



Intact Financial Corporation

Management's Discussion and Analysis

For the year ended December 31, 2022

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

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The following MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors (the "Board") for the year ended December 31, 2022. This MD&A is intended to enable the reader to assess our results of operations and financial condition for the three- and twelve-month periods ended December 31, 2022, compared to the corresponding periods in 2021. It should be read in conjunction with our Consolidated financial statements for our fiscal year ended December 31, 2022. This MD&A is dated February 7, 2023.

"Intact", the "Company", "IFC", "we" and "our" are terms used throughout this document to refer to Intact Financial Corporation and its subsidiaries. Further information about Intact Financial Corporation, including the Annual Information Form and Social impact report, may be found online on SEDAR at www.sedar.com.

- Abbreviations and definitions of selected key terms used in this MD&A are defined in *Section 40 – Glossary and definitions*.
- Other insurance-related terms are defined in *Section 40 – Glossary and definitions* of our 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%.

Non-GAAP and other financial measures

We use both Generally Accepted Accounting Principles 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 the MD&A 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 MD&A 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 36 – Non-GAAP and other financial measures* for the definition and reconciliation to the most comparable GAAP measures (or "reported measures").

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Cautionary note regarding forward-looking statements

Certain of the statements included in this MD&A 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 MD&A are made as at December 31, 2022, and are subject to change after that date. This MD&A 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 the National Life & General Insurance Company (NLGIC) (the "Sale of RSA Middle East"), the realization of the expected strategic, financial and other benefits of the Sale of RSA 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, economic and political environments and industry conditions. 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 33.6- Top and emerging risks that may affect future results* and *Section 33.7- Other risk factors that may affect future results* of this MD&A for the year ended December 31, 2022, including a major earthquake, climate change, catastrophe, increased competition and disruption, turbulence in financial markets, reserving inadequacy, underwriting inadequacy, reinsurance, governmental and/or regulatory intervention, failure of an acquisition, cyber security failure, failure of a major technology initiative, inability to contain fraud and/or abuse, customer satisfaction, social unrest, third party reliance, employee defined benefit pension plan, the ability to retain and to attract talent, business interruption to our operations, credit downgrade, limit on dividend and capital distribution.

All of the forward-looking statements included in this MD&A and the quarterly earnings press release dated February 7, 2023 are qualified by these cautionary statements and those made in the section entitled Risk management (*Sections 30-34*) of this MD&A for the year ended December 31, 2022 and the Company's Annual Information Form for the year ended December 31, 2022. 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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OVERVIEW

Section 1 - About Intact Financial Corporation

1.1 Our purpose, values and core belief

Our purpose – We are here to help people, businesses and society prosper in good times and be resilient in bad times.

Our values guide us – Our values guide our decision-making, keep us grounded, help us outperform and are key to our success.

Integrity | Respect | Customer Driven | Excellence | Generosity

People are at the heart of our organization, and of our success – How we do things is just as important as what we achieve. We are a purpose-driven company based on values and a belief that insurance is about people, not things.

1.2 What defines us

- A global team of more than 28,500 employees putting our collective strengths to work – supporting customers and brokers and delivering on the key strategies and best in class operations that are essential to the success of Intact Financial Corporation.
- Largest provider of P&C insurance in Canada, a leading specialty lines insurer with international expertise and a leader in personal and commercial lines in the UK and Ireland. Our business has grown organically and through acquisitions to over \$21 billion of total annual operating DPW.
- In Canada, we distribute insurance under the Intact Insurance and RSA brands through a wide network of brokers, including our wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. We also provide affinity insurance solutions through the Johnson Affinity Groups, as well as specialty insurance through our managing general agencies. In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies. Across the UK, Ireland and Europe, we provide personal, commercial and/or specialty insurance solutions through the RSA brands.

2022 Operating DPW¹
by business segment and line of business

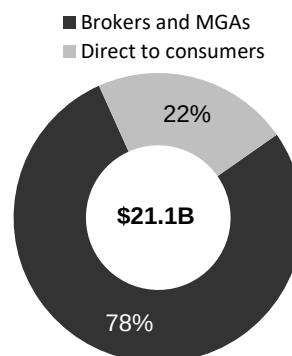
	Total PL		Total CL		Total
	PA	PP	Reg. CL	SL	
Canada	26%	17%	15%	9%	67%
UK&I	2%	6%	8%	6%	22%
US	-	-	-	11%	11%

PA: Personal auto; PP: Personal property

Reg. CL: Commercial lines excluding specialty lines; SL: Specialty lines

¹ See Section 36 – Non-GAAP and other financial measures for more details.

2022 Operating DPW¹
by distribution channel



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Section 2 - Segments and lines of business

We report our financial results under the three business segments and the lines of business set out below. The composition of our segments is aligned with our internal financial reporting based on management structure and geography. Underwriting results exclude those of exited lines, which are reported in Income (loss) from exited lines (see *Section 15.2 – Income (loss) from exited lines* for details).

SEGMENTS			Corporate and Other (Corporate)
Canada (CAN) Segment	UK and International (UK&I) Segment	US Segment	
Underwriting and distribution activities in Canada. Three lines of business: Personal auto Personal property Commercial lines	Underwriting activities in the UK, Ireland and Europe. Two lines of business: Personal lines Commercial lines	Underwriting and distribution activities in the US. One line of business: Commercial lines	Activities managed centrally, including investment activities, financing activities as well as corporate centres of expertise outside the business segments, such as: group legal, finance, investor relations, corporate development, strategy and other head office responsibilities.

LINES OF BUSINESS	
	Personal auto – CANADA We provide coverage to our customers for their vehicles, including accident benefits, third party property and physical damage. Our coverage is also available for motor homes, recreational vehicles, motorcycles, snowmobiles and all terrain vehicles.
	Personal property – CANADA We provide protection to our customers for their homes and contents from risks such as fire, theft, vandalism, water damage and other damages, as well as personal liability coverage. Property coverage is also available for tenants, condominium owners, non-owner-occupied residences and seasonal residences. We also provide travel insurance.
	Commercial lines (including specialty lines) – CANADA We provide a broad range of coverages tailored to the needs of a diversified group of businesses. Commercial property coverages protect the physical assets of a business. Liability coverages include commercial general liability, product liability, professional liability, as well as cyber coverage. Commercial vehicle coverages provide protection for commercial auto, fleets, garage operations, light trucks, public vehicles and the specific needs of the sharing economy.
	Personal lines – UK&I We provide various levels of coverage to our customers for their home, motor, pet and other insurance products in the UK and Ireland.
	Commercial lines (including specialty lines) – UK&I We provide a broad range of general insurance, specialty lines and risk management expertise for businesses and other organisations in the UK, Ireland, France, Belgium, Spain and the Netherlands.
	Commercial lines (specialty lines) – US We provide a broad range of specialty insurance solutions tailored to meet the unique needs of specific industry segments or product/customer groups. Businesses serving targeted industry segments include accident and health, technology, ocean marine, inland marine, builder's risk, entertainment, financial services, and financial institutions. Businesses offering distinct specialty products to broad customer groups include specialty property, surety, tuition reimbursement, management liability, cyber and environmental.
Specialty lines	
Specialty lines are embedded in the commercial operations of each segment. Specialty is about focus and deep knowledge of a unique customer segment (such as marine, technology and entertainment) or product niche (such as surety, excess property, multi-national programs, management liability and cyber). We continue to capitalize on the opportunities to expand and bring our capabilities to new markets across the globe.	

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Section 3 - Building sustainable competitive advantages

We have many unique advantages which have enabled us to consistently outperform P&C insurers in the markets where we operate. These competitive advantages, which we continue to strengthen and leverage, are described below.

 Scale in distribution	• We have broker relationships across Canada, US, UK and Europe for customers who value advice and the specialized and community-based services that only an insurance broker can provide. We provide our brokers with a variety of digital distribution service platforms, alongside sales training and financing to enable them to continue to grow and develop their businesses. • We have leading direct channel brands in Canada, UK, and Ireland for customers who prefer the convenience of a simplified and digital-first experience. • Our growing portfolio of owned distribution assets of brokers and MGAs supports our growth strategies across personal, commercial, and specialty lines.
 Leading digital engagement	• Our industry leading mobile and fully integrated digital solutions distinguish us from our peers. Our ability to design, deliver and iterate on new experiences for brokers and customers makes us a preferred company to deal with. Speed, simplicity and transparency are core tenets of our customer driven digital focus.
 Best Employer	• Our people are the cornerstone to execution of our strategy. As a Best Employer, we attract, retain and engage some of the best talent both within and outside our industry. • We have highly engaged employees and our strong set of Values and Leadership Success Factors guide decision making and provide a strong moral compass. • Our commitment to Diversity, Equity, and Inclusion enriches our working environment and strengthens innovation and creativity.
 Diversified business mix	• Our underwriting business is well diversified across geographies with presence in Canada, US, UK, and EU, and lines of business in personal, commercial, and specialty insurance. • Our investment portfolio, and our growing streams of distribution income from our vertically integrated supply chain and distribution channels, provide earnings diversification and reduce volatility.
 Global leader in leveraging data and AI for pricing and risk selection	• With over 500 data scientists, actuaries, data engineers, and data specialists, our AI and machine learning expertise combined with our data advantage results in deeply sophisticated and widely-deployed algorithms that price for risk more accurately than the market. • With nearly 300 AI models deployed in operation, we are able to attract and retain customers in a way that optimizes for growth and outperformance.
 Deep claims expertise and strong supply chain network	• The majority of our claims are handled in-house with the support of our preferred network of suppliers. • Our in-house claims experts and fully integrated claims handling processes allow us to take control of the claims journey in a way that is optimized for customer experience, operational efficiency, and indemnity control. • We have invested directly in our auto and property supply chain to strengthen our network, which provides an opportunity for simpler, faster and superior experience for the customer and translates into a competitive advantage, as we can settle claims at a lower cost.
 Strong capital and investment management expertise	• In-house investment management provides greater flexibility in support of our insurance operations at a competitive cost. In establishing our asset allocation, we consider a variety of factors including prospective risk and return of various asset classes, the duration of claim obligations, the risk of underwriting activities and the capital supporting our business. • Our primary investment objective is to maximize after-tax returns, while preserving capital and limiting volatility. We achieve this through an appropriate asset allocation and active management of investment strategies.
 Proven consolidator & integrator	• Acquisitions play an important role in accelerating execution of our strategy. • We are a proven industry consolidator with 18 successful P&C acquisitions since 1988, including the RSA Acquisition, which has expanded our leadership position in Canada and advanced our objective to build a global specialty solutions leader in Canada, US, UK and EU. • Our successful track record on acquisitions is driven by three key factors: thorough due diligence to assess all the risks and opportunities; swift and effective integration that is seamless to our customers; and financial benefit from significant synergies due to our scale and core expertise in data, pricing and segmentation, and claims and supply chain management.

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PERFORMANCE

Section 4 - Consolidated performance

4.1 Consolidated highlights

Q4-2022 Highlights

- Operating DPW¹ growth accelerated to 3% in the quarter, 5% excluding strategic exits, on favourable market conditions
- Operating combined ratio¹ was a solid 91.5% in Q4-2022 and 91.6% for the full year, despite elevated catastrophe losses and inflation
- NOIPS¹ of \$3.34 in Q4-2022 and \$11.88 for the full year reflected higher investment and distribution income, which partially offset lower underwriting margins
- EPS decreased to \$2.26 in Q4-2022 but was up 9% for the full year on higher operating income and investment gains
- OROE of 14.3% and ROE of 16.5%, reflected strong operating performance in a challenging environment
- Balance sheet remained strong with a total capital margin of \$2.4 billion and BVPS of \$80.33 despite capital markets volatility
- Quarterly dividend increased by 10% to \$1.10 per common share

Table 1 - Consolidated performance¹

	Section	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW ¹ (growth in constant currency)	4.2	5,125	5,017	3%	21,053	17,283	23%
Direct premium written (growth in constant currency)		5,528	5,318	5%	22,655	17,994	28%
Operating NEP ¹		5,004	4,931	1%	19,384	16,043	21%
Net earned premiums		5,054	5,003	1%	19,792	16,238	22%
Operating income							
Underwriting income ¹	4.2	427	600	(29)%	1,626	1,787	(9)%
Operating net investment income ¹	13	279	220	27%	927	706	31%
Distribution income ¹	14	93	77	21%	437	362	21%
Total finance costs ¹	4.2	(55)	(43)	nm	(189)	(162)	nm
Other operating income (expense) ¹		(27)	4	nm	(134)	(25)	nm
Pre-tax operating income (PTOI) ¹	5.1	717	858	(16)%	2,667	2,668	-%
NOI attributable to common shareholders ^{1,2}		585	666	(12)%	2,086	2,017	3%
Non-operating results		(236)	17	nm	311	(70)	nm
Net income		419	701	(40)%	2,420	2,088	16%
Claims ratio ¹		60.7%	56.2%	4.5 pts	60.3%	55.9%	4.4 pts
Expense ratio ¹		30.8%	31.6%	(0.8) pts	31.3%	32.9%	(1.6) pts
Operating combined ratio ¹	4.2	91.5%	87.8%	3.7 pts	91.6%	88.8%	2.8 pts
Per share measures, basic and diluted (in dollars)							
NOIPS ¹	4.2	3.34	3.78	(12)%	11.88	12.41	(4)%
EPS	4.2	2.26	3.85	(41)%	13.46	12.40	9%
BVPS	28.6	80.33	82.34	(2)%			
Return on equity for the last 12 months							
OROE ¹	4.2	14.3%	17.8%	(3.5) pts			
AROE ¹	4.2	19.5%	21.0%	(1.5) pts			
ROE ¹	4.2	16.5%	17.0%	(0.5) pts			
Total capital margin	28.2	2,379	2,891	(512)			
Adjusted debt-to-total capital ratio ¹	28.2	21.2%	23.0%	(1.8) pts			

¹ See Section 36 – Non-GAAP and other financial measures for more details.² Net of preferred share dividends and net income attributable to non-controlling interests. See Table 43 for more details.

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4.2 Consolidated performance

Table 2 – Consolidated underwriting performance

	Section	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW (growth in constant currency)							
Canada	6.1	3,417	3,283	4%	14,037	12,023	17%
UK&I	7.1	1,144	1,274	(4)%	4,671	2,538	nm
US	8.1	564	460	13%	2,345	1,988	14%
Corporate (RSA for June 2021)		n/a	n/a	nm	n/a	734	nm
IFC		5,125	5,017	3%	21,053	17,283	23%
Operating combined ratio							
Canada	6.1	88.7%	84.4%	4.3 pts	90.5%	86.7%	3.8 pts
UK&I	7.1	104.0%	93.0%	11.0 pts	97.0%	93.4%	nm
US	8.1	85.1%	92.5%	(7.4) pts	88.2%	92.9%	(4.7) pts
Corporate (RSA for June 2021)		n/a	n/a	nm	n/a	90.7%	nm
IFC		91.5%	87.8%	3.7 pts	91.6%	88.8%	2.8 pts

	Q4-2022 vs Q4-2021	2022 vs 2021
Operating DPW growth (in constant currency) (Sections 6-8)	On a constant currency basis, overall premium growth of 3%. Excluding strategic exits, growth was 5%, a point higher than in the preceding quarter, reflecting favourable market conditions, including rate increases.	On a constant currency basis, overall premium growth of 23%, bolstered by the RSA Acquisition. Excluding this and the impact of exited lines, premium growth was 5%, led mainly by continued rate momentum.
Underwriting performance (Sections 6-8)	Overall operating combined ratio was solid at 91.5%, reflecting strong performances in the US and Canada, despite inflation pressures in personal auto. UK&I results were impacted by unusually severe winter conditions in the quarter.	Operating combined ratio of 91.6% reflected a solid performance for the year amidst elevated weather-related losses and inflationary pressures.
Operating net investment income (Section 13)	Operating net investment income increased by 27% to \$279 million, driven by higher reinvestment yields, captured through maturity and trading.	Operating net investment income increased by 31% to \$927 million, driven by the RSA Acquisition and higher reinvestment yields.
Distribution income (Section 14)	Distribution income grew by 21%, bolstered by accretive acquisitions (including Highland), a solid contribution from On Side, and organic growth driven by rate increases.	Distribution income grew by 21% for 2022, driven by acquisitions, higher variable commission revenues and a solid contribution from On Side. Over the last 5 years, annual growth has exceeded 10% and we expect this momentum to continue into 2023.
Total finance costs (Section 9)	Total finance costs of \$55 million increased compared to last year, driven by the financing for the Highland acquisition and rate increases on our short-term debt.	Total finance costs of \$189 million were higher than last year, mainly due to the impact of the RSA Acquisition.
Other operating income (expense) (Section 9)	Other operating expenses of \$27 million reflected the central corporate costs and were in line with our expected run-rate for the quarter.	Other operating expenses of \$134 million included general corporate expenses, now held centrally following the RSA Acquisition.

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	Q4-2022 vs Q4-2021	2022 vs 2021
NOIPS	NOIPS of \$3.34 was lower than last year, as higher investment and distribution income only partially offset the impact of lower underwriting margins.	NOIPS remained solid at \$11.88, reflecting a robust underwriting performance and meaningful RSA accretion, coupled with strong investment and distribution results.
Non-operating results (Section 15)	Non-operating losses of \$236 million compared to a non-operating gain of \$17 million last year, largely due to the recent volatility in capital markets. This also reflected an increase in underwriting losses from our exited lines, as we continue to focus on portfolio quality.	Non-operating gains of \$311 million compared to a non-operating loss of \$70 million last year, due to a \$421 million gain from the sale of Codan Forsikring A/S ("Codan DK"), as well as favourable MYE.
Effective income tax rates¹ (Section 16.2)	Operating effective income tax rate of 15.2% and total effective income tax rate of 12.9% in the quarter were lower than expected and included a 9-point benefit due to our ability to recognize more tax recoveries, thanks to our improved outlook on future profitability in the UK.	Operating effective income tax rate of 18.8% was lower than 2021, mainly due to the benefit of the tax recoveries in the UK. Total effective income tax rate of 18.7% for 2022 was lower than expected, due to non-taxable gains in Q2-2022 and the previously mentioned UK tax benefits.
EPS	EPS decreased by 41% to \$2.26, driven by net investment losses caused by recent volatility in capital markets, compared to significant gains in the prior year. EPS was significantly lower than NOIPS this quarter due to the non-operating losses described above.	EPS of \$13.46 increased by 9%, as solid operating results were bolstered by the gain on the sale of Codan DK.
Return on equity for the last 12 months	Operating ROE of 14.3% reflected a strong operating performance across the business, even with elevated CAT losses. Adjusted ROE of 19.5% and ROE of 16.5%, reflected strong results in a challenging environment, bolstered by the gain from the sale of Codan DK and realized gains on our equity portfolio.	
BVPS (Section 28.6)	BVPS of \$80.33 increased from Q3-2022, driven by solid earnings and mark-to-market gains on our available-for-sale securities portfolio, partially offset by market-related losses in our UK pension plans.	BVPS decreased by 2% year-over-year, as strong earnings were offset by mark-to-market losses on our investments earlier in the year, caused by the increase in interest rates and the recent volatility in capital markets.
Adjusted debt-to-total capital ratio (Section 28.2)	Our adjusted debt-to-total capital ratio decreased to 21.2% as at December 31, 2022, mainly due to the repayment of the US senior notes of US\$275 million.	
Financial condition (Section 28.2)	We ended the year in a strong financial position, with \$2.4 billion of total capital margin and solid regulated capital ratios in all jurisdictions.	

¹ See Note 27.2 – Effective income tax rate to the Consolidated financial statements and Section 36 – Non-GAAP and other financial measures for more details.

IFRS 17 / 9 Effective Q1-2023

- Q4-2022 is the last quarter that will be reported under IFRS 4 and IAS 39.** Starting in Q1-2023, results will be reported under IFRS 17 and IFRS 9. See [Section 17 – IFRS 17 & 9 key impacts](#) for more details.

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Section 5 - Segment performance

5.1 Operating performance by segment

Table 3 – Operating performance by segment^{1,2}

For the quarters ended December 31,						2022						2021
	CAN	UK&I	US	CORP	Total	CAN	UK&I	US	Corporate RSA	Other		Total
Operating DPW	3,417	1,144	564	-	5,125	3,283	1,274	460	-	-		5,017
Operating income												
Operating NEP	3,403	1,048	551	2	5,004	3,296	1,145	485	-	5		4,931
Operating net claims	(2,006)	(753)	(274)	-	(3,033)	(1,774)	(682)	(285)	-	(32)		(2,773)
Operating net UW expenses	(1,012)	(337)	(194)	(1)	(1,544)	(1,009)	(383)	(164)	-	(2)		(1,558)
Underwriting income	385	(42)	83	1	427	513	80	36	-	(29)		600
Operating net investment income	-	-	-	279	279	-	-	-	-	220		220
Distribution income	91	-	2	-	93	77	-	-	-	-		77
Total finance costs	(5)	-	-	(50)	(55)	(1)	-	-	-	(42)		(43)
Other operating income (expense)	-	-	-	(27)	(27)	-	-	-	-	4		4
PTOI	471	(42)	85	203	717	589	80	36	-	153		858
For the years ended December 31,						2022						2021
	CAN	UK&I	US	CORP	Total	CAN	UK&I	US	Corporate RSA	Other		Total
Operating DPW	14,037	4,671	2,345	-	21,053	12,023	2,538	1,988	734	-		17,283
Operating income												
Operating NEP	13,369	4,127	1,871	17	19,384	11,450	2,319	1,652	608	14		16,043
Operating net claims	(8,109)	(2,658)	(932)	1	(11,698)	(6,259)	(1,381)	(910)	(351)	(72)		(8,973)
Operating net UW expenses	(3,993)	(1,346)	(718)	(3)	(6,060)	(3,666)	(786)	(625)	(200)	(6)		(5,283)
Underwriting income	1,267	123	221	15	1,626	1,525	152	117	57	(64)		1,787
Operating net investment income	-	-	-	927	927	-	-	-	-	706		706
Distribution income	430	-	7	-	437	362	-	-	-	-		362
Total finance costs	(12)	-	-	(177)	(189)	(9)	-	-	-	(153)		(162)
Other operating income (expense)	-	-	-	(134)	(134)	-	-	-	-	(25)		(25)
PTOI	1,685	123	228	631	2,667	1,878	152	117	57	464		2,668

¹ The totals of the segment measures reconcile to Table 1 – Consolidated performance.

² See Section 36 – Non-GAAP and other financial measures for more details.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 6 - Canada segment

Canada segment

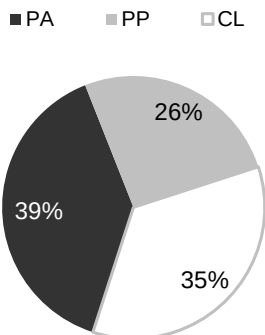
UNDERWRITING ACTIVITIES IN CANADA (see Section 6.1 – P&C Canada)

- We have more than \$14 billion in annual operating DPW. We had an approximate market share of 20% in 2021¹.
- We underwrite **automobile, home and business insurance contracts** to individuals and businesses in Canada (including specialty lines).
- We offer our products through **multiple distribution channels including brokers, direct to consumer and our managing general agent (MGA) platform.**
 - Intact Insurance and RSA branded products are sold through a wide network of brokers, including our wholly-owned subsidiary BrokerLink.
 - Belairdirect is our direct-to-consumer brand.
 - Intact Public Entities is the MGA platform for distributing public entity insurance products in Canada. Coast Underwriters is our MGA specialized in Marine Insurance.
- We also provide affinity insurance solutions through the Johnson Affinity Groups as well as exclusive and tailored offerings through Intact Prestige.
- **In our strategic roadmap, we laid out our growth and profitability ambitions for Canada: to grow our DPW to \$20 billion by 2027, with 5 points of operating combined ratio outperformance.**

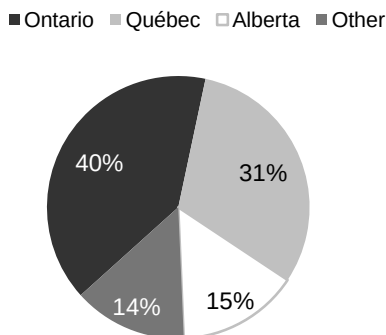
¹ 2022 market share update will be available in the Q1-2023 MD&A.



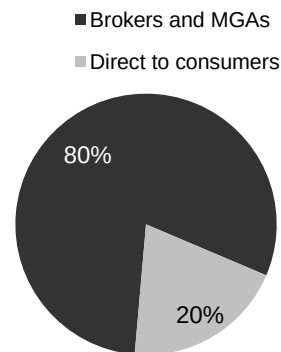
2022 Operating DPW¹
by line of business



2022 Operating DPW¹
by region



2022 Operating DPW¹
by distribution channel



¹ See Section 36 – Non-GAAP and other financial measures for more details.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)



6.1 P&C Canada

Table 4 – Underwriting results for P&C Canada¹

	Q4-2022	Q4-2021	Change	2022	2021 ²	Change
Operating DPW	3,417	3,283	4%	14,037	12,023	17%
Operating NEP	3,403	3,296	3%	13,369	11,450	17%
Underwriting income	385	513	(25)%	1,267	1,525	(17)%
Underwriting ratios						
Underlying current year loss ratio	60.9%	54.6%	6.3 pts	60.8%	55.8%	5.0 pts
CAT loss ratio	2.6%	3.2%	(0.6) pts	4.2%	3.3%	0.9 pts
(Favourable) unfavourable PYD ratio	(4.5)%	(4.0)%	(0.5) pts	(4.3)%	(4.4)%	0.1 pts
Claims ratio	59.0%	53.8%	5.2 pts	60.7%	54.7%	6.0 pts
Commissions	14.3%	16.6%	(2.3) pts	15.6%	18.2%	(2.6) pts
General expenses	11.6%	10.1%	1.5 pts	10.4%	10.0%	0.4 pts
Premium taxes	3.8%	3.9%	(0.1) pts	3.8%	3.8%	- pts
Expense ratio	29.7%	30.6%	(0.9) pts	29.8%	32.0%	(2.2) pts
Operating combined ratio	88.7%	84.4%	4.3 pts	90.5%	86.7%	3.8 pts
Personal auto	6.2	95.8%	87.5%	92.9%	86.9%	6.0 pts
Personal property	6.3	76.9%	79.5%	90.1%	83.8%	6.3 pts
Commercial lines	6.4	89.0%	84.3%	87.9%	88.6%	(0.7) pts

¹ See Section 36 – Non-GAAP and other financial measures and Section 15.2 – Income (loss) from exited lines for more details.

² Comparatives in the table above (2021) exclude the June 2021 underwriting results of RSA Canada. For more details, refer to Table 3 – Operating performance by segment

Q4-2022 vs Q4-2021	2022 vs 2021
Premium growth was 4%, reflecting continued rate momentum across all lines of business tempered by muted unit growth. Expense ratio decreased to 29.7%, as variable commissions returned closer to historical levels. General expenses were impacted by higher variable compensation as well as technology and marketing investments. Operating combined ratio was strong at 88.7%, thanks to a strong performance in personal property and commercial lines. Personal auto delivered a mid-90s combined ratio, reflecting inflation pressures coupled with higher weather-related frequency.	Premium growth of 17% was bolstered by the RSA Acquisition. Excluding this impact, growth was 4% driven by rates across all lines of business. Expense ratio decreased to 29.8%, driven by lower variable commissions across all lines of business compared to last year's elevated level. General expense ratio of 10.4% was comparable to last year, despite the impact of the RSA Acquisition on business mix (more direct business which typically has a higher general expense ratio but lower commissions). We continue to deliver earned synergies, which will support our underwriting margins. Overall operating combined ratio was strong at 90.5%, reflecting a robust performance in commercial lines tempered by higher weather-related claims and inflation pressures in personal lines.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

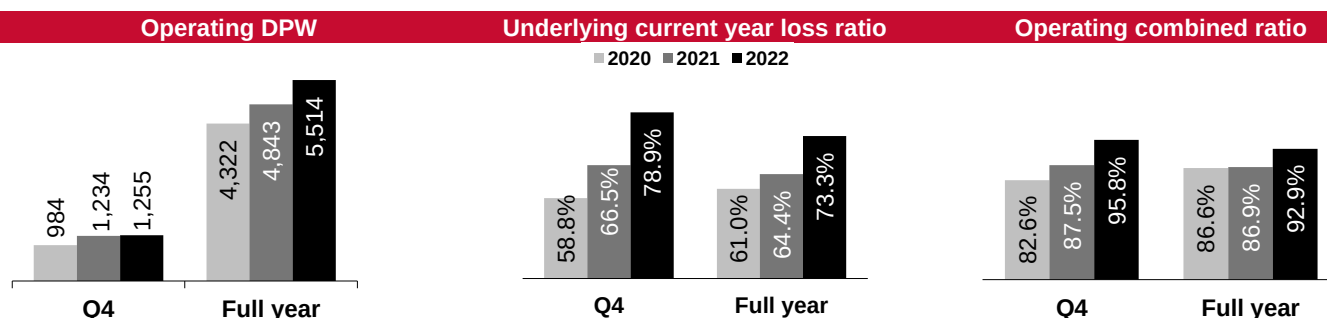
6.2 Personal auto

Table 5 – Underwriting results for Personal auto¹

	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW	1,255	1,234	2%	5,514	4,843	14%
Written insured risks (in thousands)	1,083	1,109	(2)%	5,035	4,694	7%
Operating NEP	1,387	1,390	-%	5,502	4,825	14%
Underwriting income (loss)	58	174	(67)%	389	632	(38)%
Underlying current year loss ratio	78.9%	66.5%	12.4 pts	73.3%	64.4%	8.9 pts
CAT loss ratio	0.3%	0.4%	(0.1) pts	0.6%	0.5%	0.1 pts
(Favourable) unfavourable PYD ratio	(7.2)%	(3.9)%	(3.3) pts	(5.1)%	(3.9)%	(1.2) pts
Claims ratio	72.0%	63.0%	9.0 pts	68.8%	61.0%	7.8 pts
Expense ratio	23.8%	24.5%	(0.7) pts	24.1%	25.9%	(1.8) pts
Operating combined ratio	95.8%	87.5%	8.3 pts	92.9%	86.9%	6.0 pts

¹ See Section 36 – Non-GAAP and other financial measures for more details.

Q4-2022 vs Q4-2021	2022 vs 2021
Premium growth of 2%, up 3 points from the preceding quarter, was driven by rate increases and a firming market. Rates progressed from mid-single-digits in Q3 to high single-digits in Q4. Underlying current year loss ratio increased by 12.4 points to 78.9%, driven by inflationary pressures on short-tail coverages, as well as higher claims frequency from increased driving activity and challenging weather. We continue to tackle inflation pressures through our ongoing rate and underwriting actions. CAT loss ratio of 0.3% in the quarter and 0.6% for 2022 was in line with expectations. Favourable PYD of 7.2% in the quarter and 5.1% in 2022 continued to be strong, reflecting our prudent reserving practices. Expense ratio of 23.8% in the quarter and 24.1% for 2022, lower than last year, largely due to lower variable commissions partly offset by higher general expenses (see Section 6.1 – P&C Canada). Operating combined ratio of 95.8% was 8.3 points higher than last year, mainly due to inflation pressures and higher frequency. We expect our earned rate momentum, coupled with decelerating inflation, to position us to deliver a seasonally adjusted sub-95 combined ratio in the next 12 months.	Premium growth of 14% was bolstered by the RSA Acquisition. Excluding this impact, operating DPW was essentially flat as progressive rate increases throughout the year were offset by unit pressures. Underlying current year loss ratio increased by 8.9 points to 73.3%, reflecting increased driving activity across the country and claims inflation, offset in part by the benefit of our profitability actions, including rate increases. Operating combined ratio was in line with expectations for the full year at 92.9%, given increased driving activity and higher claims severity driven by inflationary pressures, which we tackled with early mitigating actions.



Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)



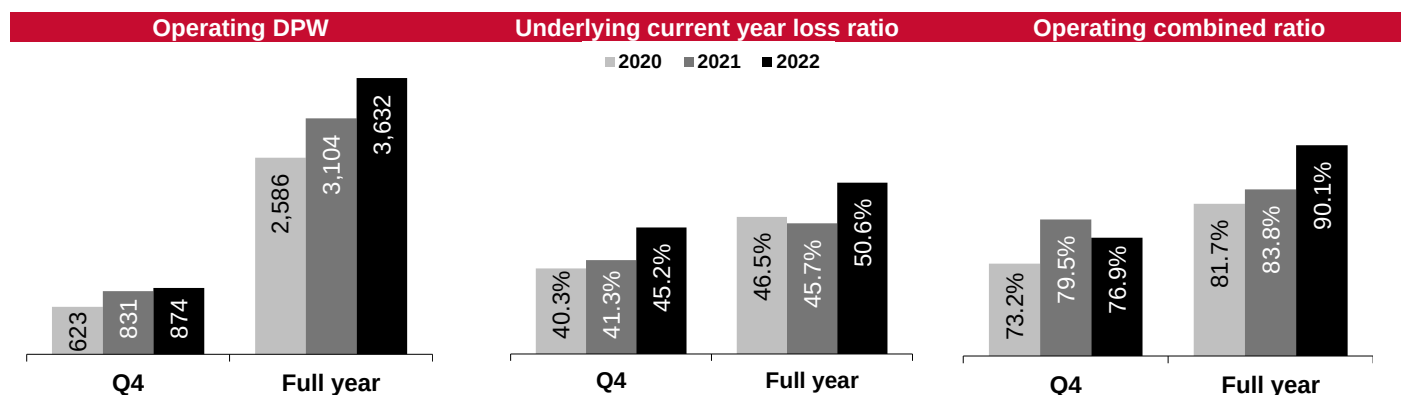
6.3 Personal property

Table 6 – Underwriting results for Personal property¹

	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW	874	831	5%	3,632	3,104	17%
Written insured risks (in thousands)	697	702	(1)%	2,981	2,770	8%
Operating NEP	872	838	4%	3,428	2,924	17%
Underwriting income (loss)	201	171	18%	339	472	(28)%
Underlying current year loss ratio	45.2%	41.3%	3.9 pts	50.6%	45.7%	4.9 pts
CAT loss ratio	1.8%	6.8%	(5.0) pts	10.0%	7.1%	2.9 pts
(Favourable) unfavourable PYD ratio	(1.8)%	(1.0)%	(0.8) pts	(2.1)%	(3.4)%	1.3 pts
Claims ratio	45.2%	47.1%	(1.9) pts	58.5%	49.4%	9.1 pts
Expense ratio	31.7%	32.4%	(0.7) pts	31.6%	34.4%	(2.8) pts
Operating combined ratio	76.9%	79.5%	(2.6) pts	90.1%	83.8%	6.3 pts

¹ See Section 36 – Non-GAAP and other financial measures for more details.

Q4-2022 vs Q4-2021	2022 vs 2021
Premium growth of 5% was driven by rate increases in firm market conditions. Underlying current year loss ratio of 45.2% remained solid, though 3.9 points higher than last year mainly from large fire losses during the quarter. CAT loss ratio of 1.8% was lower than expectations due to favourable development on CAT losses from prior quarters (2 points), which partly offset the impact of the December windstorm and hail event. Favourable PYD ratio was healthy at 1.8% in the quarter and 2.1% for 2022. Expense ratio of 31.7% in the quarter and 31.6% for 2022, lower than last year, largely due to lower variable commissions. (see Section 6.1 – P&C Canada). Operating combined ratio was strong at 76.9%. The 2.6-point improvement from last year was driven by lower CATs offset in part by an increase in large losses which impacted underlying performance.	Premium growth of 17% was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was 5%, driven by continued rate increases. Underlying current year loss ratio of 50.6% remained solid, reflecting the benefit of higher earned rates, offset in part by higher weather-related claims and large fire losses for the year. CAT loss ratio of 10.0% was elevated mainly due to the May windstorms in Quebec and Ontario, as well as Hurricane Fiona. Operating combined ratio of 90.1% in firm market conditions, a solid performance despite challenging weather. This line is well positioned to continue to operate at a sub-95 combined ratio, even with elevated CATs.



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(in millions of Canadian dollars, except as otherwise noted)

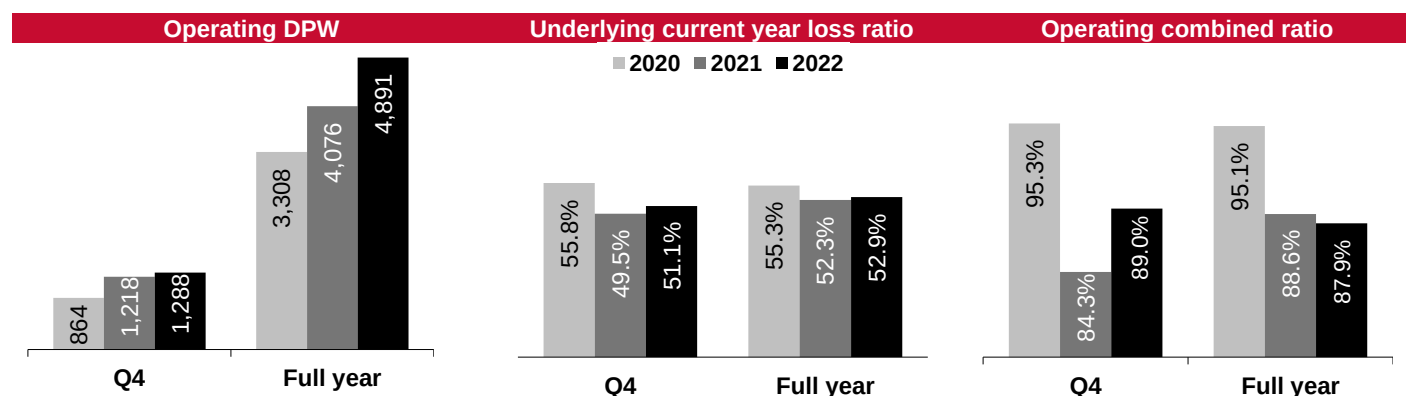
6.4 Commercial lines

Table 7 – Underwriting results for Commercial lines¹

	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW	1,288	1,218	6%	4,891	4,076	20%
Operating NEP	1,144	1,068	7%	4,439	3,701	20%
Underwriting income (loss)	126	168	(25)%	539	421	28%
Underlying current year loss ratio	51.1%	49.5%	1.6 pts	52.9%	52.3%	0.6 pts
CAT loss ratio	6.0%	3.9%	2.1 pts	4.3%	4.0%	0.3 pts
(Favourable) unfavourable PYD ratio	(3.4)%	(6.3)%	2.9 pts	(5.1)%	(5.7)%	0.6 pts
Claims ratio	53.7%	47.1%	6.6 pts	52.1%	50.6%	1.5 pts
Expense ratio	35.3%	37.2%	(1.9) pts	35.8%	38.0%	(2.2) pts
Operating combined ratio	89.0%	84.3%	4.7 pts	87.9%	88.6%	(0.7) pts

¹ See Section 36 – Non-GAAP and other financial measures for more details.

Q4-2022 vs Q4-2021	2022 vs 2021
Premium growth of 6% mainly reflected rate actions, led by strength in commercial property and specialty lines. Underlying current year loss ratio remained strong at 51.1% in the quarter and 52.9% for 2022, reflecting the benefit of higher earned rates and favourable market conditions. CAT loss ratio of 6.0% was higher than expectations driven by further development of losses from Hurricane Fiona, a CAT event from earlier in the year. Favourable PYD ratio remained healthy at 3.4%, compared to a particularly strong quarter last year. Expense ratio of 35.3% in the quarter and of 35.8% for 2022, lower than last year, largely due to lower variable commissions (see Section 6.1 – P&C Canada). Operating combined ratio was solid at 89.0%, reflecting a strong underlying performance. The increase of 4.7 points from last year's exceptional performance was driven by higher CATs and lower favourable PYD.	Premium growth of 20% was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was strong at 7%, reflecting continued hard market conditions and good momentum in specialty lines. CAT loss ratio of 4.3%, in line with last year but higher than expected, reflected the impact of Hurricane Fiona and the May windstorms in Quebec and Ontario. Favourable PYD ratio was strong at 5.1%, in line with historical averages. Operating combined ratio was strong at 87.9%. The performance is better than our low-90s guidance, reflecting the actions we have taken in favourable market conditions. This line is well positioned to deliver a low-90s combined ratio in the future.



Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 7 - UK and International (UK&I) segment

Underwriting activities in the UK, Ireland and Europe

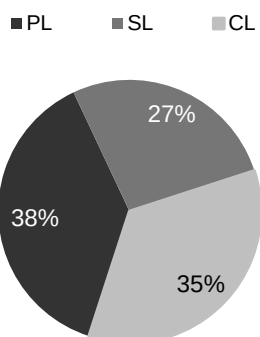
INSURANCE: P&C UK&I¹ (see Section 7.1 – P&C UK&I)

- We underwrite **automobile, home, pet and business insurance** to individuals and businesses in the UK, Ireland and Europe, as well as internationally through our global network, with nearly £3 billion (\$4.7 billion) in annual operating DPW. We distribute insurance through a wide network of affinity partners and brokers or directly to consumers.
- In the UK, we hold a top 5 position in both commercial lines and personal property, with a 3% overall market share.
 - Personal auto, personal property and pet insurance is offered to our customers through MORE THAN and affinity partners, which include major retailers and large banks. We are the third largest UK home insurer, with a market share of 8%, and the second largest pet insurer with a market share of 16%, but are a smaller player in motor with a 1% market share.
 - Commercial lines in the UK are offered through the RSA brand via brokers or directly to consumers. Specialty lines, as part of Intact's Global Specialty Lines, offers solutions via brokers to customers with more complex international risks.
- In Ireland, we hold a top 4 position overall, with over £330 million in annual operating DPW. Personal and commercial insurance are distributed through 123.ie (our direct-to-consumer brand), affinity partnerships and brokers.
- In Europe, RSA provides commercial and specialty insurance in Belgium, France, Spain and the Netherlands. We also provide an intermediary platform to allow non-European insurers to place risks in Europe.
- In UK and European specialty lines, property and marine are our most significant lines of business.
- In our strategic roadmap, we laid out our growth and profitability ambitions for the UK&I: to focus on profitable DPW growth, and to sustainably operate at a low-90s operating combined ratio by 2025.**

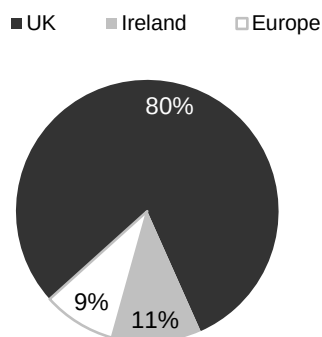
¹ Market share and industry data are for 2021.



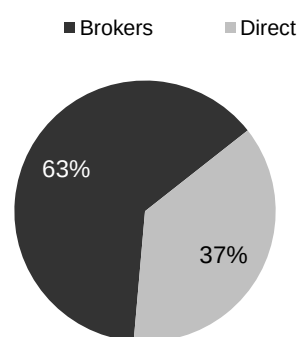
2022 Operating DPW¹
by line of business



2022 Operating DPW¹
by region



2022 Operating DPW¹
by distribution channel



¹ See Section 36 – Non-GAAP and other financial measures for more details.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

7.1 P&C UK&I

Table 8 – Underwriting results for P&C UK&I¹

	Section	Q4-2022	Q4-2021	Change	2022	2021²	Change
Operating DPW		1,144	1,274	(10)%	4,671	2,538	nm
Growth in constant currency				(4)%			n/a
Operating NEP		1,048	1,145	(8)%	4,127	2,319	nm
Growth in constant currency				(2)%			n/a
Underwriting income		(42)	80	(153)%	123	152	nm
Underwriting ratios							
Underlying current year loss ratio		67.6%	58.8%	8.8 pts	62.0%	55.3%	nm
CAT loss ratio		8.5%	3.5%	5.0 pts	6.0%	7.0%	nm
(Favourable) unfavourable PYD ratio		(4.2)%	(2.7)%	(1.5) pts	(3.6)%	(2.7)%	nm
Claims ratio		71.9%	59.6%	12.3 pts	64.4%	59.6%	nm
Commissions		16.6%	18.0%	(1.4) pts	16.9%	18.2%	nm
General expenses		15.5%	15.4%	0.1 pts	15.7%	15.6%	nm
Expense ratio		32.1%	33.4%	(1.3) pts	32.6%	33.8%	nm
Operating combined ratio		104.0%	93.0%	11.0 pts	97.0%	93.4%	nm
Personal lines	7.2	120.8%	96.1%	24.7 pts	106.2%	97.0%	nm
Commercial lines	7.3	92.8%	90.4%	2.4 pts	90.4%	90.5%	nm

¹ See Section 36 – Non-GAAP and other financial measures and Section 15.2 – Income (loss) from exited lines for more details.

² Comparatives above (2021) only include underwriting results for the period from July 1, 2021 to December 31, 2021 as June 2021 underwriting results were included in the Corporate segment. For more details, refer to Table 3 – Operating performance by segment

Q4-2022 vs. Q4-2021	2022
Operating DPW decreased by 4% in the quarter on a constant currency basis. This included a 5-point negative impact from the Sale of RSA Middle East and a 3-point negative impact from the footprint optimization of our delegated portfolio. Excluding the above, underlying DPW growth was 4%. Continued growth in commercial lines and specialty lines, driven by strong rate and retention, was offset by subdued growth in personal lines, reflecting our continued discipline as we navigate competitive and evolving market conditions. Expense ratio of 32.1% was lower due to a decrease in variable commissions relating to the UK December freeze event³, partly offset by a cost of living support payment to our UK employees. Operating combined ratio of 104.0% reflected the impact of the December freeze event in personal lines, as well as elevated non-CAT large losses and inflation pressures across both lines of business. - On July 7, 2022, we completed the sale of our 50% stake in RSA Middle East to National Life & General Insurance Company (NLGIC). The sale had a minor impact on UK&I results and followed a strategic review of operations with a decision to focus on our UK, Ireland and Europe business. Prior to the sale in 2022, the operating results of RSA Middle East were reported in exited lines. See Section 15.2 – Income (loss) from exited lines for more details.	Expense ratio of 32.6% was better than expectations, due to lower variable commissions driven by weather-related events. Operating combined ratio of 97.0%, reflected profitability actions across both personal lines and commercial lines. Commercial lines ratio remained solid at 90.4%, while personal lines ratio at 106.2% included the impact of inflation pressures and elevated CAT losses.

³ Our CAT announcement Press Release, dated January 12, 2023, contained an estimate for this event which was subsequently revised based on new information, increasing our overall reported CATs by \$24 million.

Management's Discussion and Analysis for the year ended December 31, 2022

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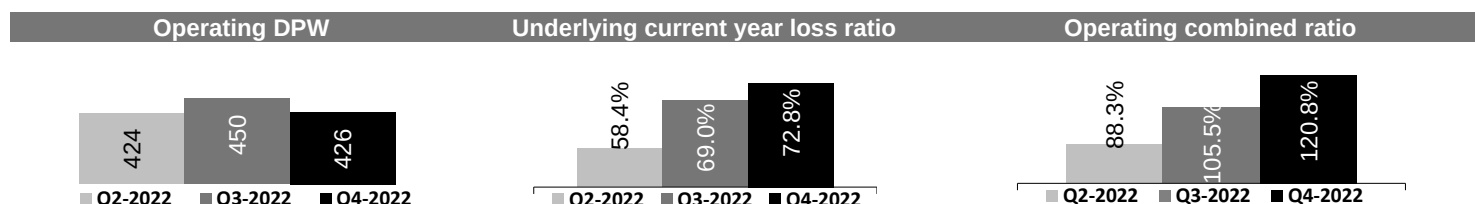
7.2 Personal lines

Table 9 – Underwriting results for personal lines – UK&I¹


	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW	426	517	(18)%	1,779	1,099	nm
Growth in constant currency			(12)%			n/a
Operating NEP	420	516	(19)%	1,728	1,054	nm
Growth in constant currency			(13)%			n/a
Underwriting income (loss)	(87)	20	(535)%	(107)	32	nm
Underlying current year loss ratio	72.8%	61.4%	11.4 pts	64.6%	58.5%	nm
CAT loss ratio	20.6%	0.9%	19.7 pts	7.6%	2.7%	nm
(Favourable) unfavourable PYD ratio	(7.5)%	(3.0)%	(4.5) pts	(2.9)%	(1.8)%	nm
Claims ratio	85.9%	59.3%	26.6 pts	69.3%	59.4%	nm
Expense ratio	34.9%	36.8%	(1.9) pts	36.9%	37.6%	nm
Operating combined ratio	120.8%	96.1%	24.7 pts	106.2%	97.0%	nm

¹ See Section 36 – Non-GAAP and other financial measures for more details.

Q4-2022 vs Q4-2021	2022
Operating DPW declined by 12% on a constant currency basis for the quarter, of which 9 points was due to the Sale of RSA Middle East earlier in 2022. The remainder reflected the impact of pricing reforms in UK home and our continued discipline and rate action in competitive market conditions. Underlying current year loss ratio at 72.8% was elevated, driven by continued inflationary pressures and several non-CAT large losses. CAT loss ratio of 20.6% was significantly above our expectation of 2 points, driven by the December freeze event in the UK, which resulted in increased claims mainly due to burst water pipes in homes. Favourable PYD was strong at 7.5%, driven by development on large losses and post-reform experience in the UK and Ireland. Expense ratio of 34.9% was 1.9 points better than last year due to a decrease in variable commissions relating to the December freeze event. Operating combined ratio at 120.8% reflects elevated CAT losses from the December freeze and inflationary pressures in motor and home. Our pet business continued to perform well.	Underlying current year loss ratio at 64.6% was higher than expectations, mainly due to inflationary pressures and subsidence claims in H2-2022. CAT loss ratio of 7.6% was well above expectations, mostly driven by the UK December freeze, as well as the February windstorms in the UK. Favourable PYD was solid at 2.9%. Expense ratio of 36.9% was slightly better than expectations, benefitting from lower variable commissions, driven by weather-related events. Operating combined ratio of 106.2% was elevated, reflecting inflationary pressures and elevated CAT and non-CAT weather-related losses, which were approximately 8 points higher than expected. Excluding this impact, the operating combined ratio remained elevated in the high-90s. Profitability actions are underway to improve results in this line of business.



Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

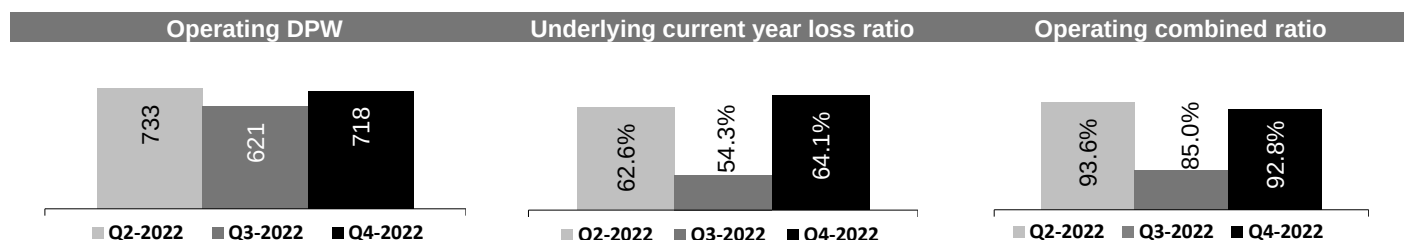
7.3 Commercial lines

Table 10 – Underwriting results for commercial lines – UK&I¹

	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW	718	757	(5)%	2,892	1,439	nm
Growth in constant currency			1%			n/a
Operating NEP	628	629	-%	2,399	1,265	nm
Growth in constant currency			6%			n/a
Underwriting income (loss)	45	60	(25)%	230	120	nm
Underlying current year loss ratio	64.1%	56.6%	7.5 pts	60.2%	52.7%	nm
CAT loss ratio	0.5%	5.7%	(5.2) pts	4.8%	10.5%	nm
(Favourable) unfavourable PYD ratio	(2.1)%	(2.5)%	0.4 pts	(4.1)%	(3.5)%	nm
Claims ratio	62.5%	59.8%	2.7 pts	60.9%	59.7%	nm
Expense ratio	30.3%	30.6%	(0.3) pts	29.5%	30.8%	nm
Operating combined ratio	92.8%	90.4%	2.4 pts	90.4%	90.5%	nm

¹ See Section 36 – Non-GAAP and other financial measures for more details.

Q4-2022 vs Q4-2021	2022
Operating DPW grew slightly in constant currency for the quarter. Excluding the 3-point negative impact from the Sale of RSA Middle East earlier in 2022 and the 5-point negative impact from the optimization of our delegated portfolio, underlying DPW growth of 9% was driven by high single-digit rate increases, and strong retention levels in a continued hard market. Underlying current year loss ratio at 64.1% was elevated compared to last year due to higher non-CAT large losses across all territories. CAT loss ratio of 0.5% reflected an overall muted quarter. Favourable PYD was healthy at 2.1% for the quarter and strong at 4.1% for 2022, mainly reflecting favourable development on large losses. Expense ratio of 30.3% in the quarter and 29.5% for 2022, improved over last year, largely due to lower variable commissions. Operating combined ratio was solid at 92.8%, though 2.4 points higher than the prior year, reflecting an increase in non-CAT large losses.	Underlying current year loss ratio at 60.2% benefitted from our pricing actions and benign non-CAT weather, which offset inflation pressures and higher non-CAT large losses. CAT loss ratio of 4.8% was broadly in line with expectations, despite both weather-related and several fire related CAT losses. Operating combined ratio was strong at 90.4%. Our commercial lines business profitability is strong, and it is well positioned to grow in its market.



Management’s Discussion and Analysis for the year ended December 31, 2022
(in millions of Canadian dollars, except as otherwise noted)

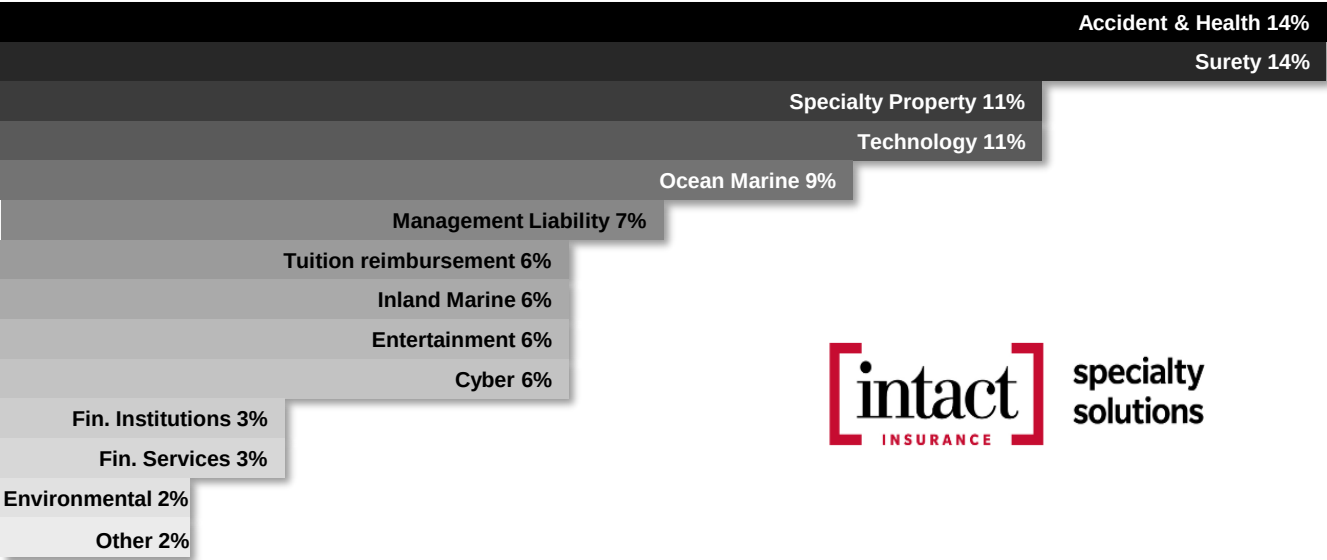
Section 8 - US segment

Underwriting activities in the US

INSURANCE: P&C US

- We are focused on small to medium-sized businesses, with US\$1.8 billion (\$2.3 billion) in annual operating DPW.
- We provide a broad range of specialty insurance solutions tailored to meet the unique needs of specific industry segments or product/customer groups.
 - Businesses serving targeted industry segments include accident & health (transportation and sharing economy), technology, ocean marine, inland marine (construction, transportation, and fine arts), builder’s risk, entertainment, financial services, and financial institutions.
 - Businesses offering distinct specialty products to broad customer groups include specialty property, surety, tuition reimbursement, management liability, cyber, and environmental.
- We distribute insurance products and services in the US under the Intact Insurance Specialty Solutions brand through independent agencies, regional and national brokers, wholesalers and managing general agencies, including:
 - A.W.G. Dewar is our MGA platform that underwrites tuition reimbursement.
 - International Bond & Marine Brokerage is our MGA platform that underwrites surety and ocean marine.
 - Highland Insurance Solutions is our MGA platform specializing in the E&S builder’s risk market.

2022 Operating DPW by business unit



Management's Discussion and Analysis for the year ended December 31, 2022

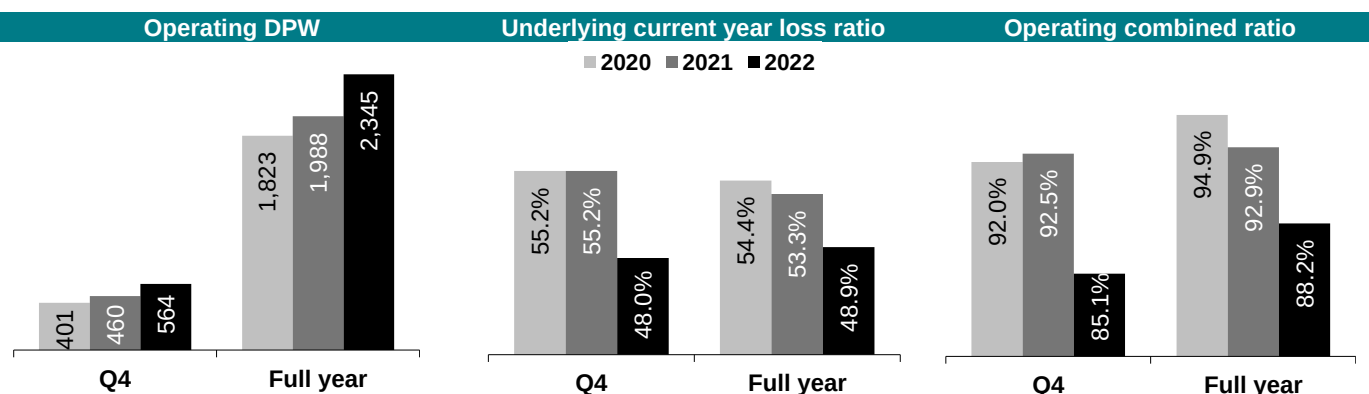
(in millions of Canadian dollars, except as otherwise noted)



8.1 P&C US

Table 11 – Underwriting results for P&C US¹

	Q4-2022	Q4-2021	Change	2022	2021	Change
Operating DPW	564	460	23%	2,345	1,988	18%
Growth in constant currency			13%			14%
Operating NPW	448	388	15%	1,991	1,730	15%
Growth in constant currency			8%			11%
Operating NEP	551	485	14%	1,871	1,652	13%
Growth in constant currency			6%			9%
Underwriting income	83	36	131%	221	117	89%
Underlying current year loss ratio	48.0%	55.2%	(7.2) pts	48.9%	53.3%	(4.4) pts
CAT loss ratio	- %	2.3%	(2.3) pts	1.5%	3.3%	(1.8) pts
(Favourable) unfavourable PYD ratio	1.7%	1.2%	0.5 pts	(0.6)%	(1.5)%	0.9 pts
Claims ratio	49.7%	58.7%	(9.0) pts	49.8%	55.1%	(5.3) pts
Commissions	16.6%	15.7%	0.9 pts	17.4%	16.8%	0.6 pts
General expenses	16.8%	16.1%	0.7 pts	19.0%	18.8%	0.2 pts
Premium taxes	2.0%	2.0%	- pts	2.0%	2.2%	(0.2) pts
Expense ratio	35.4%	33.8%	1.6 pts	38.4%	37.8%	0.6 pts
Operating combined ratio	85.1%	92.5%	(7.4) pts	88.2%	92.9%	(4.7) pts

¹ See Section 36 – Non-GAAP and other financial measures and Section 15.2 – Income (loss) from exited lines for more details.


Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Q4-2022 vs Q4-2021	2022 vs 2021
• Strong operating DPW growth in constant currency of 13% for the quarter and 14% for 2022, despite a 4-point negative impact quarter-to-date and year-to-date from the exit of Public Entities. Growth was driven by our entry into the E&S builder's risk market (following our recent Highland MGA acquisition), increased exposures, new business, and rate increases. • Operating net premiums written growth in constant currency of 8% for the quarter and 11% for 2022, was driven by the strong DPW growth described above, offset by the impact of significant reinsurance quota-share cessions in our cyber and builder's risk segments. • Underlying current year loss ratio was strong at 48.0% quarter-to-date and 48.9% for 2022, driven by the benefits of our profitability actions, including rate increases and a focus on portfolio quality. • There were no CAT losses in the quarter. • PYD ratio from our continuing business was unfavourable at 1.7%, mainly due to increased claims activity on one large closed account. • Expense ratio of 35.4% in Q4-2022 and 38.4% for 2022 were slightly higher than last year, mainly due to a changing mix of business, which call for higher commissions, and increased variable compensation, partly offset by the benefit of higher earned premiums. • Operating combined ratio improved by 7.4 points to a strong 85.1%. Robust underwriting discipline and the absence of catastrophe losses in the quarter helped deliver strong results.	• CAT loss ratio of 1.5% included the impact of Hurricane Ian and large commercial fires. It compared favourably to last year, which was impacted by severe weather events (including the Texas winter storms and Hurricane Ida) and large non-weather claims in H2-2021. • Favourable PYD ratio from our continuing business of 0.6% was healthy throughout the year but impacted by increased claims activity on one large closed account in Q4-2022. • Operating combined ratio improved by 4.7 points to a strong 88.2%, reflecting a strong underlying performance driven by our profitability actions, including our exit from Public Entities. Our continuing US specialty business is extremely well positioned to grow profitably in the future.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 9 - Corporate

Corporate and Other

Consists of income and expenses related to activities managed centrally at the Corporate level, including:

- Corporate reinsurance (*see details below*);
- Investment management activities (*see Section 13 – Investment performance*);
- Treasury and capital management; and
- Other corporate activities related to the operation of the group and our public company status. These group functions have been formed or consolidated with the RSA Acquisition, and include group legal, finance, investor relations, corporate development, strategy and others. Even with the increased size, complexity and international scope of our organization, we have realized significant synergies at the corporate level with the RSA Acquisition.

9.1 Corporate and Other

As part of our global risk management optimization strategy and international insurance operations, we have internal reinsurance arrangements to optimize global reinsurance. The impact of these reinsurance arrangements is included in our consolidated underwriting performance as follows:

Table 12 – Corporate and other

	Section	Q4-2022	Q4-2021	Change	2022	2021 ¹	Change
Corporate reinsurance							
Operating NEP		2	5	(3)	17	622	nm
Operating net claims		-	(32)	32	1	(423)	nm
Operating net underwriting expenses		(1)	(2)	1	(3)	(206)	nm
Underwriting income (loss)		1	(29)	30	15	(7)	nm
Corporate underwriting income (loss)		1	(29)	30	15	(7)	nm
Operating net investment income	13	279	220	59	927	706	221
Total finance costs		(50)	(42)	(8)	(177)	(153)	(24)
Other operating income (expense) ²		(27)	4	(31)	(134)	(25)	(109)
Total corporate and other		203	153	50	631	521	110

¹ Corporate includes RSA's Canada and UK&I underwriting results for the month of June 2021 given the timing of the RSA Acquisition (June 1, 2021).

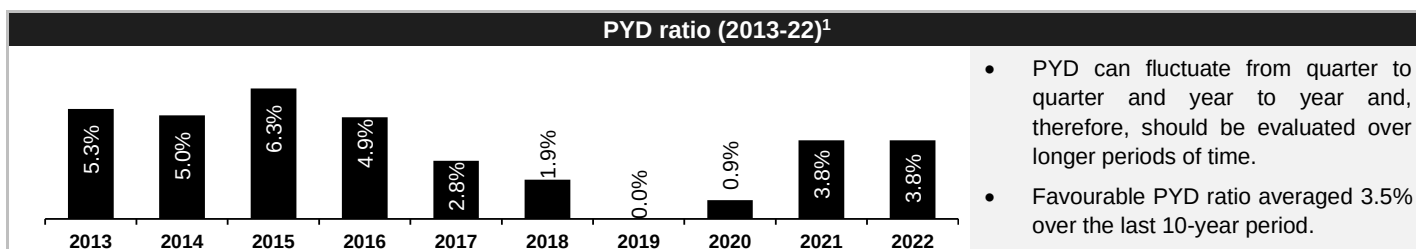
² Other operating income (expense) can fluctuate from quarter to quarter and includes the items described above, as well as consolidation adjustments and other operating items.

Q4-2022 vs Q4-2021	2022 vs 2021
• Total finance costs of \$50 million were higher than last year, mainly due to the Highland acquisition financing and rate increases on our short-term debt. • Other operating expenses of \$27 million reflected the central corporate costs and were in line with our expected run-rate.	• Total finance costs of \$177 million for 2022 were higher than last year, mainly due to the impact of the RSA Acquisition. • Other operating expenses of \$134 million for 2022 were higher than our expected run-rate, mainly due to variable compensation.
• Following the RSA Acquisition, we have consolidated our corporate activities (previously reported in part within our operating segments) and now report these centrally. Our group functions have also benefitted from significant synergies. • Reminder: In 2021, we had significant internal reinsurance programs in place (mainly driven by the RSA Acquisition), the results of which were recorded in the underwriting income of our Corporate segment. These programs have been reduced in 2022.	

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 10 - Prior year claims development



¹ As a % of NEP.

Table 13 – Net (favourable) unfavourable PYD by segment

	Q4-2022	Q4-2021	Change	2022	2021	Change
By segment						
P&C Canada ¹						
Personal auto	(99)	(53)	(46)	(278)	(189)	(89)
Personal property	(16)	(9)	(7)	(72)	(99)	27
Commercial lines	(39)	(67)	28	(224)	(210)	(14)
	(154)	(129)	(25)	(574)	(498)	(76)
P&C UK&I ¹						
Personal lines	(31)	(15)	(16)	(50)	(19)	nm
Commercial lines	(13)	(16)	3	(99)	(44)	nm
	(44)	(31)	(13)	(149)	(63)	nm
P&C US	10	6	4	(10)	(25)	15
Corporate ^{1,2}	-	(6)	6	-	(8)	nm
Consolidated	(188)	(160)	(28)	(733)	(594)	(139)
(Favourable) unfavourable PYD ratio³						
P&C Canada	(4.5)%	(4.0)%	(0.5) pts	(4.3)%	(4.4)%	0.1 pts
P&C UK&I	(4.2)%	(2.7)%	(1.5) pts	(3.6)%	(2.7)%	nm
P&C US	1.7%	1.2%	0.5 pts	(0.6)%	(1.5)%	0.9 pts
Consolidated	(3.8)%	(3.3)%	(0.5) pts	(3.8)%	(3.8)%	- pts

See Note 11.5 – Prior-year claims development of the Consolidated financial statements for more details.

¹ 2021 above only includes RSA's PYD results from July 1, 2021 to December 31, 2021 as RSA's June 2021 PYD results were included in the Corporate segment.

² Includes the impact of Corporate reinsurance. (see Section 9 – Corporate for details).

³ As a % of NEP. See Section 36 – Non-GAAP and other financial measures for more details.

Highlights
Favourable PYD ratio of 3.8% for 2022 was healthy across all segments and in line with our expectations.

10.1 PYD guidance & IFRS 17 impact

IFRS 17
Effective Q1-2023

- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.
- IFRS 17 will not impact the underlying fundamentals of our reserving approach.** The reclassification of the unwind of the discount, which will now be outside of the underwriting result alongside investment income, will have a favourable impact on our overall PYD metric.
- We expect average favourable PYD as a percentage of operating NEP to be in the **2-4% range in the mid term**, as a result of the IFRS 17 classification changes.

Management's Discussion and Analysis for the year ended December 31, 2022

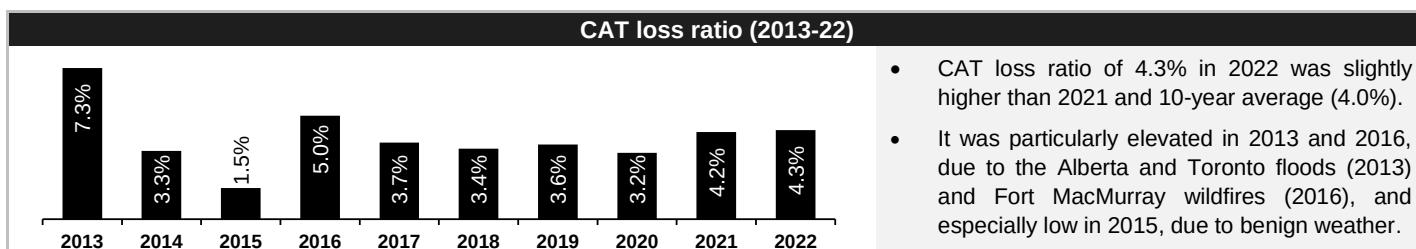
(in millions of Canadian dollars, except as otherwise noted)

Section 11 - CAT losses and weather conditions

11.1 Net CAT losses

CAT losses can be caused by a variety of events, including weather (such as wildfires, hailstorms and floods) and non-weather events (such as large commercial fires, surety and liability losses).

The incidence and severity of CAT losses, while inherently unpredictable, can have a significant impact on our underwriting performance by quarter and by line of business. We generally seek to manage our exposure to CAT losses at the company level, through individual risk selection and the purchase of reinsurance contracts. *Refer to Section 33.6 – Top and emerging risks that may affect future results for details on Catastrophe risk.*



11.2 CAT guidance

- We are increasing our expectations for annual CAT losses (net of reinsurance) to \$700 million, from \$600 million, reflecting recent reinsurance renewals, including higher retention levels and co-participations (well within our risk appetite). The revised estimate also reflects our view of long-term trends, our growing premium base, as well as concentration and management of risk, product and geographical mix. *(see Section 26.2 – Reinsurance for details).*
- Though volatility is inherent, we expect that approximately 70% of CAT losses will impact our Canadian segment (of which approximately 2/3 is expected in Canada personal lines). Nearly 30% of the annual estimate is expected in each of the second and third quarters, while CATs in the first and fourth quarters can vary depending in part on the timing of the onset of winter conditions.

Catastrophe claims are any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event. Reported CAT losses can either be weather-related or not weather-related and exclude those from exited lines. Our CAT thresholds are as follows; P&C Canada: \$10 million, P&C UK&I: £7.5 million, P&C US: US\$5 million and IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more, effective January 1, 2023).

11.3 CAT disclosure policy

- Our exposure to CAT losses is mitigated in part by a robust reinsurance program and prudent risk selection. However, the incidence and severity of CAT losses can vary significantly by quarter and by line of business.
- We issue a press release quantifying the estimated CAT losses ahead of the quarterly earnings release when:
 - our preliminary CAT loss estimate, net of reinsurance, is more than 25% above our expectations for the quarter; or
 - if we perceive that there is material misinformation in the market with respect to the impact of certain CAT events on our results, which is subject to judgement.
- If we decide to issue a press release, it is typically issued within the first two weeks following quarter end.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

11.4 Net CAT losses

Table 14 – Net CAT losses by segment

	Q4-2022	Q4-2021	Change	2022	2021	Change
By segment						
P&C Canada ¹	77	104	(27)	552	378	174
P&C UK&I ^{1,2}	90	41	49	246	162	nm
P&C US	-	11	(11)	28	54	(26)
Corporate ¹	-	30	(30)	-	82	(82)
Current year CAT losses^{2,3}	167	186	(19)	826	676	150
Consolidated favourable PYD on CAT losses ⁴	(12)	(11)	(1)	(37)	(47)	10
All accident year CAT losses	155	175	(20)	789	629	160
CAT loss ratio⁵						
P&C Canada	2.6%	3.2%	(0.6) pts	4.2%	3.3%	0.9 pts
P&C UK&I	8.5%	3.5%	5.0 pts	6.0%	7.0%	nm
P&C US	-%	2.3%	(2.3) pts	1.5%	3.3%	(1.8) pts
Consolidated	3.6%	3.8%	(0.2) pts	4.3%	4.2%	0.1 pts

¹ 2021 above only includes RSA's CAT losses from July 1, 2021 to December 31, 2021 as RSA's June 2021 CAT losses were included in the Corporate segment.

² Our CAT announcement Press Release, dated January 12, 2023, contained an estimate for the UK December freeze event which was subsequently revised based on new information, increasing our overall reported CATs by \$24 million.

³ Net current year CAT losses exclude the impact of reinstatement premiums. *See Table 56 for more details.*

⁴ PYD on CAT losses is presented within our PYD captions and ratios.

⁵ CAT loss ratio includes the impact of reinstatement premiums in its numerator. *See Section 36 – Non-GAAP and other financial measures for more details.*

Q4-2022 vs Q4-2021	2022 vs 2021
We reported current year CAT losses of \$167 million (CAT loss ratio of 3.6%). This was higher than our expectations for Q4 CAT losses. - In Canada, the windstorm and hail event in late December caused widespread property damage across Ontario and Quebec. Further development of losses from earlier in the year also contributed to Q4 CAT losses. - In the UK&I, the CAT losses were mainly due to the UK freeze event, characterized by a prolonged period of freezing weather, which caused a significant amount of burst pipe claims.	Overall, CAT loss ratio of 4.3% was elevated, yet in line with last year. - Severe weather events impacted our three business segments and accounted for approximately 85% of the yearly CAT losses. Most of these were wind and water events. - Large commercial property fires accounted for approximately 15% of annual CAT losses.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

11.5 Weather conditions

The P&C insurance business is heavily impacted by weather conditions, from both a CAT and non-CAT perspective. Below, we have described the weather events and conditions, by segment, that impacted our underwriting performance.

CANADA
- In Q1-2022, temperatures were colder than average across Canada, leading to more snow and freezing rain than average. Major cities such as Toronto and Winnipeg recorded their snowiest winters in the past 30 years. Overall, weather-related losses were essentially in line with expectations for a first quarter. - In Q2-2022, the weather was cold in the West, warm in the East and wetter than average almost everywhere across the country. It was relatively quiet in terms of severe weather, except for the strong May windstorms (Derecho), which caused widespread damage in Québec and Ontario. This resulted in a significant CAT loss in Canada for Q2-2022. - In Q3-2022, most of Canada was warmer and drier than average, especially in the West. Parts of Quebec along the St. Lawrence Valley and the Maritimes received more precipitation than average. The weather was generally quiet this summer, except for one peculiar storm, Hurricane Fiona, which made landfall in Nova Scotia. This resulted in a significant CAT loss in Canada for Q3-2022. - In Q4-2022, the weather was particularly warm and dry across the country during the first half of the quarter. For the second half, there was a significant split in weather conditions between the Western and Eastern parts of Canada; it was quite cold in the West and warm in the East. In terms of severe weather, there was a significant storm that caused widespread wind and water damage in Eastern Canada, a couple of days before the holidays. This resulted in a significant CAT loss for Q4-2022.
UK&I
- In Q1-2022, the UK&I region experienced significant weather-related losses due to three storms (Dudley, Eunice and Franklin) during a seven-day period in February. These storms led to extensive flooding and wind damage across Northern Europe. Gross industry losses approximate £5 billion with the UK, Germany and Netherlands experiencing the heaviest damage. IFC losses were mainly driven by windstorms in the UK. - In Q2-2022, domestic weather was largely benign across the UK and European regions. Our Global Specialty lines were however impacted by some large CAT weather losses. - In Q3-2022, domestic UK weather was characterised by an unusually dry summer resulting in an increase in notified subsidence claims in personal lines. UK commercial lines included claims relating to Hurricane Ian and non-CAT weather-related losses in Europe. - In Q4-2022, UK experienced a period of unusually severe and prolonged cold weather in December resulting in a CAT loss. The December freeze had a significant impact on our personal home book, mainly from burst water pipes.
US
- In Q1-2022 and Q2-2022, weather conditions were mild, with no weather CAT losses during the quarter. - In Q3-2022, weather conditions were fairly mild throughout the quarter, except for Hurricane Ian which caused widespread damage across the southeast United States at the end of September. - Q4-2022 was characterized by climate anomalies and events. However, the impact on our US lines of business was limited, and as such, there were no weather-related CAT losses reported during the quarter.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 12 - Seasonality of our P&C insurance business

The P&C insurance business is seasonal in nature. While NEP are generally stable from quarter to quarter, underwriting results are driven by weather conditions which may vary significantly between quarters.

The tables hereafter present the seasonality indicators (expressed in points of combined ratio) of our P&C Canada and UK&I segments. A higher seasonality indicator indicates a relatively less profitable underwriting result.

P&C Canada

Q1 usually sees a higher combined ratio (including and excluding CAT losses) than the other quarters, driven by harsh winter weather conditions. In addition, the COVID-19 pandemic and related lockdowns in Canada have impacted seasonality in recent years.

Table 15 – Unfavourable (favourable) seasonal indicators - in points of combined ratio

P&C Canada	2022	2021	2020	2019	3-yr average	5-yr average	10-yr average
Excluding CAT losses							
Q1	1.8 pts	4.4 pts	5.2 pts	5.2 pts	3.8 pts	4.7 pts	3.9 pts
Q2	(2.5) pts	(0.8) pts	(1.0) pts	2.5 pts	(1.4) pts	(0.7) pts	(0.6) pts
Q3	0.9 pts	(0.8) pts	0.1 pts	(2.6) pts	0.1 pts	(0.9) pts	(1.8) pts
Q4	(0.3) pts	(2.9) pts	(4.3) pts	(5.1) pts	(2.5) pts	(3.0) pts	(1.5) pts

P&C UK&I

The seasonality impact is less pronounced than in Canada, given that the UK&I has a higher concentration in commercial lines and relatively milder winter weather. Historical data is shown below, though it is difficult to identify strong seasonality trends.

Table 16 – Unfavourable (favourable) seasonal indicators - in points of combined ratio

P&C UK&I	2022	2021	2020	2019
Excluding CAT losses				
Q1	(2.8) pts	5.0 pts	(0.7) pts	1.8 pts
Q2	(2.1) pts	3.5 pts	(6.4) pts	(6.3) pts
Q3	- pts	(8.0) pts	5.2 pts	2.6 pts
Q4	4.9 pts	(0.5) pts	1.9 pts	1.9 pts

P&C US

The expected impact of seasonality is relatively limited when excluding CATs, as results tend to fluctuate in specialty lines.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 13 - Investment performance

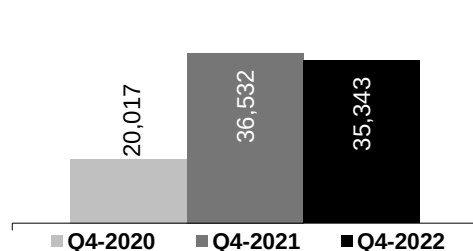
13.1 Operating net investment income

Table 17 – Operating net investment income

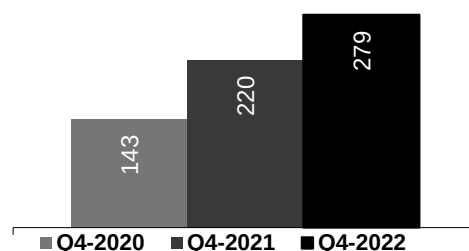
	Q4-2022	Q4-2021	Change	2022	2021 ⁴	Change
Interest income	210	126	84	634	426	208
Dividend income	74	96	(22)	305	297	8
Investment property rental income	5	9	(4)	23	17	6
Investment income, before expenses	289	231	58	962	740	222
Expenses	(10)	(11)	1	(35)	(34)	(1)
Operating net investment income¹	279	220	59	927	706	221
Average investments²	35,343	36,532	(3)%	35,037	30,016	17%
Market-based yield³	3.32%	2.56%	76 bps	2.78%	2.50%	28 bps

¹ See Section 36 – Non-GAAP and other financial measures for more details.² Defined as the mid-month average fair value of investments held during the reporting period.³ Defined as the annualized total pre-tax investment income (before expenses), divided by the weighted-average investments.⁴ 2021 includes the impact from RSA's investment portfolio from the closing of the RSA Acquisition (June 1, 2021) to December 31, 2021.

Q4-2022 vs Q4-2021	2022 vs 2021
- Operating net investment income increased by 27% to \$279 million, driven by higher re-investment yields, captured through maturity and trading. - Average investments decreased by 3% compared to last year, reflecting a negative impact from higher interest rates and unfavourable equity markets during 2022, partly offset by cash inflows from operations. - Market-based yield increased by 76 bps to 3.32%, reflecting rising interest rates and the related decrease in the market value of our fixed income portfolio. - As at quarter-end, the reinvestment yield of 4.5% exceeded our book yield of 2.5%.	- Operating net investment income increased by 31% to \$927 million, driven by the growth in our investment portfolio following the RSA Acquisition. We also continued to capture the benefits of rising yields, bolstered by the increased turnover of our portfolio. - Average investments increased by 17% compared to last year, reflecting the addition of RSA's investment portfolio and cash inflows from operations, partly offset by a negative impact from higher interest rates and unfavourable equity markets. - Market-based yield increased by 28 bps to 2.78%, reflecting rising interest rates and the related decrease in the market value of our fixed income portfolio.

Average investments
(as of the end of period)Operating net investment income
(for the period)

Operating net investment income was \$59 million higher than Q4-2021, driven by higher re-investment yields.



Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 14 - Distribution income

Distribution income

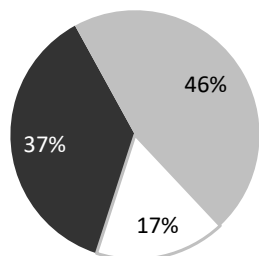
Distribution income is reported on a pre-tax and pre-interest basis and includes the operating results of our wholly-owned broker, BrokerLink, as well as our share of operating results of broker affiliates, MGAs in Canada and in the US, On Side Restoration ("On Side") as well as Johnson Group Benefits.

- **Our strategy is to increase scale in distribution and to be a preferred partner by supporting brokers in their growth and profitability ambitions.** We aim to continue to:
 - Support our brokers as they expand and grow their businesses, while actively participating in broker consolidation through Intact Insurance Agencies, BrokerLink and partners.
 - BrokerLink is a distributor of P&C products in Canada, with over \$3 billion of written premiums. In 2022, BrokerLink completed 24 acquisitions totalling \$374 million in premiums.
 - Broker Financial Solutions ("BFS") offers financial support and advice to our network of brokers, in areas such as succession planning, growth, and profitability improvement.
 - Expand our distribution footprint in specialty lines through the acquisition of MGAs.
 - Intact Public Entities is the MGA platform for distributing public entity insurance products in Canada.
 - Coast Underwriters is the MGA platform for Marine Insurance.
 - Highland is the MGA platform specializing in the E&S builder's risk segment in the US.
- We will continue to seek investment opportunities in profitable supply chain businesses that can improve both customer experience and margins.
 - We own On Side, a Canadian restoration firm providing repair and restoration services for personal and commercial property claims across Canada. It gives us greater control over the customer experience, being faster in our response and ensuring the quality of the repair, while being more efficient on costs.
- Distribution income adds a strong and diversified earnings stream that supports our ROE outperformance objectives.



Distribution income by source

■ BrokerLink ■ BFS □ Other¹



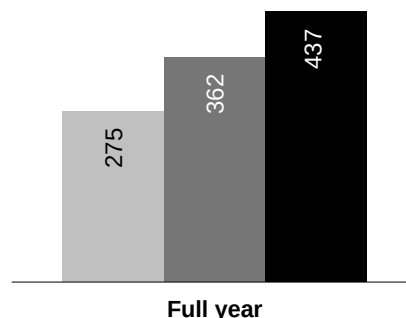
¹Other includes On Side, Coast Underwriters, Highland and Johnson Group Benefits.

Distribution income grew by 21% to \$437 million driven by acquisitions, higher variable commission revenues and a solid contribution from On Side.

Our distribution income track record has been a double-digit growth year-over-year, over the past 5 years. We expect to continue this momentum and grow at least 10% next year.

Distribution income

■ 2020 ■ 2021 ■ 2022



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(in millions of Canadian dollars, except as otherwise noted)

Section 15 - Non-operating results

Non-operating results include acquisition related items and elements that bear significant volatility from one period to another. These items are not representative of our operating performance and as such are excluded from the calculation of NOI and related financial measures.

Realized and unrealized gains and losses on our FVTPL bonds are expected to offset the change in rates used to discount our claims liabilities (MYA), which are both reflected in non-operating results. The net result of these two items is referred to as the Market Yield Effect (MYE).

Table 18 – Non-operating results

	Q4-2022	Q4-2021	Change	2022	2021	Change
Net gains (losses) excluding FVTPL bonds (<i>Table 19</i>)	(81)	262	(343)	433	516	(83)
Realized and unrealized gains (losses) on FVTPL bonds	54	(68)	122	(862)	(267)	(595)
Positive (negative) impact of MYA on underwriting results	7	72	(65)	1,127	226	901
Net (MYE)	61	4	57	265	(41)	306
Amortization of intangible assets recognized in business combinations	(66)	(63)	(3)	(254)	(199)	(55)
Acquisition, integration and restructuring costs (<i>Table 48</i>)	(84)	(133)	49	(353)	(429)	76
Gain on acquisition/ sale of business ¹	(2)	-	(2)	421	204	217
Income (loss) from exited lines (<i>Table 20</i>)	(50)	(35)	(15)	(145)	(53)	(92)
Other	(14)	(18)	4	(56)	(68)	12
Non-operating results²	(236)	17	(253)	311	(70)	381

¹ See respective Notes 5 and 19 of the Consolidated financial statements for details.

² See Section 36 – Non-GAAP and other financial measures for the after-tax impacts and non-operating NCI component.

Q4-2022 vs Q4-2021	2022 vs 2021
Non-operating losses of \$236 million for the quarter, compared to non-operating gains of \$17 million in Q4-2021. The change of \$253 million was driven by net losses excluding FVTPL bonds in Q4-2022, compared to significant gains last year (see <i>Section 15.1 – Net gains (losses) excluding FVTPL</i>). Exited lines have deteriorated year-over-year, mainly due to the US exited businesses (see <i>Section 15.2 – Income (loss) from exited lines</i>). Net gains on FVTPL bonds of \$54 million for the quarter, driven by the decrease in interest rates, primarily in the UK (see <i>Section 25.2 – Capital market update</i>). Generally, we expect these net gains (losses) on FVTPL bonds to be offset by the impact of MYA on underwriting results, given our asset-liability management. However, given the fluctuations in market yields in 2022, the MYE impact was more pronounced and overall favourable.	Non-operating gains of \$311 million compared to a non-operating loss of \$70 million last year, was mainly due to favourable MYE and a \$421 million gain from the sale of Codan DK. Net losses on FVTPL bonds of \$862 million for the year, driven by the increase in interest rates in Canada, the US and the UK (see <i>Section 25.2 – Capital market update</i>).

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(in millions of Canadian dollars, except as otherwise noted)

15.1 Net gains (losses) excluding FVTPL bonds

Table 19 – Net gains (losses) excluding FVTPL bonds¹

	Q4-2022	Q4-2021	Change	2022	2021	Change
Realized and unrealized gains (losses) on:						
AFS bonds, net of derivatives	(37)	12	(49)	(49)	-	(49)
Equity securities, net of derivatives	51	137	(86)	437	214	223
Embedded derivatives	17	(6)	23	71	(96)	167
Investment property	(56)	41	(97)	(17)	79	(96)
Net foreign currency gains (losses)	(45)	(1)	(44)	30	9	21
Impairment losses on AFS investments	(37)	(11)	(26)	(83)	(92)	9
Currency derivative hedges (RSA Acquisition)	-	-	-	-	(35)	35
Gain related to an investment in associate	-	-	-	-	273	(273)
Gain (loss) on the remeasurement of the RSA Middle East net assets	-	-	-	(16)	-	(16)
Other	26	90	(64)	60	164	(104)
Net gains (losses) excluding FVTPL bonds	(81)	262	(343)	433	516	(83)

¹ See Note 25 – Net gains (losses) to the Consolidated financial statements for further details.

Q4-2022 vs Q4-2021	2022 vs 2021
Net losses excluding FVTPL bonds of \$81 million reflected: - Negative mark-to-market on our investment properties portfolio of \$56 million given the unfavourable real estate environment; - realized losses on AFS bonds of \$37 million as we aimed to capture the benefit of higher yields; - impairment losses on AFS common shares of \$37 million; - partly offset by gains on embedded derivatives and equity securities for a total of \$68 million	Net gains excluding FVTPL bonds of \$433 million , mainly reflected: - realized gains on equity securities in favourable markets in Q1-2022 and the repositioning of certain common stock portfolios in Q2-2022; - net foreign currency gains in UK&I driven by a weak GBP compared to CAD, USD and EUR; - gains on embedded derivatives of \$71 million; - partly offset by impairment losses on AFS common shares of \$83 million
Reminder: Net gains of \$262 million in Q4-2021, and of \$516 million in 2021, included realized gains on our AFS common shares of \$137 million and \$214 million respectively, positive mark-to-market on our investment properties portfolio as well as realized gains on venture investments and broker transactions.	

IFRS 9 Effective Q1-2023

- IFRS 9 will result in classification changes, whereby certain equity and fixed income instruments that were previously classified as AFS will now become FVTPL. The mark-to-market on these instruments will now be recognized in Net income as opposed to through OCI (and as a result, it will no longer be necessary to impair our common shares).
- Though the reclassification of the equity instruments will result in increased volatility to Net income, it will only impact the timing of the recognition of gains/losses, with no impact on BVPS or capital.

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15.2 Income (loss) from exited lines

Lines are classified as Exited once we have a formal decision to exit a specific line of business and/or geographical area of operations. This can be due to profitability concerns, the absence of a pathway to outperformance, or other strategic reasons. The results of these lines are considered non-operating as they are no longer part of the core business and cannot be extrapolated to evaluate future earnings. The specific treatment of each exit may vary but can include sale of the business or renewal rights to another party, or wind down of the existing business by ceasing to renew or write new policies. Income (loss) from exited lines include the underwriting results and operating net investment income from exited lines, with no restatement of comparatives.

Table 20 – Income (loss) from exited lines (reported in Non-operating results)

	Q4-2022	Q4-2021	Change	2022	2021	Change
DPW	5	70	(65)	351	161	190
NEP	50	72	(22)	408	195	213
Net claims	(80)	(83)	3	(387)	(172)	(215)
Net underwriting expenses	(20)	(24)	4	(170)	(76)	(94)
Underwriting income (loss)	(50)	(35)	(15)	(149)	(53)	(96)
Net investment income – RSA Middle East operations	-	-	-	4	-	4
Income (loss) from exited lines	(50)	(35)	(15)	(145)	(53)	(92)
Canada	8	-	8	38	10	28
UK&I	(18)	(19)	1	(62)	(43)	(19)
US	(40)	(16)	(24)	(121)	(20)	(101)

Income (loss) from exited lines	
Canada	- This includes the exit of BC auto (effective in Q4-2020) and of our CNS operations (wind-down since Q3-2021) as part of our de-risking actions in reducing our major earthquake exposure. - These exited lines generated an underwriting income of \$8 million in Q4-2022. If they had been reported within the Canada segment, the impact would have been immaterial. - As at December 31, 2022, we have approximately \$70 million of unearned premiums in exited lines.
UK&I	- This includes the legacy exits of the UK&I portfolio, as well as the Sale of RSA Middle East in 2022. - The UK&I exited lines generated an underwriting loss of \$18 million in Q4-2022. This is mainly due to adverse development in segments of our UK home book and one specific prior year large loss in the broker motor portfolio. If exited lines had been reported within the UK&I segment, the impact would have been an unfavourable 1.7 points on its full year 2022 operating combined ratio. - As at December 31, 2022, we have approximately \$7 million of unearned premiums in exited lines.
US	- We have exited the Programs, Architects and Engineers business (effective in Q4-2017), the Healthcare business (effective July 1, 2019) and Public Entities (effective in Q1-2022) given the fundamental changes to the risk profile in these segments and the profitability challenges that followed. - The US exited lines generated an underwriting loss of \$40 million in Q4-2022. Roughly half of our Q4 underwriting loss was driven by Public Entities, as we prudently increased reserves to reflect recent loss activity, while the other half was driven by the exited Healthcare business, due to adverse development on two large claims. If exited lines had been reported within the US segment, the impact would have been an unfavourable 6.6 points on its full year 2022 operating combined ratio. - As at December 31, 2022, we have approximately \$3 million of unearned premiums in exited lines.

We are continuously monitoring these lines of business, and ensuring our reserves are appropriate and include a suitable level of prudence.

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(in millions of Canadian dollars, except as otherwise noted)

Section 16 - Income taxes

16.1 Statutory income tax rates

We are subject to income tax law in various jurisdictions where we operate. The statutory income tax rates in the main jurisdictions we operate were as follows:

Table 21 – Statutory income tax rates

As at December 31,	2022	2021
Canada ¹	26.4%	26.2%
UK	19.0%	19.0%
US	21.0%	21.0%
Corporate²	25.9%	25.9%

¹ Represents the combined Canadian tax rates applicable in provinces where the Group operates.

² Represents the combined Canadian federal and provincial statutory income tax rate of the top parent company.

Tax legislative changes

- The UK corporate tax rate will rise from 19% to 25% on April 1, 2023. The impact of this rate change on deferred tax assets and liabilities has been reflected in the Consolidated financial statements as at December 31, 2022, as enacted.
- In 2021, the US Congress proposed a legislation called the *Build Back Better Act* that proposes changes to corporate income tax laws. We are actively monitoring future developments on this proposed legislation and any potential impact on the Group. On Aug. 16, 2022, the Inflation Reduction Act was passed. It is a reduced version of the build back better plan, creating a 15% corporate minimum tax rate for corporations with at least \$1 billion in income.
- In 2021, various countries and jurisdictions, including Canada, have agreed to implement the Organization for Economic Co-operation and Development's (OECD) Pillar Two rules, effective in 2024. The proposed Pillar Two rules are designed to ensure that large multinational enterprises pay a minimum level of tax (currently agreed upon at 15%) on the income arising in each jurisdiction where they operate. Certain countries have proposed rules that remain subject to approval and ratification. Canada has not yet released draft legislation. We are actively monitoring future developments on this proposed legislation and any potential impact on the Group.

16.2 Effective income tax rates

Our effective income tax rate ("ETR") is different from our combined Canadian federal and provincial statutory income tax rate. The following table presents the reconciliation of the operating ETR and total ETR to the income tax expense calculated at statutory tax rates.

Table 22 – Effective income tax rate reconciliation

As at December 31,	2022	2021
Statutory income tax rate (Table 21)	25.9%	25.9%
Adjustment for different rates of other jurisdictions	(1.1)%	(1.2)%
Non-taxable investment income	(2.4)%	(2.5)%
Utilization and recognition of previously unrecognized tax benefits (Section 16.3)	(3.9)%	(1.4)%
Other	0.3%	0.8%
Operating effective income tax rate, as reported in MD&A	18.8%	21.6%
Statutory income tax rate (Table 21)	25.9%	25.9%
Increase (decrease) in income tax rates resulting from:		
Adjustments on operating income ¹	(6.4)%	(4.4)%
Adjustments on non-operating income	(0.8)%	(1.9)%
Total effective income tax rate, as reported in MD&A	18.7%	19.6%
Remove: share of income tax expense of broker associates ²	(1.0)%	(0.9)%
Effective income tax rate, as reported under IFRS	17.7%	18.7%

¹ Impact calculated on the basis of pre-tax income, compared to the operating adjustments above, calculated on the basis of pre-tax operating income.

² Includes income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS. We adjust in the MD&A in order to present distribution income on a pre-tax basis.

Management's Discussion and Analysis for the year ended December 31, 2022

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2022 vs 2021

- The Group's operating ETR of 18.8% in 2022 was below our expectations and down from 21.6%, primarily due the impact of the benefit arising from the recognition of additional deferred tax assets in the UK&I described below.
- The Group's total ETR of 18.7% in 2022 was down from 19.6%, also due to the impact of recognizing additional deferred tax assets in the UK&I, as well as the impact of the non-taxable gain of \$421 million resulting from the sale of Codan DK.

Refer to Note 27 of the Consolidated Financial Statements for further details related to income taxes.

16.3 Recognized deferred tax assets

December 31, 2022 vs December 31, 2021

- Deferred tax assets can be recognized on the balance sheet when it is considered probable that they will be utilized against profits in the near future.
- As at December 31, 2022, we have recognized additional deferred tax assets in the UK due to higher expected future profitability driven by strategic initiatives, synergies and increased investment income. This increase in recognized deferred tax assets on our balance sheet resulted in an additional benefit of \$58 million¹ to operating taxes in Q4-2022, a synergy reflecting in part our expectation to improve the performance of this business in the future.
- An additional deferred tax asset of \$128 million was also recognized through OCI in Q4-2022, relating to the unrecognized loss position on our AFS bond portfolio in the UK, driven by increasing yields. While this had no impact to earnings, it benefited our BVPS (see Section 28.6 – Book value per share for details).

Refer to Note 27 of the Consolidated Financial Statements for further details related to income taxes.

¹ Mainly from the recognition of deductible temporary differences, not included in Section 16.4 below.

16.4 Unrecognized net tax losses

The following table presents a summary of unrecognized net tax losses as at December 31, 2022. In addition to the below summary, we also have deductible temporary differences, unused tax credits and allowable capital losses for which no deferred tax asset was recognized on the Consolidated Balance Sheet, refer to Note 27 of the Consolidated Financial Statements for further details.

Table 23 – Unrecognized net operating losses

As at December 31,	Expiry dates	2022	2021
Canada	2037-2041	6	3
UK	No expiry date	2,844	2,788
Ireland	No expiry date	352	353
Other jurisdictions	No expiry date	105	112
		3,307	3,256

Recognition of tax benefits

- Deferred tax assets related to the net tax losses in the table above have not been recognized on the balance sheet in accordance with accounting rules, since it is not considered probable that they will be utilized in the near future. However, we will continue to identify opportunities, including a sustained improvement of the profitability in the UK, in order to be able to use these unrecognized losses through time which will favourably impact the operating ETR and total ETR.
- Any recognition of previously unrecognized tax benefits would have a favourable impact on the Group's operating ETR in future years.

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(in millions of Canadian dollars, except as otherwise noted)

Section 17 - IFRS 17 & 9 key impacts

IFRS 17 / 9

Effective Q1-2023

- **Q4-2022 is the last quarter that will be reported under IFRS 4 and IAS 39.** Starting in Q1-2023, results will be reported under IFRS 17 and IFRS 9, with 2022 comparatives restated for IFRS 17. See [Section 37.1 – Transition to IFRS 17 – Insurance contracts and IFRS 9 – Financial instruments](#)
- **The highlights below are based on our current assessment of the impact of these two standards.** This is not a comprehensive list, as it is intended to illustrate key impacts. The highlights below are based on our preliminary interpretation and understanding, which are subject to change.

	KPI	Key highlights (IFRS 17 & IFRS 9)	Impact in 2023
Consolidated results	NOIPS	• We expect classification changes within operating earnings, the most significant being the reclass of the discount unwind from underwriting income to investment results. • We also expect an impact from changes in recognition patterns and methodologies. These are largely timing differences, with their impact depending on premium growth year-over-year (for deferred acquisition costs), future profitability (onerous contracts) and interest rates (discounting). Over time, we do not expect these to be significant.	No significant impact expected over time
	Underwriting income	• We expect an increase in overall underwriting income, driven by the reclass of the discount unwind. In the current high interest rate environment, we expect this reclass to be material, but with no impact to NOIPS. • Timing differences described in the NOIPS section will also impact underwriting income.	Significant increase expected (largely offset by decreased net investment results)
	Net investment results	• Net investment results will now include two distinctly presented components: 1. Operating net investment income (no change) 2. Discount unwind (reclassified from underwriting income): this reclass will generate a significant decrease in net investment results, with a corresponding increase to underwriting income and no overall impact to NOIPS.	Significant decrease expected (largely offset by increased underwriting income)
	EPS	• Certain equity investments will now be classified as FVTPL. The mark-to-market losses on these investments will now be recognized in Net income as opposed to through OCI. Although this will lead to increased volatility of earnings, we believe this reclassification is better aligned with our objective to outperform the industry's ROE.	Could result in increased volatility
Underwriting performance	Combined ratio	• The overall combined ratio will reflect the impact of the discount unwind reclassification mentioned above (neutral to NOIPS). • This change in presentation will not impact the underlying fundamentals of how we manage our lines of business. We intend to report our lines of business on an undiscounted basis, and as such we do not expect our combined ratio expectations by line of business to be materially impacted. The effect of discounting will be reported in our Corporate underwriting segment, and therefore will impact IFC's overall combined ratio.	Significant decrease expected in overall combined ratio (largely offset by decreased net investment results)
	Claims ratio	• As described in the combined ratio section, the discount unwind will now be presented alongside investment income, outside of underwriting income. Timing differences mentioned in the NOIPS section will also impact claims ratio, with no significant impact expected over time. • Other classification changes between claims ratio and expense ratio are expected, with no impact on overall combined ratio or underwriting income. • See Section 10 – Prior year claims development for details on PYD.	Significant decrease expected in overall claims ratio (largely offset by lower net investment results and increased expense ratio)
	Expense ratio	• Other insurance revenues (which are currently netted against underwriting expenses) will now be included in the denominator of the underwriting ratios, increasing expense ratio with no overall impact to underwriting income. • As mentioned in the claims ratio section, other classification changes are expected.	Increase expected (mainly reclassification)
Equity and ratios	BVPS	• Upon transition on January 1, 2022, BVPS will increase by \$2.39 (2.9%) mainly due to the deferral of additional indirect costs that were previously expensed as incurred. • No impact from the investment classifications mentioned above.	Slight favourable impact upon transition
	OROE/AROE /ROE	• Changes from the investment classifications mentioned above could bring volatility to AROE and ROE, with the expected increase in capital markets resulting in a positive impact over time.	Could result in increased volatility

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ENVIRONMENT & OUTLOOK

Section 18 - P&C insurance industry outlook

Summary

- Over the next twelve months, we expect the firm-to-hard insurance market conditions to continue in most lines of business, driven by inflation, natural disasters, and a hard reinsurance market.
- In Canada, we expect firm market conditions to continue in personal property. Personal auto premiums are expected to grow by mid-single-digits in response to inflation and evolving driving patterns.
- In commercial and specialty lines across all geographies, hard market conditions are expected to continue.
- In the UK&I, we expect the personal property market to firm as it reacts to inflationary pressures, natural disasters, and a hard reinsurance market. Personal motor has begun to firm and we anticipate this to increase over time.

	P&C insurance industry 12-month outlook	Our response
Personal Auto Canada	• Industry premiums grew by mid-single-digits in the first three quarters of 2022. • Industry profitability remained strong in the first three quarters of 2022, but slightly worse than last year, reflecting increased inflationary pressures. • Given the pickup in claims frequencies, inflation and poor industry profitability prior to the pandemic, industry corrective measures have resumed. • We expect industry premium growth to be in the mid-single-digit range in the next twelve months reflecting inflation and evolving driving patterns.	• We are actively monitoring inflation in our portfolio and adjusting our pricing and claims strategies to maintain control on indemnity. We are leveraging our strong supply chain model, and our tools and analytics to reduce cycle time. • We continue to invest in telematics, big data, and artificial intelligence to maintain our advantage in data and segmentation. We continue to adapt our rating strategies to evolving mobility trends. • Our brand investments, telematics offering, and customer driven digital leadership will continue to help grow our business. • Following the recent regulatory developments in Alberta, we are assessing the necessary actions to protect our profitability. • We maintain our emphasis on portfolio quality and expect to sustain a seasonally adjusted sub-95 combined ratio over the next 12 months.
Personal Property Canada	• The industry grew by high single-digits in the first three quarters of 2022. • We expect continued firm market conditions since this line of business is subject to challenging weather and inflation over time. • We expect premium growth to remain at a high single-digit level over the next 12 months.	• We actively monitor and defend against inflation within our portfolio through pricing actions, supply chain initiatives and increasing internalization of claims. For example, the acquisition of On Side Restoration helped improve customer experience, capture margins, expand capacity, and control costs. • We are continuously adapting our products. Profitability actions over time have positioned this business very well. • We continue to execute on our claims, pricing and risk selection strategy to achieve our objective of a 95% or better full year combined ratio, even with severe weather.

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	P&C insurance industry 12-month outlook	Our response
Commercial lines Canada	- In the first three quarters of 2022, the industry reported low teens growth, clear evidence of hard market conditions. Rate actions are continuing, driven by low industry profitability for a number of years and tight capacity. - We expect upper single-digit premium growth for the industry over the next 12 months led by specialty lines, in favourable market conditions underpinned by rising reinsurance costs, elevated CAT losses, and inflation pressures.	- We maintain our emphasis on portfolio quality and pricing discipline, while remaining focused on loss prevention and service excellence. - We are adjusting our pricing and automatic indexation for inflation factors to address inflation and to continue outperforming in a hardening reinsurance market. - With the addition of RSA, we have broadened our product suite, strengthened our presence in mid-market and specialty lines, and are well positioned to take advantage of hard market conditions.
UK&I Personal lines	- In the first three quarters of 2022, industry premiums in the UK and Ireland contracted by low single-digits with continuing intensely competitive conditions in motor and home. - In UK and Ireland, we have seen motor premiums begin to increase, and we expect inflation and reinsurance pressures to drive further rate increases into 2023. - In UK property, we expect property claims inflation, challenging weather conditions, and a hard reinsurance market to drive rate increases over time. In Ireland, property rates are experiencing low single-digit increases.	- While seeking improvement to our competitive position, we continue to prioritise risk selection and improvements to pricing sophistication. We also ensure our partner contracts reflect changing market conditions. - We are closely monitoring inflation and broader macroeconomic conditions. In all segments we are maintaining our pricing discipline and are active in adapting our pricing strategy accordingly. - In motor and home for both UK and Ireland, we have remained disciplined on pricing, with increases across both renewals and new business.
UK&I Commercial lines	- UK&I market conditions remain hard with rate increases driven by CAT losses (including COVID-19 and recent weather events), tightening capacity and growing inflationary pressures. - We expect the UK and EU commercial industry premium rates to grow at an upper single-digit level over the next 12 months, driven by industry claims, inflation pressures and a hardening reinsurance market.	- We continue to increase rates to offset claims inflation, tighten terms and conditions, and increase standardisation of wordings to manage exposures. - We remain disciplined on new business, prioritizing quality and profitability. - We continue to actively monitor economic conditions in the UK and globally and are taking actions where appropriate to manage exposures.

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	P&C insurance industry 12-month outlook	Our response
US Commercial lines	- The US commercial P&C industry continues to experience hard market conditions across lines, including sustained price increases and tightening terms and conditions. - We expect favourable market conditions to persist in the near term, given rising reinsurance costs and elevated CAT losses, both exacerbated by the impact of Hurricane Ian, as well as industry concerns over price inflation, and geopolitical and economic uncertainty. - The US commercial P&C industry posted low double-digit growth in the first three quarters of 2022, fueled by rate increases and growing exposures. The industry combined ratio for the first three quarters of 2022 was estimated in the mid-to-high 90s. - We expect industry premium growth at an upper single-digit level over the next 12 months.	- Our objective remains to expand our US specialty business while outperforming on profitability. Growth opportunities are being successfully pursued in the segments of the portfolio performing at or above expectations, and focused corrective actions are being applied to underperforming segments. - We continue to execute on pricing actions across the portfolio, achieving rate increases consistent with the broader industry while maintaining retention levels in line with expectations. - We believe the underlying fundamentals of our US commercial business remain strong and are well positioned to maintain a low 90s combined ratio in line with our near-term objectives.
Investments	- Capital markets are expected to remain volatile due to inflation trends, increased probability of recession, and the war in Ukraine. - Interest rates remain high. As a result, we expect the industry's pre-tax investment yield to increase as portfolios roll over.	- Our investment portfolio is managed like the rest of our business, for the long-term. Our investment management team seeks to maximize after-tax returns, while preserving capital and limiting volatility. - We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.
Overall	- Over the last 12 months, industry profitability in Canada and the UK was helped in part by favourable market conditions and strong favourable prior year development. While market conditions were also favourable in the US, industry profitability was hampered by higher auto severity and elevated catastrophe losses. - High pre-pandemic combined ratios, inflation trends and climate change drive the continuation of favourable market conditions. - We expect our industry benchmark ROE¹ to be in the high single-digit range in the next 12 months.	- The RSA Acquisition expanded our leadership position in Canada, created a leading specialty lines platform with international expertise, and provided entry into the UK and Ireland markets at scale. - With our action plans and strategies, we expect to continue to achieve our 500-basis point industry ROE outperformance target.

¹ Our P&C industry benchmark ROE reflects a weighting based on the approximate amount of capital deployed by IFC in the markets in which we operate

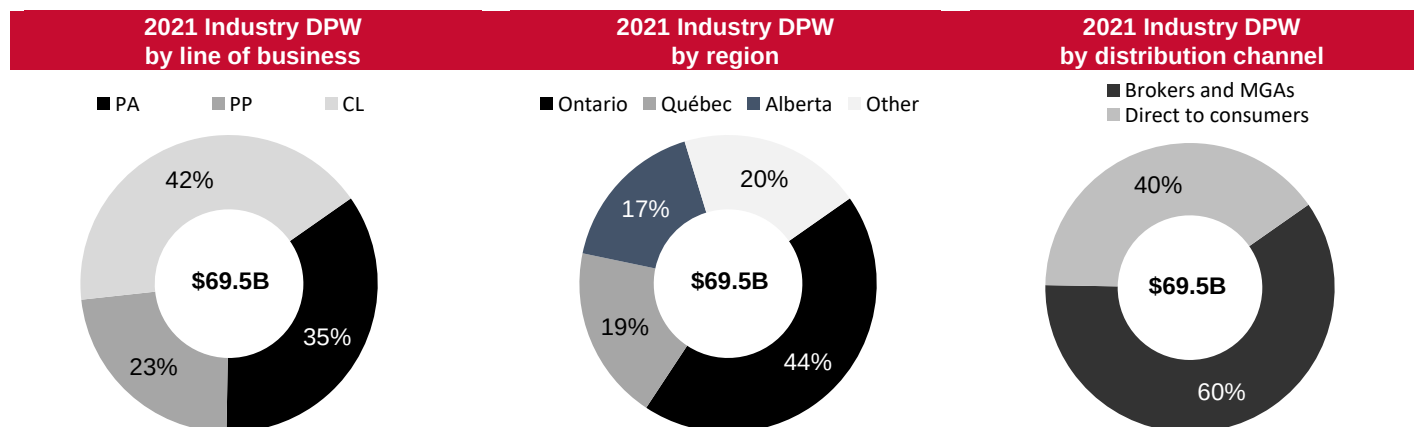
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Section 19 - Insurance industry at a glance

19.1 P&C insurance in Canada

Highly fragmented	- In 2021, the P&C market grew by 8%, driven by rate increases, to \$69.5 billion in annual premiums, representing close to 3.5% of gross domestic product (GDP). - The top five insurers represent 49% of the market, and the top 20 have a combined market share of 84%. - There has been consolidation over the past decade in which IFC has participated. We still expect 10 to 15 points of market share will change hands in the next three to five years.
Evolving and growing over time	- Over the last 30 years, the industry has grown at about a 5% CAGR and delivered a ROE of almost 10%. - Emerging technologies and innovations continue to transform the insurance landscape. IFC and other insurers are increasingly using artificial intelligence models, advanced analytics systems and digital platforms to differentiate themselves and improve risk selection.
Broad distribution channel	- The P&C industry offers its products primarily through the broker and direct distribution channels. Brokers offer products from multiple insurance companies. The direct distribution channel includes direct writers and tied agents. - Close to two-thirds of the P&C industry premiums is distributed through brokers. - In commercial lines, brokers are the primary distribution channel (estimated at close to 90%) given the higher level of complexity and customization in business insurance. - In personal lines, while brokers continue to be the main distribution channel, direct writers make up a significant portion of the market (estimated at close to 50%) as consumers seek digital solutions for personal property and auto products.
Regulated market	- Insurance companies are licensed under insurance legislation in each of the provinces and territories in which they conduct business. - Personal property and commercial insurance products and rates are unregulated. - Personal auto is regulated in all provinces. Insurers must file and receive approval for rate adjustments before they can be effective (file and approve rate setting mechanism), except for Québec, where no approval is required once rate adjustments are filed (use and file). There is no private personal auto insurance provided in British Columbia, Manitoba and Saskatchewan, as coverage is provided through government-owned corporations. - Capital for federal insurance companies is regulated by OSFI and by provincial authorities in the case of provincially incorporated insurance companies, while the holding companies are non-regulated (see <i>Section 28 – Capital management</i>).



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(in millions of Canadian dollars, except as otherwise noted)

19.2 Performance against the Canadian P&C benchmark

Industry data below represents an IFC estimate based on MSA, a provider of Canadian insurance industry financial data. Industry benchmark consists of the 20 largest comparable companies in the P&C industry based on industry data.

Table 24 – Canadian P&C Industry – IFC outperformance (underperformance)

	YTD Q3-2022	Full year 2021	Full year 2020	Full year 2019
DPW growth				
IFC: P&C Canada ¹	18.9%	20.3%	9.4%	9.7%
Outperformance (underperformance) vs Industry benchmark	10.8 pts	13.2 pts	2.0 pts	- pts
Combined ratio				
IFC: P&C Canada ¹	84.4%	85.8%	91.5%	97.5%
Outperformance (underperformance) vs Industry benchmark	3.6 pts	(0.5) pts	5.0 pts	3.6 pts

¹ For comparison purposes, IFC DPW growth and operating combined ratio are based on financial statements presentation.

**YTD Q3-2022
relative
performance**

- **Our growth outperformance was 10.8 points**, mainly due to the RSA Acquisition. Excluding this impact, our growth would be approximately 6.7%, slightly below the industry benchmark.
- **Our combined ratio outperformance was 3.6 points**, due to our outperformance in both the loss and expense ratios.

Unless otherwise noted, market share and market related data for P&C Canada are based on the latest available annual market data (2021) from MSA Research Inc. ("MSA") and excludes Lloyd's Underwriters Canada, Insurance Corporation of British Columbia, Saskatchewan Government Insurance, Saskatchewan Auto Fund, Genworth Financial Mortgage Insurance Company Canada and Canada Guaranty Mortgage Insurance Company. AMF (Québec) chartered insurance companies are not required to report on Q1 and Q3 results. As such, some adjustments are made to ensure comparability of data across periods

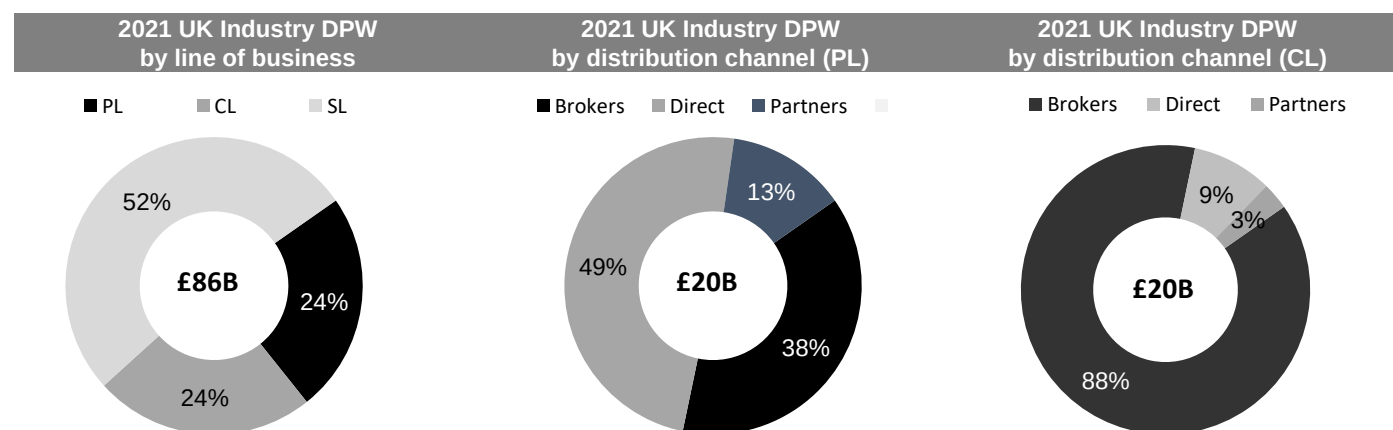
19.3 P&C insurance in the UK&I

Overall	• In 2021, the P&C UK market grew by 3.1% to £86 billion in estimated annual premiums. • IFC underwrites automobile, home, pet and business insurance to individuals and businesses in the UK, Ireland and Europe, as well as internationally through our global network. • Roughly 80% of the UK&I segment premiums are written domestically in the UK or through the Specialty London Market. Our Irish and European books experience broadly similar market conditions to the UK and London Market respectively.
UK Personal lines market	• Mature and highly developed personal lines market. Motor is the largest segment, with annual premiums of £12 billion. The home insurance market is worth around £7 billion, while pet insurance adds another £1.4 billion. • New business is primarily distributed through price comparison websites and aggregators, which have grown substantially over the last two decades, and also written through partnerships deals. • Technical excellence in pricing and claims, along with scale and technology, are the key differentiator for the most successful players. • 'Price walking' regulations in home and motor became effective on January 1st 2022, aiming to align new business and renewal quotations. It has led to new products introduced in the marketplace, which has amplified the competitive landscape.

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UK Commercial lines market	- The UK domestic commercial lines represents £20 billion in annual premiums. The market is primarily comprised of motor, liability and property risks, and competitive with most leading multinationals having a major presence. - There has been significant broker consolidation over the last twenty years, with the largest brokers controlling a significant proportion of the market although there remains a large tail of smaller brokers. - Winning in mid-market requires strong regional presence, underwriting expertise and specialization in chosen industries. - Brokers remain the primary distribution channel for SME. Over the last 15 years, there has been a shift from face-to-face to electronic placement of risks, though the growth of the direct market has been slow. - High quality broker service remains essential for insurers' success in the UK commercial lines.
UK Specialty lines market	- The London Specialty Market represents £45 billion in annual premiums. - Growth has been strong in the market, primarily driven by the hard market conditions over recent periods. Hard reinsurance rates and reduced capacity for lower layers have favoured insurers with strong risk selection and robust balance sheets. - Profit opportunities continue to be driven by disciplined trading, a sustainable underwriting strategy, and the achievement of adequacy through positive rate movements.
Regulated market	The UK non-life insurance industry is regulated by two regulatory bodies, the PRA and the FCA. The PRA's mandate is to provide supervision to ensure the safety and soundness of financial institutions, while the FCA's mandate is to provide oversight on pricing practices and product offerings.



Unless otherwise noted, market share and market related data for P&C UK are based on the latest available annual market data (2021) from the Association of British Insurers ("ABI"). ABI data excludes Lloyds of London. The majority of UK insurers are members of the ABI, meaning Personal Lines and Commercial Lines figures are representative. For Specialty Lines, ABI market data is less representative as a lower proportion of Specialty Insurance firms are members. Market data for Specialty Lines refers to insurance based on Lloyd's of London annual report, a report by the International Underwriting Association and individual reports and accounts of Protection & Indemnity ("P&I") Clubs based in the London Market

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19.4 Performance against the UK P&C benchmark

The industry benchmark consists of a group of listed peers in the P&C industry, for which industry data is compiled from each insurers' own reports and accounts.

Table 25 – UK P&C Industry – IFC outperformance (underperformance)

Underwriting performance	H1-2022	Full year 2021 ¹
DPW growth		
IFC: P&C UK	7.4%	(0.4)%
Outperformance (underperformance) vs Industry benchmark	0.6 pts	(7.5) pts
Combined ratio²		
IFC: P&C UK	95.7%	94.6%
Outperformance (underperformance) vs Industry benchmark	(2.5) pts	(2.7) pts

¹ Full year 2021 results are on a pro-forma basis: RSA's H1-2021 results pre-acquisition in addition to RSA's H2-2021 results as part of IFC.

² Excluding the risk margin and discount impact for comparability purposes

**H1-2022
relative
performance**

- **Our growth was 7.4 points, an outperformance of 0.6 points** as we hold a lower proportion of personal lines business compared to our peers. Hard market conditions continue to support strong growth in commercial and specialty lines, while challenging market conditions continue to impact personal lines.
- **Our combined ratio was 95.7%, underperforming by 2.5 points.** Strong performance in UK commercial lines (including Specialty) was offset by an underperformance in UK personal lines, due to our business mix (high proportion of intermediated business) and higher expenses (primarily technology costs).

19.5 US specialty market**Highly
fragmented
with no clear
leader**

- The US specialty insurance market accounts for approximately 47%, or more than US\$180 billion, of the total commercial P&C insurance market.
- US commercial specialty insurance industry is fragmented, with the largest player capturing less than 7% market share in 2021.
- Outside of the top nine players, no single insurer contributes more than 3% to the total estimated specialty market. The majority of the top 25 players have a market share between 1% and 2.5%.

**Niche market
with lucrative
potential**

- The specialty insurance market offers niche and unique products and services that are not written by most P&C insurance companies. These products generally require specialized underwriting knowledge compared with more traditional insurance products.
- The combined ratio of many specialty products have outperformed those typically offered in the standard market due to more pricing and policy form flexibility.
- This unique risk and specialty focus can also come with above-average earnings volatility.

**Evolving and
growing over
time**

- Over the last 20 years, the specialty insurance market has remained attractive, and has grown at an approximate 4.9% CAGR.
- The market has experienced elevated merger and acquisition activity in recent years and we expect further consolidation to continue.
- The agency channel (independent agencies, brokers, wholesalers and MGAs) is the primary distribution channel for specialty insurance products.
- Trends in litigation, regulation, social and workforce issues, and technology will continue to support growth and drive product innovation.

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19.6 Performance against the US P&C industry

The industry benchmark consists of the 11 most relevant competitors in the P&C industry, for which reliable and comparable information is publicly available. The data below is compiled from company and segment data from SEC filings.

Table 26 – US P&C Industry – IFC outperformance (underperformance) vs industry benchmark

	YTD Q3-2022	Full year 2021	Full year 2020	Full year 2019
DPW growth (in local currency)				
IFC: US Commercial	13.6%	16.7%	9.6%	8.0%
Outperformance (underperformance) vs Industry benchmark	(1.1) pts	(0.4) pts	1.7 pts	(1.2) pts
Combined ratio¹				
IFC: US Commercial	89.9%	93.9%	93.8%	92.8%
Outperformance (underperformance) vs Industry benchmark	1.2 pts	(2.0) pts	4.7 pts	2.3 pts

¹ Excluding the risk margin and discount impact for comparability purposes.

**YTD Q3-2022
relative
performance**

- **Our reported DPW growth of 13.6%**, trailed behind the industry benchmark, as substantial growth continued among peers. Excluding the negative impact from the exit of Public Entities, our reported growth would have been 18%, above the industry benchmark.
- **Our combined ratio outperformance was 1.2 points** as our strong underlying loss ratio performance continued to compare favourably to peers, tempered by our expense ratio relative underperformance (business mix and seasonality in earned premiums).

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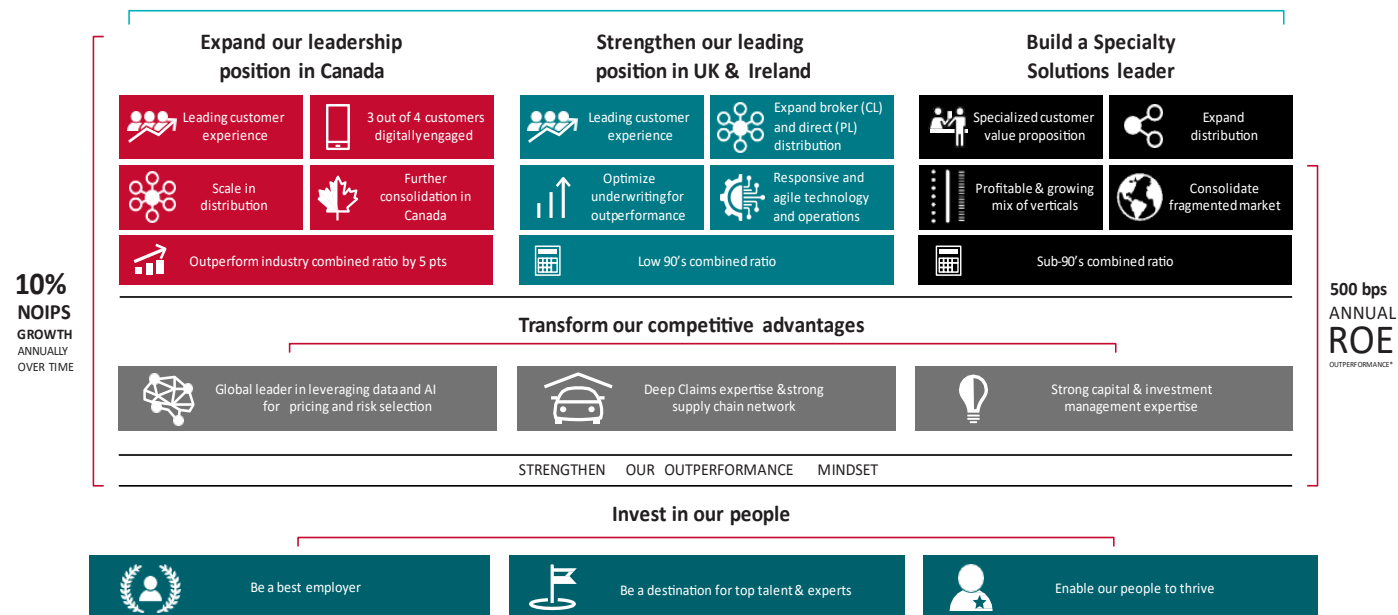
STRATEGY

Intact has three strategic objectives that define what we aim to achieve, which contain both financial and non-financial measures of success. Our strategic roadmap outlines how we will achieve our objectives. This section highlights our progress on execution of our strategy and against key financial and non-financial measures. As a purpose-driven business, we are here to help people, businesses and society prosper in good times and be resilient in bad times. Being a most respected company requires performance across all aspects of what we do – including our impact on society. ESG factors have always been embedded in our strategy and are included throughout this section.

Section 20 - What we are aiming to achieve



Section 21 - Our strategic roadmap



*Based on a weighted-average ROE benchmark of leading P&C insurers, in Canada, US and UK.

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21.1 Progress on our strategic roadmap

Expand our leadership position in Canada

- **In Q4 2022, our mobile apps saw over 4.5 million visits by customers** who increasingly choose to engage digitally via the app, where more than half of online transactions are completed. Features like UBI self-enrolment, launched in 2022, are proving to be effective in driving UBI take-up and digital engagement.
- **Our brands continue to be top of mind when it comes to insurance for Canadians.** At the end of 2022, Intact Insurance maintained its position as the most known auto + home insurance brand nationally with belairdirect ranking #3.
- **BrokerLink further bolstered its footprint in Canada** with 6 acquisitions in Q4-2022, bringing the total for the year to 24 acquisitions representing \$374 million in direct premium written. In 2022, BrokerLink surpassed \$3 billion in DPW, putting us on track to hit our goal of \$5 billion by 2025.

Strengthen our leading position in the UK & Ireland

- **We improved our outperformance posture in Q4** with the exits of non-strategic relationships and certain SME segments in the UK. This builds on our footprint rationalization efforts seen earlier in 2022, where we divested our businesses in Middle East and Denmark.
- **We strengthened our broker proposition** with a centralized broker support team and an enhanced online broker portal, continuing our focus on making it easier and more efficient for our brokers to do business with us.
- **In Ireland, we maintained our focus on profitability and expanding distribution.** A platform upgrade in our digital channel for personal lines was delivered in 2022 and will enable future growth. Our focus on the mid-market segment and solid broker relationships supported strong growth in commercial lines.

Build a Specialty Solutions leader

- **Marine was established as the first Global Franchise.** We continue to deliver on expertise and service at the local level with the benefits of accessing the knowledge and capabilities from a team closely connected at a global level.
- **Equity investment in Cartan Trade** reinforces our commitment to the European market and brings us closer to the trade credit market and operations within Europe, while sharing the trade credit insurance expertise from our Canadian operation.
- Following the acquisition of Builder's Risk MGA Highland Insurance earlier in 2022, **we commenced providing underwriting capacity to Highland in Q4.**

Transform our competitive advantages

- **Claims adjusters in Canada now benefit from AI-powered call performance coaching** to improve future outcomes and experiences for our customers. With close to 500 data, AI, machine learning and pricing experts, the Intact Data Lab has deployed almost 300 AI models in production to-date, helping transform our outperformance advantage.
- **We doubled-down on the Intact Service centre model in Canada, opening 11 partner-operated locations in 2022.** These new centres drive outperformance in claims by exclusively servicing Intact customers with an enhanced customer experience that is faster and more convenient while strengthening controls on indemnity.
- 2022 saw two of the top ten costliest natural disasters on record in Canada and **On Side, our fully-owned property restoration subsidiary in Canada,** continued playing a critical role in helping customers get back on track with their platform of 1,500+ employees across 44 locations nationally.

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Invest in our People

- For the seventh consecutive year in Canada, and fourth in US, Intact has been named a **Kincentric Best Employer in Canada and the US for 2022**. We also launched the Kincentric survey with all employees in the UK&I region in 2022; with strong employee participation rates, we observe engagement levels in-line with insurance peers in the UK.
- We made several senior leadership appointments:
 - Pete Weightman, formerly Chief Underwriting Officer (CUO) for North America, was **appointed CUO for specialty lines globally, reflecting the alignment of our teams across our global organization**.
 - **Nathalie Dufresne, formerly SVP Commercial Lines Canada, was appointed CUO, UK&I**. Nathalie brings over 30 years of experience in pricing, underwriting, as well as operations and planning.
 - Bringing deep experience in human resources and organizational transformation, **Georgina Farrell was appointed as Chief People Officer in the UK&I**.
 - **Keith Champagne was appointed Chief Actuary, Intact Specialty Solution**. Keith brings extensive experience in pricing, reserving and corporate development.
- In recognition of our ongoing commitment to diversity, equity, and inclusion:
 - **In Canada, our Platinum Certification from Women in Governance (WiG) was again recognized for 2022**.
 - **In the UK&I, we achieved the Menopause Friendly accreditation**, a recognized standard of achievement that satisfies a qualified independent panel of judges that the organization has gone above and beyond to change the lived experience of those going through menopause.

Social Impact & Environment, Social, Governance (ESG)

Throughout 2022, we built upon our past momentum and achieved some new milestones:

- We launched our 5-part Climate Strategy including a commitment to achieve Net Zero by 2050 and halve our operations emissions by 2030.
- We renewed our sponsorship commitment to the Intact Centre for Climate Adaptation and launched a new partnership with the Nature Conservancy of Canada focused on conserving and harnessing the adaptation and carbon capture power of wetlands.
- We maintained our commitment to DEI in alignment with our strategic objective to be representative of the communities we serve. The proportion of the Board represented by women has been consistently above 30% since 2013 and today it is 46%.

In Q4, we continued making good progress on ESG:

- In Q4 2022, **RSA reinforced its commitment to contributing to efforts that reduce carbon emissions** and accelerate the transition to a low carbon future by updating its Low Carbon Policy. By 2030, 70% of RSA's underwriting portfolio for energy production is targeted to be low carbon.
- **The Intact Centre on Climate Adaptation added two new members to its advisory committee**. The Honourable Senator Rosa Galvez and Conrad Sauvé, President and CEO of the Canadian Red Cross, join an influential group of International climate and business leaders to provide strategic counsel to the Intact Centre team.
- **Employees in Canada donated over \$2.3 million to over 900 charities during our annual Generosity in Action campaign**, where employees make contributions to causes close to their heart. Intact matched their generosity with donation to local United Way/Centraide organizations to support vulnerable communities across the country.

See Section 23 – Climate change for more details. More information on IFC's Social Impact & ESG performance will be available in our 2022 Social Impact Report, published in April 2023.

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21.2 RSA integration update

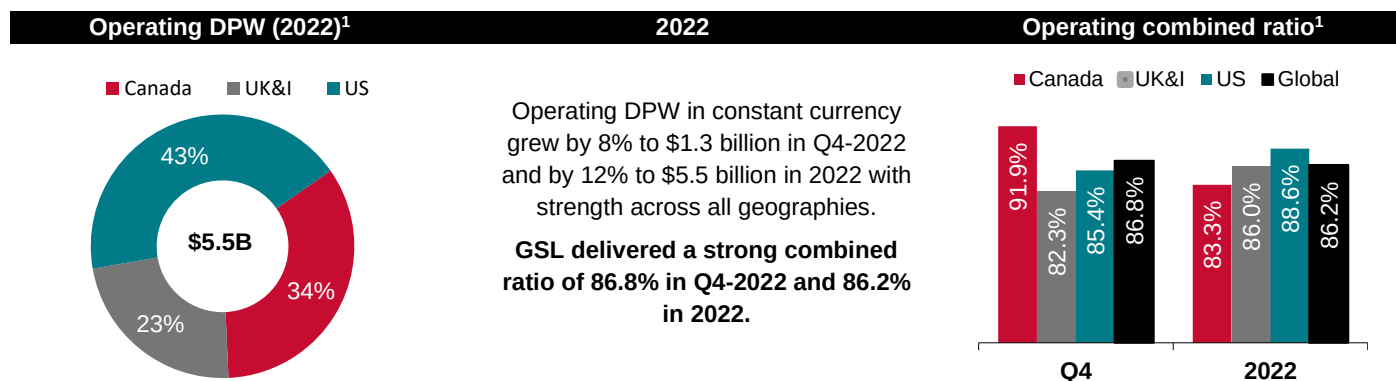
Q4-2022 update	
Financial update	• Value creation from the RSA Acquisition has exceeded expectations to date. We remain on track to realize \$350 million of pre-tax annual run-rate synergies within 3 years. • As at December 31, 2022, we estimate our run-rate at \$260 million annualized, generated by expense synergies, additional value creation and our underwriting actions. • In Q4-2022, we recognized an additional tax synergy of £36 million (\$58 million) from deferred tax assets recognized, driven by the improved outlook on profitability in the UK&I. See Section 16 – Income taxes for more details. • RSA contributed 16% accretion to NOIPS in 2022, on track to reach approximately 20% in 2024. Accretion in the quarter was hampered by the challenging weather in the UK&I, offset in part by the additional benefit of the recognition of deferred tax assets mentioned above.
Canadian operations	• Policy conversion in the broker channel, outside of specialty lines and Johnson, has been completed. • In direct distribution, 12% of Johnson's retail policies have converted to belairdirect thus far. Retention continues to be aligned with, or better than, historical RSA experience. Conversion of Johnson's affinity policies will begin in Q4-2023, with a focus on the customer journey and digital capabilities. Engagement with affinity partners similarly remains strong • The specialty lines conversions will begin in Q2-2023 by line of business and segment, with continued progress on product and vertical plan development. • In claims, nearly all RSA Canada claims are being handled by our internal adjusters, and 70% of files are handled by our in-house legal team. We completed the first claims conversion in Q4-2022 and will continue to convert claims through 2023.

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21.3 Global Specialty Lines (GSL)

- Our specialty lines results are embedded in the commercial operations of each segment (Canada – **Section 6**, UK&I – **Section 7** and US – **Section 8**).
- Specialty insurance is about focus and deep knowledge of a unique customer segment (such as marine, technology, entertainment and public entities) or product niche (such as surety, excess property, multi-national programs, management liability and cyber). These insurance products and services are offered through independent agencies, regional and national brokers, as well as wholesalers and managing general agencies.
- Each business unit is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment. Competitive factors for most of our insurance products are price, product terms and conditions, agency and broker relationships, claims service, company scale and financial stability.
- Through our platform in the US, Canada, the UK and Europe, we can access over 70% of the global specialty lines market, or an estimated \$375 billion in annual premiums. The market is highly fragmented, which brings significant opportunity to expand our capabilities and grow our profitability. Most recently, the RSA Acquisition was a key milestone in our transition from a North American to a truly global platform. Over the last 5 years, we have grown to over \$5 billion of premium, with over 20 different verticals across our geographies.
- We have a strong and growing portfolio of MGAs, bringing deep expertise in unique segments, a compelling customer value proposition and long-standing relationships in the industry.
- **In our strategic roadmap, we laid out GSL growth and profitability ambitions for the long term: to reach \$10 billion in operating DPW by 2030, performing at a sub-90 operating combined ratio.**



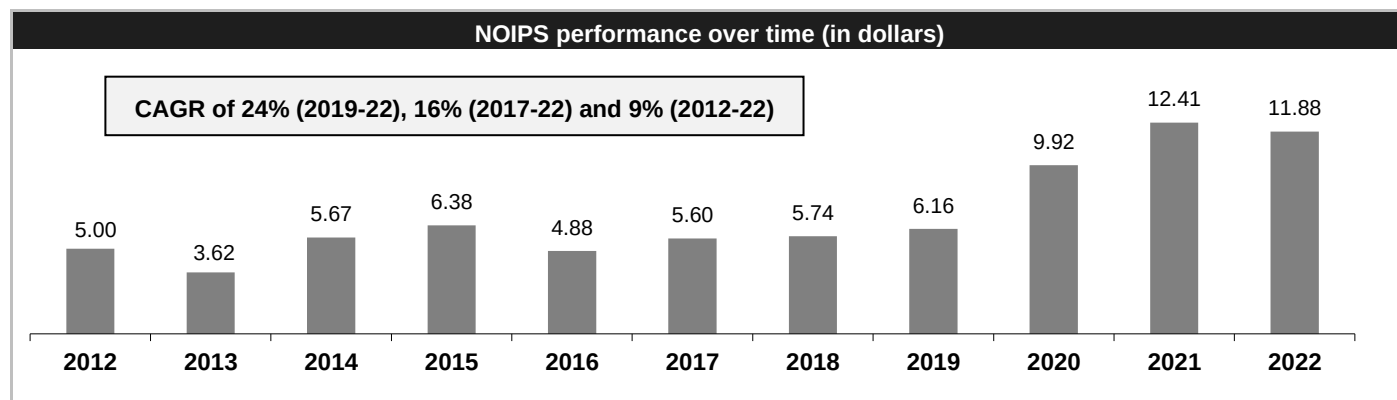
¹ Figures above have been aggregated, using management reports from each segment, and are based on the current definition of specialty lines, which may change over time. Combined ratio for Global Specialty Lines is undiscounted and excludes the impact of risk margin.

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Section 22 - Progress on our two financial objectives

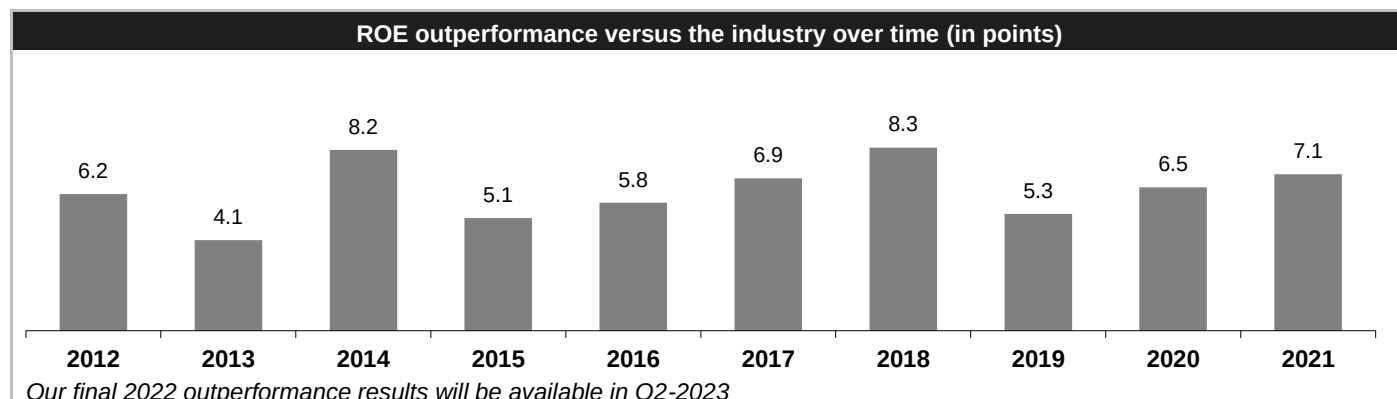
22.1 Grow NOIPS by 10% yearly over time



**10%
NOIPS
GROWTH
ANNUALLY
OVER TIME**

- Over the past 3 and 5 years, our NOIPS grew at a CAGR of 24% and 16% respectively, benefiting from strong underwriting and distribution results. We remain confident in our ability to grow NOIPS by 10% annually, over time.
- The RSA Acquisition has created significant value for our shareholders. We have achieved our target of high single-digit accretion in the first 12 months and expect to reach approximately 20% of accretion within 36 months.

22.2 Exceed industry ROE by 5 points



**500_{bps}
ANNUAL
ROE
OUTPERFORMANCE**

- During the last decade, we have exceeded the industry ROE by a yearly average of 640 basis points, better than our target. Furthermore, we have achieved our objective of exceeding the industry ROE by 500 bps in nine out of the last 10 years.
- In the past three years, we have exceeded the industry ROE by 630 basis points on average, with an average ROE of 15.8% compared to 9.5% for the industry, as our profitability actions in all lines of business were taken ahead of the industry.
- We continue to target 500 bps of ROE outperformance every year driven by our underwriting, claims, as well as capital and investment management activities.

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Section 23 - Climate change

At IFC, we are here to help people, businesses, and society prosper in good times and be resilient in bad times. This is our purpose, and it drives everything we do. As a leading P&C insurer on the front lines of climate change, we have taken a leadership role in strengthening society's climate resilience. For over a decade, we have been spearheading applied research and investing in community-level projects to demonstrate the concrete benefits of adaptation. In 2022 we launched our Climate Strategy, acknowledging that the decades ahead will also present opportunities to win as a business, and publicly committed to achieving Net Zero.

In the following sections on climate change, we outline our approach to governance (*Section 23.1*), how we manage physical and transition risk (*Section 23.2*), and our "help and win" strategic framework (*Section 23.3*). IFC's TCFD report (Taskforce for Climate-related Financial Disclosures) outlines these elements as well as our Scope 1, 2, and 3 emissions profile in greater detail, and is available in our annual Social Impact Report.

23.1 Governance

Climate change risk is reviewed in our Enterprise Risk Management (ERM)¹ process to ensure identification, assessment, response, monitoring and reporting of risks. Our Senior Management team, including our CEO, provides direct leadership on our strategy and advocates publicly for climate action with business associations, government officials, and regulators.

Our Chief People, Strategy and Climate Officer leads our Climate Strategy to ensure ongoing integration of climate change and climate risk management into our central strategy. Our newly formed climate team provides technical expertise, advisory services, and program management across the organization. Delivery of our Climate Strategy is also directly tied to executive compensation for all executives at Intact.

Within our Board of Directors², climate change is an integral accountability of the Board's Risk Management Committee (RMC) and Compliance Review & Corporate Governance Committee (CRGC). The RMC oversees the assessment and monitoring of the risks related to climate change. The CRGC oversees compliance and climate-related disclosures. The Board as a whole is engaged in shaping the strategy as well as oversight.

¹ See *Section 33- Enterprise Risk Management for more details*

² See *Section 31- Risk Management structure for more details on our Board of Directors and Committee structures*

23.2 Impact of climate change on our business

Since climate change increases risk in society, it also creates opportunities for insurers who are in the risk business. Over the years we continued to innovate our products and services to meet the growing demand for protection against weather-related loss and doing so with a track record of sustainable growth and profitability. It is through this lens that we should consider the impacts of climate change on our business, both as a threat but also as an opportunity.

As discussed in *Section 33.6 – Top and emerging risks that may affect future results*, the ERM Committee identified climate change as a top risk facing IFC. Below, we provide context on the practices we deploy to mitigate this risk.

Below, we lay out our approach to Physical and Transitional risks, which are inherently connected. The pace at which society is able to transition to a low-carbon and more resilient future will influence the impact and magnitude of Physical Risk.

Physical Risk

Assuming physical risk from our customers is core to our business. Our response to climate change has long been embedded in our strategy and our approach to risk management. Our approach to physical risk encompasses initiatives that we take in the short-to-mid-term, as well as actions with a longer-term horizon which are core to our climate strategy in itself. We use our expertise to keep pace with an evolving climate. To accomplish this, we have implemented ongoing underwriting initiatives to:

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Pricing & risk selection	- Re-price our products annually at renewal, given our policies are 12 months in duration. This ensures our charged prices are responsive to the latest weather-related trends which we assess and action in our property business quarterly. - Continuously invest in and redefine how we select and price risk with data and predictive analysis, leveraging the expertise of 500 experts across AI, machine learning, actuarial science, and data. - Reinsure certain risks to limit our losses in the event of a catastrophe or other significant weather-related losses. Below our catastrophe cover, we purchase specific treaties for business that is more exposed to major events and use facultative and per risk reinsurance to limit exposure on any one risk.
Product	- Continually evolve our products to account for new climate realities, such as unbundling our enhanced water damage product to make flood protection more accessible. - Transform our business to adapt to evolving climate risks. For example, we redesigned our personal property business to account for the increased risk of flood.
Supply chain & claims	- Capitalize on opportunity in climate change by expanding our supply chain capacity through the acquisition of On Side Restoration, one of the largest players in restoration in Canada. - Use actuarial tools to support the claims operations for rapid CAT assessment including the number of claims, nature of claims, geo-coded maps & supply-chain requirements.
Loss prevention	- Invest in a global loss prevention team with vast backgrounds including engineers, fire protection experts, sprinkler designers, brokers, claims adjusters, and underwriters. - Include weather alerts in our apps to proactively inform clients on preventive tips to protect their homes and avoid potential automobile accidents caused by bad weather conditions. - Use data to prevent losses. For example, our proprietary forecast system identifies properties at risk of roof collapse after snowfall. We offer customer subsidies to incentivize snow removal for loss prevention.
Enhanced Loss Modelling	- Enhance segmentation to understand evolving risks. Within Intact's Data Lab, the Centre for Climate and Geospatial Analytics (CCGA) uses weather, climate, and topographic data along with machine learning models to develop risk maps to assess risk to our underwriting portfolio. - Rely on specialized talent within the CCGA with expertise across meteorology, geomatics, data science, and actuarial science. - Set risk tolerances based on catastrophe model output and use it to determine pricing.

Transition Risk

The transition to a low-carbon future has the potential to negatively impact certain businesses, adding risk to the assets we hold and customers we insure in certain sectors. To mitigate this, we:

Intact Investment Management (IIM)	- Joined Climate Engagement Canada as a founding member, to drive dialogue with Canadian issuers about climate risks and opportunities. - Adopted and implemented positions on coal in 2020 and oil and gas in 2021, focused on supporting the energy sector transition to a low-carbon economy. - Will assess the climate disclosure and transition plans for all companies in our investment universe that: - generate more than 25% of revenue from thermal coal mining; - derive more than 25% of energy generation, revenue or net income from thermal coal; and - are included in the top GHG emitters from the oil and gas sector. - Will engage with investee companies who do not have satisfactory transition plans and expect tangible improvements.
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Intact Investment Management (IIM) (continued)	- Will remove companies who are non-responsive or do not provide evidence of progress on their transition plan from our investment universe within a communicated timeline. - In 2022, IIM portfolio managers held 125 meetings to engage in discussions on company climate resilience.
Transition Risk Assessment for Investments	- Enhanced our internal analysis and understanding of potential impacts of transition risk on specific industries within our asset portfolio, building on IFC's participation in recent Bank of Canada and Bank of England projects to explore the risks posed by climate change and test the resilience of the financial services sector. - Recognize the need for continued investment in data and modelling, given the stochastic and uncertain nature of climate risk analysis. - Confirmed the benefits of our diversified, high-quality portfolio as well as our investment policy to invest in companies with strong transition plans and remain ready to adjust our security selection, sector/segment allocation, and asset mix – as appropriate – when we see evolving climate risk trends.
Transition Risk Assessment for Underwriting	- Leverage our climate risk assessment framework for the underwriting process across commercial, personal and global specialty lines of business. - Hold our leaders accountable to identify, assess, measure and monitor climate risks and identify opportunities in our insurance business.

23.3 Climate Strategy

IFC actively plays a leadership role in strengthening climate resilience on the front lines – our communities. We created the Intact Centre on Climate Adaptation at the University of Waterloo in 2015, an applied research centre which works with homeowners, communities, governments, and businesses in Canada to reduce the risk of climate change through the incubation and mobilization of adaptation action. Our support of initiatives in climate adaptation accelerated in 2022 with total support for climate adaptation action surpassing \$25 million since 2010.

In April 2022, we launched our 5-part Climate Strategy which expands our focus beyond adaptation. It focuses on our expertise, scale, and resources to address societal challenges with climate change while looking to seize market opportunities for IFC. At the same time, we revised our strategic objectives to include our commitment to become Net Zero by 2050 across our business, and to halve our operations emissions by 2030.

Our plan for helping the transition to a low-carbon economy focuses on the following principles:

- We will help people, businesses, and society de-risk the transition to a sustainable future, by leveraging our strengths.
- We will take an inclusionary approach to supporting our stakeholders, not an exclusionary one.
- We will focus our actions on areas that maximize the overlap between helping and winning.

We will leverage our strengths and help society by:

- Committing to Net-Zero emissions by 2050 and halving operations emissions by 2030.
- Doubling down on helping people and society adapt to climate change.
- Leveraging our platform to shape behaviour.
- Helping to catalyze the transition by enabling the transformation and creation of industries.
- Collaborating with governments and industry to help accelerate climate action.

Highlights of our climate strategy progress can be found in our annual Social Impact Report.

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FINANCIAL CONDITION

Section 24 - Financial position

Total assets	Investment portfolio	BVPS growth for the last 12 months	Adjusted debt-to-total capital ratio
\$65 billion	\$36 billion	(2)%	21.2%

24.1 Balance sheets

Table 27 – Balance sheets

As at	Section	December 31, 2022	September 30, 2022	December 31, 2021
Assets				
Cash, cash equivalents		1,010	1,310	2,276
Short-term notes		1,786	1,580	516
Fixed-income securities		25,309	24,464	24,791
Preferred shares		1,421	1,477	1,847
Common equities		4,598	4,743	5,686
Investment property		476	503	634
Loans		1,001	952	930
Total investments	25	35,601	35,029	36,680
Premiums receivable		8,028	7,853	7,838
Reinsurance assets	26.2	5,709	5,291	5,616
Deferred acquisition costs		2,062	2,056	2,024
Intangible assets and goodwill		8,050	8,050	7,702
Other assets		5,509	6,180	5,647
Assets held for sale		-	-	842
Total assets		64,959	64,459	66,349
Liabilities				
Claims liabilities	26.1	25,144	24,512	25,116
Unearned premiums		11,997	12,001	11,703
Debt outstanding	28.3	4,522	4,796	5,229
Other liabilities		7,611	7,715	7,518
Total liabilities		49,274	49,024	49,566
Equity				
Common shares		7,542	7,541	7,576
Preferred shares		1,322	1,322	1,175
Contributed surplus		269	237	211
Retained earnings		7,352	7,679	6,183
AOCI		(1,085)	(1,629)	529
Equity attributable to shareholders		15,400	15,150	15,674
Equity attributable to NCI		285	285	1,109
Total equity		15,685	15,435	16,783
Total liabilities and equity		64,959	64,459	66,349

**IFRS 17
Effective Q1-2023**

- Upon transition to IFRS 17 on January 1, 2022, the preliminary impact to total equity attributable to common shareholders is an increase of approximately \$420 million (2.9%) (after-tax). The main driver of this increase is the deferral of additional indirect costs which were previously expensed as incurred. Refer to Section 37 – Accounting and disclosure matters.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 25 - Investments and capital markets**25.1 Strategic objectives**

Our approach to investment management continues to reflect our objective of:

- maximizing after-tax returns, while preserving capital and limiting volatility, based on our risk profile, and
- outperforming our peers' investment returns over the long-term, while ensuring policyholder protection and maintaining strong regulatory capital levels.

We continue to manage our investment portfolio to achieve these objectives via appropriate asset allocation and active management investment strategies, while minimizing the potential for large investment losses with diversification and limits on our investment exposures. Such limits are specified in our investment policies and are designed to be consistent with our overall risk tolerance. Management monitors and ensures compliance with our investment policies.

25.2 Capital market update

The war in Ukraine has caused instability in the global economy and markets. We have no direct investment exposure in Russia and Ukraine and are vigilant in our adherence to sanctions. The situation will continue to be closely monitored for any indirect impacts that could emerge, such as economic impacts and potential supply chain disruptions.

While the correlation between the performance of capital markets and the performance of our investment portfolio is not perfect, the following market indicators may be useful in understanding the overall performance of our investment portfolio.

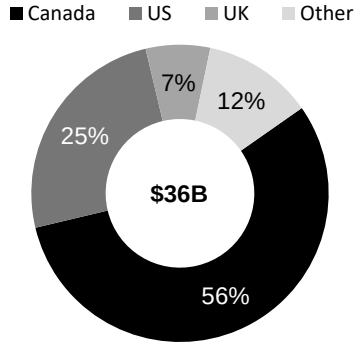
Table 28 – Selected market indicators

Selected market Indicators	Q4-2022	Q4-2021	2022	2021
Common shares				
S&P/TSX Composite	5%	6%	(9)%	22%
S&P/TSX Financials	2%	8%	(13)%	32%
DJ Dividend 100 Composite (US)	14%	9%	(7)%	26%
Preferred shares				
S&P/TSX Preferred Share Index	(5)%	-%	(22)%	14%
Fixed-income securities (estimated variance in bps)				
5Y Canada Sovereign Index	(14) bps	25 bps	221 bps	83 bps
5Y US Sovereign Index	(9) bps	30 bps	274 bps	90 bps
5Y UK Sovereign Index	(77) bps	17 bps	280 bps	47 bps
5Y AA Corporate spread	12 bps	9 bps	67 bps	19 bps
Strengthening (weakening) of:				
USD vs CAD	(2)%	-%	7%	(1)%
GBP vs CAD	6%	(0.5)%	(4)%	(0.4)%

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(in millions of Canadian dollars, except as otherwise noted)

25.3 Our portfolio remains of high quality

2022 Highlights	Investment portfolio by geography (country of incorporation)
- The \$0.6 billion increase in our investment portfolio during the quarter reflected a positive impact of lower market yields on fixed-income securities, positive market returns and a stronger UK pound sterling. Our fixed-income portfolio includes high quality Government and corporate bonds. Approximately 81% of our fixed-income portfolio was rated 'A-' or better as at December 31, 2022 (83% as at December 31, 2021). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was 'AA' as at December 31, 2022 and 2021. The average duration of our fixed-income portfolio was 3.41 years as at December 31, 2022 (3.52 years as at December 31, 2021). Our preferred share portfolio is made up of high-quality Canadian issuers. The weighted-average rating of our preferred share portfolio was 'P2' as at December 31, 2022 and 2021.	 ■ Canada ■ US ■ UK ■ Other \$36B 56% 25% 12% 7%

25.4 Investment portfolio net exposure

As part of our investment strategies, from time to time we take long/short equity positions in order to maximize the value added from active equity portfolio management, or to mitigate overall common share market volatility. We also use strategies where market risk from long common share positions is reduced through the use of swap agreements or other hedging instruments.

Our net exposure as at December 31, 2022 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below.

Table 29 – Investment mix (net exposure)

As at	December 31, 2022	September 30, 2022	December 31, 2021
By asset class			
Cash, cash equivalents, and short-term notes	10%	9%	9%
Fixed-income strategies	75%	74%	72%
Preferred shares	4%	4%	5%
Common equity strategies	7%	9%	9%
Investment property	1%	1%	2%
Loans	3%	3%	3%
By currency			
CAD	67%	68%	68%
USD	15%	14%	14%
GBP	14%	14%	14%
Other currencies	4%	4%	4%

Given current volatility in the markets, our asset mix is de-risked compared to previous quarter:

- Higher weight on cash, cash equivalents and short-term notes; and
- Equities exposure below target.

Our fixed income strategy remains the same: conservative credit exposure and stable interest rate duration.

The decrease in market value of our fixed income portfolio, driven by the increase in interest rates, has been offset by inflows from operations.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Net sectoral exposure

Table 30 – Sector mix by asset class, excluding cash, short-term notes and loans (net exposure)

As at	Fixed-income securities	Preferred shares	Common shares	Total Dec. 31, 2022	Total Sept. 30, 2022	Total Dec. 31, 2021
Government	38%	-	-	32%	31%	28%
Financials	25%	72%	23%	31%	32%	34%
ABS and MBS	14%	-	-	12%	11%	12%
Industrials	4%	-	8%	4%	4%	4%
Consumer staples	3%	-	11%	3%	3%	3%
Communication Services	2%	6%	8%	3%	3%	3%
Utilities	4%	12%	13%	5%	5%	5%
Consumer discretionary	2%	-	5%	2%	1%	2%
Energy	1%	10%	14%	2%	3%	3%
Materials	1%	-	7%	1%	1%	1%
Information technology	3%	-	3%	2%	3%	2%
Health care	3%	-	8%	3%	3%	3%
	100%	100%	100%	100%	100%	100%

- RSA's investment property portfolio is unlevered, diversified in terms of sectors (office, commercial and industrial) and geography within UK.
- Our structured debt securities comprised \$1,355 million of ABS and \$2,269 million of MBS as at December 31, 2022. Residential MBS and Commercial MBS make up respectively 45% and 55% of our MBS portfolio. Approximately 99% of these structured debt securities are rated 'A' or better. We continue to have no exposure to leveraged securities.

25.5 Net pre-tax unrealized gain (loss) on AFS securities

Table 31 – Net pre-tax unrealized gain (loss) on AFS securities

As at	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
Fixed-income securities	(1,160)	(1,266)	(912)	(543)	30
Preferred shares	(216)	(159)	(49)	109	171
Common shares	(113)	(339)	(193)	473	421
Net pre-tax unrealized gain (loss) position	(1,489)	(1,764)	(1,154)	39	622

Highlights

Unrealized loss position of \$1,489 million as of December 31, 2022, primarily due to mark-to-market losses on fixed-income securities, due to the increase in interest rates in all regions; as well as

- mark-to-market losses on equity securities, due to unfavourable equity markets in Q2-2022 and Q3-2022; and
- realized gains on equity securities recognized in net income in H1-2022, which led to an offsetting decrease in our unrealized gain position. See more details in *Table 19 – Net gains(losses) excluding FVTPL bonds*.

IFRS 9 Effective Q1-2023

- IFRS 9 will result in classification changes, whereby certain equity and fixed income instruments that were previously classified as AFS will now become FVTPL. Upon transition, approximately \$385 million after-tax of net unrealized losses will be reclassified from AOCI to Retained earnings with respect to these instruments.

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(in millions of Canadian dollars, except as otherwise noted)

25.6 Aging of unrealized losses on AFS common shares**IFRS 9**
Effective Q1-2023

- Given that our common shares will now be classified as FVTPL, it will no longer be necessary to impair them given that the change in their fair value will now be recorded through Net income. Though this will result in increased volatility to Net income, it will only impact the timing of the recognition of gains/losses, with no impact on BVPS or capital.

Table 32 – Aging of unrealized losses on AFS common shares

As at	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Less than 25% below book value	189	297	229	66	52
More than 25% below book value for less than 6 consecutive months	35	92	83	5	2
More than 25% below book value for 6 consecutive months or more, but less than 9 consecutive months	51	64	17	6	-
Unrealized losses on AFS common shares	275	453	329	77	54

Q4-2022 vs. Q4-2021	2022 vs. 2021
- We recorded \$37 million of impairment on AFS common shares, compared to \$4 million in Q4-2021, mainly due to their prolonged unrealized loss position. - Since AFS investments are measured at fair value on our balance sheet, impairment losses have no impact on our BVPS and capital position.	- We recorded \$83 million of impairment on AFS common shares, compared to \$85 million of impairment losses on AFS common shares in 2021, mostly related to a venture investment. - We recorded nil impairment on AFS debt securities, compared to \$7 million in 2021.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 26 - Claims liabilities and reinsurance

26.1 Claims liabilities

Under the current IFRS 4 standard, our claims liabilities are discounted using a rate that reflects the estimated market yield of the underlying assets backing the claims liability. We also apply a risk margin to our claims reserves. The main assumption underlying the claims liability estimates is that our future claims development will follow a similar pattern to past claims development experience. Claims liability estimates are also based on various quantitative and qualitative factors, including:

- average claims cost, including claim handling costs (severity);
- average number of claims by accident year (frequency);
- trends in claims severity and frequency;
- payment patterns;
- inflation, including social inflation;
- other factors such as expected or in-force government pricing and coverage reforms, and level of insurance fraud;
- discount rate; and
- risk margin.

The total claims reserve is made up of two main elements:

- reported claims case reserves, and
- incurred but not reported ("IBNR") reserves.

IBNR reserves supplement the case reserves by taking into account:

- possible claims that have been incurred but not yet reported to us by policyholders;
- expected over/under estimation in case reserves based on historical patterns; and
- other claims adjustment expenses or subrogation amounts not included in the initial case reserve.

Case reserves and IBNR should be sufficient to cover all expected claims liabilities for events that have already occurred, whether reported or not, taking into account the time value of money, using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities. IBNR and risk margin are reviewed and adjusted at least quarterly.

The discount is applied to the total claims reserve and adjusted on a regular basis for changes in market yields. If market yields rise, the discount would increase and reduce total claims liabilities and, therefore, positively impact underwriting income in that period, all else being equal. If market yields decline, it would have the opposite effect. MYA is excluded from the calculation of NOI and the related non-GAAP financial measures as it is not representative of our operating performance. **See Section 15 – Non-operating results** for more details on the impact of MYA on underwriting.

IFRS 17 Effective Q1-2023

- Upon transition to IFRS 17, we will continue to discount and apply a risk adjustment to our claims liabilities.
- Under IFRS 4, claims liabilities are discounted using a rate that reflects the estimated market yield of the underlying assets backing the claims liability. Under IFRS 17, the discount rate is now based on a reference portfolio of assets that reflects the characteristics and duration of the claims liabilities.
- The risk adjustment methodology is fairly aligned to our current risk margin methodology.
- The changes in both discount methodology and risk adjustment will generate a one-time benefit at transition but are not expected to have a significant impact over time.
- **These changes will not impact our fundamental approach to reserving.**

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(in millions of Canadian dollars, except as otherwise noted)

26.2 Reinsurance

In the ordinary course of business, we reinsure certain risks with other reinsurers to limit our maximum loss in the event of catastrophic events or other significant losses. Our objectives related to ceded reinsurance are capital protection, reduction in the volatility of results, increase in underwriting capacity and access to the expertise of reinsurers. The placement of ceded reinsurance is mainly on an excess-of-loss basis (per event or per risk), but some proportional cessions are made for specific portfolios. Ceded reinsurance complies with regulatory guidelines, including with respect to coverage limits for Canadian earthquake risk.

Annually, we review and adjust our reinsurance coverage to reflect our current exposures and our capital base. The most material component of our reinsurance program is the catastrophe treaty, for which we provide more detail below. *See Note 14 – Reinsurance to the Consolidated financial statements for further details on our reinsurance net retention and coverage limits by nature of risk.*

Corporate reinsurance program for multi-risk events and catastrophes

The catastrophe reinsurance program covers our global operations. Our approach for setting limits in each country is consistent with prior years. The following table summarises the net retention and coverage limits for multi-risk events and catastrophes.

Table 33 – Corporate reinsurance program for multi-risk events and catastrophes

As of January 1,	2023	2022
Canadian events (in million of CAD)		
Retention ¹	250	200
Coverage limits ²	6,400	7,200
US events (in million of CAD)		
Retention ¹	150	125
Coverage limits ²	1,300	1,225
UK events (in million of GBP)		
Retention ¹	125	75
Coverage limits ²	1,600	1,350

¹ Excludes reinstatement premium, tax impacts and co-participations between the retention level and coverage limit.

² Represents the ground up limit before co-participations and retention level.

January 1, 2023

- For Canadian events, the coverage limit before co-participations is \$6.4 billion for 2023, which is smaller than the \$7.2 billion for 2022. The lower coverage limit reflects reductions in earthquake exposure in British Columbia.
- As an illustration of the capacity of our 2023 reinsurance program, as at January 1, 2023, the retained cost of a 1 in 500-year earthquake event in Canada would represent around 5 points of combined ratio (3 points in 2022), pre-tax, based on latest exposures. The retained cost includes our \$250 million retention plus reinstatement premiums and co-participations. We have recently undertaken initiatives to reduce our exposure to an earthquake event (including the wind-down of the CNS business), and as such, we expect the retained cost to reduce to about 4 points of combined ratio progressively over the next three quarters.
- For UK&I and US events, we have increased our coverage limit for 2023 to reflect changes in our exposures including inflationary impacts.
- We have increased our catastrophe retentions in 2023 to reflect reinsurance market conditions.

In line with industry practice, our reinsurance recoverables with licensed Canadian reinsurers are generally unsecured as Canadian regulations require these reinsurers to maintain minimum asset and capital balances in Canada to meet their Canadian obligations, and claims liabilities take priority over the reinsurer's subordinated creditors. We have collateral in place to support amounts receivable and recoverable from unregistered reinsurers.

We ensure our placement of reinsurance is diversified to avoid excessive concentration to a specific reinsurance group. We are selective with respect to our choice of reinsurers, placing reinsurance with only those reinsurers having a strong financial condition.

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Section 27 - Employee future benefit programs

We currently offer defined benefit ("DB") pension plans, defined contribution ("DC") pension plans, as well as other pension-related savings plans to our employees. As a Best Employer, these pension offerings are valuable components of our total employee rewards package and are designed to be competitive to attract and retain talent.

In Canada, we provide flexible pension plan benefits to current employees. Employees have the choice between three DB options and one DC option, and this choice can be modified every five years. To protect the long-term financial sustainability of the DB plans, the employee contribution level has been adjusted in recent years to maintain cost-sharing aligned with the interest rate environment.

In the UK&I, we have DB pension plans, which were closed to new entrants in 2002 and subsequently closed to future accruals in March 31, 2017. We provide DC pension plans to current employees.

In the US, we provide a 401(k) plan to our employees.

Across all jurisdictions, we also sponsor legacy DB pension plans, which are closed to future accruals for existing members, post-retirement benefit plans to a limited number of active employees and retirees, post-employment benefit plans to employees on disability, as well as end-of-service indemnities to certain employees.

Overall, our DB pension plans are well funded. We continuously manage the risks related to our net DB pension asset (liability) to reduce volatility that stems from both the DB pension obligation and assets by considering and executing strategies such as:

- opportunistic annuity purchases;
- asset diversification;
- asset-liability matching to hedge against interest rate, inflation and credit risks; and
- longevity swaps

The DB pension plans are recognized as an asset, when plans are in a net surplus position, or as a liability, when plans are in a net deficit position. The net DB pension position and buy-in annuity contracts by country are summarized below.

Table 34 – Selected pension indicators

As at	December 31, 2022		December 31, 2021	
	Canada	UK&I ¹	Canada	UK&I ¹
Fair value of plan assets	3,040	9,480	3,736	16,094
DB pension obligation	(2,898)	(8,939)	(3,739)	(14,830)
Other net surplus remeasurements ²	(8)	(180)	(24)	(435)
Net DB pension asset (liability)	134	361	(27)	829
Pension asset mix				
Debt securities	1,440	9,541	1,935	17,567
Buy-in annuity contracts	1,021	43	793	46
Common shares	805	37	1,220	1,020
Derivatives	(9)	(30)	37	1,801
Other ³	(217)	(111)	(249)	(4,340)
Accounting funding ratio (funded plans)	109%	106%	106%	109%

¹ Based on the latest actuarial valuations, there is a continuation of current funding arrangements of approximately £75 million per year plus expenses and regulatory levies for the UK DB pension plans.

² Includes a 35% authorized surplus payments charge related to UK DB pension plans as it does not fall within the meaning of IAS 12 and the impact of the asset ceiling related to certain Canadian DB pension plans.

³ Includes cash and cash equivalents, securities sold under repurchase agreements, investment property and other.

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The fair value of buy-in annuity contracts fluctuates based on changes in the associated DB obligation. As at December 31, 2022, the fair value of buy-in annuity contracts purchased in 2021 was of \$618 million (\$793 million – December 31, 2021) and those purchased in 2022 was of \$403 million. In total, our buy-in annuity contracts represent over 90% of the retiree exposure and over a third of the total pension obligation in Canada.

In the UK, significant steps have been taken over recent years to substantially de-risk the plans from return seeking assets such as equities into bonds and other asset classes that produce a stable stream of cashflows that match the obligation. In addition, the plans have significant hedging strategies in place including the use of interest rate, inflation rate and longevity swaps to mitigate the risk of market movements adversely impacting the financial position. Market conditions and funding levels are also monitored dynamically on an ongoing basis to identify opportunities for further de-risking.

UK markets continued to be volatile during Q4-2022. The pension surplus position of the UK&I of \$361 million as at December 31, 2022 decreased by \$527 million compared to September 30, 2022. This was driven primarily by the significant tightening in long-dated AA credit spreads, impacting the rate used to discount our pension obligation, with only a partial offset provided by the shorter-dated corporate bonds held in the plans. AA spreads remain elevated relative to prior year, with the year-to-date deterioration in surplus being driven largely by the significant increases in interest rates.

See Note 30 – Employee future benefits to the Consolidated financial statements and Section 33 – Enterprise Risk Management for further details.

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Section 28 - Capital management**28.1 Our capital management framework*****Capital management objectives***

Capital management is a vital part of the financial management of the Company and is aligned with its strategy and business plan. Capital is managed on a group basis as well as individually for each operating subsidiary.

Our objectives when managing capital consist of:

- maximizing long-term shareholder value by optimizing capital used to operate and grow the Company; and
- maintaining strong regulatory capital levels, to ensure policyholders are well protected and the probability of breaching regulatory minimum requirements is very low.

Group capital position

Capital management at a group level focuses on optimizing overall capital within the various subsidiaries and ensuring there are sufficient liquid resources to support regulatory capital requirements, debt obligations, the payment of shareholder dividends, acquisitions and other business purposes.

The capital strength of the group is measured by the Total Capital Margin. Total capital margin includes capital in excess of the internal CALs for insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities, less any ancillary own funds committed by the Company. CALs represent the thresholds below which regulator notification is required together with a company action plan to restore capital levels. These thresholds are reviewed annually as part of risk management practices.

Capital deployment strategy

Any deployment of capital is executed within the context of the stated capital management objectives and only after careful consideration of the impact on the Company's risk metrics. We tend to keep higher levels of capital margin when we foresee growth or actionable opportunities in the near term.

Capital deployment will be considered in the context of the following capital management priorities:

Manage volatility	• The Company will maintain an adequate capital margin to ensure that it is sufficiently capitalized to withstand an acceptable level of insurance and/or market shocks.
Manage leverage	• Prudent debt leverage is an important component of our capital structure. We target a 20% adjusted debt-to-total capital ratio. • Leverage may increase temporarily to support value creation from M&A opportunities, with the goal to return to the target within a two- to three-year time horizon.
Increase common shareholder dividends	• Common shareholder dividend payments are reviewed annually. The Company seeks to maintain a sustainable dividend payout level, with the intention of annually increasing common shareholder dividends.
Invest in growth	• Investing in growth opportunities continues to be a key pillar of the Company's strategy. The Company may use a portion of the capital margin for acquisitions or other growth opportunities.
Share buybacks	• Where there is excess capital and no actionable growth opportunities on the near- to medium-term horizon, we may consider share buybacks as a capital management tool. • Key considerations in any share buybacks include our estimate of intrinsic value and impacts on NOIPS, ROE and BVPS.

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Regulatory capital

Our capital levels may vary over time depending on our evaluation of risks and their potential impact on capital. In addition, it is our practice to complete our risk appetite requirement by maintaining funds within the holding companies but actual amounts may vary from time to time.

The amount of capital in any particular company or country depends upon the Company's internal assessment of capital adequacy in the context of its risk profile and strategic plans, as well as local regulatory requirements. The Company's objective is to maintain the capitalization of its regulated operating subsidiaries above the relevant minimum regulatory capital requirements in the jurisdictions in which they operate (referred to as regulator supervisory minimum levels).

Canada	- Our federally chartered Canadian P&C insurance subsidiaries are subject to the regulatory capital requirements defined by OSFI and the Insurance Companies Act, while our Québec provincially chartered subsidiaries are subject to the requirements of the AMF and the Act respecting insurance. - Federal and Québec regulated P&C insurers are required, at a minimum, to maintain a MCT ratio of 100%. - OSFI and the AMF have also established a regulator supervisory target capital ratio of 150%, which provides a cushion above the minimum requirement.
UK&I	- RSA's UK&I operations are subject to regulation and supervision by the Prudential Regulation Authority ("PRA"), as well as other regulators at a subsidiary level. - UK&I operations use an internal model compliant with the Solvency II regime enacted in the UK and approved by the PRA to calculate the SCR. - The coverage ratio represents total Eligible Own Funds over the SCR as determined by the internal model.
US	- Our US insurance operations are subject to regulation and supervision in each of the states where they are domiciled and licensed to conduct business. - State insurance departments have established the insurer solvency laws and regulatory infrastructure to maintain accredited status with the National Association of Insurance Commissioners ("NAIC"). - A key solvency driven NAIC accreditation requirement is a state's adoption of RBC requirements.

Regulatory capital guidelines change from time to time and may impact our capital levels. We carefully monitor all changes, actual or proposed.

IFRS 17 Effective Q1-2023	- In July 2022, OSFI issued the final MCT 2023 guidelines to adapt the MCT calculation for the new accounting standards coming into effect January 1, 2023 (IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments). - Based on our assessment of regulatory capital, we expect our capital position in Canada to remain broadly stable under IFRS 17. For the other jurisdictions in which we are regulated, the regulatory capital calculations are independent of IFRS 17. - Overall, the new standards are not expected to change our overall capital framework and how we manage capital.
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Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

28.2 Maintaining a strong capital position

Capital position

All our regulated P&C insurance subsidiaries are well capitalized by jurisdiction.

Table 35 – Estimated aggregated capital position

As at	Regulatory capital ratios	CAL	December 31, 2022	September 30, 2022	December 31, 2021
Total capital margin					
Canadian regulated entities			1,005	763	908
UK & International regulated entities			725	901	1,025
US regulated entities			560	451	638
Holding Companies			89	375	320
Consolidated total capital margin			2,379	2,490	2,891
Regulatory capital ratios					
Canadian regulated entities	MCT	168% ¹	197%	188%	206%
UK & International regulated entities ²	SCR	120%	175%	188%	180%
US regulated entities	RBC	200%	388%	357%	448%
Adjusted debt-to-total capital ³ (Table 60)			21.2%	22.5%	23.0%
Total leverage ratio^{3,4} (Table 60)			30.3%	31.7%	33.2%

¹ The average CAL for all regulated Canadian insurance entities is 168% MCT. The CAL varies by legal Canadian entity. The change in CAL reflects the revision of RSA Canada's internal target as the integration process matures.

² Indicated CAL and coverage figures are for Royal & Sun Alliance Insurance Limited which includes all UK & International insurance subsidiaries.

³ See Section 36 – Non-GAAP and other financial measures for more details.

⁴ Including debt, preferred shares and hybrids.

Total capital margin highlights

Total capital margin stood at a strong \$2.4 billion as at December 31, 2022, reflecting a solid capital position amidst a volatile global environment.

- Total capital margin slightly decreased over the quarter, as expected. This was driven by strong underwriting results and a broadly positive impact of market related fluctuations, tempered by the repayment of the US senior notes and some downward pressure in the UK&I capital position, as a result of hardening reinsurance markets and adverse weather.
- Total capital margin has decreased over the year. Solid operating results combined with the proceeds from the sale of Codan DK has made possible significant deleveraging, and drove a decrease of 1.8 points to the adjusted debt-to-total capital and 2.9 points to the total leverage ratio. Other contributing items included the unfavourable impact of market movements on capital, the share buy back program and distribution investments, including the Highland acquisition.

Aggregate regulatory capital levels by jurisdiction are well above minimum regulatory targets.

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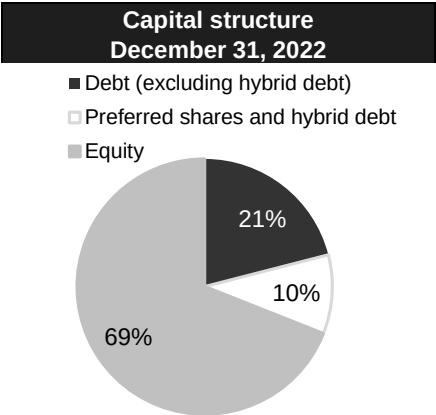
28.3 Managing leverage

We believe that our optimal financing structure is one where:

- the adjusted debt-to-total capital ratio is broadly at 20%; and
- approximately 10% of our total capital is comprised of preferred shares and hybrids.

We classify hybrids with preferred shares since they are convertible to preferred shares *pari passu* to our existing preferred shares in case of default or bankruptcy and include an interest payment deferral option, whereby payments can be delayed for a period of up to five consecutive years.

Our financing is composed of a well diversified array of funding instruments, from short-term commercial paper, bank debt, Medium term notes, Subordinated notes, preferred shares and common shares. These are spread across the maturity ladder to allow for deleveraging opportunities and mitigate against refinancing and interest rate risk.



- The weighted-average debt maturity is 12 years as at December 31, 2022 (11 years as at December 31, 2021). This excludes commercial paper, which has no maturity, and hybrid debt, which are classified with preferred shares.
- The weighted-average debt coupon is 2.89% (after-tax) as at December 31, 2022 (2.17% after-tax as at December 31, 2021). This includes commercial paper and term loans.
- The weighted-average preferred share coupon is 4.65% (after-tax) as at December 31, 2022 (4.50% after-tax as at December 31, 2021). This includes hybrid debt.

For acquisition purposes and other special transactions, we allow for temporary increases in the adjusted debt-to-total capital ratio above our targeted level when we have good visibility on our ability to return to 20% in the short to medium term. As at December 31, 2022, our adjusted debt-to-total capital ratio was at 21.2%, slightly above our targeted level.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Financing activities in 2022		
Q1-2022	\$150 million preferred share issuance	- On March 15, 2022, we completed the issuance of 6,000,000 Class A Series 11 Preferred Shares (the "Series 11 Preferred Shares"), at a price of \$25 per share, for aggregate gross proceeds of \$150 million. - The proceeds of this offering were used to partially fund the redemption of the RSA's Tier 1 notes.
	Redemption of Tier 1 notes	- On March 28, 2022, RSA's Tier 1 notes were redeemed at their first call date for the principal amount of SEK 2,500M and DKK 650M, for a total redemption amount of approximately \$450 million. - The Tier 1 redemption was funded using the bank term loan of \$350 million and the issuance of Series 11 Preferred Shares.
	\$350 million bank term loan	- On March 28, 2022, we entered into a 9-month bank term loan facility agreement of \$350 million at a rate of CDOR plus 25bps. - On May 2, 2022, the bank term loan was repaid using the proceeds from the sale of Codan DK to Alm Brand A/S Group.
Q3-2022	Term Loan	- On July 29, 2022, we entered into a third USD term loan agreement for an amount of \$241 million (US\$188 million). The proceeds were used for the Highland acquisition. - This term loan was refinanced with the Series 14 unsecured medium-term notes (see below).
	Series 14 Unsecured Medium-Term Notes (USD)	- On September 22, 2022, we completed an offering of \$674 million (US\$500 million) of Series 14 unsecured medium-term notes in USD through a private placement in Canada and in the United States. These notes bear interest at an annual rate of 5.459% and mature on September 22, 2032. - The net proceeds received have been used to reimburse the third USD term loan of \$254 million (US\$188 million) on September 22, 2022, the first USD term loan of \$107 million (US\$80 million) on September 29, 2022, as well as the 2012 US senior notes of \$372 million (US\$275 million) on November 9, 2022.
Q4-2022	NCIB program	- On February 17, 2022, we commenced a NCIB to purchase for cancellation during the next twelve months up to 5,282,458 common shares, representing approximately 3% of IFC issued and outstanding common shares as of February 8, 2022. - From February 17, 2022 to December 31, 2022, a total of 824,990 shares were repurchased under the NCIB program at an average price of \$182 per share for a total consideration of approximately \$150 million. - Subsequent to year end, on February 7, 2023, the Board authorized the renewal of the NCIB for the repurchase of up to 3% of the Company's issued and outstanding common shares over the subsequent 12-month period, subject to TSX approval.
	Commercial paper program	- As of December 31, 2022, we had \$135 million outstanding (\$439 million as of December 31, 2021), with weighted-average maturity of 37 days and weighted average annual rate of 4.42%. - This program represents an effective short-term funding vehicle. We expect to continue using commercial paper to manage short-term liquidity needs.
	\$1.5 billion credit facility	- As at December 31, 2022, there was \$2 million drawn under the credit facility (nil as at December 31, 2021). - The credit facility serves as a guarantee for the Commercial paper program. As at December 31, 2022, an amount of \$135 million is reserved on the credit facility for this program and as a result, cannot be drawn.
	Series 1 Preferred shares	On December 1, 2022, we communicated our intention not to redeem our Series 1 Preferred Shares and proceed with the rate reset. As such, holders of Series 1 Preferred Shares could have elected to convert their shares into Series 2 Preferred Shares on a one-for-one basis on December 31, 2022. However, given that the minimum amount of 1,000,000 shares required to be tendered for conversion was not met, none of the Series 1 Preferred Shares were converted to Series 2 Preferred Shares. The Series 1 Preferred Shares now yield a 4.841% dividend rate.

See Note 20 – Debt outstanding and Note 21 – Common shares and preferred shares of Consolidated financial statements for more details.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Financing activity in 2022

The table below represents an overview of the financing activity in 2022 and their impact on the adjusted debt-to-total capital ratio.

Table 36 – Financing activity

Financing	Debt outstanding (excluding hybrid debt) ^{1, 2}	Adjusted total capital ²	Adjusted debt-to-total capital ratio ²
As at December 31, 2021	4,982	21,698	23.0%
Commercial paper	(304)	(304)	(1.1)%
Credit facility	2	2	-%
Tier 1 notes	-	(510)	0.5%
Preferred shares	-	147	(0.2)%
NCIB program	-	(150)	0.2%
Term Loans			
Issuance of third USD Term loan	241	241	0.9%
Repayment of first USD Term loan	(107)	(107)	(0.4)%
Repayment of second USD Term loan	(615)	(615)	(2.3)%
Repayment of third USD Term loan	(254)	(254)	(1.0)%
Series 14 Medium-Term Notes USD	667	667	2.6%
2012 US Senior Notes redemption	(372)	(372)	(1.4)%
Other movements	35	(236)	0.4%
As at December 31, 2022	4,275	20,207	21.2%
Reconciliation to the most comparable GAAP measures			
Hybrid subordinated notes ¹	247		
Debt outstanding¹	4,522		
Total capital³		20,207	

¹ Debt is presented at carrying value. See Note 20.1 – Summary of debt outstanding to the Consolidated financial statements² See Section 36 – Non-GAAP and other financial measures for more details.³ Total capital represents the sum of Debt outstanding and Total equity, as reported under IFRS.

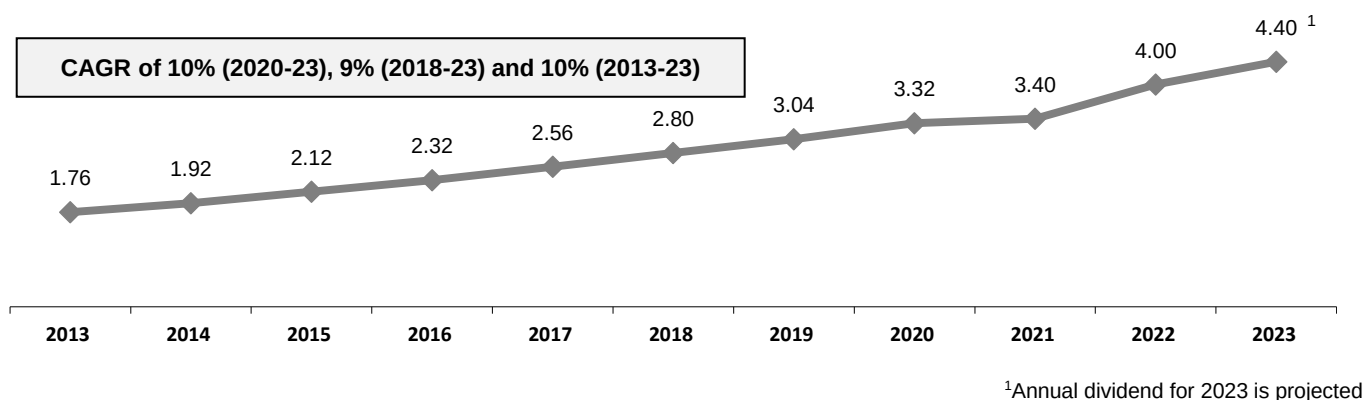
Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

28.4 Common shareholder dividends

2023: our 18th consecutive dividend increase

- We strive to maintain our dividend track record through sustainable annual dividend increases. We have increased our common share dividends each year since going public.
- The decision to increase our dividends by another 10% to \$1.10 per quarter in 2023 reflects the strength of our financial position and confidence in our ongoing operating earnings and capital generation. This represents the 18th consecutive increase in dividend since our initial public offering (IPO).



28.5 Ratings

Independent third-party rating agencies assess our insurance subsidiaries' ability to meet their ongoing policyholder obligations ("financial strength rating") and our ability to honour our financial obligations ("senior unsecured debt rating"). Ratings are an important factor in establishing our competitive position in the insurance market, mainly in commercial insurance, and accessing capital markets at competitive pricing levels. Our objective is to maintain stable investment grade ratings at all times.

Table 37 – Ratings

	A. M. Best	DBRS	Moody's	Fitch
Financial strength ratings				
IFC's principal Canadian P&C insurance subsidiaries	A+	AA(low)	A1	AA-
RSA Canadian entities	not rated	AA(low)	A1	AA-
Intact Insurance Specialty Solutions (US regulated entities)	A+	AA(low)	A2	AA-
RSA Insurance Group UK&I	A	AA(low)	A2	AA-
Senior unsecured debt ratings				
IFC	a-	A	Baa1	A-
Intact Insurance Specialty Solutions (US regulated entities)	a-	A	Baa2	A-
RSA Insurance Group plc.	Not rated	A	Baa1	A-

2022 Ratings highlights

- On October 14, 2022, DBRS Morningstar changed its outlook trend on Intact Financial Corporation from stable to positive.
- On December 14, 2022, A.M. Best reaffirmed RSA Insurance Group UK&I's financial strength rating of A with a stable outlook.
- On December 20, 2022, Fitch reaffirmed IFC's financial strength rating of AA- with a stable outlook.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

28.6 Book value per share

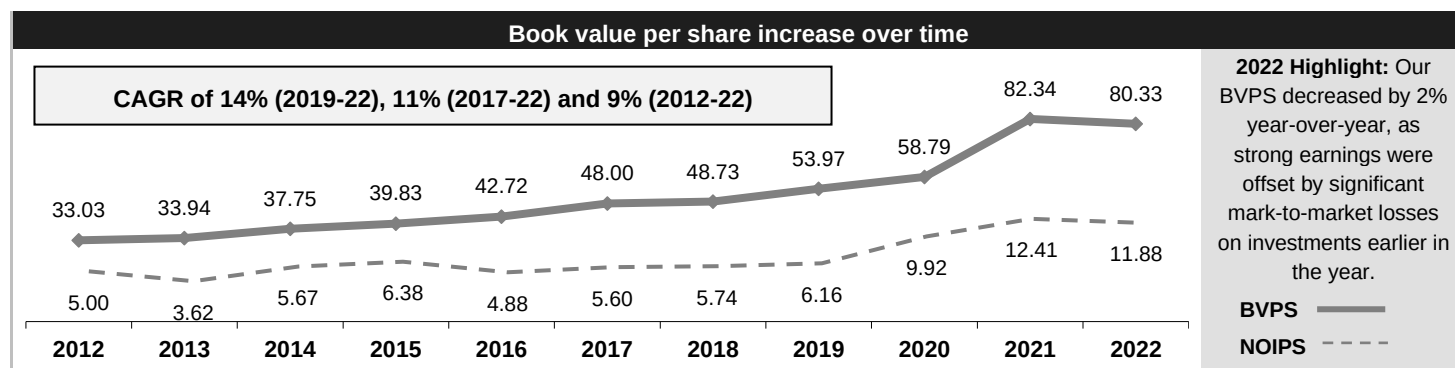


Table 38 – Evolution of BVPS (in dollars)

As at December 31,	Q4-2022	2022	2021
BVPS, beginning of period	78.90	82.34	58.79
Net income			
NOIPS, basic and diluted	3.34	11.88	12.41
After-tax non-operating gains (losses)	(1.08)	1.58	(0.01)
Net income attributable to common shareholders (EPS)	2.26	13.46	12.40
Other comprehensive income (loss)			
Impact of market movements on AFS securities ¹	2.29	(9.34)	0.62
Foreign exchange impact	0.74	(0.01)	0.02
Net actuarial gains (losses) on employee future benefits	(3.12)	(2.32)	1.67
Cash flow hedge impact	-	(0.03)	-
Net impact from common shares issued/ (repurchased)	(0.01)	(0.45)	12.13
Dividends on common shares	(1.00)	(4.00)	(3.40)
Other ²	0.27	0.68	0.11
BVPS, end of period	80.33	80.33	82.34
Period-over-period increase	2%	(2)%	40%

¹ Reflects the realized gains and losses reclassified from AOCI to Net income.

² Includes share-based payments.

Q4-2022 BVPS highlights

- **Solid EPS contribution of \$2.26** reflected a robust operating performance, offset in part by realized net investment losses caused by recent volatility in capital markets.
- **Gain on AFS securities of \$2.29 per share**, representing 3% of our BVPS, included the following positive impacts:
 - An increase of **\$0.84 from gains on fixed-income securities**, caused by a decrease in bond yields, particularly in the UK; and
 - An increase of **\$0.70 relating to our equity investments**, driven by positive market returns
 - An increase of **\$0.74 from additional deferred tax assets recognized**, relating to the unrealized loss position on our AFS bond portfolio in the UK&I, which is expected to reverse over time (see [Section 16 – Income taxes](#) for more details).
- **Foreign exchange gain of \$0.74 per share**, due to the strengthening of the UK pound sterling of 6% in the quarter, offset in part by a 2% weakening of the US dollar.
- **Decrease of \$3.12 per share relating to the OCI movement of our pension plans**, mainly due to a significant tightening in long-dated AA credit spreads in the UK (see [Section 27 – Employee future benefits programs](#) for more details).

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(in millions of Canadian dollars, except as otherwise noted)

28.7 Understanding our cash flows

Cash flows used in operating activities mainly consist of insurance premiums less claims and expense payments, plus investment income. Cash is used to pay dividends on common and preferred shares. Cash may also be deployed for strategic purposes like business acquisitions, investments in brokerage firms and share buybacks, or to repay outstanding financing. Cash inflows in excess of these outflows are moved to our investment portfolio to generate additional investment income in the future.

Table 39 – Cash flows

	Q4-2022	Q4-2021	Change	2022	2021	Change
Net cash flows provided by operating activities	928	894	34	3,665	3,146	519
Cash flows generated from (deployed on):						
Business combination, net of cash acquired ¹	-	-		(239)	(11,076)	10,837
Proceeds from the sale of businesses, net of cash disposed ¹	-	-		1,295	7,209	(5,914)
Proceeds from issuance of debt, net of issuance costs ²	(1)	1	(2)	1,258	1,815	(557)
Repayment of debt ²	(372)	(73)	(299)	(1,700)	(1,429)	(271)
Borrowing (repayment) on the credit facility and commercial paper ²	107	(33)	140	(302)	439	(741)
Proceeds from issuance of common shares and preferred shares, net of issuance costs	-	-	-	146	4,263	(4,117)
Repurchase of common shares for cancellation	(1)	-	(1)	(150)	-	(150)
Repurchase of common shares for share-based payments	(5)	(5)	-	(112)	(81)	(31)
Dividends on common shares and preferred shares	(191)	(213)	22	(762)	(679)	(83)
Dividends to non-controlling interests	(7)	13	(20)	(24)	(27)	3
Redemption of non-controlling interests	-	14	(14)	(450)	-	(450)
Proceeds from (purchases of) brokerages and other equity investments, net	(35)	(23)	(12)	(235)	(102)	(133)
Purchases of intangibles and property and equipment, net	(119)	(106)	(13)	(411)	(327)	(84)
Payment of lease liabilities	(27)	(27)	-	(111)	(97)	(14)
Payment of contingent consideration related to a business combination	-	-	-	-	(15)	15
Net cash inflows (outflows) before the following:	277	442	(165)	1,868	3,039	(1,171)
Proceeds from investment sales (purchases), net	(602)	(1,168)	566	(3,156)	(1,676)	(1,480)
Net increase (decrease) in cash and cash equivalents	(325)	(726)	401	(1,288)	1,363	(2,651)
Cash and cash equivalents at the beginning of the period	1,310	3,014	(1,704)	2,276	917	1,359
Exchange rate difference on cash and cash equivalents	25	(12)	37	22	(4)	26
Cash and cash equivalents at end of the period³	1,010	2,276	(1,266)	1,010	2,276	(1,266)

¹ See Note 5 – Business combinations and disposals to the Consolidated financial statements for details.

² See Section 28.3 – Managing leverage for details.

³ Net of bank overdraft.

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(in millions of Canadian dollars, except as otherwise noted)

Q4-2022 Cash flows highlights

We have sufficient capital resources, cash flows from operating activities and borrowing capacity to support our current and anticipated activities, scheduled principal and interest payments on our outstanding debt, the payment of dividends and other expected financial commitments in the near term.

We hold cash and cash equivalents at the parent holding company level, Intact Financial Corporation, and within our wholly owned operating subsidiaries. As at December 31, 2022, Intact Financial Corporation (our parent holding company) had \$4 million of cash and cash equivalents (\$126 million as at December 31, 2021).

The decrease of \$122 million on the balance of cash and cash equivalents since December 31, 2021, was mainly driven by:

- capital outflow of \$1,163 million from investing, financing and treasury activities;
- capital return of \$852 million to our common shareholders (including dividends and NCIB program); and
- corporate expenses of \$197 million (including preferred shares dividends)

partially offset by:

- proceeds of \$1,183 million from the sale of Codan DK; and
- capital inflow of \$907 million from our wholly owned operating subsidiaries

28.8 Contractual obligations

Table 40 – Contractual obligations

As at December 31, 2022	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Principal repayment on notes outstanding	4,522	135	1,355	3,032
Interest payments on notes outstanding	2,774	166	594	2,014
Claims liabilities ^{1,2}	25,607	10,590	12,312	2,705
Leases ³	1,196	205	522	469
Investments ⁴	854	854	-	-
Financial liabilities related to investments ⁵	189	180	-	9
Pension obligations ⁶	754	133	533	88
Other financial liabilities ²	5,312	4,431	608	273
Other commitments ⁴	425	202	217	6
Total contractual obligations	41,633	16,896	16,141	8,596

¹ Undiscounted value, including incurred but not reported reserves. Excludes periodic payment orders.

² Refer to Note 10.5b) – Financial liabilities by contractual maturity to the Consolidated financial statements for details.

³ Includes fixed payments, reduced by any incentives receivable, as well as operational costs and variable lease payments.

⁴ See Note 34 – Commitments and contingencies to the Consolidated financial statements for details.

⁵ See Note 7 – Financial liabilities related to investments to the Consolidated financial statements for details.

⁶ Represent the expected benefit payments for funded and unfunded plans. See Section 27 – Employee future benefits program and Note 30 – Employee future benefits to the Consolidated financial statements for details.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 29 - Foreign currency management**29.1 Foreign currency rates**

We operate principally in the Canadian, UK and US P&C insurance markets. We are exposed to foreign currency impacts from translating foreign currency denominated transactions to Canadian dollars.

Table 41 – Foreign currency rates

	As at		Average rates for the periods			
	Dec. 31, 2022	Dec. 31, 2021	Q4-2022	Q4-2021	2022	2021
Foreign currency vs CAD						
USD	1.354	1.265	1.357	1.261	1.302	1.254
GBP	1.637	1.710	1.594	1.699	1.607	1.724
EUR	1.449	1.439	1.386	1.440	1.370	1.483
DKK	0.195	0.193	0.186	0.194	0.184	0.197

The change in foreign currency rates presented above has impacted some of our key performance indicators as follows, in Canadian dollars, for 2022:

- On DPW, it had an unfavourable impact of approximately \$220 million.
- On underwriting income, it had an immaterial net impact.
- On NOIPS, it had an unfavourable impact of less than \$0.10.

29.2 Currency hedging**Net investment hedges** (previously book value hedges)

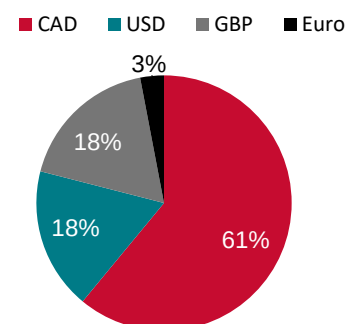
- We protect our book value from currency risk arising from our ownership of non-Canadian entities by hedging foreign currency. The hedging is done using foreign currency forward contracts and cross-currency swap agreements as per our internal risk appetite.

Operational/ cash flow hedging

- As part of regular operations, we can from time to time enter into derivative contracts to hedge expected future cash flows in different currencies to protect against exchange rate volatility.

See Note 8 – Derivative financial instruments and Note 10.1 b) – Exposure to currency risk to the Consolidated financial statements for more details.

Net exposure by currency
(as a % of common shareholders' equity)
December 31, 2022



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(in millions of Canadian dollars, except as otherwise noted)

RISK MANAGEMENT

Section 30 - Overview

We have a comprehensive risk management framework and internal control procedures designed to manage and monitor various risks in order to protect our business, clients, employees, shareholders, regulators and other stakeholders. Our risk management programs aim at mitigating risks that could materially impair our financial position, accepting risks that contribute to sustainable earnings and growth and disclosing these risks in a full and complete manner.

Effective risk management rests on identifying, understanding and communicating all material risks we are exposed to in the course of our operations. In order to make sound business decisions, both strategically and operationally, management must have continual direct access to the most timely and accurate information possible. Either directly or through its committees, the Board of Directors ensures that our management has put appropriate risk management programs in place. The Board of Directors, directly and in particular through its Risk Management Committee, oversees our risk management programs, procedures and controls and, in this regard, receives periodic reports from, among others, the Risk Management Department through the Chief Risk Officer, internal auditors and the independent auditors. A summary of our key risks and the processes for managing and mitigating them is outlined below.

The risks described below, and all other information contained in our public documents, including our Consolidated financial statements, should be considered carefully. The risks and uncertainties described below are those we currently believe to be material, but they are not the only risks and uncertainties we face. If any of these risks, or any other risks and uncertainties that we have not yet identified, or that we currently consider to be not material, actually occur or become material risks, our business prospects, financial condition, results of operations and cash flows could be materially adversely affected.

While we employ a broad and diversified set of risk mitigation and risk transfer techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes.

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(in millions of Canadian dollars, except as otherwise noted)

Section 31 - Risk management structure



Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

The Board of Directors is responsible for the oversight of risk management to ensure that risks are properly measured, monitored and reported. In this regard, the Board is supported by its Risk Management Committee, which covers enterprise-wide risks. In addition, we have an internal Enterprise Risk Committee composed of senior executives.

The Board and Committee structures are reviewed periodically to align with best practices, applicable laws and regulatory guidelines on corporate governance.

Board of Directors	Main responsibility is to oversee our management of business and affairs, including our pension funds. In this regard, the Board establishes policies, reporting mechanisms and procedures in view of safeguarding our assets and ensuring our long-term viability, profitability and development.
Risk Management Committee	Assists the Board of Directors with its oversight role with respect to our management in order to build a sustainable competitive advantage, by fully integrating the Enterprise Risk Management policy into all of our business activities, strategic planning and our subsidiaries and operations, including our pension funds.
Compliance Review and Corporate Governance (CRCG) Committee	Ensures a high standard of governance, compliance and ethics in our Company, including our pension, funds and that we meet our legal requirements and engage in best practices as determined by the Board of Directors. In this regard, the CRCG Committee oversees our governance framework and that of our pension funds, our compliance framework, our compliance programs which includes related party transactions ("RPT"), our market conduct programs and policies, as well as the implementation of corporate compliance initiatives.
Human Resources and Compensation Committee	Assists the Board of Directors in fulfilling its governance supervisory responsibilities for strategic oversight of our human capital, including organizational effectiveness, succession planning and compensation and the alignment of compensation with our philosophy and programs consistent with our overall business objectives.
Audit Committee	Assists the Board of Directors with its oversight of the integrity of our financial statements and financial information, the accounting and financial reporting process, the qualifications, performance and independence of the external auditors, the performance of the internal audit function and the quality and integrity of internal controls.
Enterprise Risk Committee	The Enterprise Risk Committee (the "ERC") is an enterprise-wide executive committee with a mandate to assist the Board and Senior Management with their responsibilities of managing and providing risk oversight on the operations of the Company. The ERC was established to support the Chief Executive Officer (the "CEO") and the Chief Risk Officer (the "CRO") in the matters of: - Formulating the risk strategy and setting and monitoring of the risk appetite and the key risk metrics, including monitoring performance of the Group relative to the risk appetite, aiming for the right balance between risk, return, and capital. Recommending risk appetite to the Risk Management Committee of the Board ("RMC") and the Board for approval. - Identification, management, and reporting to the RMC of the principal risks facing the Company, including periodic review and evaluation of the top risks and emerging risks profiles. The principal risks include strategic risk, insurance risk, financial risk, and operational risk. - Overseeing actions to address material risks out of appetite and monitoring progress towards returning to within appetite, including oversight of the key risk mitigation function of business continuity. - Risk governance, including the development of risk owned policies and frameworks, including the Enterprise Risk Management Policy. - Promoting and reinforcing a culture of risk awareness throughout the Company.
Other committees	We have other committees responsible for managing, monitoring and reviewing specific aspects of risk related to our operations, investments, profitability, insurance operations, security, capital allocation and business continuity. Further details follow on how these committees operate, ensure compliance with laws and regulations and report to the Enterprise Risk Committee.

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Section 32 - Corporate governance and compliance program

We believe that sound corporate governance and compliance monitoring related to legal and regulatory requirements are paramount for maintaining the confidence of different stakeholders including our shareholders. Legal and regulatory compliance risk arises from non-compliance with the laws, regulations or guidelines applicable to us as well as the risk of loss resulting from non-fulfillment of a contract. We are subject to strict regulatory requirements and detailed monitoring of our operations in all states, provinces and territories where we conduct business, either directly or through our subsidiaries. Our corporate governance and compliance program is built on the following foundations:

32.1 Corporate governance and compliance program

Corporate governance ensuring compliance with laws and regulatory requirements			
Sound corporate governance standards	Effective disclosure controls and processes	Sound corporate compliance structures and processes	Specialized resources independent from operations
The Board of Directors and its committees are structured in accordance with sound corporate governance standards. Directors are presented with relevant information in all areas of our operations to enable them to effectively oversee our management, business objectives and risks. The Board of Directors and the Audit Committee periodically receive reports on all important litigation, whether in the ordinary course of business where such litigation may have a material adverse effect, or outside the ordinary course of business.	Disclosure controls and processes have been put in place so that relevant information is obtained and communicated to senior management and the Board of Directors to ensure that we meet our disclosure obligations, while protecting the confidentiality of information. A decision-making process through the Disclosure Committee is also in place to facilitate timely and accurate public disclosure, including compliance in accordance with requirements of Canadian Securities Administration National Instrument 52-109.	Effective corporate governance depends on sound corporate compliance structures and processes. We have established an enterprise-wide Compliance Policy and framework including procedures and policies necessary to ensure adherence to laws, regulations and related obligations. Compliance activities include identification, mitigation and monitoring of compliance/reputation risks, as well as communication, education, and activities to promote a culture of compliance and ethical business conduct.	To manage the risks associated with compliance, regulatory, legal and litigation issues, we have specialized resources reporting to the EVP & Chief Legal Officer, that remain independent of operations. The EVP & Chief Legal Officer reports to the Board of Directors and its committees on such matters, including with respect to privacy and Ombudsman complaints. We also use third party legal experts and take provisions when deemed necessary or appropriate.

While senior management has ultimate responsibility for compliance, it is a responsibility that each individual employee shares. This is clearly set out in our core Business Values and Code of Conduct and employees sign a confirmation that they have reviewed and complied with them annually.

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(in millions of Canadian dollars, except as otherwise noted)

Section 33 - Enterprise Risk Management

33.1 Mandate

The enterprise risk management strategy is designed to provide the link between the Company’s strategies and our risk appetite and to articulate how we manage risk to achieve our strategic objectives. As such, our overarching risk strategy, which is the ERM mandate, is to oversee the Group’s risks and objectively challenge the Group’s risk management activities, while ensuring that appropriate actions are taken to protect our clients, employees, shareholders, and other stakeholders. The following mission statement outlines how we achieve our mandate:

Build a sustainable competitive advantage by fully integrating enterprise risk management into our business activities and strategic planning

Prevent and mitigate risks related to various areas that could impede the achievement of our business and strategic objectives

Protect IFC’s reputation and safeguard the company from financial losses

33.2 Guiding Principles

Our business strategies and capital management decisions are tied to the risks the company is prepared to accept, manage, mitigate, or avoid. The ERM function reports to the Board on capital level sufficiency to support planned business operations in line with our risk appetite. Based on the alignment and governance provided by the development of our own expertise in risk management, and by the best practices and governance models we establish the enterprise risk management framework to support the ongoing assessment of risk and develop risk management policies and processes to manage and minimize systemic risks in the organization.

As such, to facilitate our ERM objectives, the following principles apply across the organization:

- Risk is an essential part of the decision-making process
- Transparency and communication of our risks and incidents is essential
- Approach to risk management is systematic, structured, and timely
- The risk management process facilitates continuous improvement

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(in millions of Canadian dollars, except as otherwise noted)

33.3 A shared responsibility

Managing risk is a shared responsibility at Intact. The three lines of defence model is employed to clearly identify the roles and responsibilities of those involved in the risk management process and ensure accountability. On-going collaboration and clear communication across the lines of defence are paramount to fostering alignment and optimal risk management.



33.4 Risk Appetite

How do we manage corporate risk?

From a risk management perspective, our objective is to protect the sustainability of our activities, while delivering on our promises to our stakeholders. To do so, we strive to maintain our financial strength, even in unpredictable environments or under extreme stress. We take a prudent approach to managing risk, and the following principles help us establish the nature and scope of risks we are willing to assume:

- we focus on our core competencies;
- we keep our overall risk profile in check;
- we protect ourselves against extreme events;
- we promote a strong risk management culture; and
- we maintain our ability to access capital markets at reasonable costs.

Consult our website for a more detailed discussion of our Risk Appetite under the Corporate Governance section.

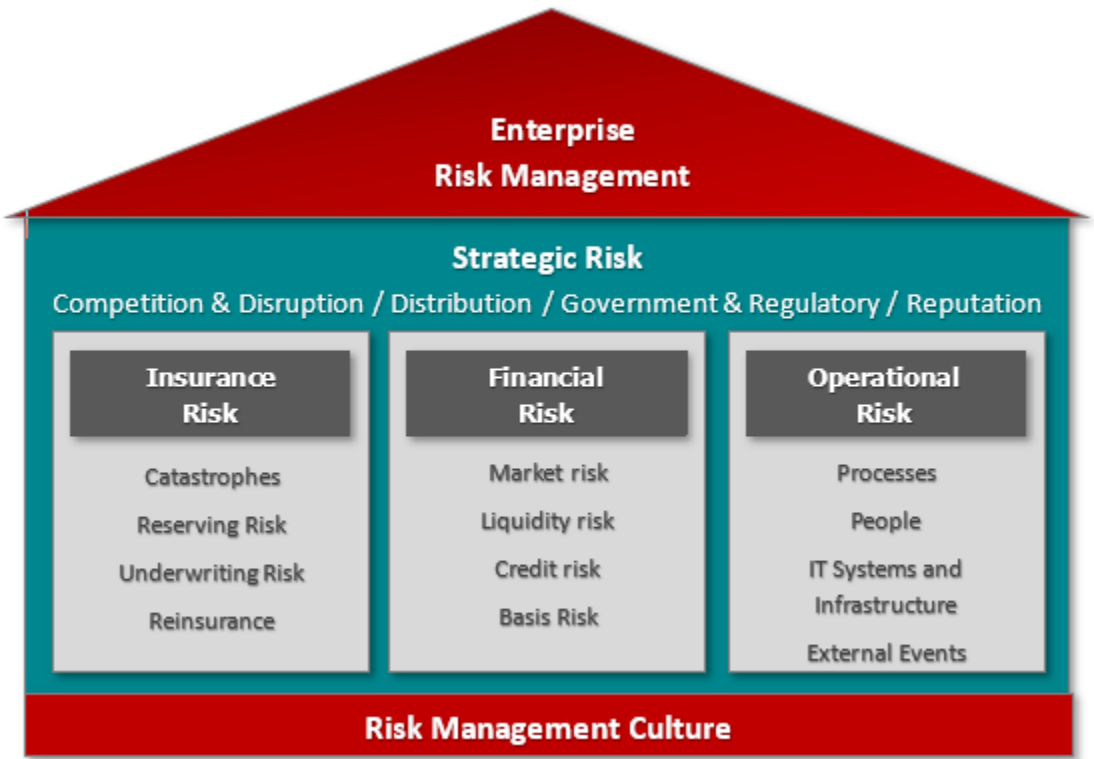
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33.5 Main risk factors and mitigating actions

Our practice is to regularly identify our top risks, assess the likelihood of occurrence and evaluate the potential impacts should they materialize both in terms of financial resources and reputation. We also consider potential emerging risks that are newly developing or changing risks which are inherently more difficult to quantify.

We then determine mitigation plans and assign accountability for each risk if deemed appropriate given our overall assessment, our risk appetite, and our business objectives.

Our risks are separated into four main categories: Strategic Risk, Insurance Risk, Financial Risk and Operational Risk.



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33.6 Top and emerging risks that may affect future results

Each year the Enterprise Risk Committee identifies the top risks facing the Company. The following section presents the top and emerging risks identified with the most severe potential impact. In assessing the potential impact for each of the top risks, the presence and effectiveness of risk mitigation activities are taken into consideration. Our main risk factors together with our practices used to mitigate these risks are explained below.

Following the RSA Acquisition, the Company has added exposure to new geographies and expanded the range of products it offers. This results in enhanced diversification across segments and geographies.

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Major earthquake		Insurance risk
Risk we are facing		
The occurrence of a major earthquake may produce significant damage in large, heavily populated areas.		
Potential impact	How we manage this risk	
The occurrence of a major earthquake could have a significant impact on our profitability and financial condition and that of the entire P&C insurance industry in Canada. Depending on the magnitude of the earthquake, its epicentre and the extent of the damage, the losses could be substantial even after significant reinsurance recoveries of IFC and RSA treaties. There could also be significant additional costs to find the required reinsurance capacity upon further renewals. In addition, we could be subject to increased assessments from the P&C Insurance Compensation Corporation (PACICC) leading to further costs if other insurers are unable to meet their contractual obligations with their clients.	Our risk management strategy consists of regular monitoring of insured value accumulation and concentration of risks. We use earthquake risk models to help assess our possible losses at various return periods and use reinsurance to transfer a substantial amount of risk. Consequently, the diversification of risk among an appropriate number of reinsurers is vital for us. <i>See Section 26.2 – Reinsurance for more details on our reinsurance program.</i>	
	We also purchase a prudent amount of catastrophe reinsurance beyond regulatory requirements to transfer a significant portion of this risk. The modelled 1-in-500 year probable maximum loss (PML) for an earthquake event in Western Canada, net of reinsurance and taxes, has an impact of -5.3% of BVPS as at January 1, 2023.	
	During 2022, we announced the wind-down of CNS business. In addition, we implemented further product measures in both personal and commercial lines to reduce exposure to a Western Canada earthquake. These measures will result in a significant reduction in gross earthquake exposure from the end of Q3 2022 until the end of Q3 2023 (we estimate a reduction of approximately 1% over that time frame).	

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Climate change risk	Insurance risk
Risk we are facing As a property and casualty insurer, a core element of our business is to assume physical climate risk from our customers. Changes in the climate may have a material impact on the Company's risk profile in several ways. Physical risk has been affecting our property and auto insurance business due to changing climate patterns and an increase in the number and cost of claims associated with severe storms and other natural disasters. Changing weather patterns have resulted in hotter, drier weather in some areas and more humid, wetter weather in other areas. The result has been more unpredictability in weather and increasingly severe storms. Transition risk is the risk inherent in the transition to a low-carbon and more climate-resilient economy, involving changes in government policies, the legal environment, technologies and financial markets. Awareness of the potential risk continued to increase this year with several examples of large institutional investors shifting away from carbon-intensive sectors. Liability risk is the risk of climate-related claims under liability policies. Compensation could be sought for losses resulting from the physical or transition risks outlined above. Although in its very early stages globally, climate-related litigation could increase with implications for certain liability coverages.	
Potential impact The most significant climate change risks we face include physical risk related to our insurance products and transition risk related to our investments. <u>Physical risk</u> Underwriting: Weather patterns could continue to change and impact on the likelihood and severity of natural catastrophes, such as wildfires and flooding in the west and heavy precipitation and hurricanes in the east. The impact of climate change may result in increased earnings volatility and negatively affect our property and automobile insurance results, which collectively contribute to a majority of our total annual premiums. Two examples of severe storms in 2022 include the Derecho (windstorm) in Quebec and Ontario in May and Hurricane Fiona in the Atlantic region in September. These types of events may become more frequent and/or severe as a result of climate change. Operations: Could disrupt our operations, should severe weather events affect our premises or the premises of any outsourced business functions. <u>Transition risk</u> Investments: The risk could lead to a decline in the valuation of assets we hold in certain sectors that are vulnerable to transition risk. Furthermore, the exposure to carbon-intensive sectors or companies could result in the perception of disregard towards a greener economy and increase reputational risk for insurers who underwrite these risks.	How we manage this risk <u>Physical risk</u> Underwriting: To address this risk, we have ongoing initiatives including pricing and product changes to reflect new climate realities, regular reviews of claims processes and a greater focus on consumer loss prevention. Many initiatives have been implemented over the last several years including the expanded use of deductibles and sub-limits, segmentation refinement, the introduction of depreciation schedules in personal property insurance across Canada, and the supply chain enhancement with the acquisition of On Side Restoration. These initiatives help mitigate, to some extent, P&C insurance losses resulting from water damage and harsh weather. As climate risk continues to evolve, and given that it is subject to uncertainty, we are continuously developing or acquiring new modelling tools to help better assess risks from weather patterns. We input weather, climate and topographic data into machine learning models to develop and adapt risk maps used to assess weather perils such as flood and wildfire. <i>See Section 23 – Climate change for more details on our initiatives and ongoing management related to the risks of climate change.</i> In addition, our reinsurance program offers protection against unexpected weather-related catastrophe events, <i>see Section 26.2 – Reinsurance for details on our reinsurance program.</i> Changes in the cost and/or availability of reinsurance can significantly impact our ability to manage the risk associated with physical climate change. <u>Transition risk</u> Investments: Intact Investment Management (IIM) developed a Coal Policy and engaged portfolio companies on climate change. Existing holdings that exceed thresholds stated in our Policy are evaluated based on their energy transition plan. In 2022, IIM released its position on investing in Oil & Gas companies. We will divest from companies that do not have a satisfactory plan which helps mitigate transition risk in our investment portfolio.

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Catastrophe risk (excluding earthquake risk)	Insurance risk
<i>Risk we are facing</i> Catastrophe events include natural disasters and non-natural events. - There is a wide variety of natural disasters that are mainly weather-related including but not limited to hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, severe winter weather and forest fires. In addition, natural disasters could originate from outer space including solar storms and asteroid strikes. - Non-natural catastrophe events include but are not limited to hostilities, terrorist acts, riots, explosions, crashes and derailments, and wide scale cyber-attacks. Despite the use of sophisticated models, the incidence and severity of catastrophe events are inherently unpredictable. The extent of losses from a catastrophe event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophe events are restricted to small geographic areas; however, hurricanes and other storms may produce significant damage in large, heavily populated areas. Catastrophe events can cause losses in a variety of P&C insurance lines. <i>Potential impact</i> Claims resulting from natural or non-natural catastrophe events could cause substantial volatility in our financial results and could materially reduce our profitability or harm our financial condition. <u>Non-natural catastrophe risk</u> We offer cyber risk insurance to our commercial customers. We may be adversely affected by large-scale cyber-attacks that simultaneously compromise the systems of many of our insureds. In addition, we have exposure to terrorism risk through our specialty business. Terrorism can take many forms and both our property and workers' compensation policies may be affected by an event.	<i>How we manage this risk</i> - Underwriting segmentation through the use of detailed maps (flood, hail, etc.). - Country diversification through uncorrelated catastrophe events helps mitigate our overall exposure. We monitor our peak catastrophe exposures in all our main markets. - Location and exposure data is monitored and provides effective control over geographic risk accumulation. <u>Natural catastrophe risk</u> Some of the risk mitigations referred to in the section above on climate change risk also mitigate the catastrophe risk. With the assistance of third-party models, we model a range of natural catastrophes across all the main jurisdictions in which we operate. The modelled aggregate 1-in-100 year probable maximum loss (PML), net of reinsurance and taxes has an incremental impact of -6.1% of BVPS. <u>Non-natural catastrophe risk</u> To help mitigate the risks associated with our cyber risk insurance product, we generally focus on small to medium-size companies with relatively modest policy limits. We leverage both external and internal cyber catastrophe modelling scenarios to assess our exposure. We purchase reinsurance specifically to transfer some of the risk in the event a large-scale cyber-attack triggers a high volume of claims. In addition to private reinsurance, we also participate in the US federal government terrorism insurance backstop (TRIPRA), which mitigates our exposure under certain circumstances as outlined in US federal legislation and we also participate in the UK government-backed pool reinsurance facility, which limits our retention to terrorism-related risks.

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Increased competition and disruption		Strategic risk
Risk we are facing We believe that competition in our business lines is based on price, service, commission structure, product features, financial strength and scale, ability to pay claims, ratings, reputation and name or brand recognition. We compete with a large number of domestic and foreign insurers as well as with Canadian banks that sell insurance products. Disruptors with lower costs and/or better technology could enter our markets and quickly accumulate market share. These firms may use business models that are different than ours and sell products through various distribution channels, including aggregators, brokers and agents who sell products exclusively for one insurer and directly to the consumer. We compete not only for business and individual customers, employers and other group customers but also for brokers and other distributors of investment and insurance products. We distribute our products primarily through a network of brokers and a great part of our success depends on the capacity of this network to be competitive against other distributors, including direct insurers and web aggregators, as well as our ability to maintain our business relationships with them. These brokers sell our competitors' insurance products and may stop selling our insurance products altogether. Strong competition exists among insurers for brokers with demonstrated ability to sell insurance products. In the UK market, aggregators have a strong presence leading to increased competition in the personal insurance market. Aggregators are a common feature of the UK auto environment which increases competition on products and pricing.		
Potential impact Intense competition for our insurance products could harm our ability to maintain or increase our profitability, premium levels and written insured risk volume. The entrance of a sophisticated player or disruptor in the market could shift methods for purchasing insurance and challenge our distribution model. The use of information technology in the distribution and pricing of insurance products (e.g. telematics, the use of Big Data, etc.) has increased over the last several years and this trend is expected to continue in the near future. Artificial intelligence is another area that is gaining much attention and could have a material impact on the insurance industry. Potential disruptors may use these technologies more effectively than us or there may be negative reputational consequences arising from our initiatives. Demutualization and further consolidation in the Canadian P&C industry remains likely which may result in an erosion of our competitive advantage. The evolution of customer preferences for different distribution channels or alternate business models (e.g. peer-to-peer insurance) could lead to a material decline in our market share. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of brokers that choose to sell our insurance products. In addition, our strategy of distributing through the direct channel may adversely impact our relationship with brokers who distribute our products.	How we manage this risk There are a number of initiatives that we have presented to our customers to mitigate the risk of competition and disruption including, but not limited to: • Our multi-channel distribution strategy including the broker channel, direct distribution brands and web platforms, enhances our ability to adapt to evolving conditions in the insurance market. We have established close relationships with our independent distributors by providing them with advanced technology, as well as training to help strengthen their market position. We closely monitor pricing gaps between our various channels and manage the different channels under different brand names including BrokerLink, our wholly owned broker network. • We are promoting our brands with a focus on using web and mobile technology to reach consumers. US activities now operate under the North American Intact Insurance Specialty Solution name. • We are constantly streamlining and simplifying the experience in our direct distribution channel. As a result, we have seen a drop in our expense ratio ensuring that we can compete on affordability. • We are insourcing part of our claim supply chain process to differentiate ourselves from a cost and customer experience perspective. With the acquisition of On Side Restoration, we have now vertically integrated an important supply chain vendor. We have established innovative service centres in major Canadian cities to provide an unmatched customer experience in auto repair. We have also deployed digital tools to accelerate claims settlement and enhance communication with our customers. • We are investing in our Data Lab and our large team of experts. We use artificial intelligence and machine learning in a variety of business applications to acquire and retain more profitable clients (e.g. usage-based insurance).	

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Turbulence in financial markets		Financial risk
Risk we are facing Movements in interest rates, credit spreads, foreign exchange rates, inflation rates, and equity prices cause changes in realized and unrealized gains and losses. Generally, our interest and dividend income will be reduced during sustained periods of lower interest rates. During periods of rising interest rates, the fair value of our existing fixed-income securities will generally decrease and our realized gains on fixed-income securities will likely be reduced or result in realized losses. Changes in credit spreads would have similar impacts as those described above for changes in interest rates. Severe deflation or unexpected and sustained inflation could materially impact both our assets and liabilities, including our employee defined benefit pension plans. There was a resurgence of inflation rates during 2021 and 2022, and central banks responded by rapidly increasing interest rates to contain inflation. Consequently, we experienced a dramatic rise in interest rates and a decline in equity markets during 2022. <i>See Section 25.2 – Capital markets update.</i>		
Potential impact Changes in the market variables mentioned above could adversely affect our investment income and/or the market value of our securities. In addition to the risk related to investments discussed previously, an economic downturn and/or increase in the inflation rate would have a significant impact on the funded status of our defined benefit pension plans. Consequently, this could impact our financial condition. General economic conditions, political conditions, social unrest, COVID-19 variants and many other factors can also adversely affect the equity markets and, consequently, the fair value of the equity securities we own and ultimately affect the timing and level of realized gains or losses. Our preferred share portfolio depreciates in value as a result of negative developments in interest rates, credit or liquidity markets. Our fixed income portfolio may experience defaults resulting in impairments and lower income prospectively.	How we manage this risk While our strategy is long-term in nature, it is regularly reviewed to adapt to the investment environment when necessary, especially in times of turbulence and increased volatility, such as the COVID-19 crisis. We closely monitor concentration across and within asset classes and ensure that exposures remain within the risk tolerance stated in our investment policy. Periodically, we employ risk mitigation measures such as changes to our strategic asset mix, hedging of interest rate, foreign exchange, or equity risk and increased holdings in cash. These actions serve to reduce exposures in the investment portfolio and decrease the sensitivity of our regulatory capital ratios to financial market volatility. In 2022, our investment portfolio remains defensive with a higher allocation to cash than usual and lower equity exposure than our target investment policy allocation. Regular stress testing of our investment risk exposures assists management in assessing the overall level of financial risk and helps to ensure that exposures remain within established risk tolerances. These stress tests help assessing whether our financial risk exposure requires any adjustments. The Company's exposure to financial risk arising from its financial instruments together with the Company's risk management policies and practices used to mitigate it are explained in our Consolidated financial statements. Consult the following sections for more information.	
Reference to our Consolidated financial statements		
Market risk/Interest risk <i>Notes 10.1 and 10.2</i>		Credit risk <i>Note 10.4</i>
Basis risk <i>Note 10.3</i>		Liquidity risk <i>Note 10.5</i>

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Reserving Inadequacy	Insurance risk
Risk we are facing Our success depends upon our ability to accurately assess the risks associated with the insurance policies that we write. We establish reserves to cover our estimated liability for the payment of all losses and loss adjustment expenses ("LAE") incurred with respect to premiums collected or due on the insurance policies that we write. Reserves do not represent an exact calculation of a liability. Rather, reserves are our estimates of what we expect to be the ultimate cost of resolution and administration of claims. These estimates are based upon various factors, including: • actuarial projections of the cost of settlement and administration of claims reflecting facts and circumstances then known; • estimates of trends in claims severity and frequency; • judicial theories of liability; • variables in claims handling procedures; • economic factors such as inflation; • judicial and legislative trends, and actions such as class action lawsuits and judicial interpretation of coverage or policy exclusions; and • the level of insurance fraud. The effects of the COVID-19 pandemic continues to bring an additional level of uncertainty to these factors when estimating reserves. Potential impact Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our ability to accurately assess the risks of the policies that we write. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer and additional lags between the time of reporting and final settlement of claims. The effects of the COVID-19 pandemic related to emerging coverage issues and claims, including certain class actions relating to business interruption coverage and related defence costs, as well as other indirect claims could negatively impact our claims reserves. The following factors may have a substantial impact on our future actual losses and LAE experience: • amounts of claims payments; • expenses that we incur in resolving claims; • legislative and judicial developments; and • changes in economic variables such as interest rates and/or inflation. To the extent that actual losses and LAE exceed our expectations and the reserves reflected in our Consolidated financial statements, we will be required to reflect those changes by increasing our reserves. In addition, government regulators could require that we increase our reserves if they determine that our reserves were understated in the past. When we increase reserves, our earnings before taxes for the period will decrease by a corresponding amount. In addition, increasing or strengthening reserves causes a reduction in our P&C insurance subsidiaries' regulatory capital. <i>See Section 26.1 – Claims liabilities for more details.</i>	How we manage this risk Establishing an appropriate level of reserves is an inherently uncertain process. We continually refine our reserve estimates in an ongoing process as claims are reported and settled. Our broader international exposure enhances diversification and reduces the potential impact of overall reserve inadequacy. Our reserve review committees scrutinize reserves by business segment, analyze trends and variations in losses to ensure that we maintain a sufficient level of claims reserves and recommends adjustments when necessary. Claims and Reserving teams also closely monitor severity trends for inflation, particularly on short tail lines. There are several class-action lawsuits over our business interruption coverage. Most commercial policies, except in very limited instances, do not provide for business interruption coverage in the context of a closure due to COVID-19 since direct physical damage is required to trigger this coverage. COVID-19 business interruption case law continues to evolve in our favour, strengthening our position on reserving by providing additional confidence in our policy language. During 2022, we've been closely monitoring the impact of inflation on our claims and making appropriate adjustments to our reserves, particularly in short-tail lines of business, to help mitigate the risk of adverse development.

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Underwriting Inadequacy	Insurance risk
Risk we are facing Product design and pricing risk is the risk that the established price is or becomes insufficient to ensure an adequate return for shareholders as compared to our profitability objectives. This risk may be due to an inadequate assessment of market needs, new business context, a poor estimate of the future experience of several factors, or the introduction of new products that could lead to higher than expected insured losses.	
Potential impact Pricing inadequacy may lead to material declines in underwriting results and/or deficient reserves. In addition, the increase in frequency and/or severity of claims could also create pressure on profitability. The following factors could deviate claims from expected levels: • deterioration of the economy; • unexpected cost inflation; • inadequate segmentation; • misestimation of replacement costs; • unclear wording; • deviation from underwriting guidelines. COVID-19 brings uncertainty related to potential exposure to the level of direct losses in lines such as business interruption and indirect losses in specialty lines. Surety losses may increase as a result of the potential weakening of the economy, which may result in client bankruptcies.	How we manage this risk Our profitability committees review the results of each business line and determine if appropriate action is required in terms of product design or pricing to remediate poor underwriting performance. These committees also review our portfolio quality and the evolution of our pricing versus internal rate indications to ensure ongoing rate adequacy. We have ongoing monitoring and action to mitigate inflation. On Side Restoration's size and scale helps mitigate the impacts of inflation on our Canadian insurance results. The inflation impact was also tempered by the increase in salvage value in auto claims. We do not write multi-year policies and the short-term nature of our business allows us to implement timely action to mitigate inflation that impacts our claim costs. Supply chain agreements also help mitigate this risk. We adopted policies that specify our retention limits and risk tolerance and our application depends on training and the discipline of our underwriting teams. Once the retention limits have been reached, we use reinsurance to cover the excess risk. Moreover, our profitability and ability to grow may also be adversely affected by our mandatory participation in the Facility Association and assumed risk-sharing pools in several automobile insurance markets including Ontario, Québec, Alberta, and the Maritimes. We maintain a strong underwriting discipline in the hard market environment and increase our rates while maintaining a good retention. We closely monitor the impact of increased inflation in our claims data and promptly increase rates accordingly.

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Governmental and/or regulatory intervention	Strategic Risk
<i>Risk we are facing</i>	
Our subsidiaries and affiliates are subject to regulation and supervision by regulatory authorities of the jurisdictions in which they are incorporated and licensed to conduct business.	
These laws and regulations:	
• delegate regulatory, supervisory and administrative powers to federal, state, provincial and territorial insurance commissioners and • are generally designed to protect policyholders and creditors, and are related to matters including: • requirements on privacy and the protection of personal information; • personal auto insurance rate setting; • risk-based capital and solvency standards; • restrictions on types of investments; • maintenance of adequate reserves for unearned premiums and unpaid claims; • examination of insurance companies by regulatory authorities, including periodic financial and market conduct examinations; • licensing of insurers, agents and brokers; • limitations on upstream dividends from operating companies; and • transactions with affiliates. • typically require us to periodically file financial statements and annual reports, prepared on a statutory accounting basis, and other information with insurance regulatory authorities, including information concerning our capital structure, ownership and financial condition including, on an annual basis, the aggregate amount of contingent commissions paid and general business operations.	
Regulatory authorities closely monitor the solvency of insurance companies by requiring them to comply with strict solvency standards based on the risk assumed by each company with respect to asset composition, liability composition, and the matching between these two components. We are required to submit regular reports to the regulatory authorities regarding our solvency and publish our solvency ratio every quarter. Solvency requirements are amended from time to time.	
Expectations from Canadian regulators are increasing due to our larger size, multinational operations and gain of share in the insurance market. We are also exposed to new jurisdictions and regulators such as the Prudential Regulation Authority in the UK, with new sets of laws and requirements. The regulatory environment in Europe can be stricter with large fines and penalties.	
On February 2, 2022, OSFI published its Register of OSFI-Regulated Internationally Active Insurance Groups ("IAIG"), which included the Company. Following the RSA acquisition, the Company met the criteria as an IAIG and will continue to document its practices, policies and procedures to align with core outcomes of the International Association of Insurance Supervisors Framework for the Supervision of the IAIGs.	

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Governmental and/or regulatory intervention (cont'd)	Strategic risk
Potential impact We believe that our subsidiaries are in material compliance with all applicable regulatory requirements. However, it is not possible to predict the future impact of changing federal, states, provincial and territorial regulations on our operations. Laws and regulations enacted in the future may be more restrictive than current laws. Overall, our business is heavily regulated and changes in regulation may reduce our profitability and limit our growth prospects. We could be subject to regulatory actions, sanctions and fines if a regulatory authority believes we have failed to comply with any applicable law or regulation. Any such failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business or significant penalties, which could adversely affect our reputation, results of operations and financial condition. In addition, any changes in laws and regulations could materially adversely affect our business, results of operations and financial condition. We may be subject to governmental or administrative investigations and proceedings in the context of our highly regulated sectors of activity. We cannot predict the outcome of these investigations, proceedings and reviews, and cannot be sure that such investigations, proceedings or reviews or related litigation or changes in operating policies and practices would not materially adversely affect our results of operations and financial condition. In addition, if we were to experience difficulties with our relationship with a regulatory body in a given jurisdiction, it could have a material adverse effect on our ability to do business in that jurisdiction. Furthermore, a significant increase in solvency requirements would increase the possibility of regulatory intervention and may reduce our ability to generate attractive returns for shareholders. This may also negatively impact our ability to execute our growth strategy and attain our financial objectives. In May 2021, the Financial Conduct Authority (FCA) published its revised rules on certain general insurance pricing practices. The changes are designed to address market practices that can result in the progressive charging higher premiums to existing customers than new customers and discourage customers from switching insurers. The rules require firms to provide accessible and easy options to enable customers to cancel auto-renewing policies. The new rules that relate to systems and controls and product governance came into effect in September 2021 and the new rules relating to pricing and auto-renewing come into effect on January 1, 2022, with a transitional period. There remains uncertainty on how this could impact customer premiums and switching of customers into or out of RSA insurance products which, taken as a whole, may adversely affect RSA's financial prospects.	How we manage this risk We are supported by an in-house team of lawyers and staff, and by outside counsel when deemed necessary or appropriate, in handling general regulation and litigation issues and are an active member of the major industry associations. Our government relations team ensures contact with the governments of the various jurisdictions in which we operate and can be proactive in situations that could affect our business. We have been an active partner with governments throughout the COVID-19 crisis, offering our expertise around risk management, data and tracing. We regularly monitor trends and make adjustments to our strategy and products, when deemed appropriate, to ensure the sustainability of insurance products and to avoid the potential for additional regulation that may negatively impact our reputation, profitability, and financial condition. To reduce the risk of breaching the regulatory capital requirements, we have Board approved thresholds for the regulatory capital ratios in all jurisdictions in which we operate. We operate above these thresholds under normal circumstances to reduce the likelihood of regulatory intervention. Our Enterprise Risk Committee regularly review risks related to solvency and uses stress testing to identify vulnerabilities and areas for possible remediation. Our capital management policy contains guidelines to help ensure that we maintain adequate capital to withstand adverse event scenarios and has documented procedures to take corrective actions should any unanticipated conditions arise. We have implemented a robust regulatory compliance process to ensure close tracking of, and adherence to, regulations and laws across the jurisdictions in which we operate. In addition, we conducted a full internal solvency assessment as described hereafter in <i>Section 33.8 – Own Risk and Solvency Assessment (ORSA)</i>.

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Cyber security failure		Operational risk
Risk we are facing Information technology and cyber security risks continue to be key risks for many companies. Criminal organizations, hackers, and other external actors have become more active and better equipped to attack even robust systems and networks. Our dependency on technology, network, telephony and critical applications makes our ability to operate and our profitability vulnerable to business interruptions, service disruptions, theft of intellectual property and confidential information, litigation and reputational damage. The volume and sophistication of cyber-attacks have continued to accelerate in recent years. Geo-political conflict could exacerbate this risk further. These attacks may include targeted attacks on systems and applications, introduction of malicious software, denial of service attacks, and phishing attacks that could result in the fraudulent use or theft of data, and may involve attempts to fraudulently induce employees, customers or third-party service providers to disclose sensitive information in order to gain access to the Company's data. Ransomware attacks have particularly accelerated in frequency and severity. These activities are designed to disrupt the operations of an organization and/or to benefit the attacker financially. We may be unable to prevent cyber-attacks that result in system disruption or a breach of confidential information, whether personal or corporate in nature. Third party service providers and other suppliers may also be the targets of successful cyber-attacks leading to a material impact on our systems or the theft of confidential information. Following the RSA Acquisition, our expanded technological footprint increases the likelihood of being targeted by attackers.		
Potential impact Despite our commitment to information and cyber security, we may not be able to fully mitigate all risks associated with the increased sophistication and volume in the threat landscape. The working-from-home environment during the pandemic also increases the level of some risks. As such, we may be subject to a cyber-attack resulting in system unavailability, data corruption or deletion, or the disclosure of confidential or personal information. Massive denial of service attacks and system intrusion attempts could compromise our ability to operate or we may be unable to safeguard personal and confidential information from public disclosure. Other potential consequences include our inability to provide customers with real-time access to information on their insurance policies, provide quotes for new insurance products or enable customers to report claims electronically. These events and attacks may lead to wide ranging consequences including: - financial loss, which also includes lost productivity, remediation costs, and costs associated with potential legal action; - regulatory action, which may include regulatory fines and/or increased scrutiny by government; and - reputational damage such as lost consumer confidence and lower customer retention.	How we manage this risk To ensure the security and resilience of our systems, the safeguarding of our confidential information and the integrity of our information and databases, dedicated teams plan, test and execute our continuity and security plans. This includes threat and vulnerability assessments and the implementation of appropriate mitigation actions. Our security teams constantly monitor our systems and are ready to intervene if an incident occurs. In the context of work-from-home, there was also an acceleration of investment and initiatives related to data loss protection. We continuously upgrade our applications to better protect our systems and information. We regularly monitor external trends in cyber security to ensure we are able to rapidly mitigate known vulnerabilities. We periodically benchmark our information security practices to assess areas of our cyber security program that may require additional effort and to ensure we learn from industry leading practices. We closely monitor external cyber-attacks and strive to continually learn from them to improve our defences. A cyber breach simulation exercise was conducted in 2021, and again in 2022 for RSA, to strengthen preparedness related to cyber security incidents. Our Information Technology Security Committee oversees information security initiatives and ensures effective collaboration across teams. As part of our overall security program, we provide employee information security awareness and training to enhance our ability to resist cyber-attacks. The Enterprise Risk Committee oversees the establishment of our cyber security strategy and monitors the progress of our mitigation action plans. During 2022, cyber security awareness was continually provided to employees in addition to regular phishing tests to strengthen our cyber defense. We conducted a cyber security benchmarking exercise to compare our security posture with similar organizations and use the results to determine areas of focus to further enhance our cyber security defenses. We renewed our cyber insurance to continue to mitigate a portion of the financial impact in the event of a major cyber security incident affecting our operations.	

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Failure of a major technology initiative		Operational risk
Risk we are facing To maintain our performance levels in a world of digitalization, we are required to regularly modernize and enhance our systems. Often significant time and investment are required for accomplishing these projects. Any unplanned delays, unforeseen costs, or unsuccessful execution of such projects could lead to a significant decline in service levels, impact employee morale negatively and reduce our competitiveness. There is no assurance that we will succeed in meeting our objectives for these projects. The RSA Acquisition added incrementally to this risk given the presence of legacy systems.		
Potential impact Our technology strategy may take too long to execute or may not be adequate to maintain a competitive advantage. The complexity and interdependence of our infrastructure and applications may lead to higher costs and more errors. Implementation of new technology may introduce more complexity in the interim prior to simplification after decommissioning older systems. We could decide to abandon one or more of our technology initiatives resulting in a material write down.	How we manage this risk Senior management provides careful oversight and ensures that proper funding and resources are allocated to our key projects. Risk assessments and real-time internal audits are regularly conducted to identify potential areas for remediation or the necessity for additional controls. A dedicated committee ensuring proper focus is devoted to major technology projects. A series of successful deliverables for our major personal lines policy administration system offer proofs of our ability to deliver on this project and mitigates the risk of failure. As part of the IFRS 17 implementation, we have been undertaking the modernization of our financial reporting systems. In 2021 we launched strategic projects to modernize and replace RSA's legacy systems. Remediation of the Legacy IT environment is ongoing.	

Inability to contain fraud and abuse		Operational risk
Risk we are facing As a P&C insurer, we may be subject to internal or external fraud. Our insureds may exaggerate claims for personal gain. Despite our efforts to control fraud and abuse, our staff, systems, and processes may be unable to accurately detect and prevent internal or external fraud. An economic downturn could increase pressure on individuals and result in increased fraud and abuse. The work-from-home context brings additional challenges to mitigating this risk.		
Potential impact Fraud may result in unanticipated losses and a negative impact on our reputation. Our written premiums and profitability can be significantly affected by regulatory regimes that limit our ability to detect and defend against fraudulent claims and fraud rings.	How we manage this risk We have strong internal controls in place to prevent and detect potential internal fraud. Internal and external audits are performed to verify that the controls are followed. In Canada, we also have national investigative services and a number of investigative tools to help detect and root out fictitious losses or injuries, staged accidents and material misrepresentation or exaggeration of loss amounts or personal injury. We have multiple ways of detecting potential fraud either through automated reports, adjuster referrals, and external alerts. In 2021 we became one of the founding members of Équité Association. Through Équité, members have access to an advanced network dedicated to detecting and preventing insurance fraud and crime, including advanced analytics and countermeasures, investigative services, intelligence education and engagement, and reporting on emerging threats and trends Government authorities also have an incentive to help reduce fraud in the system and maintain affordable insurance for consumers. Ontario Bill 15 – <i>Fighting Fraud and Reducing Automobile Insurance Rates Act</i> is one example of government action that aims to reduce auto insurance fraud.	

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Customer satisfaction risk	Strategic risk
<i>Risk we are facing</i>	
Our insurance products and services are ultimately distributed to individual consumers and businesses. From time to time, unsatisfied customers, consumer advocacy groups or the media may generate negative publicity related to our claims handling or underwriting practices. Untimely or poor handling of such negative publicity may increase the impact of a situation and materially affect our reputation and growth prospects.	
In addition, a lack of appropriate focus on customers' needs and wants may threaten our ability to meet customer expectations, resulting in poor customer retention.	
In the current context, there is an increased risk of negative publicity related to the perception of not providing affordable insurance.	
<i>Potential impact</i>	<i>How we manage this risk</i>
Negative publicity resulting from unsatisfied customers may result in increased regulation and legislative scrutiny of practices in the P&C insurance industry as well as increased litigation. Such events may further increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, requiring us to change our products or services or increasing the regulatory burdens under which we operate. The periodic negative publicity around insurance and related businesses may negatively impact our financial results and financial condition.	To mitigate these risks, we have established escalation procedures to help ensure that our customers have multiple channels to express any dissatisfaction. These include a National Customer Experience Team in Canada and an Ombudsman's Office which offer the opportunity for customer dissatisfaction to be resolved. In addition, management proactively identifies potential issues and performs an additional review to help ensure that our customers are treated fairly.
Social media could amplify the impact of a reputational issue. It could result in further damage to our reputation and impair our future growth prospects.	The wording of our insurance policies is reviewed periodically by management to detect and remediate potential issues before they arise.
	New products and significant changes in existing products undergo a rigorous product development life cycle including an independent review by the risk management function prior to launch. Potential reputational issues can be identified in the early stages of product development and, if required, changes are implemented prior to launch
	The Enterprise Risk Committee and regional risk committees regularly monitor our operations to identify situations that can negatively affect customer satisfaction.
	We also invest in digital tools and artificial intelligence to enhance the customer experience and reduce the possibility of negative publicity arising from interactions with our customers. We are closely monitoring our Net Promoter Scores from Claims and Underwriting to ensure that we continue to deliver an experience to our customers that is second to none.

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Social unrest risk		Insurance risk	
Risk we are facing			
Potential catalysts for social unrest includes, but are not limited to, public health measure related to the pandemic, movements for social justice, climate change inaction, economic downturn, labor shortage and supply chain issues could all spark social unrest. Geo-political tension, including the use of political warfare, could exacerbate the risk of social unrest. The speed of communication and social media could amplify this risk or facilitate the spread across jurisdictions. The ensuing physical conflict and violence could result in property damage impacting our underwriting results and operations.			
Potential impact		How we manage this risk	
Social unrest events in high-density areas could result in material losses on our automobile and property business. Social unrest could also disrupt our operations and affect the security of our employees.		In 2020, we stress tested our exposures against a severe social unrest scenario. It concluded that Intact has sufficient capital and reinsurance to absorb losses despite a material decline in underwriting results and lower regulatory capital levels prior to management actions. A playbook has been developed to manage our operations in a social unrest environment and a number of actions were identified to help mitigate the impact of this risk on our personal and commercial lines. We revisited this risk in 2022 and developed indicators to assess social unrest risk in our main jurisdictions (Canada, U.S. and the U.K). In 2022, we conducted a table-top exercise to test the preparedness of our operations in the event of social unrest.	
Third party risk		Operational risk	
Risk we are facing			
The acceleration of digitalization has increased the reliance on third parties and increases the risk of disruption to our operations. The work-from-home context has increased our reliance on critical utilities/communications infrastructures. Moreover, the economic downturn increases supplier failure risk and adds pressure on supply chain quality of service and capacity.			
Potential impact		How we manage this risk	
Our third parties may face internal and external incidents that could compromise the confidentiality of our information and/or limit the service level. Widespread power grid, internet or phone failure could limit our operations, impact our customer support and lead to substantial reputational damages. Depending on the length of the failure, significant opportunity costs could also be incurred.		We manage third party risk along the life cycle of our arrangements, from planning, due diligence, contractual commitment, and ongoing management to termination. We have deployed tools to help in assessing how third parties manage our information and what controls they have in place. Levels of monitoring and mitigation are directly proportional to the level of criticality of each third party. To ensure the expected levels of service are delivered by our critical third-party service providers, service level agreements are signed and added to relevant contracts. Our cyber insurance could also mitigate a portion of the financial impact in the event of a third-party incident affecting our operations.	

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Employee defined benefit pension plan risk		Insurance risk
Risk we are facing IFC is exposed to RSA's large defined benefit pension plans. The plans are frozen and closed to new entrants and future accruals. There are currently annual deficit removal payments of £75 million to be made until the deficit is eliminated. There is a longevity risk that employees covered in the defined benefit pension plans live longer than expected resulting in higher than expected pension costs. IFC's defined benefit pension plans in Canada are adequately funded and smaller in size. The plans are open to new entrants and future accruals.		
Potential impact Should the pension plan funding level deteriorate, additional contributions may need to be made to restore the plan position. Longevity risk could also add variability to the balance sheet and income statements from periodic re-valuation.	How we manage this risk RSA has implemented a long-term de-risking program for its pension plans. RSA's pension plans are largely hedged against interest rate movements and inflation, while longevity risk remains a key risk driver. We are working closely with RSA's Pension Trustees as we consider measures to mitigate longevity risk and further de-risk the plans. In both 2021 and 2022, we de-risked the Canadian pension fund exposure by purchasing annuities to reduce longevity and investment risk. See Section 27 – Employee future benefit programs See Note 30 in our Consolidated financial statements	

33.7 Other risk factors that may affect future results

Legal risk

We are a defendant in a number of claims relating to our insurance and other business operations. We may from time to time be subject to a variety of legal actions, including lawsuits, regulatory examinations, investigations, audits and reassessments by various parties including customers, suppliers, brokers, employees and government regulatory agencies and authorities, relating to our current and past business operations. Plaintiffs may also continue to bring new types of legal claims against us. Current and future court decisions and legislative or regulatory activity may increase our exposure to these types of claims. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. The loss of even one of these claims, if it resulted in a significant damage award or a judicial ruling that was otherwise detrimental, could have a material adverse effect on our results of operations and financial condition. Unfavourable claim rulings may render fair settlements more difficult to reach. We cannot determine with any certainty what new theories of recovery may evolve or what their impact may be on our businesses.

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Reinsurance risk

We use reinsurance to help manage our exposure to insurance risk, including major catastrophe events. The availability and cost of reinsurance is subject to prevailing market conditions, both in terms of price and available capacity, which can affect our premium volume, profitability and regulatory capital position. Worldwide catastrophe losses have an impact on the reinsurance market. Reinsurance companies may exclude some coverage from the policies that we purchase from them or may alter the terms of such policies from time to time. These gaps in reinsurance protection expose us to greater risks and greater potential losses and could adversely affect our ability to write future business. Communicable disease exclusions are an example of protection that has been added by most of our reinsurers. We may not be able to successfully mitigate risks through reinsurance arrangements, which could cause us to reduce our premiums written in certain lines or could result in losses. In addition, the cost of reinsurance could increase significantly year over year, impacting our profitability if we are unable to pass on these costs to consumers. Furthermore, a significant decline in the availability of reinsurance could impact our premium volume, our profitability and our regulatory capital position.

People risk

Our success has been, and will continue to be, dependent on our ability to retain the services of key employees and to attract additional qualified personnel in the future. In addition, a significant decline in employee morale could materially affect our operations including an increase in the risk of human error or deliberate acts that harm the Company. The loss of the services of any of our key employees, or the inability to identify, hire and retain other highly-qualified personnel in the future, could adversely affect the quality and profitability of our business operations.

We have developed a focused recruiting strategy to aggressively market careers and opportunities at Intact. The strategy includes an updated web site, focused external recruiting, campaigns, rebranding, and targeted advertising. It also includes partnering with four universities on graduate recruiting as well as commercial and personal lines trainee program recruiting. Talent identification and development programs have been implemented to retain and grow existing talent. We also have a comprehensive succession planning program at various levels within the organization to ensure we are prepared for unplanned departures and retirements. Furthermore, our employee engagement surveys continue to reveal a high level of engagement among employees. IFC was recognized by multiple organizations as one of Canada's best employers. We believe that a high level of employee engagement helps mitigate some of the operational risks associated with people. However, there is no assurance that the Company will be successful in retaining and motivating our key talent across the organization.

Labour shortages are present, competition for labour is increasing and candidates' expectations are changing. In addition to the above, a number of actions have been implemented to mitigate these trends: human resource restructurings, compensation reviews and a deep dive to identify sectors experiencing challenges and issues and better understand the underlying rationale.

Employee development, onboarding and knowledge transfer can prove challenging in the work-from-home environment. A stretch in resources and increased pace of some projects could lead to further employee fatigue, mental health issues, as well as loss of staff through disability, extended leaves, early retirement and turnover. High levels of employee engagement, robust human resource programs to support our employees and our return-to-office strategy helps mitigate this risk.

The risk of business interruption to our operations

We may experience an abrupt interruption of activities caused by unforeseeable and/or catastrophe events, an example being a global pandemic or a large-scale cyber-attack. Our service levels may decline materially resulting in negative financial and reputational consequences. Losses can relate to property, financial assets, trading positions and key personnel. If our business continuity plans cannot be put into action or do not take such events into account, losses may increase further.

We continuously monitor world events to enable us to pro-actively adapt our response plan. In order to maintain the integrity and continuity of our operations in the event of a crisis, we have developed personalized alert and mobilization procedures as well as communication protocols. For example, emergency action plans, business continuity plans, business recovery plans, major health crisis plans, building evacuation plans and crisis communication plans have all been defined and are tested on an ongoing basis. This process is supported by a crisis management structure adapted to our organization and to the type of events we may have to manage.

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Credit downgrade risk

Independent third-party rating agencies assess our ability to honour our financial obligations (the "senior unsecured debt rating") and our insurance subsidiaries' ability to meet their ongoing policyholder obligations (the "financial strength rating"). *See Section 28.5 – Ratings for more details on ratings.*

The rating agencies periodically evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. We may not be in a position to maintain either the issuer credit ratings or the financial strength ratings we have received from the rating agencies. An issuer credit rating downgrade could result in materially higher borrowing costs. A financial strength rating downgrade could result in a reduction in the number of insurance contracts we write and in a significant loss of business; such business could move to other competitors with higher ratings, thus causing premiums and earnings to decrease.

This is more applicable to our commercial insurance where clients place a higher emphasis on such ratings. Credit downgrades may affect our ability to raise capital or may result in an increase in the cost of raising capital with negative implications for shareholders and other stakeholders.

Limit on dividend and capital distribution risk

As a holding company, IFC is a legal entity and is separate and distinct from its operating subsidiaries, most of which are regulated insurance companies. While no regulatory approval is required for dividend payments from the regulated insurance companies, notice to OSFI is required together with pro forma capital calculations showing internal target capital levels are maintained both before and after such dividends are paid out. Our regulated subsidiaries in the US and UK are also subject to limitations on capital distributions as set out in applicable regulations. In addition, for competitive reasons, our insurance subsidiaries maintain financial strength ratings which require us to maintain minimum capital levels in our insurance subsidiaries. These regulations and ratings targets limit the ability of our insurance subsidiaries to pay unlimited dividends or invest all of their capital in other ways. In certain stress scenarios limitations on our subsidiaries' ability to pay dividends to IFC could have a material adverse effect on our ability to pay shareholder dividends and may result in a material decline in the price of securities we have issued.

Distribution risk

Distribution risk is the risk related to the distribution of our P&C insurance products. It includes the inherent risk of dealing with independent distributors, the risk related to new market entrants and the risk associated with our multiple distribution channel strategy. We may also face the risk that one of our channels or business models would not be sustainable in a specific market or context. From time to time we issue loans or take equity participation in certain brokers and consequently, we expose ourselves to other risks including financial risk and regulatory risk. For various reasons, the broker channel has been in a consolidation mode for the last few years and we believe that this situation will continue. The acquisition of brokers by others or even by other insurers may impact our relationship with some of them and harm our ability to grow our business. In order to maintain strong relationships with brokers, each relationship is managed by officers in each of the main regions in which we operate. To mitigate the financial risk arising from loans to brokers we generally receive guarantees and use standard agreements which contain general security and oversight clauses. The Board of Directors participates in this oversight process by reviewing these activities periodically.

33.8 Own Risk and Solvency Assessment

Since 2014, we have conducted an Own Risk and Solvency Assessments ("ORSA") for Intact Financial Corporation at least annually. ORSA encompasses processes to identify, assess, monitor, and manage the risks we take in conducting our business. ORSA also covers the determination of our capital needs and solvency position. ORSA is an integral part of the implementation of our Enterprise Risk Management Policy. The ORSA process is well integrated into our operations and influences the definition of our corporate risk tolerance, the target levels of capital by jurisdiction and in aggregate, and underwriting profit targets by line of business. *See Section 28 – Capital management for details.*

In 2022, our annual ORSA Process revealed that the financial resources of our insurance subsidiaries are sufficient to meet policyholder obligations after adverse situations at a confidence level of 99.5% Value-at-Risk (VaR) over a one-year time horizon. Our risk profile remains balance between insurance and financial risk with operational risk accounting for a small portion of overall internal capital requirements. Our risk profile remains well diversified across business lines and geographies.

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33.9 Off-balance sheet arrangements**Securities lending**

We participate in a securities lending program to generate fee income. This program is managed by our custodian, a major Canadian financial institution, whereby we lend securities we own to other financial institutions to allow them to meet their delivery commitments. We loaned securities, which are reported as investments in the Consolidated financial statements, with a fair value of \$3,616 million as at December 31, 2022 (\$3,036 million as at December 31, 2021).

Collateral is provided by the counterparty and is held in trust by the custodian for our benefit until the underlying security has been returned to us. The collateral cannot be sold or re-pledged externally by us, unless the counterparty defaults on its financial obligations. Additional collateral is obtained or refunded on a daily basis as the market value of the underlying loaned securities fluctuates. The accepted collateral consists of government securities representing approximately 105% of the fair value of the securities loaned as at December 31, 2022 (104% as at December 31, 2021).

Structured settlements

We also enter into annuity agreements with various Canadian life insurance companies. We have obligations to pay certain fixed amounts to claimants on a recurring basis and thus have purchased annuities from life insurers to provide for those payments. These annuity agreements are reported as financial liabilities in the Consolidated financial statements, with a fair value of \$1,660 million as at December 31, 2022 (\$1,859 million as at December 31, 2021).

When these annuity agreements are non-commutable, non-assignable and non-transferable, we are released by the claimant for the settlement of the claim amount and can therefore derecognize that financial liability from the Consolidated balance sheets. It should be noted that we remain exposed to the risk that life insurers may fail to fulfill their obligations. However, this credit risk is reduced since we deal with registered life insurers, which is mitigated by an industry compensation scheme. In addition, the credit risk is further mitigated by an industry compensation scheme which would assume a significant majority of the remaining outstanding obligations in case of a life insurer default.

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Section 34 - Sensitivity analysis to market risk

Sensitivity analysis is a risk management technique that assists management in ensuring that risks assumed remain within our risk tolerance level. Sensitivity analysis involves varying a single factor to assess the impact that this would have on our results and financial condition, excluding any management action. Actual results can differ materially from these estimates for a variety of reasons and therefore, these sensitivities should be considered as directional estimates.

IFRS 9
Effective Q1-2023

- IFRS 9 will result in classification changes, whereby certain equity and fixed income instruments that were previously classified as AFS will now become FVTPL. Given that these instruments will now be classified as FVTPL, the unrealized change in their fair value will be recorded through Net income, rather than through OCI. Though the reclass of these equity instruments will result in increased volatility to Net income, it will only impact the timing of the recognition of gains/losses, with no impact on BVPS or capital
- The table below reflects the expected impact under IFRS 9.

Table 42 – Sensitivity analysis to market risk (after tax)

For the years ended December 31,			2022			2021		
	Net income	OCI	BVPS	Net income	OCI	BVPS		
Equity price risk								
Common share prices (10% decrease) ¹	(166)	(87)	(1.44)	27	(446)	(2.38)		
Preferred share prices (5% decrease) ²	(15)	(38)	(0.30)	19	(88)	(0.39)		
Property price risk (10% decrease)¹	(36)	(22)	(0.33)	(51)	(40)	(0.52)		
Interest rate risk (100 basis point increase)								
Debt securities ^{3,4}	(368)	(386)	(4.30)	(237)	(445)	(3.87)		
Net claims liabilities ⁷	360	-	2.05	378	-	2.15		
Defined benefit pension plan obligation, net of related debt securities	-	(75)	(0.43)	-	11	0.06		
Currency risk⁵								
Strengthening of CAD by 10% vs all currencies								
Net assets of foreign operations in:								
USD	(14)	(296)	(1.77)	10	(305)	(1.68)		
GBP	6	(384)	(2.16)	8	(411)	(2.29)		

¹ Including the impact of common shares (net of any equity hedges) or investment property related to the defined benefit pension plan, recorded in OCI.

² Including the impact on related embedded derivatives.

³ Excludes the impact of credit spreads.

⁴ Excludes the impact of debt securities related to the defined benefit pension plan.

⁵ Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 49% of government-related securities and 51% of corporate-related securities.

⁶ After giving effect to forward-exchange contracts

⁷ Not reflecting the impact under IFRS 17

The sensitivity analysis was prepared using the following assumptions:

- shifts in the yield curve are parallel;
- interest rates, equity prices, property prices and foreign currency move independently;
- credit, liquidity, spread and basis risks have not been considered;
- impact on our pension plans has been considered; and
- risk reduction measures perform as expected, with no material basis risk and no counterparty defaults.

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ADDITIONAL INFORMATION

Section 35 - Financial KPIs and definitions

35.1 Our financial KPIs

Our most relevant key performance indicators are outlined in the table below. *See Section 36 – Non-GAAP and other financial measures* for the definition and reconciliation to the most comparable GAAP measures.

		2022	2021	2020	2019	2018
Growth	Operating DPW growth	21.8%	43.6%	9.1%	9.5%	15.6%
	Growth in constant currency	23.1%	45.0%	8.7%	9.1%	15.4%
Underwriting performance	Claims ratio	60.3%	55.9%	57.8%	66.0%	65.3%
	Expense ratio	31.3%	32.9%	31.3%	29.4%	29.8%
	Combined ratio	91.6%	88.8%	89.1%	95.4%	95.1%
Consolidated performance	Underwriting income	1,626	1,787	1,227	465	474
	Operating net investment income	927	706	577	576	541
	Distribution income	437	362	275	209	175
	NOI to common shareholders	2,086	2,017	1,419	860	799
	NOIPS (in dollars)	11.88	12.41	9.92	6.16	5.74
	OROE	14.3%	17.8%	18.4%	12.5%	12.1%
	AROE	19.5%	21.0%	15.0%	11.4%	11.8%
	ROE	16.5%	17.0%	12.8%	10.0%	9.9%
	EPS (in dollars)	13.46	12.40	7.20	5.08	4.79
	AEPS (in dollars)	15.89	15.32	8.48	5.75	5.70
Financial strength	BVPS (in dollars)	80.33	82.34	58.79	53.97	48.73
	MCT (Canada)	197%	206%	224%	198%	201%
	SCR (UK&I)	175%	180%	n/a	n/a	n/a
	RBC (US)	388%	448%	469%	457%	377%
	Total capital margin	2,379	2,891	2,729	1,222	1,333
	Adjusted debt-to-total capital ratio	21.2%	23.0%	24.1%	21.3%	22.0%

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Section 36 - Non-GAAP and other financial measures

Non-GAAP financial measures and Non-GAAP ratios (which are calculated using non-GAAP financial measures) do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry. Non-GAAP and other financial measures are used by management and financial analysts to assess our performance. Further, they provide users with an enhanced understanding of our financial results and related trends, and increase transparency and clarity into the core results of the business.

Non-GAAP financial measures and Non-GAAP ratios used in this MD&A and other Company's financial reports include measures related to our consolidated performance (*see Section 36.1 to Section 36.3*), our underwriting performance (*see Section 36.4 and Section 36.5*) and our financial strength (*see Section 36.6*).

36.1 Operating performance**NOIPS, OROE, NOI and PTOI**

- **Our operating performance** is measured based on NOIPS and OROE, which are non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude elements that are not representative of our operating performance (referred to as "Non-operating results"). Non-operating results include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or that are not part of our normal activities (*see Non-operating results hereafter*). We believe that analyzing our consolidated performance excluding these elements reflects more accurately our underlying business performance over time.
- We note that investors, financial analysts, rating agencies and media organizations use NOIPS, OROE and other components of operating income (such as underwriting income, operating net investment income and distribution income) to evaluate and report our financial performance, and make investment decisions and recommendations. These measures are widely used as they represent a reliable, representative and consistent measure of our financial performance over time.
- NOIPS is also used in incentive compensation as one of our financial objectives is to grow NOIPS by 10% yearly over time. *See Section 22.1 – Growth NOIPS by 10% yearly over time.*

NOIPS and OROE are calculated as follows, using the following non-GAAP financial measures (marked with an asterix*).

NOIPS for a specific period	NOI* attributable to common shareholders	OROE for a 12-month period	NOI* attributable to common shareholders
	WANSO ¹		Adjusted average common shareholders' equity (excluding AOCI)* (<i>Section 38.6</i>)

¹ Weighted-average number of common shares outstanding on a daily basis during the period.

- **Net operating income (NOI)*** represents the Net income attributable to shareholders (most directly comparable GAAP measure), excluding the after-tax impact of Non-operating results. NOI is net of net income (loss) attributable to non-controlling interests. *See Table 43 – Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS.*
- **Pre-tax operating income (PTOI)***, which is used in the calculation of NOI, represents the Income before income taxes (most directly comparable GAAP measure), including the Share of income tax expense (benefit) of broker associates (accounted for using the equity method – net of tax – under IFRS), and excluding the pre-tax impact of Non-operating results. *See Table 44 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS.* PTOI is comprised of the following items:
 - **Underwriting income (loss)*** is an operating measure calculated as Operating NEP* less Operating net claims*, less Operating net underwriting expenses* (*as described in Section 36.5 – Underwriting profitability*). Underwriting income (loss) represents Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses, all of which are reported under IFRS, excluding the impact of MYA on underwriting results, non-operating pension expense and underwriting results from exited lines
 - **Operating net investment income** – calculated as Investment income less Investment expenses, as reported under IFRS. *See Table 17 – Operating net investment income for details.*
 - **Distribution income*** is the measure used to report the performance of our distribution channel, which includes operating income before interest and taxes from our consolidated brokers, broker associates, MGAs and other supply chain related businesses. Distribution income is calculated using components of Other income and Other expenses (for our consolidated entities) and Share of profit from investments in associates and joint ventures (for those that we do not consolidate) under IFRS.

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- **Total finance costs*** are comprised of Finance costs (most directly comparable GAAP measure), adjusted to include finance costs from our broker associates, which are accounted for using the equity method under IFRS (included in Share of profit from investments in associates and joint ventures under IFRS).
- **Other operating income (expense)*** includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments, and other operating items. Other income (expense) is calculated using components of Other income and Other expenses under IFRS.

See Table 45 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the Consolidated financial statements

- PTOI on a segment basis, which is determined in the same manner as PTOI, increases transparency and clarity of the core results of the business. *See Table 3 – Operating performance by segment for the details of PTOI by component and segment.*

Non-operating results

- **Non-operating results*** include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or that are not part of our normal activities. They are comprised of the following items:
 - **Net gains (losses)**, as reported under IFRS, arise mostly from changes in market conditions and investment decisions, which can be volatile to earnings. *See Section 15.1 – Net gains (losses) excluding FVTPL bonds.*
 - **Positive (negative) impact of MYA on underwriting** arise mostly from movements in interest rates, which can be volatile to earnings. Claims liabilities are discounted at the estimated market yield of the assets backing these liabilities. The impact of changes in the discount rate used to discount claims liabilities based on the change in the market-based yield of the underlying assets is referred to as **MYA**. MYA is included in Net claims incurred under IFRS.
 - The **non-operating pension expense** represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets versus the IFRS discount rate on Intact's Canadian pension plan assets. The expected return better reflects our operating performance given our internal investment management expertise and the composition of our pension asset portfolio. The non-operating pension expense is included in Net claims incurred and Underwriting expenses under IFRS.
 - **Acquisition, integration and restructuring costs**, as reported under IFRS. Acquisition and integration costs incurred in connection with an acquired business do not represent an ongoing operating expense of the business. *See Section 15 – Non-operating results for details.*
 - **Acquisition costs** include professional fees and stamp duties related to the closing of an acquisition.
 - **Integration costs** include costs related to an acquisition such as severances, retention bonuses and system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition, as well as changes in the fair value of the contingent considerations.
 - **Restructuring and other costs** include non-recurring reorganization costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.
 - **Gain on acquisition/ sale of business** (gain on bargain purchase/ gain on sale of businesses), as reported under IFRS, represents the difference between the purchase price paid (or the selling price received) and the fair value of the identifiable net assets acquired (or the identifiable net assets sold) less the amount of NCI. It is reported in non-operating results, consistent with other gains and losses, and given its special nature. *See Note 5 – Business combinations and disposals to the Consolidated financial statements for details.*
 - **Underwriting results from exited lines** included the underwriting results of the US Commercial's business Programs, Architects and Engineers (effective in Q4-2017), the Healthcare business (effective July 1, 2019), Public Entities (effective in Q1-2022), BC auto exit (effective in Q4-2020), CNS operations (wind-down since Q3-2021), legacy exits of the UK&I portfolio as well as the operating results of the Middle East (sold in 2022). Underwriting results from exited lines are included in NEP, Net claims incurred and Underwriting expenses under IFRS. We believe that such results could obscure the ability to compare period over period results for our ongoing businesses.

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Table 43 – Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
Net income attributable to shareholders, as reported under IFRS	412	692	2,424	2,067
Remove: Pre-tax non-operating losses (gains) <i>(Table 18)</i>	236	(17)	(311)	70
Remove: Non-operating tax expense (benefit) ¹	(47)	4	57	(67)
Remove: Non-operating component of NCI	-	-	(24)	-
NOI (Table 44)	601	679	2,146	2,070
Remove: preferred share dividends	(16)	(13)	(60)	(53)
NOI attributable to common shareholders	585	666	2,086	2,017
Divided by weighted-average number of common shares (in millions)	175.3	176.1	175.6	162.4
NOIPS, basic and diluted (in dollars)	3.34	3.78	11.88	12.41
NOI to common shareholders for the last 12 months	2,086	2,017		
Adjusted average common shareholders' equity, excluding AOCI <i>(Table 59)</i>	14,567	11,357		
OROE for the last 12 months	14.3%	17.8%		

¹ See Table 48 – Acquisition-related gains (losses) and other non-operating gains (losses) for more details.

Table 44 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
Income before income taxes, as reported under IFRS	475	871	2,942	2,568
Add: share of income tax expense of broker associates	6	4	36	30
Remove: Pre-tax non-operating losses (gains) <i>(Table 18)</i>	236	(17)	(311)	70
PTOI	717	858	2,667	2,668
Add: operating income tax expense	(109)	(170)	(501)	(577)
Netted with: net income (loss) attributable to NCI	(7)	(9)	(20)	(21)
NOI (Table 45)	601	679	2,146	2,070

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Table 45 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the Consolidated financial statements

	MD&A captions					Pre-tax		
As presented in the Financial statements	Distribution income	Total finance costs	Other operating income (expense) ¹	Operating net investment income	Total income taxes	Non-operating losses	Underwriting income	Total F/S caption
For the quarter ended December 31, 2022								
Underwriting income ¹ (Table 55)	-	-	-	-	-	(57)	427	370
Investment income	-	-	-	289	-	-	-	289
Investment expenses	-	-	-	(10)	-	-	-	(10)
Other revenues	149	-	-	-	-	-	-	149
Net gains (losses)	-	-	-	-	-	(27)	-	(27)
Gain on sale of business	-	-	-	-	-	(2)	-	(2)
Share of profits from investments in associates and joint ventures	35	(5)	-	-	(6)	(6)	-	18
Finance costs	-	(50)	-	-	-	-	-	(50)
Acquisition, integration and restructuring costs	-	-	-	-	-	(84)	-	(84)
Other expenses	(91)	-	(27)	-	-	(60)	-	(178)
Income tax benefit (expense)	-	-	-	-	(56)	-	-	(56)
Total, as reported in MD&A	93	(55)	(27)	279	(62)	(236)	427	
For the quarter ended December 31, 2021								
Underwriting income ¹ (Table 55)	-	-	-	-	-	21	600	621
Investment income	-	-	-	231	-	-	-	231
Investment expenses	-	-	-	(11)	-	-	-	(11)
Other revenues	98	-	10	-	-	-	-	108
Net gains (losses)	-	-	-	-	-	194	-	194
Gain on the RSA acquisition	-	-	-	-	-	-	-	-
Share of profits from investments in associates and joint ventures	27	(1)	-	-	(4)	(6)	-	16
Finance costs	-	(42)	-	-	-	-	-	(42)
Acquisition, integration and restructuring costs	-	-	-	-	-	(133)	-	(133)
Other expenses	(48)	-	(6)	-	-	(59)	-	(113)
Income tax benefit (expense)	-	-	-	-	(170)	-	-	(170)
Total, as reported in MD&A	77	(43)	4	220	(174)	17	600	

¹ Comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses.

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Table 46 Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the Consolidated financial statements

	MD&A captions					Pre-tax		
As presented in the Financial statements	Distribution income	Total finance costs	Other operating income (expense) ¹	Operating net investment income	Total income taxes	Non-operating losses	Underwriting income	Total F/S caption
For the year ended December 31, 2022								
Underwriting income ¹ (Table 55)	-	-	-	-	-	922	1,626	2,548
Investment income	-	-	-	962	-	4	-	966
Investment expenses	-	-	-	(35)	-	-	-	(35)
Other revenues	537	-	8	-	-	-	-	545
Net gains (losses)	-	-	-	-	-	(429)	-	(429)
Gain on sale of business	-	-	-	-	-	421	-	421
Share of profits from investments in associates and joint ventures	169	(12)	-	-	(36)	(18)	-	103
Finance costs	-	(177)	-	-	-	-	-	(177)
Acquisition, integration and restructuring costs	-	-	-	-	-	(353)	-	(353)
Other expenses	(269)	-	(142)	-	-	(236)	-	(647)
Income tax benefit (expense)	-	-	-	-	(522)	-	-	(522)
Total, as reported in MD&A	437	(189)	(134)	927	(558)	311	1,626	
For the year ended December 31, 2021								
Underwriting income ¹ (Table 55)	-	-	-	-	-	109	1,787	1,896
Investment income	-	-	-	740	-	-	-	740
Investment expenses	-	-	-	(34)	-	-	-	(34)
Other revenues	389	-	32	-	-	-	-	421
Net gains (losses)	-	-	-	-	-	249	-	249
Gain on the RSA acquisition	-	-	-	-	-	204	-	204
Share of profits from investments in associates and joint ventures	146	(9)	-	-	(30)	(20)	-	87
Finance costs	-	(153)	-	-	-	-	-	(153)
Acquisition, integration and restructuring costs	-	-	-	-	-	(429)	-	(429)
Other expenses	(173)	-	(57)	-	-	(183)	-	(413)
Income tax benefit (expense)	-	-	-	-	(480)	-	-	(480)
Total, as reported in MD&A	362	(162)	(25)	706	(510)	(70)	1,787	

¹ Comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses.

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36.2 Relative performance

Adjusted net income, AEPS and AROE

- Our **relative performance** is measured based on AEPS and AROE, which are Non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude the impact of acquisition-related items (*as detailed hereafter*). We believe that analyzing our consolidated performance excluding these items reflect more accurately our financial performance compared to our peers over time.
- One of our key financial objectives is to exceed industry ROE by 500 basis points annually (*refer to Section 22.2 – Exceed industry ROE by 5 points for more details*). For industry comparison and incentive compensation purposes, IFC's ROE corresponds to IFC's AROE, which we believe is the most comparable to the industry.

AEPS and AROE are calculated using the following non-GAAP financial measures (marked with an asterix*).

AEPS for a specific period	Adjusted net income* attributable to common shareholders	AROE for a 12-month period	Adjusted net income* attributable to common shareholders
	WANSO		Adjusted average common shareholders' equity* (<i>Section 36.6</i>)

- **Adjusted net income*** represents the Net income attributable to shareholders (most directly comparable GAAP measure), excluding the after-tax impact of Acquisition-related items. Adjusted net income is net of net income (loss) attributable to non-controlling interests. *See Table 47 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS.*

Table 47 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
Net income attributable to shareholders, as reported under IFRS	412	692	2,424	2,067
Adjustments, after tax (<i>see Table 48 for details</i>)				
Remove: amortization of intangibles recognized in business combinations	49	48	193	151
Remove: acquisition and integration costs	46	93	228	297
Remove: net gain on currency derivative hedges (acquisitions)	-	25	-	23
Remove: tax adjustments on acquisition-related items	1	(13)	4	1
Adjusted net income	508	845	2,849	2,539
Remove: preferred share dividends	(16)	(13)	(60)	(53)
Adjusted net income attributable to common shareholders	492	832	2,789	2,486
Divided by weighted-average number of common shares (in millions)	175.3	176.1	175.6	162.4
AEPS, basic and diluted (in dollars)	2.82	4.72	15.89	15.32
Adjusted net income attributable to common shareholders for the last 12 months	2,789	2,486		
Adjusted average common shareholders' equity (<i>Table 59</i>)	14,289	11,826		
AROE for the last 12 months	19.5%	21.0%		

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Acquisition-related items

- **Acquisition-related items, which are reported in Non-operating gains (losses)***, include amortization of intangible assets recognized in business combinations, as well as acquisition and integration costs. *See Table 48 below and Section 36.1 – Operating performance for details.*

The following table provides the breakdown of non-operating results between acquisition-related items and other non-operating results, showing the pre-tax and after-tax amount by line item.

Table 48 – Acquisition-related gains (losses) and other non-operating gains (losses)

	Q4-2022		Q4-2021		2022		2021	
	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of intangible assets recognized in business combinations	(66)	(49)	(63)	(48)	(254)	(193)	(199)	(151)
Acquisition and integration costs	(62)	(46)	(117)	(93)	(295)	(228)	(375)	(297)
Net gain (loss) on currency derivative hedges (acquisitions)	-	-	(34)	(25)	-	-	(31)	(23)
Tax adjustment on acquisition-related items	-	(1)	-	13	-	(4)	-	(1)
Acquisition-related gains (losses)	(128)	(96)	(214)	(153)	(549)	(425)	(605)	(472)
Other net gains (losses)	(27)	(30)	228	164	(429)	(394)	280	232
Positive (negative) impact of MYA on underwriting	7	3	72	55	1,127	861	226	169
Non-operating pension expense	(14)	(10)	(16)	(12)	(56)	(35)	(64)	(47)
Gain on acquisition / sale of business	(2)	(2)	-	-	421	409	204	204
Income (loss) from exited lines	(50)	(40)	(35)	(28)	(145)	(118)	(53)	(43)
Restructuring and other non-operating costs	(22)	(14)	(18)	(13)	(58)	(44)	(58)	(46)
Other non-operating gains (losses)	(108)	(93)	231	166	860	679	535	469
Non-operating gains (losses)	(236)	(189)	17	13	311	254	(70)	(3)

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36.3 Consolidated performance

ROE and Adjusted average common shareholder's equity

- Our **consolidated performance** is measured based on EPS (GAAP) and ROE, a Non-GAAP ratio. ROE is based on Net income attributable to common shareholders. However, the denominator is adjusted to reflect the weighted-impact of significant capital transactions.
- EPS and ROE are calculated as follows. Non-GAAP financial measures are marked with an asterisk*.

EPS for a specific period	As reported in the accompanying Consolidated statements of income Net income attributable to common shareholders WANSO	ROE for a 12-month period	Net income attributable to common shareholders
			Adjusted average common shareholders' equity* (Section 36.6)

- Net income attributable to common shareholders** is determined in accordance with IFRS excludes the dividends declared on preferred shares.

Table 49 – Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
Net income attributable to shareholders	412	692	2,424	2,067
Remove: preferred share dividends	(16)	(13)	(60)	(53)
Net income attributable to common shareholders	396	679	2,364	2,014
Divided by weighted-average number of common shares (in millions)	175.3	176.1	175.6	162.4
EPS, basic and diluted (in dollars)	2.26	3.85	13.46	12.40
Net income attributable to common shareholders for the last 12 months	2,364	2,014		
Adjusted average common shareholders' equity (Table 59)	14,289	11,826		
ROE for the last 12 months	16.5%	17.0%		

Table 50 – Reconciliation of AEPS and NOIPS to EPS, as reported under IFRS

	Q4-2022		Q4-2021		2022		2021	
	After-tax	Per share	After-tax	Per share	After-tax	Per share	After-tax	Per share
Net income attributable to common shareholders (EPS)	396	2.26	679	3.85	2,364	13.46	2,014	12.40
Add back: acquisition-related losses (gains) (Table 48)	96	0.56	153	0.87	425	2.43	472	2.92
Adjusted net income attributable to common shareholders (AEPS)	492	2.82	832	4.72	2,789	15.89	2,486	15.32
Add back: Other non-operating losses (gains) (Table 48)	93	0.52	(166)	(0.94)	(679)	(3.53)	(469)	(2.91)
Add back: non-operating component of NCI	-	-	-	-	(24)	(0.48)	-	-
NOI attributable to common shareholders (NOIPS)	585	3.34	666	3.78	2,086	11.88	2,017	12.41

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Effective income tax rates

- Our **effective income tax rates** are measured based on **Total effective income tax rate** and **Operating effective income tax rate**, which are Non-GAAP ratios. These ratios take into account the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS.

Total effective income tax rate and Operating effective income tax rate are calculated using the following non-GAAP financial measures (marked with an asterix*).

Total effective income tax rate for a specific period	Total income tax expense (benefit)*	Operating effective income tax rate for a specific period	Operating income tax expense (benefit)*
	Pre-tax income*		PTOI* (Section 36.1)

- Total income tax expense (benefit)** and **Operating income tax expense (benefit)** include the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS. *See table 46 – Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the Consolidated financial statements.* **Pre-tax income** and **PTOI** are presented on a consistent basis. These Non-GAAP financial measures are aligned with how management prorate the operating performance of our broker associates (recorded in Distribution income), which is on a pre-tax basis.

Table 51 – Reconciliation of effective income tax rates

	Q4-2022	Q4-2021	2022	2021
Income before income taxes, as reported under IFRS	475	871	2,942	2,568
Add: share of income tax expense of broker associates	6	4	36	30
Pre-tax income	481	875	2,978	2,598
Total income tax benefit (expense) (Table 46)	(62)	(174)	(558)	(510)
Total effective income tax rate, as reported in the MD&A	12.9%	20.1%	18.7%	19.6%
Pre-tax operating income (PTOI) (Table 45)	717	858	2,667	2,668
Operating income tax benefit (expense)	(109)	(170)	(501)	(577)
Operating effective income tax rate, as reported in the MD&A	15.2%	19.8%	18.8%	21.6%

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36.4 Premiums volume

Change in operating DPW and Change in operating DPW in constant currency

- Our **top line consolidated performance (in terms of premiums written)** is measured based on **Change in operating DPW in constant currency**, which is a non-GAAP ratio. This ratio represents the growth (or decline) in Operating DPW (*as defined below*) calculated by applying the exchange rate in effect for the current year to the Operating DPW of the previous year.
- Constant currency is widely used by multinational companies to highlight the economic performance. Like our peers, we believe that this measure enhances the analysis of our top line performance with comparative periods as it excludes the impact of foreign exchange fluctuations.
- The **top line segmented performance** of our non-Canadian operating segments, as applicable, is also measured based on the Change in operating DPW in constant currency, which reflects the Operating DPW growth, as reported and managed at the segment level (in the functional currency).
- In our MD&A or other financial reports, we also present **Change in operating DPW**, which is a Non-GAAP ratio. This ratio represents the growth or decline in Operating DPW (*as defined below*) calculated by applying the respective exchange rates in effect for the current year and previous year. When relevant, we disclose both ratios to highlight the impact of foreign currency fluctuations on our top line performance.

Change in operating DPW	$\frac{\text{Operating DPW for a specified period} - \text{Operating DPW for the previous year}}{\text{Operating DPW for the previous year}}$	Change in operating DPW in constant currency	$\frac{\text{Operating DPW (in CAD) for a specified period} - \text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}{\text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}$
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Change in operating DPW in constant currency and Change in operating DPW are calculated using **Operating DPW**, a non-GAAP financial measure.

- **Operating DPW** represents the total amount of premiums for new and renewal policies written during the reporting period, normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines. This measure matches premiums written to the year in which coverage is provided, whereas under IFRS, the full value of multi-year policies is recognized in the year the policy is written. DPW is the most comparable GAAP measure to Operating DPW.
- We consider that this measure better reflects the operating performance of our core operations, and that it is the most useful measure in terms of measuring growth and volume of business.
- To calculate the Company's performance relative to the Canadian industry for incentive compensation purposes, our DPW growth is based on financial statements presentation.

Table 52 – Reconciliation of Operating DPW to DPW

	Q4-2022	Q4-2021	2022	2021
DPW, as reported under IFRS	5,528	5,318	22,655	17,994
Remove: impact of industry pools and fronting	(402)	(260)	(1,296)	(605)
Remove: DPW from exited lines	(5)	(70)	(351)	(161)
Add: impact of the normalization for multi-year policies	4	29	45	55
Operating DPW, as reported in the MD&A	5,125	5,017	21,053	17,283
Operating DPW growth	2%	75%	22%	44%
Operating DPW growth (in constant currency)	3%	75%	23%	45%

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Operating NPW

- We note that several peers in the industry use Net premiums written (NPW) to report their top line performance. NPW reflect the risk assumed and ceded on premiums written.
- To enhance the analysis of our top line performance with peers in the industry, we provide Operating NPW, a non-GAAP financial measure, in our Supplementary Financial Information available in the "Investors" section of our web site at www.intactfc.com. Operating NPW is calculated as NPW (most directly comparable GAAP measure) normalized for the effect of multi-year policies, excluding NPW from exited lines. *See Table 53 below.*

Table 53 – Reconciliation of Operating NPW to NPW, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
NPW, as reported under IFRS	4,834	4,828	20,069	16,672
Remove: NPW from exited lines	5	(63)	(285)	(156)
Add: impact of normalization for multi-year policies	4	2	45	7
Operating NPW	4,843	4,767	19,829	16,523

Change in operating NEP and Change in operating NEP in constant currency

- Our **consolidated operating NEP growth** is measured based on **Change in operating NEP**, which is a non-GAAP ratio.
- The **segmented operating NEP growth** of our non-Canadian operating segments, as applicable, is measured based on **Change in operating NEP in constant currency**, which is a non-GAAP ratio, that reflect the Operating NEP growth, as reported and managed at the segment level (in the functional currency). We believe that this ratio enhances the analysis of our financial performance with comparative periods as it excludes the impact of foreign currency fluctuations. When relevant, as we do for Operating DPW, we disclose both ratios to highlight the impact of foreign currency fluctuations on our Operating NEP growth.
- Change in operating NEP and Change in operating NEP in constant currency are calculated using the same methodology as for Change in operating DPW and Change in operating DPW (in constant currency) but using Operating NEP, a non-GAAP financial measure.
- **Operating NEP** represents NEP (most directly comparable GAAP measure), excluding those from exited lines. We believe that this measure better reflects the operating performance of our core operations. *See Table 54 below.*

Table 54 – Reconciliation of Operating NEP to NEP, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
NEP, as reported under IFRS	5,054	5,003	19,792	16,238
Remove: NEP from exited lines	(50)	(72)	(408)	(195)
Operating NEP, as reported in the MD&A	5,004	4,931	19,384	16,043
Operating NEP growth	1%	71%	21%	43%

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36.5 Underwriting profitability

Underwriting income (loss) and Operating combined ratio

- Our underwriting performance is measured based on 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), which are non-GAAP ratios (*as defined below*).
- Our underwriting performance is consistently managed and measured on an **operating basis**, in line with how we report NOI and NOIPS. Non-operating items excluded from our underwriting performance comprised the underwriting results from exited lines, the non-operating pension expense and the impact of MYA on underwriting results (*see 36.1 – Operating performance for details*). We believe that this basis provides investors and financial analysts with a valuable measure of our ongoing underwriting performance in terms of underwriting discipline and profitability.
- While operating combined ratio and components of underwriting performance are commonly used across the industry, they do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry.
- Our underwriting ratios are calculated using the following Non-GAAP financial measures (marked with an asterix*).

Operating combined ratio			
An operating combined ratio below 100% indicates a profitable underwriting result. An operating combined ratio over 100% indicates an unprofitable underwriting result.			
Claims ratio (<i>see below</i>) + Expense ratio (<i>see below</i>)			
Claims ratio		Expense ratio	
Operating net claims* (<i>defined hereafter</i>)		Operating net underwriting expenses* (<i>defined hereafter</i>)	
Operating NEP* (<i>Section 36.4</i>)		Operating NEP* (<i>Section 36.4</i>)	
Underlying current year loss ratio	Operating net claims excluding current year CAT losses and PYD ¹ (<i>Section 36.5</i>) Operating NEP* before the impact of reinstatement premiums (<i>Section 36.4</i>)	Commissions ratio	Commissions ¹ (<i>Section 36.5</i>) Operating NEP* (<i>Section 36.4</i>)
CAT loss ratio	Net current year CAT losses ¹ plus net reinstatement premiums (<i>Section 36.5</i>) Operating NEP* before the impact of reinstatement premiums (<i>Section 36.4</i>)	General expenses ratio	General expenses ¹ (<i>Section 36.5</i>) Operating NEP* (<i>Section 36.4</i>)
PYD ratio	PYD ¹ (<i>Section 36.5</i>) Operating NEP* (<i>Section 36.4</i>)	Premium taxes ratio	Premium taxes ¹ (<i>Section 36.5</i>) Operating NEP* (<i>Section 36.4</i>)

¹ These supplementary measures, which are defined hereafter, are disclosed on a quarterly basis in our MD&A and other financial reports to provide more details on claims ratio and expense ratio.

- **Underwriting income (loss)***, which is used in the calculation of the Operating combined ratio, is an operating measure calculated as Operating NEP, less Operating net claims and Operating net underwriting expenses. The most directly comparable GAAP measure is Underwriting income comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses. *See Table 55 – Reconciliation of Underwriting income to Underwriting income, as reported under IFRS*

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Operating net claims are used in the calculation of the Claims ratio. Operating net claims represent Net claims incurred (most comparable GAAP measure), excluding the impact of MYA on underwriting results, an adjustment for Non-operating pension expense and Net claims from exited lines. *See Table 56 – Reconciliation of Operating net claims to Net claims incurred, as reported under IFRS.*

- To provide more insight into our underlying current year performance, the impact of CAT losses (which can be volatile), and PYD, we further analyse Operating net claims as follows in our MD&A and other financial reports.
 - **Operating net claims excluding current year CAT losses and PYD** are used in the calculation of the Underlying current year loss ratio. CAT losses and PYD are not predictable and subject to volatility, and as such, excluding them provides clearer insight into our analysis of underlying current year performance.
 - **Net current year CAT losses** are used in the calculation of the CAT loss ratio. A CAT loss represents any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event for the current accident year. Our CAT threshold is as follows; P&C Canada: \$10 million, P&C UK&I: £7.5 million, P&C US: US\$5 million and IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more, effective January 1, 2023).
 - **Prior year claims development (PYD)** is used in the calculation of the PYD ratio. PYD represents the change in total prior year claims liabilities during the period, net of reinsurance, excluding the PYD related to exited lines. A decrease to claims liabilities is referred to as favourable prior year claims development. An increase in claims liabilities is referred to as unfavourable prior year claims development.
- **Operating net underwriting expenses** are comprised of commissions (including regular and variable commissions), premium taxes and general expenses related to underwriting activities, net of other underwriting revenues. Operating net underwriting expenses are used in the calculation of the Expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio).
 - Operating net underwriting expenses represent Underwriting expenses (most comparable GAAP measure), net of other underwriting revenues and excluding an adjustment for non-operating pension expense and underwriting expenses from exited lines.
 - Other underwriting revenues include fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans, as well as fees received for the administration of a portion of the Facility Association and other policies.

See Table 57 – Reconciliation of Operating net underwriting expenses to Underwriting expenses, as reported under IFRS.

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(in millions of Canadian dollars, except as otherwise noted)

Table 55 – Reconciliation of Underwriting income to Underwriting income, as calculated under IFRS

	Q4-2022	Q4-2021	2022	2021
Net earned premiums, as reported under IFRS	5,054	5,003	19,792	16,238
Other underwriting revenues, as reported under IFRS	83	79	312	236
Net claims incurred, as reported under IFRS	(3,123)	(2,796)	(11,022)	(8,967)
Underwriting expenses, as reported under IFRS	(1,644)	(1,665)	(6,534)	(5,611)
Underwriting income (loss), as calculated under IFRS	370	621	2,548	1,896
Remove: impact of MYA on underwriting results (Table 18)	(7)	(72)	(1,127)	(226)
Remove: non-operating pension expense	14	16	56	64
Remove: underwriting loss (income) from exited lines (Table 20)	50	35	149	53
Underwriting income (loss), as reported in the MD&A	427	600	1,626	1,787
Operating NEP (Table 54)	5,004	4,931	19,384	16,043
Operating combined ratio	91.5%	87.8%	91.6%	88.8%

Table 56 – Reconciliation of Operating net claims to Net claims incurred, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
Net claims incurred, as reported under IFRS	3,123	2,796	11,022	8,967
Remove: positive (negative) impact of MYA on underwriting results	7	72	1,127	226
Remove: adjustment for non-operating pension expense	(5)	(6)	(21)	(24)
Remove: net claims from exited lines	(80)	(83)	(387)	(172)
Net with: other underwriting revenues	(12)	(6)	(43)	(24)
Operating net claims, as reported in the MD&A	3,033	2,773	11,698	8,973
Remove: net current year CAT losses (Table 14)	(167)	(186)	(826)	(676)
Remove: favourable (unfavourable) PYD (Table 13)	188	160	733	594
Operating net claims excluding current year CAT losses and PYD	3,054	2,747	11,605	8,891
Operating NEP (Table 54)	5,004	4,931	19,384	16,043
Remove: reinstatement premiums ceded (recovered)	11	-	18	1
Operating NEP before reinstatement premiums	5,015	4,931	19,402	16,044
Underlying current year loss ratio ¹	60.9%	55.7%	59.8%	55.5%
CAT loss ratio (including reinstatement premiums) ¹ (Table 14)	3.6%	3.8%	4.3%	4.2%
(Favourable) unfavourable PYD ratio ² (Table 13)	(3.8)%	(3.3)%	(3.8)%	(3.8)%
Claims ratio²	60.7%	56.2%	60.3%	55.9%

¹ Calculated using Operating NEP before reinstatement premiums.

² Calculated using Operating NEP.

Table 57 – Reconciliation of Operating net underwriting expenses to Underwriting expenses, as reported under IFRS

	Q4-2022	Q4-2021	2022	2021
Underwriting expenses, as reported under IFRS	1,644	1,665	6,534	5,611
Net with: other underwriting revenues	(71)	(73)	(269)	(212)
Remove: adjustment for non-operating pension expense	(9)	(10)	(35)	(40)
Remove: underwriting expenses from exited lines	(20)	(24)	(170)	(76)
Operating net underwriting expenses, as reported in the MD&A	1,544	1,558	6,060	5,283
Commissions	753	829	3,109	2,885
General expenses	650	591	2,410	1,914
Premium taxes	141	138	541	484
Operating NEP (Table 54)	5,004	4,931	19,384	16,043
Commissions ratio	15.0%	16.8%	16.1%	18.0%
General expenses ratio	13.0%	12.0%	12.4%	11.9%
Premium taxes ratio	2.8%	2.8%	2.8%	3.0%
Expense ratio	30.8%	31.6%	31.3%	32.9%

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36.6 Financial strength

Total capital margin and regulatory capital ratios

- The **capital strength of the group is measured by the Total capital margin**.
- Each regulated insurance jurisdiction has its own supervisory capital ratio that is used to evaluate the ability of insurance companies to meet all policyholder liabilities. *See Section 28 – Capital management for more details.*

Total capital margin as at the end of a specific period	Total capital margin includes capital in excess of the internal CALs ¹ for regulated insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities, less any ancillary own funds committed by the Company.	Regulatory capital ratios as at the end of a specific period	Minimum capital test (as defined by OSFI and the AMF in Canada), Risk-based capital (as defined by the NAIC in the US) and Solvency Capital Requirement (as defined by the PRA in the UK&I)
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¹ The average CAL for all regulated Canadian insurance entities is 173% MCT. The CAL varies by legal Canadian entity. The CAL is 200% RBC for regulated insurance entities in the US and 120% SCR for those in the UK.

Book value per share (BVPS) and BVPS (excluding AOCI)

- The evolution of our book value is measured using BVPS (*as defined below*), which is calculated using GAAP measures. BVPS is an important valuation measure used by investors and is consistently disclosed in our MD&A and other financial reports.
- In line with a number of peers in the industry, we also disclose BVPS (excluding AOCI), a non-GAAP financial ratio, in our Supplementary Financial Information available in the "Investors" section of our web site at www.intactfc.com. We believe that excluding AOCI from the numerator is useful to investors because it eliminates volatility that arises mostly from changes in market conditions, such as changes in interest and foreign exchange rates.

BVPS as at the end of a specific period	$\frac{\text{Common shareholders' equity}}{\text{Number of common shares outstanding at the same date}}$	BVPS (excluding AOCI) as at the end of a specific period	$\frac{\text{Common shareholders' equity (excluding AOCI)}}{\text{Number of common shares outstanding at the same date}}$
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Table 58 – Calculation of BVPS and BVPS (excluding AOCI)

As at December 31,	2022	2021
Equity attributable to shareholders, as reported under IFRS	15,400	15,674
Remove: Preferred shares, as reported under IFRS	(1,322)	(1,175)
Common shareholders' equity	14,078	14,499
Remove: AOCI, as reported under IFRS	1,085	(529)
Common shareholders' equity (excluding AOCI)	15,163	13,970
Number of common shares outstanding at the same date (in millions)	175.257	176.082
BVPS	80.33	82.34
BVPS (excluding AOCI)	86.52	79.34

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Adjusted average common shareholders' equity

- **Adjusted average common shareholders' equity*** is a Non-GAAP financial measure used in the calculation of ROE and AROE. It is the mean of the shareholders' equity at the beginning and the end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders and Preferred shares are determined in accordance with IFRS. *See Table 59 below.*
- **Adjusted average common shareholders' equity, excluding AOCI** is a Non-GAAP financial measure used in the calculation of OROE. It is the mean of the shareholders' equity, excluding AOCI at the beginning and the end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders, Preferred shares and AOCI are determined in accordance with IFRS. *See Table 59 below.*
- We believe that adjusting for common share issuance on prorata basis based on the number of days is a better reflection of our average common shareholders' equity base used to calculate ROE, AROE and OROE.

Table 59 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity (excluding AOCI)

	2022	2021
Ending common shareholders' equity (<i>Table 58</i>)	14,078	14,499
Remove: common shares issued during the year	-	(4,311)
Ending common shareholders' equity, excluding common shares issued during the year	14,078	10,188
Beginning common shareholders' equity	14,499	8,408
Average common shareholders' equity, excluding common shares issued during the year	14,289	9,298
Weighted impact of June 1, 2021 common shares issuance	-	2,528
Adjusted average common shareholders' equity	14,289	11,826
Ending common shareholders' equity (excluding AOCI) (<i>Table 58</i>)	15,163	13,970
Remove: common shares issued during the year	-	(4,311)
Ending common shareholders' equity, excluding AOCI and common shares issued during the year	15,163	9,659
Beginning common shareholders' equity, excluding AOCI	13,970	7,999
Average common shareholders' equity, excluding AOCI and common shares issued during the year	14,567	8,829
Weighted impact of June 1, 2021 common shares issuance	-	2,528
Adjusted average common shareholders' equity, excluding AOCI	14,567	11,357

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Adjusted total capital and Adjusted debt-to-total capital ratio

Adjusted debt-to-capital ratio and Total leverage ratio, which are Non-GAAP ratios, are calculated using the following non-GAAP financial measures (marked with an asterix*).

Adjusted debt-to-capital ratio as at the end of a specific period	Debt outstanding (excluding hybrid debt)* (see Table 60) Adjusted total capital*	Total leverage ratio as at the end of a specific period	Debt outstanding and preferred shares (including NCI)* (see Table 60) Adjusted total capital*
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- Debt outstanding (excluding hybrid debt)** represents the debt outstanding (most comparable GAAP measure), excluding hybrid subordinated notes. We classify hybrids with the preferred shares since they are convertible to preferred shares pari passu to our existing preferred shares in case of default or bankruptcy.
- Adjusted total capital*** represents the sum of Debt outstanding, Equity attributable to shareholders, Restricted Tier 1 notes and preferred shares instruments held by subsidiaries, at the same date (see Table 60 below). The restricted Tier 1 notes and preferred shares instruments held by subsidiaries are included in Equity attributable to NCI.

Table 60 – Reconciliation of Debt outstanding (excluding hybrid debt) and Adjusted total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	Dec. 31 2022	Sept. 30 2022	Dec. 31 2021
Debt outstanding, as reported under IFRS	4,522	4,796	5,229
Remove: hybrid subordinated notes (see Note 20.1)	(247)	(247)	(247)
Debt outstanding (excluding hybrid debt)	4,275	4,549	4,982
Debt outstanding, as reported under IFRS	4,522	4,796	5,229
Equity attributable to shareholders, as reported under IFRS	15,400	15,150	15,674
Equity attributable to NCI, as reported under IFRS			
Include: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes (Note 22.1)	-	-	510
Preferred shares (Note 22.1)	285	285	285
Adjusted total capital	20,207	20,231	21,698
Debt outstanding (excluding hybrid debt)	4,275	4,549	4,982
Adjusted total capital	20,207	20,231	21,698
Adjusted debt-to-total capital ratio	21.2%	22.5%	23.0%
Debt outstanding, as reported under IFRS	4,522	4,796	5,229
Preferred shares, as reported under IFRS	1,322	1,322	1,175
Equity attributable to NCI: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes (Note 22.1)	-	-	510
Preferred shares (Note 22.1)	285	285	285
Debt outstanding and preferred shares (including NCI)	6,129	6,403	7,199
Adjusted total capital (see above)	20,207	20,231	21,698
Total leverage ratio	30.3%	31.7%	33.2%
Adjusted debt-to-total capital ratio	21.2%	22.5%	23.0%
Preferred shares and hybrids	9.1%	9.2%	10.2%

Refer to Note 20 – Debt outstanding and Note 22 – Non-controlling interests to the Consolidated financial statements for more details on the composition of items presented in the above table.

Management's Discussion and Analysis for the year ended December 31, 2022

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Section 37 - Accounting and disclosure matters

37.1 Transition to IFRS 17 – Insurance contracts and IFRS 9 – Financial instruments

On January 1, 2023, IFRS 17 – Insurance Contracts ("IFRS 17") and IFRS 9 – Financial instruments ("IFRS 9") came into effect. *Refer to Note 36.1 – Insurance contracts and financial instruments to the Consolidated financial statements for details and for the expected impact to our financial statements.*

The highlights presented below are intended to be helpful in advance of the implementation of these two standards, based on our ongoing current assessment of their impact, which is subject to change.

Reminder: New standards at a glance

- **P&C insurance companies are expected to be less impacted by IFRS 17 than Life Insurance companies**, given that this new standard is more closely aligned to the current standard (IFRS 4) for short-tail insurance contracts eligible for the simplified approach.
- **Overall, these standards have no impact on our economics and strategy, and our two financial objectives remain unchanged** (to grow NOIPS by 10% yearly over time, and to exceed the industry ROE by 5 points).
- **These new standards bring limited changes to our overall MD&A**, as they do not impact how we manage and measure our performance. However, significant changes to Financial Statement presentation and disclosure are expected.
- **No significant changes to NOIPS are expected over time**, though we expect an impact from **changes in recognition patterns and methodologies**. These are largely timing differences, with their impact depending on the change in premium volume year-over-year (for deferred acquisition costs), future profitability (onerous contracts) and interest rates (discounting).
- Our investments will continue to be measured at fair value, though certain equity investments will now be marked-to-market through Net income as opposed to through OCI. **This could bring more volatility to non-operating results and EPS but will not impact NOIPS, BVPS or regulatory capital.**

Key Highlights (IFRS 17 & IFRS 9)

Timing, comparatives & transition impact

- **IFRS 17 will be effective January 1, 2023**, with **IFRS 9 implemented simultaneously** as insurers were offered an exemption to delay the adoption of IFRS 9 to align with IFRS 17.
- **Prior year comparatives (2022 quarterly results) will be fully restated for IFRS 17**, with the transition impact recorded in the January 1, 2022 opening balance sheet:
 - Equity attributable to shareholders will increase by approximately \$420 million (after-tax) mainly due to the deferral of additional indirect costs which were previously expensed as incurred.
- **Comparatives will not be restated for IFRS 9**, with the transition impact being reflected in the January 1, 2023 opening balance sheet:
 - The impact to BVPS will not be significant, with an immaterial impact from the new expected credit losses provision driven by the high quality of our investment portfolio.
 - In addition, we will reclassify approximately \$385 million (after-tax) of net unrealized losses from AOCI to Retained earnings, with no overall impact to BVPS

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Impact to operating income	The principal changes expected are outlined below, based on our preliminary assessment: <i>Measurement changes</i> - IFC's insurance contracts are predominately short tail which allows for a simplified accounting (<i>the premium allocation approach or "PAA"</i>). Given that this is generally aligned to current accounting practices, we expect limited impact on operating income. The more complex general measurement model ("GMM") will apply only to the claims acquired in the RSA Acquisition and a limited number of reinsurance contracts. - Losses on onerous (unprofitable) contracts must be recorded in earnings as soon as the insurance contract is issued. This change in timing is expected to have limited impact on an ongoing basis given that our groups of contracts are generally expected to be profitable. - We will continue to discount and apply a risk adjustment to our claims liabilities. The changes in methodology are not expected to have a significant impact over time. <i>Presentation changes</i> - Expected to positively impact overall underwriting income and operating combined ratio: - Main change is the unwinding of the claims discount, which will be presented outside of net claims incurred but will remain in operating income. This change in presentation will not impact the underlying fundamentals of how we manage our lines of business. - Our underwriting ratios will be based on a higher denominator which will include the current operating NEP plus the addition of other insurance-related revenues (which are currently netted against underwriting expenses). This will not impact underwriting income. - We expect other presentation changes – within the various components of operating income such as underwriting and distribution income, and/or between expense and claims ratio. In aggregate, changes are not expected to have a significant impact on operating income over time.
Impact to non-operating results	The principal changes expected are outlined below, based on our preliminary assessment: - IFRS 9 will result in classification changes, with more equity investments now classified as FVTPL. The mark-to-market on these equity investments will now be recognized in Net income as opposed to through OCI. Though this will result in increased volatility to Net income, it will only impact the timing of the recognition of gains/losses, with no impact on BVPS or total equity. - Our investment strategy is designed to generate total return outperformance over time, and while it may bring short-term volatility, it is expected to remain within our risk appetite. - The MYA on our claims liabilities will continue to be presented in non-operating results, along with the market movements of the underlying investments that support them. - The new expected credit losses impairment model is expected to have an immaterial impact on our financials given the high quality of our investment portfolio. Though IFRS 9 will result in increased volatility to Net income and EPS, it will not impact BVPS.
Impact to Equity & Ratios	- As mentioned above, impact to BVPS upon transition is not expected to be significant - Changes from IFRS 9 investment classification could bring volatility to AROE and ROE, with the expected fluctuation of capital markets resulting in a positive impact over time. - No significant impact to our adjusted debt-to-capital ratio expected, and no change to our overall capital framework. Overall impact on equity, adjusted debt-to-total capital and capital framework is not expected to be significant, but IFRS 9 could result in volatility to AROE and ROE.

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Reference to our Consolidated financial statements for the year ended December 31, 2022

Significant accounting judgments, estimates and assumptions	Adoption of new accounting standards	Related-party transactions	Standards issued but not yet effective
<i>Note 3</i>	<i>Note 4</i>	<i>Note 33</i>	<i>Note 36</i>

37.2 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to use judgments, estimates and assumptions that can have a significant impact on reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

The key estimates and assumptions that have a risk of causing a material adjustment to the carrying value of certain assets and liabilities are as follows:

Reference to our Consolidated financial statements for the year ended December 31, 2022

Global economic environment	<i>Note 3.2</i>	Impairment of financial assets	<i>Note 25.2</i>
Business combinations and disposals	<i>Note 5.3</i>	Measurement of income taxes	<i>Note 27.3</i>
Valuation of claims liabilities	<i>Note 11.3</i>	Valuation of defined benefit obligation	<i>Note 30.7</i>
Impairment of goodwill and intangible assets	<i>Note 15.2</i>		

37.3 Related-party transactions

We enter into transactions with associates and joint ventures, including those classified as held for sale, in the normal course of business. Most of these related-party transactions are with entities associated with our distribution channel. These transactions mostly comprise of commissions for insurance policies, interest and principal payments on loans, as well as reinsurance agreements. These transactions are measured at the amount of the consideration paid or received, as established and agreed by the related parties. Management believes that such exchange amounts approximate fair value.

We also enter into transactions with key management personnel and pension plans. Our key management personnel are those that have the authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel includes the entirety of the Executive Officers of the Company, as well as the Board of Directors. Key management personnel can purchase our insurance products offered in the normal course of business. The terms and conditions of such transactions are essentially the same as those available to our clients and employees. Transactions with pension plans comprise the contributions paid to these plans.

37.4 Financial instruments

An important portion of our Consolidated balance sheets is composed of financial instruments.

Reference to our Consolidated financial statements for the year ended December 31, 2022

Summary of significant accounting policies	Derivative financial instruments	Fair value measurement
<i>Note 2</i>	<i>Note 8</i>	<i>Note 9</i>

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37.5 Disclosure controls and procedures

We are committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. Management is responsible for establishing and maintaining our disclosure controls and procedures to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. We continue to evolve and enhance our system of controls and procedures.

Management, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company, has evaluated the effectiveness of our disclosure controls and procedures. The evaluation was conducted in accordance with the requirements of National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") of the Canadian Securities Administrators. This evaluation confirmed, subject to the inherent limitations noted above, the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2022. Management can therefore provide reasonable assurance that material information relating to the Company and its subsidiaries is reported to it on a timely basis so that it may provide investors with complete and reliable information.

37.6 Internal controls over financial reporting

Management has designed and is responsible for maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the ICFR were appropriately designed and operating effectively, as at December 31, 2022.

In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

No significant changes were made to our ongoing ICFR during 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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Section 38 - Shareholder information**38.1 Authorized share capital and outstanding share data**

Our authorized share capital consists of an unlimited number of common shares and Class A shares.

Table 61 – Outstanding share data (number of shares)

As at February 7, 2023	
Common shares	175,256,968
Class A	
Series 1 preferred shares	10,000,000
Series 3 preferred shares	10,000,000
Series 5 preferred shares	6,000,000
Series 6 preferred shares	6,000,000
Series 7 preferred shares	10,000,000
Series 9 preferred shares	6,000,000
Series 11 preferred shares	6,000,000

Refer to our Annual Information Form for more detailed information on the rights of shareholders and to Note 21 – Common shares and preferred shares to the Consolidated financial statements for additional information.

38.2 Quarterly dividends declared on common shares and preferred shares

Table 62 – Dividends declared per share

	Q1-2023	Q4-2022	Q4-2021
Common shares	1.10	1.00	0.91
Class A			
Series 1 preferred shares	0.3025625	0.21225	0.21225
Series 3 preferred shares	0.2160625	0.2160625	0.2160625
Series 5 preferred shares	0.325	0.325	0.325
Series 6 preferred shares	0.33125	0.33125	0.33125
Series 7 preferred shares	0.30625	0.30625	0.30625
Series 9 preferred shares	0.3375	0.3375	0.3375
Series 11 preferred shares	0.328125	0.328125	-

On February 7, 2023, the Board of Directors approved the quarterly dividend for Q1-2023. See Section 28.4 - Common shareholder dividends

38.3 Expected release dates of our financial results

Q1-2023	Q2-2023	Q3-2023	Q4-2023
May 10, 2023	August 2, 2023	November 7, 2023	February 13, 2024

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Section 39 - Selected annual and quarterly information

39.1 Selected annual information

Table 63 – Selected annual information

	2022	2021	2020
Direct premiums written	22,655	17,994	12,143
Operating DPW	21,053	17,283	12,039
Total revenues ¹	21,615	17,635	12,303
Net income	2,420	2,088	1,082
Net income attributable to shareholders	2,424	2,067	1,082
EPS, basic and diluted (in dollars)	13.46	12.40	7.20
Cash dividends declared per share (in dollars)			
Common shares	4.00	3.40	3.32
Class A			
Series 1 Preferred Shares	0.85	0.85	0.85
Series 3 Preferred Shares	0.86	0.84	0.83
Series 4 Preferred Shares (floating rate)	-	0.52	0.89
Series 5 Preferred Shares	1.30	1.30	1.30
Series 6 Preferred Shares	1.33	1.33	1.33
Series 7 Preferred Shares	1.23	1.23	1.23
Series 9 Preferred Shares	1.35	1.35	1.17
Series 11 Preferred Shares	1.04	-	-
Investments	35,601	36,680	20,630
Total assets	64,959	66,349	35,119
Total financial liabilities	36,346	35,287	17,917
Equity attributable to shareholders	15,400	15,674	9,583

¹ This measure has been adjusted to align with our Consolidated financial statements. Comparative figures are reported on the same basis.

39.2 Selected quarterly information

Table 64 – Selected quarterly information¹

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Direct premiums written	5,528	5,796	6,238	5,093	5,318	5,719	4,414	2,543
Operating DPW	5,125	5,443	5,807	4,678	5,017	5,447	4,297	2,522
Segment operating revenues ¹	5,442	5,244	5,118	5,091	5,270	5,189	3,748	2,997
Operating NEP	5,004	4,880	4,758	4,742	4,931	4,871	3,482	2,759
Current year CAT losses	167	229	248	182	186	365	73	52
Favourable PYD	(188)	(143)	(179)	(223)	(160)	(148)	(136)	(150)
Underwriting income	427	362	441	396	600	426	464	297
Operating combined ratio ²	91.5%	92.6%	90.7%	91.7%	87.8%	91.3%	86.7%	89.3%
Operating net investment income	279	232	211	205	220	191	154	141
Distribution income	93	111	141	92	77	105	118	62
NOI	601	488	569	488	679	519	515	357
Net income	419	370	1,184	447	701	300	573	514
Net income attributable to shareholders	412	370	1,183	459	692	295	566	514
Per share measures, basic and diluted (in dollars)								
NOIPS	3.34	2.70	3.14	2.70	3.78	2.87	3.26	2.40
EPS	2.26	2.02	6.64	2.53	3.85	1.60	3.59	3.51

¹ This measure has been adjusted to align with our Consolidated financial statements. Comparative figures are reported on the same basis.

² See Section 12 – Seasonality of our P&C insurance business.

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

Section 40 - Glossary and definitions

This icon represents data relevant to environmental, social and governance (ESG) disclosure, and its impact on our results where applicable.

40.1 Glossary of abbreviations

Description		Description	
ABI	Association of British Insurers	Moody's	Moody's Investor Service Inc.
AEPS	Adjusted EPS	MGA	Managing general agent
AFS	Available for sale	MYA	Market yield adjustment
AMF	Autorité des marchés financiers	MYE	Market yield effect
AOCI	Accumulated OCI	NCI	Non-controlling interests
AROE	Adjusted ROE	NCIB	Normal course issuer bid
bps	Basis points	NAIC	National Association of Insurance Commissioners
BVPS	Book value per share	NEP	Net earned premiums
CAD	Canadian Dollar	NOI	Net operating income
CAGR	Compound annual growth rate	NOIPS	NOI per share
CAL	Company action level	OCI	Other comprehensive income
CAN	Canada	OROE	Operating ROE
CAT	Catastrophe	OSFI	Office of the Superintendent of Financial Institutions
CL	Commercial lines	P&C	Property & Casualty
DB	Defined benefit	PA	Personal auto
DBRS	Dominion Bond Rating Services	PL	Personal lines
DC	Defined contribution	PP	Personal property
DKK (kr.)	Danish krone, Denmark's official currency	PRA	Prudential Regulatory Authority
DPW	Direct premiums written	PTOI	Pre-tax operating income
EPS	Earnings per share to common shareholders	PYD	Prior year claims development
ESG	Environmental, Social and Governance	RBC	Risk-based capital (US)
FCA	Financial Conduct Authority	ROE	Return on equity
F/S	Financial Statements	SCR	Solvency Capital Requirement (Europe)
Fitch	Fitch Ratings Inc.	SL	Specialty lines
FVTPL	Fair value through profit and loss	SME	Small and medium-sized enterprise
GBP (£)	British pound sterling, UK's official currency	S&P	Standard & Poor's
IFRS	International Financial Reporting Standards	TSX	Toronto Stock Exchange
KPI	Key performance indicator	UK	United Kingdom
MBS	Mortgage-backed securities	UK&I	United Kingdom and International
MCT	Minimum capital test (Canada)	US	United States
MD&A	Management's Discussion and Analysis	USD (US\$)	US Dollar

Management's Discussion and Analysis for the year ended December 31, 2022

(in millions of Canadian dollars, except as otherwise noted)

40.2 Definitions of performance measures and key terms used in our MD&A

- Unless otherwise noted, operating DPW refer to DPW normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines (referred to as "operating DPW" in this MD&A).
- Unless otherwise noted, all underwriting results and related ratios exclude the MYA, as well as the results from exited lines. The expense and general expense ratios are presented herein net of other underwriting revenues.
- Catastrophe claims are any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event. Reported CAT losses can either be weather-related or not weather-related ('other than weather-related') and exclude those from exited lines. Our CAT threshold is as follows; P&C Canada: \$10 million, P&C UK&I: £7.5 million, P&C US: US\$5 million and IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more, effective January 1, 2023).
- A large loss is defined as a single claim, which is considered significant but that is smaller than the CAT threshold.
- A non-catastrophe weather event is a group of claims, which is considered significant but that is smaller than the CAT threshold, related to a single weather event.
- Non-CAT weather-related losses represent claims which we attribute to weather conditions. We estimate the impact of weather on our results by matching increases in claims frequency with specific weather events, and also by considering the underlying cause of claims.