

Third Quarter 3 2023

Management's Discussion and Analysis
For the quarter ended September 30, 2023

Intact Financial Corporation

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

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The following MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors (the “Board”) for the period ended September 30, 2023. 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, 2023, compared to the corresponding periods in 2022. It should be read in conjunction with our interim condensed consolidated financial statements, as well as the MD&A and the Consolidated financial statements included in our 2022 Annual Report. This MD&A is dated November 7, 2023.

“Intact”, the “Company”, “IFC”, “we” and “our” are terms used throughout this document to refer to Intact Financial Corporation and its subsidiaries. Further information about Intact Financial Corporation, including the Annual Information Form and Social impact report, may be found online on SEDAR at www.sedar.com or in the “Investors” section of our web site at www.intactfc.com.

- Abbreviations and definitions of selected key terms used in this MD&A are defined in *Section 23 – Glossary and definitions*.
- Other insurance-related terms are defined in *Section 23 – Glossary and definitions* of our MD&A, as well as in the glossary available in the “Investors” section of our web site at www.intactfc.com.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

Adoption of new accounting standards

We adopted *IFRS 17 – Insurance Contracts (“IFRS 17”)* in conjunction with *IFRS 9 – Financial instruments (“IFRS 9”)* on January 1, 2023, which replace *IFRS 4 – Insurance Contracts (“IFRS 4”)* and *IAS 39 – Financial instruments: recognition and measurement (“IAS 39”)*, respectively. IFRS 17 was applied retrospectively as at January 1, 2022, as a result comparative information was restated. IFRS 9 was applied retrospectively as of January 1, 2023 with no restatement of comparative information. To help investors adapt to the changes to our financial disclosures, we have provided additional explanations and insights in our IFRS 17 & 9 teach-in presentation dated April 27, 2023, available on our website. For more information, refer to *Note 3 – Adoption of new accounting standards* to the interim condensed consolidated financial statements for the quarter ended March 31, 2023.

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, Non-GAAP ratios (which are calculated using Non-GAAP financial measures) and other financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry.

The principal **Non-GAAP financial measures** included in the MD&A and other financial reports, alongside their closest GAAP measures, are:

Section	Non-GAAP financial measures	Closest GAAP measures
19.1	Operating net underwriting revenue	Insurance revenue, Allocation of reinsurance premiums
	Operating net claims and Operating net underwriting expenses	Insurance service expense, Amounts recoverable from reinsurers
	Underwriting income (loss)	Insurance service result
19.2	Operating net investment income	Net investment income
	Net unwind of discount on claims liabilities	Unwind of discount (insurance and reinsurance components, included in net insurance financial result)
	Operating net investment result	Net investment income Net insurance financial result (certain components)
19.3	Distribution income	Share of profit from investments in associates and joint ventures, Other income and expense (certain components)
	Total finance costs	Other finance costs
	Other operating income (expense)	Other income and expense (certain components)
	PTOI	Income before income taxes
	NOI attributable to common shareholders	Net income attributable to shareholders

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Section	Non-GAAP financial measures (continued)	Closest GAAP measures (continued)
19.4	Non-operating results	Net gains (losses) on investment portfolio, Net insurance financial result (certain components), Other net gains (losses), Acquisition, integration and restructuring costs
	MYA and FX on claims liabilities	Changes in discount rates and other financial assumptions
19.5	Adjusted net income attributable to common shareholders	Net income attributable to shareholders
19.6	Operating and total income tax expense (benefit)	Income tax benefit (expense)
	Pre-tax income	Income before income taxes
19.7	Adjusted average common shareholders’ equity	Equity attributable to shareholders
	Adjusted average common shareholders’ equity (excluding AOCI)	Equity attributable to shareholders
	Debt outstanding (excluding hybrid debt)	Debt outstanding

See Section 19 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures (or “reported measures”), as well as the rationale for their use.

The **Non-GAAP financial ratios** included in the MD&A and other financial reports are:

- **Operating net underwriting revenue growth and operating net underwriting revenue growth in constant currency**; which represents the change in operating net underwriting revenue year-over-year. Growth in constant currency is adjusted by applying the respective exchange rates in effect for the current year to the previous year.
- **Combined ratio**, which the sum of the two following Non-GAAP financial ratios:
 - **Claims ratio** (including underlying current year loss ratio, CAT loss ratio and PYD ratio), which represents operating net claims divided by operating net underwriting revenues;
 - **Expense ratio** (including commissions ratio, general expenses ratio and premium taxes ratio); which represents operating net underwriting expenses divided by operating net underwriting revenues.
- **Operating effective tax rate** (operating income tax expense divided by PTOI) and **total effective income tax rate** (total income tax expense divided by pre-tax income).
- **NOIPS and OROE** (NOI attributable to common shareholders divided by WANSO or adjusted average shareholders’ equity excluding AOCI, respectively), **AEPS and AROE** (adjusted net income attributable to common shareholders divided by WANSO or adjusted average common shareholders’ equity, respectively) as well as **ROE** (net income attributable to common shareholders divided by adjusted average common shareholders’ equity).
- **Adjusted debt-to-total capital ratio** (debt outstanding excluding hybrid debt divided by adjusted total capital).

We also use **other financial measures** to assess our performance, including supplementary financial measures and segment measures included in the MD&A and other financial reports (other than the Consolidated financial statements). These include operating DPW, operating DPW growth, operating DPW growth in constant currency, total capital margin, regulatory capital ratios, BVPS and BVPS (excluding AOCI).

We believe that similar measures and ratios are widely used in the industry and provide investors, financial analysts, rating agencies and other stakeholders with a better understanding of our business activity and financial results over time, in line with how management analyzes performance. Non-GAAP and other financial measures used by management are fully defined and reconciled to the corresponding GAAP measures, where applicable.

Restated 2022 figures include certain reclassifications that do not directly pertain to the adoption of the IFRS 17 accounting standard to align with the presentation adopted in the current year. Our comparative information was restated accordingly to maintain comparability (see “Restated” columns throughout this MD&A).

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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", "indicates", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this MD&A are made as at September 30, 2023, and are subject to change after that date. This MD&A contains forward-looking statements with respect to the acquisition of Direct Line Insurance Group plc's ("Direct Line") brokered Commercial Lines operations ("the UK Commercial Lines acquisition"), the realization of the expected strategic, financial and other benefits of the transaction and the 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 UK Commercial Lines acquisition and economic and political environments and industry conditions. There can also be no assurance that the strategic and financial benefits expected to result from the UK Commercial Line acquisition will be realized. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, credit, market, liquidity, operational, strategic and legal risks and the risks discussed in *Section 33.6- Top and emerging risks that may affect future results* and *Section 33.7- Other risk factors that may affect future results* of our MD&A for the year ended December 31, 2022, including a major earthquake, climate change, catastrophe, increased competition and disruption, turbulence in financial markets, reserving inadequacy, underwriting inadequacy, governmental and/or regulatory intervention, cyber security failure, failure of a major technology initiative, inability to contain fraud and/or abuse, customer dissatisfaction, social unrest, third party reliance, employee defined benefit pension plan, reinsurance inadequacy, distribution risks, inability to retain and to attract talent, business interruption to our operations, credit downgrade, limit on dividend and capital distribution.

All of the forward-looking statements included in this MD&A and the quarterly earnings press release dated November 7, 2023 are qualified by these cautionary statements and those made in the section entitled Risk management (*Sections 30-34*) of our MD&A for the year ended December 31, 2022 and the Company's Annual Information Form for the year ended December 31, 2022. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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 29,000 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.
- In Canada, we distribute insurance under the Intact Insurance brand through a wide network of brokers, including our wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. We also provide affinity insurance solutions through the Johnson Affinity Groups, as well as specialty insurance through our managing general agencies. In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies. Across the UK, Ireland and Europe, we provide personal, commercial and/or specialty insurance solutions through the RSA brands. Our wide network of brokers, agents and managing general agencies distribute more than 75% of our business across all geographies.
- We report our financial results under three business segments: Canada, UK&I and US, and under the following lines of business: personal lines (which includes personal auto and personal property) and commercial lines (which includes specialty lines). Our business has grown organically and through acquisitions to over \$21 billion of total annual operating DPW, of which two-thirds are within our Canada segment. Approximately 50% of our business is within commercial lines across all segments, of which about 50% is Specialty lines.

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PERFORMANCE

Section 2 - Consolidated performance

2.1 Consolidated highlights

Q3-2023 Highlights (under IFRS 17)

- **Net operating income per share¹ of \$2.10** despite elevated catastrophe losses, driven by solid underlying performance in all geographies and 50% growth in net investment income
- **Undiscounted combined ratio¹ of 98.3% (93.5% discounted)** included 8 points of catastrophe losses in excess of expectations, while inflation moderated as expected in personal auto, and results remained strong across commercial lines
- **Operating DPW¹ growth of 6%** led by good momentum in personal lines, and continued rate action across all business segments
- **Strong balance sheet with \$2.8 billion of total capital margin¹ and BVPS¹ increasing 1% sequentially, reflecting EPS of \$0.83** and an equity issuance for the acquisition of Direct Line Insurance Group plc's brokered commercial lines operations
- **Accelerated our strategy** by materially increasing our presence in the outperforming UK commercial lines business, while a strategic review of UK personal lines is underway

Table 1 - Consolidated performance¹

	Section	Q3-2023	Q3-2022 Restated ³	Change	YTD-2023	YTD-2022 Restated ³	Change
Operating DPW¹ (growth in constant currency)	2.2	5,925	5,423	6%	16,960	15,880	5%
Operating income							
Underwriting income ¹	2.2	340	472	(28)%	1,344	1,579	(15)%
Operating net investment income ¹		349	232	50%	970	648	50%
Net unwind of discount on claims liabilities ¹		(225)	(90)	nm	(667)	(261)	nm
Operating net investment result ¹	10	124	142	(13)%	303	387	(22)%
Distribution income ¹	2.2	116	113	3%	358	347	3%
Total finance costs ¹	7	(63)	(46)	nm	(173)	(134)	nm
Other operating income (expense) ¹	7	(34)	(42)	nm	(112)	(125)	nm
NOI attributable to common shareholders^{1,2}		370	488	(24)%	1,309	1,585	(17)%
Non-operating results ¹		(292)	(161)	nm	(624)	562	nm
Net income		163	375	(57)%	800	2,097	(62)%
Claims ratio ¹		60.6%	57.1%	3.5 pts	57.4%	56.1%	1.3 pts
Expense ratio ¹		32.9%	33.3%	(0.4) pts	33.7%	33.0%	0.7 pts
Combined ratio (discounted)¹	7	93.5%	90.4%	3.1 pts	91.1%	89.1%	2.0 pts
Combined ratio (undiscounted)¹	2.2	98.3%	91.7%	6.6 pts	95.6%	91.3%	4.3 pts
Effective income tax rates							
Operating	2.2	20.1%	21.3%	(1.2) pts	20.2%	20.1%	0.1 pts
Total	2.2	14.8%	21.4%	(6.6) pts	27.0%	19.8%	7.2 pts
Per share measures, basic and diluted (in dollars)							
NOIPS ¹	2.2	2.10	2.78	(24)%	7.46	9.01	(17)%
EPS	2.2	0.83	2.05	(60)%	4.19	11.75	(64)%
BVPS ¹	16.3	77.24	81.82	(6)%			
Return on equity for the last 12 months							
OROE ^{1,3}	2.2	12.2%	15.0%	n/a			
AROE ^{1,3}	2.2	10.6%	22.5%	n/a			
ROE ^{1,3}	2.2	7.8%	19.1%	n/a			
Total capital margin ¹	16.1	2,841	2,490	351			
Adjusted debt-to-total capital ratio ¹	16.2	22.7%	21.9%	0.8 pts			

¹ See Section 19 – Non-GAAP and other financial measures for more details

² Net of preferred share dividends and net income attributable to non-controlling interests. See Table 43 for more details

³ Restated for the adoption of IFRS 17 – Insurance contracts. OROE, AROE and ROE are not restated for IFRS 17, given that 2021 P&L figures were not restated

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2.2 Consolidated performance

Table 2 – Consolidated underwriting performance¹

	Section	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Operating DPW (growth in constant currency)							
Canada	4.1	3,943	3,657	8%	11,209	10,585	6%
UK&I	5.1	1,157	1,058	(2)%	3,594	3,514	(2)%
US	6.1	825	708	13%	2,157	1,781	16%
Total		5,925	5,423	6%	16,960	15,880	5%
Combined ratio (undiscounted)							
Canada	4.1	101.8%	92.5%	9.3 pts	97.3%	91.1%	6.2 pts
UK&I	5.1	92.5%	90.3%	2.2 pts	93.7%	93.6%	0.1 pts
US	6.1	88.5%	89.3%	(0.8) pts	89.6%	89.0%	0.6 pts
Combined ratio (undiscounted)		98.3%	91.7%	6.6 pts	95.6%	91.3%	4.3 pts
Impact of discounting ²		(4.8)%	(1.3)%	(3.5) pts	(4.5)%	(2.2)%	(2.3) pts
Combined ratio (discounted)		93.5%	90.4%	3.1 pts	91.1%	89.1%	2.0 pts

¹ See Section 19 – Non-GAAP and other financial measures for more details.

² Includes the impact of discount build on our claims liabilities for all P&C segments. See Section 7 – Corporate and other for more information.

	Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
Operating DPW growth¹ (in constant currency) <i>(Sections 4-6)</i>	<ul style="list-style-type: none"> Overall operating DPW growth in the quarter and year-to-date was 6% and 5%, respectively, or 8% and 7% excluding exits of UK personal lines motor and certain delegated relationships, driven by strong momentum in personal lines, and continued rate actions across all geographies. 	
Underwriting income¹ <i>(Sections 4-7)</i>	<ul style="list-style-type: none"> Undiscounted combined ratio of 98.3% included \$611 million of catastrophe losses, resulting in 8 points of CAT losses above expectations, mainly due to severe weather events in Canada. Our current accident year performance ("underlying performance") improved by 1.3 points compared to last year, reflecting our strong performance across all regions, particularly in commercial lines. See Section 7 – Corporate and other for details on our discounted combined ratios. 	<ul style="list-style-type: none"> Undiscounted combined ratio of 95.6% remained solid despite incurring \$1,140 million of catastrophe losses, or 4 points of excess CAT losses this year, driven by underwriting discipline across all geographies.
Operating net investment result¹ <i>(Section 10)</i>	<ul style="list-style-type: none"> Operating net investment income increased by 50% to \$349 million, driven by the benefits of rising yields and increased turnover over the last 12 months. The favourable net impact of the discount build and unwind on claims liabilities was \$27 million for the quarter and \$11 million year-to-date, driven by interest rate movements in the quarter. See Section 7 – Corporate and other for more details on discount build and unwind on claims liabilities. 	<ul style="list-style-type: none"> Operating net investment income increased by 50% to \$970 million, driven by the benefits of rising yields and increased turnover over the last 12 months, as well as a special dividend of \$25 million in Q2-2023.
Distribution income¹	<ul style="list-style-type: none"> Distribution income increased by 3% to \$116 million, reflecting strong core profitability and contributions from recent acquisitions, tempered by moderating variable commissions. 	<ul style="list-style-type: none"> Distribution income increased by 3% to \$358 million, reflecting lower variable commissions compared to last year's strong level. Excluding this impact, growth would have been 9%. We expect around 10% growth in H2-2023, reflecting the benefit of recently closed acquisitions.
Total finance costs¹ <i>(Section 7)</i>	<ul style="list-style-type: none"> Total finance costs of \$63 million for the quarter and \$173 million year-to-date was higher than last year, reflecting the impact of higher interest rates on short-term debt and on third-party collateral. 	

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Other operating income (expense)¹ <i>(Section 7)</i>	<ul style="list-style-type: none"> • Other operating expenses of \$34 million for the quarter and \$112 million year-to-date reflected our corporate expenses and is in line with expectations.
NOIPS¹	<ul style="list-style-type: none"> • NOIPS of \$2.10 decreased \$0.68 year-over-year, reflecting the impact of increased catastrophe losses of roughly \$1.60 per share, partially offset by our solid underlying performance and strong investment results. • NOIPS of \$7.46 decreased by 17%, reflecting an increase in catastrophe activity year-over-year. Excluding excess CAT losses in 2023, NOIPS would have increased by roughly 9% compared to last year.
Non-operating results¹ <i>(Section 11)</i>	<ul style="list-style-type: none"> • Non-operating losses of \$292 million were higher than last year, mainly reflecting unfavourable equity market movements in the quarter. • Non-operating losses of \$624 million reflected underwriting losses from exited lines, restructuring costs from the UK personal lines motor exit, as well as mark-to-market losses on our equity securities.
Effective income tax rates^{1,2}	<ul style="list-style-type: none"> • Operating effective income tax rate of 20.1% was lower than last year, reflecting higher non-taxable investment income. • Operating effective income tax rate of 20.2% was essentially in line with last year. • Total effective income tax rate of 14.8% was lower than last year, reflecting a higher proportion of non-taxable investment income over less total income. • Total effective income tax rate of 27.0% was elevated, reflecting the impact of the Q1-2023 UK pension buy-in transaction.
EPS	<ul style="list-style-type: none"> • EPS decreased year-over-year to \$0.83, due to increased catastrophe losses of approximately \$1.60. • EPS of \$4.19 decreased year-over-year, due to lower operating income from elevated CATs and higher non-operating losses, whereas 2022 benefited from the gain of the sale of Codan DK and other investment gains.
Return on equity for the last 12 months¹	<ul style="list-style-type: none"> • Healthy operating ROE of 12.2% despite a 3-point impact from higher-than-expected catastrophe losses over the last 12 months. • Adjusted ROE of 10.6% and ROE of 7.8% reflected investment losses in our equity portfolio, as well as exited lines losses (see <i>Section 11 – Non-operating results</i> for more details).
BVPS¹ <i>(Section 16.3)</i>	<ul style="list-style-type: none"> • BVPS of \$77.24 increased by 1% from Q2-2023, reflecting the successful equity issuance, a 2% increase, tempered by mark-to-market losses on our fixed-income securities. • BVPS of \$77.24 decreased by 6% year-over-year, driven by the impact of the UK pension buy-in transaction, elevated catastrophe losses and the impact of rising yields on the market value of our investments. • BVPS is impacted by approximately \$4.54 worth of unrealized losses, or 6% of our BVPS, which are expected to unwind over time as our fixed income portfolio returns to its par value, all else being equal. Excluding movements in AOCI, BVPS was \$81.54.
Adjusted debt-to-total capital ratio¹ <i>(Section 16.2)</i>	<ul style="list-style-type: none"> • Our adjusted debt-to-total capital ratio of 22.7% was relatively stable, as a portion of the financing for the UK Commercial Lines acquisition was temporarily used to reduce short-term debt. Following the closing of the acquisition in Q4, our adjusted debt-to-total capital ratio is expected to be below 24%. We target to return to an adjusted debt-to-capital ratio of 20% in the next 12 to 24 months.
Financial condition¹ <i>(Section 16.1)</i>	<ul style="list-style-type: none"> • We ended the quarter in a strong financial position, despite elevated CAT losses, with a total capital margin of \$2.8 billion, including financing activities related to the UK Commercial Lines acquisition. Capital levels by jurisdiction are also well above minimum regulatory target. Following the closing of the UK Commercial Lines acquisition in Q4, we expect our total capital margin to return to approximately \$2.2 billion.

¹ See *Section 19 – Non-GAAP and other financial measures* for more details

² See *Note 19.2 – Effective income tax rate to the interim condensed consolidated financial statements* for more details.

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2.3 Q4-2023 events

Direct Line’s brokered commercial lines acquisition¹

- On October 26, 2023, we closed the UK Commercial Lines acquisition. Substantially all of the future economics of the business have been transferred to RSA effective October 1, 2023 through a quota share reinsurance agreement. Results from these operations will be reported within our UK&I commercial lines segment as of Q4-2023.
- Funding for the UK Commercial Lines acquisition took place in Q3-2023, including an issuance of common shares and medium-term notes (see *Section 16.2 – Managing leverage* for more details).
- In addition, we continue to explore strategic options for RSA’s UK Personal lines business, including a possible sale.

¹ See Note 5.1 – Business combinations to the interim condensed consolidated financial statements for more details.

2.4 GAAP and non-GAAP KPIs

Throughout our MD&A, we refer to our principal key performance indicators (KPIs), which are comprised of both GAAP and Non-GAAP financial measures. Although our Non-GAAP performance indicators do not have a meaning prescribed by IFRS, the sum of all operating and non-operating components reconciles in total to net income as presented in our interim condensed consolidated financial statements.

Our Non-GAAP financial measures, which represent how we manage and evaluate our business, are consistent over time. All Non-GAAP financial measures are reconciled to their closest GAAP measure See Section 19 – Non-GAAP and other financial measures. The below KPIs reflect what we use to manage our business and evaluate our performance consistently over time:

Table 3 – Key performance indicators – Non-GAAP and GAAP

		Non-GAAP KPIs ¹			Closest GAAP measures			
MD&A captions		Q3-2023	Q3-2022 Restated	Change	Financial Statement captions	Q3-2023	Q3-2022 Restated	Change
NON-GAAP KPIs	Operating net underwriting revenue (Table 36)	5,226	4,918	308	Insurance revenue	6,385	6,296	89
					Allocation of reinsurance premiums	(815)	(817)	2
	Total operating net claims & expenses (Table 36)	(4,886)	(4,446)	(440)	Insurance service expense	(5,948)	(5,555)	(393)
					Amounts recoverable from reinsurers	780	746	34
	Underwriting income (Table 36)	340	472	(132)	Insurance service result	402	670	(268)
	Operating net investment income (Table 40)	349	232	117	Net investment income	349	232	117
	Net unwind of discount on claims liabilities (Table 41)	(225)	(90)	(135)	Unwind of discount ²	(211)	(88)	(123)
	PTOI (Table 42)	483	639	(156)	Income before income taxes	184	470	(286)
	NOI attributable to common shareholders (Table 43)	370	488	(118)	Net income attributable to shareholders	163	375	(212)
NOIPS (Table 43)	2.10	2.78	(0.68)	EPS	0.83	2.05	(1.22)	
GAAP KPIs (sum of the above KPIs)								
GAAP KPIs	MD&A and Financial Statement captions	Q3-2023	Q3-2022 Restated	Change	MD&A and Financial Statement captions	YTD-2023	YTD-2022 Restated	Change
	Net income	163	375	(212)	Net income	800	2,097	(1,297)
	EPS	0.83	2.05	(1.22)	EPS	4.19	11.75	(7.56)
	BVPS	77.24	81.82	(4.58)	BVPS	77.24	81.82	(4.58)

¹ For a reconciliation to the closest GAAP measures, please see Section 19 – Non-GAAP and other financial measures

² Included within Note 17 – Net investment return and net insurance financial result from the interim condensed consolidated financial statements.

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

Section 3 - Segment performance

We report our financial results under three business segments (Canada, UK & International and US) and by lines of business (personal lines and commercial lines). The composition of our segments is aligned with our internal financial reporting based on management structure and geography. Underwriting results exclude those of exited lines, which are reported in Income (loss) from exited lines (see *Section 11.2 – Income (loss) from exited lines* for more details).

3.1 Operating performance by segment

Table 4 – Operating performance by segment (quarterly)^{1,2}

For the three-month periods ended September 30,	2023					2022 - Restated				
	CAN	UK&I	US	Corp.	Total	CAN	UK&I	US	Corp.	Total
Operating DPW	3,943	1,157	825	-	5,925	3,657	1,058	708	-	5,423
Operating income										
Operating net underwriting revenue	3,586	1,103	530	7	5,226	3,447	993	475	3	4,918
Operating net claims	(2,529)	(636)	(258)	255	(3,168)	(2,081)	(544)	(246)	65	(2,806)
Operating net underwriting expenses	(1,123)	(385)	(210)	-	(1,718)	(1,109)	(353)	(178)	-	(1,640)
Underwriting income	(66)	82	62	262	340	257	96	51	68	472
Operating net investment income	-	-	-	349	349	-	-	-	232	232
Net unwind of discount on claims liabilities	-	-	-	(225)	(225)	-	-	-	(90)	(90)
Operating net investment result	-	-	-	124	124	-	-	-	142	142
Distribution income	111	-	5	-	116	108	-	5	-	113
Total finance costs	(2)	-	-	(61)	(63)	(3)	-	-	(43)	(46)
Other operating income (expense)	-	-	-	(34)	(34)	-	-	-	(42)	(42)
PTOI	43	82	67	291	483	362	96	56	125	639

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

² See *Section 19 – Non-GAAP and other financial measures* for more details

Table 5 – Operating performance by segment (year-to-date)^{1,2}

For the nine-month periods ended September 30,	2023					2022 - Restated				
	CAN	UK&I	US	Corp.	Total	CAN	UK&I	US	Corp.	Total
Operating DPW	11,209	3,594	2,157	-	16,960	10,585	3,514	1,781	-	15,880
Operating income										
Operating net underwriting revenue	10,428	3,132	1,524	22	15,106	10,077	3,070	1,320	14	14,481
Operating net claims	(6,779)	(1,815)	(756)	681	(8,669)	(5,986)	(1,790)	(667)	327	(8,116)
Operating net underwriting expenses	(3,363)	(1,119)	(609)	(2)	(5,093)	(3,193)	(1,083)	(508)	(2)	(4,786)
Underwriting income	286	198	159	701	1,344	898	197	145	339	1,579
Operating net investment income	-	-	-	970	970	-	-	-	648	648
Net unwind of discount on claims liabilities	-	-	-	(667)	(667)	-	-	-	(261)	(261)
Operating net investment result	-	-	-	303	303	-	-	-	387	387
Distribution income	342	-	16	-	358	342	-	5	-	347
Total finance costs	(10)	-	-	(163)	(173)	(7)	-	-	(127)	(134)
Other operating income (expense)	-	-	-	(112)	(112)	-	-	-	(125)	(125)
PTOI	618	198	175	729	1,720	1,233	197	150	474	2,054

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

² See *Section 19 – Non-GAAP and other financial measures* for more details

Section 4 - Canada segment



4.1 P&C Canada

Table 6 – Underwriting results for P&C Canada¹

	Q3-2023	Q3-2022 Restated	Change	YTD-2023	YTD-2022 Restated	Change
Operating DPW	3,943	3,657	8%	11,209	10,585	6%
Operating net underwriting revenue	3,586	3,447	4%	10,428	10,077	3%
Underwriting (loss) income	(66)	257	nm	286	898	(68)%
Underwriting ratios						
Underlying current year loss ratio	59.5%	59.1%	0.4 pts	60.3%	59.9%	0.4 pts
CAT loss ratio	16.8%	5.8%	11.0 pts	9.9%	4.8%	5.1 pts
(Favourable) unfavourable PYD ratio	(5.8)%	(4.5)%	(1.3) pts	(5.2)%	(5.3)%	0.1 pts
Claims ratio	70.5%	60.4%	10.1 pts	65.0%	59.4%	5.6 pts
Commissions	15.3%	16.4%	(1.1) pts	15.5%	15.9%	(0.4) pts
General expenses	12.4%	12.0%	0.4 pts	13.1%	12.0%	1.1 pts
Premium taxes	3.6%	3.7%	(0.1) pts	3.7%	3.8%	(0.1) pts
Expense ratio	31.3%	32.1%	(0.8) pts	32.3%	31.7%	0.6 pts
Combined ratio (undiscounted)	101.8%	92.5%	9.3 pts	97.3%	91.1%	6.2 pts
Personal auto	4.2	95.4%	94.4%	94.6%	93.2%	1.4 pts
Personal property	4.3	123.7%	95.9%	109.5%	93.6%	15.9 pts
Commercial lines	4.4	92.7%	87.6%	91.0%	86.5%	4.5 pts

¹ See Section 19 – Non-GAAP and other financial measures and Section 11.2 – Income (loss) from exited lines for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> Operating DPW growth of 8%, up 2 points from the preceding quarter, driven by good rate and unit momentum in personal lines. Expense ratio of 31.3% decreased compared to last year due to lower variable commissions. Combined ratio of 101.8% was elevated in the quarter, driven by approximately 12 points of catastrophe losses in excess of expectations, which impacted all lines of business. Excluding this, underlying performance was solid across all lines. 	<ul style="list-style-type: none"> Operating DPW growth of 6%, reflected continued rate actions in supportive market conditions. Expense ratio of 32.3% was higher than last year, driven by the development and deployment of new technology, as well as marketing investments and customer service. Elevated combined ratio of 97.3% reflected the absorption of nearly 6 points of higher-than-expected catastrophe losses, primarily impacting our personal property and commercial lines performance. Our underwriting results were solid otherwise.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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



4.2 Personal auto

Table 7 – Underwriting results for Personal auto¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Operating DPW	1,668	1,535	9%	4,548	4,258	7%
Written insured risks (in thousands)	1,371	1,369	-%	3,931	3,952	(1)%
Operating net underwriting revenue	1,475	1,423	4%	4,284	4,155	3%
Underwriting income	66	80	(18)%	232	284	(18)%
Underlying current year loss ratio	72.4%	72.8%	(0.4) pts	73.9%	71.5%	2.4 pts
CAT loss ratio	3.5%	0.3%	3.2 pts	1.5%	0.6%	0.9 pts
(Favourable) unfavourable PYD ratio	(5.8)%	(6.4)%	0.6 pts	(6.8)%	(5.1)%	(1.7) pts
Claims ratio	70.1%	66.7%	3.4 pts	68.6%	67.0%	1.6 pts
Expense ratio	25.3%	27.7%	(2.4) pts	26.0%	26.2%	(0.2) pts
Combined ratio (undiscounted)	95.4%	94.4%	1.0 pt	94.6%	93.2%	1.4 pts

¹ See Section 19 – Non-GAAP and other financial measures for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> • Operating DPW growth of 9%, up 3 points from the preceding quarter, driven by an improving unit growth trajectory and our rate actions in hard market conditions. • Underlying current year loss ratio of 72.4% improved slightly compared to last year, despite being adversely impacted by industry pools in the quarter. The improvement was driven by higher earned rates which continue to mitigate the impact of inflation, which moderated as expected. • CAT loss ratio of 3.5% was approximately 1 point higher than expected, driven by damages from hailstorms in Ontario and Alberta during the quarter. • Favourable PYD ratios of 5.8% in the quarter and of 6.8% year-to-date continued to be strong. • Expense ratio of 25.3% decreased compared to last year, due to lower variable commissions. • Combined ratio of 95.4% included a 2-point impact from excess catastrophe losses and industry pools. Otherwise, our combined ratio was aligned with our seasonally adjusted sub-95 expectation. 	<ul style="list-style-type: none"> • Operating DPW growth of 7%, with a sequential growth since the beginning of the year, driven by rate momentum in supportive market conditions. • Underlying current year loss ratio of 73.9% increased from last year but remained in line with expectations, as the benefits of higher earned rates continue to increase quarter-over-quarter. • CAT loss ratio of 1.5% was in line with expectations. • Expense ratio of 26.0% was in line with last year and expectations. • Our year-to-date combined ratio of 94.6% is a good indicator of our run-rate and reflects our profitability actions to-date. It is in line with the sub-95 guidance, which remains unchanged for the next twelve months.

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



4.3 Personal property

Table 8 – Underwriting results for Personal property¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Operating DPW	1,109	1,034	7%	2,931	2,758	6%
Written insured risks (in thousands)	855	840	2%	2,308	2,284	1%
Operating net underwriting revenue	925	884	5%	2,701	2,598	4%
Underwriting (loss) income	(218)	36	nm	(255)	166	nm
Underlying current year loss ratio	51.0%	47.7%	3.3 pts	50.6%	49.6%	1.0 pt
CAT loss ratio	42.4%	16.1%	26.3 pts	24.5%	12.7%	11.8 pts
(Favourable) unfavourable PYD ratio	(2.5)%	(1.6)%	(0.9) pts	0.2%	(2.6)%	2.8 pts
Claims ratio	90.9%	62.2%	28.7 pts	75.3%	59.7%	15.6 pts
Expense ratio	32.8%	33.7%	(0.9) pts	34.2%	33.9%	0.3 pts
Combined ratio (undiscounted)	123.7%	95.9%	27.8 pts	109.5%	93.6%	15.9 pts

¹ See Section 19 – Non-GAAP and other financial measures for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> Operating DPW growth was 7%, up 2 points from the preceding quarter, reflecting a strengthening unit growth trend and rate actions in hard market conditions. Underlying current year loss ratio increased by more than 3 points to 51.0%, reflecting higher severity as well as a large non-CAT weather event. CAT loss ratio of 42.4% was roughly 34 points higher than expected. Catastrophe losses in the quarter were driven by more than 10 events, none of which met our reinsurance threshold. See Section 9 – CAT losses for more details. Favourable PYD was healthy 2.5% and in line with expectations. Expense ratio of 32.8% decreased compared to last year, due to lower variable commissions. Combined ratio was elevated at 123.7%, reflecting the absorption of 34 points of excess catastrophe losses. 	<ul style="list-style-type: none"> Operating DPW growth was 6%, driven by continued rate and unit growth momentum. Underlying current year loss ratio of 50.6% remained solid, benefitting from higher earned rates, despite higher claims severity and elevated non-CAT large losses. CAT loss ratio of 24.5% was nearly 16 points above expectations, driven by more than 20 CAT events, which were all below our reinsurance threshold. PYD was 0.2%, reflecting adverse development in H1-2023 on claims reported in late 2022. Expense ratio of 34.2% was slightly higher than last year and expectations. Combined ratio of 109.5% increased compared to last year, as our solid underlying performance was dampened by elevated catastrophe losses. Looking forward, we maintain our sub-95 guidance, even with severe weather.
<ul style="list-style-type: none"> We remain well positioned to protect profitability through rate actions in supportive market conditions, while continuing to control costs through supply chain and other claims improvements. 	

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



4.4 Commercial lines

Table 9 – Underwriting results for Commercial lines¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Operating DPW	1,166	1,088	7%	3,730	3,569	5%
Operating net underwriting revenue	1,186	1,140	4%	3,443	3,324	4%
Underwriting income	86	141	(39)%	309	448	(31)%
Underlying current year loss ratio	50.2%	51.0%	(0.8) pts	51.1%	53.5%	(2.4) pts
CAT loss ratio	13.2%	4.7%	8.5 pts	8.8%	3.7%	5.1 pts
(Favourable) unfavourable PYD ratio	(8.3)%	(4.6)%	(3.7) pts	(7.4)%	(7.5)%	0.1 pts
Claims ratio	55.1%	51.1%	4.0 pts	52.5%	49.7%	2.8 pts
Expense ratio	37.6%	36.5%	1.1 pts	38.5%	36.8%	1.7 pts
Combined ratio (undiscounted)	92.7%	87.6%	5.1 pts	91.0%	86.5%	4.5 pts

¹ See Section 19 – Non-GAAP and other financial measures for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> • Operating DPW growth of 7%, up 1 point from the preceding quarter, driven by continued rate increases and strong retention. • Underlying current year loss ratios were strong at 50.2% for the quarter and 51.1% year-to-date, driven by the benefit of our profitability actions, including higher earned rates. • Elevated CAT loss ratio of 13.2% was approximately 9 points higher than expected, driven by wildfires, hailstorms and heavy rain in many different parts of the country, as well as non-weather commercial losses. • <i>See Section 9 – CAT losses for more details.</i> • Favourable PYD was strong at 8.3%, elevated compared to prior year, driven by favourable development on several large losses. • Expense ratios of 37.6% in the quarter and 38.5% year-to-date increased compared to last year, driven by higher general expenses from development and deployment of new technology, tempered by lower variable commissions. • Combined ratios of 92.7% for the quarter and 91.0% year-to-date were higher than last year, mainly due to elevated catastrophe losses. We remain well positioned to continue to deliver a low-90s or better combined ratio, as a result of our profitability actions in the prevailing hard market conditions. 	<ul style="list-style-type: none"> • Operating DPW growth of 5%, reflecting continued rate increases, tempered by targeted actions to optimize the portfolio in H1. • CAT loss ratio of 8.8% was higher than last year, driven by roughly 5 points of losses in excess of expectations, resulting from severe weather events over the past two quarters. • Favourable PYD remained strong at 7.4% and in line with last year.

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

5.1 P&C UK&I

Table 10 – Underwriting results for P&C UK&I¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change	
Operating DPW	1,157	1,058	9%	3,594	3,514	2%	
<i>Growth in constant currency</i>			(2)%			(2)%	
Operating net underwriting revenue	1,103	993	11%	3,132	3,070	2%	
<i>Growth in constant currency</i>			1%			(2)%	
Underwriting income	82	96	(15)%	198	197	1%	
Underwriting ratios							
Underlying current year loss ratio	52.2%	57.6%	(5.4) pts	56.7%	56.9%	(0.2) pts	
CAT loss ratio	(0.1)%	2.3%	(2.4) pts	2.1%	5.1%	(3.0) pts	
Unfavourable (favourable) PYD ratio	5.5%	(5.1)%	10.6 pts	(0.8)%	(3.7)%	2.9 pts	
Claims ratio							
Commissions	17.2%	18.0%	(0.8) pts	17.1%	17.3%	(0.2) pts	
General expenses	17.7%	17.5%	0.2 pts	18.6%	18.0%	0.6 pts	
Expense ratio	34.9%	35.5%	(0.6) pts	35.7%	35.3%	0.4 pts	
Combined ratio (undiscounted)	92.5%	90.3%	2.2 pts	93.7%	93.6%	0.1 pts	
Commercial lines	5.2	90.6%	79.4%	11.2 pts	90.3%	88.0%	2.3 pts
Personal lines	5.3	96.6%	108.5%	(11.9) pts	100.5%	102.5%	(2.0) pts

¹ See Section 19 – Non-GAAP and other financial measures and Section 11.2 – Income (loss) from exited lines for more details

Q3-2023 vs Q3-2022		YTD-2023 vs YTD-2022	
<ul style="list-style-type: none"> • Operating DPW growth in constant currency decreased by 2% in the quarter and year-to-date. Excluding the impact of the UK personal lines motor exit, continued optimization of our commercial delegated portfolio and the end of a large commercial motor contract, growth was 9% in the quarter and 8% year-to-date driven by strong performance in commercial lines. • Expense ratio of 34.9% improved 0.6 points compared to last year, due to lower commissions in commercial lines. • Combined ratio of 92.5% increased by 2.2 points compared to last year, driven by unfavourable PYD across both lines of business, partially offset by the benefit of no catastrophe losses in the quarter. 	<ul style="list-style-type: none"> • Expense ratio of 35.7% was slightly higher than last year, driven by investments to support topline growth initiatives, including technology expenditures. • Combined ratio of 93.7% was in line with last year, driven by benign catastrophe losses which were offset by lower levels of favourable PYD across both lines of business. 		



On September 6, 2023, we announced that we had reached an agreement with Direct Line to acquire their brokered Commercial Lines operations, which successfully closed on October 26, 2023. This acquisition refocuses our UK&I operations on RSA's outperforming commercial lines business. Results from the acquired operations will be reported within our UK&I commercial lines segment as of Q4-2023.

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



5.2 Commercial lines

Table 11 – Underwriting results for Commercial lines¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Operating DPW	734	665	10%	2,450	2,332	5%
<i>Growth in constant currency</i>			(1)%			1%
Operating net underwriting revenue	743	621	20%	2,096	1,893	11%
<i>Growth in constant currency</i>			8%			7%
Underwriting income	69	127	(46)%	202	226	(11)%
Underlying current year loss ratio	47.5%	48.6%	(1.1) pts	53.2%	53.2%	- pts
CAT loss ratio	(0.1)%	3.1%	(3.2) pts	3.1%	6.2%	(3.1) pts
Unfavourable (favourable) PYD ratio	7.2%	(8.4)%	15.6 pts	(1.4)%	(6.1)%	4.7 pts
Claims ratio	54.6%	43.3%	11.3 pts	54.9%	53.3%	1.6 pts
Expense ratio	36.0%	36.1%	(0.1) pts	35.4%	34.7%	0.7 pts
Combined ratio (undiscounted)	90.6%	79.4%	11.2 pts	90.3%	88.0%	2.3 pts

¹ See Section 19 – Non-GAAP and other financial measures for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> Operating DPW growth in constant currency decreased by 1% in the quarter and increased by 1% year-to-date. Excluding the impact of strategic exits and the end of a large commercial motor contract, underlying growth was 8% in the quarter and 10% year-to-date, largely driven by low double-digit growth in specialty lines. Strong underlying current year loss ratio of 47.5%, reflecting continued underwriting discipline and benign weather in Europe. There were no CAT losses during the quarter. Unfavourable PYD of 7.2% was unusually high, mainly attributable to adverse development on specific large claims during the quarter. Expense ratio of 36.0% reflected increased technology expenditures, offset by lower commissions due to the end of a large commercial motor contract. Combined ratio of 90.6% reflected a strong underlying performance and the absence of catastrophe losses, offset by an unusually high level of adverse PYD. 	<ul style="list-style-type: none"> Underlying current year loss ratio of 53.2% was in line with last year, as we continue to focus on portfolio quality. CAT loss ratio of 3.1% improved 3.1 points from last year, which included the impact of several weather events. Favourable PYD ratio of 1.4% was healthy, reflecting positive development on large losses in H1, partially offset by unfavourable PYD in Q3. We continue to expect favourable PYD over time but quarterly fluctuations are possible going forward. Expense ratio of 35.4% reflected investments to support topline growth initiatives, including technology expenditures. Combined ratio of 90.3% reflected the continued benefits of our profitability actions. We expect to run this business at a combined ratio of approximately 92% in 2024, reflecting the impact of the UK Commercial lines acquisition. We expect this to improve to roughly 90% in the subsequent 12 to 24 months.

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



5.3 Personal lines

Table 12 – Underwriting results for Personal lines¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Operating DPW	423	393	8%	1,144	1,182	(3)%
<i>Growth in constant currency</i>			(2)%			(7)%
Operating net underwriting revenue	360	372	(3)%	1,036	1,177	(12)%
<i>Growth in constant currency</i>			(13)%			(15)%
Underwriting income (loss)	13	(31)	nm	(4)	(29)	nm
Underlying current year loss ratio	61.9%	72.7%	(10.8) pts	63.6%	62.9%	0.7 pts
CAT loss ratio	-%	1.0%	(1.0) pt	-%	3.3%	(3.3) pts
Unfavourable (favourable) PYD ratio	2.0%	0.3%	1.7 pts	0.4%	0.1%	0.3 pts
Claims ratio	63.9%	74.0%	(10.1) pts	64.0%	66.3%	(2.3) pts
Expense ratio	32.7%	34.5%	(1.8) pts	36.5%	36.2%	0.3 pts
Combined ratio (undiscounted)	96.6%	108.5%	(11.9) pts	100.5%	102.5%	(2.0) pts

¹ See Section 19 – Non-GAAP and other financial measures for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> We continue to explore strategic options for RSA's UK Personal lines business, including a possible sale. Operating DPW growth in constant currency decreased by 2% in the quarter and 7% year-to-date, reflecting our exit from the personal lines motor market announced in March 2023. Excluding this, growth was 13% for the quarter and 6% year-to-date, reflecting rate actions in firming market conditions. Underlying current year loss ratio of 61.9% was 10.8 points lower than last year, mainly from lower subsidence claims. The Q3-2023 ratio also benefitted from profitability actions, including rate increases over time to mitigate inflation pressures. Unfavourable PYD ratios of 2.0% in the quarter and 0.4% year-to-date reflected adverse development on 2022 weather-related losses, including the December freeze and non-CAT subsidence claims. Expense ratio of 32.7% decreased by 1.8 points compared to last year, due to the timing of general expenses, with an expected run-rate in line with the year-to-date ratio. Combined ratio of 96.6% benefitted from our ongoing rating actions. We continue to expect underwriting performance in the high 90s for this business over the next few quarters. 	<ul style="list-style-type: none"> Underlying current year loss ratio of 63.6% increased by 0.7 points compared to last year, driven by inflationary pressures. Expense ratio of 36.5% was essentially in line with expectations and with last year. Combined ratio of 100.5% was slightly above expectations, reflecting continued inflationary pressures and lower earned rates in H1, tempered by the benefit of no catastrophe losses in 2023.

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

Section 6 - US segment



6.1 P&C US

Table 13 – Underwriting results for P&C US¹

	Q3-2023	Q3-2022 Restated	Change	YTD-2023	YTD-2022 Restated	Change
Operating DPW	825	708	17%	2,157	1,781	21%
Growth in constant currency			13%			16%
Operating net underwriting revenue	530	475	12%	1,524	1,320	15%
Growth in constant currency			9%			10%
Underwriting income	62	51	22%	159	145	10%
Underlying current year loss ratio	48.7%	51.6%	(2.9) pts	49.1%	50.8%	(1.7) pts
CAT loss ratio	2.1%	3.0%	(0.9) pts	3.0%	2.1%	0.9 pts
(Favourable) unfavourable PYD ratio	(2.2)%	(2.9)%	0.7 pts	(2.5)%	(2.4)%	(0.1) pts
Claims ratio	48.6%	51.7%	(3.1) pts	49.6%	50.5%	(0.9) pts
Commissions	18.4%	17.2%	1.2 pts	18.7%	17.8%	0.9 pts
General expenses	20.2%	18.4%	1.8 pts	19.5%	18.8%	0.7 pts
Premium taxes	1.3%	2.0%	(0.7) pts	1.8%	1.9%	(0.1) pts
Expense ratio	39.9%	37.6%	2.3 pts	40.0%	38.5%	1.5 pts
Operating combined ratio	88.5%	89.3%	(0.8) pts	89.6%	89.0%	0.6 pts

¹ See Section 19 – Non-GAAP and other financial measures and Section 11.2 – Income (loss) from exited lines for more details

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> • Operating DPW growth in constant currency was strong at 13% in the quarter and 16% year-to-date, with business written by our Highland MGA contributing 7 points and 8 points, respectively. Strong rate actions continued in most lines of business, particularly in Specialty Property. • Operating net underwriting revenue growth is lower than our operating DPW growth, due to high reinsurance cessions on newer products, including cyber and builders risk. • Underlying current year loss ratios were strong at 48.7% for the quarter and 49.1% year-to-date, lower than last year and historical averages, driven by a favourable business mix and the benefits of higher earned rates generally outpacing inflationary effects. • CAT loss ratio of 2.1% was due to a hailstorm and a tornado in Arkansas. • Favourable PYD ratios from our continuing business were solid at 2.2% for the quarter and 2.5% year-to-date, driven by positive development on prior year losses in several business units. • Expense ratio of 39.9% included a 2-point variable compensation timing impact, as well as higher commissions from our changing business mix. • Strong combined ratios of 88.5% in the quarter and of 89.6% year-to-date, in line with expectations, driven by our growth in profitable business lines and continued underwriting discipline. We are well positioned to maintain a low 90s or better combined ratio going forward. 	<ul style="list-style-type: none"> • CAT loss ratio of 3.0% was above expectations by over 1 point, due to weather-related losses and large specialty commercial fires. • Expense ratio rose to 40.0% reflecting higher commissions on our more profitable business lines.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 7 - Corporate and other

7.1 Corporate operating performance

Corporate underwriting income includes the impact of discount build on our claims liabilities. Corporate also includes activities managed centrally, including investment activities, financing activities, net unwind of discount on our claims liabilities, as well as corporate centres of expertise outside the business segments and other head office responsibilities.

Table 14 – Corporate and other¹

	Q3-2023	Q3-2022 Restated	Change	YTD-2023	YTD-2022 Restated	Change
Corporate reinsurance	10	3	7	23	13	10
Discount build on claims liabilities	252	65	187	678	326	352
Corporate underwriting income (loss)	262	68	194	701	339	362
Operating net investment income	349	232	117	970	648	322
Net unwind of discount on claims liabilities	(225)	(90)	(135)	(667)	(261)	(406)
Operating net investment result ¹	124	142	(18)	303	387	(84)
Total finance costs	(61)	(43)	(18)	(163)	(127)	(36)
Other operating income (expense) ²	(34)	(42)	8	(112)	(125)	13
Total corporate and other	291	125	166	729	474	255

¹ See Section 19 – Non-GAAP and other financial measures for more details

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

Table 15 - Net impact of discount build and unwind

	Q3-2023	Q3-2022 Restated ¹	Change	YTD-2023	YTD-2022 Restated ¹	Change
Discount build on claims liabilities	252	65	187	678	326	352
Net unwind of discount on claims liabilities	(225)	(90)	(135)	(667)	(261)	(406)
Total net impact	27	(25)	52	11	65	(54)

¹ Included an adjustment of the discount build in the transition year within Corporate. See Section 19.4 – Non-operating results for more details.

Q3-2023 vs Q3-2022		YTD-2023 vs YTD-2022	
<ul style="list-style-type: none"> Total favourable net impact of \$27 million was driven by rising interest rates in Q3. The increase year-over-year positively contributed to NOIPS. 		<ul style="list-style-type: none"> Total favourable net impact of \$11 million was minimal as expected, due to limited movements in interest rates in H1-2023. 	
<ul style="list-style-type: none"> 2023 reminder: the net unwind on prior year claims is largely calculated based on discount rates fixed at the beginning of the year, while the discount build on current year claims uses the average yield on a year-to-date basis. While the unwind is relatively stable quarter on quarter within the year, the discount build is impacted by the volatility in interest rates. 			
<ul style="list-style-type: none"> Total finance costs of \$61 million for the quarter and \$163 million year-to-date were higher than last year, reflecting the impact of higher interest rates on short-term debt and on third party collateral. 			
<ul style="list-style-type: none"> Other operating expenses of \$34 million for the quarter and \$112 million year-to-date included our corporate expenses and is in line with expectations. 			

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

7.2 Discounted combined ratios by segment and line of business

We have provided undiscounted and discounted (excluding net unwind of discount on claims liabilities) combined ratios by line of business below. When assessing our performance versus our competitors, it is important to compare combined ratios on a similar basis of calculation.

Table 16 – Discounted & undiscounted combined ratios by segment and by lines of business¹

By segment	Q3-2023		Q3-2022		YTD-2023		YTD-2022	
	Undisc.	Discounted	Undisc.	Discounted ²	Undisc.	Discounted	Undisc.	Discounted ²
P&C Canada								
Personal auto	95.4%	90.5%	94.4%	90.6%	94.6%	89.8%	93.2%	89.3%
Personal property	123.7%	121.1%	95.9%	94.6%	109.5%	107.3%	93.6%	92.4%
Commercial lines	92.7%	87.1%	87.6%	82.4%	91.0%	85.6%	86.5%	82.1%
	101.8%	97.3%	92.5%	88.9%	97.3%	92.9%	91.1%	87.7%
P&C UK&I								
Personal lines	96.6%	93.1%	108.5%	105.1%	100.5%	97.8%	102.5%	101.5%
Commercial lines	90.6%	83.2%	79.4%	76.2%	90.3%	83.9%	88.0%	85.1%
	92.5%	86.5%	90.3%	87.0%	93.7%	88.5%	93.6%	91.3%
P&C US	88.5%	84.2%	89.3%	85.9%	89.6%	85.2%	89.0%	86.1%
Combined ratio	98.3%	93.5%	91.7%	90.4%	95.6%	91.1%	91.3%	89.1%

¹See Section 19 – Non-GAAP and other financial measures for more details

²Included an adjustment of the discount build in the transition year within Corporate – see Section 19.4 – Non-operating results for more details.

2023 vs. 2022

- **Our segments and lines of business in Sections 4 to 6 are presented on an undiscounted basis, in line with how we manage our business.** We provided discounted combined ratios in the table above as additional information.
- The impact of discounting varies by line of business and is impacted by the duration of claims in that particular line. For example, commercial lines across all segments (including specialty lines) and Canada personal auto tend to have longer-tail exposures than Canada personal property and UK&I personal lines, and therefore the impact of discounting is more pronounced in these lines.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 8 - Prior year claims development

Table 17 – Net (favourable) unfavourable PYD ratio by segment¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
P&C Canada						
Personal auto	(5.8)%	(6.4)%	0.6 pts	(6.8)%	(5.1)%	(1.7) pts
Personal property	(2.5)%	(1.6)%	(0.9) pts	0.2%	(2.6)%	2.8 pts
Commercial lines	(8.3)%	(4.6)%	(3.7) pts	(7.4)%	(7.5)%	0.1 pts
	(5.8)%	(4.5)%	(1.3) pts	(5.2)%	(5.3)%	0.1 pts
P&C UK&I						
Personal lines	2.0%	0.3%	1.7 pts	0.4%	0.1%	0.3 pts
Commercial lines	7.2%	(8.4)%	15.6 pts	(1.4)%	(6.1)%	4.7 pts
	5.5%	(5.1)%	10.6 pts	(0.8)%	(3.7)%	2.9 pts
P&C US	(2.2)%	(2.9)%	0.7 pts	(2.5)%	(2.4)%	(0.1) pts
Total segments PYD²	(3.1)%	(4.5)%	1.4 pts	(4.0)%	(4.7)%	0.7 pts
Impact of discount build on PYD ³	(0.5)%	0.1%	(0.6) pts	(0.5)%	(0.1)%	(0.4) pts
Consolidated	(3.6)%	(4.4)%	0.8 pts	(4.5)%	(4.8)%	0.3 pts

¹ See Section 19 – Non-GAAP and other financial measures for more details

² Includes the impact of PYD on corporate reinsurance

³ Includes the impact of discount build on claims liabilities across all P&C segments

Q3-2023 Highlights

- Favourable PYD ratios of 3.6% for the quarter and 4.5% year-to-date were solid, despite unfavourable PYD in the UK&I in Q3-2023, which was driven by adverse development on prior-year weather-related claims and specific large commercial losses.

8.1 PYD guidance

- We expect average favourable PYD as a percentage of operating net underwriting revenue to be in the **2 - 4% range in the mid-term**, as a result of the IFRS 17 reclassification changes. Prior year comparatives have been restated for IFRS 17 and are therefore on a comparable basis.
- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.
- Our PYD expectation in the 2 - 4% range in the mid-term is on a consolidated view, **as the impact of PYD can vary across our different lines of business.**

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 9 - CAT losses

9.1 Net CAT losses

Table 18 – Net CAT losses by segment¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
By segment						
P&C Canada	601	201	400	1,029	481	548
P&C UK&I	(1)	23	(24)	65	156	(91)
P&C US	11	14	(3)	46	28	18
Current year CAT losses²	611	238	373	1,140	665	475
Consolidated unfavourable (favourable) PYD on CAT losses ³	2	(2)	4	6	(23)	29
All accident year CAT losses	613	236	377	1,146	642	504
CAT loss ratio						
P&C Canada	16.8%	5.8%	11.0 pts	9.9%	4.8%	5.1 pts
P&C UK&I	(0.1)%	2.3%	(2.4) pts	2.1%	5.1%	(3.0) pts
P&C US	2.1%	3.0%	(0.9) pts	3.0%	2.1%	0.9 pts
Consolidated	11.7%	4.8%	6.9 pts	7.5%	4.6%	2.9 pts

¹See Section 19 – Non-GAAP and other financial measures for more details

²Including reinstatement premiums. CAT losses are reported on an undiscounted basis, in line with how we present our business segments

³PYD on CAT losses is presented within our PYD captions and ratios

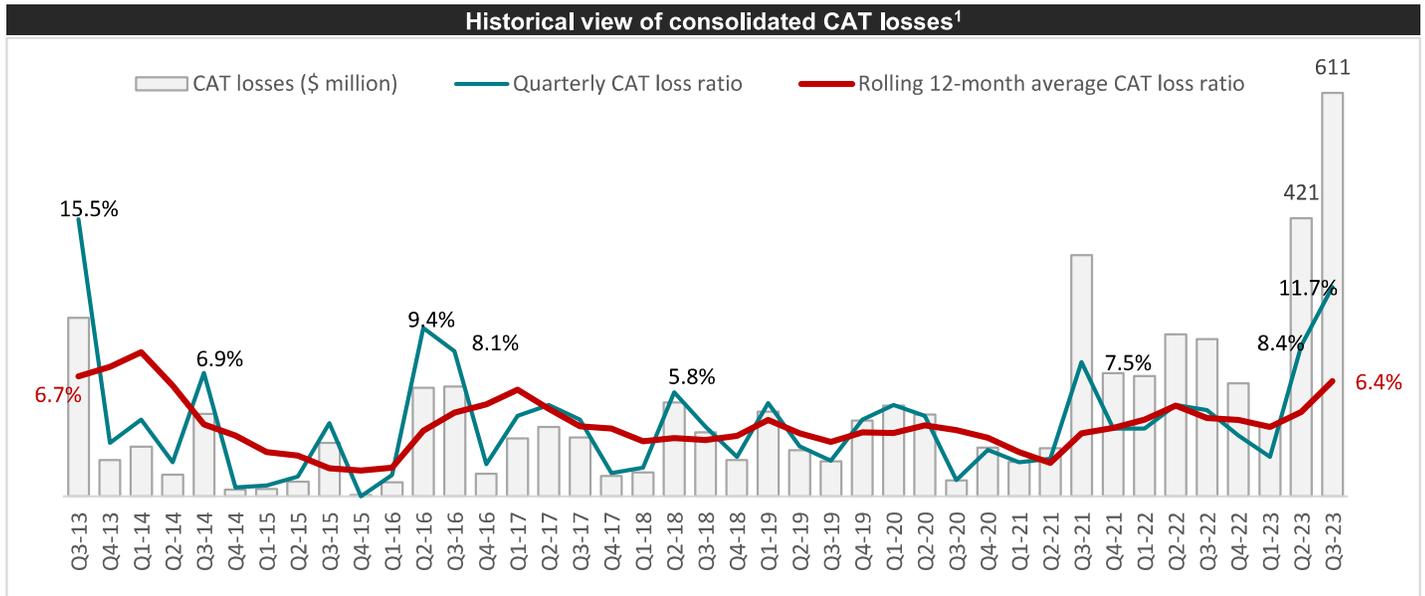
Net CAT losses highlights

- **In Q3-2023, we reported current year CAT losses of \$611 million in the quarter and \$1,140 million year-to date (CAT loss ratios of 11.7% and 7.5%, respectively) well above expectations, driven by a multitude of weather events this year. In the quarter, most of the losses in our Canadian segment were attributable to multiple hailstorms and thunderstorms throughout Ontario and parts of the West, while nearly a third of catastrophe losses were attributable to wildfires, including those in British Columbia and the Northwest Territories. In the US, catastrophe losses in the quarter were driven by a hailstorm and a tornado in Arkansas.**
- **Although we have a comprehensive catastrophe reinsurance program in place, no individual catastrophe event reached our reinsurance retention threshold in 2023.** Our catastrophe treaties are primarily designed as a capital safeguard against catastrophic events and not intended to manage quarter to quarter volatility. As such, only four CAT events¹ in the past 10 years have reached the retention thresholds of our current corporate CAT treaty.

¹The four events that have reached our retention thresholds in our corporate CAT treaty include: Calgary floods (2013), Toronto Floods (2013), Fort McMurray wildfire (2016) and Derecho (2022).

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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



¹ 2023 and 2022 are presented on an IFRS 17 basis and previous years are presented on an IFRS 4 basis. See Section 19 – Non-GAAP and other financial measures for more details.

Evolution of net CAT losses

- Though this quarter was subject to an elevated level of catastrophe losses, the volatility seen in Q3 was not unprecedented. Looking at our 10-year historical data, past quarters have seen CAT loss ratios with elevated peaks, such as those attributable to the Fort McMurray wildfire in 2016, as well as the Calgary and Toronto floods in 2013.
- Our rolling 12-month average CAT loss ratio has been relatively stable over the past 10 years, showing that the upward trend in catastrophe losses on a dollar basis has been proportional to the growth in our premium base. While climate change has impacted frequency and intensity of weather events, we have responded with pricing, risk selection, product, claims and supply chain actions.
- Our personal property business has shown long-term resiliency with an average combined ratio below 90% in the last 10 years and our rolling 12-month combined ratio breaching the 95% threshold only in two instances: following the 2013 events and this year.
- As a P&C insurer, assuming physical risk for our customers is our business. Our primary focus is on resilience and protection at both the individual level and the community level. Climate change presents an opportunity for IFC to both help society and win in the marketplace with innovative products and services.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 10 - Investment performance

10.1 Operating net investment result

Table 19 – Operating net investment result

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Interest income	277	159	118	731	424	307
Dividend income	77	75	2	252	231	21
Investment property rental income	5	6	(1)	16	18	(2)
Operating investment income	359	240	119	999	673	326
Investment expenses	(10)	(8)	(2)	(29)	(25)	(4)
Operating net investment income¹	349	232	117	970	648	322
Net unwind of discount on claims liabilities ¹	(225)	(90)	(135)	(667)	(261)	(406)
Operating net investment result¹	124	142	(18)	303	387	(84)
Average investments²	35,793	34,577	4%	35,679	34,935	2%
Market-based yield³	4.09%	2.82%	127 bps	3.80%	2.60%	120 bps

¹ See Section 19 – Non-GAAP and other financial measures for more details

² Defined as the mid-month average fair value of investments held during the reporting period

³ Defined as the annualized total pre-tax operating investment income (before expenses), divided by the weighted-average investments

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> Operating net investment income increased by 50% to \$349 million in the quarter, and by 50% to \$970 million year-to-date, driven by the benefits of rising yields and increased turnover over the last 12 months, as well as a special dividend of \$25 million in Q2-2023. At quarter-end, the reinvestment yield rose further to 5.3% and exceeded our book yield of 3.3%. The net unwind of discount on claims liabilities of \$(225) million for the quarter and \$(667) million year-to-date increased significantly compared to last year, driven by higher discount rates. Overall, the operating net investment result of \$124 million for Q3-2023 increased from the preceding quarter, as our book yield is capturing the benefit of higher rates, while the net unwind of discount on claims liabilities already reflected these rates. Average investments increased 4% compared to Q3-2022, reflecting cash inflows from operations, offset in part by a negative mark-to-market impact from higher interest rates and unfavourable equity markets over the last 12 months. Market-based yield increased by 127 bps to 4.09% compared to Q3-2022, reflecting increased investment income from rising interest rates and turnover, as well as positive cash flows, while average investments slightly increased. 	<ul style="list-style-type: none"> Market-based yield increased by 120 bps to 3.80% year-to-date, reflecting increased investment income from rising interest rates and turnover, as well as positive cash flows and special dividend received in Q2-2023, while average investments remain stable.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 11 - 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 net operating income and related financial measures.

Table 20 – Non-operating results¹

	Q3-2023	Q3-2022 Restated ²	Change	YTD-2023	YTD-2022 Restated ²	Change
Net gains (losses) on FVTPL bonds and FX ³	(63)	(227)	164	(117)	(916)	799
MYA and FX on claims liabilities ⁴	62	234	(172)	292	891	(599)
Net gains (losses) excluding FVTPL bonds (Table 21)	(74)	40	(114)	(166)	729	(895)
Other net gains, including sale of Codan Denmark	9	16	(7)	28	439	(411)
Income (loss) from exited lines (Table 22)	(58)	(49)	(9)	(155)	(91)	(64)
Restructuring costs	(50)	(14)	(36)	(152)	(36)	(116)
Amortization of acquired intangible assets (Table 46)	(66)	(63)	(3)	(196)	(188)	(8)
Acquisition and integration costs	(59)	(88)	29	(169)	(233)	64
Net result from claims acquired in a business combination	-	(1)	1	(2)	(4)	2
Other	7	(9)	16	13	(29)	42
Non-operating results	(292)	(161)	(131)	(624)	562	(1,186)

¹ See Section 19 – Non-GAAP and other financial measures for the after-tax impacts and non-operating NCI component

² Comparative figures are only restated for IFRS 17, not for IFRS 9

³ Includes realized and unrealized gains and losses on our FVTPL bonds, as well as \$43 million of foreign currency gains (losses) on our bonds for the quarter, and \$(13) million year-to-date.

⁴ Represents the change in rates used to discount our claims liabilities and the foreign currency translation impact on claims

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
<ul style="list-style-type: none"> Net losses on FVTPL bonds and FX of \$63 million, driven by increases in interest rates in Canada and in the US, offset by a decrease in the UK (see Section 15.1 – Capital market update). 	<ul style="list-style-type: none"> Net losses on FVTPL bonds and FX were of \$117 million, reflecting interest rates increases since the beginning of the year.
<ul style="list-style-type: none"> MYA and FX gain on claims liabilities of \$62 million, driven by the interest rates movements described above. 	<ul style="list-style-type: none"> MYA and FX gain on claims liabilities of \$292 million, driven by the increase in interest rates in all geographies.
<ul style="list-style-type: none"> Net losses excluding FVTPL bonds of \$74 million, reflected overall unfavourable equity markets. Negative mark-to-market on certain investment properties also contributed to losses in the quarter. 	<ul style="list-style-type: none"> Net losses excluding FVTPL bonds of \$166 million, due to mark-to-market losses on our equity securities and net foreign currency losses, compared to significant realized gains on equity securities and net foreign currency gains in 2022.
<ul style="list-style-type: none"> Other net gains of \$9 million were comparable to last year. 	<ul style="list-style-type: none"> Other net gains of \$28 million were lower than the comparable period due to the sale of Codan Denmark in 2022.
<ul style="list-style-type: none"> Losses from exited lines of \$58 million in the quarter and \$155 million year-to-date have deteriorated year-over-year, mainly due to our exits in the UK&I portfolio (see Section 11.2 – Income (loss) from exited lines). 	
<ul style="list-style-type: none"> Restructuring costs of \$50 million reflected costs from real estate downsizing and an impact from the UK personal lines motor exit. 	<ul style="list-style-type: none"> Restructuring costs of \$152 million mainly reflected a one-time write-off of intangible assets related to the exited UK personal lines motor business.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

11.1 Net gains (losses) excluding FVTPL bonds

Table 21 – Net gains (losses) excluding FVTPL bonds¹

	Q3-2023	Q3-2022	Change	YTD-2023	YTD-2022	Change
Realized and unrealized gains (losses) on:						
FVTOCI bonds, net of derivatives	(17)	(11)	(6)	(3)	(12)	9
Equity securities, net of derivatives	(51)	(23)	(28)	(120)	386	(506)
Embedded derivatives	-	31	(31)	-	54	(54)
Investment property	(14)	(21)	7	(3)	39	(42)
Other net foreign currency gains (losses)	8	98	(90)	(38)	308	(346)
Impairment losses	-	(34)	34	-	(46)	46
Other ²	-	-	-	(2)	-	(2)
Net gains (losses) excluding FVTPL bonds	(74)	40	(114)	(166)	729	(895)

¹ See Note 17 – Net investment return and net insurance financial result to the interim condensed consolidated financial statements for details

² Includes nil losses in Q3-2023 relating to the expected credit loss model (\$2 million of losses for the nine-month period ended September 30, 2023)

Q3-2023 vs Q3-2022	YTD-2023 vs YTD-2022
Net losses excluding FVTPL bonds of \$74 million, reflected overall unfavourable equity markets. Negative mark-to-market on certain investment properties also contributed to losses in the quarter.	Net losses excluding FVTPL bonds of \$166 million, due to mark-to-market losses on our equity securities and net foreign currency losses, compared to significant realized gains on equity securities and net foreign currency gains in 2022.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

11.2 Income (loss) from exited lines

Lines are classified as exited once we have made 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 discounted underwriting results and net investment income from the exit and sale of RSA Middle East. Comparative year was not restated to exclude the exited lines results.

Table 22 – Income (loss) from exited lines¹

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
DPW	38	56	(18)	172	345	(173)
Net underwriting revenue	63	63	-	216	357	(141)
Net claims	(90)	(83)	(7)	(255)	(292)	37
Net underwriting expenses	(31)	(29)	(2)	(116)	(160)	44
Underwriting income (loss)	(58)	(49)	(9)	(155)	(95)	(60)
Net investment income – Middle East operations	-	-	-	-	4	(4)
Income (loss) from exited lines	(58)	(49)	(9)	(155)	(91)	(64)
Canada	(2)	6	(8)	(1)	21	(22)
UK&I	(36)	(26)	(10)	(112)	(35)	(77)
US	(20)	(29)	9	(42)	(77)	35

¹ See Section 19 – Non-GAAP and other financial measures for more details

Income (loss) from exited lines	
Canada	<ul style="list-style-type: none"> This includes the exit of BC auto (effective in Q4-2020) and of our CNS operations (wind-down since Q3-2021) as part of our de-risking actions in reducing our major earthquake exposure. These exited lines generated an underwriting loss of \$2 million in Q3-2023. If they had been reported within the Canada segment, the impact would have been an unfavourable 0.1 points on its Q3-2023 combined ratio. As of September 30, 2023, we have approximately \$12 million of net unearned premiums in exited lines.
UK&I	<ul style="list-style-type: none"> This includes the legacy exits of the UK&I portfolio, as well as the exit of the UK personal lines motor portfolio as of Q1-2023 and the sale of RSA Middle East in 2022. The UK&I exited lines generated an underwriting loss of \$36 million in Q3-2023. Most of the underwriting loss was attributable to adverse development on two large losses in our legacy portfolio. If exited lines had been reported within the UK&I segment, the impact would have been an unfavourable 3.5 points on its Q3-2023 combined ratio. On a year-to-date basis, the underwriting loss of \$112 million was largely attributable to the UK personal lines motor portfolio. As of September 30, 2023, we have roughly \$76 million of net unearned premiums, which we expect to run-off by 2025.
US	<ul style="list-style-type: none"> We have exited the Programs, Architects and Engineers business (effective in Q4-2017), the Healthcare business (effective Q3-2019) and Public Entities (effective in Q1-2022) given the fundamental changes to the risk profile in these segments and the profitability challenges that followed. The US exited lines generated an underwriting loss of \$20 million in Q3-2023. Most of the underwriting loss was driven by adverse prior year development in the exited Healthcare and Architects & Engineers business lines. If exited lines had been reported within the US segment, the impact would have been an unfavourable 3.8 points on its Q3-2023 combined ratio. The underwriting loss of \$42 million year-to-date was largely attributable to adverse PYD in the exited Healthcare business, with minimal impact from Public Entities. As of September 30, 2023, there were no net unearned premiums in exited lines.
We are continuously monitoring these lines of business, ensuring our reserves estimates are reasonable and include a suitable level of prudence.	

ENVIRONMENT & OUTLOOK

Section 12 - P&C insurance industry outlook

Summary

- Over the next twelve months, we expect hard insurance market conditions to continue in most lines of business, driven by inflation and natural disasters.
- In Canada, both personal property and auto premiums are expected to grow by high single-digits in response to higher severity.
- In commercial and specialty lines across all geographies, we expect hard market conditions to continue in most lines of business, with high single-digit premium growth on average.
- Given the rise in interest rates, we expect pre-tax investment yield for the industry to continue increasing as portfolios roll over.

	P&C insurance industry 12-month outlook	Our response
Personal Auto Canada	<ul style="list-style-type: none"> • We estimate that in H1-2023, industry premiums grew by high single-digits but profitability was challenged. • Given the deteriorating industry profitability and remaining severity pressures, we expect industry corrective measures to continue. • We expect industry premium growth to be in the high single-digit range over the next twelve months. 	<ul style="list-style-type: none"> • We monitor inflation in our portfolio and adjust our pricing and claims strategies to maintain control on indemnity. We are leveraging our strong supply chain model, including in-house legal capabilities, along with proprietary tools and analytics to reduce cycle time and manage inflation. • We continue to invest in telematics, big data, and artificial intelligence to maintain our advantage in data and segmentation. • Our brand investments, telematics offering, and customer driven digital leadership contribute to accelerating growth in the current hard market conditions. • We maintain our emphasis on portfolio quality and expect to sustain a seasonally adjusted sub-95 combined ratio over the next 12 months.
Personal Property Canada	<ul style="list-style-type: none"> • We estimate that industry premiums grew by high single-digits in H1-2023. • We expect hard market conditions as this line of business responds to challenging weather and inflation. • We expect premium growth could reach a low double-digit level over the next 12 months. 	<ul style="list-style-type: none"> • We actively monitor and defend against inflation within our portfolio through pricing actions, supply chain initiatives and increasing internalization of claims. For example, the acquisition of On Side Restoration helped improve customer experience, capture margins, expand capacity, and control costs. • We are continuously adapting our products, and are well positioned to protect profitability through rate actions in supportive market conditions. • We continue to execute on our claims, pricing and risk selection strategy to achieve our objective of a 95% or better combined ratio over the next twelve months, even with severe weather.

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

	P&C insurance industry 12-month outlook	Our response
Commercial lines Canada	<ul style="list-style-type: none"> The industry reported upper single-digit growth in H1-2023, reflecting continued rate actions in hard market conditions. We expect upper single-digit premium growth for the industry over the next 12 months, in favourable market conditions underpinned by high reinsurance costs, elevated CAT losses, and inflation pressures. 	<ul style="list-style-type: none"> We maintain our emphasis on portfolio quality and pricing discipline, while remaining focused on loss prevention and service excellence. We have adjusted and maintained our pricing and automatic indexation for inflation factors to address inflation. Our broadened product suite and strengthened presence in mid-market and specialty lines position us well with customers and brokers, even as we continue to take advantage of hard market conditions.
UK&I Commercial lines	<ul style="list-style-type: none"> UK&I Commercial Lines market conditions remain hard, with rate increases driven by a hard reinsurance market and continued inflationary pressures. We therefore expect the UK and EU commercial industry premium rates to grow at a mid-to-upper single-digit level over the next 12 months. 	<ul style="list-style-type: none"> We remain disciplined on new business, prioritizing quality and profitability. We continue to increase rates to offset claims inflation and improve standardisation of wordings to manage exposures. We accelerated our path to sustainable outperformance for the UK&I business by acquiring Direct Line’s brokered commercial lines operations.
UK&I Personal lines	<ul style="list-style-type: none"> In UK&I Personal Lines, weak industry profitability in 2022 has driven recent rate momentum. We expect inflation, weather conditions and reinsurance pressures to drive further rate increases. 	<ul style="list-style-type: none"> We are exploring strategic options for the UK personal lines business, including a possible sale.
US Commercial lines	<ul style="list-style-type: none"> The US commercial P&C industry continues to experience hard market conditions across most lines, including sustained price increases and tightening terms and conditions. The US commercial P&C industry posted mid-to-high single-digit growth in H1-2023, fueled by rate increases and growing exposures. The estimated industry combined ratio for H1-2023 was consistent with the 2022 full year result, in the mid-to-high 90s. We expect favourable market conditions to persist in the near term, given rising reinsurance costs and elevated CAT losses, as well as industry concerns over ongoing inflation pressures, and geopolitical and economic uncertainty. We therefore expect industry premium growth at an upper single-digit level over the next 12 months. 	<ul style="list-style-type: none"> Our objective remains to expand our US specialty business while outperforming on profitability. Growth opportunities are being successfully pursued in the segments of the portfolio performing at or above expectations, and focused corrective actions are being applied to underperforming segments. We continue to execute on pricing actions across the portfolio, achieving rate increases consistent with the broader industry while maintaining retention levels in line with expectations. We believe the underlying fundamentals of our US commercial business remain strong and are well positioned to maintain a low 90s or better combined ratio in line with our near-term objectives.

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

	P&C insurance industry 12-month outlook	Our response
Investments	<ul style="list-style-type: none"> Capital markets are expected to remain volatile due to inflation trends, higher interest rates, possibility of a recession and geopolitical conflicts. Interest rates remain high. As a result, we expect the industry’s pre-tax investment yield to increase as portfolios roll over. 	<ul style="list-style-type: none"> 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. In the current environment, we have decreased common shares exposure below our long-term target. We continue to expect investment income of approximately \$1.3 billion by year-end. In 2024, we expect investment income to reach \$1.5 billion, assuming market yields remain at current levels.
Overall	<ul style="list-style-type: none"> In H1-2023, industry profitability in Canada was impacted by an elevated level of catastrophe losses, offset in part by the beneficial impact of higher interest rates on investment income. While market conditions were also favourable in the US, industry profitability was hampered by higher auto severity and elevated catastrophe losses. In UK&I, profitability in the UK domestic market has been challenged by inflationary pressures, mainly in personal lines. Inflation trends and climate change drive the continuation of favourable insurance market conditions. We expect our industry benchmark ROE¹ to be in the high single-digit range in the next 12 months. 	<ul style="list-style-type: none"> The RSA acquisition expanded our leadership position in Canada, created a leading specialty lines platform with international expertise, and provided entry into the UK and Ireland markets at scale. With the purchase of Direct Line’s brokered commercial lines operations, we further transformed the UK&I segment by doubling down on the outperforming commercial lines. A strategic review of our UK personal lines operations is underway. While 2023 ROE will be impacted by our exposure to the elevated catastrophe losses in Canada, over the next twelve months, we continue to expect to achieve our 500-basis point industry ROE outperformance target.

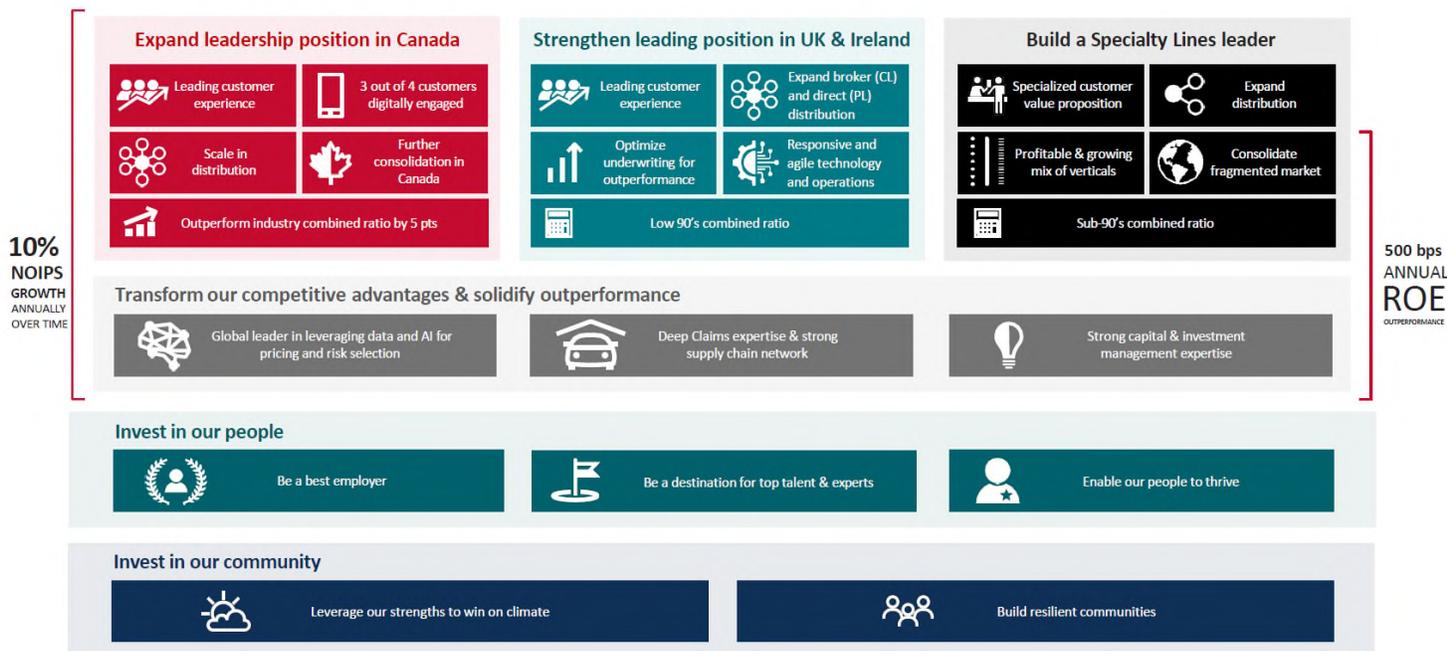
¹ Our P&C industry benchmark ROE reflects a weighting based on the approximate amount of capital deployed by IFC in the markets in which we operate.

STRATEGIC UPDATE

Section 13 - Our strategic roadmap

Our business philosophy is rooted in three principles – placing customers at the centre of everything we do, making sure our employees are engaged and proud to work at Intact, and being recognized as leaders in building resilient communities and industry outperformance.

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



Strategic roadmap highlights

- Our strategic roadmap is currently under review in light of the recent UK Commercial Lines acquisition while we are also exploring strategic options for RSA’s UK Personal Lines business.

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

13.1 Progress on our strategic roadmap

Expand our leadership position in Canada

- **New business DPW through the digital channel was up 79%** year-over-year in Q3 as we continued to expand the Home + Auto bundle quote journey across Canada.
- **Customer interest in our UBI program continued to be strong**, with new business uptake surpassing 50% in the direct channel. The program rewards good driving habits with premium discounts while offering a growing number of value-added features such as Car Care and Eco-Driving. App engagement is 4 times higher when customers have these features activated.
- **BrokerLink continued to bolster its footprint in Canada** by closing 7 acquisitions in the quarter, representing \$181 million in direct premium written, bringing BrokerLink’s year-to-date acquisition total to \$229 million.

Strengthen our leading position in the UK & Ireland

- **IFC and RSA announced an agreement to acquire Direct Line’s brokered Commercial Lines operations** on September 6, 2023. The acquisition, closed on October 26, 2023, is aligned with our strategic and financial objectives as it expands our commercial lines product offering, broadens our broker network, and positions the UK&I business for outperformance.
- Following **approval by Direct Line’s shareholders on October 19, 2023**, a quota share reinsurance agreement was put in place to transfer substantially all of the future economics of the business to RSA effective October 1, 2023. Direct Line business is expected to begin renewal on the RSA platform in Q2 2024.
- **In Personal Lines, strategic options are being explored** to further position the UK business for outperformance, including a possible sale.

Build a Specialty Solutions leader

- Building on our existing underwriting and risk engineering expertise within Canada and the UK, a newly **formed global franchise for Renewable Energy was announced**. Our commitment to this dynamic and growing market supports our ambition to grow GSL to \$10 billion of operating DPW by 2030.
- Following the successful launch of our cyber vertical in Canada, and continued strong performance in the US, **our cyber capabilities were successfully expanded to the UK and Europe markets**. IFC now provides cyber underwriting capacity in all markets where GSL operates, through cyber MGA Resilience. While focused on expanding our global footprint in cyber, we remain disciplined with our underwriting appetite and managing tail risk.

Transform our competitive advantages

- **The Data Lab expanded machine learning pricing capabilities to Commercial Property** and deployed new predictive pricing models for Specialty Lines in Canada. Expected to generate 1-point of combined ratio outperformance over time, our machine learning pricing models strengthen our segmentation capabilities to support profitable growth.
- **Three additional auto Claims Service Centres were opened in Q3**, bringing the total to 27 locations across Canada with an average of 30% faster cycle time and 15-point higher customer promoter score than regular repair shops.
- **IFC acquired a minority stake in a network of four autobody shops** in the Montreal area. The small investment will enable deeper learning of the auto repair supply chain while immediately securing greater repair capacity in a tight market.

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

Invest in our People

- **Intact has been named a Kincentric Best Employer for the eighth consecutive year in Canada and the fifth consecutive year in the US for 2023.** UK&I region showed meaningful improvement in engagement results year-over-year.
- **To support the growth of our people and offer more control over their career development,** we launched a Career Centre in Canada which saw close to 10,000 visits in the first week of the launch.
- In recognition of our ongoing commitment to diversity, equity, and inclusion, **RSA was awarded “5 Star best Diversity, Equity & Inclusion in the Workplace” by Insurance Business UK,** which celebrates forward-thinking companies that support, respect, and champion their employees.

Invest in our community

- Through partnership with Nature Conservancy of Canada, **we continue a leadership role in building climate resilient communities.** A recent project protected nearly 200 hectares of land within the Great Jacques-Cartier Bog in Quebec, serving as an effective nature-based solution for both climate change adaptation through the absorption of heavy precipitation, and climate change mitigation through the sequestration of carbon.
- The Intact Centre on Climate Adaptation expanded its suite of practical solutions by introducing a new tool that **helps institutional investors factor climate risk in their investment decisions.**
- **Sustainability guidelines were introduced at On Side Restoration** with a focus on improving the circularity of the most-used materials for property claims.

13.2 Global Specialty Lines (GSL)

Our specialty lines results are embedded in the commercial operations of each segment (Canada – *Section 4*, UK&I – *Section 5* and US – *Section 6*). Specialty insurance is about focus and deep knowledge of a unique customer segment or product niche, offered through independent agencies, brokers, wholesalers or managing general agencies. Each business unit is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment.

Table 23 – Global Specialty Lines results¹

	Q3-2023	Q3-2022 ²	Change	YTD-2023	YTD-2022 ²	Change
Operating DPW (in millions) (<i>growth in constant currency</i>)	1,581	1,380	11%	4,741	4,197	10%
Combined ratio	88.0%	88.6%	(0.6) pts	87.4%	85.9%	1.5 pts

¹ Figures 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 adjustment and reinsurance non-performance risk.

² Figures are presented under IFRS 4.

GSL highlights

- **Operating DPW in constant currency grew by 11% to \$1.6 billion in the quarter and by 10% to \$4.7 billion year-to-date** with continued strength across the portfolio.
- **Combined ratios of 88.0% in the quarter and of 87.4% in year-to-date remained strong,** driven by robust underlying performances in the US and UK&I, tempered by elevated CAT losses in Canada.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

FINANCIAL CONDITION

Section 14 - Financial position

14.1 Balance sheets

Table 24 – Balance sheets

As at	Section	September 30, 2023	June 30, 2023	December 31, 2022 (Restated)
Assets				
Investments				
Cash and cash equivalents		1,531	976	1,010
Short-term notes		1,832	1,289	1,786
Fixed-income securities		25,849	25,647	25,309
Preferred shares		1,332	1,356	1,421
Common shares		4,451	4,575	4,598
Investment property		482	504	476
Loans		997	1,036	1,001
Total investments	15	36,474	35,383	35,601
Reinsurance contract assets		5,261	5,072	5,004
Investments in associates and joint ventures		951	835	845
Intangible assets and goodwill		8,150	8,014	8,050
Other assets		4,171	3,951	4,241
Total assets		55,007	53,255	53,741
Liabilities				
Insurance contract liabilities		30,307	29,275	29,130
Debt outstanding	16	4,927	4,741	4,522
Other liabilities		4,096	3,965	3,961
Total liabilities		39,330	37,981	37,613
Equity				
Common shares	21	8,099	7,542	7,542
Preferred shares and other equity		1,619	1,619	1,322
Share capital		9,718	9,161	8,864
Contributed surplus		262	248	269
Retained earnings		6,179	6,250	7,801
Accumulated other comprehensive income (loss)		(767)	(670)	(1,091)
Equity attributable to shareholders		15,392	14,989	15,843
Equity attributable to non-controlling interests		285	285	285
Total equity		15,677	15,274	16,128
Total liabilities and equity		55,007	53,255	53,741

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

Section 15 - Investments and capital markets

15.1 Capital market update

We continued to observe significant volatility in financial markets. Several recession indicators are pointing to difficult quarters ahead. Inflation remains elevated, with central banks reaffirming their intention to bring it back to target. The increase in interest rates is affecting asset values, and we are closely monitoring the impact of lower commercial real estate values and the decrease in lending appetite from US banks.

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 25 – Selected market indicators

Selected market Indicators	Q3-2023	Q3-2022	YTD-2023	YTD-2022
Common shares				
S&P/TSX Composite	(3)%	(2)%	1%	(13)%
S&P/TSX Financials	(4)%	(2)%	(2)%	(15)%
DJ Dividend 100 Composite (US)	(3)%	(7)%	(6)%	(18)%
Preferred shares				
S&P/TSX Preferred Share Index	(3)%	(7)%	(6)%	(18)%
Fixed-income securities (estimated variance in bps)				
5Y Canada Sovereign Index	56 bps	40 bps	84 bps	236 bps
5Y US Sovereign Index	45 bps	105 bps	61 bps	283 bps
5Y UK Sovereign Index	(15) bps	249 bps	90 bps	357 bps
5Y Canada AA Corporate spread	-	4 bps	(17) bps	55 bps
Strengthening (weakening) of:				
USD vs CAD	3%	7%	-	9%
GBP vs CAD	(2)%	(2)%	1%	(10)%

15.2 Our portfolio remains of high quality

Highlights September 30, 2023	Investment portfolio by geography (country of incorporation)
<ul style="list-style-type: none"> The \$1.1 billion increase in our investment portfolio during the quarter reflected cash inflows from operations, as well as the temporary investment of the medium-term notes proceeds, while pending the closure of the UK Commercial Lines acquisition. This was partly offset by the negative impact of higher markets yields on fixed-income securities in North America and overall unfavourable equity markets. Our fixed-income portfolio includes high quality Government and corporate bonds. Approximately 81% of our fixed-income portfolio was rated ‘A-’ or better as at September 30, 2023 (81% as at December 31, 2022). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was ‘AA’ as at September 30, 2023 and December 31, 2022. The average duration of our fixed-income portfolio was 3.4 years as at September 30, 2023 (3.4 years as at December 31, 2022). Our preferred share portfolio is made up of high-quality Canadian issuers. The weighted-average rating of our preferred share portfolio was ‘P2’ as at September 30, 2023 and December 31, 2022. We have minimal direct exposure to US regional banks. 	<div style="display: flex; align-items: center;"> <div style="margin-right: 20px;"> <p>■ Canada ■ US ■ UK ■ Other</p> </div> </div>

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

15.3 Investment portfolio net exposure

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

Our net exposure as at September 30, 2023 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below.

Table 26 – Investment mix by asset class and currency (net exposure)

As at	September 30, 2023	June 30, 2023	December 31, 2022
By asset class			
Cash, cash equivalents, and short-term notes	12%	9%	10%
Fixed-income strategies	75%	77%	75%
Preferred shares	4%	4%	4%
Common equity strategies	5%	6%	7%
Investment property	1%	1%	1%
Loans	3%	3%	3%
By currency			
CAD	66%	67%	67%
USD	16%	15%	15%
GBP	14%	14%	14%
Other currencies	4%	4%	4%

Given the persisting market volatility, we continued to remain overweight on cash, cash equivalents and short-term notes, and underweight on equities. Our fixed-income strategy remains the same: conservative credit exposure and stable interest rate duration. The cash, cash equivalents, and short-term notes included proceeds from the financing of the UK Commercial Lines acquisition, which closed subsequent to quarter-end on October 26, 2023.

More information on detailed exposures can be found in our Supplementary Information of our web site at www.intactfc.com.

15.4 Net pre-tax unrealized gain (loss) on FVTOCI fixed-income securities

Table 27 – Net pre-tax unrealized gain (loss) on FVTOCI/AFS fixed-income securities

As at	IFRS 9			IAS 39	
	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022
Fixed-income securities	(1,080)	(927)	(723)	(1,160)	(1,266)
Preferred shares ^{1,2}	n/a	n/a	n/a	(216)	(159)
Common shares ¹	n/a	n/a	n/a	(113)	(339)
Net pre-tax unrealized gain (loss) position	(1,080)	(927)	(723)	(1,489)	(1,764)

¹ Given that the above table presents unrealized balances that may be recycled in earnings in the future, FVTOCI equities are excluded.

² As of January 1, 2023, on transition to IFRS 9, we made an irrevocable election to designate the preferred shares as FVTOCI with fair value changes to be presented directly and permanently in shareholders’ equity. As of September 30, 2023, there was an unrealized loss position of \$197 million on the FVTOCI preferred shares.

Highlights

The unrealized loss position of \$1,080 million as of September 30, 2023 was mostly built during 2022, following the significant increase in interest rates in all regions. The increase in unrealized loss position from June 30, 2023 was mainly driven by an increase in interest rates in Canada and the US.

Reminder: The decrease in unrealized loss position from December 31, 2022 is mainly driven by the reclassification of after-tax unrealized losses of \$420 million for equity and fixed-income instruments, driven by the transition to IFRS 9. In addition, common shares that were previously classified as AFS are now designated as FVTPL, and preferred shares designated as FVTOCI will have their changes in fair value recognized in OCI (without recycling to Net income).

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

Section 16 - Capital management

16.1 Maintaining a strong capital position

Capital position

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

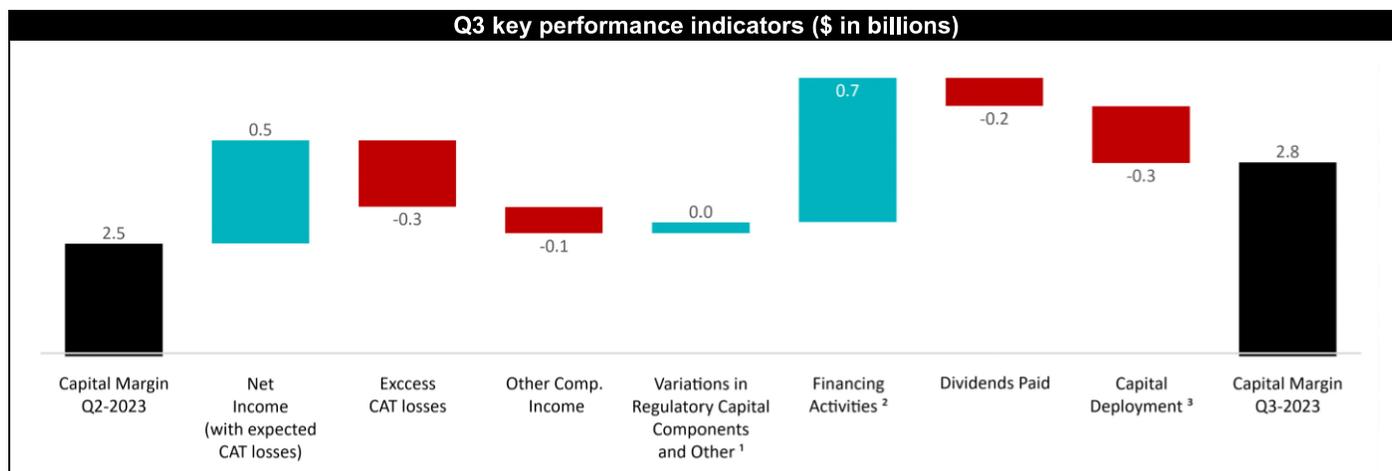
Table 28 – Estimated aggregated capital position¹

As at	Regulatory capital ratios	CAL	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022
Total capital margin							
Canadian regulated entities			971	1,160	1,459	1,005	763
UK & International regulated entities			768	694	657	725	901
US regulated entities			570	588	600	560	451
Holding Companies			532	40	80	89	375
Total capital margin			2,841	2,482	2,796	2,379	2,490
Regulatory capital ratios							
Canadian regulated entities	MCT	169% ²	197%	201%	210%	197%	188%
UK & International regulated entities ³	SCR	120%	185%	180%	177%	175%	188%
US regulated entities	RBC	200%	383%	399%	406%	388%	357%

¹ See Section 19 – Non-GAAP and other financial measures for more details.

² The weighted-average CAL for all regulated Canadian insurance entities is 169% MCT for 2023. The CAL varies by legal Canadian entity.

³ Indicated CAL and coverage figures are for Royal & Sun Alliance Insurance Limited which includes all UK & International insurance subsidiaries. Coverage figure as at September 30, 2023 is shown on a proforma basis with a SCR reduction relating to the UK pension de-risking, which is subject to regulatory approval. This impact is worth around 11 points of coverage.



¹ Includes changes in capital requirements, variations in cash at the Holding company, statutory adjustments and other.

² Includes issuance and repayment of debt as well as financing raised for acquisitions or special transactions.

³ Represents capitalized expenditures and net acquisitions/divestitures of brokers and strategic investments.

Q3-2023 Capital highlights

Total capital margin stood strong at \$2.8 billion as at September 30, 2023, with an increase of \$0.3 billion over the quarter, due to financing activities related to the UK Commercial Lines acquisition tempered by elevated catastrophe losses in the quarter. Aggregate regulatory capital levels by jurisdiction are well above minimum regulatory targets.

Management’s Discussion and Analysis for the quarter ended September 30, 2023

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

16.2 Managing leverage

We believe that 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 hybrid debt (including LRCN).

As of September 30, 2023, our capital structure is composed of 67% equity, 23% debt and 10% preferred shares / hybrid debt.

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

Table 29 – Financing activity

Financing	Debt outstanding (excluding hybrid debt) ¹	Adjusted total capital ¹	Adjusted debt-to-total capital ratio ¹
As at June 30, 2023	4,494	20,015	22.5%
Commercial paper	(141)	(141)	(0.5)%
Common shares issuance	-	551	(0.6)%
Series 14 medium-term notes	396	396	1.5%
Term loan repayment	(80)	(80)	(0.3)%
Other movements	11	(137)	0.1%
As at September 30, 2023	4,680	20,604	22.7%

¹ See Section 19 – Non-GAAP and other financial measures for more details.

Financing activity highlights

Common shares issuance

- On September 13, 2023, we issued 3,065,900 common shares at a price of \$187.60 per common share for gross proceeds of \$575 million. A portion of the funds received were used to repay our commercial paper balance, another portion for general corporate purposes, while the remainder was temporarily invested. Subsequent to quarter-end, the proceeds were used to partially fund the UK Commercial Lines acquisition.

Series 14 unsecured medium-term notes

- On September 14, 2023, we completed an offering of \$400 million of Series 14 unsecured medium-term notes through a private placement in Canada. The net proceeds received were temporarily invested and subsequent to quarter-end, these were used to partially fund the UK Commercial Lines acquisition.

As at September 30, 2023, our adjusted debt-to-total capital ratio of 22.7% was relatively stable, as a portion of the financing for the UK Commercial Lines acquisition was temporarily used to reduce short-term debt. Following the closing of the acquisition in Q4, our adjusted debt-to-total capital ratio is expected to be below 24%.

See Note 13 – Debt outstanding and Note 14 – Share capital to the interim condensed consolidated financial statements.

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

16.3 Book value per share

Table 30 – Evolution of BVPS (in dollars)

	Q3-2023	Change in % ²	YTD-2023	Change in % ²
BVPS, beginning of period under IFRS 4	n/a	n/a	80.33	n/a
Impact of application of IFRS 17 and IFRS 9	n/a	n/a	2.51	3.1%
BVPS, beginning of period (restated)	76.29	n/a	82.84	n/a
Net income				
NOIPS, basic and diluted	2.10	2.8%	7.46	9.0%
After-tax non-operating gains (losses)	(1.27)	(1.7)%	(3.27)	(3.9)%
Net income attributable to common shareholders (EPS)	0.83	1.1%	4.19	5.1%
Other comprehensive income (loss)				
Impact of market movements on FVTOCI securities	(0.75)	(1.0)%	(0.95)	(1.1)%
Foreign exchange impact, net of hedges	0.10	0.1%	0.21	0.3%
UK pension buy-in transaction	-	-%	(6.83)	(8.2)%
Net actuarial gains (losses) on employee future benefits	(0.01)	-%	(0.52)	(0.6)%
Dividends on common shares	(1.10)	(1.4)%	(3.30)	(4.0)%
Net impact from issuance of common shares	1.80	2.4%	1.80	2.2%
Other ¹	0.08	0.1%	(0.20)	(0.2)%
BVPS, end of period	77.24	1.3%	77.24	(6.5)%

¹ Included share-based payments.

² Changes for movements in the year 2023 are based on the restated opening BVPS.

Q3-2023 BVPS highlights

- **EPS contribution of \$0.83** was lower than expectations mainly due to elevated CAT losses of \$611 million in the quarter. Excess CAT losses in the quarter accounted for roughly 2% of our BVPS.
- **Losses on FVTOCI securities of \$0.75 per share**, approximately 1% of our BVPS, reflected an increase in interest rates in Canada and in the US during the quarter.
- **Favourable net impact of \$1.80 per share**, or approximately 2% of our BVPS, as a result of our common share issuance.



Included in our Q3-2023 BVPS is approximately \$4.54 worth of unrealized losses on our fixed income securities that are expected to unwind over time as our portfolio returns to its par value, all else being equal.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

16.4 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 31 – Cash flows

	Q3-2023	Q3-2022 <i>Restated</i>	Change	YTD-2023	YTD-2022 <i>Restated</i>	Change
Net cash flows provided by operating activities	1,353	1,454	(101)	1,465	2,737	(1,272)
Cash flows generated from (deployed on):						
Proceeds from the sale of businesses	-	112	(112)	-	1,295	(1,295)
Proceeds from issuance of debt, net ¹	396	909	(513)	690	1,259	(569)
Repayment of debt ¹	(80)	(361)	281	(147)	(1,328)	1,181
Borrowing on (repayment of) the credit facility and commercial paper, net ¹	(141)	(150)	9	(137)	(409)	272
Proceeds from issuance of common shares, net ¹	551	-	551	551	-	551
Proceeds from issuance of preferred shares and other equity, net	-	-	-	296	146	150
Repurchase of common shares for share-based payments	(5)	(9)	4	(122)	(107)	(15)
Repurchase of common shares for cancellation	-	(49)	49	-	(149)	149
Payment of dividends on common shares, preferred shares and other equity distribution	(213)	(190)	(23)	(638)	(571)	(67)
Payment of dividends to non-controlling interests	-	-	-	(8)	(17)	9
Redemption of non-controlling interests	-	-	-	-	(450)	450
Payments of lease liabilities	(24)	(27)	3	(62)	(84)	22
Proceeds from (purchases of) brokerages and other equity investments, net	(131)	(46)	(85)	(68)	(200)	132
Purchases of intangibles and property and equipment, net	(122)	(99)	(23)	(344)	(292)	(52)
Business combination, net of cash acquired	-	(239)	239	-	(239)	239
Net cash inflows (outflows) before the following:	1,584	1,305	279	1,476	1,591	(115)
Proceeds from sales of investments (purchases of), net	(1,025)	(1,309)	284	(964)	(2,554)	1,590
Net increase (decrease) in cash and cash equivalents	559	(4)	563	512	(963)	1,475
Cash and cash equivalents, beginning of the period, net of held for sale	976	1,223	(247)	1,010	2,276	(1,266)
Exchange rate differences on cash and cash equivalents	(4)	28	(32)	9	(3)	12
Less: cash and cash equivalents held for sale	-	63	(63)	-	-	-
Cash and cash equivalents, end of the period²	1,531	1,310	221	1,531	1,310	221

¹ See Section 16.2 – Managing leverage for details.

² Net of bank overdraft.

Cash position at the end of Q3-2023

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.

INTACT FINANCIAL CORPORATION

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Holding company cash flow

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, 2023, Intact Financial Corporation (our holding company) had \$491 million of cash and cash equivalents (\$4 million as at December 31, 2022). This temporary increase reflected the financing activities related to the UK Commercial Line acquisition, which closed subsequent to quarter-end on October 26, 2023.

Table 32 – Cash flows at the holding company level

	Q3-2023	YTD-2023
Net cash and cash equivalents, at the beginning of the period	9	4
Cash flows generated from:		
Our wholly owned operating subsidiaries	155	968
Cash flows deployed on:		
Investing, financing and treasury activities	629	524
Capital return to our common shareholders ¹	(196)	(582)
Corporate expenses ²	(106)	(423)
Net cash and cash equivalents, at the end of the period	491	491

¹ Including dividends

² Including preferred shares dividends and other equity distribution

16.5 Ratings

Table 33 – Ratings

	A. M. Best	DBRS	Moody's	Fitch
Latest review	May 18, 2023	Oct. 10, 2023	Oct. 18, 2023	Dec. 20, 2022
Outlook	Stable	Stable	Positive	Stable
Financial strength ratings				
IFC's principal Canadian P&C insurance subsidiaries	A+	AA	A1	AA-
RSA Canadian entities	not rated	AA	A1	AA-
Intact Insurance Group USA Holdings inc.	A+	AA	A2	AA-
RSA Insurance Group Limited (Holding)	A	AA	A2	AA-
Senior unsecured debt ratings				
Intact Financial Corporation	a-	A (high)	Baa1	A-
Intact Insurance Group USA Holdings inc.	a-	A (high)	Baa2	A-
RSA Insurance Group Limited (Holding)	a+	A (high)	Baa1	A-

Q3-2023 Ratings highlights

- On October 10, 2023, DBRS Morningstar upgraded our debt ratings from "A" to "A (high)" and our financial strength ratings from "AA (low)" to "AA", with stable outlook, reflecting our strong financial performance and growth in premiums, as well as recent acquisitions that have enhanced our product offering and provided revenue diversification while deepening market shares.
- On October 18, 2023, Moody's changed its outlook from stable to positive reflecting our strong market presence in Canada, improved product and geographic diversification as a result of acquisitions, continued risk management discipline and solid reserving adequacy, as well as strong and consistent underwriting profitability.

RISK MANAGEMENT

Section 17 - Currency risk and currency hedging

17.1 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.

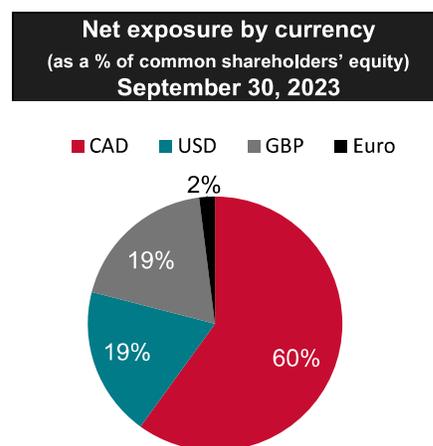
Table 34 – Foreign currency rates

	As at			Average rates for the periods		
	Sept. 30, 2023	Dec. 31, 2022	Q3-2023	Q3-2022	YTD-2023	YTD-2022
Foreign currency vs CAD						
USD	1.358	1.354	1.342	1.306	1.346	1.283
GBP	1.657	1.637	1.698	1.536	1.675	1.612
EUR	1.436	1.449	1.459	1.315	1.458	1.364

17.2 Currency hedging

Net investment hedges

- We protect our book value from currency risk arising from our ownership of non-Canadian entities by hedging foreign currency. The hedging is done using foreign currency forward contracts and cross-currency swap agreements as per our internal risk appetite.
- In September 2023, in connection with the UK Commercial Lines acquisition, we entered into a foreign currency forward contract for a notional amount of £235 million (\$393 million) to reduce our book value exposure to the GBP. We recognized a gain of \$11 million in our non-operating results for the quarter.



Purchase price hedges

- In September 2023, we entered into foreign currency forward contracts with a notional amount of £500 million (\$835 million) to hedge the purchase price of the UK Commercial Lines acquisition from fluctuations in the CAD/GBP currency pair. We recognized a loss of \$28 million in our non-operating results for the quarter, due the strengthening of CAD versus GBP in September.

Operational / cash flow hedging

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

See Note 8 – Derivative financial instruments to the interim condensed consolidated financial statements for more details.

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Section 18 - 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.

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

Periods ended,	September 30, 2023			December 31, 2022		
	Net income	OCI	BVPS	Net income	OCI	BVPS
Equity price risk						
Common share prices (10% decrease) ¹	(162)	(59)	(1.24)	(166)	(87)	(1.44)
Preferred share prices (5% decrease) ²	(14)	(35)	(0.27)	(15)	(38)	(0.30)
Property price risk (10% decrease)	(36)	-	(0.20)	(36)	(22)	(0.33)
Interest rate risk (100 basis point increase)³						
Debt securities ^{4,5}	(311)	(394)	(3.95)	(368)	(386)	(4.30)
Net claims liabilities ⁶	340	-	1.91	360	-	2.05
Defined benefit pension plan obligation, net of related debt securities	-	49	0.27	-	(75)	(0.43)
Currency risk⁷						
Strengthening of CAD by 10% vs all currencies						
Net assets of foreign operations in ⁸ :						
USD	4	(228)	(1.26)	(11)	(219)	(1.31)
GBP	3	(259)	(1.44)	4	(235)	(1.32)

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

² Including the impact on related embedded derivatives (December 31, 2022 only).

³ Excludes the impact of credit spreads.

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

⁵ Interest rate sensitivity is based on the fixed-income portfolio, which comprises of roughly half in government-related securities and roughly half in corporate-related securities.

⁶ Including the impact of periodic payment orders.

⁷ After giving effect to forward-exchange contracts.

⁸ 2022 comparatives were restated.

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; and
- impact on our pension plans has been considered

ADDITIONAL INFORMATION

Section 19 - 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:

- Underwriting profitability and premiums volume (*see Section 19.1*)
- Operating net investment result & other corporate results (*see Section 19.2*)
- Consolidated operating performance (*see Section 19.3*)
- Non-operating results (*see Section 19.4*)
- Relative performance KPIs (*see Section 19.5*)
- Consolidated performance KPIs (*see Section 19.6*)
- Equity & Financial strength (*see Section 19.7*)

Non-GAAP financial measures and Non-GAAP ratios are marked with an asterisk* throughout the following section.

For the definitions of our non-GAAP key performance indicators, please see *Section 23.2 – KPI definitions*.

19.1 Underwriting profitability and premiums volume

Operating DPW, Operating DPW growth, Operating net underwriting revenue and Operating net underwriting growth

- Our top line consolidated performance is measured based on operating direct premiums written (**Operating DPW**), a supplementary financial measure not presented in the Consolidated Financial Statements. Operating DPW represents the total amount of premiums for new and renewal policies written during the reporting period, excluding industry pools, fronting and exited lines. **Our operating DPW growth** is measured based on the change in operating DPW year-over-year and represents the growth or decline in our top line measure.
- **Operating net underwriting revenue***, a Non-GAAP financial measure, is comprised of earned premiums net of reinsurance contracts (previously 'Operating NEP') and other revenues directly related to our insurance activities including fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans and fees received for the administration of other policies. The closest GAAP measure is Insurance revenue, as reported under IFRS, net of Allocation of reinsurance premiums, as reported under IFRS.
- **Our operating net underwriting revenue growth*** is measured based on the change in operating net underwriting revenue, which is a non-GAAP ratio. This represents the growth or decline in operating net underwriting revenue year-over-year (*as defined above*).
- For our non-Canadian operating segments, growth is also measured in constant currency, which is calculated by applying the respective exchange rates in effect for the current year to the previous year. We believe that this enhances the analysis of our financial performance with comparative periods as it excludes the impact of foreign currency fluctuations.

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Underwriting income (loss) and combined ratio

- **Our underwriting performance*** is measured based on the 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. 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 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. **Operating net claims*** is a Non-GAAP operating financial measure comprised of claims related to our underwriting activities, including losses on onerous contracts, net of reinsurance.
- To provide more insight into our underlying current year performance, we further analyze 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.
 - A large loss is defined as a single claim, which is considered significant but smaller than the CAT threshold.
 - A non-catastrophe weather event is a group of claims, which is considered significant but smaller than the CAT threshold, related to a single weather event. 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.
 - **Net current year CAT losses***, including reinstatement premiums, are used in the calculation of the CAT loss ratio. Reported CAT losses can either be weather-related or not weather-related and exclude those from exited lines. 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 (on an undiscounted basis).
 - 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 and IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more, effective January 1, 2023).
 - **Prior year claims development (PYD)*** is used in the calculation of the PYD ratio. PYD represents the change in total prior year claims liabilities during the period, net of reinsurance, excluding the PYD related to exited lines.
 - A decrease to claims liabilities is referred to as favourable prior year claims development. An increase in claims liabilities is referred to as unfavourable prior year claims development.
- **Operating net underwriting expenses*** is a Non-GAAP operating financial measure comprised of commissions (including regular and variable commissions), premium taxes and general expenses related to our underwriting activities, as well as the amortization of our deferred allocated acquisition costs.

A reconciliation of our underwriting-related non-GAAP financial measures to their closest comparable GAAP measures can be found on the following page, in Tables 36-37.

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Table 36 – Reconciliation of underwriting results on a MD&A basis with the interim condensed consolidated financial statements (quarterly)

Financial statements	FS /IFRS 17	1	2	3	4	5	6	7	8	9	Total	MD&A /IFRS 17	MD&A
Quarter ended September 30, 2023													
Insurance revenue	6,385	(815)	(63)	(245)	(67)	31	(1,159)	5,226					Operating net underwriting revenue
Insurance service expense	(5,948)	780	121	(97)	5	(42)	259	-	67	(31)	1,062	(4,866)	Sum of: Operating net claims (\$3,168 million) and Operating net underwriting expenses (\$1,718 million)
Allocation of reinsurance premiums	(815)	815									815	-	n/a
Amounts recoverable from reinsurers	780	(780)									(780)	-	n/a
Insurance service result	402	-	58	(97)	5	(42)	14	-	-	-	(62)	340	Underwriting income (loss)
Quarter ended September 30, 2022													
Insurance revenue	6,296	(817)	(63)	(478)	(36)	16	(1,378)	4,918					Operating net underwriting revenue
Insurance service expense	(5,555)	746	112	(112)	12	(39)	481	(111)	36	(16)	1,109	(4,446)	Sum of: Operating net claims (\$2,806 million) and Operating net underwriting expenses (\$1,640 million)
Allocation of reinsurance premiums	(817)	817									817	-	n/a
Amounts recoverable from reinsurers	746	(746)									(746)	-	n/a
Insurance service result	670	-	49	(112)	12	(39)	3	(111)	-	-	(198)	472	Underwriting income (loss)

Reconciling items in the table above:

1	Adjustment to present results net of reinsurance
2	Adjustment to exclude net underwriting revenue, net claims, net underwriting expenses from exited lines (treated as non-operating)
3	Adjustment to include indirect underwriting expenses (from Other income and expense under IFRS)
4	Adjustment to exclude the non-operating pension expense
5	Adjustment to reclassify intercompany commissions (to Distribution income & Other corporate income (expense))
6	Adjustment to exclude Net insurance service results from claims acquired in a business combination (treated as non-operating)
7	Adjustment to normalize discount build in IFRS 17 transition year (from Net insurance financial result under IFRS)
8	Adjustment to reclassify Assumed (ceded) commissions and premium adjustments
9	Adjustment to reclassify Net insurance revenue from retroactive reinsurance contracts

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Table 37 – Reconciliation of underwriting results on a MD&A basis with the interim condensed consolidated financial statements (year-to-date)

Financial statements	FS / IFRS 17	1	2	3	4	5	6	7	8	9	Total	MD&A / IFRS 17	MD&A
Nine-month period ended September 30, 2023													
Insurance revenue	18,982	(2,470)	(216)			(1,107)	(181)	98	(3,876)	15,106			Operating net underwriting revenue
Insurance service expense	(17,044)	2,054	371	(295)	17	(111)	1,163	-	181	(98)	3,282	(13,762)	Sum of: Operating net claims (\$8,669 million) and Operating net underwriting expenses (\$5,093 million)
Allocation of reinsurance premiums	(2,470)	2,470									2,470	-	n/a
Amounts recoverable from reinsurers	2,054	(2,054)									(2,054)	-	n/a
Insurance service result	1,522	-	155	(295)	17	(111)	56	-	-	-	(178)	1,344	Underwriting income (loss)
Nine-month period ended September 30, 2022													
Insurance revenue	19,510	(2,608)	(357)			(2,026)	(143)	105	(5,029)	14,481			Operating net underwriting revenue
Insurance service expense	(17,129)	2,156	452	(276)	35	(99)	2,039	(118)	143	(105)	4,227	(12,902)	Sum of: Operating net claims (\$8,116 million) and Operating net underwriting expenses (\$4,786 million)
Allocation of reinsurance premiums	(2,608)	2,608									2,608	-	n/a
Amounts recoverable from reinsurers	2,156	(2,156)									(2,156)	-	n/a
Insurance service result	1,929	-	95	(276)	35	(99)	13	(118)	-	-	(350)	1,579	Underwriting income (loss)

Reconciling items in the table above:

1	Adjustment to present results net of reinsurance
2	Adjustment to exclude net underwriting revenue, net claims, net underwriting expenses from exited lines (treated as non-operating)
3	Adjustment to include indirect underwriting expenses (from Other income and expense under IFRS)
4	Adjustment to exclude the non-operating pension expense
5	Adjustment to reclassify intercompany commissions (to Distribution income & Other corporate income (expense))
6	Adjustment to exclude Net insurance service results from claims acquired in a business combination (treated as non-operating)
7	Adjustment to normalize discount build in IFRS 17 transition year (from Net insurance financial result under IFRS)
8	Adjustment to reclassify Assumed (ceded) commissions and premium adjustments
9	Adjustment to reclassify Net insurance revenue from retroactive reinsurance contracts

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Table 38 – Reconciliation of the components within Operating net claims

	Q3-2023	Q3-2022 Restated	YTD-2023	YTD-2022 Restated
Operating net claims, as reported in Table 36-37	3,168	2,806	8,669	8,116
Remove: net current year CAT losses (Table 18)	(611)	(238)	(1,140)	(665)
Remove: favourable (unfavourable) PYD	189	215	686	703
Operating net claims excluding current year CAT losses and PYD	2,746	2,783	8,215	8,154
Operating net underwriting revenue	5,226	4,918	15,106	14,481
Underlying current year loss ratio	52.5%	56.7%	54.4%	56.3%
CAT loss ratio (Table 18)	11.7%	4.8%	7.5%	4.6%
(Favourable) unfavourable PYD ratio (Table 17)	(3.6)%	(4.4)%	(4.5)%	(4.8)%
Claims ratio	60.6%	57.1%	57.4%	56.1%

Table 39 – Reconciliation of the components within Operating net underwriting expenses

	Q3-2023	Q3-2022 Restated	YTD-2023	YTD-2022 Restated
Operating net underwriting expenses, as reported in Table 36-37	1,718	1,640	5,093	4,786
Commissions	833	829	2,433	2,361
General expenses	748	674	2,247	2,016
Premium taxes	137	137	413	409
Operating net underwriting revenue	5,226	4,918	15,106	14,481
Commissions ratio	16.0%	16.8%	16.1%	16.3%
General expenses ratio	14.3%	13.7%	14.9%	13.9%
Premium taxes ratio	2.6%	2.8%	2.7%	2.8%
Expense ratio	32.9%	33.3%	33.7%	33.0%
Claims ratio, as reported in Table 38	60.6%	57.1%	57.4%	56.1%
Combined ratio (discounted)	93.5%	90.4%	91.1%	89.1%

A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.

19.2 Operating net investment result & other corporate results

Operating net investment result

Operating net investment result* is the sum of the following two non-GAAP financial measures (see reconciliation in Table 44-45):

- **Operating net investment income***, which represents Net investment income as presented in the financial statements, excluding the investment income from the RSA Middle-East exited operations (see Section 11.2 – Income (loss) from exited lines), as presented in Table 40.
- **Net unwind of discount on claims liabilities***, a non-GAAP financial measure defined in the table below, which represents the passage of time of the effect of the discounting of our claims liabilities, as presented in Table 41.

Table 40 – Reconciliation of Operating net investment income to Net investment income, as reported under IFRS

	Q3-2023	Q3-2022 Restated	YTD-2023	YTD-2022 Restated
Net investment income, as reported under IFRS	349	232	970	652
Remove: investment income from the RSA Middle-East exited operations	-	-	-	(4)
Operating net investment income	349	232	970	648

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Table 41 – Reconciliation of Net unwind of discount on claims liabilities to Net insurance financial result, as reported under IFRS

	Q3-2023	Q3-2022 Restated	YTD-2023	YTD-2022 Restated
Net insurance financial result, as reported under IFRS	(149)	35	(321)	521
Remove: Changes in discount rates and other financial assumptions ¹	(105)	(180)	(238)	(1,001)
Remove: Net foreign currency gains (losses) ¹	43	57	(54)	228
Remove: Net insurance financial result from claims acquired in a business combination	(14)	(2)	(54)	(9)
Net unwind of discount on claims liabilities	(225)	(90)	(667)	(261)

¹Included within *Note 17 – Net investment return and net insurance financial result* from the interim condensed consolidated financial statements.

Other corporate results

- **Distribution income*** is an operating measure used to report the performance of our distribution channel, which includes operating income before interest and taxes from our consolidated brokers, broker associates, MGAs and other supply chain related businesses. Other income and expense, as reported under IFRS (for our consolidated entities) as well as our Share of profit from investments in associates and joint ventures (for those that we do not consolidate) under IFRS are the closest GAAP measures.
- **Total finance costs*** includes all finance costs, including those from our broker associates, which are accounted for using the equity method under IFRS. Other finance costs, as reported under IFRS, is the closest GAAP measure.
- **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 and expense, as reported under IFRS, is the closest GAAP measure.

A reconciliation of the above non-GAAP financial measures to their closest comparable GAAP measures can be found on the following pages, in Tables 44-45.

19.3 Consolidated operating performance

PTOI

- **Pre-tax operating income (PTOI)***, which is used in the calculation of NOI, represents the Income before income taxes (closest 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*.
- 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 4 – Operating performance by segment (quarterly)* and *Table 5 – Operating performance by segment (year-to-date)* for the details of PTOI by component and segment.

Table 42 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q3-2023	Q3-2022 Restated	YTD-2023	YTD-2022 Restated
Income before income taxes, as reported under IFRS	184	470	1,068	2,586
Add: share of income tax expense of broker associates	7	8	28	30
Remove: Pre-tax non-operating results (<i>Table 20</i>)	292	161	624	(562)
PTOI	483	639	1,720	2,054
Add: operating income tax expense	(96)	(136)	(347)	(412)
Remove: net operating income attributable to non-controlling interests (NCI)	-	-	(8)	(13)
NOI attributable to shareholders (<i>Table 43</i>)	387	503	1,365	1,629

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NOI attributable to common shareholders, NOIPS and OROE

- **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. We believe that analysing our consolidated performance excluding these elements reflects more accurately our underlying business performance over time.
- We note that investors, financial analysts, rating agencies and media organizations use NOIPS, OROE and other components of operating income (such as underwriting income, operating net investment result 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.
- **Net operating income (NOI) attributable to common shareholders*** represents the Net income attributable to shareholders (closest GAAP measure), excluding the after-tax impact of Non-operating results*, net of net income (loss) attributable to non-controlling interests (non-operating component), preferred share dividends and other equity distribution.

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

	Q3-2023	Q3-2022 <i>Restated</i>	YTD-2023	YTD-2022 <i>Restated</i>
Net income attributable to shareholders, as reported under IFRS	163	375	792	2,108
Remove: pre-tax non-operating results (<i>Table 20</i>)	292	161	624	(562)
Remove: non-operating tax expense (benefit) ¹	(68)	(33)	(51)	107
Remove: non-operating component of NCI	-	-	-	(24)
NOI attributable to shareholders	387	503	1,365	1,629
Remove: preferred share dividends and other equity distribution	(17)	(15)	(56)	(44)
NOI attributable to common shareholders	370	488	1,309	1,585
Divided by weighted-average number of common shares (in millions)	175.9	175.4	175.5	175.7
NOIPS, basic and diluted (in dollars)	2.10	2.78	7.46	9.01
NOI attributable to common shareholders for the last 12 months²	1,817	2,167		
Adjusted average common shareholders’ equity, excluding AOCI (<i>Table 51</i>) ²	14,894	14,415		
OROE for the last 12 months²	12.2%	15.0%		

¹ See *Table 46 - Acquisition-related gains (losses) and other non-operating results* for more details.

² These measures are not restated for IFRS 17, given that the 2021 P&L figures were not restated for IFRS 17

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Table 44 – Reconciliation of consolidated results on a MD&A basis with the interim condensed consolidated financial statements (quarterly)

As presented in the Financial statements	MD&A captions					Pre-tax		Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense)	Operating net investment result	Total income taxes	Non-operating results	Underwriting income (loss)	
For the quarter ended September 30, 2023								
Insurance service result	26		16			(77)	437	402
Net investment income				349				349
Net gains (losses) on investment portfolio						(137)		(137)
Net insurance financial result				(225)		76		(149)
Share of profits from investments in associates and joint ventures	32	(2)			(7)	(7)		16
Other net gains (losses)						9		9
Other income and expense	58		(50)			(47)	(97)	(136)
Other finance costs		(61)						(61)
Acquisition, integration and restructuring costs						(109)		(109)
Income tax benefit (expense)					(21)			(21)
Total, as reported in MD&A	116	(63)	(34)	124	(28)	(292)	340	
For the quarter ended September 30, 2022 (Restated)								
Insurance service result	33		6			(64)	695	670
Net investment income				232				232
Net gains (losses) on investment portfolio						(187)		(187)
Net insurance financial result				(90)		236	(111)	35
Share of profits from investments in associates and joint ventures	37	(3)			(8)	(3)		23
Other net gains (losses)						16		16
Other income and expense	43		(48)			(57)	(112)	(174)
Other finance costs		(43)						(43)
Acquisition, integration and restructuring costs						(102)		(102)
Income tax benefit (expense)					(95)			(95)
Total, as reported in MD&A	113	(46)	(42)	142	(103)	(161)	472	

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Table 45 – Reconciliation of consolidated results on a MD&A basis with the interim condensed consolidated financial statements (year-to-date)

As presented in the Financial statements	MD&A captions				Pre-tax		Underwriting income (loss)	Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense)	Operating net investment result	Total income taxes	Non-operating results		
For the nine-month period ended September 30, 2023								
Insurance service result	71		40			(228)	1,639	1,522
Net investment income				970				970
Net gains (losses) on investment portfolio						(283)		(283)
Net insurance financial result				(667)		346		(321)
Share of profits from investments in associates and joint ventures	129	(10)	(1)		(28)	(16)		74
Other net gains (losses)						28		28
Other income and expense	158		(151)			(150)	(295)	(438)
Other finance costs		(163)						(163)
Acquisition, integration and restructuring costs						(321)		(321)
Income tax benefit (expense)					(268)			(268)
Total, as reported in MD&A	358	(173)	(112)	303	(296)	(624)	1,344	
For the nine-month period ended September 30, 2022 (Restated)								
Insurance service result	84		15			(143)	1,973	1,929
Net investment income				648		4		652
Net gains (losses) on investment portfolio						(187)		(187)
Net insurance financial result				(261)		900	(118)	521
Share of profits from investments in associates and joint ventures	134	(7)			(30)	(12)		85
Other net gains (losses)						439		439
Other income and expense	129		(140)			(170)	(276)	(457)
Other finance costs		(127)						(127)
Acquisition, integration and restructuring costs						(269)		(269)
Income tax benefit (expense)					(489)			(489)
Total, as reported in MD&A	347	(134)	(125)	387	(519)	562	1,579	

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19.4 Non-operating results

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. 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 46 – Acquisition-related gains (losses) and other non-operating results

	Q3-2023		Q3-2022 <i>Restated</i>	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	(66)	(50)	(63)	(49)
Acquisition and integration costs	(59)	(44)	(88)	(69)
Tax adjustment on acquisition-related items	-	(2)	-	-
Net result from claims acquired in a business combination	-	(1)	(1)	(1)
Acquisition-related gains (losses)	(125)	(97)	(152)	(119)
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	(137)	(106)	(187)	(152)
MYA and FX on claims liabilities	62	45	234	183
Non-operating pension expense	8	7	(11)	(8)
Other net gains (losses)	9	13	16	15
Income (loss) from exited lines	(58)	(46)	(49)	(41)
Restructuring and other non-operating costs	(51)	(40)	(12)	(6)
Other non-operating results	(167)	(127)	(9)	(9)
Non-operating results	(292)	(224)	(161)	(128)

	YTD-2023		YTD-2022 <i>Restated</i>	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	(196)	(149)	(188)	(144)
Acquisition and integration costs	(169)	(127)	(233)	(182)
Tax adjustment on acquisition-related items	-	(4)	-	(3)
Net result from claims acquired in a business combination	(2)	(2)	(4)	(3)
Acquisition-related gains (losses)	(367)	(282)	(425)	(332)
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	(283)	(217)	(187)	(200)
MYA and FX on claims liabilities	292	220	891	673
Non-operating pension expense	19	15	(28)	(20)
Other net gains (losses)	28	28	439	432
Income (loss) from exited lines	(155)	(122)	(91)	(75)
Restructuring and other non-operating costs	(158)	(215)	(37)	(23)
Other non-operating results	(257)	(291)	987	787
Non-operating results	(624)	(573)	562	455

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Non-operating results are comprised of the following items:

- Net gains (losses) on investment portfolio arise mostly from changes in market conditions and investment decisions.
- MYA and FX on claims liabilities arises mostly from movements in interest rates and in foreign currency exchange rates, which impact our claims liabilities.
 - Following the adoption of IFRS 17, the restated 2022 MYA figures were adjusted to be equivalent to the 2022 MYA figures calculated under IFRS 4 (offset to Underwriting income (loss) and neutral to Net Income and EPS). Considering the rapid rise of interest rates experienced in 2022, management believes that this normalisation of discount build in transition year makes the results presented more comparable with their expectations of future results.
- Non-operating pension expense for our Canadian pension plans is the difference between the total IAS 19 pension expense and the operating pension expense calculated using the expected return on assets. For our UK pension plans, the non-operating pension experience represents the net of the asset return on the DB pension plans assets and the administrative expenses for these plans.
- Acquisition costs include professional fees related to the closing of an acquisition.
- Integration costs include costs related to an acquisition such as severances, retention bonuses, system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition, as well as changes in the fair value of the contingent considerations.
- Restructuring and other costs include non-recurring reorganization costs not related to an acquisition, impairment of IT systems related to our exited lines businesses and expenses related to the implementation of significant new accounting standards.
- Other net gains (losses) include the gains (losses) on acquisition and sale of businesses as well as unrealized gains (losses) related to certain venture investments remeasured at fair value.
- Income (loss) from exited lines includes the underwriting results and net investment income from exited lines.
- Net result from claims acquired in a business combination is a result of IFRS 17 and applies to all claims from the RSA acquisition in 2021. These will continue to be treated the same as other claims, and the net impact of applying the standard will be reported separately from our business segments.

Table 47 – Reconciliation of MYA to Net insurance financial result, as calculated under IFRS

	Q3-2023	Q3-2022 <i>Restated</i>	YTD-2023	YTD-2022 <i>Restated</i>
Net insurance financial result, as reported under IFRS	(149)	35	(321)	521
Remove: Unwind of discount on claims liabilities ¹	211	88	613	252
Remove: Normalisation of discount build in transition year	-	111	-	118
MYA and FX on claims liabilities	62	234	292	891

¹ Included within *Note 17 – Net investment return and net insurance financial result* from the interim condensed consolidated financial statements.

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19.5 Relative performance KPIs

Adjusted net income attributable to common shareholders, 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.
- **Adjusted net income attributable to common shareholders*** represents the Net income attributable to shareholders (closest GAAP measure), excluding the after-tax impact of Acquisition-related items, preferred share dividends and other equity distribution.

Table 48 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q3-2023	Q3-2022 <i>Restated</i>	YTD-2023	YTD-2022 <i>Restated</i>
Net income attributable to shareholders, as reported under IFRS	163	375	792	2,108
Adjustments, after tax (<i>see Table 46 for details</i>)				
Remove: amortization of acquired intangible assets	50	49	149	144
Remove: acquisition and integration costs	44	69	127	182
Remove: net loss (gain) on currency derivative hedges (acquisitions)	-	-	-	-
Remove: tax adjustments on acquisition-related items	2	-	4	3
Remove: net result from claims acquired in a business combination	1	1	2	3
Adjusted net income attributable to shareholders	260	494	1,074	2,440
Remove: preferred share dividends and other equity distribution	(17)	(15)	(56)	(44)
Adjusted net income attributable to common shareholders	243	479	1,018	2,396
Divided by weighted-average number of common shares (in millions)	175.9	175.4	175.5	175.7
AEPS, basic and diluted (in dollars)	1.38	2.74	5.80	13.64
Adjusted net income attributable to common shareholders for the last 12 months¹	1,446	3,129		
Adjusted average common shareholders' equity (<i>Table 51</i>) ¹	13,695	13,888		
AROE for the last 12 months¹	10.6%	22.5%		

¹ These measures are not restated for IFRS 17, given that the 2021 P&L figures were not restated for IFRS 17

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19.6 Consolidated performance KPIs

EPS and ROE

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

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

	Q3-2023	Q3-2022 <i>Restated</i>	YTD-2023	YTD-2022 <i>Restated</i>
Net income attributable to shareholders	163	375	792	2,108
Remove: preferred share dividends and other equity distribution	(17)	(15)	(56)	(44)
Net income attributable to common shareholders	146	360	736	2,064
Divided by weighted-average number of common shares (in millions)	175.9	175.4	175.5	175.7
EPS, basic and diluted (in dollars)	0.83	2.05	4.19	11.75
Net income attributable to common shareholders for the last 12 months¹	1,066	2,647		
Adjusted average common shareholders' equity (<i>Table 51</i>) ¹	13,695	13,888		
ROE for the last 12 months¹	7.8%	19.1%		

¹ These measures are not restated for IFRS 17, given that the 2021 income statement figures were not restated for IFRS 17

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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 for a specific period	$\frac{\text{Total income tax expense (benefit)*}}{\text{Pre-tax income*}}$	Operating effective income tax rate for a specific period	$\frac{\text{Operating income tax expense (benefit)*}}{\text{PTOI*}}$
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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.
- **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 50 – Reconciliation of effective income tax rates

	Q3-2023	Q3-2022 <i>Restated</i>	YTD-2023	YTD-2022 <i>Restated</i>
Income before income taxes, as reported under IFRS	184	470	1,068	2,586
Add: share of income tax expense of broker associates	7	8	28	30
Pre-tax income	191	478	1,096	2,616
Total income tax benefit (expense) per MD&A (<i>Tables 44-45</i>)	(28)	(103)	(296)	(519)
Net income	163	375	800	2,097
Total effective income tax rate, as reported in the MD&A	14.8%	21.4%	27.0%	19.8%
Pre-tax operating income (PTOI) (<i>Table 42</i>)	483	639	1,720	2,054
Operating income tax benefit (expense)	(96)	(136)	(347)	(412)
Netted with: operating component of NCI	-	-	(8)	(13)
NOI attributable to shareholders	387	503	1,365	1,629
Operating effective income tax rate, as reported in the MD&A	20.1%	21.3%	20.2%	20.1%

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19.7 Equity and Financial strength

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 is determined in accordance with IFRS, and excludes preferred shares and other equity, as per IFRS.
- **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 and AOCI are determined in accordance with IFRS, and excludes preferred shares and other equity, as per IFRS.
- We believe that adjusting for common share issuances or other significant capital transactions 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 51 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity, excluding AOCI

As at September 30,	2023	2022 ¹
Ending common shareholders' equity	13,773	13,828
Remove: significant capital transactions during the period	638	-
Ending common shareholders' equity, excluding significant capital transaction	14,411	13,828
Beginning common shareholders' equity ²	14,340	13,948
Average common shareholders' equity, excluding significant capital transaction	14,376	13,888
Weighted impact of significant capital transactions ³	(681)	-
Adjusted average common shareholders' equity	13,695	13,888
Ending common shareholders' equity, excluding AOCI	14,540	15,457
Remove: significant capital transaction during the period	638	-
Ending common shareholders' equity, excluding AOCI and significant capital transaction	15,178	15,457
Beginning common shareholders' equity, excluding AOCI ²	15,972	13,373
Average common shareholders' equity, excluding AOCI and significant capital transaction	15,575	14,415
Weighted impact of significant capital transactions ³	(681)	-
Adjusted average common shareholders' equity, excluding AOCI	14,894	14,415

¹ These measures are not restated for IFRS 17, given that the 2021 P&L figures were not restated for IFRS 17.

² Beginning common shareholders' equity has not been adjusted for the adoption of IFRS 9 – Financial instruments ("IFRS 9") for purposes of calculating average common shareholders' equity.

³ Represents the net weighted impact of the September 13, 2023 and February 27, 2023 significant capital transactions.

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Total capital margin and regulatory capital ratios

- The capital strength of the group is measured by the **Total capital margin**, a supplementary financial measure. 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, which are also supplementary financial measures. See *Section 16 – Capital management* for more details.

Total capital margin as at the end of a specific period	Total capital margin includes capital in excess of the internal CALs ¹ for regulated insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities, less any ancillary own funds committed by the Company.	Regulatory capital ratios as at the end of a specific period	Minimum capital test (as defined by OSFI and the AMF in Canada), Risk-based capital (as defined by the NAIC in the US) and Solvency Capital Requirement (as defined by the PRA in the UK&I)
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¹ The weighted-average CAL for all regulated Canadian insurance entities is 169% 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&I.

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

- The evolution of our book value is measured using **BVPS**, a supplementary financial measure, which is calculated using GAAP measures (as defined below). 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 supplementary financial measure, in our Supplementary Financial Information available in the “Investors” section of our web site at www.intactfc.com. We believe that excluding AOCI from the numerator is useful to investors because it eliminates volatility that arises mostly from changes in market conditions, such as changes in interest and foreign exchange rates.

Table 52 – Calculation of BVPS and BVPS (excluding AOCI)

As at September 30,	2023	2022 <i>Restated</i>
Equity attributable to shareholders, as reported under IFRS	15,392	15,662
Remove: Preferred shares and other equity, as reported under IFRS	(1,619)	(1,322)
Common shareholders’ equity	13,773	14,340
Remove: AOCI, as reported under IFRS	767	1,632
Common shareholders’ equity (excluding AOCI)	14,540	15,972
Number of common shares outstanding at the same date (in millions)	178.3	175.3
BVPS	77.24	81.82
BVPS (excluding AOCI)¹	81.54	91.13

¹ The Company adopted IFRS 9 retrospectively on January 1, 2023 and elected to recognize any IFRS 9 measurement differences by adjusting its Consolidated balance sheet on January 1, 2023, as a result comparative information was not restated. Prior periods continue to be reported under IAS 39 – Financial instruments: recognition and measurement (“IAS 39”).

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

- **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 and preferred shares instruments held by subsidiaries, at the same date.
- **Adjusted debt-to-total capital ratio***, which is a Non-GAAP ratio, is calculated using debt outstanding (excluding hybrid debt)* divided by adjusted total capital.
- **Total leverage ratio**, which is a Non-GAAP ratio, is calculated using debt outstanding, preferred shares and other equity (including NCI) divided by adjusted total capital.

Table 53 – Reconciliation of Debt outstanding (excluding hybrid debt) and Total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	Sept. 30, 2023	June 30, 2023	Dec. 31, 2022 <i>Restated</i>
Debt outstanding, as reported under IFRS	4,927	4,741	4,522
Remove: hybrid subordinated notes	(247)	(247)	(247)
Debt outstanding (excluding hybrid debt)	4,680	4,494	4,275
Debt outstanding, as reported under IFRS	4,927	4,741	4,522
Equity attributable to shareholders, as reported under IFRS	15,392	14,989	15,843
Preferred shares from Equity attributable to non-controlling interests	285	285	285
Adjusted total capital	20,604	20,015	20,650
Debt outstanding (excluding hybrid debt)	4,680	4,494	4,275
Adjusted total capital	20,604	20,015	20,650
Adjusted debt-to-total capital ratio	22.7%	22.5%	20.7%
Debt outstanding, as reported under IFRS	4,927	4,741	4,522
Preferred shares and other equity, as reported under IFRS	1,619	1,619	1,322
Preferred shares from Equity attributable to non-controlling interests	285	285	285
Debt outstanding and preferred shares (including NCI)	6,831	6,645	6,129
Adjusted total capital (<i>see above</i>)	20,604	20,015	20,650
Total leverage ratio	33.2%	33.2%	29.7%
Adjusted debt-to-total capital ratio	22.7%	22.5%	20.7%
Preferred shares and hybrids	10.5%	10.7%	9.0%

Section 20 - Accounting and disclosure matters

20.1 Significant accounting judgments, estimates and assumptions

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

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

Reference to our Consolidated financial statements for the year ended December 31, 2022			
Global economic environment	<i>Note 3.2</i>	Impairment of financial assets	<i>Note 25.2</i>
Business combinations and disposals	<i>Note 5.2</i>	Measurement of income taxes	<i>Note 27.6</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>		

Following the adoption of IFRS 17 – Insurance Contracts (“IFRS 17”) in conjunction with IFRS 9 – Financial instruments (“IFRS 9”) on January 1, 2023, these standards required management to use judgments, estimates and assumptions. Refer to Note 11.3 – Material accounting judgements, estimates and assumptions to the interim condensed consolidated financial statements.

20.2 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, 2023. 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.

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20.3 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, 2023.

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.

In the context of the adoption of IFRS 17 and IFRS 9 as at January 1, 2023, management has updated its ICFR to reflect the implementation of new IT systems and the design of new processes and internal controls. No other significant changes were made to our ongoing ICFR during the nine-month period ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

20.4 Relative mid-year performance update

Industry participants are reporting their results for the first time under IFRS 17. We have seen variability in the information reported in H1-2023, with some peers yet to report results. As the industry continues to adapt their filing for this new reporting standard, our relative performance update will be provided in subsequent quarters, which will allow for a better comparison with our peers.

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 21 - Shareholder information

21.1 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 and amount)

As of November 7, 2023	Number of shares	Amount (in millions)
Common shares	178,322,868	8,099
Preferred shares - Class A Shares		
Series 1	10,000,000	244
Series 3	10,000,000	245
Series 5	6,000,000	147
Series 6	6,000,000	147
Series 7	10,000,000	245
Series 9	6,000,000	147
Series 11	6,000,000	147
Other equity		
LRCN Series 1 Notes	n/a	297

Refer to our *Annual Information Form* for more detailed information on the rights of shareholders and to *Note 14 – Share Capital to the interim condensed consolidated financial statements* for additional information.

21.2 Distribution on common shares, preferred shares and other equity instruments

Table 55 – Quarterly dividends declared per share

	Q4-2023	Q3-2023
Common shares	1.10	1.10
Preferred shares – Class A Shares		
Series 1	0.3025625	0.3025625
Series 3	0.2160625	0.2160625
Series 5	0.325	0.325
Series 6	0.33125	0.33125
Series 7	0.37575	0.37575
Series 9	0.3375	0.3375
Series 11	0.328125	0.328125

On November 7, 2023, the Board of Directors approved the quarterly dividend for Q4-2023.

On March 7, 2023, we issued the LRCN Series 1 Notes. Holders are entitled to receive semi-annual payments at a rate of 7.338% per annum until June 30, 2028. Distributions for 2023 were made on June 30, 2023, and to be made on December 29, 2023.

21.3 Expected release dates of our financial results and earnings conference calls

	Q4-2023	Q1-2024	Q2-2024	Q3-2024
Results release	February 13, 2024	May 7, 2024	July 30, 2024	November 5, 2024
Earnings call	February 14, 2024	May 8, 2024	July 31, 2024	November 6, 2024

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

Section 22 - Selected quarterly information

22.1 Selected quarterly information

Table 56 – Selected quarterly information

	IFRS 17 basis						
	Q3	Q2	2023 Q1	Q4	Q3	Q2	2022 Q1
Operating DPW	5,925	6,226	4,809	5,125	5,423	5,801	4,656
Segment operating revenues ¹	5,700	5,488	5,325	5,470	5,276	5,150	5,101
Operating net underwriting revenue	5,226	5,016	4,864	5,041	4,918	4,802	4,761
Current year CAT losses	611	421	108	171	238	245	182
Favourable PYD	(189)	(238)	(259)	(233)	(215)	(205)	(283)
Underwriting income (loss)	340	391	613	485	472	576	531
Combined ratio (discounted) ²	93.5%	92.2%	87.4%	90.4%	90.4%	88.0%	88.9%
Operating net investment result	124	110	69	162	142	123	122
Distribution income	116	137	105	94	113	142	92
NOI attributable to shareholders	387	425	553	524	503	597	529
Net income	163	260	377	353	375	1,235	487
Net income attributable to shareholders	163	252	377	346	375	1,234	499
Per share measures³							
NOIPS	2.10	2.30	3.06	2.91	2.78	3.30	2.93
EPS	0.83	1.30	2.06	1.88	2.05	6.93	2.76

¹ This measure is aligned with our interim condensed consolidated financial statements

² See Section 22.2 – Seasonality of our P&C insurance business

³ Basic and diluted (in dollars)

22.2 Seasonality of the P&C insurance business

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

Reference to our Q4-2022 MD&A

Combined ratio seasonal indicator (by quarter) excluding CAT losses

Section 12 – Seasonality of our P&C insurance business

Section 23 - Glossary and definitions

23.1 Glossary of abbreviations

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

Management's Discussion and Analysis for the quarter ended September 30, 2023

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

23.2 KPI definitions

Our most relevant key performance indicators are defined in the table below.

Underwriting performance	Claims ratio*	$\text{Operating net claims}^* / \text{Operating net underwriting revenue}^*$
	Expense ratio*	$\text{Operating net underwriting expenses}^* / \text{Operating net underwriting revenue}^*$
	Combined ratio*	$\text{Claims ratio}^* + \text{Expense ratio}^*$

Claims ratio	Underlying current year loss ratio*	$\text{Operating net claims excluding current year CAT losses and PYD}^* / \text{Operating net underwriting revenue}^*$
	CAT loss ratio*	$\text{Net current year CAT losses}^* / \text{Operating net underwriting revenue}^*$
	PYD ratio*	$\text{PYD}^* / \text{Operating net underwriting revenue}^*$

Expense ratio	Commissions ratio*	$\text{Commissions}^* / \text{Operating net underwriting revenue}^*$
	General expenses ratio*	$\text{General expenses}^* / \text{Operating net underwriting revenue}^*$
	Premium taxes ratio*	$\text{Premium taxes}^* / \text{Operating net underwriting revenue}^*$

Consolidated performance	NOIPS (in dollars)*	$\text{NOI attributable to common shareholders}^* / \text{WANSO}^1$
	OROE*	$\text{NOI attributable to common shareholders}^* / \text{Adjusted average common shareholders' equity (excluding AOCI)}^*$
	AEPS (in dollars)*	$\text{Adjusted net income attributable to common shareholders}^* / \text{WANSO}^1$
	AROE*	$\text{Adjusted net income attributable to common shareholders}^* / \text{Adjusted average common shareholders' equity}^*$
	EPS (in dollars)	$\text{Net income attributable to common shareholders} / \text{WANSO}^1$
	ROE*	$\text{Net income attributable to common shareholders} / \text{Adjusted average common shareholders' equity}^*$

Financial strength	BVPS (in dollars)	$\text{Common shareholders' equity} / \text{Number of common shares outstanding at the same date}$
	BVPS (excluding AOCI)	$\text{Common shareholders' equity (excluding AOCI)} / \text{Number of common shares outstanding at the same date}$
	Adjusted debt-to-total capital ratio*	$\text{Debt outstanding (excluding hybrid debt)}^* / \text{Adjusted total capital}$
	Total leverage ratio	$\text{Debt outstanding, preferred shares and other equity (including NCI)} / \text{Adjusted total capital}$

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

* See Section 19 – Non-GAAP and other financial measures for more details.