAAP and Other Financial Measures

We use both Generally Accepted Accounting Principles (GAAP) financial measures ("reported measures"), as well as Non-GAAP financial measures and Non-GAAP ratios (each as defined in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure") to assess our performance. Non-GAAP financial measures and Non-GAAP ratios (which are calculated using Non-GAAP financial measures) do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. The Non-GAAP financial measures included in this presentation and other financial reports are: operating DPW, operating NPW, operating NEP, operating net claims, operating net underwriting expenses, underwriting income, operating net investment income, distribution income, total finance costs, other operating income (expense), operating and total income tax expense (benefit), PTOI, NOI, NOI attributable to common shareholders, pre-tax income, non-operating results, adjusted net income, adjusted average common shareholder's equity, adjusted average common shareholder's equity (excluding AOCI), debt outstanding (excluding hybrid debt), debt outstanding and preferred shares (including NCI) and adjusted total capital.

The Non-GAAP ratios included in the presentation and other financial reports (other than Consolidated financial statements) are:

- operating growth and operating growth in constant currency (for both operating DPW and NPW);
- operating NEP growth and operating NEP growth in constant currency;
- operating combined ratio, claims ratio (including underlying current year loss ratio, CAT loss ratio and PYD ratio) and expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio);
- operating and total effective income tax rates;
- NOIPS and AEPS, as well as ROE, OROE and AROE;
- book value per share (BVPS) excluding AOCI; and adjusted debt-to-total capital ratio and total leverage ratio.

We believe that similar measures and ratios are widely used in the industry and provide investors, financial analysts, rating agencies and other stakeholders with a better understanding of our business activity and financial results over time, in line with how management analyses performance. Non-GAAP and other financial measures used by management are fully defined and reconciled to the corresponding GAAP measures. We also use other financial measures to assess our performance, including supplementary financial measures and segment measures, which are further presented in the MD&A.

See Section 23 – Non-GAAP and other financial measures of the Q3-2022 MD&A for the definition and reconciliation to the most comparable GAAP measures (or "reported measures").

Important notes:

- Abbreviations and definitions of selected key terms used in this presentation are defined in Section 27 – *Glossary and definitions* of our Q3-2022 MD&A
- Other insurance-related terms are defined in Section 27 – *Glossary and definitions* of our Q3-2022 MD&A, as well as in the glossary available in the "Investors" section of our web site at www.intactfc.com.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.



Charles Brindamour

Chief Executive Officer



Key points & highlights

\$2.70
NOIPS¹

Slight increase in operating combined ratio, offset in part by higher investment and distribution income

\$2.02
EPS

Solid operating and non-operating performance

92.6%
Operating Combined Ratio¹

Very strong results in commercial lines and Canada personal auto performing as expected

+2% constant
currency
Operating DPW¹ Growth

Continued solid growth in specialty lines, partially offset by profitability actions, including strategic exits

+4% constant
currency
DPW Growth

DPW as reported under IFRS

\$78.90
BVPS

Stable year-over-year, as strong earnings were offset by significant mark-to-market losses on investments

15%
OROE¹

Reflecting continued strong performance

19.1%
ROE¹

\$2.5B
Total Capital Margin²

Strong financial position and solid regulated capital ratios in all jurisdictions, despite challenging capital markets

Q3-2022 Canadian results



Personal Auto

\$1,536M -1%

Operating DPW growth reflected new business pressures driven by reduced policy shopping in a muted rate environment, and rate increases taken ahead of our competitors.

93.0%

Operating combined ratio was 7.9 points higher than last year, mainly due to an increase in claims severity driven by inflationary pressures.



Personal Property

\$1,034M +7%

Operating DPW growth was driven by rate increases in firm market conditions, solid retention levels and a surge in travel-related premiums.

98.4%

Operating combined ratio was higher than expectations and driven by elevated CAT and non-CAT weather-related losses.



Canadian Commercial

\$1,094M +4%

Operating DPW growth reflected robust rate actions in hard market conditions.

87.9%

Operating combined ratio reflecting robust underlying performance driven by our profitability actions.

Q3-2022 UK&I and US results



UK&I Personal

\$450M **-13%**
constant currency

Operating DPW decreased by 13% this quarter, nearly 8 points of which was due to the Sale of Middle East.

105.5%

Operating combined ratio was up 7.6 points due to inflationary pressures and elevated subsidence claims.



UK&I Commercial

\$621M **+3%**
constant currency

Operating DPW growth included a 3-point negative impact from the Middle East sale and a 3-point negative impact from the optimization of our delegated portfolio.

85.0%

Operating combined ratio reflected profitability actions over the past 12 months, and CAT losses in line with expectations.



US Commercial

\$708M **+10%**
constant currency

Operating DPW growth was strong despite a 4-point negative impact from the exit of Public Entities. Growth was driven by new business, increased exposures and rate increases in favourable market conditions.

90.5%

Operating combined ratio was strong and driven by our profitability actions over the past 12 months (including our exit from Public Entities).

Q3-2022 RSA integration update


Value Creation

- We expect to **achieve \$350 million of pre-tax annual run-rate synergies**
 - Announced at our Investor Day in September; a \$100 million increase from our previous target
 - As at September 30, 2022, we estimate that our annual run-rate was at **\$235 million**
- RSA contributed **15% accretion to NOIPS** in the sixteen-month period since closing
 - Ahead of the high single-digit accretion target disclosed at the time of the acquisition
 - We expect NOIPS accretion to reach approximately 20% in 2024

Canadian Operations

- To date, over **95% of policies** outside of Johnson and specialty lines have converted to Intact systems
 - **Retention** continues to be in line with or better than historical RSA experience
 - **Specialty lines** conversions to begin in Q2-2023
 - **Johnson's affinity policy** conversions will begin in Q4-2023
- In **Claims**, nearly all RSA Canada claims are now being handled by our internal adjusters, and 70% of legal files are handled by our in-house legal team



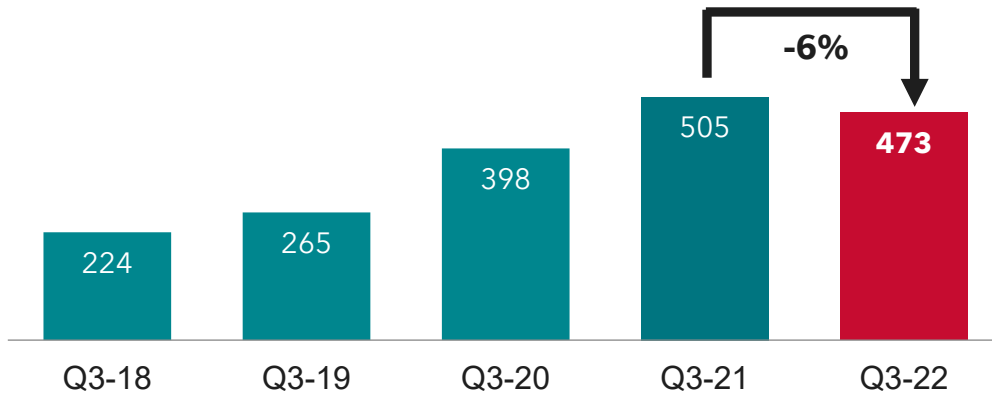


Louis Marcotte

*Executive Vice President &
Chief Financial Officer*

Operating income

Net operating income attributable to common shareholders¹

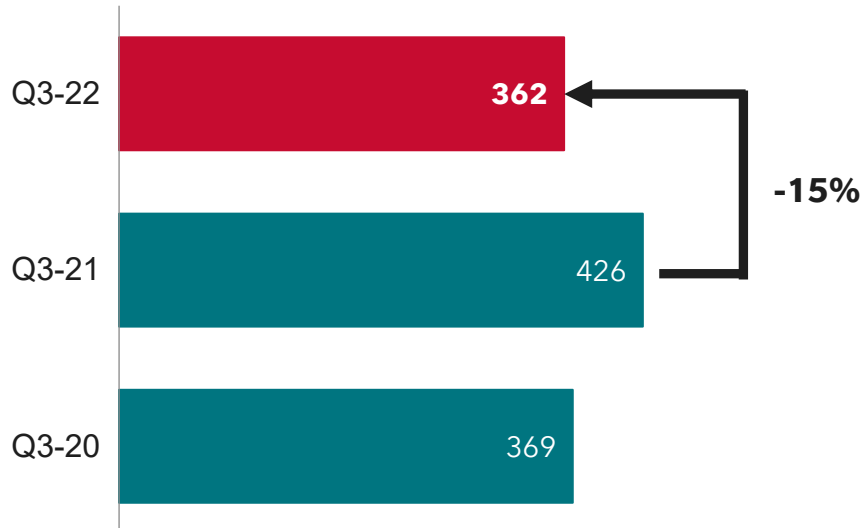


Net operating income attributable to common shareholders was down 6% to **\$473 million**, reflecting inflation pressures and higher weather-related losses in personal lines, partially offset by strong investment and distribution results.

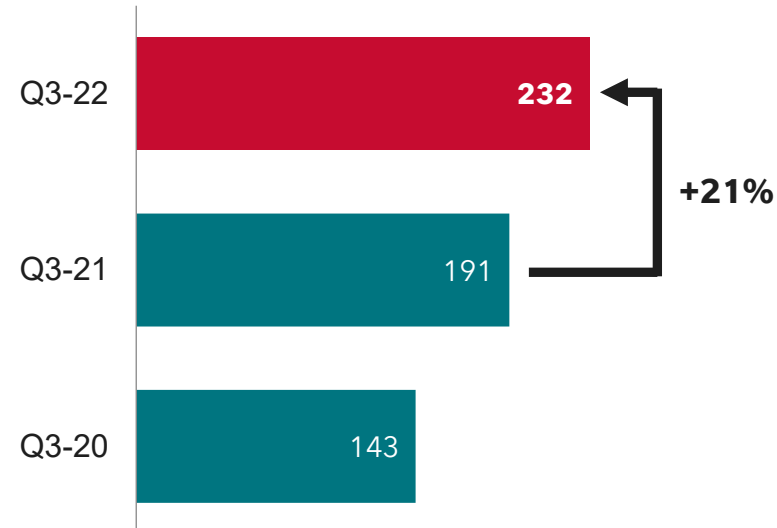
Operating net investment income increased by 21% to **\$232 million**, driven by higher reinvestment yields.

Distribution income increased 6% to **\$111 million**, driven by the addition of Highland Insurance Solutions (“Highland”) to our portfolio, tempered by lower variable commission revenues compared to last year’s elevated level.

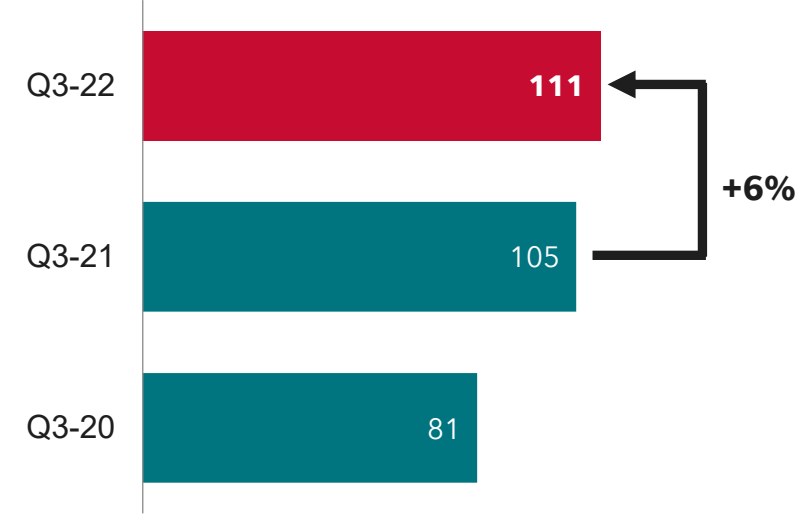
Underwriting income¹



Operating Net investment income¹

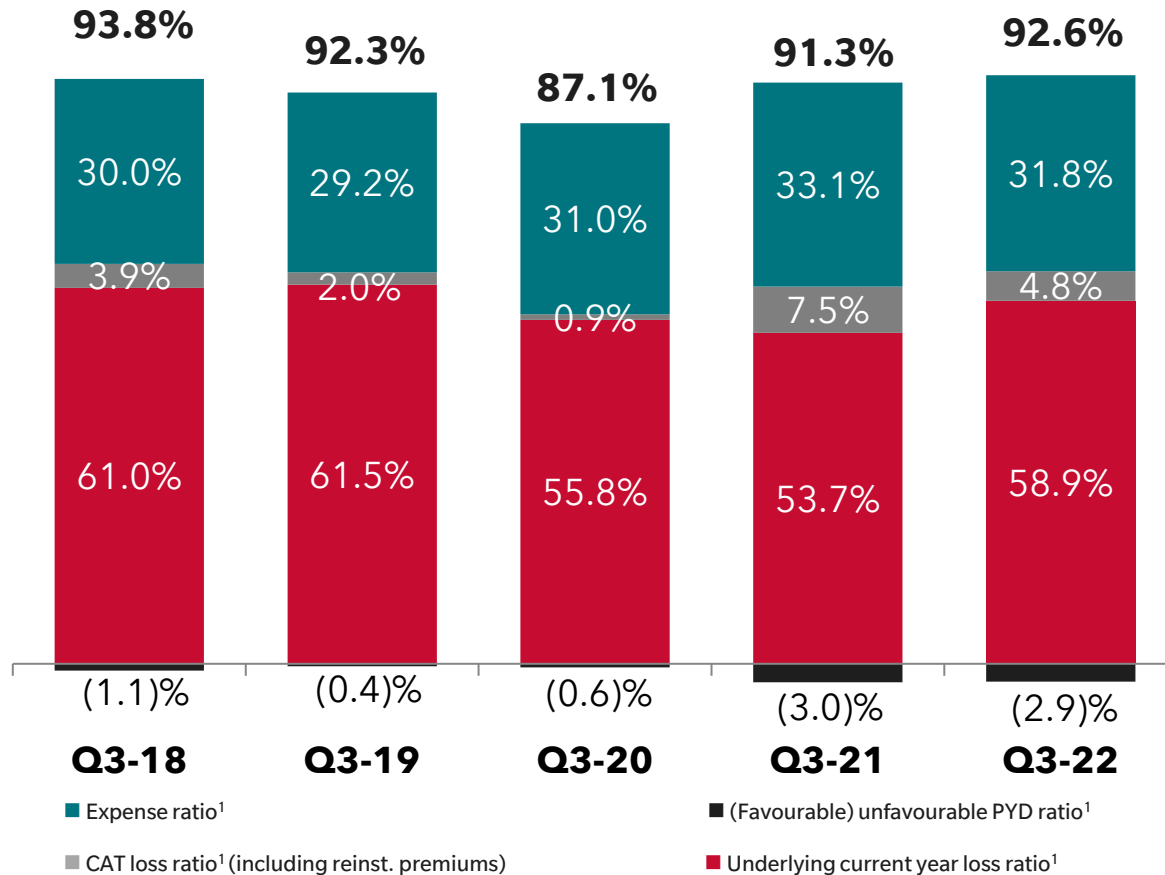


Distribution income¹



Underwriting review

Solid operating combined ratio of 92.6%, reflecting increasing cost pressures and higher weather-related losses in personal lines, while performance in commercial lines continued to be strong.



In Canada, operating combined ratio of 92.7% increased by 3.5 points, compared to a strong performance last year. The increase was driven by claims inflation and higher frequency in personal auto, as well as active weather in personal property. Strong performance continues in commercial lines.

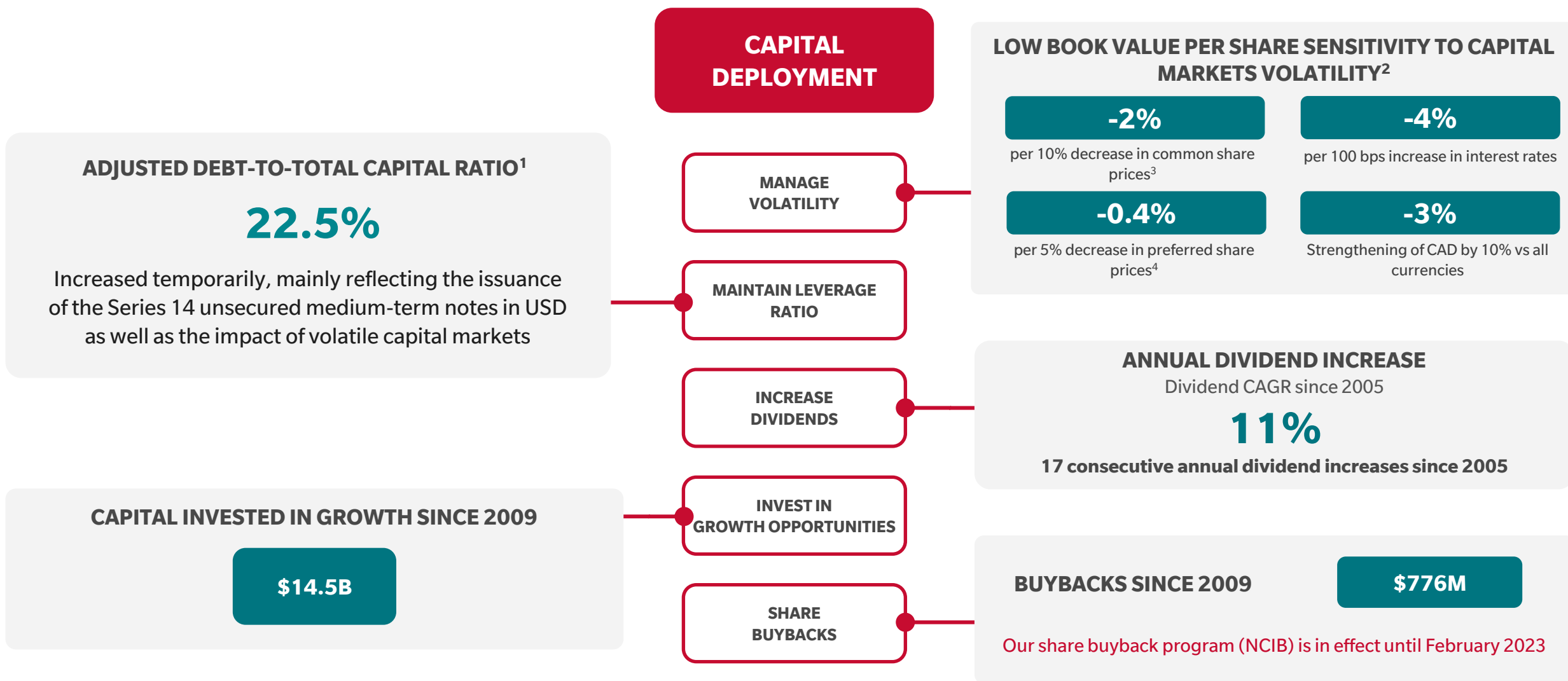


In the UK&I, operating combined ratio of 93.5%, led by strong performance in commercial lines. CAT losses and expenses were lower than last year, offsetting inflation pressures and higher underlying current year losses across both lines of business.



In the US, strong operating combined ratio of 90.5%, driven by our profitability actions over the past 12 months, such as our exit from Public Entities.

Proven and consistent capital management strategy



¹This is a non-GAAP measure. See section 23 – Non-GAAP and other financial measures of the Q3-2022 MD&A, available on www.sedar.com

²Data as of September 30, 2022. See Section 22 – Sensitivity analyses to market risk of the Q3-2022 MD&A for additional commentary and break outs.

³Including the impact of common shares (net of any equity hedges, including the impact of any impairment) or investment property related to the defined benefit pension plan.

⁴Including the impact on related embedded derivatives.

P&C insurance industry outlook¹



Personal Auto Canada

Industry premium growth expected to be in the **mid-single-digit range** in the next twelve months, reflecting inflation and evolving driving patterns



Personal Property Canada

Firm market conditions expected to continue since this line of business is subject to challenging weather and inflation over time.

Industry premium growth expected to remain at a **high single-digit level** over the next 12 months.



Commercial Lines Canada

Industry premium growth expected to be at an **upper single-digit level** over the next 12 months, led by specialty lines. Favourable market conditions are underpinned by rising reinsurance costs, elevated CAT losses, and inflation pressures.



Personal Lines UK&I

In **UK and Ireland**, **motor rates** are slowly beginning to increase, and inflation pressures are expected to drive further rate increases into 2023.

In **UK property**, property claims inflation and challenging weather conditions are expected to drive rate increases over time.

In **Ireland**, property rates are experiencing low single-digit increases.

UK and EU commercial industry premium rates are expected to grow at an **upper single-digit level** over the next 12 months, led by specialty lines.



Commercial Lines US

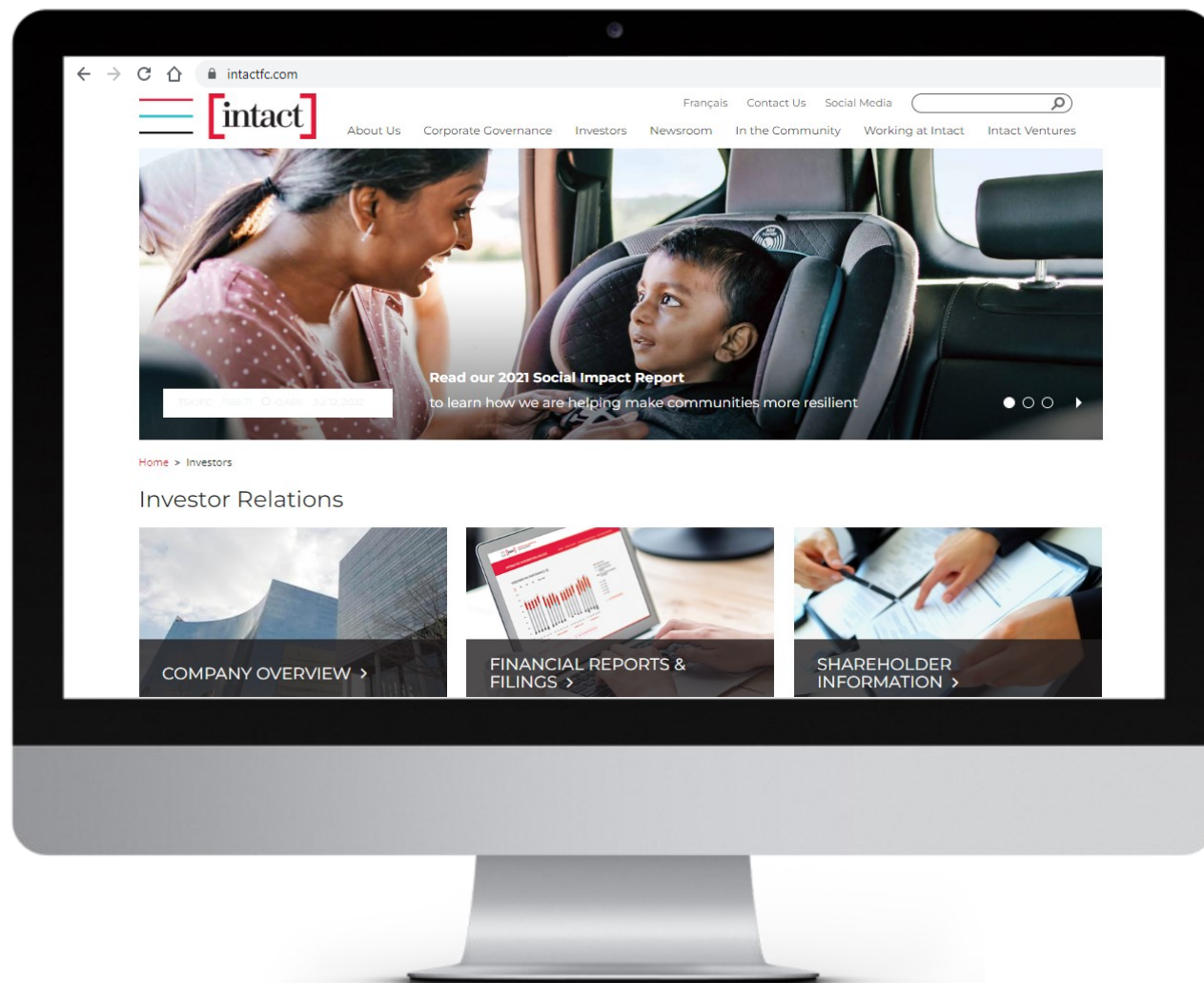
Industry premium growth expected at an **upper single-digit** level over the next 12 months.

Our industry benchmark ROE² is expected to be in the high single-digit range in the next 12 months



Q&A

Contact us



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