Intact Financial Corporation (TSX: IFC)

Q4-2023 Review of Performance

Wednesday, February 14, 2024

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", "indicates", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this MD&A are made as at December 31, 2023, and are subject to change after that date. This presentation contains forward-looking statements with respect to the acquisition of Direct Line Insurance Group plc's ("DLG") brokered Commercial Lines operations ("the DLG brokered commercial lines acquisition"), the exit of Royal & Sun Alliance Insurance Limited from the UK personal lines market, including the sale of our UK direct personal lines operations to Admiral Group plc ("Admiral"), the realization of the expected strategic, financial and other benefits of the transactions and the related economic conditions on the Company's operations and financial performance. This presentation also contains forward-looking statements with respect to the Company's climate-related strategy, goals or plans, based on our current expectations, estimates and projections involving inherent risks and uncertainties, as they are based on various factors and assumptions, all of which are difficult to predict and many of which are beyond our control, including technological advancement, development of climate-related measurement methodologies, varying decarbonization efforts across economies, governmental or regulatory action, geopolitical factors impacting global energy needs, challenges of balancing emission reduction targets with an orderly, just and inclusive transition, evolution of customer behavior, our ability to gather and verify data, the participation of various stakeholders or our ability to implement various initiatives across our global operations within a specified timeframe.

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 DLG brokered commercial lines acquisition, Royal & Sun Alliance Insurance Limited's exit from the UK personal lines, including the sale of our UK direct personal lines operations to Admiral, and economic and political environments and industry conditions. There can also be no assurance that the strategic and financial benefits expected to result from the DLG brokered commercial lines acquisition will be realized. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, credit, market, liquidity, operational, strategic and legal risks and the risks discussed in Section 29.6 - Top and emerging risks that may affect future results and Section 29.7 - Other risk factors that may affect future results of this presentation for the year ended December 31, 2023, including a major earthquake, climate change, climate-related litigation or activism, catastrophe, increased competition and disruption, turbulence in financial markets, reserving inadequacy, underwriting inadequacy, governmental and/or regulatory intervention, cyber security failure, failure of a major technology initiative, inability to contain fraud and/or abuse, customer dissatisfaction, social unrest, third party reliance, failure of an acquisition or divestiture, employee defined benefit pension plan risks, reinsurance inadequacy, distribution risks, inability to retain and to attract talent, business interruption to our operations, credit downgrade, limit on dividend and capital distribution as well as artificial intelligence risk.

All of the forward-looking statements included in this presentation, the Q4-2023 MD&A and the quarterly earnings press release dated February 13, 2024 are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 26 to 30) of the MD&A for the year ended December 31, 2023 and the Company's Annual Information Form for the year ended December 31, 2023. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Disclaimer

This presentation does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

The information contained in this presentation concerning the Company does not purport to be all-inclusive or to contain all the information that a prospective purchaser or investor may desire to have in evaluating whether or not to make an investment in the Company. The information is qualified entirely by reference to the Company's publicly disclosed information.

No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its the directors, officers or employees as to the accuracy, completeness or fairness of the information or opinions contained in this presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this presentation, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this presentation or to correct any inaccuracies in, or omissions from, this presentation that may become apparent. The information and opinions contained in this presentation are provided as at the date of this presentation. The contents of this presentation are not to be construed as legal, financial or tax advice. Each prospective purchaser should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

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) and other 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 principal Non-GAAP financial measures and other financial measures included in this presentation and other financial reports are: operating net underwriting revenue, operating net claims, operating net underwriting expenses, underwriting income (loss), operating net investment income, net unwind of discount on claims liabilities, operating net investment result, distribution income, total finance costs, other operating income (expense), operating and total income tax expense (benefit), PTOI, NOI attributable to common shareholders, pre-tax income, non-operating results, MYA and FX on claims liabilities, NOIPS, adjusted net income attributable to common shareholders, adjusted average common shareholder's equity, adjusted average common shareholder's equity (excluding AOCI), debt outstanding (excluding hybrid debt). The following are other supplementary financial measures: operating DPW, operating DPW growth, operating DPW growth in constant currency, total capital margin, our regulatory capital ratios, BVPS and BVPS (excluding AOCI).

The Non-GAAP ratios included in the presentation and other financial reports (other than interim condensed Consolidated financial statements) are: operating net underwriting revenue growth, operating net underwriting revenue growth in constant currency, combined ratio, claims ratio (including underlying current year loss ratio, CAT loss ratio and PYD ratio), expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio), operating and total effective income tax rates, NOIPS, AEPS, ROE, OROE, AROE, and adjusted debt-to-total capital 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 analyzes performance. Non-GAAP and other financial measures used by management are fully defined and reconciled to the corresponding GAAP measures, where applicable. 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 31– *Non-GAAP and other financial measures* of the Q4-2023 MD&A for the definition and reconciliation to the most comparable GAAP measures (or "reported measures").

Important notes:

- We adopted IFRS 17 – Insurance Contracts ("IFRS 17") in conjunction with IFRS 9 – Financial instruments ("IFRS 9") on January 1, 2023, which replace IFRS 4 – Insurance Contracts ("IFRS 4") and IAS 39 – Financial instruments: recognition and measurement ("IAS 39"), respectively. IFRS 17 was applied retrospectively as at January 1, 2022, as a result comparative information was restated (see "Restated" columns throughout this presentation). IFRS 9 was applied retrospectively as of January 1, 2023 with no restatement of comparative information. To help investors adapt to the changes to our financial disclosures, we have provided additional explanations and insights in our IFRS 17 & 9 teach-in presentation dated April 27, 2023, available on our website. For more information, refer to Note 3 – Adoption of new accounting standards to our Consolidated financial statements for the fiscal year ended December 31, 2023.
- Abbreviations and definitions of selected key terms used in this presentation are defined in Section 35 – Glossary and definitions of our Q4-2023 MD&A
- Other insurance-related terms are defined in Section 35 – Glossary and definitions of our Q4-2023 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

Q4-2023 key points & highlights

$4.22
NOIPS[1]
solid topline growth, higher underwriting margins, and strong investment and distribution results.

$2.78
EPS
up 48% from Q4-2022
driven by strong growth in net operating income

$1.21
2024 Quarterly Dividend
19th consecutive increase since our IPO

+4% *constant currency*
Operating DPW[1] Growth
+8% organic growth

90.1%
Undiscounted Combined Ratio[1]
strong underlying performance across all regions

14.2%
OROE[1]
despite 3 pts of catastrophe losses in excess of expectations

11.7%
AROE[1]

8.8%
ROE[1]
healthy despite UK Personal Lines exit costs

$81.71
BVPS
+6% vs. Q3-2023 due to strong operating performance and gains on fixed-income securities

$2.7B
Total Capital Margin[1,2]
and solid regulatory capital ratios in all jurisdictions

[1]NOIPS, Operating DPW, Combined ratio, OROE, AROE, ROE and Total Capital Margin are supplementary and non-GAAP measures. See section 31 – *Non-GAAP and other financial measures* of the Q4-2023 MD&A, available on www.sedarplus.ca.
[2] See section 24.2 – *Maintaining a strong capital position* of the Q4-2023 MD&A, available on www.sedarplus.ca.

Q4-2023 Canadian results

	Operating DPW growth[1]	Undiscounted Combined ratio[1]	Industry outlook[2]
Personal Auto	**+12%** rate actions in hard market conditions and continued momentum in unit growth	**95.2%** largely in line with our seasonally-adjusted sub-95 guidance	Industry premiums expected to grow in the **high single-digit** range
Personal Property	**+8%** rate increases in hard market conditions	**75.8%** robust underlying performance and mild weather	Industry premium growth could reach a **low double-digit** level
Canadian Commercial	**+4%** continued rate discipline and strong retention in most lines	**84.4%** continued underwriting discipline and lower catastrophe losses	Industry premium growth expected at **upper single-digit** level

[1] Operating DPW growth and Combined ratio are supplementary and non-GAAP measures. See section 31 – *Non-GAAP and other financial measures* of the Q4-2023 MD&A, available on www.sedarplus.ca .
[2] 12-month industry outlook. For more details, please see Section 15 – *P&C insurance industry outlook* of the Q4-2023 MD&A, available on www.sedarplus.ca.

Q4-2023 UK&I and US results

	Operating DPW growth (constant currency)[1]	Undiscounted Combined ratio[1]	Industry outlook[2]
P&C UK&I	**+26%** driven by the DLG transaction and 6% organic growth	**104.6%** included 11 points of catastrophe losses above expectations	UK & EU commercial industry premium rates expected to grow at a **mid-single-digit** level
US Commercial	**+9%** strong growth across our most profitable lines	**86.4%** continued growth in profitable business lines and underwriting discipline	Industry premium growth expected at an **upper single-digit** level

[1] Operating DPW growth in constant currency and Combined ratio are supplementary and non-GAAP measures. See section 31 – *Non-GAAP and other financial measures* of the Q4-2023 MD&A, available on www.sedarplus.ca.
[2] 12-month industry outlook. For more details, please see Section 15 – *P&C insurance industry outlook* of the Q4-2023 MD&A, available on www.sedarplus.ca.

Progress on our strategic roadmap

Canada

Distribution
- BrokerLink closed 20 acquisitions in 2023, representing $375 million in DPW

Digital engagement
- Over 23 million visits from customers on our mobile apps and 1-in-5 policy transactions completed online in 2023

Superior claims service
- 31 Claims Service Centres in Canada, including 4 new centres in Q4-2023
- Nearly 50 On Side Restoration locations across the country

Brand leadership
- Intact Insurance brand awareness increased by 2 points year-over-year

UK & Ireland

Refocused UK footprint for outperformance
- Acquisition of Direct Line's brokered commercial lines operations
- Sale of direct UK Home and Pet operations to Admiral
- Announced exit of UK Personal Lines partnerships

Leading customer and broker experience
- Enhanced online broker journey and expanded our SME and Mid-Market offering in commercial lines
- In Ireland, strong customer and broker satisfaction:

74%
customers likely to recommend us

73%
brokers value our expertise

Global Specialty

Pricing sophistication
- Deployed 6 new predictive AI models to enhance pricing and risk selection

Distribution opportunities
- Expansion of our cyber underwriting capacity with Resilience to all markets where we operate

Brands
- Rebranded our Builder's Risk MGA to Striior Insurance Solutions

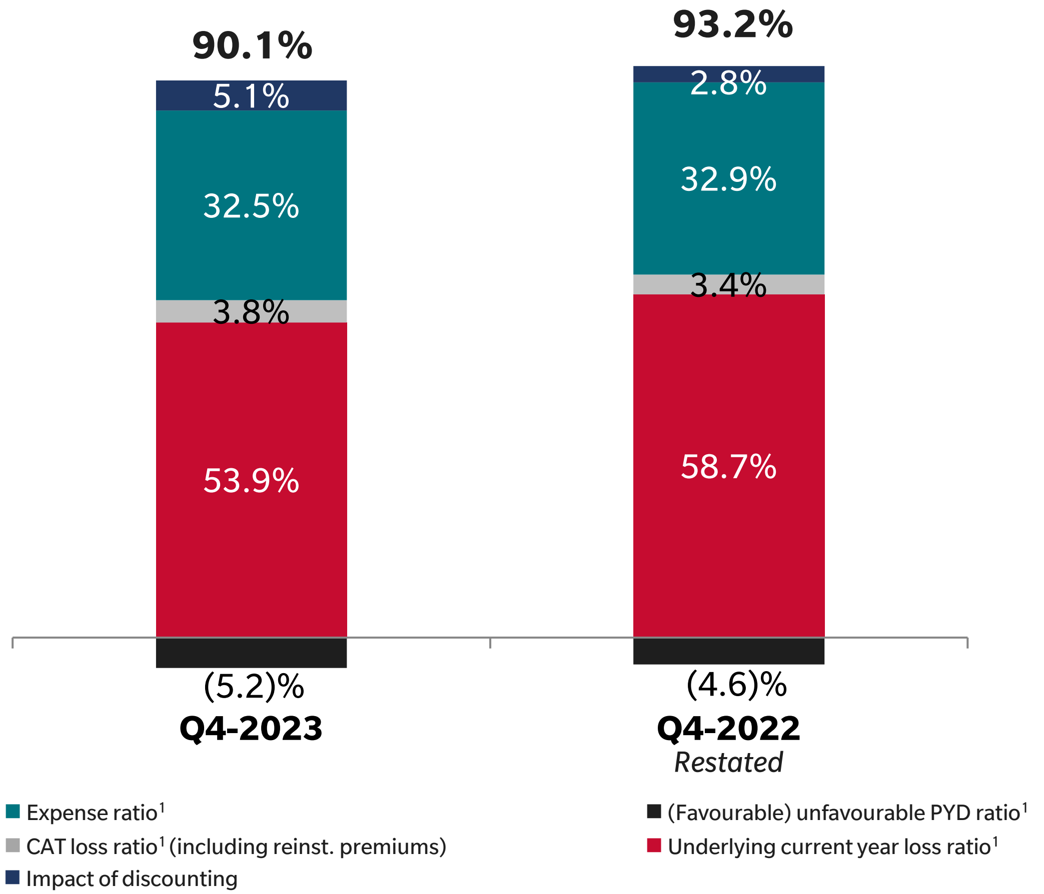
Ambition to reach $10B in DPW by 2030 with a sub-90 combined ratio
- In 2023, reached $6.1B in DPW with an 88% combined ratio

Louis Marcotte

Executive Vice President & Chief Financial Officer

Q4-2023 underwriting review

Undiscounted combined ratios[1]



Catastrophe losses[1]

- **$199 million** of catastrophe losses in Q4-2023 exceeded expectations in the UK&I, and were driven by two severe windstorms in the UK and Europe
- Increased our guidance for annual catastrophe losses to **$900 million** from $700 million

Prior-year development[1]

- Favourable PYD[1] was strong at **5.2%** in the quarter.
- PYD[1] expected to be in the **2% to 4%** range over the medium term

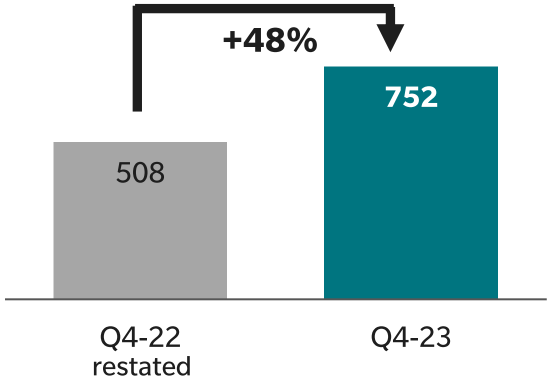
Expense ratio[1]

- **Expense ratio[1] of 32.5%** improved from 32.9% last year
- We continue to expect the consolidated expense ratio[1] to be in the **33% to 34% range**

[1] Combined ratio, Expense ratio, CAT loss ratio, catastrophe losses, Prior year Development (PYD) ratio, and Underlying current year loss ratio are non-GAAP measures. See section 31 – *Non-GAAP and other financial measures* of the MD&A, available on www.sedarplus.ca.

Q4-2023 operating income

Net operating income attributable to common shareholders[1]

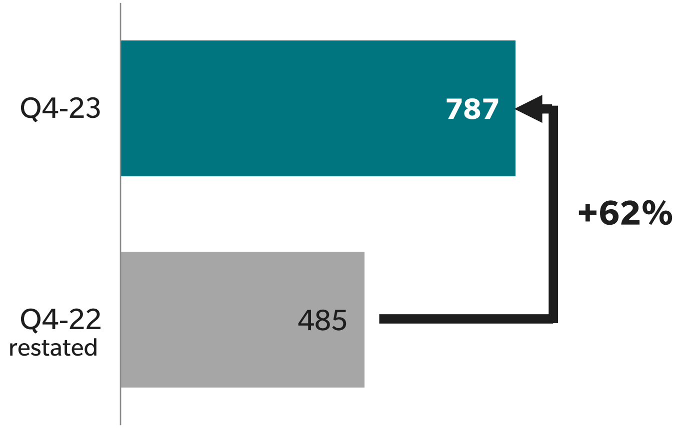


Net operating income attributable to common shareholders[1] of $752 million was driven by topline growth, solid underlying performance, as well as strong investment and distribution results.

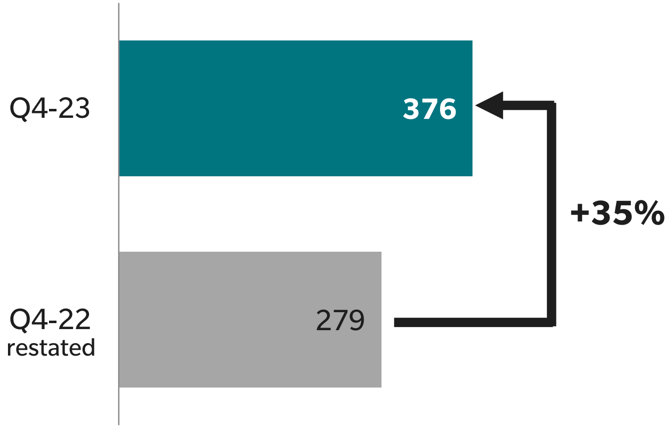
Operating net investment income[1] of $376 million increased 35%, driven higher book yields and the increased turnover of our portfolio over the last 12 months. In 2024, we expect investment income to reach $1.5 billion.

Distribution income[1] of $109 million increased 16%, mainly driven by BrokerLink's recent acquisitions paired with solid organic growth. In 2024, we expect distribution income growth of at least 10%.

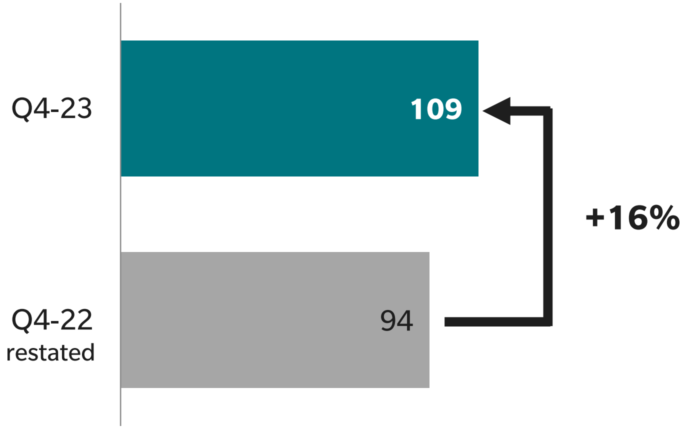
Underwriting income[1]



Operating net investment income[1]



Distribution income[1]



[1] Net operating income attributable to common shareholders, Underwriting income, Operating net investment income, and Distribution income are non-GAAP measures. See the *Non-GAAP and other financial measures* in Section 31 of the Q4-2023 MD&A, available on www.sedarplus.ca.

Maintaining a strong balance sheet

Sustaining a strong capital position

Total capital margin[1,2]

$2.7B

Capital generation and favourable market movements offset $0.9B of capital deployed for the DLG transaction

Regulatory capital ratios[2]

MCT	SCR	RBC
210%	168%	381%

Regulatory capital ratios exceed operating targets

Managing leverage

Adjusted debt-to-total capital ratio[1,2]

22.4%

Expected to return to our long-term target of 20% by the end of 2024

Managing volatility

Book value per share[2]

$81.71

increased 6% from Q3-2023 due to strong operating performance and gains on fixed income securities

Book value per share sensitivity to capital markets volatility[3]

-2%	-2%
per 10% decrease in common share prices[4]	per 100 bps increase in interest rates[5]

[1] Total capital margin and Adjusted debt-to-total capital ratio are non-GAAP measure. See section 31 - *Non-GAAP and other financial measures* in the Q4-2023 MD&A , available on www.sedarplus.ca.
[2] As of December 31, 2023.
[3] As of December 31, 2023. See Section 30 – *Sensitivity analyses to market risk* of the Q4-2023 MD&A, available on www.sedarplus.ca.
[4] Including the impact of common shares (net of any equity hedges, including the impact of any impairment)
[5] Excludes the impact of credit spreads.

Q&A

Contact us

Investor Inquiries

Intact Financial Corporation
700 University Avenue
Toronto, ON M5G 0A1
ir@intact.net
www.intactfc.com

Investor Relations

Shubha Khan
Vice President, Investor Relations
1 (416) 341-1464 ext. 41004
shubha.khan@intact.net

Media Inquiries

David Barrett
Director, Media, Social and Owned Channels
1 (416) 227-7905 / 1 (514) 985-7165
media@intact.net