

Third Quarter

2022

3

Management's Discussion and Analysis  
For the quarter ended September 30, 2022

Intact Financial Corporation





**Management's Discussion and Analysis for the third quarter ended September 30, 2022**

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

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## Management's Discussion and Analysis for the third quarter ended September 30, 2022

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

The following MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors (the "Board") for the third quarter ended September 30, 2022. This MD&A is intended to enable the reader to assess our results of operations and financial condition for the three-month and nine-month periods ended September 30, 2022, compared to the corresponding periods in 2021. It should be read in conjunction with our interim Consolidated financial statements, as well as the MD&A and the Consolidated financial statements included in our 2021 Annual Report. This MD&A is dated November 8, 2022.

"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](http://www.sedar.com).

- Abbreviations and definitions of selected key terms used in this MD&A are defined in *Section 27 – Glossary and definitions*.
- Other insurance-related terms are defined in *Section 27 – 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](http://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 (GAAP) financial measures ("reported measures"), as well as Non-GAAP financial measures and Non-GAAP ratios (each as defined in National Instrument 52-112 "*Non-GAAP and Other Financial Measures Disclosure*") to assess our performance. Non-GAAP financial measures and Non-GAAP ratios (which are calculated using Non-GAAP financial measures) do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry.

The **Non-GAAP financial measures** included in 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 23 – 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 September 30, 2022, and are subject to change after this 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 National Life & General Insurance Company (NLGIC) (the "Sale of Middle East"), the realization of the expected strategic, financial and other benefits of the Sale of Middle East, and with respect to the impact of COVID-19 and related economic conditions on the Company's operations and financial performance.

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

- expected regulatory processes and outcomes in connection with its business;
- government regulations designed to protect policyholders and creditors rather than investors;
- the occurrence and frequency of catastrophe events, including a major earthquake;
- catastrophe losses caused by severe weather and other weather-related losses, as well as the impact of climate change;
- intense competition and disruption;
- unfavourable capital market developments or other factors, including the impact of the COVID-19 pandemic and related economic conditions, which may affect the Company's investments, floating rate securities and funding obligations under its pension plans;
- the Company's ability to implement its strategy or operate its business as management currently expects;
- its ability to accurately assess the risks associated with the insurance policies that the Company writes;
- the Company's ability to otherwise complete the integration of the business acquired within anticipated time periods and at expected cost levels, as well as its ability to operate in new jurisdictions relating to the RSA Acquisition;
- the Company's ability to achieve synergies arising from successful integration plans relating to acquisitions;
- the Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including in the context of the impact on the ability of our workforce to perform necessary business functions remotely, as well as in the context of evolving cybersecurity risk;
- the impact of developments in technology and use of data on the Company's products and distribution;
- the Company's ability to contain fraud and/or abuse;
- periodic negative publicity regarding the insurance industry;
- the Company's reliance on brokers and third parties to sell its products to clients and provide services to the Company, and the
- COVID-19 related coverage issues and claims, including certain class actions and related defence costs, could negatively impact our claims reserves;
- terrorist attacks and ensuing events;
- the Company's ability to maintain its financial strength and issuer credit ratings;
- the Company's access to debt and equity financing;
- the Company's ability to compete for large commercial business;
- the Company's ability to alleviate risk through reinsurance;
- the Company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers);
- the Company's dependence on and ability to retain key employees;
- the cyclical nature of the P&C insurance industry;
- management's ability to accurately predict future claims frequency and severity,
- the Company's ability to successfully pursue its acquisition strategy;
- the Company's ability to execute its business strategy;
- management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Sale of Middle East and resulting impact on growth and accretion in various financial metrics;
- the Company's ability to improve its combined ratio, retain existing and attract new business, attract and retain key employees with the in-depth knowledge and necessary skills, maintain market position arising from successful integration plans relating to the RSA Acquisition, as well as management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the RSA Acquisition and resulting impact on growth and accretion in various financial metrics;

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impact of COVID-19 and related economic conditions on such brokers and third parties;

- the occurrence of and response to public health crises including epidemics, pandemics or outbreaks of new infectious diseases, including, most recently, the COVID-19 pandemic and ensuing events;
- the volatility of the stock market and other factors affecting the trading prices of the Company's securities, including in the context of the COVID-19 economic crisis;
- litigation and regulatory actions, including with respect to the COVID-19 pandemic;
- changes in laws or regulations, including those adopted in response to COVID-19 that would, for example, require insurers to cover business interruption claims irrespective of terms after policies have been issued, and could result in an unexpected increase in the number of claims and have a material adverse impact on the Company's financial results;
- the Company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools;
- general economic, financial and political conditions;
- the Company's dependence on the results of operations of its subsidiaries and the ability of the Company's subsidiaries to pay dividends;
- the Company's ability to hedge exposures to fluctuations in foreign exchange rates;
- future sales of a substantial number of its common shares;
- the Company's ability to meet its net zero carbon emission targets; and
- changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

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

# 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.

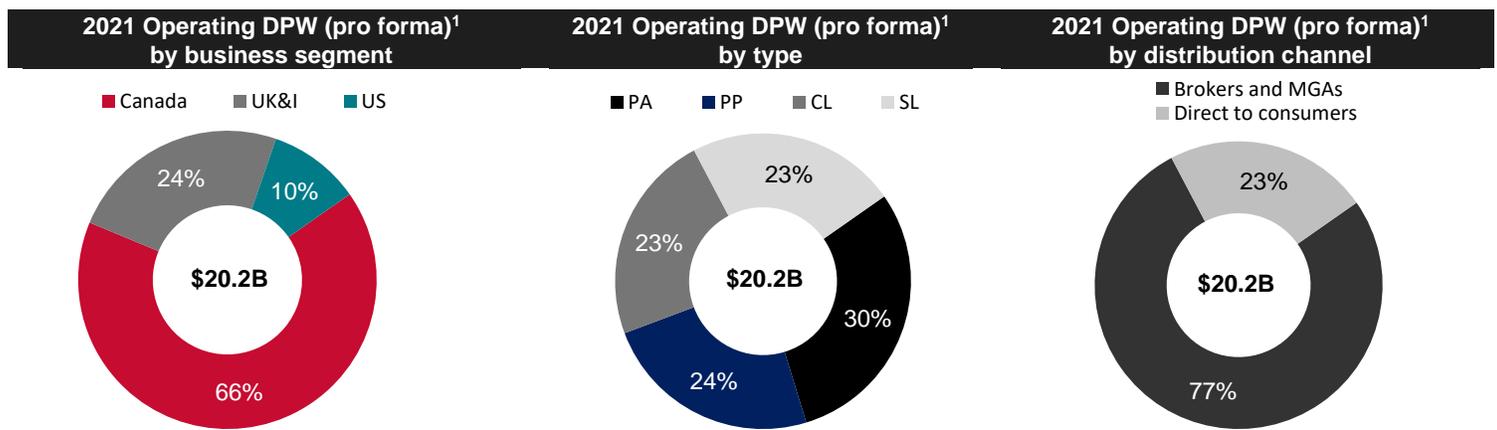
**Our values guide us** – Our values guide our decision-making, keep us grounded, help us outperform and are key to our success.

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 26,000 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 \$20 billion of total annual premiums.
- 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. 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.



PA: Personal auto; PP: Personal property; CL: Commercial lines; SL: Specialty lines

<sup>1</sup> Operating DPW (proforma) includes the impact of the RSA Acquisition for a full year but excludes the impact of exited lines. There is no equivalent GAAP measure.

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# PERFORMANCE

## Section 2 - Consolidated performance

### 2.1 Consolidated highlights

Highlights	
•	<b>Net operating income per share<sup>1</sup> decreased 6% to \$2.70</b> , reflecting a slight increase in operating combined ratio, offset in part by higher investment and distribution income
•	<b>Operating DPW<sup>1</sup> grew 2%</b> , as continued solid growth in specialty lines was partially offset by profitability actions, including strategic exits
•	<b>Operating combined ratio<sup>1</sup> was robust at 92.6%</b> , with very strong results in commercial lines and Canada personal auto performing as expected
•	<b>EPS increased 26% to \$2.02</b> , with solid operating and non-operating performance, while last year's results were impacted by an impairment charge on an investment
•	<b>OROE<sup>1</sup> and ROE<sup>1</sup> were strong</b> at 15.0% and 19.1%, respectively, reflecting continued strong performance
•	<b>BVPS was stable year-over-year</b> , as strong earnings were offset by significant mark-to-market losses on investments

Table 1 – Consolidated performance<sup>1</sup>

	Section	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
<b>Operating DPW<sup>1</sup> (growth in constant currency)</b>	<b>2.2</b>	<b>5,443</b>	5,447	2%	<b>15,928</b>	12,266	31%
<b>Direct premium written (growth in constant currency)</b>		<b>5,796</b>	5,719	4%	<b>17,127</b>	12,676	37%
<b>Operating NEP<sup>1</sup></b>		<b>4,880</b>	4,871	-%	<b>14,380</b>	11,112	29%
<b>Net earned premiums</b>		<b>4,945</b>	4,950	-%	<b>14,738</b>	11,235	31%
<b>Operating income</b>							
Underwriting income <sup>1</sup>	2.2	362	426	(15)%	1,199	1,187	1%
Operating net investment income <sup>1</sup>	9.1	232	191	21%	648	486	33%
Distribution income <sup>1</sup>	2.2	111	105	6%	344	285	21%
Total finance costs and other operating income (expense) <sup>1</sup>	2.2	(91)	(58)	nm	(241)	(148)	nm
<b>Pre-tax operating income (PTOI)<sup>1</sup></b>	<b>3.1</b>	<b>614</b>	664	(8)%	<b>1,950</b>	1,810	8%
<b>NOI attributable to common shareholders<sup>1</sup></b>		<b>473</b>	505	(6)%	<b>1,501</b>	1,351	11%
<b>Net income</b>		<b>370</b>	300	23%	<b>2,001</b>	1,387	44%
Claims ratio <sup>1</sup>		<b>60.8%</b>	58.2%	2.6 pts	<b>60.3%</b>	55.8%	4.5 pts
Expense ratio <sup>1</sup>		<b>31.8%</b>	33.1%	(1.3) pts	<b>31.4%</b>	33.5%	(2.1) pts
<b>Operating combined ratio<sup>1</sup></b>	<b>2.2</b>	<b>92.6%</b>	91.3%	1.3 pts	<b>91.7%</b>	89.3%	2.4 pts
<b>Per share measures, basic and diluted (in dollars)</b>							
NOIPS <sup>1</sup>	2.2	<b>2.70</b>	2.87	(6)%	<b>8.54</b>	8.56	-%
EPS	2.2	<b>2.02</b>	1.60	26%	<b>11.20</b>	8.46	32%
BVPS	20.3	<b>78.90</b>	79.21	-%			
<b>Return on equity for the last 12 months</b>							
OROE <sup>1</sup>	2.2	<b>15.0%</b>	18.3%	(3.3) pts			
AROE <sup>1</sup>	2.2	<b>22.5%</b>	20.2%	2.3 pts			
ROE <sup>1</sup>	2.2	<b>19.1%</b>	16.5%	2.6 pts			
Total capital margin	20.2	<b>2,490</b>	2,693	(203)			
Adjusted debt-to-total capital ratio <sup>1</sup>	20.4	<b>22.5%</b>	23.9%	(1.4) pts			

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures.

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2.2 Consolidated performance

Table 2 – Consolidated underwriting performance

	Section	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
<b>Operating DPW (growth in constant currency)</b>							
Canada	4.1	3,664	3,564	3%	10,620	8,740	22%
UK&I	5.1	1,071	1,264	(4)%	3,527	1,264	nm
US	6.1	708	619	10%	1,781	1,528	14%
RSA – June 2021 <sup>1</sup>		n/a	n/a	nm	n/a	734	nm
<b>IFC</b>		<b>5,443</b>	5,447	2%	<b>15,928</b>	12,266	31%
<b>Operating combined ratio</b>							
Canada	4.1	92.7%	89.2%	3.5 pts	91.2%	87.6%	3.6 pts
UK&I	5.1	93.5%	93.9%	(0.4) pts	94.6%	93.9%	nm
US	6.1	90.5%	92.8%	(2.3) pts	89.5%	93.0%	(3.5) pts
RSA – June 2021 <sup>1</sup>		n/a	n/a	nm	n/a	90.7%	nm
<b>IFC</b>		<b>92.6%</b>	91.3%	1.3 pts	<b>91.7%</b>	89.3%	2.4 pts

<sup>1</sup> Includes RSA's Canadian and UK&I operations for June 2021.

	Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<b>Operating DPW growth (in constant currency) (Sections 4-6)</b>	<ul style="list-style-type: none"> <li><b>Overall premium growth was 2%.</b> Excluding exited lines, growth was 4%, driven by solid rate increases and strong growth in specialty lines, tempered by the impact of pricing discipline and footprint optimization in the UK&amp;I.</li> </ul>	<ul style="list-style-type: none"> <li><b>Overall premium growth of 31%</b>, reflected the impact of the RSA Acquisition (27 points). Excluding this and the impact of exited lines, premium growth was 5%, led mainly by continued momentum in specialty lines.</li> </ul>
<b>Underwriting performance (Sections 4-6)</b>	<ul style="list-style-type: none"> <li><b>Operating combined ratio of 92.6% was solid</b> after reflecting increasing cost pressures and higher weather-related losses in personal lines, while performance in commercial lines continued to be strong.</li> </ul>	<ul style="list-style-type: none"> <li><b>Operating combined ratio of 91.7%</b> reflected a solid performance amidst inflationary pressures and elevated weather-related losses, driven by the benefit of our profitability actions taken to date.</li> </ul>
<b>Operating net investment income (Section 9.1)</b>	<ul style="list-style-type: none"> <li><b>Operating net investment income increased by 21% to \$232 million</b>, driven by higher reinvestment yields.</li> </ul>	<ul style="list-style-type: none"> <li><b>Operating net investment income increased by 33% to \$648 million</b>, driven by the RSA Acquisition which impacted H1-2022 earnings growth. We also increased the turnover pace of our portfolio to capture rising yields.</li> </ul>
<b>Distribution income</b>	<ul style="list-style-type: none"> <li><b>Distribution income increased by 6% to \$111 million</b>, driven by the addition of Highland Insurance Solutions ("Highland") to our portfolio, tempered by lower variable commission revenues compared to last year's elevated level.</li> </ul>	<ul style="list-style-type: none"> <li><b>Distribution income grew by 21% to \$344 million</b>, driven by accretive acquisitions and the addition of Highland to our portfolio. Given our strong performance to date and the addition of Highland, we now expect distribution income to reach approximately \$435 million in 2022.</li> </ul>
<b>Total finance costs and other operating income (expense)</b>	<ul style="list-style-type: none"> <li><b>Total finance costs and other operating expenses of \$91 million</b> included an increase in general corporate expenses, compared to a relatively low-level last year.</li> </ul>	<ul style="list-style-type: none"> <li><b>Total finance costs and other operating expenses of \$241 million</b> included an increase in corporate expenses and financing costs following the RSA Acquisition.</li> </ul>
<b>NOIPS</b>	<ul style="list-style-type: none"> <li><b>NOIPS of \$2.70</b> declined by 6% from Q3-2021, reflecting inflation pressures and higher weather-related losses in personal lines, partially offset by strong investment and distribution results.</li> </ul>	<ul style="list-style-type: none"> <li><b>NOIPS of \$8.54 was essentially in line with last year's strong results</b> thanks to solid investment and distribution performances, coupled with meaningful RSA accretion. Our underwriting business showed resilience considering cost pressures, higher frequency, and increased weather-related losses in personal lines.</li> </ul>

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	Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<b>Non-operating results</b> (Section 10)	<ul style="list-style-type: none"> <li>• <b>Non-operating losses of \$150 million</b> included integration expenses, underwriting losses from our exited lines, partially offset by net investment gains.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Non-operating gains of \$547 million</b> included a \$423 million gain from the sale of Codan Forsikring A/S (“Codan DK”), as well as realized gains from our equity portfolio.</li> </ul>
<b>EPS</b>	<ul style="list-style-type: none"> <li>• <b>EPS of \$2.02 was 26% higher than last year</b>, reflecting solid operating and non-operating performances, while last year’s results were impacted by an impairment of \$183 million related to a venture investment.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>EPS of \$11.20 increased by 32%</b>, as solid operating results were bolstered by the gain on the sale of Codan DK and investment gains.</li> </ul>
<b>Effective income tax rates<sup>1</sup></b>	<ul style="list-style-type: none"> <li>• <b>Operating effective income tax rate of 20.4%</b> was slightly lower than 2021, in line with our expected run-rate.</li> <li>• <b>Total effective income tax rate of 20.4%</b> was lower than last year yet in line with expectations, as Q3-2021 was impacted by a partially non-deductible investment loss.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Operating effective income tax rate of 20.1%</b> was lower than 2021, mainly due to tax benefits relating to the utilization of previously unrecognized losses in the UK.</li> <li>• <b>Total effective income tax rate of 19.9%</b> was in line with last year but lower than expected, due to the Q2-2022 non-taxable gains.</li> </ul>
<b>Return on equity for the last 12 months</b>	<ul style="list-style-type: none"> <li>• <b>Operating ROE of 15.0%</b> reflected a strong operating performance across the business, despite elevated CAT losses in the last twelve months.</li> <li>• <b>Adjusted ROE of 22.5% and ROE of 19.1%</b> reflected a strong operating performance bolstered by the gain from the sale of Codan DK and realized gains on our equity portfolio.</li> </ul>	
<b>BVPS</b> (Section 20.3)	<ul style="list-style-type: none"> <li>• <b>BVPS of \$78.90 remained broadly in line with last year</b>, as strong earnings were offset by mark-to-market losses on our investments caused by the increase in interest rates and the recent volatility in capital markets.</li> </ul>	
<b>Adjusted debt-to-total capital ratio</b> (Section 20.4)	<ul style="list-style-type: none"> <li>• <b>Our adjusted debt-to-total capital ratio increased temporarily to 22.5% as at September 30, 2022</b>, mainly reflecting the issuance of the Series 14 unsecured medium-term notes in USD as well as the impact of volatile capital markets. The net proceeds from this offering will be used to repay the US senior notes of USD275 million upon their maturity in November 2022. On a pro-forma basis, this reimbursement will decrease our adjusted debt-to-total capital ratio by 1.5 points. <i>See Section 20.4 – Managing leverage for more details.</i></li> </ul>	
<b>Financial condition</b> (Section 20.2)	<ul style="list-style-type: none"> <li>• <b>We ended the quarter in a strong financial position, with \$2.5 billion of total capital margin</b> and solid regulatory capital ratios in all jurisdictions, despite challenging capital markets. Our total capital margin also temporarily includes additional capital which will be used to repay the principal amount of the US senior notes maturing in November 2022. <i>See Section 20.2 – Maintaining a strong capital position for more details.</i></li> </ul>	

<sup>1</sup> See Note 18.2 – Effective income tax rate to the interim Consolidated financial statements and Section 23 – Non-GAAP and other financial measures for more details.

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## Section 3 - Segment performance

We report our financial results under the three business segments and 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 of our segments exclude those of exited lines, which are reported in Income (loss) from exited lines. See *Section 10.2 – Income (loss) from exited lines* for more details.

SEGMENTS			
<b>Canada (CAN) Segment</b>	<b>UK and International (UK&amp;I) Segment</b>	<b>US Segment</b>	<b>Corporate and Other (CORP)</b>
Underwriting and distribution activities in Canada.  <b>Three lines of business:</b> Personal auto Personal property Commercial lines	Underwriting activities in the UK, Ireland and Europe.  <b>Two lines of business:</b> Personal lines Commercial lines	Underwriting and distribution activities in the US.  <b>One line of business:</b> Commercial lines	Activities managed centrally, including investment results, 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.

### 3.1 Operating performance by segment

Table 3 – Operating performance by segment<sup>1</sup>

For the quarters ended September 30,	2022				2021 Total	2021				2021 Total	
	CAN	UK&I	US	CORP		CAN	UK&I	US	CORP		
								RSA	Other		
<b>Operating DPW</b>	<b>3,664</b>	<b>1,071</b>	<b>708</b>	<b>-</b>	<b>5,443</b>	<b>3,564</b>	<b>1,264</b>	<b>619</b>	<b>-</b>	<b>-</b>	<b>5,447</b>
<i>Growth in constant currency</i>	<i>3%</i>	<i>(4)%</i>	<i>10%</i>	<i>nm</i>	<i>2%</i>	<i>31%</i>	<i>nm</i>	<i>21%</i>	<i>nm</i>	<i>nm</i>	<i>68%</i>
<b>Operating income</b>											
Operating NEP	3,401	1,000	475	4	4,880	3,280	1,174	415	-	2	4,871
Operating net claims <sup>2</sup>	(2,120)	(604)	(244)	-	(2,968)	(1,875)	(699)	(228)	-	(31)	(2,833)
Operating net UW expenses <sup>2</sup>	(1,032)	(332)	(186)	-	(1,550)	(1,049)	(403)	(157)	-	(3)	(1,612)
Underwriting income	249	64	45	4	362	356	72	30	-	(32)	426
Operating net investment income	-	-	-	232	232	-	-	-	-	191	191
Distribution income <sup>4</sup>	106	-	5	-	111	105	-	-	-	-	105
Total finance costs	(3)	-	-	(43)	(46)	(2)	-	-	-	(45)	(47)
Other operating income (expense) <sup>3</sup>	-	-	-	(45)	(45)	-	-	-	-	(11)	(11)
<b>PTOI</b>	<b>352</b>	<b>64</b>	<b>50</b>	<b>148</b>	<b>614</b>	<b>459</b>	<b>72</b>	<b>30</b>	<b>-</b>	<b>103</b>	<b>664</b>

<sup>1</sup> The totals of the segment measures reconcile to *Table 1 – Consolidated performance*.

<sup>2</sup> See *Section 23 – Non-GAAP and other financial measures* for the definition and reconciliation to the most comparable GAAP measures

<sup>3</sup> Other operating income (expense) can fluctuate from quarter to quarter and includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments, and other operating items.

<sup>4</sup> As of Q3-2022, distribution income included the operating results of Highland, a managing general agent specializing in the builder's risk segment of the construction industry.

**Management's Discussion and Analysis for the third quarter ended September 30, 2022**

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

For the nine-month periods ended September 30,	2022				2022 Total	2021				2021 Total	
	CAN	UK&I	US	CORP		CAN	UK&I	US	CORP RSA Other		
<b>Operating DPW</b>	<b>10,620</b>	<b>3,527</b>	<b>1,781</b>	<b>-</b>	<b>15,928</b>	8,740	1,264	1,528	734	-	12,266
<i>Growth in constant currency</i>	<i>22%</i>	<i>nm</i>	<i>14%</i>	<i>nm</i>	<i>31%</i>	13%	nm	16%	nm	nm	35%
<b>Operating income</b>											
Operating NEP	9,966	3,079	1,320	15	14,380	8,154	1,174	1,167	608	9	11,112
Operating net claims <sup>2</sup>	(6,103)	(1,905)	(658)	1	(8,665)	(4,485)	(699)	(625)	(351)	(40)	(6,200)
Operating net UW expenses <sup>2</sup>	(2,981)	(1,009)	(524)	(2)	(4,516)	(2,657)	(403)	(461)	(200)	(4)	(3,725)
Underwriting income	882	165	138	14	1,199	1,012	72	81	57	(35)	1,187
Operating net investment income	-	-	-	648	648	-	-	-	-	486	486
Distribution income <sup>4</sup>	339	-	5	-	344	285	-	-	-	-	285
Total finance costs	(7)	-	-	(127)	(134)	(8)	-	-	-	(111)	(119)
Other operating income (expense) <sup>3</sup>	-	-	-	(107)	(107)	-	-	-	-	(29)	(29)
<b>PTOI</b>	<b>1,214</b>	<b>165</b>	<b>143</b>	<b>428</b>	<b>1,950</b>	1,289	72	81	57	311	1,810

<sup>1</sup> The totals of the segment measures reconcile to *Table 1 – Consolidated performance*.

<sup>2</sup> See *Section 23 – Non-GAAP and other financial measures* for the definition and reconciliation to the most comparable GAAP measures

<sup>3</sup> Other operating income (expense) can fluctuate from quarter to quarter and includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments, and other operating items.

<sup>4</sup> As of Q3-2022, distribution income included the operating results of Highland, a managing general agent specializing in the builder's risk segment of the construction industry.

Management's Discussion and Analysis for the third quarter ended September 30, 2022

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

Section 4 - Canada segment



4.1 P&C Canada

Table 4 – Underwriting results for P&C Canada<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021 <sup>2</sup>	Change	
<b>Operating DPW</b>	<b>3,664</b>	3,564	3%	<b>10,620</b>	8,740	22%	
<b>Operating NEP</b>	<b>3,401</b>	3,280	4%	<b>9,966</b>	8,154	22%	
<b>Underwriting income</b>	<b>249</b>	356	(30)%	<b>882</b>	1,012	(13)%	
<b>Underwriting ratios</b>							
Underlying current year loss ratio	<b>59.9%</b>	54.2%	5.7 pts	<b>60.7%</b>	56.1%	4.6 pts	
CAT loss ratio	<b>5.6%</b>	6.2%	(0.6) pts	<b>4.8%</b>	3.4%	1.4 pts	
(Favourable) unfavourable PYD ratio	<b>(3.2)%</b>	(3.2)%	- pts	<b>(4.2)%</b>	(4.5)%	0.3 pts	
<b>Claims ratio</b>	<b>62.3%</b>	57.2%	5.1 pts	<b>61.3%</b>	55.0%	6.3 pts	
Commissions	<b>16.7%</b>	18.7%	(2.0) pts	<b>16.0%</b>	18.8%	(2.8) pts	
General expenses	<b>10.0%</b>	9.4%	0.6 pts	<b>10.1%</b>	10.0%	0.1 pts	
Premium taxes	<b>3.7%</b>	3.9%	(0.2) pts	<b>3.8%</b>	3.8%	- pts	
<b>Expense ratio</b>	<b>30.4%</b>	32.0%	(1.6) pts	<b>29.9%</b>	32.6%	(2.7) pts	
<b>Operating combined ratio</b>	<b>92.7%</b>	89.2%	3.5 pts	<b>91.2%</b>	87.6%	3.6 pts	
Personal auto	<b>4.2</b>	<b>93.0%</b>	85.1%	7.9 pts	<b>92.0%</b>	86.7%	5.3 pts
Personal property	<b>4.3</b>	<b>98.4%</b>	93.5%	4.9 pts	<b>94.6%</b>	85.6%	9.0 pts
Commercial lines	<b>4.4</b>	<b>87.9%</b>	91.2%	(3.3) pts	<b>87.5%</b>	90.4%	(2.9) pts

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures and Section 10.2 – Income (loss) from exited lines for more details

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

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li>• <b>Premium growth was 3%</b>, reflecting continued rate momentum across all lines of business and continued strength in specialty lines, tempered by muted unit growth.</li> <li>• <b>Expense ratio decreased to 30.4%</b>, as variable commissions returned to more typical levels, while we continued to invest in our technology.</li> <li>• <b>Operating combined ratio of 92.7%</b> increased by 3.5 points, compared to a strong performance last year. The increase was driven by claims inflation and higher frequency in personal auto, as well as active weather in personal property. Strong performance continues in commercial lines.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Premium growth of 22%</b> was bolstered by the RSA Acquisition. Excluding this impact, growth was 4% driven by rate increases across all lines of business.</li> <li>• <b>Expense ratio decreased to 29.9%</b>, driven by lower variable commissions across all lines of business compared to last year's elevated level.</li> <li>• <b>Operating combined ratio remained solid at 91.2%</b>, as a strong performance in commercial lines was offset by higher CAT and non-CAT weather-related losses in personal property, while personal auto performed as expected.</li> </ul>

Management's Discussion and Analysis for the third quarter ended September 30, 2022

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



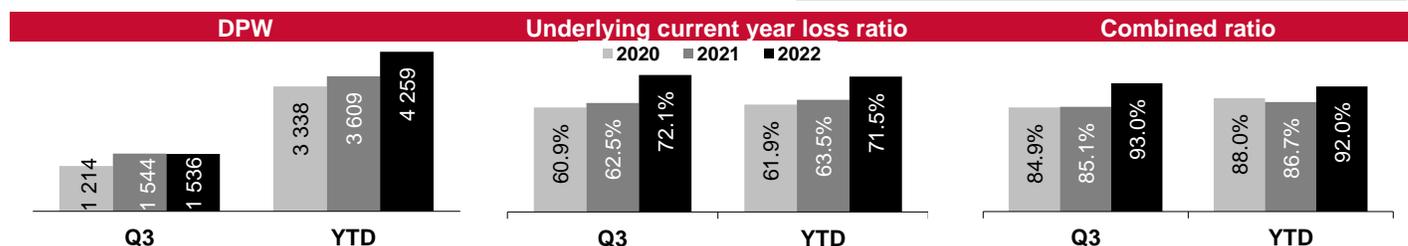
4.2 Personal auto

Table 5 – Underwriting results for Personal auto<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Operating DPW	1,536	1,544	(1)%	4,259	3,609	18%
Written insured risks (in thousands)	1,369	1,409	(3)%	3,952	3,585	10%
Operating NEP	1,404	1,404	-%	4,115	3,435	20%
Underwriting income (loss)	98	210	(53)%	331	458	(28)%
Underlying current year loss ratio	72.1%	62.5%	9.6 pts	71.5%	63.5%	8.0 pts
CAT loss ratio	0.3%	1.4%	(1.1) pts	0.6%	0.6%	- pts
(Favourable) unfavourable PYD ratio	(4.6)%	(4.7)%	0.1 pts	(4.3)%	(4.0)%	(0.3) pts
Claims ratio	67.8%	59.2%	8.6 pts	67.8%	60.1%	7.7 pts
Expense ratio	25.2%	25.9%	(0.7) pts	24.2%	26.6%	(2.4) pts
<b>Operating combined ratio</b>	<b>93.0%</b>	<b>85.1%</b>	<b>7.9 pts</b>	<b>92.0%</b>	<b>86.7%</b>	<b>5.3 pts</b>

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li><b>Premiums decreased by 1%.</b> This reflected new business pressures driven by reduced policy shopping in a muted rate environment, and rate increases taken ahead of our competitors. We increased rates by low to mid-single-digits during the quarter, and expect to progress to high single-digit increases by year-end.</li> <li><b>Underlying current year loss ratio increased by 9.6 points to 72.1%,</b> given inflationary pressures and higher claims frequency. Our profitability actions, including pricing and claims actions, are in place to mitigate the impact of inflation.</li> <li><b>CAT loss ratio of 0.3%</b> as the significant CAT losses experienced in Q3-2022 had minimal impact on this line of business.</li> <li><b>Favourable PYD of 4.6% in the quarter and of 4.3% year-to-date continued to be strong.</b></li> <li><b>Expense ratio of 25.2% in the quarter and 24.2% year-to-date,</b> lower than last year, largely due to lower variable commissions (see Section 4.1 – P&amp;C Canada).</li> <li><b>Operating combined ratio of 93.0%</b> was 7.9 points higher than last year, mainly due to an increase in claims severity driven by inflationary pressures. This remains in line with our expectation and reflects the actions we have taken to date to mitigate these headwinds.</li> </ul>	<ul style="list-style-type: none"> <li><b>Premium growth of 18%</b> was bolstered by the RSA Acquisition. Excluding this impact, operating DPW was flat as progressive rate increases were offset by unit pressures, though retention remains strong.</li> <li><b>Underlying current year loss ratio increased by 8.0 points to 71.5%,</b> reflecting increased driving activity across the country and claims inflation, offset in part by the benefit of our profitability actions, including rate increases.</li> <li><b>CAT loss ratio of 0.6%</b> was in line with expectations.</li> <li><b>Operating combined ratio was solid at 92.0%,</b> increasing by 5.3 points from last year, as the impact of increased driving activity and higher claims severity was offset in part by lower variable commissions. We expect to operate this line at a sub-95 combined ratio in the next 12 months, driven by our profitability actions amidst ongoing cost pressures.</li> </ul>



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4.3 Personal property

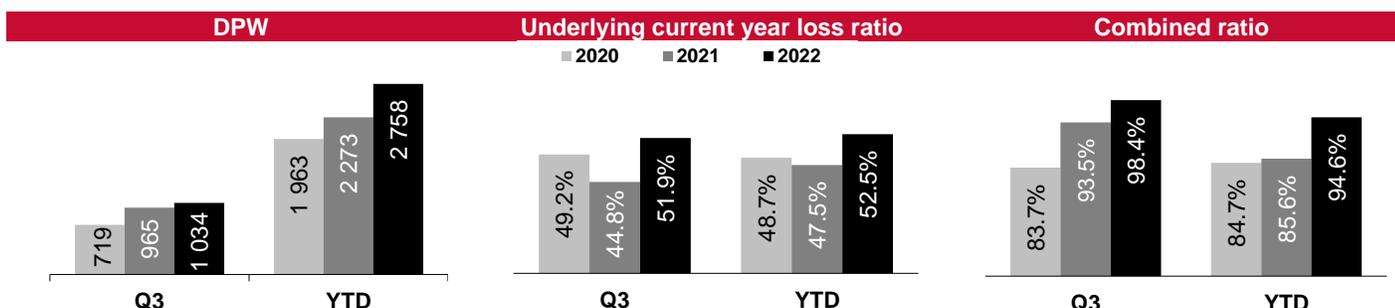


Table 6 – Underwriting results for Personal property<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Operating DPW	1,034	965	7%	2,758	2,273	21%
Written insured risks (in thousands)	840	856	(2)%	2,284	2,068	10%
Operating NEP	867	828	5%	2,556	2,086	23%
Underwriting income (loss)	14	54	(74)%	138	301	(54)%
Underlying current year loss ratio	51.9%	44.8%	7.1 pts	52.5%	47.5%	5.0 pts
CAT loss ratio	15.6%	17.1%	(1.5) pts	12.7%	7.2%	5.5 pts
(Favourable) unfavourable PYD ratio	(1.1)%	(2.9)%	1.8 pts	(2.2)%	(4.3)%	2.1 pts
Claims ratio	66.4%	59.0%	7.4 pts	63.0%	50.4%	12.6 pts
Expense ratio	32.0%	34.5%	(2.5) pts	31.6%	35.2%	(3.6) pts
<b>Operating combined ratio</b>	<b>98.4%</b>	93.5%	4.9 pts	<b>94.6%</b>	85.6%	9.0 pts

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li><b>Premium growth of 7%</b> driven by rate increases in firm market conditions, solid retention levels and a surge in travel-related premiums.</li> <li><b>Underlying current year loss ratio of 51.9%</b>, in line with expectations, increased mainly due to higher weather-related losses, compared to a particularly strong quarter last year.</li> <li><b>CAT loss ratio of 15.6%</b> was elevated and mainly due to Hurricane Fiona. Last year's CAT losses were also elevated and driven by severe weather events in Alberta, Ontario and the Atlantic.</li> <li><b>Favourable PYD ratio was 1.1% in the quarter and 2.2% year-to-date</b>, lower than last year's solid level.</li> <li><b>Expense ratio of 32.0% in the quarter and of 31.6% year-to-date</b>, lower than last year, largely due to lower variable commissions (see Section 4.1 – P&amp;C Canada).</li> <li><b>Operating combined ratio was higher than expectations at 98.4%</b>, driven by elevated CAT and non-CAT weather-related losses.</li> </ul>	<ul style="list-style-type: none"> <li><b>Premium growth of 21%</b> was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was 5%, driven by healthy rate increases.</li> <li><b>Underlying current year loss ratio of 52.5%</b> increased by 5 points, driven by higher weather-related claims and large fire losses in H1-2022.</li> <li><b>CAT loss ratio of 12.7%</b> was 3 points higher than expected after 9 months mainly due to the May windstorms in Quebec and Ontario, as well as Hurricane Fiona.</li> <li><b>Operating combined ratio of 94.6% remained sub-95%</b> after 9 months, reflecting the severe weather events to date. This line continues to deliver expected results in the current circumstances.</li> </ul>



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



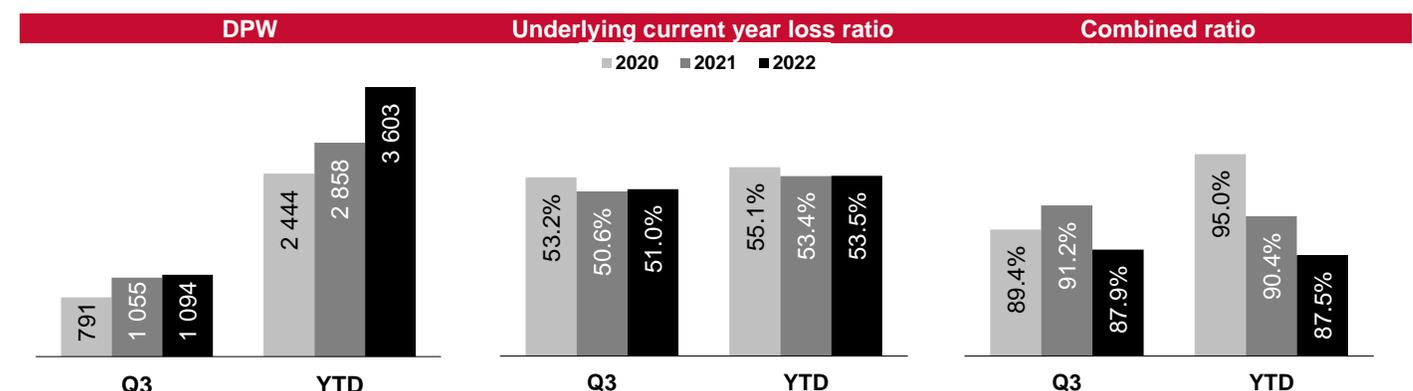
4.4 Commercial lines

Table 7 – Underwriting results for Commercial lines<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Operating DPW	1,094	1,055	4%	3,603	2,858	26%
Operating NEP	1,130	1,048	8%	3,295	2,633	25%
Underwriting income (loss)	137	92	49%	413	253	63%
Underlying current year loss ratio	51.0%	50.6%	0.4 pts	53.5%	53.4%	0.1 pts
CAT loss ratio	4.5%	4.1%	0.4 pts	3.7%	4.0%	(0.3) pts
(Favourable) unfavourable PYD ratio	(3.1)%	(1.7)%	(1.4) pts	(5.6)%	(5.4)%	(0.2) pts
Claims ratio	52.4%	53.0%	(0.6) pts	51.6%	52.0%	(0.4) pts
Expense ratio	35.5%	38.2%	(2.7) pts	35.9%	38.4%	(2.5) pts
<b>Operating combined ratio</b>	<b>87.9%</b>	<b>91.2%</b>	<b>(3.3) pts</b>	<b>87.5%</b>	<b>90.4%</b>	<b>(2.9) pts</b>

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li><b>Premium growth of 4%</b>, reflected robust rate actions in hard market conditions, partially offset by lower new business volume though retention remains strong. We continue to see good momentum in specialty lines.</li> <li><b>Underlying current year loss ratio remained strong at 51.0% in the quarter and 53.5% year-to-date</b>, reflecting the benefit of our profitability actions, including higher earned rates.</li> <li><b>CAT loss ratio of 4.5% in the quarter and of 3.7% year-to-date</b> was in line with last year, but higher than expectations, mainly due to Hurricane Fiona.</li> <li><b>Favourable PYD ratio was healthy at 3.1%</b>, and in line with expectations, reflecting in part favourable development on prior year large losses.</li> <li><b>Expense ratio of 35.5% in the quarter and of 35.9% year-to-date</b>, lower than last year, largely due to lower variable commissions (see Section 4.1 – P&amp;C Canada).</li> <li><b>Operating combined ratios were a strong 87.9% in the quarter and 87.5% year-to-date</b>, reflecting a robust underlying performance driven by the benefit of our profitability actions.</li> </ul>	<ul style="list-style-type: none"> <li><b>Premium growth of 26%</b> was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was strong at 7%, reflecting continued hard market conditions and strength in specialty lines.</li> <li><b>Favourable PYD ratio was strong at 5.6%</b> and essentially in line with last year, driven by favourable development on prior year large losses.</li> </ul>



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

## Section 5 - UK and International (UK&I) segment

### 5.1 P&C UK&I

Table 8 – Underwriting results for P&C UK&I<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021 <sup>2</sup>	Change	
<b>Operating DPW</b>	<b>1,071</b>	1,264	(15)%	<b>3,527</b>	1,264	nm	
Growth in constant currency			(4)%			n/a	
<b>Operating NEP</b>	<b>1,000</b>	1,174	(15)%	<b>3,079</b>	1,174	nm	
Growth in constant currency			(4)%			n/a	
<b>Underwriting income</b>	<b>64</b>	72	(11)%	<b>165</b>	72	nm	
<b>Underwriting ratios</b>							
Underlying current year loss ratio	<b>60.4%</b>	52.1%	8.3 pts	<b>60.1%</b>	52.1%	nm	
CAT loss ratio	<b>2.5%</b>	10.3%	(7.8) pts	<b>5.2%</b>	10.3%	nm	
(Favourable) unfavourable PYD ratio	<b>(2.5)%</b>	(2.8)%	0.3 pts	<b>(3.4)%</b>	(2.8)%	nm	
<b>Claims ratio</b>	<b>60.4%</b>	59.6%	0.8 pts	<b>61.9%</b>	59.6%	nm	
Commissions	<b>17.6%</b>	18.4%	(0.8) pts	<b>16.9%</b>	18.4%	nm	
General expenses	<b>15.5%</b>	15.9%	(0.4) pts	<b>15.8%</b>	15.9%	nm	
<b>Expense ratio</b>	<b>33.1%</b>	34.3%	(1.2) pts	<b>32.7%</b>	34.3%	nm	
<b>Operating combined ratio</b>	<b>93.5%</b>	93.9%	(0.4) pts	<b>94.6%</b>	93.9%	nm	
Personal lines	<b>5.2</b>	<b>105.5%</b>	97.9%	7.6 pts	<b>101.5%</b>	97.9%	nm
Commercial lines	<b>5.3</b>	<b>85.0%</b>	90.5%	(5.5) pts	<b>89.5%</b>	90.5%	nm

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures and Section 10.2 – Income (loss) from exited lines for more details

<sup>2</sup> YTD 2021 above only includes underwriting results from Q3-2021, as June 2021 underwriting results were included in the Corporate segment. For more details, refer to Table 3 – Operating performance by segment

Q3-2022 vs Q3-2021	YTD 2022
<ul style="list-style-type: none"> <li><b>Operating DPW decreased by 4% in the quarter on a constant currency basis.</b> This included a 5-point negative impact from the Sale of Middle East and a 2-point negative impact from our footprint optimization. Excluding the above, underlying growth was 3%. H1 premium trends continued into Q3, with momentum in commercial and specialty lines offset by subdued growth in personal lines, reflecting our continued discipline as we navigate competitive and evolving market conditions.</li> </ul>	<ul style="list-style-type: none"> <li><b>Operating combined ratio of 94.6%,</b> reflected profitability actions across both personal lines and commercial lines. Commercial lines combined ratio was solid at 89.5%, while personal lines at 101.5% included the impact of higher underlying losses and elevated CATs.</li> </ul>
<ul style="list-style-type: none"> <li><b>Operating combined ratio of 93.5%,</b> led by a strong performance in commercial lines. CAT losses and expenses were lower than last year, offsetting inflation pressures and higher underlying current year losses across both lines of business.</li> </ul>	

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



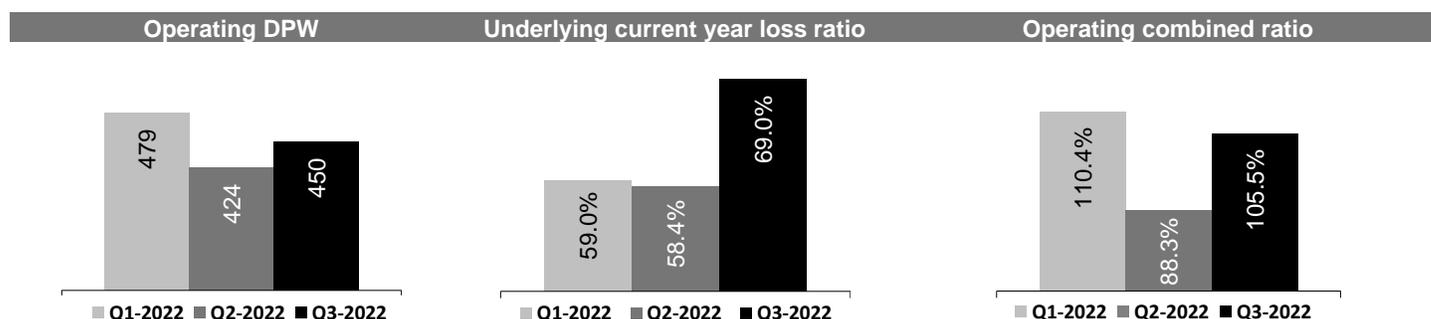
5.2 Personal lines

Table 9 – Underwriting results for Personal lines<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Operating DPW	450	582	(23)%	1,353	582	nm
Growth in constant currency			(13)%			n/a
Operating NEP	416	538	(23)%	1,308	538	nm
Growth in constant currency			(13)%			n/a
Underwriting income (loss)	(23)	12	(292)%	(20)	12	nm
Underlying current year loss ratio	69.0%	55.8%	13.2 pts	62.0%	55.8%	nm
CAT loss ratio	1.1%	4.4%	(3.3) pts	3.5%	4.4%	nm
(Favourable) unfavourable PYD ratio	(1.1)%	(0.7)%	(0.4) pts	(1.5)%	(0.7)%	nm
Claims ratio	69.0%	59.5%	9.5 pts	64.0%	59.5%	nm
Expense ratio	36.5%	38.4%	(1.9) pts	37.5%	38.4%	nm
<b>Operating combined ratio</b>	<b>105.5%</b>	<b>97.9%</b>	<b>7.6 pts</b>	<b>101.5%</b>	<b>97.9%</b>	<b>nm</b>

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures.

Q3-2022 vs Q3-2021	YTD 2022
<ul style="list-style-type: none"> <li>Operating DPW decreased by 13% on a constant currency basis for the quarter, nearly 8 points of which was due to the Sale of Middle East. We remained disciplined in competitive market conditions, with pricing reforms impacting UK home and motor. This is aligned to the market which has also contracted by low single-digits.</li> <li>Underlying current year loss ratio of 69.0% was elevated due to home subsidence claims, as well as an increase in reserves to reflect inflationary pressures. Together, these drove a deterioration of 7 points in the underlying performance, with the remaining increase driven by higher frequency compared to last year’s low level.</li> <li>CAT loss ratio of 1.1% was as expected. Last year’s elevated CAT losses reflected the UK and Europe floods in July 2021.</li> <li>Favourable PYD ratio was healthy at 1.1% in the quarter. Year-to-date PYD was positive at 1.5%, driven by favourable experience in UK pet and Ireland motor.</li> <li>Expense ratio of 36.5% was better than last year mainly due to a decrease in variable commissions driven by the subsidence claims described above.</li> <li>Operating combined ratio of 105.5% was up 7.6 points from last year, due to inflationary pressures and elevated subsidence claims.</li> </ul>	<ul style="list-style-type: none"> <li>Underlying current year loss ratio of 62.0% was higher than expectations, driven by inflation pressures and elevated water related losses in home in H1-2022, coupled with the Q3-2022 impact of subsidence claims.</li> <li>CAT loss ratio of 3.5% was elevated due to the February windstorms in the UK and Ireland.</li> <li>Expense ratio of 37.5% was as expected, benefitting from lower variable commissions on a year-to-date basis, driven by the Q3 subsidence claims and the February windstorms.</li> <li>Operating combined ratio of 101.5% was elevated, reflecting inflation pressures and weather-related losses, tempered by lower variable commissions. Profitability actions are underway to improve results in this line of business.</li> </ul>



Management’s Discussion and Analysis for the quarter ended September 30, 2022

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

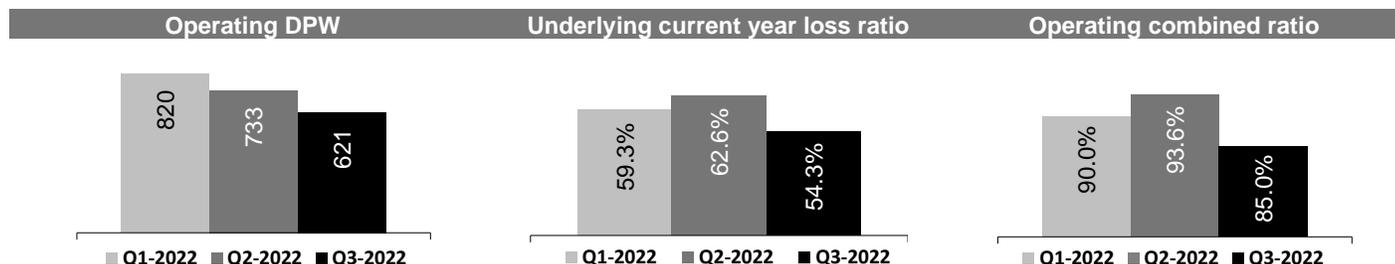
5.3 Commercial lines

Table 10 – Underwriting results for Commercial lines<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Operating DPW	621	682	(9)%	2,174	682	nm
Growth in constant currency			3%			n/a
Operating NEP	584	636	(8)%	1,771	636	nm
Growth in constant currency			4%			n/a
Underwriting income (loss)	87	60	45%	185	60	nm
Underlying current year loss ratio	54.3%	48.8%	5.5 pts	58.8%	48.8%	nm
CAT loss ratio	3.5%	15.3%	(11.8) pts	6.3%	15.3%	nm
(Favourable) unfavourable PYD ratio	(3.5)%	(4.5)%	1.0 pts	(4.8)%	(4.5)%	nm
Claims ratio	54.3%	59.6%	(5.3) pts	60.3%	59.6%	nm
Expense ratio	30.7%	30.9%	(0.2) pts	29.2%	30.9%	nm
<b>Operating combined ratio</b>	<b>85.0%</b>	<b>90.5%</b>	<b>(5.5) pts</b>	<b>89.5%</b>	<b>90.5%</b>	<b>nm</b>

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures.

Q3-2022 vs Q3-2021	YTD 2022
<ul style="list-style-type: none"> <li><b>Operating DPW growth in constant currency of 3% for the quarter</b> included a 3-point negative impact from the Sale of Middle East and a 3-point negative impact from the optimization of our delegated portfolio. Excluding these, growth of 9% reflected continued hard market conditions, with high single-digit rate increases, and strong retention levels especially in our UK specialty business.</li> <li><b>Underlying current year loss ratio of 54.3%</b> remained strong but increased compared to a particularly strong quarter last year, mainly due to non-CAT weather losses in Europe. This was mitigated by pricing actions and lower large losses in the UK.</li> <li><b>CAT loss ratio of 3.5%</b> was in line with expectations and reflected the impact of Hurricane Ian. Last year’s CATs included the large UK and Europe floods in July 2021.</li> <li><b>Favourable PYD was solid at 3.5% in the quarter and at 4.8% year-to-date</b>, mainly reflecting favourable development on prior year large losses.</li> <li><b>Expense ratio of 30.7%</b> was broadly in line with last year and expectations.</li> <li><b>Operating combined ratio was strong at 85.0%</b>, reflecting profitability actions over the last 12 months, and CAT losses in line with expectations.</li> </ul>	<ul style="list-style-type: none"> <li><b>Underlying current year loss ratio of 58.8%</b> reflected inflation pressures and adverse large loss experience in Europe. This was partly offset by the benefit of continued pricing actions and benign non-CAT weather.</li> <li><b>CAT loss ratio of 6.3%</b> was driven by both weather-related and non-weather-related CAT losses in H1-2022 and Hurricane Ian in Q3-2022.</li> <li><b>Expense ratio of 29.2%</b> was lower than expected, reflecting the benefit of higher earned rates and favourable commission rates.</li> <li><b>Operating combined ratio was solid at 89.5%</b>, as a result of our continued profitability actions and robust PYD.</li> </ul>



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Section 6 - US segment



6.1 P&C US

Table 11 – Underwriting results for P&C US<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
<b>Operating DPW</b>	<b>708</b>	619	14%	<b>1,781</b>	1,528	17%
Growth in constant currency			10%			14%
<b>Operating NEP</b>	<b>475</b>	415	14%	<b>1,320</b>	1,167	13%
Growth in constant currency			10%			10%
<b>Underwriting income</b>	<b>45</b>	30	50%	<b>138</b>	81	70%
Underlying current year loss ratio	<b>50.2%</b>	52.3%	(2.1) pts	<b>49.2%</b>	52.6%	(3.4) pts
CAT loss ratio	<b>3.0%</b>	3.9%	(0.9) pts	<b>2.1%</b>	3.6%	(1.5) pts
(Favourable) unfavourable PYD ratio	<b>(1.7)%</b>	(1.1)%	(0.6) pts	<b>(1.5)%</b>	(2.6)%	1.1 pts
<b>Claims ratio</b>	<b>51.5%</b>	55.1%	(3.6) pts	<b>49.8%</b>	53.6%	(3.8) pts
Commissions	<b>17.2%</b>	17.1%	0.1 pts	<b>17.9%</b>	17.2%	0.7 pts
General expenses	<b>19.8%</b>	18.4%	1.4 pts	<b>19.9%</b>	19.9%	- pts
Premium taxes	<b>2.0%</b>	2.2%	(0.2) pts	<b>1.9%</b>	2.3%	(0.4) pts
<b>Expense ratio</b>	<b>39.0%</b>	37.7%	1.3 pts	<b>39.7%</b>	39.4%	0.3 pts
<b>Operating combined ratio</b>	<b>90.5%</b>	92.8%	(2.3) pts	<b>89.5%</b>	93.0%	(3.5) pts

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures and Section 10.2 – Income (loss) from exited lines for more details

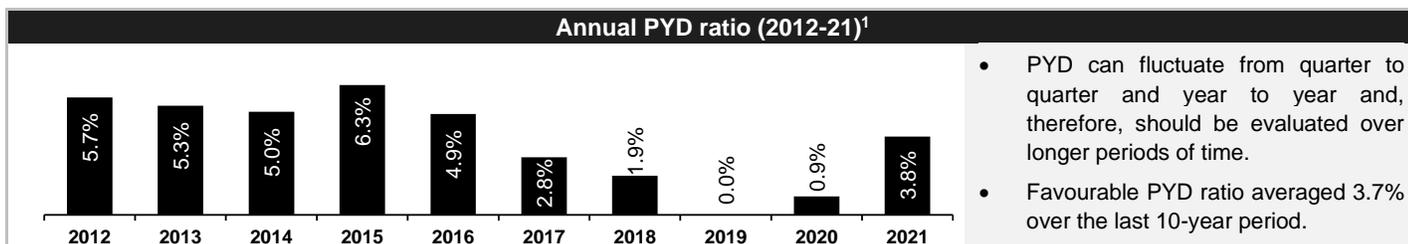
Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li><b>Strong operating DPW growth in constant currency of 10% for the quarter and 14% year-to-date</b>, despite a 4-point negative impact quarter-to-date and a 2-point negative impact year-to-date from the exit of Public Entities. Growth was driven by new business, increased exposures and rate increases in favourable market conditions.</li> <li><b>Underlying current year loss ratio was very strong at 50.2% quarter-to-date and 49.2% year-to-date</b>, driven by our profitability actions and favourable business mix.</li> <li><b>CAT loss ratio of 3.0%</b> was driven by the estimated impact of Hurricane Ian, which happened late in the quarter. Last year’s CAT losses were driven by Hurricane Ida and a large commercial fire.</li> <li><b>Favourable PYD ratio from our continuing business was a healthy 1.7% quarter-to-date and 1.5% year-to-date</b>, driven by favourable development on prior year CAT losses.</li> <li><b>Expense ratio of 39.0%</b> was driven by higher travel costs and variable compensation, offset in part by the benefit of higher earned premiums.</li> <li><b>Strong operating combined ratio of 90.5%</b>, driven by our profitability actions over the past 12 months, such as our exit from Public Entities.</li> </ul>	<ul style="list-style-type: none"> <li><b>CAT loss ratio of 2.1%</b> compared favourably to last year, which was impacted by the severe Texas winter storms in Q1-2021 as well as Hurricane Ida and a large commercial fire in Q3-2021.</li> <li><b>Expense ratio slightly increased to 39.7%</b>, mainly due to higher commissions from a changing mix of business, partially offset by lower premium taxes.</li> <li><b>Operating combined ratio improved by 3.5 points to a strong 89.5%</b>, reflecting a strong underlying performance driven by our profitability actions, including our exit from Public Entities.</li> </ul>



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

## Section 7 - Prior year claims development



<sup>1</sup> As a % of NEP.

Table 12 – Net (favourable) unfavourable PYD by segment

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
<b>By segment</b>						
P&C Canada <sup>1</sup>						
Personal auto	(65)	(65)	-	(179)	(136)	(43)
Personal property	(9)	(24)	15	(56)	(91)	35
Commercial lines	(35)	(17)	(18)	(185)	(142)	(43)
	(109)	(106)	(3)	(420)	(369)	(51)
P&C UK&I <sup>1</sup>						
Personal lines	(4)	(4)	-	(19)	(4)	nm
Commercial lines	(21)	(28)	7	(86)	(28)	nm
	(25)	(32)	7	(105)	(32)	nm
P&C US	(9)	(5)	(4)	(20)	(31)	11
Corporate <sup>1,2</sup>	-	(5)	5	-	(2)	nm
<b>Consolidated</b>	<b>(143)</b>	<b>(148)</b>	<b>5</b>	<b>(545)</b>	<b>(434)</b>	<b>(111)</b>
<b>(Favourable) unfavourable PYD ratio<sup>3</sup></b>						
P&C Canada	(3.2)%	(3.2)%	- pts	(4.2)%	(4.5)%	0.3 pts
P&C UK&I	(2.5)%	(2.8)%	0.3 pts	(3.4)%	(2.8)%	nm
P&C US	(1.7)%	(1.1)%	(0.6) pts	(1.5)%	(2.6)%	1.1 pts
<b>Consolidated</b>	<b>(2.9)%</b>	<b>(3.0)%</b>	<b>0.1 pts</b>	<b>(3.8)%</b>	<b>(3.9)%</b>	<b>0.1 pts</b>

<sup>1</sup> YTD 2021 only includes RSA's PYD results from Q3-2021, as RSA's June 2021 PYD results were included in the Corporate segment.

<sup>2</sup> Includes the impact of Corporate reinsurance programs.

<sup>3</sup> As a % of NEP. See Section 23 – Non-GAAP and other financial measures.

### Highlights

- Favourable PYD ratio of 2.9% for Q3-2022 was healthy across all segments and in line with our guidance.

## 7.1 PYD guidance

- We expect average favourable PYD as a percentage of operating NEP to be in the 1-3% range over the long-term.
- In the short term, we expect favourable PYD in the upper half of the range.
- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.
- We expect IFRS 17 to have a favourable impact on our reported PYD metric, as the unwind of the discount will now be reclassified outside of the underwriting result, alongside net investment income. We are currently reviewing the impact on our guidance.

Management's Discussion and Analysis for the quarter ended September 30, 2022

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## Section 8 - CAT losses and weather conditions

### 8.1 Net CAT losses

Table 13 – Net CAT losses by segment

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
P&C Canada <sup>1</sup>						
Personal auto	3	19	(16)	26	19	7
Personal property	136	142	(6)	326	150	176
Commercial lines	51	43	8	123	105	18
	190	204	(14)	475	274	201
P&C UK&I <sup>1</sup>						
Personal lines	4	23	(19)	45	23	nm
Commercial lines	21	98	(77)	111	98	nm
	25	121	(96)	156	121	nm
P&C US	14	16	(2)	28	43	(15)
RSA – June 2021 <sup>1</sup>	n/a	n/a	nm	n/a	25	nm
Corporate	-	24	(24)	-	27	(27)
<b>Consolidated current year CAT losses</b>	<b>229</b>	<b>365</b>	<b>(136)</b>	<b>659</b>	<b>490</b>	<b>169</b>
Consolidated favourable PYD on CAT losses <sup>2</sup>	(3)	(5)	2	(25)	(36)	11
<b>All accident year CAT losses</b>	<b>226</b>	<b>360</b>	<b>(134)</b>	<b>634</b>	<b>454</b>	<b>180</b>
<b>CAT loss ratio<sup>3</sup></b>						
P&C Canada	5.6%	6.2%	(0.6) pts	4.8%	3.4%	1.4 pts
P&C UK&I	2.5%	10.3%	(7.8) pts	5.2%	10.3%	nm
P&C US	3.0%	3.9%	(0.9) pts	2.1%	3.6%	(1.5) pts
<b>Consolidated</b>	<b>4.8%</b>	<b>7.5%</b>	<b>(2.7) pts</b>	<b>4.6%</b>	<b>4.4%</b>	<b>0.2 pts</b>

<sup>1</sup> YTD 2021 only includes RSA's CAT losses from Q3-2021, as RSA's June 2021 CAT losses were included in the Corporate segment

<sup>2</sup> PYD on CAT losses is presented within our PYD captions and ratios.

<sup>3</sup> See Section 23 – Non-GAAP and other financial measures.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li>We reported current year CAT losses of \$229 million (CAT loss ratio of 4.8%). This was broadly in line with our expectations for Q3 CAT losses.</li> <li>In Canada, Hurricane Fiona caused devastation in the Atlantic provinces, in late September, with its strong winds and heavy precipitation.</li> <li>In the UK&amp;I and in the US, the CAT losses were mainly due to Hurricane Ian, a Category 4 hurricane which caused widespread damage across the southeast United States near the end of the quarter.</li> </ul>	<ul style="list-style-type: none"> <li>Overall, CAT loss ratio of 4.6% was elevated, yet in line with last year.</li> <li>Severe weather events impacted our three business segments and accounted for more than 85% of the CAT losses year-to-date. Most of these were wind and water events.</li> <li>Large commercial property fires accounted for less than 15% of the CAT losses year-to-date.</li> </ul>

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**8.2 Weather conditions**

**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.

**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 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.

**US**

- **In Q1-2022**, weather conditions were very mild, with no weather CAT losses during the quarter.
- **In Q2-2022**, weather conditions were fairly 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.

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Section 9 - Investment performance

9.1 Operating net investment income

Table 14 – Operating net investment income

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021 <sup>4</sup>	Change
Interest income	159	123	36	424	300	124
Dividend income	75	73	2	231	201	30
Investment property rental income	6	6	-	18	8	10
Operating investment income, before expenses	240	202	38	673	509	164
Expenses	(8)	(11)	3	(25)	(23)	(2)
<b>Operating net investment income<sup>1</sup></b>	<b>232</b>	191	41	<b>648</b>	486	162
<b>Average investments<sup>2</sup></b>	<b>34,577</b>	36,457	(5)%	<b>34,935</b>	27,844	25%
<b>Market-based yield<sup>3</sup></b>	<b>2.82%</b>	2.24%	58 bps	<b>2.60%</b>	2.47%	13 bps

<sup>1</sup> See Section 23 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures

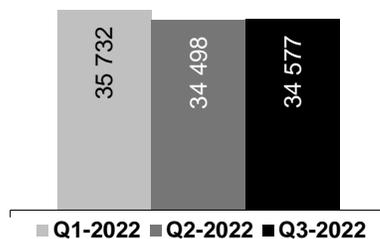
<sup>2</sup> Defined as the mid-month average fair value of investments held during the reporting period. See Section 17.1 – Balance sheets for more details.

<sup>3</sup> Defined as the annualized total pre-tax investment income (before expenses), divided by the weighted-average investments.

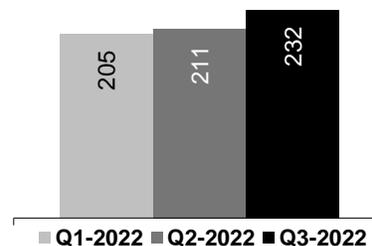
<sup>4</sup> YTD 2021 includes the impact from RSA’s investment portfolio from the closing of the RSA Acquisition (June 1, 2021) to September 30, 2021.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<ul style="list-style-type: none"> <li>Operating net investment income increased by 21% to \$232 million driven by the benefits of rising yields.</li> <li>Average investments decreased by 5% quarter-over-quarter, reflecting a negative mark-to-market impact, partly offset by cash inflows from operations.</li> <li>Market-based yield of 2.82%, reflecting rising interest rates and the related decrease in the market value of our fixed income portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Operating net investment income increased by 33% to \$648 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.</li> <li>Average investments increased by 25% compared to last year, reflecting the addition of RSA’s investment portfolio and cash inflows from operations, partly offset by a negative mark-to-market impact.</li> <li>Market-based yield of 2.60%, reflecting rising interest rates and the related decrease in the market value of our fixed income portfolio. This increase was partly offset by the impact of the RSA Acquisition, reflected through higher average investments and lower yields, resulting in overall market-based yields similar to last year.</li> </ul>

Average investments (as of the end of period)	Operating net investment income (for the period)
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Operating net investment income was \$21 million higher than Q2-2022, driven by rising yields.



**Management's Discussion and Analysis for the quarter ended September 30, 2022**

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

**Section 10 - 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 15 – Non-operating results

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Net gains (losses) excluding FVTPL bonds ( <i>Table 16</i> )	(2)	(45)	43	514	254	260
Realized and unrealized gains (losses) on FVTPL bonds	(227)	(43)	(184)	(916)	(199)	(717)
Positive (negative) impact of MYA on underwriting results	291	37	254	1,120	154	966
Net (MYE)	64	(6)	70	204	(45)	249
Amortization of intangible assets recognized in business combinations ( <i>Table 41</i> )	(63)	(66)	3	(188)	(136)	(52)
Acquisition, integration and restructuring costs	(102)	(115)	13	(269)	(296)	27
Gain on the RSA Acquisition ( <i>Note 4</i> ) <sup>1</sup>	-	4	(4)	-	204	(204)
Gain on sale of business ( <i>Note 11.1</i> ) <sup>1</sup>	-	-	-	423	-	423
Non-operating pension expense ( <i>Table 41</i> )	(15)	(16)	1	(42)	(48)	6
Income (loss) from exited lines ( <i>Table 17</i> )	(35)	(21)	(14)	(95)	(18)	(77)
Other	3	-	3	-	(2)	2
<b>Non-operating results</b>	<b>(150)</b>	<b>(265)</b>	<b>115</b>	<b>547</b>	<b>(87)</b>	<b>634</b>
<b>After-tax Non-operating results (<i>Table 41</i>)</b>	<b>(118)</b>	<b>(224)</b>	<b>106</b>	<b>443</b>	<b>(16)</b>	<b>459</b>
Attributable to shareholders	(118)	(224)	106	467	(16)	483
Attributable to NCI	-	-	-	(24)	-	(24)

<sup>1</sup> See respective Notes of the interim Consolidated financial statements for details.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<p><b>Net losses on FVTPL bonds of \$227 million for Q3-2022 and \$916 million for YTD 2022, driven by the increase in interest rates in Canada, the US and the UK (see Section 18.1 – Capital market update). These losses were more than offset by the positive impact of MYA on underwriting results given our asset-liability management.</b></p>	

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

**10.1 Net gains (losses) excluding FVTPL bonds**

Table 16 – Net gains (losses) excluding FVTPL bonds (reported in Non-operating results)<sup>1</sup>

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
Realized and unrealized gains (losses) on:						
AFS bonds, net of derivatives	(11)	4	(15)	(12)	(12)	-
Equity securities, net of derivatives	(23)	(46)	23	386	77	309
Embedded derivatives	31	(22)	53	54	(90)	144
Investment property	(21)	34	(55)	39	38	1
Net foreign currency gains (losses)	27	8	19	75	10	65
Impairment losses on AFS investments	(34)	(79)	45	(46)	(81)	35
Currency derivative hedges (RSA Acquisition)	-	-	-	-	(35)	35
Gain related to an investment in associate	-	-	-	-	273	(273)
Gain (loss) on the remeasurement of the Middle East net assets <sup>2</sup>	8	-	8	(16)	-	(16)
Other	21	56	(35)	34	74	(40)
<b>Net gains (losses) excluding FVTPL bonds</b>	<b>(2)</b>	<b>(45)</b>	<b>43</b>	<b>514</b>	<b>254</b>	<b>260</b>

<sup>1</sup> See Note 17 – Net gains (losses) to the interim Consolidated financial statements for further details.

<sup>2</sup> On July 7, 2022, we completed the sale of our 50% shareholding in RSA Middle East B.S.C.(c) for a total consideration of \$175 million (USD135 million). Upon closing of the sale, a gain of \$8 million was recorded in Net gains (losses) excluding FVTPL bonds, in addition to the impairment loss of \$24 million that was recognized in Q2 when the Middle East's net assets were presented as held for sale.

Q3-2022 vs Q3-2021	YTD 2022 vs YTD 2021
<p><b>Net losses excluding FVTPL bonds of \$2 million</b>, reflected:</p> <ul style="list-style-type: none"> <li>impairment losses on AFS common shares of \$34 million partly offset by:</li> <li>net foreign currency gains in UK&amp;I driven by a weak GBP compared to CAD, USD and EUR</li> </ul>	<p><b>Net gains excluding FVTPL bonds of \$514 million</b>, mainly reflected:</p> <ul style="list-style-type: none"> <li>realized gains on equity securities in favourable markets in Q1-2022 and the repositioning of certain common stock portfolios in Q2-2022;</li> <li>net foreign currency gains in UK&amp;I driven by a weak GBP compared to CAD, USD and EUR</li> <li>gains on embedded derivatives of \$54 million; and</li> <li>positive mark-to-market on certain investment properties; partly offset by:</li> <li>impairment losses on AFS common shares of \$46 million</li> </ul>

**Management's Discussion and Analysis for the quarter ended September 30, 2022**

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

**10.2 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 net investment income from exited lines, with no restatement of comparatives.

Table 17 – Income (loss) from exited lines (reported in Non-operating results)

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
DPW	56	84	(28)	346	91	255
NEP	65	79	(14)	358	123	235
Net claims	(74)	(63)	(11)	(307)	(89)	(218)
Net underwriting expenses	(26)	(37)	11	(150)	(52)	(98)
<b>Underwriting income (loss)</b>	<b>(35)</b>	<b>(21)</b>	<b>(14)</b>	<b>(99)</b>	<b>(18)</b>	<b>(81)</b>
<b>Net investment income – Middle East operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Income (loss) from exited lines</b>	<b>(35)</b>	<b>(21)</b>	<b>(14)</b>	<b>(95)</b>	<b>(18)</b>	<b>(77)</b>
Canada	8	5	3	30	10	20
UK&I	(13)	(21)	8	(44)	(24)	(20)
US	(30)	(5)	(25)	(81)	(4)	(77)

<b>Income (loss) from exited lines</b>	
<b>Canada</b>	<ul style="list-style-type: none"> <li>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.</li> <li>These exited lines have generated an underwriting income of \$8 million in Q3-2022. If they had been reported within the Canada segment, the impact would have been a favourable 0.2 points on its Q3-2022 operating combined ratio.</li> <li>As at September 30, 2022, we have approximately \$112 million of unearned premiums.</li> </ul>
<b>UK&amp;I</b>	<ul style="list-style-type: none"> <li>This includes the legacy exits of the UK&amp;I portfolio, as well as the Sale of Middle East<sup>1</sup> in 2022.</li> <li>The UK&amp;I exited lines have generated an underwriting loss of \$13 million in Q3-2022. This is mainly due to adverse development in segments of UK personal lines, driven by unfavourable PYD and subsidence claims. If exited lines had been reported within the UK&amp;I segment, the impact would have been an unfavourable 1.5 points on its Q3-2022 operating combined ratio.</li> <li>As at September 30, 2022, we have approximately \$12 million of unearned premiums.</li> </ul>
<b>US</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Roughly half of our Q3 underwriting loss was from the exited Healthcare business, driven by adverse development on one large claim. The other half of the Q3 underwriting loss was from Public Entities, driven by elevated claims activity in the current accident year. If exited lines had been reported within the US segment, the impact would have been an unfavourable 6.4 points on its Q3-2022 operating combined ratio.</li> <li>As at September 30, 2022, we have approximately \$14 million of unearned premiums.</li> </ul>

<sup>1</sup> On July 7, 2022, we completed the sale of our 50% shareholding in RSA Middle East B.S.C.(c) for a total consideration of \$175 million (USD135 million).

# ENVIRONMENT & OUTLOOK

## Section 11 - 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 and climate change.
- In Canada, we expect firm market conditions to continue in personal property. Personal auto premiums are expected to grow by mid-single-digits over the next twelve months, reflecting 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 and adapts to reform measures. 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	<ul style="list-style-type: none"> <li>• Industry premiums grew by mid-single-digits in H1-2022.</li> <li>• Industry profitability remained strong in H1-2022 due to claims frequencies remaining below pre-pandemic levels and high favourable prior year development.</li> <li>• However, given the pickup in claims frequencies, inflation and poor industry profitability prior to the pandemic, industry corrective measures have been slowly resuming.</li> <li>• We expect industry premium growth to be in the mid-single-digit range in the next twelve months reflecting inflation and evolving driving patterns.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 driving and mobility trends.</li> <li>• Our brand investments, telematics offering, and customer driven digital leadership will continue to help grow our business.</li> <li>• We maintain our emphasis on portfolio quality and sustaining target profitability levels.</li> </ul>
Personal Property Canada	<ul style="list-style-type: none"> <li>• The industry grew by high single-digits in H1-2022.</li> <li>• We expect continued firm market conditions since this line of business is subject to challenging weather and inflation over time.</li> <li>• We expect premium growth to remain at a high single-digit level over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We are continuously adapting our products. Profitability actions over time have positioned this business very well.</li> <li>• 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.</li> </ul>

**Management’s Discussion and Analysis for the quarter ended September 30, 2022**

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

	P&C insurance industry 12-month outlook	Our response
<b>Commercial lines Canada</b>	<ul style="list-style-type: none"> <li>In H1-2022, 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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We maintain our emphasis on portfolio quality and pricing discipline, while remaining focused on loss prevention and service excellence.</li> <li>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.</li> </ul>
<b>UK&amp;I Personal lines</b>	<ul style="list-style-type: none"> <li>H1-2022 industry premiums in the UK and Ireland contracted by low single-digits with continuing competitive conditions in motor and home, offset by growth in pet.</li> <li>In UK and Ireland, motor rates are slowly beginning to increase, and we expect inflation pressures to drive further rate increases into 2023.</li> <li>In UK property, we expect property claims inflation and challenging weather conditions to drive rate increases over time. In Ireland, property rates are experiencing low single-digit increases.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to prioritise risk selection and improvements to pricing sophistication and ensure partner contracts reflect changing market conditions.</li> <li>We are closely monitoring inflation and the impact of pricing reforms introduced on January 1, 2022. In all segments we are maintaining our pricing discipline and are active in adapting our pricing strategy accordingly.</li> <li>In UK motor, we moved ahead of the market on rate, with increases across both renewals and new business.</li> </ul>
<b>UK&amp;I Commercial lines</b>	<ul style="list-style-type: none"> <li>UK&amp;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.</li> <li>We expect the UK and EU commercial industry premium rates to grow at an upper single-digit level over the next 12 months, led by specialty lines.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to increase rates to offset claims inflation, tighten terms and conditions, and increase standardisation of wordings to manage exposures.</li> <li>We remain disciplined on new business, prioritizing quality and profitability.</li> <li>We continue to actively monitor economic conditions in the UK and globally and are taking actions where appropriate to manage exposures.</li> </ul>

**Management’s Discussion and Analysis for the quarter ended September 30, 2022**

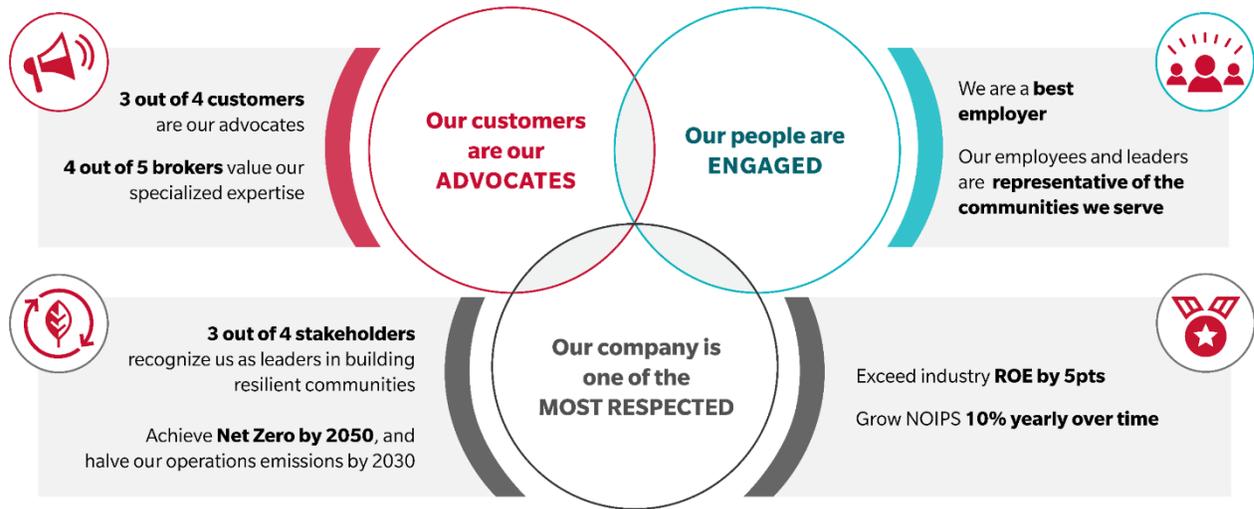
(in millions of Canadian dollars, except as otherwise noted)

	<b>P&amp;C insurance industry 12-month outlook</b>	<b>Our response</b>
<b>US Commercial lines</b>	<ul style="list-style-type: none"> <li>The US commercial P&amp;C industry continues to experience hard market conditions across lines, including sustained price increases and tightening terms and conditions.</li> <li>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.</li> <li>The US commercial P&amp;C industry posted low double-digit growth in H1-2022, fueled by rate increases and growing exposures. The industry combined ratio for H1-2022 was estimated in the mid 90’s.</li> <li>We expect industry premium growth at an upper single-digit level over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>We believe the underlying fundamentals of our US commercial business remain strong and are well positioned to maintain a low 90’s combined ratio in line with our near-term objectives.</li> </ul>
<b>Investments</b>	<ul style="list-style-type: none"> <li>Capital markets are expected to remain volatile due to inflation trends, materially increased probability of recession, and the war in Ukraine.</li> <li>Central banks are expected to continue increasing rates and decrease balance sheet size. As a result, reinvestment yields are improving further from current levels.</li> <li>In the current interest rate environment, we expect the industry’s pre-tax investment yield to increase as portfolios roll over.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.</li> </ul>
<b>Overall</b>	<ul style="list-style-type: none"> <li>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. In the US, industry profitability remained around its long-term average.</li> <li>High pre-pandemic combined ratios, inflation trends and climate change drive the continuation of favourable market conditions.</li> <li>We expect our industry benchmark ROE<sup>1</sup> to be in the high single-digit range in the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>With our action plans and strategies, we expect to continue to achieve our 500-basis point industry ROE outperformance target.</li> </ul>

<sup>1</sup> 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.

# STRATEGIC UPDATE

## Section 12 - What we are aiming to achieve



## Section 13 - Our strategic roadmap





## Section 14 - Strategic updates

### Expand our leadership position in Canada

- We continue to make strong progress on customer digital engagement with **over 1.9 million Client Centre accounts created at the end of the quarter, representing 55% of IFC customers in Canada, and an increase of 34% year-over year** thanks in part to a simplified registration process for customers.
- Brand awareness improved slightly from Q2 and **Intact maintained its position as the most known auto + home insurance brand nationally with belairdirect ranking #3**. Our focus on brand awareness continues to show strong results amidst increased marketing activity among peers.
- **BrokerLink achieved a milestone of reaching \$3 billion direct written premium** in August, further strengthening our footprint in all regions where BrokerLink operates.

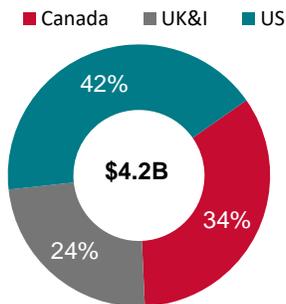
### Strengthen our leading position in the UK & Ireland

- Continued focus on pricing discipline and sophistication within commercial lines and personal lines further reinforces our ambition to optimize underwriting for outperformance. **Exits of delegated authority business and underperforming SME segments within UK Commercial Lines are well underway.**
- To improve the broker experience in UK commercial lines, process changes were implemented earlier in the year. Results collected in the quarter affirm a **meaningful reduction in broker pain points for new sales, an important step as we look to expand our broker network** to support this line of business.
- **In Ireland, we continued to take actions to expand our distribution.** In direct personal lines, we are focused on strengthening our position through enhancing our Brand, Digital & Data capabilities. We are also leveraging strong broker relationships to deliver growth in mid-market commercial lines building on positive performance to date.

### Build a Specialty Solutions leader

- **The Global Network added Tryg A/S as a Strategic Network Partner in August.** A strong addition to our multi-national capabilities, Tryg is the largest provider of general insurance services in Scandinavia.
- **The acquisition of Highland Insurance Solutions closed in Q3** and is currently being onboarded. Highland expands Intact’s portfolio of owned distribution assets with an outperforming team in a specialized Builders Risk segment in the US.
- **On October 6<sup>th</sup>, Lynn O’Leary was appointed to the role of CEO, RSA Luxembourg.** With Lynn’s deep understanding of IFC’s specialty business and outperformance mindset, we are confident in the trajectory of the specialty lines platform in Europe.

### Operating DPW (YTD 2022)<sup>1</sup>



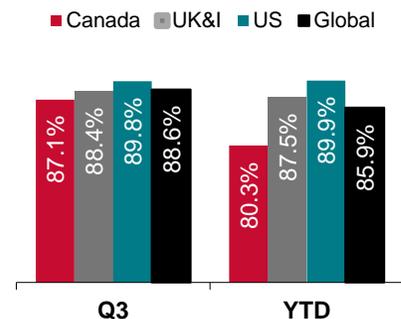
### Q3-2022

#### Global Specialty Lines (GSL)

Operating DPW in constant currency grew by 9% to \$1.4 billion in Q3-2022 and by 13% to \$4.2 billion in YTD 2022 with strength across all geographies.

**GSL delivered a strong combined ratio of 88.6% in Q3-2022 and 85.9% in YTD 2022.**

### Operating combined ratio<sup>1</sup>



<sup>1</sup> 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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**Transform our competitive advantages**

- **Our claims team was quick to mobilize help for customers in the aftermath of Hurricane Fiona which landed in Eastern Canada on September 24<sup>th</sup>** – the most intense tropical cyclone to hit Canada on record. Our national scale enabled us to provide high levels of service to customers through our call centres and digital platforms while On Side Restoration continued to demonstrate its value by rapidly deploying on-the-ground emergency support when customers need it the most.
- The Data Lab continued to enhance and scale machine learning pricing models across Canada including **deployments of a second-generation pricing model in personal auto and expanding new pricing models for personal property**, bolstering segmentation capabilities to support profitable growth in personal lines.
- **Six new partner-operated Intact Service Centres opened in Q3**, for a total of 13 locations across Canada. These new centres are exclusive to IFC customers for auto repairable claims. They drive outperformance in claims by securing repair capacity, reducing cycle times, and enhancing the customer experience.

**Invest in our People**

- **Our modernized HR platform, Contact People, went live in September in Canada.** The platform provides an improved employee experience for all HR needs.
- To help our employees and leaders be the best they can be – both mentally and physically – **a series of mental health and well-being initiatives were launched in North America**, including a diabetes and heart disease prevention program in the US and a one-on-one mental health counselling program for VPs+ in Canada.
- Aimed at **building a culture that is anchored in Intact Values, Purpose, and Strategies**, multi-year plan for UK&I was initiated in the quarter.

**Social Impact & Environment, Social, Governance (ESG)**

- **IFC donated \$150k to the Canadian Red Cross to support communities affected by Hurricane Fiona** in Atlantic provinces and eastern Quebec. In addition, the Intact Foundation continued to match any employee contribution made to any Canadian registered charity that offers community support to recover from this disaster.
- To align on expectations towards a low-carbon future, **Intact Investment Management is actively engaging with the highest emitting companies within its Oil & Gas portfolio** with a focus on climate risk governance, disclosure, and investee plans to transition to net-zero by 2050.
- The Intact Centre on Climate Adaptation at the University of Waterloo **released a research paper that calls for the recognition of the financial value provided by natural assets** and argues for a revamp of accounting rules to safeguard natural resilience.

**Our 2022 Investor Day**

- We hosted our Investor Day on September 22, 2022, where we presented our solid track record and outperformance to date, as well as our strategic roadmap and strategic ambition for the coming years (*see Section 12 – What we are aiming to achieve and Section 13 – Our strategic roadmap for details*).
- As part of our presentation, we laid out growth and profitability ambitions for the long term for our three business segments:

<b>UK &amp; International</b>	<ul style="list-style-type: none"> <li>• DPW: profitable growth</li> <li>• Low 90's performance in Operating Combined Ratio</li> </ul>	<b>2025</b>
<b>Canada</b>	<ul style="list-style-type: none"> <li>• \$20 billion in DPW</li> <li>• 5 points outperformance in Operating Combined Ratio</li> </ul>	<b>2027</b>
<b>Global Specialty Lines</b>	<ul style="list-style-type: none"> <li>• \$10 billion in DPW</li> <li>• Sub-90 performance in Operating Combined Ratio</li> </ul>	<b>2030</b>

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## Section 15 - RSA integration update

Q3-2022 update	
<b>Financial update</b>	<ul style="list-style-type: none"> <li>• <b>Value creation from the RSA Acquisition has exceeded expectations to date. As announced at our 2022 Investor Day, we now estimate we will achieve \$350 million of pre-tax annual run-rate synergies,</b> generated by expense synergies, additional value creation and our underwriting actions. As at September 30, 2022, we estimate our run-rate at \$235 million annualized.</li> <li>• <b>RSA contributed 15% accretion to NOIPS in the sixteen-month period since closing,</b> ahead of the high single-digit accretion target disclosed at the time of the acquisition. Due to our increased synergies estimate and strong overall results to date, we expect NOIPS accretion to reach approximately 20% in 2024.</li> </ul>
<b>Canadian operations</b>	<ul style="list-style-type: none"> <li>• <b>Policy conversion in the broker channel</b> remains a top priority and continues to progress well. In Q3, we started the conversion of Johnson’s retail business to belairdirect. To date, over 95% of policies outside of Johnson and specialty lines have converted to Intact systems. Retention continues to be aligned with or better than historical RSA experience.</li> <li>• The <b>specialty lines conversions</b> will begin in Q2-2023 by line of business and segment, with continued progress on product and vertical plan development.</li> <li>• In direct distribution, the <b>Johnson’s affinity policies</b> will begin in Q4-2023, with a focus on the customer journey and digital capabilities. Engagement with affinity partners similarly remains strong.</li> <li>• In <b>claims</b>, nearly all RSA Canada claims are now being handled by our internal adjusters, and 70% of files are handled by our in-house legal team. We continue to work on internalizing and integrating other claims operations, leveraging On Side as well as refining the conversion roadmap.</li> </ul>

## Section 16 - Relative mid-year performance update

### 16.1 Outperformance metrics

#### IFC's performance against Canadian P&C benchmark

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



Table 18 – Canadian P&C Industry – IFC outperformance (underperformance)

Underwriting performance	H1-2022	Full year 2021	Full year 2020
<b>DPW growth</b>			
IFC: P&C Canada <sup>1</sup>	<b>29.1%</b>	20.3%	9.4%
Outperformance (underperformance) vs Industry benchmark	<b>20.8 pts</b>	13.2 pts	2.0 pts
<b>Combined ratio</b>			
IFC: P&C Canada <sup>1</sup>	<b>81.5%</b>	85.8%	91.5%
Outperformance (underperformance) vs Industry benchmark	<b>1.1 pts</b>	(0.5) pts	5.0 pts

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

#### H1-2022 relative performance

- **Our growth outperformance was 20.8 points**, mainly due to the RSA Acquisition. Excluding this impact, our growth would be approximately 7.4%, slightly below the industry benchmark.
- **Our combined ratio outperformance was 1.1 points**, an improvement compared to 2021, mainly due higher variable commissions driving the underperformance last year.

#### IFC's performance against 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 19 – British P&C Industry – IFC outperformance (underperformance)

Underwriting performance	H1-2022	Full year 2021 <sup>1</sup>
<b>DPW growth</b>		
IFC: P&C UK	<b>7.4%</b>	(0.4)%
Outperformance (underperformance) vs Industry benchmark	<b>0.6 pts</b>	(7.5) pts
<b>Combined ratio<sup>2</sup></b>		
IFC: P&C UK	<b>95.7%</b>	94.6%
Outperformance (underperformance) vs Industry benchmark	<b>(2.5) pts</b>	(2.7) pts

<sup>1</sup> 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.

<sup>2</sup> Excluding the risk margin and discount impact for comparability purposes

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<b>H1-2022 relative performance</b>	<ul style="list-style-type: none"> <li>• <b>Our growth was 7.4 points, an outperformance of 0.6 points</b> 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.</li> <li>• <b>Our combined ratio was 95.7%, underperforming by 2.5 points.</b> 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).</li> </ul>
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**IFC’s performance against the US P&C benchmark**



The industry benchmark consists of the 12 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 20 – US P&C Industry – IFC outperformance (underperformance) vs industry benchmark

Underwriting performance	H1-2022	Full year 2021	Full year 2020
<b>DPW growth (in local currency)</b>			
IFC: US Commercial	<b>15.7%</b>	16.7%	9.6%
Outperformance (underperformance) vs Industry benchmark	<b>- pts</b>	(0.4) pts	1.7 pts
<b>Combined ratio<sup>1</sup></b>			
IFC: US Commercial	<b>90.0%</b>	93.9%	93.8%
Outperformance (underperformance) vs Industry benchmark	<b>(1.6) pts</b>	(2.0) pts	4.7 pts

<sup>1</sup> Excluding the risk margin and discount impact for comparability purposes

<b>H1-2022 relative performance</b>	<ul style="list-style-type: none"> <li>• <b>Our reported DPW growth of 15.7%, which included a 3-point negative impact from the exit of Public Entities,</b> was in line with the industry benchmark as substantial growth continued among peers, driven by strong new business, rate increases and favourable market conditions.</li> <li>• <b>Our combined ratio underperformance was 1.6 points</b> as our expense ratio remained elevated relative to peers (business mix, seasonality in earned premiums), and offset our strong underlying loss ratio performance that continued to compare favourably to peers.</li> </ul>
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16.2 Financial objective: exceed industry ROE by 5 points

Outperforming the industry ROE by 500 basis points annually is one of IFC’s two financial objectives (see *Section 13 – Our strategic roadmap*). IFC’s ROE outperformance is measured against the weighted-average industry ROE and will be available annually. The assigned weightings are based on deployed capital and the industry data is based on the following:

- Canada industry data is based on MSA;
- UK industry data is based on the Solvency and Financial Condition Reports (“SFCR”);
- US industry data is based on NAIC statutory filings for the top 200 US P&C insurance entities and includes comparability adjustments.

Table 21 – P&C industry – IFC outperformance (underperformance)

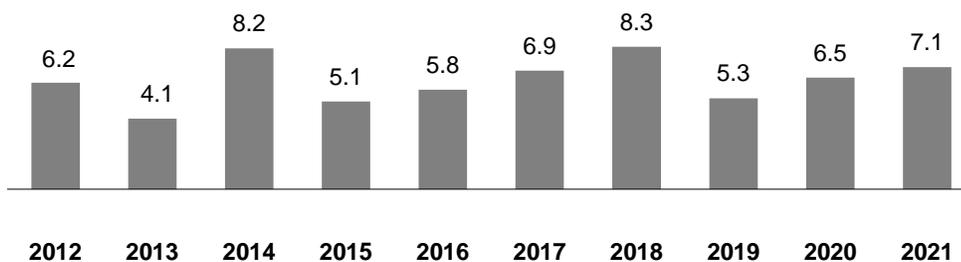
	2021’s Weighting	Full year 2021	Full year 2020
<b>ROE (for the last 12 months)</b>			
IFC		21.0%	15.0%
Canada Industry	74%	16.1%	9.3%
UK Industry	11%	9.7%	n/a
US Industry	15%	6.0%	5.6%
P&C industry	100%	13.9%	8.6%
<b>Outperformance</b>		7.1 pts	6.5 pts

2021 relative performance

- Compared to the P&C industry, our ROE outperformed by 710 basis points, above our target of 500 basis points. Our ROE outperformance was driven by a combination of strong underwriting results, efficient capital and investment management as well as healthy distribution income.

ROE outperformance versus the industry over time (in points)

Average outperformance: 6.3 pts (3-year), 6.8pts (5-year), 6.4pts (10-year)



- Outperforming the industry ROE by at least 5 points is one of our two key financial objectives (see *Section 13 – Our strategic roadmap*)
- During the last decade, we have exceeded the industry ROE by 6.4 points, better than our target

## Management's Discussion and Analysis for the quarter ended September 30, 2022

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

# FINANCIAL CONDITION

## Section 17 - Financial position

### 17.1 Balance sheets

Table 22 – Balance sheets

As at	Section	September 30, 2022	June 30, 2022	December 31, 2021
<b>Assets</b>				
Cash, cash equivalents		1,310	1,223	2,276
Short-term notes		1,580	956	516
Fixed-income securities		24,464	23,782	24,791
Preferred shares		1,477	1,601	1,847
Common equities		4,743	5,004	5,686
Investment property		503	643	634
Loans		952	931	930
<b>Total Investments</b>	<b>18</b>	<b>35,029</b>	<b>34,140</b>	<b>36,680</b>
Premiums receivable		7,853	7,770	7,838
Reinsurance assets		5,291	5,371	5,616
Deferred acquisition costs		2,056	2,015	2,024
Intangible assets and goodwill		8,050	7,679	7,702
Other assets		6,180	6,054	5,647
Assets held for sale <sup>1</sup>		-	893	842
<b>Total assets</b>		<b>64,459</b>	<b>63,922</b>	<b>66,349</b>
<b>Liabilities</b>				
Claims liabilities		24,512	24,182	25,116
Unearned premiums		12,001	11,692	11,703
Debt outstanding	20	4,796	4,345	5,229
Other liabilities		7,715	7,182	7,518
Liabilities associated with assets held for sale <sup>1</sup>		-	434	-
<b>Total liabilities</b>		<b>49,024</b>	<b>47,835</b>	<b>49,566</b>
<b>Equity</b>				
Common shares		7,541	7,552	7,576
Preferred shares		1,322	1,322	1,175
Contributed surplus		237	203	211
Retained earnings		7,679	7,602	6,183
AOCI		(1,629)	(1,164)	529
<b>Equity attributable to shareholders</b>		<b>15,150</b>	<b>15,515</b>	<b>15,674</b>
Equity attributable to non-controlling interests		285	572	1,109
<b>Total equity</b>		<b>15,435</b>	<b>16,087</b>	<b>16,783</b>

<sup>1</sup> On July 7, 2022, we completed the sale of our 50% shareholding in RSA Middle East B.S.C (c). As a result of this transaction, a gain on sale of \$8 million was recognized in Non-operating results in the quarter. See Note 4 – Business combinations and disposals to the interim Consolidated financial statements for details.

## Section 18 - Investments and capital markets

### 18.1 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.

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 23 – Selected market indicators

Selected market indicators	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Common shares</b>				
S&P/TSX Composite	(2)%	-%	(13)%	15%
S&P/TSX Financials	(2)%	-%	(15)%	21%
DJ Dividend 100 Composite (US)	(7)%	(2)%	(18)%	15%
<b>Preferred shares</b>				
S&P/TSX Preferred Share Index	(7)%	2%	(18)%	13%
<b>Fixed-income securities</b> (estimated variance in bps)				
5Y Canada Sovereign Index	40 bps	11 bps	236 bps	58 bps
5Y US Sovereign Index	105 bps	8 bps	283 bps	60 bps
5Y UK Sovereign Index	249 bps	30 bps	357 bps	30 bps
5Y Canada AA Corporate spread	4 bps	(2) bps	55 bps	10 bps
<b>Strengthening (weakening) of:</b>				
USD vs CAD	7%	2%	9%	-%
GBP vs CAD	(2)%	-%	(10)%	-%

### 18.2 \$35 billion of diversified and high-quality investments

Highlights September 30, 2022	Investment portfolio by geography (country of incorporation)
<ul style="list-style-type: none"> <li>The \$0.9 billion increase in our investment portfolio during the quarter reflected cash inflows from operations and a material strengthening of the USD, offset by the negative impact of higher rates and unfavourable equity markets.</li> <li>Our investment portfolio is well-diversified by asset class and geography. We have no direct exposure to Russia or Ukraine in our investments.</li> <li>Our <b>fixed-income portfolio</b> includes high quality government and corporate bonds. Approximately 81% of our fixed-income portfolio was rated ‘A-’ or better as at September 30, 2022 (83% as at December 31, 2021). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was ‘AA’ as at September 30, 2022 and December 31, 2021. The average duration of our fixed-income portfolio was 3.54 years as at September 30, 2022 (3.52 years as at December 31, 2021).</li> <li>Our <b>preferred share portfolio</b> is made up of high-quality Canadian issuers. The weighted-average rating of our preferred share portfolio was ‘P2’ as at September 30, 2022 and December 31, 2021.</li> </ul>	<p>■ Canada ■ US ■ UK ■ Other</p> <p>\$35B</p> <p>56% 25% 7% 12%</p>

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**18.3 Investment portfolio net exposure**

Our net exposure as at September 30, 2022 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below.

Table 24 – Investment mix by asset class and currency (net exposure)

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

Given current volatility in the markets, our asset mix is slightly 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.

Table 25 – Sector mix by asset class, excluding cash, short-term notes and loans (net exposure)

As at	Fixed-income securities	Preferred shares	Common shares	Total Sept. 30, 2022	Total June 30, 2022	Total Dec. 31, 2021
Government	38%	-	-	31%	29%	28%
Financials	26%	72%	26%	32%	34%	34%
ABS and MBS <sup>1</sup>	14%	-	-	11%	11%	12%
Industrials	4%	-	8%	4%	4%	4%
Consumer staples	3%	-	10%	3%	3%	3%
Communication Services	2%	5%	8%	3%	3%	3%
Utilities	4%	12%	13%	5%	5%	5%
Consumer discretionary	1%	-	4%	1%	1%	2%
Energy	1%	11%	13%	3%	3%	3%
Materials	1%	-	8%	1%	1%	1%
Information technology	3%	-	4%	3%	3%	2%
Health care	3%	-	6%	3%	3%	3%
	100%	100%	100%	100%	100%	100%

<sup>1</sup> Our structured debt securities comprised \$1,274 million of ABS and \$2,198 million of MBS as at September 30, 2022. Residential MBS and Commercial MBS make up respectively 46% and 54% 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.

- RSA's investment property portfolio is unlevered, diversified in terms of sectors (office, commercial and industrial) and geography within the UK.

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

Table 26 – Net pre-tax unrealized gain (loss) on AFS securities

As at	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Fixed-income securities	(1,266)	(912)	(543)	30	129
Preferred shares	(159)	(49)	109	171	179
Common shares	(339)	(193)	473	421	395
<b>Net pre-tax unrealized gain (loss) position</b>	<b>(1,764)</b>	<b>(1,154)</b>	<b>39</b>	<b>622</b>	<b>703</b>

**Highlights**

**Unrealized loss position of \$1,764 million as of September 30, 2022**, primarily driven by 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; and
- realized gains on equity securities recognized in net income in H1-2022, which led to an offsetting decrease in our unrealized gain position.

**18.5 Aging of unrealized losses on AFS common shares**

Table 27 – Aging of unrealized losses on AFS common shares

As at	Sept. 30, 2022	June 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021
Less than 25% below book value	297	229	66	52	38
More than 25% below book value for less than 6 consecutive months	92	83	5	2	4
More than 25% below book value for 6 consecutive months or more, but less than 9 consecutive months	64	17	6	-	3
<b>Unrealized losses on AFS common shares</b>	<b>453</b>	<b>329</b>	<b>77</b>	<b>54</b>	<b>45</b>

**Highlights**

- In Q3-2022, we recorded \$34 million of impairment on AFS common shares, compared to \$79 million of impairment in Q3-2021, which was mostly related to a venture investment.
- Since AFS investments are measured at fair value on our balance sheet, impairment losses have no impact on our BVPS and capital position.

**Note:** Upon transition to IFRS 9 on January 1, 2023, unrealized losses on AFS common shares will be reclassified from AOCI to Retained earnings, with subsequent changes in their fair value recorded through the income statement. As a result, it will no longer be necessary to impair our common shares. There will be no change to our BVPS metric which will continue to measure our investments at their fair value.

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**Section 19 - 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. See Note 30 – Employee future benefits to the Annual 2021 Consolidated financial statements and Section 27 – Employee future benefits programs of our Q4-2021 MD&A for further details.

Overall, our DB pension plans are well funded. We continuously manage the risks related to our DB obligation to reduce volatility that stems from both the pension liabilities 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 net DB pension asset and buy-in annuity contracts by country are summarized below.

Table 28 – DB pension obligation and accounting funding status

As at	September 30, 2022		December 31, 2021	
	Canada	UK&I <sup>1</sup>	Canada	UK&I <sup>1</sup>
Fair value of plan assets	2,967	9,519	3,736	16,094
<i>Annuity buy-in insurance contracts</i>	628	-	793	-
DB pension obligation	(2,822)	(8,164)	(3,739)	(14,830)
Other net surplus remeasurement <sup>2</sup>	(38)	(467)	(24)	(435)
<b>Net DB pension asset (liability)</b>	<b>107</b>	<b>888</b>	<b>(27)</b>	<b>829</b>

<sup>1</sup> 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.

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

The fair value of buy-in annuity contracts fluctuates based on changes in the associated DB obligation. As at September 30<sup>th</sup> 2022, the fair value of the buy-in annuity contracts purchased in 2021 was of \$628 million. On October 5<sup>th</sup>, 2022, as part of our de-risking strategy in Canada, we purchased, with our plan assets, additional buy-in annuities contracts with a reputable life insurance company for \$422 million, resulting in an expected actuarial loss of \$35 million that will be recognized in OCI during the fourth quarter. 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 liabilities. 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.

Though the UK market experienced significant volatility during Q3-2022, the funding and liquidity positions of our plans remained resilient reflecting proactive risk management and the robust collateral frameworks in place.

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## Section 20 - Capital management

### 20.1 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.

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.

We also keep higher levels of capital margin when we foresee growth or actionable opportunities in the near term. Furthermore, we may return capital to shareholders through annual dividend increases and, when appropriate, through share buybacks.

### 20.2 Maintaining a strong capital position

#### **Capital position**

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

Table 29 – Estimated aggregated capital position

As at	Regulatory capital ratios	CAL	September 30, 2022	June 30, 2022	December 31, 2021
<b>Total capital margin</b>					
Canadian regulated entities			763	879	908
UK & International regulated entities			901	844	1,025
US regulated entities			451	573	638
Holding Companies			375	183	320
<b>Consolidated total capital margin</b>			<b>2,490</b>	<b>2,479</b>	<b>2,891</b>
<b>Regulatory capital ratios</b>					
Canadian regulated entities	MCT	168% <sup>1</sup>	188%	194%	206%
UK & International regulated entities <sup>2</sup>	SCR	120%	188%	180%	180%
US regulated entities	RBC	200%	357%	414%	448%
Adjusted debt-to-total capital <sup>3</sup> (Table 53)			22.5%	20.3%	23.0%
<b>Total leverage ratio<sup>3,4</sup> (Table 53)</b>			<b>31.7%</b>	<b>29.5%</b>	<b>33.2%</b>

<sup>1</sup> 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.

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

<sup>3</sup> See Section 23 – Non-GAAP and other financial measures for more details.

<sup>4</sup> Including debt, preferred shares and hybrids.

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**Total capital margin highlights**

- Total capital margin stood at a strong \$2.5 billion as at September 30, 2022, reflecting a solid capital position amidst a volatile global environment.
- Total capital margin increased modestly over the quarter, reflecting solid underwriting results despite a large CAT in Canada, mainly offset by continued market volatility across all jurisdictions and the planned deleveraging of the USD Term loan and share buyback. The capital margin temporarily includes a portion of the net proceeds from the issuance of the Series 14 unsecured medium-term notes in USD, which will be used to repay the principal amount of USD275 million for the US senior notes maturing in November 2022.
- Aggregate regulatory capital levels by jurisdiction are well above minimum regulatory targets.

**20.3 Book value per share**

Table 30 – Evolution of BVPS (in dollars)

	Q3-2022	YTD 2022	Last 12 months
<b>BVPS, beginning of period</b>	<b>80.86</b>	<b>82.34</b>	<b>79.21</b>
<b>Net income</b>			
NOIPS, basic and diluted	2.70	8.54	12.33
After-tax non-operating results	(0.68)	2.66	2.73
Net income attributable to common shareholders (EPS)	2.02	11.20	15.06
<b>Other comprehensive income (loss)</b>			
Impact of market movements on AFS securities <sup>1</sup>	(3.24)	(11.61)	(11.96)
Foreign exchange impact	0.59	(0.74)	(0.77)
Net actuarial gains (losses) on employee future benefits	(0.36)	0.80	1.17
Cash flow hedge impact	-	(0.03)	0.01
Net impact from common shares repurchased for cancellation	(0.15)	(0.47)	(0.49)
Dividends on common shares	(1.00)	(3.00)	(3.91)
Other <sup>2</sup>	0.18	0.41	0.58
<b>BVPS, end of period</b>	<b>78.90</b>	<b>78.90</b>	<b>78.90</b>
<b>Period-over-period increase (decrease)</b>	<b>(2)%</b>	<b>(4)%</b>	<b>-%</b>

<sup>1</sup> Reflects the realized gains and losses reclassified from AOCI to Net income.

<sup>2</sup> Includes share-based payments.

**Q3-2022 BVPS highlights**

- **Solid EPS contribution of \$2.02** reflected robust operating and non-operating performances.
- **Losses on AFS securities of \$3.24 per share**, representing 4% of our BVPS, included the following adverse impacts:
  - A decrease of **\$2.07 from mark-to-market losses on fixed-income securities**, caused by a rise in bond yields in all regions; and
  - A decrease of **\$1.17 relating to our equity investments**, driven by unfavourable capital markets
- **Foreign exchange gain of \$0.59 per share**, due to the strengthening of the US dollar of 7% in the quarter, offset in part by a 2% weakening of the UK pound sterling.
- **Decrease of \$0.36 per share relating to the OCI movement of our pension plans**, as the negative impact of higher interest rates, primarily in the UK, was offset in part by widening credit spreads.

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**20.4 Managing leverage**

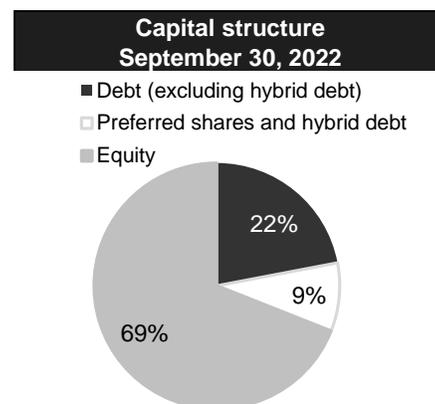
Our optimal financing structure is one where:

- 1) the adjusted debt-to-total capital ratio is broadly at 20%; and
- 2) 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 to mitigate against refinancing and interest rate risk.

For acquisition purposes, 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 September 30, 2022, our adjusted debt-to-total capital ratio was at 22.5%, slightly above our targeted level. On a pro-forma basis, the repayment of the US senior notes of USD275 million maturing in November 2022 will decrease our adjusted debt-to-total capital ratio by 1.5 points.



Financing activities in Q3-2022	
<b>NCIB program</b>	<ul style="list-style-type: none"> <li>From July 1, 2022, to September 30, 2022, a total of 261,350 common shares were repurchased under the NCIB program (817,790 common shares repurchased year-to-date) at an average price of \$187 per share for a total consideration of approximately \$49 million (\$149 million year-to-date).</li> </ul>
<b>Term Loan</b>	<ul style="list-style-type: none"> <li>On July 29, 2022, we entered into a third USD term loan agreement for an amount of \$241 million (USD188 million). The proceeds were used for the Highland acquisition.</li> <li>This term loan, as well as the first USD term loan, were subsequently repaid before quarter-end with the proceeds from the Series 14 unsecured medium-term notes in USD (see below).</li> </ul>
<b>Series 14 Unsecured Medium-Term Notes (USD)</b>	<ul style="list-style-type: none"> <li>On September 22, 2022, we completed an offering of \$674 million (USD500 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.</li> <li>The net proceeds received have been used to reimburse the first USD term loan of \$107 million (USD80 million) and the third USD term loan of \$254 million (USD188 million). Subsequent to quarter-end, we anticipate using the remaining net proceeds to fully reimburse the 2012 US senior notes of \$380 million (USD275 million) at maturity, on November 9, 2022.</li> </ul>
<b>Commercial paper program</b>	<ul style="list-style-type: none"> <li>As of September 30, 2022, we had \$30 million outstanding (\$439 million as of December 31, 2021), with weighted-average maturity of 28 days and weighted average annual rate of 3.46%.</li> <li>This program represents an effective short-term funding vehicle. We expect to continue using commercial paper to manage short-term liquidity needs.</li> </ul>
<b>\$1.5 billion credit facility</b>	<ul style="list-style-type: none"> <li>As at September 30, 2022, there was no amount drawn under the credit facility (nil as at December 31, 2021).</li> <li>The credit facility serves as a guarantee for the Commercial paper program. As at September 30, 2022, an amount of \$30 million is reserved on the credit facility for this program and as a result, cannot be drawn.</li> </ul>

See Note 12 – Debt outstanding and Note 13 – Common shares and preferred shares to the interim Consolidated financial statements.

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Table 31 – Financing activity

Financing	Debt outstanding (excluding hybrid debt) <sup>1,2</sup>	Adjusted total capital <sup>2</sup>	Adjusted debt-to-total capital ratio <sup>2</sup>
<b>As at December 31, 2021</b>	<b>4,982</b>	<b>21,698</b>	<b>23.0%</b>
Bank term loan facility	350	350	1.2%
Commercial paper	(182)	(182)	(0.6)%
Credit facility	44	44	0.2%
Repayment of second USD Term loan	(45)	(45)	(0.2)%
Tier 1 notes	-	(510)	0.5%
Preferred shares	-	147	(0.2)%
NCIB program	-	(17)	-
Other movements	(26)	(43)	-
<b>As at March 31, 2022</b>	<b>5,123</b>	<b>21,442</b>	<b>23.9%</b>
Bank term loan facility	(350)	(350)	(1.3)%
Commercial paper	(77)	(77)	(0.3)%
Credit facility	(44)	(44)	(0.2)%
Repayment of second USD Term loan	(570)	(570)	(2.1)%
NCIB program	-	(83)	0.1%
Other movements	16	(173)	0.2%
<b>As at June 30, 2022</b>	<b>4,098</b>	<b>20,145</b>	<b>20.3%</b>
Commercial paper	(150)	(150)	(0.5)%
Term Loans			
Issuance of third USD Term loan	241	241	0.9%
Repayment of first USD Term loan	(107)	(107)	(0.4)%
Repayment of third USD Term loan	(254)	(254)	(1.0)%
Series 14 Medium-Term Notes USD	668	668	2.6%
NCIB program	-	(49)	0.1%
Other movements	53	(263)	0.5%
<b>As at September 30, 2022</b>	<b>4,549</b>	<b>20,231</b>	<b>22.5%</b>
<b>Reconciliation to the most comparable GAAP measures</b>			
Hybrid subordinated notes <sup>1</sup>	247		
<b>Debt outstanding<sup>1</sup></b>	<b>4,796</b>		
<b>Total capital<sup>3</sup></b>		<b>20,231</b>	

<sup>1</sup> Debt is presented at carrying value. See Note 12.3 – Summary of debt outstanding to the interim Consolidated financial statements<sup>2</sup> See Section 23 – Non-GAAP and other financial measures for more details.<sup>3</sup> Total capital represents the sum of Debt outstanding and Total equity, as reported under IFRS.

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**20.5 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 32 – Cash flows

	Q3-2022	Q3-2021	Change	YTD 2022	YTD 2021	Change
<b>Net cash flows provided by operating activities</b>	<b>1,454</b>	1,270	184	<b>2,737</b>	2,252	485
<b>Cash flows generated from (deployed on):</b>						
Business combinations, net of cash acquired <sup>1</sup>	(239)	-	(239)	(239)	(11,076)	10,837
Proceeds from the sale of businesses, net of cash disposal <sup>1</sup>	112	-	112	1,295	7,209	(5,914)
Proceeds from issuance of debt, net <sup>2</sup>	909	-	909	1,259	1,814	(555)
Repayment of debt <sup>2</sup>	(361)	(410)	49	(1,328)	(1,356)	28
Borrowing (repayment) on the credit facility and commercial paper <sup>2</sup>	(150)	472	(622)	(409)	472	(881)
Payment of contingent consideration related to business combinations	-	-	-	-	(15)	15
Proceeds from issuance of common shares and preferred shares, net of issuance costs	-	-	-	146	4,263	(4,117)
Repurchase of common shares for share-based payments	(9)	(6)	(3)	(107)	(76)	(31)
Repurchase of common shares for cancellation <sup>2</sup>	(49)	-	(49)	(149)	-	(149)
Payment of dividends on common shares and preferred shares	(190)	(146)	(44)	(571)	(466)	(105)
Payment of dividends to non-controlling interests	-	(14)	14	(17)	(40)	23
Redemption of non-controlling interests	-	(7)	7	(450)	(14)	(436)
Proceeds from (purchases of) brokerages and other equity investments, net	(46)	(23)	(23)	(200)	(79)	(121)
Purchases of intangibles and property and equipment, net	(99)	(106)	7	(292)	(221)	(71)
Payments of lease liabilities	(27)	(35)	8	(84)	(70)	(14)
Proceeds from (repurchase of) securities sold under repurchase agreements	-	(252)	252	-	-	-
<b>Net cash inflows (outflows) before the following:</b>	<b>1,305</b>	743	562	<b>1,591</b>	2,597	(1,006)
Proceeds from the sale of investments (purchases of), net	(1,309)	(1,132)	(177)	(2,554)	(508)	(2,046)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4)</b>	(389)	385	<b>(963)</b>	2,089	(3,052)
Cash and cash equivalents at the beginning of the period, net of held for sale	1,223	3,382	(2,159)	2,276	917	1,359
Exchange rate difference on cash and cash equivalents	28	21	7	(3)	8	(11)
Less: cash and cash equivalents held for sale/disposed	63	-	63	-	-	-
<b>Cash and cash equivalents at end of the period<sup>3</sup></b>	<b>1,310</b>	3,014	(1,704)	<b>1,310</b>	3,014	(1,704)

<sup>1</sup> See Note 4 – Business combination and disposals to the interim Consolidated financial statements for details.

<sup>2</sup> See Section 20.4 – Managing leverage for details.

<sup>3</sup> Net of bank overdraft.

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**Q3-2022 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 holding company level, Intact Financial Corporation, and within our wholly owned operating subsidiaries. As at September 30, 2022, Intact Financial Corporation (our holding company) had \$268 million of cash and cash equivalents (\$126 million as at December 31, 2021).

The increase of \$142 million on the balance of cash and cash equivalents since December 31, 2021 was mainly driven by:

- proceeds of \$1,183 million from the sale of Codan DK; and
- capital inflow of \$643 million from our wholly owned operating subsidiaries;

partially offset by;

- capital outflow of \$820 million from investing, financing and treasury activities;
- capital return of \$676 million to our common shareholders (including dividends and NCIB program); and
- corporate expenses of \$188 million (including preferred shares dividends).

**20.6 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.

Table 33 – Ratings

	A. M. Best	DBRS	Moody’s	Fitch
<b>Financial strength ratings</b>				
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-
<b>Senior unsecured debt ratings</b>				
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-

**Q3-2022 Ratings highlights**

- On October 14<sup>th</sup> 2022, DBRS Morningstar changed its outlook trend on Intact Financial Corporation from stable to positive.



# RISK MANAGEMENT

## Section 21 - Currency risk and currency hedging

### 21.1 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 34 – Foreign currency rates

	As at		Average rates for the periods			
	Sept. 30, 2022	Dec. 31, 2021	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Foreign currency vs CAD</b>						
USD	1.381	1.265	1.306	1.260	1.283	1.251
GBP	1.542	1.710	1.536	1.735	1.612	1.733
EUR	1.354	1.439	1.315	1.485	1.364	1.497
DKK <sup>1</sup>	0.182	0.193	0.177	0.200	0.183	0.201

<sup>1</sup> For the nine-month period ended September 30, 2021, the average rate reflects the period from June 1 to September 30, 2021 in relation to the RSA acquisition.

#### Currency impacts on our KPIs

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

DPW	<ul style="list-style-type: none"> <li>\$13 million lower in Q3-2022</li> <li>\$180 million lower YTD-2022</li> </ul>
Underwriting income	<ul style="list-style-type: none"> <li>\$2 million lower in Q3-2022</li> <li>\$12 million lower YTD-2022</li> </ul>
NOIPS	<ul style="list-style-type: none"> <li>Nil impact in Q3-2022</li> <li>\$0.07 lower YTD-2022</li> </ul>

### 21.2 Currency hedging

#### Currency hedging in place in Q3-2022

<b>Book value hedges</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Our Q3-2022 currency exposure is 61% in CAD, 19% in GBP, 18% in USD and 2% in Euro.</li> </ul>
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See Note 7 – Derivative financial instruments to the interim Consolidated financial statements for more details.

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**Section 22 - 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. Sensitivity analysis excludes the impact of the Middle East operations as of Q1-2022.

Table 35 – Sensitivity analysis to market risk (after tax)

For the periods ended,	September 30, 2022			December 31, 2021		
	Net income	OCI	BVPS	Net income	OCI	BVPS
<b>Equity price risk</b>						
Common share prices (10% decrease) <sup>1</sup>	7	(305)	(1.70)	27	(446)	(2.38)
Preferred share prices (5% decrease) <sup>2</sup>	21	(76)	(0.31)	19	(88)	(0.39)
<b>Property price risk (10% decrease)</b>	<b>(38)</b>	<b>(30)</b>	<b>(0.39)</b>	(51)	(40)	(0.52)
<b>Interest rate risk (100 basis point increase)<sup>3</sup></b>						
Debt securities <sup>4,5</sup>	(285)	(432)	(4.09)	(237)	(445)	(3.87)
Net claims liabilities	349	-	1.99	378	-	2.15
Defined benefit pension plan obligation, net of related debt securities	-	(162)	(0.92)	-	11	0.06
<b>Currency risk<sup>6</sup></b>						
<b>Strengthening of CAD by 10% vs all currencies</b>						
Net assets of foreign operations in:						
USD	(7)	(209)	(1.23)	10	(305)	(1.68)
GBP	3	(246)	(1.39)	8	(411)	(2.29)

<sup>1</sup> Including the impact of common shares (net of any equity hedges, including the impact of any impairment) or investment property related to the defined benefit pension plan.

<sup>2</sup> Including the impact on related embedded derivatives.

<sup>3</sup> Excludes the impact of credit spreads.

<sup>4</sup> Excludes the impact of debt securities related to the defined benefit pension plan.

<sup>5</sup> Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 45% of government-related securities and 55% of corporate-related securities.

<sup>6</sup> After giving effect to forward-exchange contracts.

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.

AFS debt or equity securities in an unrealized loss position, as reflected in AOCI may be realized through sales in the future.

A decline in the price of AFS perpetual preferred shares is recorded in OCI and would normally lead to a lower valuation for associated embedded derivative liabilities which are recorded as gains in Net income. Conversely, an increase in the price of these preferred shares is also recorded in OCI and would normally lead to a higher valuation for associated embedded derivative liabilities which are recorded as losses in Net income.

## ADDITIONAL INFORMATION

### Section 23 - 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 23.1 to Section 23.3), our underwriting performance (see Section 23.4 and Section 23.5) and our financial strength (see Section 23.6).

#### 23.1 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, 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.

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

<b>NOIPS</b> for a specific period	NOI* attributable to common shareholders <hr/> WANSO <sup>1</sup>	<b>OROE</b> for a 12-month period	NOI* attributable to common shareholders <hr/> Adjusted average common shareholders' equity (excluding AOCI)* (Section 23.6)
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<sup>1</sup> 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 (operating component). See Table 36 – *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 37 – *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 23.5 – *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.

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- **Operating net investment income** – calculated as Investment income less Investment expenses, as reported under IFRS, excluding the impact of exited lines. *See Table 14 – 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, Intact Public Entities, On Side, Coast Underwriters and Johnson Group Benefits. 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.
- **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 38 and Table 39 – Reconciliation of consolidated results on a MD&A basis with the interim 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 10 – Non-operating results for details.*
  - **Positive (negative) impact of MYA on underwriting** arises 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.  
  
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 **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 10 – Non-operating results for details.*
    - **Acquisition costs** include professional fees and stamp duties related to the closing of an acquisition.
    - **Integration costs** include restructuring 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 restructuring costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.
  - **Income (loss) from exited lines** included in NEP, Net claims incurred, Underwriting expenses and Investment income under IFRS. We believe that such results could obscure the ability to compare period over period results for our ongoing businesses. *See Section 10 – Non-operating results for details.*

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Table 36 - Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Net income attributable to shareholders, as reported under IFRS</b>	<b>370</b>	<b>295</b>	<b>2,012</b>	<b>1,375</b>
Remove: pre-tax non-operating results ( <i>Table 15</i> )	150	265	(547)	87
Remove: non-operating tax expense (benefit) <sup>1</sup>	(32)	(41)	104	(71)
Remove: non-operating component of NCI	-	-	(24)	-
<b>NOI</b>	<b>488</b>	<b>519</b>	<b>1,545</b>	<b>1,391</b>
Remove: preferred share dividends	(15)	(14)	(44)	(40)
<b>NOI attributable to common shareholders</b>	<b>473</b>	<b>505</b>	<b>1,501</b>	<b>1,351</b>
Divided by weighted-average number of common shares (in millions)	175.4	176.1	175.7	157.8
<b>NOIPS, basic and diluted (in dollars)</b>	<b>2.70</b>	<b>2.87</b>	<b>8.54</b>	<b>8.56</b>
<b>NOI to common shareholders for the last 12 months</b>	<b>2,167</b>	<b>1,805</b>		
Adjusted average common shareholders' equity, excluding AOCI ( <i>Table 52</i> )	14,415	9,840		
<b>OROE for the last 12 months</b>	<b>15.0%</b>	<b>18.3%</b>		

<sup>1</sup> See *Table 41 - Acquisition-related gains (losses) and other non-operating results for more details.*

Table 37 - Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Income before income taxes, as reported under IFRS</b>	<b>456</b>	<b>391</b>	<b>2,467</b>	<b>1,697</b>
Add: share of income tax expense of broker associates	8	8	30	26
Remove: pre-tax non-operating results ( <i>Table 15</i> )	150	265	(547)	87
<b>PTOI</b>	<b>614</b>	<b>664</b>	<b>1,950</b>	<b>1,810</b>
Add: operating income tax expense	(126)	(140)	(392)	(407)
Netted with: operating component of NCI	-	(5)	(13)	(12)
<b>NOI (<i>Table 36</i>)</b>	<b>488</b>	<b>519</b>	<b>1,545</b>	<b>1,391</b>

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Table 38 – Reconciliation of consolidated results on a MD&amp;A basis with the interim Consolidated financial statements

As presented in the Financial statements	MD&A captions					Pre-tax		Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense) <sup>1</sup>	Operating net investment income	Total income taxes	Non-operating results	Underwriting income	
<b>For the quarter ended September 30, 2022</b>								
Underwriting income <sup>1</sup> (Table 48)	-	-	-	-	-	241	362	603
Investment income	-	-	-	240	-	-	-	240
Investment expenses	-	-	-	(8)	-	-	-	(8)
Other revenues	120	-	4	-	-	-	-	124
Net gains (losses)	-	-	-	-	-	(229)	-	(229)
Gain on sale of business	-	-	-	-	-	-	-	-
Share of profits from investments in associates and joint ventures	37	(3)	-	-	(8)	(3)	-	23
Finance costs	-	(43)	-	-	-	-	-	(43)
Acquisition, integration and restructuring costs	-	-	-	-	-	(102)	-	(102)
Other expenses	(46)	-	(49)	-	-	(57)	-	(152)
Income tax benefit (expense)	-	-	-	-	(86)	-	-	(86)
<b>Total, as reported in MD&amp;A</b>	<b>111</b>	<b>(46)</b>	<b>(45)</b>	<b>232</b>	<b>(94)</b>	<b>(150)</b>	<b>362</b>	
<b>For the quarter ended September 30, 2021</b>								
Underwriting income <sup>1</sup> (Table 48)	-	-	-	-	-	-	426	426
Investment income	-	-	-	202	-	-	-	202
Investment expenses	-	-	-	(11)	-	-	-	(11)
Other revenues	110	-	6	-	-	-	-	116
Net gains (losses)	-	-	-	-	-	(88)	-	(88)
Gain on the RSA Acquisition	-	-	-	-	-	4	-	4
Share of profits from investments in associates and joint ventures	36	(2)	-	-	(8)	(4)	-	22
Finance costs	-	(45)	-	-	-	-	-	(45)
Acquisition, integration and restructuring costs	-	-	-	-	-	(115)	-	(115)
Other expenses	(41)	-	(17)	-	-	(62)	-	(120)
Income tax benefit (expense)	-	-	-	-	(91)	-	-	(91)
<b>Total, as reported in MD&amp;A</b>	<b>105</b>	<b>(47)</b>	<b>(11)</b>	<b>191</b>	<b>(99)</b>	<b>(265)</b>	<b>426</b>	

<sup>1</sup> 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 39 – Reconciliation of consolidated results on a MD&amp;A basis with the interim Consolidated financial statements

As presented in the Financial statements	MD&A captions					Pre-tax		Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense) <sup>1</sup>	Operating net investment income	Total income taxes	Non-operating results	Underwriting income	
<b>For the nine-month period ended September 30, 2022</b>								
Underwriting income <sup>1</sup> (Table 48)	-	-	-	-	-	979	1,199	2,178
Investment income	-	-	-	673	-	4	-	677
Investment expenses	-	-	-	(25)	-	-	-	(25)
Other revenues	388	-	8	-	-	-	-	396
Net gains (losses)	-	-	-	-	-	(402)	-	(402)
Gain on sale of business	-	-	-	-	-	423	-	423
Share of profits from investments in associates and joint ventures	134	(7)	-	-	(30)	(12)	-	85
Finance costs	-	(127)	-	-	-	-	-	(127)
Acquisition, integration and restructuring costs	-	-	-	-	-	(269)	-	(269)
Other expenses	(178)	-	(115)	-	-	(176)	-	(469)
Income tax benefit (expense)	-	-	-	-	(466)	-	-	(466)
<b>Total, as reported in MD&amp;A</b>	<b>344</b>	<b>(134)</b>	<b>(107)</b>	<b>648</b>	<b>(496)</b>	<b>547</b>	<b>1,199</b>	
<b>For the nine-month period ended September 30, 2021</b>								
Underwriting income <sup>1</sup> (Table 48)	-	-	-	-	-	88	1,187	1,275
Investment income	-	-	-	509	-	-	-	509
Investment expenses	-	-	-	(23)	-	-	-	(23)
Other revenues	291	-	22	-	-	-	-	313
Net gains (losses)	-	-	-	-	-	55	-	55
Gain on the RSA Acquisition	-	-	-	-	-	204	-	204
Share of profits from investments in associates and joint ventures	119	(8)	-	-	(26)	(14)	-	71
Finance costs	-	(111)	-	-	-	-	-	(111)
Acquisition, integration and restructuring costs	-	-	-	-	-	(296)	-	(296)
Other expenses	(125)	-	(51)	-	-	(124)	-	(300)
Income tax benefit (expense)	-	-	-	-	(310)	-	-	(310)
<b>Total, as reported in MD&amp;A</b>	<b>285</b>	<b>(119)</b>	<b>(29)</b>	<b>486</b>	<b>(336)</b>	<b>(87)</b>	<b>1,187</b>	

<sup>1</sup> 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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**23.2 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. 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 asterisk\*).

<b>AEPS</b> for a specific period	Adjusted net income* attributable to common shareholders <hr/> WANSO	<b>AROE</b> for a 12-month period	Adjusted net income* attributable to common shareholders <hr/> Adjusted average common shareholders' equity* ( <i>Section 23.6</i> )
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- **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 40 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS.*

Table 40 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Net income attributable to shareholders, as reported under IFRS</b>	<b>370</b>	295	<b>2,012</b>	1,375
Adjustments, after tax ( <i>see Table 41 for details</i> )				
Remove: amortization of intangibles recognized in business combinations	49	51	144	103
Remove: acquisition and integration costs	69	76	182	204
Remove: net gain on currency derivative hedges (acquisitions)	-	(33)	-	(2)
Remove: tax adjustments on acquisition-related items	-	24	3	14
<b>Adjusted net income</b>	<b>488</b>	413	<b>2,341</b>	1,694
Remove: preferred share dividends	(15)	(14)	(44)	(40)
<b>Adjusted net income attributable to common shareholders</b>	<b>473</b>	399	<b>2,297</b>	1,654
Divided by weighted-average number of common shares (in millions)	175.4	176.1	175.7	157.8
<b>AEPS, basic and diluted (in dollars)</b>	<b>2.70</b>	2.26	<b>13.07</b>	10.48
<b>Adjusted net income attributable to common shareholders for the last 12 months</b>	<b>3,129</b>	2,074		
Adjusted average common shareholders' equity ( <i>Table 52</i> )	13,888	10,279		
<b>AROE for the last 12 months</b>	<b>22.5%</b>	20.2%		

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**Acquisition-related items**

- **Acquisition-related items, which are reported in Non-operating results\***, include amortization of intangible assets recognized in business combinations, as well as acquisition and integration costs. See *Table 41 below and Section 23.1 – 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 41 – Acquisition-related gains (losses) and other non-operating results

	Q3-2022		Q3-2021	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of intangible assets recognized in business combinations	(63)	(49)	(66)	(51)
Acquisition and integration costs	(88)	(69)	(104)	(76)
Net gain (loss) on currency derivative hedges (acquisitions)	-	-	38	33
Tax adjustment on acquisition-related items	-	-	-	(24)
<b>Acquisition-related gains (losses)</b>	<b>(151)</b>	<b>(118)</b>	<b>(132)</b>	<b>(118)</b>
Other net gains (losses)	(229)	(182)	(126)	(102)
Positive (negative) impact of MYA on underwriting	291	229	37	28
Non-operating pension expense	(15)	(7)	(16)	(11)
Gain on the RSA Acquisition	-	-	4	4
Gain on sale of business	-	-	-	-
Income (loss) from exited lines	(35)	(29)	(21)	(16)
Restructuring and other non-operating costs	(11)	(11)	(11)	(9)
<b>Other non-operating results</b>	<b>1</b>	<b>-</b>	<b>(133)</b>	<b>(106)</b>
<b>Non-operating results</b>	<b>(150)</b>	<b>(118)</b>	<b>(265)</b>	<b>(224)</b>

	YTD 2022		YTD 2021	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of intangible assets recognized in business combinations	(188)	(144)	(136)	(103)
Acquisition and integration costs	(233)	(182)	(258)	(204)
Net gain (loss) on currency derivative hedges (acquisitions)	-	-	3	2
Tax adjustment on acquisition-related items	-	(3)	-	(14)
<b>Acquisition-related gains (losses)</b>	<b>(421)</b>	<b>(329)</b>	<b>(391)</b>	<b>(319)</b>
Other net gains (losses)	(402)	(364)	52	68
Positive (negative) impact of MYA on underwriting	1,120	858	154	114
Non-operating pension expense	(42)	(25)	(48)	(35)
Gain on the RSA Acquisition	-	-	204	204
Gain on sale of business	423	411	-	-
Income (loss) from exited lines	(95)	(78)	(18)	(15)
Restructuring and other non-operating costs	(36)	(30)	(40)	(33)
<b>Other non-operating results</b>	<b>968</b>	<b>772</b>	<b>304</b>	<b>303</b>
<b>Non-operating results</b>	<b>547</b>	<b>443</b>	<b>(87)</b>	<b>(16)</b>

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**23.3 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 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 23.6)

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

Table 42 – Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Net income attributable to shareholders</b>	370	295	2,012	1,375
Remove: preferred share dividends	(15)	(14)	(44)	(40)
<b>Net income attributable to common shareholders</b>	355	281	1,968	1,335
Divided by weighted-average number of common shares (in millions)	175.4	176.1	175.7	157.8
<b>EPS, basic and diluted (in dollars)</b>	2.02	1.60	11.20	8.46
<b>Net income attributable to common shareholders for the last 12 months</b>	2,647	1,700		
Adjusted average common shareholders' equity (Table 52)	13,888	10,279		
<b>ROE for the last 12 months</b>	19.1%	16.5%		

Table 43 – Reconciliation of AEPS and NOIPS to EPS, as reported under IFRS

	Q3-2022		Q3-2021	
	After-tax	Per share	After-tax	Per share
<b>Net income attributable to common shareholders (EPS)</b>	355	2.02	281	1.60
Add back: acquisition-related losses (gains) (Table 41)	118	0.68	118	0.66
<b>Adjusted net income attributable to common shareholders (AEPS)</b>	473	2.70	399	2.26
Add back: other non-operating results (Table 41)	-	-	106	0.61
Add back: non-operating component of NCI	-	-	-	-
<b>NOI attributable to common shareholders (NOIPS)</b>	473	2.70	505	2.87
	YTD 2022		YTD 2021	
	After-tax	Per share	After-tax	Per share
<b>Net income attributable to common shareholders (EPS)</b>	1,968	11.20	1,335	8.46
Add back: acquisition-related losses (gains) (Table 41)	329	1.87	319	2.02
<b>Adjusted net income attributable to common shareholders (AEPS)</b>	2,297	13.07	1,654	10.48
Add back: other non-operating results (Table 41)	(772)	(4.39)	(303)	(1.92)
Add back: non-operating component of NCI	(24)	(0.14)	-	-
<b>NOI attributable to common shareholders (NOIPS)</b>	1,501	8.54	1,351	8.56

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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 asterisk\*).

<b>Total effective income tax rate</b> for a specific period	$\frac{\text{Total income tax expense (benefit)*}}{\text{Pre-tax income*}}$	<b>Operating effective income tax rate</b> for a specific period	$\frac{\text{Operating income tax expense (benefit)*}}{\text{PTOI* (Section 23.1)}}$
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- **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 38 and Table 39 – Reconciliation of consolidated results on a MD&A basis with the interim Consolidated financial statements.* **Pre-tax income and PTOI** are presented on a consistent basis. These Non-GAAP financial measures are aligned with how management analyzes the operating performance of our broker associates (recorded in Distribution income), which is on a pre-tax basis.

Table 44 – Reconciliation of effective income tax rates

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Income before income taxes, as reported under IFRS</b>	456	391	2,467	1,697
Add: share of income tax expense of broker associates	8	8	30	26
<b>Pre-tax income</b>	464	399	2,497	1,723
Total income tax benefit (expense) (Table 38 and Table 39)	(94)	(99)	(496)	(336)
<b>Net income</b>	370	300	2,001	1,387
<b>Total effective income tax rate, as reported in the MD&amp;A</b>	20.4%	24.8%	19.9%	19.5%
<b>Pre-tax operating income (PTOI) (Table 37)</b>	614	664	1,950	1,810
Operating income tax benefit (expense)	(126)	(140)	(392)	(407)
Netted with: operating component of NCI	-	(5)	(13)	(12)
<b>NOI – net of NCI</b>	488	519	1,545	1,391
<b>Operating effective income tax rate, as reported in the MD&amp;A</b>	20.4%	21.2%	20.1%	22.5%

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23.4 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.
- With the RSA Acquisition, approximately 65% of our operating DPW are denominated in CAD, 19% in GBP, 10% in USD, and the remaining, mainly in Euro. *See Section 21.1 – Foreign currency rates.* 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.

<b>Change in operating DPW</b>	$\frac{\text{Operating DPW for a specified period} - \text{Operating DPW for the previous year}}{\text{Operating DPW for the previous year}}$	<b>Change in operating DPW in constant currency</b>	$\frac{\text{Operating DPW (in CAD) for a specified period} - \text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}{\text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}$
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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 45 – Reconciliation of Operating DPW to DPW

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>DPW, as reported under IFRS</b>	<b>5,796</b>	5,719	<b>17,127</b>	12,676
Remove: impact of industry pools and fronting	(309)	(212)	(894)	(345)
Remove: DPW from exited lines	(56)	(84)	(346)	(91)
Add: impact of the normalization for multi-year policies	12	24	41	26
<b>Operating DPW, as reported in the MD&amp;A</b>	<b>5,443</b>	5,447	<b>15,928</b>	12,266
<b>Operating DPW growth</b>	<b>-%</b>	67%	<b>30%</b>	34%
<b>Operating DPW growth (in constant currency)</b>	<b>2%</b>	68%	<b>31%</b>	35%

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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](http://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 46 below.*

Table 46 – Reconciliation of Operating NPW to NPW, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>NPW, as reported under IFRS</b>	<b>5,291</b>	5,279	<b>15,235</b>	11,844
Remove: NPW from exited lines	(43)	(70)	(290)	(92)
Add: impact of normalization for multi-year policies	12	1	41	4
<b>Operating NPW</b>	<b>5,260</b>	5,210	<b>14,986</b>	11,756

**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 47 below.*

Table 47 – Reconciliation of Operating NEP to NEP, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>NEP, as reported under IFRS</b>	<b>4,945</b>	4,950	<b>14,738</b>	11,235
Remove: NEP from exited lines	(65)	(79)	(358)	(123)
<b>Operating NEP, as reported in the MD&amp;A</b>	<b>4,880</b>	4,871	<b>14,380</b>	11,112
<b>Operating NEP growth</b>	<b>-%</b>	70%	<b>29%</b>	33%

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**23.5 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 23.1 – 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 asterisk\*).

<b>Operating combined ratio</b>			
An operating combined ratio below 100% indicates a profitable underwriting result. An operating combined ratio over 100% indicates an unprofitable underwriting result.			
<b>Claims ratio (see below) + Expense ratio (see below)</b>			
<b>Claims ratio</b>		<b>Expense ratio</b>	
Operating net claims* ( <i>defined hereafter</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* ( <i>Section 23.4</i> )		Operating net underwriting expenses* ( <i>defined hereafter</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* ( <i>Section 23.4</i> )	
<b>Underlying current year loss ratio</b>	Operating net claims excluding current year CAT losses and PYD <sup>1</sup> ( <i>Section 23.5</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* before the impact of reinstatement premiums ( <i>Section 23.5</i> )	<b>Commissions ratio</b>	Commissions <sup>1</sup> ( <i>Section 23.5</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* ( <i>Section 23.4</i> )
<b>CAT loss ratio</b>	Net current year CAT losses <sup>1</sup> plus net reinstatement premiums ( <i>Section 23.5</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* before the impact of reinstatement premiums ( <i>Section 23.5</i> )	<b>General expenses ratio</b>	General expenses <sup>1</sup> ( <i>Section 23.5</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* ( <i>Section 23.4</i> )
<b>PYD ratio</b>	PYD <sup>1</sup> ( <i>Section 23.5</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* ( <i>Section 23.4</i> )	<b>Premium taxes ratio</b>	Premium taxes <sup>1</sup> ( <i>Section 23.5</i> ) <hr style="width: 50%; margin: auto;"/> Operating NEP* ( <i>Section 23.4</i> )

<sup>1</sup> 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 48 – 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 49 – 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. Effective July 1, 2021, our CAT threshold is as follows by segment: P&C Canada: \$10 million, P&C UK&I: £7.5 million and P&C US: US\$5 million. Reported CAT losses can either be weather-related or not weather-related and exclude those from exited lines.
  - **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 50 – Reconciliation of Operating net underwriting expenses to Underwriting expenses, as reported under IFRS.*

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Table 48 – Reconciliation of Underwriting income to Underwriting income, as calculated under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
Net earned premiums, as reported under IFRS	4,945	4,950	14,738	11,235
Other underwriting revenues, as reported under IFRS	78	77	229	157
Net claims incurred, as reported under IFRS	(2,767)	(2,883)	(7,899)	(6,171)
Underwriting expenses, as reported under IFRS	(1,653)	(1,718)	(4,890)	(3,946)
<b>Underwriting income (loss), as calculated under IFRS</b>	<b>603</b>	<b>426</b>	<b>2,178</b>	<b>1,275</b>
Remove: impact of MYA on underwriting results (Table 15)	(291)	(37)	(1,120)	(154)
Remove: non-operating pension expense (Table 15)	15	16	42	48
Remove: underwriting loss (income) from exited lines (Table 17)	35	21	99	18
<b>Underwriting income (loss), as reported in the MD&amp;A</b>	<b>362</b>	<b>426</b>	<b>1,199</b>	<b>1,187</b>
<b>Operating NEP (Table 47)</b>	<b>4,880</b>	<b>4,871</b>	<b>14,380</b>	<b>11,112</b>
<b>Operating combined ratio</b>	<b>92.6%</b>	<b>91.3%</b>	<b>91.7%</b>	<b>89.3%</b>

Table 49 – Reconciliation of Operating net claims to Net claims incurred, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Net claims incurred, as reported under IFRS</b>	<b>2,767</b>	<b>2,883</b>	<b>7,899</b>	<b>6,171</b>
Remove: positive (negative) impact of MYA on underwriting results	291	37	1,120	154
Remove: adjustment for non-operating pension expense	(6)	(6)	(16)	(18)
Remove: net claims from exited lines	(74)	(63)	(307)	(89)
Net with: other underwriting revenues	(10)	(18)	(31)	(18)
<b>Operating net claims, as reported in the MD&amp;A</b>	<b>2,968</b>	<b>2,833</b>	<b>8,665</b>	<b>6,200</b>
Remove: net current year CAT losses (Table 13)	(229)	(365)	(659)	(490)
Remove: favourable (unfavourable) PYD (Table 12)	143	148	545	434
Operating net claims excluding current year CAT losses and PYD	2,882	2,616	8,551	6,144
<b>Operating NEP (Table 47)</b>	<b>4,880</b>	<b>4,871</b>	<b>14,380</b>	<b>11,112</b>
Remove: reinstatement premiums ceded (recovered)	4	-	7	1
<b>Operating NEP before reinstatement premiums</b>	<b>4,884</b>	<b>4,871</b>	<b>14,387</b>	<b>11,113</b>
Underlying current year loss ratio <sup>1</sup>	58.9%	53.7%	59.5%	55.3%
CAT loss ratio (including reinstatement premiums) <sup>1</sup> (Table 13)	4.8%	7.5%	4.6%	4.4%
(Favourable) unfavourable PYD ratio <sup>2</sup> (Table 12)	(2.9)%	(3.0)%	(3.8)%	(3.9)%
<b>Claims ratio<sup>2</sup></b>	<b>60.8%</b>	<b>58.2%</b>	<b>60.3%</b>	<b>55.8%</b>

<sup>1</sup> Calculated using Operating NEP before reinstatement premiums.

<sup>2</sup> Calculated using Operating NEP.

Table 50 – Reconciliation of Operating net underwriting expenses to Underwriting expenses, as reported under IFRS

	Q3-2022	Q3-2021	YTD 2022	YTD 2021
<b>Underwriting expenses, as reported under IFRS</b>	<b>1,653</b>	<b>1,718</b>	<b>4,890</b>	<b>3,946</b>
Net with: other underwriting revenues	(68)	(59)	(198)	(139)
Remove: adjustment for non-operating pension expense	(9)	(10)	(26)	(30)
Remove: underwriting expenses from exited lines	(26)	(37)	(150)	(52)
<b>Operating net underwriting expenses, as reported in the MD&amp;A</b>	<b>1,550</b>	<b>1,612</b>	<b>4,516</b>	<b>3,725</b>
Commissions	828	901	2,356	2,056
General expenses	588	576	1,760	1,323
Premium taxes	134	135	400	346
<b>Operating NEP (Table 47)</b>	<b>4,880</b>	<b>4,871</b>	<b>14,380</b>	<b>11,112</b>
Commissions ratio	17.0%	18.5%	16.4%	18.5%
General expenses ratio	12.1%	11.8%	12.2%	11.9%
Premium taxes ratio	2.7%	2.8%	2.8%	3.1%
<b>Expense ratio</b>	<b>31.8%</b>	<b>33.1%</b>	<b>31.4%</b>	<b>33.5%</b>

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## 23.6 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 20 – Capital management for more details.

<b>Total capital margin</b> as at the end of a specific period	Total capital margin includes capital in excess of the internal CALs <sup>1</sup> 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.	<b>Regulatory capital ratios</b> 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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<sup>1</sup> The average CAL for all regulated Canadian insurance entities is 168% 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](http://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.

<b>BVPS</b> as at the end of a specific period	$\frac{\text{Common shareholders' equity}}{\text{Number of common shares outstanding at the same date}}$	<b>BVPS (excluding AOCI)</b> 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 51 – Calculation of BVPS and BVPS (excluding AOCI)

As at September 30,	2022	2021
Equity attributable to shareholders, as reported under IFRS	15,150	15,123
Remove: Preferred shares, as reported under IFRS	(1,322)	(1,175)
<b>Common shareholders' equity</b>	<b>13,828</b>	<b>13,948</b>
Remove: AOCI, as reported under IFRS	1,629	(575)
<b>Common shareholders' equity (excluding AOCI)</b>	<b>15,457</b>	<b>13,373</b>
Number of common shares outstanding at the same date (in millions)	175.3	176.1
<b>BVPS</b>	<b>78.90</b>	<b>79.21</b>
<b>BVPS (excluding AOCI)</b>	<b>88.19</b>	<b>75.95</b>

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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 52 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 52 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 52 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity (excluding AOCI)

As at September 30,	2022	2021
Ending common shareholders' equity ( <i>Table 51</i> )	13,828	13,948
Remove: common shares issued during the period	-	(4,311)
Ending common shareholders' equity, excluding common shares issued during the period	13,828	9,637
Beginning common shareholders' equity	13,948	8,040
Average common shareholders' equity, excluding common shares issued during the period	13,888	8,838
Weighted impact of June 1, 2021 common shares issuance	-	1,441
<b>Adjusted average common shareholders' equity</b>	<b>13,888</b>	<b>10,279</b>
Ending common shareholders' equity (excluding AOCI) ( <i>Table 51</i> )	15,457	13,373
Remove: common shares issued during the period	-	(4,311)
Ending common shareholders' equity, excluding AOCI and common shares issued during the period	15,457	9,062
Beginning common shareholders' equity, excluding AOCI	13,373	7,736
Average common shareholders' equity, excluding AOCI and common shares issued during the period	14,415	8,399
Weighted impact of June 1, 2021 common shares issuance	-	1,441
<b>Adjusted average common shareholders' equity, excluding AOCI</b>	<b>14,415</b>	<b>9,840</b>

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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 asterisk\*).

<b>Adjusted debt-to-capital ratio</b> as at the end of a specific period	Debt outstanding (excluding hybrid debt)* (see Table 53) <hr/> Adjusted total capital*	<b>Total leverage ratio</b> as at the end of a specific period	Debt outstanding and preferred shares (including NCI)* (see Table 53) <hr/> 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 53 below). The restricted Tier 1 notes and preferred shares instruments held by subsidiaries are included in Equity attributable to NCI.

Table 53 – 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	Sept. 30 2022	June 30 2022	Dec. 31 2021
<b>Debt outstanding, as reported under IFRS</b>	4,796	4,345	5,229
Remove: hybrid subordinated notes (see Note 12.3)	(247)	(247)	(247)
<b>Debt outstanding (excluding hybrid debt)</b>	<b>4,549</b>	<b>4,098</b>	<b>4,982</b>
<b>Debt outstanding, as reported under IFRS</b>	<b>4,796</b>	<b>4,345</b>	<b>5,229</b>
Equity attributable to shareholders, as reported under IFRS	15,150	15,515	15,674
Equity attributable to NCI, as reported under IFRS			
Include: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes (Note 14.1)	-	-	510
Preferred shares (Note 14.1)	285	285	285
<b>Adjusted total capital</b>	<b>20,231</b>	<b>20,145</b>	<b>21,698</b>
Debt outstanding (excluding hybrid debt)	4,549	4,098	4,982
Adjusted total capital	20,231	20,145	21,698
<b>Adjusted debt-to-total capital ratio</b>	<b>22.5%</b>	<b>20.3%</b>	<b>23.0%</b>
Debt outstanding, as reported under IFRS	4,796	4,345	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 14.1)	-	-	510
Preferred shares (Note 14.1)	285	285	285
Debt outstanding and preferred shares (including NCI)	6,403	5,952	7,199
Adjusted total capital (see above)	20,231	20,145	21,698
<b>Total leverage ratio</b>	<b>31.7%</b>	<b>29.5%</b>	<b>33.2%</b>
Adjusted debt-to-total capital ratio	22.5%	20.3%	23.0%
Preferred shares and hybrids	9.2%	9.2%	10.2%

Refer to Note 12 – Debt outstanding and Note 14 – Non-controlling interests to the interim Consolidated financial statements for more details on the composition of items presented in the above table.

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## Section 24 - Accounting and disclosure matters

### 24.1 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”) will come into effect. Refer to Note 24.1 – Insurance contracts and financial instruments to the interim 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 preliminary assessment of their impact, which is subject to change.*

#### Reminder: New standards at a glance<sup>1</sup>

- **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 based on our initial view, however presentation changes will lead to reclassifications within operating income.
- Our investments will continue to be measured at fair value, though certain equity investments will now be marked-to-market through the income statement 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.**

<sup>1</sup> Refer to Section 20 – Accounting and disclosure matters of our Q2-2022 MD&A for more details

#### Update: Financial impact – Upon transition

- **Transition impact on BVPS is not expected to be significant** based on our preliminary estimates:
  - **On transition to IFRS 17<sup>1</sup>**, we estimate that **our BVPS will increase up to 3.5%**. The main driver of this increase is the deferral of certain indirect costs which were previously expensed as incurred. Under IFRS 17, these costs will now be capitalized and amortized on a straight-line basis, in turn, increasing equity upon transition.
  - **On transition to IFRS 9<sup>1</sup>**, the estimated impact to **BVPS is not expected to be significant**, with minimal impact expected from the new expected credit losses provision. In addition, certain classification changes will result in a portion of unrealized gains or losses currently reflected in AOCI to be reclassified to retained earnings, with no overall impact to BVPS.
- These preliminary estimates are subject to change and will be finalized in the fourth quarter of 2022.

<sup>1</sup> January 1, 2022 is the transition date to IFRS 17 and January 1, 2023 is the transition date to IFRS 9.

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**24.2 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, 2021			
COVID-19 pandemic	<i>Note 3.2</i>	Impairment of financial assets	<i>Note 25.2</i>
Business combinations	<i>Note 5.2</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 30.6</i>
Impairment of goodwill and intangible assets	<i>Note 15.2</i>		

**24.3 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 design 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 appropriateness of the design of disclosure controls and procedures as at September 30, 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.

**Management's Discussion and Analysis for the quarter ended September 30, 2022**

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**24.4 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 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 as at September 30, 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 Q3-2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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## Section 25 - Shareholder information

### 25.1 Authorized share capital and outstanding share data

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

Table 54 – Outstanding share data (number of shares)

<b>As of November 7, 2022</b>	
Common shares <sup>1</sup>	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 <sup>2</sup>	6,000,000

<sup>1</sup> Reflects 175,264,168 common shares outstanding as at September 30, 2022 less 7,200 common shares repurchased and cancelled under the NCIB program since that date.

<sup>2</sup> Preferred shares issued on March 15, 2022.

*Refer to our Annual Information Form for more detailed information on the rights of shareholders and to Note 13 – Common shares and preferred shares to the interim Consolidated financial statements for additional information.*

### 25.2 Quarterly dividends declared on common shares and preferred shares

Table 55 – Dividends declared per share

	Q4-2022	Q3-2022
Common shares	1.00	1.00
Class A		
Series 1 preferred shares	0.21225	0.21225
Series 3 preferred shares	0.2160625	0.2160625
Series 5 preferred shares	0.325	0.325
Series 6 preferred shares	0.33125	0.33125
Series 7 preferred shares	0.30625	0.30625
Series 9 preferred shares	0.3375	0.3375
Series 11 preferred shares	0.328125	0.328125

On November 8, 2022, the Board of Directors approved the quarterly dividend for Q4-2022.

### 25.3 Expected release dates of our financial results

Q4-2022	Q1-2023	Q2-2023	Q3-2023
February 7, 2023	May 10, 2023	August 2, 2023	November 7, 2023

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**Section 26 - Selected quarterly information****26.1 Selected quarterly information**Table 56 – Selected quarterly information<sup>1</sup>

	2022			2021			2020		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Direct premiums written	5,796	6,238	5,093	5,318	5,719	4,414	2,543	2,928	3,269
Operating DPW	5,443	5,807	4,678	5,017	5,447	4,297	2,522	2,872	3,264
Segment operating revenues <sup>1</sup>	5,244	5,118	5,089	5,270	5,189	3,748	2,997	3,120	3,092
Operating NEP	4,880	4,758	4,742	4,931	4,871	3,482	2,759	2,879	2,863
Current year CAT losses	229	248	182	186	365	73	52	74	24
Favourable PYD	(143)	(179)	(223)	(160)	(148)	(136)	(150)	(28)	(17)
Underwriting income	362	441	396	600	426	464	297	415	369
Operating combined ratio <sup>2</sup>	92.6%	90.7%	91.7%	87.8%	91.3%	86.7%	89.3%	85.6%	87.1%
Operating net investment income	232	211	205	220	191	154	141	143	143
Distribution income	111	141	92	77	105	118	62	72	81
NOI	488	569	488	678	519	515	357	467	411
Net income	370	1,184	447	701	300	573	514	378	334
Net income attributable to shareholders	370	1,183	459	692	295	566	514	378	334
<b>Per share measures, basic and diluted (in dollars)</b>									
NOIPS	2.70	3.14	2.70	3.78	2.87	3.26	2.40	3.18	2.78
EPS	2.02	6.64	2.53	3.85	1.60	3.59	3.51	2.55	2.25

<sup>1</sup> This measure has been adjusted to align with our interim Consolidated financial statements. Comparative figures are reported on the same basis.<sup>2</sup> See Section 26.2 – Seasonality of our P&C insurance business.**26.2 Seasonality of the 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.

## Reference to our Q4-2021 MD&amp;A

## Combined ratio seasonal indicator (by quarter) excluding CAT losses

Section 17 – Seasonality of the P&amp;C insurance business

## Section 27 - Glossary and definitions

 This icon represents data relevant to ESG disclosure, and its impact on our results where applicable.

### 27.1 Glossary of abbreviations

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

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**27.2 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. Effective July 1, 2021, our CAT threshold is as follows; P&C Canada: \$10 million, P&C UK&I: £7.5 million and P&C U.S: US\$5 million.
- 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.