

# Intact Financial Corporation

Management's Discussion and Analysis

For the quarter ended September 30, 2024



# Management's Discussion and Analysis

For the quarter ended September 30, 2024

(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, 2024. 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, 2024, compared to the corresponding period in 2023. 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 2023 Annual Report for an exhaustive view of Intact's financial performance, financial condition, strategic frameworks and more. These are available in the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com). This MD&A is dated November 5, 2024.

"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 & ESG report, may be found online on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or in the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com).

- Abbreviations and definitions of selected key terms used in this MD&A are defined in *Section 18 – Glossary and definitions*.
- Other insurance-related terms are defined in *Section 18 – Glossary and definitions* of this MD&A, as well as in the glossary available in the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com).
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

## Non-GAAP and other financial measures

We use both Generally Accepted Accounting Principles (GAAP) financial measures ("reported measures"), as well as Non-GAAP financial measures and Non-GAAP ratios (each as defined in National Instrument 52-112 "*Non-GAAP and Other Financial Measures Disclosure*") to assess our performance. Non-GAAP financial measures, 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 **Non-GAAP financial measures** included in the MD&A and other financial reports are operating net underwriting revenue, operating net claims, operating net underwriting expenses, underwriting income (loss), distribution income, total finance costs, other operating income (expense), operating and total income tax expense (benefit), PTOI, NOI attributable to common shareholders, pre-tax income, non-operating results, adjusted net income attributable to common shareholders, adjusted average common shareholder's equity, adjusted average common shareholder's equity (excluding AOCI) and debt outstanding (excluding hybrid debt).

The **Non-GAAP 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, combined ratio, claims ratio (including underlying current year loss ratio, CAT loss ratio and PYD ratio), expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio), operating effective tax rate and total effective income tax rate, NOIPS, OROE, AEPS, AROE, ROE and adjusted debt-to-total capital ratio.

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 interim condensed consolidated financial statements). These include operating DPW, operating DPW growth, operating DPW growth in constant currency, operating DPW (continuing pro-forma basis), UK&I pro-forma underwriting results, 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.

See *Section 14 – Non-GAAP and other financial measures* for the definition and reconciliation to the closest GAAP measures (or "reported measures"), as well as the rationale for their use.

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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, 2024, and are subject to change after that date. This MD&A contains forward-looking statements with respect to the integration of the recently acquired Direct Line Insurance Group plc's ("DLG") brokered Commercial lines operations ("the DLG integration"), the exit of Royal & Sun Alliance Insurance Limited from the UK Personal lines market, the realization of the expected strategic, financial and other benefits of these transactions and the impact of economic and other external conditions on the Company's operations and financial performance. This MD&A also contains forward-looking statements with respect to the Company's climate-related strategy, goals or plans, based on our current expectations, estimates and projections involving inherent risks and uncertainties, as they are based on various factors and assumptions, all of which are difficult to predict and many of which are beyond our control, including technological advancement, development of climate-related measurement methodologies, varying decarbonization efforts across economies, governmental or regulatory action, geopolitical factors impacting global energy needs, challenges of balancing emission reduction targets with an orderly, just and inclusive transition, evolution of customer behavior, our ability to gather and verify data, the participation of various stakeholders or our ability to implement various initiatives across our global operations within a specified timeframe.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the realization of the expected strategic, financial and other benefits of the DLG integration, the exit of Royal & Sun Alliance Insurance Limited from the UK Personal lines market, economic and political environments as well as industry conditions. There can also be no assurance that the strategic and financial benefits expected to result from the DLG integration will be realized. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, credit, market, liquidity, operational, strategic and legal risks and the risks discussed in **Section 29.6 - Top and emerging risks that may affect future results** and **Section 29.7 - Other risk factors that may affect future results** of our MD&A for the year ended December 31, 2023, including a major earthquake, climate change, climate-related litigation or activism, catastrophe, increased competition and disruption, turbulence in financial markets, reserving inadequacy, underwriting inadequacy, governmental and/or regulatory intervention, cyber security failure, failure of a major technology initiative, inability to contain fraud and/or abuse, customer dissatisfaction, social unrest, third party reliance, failure of an acquisition or divestiture, employee defined benefit pension plan risks, reinsurance inadequacy, distribution risks, inability to retain and to attract talent, business interruption to our operations, credit downgrade, limit on dividend and capital distribution as well as artificial intelligence risk.

All of the forward-looking statements included in this MD&A and the quarterly earnings press release dated November 5, 2024, are qualified by these cautionary statements and those made in the section entitled Risk management (**Sections 26 to 30**) of our MD&A for the year ended December 31, 2023 and the Company's Annual Information Form for the year ended December 31, 2023. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Summary of changes in our Q3-2024 MD&A

Section	Change	Information
Catastrophe losses	Added - (Section 6)	Given the significant catastrophes in Q3, we included more information on these losses, on our reinsurance program and impact of CAT events on Personal property.
Climate strategy	Added - (Section 10.2)	Detail on our climate strategy and some highlights from 2023.

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## OVERVIEW

### Section 1 - About Intact Financial Corporation

#### 1.1 Our purpose, values and core belief

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

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

Integrity | Respect | Customer-driven | Excellence | Generosity

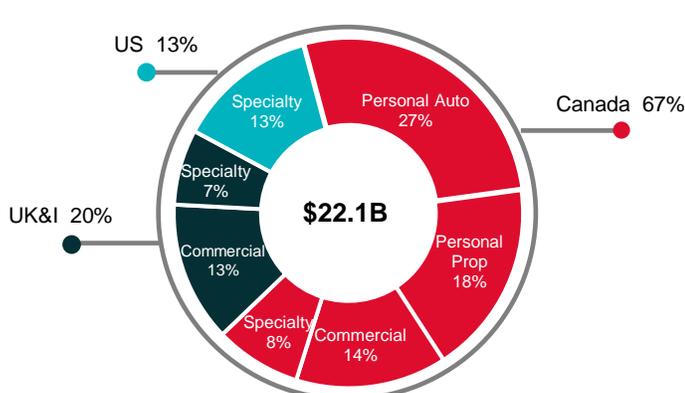
**People are at the heart of our organization, and of our success** – How we do things is just as important as what we achieve. We are a purpose-driven company based on Values and a belief that insurance is about people, not things.

#### 1.2 What defines us

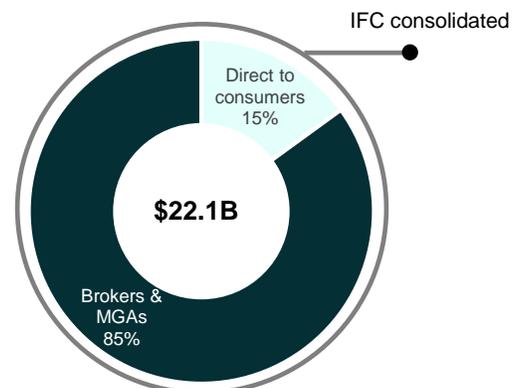
- A global team of over 30,000 employees putting our collective strengths to work – supporting customers and brokers and delivering on the key strategies and best in class operations that are essential to the success of Intact Financial Corporation.
- Largest provider of Property & Casualty insurance in Canada, a leading Specialty lines insurer with international expertise and a leader in Commercial lines in the UK and Ireland. Our business has grown organically and through acquisitions to over \$22 billion of total annual operating DPW.
- In Canada, we distribute insurance under the Intact Insurance brand through agencies and a wide network of brokers, including our wholly-owned subsidiary BrokerLink. Through belairdirect, we distribute directly to consumers. We also provide affinity insurance solutions through our affinity groups, travel insurance, as well as exclusive and tailored offerings through Intact Prestige. 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, 123.ie, NIG and FarmWeb brands.

#### 2023 Operating DPW (continuing pro-forma basis)<sup>1</sup>

##### By business segment and line of business<sup>2,3</sup>



##### By distribution channel



<sup>1</sup> 2023 DPW (continuing pro-forma basis) reflects the impact of the DLG acquisition for a full year and excludes UK Personal lines DPW, as this is a better indication of our future annual premiums. Operating DPW is a non-GAAP financial measure which does not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. This measure is used by management to assess our performance and will be referenced throughout the report. See Section 14 – Non-GAAP and other financial measures for more details.

<sup>2</sup> Commercial lines refers to the Commercial lines excluding Specialty lines, as the latter is presented separately.

<sup>3</sup> Personal lines in Ireland represent 1% of UK&I Commercial lines.

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## PERFORMANCE

### Section 2 - Consolidated performance

#### 2.1 Consolidated highlights

##### Q3-2024 Highlights

- Organic operating DPW<sup>1</sup> growth of 6%, excluding acquisitions and exits, led by continued momentum in Personal lines
- Combined ratio<sup>1</sup> of 103.9% included 22 points of catastrophe losses, offsetting otherwise strong underlying performances across all geographies
- Net operating income per share<sup>1</sup> of \$1.01 (and EPS of \$1.06), despite \$5.03 of catastrophe losses, with double-digit growth in investment and distribution income
- Operating ROE<sup>1</sup> remained strong at 15.8% over the last 12 months, up 4 points year-over-year, with BVPS<sup>1</sup> of \$90.60, up 3% sequentially, despite the unusually challenging operating environment
- Strong and resilient balance sheet with \$2.6 billion of total capital margin<sup>1</sup> and an adjusted debt-to-total capital ratio<sup>1</sup> of 20.3%

#### 2.2 Consolidated performance

Table 2.1 – Consolidated performance

	Section	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
<b>Operating DPW<sup>1</sup> (growth in constant currency)</b>	<b>3 - 5</b>	<b>6,207</b>	5,925	4%	<b>17,972</b>	16,960	5%
<b>Operating income</b>							
Underwriting (loss) income <sup>1,2</sup>	3 - 5	(215)	88	(344)%	925	666	39%
Operating net investment income	7	394	349	13%	1,161	970	20%
Distribution income <sup>1</sup>		132	116	14%	401	358	12%
Total finance costs <sup>1</sup>		(59)	(63)	4	(178)	(173)	(5)
Other operating income (expense) <sup>1</sup>		(39)	(34)	(5)	(127)	(112)	(15)
<b>Pre-tax operating income (PTOI)<sup>1</sup></b>	<b>17.4</b>	<b>213</b>	456	(53)%	<b>2,182</b>	1,709	28%
<b>NOI attributable to common shareholders<sup>1</sup></b>		<b>182</b>	349	(48)%	<b>1,695</b>	1,301	30%
Non-operating results <sup>1</sup>	8	23	(265)	288	(117)	(613)	496
<b>Net income</b>		<b>212</b>	163	30%	<b>1,643</b>	800	105%
<b>Combined ratio<sup>1,2</sup></b>	<b>3 - 5</b>	<b>103.9%</b>	98.3%	5.6 pts	<b>94.2%</b>	95.6%	(1.4) pts
<b>Effective income tax rates</b>							
Operating <sup>1</sup>		4.2%	19.7%	(15.5) pts	18.9%	20.1%	(1.2) pts
Total <sup>1</sup>		10.2%	14.8%	(4.6) pts	20.4%	27.0%	(6.6) pts
<b>Per share measures (in dollars)</b>							
NOIPS <sup>1,3</sup>		1.01	1.98	(49)%	9.49	7.41	28%
EPS – diluted <sup>3</sup>		1.06	0.83	28%	8.78	4.19	110%
BVPS <sup>1</sup>	12.4	90.60	77.24	17%			
<b>Return on equity for the last 12 months</b>							
OROE <sup>1</sup>		15.8%	12.0%	3.8 pts			
AROE <sup>1</sup>		16.7%	10.6%	6.1 pts			
ROE <sup>1</sup>		13.8%	7.8%	6.0 pts			
<b>Capital management</b>							
Total capital margin <sup>1</sup>	12.1	2,566	2,841	(275)			
Adjusted debt-to-total capital ratio <sup>1</sup>	12.2	20.3%	22.7%	(2.4) pts			

<sup>1</sup> These are non-GAAP financial measures, non-GAAP ratios and supplementary measures. See Section 14 – Non-GAAP and other financial measures for more details.

<sup>2</sup> Presented on an undiscounted basis. Underwriting income comparative figures have been reclassified accordingly.

<sup>3</sup> Per share metric is calculated based on the weighted-average diluted number of common shares. See Table 14.4 and Table 14.10 for more details.

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Table 2.2 – Consolidated underwriting results

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
<b>Operating DPW</b> (growth in constant currency)	<b>6,207</b>	5,925	4%	<b>17,972</b>	16,960	5%
<b>Operating net underwriting revenue</b>	<b>5,505</b>	5,226	5%	<b>15,999</b>	15,106	6%
<b>Underwriting income</b>	<b>(215)</b>	88	(344)%	<b>925</b>	666	39%
Underlying current year loss ratio	<b>55.0%</b>	56.8%	(1.8) pts	<b>57.2%</b>	58.3%	(1.1) pts
CAT loss ratio	<b>22.1%</b>	11.7%	10.4 pts	<b>8.8%</b>	7.5%	1.3 pts
(Favourable) unfavourable PYD ratio	<b>(5.7)%</b>	(3.1)%	(2.6) pts	<b>(5.4)%</b>	(3.9)%	(1.5) pts
<b>Claims ratio</b>	<b>71.4%</b>	65.4%	6.0 pts	<b>60.6%</b>	61.9%	(1.3) pts
Commissions	<b>15.9%</b>	16.0%	(0.1) pts	<b>16.3%</b>	16.1%	0.2 pts
General expenses	<b>13.8%</b>	14.3%	(0.5) pts	<b>14.5%</b>	14.9%	(0.4) pts
Premium taxes	<b>2.8%</b>	2.6%	0.2 pts	<b>2.8%</b>	2.7%	0.1 pts
<b>Expense ratio</b>	<b>32.5%</b>	32.9%	(0.4) pts	<b>33.6%</b>	33.7%	(0.1) pts
<b>Combined ratio</b>	<b>103.9%</b>	98.3%	5.6 pts	<b>94.2%</b>	95.6%	(1.4) pts
Composed of:						
Canada	<b>109.5%</b>	101.8%	7.7 pts	<b>95.4%</b>	97.3%	(1.9) pts
UK&I	<b>91.9%</b>	92.5%	(0.6) pts	<b>92.9%</b>	93.7%	(0.8) pts
US	<b>87.4%</b>	88.5%	(1.1) pts	<b>88.0%</b>	89.6%	(1.6) pts

	Q3-2024 vs Q3-2023	YTD-2024 vs YTD-2023
<b>Operating DPW growth</b> (in constant currency) (Sections 3-5)	<ul style="list-style-type: none"> <li><b>Operating DPW growth was 4% in the quarter and 5% year-to-date</b>, with organic growth of 6% for both periods, after excluding the net impact from acquisitions and exits. This was led by rate increases and unit growth in hard market conditions across Personal lines. Within Commercial lines, growth was led by rates in the mid-single digits, with market conditions varying by line of business, and increased competition in large accounts.</li> </ul>	
<b>Current year claims</b> (excluding CAT losses and PYD) (Sections 3-5)	<ul style="list-style-type: none"> <li><b>Strong underlying current year loss ratio of 55.0%</b>, a 2-point improvement from last year, driven by strong performance across our Canadian lines of business, while the US and UK&amp;I remained robust.</li> </ul>	<ul style="list-style-type: none"> <li><b>Underlying current year loss ratio of 57.2%</b>, 1 point better than last year, due to solid performance across geographies, particularly in Canada.</li> </ul>
<b>CAT losses</b> (Sections 3-6)	<ul style="list-style-type: none"> <li><b>Elevated CAT loss ratio of 22.1%</b>, with \$1.2 billion in losses largely due to 4 severe weather events in Canada, which included wildfires, hailstorm and flooding.</li> </ul>	<ul style="list-style-type: none"> <li><b>CAT loss ratio was elevated at 8.8%</b>, with \$1.4 billion of catastrophe losses, reflecting the severe events in Q3, tempered by benign weather in H1-2024. Last year also experienced severe weather activity in Canada.</li> </ul>
<b>Prior year claims development</b> (Sections 3-5)	<ul style="list-style-type: none"> <li><b>Favourable PYD ratio of 5.7%</b> reflected healthy PYD across all geographies and lines of business, particularly in Canada Commercial lines.</li> </ul>	<ul style="list-style-type: none"> <li><b>Favourable PYD ratio was healthy at 5.4%</b> and better than last year, after including nearly 1 point of favourable development on prior year CATs.</li> </ul>
<b>Expenses</b> (Sections 3-5)	<ul style="list-style-type: none"> <li><b>Expense ratios of 32.5% in the quarter and 33.6% year-to-date</b> were comparable to last year and in line with expectations for the period.</li> </ul>	
<b>Underwriting (loss) income</b> (Sections 3-5)	<ul style="list-style-type: none"> <li><b>Elevated combined ratio of 103.9%</b> after incurring 22 points of catastrophe losses, mainly impacting our Canadian segment. Our underwriting results were strong otherwise, led by robust underlying performances across all geographies.</li> </ul>	<ul style="list-style-type: none"> <li><b>Combined ratio remained solid at 94.2%</b>, and 1.4 points better than last year, despite higher catastrophe losses in the period. This was driven by solid underlying performance across all lines of business.</li> </ul>

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<b>Operating net investment income</b> <i>(Section 7)</i>	<ul style="list-style-type: none"> <li>• <b>Operating net investment income rose by 13% in the quarter and by 20% year-to-date</b>, driven by higher reinvestment yields captured in 2023. At quarter-end, the reinvestment yield remained marginally above our book yield. We continue to expect investment income north of \$1.5 billion in 2024.</li> </ul>
<b>Distribution income</b>	<ul style="list-style-type: none"> <li>• <b>Distribution income increased by 14% to \$132 million</b>, driven by strong contributions from our M&amp;A activities, along with improved margins within BrokerLink.</li> <li>• <b>Distribution income increased by 12% to \$401 million</b>, driven by higher revenues organically and from acquisitions. We continue to expect growth of at least 10% in 2024.</li> </ul>
<b>Total finance costs</b>	<ul style="list-style-type: none"> <li>• <b>Total finance costs</b> slightly decreased from last year, as lower costs from recent deleveraging activities offset financing required for the DLG acquisition<sup>1</sup>, which occurred in Q4-2023.</li> <li>• <b>Total finance costs</b> increased slightly compared to last year, driven by the financing required for the DLG acquisition<sup>1</sup>.</li> </ul>
<b>Other operating income (expense)</b>	<ul style="list-style-type: none"> <li>• <b>Other operating expenses</b> increased compared to last year, primarily due the impact of a higher share price on compensation expense.</li> </ul>
<b>NOIPS</b>	<ul style="list-style-type: none"> <li>• <b>NOIPS was \$1.01</b> while incurring \$5.03 of catastrophe losses in the quarter. NOIPS benefitted from strong underlying performance as well as solid growth in our distribution and investment activities.</li> <li>• <b>NOIPS increased by 28% to \$9.49</b>, despite higher catastrophe losses year-over-year, driven by strong underlying results, as well as double-digit growth in investment and distribution income.</li> </ul>
<b>Non-operating results</b> <i>(Section 8)</i>	<ul style="list-style-type: none"> <li>• <b>Non-operating gains were \$23 million</b>, in contrast to \$265 million of losses last year, driven by market-related gains on our equity securities, along with lower losses from exited lines and restructuring costs.</li> <li>• <b>Non-operating losses of \$117 million</b> were lower than last year, mainly due to favourable equity market movements and gains from the sale of our UK direct Home and Pet portfolio in Q1.</li> </ul>
<b>Income tax benefit (expense)</b>	<ul style="list-style-type: none"> <li>• <b>Operating effective income tax rate was low at 4.2%</b>, reflecting a mix of losses and earnings taxed at different statutory rates. Specifically, the underwriting losses from our Canadian segment are taxed at full statutory rate, while investment income is taxed at a lower rate.</li> <li>• <b>Operating effective income tax rate was low at 18.9%</b>, reflecting a tax recovery related to our UK operations as well as the impact of significant underwriting losses in Q3.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Total effective income tax rate was low at 10.2%</b> as a result of the above-mentioned items.</li> <li>• <b>Total effective income tax rate of 20.4%</b> was lower than last year. 2023's elevated tax rate included an increase in the non-operating income tax expense due to the UK pension buy-in transaction.</li> </ul>
<b>EPS - diluted</b>	<ul style="list-style-type: none"> <li>• <b>EPS increased year-over-year to \$1.06</b> despite the challenging environment, driven by our diversified sources of income and further supported by gains on our equity securities.</li> <li>• <b>EPS more than doubled to \$8.78</b>, despite increased catastrophe losses year-over-year, driven by strong operating earnings, and further benefitting from lower non-operating losses.</li> </ul>
<b>Return on equity for the last 12 months</b>	<ul style="list-style-type: none"> <li>• <b>Operating ROE was resilient at 15.8%</b>, withstanding the negative impact from catastrophe losses over the last 12 months.</li> <li>• <b>Adjusted ROE of 16.7% and ROE of 13.8%</b> remained strong, with an increase of 6 points from last year, primarily due to higher operating earnings and investment portfolio gains.</li> </ul>
<b>BVPS</b> <i>(Section 12.4)</i>	<ul style="list-style-type: none"> <li>• <b>BVPS of \$90.60</b> increased 3% from Q2-2024, supported by solid earnings and market-related gains on our bond portfolio.</li> <li>• <b>BVPS of \$90.60</b> increased 17% from last year due to strong earnings over the last twelve months, as well as mark-to-market gains on our fixed-income investments.</li> </ul>

<sup>1</sup> Refers to the acquisition of Direct Line Insurance Group plc's ("DLG") brokered Commercial lines operations in Q4-2023.

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

<b>Adjusted debt-to-total capital ratio</b> (Section 12.2)	<ul style="list-style-type: none"> <li>Our adjusted debt-to-total capital ratio of 20.3% as at September 30, 2024 increased slightly from last quarter, driven by elevated catastrophe losses combined with the cancellation of RSA's preferred shares.</li> </ul>
<b>Financial condition</b> (Section 12.1)	<ul style="list-style-type: none"> <li>We ended the quarter in a strong financial position, with solid regulatory capital ratios in all jurisdictions. Total capital margin remained strong at \$2.6 billion, down slightly from \$2.9 billion last quarter, despite \$1.2 billion of catastrophe losses, pre-tax.</li> </ul>

## 2.3 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. Our Non-GAAP financial measures represent GAAP measures with changes in the geography of certain components, which reflect how we manage and evaluate our business. Although our individual Non-GAAP key performance indicators do not have a meaning prescribed by IFRS, the sum of all operating and non-operating components reconcile in total to Net income, as presented in our interim condensed consolidated financial statements, and our bottom-line KPIs are identical in both instances. All Non-GAAP financial measures are reconciled to their closest GAAP measures in **Section 14 – Non-GAAP and other financial measures**.

The below KPIs reflect what we use to evaluate our performance consistently over time:

Table 2.3 – Non-GAAP and GAAP key performance indicators

	Non-GAAP KPIs				Closest GAAP measures			
	MD&A captions	Q3-2024	Q3-2023	Analyses of results	Financial Statement captions	Q3-2024	Q3-2023	Reconciliation to GAAP
NON-GAAP KPIs	Operating net underwriting revenue	5,505	5,226	Sections 3-5	Insurance revenue	6,757	6,385	Table 14.1
					Expense from reinsurance contracts	(645)	(815)	
	Total operating net claims & underwriting expenses	(5,720)	(5,138)	Sections 3-5	Insurance service expense	(6,809)	(5,948)	Table 14.1
					Income from reinsurance contracts	848	780	
	Underwriting (loss) income	(215)	88	Sections 3-5	Insurance service result	151	402	Table 14.1
	Operating net investment income	394	349	Section 7.2	Net investment income	394	349	N/A – identical
	PTOI	213	456	Section 17.4	Income before income taxes	229	184	Table 14.3
	NOI attributable to common shareholders	182	349	Section 2.2	Net income attributable to shareholders	207	163	Table 14.4
NOIPS	1.01	1.98	Section 2.2	EPS - diluted	1.06	0.83	Table 14.10	

GAAP KPIs (composite measures of the above KPIs)							
	Financial Statement and MD&A captions	Analyses of results	Q3-2024	Q3-2023	YTD-2024	YTD-2023	Reconciliation to GAAP
EPS - basic	Section 14.6	1.07	0.83	8.79	4.19	N/A – identical	
EPS - diluted	Section 2.2	1.06	0.83	8.78	4.19	N/A – identical	
BVPS	Section 2.2	90.60	77.24	90.60	77.24	N/A – identical	

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 3 - Canada segment

### 3.1 P&C Canada

Table 3.1 – Underwriting results for P&C Canada<sup>1</sup>

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Operating DPW	4,261	3,943	8%	12,076	11,209	8%
Claims ratio	78.1%	70.5%	7.6 pts	63.0%	65.0%	(2.0) pts
Expense ratio	31.4%	31.3%	0.1 pts	32.4%	32.3%	0.1 pts
<b>Combined ratio</b>	<b>109.5%</b>	<b>101.8%</b>	<b>7.7 pts</b>	<b>95.4%</b>	<b>97.3%</b>	<b>(1.9) pts</b>

<sup>1</sup> See Section 14 – Non-GAAP and other financial measures for more details.

Underwriting results for P&C Canada are composed of our 3 lines of business: Personal auto, Personal Property and Commercial lines (including Specialty lines), which are detailed below.

### 3.2 Personal auto

Table 3.2 – Underwriting results for Personal auto

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Operating DPW	1,873	1,668	12%	5,065	4,548	11%
Written insured risks (in thousands)	1,395	1,371	2%	3,980	3,931	1%
Operating net underwriting revenue	1,637	1,475	11%	4,714	4,284	10%
Underwriting income (loss)	40	66	(39)%	195	232	(16)%
Underlying current year loss ratio	69.5%	72.4%	(2.9) pts	71.0%	73.9%	(2.9) pts
CAT loss ratio	6.9%	3.5%	3.4 pts	2.4%	1.5%	0.9 pts
(Favourable) unfavourable PYD ratio	(3.8)%	(5.8)%	2.0 pts	(3.4)%	(6.8)%	3.4 pts
Claims ratio	72.6%	70.1%	2.5 pts	70.0%	68.6%	1.4 pts
Expense ratio	25.0%	25.3%	(0.3) pts	25.9%	26.0%	(0.1) pts
<b>Combined ratio</b>	<b>97.6%</b>	<b>95.4%</b>	<b>2.2 pts</b>	<b>95.9%</b>	<b>94.6%</b>	<b>1.3 pts</b>

#### Q3-2024 vs Q3-2023

- **Operating DPW grew 12% in the quarter and 11% year-to-date**, reflecting rates and continued unit momentum in hard market conditions.
- **Underlying current year loss ratio was strong at 69.5%**, improving 3 points from last year, reflecting higher earned premiums which continued to outpace inflation.
- **Elevated CAT loss ratio of 6.9%** was more than 4 points in excess of expectations, mainly due to the impact from the Calgary hailstorm.
- **Favourable PYD ratios of 3.8% for the quarter and 3.4% year-to-date** remained healthy, and largely in line with expectations.
- **Expense ratio of 25.0%** was broadly comparable to last year, reflecting continued expense management.
- **Combined ratio stood at 97.6%**, after absorbing 7 points of CAT losses. Excluding this, performance was strong and in line with expectations.

#### YTD-2024 vs YTD-2023

- **Underlying current year loss ratio of 71.0%**, 3 points better than last year, reflecting the benefits of our profitability actions.
- **CAT loss ratio of 2.4%** was above expectations due to CAT activity in the quarter tempering benign weather in H1-2024.
- **Expense ratio of 25.9%** included the impact of a non-recurring incentive compensation true-up in Q1-2024.
- **Combined ratio of 95.9%** included 1 point of excess CAT losses. Otherwise, our combined ratio was in line with our sub-95 guidance, which remains unchanged for the next twelve months.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 3.3 Personal property

Table 3.3 – Underwriting results for Personal property

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Operating DPW	1,203	1,109	8%	3,192	2,931	9%
Written insured risks (in thousands)	863	855	1%	2,334	2,308	1%
Operating net underwriting revenue	1,004	925	9%	2,918	2,701	8%
Underwriting (loss) income	(478)	(218)	nm	(99)	(255)	nm
Underlying current year loss ratio	45.3%	51.0%	(5.7) pts	47.7%	50.6%	(2.9) pts
CAT loss ratio	72.1%	42.4%	29.7 pts	25.3%	24.5%	0.8 pts
(Favourable) unfavourable PYD ratio	(2.7)%	(2.5)%	(0.2) pts	(4.1)%	0.2%	(4.3) pts
Claims ratio	114.7%	90.9%	23.8 pts	68.9%	75.3%	(6.4) pts
Expense ratio	32.8%	32.8%	- pts	34.5%	34.2%	0.3 pts
<b>Combined ratio</b>	<b>147.5%</b>	123.7%	23.8 pts	<b>103.4%</b>	109.5%	(6.1) pts

### Q3-2024 vs Q3-2023

- **Operating DPW grew by 8% in the quarter and by 9% year-to-date**, reflecting rates and unit growth in hard market conditions.
- **Underlying current year loss ratio was very strong at 45.3%**, down 6 points from last year, reflecting our profitability actions.
- **Elevated CAT loss ratio of 72.1%**, more than 62 points above expectations for the quarter, reflecting the impact of flooding, hailstorm and wildfires across the country.
- **Favourable PYD ratio was healthy at 2.7%** and included favourable development on last year's elevated catastrophe losses.
- **Expense ratio of 32.8%** was comparable to prior year, reflecting continued expense management.
- **Elevated combined ratio of 147.5%**, after absorbing 72 points of CAT losses, making it the worst quarter historically (see [Section 6 – Catastrophe losses](#) for more details). Underlying performance remained strong from continued underwriting discipline.

### YTD-2024 vs YTD-2023

- **Underlying current year loss ratio improved by 3 points to 47.7%**, reflecting the continued benefit of higher earned premiums.
- **CAT loss ratio was elevated at 25.3%**, due to significant CAT activity in Q3, tempered by benign weather in H1-2024. Last year's ratio was also affected by severe weather events in the period.
- **Favourable PYD ratio was solid at 4.1%** and better than last year's muted level.
- **Expense ratio of 34.5%** increased slightly from last year, mainly due to a non-recurring incentive compensation true-up in Q1-2024.
- **Combined ratio was elevated at 103.4%**, but 6 points better than last year, as stronger underlying performance offset higher CAT losses in the period. We remain confident in maintaining our 10-year track record of a 90% combined ratio, and sub-95% guidance even with increasingly severe weather events.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 3.4 Commercial lines

Table 3.4 – Underwriting results for Commercial lines

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Operating DPW	1,185	1,166	2%	3,819	3,730	2%
Operating net underwriting revenue	1,229	1,186	4%	3,607	3,443	5%
Underwriting income (loss)	70	86	(19)%	416	309	35%
Underlying current year loss ratio	45.6%	50.2%	(4.6) pts	50.8%	51.1%	(0.3) pts
CAT loss ratio	24.2%	13.2%	11.0 pts	9.4%	8.8%	0.6 pts
(Favourable) unfavourable PYD ratio	(14.0)%	(8.3)%	(5.7) pts	(10.8)%	(7.4)%	(3.4) pts
Claims ratio	55.8%	55.1%	0.7 pts	49.4%	52.5%	(3.1) pts
Expense ratio	38.6%	37.6%	1.0 pt	39.1%	38.5%	0.6 pts
<b>Combined ratio</b>	<b>94.4%</b>	<b>92.7%</b>	<b>1.7 pts</b>	<b>88.5%</b>	<b>91.0%</b>	<b>(2.5) pts</b>

### Q3-2024 vs Q3-2023

- **Operating DPW grew by 2% in the quarter and year-to-date**, reflecting continued mid-single-digit rate increases, offset by the impact of continued competition in large accounts.
- **Underlying current year loss ratio was very strong at 45.6%**, lower than previously reported levels, reflecting our continued profitability actions.
- **Elevated CAT loss ratio of 24.2%** after absorbing approximately 19 points of excess CAT losses due to severe weather events in the quarter.
- **Very strong favourable PYD ratios of 14.0% in the quarter and 10.8% year-to-date**, reflective of our on-going prudent reserving, particularly in long-tail lines, and favourable development on prior year catastrophe losses.
- **Expense ratios of 38.6% in the quarter and 39.1% year-to-date** increased from last year, due to higher incentive compensation.
- **Combined ratio remained solid at 94.4%**, as elevated CAT losses were largely offset by strong favourable PYD and a very robust underlying performance.

### YTD-2024 vs YTD-2023

- **Underlying current year loss ratio was solid at 50.8%**, decreasing slightly from last year, as the impact of higher large losses was more than offset by the continued benefit of our profitability actions.
- **CAT loss ratio was high at 9.4%**, largely attributable to weather events in Q3, following a benign H1-2024. Last year's ratio was also affected by severe weather events in the period.
- **Performance was strong with a combined ratio of 88.5%** despite elevated CAT losses, reflecting continued underwriting discipline and prudent reserving. We remain well positioned to continue to deliver a low-90s or better combined ratio.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 4 - UK and International (UK&I) segment

### 4.1 P&C UK&I

Table 4.1 – Underwriting results for P&C UK&I<sup>1</sup>

	Q3-2024 Reported	Q3-2023 Pro-forma <sup>2</sup>	Change	YTD-2024 Reported	YTD-2023 Pro-forma <sup>2</sup>	Change
Operating DPW	1,075	808	33%	3,635	2,656	37%
Growth in constant currency			28%			33%
Operating net underwriting revenue	1,062	807	32%	3,112	2,288	36%
Growth in constant currency			27%			32%
Underwriting income (loss)	86	79	9%	222	236	(6)%
Underlying current year loss ratio	56.1%	49.7%	6.4 pts	56.8%	54.6%	2.2 pts
CAT loss ratio	6.4%	(0.1)%	6.5 pts	5.2%	2.8%	2.4 pts
(Favourable) unfavourable PYD ratio	(4.4)%	5.0%	(9.4) pts	(4.5)%	(3.1)%	(1.4) pts
Claims ratio	58.1%	54.6%	3.5 pts	57.5%	54.3%	3.2 pts
Expense ratio	33.8%	35.8%	(2.0) pts	35.4%	35.4%	- pts
<b>Combined ratio</b>	<b>91.9%</b>	<b>90.4%</b>	<b>1.5 pts</b>	<b>92.9%</b>	<b>89.7%</b>	<b>3.2 pts</b>

<sup>1</sup> See Section 14 – Non-GAAP and other financial measures and Section 8.1 – Income (loss) from exited lines for more details.

<sup>2</sup> To provide comparability with last year, results from the UK home and pet operations, which were exited effective Q4-2023, have been excluded from 2023 results. For a full view of Q3-2023 and YTD-2023 reported results, see Section 17.4 – Operating performance by segment or refer to our Supplementary Information on our website.

Q3-2024 reported vs Q3-2023 pro-forma	YTD-2024 reported vs YTD-2023 pro-forma
<ul style="list-style-type: none"> <li><b>Operating DPW growth was 28% in the quarter and 33% year-to-date</b>, mainly due to the Q4-2023 DLG acquisition. Excluding this impact, organic growth was muted in the quarter and 3% year-to-date, as mid-single-digit rate actions and solid new business in Commercial lines were offset by moderating market conditions, particularly in large accounts in specialty lines.</li> <li><b>Underlying current year loss ratio was 56.1%</b>, 6.4 points higher than last year, reflecting an increased level of non-CAT large losses, while continuing to keep a cautious stance on the DLG business.</li> <li><b>CAT loss ratio of 6.4%</b> was nearly 2 points higher than expected, mainly due to Hurricane Helene, Storm Boris and heavy rains in the UK.</li> <li><b>Favourable PYD ratios were healthy at 4.4% in the quarter and 4.5% year-to-date</b>, with contributions from most portfolios. Last year's results were impacted by adverse developments related to specific large claims.</li> <li><b>Expense ratio of 33.8%</b> was lower than last year, reflecting a 2-point benefit from deferral of expenses related to DLG and a non-recurring credit.</li> <li><b>Combined ratios remained solid at 91.9% for the quarter and 92.9% year-to-date</b>, in line with expectations following the DLG acquisition. Our refocused UK&amp;I segment is well aligned to improve the combined ratio towards 90% over the next 24 months.</li> </ul>	<ul style="list-style-type: none"> <li><b>Underlying current year loss ratio was 56.8%</b>, increasing by 2.2 points year-over-year as we integrate the DLG business, while continuing our underwriting profitability actions and maintaining discipline.</li> <li><b>CAT loss ratio of 5.2%</b> was higher than last year and mostly attributable to severe weather events.</li> <li><b>Expense ratio of 35.4%</b> was lower than expected due to non-recurring expense benefits in the quarter.</li> </ul>

### 4.2 Operating DPW growth

In 2023, we exited our UK Personal lines operations and expanded our Commercial lines portfolio through the DLG acquisition. The table below provides a full view of these impacts on our UK&I and IFC consolidated operating DPW growth.

Table 4.2 – Operating DPW growth in constant currency

	Q3-2024		YTD-2024	
	UK&I	IFC	UK&I	IFC
DPW growth - reported	(11)%	4%	(2)%	5%
DPW growth - excluding exits (pro-forma) <sup>1</sup>	28%	10%	33%	11%
DPW growth - organic <sup>2</sup>	-%	6%	3%	6%

<sup>1</sup> Excludes DPW from UK home & pet operations, which were exited in Q4-2023. UK motor was already exited in Q1-2023.

<sup>2</sup> Excludes DPW from the exited lines above, the end of a large commercial UK motor contract as well as the DLG acquisition (effective Q4-2023).



# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 5 - US segment

### 5.1 P&C US

Table 5.1 – Underwriting results for P&C US<sup>1</sup>

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Operating DPW	871	825	6%	2,261	2,157	5%
Growth in constant currency			4%			4%
Operating net underwriting revenue	573	530	8%	1,645	1,524	8%
Growth in constant currency			6%			7%
Underwriting income (loss)	72	62	16%	198	159	25%
Underlying current year loss ratio	49.5%	48.7%	0.8 pts	49.0%	49.1%	(0.1) pts
CAT loss ratio	2.4%	2.1%	0.3 pts	3.5%	3.0%	0.5 pts
(Favourable) unfavourable PYD ratio	(1.5)%	(2.2)%	0.7 pts	(3.3)%	(2.5)%	(0.8) pts
Claims ratio	50.4%	48.6%	1.8 pts	49.2%	49.6%	(0.4) pts
Expense ratio	37.0%	39.9%	(2.9) pts	38.8%	40.0%	(1.2) pts
<b>Combined ratio</b>	<b>87.4%</b>	<b>88.5%</b>	<b>(1.1) pts</b>	<b>88.0%</b>	<b>89.6%</b>	<b>(1.6) pts</b>

<sup>1</sup> See Section 14 – Non-GAAP and other financial measures for more details.

Q3-2024 vs Q3-2023	YTD-2024 vs YTD-2023
<ul style="list-style-type: none"> <li><b>Operating DPW growth was 4% for the quarter and year-to-date</b>, reflecting mid-single-digit or better rate actions in most lines of business, offset by the impact of corrective actions taken in certain lines of business.</li> <li><b>Underlying current year loss ratio was strong at 49.5%</b> but increased year-over-year mainly due to higher non-CAT weather losses in 2024.</li> <li><b>CAT loss ratio of 2.4%</b> was broadly in line with expectations and included losses mainly related to Hurricane Helene.</li> <li><b>Favourable PYD ratio was healthy at 1.5%</b> and broadly comparable with last year.</li> <li><b>Expense ratio of 37.0%</b> in a seasonally favourable quarter, and lower than last year which included a 2-point adverse variable compensation timing impact in Q3-2023.</li> <li><b>Combined ratios were strong at 87.4% for the quarter and 88.0% year-to-date</b>, reflecting our continued underwriting discipline. We are well positioned to maintain a low 90s or better combined ratio.</li> </ul>	<ul style="list-style-type: none"> <li><b>Underlying current year loss was strong at 49.0%</b> and comparable to last year, reflecting continued profitability actions.</li> <li><b>CAT loss ratio of 3.5%</b> was higher than last year and expectations, from both weather-related and large non-weather-related losses in the period.</li> <li><b>Favourable PYD ratio was solid at 3.3%</b>, reflecting favourable prior year development across most business units.</li> <li><b>Expense ratio of 38.8%</b>, a 1-point improvement from last year due to continued expense management.</li> </ul>

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 6 - Catastrophe (CAT) losses

### 6.1 Net CAT losses

Table 6.1 – Net CAT losses by segment<sup>1</sup>

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
<b>By segment</b>						
P&C Canada	1,134	601	533	1,190	1,029	161
P&C UK&I	68	(1)	69	162	65	97
P&C US	14	11	3	57	46	11
<b>Current year CAT losses</b>	<b>1,216</b>	<b>611</b>	<b>605</b>	<b>1,409</b>	<b>1,140</b>	<b>269</b>
<b>Current year CAT loss ratio</b>						
P&C Canada	29.3%	16.8%	12.5 pts	10.6%	9.9%	0.7 pts
P&C UK&I	6.4%	(0.1)%	6.5 pts	5.2%	2.1%	3.1 pts
P&C US	2.4%	2.1%	0.3 pts	3.5%	3.0%	0.5 pts
<b>Consolidated CAT loss ratio</b>	<b>22.1%</b>	<b>11.7%</b>	<b>10.4 pts</b>	<b>8.8%</b>	<b>7.5%</b>	<b>1.3 pts</b>
<b>Consolidated CAT loss ratio (including PYD on CATs)</b>	<b>21.2%</b>	<b>11.7%</b>	<b>9.5 pts</b>	<b>8.0%</b>	<b>7.5%</b>	<b>0.5 pts</b>

<sup>1</sup>See Section 14 – Non-GAAP and other financial measures for more details.

Q3-2024 highlights	YTD-2024 highlights
<ul style="list-style-type: none"> <li>The current year CAT loss ratio of 22.1% (CAT losses of \$1,216 million), was well above our expectations for the third quarter (17 points in excess). Q3 expectations represent nearly 30% of our annual guidance of \$900 million in CAT losses.</li> <li>This was mainly due to 4 severe weather events in Canada, spanning a short timeframe. These included torrential rains in Southern Ontario, wildfires in Jasper, a hailstorm in Calgary and flooding in Québec.</li> <li>Other CAT losses in the quarter impacted the UK&amp;I and US, including Hurricane Helene, Storm Boris as well as heavy rains in the UK.</li> </ul>	<ul style="list-style-type: none"> <li>The current year CAT loss ratio of 8.8% (CAT losses of \$1,409 million) was above expectations for the period.</li> <li>This was largely attributable to losses in our Canadian segment in Q3, following a benign H1-2024.</li> <li>Last year also reported an elevated CAT loss ratio following severe weather activity in Q2 and Q3 across Canada.</li> </ul>

### Corporate reinsurance program for catastrophes

#### A closer look on major weather CAT events in Q3-2024

- During the quarter, our total CAT losses were \$1.2 billion, net of reinsurance, and \$1.7 billion on a gross basis.
- Our Canadian segment experienced 4 severe weather events, of which the Quebec Floods from Hurricane Debby and the Calgary Hailstorm both exceeded our \$250 million retention threshold of our main catastrophe reinsurance treaty.
- For catastrophe losses in the UK&I and US segments, including Hurricane Helene, Storm Boris as well as heavy rains in the UK, these events did not trigger reinsurance recoveries.

#### Our approach to reinsurance

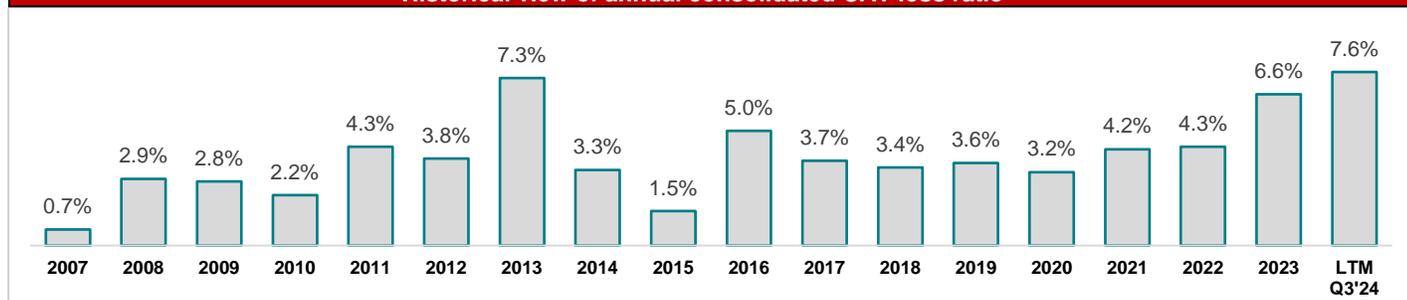
- Our CAT loss exposure is managed through individual risk selection, risk management and the purchase of reinsurance contracts. Our treaties are primarily designed as a safeguard against capital-intensive events and are not intended to manage quarterly earnings volatility.
- We continually review our reinsurance coverage to align with our risk appetite, while being optimal from a cost perspective.

# Management's Discussion and Analysis

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

## Historical view of annual consolidated CAT loss ratio<sup>1,2</sup>



LTM = last twelve-months

<sup>1</sup> 2024-2022 ratios are presented on an IFRS 17 basis, 2021-2010 on an IFRS 4 basis and 2009-2007 on a Canadian GAAP basis.

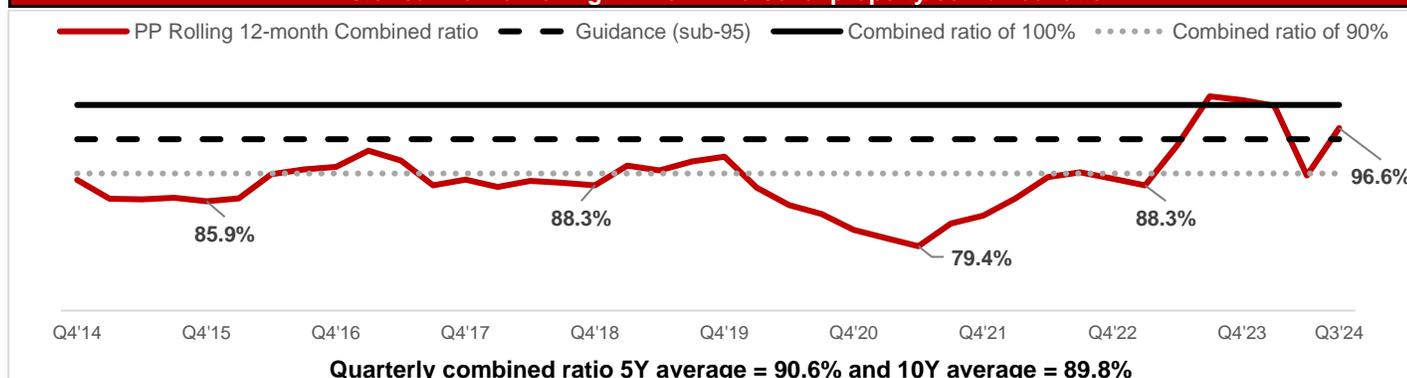
<sup>2</sup> CAT loss ratios included all weather and non-weather related events.

## Highlights

- We have been subject to elevated levels of catastrophe losses in recent years, with CAT loss ratios of 6.6% in 2023 and 7.6% as of Q3-2024 (using a last 12-months basis). This level of catastrophe losses compares to the Fort McMurray fires in 2016 and the Calgary and Toronto floods in 2013.
- Events in the past summer, which hit 3 out of the 4 most populated cities in Canada, represent a very high return period, and we do not consider it to be the new normal.
- We typically release CAT loss guidance with Q4 results, once we have a full year of data. We expect our annual CAT loss guidance to increase due to a combination of the following factors:
  - Increase in exposures and on-going inflation;
  - Climate change trend as identified in our most recent science-based climate modelling; and
  - Higher credibility assigned to recent CAT loss experiences.
- This annual CAT loss expectation is not expected to impair our ability to continue to grow our earnings in line with our financial objectives, hinder our ability to sustain our strong track record in Personal property or the availability of our product. We will continue to focus on adaptation, prevention, products improvement as well as reinsurance optimization and pricing actions.

## 6.2 Personal property resiliency to CAT losses

### Historical view of rolling 12-month Personal property combined ratio



## Highlights

- Our Personal property business in Canada has shown long-term resiliency. In fact, over the past 10 years:
- our rolling 12-month combined ratio operated below 100% 95% of the time, within our sub-95 guidance 90% of the time; and
  - we delivered a sub-90 combined ratio two-thirds of the time, with an average quarterly 10-year combined ratio of 89.8%.
- We remain confident in our ability to maintain profitability, with different levers at our disposal, as described above in [Section 6.1](#).

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 7 - Investment performance

### 7.1 Capital market update

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 7.1 – Selected market indicators

Selected market indicators	Q3-2024	Q3-2023	YTD-2024	YTD-2023
S&P/TSX Composite	10%	(3)%	15%	1%
S&P/TSX Financials	16%	(4)%	18%	(2)%
DJ Dividend 100 Composite (US)	9%	(3)%	11%	(6)%
S&P/TSX Preferred Share Index	4%	(3)%	15%	(6)%
5Y Canada Sovereign Index	(78) bps	56 bps	(44) bps	84 bps
5Y US Sovereign Index	(82) bps	45 bps	(29) bps	61 bps
5Y UK Sovereign Index	(16) bps	(15) bps	40 bps	90 bps
5Y Canada AA Corporate spread	-	-	(17) bps	(17) bps
Strengthening (weakening) of: USD vs CAD	(1)%	3%	2%	-
Strengthening (weakening) of: GBP vs CAD	5%	(2)%	7%	1%

### 7.2 Operating performance: Operating net investment income

Table 7.2 – Operating net investment income

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Interest income	318	277	41	933	731	202
Dividend income	82	77	5	240	252	(12)
Investment property rental income	7	5	2	24	16	8
Operating investment income	407	359	48	1,197	999	198
Investment expenses	(13)	(10)	(3)	(36)	(29)	(7)
<b>Operating net investment income</b>	<b>394</b>	<b>349</b>	<b>45</b>	<b>1,161</b>	<b>970</b>	<b>191</b>

#### 2024 vs 2023

- **Operating net investment income increased by 13% in the quarter and by 20% year-to-date**, driven by higher reinvestment yields captured in 2023.  
**Reminder:** YTD-2023 Operating net investment income included a special dividend of \$25 million.
- At quarter-end, the reinvestment yield of 3.9% (4.6% in Q2-2024) remained marginally above our book yield of 3.8% (3.7% in Q2-2024). From quarter-to-quarter, the margin between the reinvestment and book yields narrowed by 80 basis points. We expect our book yield growth to decelerate as portfolios continue to roll over.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 7.3 Non-operating performance: Net gains (losses) excluding FVTPL bonds

Table 7.3 – Net gains (losses) excluding FVTPL bonds<sup>1</sup>

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Realized and unrealized gains (losses) on:						
FVTOCI bonds, net of derivatives	25	(17)	42	12	(3)	15
Equity securities, net of derivatives	232	(51)	283	364	(120)	484
Investment property	1	(14)	15	(5)	(3)	(2)
Other net foreign currency gains (losses) <sup>2</sup>	(87)	8	(95)	(126)	(38)	(88)
ECL expense	(1)	-	(1)	(2)	(2)	-
<b>Net gains (losses) excluding FVTPL bonds</b>	<b>170</b>	<b>(74)</b>	<b>244</b>	<b>243</b>	<b>(166)</b>	<b>409</b>

<sup>1</sup> See Note 15 – Net investment return and net insurance financial result to the interim condensed consolidated financial statements for details.

<sup>2</sup> This does not include the \$(45) million of foreign currency gains (losses) in Q3-2024, \$(69) million in YTD-2024, \$43 million in Q3-2023 and \$(13) million in YTD-2023, which are reported directly with our Net gains (losses) on FVTPL bonds.

### Highlights

- **Net gains excluding FVTPL bonds of \$170 million in the quarter and \$243 million year-to-date** primarily reflected mark-to-market gains on our equity securities over the period, tempered by net foreign currency losses.

See **Section 8 – Non-operating results** for detail on our Net gains (losses) on FVTPL bonds.

## 7.4 Balance sheet: Investment portfolio net exposure

Our net exposure (after reflecting the impact of hedging strategies related to investments) is outlined below. Additional information on our exposures can be found in our Supplementary Information, available in the “Investors” section of our web site at [www.intactfc.com](http://www.intactfc.com).

Table 7.4 – Investment mix (net exposure)<sup>1</sup>

As at	September 30, 2024	June 30, 2024	December 31, 2023
Cash, cash equivalents, and short-term notes	10%	10%	9%
Fixed-income	74%	77%	77%
Preferred shares	4%	4%	4%
Common equity	9%	6%	6%
Investment property	1%	1%	1%
Loans	2%	2%	3%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Net of financial liabilities related to investments and hedging positions.

We continued to remain overweight on cash, cash equivalents and short-term notes. We increased our common equity exposure by 3% during the quarter up to 9%, settling close to our target of 10% by the end of the year. Our fixed-income strategy remains the same: conservative credit exposure and stable interest rate duration.

## 7.5 Balance sheet: Our investment portfolio

### Highlights as at September 30, 2024

- **Our investment portfolio was of \$39.4 billion** as at September 30, 2024. The \$2 billion increase in our portfolio during the quarter reflected the decrease in interest rates across all regions, favourable equity markets, investment income reinvested and the strengthening of the UK pound sterling.
- **The composition of our portfolio by geography** (country of incorporation) is: 50% Canada, 28% US, 10% UK, and 12% Other.
- **80% of our fixed-income portfolio was rated ‘A-’ or better** and the **average duration was 3.4 years** as at September 30, 2024.
- **The weighted-average rating of our preferred shares portfolio was ‘P2’** as at September 30, 2024.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 8 - 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 our operating KPIs.

Table 8.1 – Non-operating results<sup>1</sup>

	Section	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Amortization of acquired intangible assets		(75)	(66)	(9)	(225)	(196)	(29)
Acquisition and integration costs		(43)	(59)	16	(171)	(169)	(2)
Net result from claims acquired in a business combination		(1)	-	(1)	(3)	(2)	(1)
<b>Acquisition-related non-operating results</b>		<b>(119)</b>	<b>(125)</b>	<b>6</b>	<b>(399)</b>	<b>(367)</b>	<b>(32)</b>
Net gains (losses) on FVTPL bonds and FX <sup>2</sup>		229	(63)	292	82	(117)	199
MYA and FX on claims liabilities <sup>3</sup>		(191)	62	(253)	(72)	292	(364)
Discount build on claims liabilities		230	252	(22)	695	678	17
Net unwind of discount on claims liabilities		(230)	(225)	(5)	(676)	(667)	(9)
Net gains (losses) excluding FVTPL bonds	7.3	170	(74)	244	243	(166)	409
Other net gains (losses)		5	9	(4)	259	28	231
Income (loss) from exited lines	8.1	(21)	(58)	37	(96)	(155)	59
Restructuring costs		(34)	(50)	16	(109)	(152)	43
Other (incl. pension expense)		(16)	7	(23)	(44)	13	(57)
<b>Other non-operating results</b>		<b>142</b>	<b>(140)</b>	<b>282</b>	<b>282</b>	<b>(246)</b>	<b>528</b>
<b>Total non-operating results</b>		<b>23</b>	<b>(265)</b>	<b>288</b>	<b>(117)</b>	<b>(613)</b>	<b>496</b>

<sup>1</sup> See Section 14 – Non-GAAP and other financial measures for more details.

<sup>2</sup> Includes foreign currency gains (losses) respective to our bonds. See Section 7.3 – Non-Operating performance for more details.

<sup>3</sup> Represents the change in rates used to discount our claims liabilities and the foreign currency translation impact on claims.

Q3-2024 vs Q3-2023	YTD-2024 vs YTD-2023
Non-operating results improved by \$288 million year-over-year, largely due to mark-to-market gains on our equity securities (see Section 7.3). Other drivers included:	Non-operating results improved by \$496 million year-over-year, largely due to mark-to-market gains on our equity securities as well as from other net gains:
<ul style="list-style-type: none"> <li><b>Net gains on FVTPL bonds and FX of \$229 million</b> reflected decreases in interest rates, particularly in Canada and the US, while last year's net losses reflected interest rate increases in these regions (see Section 7.1 – Capital market update).</li> </ul>	<ul style="list-style-type: none"> <li><b>Net gains on FVTPL bonds and FX of \$82 million</b> reflected the decrease in interest rates in Canada and US over the period, tempered by an increase in interest rate in the UK. Last year's results were impacted by increasing interest rates across all geographies over the period.</li> </ul>
<ul style="list-style-type: none"> <li><b>MYA and FX loss on claims liabilities of \$191 million in the quarter and \$72 million year-to-date</b>, reflecting the interest rate movements described above.</li> </ul>	
<ul style="list-style-type: none"> <li><b>Discount build of \$230 million and net unwind of \$(230) million</b> entirely offset each other in the quarter, in line with expectation.</li> </ul>	<ul style="list-style-type: none"> <li><b>Discount build of \$695 million and net unwind of \$(676) million</b> largely offset each other, for a net impact of \$19 million, broadly in line with expectation.</li> </ul>
<ul style="list-style-type: none"> <li><b>Other net gains of \$5 million</b> were comparable to last year.</li> </ul>	<ul style="list-style-type: none"> <li><b>Other net gains of \$259 million</b> were largely attributable to the sale of the UK direct Home and Pet portfolio in Q1, as well as gains on broker-related transactions from Q2.</li> </ul>
<ul style="list-style-type: none"> <li><b>Restructuring costs of \$34 million in the quarter and \$109 million year-to-date</b> were lower than the prior year and continued to include accelerated depreciation charges related to our UK Personal lines exit. We will continue to incur restructuring costs related to our UK strategic exits in 2025 and 2026, but these are expected to be lower over time.</li> </ul>	

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 8.1 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. Comparative year was not restated to exclude the exited lines results.

Table 8.2 – Income (loss) from exited lines

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
<b>DPW</b>	<b>310</b>	38	272	<b>1,027</b>	172	855
Net underwriting revenue	<b>354</b>	63	291	<b>1,069</b>	216	853
Net claims	<b>(230)</b>	(90)	(140)	<b>(735)</b>	(255)	(480)
Net underwriting expenses	<b>(145)</b>	(31)	(114)	<b>(430)</b>	(116)	(314)
<b>Underwriting income (loss)</b>	<b>(21)</b>	(58)	37	<b>(96)</b>	(155)	59
<b>Income (loss) from exited lines</b>						
Canada	<b>1</b>	(2)	3	<b>6</b>	(1)	7
UK&I	<b>(21)</b>	(36)	15	<b>(102)</b>	(112)	10
US	<b>(1)</b>	(20)	19	<b>-</b>	(42)	42

	Q3-2024 highlights	YTD-2024 highlights
<b>UK&amp;I</b>	<ul style="list-style-type: none"> <li>Underwriting losses of \$21 million reflected heavy rains in the UK, which impacted our UK home portfolio.</li> <li>If exited lines were included within the UK&amp;I segment, this would have an unfavourable 3.5-point impact on the overall UK&amp;I combined ratio.</li> <li>For the remainder of 2024 and beyond, we expect a negligible impact on performance, assuming no significant weather-related claims.</li> </ul>	<ul style="list-style-type: none"> <li>Underwriting losses of \$102 million were mainly due to severe weather events in Q1 and Q3, which impacted our UK home portfolio.</li> <li>If exited lines were included within the UK&amp;I segment, this would have an unfavourable 4.2-point impact on the overall UK&amp;I combined ratio.</li> </ul>

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

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## ENVIRONMENT & OUTLOOK

### Section 9 - P&C insurance industry outlook

	P&C insurance industry 12-month outlook	Our response
Personal auto Canada	<ul style="list-style-type: none"> <li>▶ <b>Change from Q2-2024:</b> Precision of low double-digit growth.</li> <li>• We estimate that industry premiums grew by low double-digits in H1-2024.</li> <li>• Industry profitability was challenged in 2023 and continues to be in 2024. We thus expect industry corrective measures to continue in light of on-going long-tail severity pressures.</li> <li>• We expect hard market conditions to prevail over the next 12 months and industry premium growth within the low double-digits.</li> </ul>	<ul style="list-style-type: none"> <li>• We monitor inflation in our portfolio and adjust our pricing and claims strategies to maintain control on indemnity. This includes leveraging our strong supply chain network and in-house legal capabilities.</li> <li>• We continue to invest in telematics, big data, and artificial intelligence to maintain our advantage in pricing and risk selection. Our brand investments, and customer driven digital leadership contribute to accelerating growth in the current hard market conditions.</li> <li>• We maintain our emphasis on portfolio quality and expect to sustain a seasonally adjusted sub-95% combined ratio over the next 12 months.</li> </ul>
Personal property Canada	<ul style="list-style-type: none"> <li>▶ <b>Change from Q2-2024:</b> Low double-digits premium growth (vs. could reach double-digits).</li> <li>• We estimate that industry premiums grew by low double-digits in H1-2024.</li> <li>• We expect hard market conditions to persist as the industry responds to the recent severe weather events.</li> <li>• We expect premium growth in the low double-digits over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• We are continuously investing in our supply network to strengthen our competitive advantage. With the majority of claims handled in-house, this allows us to provide a superior customer experience, while optimizing operational efficiency.</li> <li>• We actively monitor and defend against inflation and climate trends. We are continuously evolving our products, enhancing segmentation and investing in prevention, while ensuring product availability. We are also collaborating with stakeholders (including government and regulators) to help mitigate the impacts of climate change.</li> <li>• We remain confident in maintaining our 10-year track record of 90% combined ratio, and sub-95% guidance even with increasingly severe weather events.</li> </ul>

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

	P&C insurance industry 12-month outlook	Our response
<b>Commercial lines Canada</b>	<ul style="list-style-type: none"> <li>▶ <b>Change from Q2-2024:</b> Reiterating pressures in large accounts.</li> <li>• We estimate that the industry registered mid-to-high single-digit premium growth in H1-2024.</li> <li>• Though varying by line of business, we expect current market conditions to persist, underpinned by elevated CAT losses and reinsurance costs.</li> <li>• Overall, we expect mid-single-digit premium growth for the industry over the next 12 months, with pressures in large accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• We maintain our emphasis on portfolio quality and pricing discipline, while remaining focused on loss prevention and service excellence.</li> <li>• We have accelerated the pace on our Machine Learning pricing journey, to keep ahead on risk selection and segmentation.</li> <li>• We remain focused on pursuing growth opportunities, by leveraging our distribution channels.</li> <li>• We remain well positioned to continue to deliver a low-90s or better combined ratio, as a result of our profitability actions.</li> </ul>
<b>UK&amp;I</b>	<ul style="list-style-type: none"> <li>▶ <b>Change from Q2-2024:</b> Market conditions from firm to moderating.</li> <li>• In the UK and EU, we estimate that the industry registered mid-single digit premium growth in H1-2024.</li> <li>• We are seeing current market conditions moderate, particularly in large accounts, as a result of increased capacity. However, uncertainty remains with continued inflationary pressures and elevated weather-related losses.</li> <li>• We expect mid-single-digit premium growth for the industry over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Growth opportunities have been enhanced as we increase our distribution footprint in the UK with the DLG acquisition.</li> <li>• As we integrate the DLG business onto our platform, we are focusing on improving portfolio quality and remain disciplined on new business.</li> <li>• We are continuing to enhance our pricing and segmentation capabilities.</li> <li>• The above actions are aimed at improving the combined ratio towards 90% over the next 24 months.</li> </ul>
<b>US Commercial lines</b>	<ul style="list-style-type: none"> <li>▶ <b>No change from Q2-2024.</b></li> <li>• In H1-2024, we estimate that industry premiums grew by mid-to-high single-digits.</li> <li>• Though uneven across segments, we expect current market conditions to persist, given weather CAT losses, reinsurance costs, ongoing inflation pressures, as well as geopolitical and economic uncertainty.</li> <li>• Overall, we expect industry premium growth at a mid-to-high single-digit level over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Our objective remains to expand on our US specialty business while outperforming on profitability.</li> <li>• We continue to put emphasis on our pricing sophistication efforts. We are achieving rate increases consistent with the broader industry while maintaining retention levels in line with expectations.</li> <li>• We remain focused on growth execution, by leveraging our distribution channels and specialized expertise.</li> <li>• We are well positioned to deliver a low 90s or better combined ratio in line with our near-term objectives.</li> </ul>

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

(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"> <li>▶ <b>Change from Q2-2024:</b> High interest rates are beginning to decrease; investment yield will remain stable.</li> <li>• Capital markets are reflecting inflation trending toward policy target, decreasing interest rates and geopolitical conflicts.</li> <li>• Interest rates have started to decrease and should head lower over the next 12 months. We expect the industry's pre-tax investment yield to remain relatively stable as reinvestment yields remain close to book yields.</li> </ul>	<ul style="list-style-type: none"> <li>• Our investment portfolio is managed like the rest of our business, for the long-term. Our investment management team seeks to maximize after-tax returns, while preserving capital and limiting volatility.</li> <li>• Actions were taken in 2023 to strengthen our book yield on fixed-income securities. By the end of 2024, our asset allocation should be close to our long-term target, reflecting our strong capital position. We therefore continue to expect a healthy level of investment income over the next twelve months.</li> </ul>
Overall	<ul style="list-style-type: none"> <li>• Over the next twelve months, we expect the current market conditions to persist, in light of the recent elevated catastrophe losses. In Personal lines, we expect premium growth in the low double-digits, while in Commercial and Specialty lines, premiums are expected to grow by mid-single-digits.</li> <li>• We expect our industry benchmark ROE<sup>1</sup> to be in the high single-digit range in the next 12 months, and we remain well positioned to outperform this benchmark by at least 500 basis points in 2024 and beyond.</li> </ul>	

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

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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## STRATEGIC UPDATE

### Section 10 - Our strategic roadmap

#### 10.1 Strategic updates

##### Progress on our Strategic Roadmap in Q3

- **Intact remains the most well-known insurer in Canada<sup>1</sup>**, a position now held for over four consecutive years. Awareness remained stable at 1 in 3 Canadians. Belairdirect places third in Canada in both awareness and consideration. 
- **Digital sales reached \$327 million DPW year-to-date**, up 82.5% year-over-year. With the improved purchase flow, quote, and checkout, our web sales continue to increase. 
- **RSA became the first UK insurer to implement the Guidewire Cloud Solution for claims management** which will improve productivity, indemnity control, customer experience and settlement time. We have gone live with our first product, with additional lines of business to be added over time. 
- **Following the operational transfer of DLG's brokered Commercial lines, around 800 colleagues moved to RSA** and we have embedded the go-forward Commercial lines leadership team. Migration of DLG policies is progressing as planned and will continue over the following 12 months. We have also launched our "One Commercial" program which will deliver a single compelling proposition to brokers on service, product and price in 2025. 
- **Technology and Management Liability offerings were launched in Europe**, leveraging our North American underwriting strategy and expertise, adapted for the European market. We continue to look for opportunities to export our existing verticals across geographies. 
- **Deployment of AI models in Commercial lines was accelerated**. Nearly 2/3 of our Canadian Commercial lines products now leverage machine learning for pricing. These advancements have elevated our pricing sophistication, solidifying our outperformance on risk selection. 
- **Our teams responded to claims from four catastrophes in Canada** this quarter, while maintaining excellent speed and service. Our subsidiaries and partners, such as On Side Restoration and Wildfire Defense Systems, played a substantial role in our response. Over 1,000 restoration professionals from across Canada assisted during the Southern Ontario floods, addressing 2/3 of the total claims from Intact. 
- **Our inaugural global Leaders' Summit was held in Toronto this September**. Focused on leading through innovation, we brought our team together to further strengthen leadership, relationships, and the execution of our strategy. 
- **The Intact Cybersecurity Hub was formed through the partnership with Université de Sherbrooke and Intact**. With this \$2.25 million partnership, Intact is investing in research, training, and public education to help society become more cyber and digitally resilient. 
- **We launched our first Global Leadership Development** program for leaders in Specialty lines with participants across our geographies. The program is 12 months long and covers 24 topics with action plans and coaching. This development curriculum is focused on enhancing leadership capabilities across the company. 

<sup>1</sup> Measured by Ipsos, a market research company.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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## 10.2 Our climate strategy

We have been on the front lines of climate change for decades. It is one of the biggest risks of our time. Helping to mitigate the impacts of climate change is fundamental to our role as a P&C insurer, from advising on how to be better prepared for extreme weather events, to helping our customers recover when the worst happens. That's why building resilience to the impacts of climate change is central to our purpose. Over the past decade, we have supported various climate change initiatives and helped to strengthen society's climate resilience. As we look to the future, we are increasing our work in climate adaptation in Canada and are scaling to our regional markets.



Highlights of our performance on this front in 2023<sup>1</sup>:

<b>DID YOU KNOW</b> 	<b>16% reduction</b> in our overall operations emissions <sup>2</sup> from a 2019 baseline.	<b>10,000 hectares</b> of critical ecosystems have been protected since the beginning of our partnership with the Nature Conservancy of Canada in 2023.	<b>35% reduction</b> in investment emissions intensity (common shares, preferred shares and corporate bond portfolio) from our 2019 baseline.	<b>&gt; 100 climate adaptation projects</b> supporting community level climate resilience across Canada since 2010.	<b>&gt; 500,000 households across Canada</b> obtained climate resilience infographics from the Intact Centre on Climate Adaptation at the University of Waterloo.
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<sup>1</sup> Data as of December 31 2023.

<sup>2</sup> Market based, including Scope 1, Scope 2, and Scope 3 (business travel, waste, water and paper).

For more details on our climate strategy and progress in 2023, including information on our GHG emissions performance and data, refer to our 2023 Social Impact and ESG Report, available on our web site at [www.intactfc.com](http://www.intactfc.com). Our 2024 update on climate change and risk management will be available in our Q4-2024 MD&A, with more details in our 2024 Social Impact and ESG Report.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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## 10.3 Global Specialty lines

- Our Specialty lines results are embedded in the commercial operations of each segment (Canada – *Section 3*, UK&I – *Section 4* and US – *Section 5*).
- Specialty insurance is about focus and deep knowledge of a unique customer segment (such as Marine, Technology and Entertainment) or product niche (such as Surety, Excess Property, Multi-national programs, Management Liability and Cyber). Each business unit is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment. We continue to capitalize on the opportunities to expand and bring our capabilities to new markets across the globe.

Table 10.1 – Global Specialty lines results<sup>1,2</sup>

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
Operating DPW (in millions) <i>(growth in constant currency)</i>	1,635	1,581	2%	4,951	4,741	3%
Operating net underwriting revenue <i>(growth in constant currency)</i>	1,301	1,231	4%	3,785	3,536	6%
Combined ratio	87.2%	88.7%	(1.5) pts	86.0%	87.8%	(1.8) pts

<sup>1</sup> 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.

<sup>2</sup> Combined ratio is undiscounted. It also includes the impact of risk adjustment and reinsurance non-performance risk (in both 2024 and 2023 restated).

### 2024 highlights

- **Operating DPW grew by 2% to \$1.6 billion in the quarter and by 3% to \$5 billion year-to-date**, led by rate actions, offset in part by corrective actions and increased competition in certain segments.
- **Combined ratios were solid at 87.2% in the quarter and 86.0% year-to-date**, reflecting solid underlying performance across all geographies, tempered by elevated catastrophe losses from severe weather events in the quarter, particularly in the UK&I and Canada.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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## FINANCIAL CONDITION

### Section 11 - Financial position

#### 11.1 Balance sheets

Table 11.1 – Balance sheets

As at	Section	September 30, 2024	June 30, 2024	December 31, 2023
<b>Assets</b>				
Investments				
Cash and cash equivalents		1,355	1,686	1,171
Short-term notes		1,670	1,016	1,588
Fixed-income securities		27,603	26,702	26,848
Preferred shares		1,645	1,611	1,384
Common shares		5,790	4,988	4,668
Investment property		534	508	480
Loans		829	867	944
<b>Total investments</b>	7	<b>39,426</b>	37,378	37,083
Reinsurance contract assets		5,242	4,802	5,217
Investments in associates and joint ventures		935	925	944
Intangible assets and goodwill		9,461	9,438	9,132
Other assets		4,236	3,992	3,603
<b>Total assets</b>		<b>59,300</b>	56,535	55,979
<b>Liabilities</b>				
Insurance contract liabilities		32,023	30,070	30,353
Debt outstanding	12	4,843	4,650	5,081
Other liabilities		4,654	4,215	4,070
<b>Total liabilities</b>		<b>41,520</b>	38,935	39,504
<b>Equity</b>				
Common shares		8,126	8,126	8,099
Preferred shares and other equity		1,619	1,619	1,619
Share capital		9,745	9,745	9,718
Contributed surplus		271	244	290
Retained earnings		7,616	7,564	6,503
Accumulated other comprehensive income (loss)		148	(238)	(321)
<b>Equity attributable to shareholders</b>		<b>17,780</b>	17,315	16,190
Equity attributable to non-controlling interests		-	285	285
<b>Total equity</b>		<b>17,780</b>	17,600	16,475
<b>Total liabilities and equity</b>		<b>59,300</b>	56,535	55,979

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## Section 12 - Capital management

### 12.1 Maintaining a strong capital position

Quarterly regulatory capital ratios and capital margins disclosed in the following table are estimates based on information available at the time of reporting. These are finalized during regulatory filings, which are publicly available quarterly for Canadian entities and annually for the UK&I and US entities. Differences are not expected to be material.

The capital strength of the group is measured by the total capital margin, and we expect to operate at around \$2.5 billion of total capital margin but the quarter-end position may be higher or lower than this. Company action level (CAL) represent the thresholds below which regulator notification is required together with a company action plan to restore capital levels.

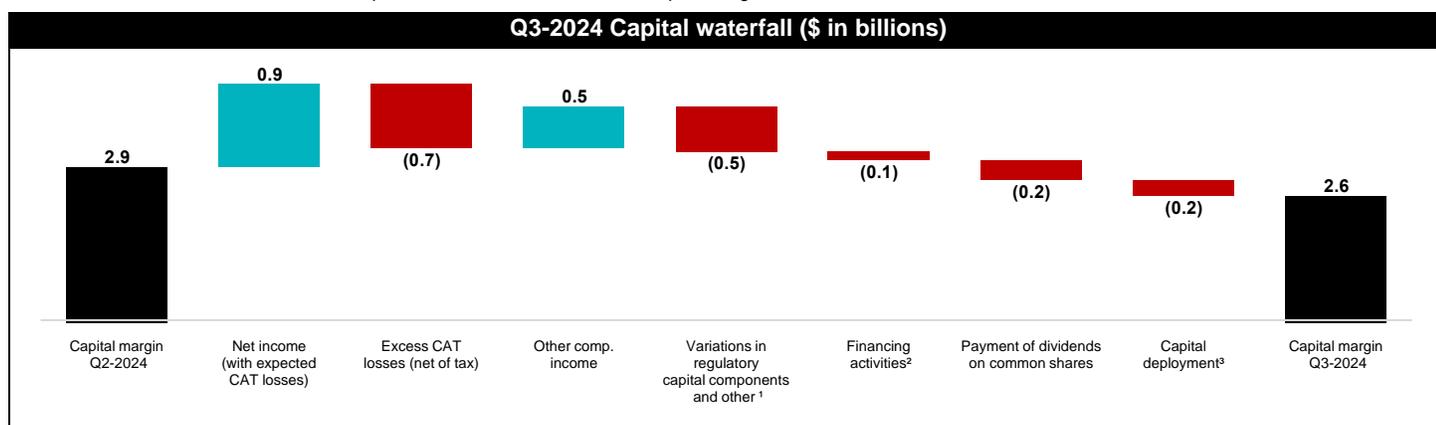
As at September 30, 2024, each of the Company's regulated P&C insurance subsidiaries were well capitalized and in compliance with regulatory capital requirements by jurisdiction.

Table 12.1 – Estimated aggregated capital position<sup>1</sup>

As at	CAL	Operating target	Sept. 30, 2024	June 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept. 30, 2023
<b>Total capital margin</b>							
Canadian regulated entities			985	1,307	1,251	1,428	971
UK & International regulated entities <sup>2</sup>			762	873	712	633	768
US regulated entities			793	680	623	555	570
Holding Companies			26	24	68	55	532
<b>Total capital margin</b>			<b>2,566</b>	<b>2,884</b>	<b>2,654</b>	<b>2,671</b>	<b>2,841</b>
<b>Regulatory capital ratios</b>							
Canadian regulated entities (MCT)	166%	195%	<b>192%</b>	205%	203%	210%	197%
UK & International regulated entities (SCR) <sup>2</sup>	120%	160%	<b>171%</b>	172%	171%	168%	185%
US regulated entities (RBC)	200%	375%	<b>437%</b>	405%	389%	381%	383%

<sup>1</sup> These are supplementary measures. See *Section 14 – Non-GAAP and other financial measures* for more details.

<sup>2</sup> Ancillary Own Funds of £250 million are included in the SCR ratio calculation, but excluded from the capital margin. Dividends declared in Q2, which were previously only reflected in the SCR ratio, have now been paid and are accounted for in the capital margin.



<sup>1</sup> Includes changes in capital requirements, regulatory balance sheet adjustments and other items such as cash flow variations for corporate expenses.

<sup>2</sup> Represents the issuance and repayment of financing instruments, and the payment of preferred share dividends.

<sup>3</sup> Includes capitalized expenditures, net acquisitions/divestitures of brokers, strategic investments, changes in investment mix and special transactions.

#### Q3-2024 highlights

**Total capital margin was strong at \$2.6 billion as at September 30, 2024**, despite absorbing \$0.7 billion of excess catastrophe losses, net of tax, during the quarter. This reflected strong capital generation from our diversified sources of earnings, as well as favourable market movements. Capital deployment activities in the quarter included the cancellation of RSA's preferred shares which was partially funded through our commercial paper program, with the remainder through excess cash.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 12.2 Capital structure

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).

For acquisition purposes and other special transactions, we allow for temporary increases in the adjusted debt-to-total capital ratio above our targeted level when we have good visibility on our ability to return to 20% in the short to medium term. As at September 30, 2024, our capital structure is composed of 71.4% equity, 20.3% debt and 8.3% preferred shares and hybrids.

Table 12.2 – Financing activity<sup>1</sup>

Financing	Debt outstanding (excluding hybrid debt) <sup>2</sup>	Adjusted total capital	Adjusted debt-to- total capital ratio
<b>As at June 30, 2024</b>	<b>4,403</b>	<b>22,250</b>	<b>19.8%</b>
Commercial paper	197	197	0.7%
Cancellation of non-controlling interests	-	(279)	0.3%
Other movements	(4)	455	(0.5)%
<b>As at September 30, 2024</b>	<b>4,596</b>	<b>22,623</b>	<b>20.3%</b>

<sup>1</sup> Refer to the interim condensed consolidated statements of cash flows for more details.

<sup>2</sup> Excludes \$247 million of hybrid subordinated notes.

### Q3-2024 highlights<sup>1</sup>

#### RSA preferred shares (NCI)

- On June 12, 2024, RSA's Preference Shareholders were invited to tender their preferred shares at a premium above their market value. This was part of an on-going process of optimizing our capital structure, as these perpetual instruments would have lost their regulatory capital eligibility in 2026 and would no longer satisfy the purpose for which they were originally issued.
- Following shareholders' approval on July 16, 2024, all 125,000,000 preferred shares outstanding were cancelled at an offer price of £1.22 per preferred share, plus voting and transaction fees, representing a total cash consideration of \$279 million<sup>2</sup> (£158 million<sup>2</sup>). The transaction was funded through a combination of our commercial paper program and excess cash, itself having a negligible impact on the adjusted total debt-to-capital ratio in the quarter. See *Note 12 – Non-controlling interests* of the interim condensed financial statements for more details.
- We derecognized \$285 million of Equity attributable to Non-controlling interests and no longer have any balance going-forward.

<sup>1</sup> See *Note 12 – Non-controlling interests* of the interim condensed consolidated financial statements for more details.

<sup>2</sup> Excluding accrued dividends.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 12.3 Ratings

Table 12.3 – Ratings<sup>1</sup>

	A. M. Best	DBRS	Moody's	Fitch
<b>Latest review</b>	June 4, 2024	Oct. 8, 2024	Oct. 8, 2024	Dec. 13, 2023
<b>Outlook</b>	Stable	Stable	Stable	Stable
<b>Credit ratings</b>				
<b>Financial strength ratings</b> - IFC's principal Canadian P&C insurance subsidiaries	A+	AA	Aa3	AA-
<b>Senior unsecured debt ratings</b> - Intact Financial Corporation	a-	A (high)	A3	A-

<sup>1</sup>The full list of our credit ratings by entity can be found in our Supplementary Information and the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com).

### Highlights

- **On October 8, 2024, Moody's upgraded our financial strength ratings from A1 to Aa3 and our senior unsecured debt rating from Baa1 to A3, with outlook back to stable.** The upgrade reflects our excellent market position, strong and consistent underwriting profitability, risk management discipline, solid reserve adequacy, as well as strong and predictable levels of internal capital generation.
- **On October 8, 2024, DBRS reaffirmed our ratings,** as a result of our resilient financial performance and notable growth in premiums through organic and inorganic channels.

## 12.4 Book value per share

Table 12.4 – Evolution of BVPS (in dollars)

For the periods	Q3-2024		YTD-2024		Last 12 months	
	\$	% <sup>1</sup>	\$	% <sup>1</sup>	\$	% <sup>1</sup>
<b>BVPS, beginning of period</b>	88.00	n/a	81.71	n/a	77.24	n/a
<b>Net income<sup>2</sup></b>						
NOIPS	1.01	1.1%	9.49	11.6%	13.49	17.5%
After-tax non-operating gains (losses)	0.05	0.1%	(0.71)	(0.9)%	(1.93)	(2.5)%
Net income to common shareholders (EPS - diluted)	1.06	1.2%	8.78	10.7%	11.56	15.0%
<b>Other comprehensive income (loss)</b>						
Impact of market movements on FVTOCI securities	1.87	2.1%	1.84	2.3%	4.56	5.9%
Foreign exchange impact, net of hedges	0.55	0.6%	1.42	1.7%	1.41	1.8%
Net actuarial gains (losses) on employee future benefits	0.15	0.2%	0.77	0.9%	0.70	0.9%
Dividends on common shares	(1.21)	(1.4)%	(3.63)	(4.4)%	(4.73)	(6.1)%
Other <sup>3</sup>	0.18	0.3%	(0.29)	(0.3)%	(0.14)	(0.2)%
<b>BVPS, end of period</b>	90.60	3.0%	90.60	10.9%	90.60	17.3%

<sup>1</sup> Represents movements in the period based on the opening BVPS.

<sup>2</sup> Weighted-average diluted number of shares outstanding used for the last 12 months calculation is of 178.5 million.

<sup>3</sup> Includes share-based payments as well as the net impact from issuance/redemption of common shares.

### Q3-2024 BVPS highlights

- **EPS contribution of \$1.06** despite the challenging environment, reflecting solid operating earnings, and further benefitting from mark-to-market gains on our equity securities.
- **Gains on FVTOCI securities of \$1.87 per share** reflected strong mark-to-market gains on our fixed-income investments as a result of the decrease in interest rates in all regions.
- **Foreign exchange gain of \$0.55 per share** due to a 5% strengthening of the UK pound sterling.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 12.5 Understanding our cash flows

Cash flows used in operating activities mainly consist of insurance premiums less claims and expense payments, plus investment income. Cash is used to pay dividends on common and preferred shares and distributions on other equity. 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 12.5 – Cash flows

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
<b>Net cash flows provided by (used in) operating activities</b>	<b>1,102</b>	1,353	(251)	<b>2,310</b>	1,465	845
<b>Cash flows generated from (deployed on):</b>						
<u>Investing activities</u>						
Proceeds from sale of (purchases of) investments, net	<b>(1,047)</b>	(1,025)	(22)	<b>(568)</b>	(964)	396
Proceeds from sale of (purchases of) brokerages and other equity investments, net	<b>(30)</b>	(131)	101	<b>(166)</b>	(68)	(98)
Proceeds from sale of business	-	-	-	<b>145</b>	-	145
Purchases of intangibles and property and equipment, net	<b>(109)</b>	(122)	13	<b>(327)</b>	(344)	17
<u>Financing activities</u>						
Proceeds from issuance of (repayment of) debt, net	<b>(6)</b>	316	(322)	<b>(365)</b>	543	(908)
Borrowing on (repayment of) the credit facility and commercial paper	<b>197</b>	(141)	338	<b>97</b>	(137)	234
Payment of dividends on common shares, preferred shares and other equity distributions	<b>(233)</b>	(213)	(20)	<b>(710)</b>	(638)	(72)
Proceeds from issuance of common shares, preferred shares and other equity, net	-	551	(551)	<b>11</b>	847	(836)
Repurchase of common shares for cancellation	-	-	-	<b>(24)</b>	-	(24)
Repurchase of common shares for share-based payments	<b>(8)</b>	(5)	(3)	<b>(152)</b>	(122)	(30)
Payment of dividends to non-controlling interests	<b>(5)</b>	-	(5)	<b>(13)</b>	(8)	(5)
Payment of lease liabilities	<b>(25)</b>	(24)	(1)	<b>(76)</b>	(62)	(14)
Cancellation of non-controlling interests	<b>(279)</b>	-	(279)	<b>(279)</b>	-	(279)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(443)</b>	559	(1,002)	<b>(117)</b>	512	(629)
Cash and cash equivalents, net of bank overdraft, beg. of period	<b>1,515</b>	976	539	<b>1,171</b>	1,010	161
Exchange rate differences on cash and cash equivalents	<b>11</b>	(4)	15	<b>29</b>	9	20
<b>Cash and cash equivalents, net of bank overdraft, end of period</b>	<b>1,083</b>	1,531	(448)	<b>1,083</b>	1,531	(448)

Table 12.6 – Cash flows at the holding company level

	Q3-2024	Q3-2023	Change	YTD-2024	YTD-2023	Change
<b>Net cash and cash equivalents, beginning of period</b>	<b>11</b>	9	2	<b>8</b>	4	4
<b>Cash flows generated from:</b>						
Our wholly owned operating subsidiaries	<b>426</b>	155	271	<b>1,703</b>	968	735
<b>Cash flows deployed on:</b>						
Investing, financing and treasury activities	<b>(154)</b>	629	(783)	<b>(688)</b>	524	(1,212)
Capital returned to common shareholders	<b>(216)</b>	(196)	(20)	<b>(672)</b>	(582)	(90)
Corporate expenses <sup>1</sup>	<b>(53)</b>	(106)	53	<b>(337)</b>	(423)	86
<b>Net cash and cash equivalents, end of period</b>	<b>14</b>	491	(477)	<b>14</b>	491	(477)

<sup>1</sup> Including debt interest payments, preferred shares dividend and other equity distributions, as well as other general expenses.

### Cash position at the end of Q3-2024

We hold cash and cash equivalents at the holding company level, Intact Financial Corporation, and within our wholly owned operating subsidiaries. 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.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## RISK MANAGEMENT

### Section 13 - Financial risk

#### 13.1 Exposure to currency risk

The table below presents the level of foreign currency exposure on our consolidated net assets, after hedging which aims at protecting against fluctuations in foreign exchange rates.

Table 13.1 – Foreign currency exposure

As at	September 30, 2024			December 31, 2023		
	USD	GBP	EUR	USD	GBP	EUR
<b>All amounts in CAD</b>						
Net assets of foreign operations	2,913	4,742	543	2,556	4,267	515
Foreign-currency derivatives	-	(1,853)	(256)	-	(1,403)	(249)
Net exposure from investments <sup>1</sup>	28	-	-	39	-	-
Other net assets in foreign currency	158	(94)	-	54	(38)	-
<b>Total net currency exposure</b>	<b>3,099</b>	<b>2,795</b>	<b>287</b>	<b>2,649</b>	<b>2,826</b>	<b>266</b>
Common shareholders' equity			16,161			14,571
<b>Net exposure ratio (as a % of common shareholders' equity)</b>	<b>19%</b>	<b>17%</b>	<b>2%</b>	<b>18%</b>	<b>19%</b>	<b>2%</b>

<sup>1</sup> Supporting Canadian operations.

#### 13.2 Sensitivity analysis to market risk

The below sensitivity analysis was prepared using the following assumptions: 1) shifts in the yield curve are parallel; 2) interest rates, equity prices, property prices and foreign currency move independently; 3) credit, liquidity, spread and basis risks have not been considered; and 4) impact on our pension plans has been considered. Actual results can differ materially from these estimates for a variety of reasons and therefore, these sensitivities should be considered as directional estimates.

Table 13.2 – Sensitivity analysis to market risk (after tax)

As at	September 30, 2024			December 31, 2023		
	Net income	OCI	BVPS	Net income	OCI	BVPS
<b>Equity price risk</b>						
Common share prices (10% decrease) <sup>1</sup>	(230)	(75)	(1.71)	(158)	(66)	(1.26)
Preferred share prices (5% decrease)	(19)	(41)	(0.34)	(14)	(36)	(0.28)
<b>Property price risk (10% decrease)</b>	<b>(39)</b>	<b>-</b>	<b>(0.22)</b>	<b>(35)</b>	<b>-</b>	<b>(0.20)</b>
<b>Interest rate risk (100 basis point increase)<sup>2</sup></b>						
Debt securities <sup>3,4</sup>	(319)	(413)	(4.10)	(301)	(424)	(4.07)
Net liability for incurred claims <sup>5</sup>	379	-	2.12	350	-	1.96
Defined benefit pension plan obligation, net of related debt securities and annuity buy-in insurance	-	69	0.39	-	84	0.47
<b>Currency risk<sup>6</sup> (strengthening of CAD by 10% vs all currencies)</b>						
Net assets of foreign operations in:						
USD	(11)	(266)	(1.55)	(5)	(234)	(1.34)
GBP	6	(263)	(1.44)	3	(286)	(1.59)

<sup>1</sup> Including the impact of common shares (net of any equity hedges).

<sup>2</sup> Excludes the impact of credit spreads.

<sup>3</sup> Excludes the impact of debt securities related to the defined benefit pension plan.

<sup>4</sup> Interest rate sensitivity is based on the fixed-income portfolio, which comprises of roughly 50% in government-related securities and 50% in corporate-related securities.

<sup>5</sup> Represents the net liability for incurred claims before net payables and claims reported under the GMM, including the impact of a +0.5% change in the discount rate of net periodic payment orders.

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

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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## ADDITIONAL INFORMATION

### Section 14 - 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 14.1)
- Other operating results (see Section 14.2)
- Consolidated operating performance (see Section 14.3)
- Non-operating results (see Section 14.4)
- Relative performance KPIs (see Section 14.5)
- Consolidated performance KPIs (see Section 14.6)
- Equity & Financial strength (see Section 14.7)

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

#### 14.1 Underwriting profitability and premiums volume

##### Operating DPW, Operating DPW growth, Operating DPW on a continuing pro-forma basis, 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 interim condensed 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 DPW on a continuing pro-forma basis** is a supplementary measure not presented in the interim condensed consolidated financial statements. It represents Operating DPW adjusted to include 12 months of Direct Line's brokered Commercial lines operations and excludes UK Personal lines operations (home and pet) for all of 2023.
- **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 expense from reinsurance contracts, 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.

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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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.
- 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. The **Combined ratio\*** is presented on an undiscounted basis which excludes the impact of the discount build on claims liabilities, and it represents the sum of the Claims ratio\* and Expense ratio\*, as defined hereafter. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
- **Operating net claims\*** is a Non-GAAP operating financial measure comprised of undiscounted claims related to our underwriting activities, including losses on onerous contracts, net of reinsurance. The **Claims ratio\*** represents Operating net claims divided by Operating net underwriting revenue. 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. The **Underlying current year loss ratio\*** represents Operating net claims excluding current year CAT losses and PYD divided by Operating net underwriting revenue.
  - **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). The **CAT loss ratio\*** represents Net current year CAT losses divided by Operating net underwriting revenue.
  - **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. The **PYD ratio\*** represents Prior year claims development divided by Operating net underwriting revenue.
- **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. The **Expense ratio\*** represents Operating net underwriting expenses divided by Operating net underwriting revenue. The Commissions ratio\*, General expense ratio\* and Premium taxes ratio\* are also calculated by dividing the respective financial measure by Operating net underwriting revenue.
- The closest GAAP measure for Operating net claims\* and Operating net underwriting expenses\* is Insurance service expense, as reported under IFRS, net of income from reinsurance contracts, as reported under IFRS.
- **UK&I pro-forma underwriting results\*** are supplementary financial measures which represents our Underwriting performance\* for the UK&I segment, adjusted to exclude UK Personal lines operations (home and pet) for all of 2023.

A reconciliation of our underwriting-related non-GAAP financial measures to their closest comparable GAAP measures can be found on the following pages, in [Table 14.1](#) and [Table 14.2](#).

# Management's Discussion and Analysis

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

Table 14.1 – Reconciliation of underwriting results on a MD&A basis with the interim condensed consolidated financial statements (quarterly)

Financial statements	F/S	1	2	3	4	5	6	7	8	9	Total	MD&A	MD&A
<b>Quarter ended September 30, 2024</b>													
Insurance revenue	6,757	(645)	(354)					(250)	(25)	22	(1,252)	5,505	Operating net underwriting revenue
Insurance service expense	(6,809)	848	375	(130)	8	(49)	(230)	264	25	(22)	1,089	(5,720)	Sum of: Operating net claims (\$3,934 million) and Operating net underwriting expenses (\$1,786 million)
Expense from reinsurance contracts	(645)	645									645	-	n/a
Income from reinsurance contracts	848	(848)									(848)	-	n/a
<b>Insurance service result</b>	<b>151</b>	<b>-</b>	<b>21</b>	<b>(130)</b>	<b>8</b>	<b>(49)</b>	<b>(230)</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>(366)</b>	<b>(215)</b>	<b>Underwriting income (loss)</b>
<b>Quarter ended September 30, 2023</b>													
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)	(252)	259	67	(31)	810	(5,138)	Sum of: Operating net claims (\$3,420 million) and Operating net underwriting expenses (\$1,718 million)
Expense from reinsurance contracts	(815)	815									815	-	n/a
Income from reinsurance contracts	780	(780)									(780)	-	n/a
<b>Insurance service result</b>	<b>402</b>	<b>-</b>	<b>58</b>	<b>(97)</b>	<b>5</b>	<b>(42)</b>	<b>(252)</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>(314)</b>	<b>88</b>	<b>Underwriting income (loss)</b>

## 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 operating income (expense))
6	Adjustment to exclude discount build on claims liabilities (treated as non-operating)
7	Adjustment to exclude Net insurance service results from claims acquired in a business combination (treated as non-operating)
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 14.2 – Reconciliation of underwriting results on a MD&A basis with the interim condensed consolidated financial statements (year-to-date)

Financial statements	F/S	1	2	3	4	5	6	7	8	9	Total	MD&A	MD&A
<b>Nine-month period ended September 30, 2024</b>													
Insurance revenue	19,756	(1,937)	(1,069)					(738)	(57)	44	(3,757)	15,999	Operating net underwriting revenue
Insurance service expense	(17,363)	1,527	1,165	(392)	24	(142)	(695)	789	57	(44)	2,289	(15,074)	Sum of: Operating net claims (\$9,691 million) and Operating net underwriting expenses (\$5,383 million)
Expense from reinsurance contracts	(1,937)	1,937									1,937	-	n/a
Income from reinsurance contracts	1,527	(1,527)									(1,527)	-	n/a
<b>Insurance service result</b>	<b>1,983</b>	<b>-</b>	<b>96</b>	<b>(392)</b>	<b>24</b>	<b>(142)</b>	<b>(695)</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>(1,058)</b>	<b>925</b>	<b>Underwriting income (loss)</b>
<b>Nine-month period ended September 30, 2023</b>													
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)	(678)	1,163	181	(98)	2,604	(14,440)	Sum of: Operating net claims (\$9,347 million) and Operating net underwriting expenses (\$5,093 million)
Expense from reinsurance contracts	(2,470)	2,470									2,470	-	n/a
Income from reinsurance contracts	2,054	(2,054)									(2,054)	-	n/a
<b>Insurance service result</b>	<b>1,522</b>	<b>-</b>	<b>155</b>	<b>(295)</b>	<b>17</b>	<b>(111)</b>	<b>(678)</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>(856)</b>	<b>666</b>	<b>Underwriting income (loss)</b>

## 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 operating income (expense))
6	Adjustment to exclude discount build on claims liabilities (treated as non-operating)
7	Adjustment to exclude Net insurance service results from claims acquired in a business combination (treated as non-operating)
8	Adjustment to reclassify Assumed (ceded) commissions and premium adjustments
9	Adjustment to reclassify Net insurance revenue from retroactive reinsurance contracts

# Management's Discussion and Analysis

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

## 14.2 Other operating results

### Other operating results

- **Operating net investment income**, which represents Net investment income as presented in the financial statements.
- **Distribution income\*** is an operating measure used to report the performance of our distribution channel, which includes operating income before interest, taxes and amortization 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.

For a reconciliation of the above non-GAAP financial measures to their closest comparable GAAP measures, see **Table 14.5** and **Table 14.6**.

## 14.3 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\*. Income before income taxes, as reported under IFRS, is the closest GAAP measure.
- 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 17.3** and **Table 17.4** for the details of PTOI by component and segment.

Table 14.3 – Reconciliation of PTOI to Income before income taxes

	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Income before income taxes, as reported under IFRS</b>	<b>229</b>	184	<b>2,040</b>	1,068
Add: share of income tax expense of broker associates	7	7	25	28
Remove: Pre-tax non-operating results ( <b>Table 14.7</b> )	(23)	265	117	613
<b>PTOI</b>	<b>213</b>	456	<b>2,182</b>	1,709
Add: operating income tax benefit (expense)	(9)	(90)	(412)	(344)
Remove: net operating income attributable to NCI	(5)	-	(13)	(8)
<b>NOI attributable to shareholders (<b>Table 14.4</b>)</b>	<b>199</b>	366	<b>1,757</b>	1,357

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

## 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, from 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 income and distribution income) to evaluate and report our financial performance and make investment decisions and recommendations. These measures are widely used as they represent a reliable, representative and consistent measure of our financial performance over time.
- NOIPS is also used in incentive compensation as one of our financial objectives is to grow NOIPS by 10% yearly over time.
- **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.
- **NOIPS\* and OROE\*** represent NOI attributable to common shareholders divided by weighted-average diluted number of common shares or adjusted average common shareholders' equity excluding AOCI, respectively.

Table 14.4 – Reconciliation of NOI, NOIPS, OROE to Net income attributable to shareholders

	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Net income attributable to shareholders, as reported under IFRS</b>	<b>207</b>	163	<b>1,630</b>	792
Remove: pre-tax non-operating results ( <i>Table 14.7</i> )	(23)	265	117	613
Remove: non-operating tax expense (benefit) ( <i>Table 14.7</i> )	15	(62)	10	(48)
NOI attributable to shareholders	199	366	1,757	1,357
Remove: preferred share dividends and other equity distribution	(17)	(17)	(62)	(56)
<b>NOI attributable to common shareholders</b>	<b>182</b>	349	<b>1,695</b>	1,301
Divided by weighted-average diluted number of common shares (in millions) ( <i>Table 14.10</i> )	178.6	175.9	178.6	175.5
<b>NOIPS (in dollars)</b>	<b>1.01</b>	1.98	<b>9.49</b>	7.41
<b>NOI attributable to common shareholders for the last 12 months</b>	<b>2,408</b>	1,791		
Adjusted average common shareholders' equity, excluding AOCI ( <i>Table 14.12</i> )	15,277	14,894		
<b>OROE for the last 12 months</b>	<b>15.8%</b>	12.0%		

# Management's Discussion and Analysis

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

Table 14.5 – 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 income	Total income taxes	Non-operating results	Underwriting income (loss)	
<b>For the quarter ended September 30, 2024</b>								
Insurance service result	28		21			187	(85)	151
Net investment income				394				394
Net gains (losses) on investment portfolio						399		399
Net insurance financial result						(408)		(408)
Share of profits from investments in associates and joint ventures	31	(4)	(1)		(7)	(2)		17
Other net gains (losses)						5		5
Other income and expense	73		(59)			(81)	(130)	(197)
Other finance costs		(55)						(55)
Acquisition, integration and restructuring costs						(77)		(77)
Income tax benefit (expense)					(17)			(17)
<b>Total, as reported in MD&amp;A</b>	<b>132</b>	<b>(59)</b>	<b>(39)</b>	<b>394</b>	<b>(24)</b>	<b>23</b>	<b>(215)</b>	
<b>For the quarter ended September 30, 2023</b>								
Insurance service result	26		16			175	185	402
Net investment income				349				349
Net gains (losses) on investment portfolio						(137)		(137)
Net insurance financial result						(149)		(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)
<b>Total, as reported in MD&amp;A</b>	<b>116</b>	<b>(63)</b>	<b>(34)</b>	<b>349</b>	<b>(28)</b>	<b>(265)</b>	<b>88</b>	

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

Table 14.6 – 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		Total F/S caption
	Distribution income	Total finance costs	Other operating income (expense)	Operating net investment income	Total income taxes	Non-operating results	Underwriting income (loss)	
<b>For the nine-month period ended September 30, 2024</b>								
Insurance service result	99		43			524	1,317	1,983
Net investment income				1,161				1,161
Net gains (losses) on investment portfolio						325		325
Net insurance financial result						(700)		(700)
Share of profits from investments in associates and joint ventures	121	(12)			(25)	(17)		67
Other net gains (losses)						259		259
Other income and expense	181		(170)			(228)	(392)	(609)
Other finance costs		(166)						(166)
Acquisition, integration and restructuring costs						(280)		(280)
Income tax benefit (expense)					(397)			(397)
<b>Total, as reported in MD&amp;A</b>	<b>401</b>	<b>(178)</b>	<b>(127)</b>	<b>1,161</b>	<b>(422)</b>	<b>(117)</b>	<b>925</b>	
<b>For the nine-month period ended September 30, 2023</b>								
Insurance service result	71		40			450	961	1,522
Net investment income				970				970
Net gains (losses) on investment portfolio						(283)		(283)
Net insurance financial result						(321)		(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)
<b>Total, as reported in MD&amp;A</b>	<b>358</b>	<b>(173)</b>	<b>(112)</b>	<b>970</b>	<b>(296)</b>	<b>(613)</b>	<b>666</b>	

# Management's Discussion and Analysis

For the quarter ended September 30, 2024

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

## 14.4 Non-operating results

### Non-operating results

**Non-operating results\*** include elements that arise mostly from changes in market conditions, from acquisition-related items or that are not part of our normal activities. The following table provides the breakdown of non-operating results between acquisition-related non-operating results as well as other non-operating results, showing the pre-tax and after-tax amount by line item. Under IFRS, Insurance service result, Net gains (losses) on investment portfolio, Net insurance financial result, Other net gains (losses), as well as Acquisition, integration and restructuring costs are the closest GAAP measures.

Table 14.7 – Acquisition-related gains (losses) and other non-operating results

	Q3-2024		Q3-2023	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	(75)	(58)	(66)	(50)
Acquisition and integration costs	(43)	(32)	(59)	(44)
Tax adjustment on acquisition-related items	-	(1)	-	(2)
Net result from claims acquired in a business combination	(1)	(1)	-	(1)
<b>Acquisition-related non-operating results</b>	<b>(119)</b>	<b>(92)</b>	<b>(125)</b>	<b>(97)</b>
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	399	296	(137)	(106)
MYA and FX on claims liabilities	(191)	(142)	62	45
Discount build on claims liabilities	230	172	252	190
Net unwind of discount on claims liabilities	(230)	(172)	(225)	(169)
Non-operating pension expense	(14)	(12)	8	7
Other net gains (losses)	5	2	9	13
Income (loss) from exited lines	(21)	(16)	(58)	(46)
Restructuring and other non-operating costs	(36)	(28)	(51)	(40)
<b>Other non-operating results</b>	<b>142</b>	<b>100</b>	<b>(140)</b>	<b>(106)</b>
<b>Non-operating results</b>	<b>23</b>	<b>8</b>	<b>(265)</b>	<b>(203)</b>

	YTD-2024		YTD-2023	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	(225)	(171)	(196)	(149)
Acquisition and integration costs	(171)	(128)	(169)	(127)
Tax adjustment on acquisition-related items	-	(4)	-	(4)
Net result from claims acquired in a business combination	(3)	(2)	(2)	(2)
<b>Acquisition-related non-operating results</b>	<b>(399)</b>	<b>(305)</b>	<b>(367)</b>	<b>(282)</b>
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	325	250	(283)	(217)
MYA and FX on claims liabilities	(72)	(52)	292	220
Discount build on claims liabilities	695	519	678	509
Net unwind of discount on claims liabilities	(676)	(505)	(667)	(501)
Non-operating pension expense	(39)	(31)	19	15
Other net gains (losses)	259	214	28	28
Income (loss) from exited lines	(96)	(72)	(155)	(122)
Restructuring and other non-operating costs	(114)	(145)	(158)	(215)
<b>Other non-operating results</b>	<b>282</b>	<b>178</b>	<b>(246)</b>	<b>(283)</b>
<b>Non-operating results</b>	<b>(117)</b>	<b>(127)</b>	<b>(613)</b>	<b>(565)</b>

# Management's Discussion and Analysis

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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.
- 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 and integration costs arise following a strategic action and are non-recurring & non-underwriting related. These include 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, such as 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 or our distribution network.
- Income (loss) from exited lines includes the underwriting results 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, in line with how we manage them, and the net impact of applying the GMM under IFRS 17 to these claims will be reported separately, rather than classifying it within our liabilities for incurred claims.
- Discount build of claims liabilities brings a claim to its present value, using yield curves based on risk-free rates adjusted for an illiquidity premium. Discount build is favourable and mostly benefits the current accident year.
- Net unwind of discount on claims liabilities represents the passage of time of the effect of the discounting of our claims liabilities. Discount unwind is unfavourable and mostly impacts the prior accident year.

Table 14.8 – Reconciliation of MYA and FX on claims liabilities and Net unwind of discount on claims liabilities to Net insurance financial result

	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Net insurance financial result, as reported under IFRS</b>	<b>(408)</b>	(149)	<b>(700)</b>	(321)
Remove: Net insurance financial result from claims acquired in a business combination	(13)	(14)	(48)	(54)
<b>MYA and FX on claims liabilities and Net unwind of discount on claims liabilities</b>	<b>(421)</b>	(163)	<b>(748)</b>	(375)
MYA and FX on claims liabilities	(191)	62	(72)	292
Net unwind of discount on claims liabilities	(230)	(225)	(676)	(667)

# Management's Discussion and Analysis

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## 14.5 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). **Table 14.7** provides the breakdown of non-operating results between acquisition-related items as well as other non-operating results, showing the pre-tax and after-tax amount by line item. We believe that analyzing our consolidated performance excluding the impact of these acquisition-related 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.
- **AEPS\* and AROE\*** represent adjusted net income attributable to common shareholders divided by weighted-average diluted number of common shares or adjusted average common shareholders' equity, respectively.

Table 14.9 – Reconciliation of AEPS and AROE to Net income attributable to shareholders

	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Net income attributable to shareholders, as reported under IFRS</b>	<b>207</b>	163	<b>1,630</b>	792
Remove acquisition-related items, after tax (see <i>Table 14.7</i> for details)				
Amortization of acquired intangible assets	58	50	171	149
Acquisition and integration costs	32	44	128	127
Tax adjustments on acquisition-related items	1	2	4	4
Net result from claims acquired in a business combination	1	1	2	2
Adjusted net income attributable to shareholders	<b>299</b>	260	<b>1,935</b>	1,074
Remove: preferred share dividends and other equity distribution	(17)	(17)	(62)	(56)
<b>Adjusted net income attributable to common shareholders</b>	<b>282</b>	243	<b>1,873</b>	1,018
Divided by weighted-average diluted number of common shares (in millions)				
<i>(Table 14.10)</i>	<b>178.6</b>	175.9	<b>178.6</b>	175.5
<b>AEPS (in dollars)</b>	<b>1.58</b>	1.38	<b>10.49</b>	5.80
<b>Adjusted net income attributable to common shareholders for the last 12 months</b>	<b>2,492</b>	1,446		
Adjusted average common shareholders' equity <i>(Table 14.12)</i>	<b>14,967</b>	13,695		
<b>AROE for the last 12 months</b>	<b>16.7%</b>	10.6%		

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

## 14.6 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 (GAAP), excluding the dividends declared on preferred shares and other equity distribution. The denominator is adjusted to reflect the weighted-impact of significant capital transactions, using Adjusted average common shareholders' equity\*.
- 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 14.10 – Reconciliation of ROE to Net income attributable to shareholders

	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Net income attributable to shareholders, as reported under IFRS</b>	207	163	1,630	792
Remove: preferred share dividends and other equity distribution	(17)	(17)	(62)	(56)
<b>Net income attributable to common shareholders</b>	190	146	1,568	736
Divided by weighted-average basic number of common shares (in millions)	178.4	175.9	178.3	175.5
<b>EPS, basic (in dollars)</b>	1.07	0.83	8.79	4.19
Divided by weighted-average diluted number of common shares <sup>1</sup> (in millions)	178.6	175.9	178.6	175.5
<b>EPS, diluted (in dollars)</b>	1.06	0.83	8.78	4.19
<b>Net income attributable to common shareholders for the last 12 months</b>	2,064	1,066		
Adjusted average common shareholders' equity (Table 14.12)	14,967	13,695		
<b>ROE for the last 12 months</b>	13.8%	7.8%		

<sup>1</sup> Includes the net effect of the exercise of stock options. See Note 18 – Earnings per share to the interim condensed consolidated financial statements for more details.

### 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 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. Income tax benefit (expense) is the most comparable GAAP measure.
- 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. Income before income taxes, as reported under IFRS, is the closest GAAP measure.
- Total effective income tax rate\* and Operating effective income tax rate\* represent total income tax expense (benefit) divided by pre-tax income, and operating income tax expense (benefit) divided by pre-tax operating income, respectively.

Table 14.11 – Reconciliation of effective income tax rates

	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Income tax benefit (expense), as reported under IFRS</b>	(17)	(21)	(397)	(268)
Add: share of income tax expense of broker associates	(7)	(7)	(25)	(28)
Total income tax benefit (expense)	(24)	(28)	(422)	(296)
Pre-tax income	236	191	2,065	1,096
<b>Total effective income tax rate</b>	10.2%	14.8%	20.4%	27.0%
Total income tax benefit (expense)	(24)	(28)	(422)	(296)
Remove: non-operating component of tax benefit (expense) (Table 14.7)	15	(62)	10	(48)
Operating income tax benefit (expense)	(9)	(90)	(412)	(344)
PTOI	213	456	2,182	1,709
<b>Operating effective income tax rate</b>	4.2%	19.7%	18.9%	20.1%

# Management's Discussion and Analysis

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## 14.7 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 pro rata basis (number of days) for significant capital transactions. Equity attributable to shareholders (closest GAAP measure) 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 pro rata basis (number of days) for significant capital transactions. Equity attributable to shareholders and AOCI (closest GAAP measure) are determined in accordance with IFRS, and excludes preferred shares and other equity, as per IFRS.
- We believe that adjusting for significant capital transactions on pro rata 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 14.12 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity, excluding AOCI

As at September 30,	2024	2023
Ending common shareholders' equity	16,161	13,773
Remove: significant capital transaction in the last 12 months	-	638
Ending common shareholders' equity, excluding significant capital transaction	16,161	14,411
Beginning common shareholders' equity	13,773	14,340
Average common shareholders' equity, excluding significant capital transaction	14,967	14,376
Weighted impact of significant capital transactions <sup>1</sup>	-	(681)
<b>Adjusted average common shareholders' equity</b>	<b>14,967</b>	<b>13,695</b>
Ending common shareholders' equity, excluding AOCI	16,013	14,540
Remove: significant capital transaction in the last 12 months	-	638
Ending common shareholders' equity, excluding AOCI and significant capital transaction	16,013	15,178
Beginning common shareholders' equity, excluding AOCI	14,540	15,972
Average common shareholders' equity, excluding AOCI and significant capital transaction	15,277	15,575
Weighted impact of significant capital transactions <sup>1</sup>	-	(681)
<b>Adjusted average common shareholders' equity, excluding AOCI</b>	<b>15,277</b>	<b>14,894</b>

<sup>1</sup> September 30, 2023 figure represents the net weighted impact of the September 13, 2023 and February 27, 2023 significant capital transaction.

# Management's Discussion and Analysis

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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 12 – Capital management** for more details.

<b>Total capital margin<sup>1</sup></b> as at the end of a specific period	Total capital margin includes capital in excess of the internal CALs for regulated insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities, less any ancillary own funds committed by the Company.	<b>Regulatory capital ratios<sup>1</sup></b> as at the end of a specific period	Minimum capital test (as defined by the Office of the Superintendent of Financial Institutions (OSFI) and the Autorité des marchés financiers (AMF) in Canada), Risk-based capital (as defined by the National Association of Insurance Commissioners (NAIC) in the US) and Solvency Capital Requirement (as defined by the Prudential Regulatory Authority (PRA) in the UK&I).
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<sup>1</sup> Total capital margin and Regulatory capital ratios disclosed for the current reporting year are estimated on a quarterly basis using internal models, and are only finalized annually after year-end, during the regulatory annual filing process.

- The Company action level ("CAL") in Canada is determined by individual legal entity and are reviewed at least annually as part of the Own Risk and Solvency Assessments ("ORSA") process. In the UK&I, indicated CAL and coverage figures are for Royal & Sun Alliance Insurance Limited which includes all UK & International insurance subsidiaries.

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

- The evolution of our book value is measured using **BVPS**, a supplementary financial measure, which represents the Equity attributable to shareholders less Preferred shares and other equity, divided by the number of common shares outstanding at the same date. 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 which represents the Equity attributable to shareholders less Preferred shares and other equity and AOCI, divided by the number of common shares outstanding at the same date. 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 14.13 – Calculation of BVPS and BVPS (excluding AOCI)

As at September 30,	2024	2023
Equity attributable to shareholders, as reported under IFRS	17,780	15,392
Remove: Preferred shares and other equity, as reported under IFRS	(1,619)	(1,619)
<b>Common shareholders' equity</b>	<b>16,161</b>	13,773
Remove: AOCI, as reported under IFRS	(148)	767
<b>Common shareholders' equity (excluding AOCI)</b>	<b>16,013</b>	14,540
Number of common shares outstanding at the same date (in millions)	178.4	178.3
<b>BVPS</b>	<b>90.60</b>	77.24
<b>BVPS (excluding AOCI)</b>	<b>89.77</b>	81.54

# Management's Discussion and Analysis

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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.
- We also disclose **Total leverage ratio**, a Non-GAAP ratio calculated using debt outstanding, preferred shares and other equity (including NCI) divided by adjusted total capital.

Table 14.14 – Reconciliation of Debt outstanding (excluding hybrid debt) and Total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI

As at	Sept. 30, 2024	June 30, 2024	Dec. 31, 2023
<b>Debt outstanding, as reported under IFRS</b>	<b>4,843</b>	4,650	5,081
Remove: hybrid subordinated notes	(247)	(247)	(247)
<b>Debt outstanding (excluding hybrid debt)</b>	<b>4,596</b>	4,403	4,834
Debt outstanding, as reported under IFRS	4,843	4,650	5,081
Equity attributable to shareholders, as reported under IFRS	17,780	17,315	16,190
Preferred shares from Equity attributable to non-controlling interests	-	285	285
<b>Adjusted total capital</b>	<b>22,623</b>	22,250	21,556
Debt outstanding (excluding hybrid debt)	4,596	4,403	4,834
Adjusted total capital	22,623	22,250	21,556
<b>Adjusted debt-to-total capital ratio</b>	<b>20.3%</b>	19.8%	22.4%
Debt outstanding, as reported under IFRS	4,843	4,650	5,081
Preferred shares and other equity, as reported under IFRS	1,619	1,619	1,619
Preferred shares from Equity attributable to non-controlling interests	-	285	285
Debt outstanding and preferred shares (including NCI)	6,462	6,554	6,985
Adjusted total capital ( <i>see above</i> )	22,623	22,250	21,556
<b>Total leverage ratio</b>	<b>28.6%</b>	29.5%	32.4%
Adjusted debt-to-total capital ratio	20.3%	19.8%	22.4%
Preferred shares and hybrids	8.3%	9.7%	10.0%

# Management's Discussion and Analysis

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## Section 15 - Accounting and disclosure matters

### 15.1 Material 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, 2023			
Global economic environment	Note 4.2	Impairment of financial assets	Note 24.1
Business combinations and disposals	Note 5.3	Measurement of income taxes	Note 28.6
Insurance and reinsurance contracts	Note 11.3	Valuation of defined benefit obligation	Note 31.8
Impairment of goodwill and intangible assets	Note 14.2		

### 15.2 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, 2024. 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.

### 15.3 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, 2024.

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

No significant changes were made to our ongoing ICFR during Q3-2024 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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## Section 16 - Shareholder information

### 16.1 Authorized share capital and outstanding share data

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

Table 16.1 – Outstanding share data (number of shares and amount)

As of November 5, 2024	Number of shares	Amount (in millions)
<b>Common shares</b>	<b>178,363,968</b>	<b>8,126</b>
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 11 – Share Capital* to the interim condensed consolidated financial statements for additional information.

### 16.2 Distribution on common shares, preferred shares and other equity instruments

Table 16.2 – Quarterly dividends declared per share

	Q4-2024	Q3-2024
Common shares	1.21	1.21
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 5, 2024, the Board of Directors approved the quarterly dividend for Q4-2024.

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 2024 were made on July 2, 2024, and are to be made on December 31, 2024.

### 16.3 Expected release dates of our financial results and earnings conference calls

	Q4-2024	Q1-2025	Q2-2025	Q3-2025
<b>Results release</b>	February 11, 2025	May 6, 2025	July 29, 2025	November 4, 2025
<b>Earnings call</b>	February 12, 2025	May 7, 2025	July 30, 2025	November 5, 2025

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## Section 17 - Additional quarterly information

### 17.1 Selected quarterly information

Table 17.1 – Selected quarterly information<sup>1</sup>

	IFRS 17 basis								
	Q3	Q2	2024 Q1	Q4	Q3	Q2	2023 Q1	Q4	2022 Q3
Operating DPW	6,207	6,655	5,110	5,410	5,925	6,226	4,809	5,125	5,423
Total revenues <sup>2,3</sup>	7,325	7,066	7,060	7,058	6,880	6,738	6,840	6,851	6,672
Segment operating revenues <sup>3</sup>	6,049	5,854	5,719	5,768	5,700	5,488	5,325	5,470	5,276
Operating net underwriting revenue	5,505	5,301	5,193	5,259	5,226	5,016	4,864	5,041	4,918
Current year CAT losses	1,216	96	97	199	611	421	108	171	238
(Favourable) PYD	(314)	(247)	(295)	(237)	(161)	(235)	(211)	(228)	(222)
Underwriting income (loss)	(215)	681	459	517	88	184	394	345	407
Combined ratio	103.9%	87.1%	91.2%	90.1%	98.3%	96.3%	91.9%	93.2%	91.7%
Operating net investment income	394	387	380	376	349	326	295	279	232
Distribution income	132	169	100	109	116	137	105	94	113
Net income	212	758	673	531	163	260	377	353	375
Net income attributable to shareholders	207	750	673	524	163	252	377	346	375
<b>Per share measures</b>									
NOIPS	1.01	4.86	3.63	4.00	1.98	2.34	3.09	2.80	2.91
EPS – basic	1.07	4.05	3.68	2.78	0.83	1.30	2.06	1.88	2.05
EPS – diluted	1.06	4.04	3.68	2.78	0.83	1.30	2.06	1.88	2.05

<sup>1</sup> See Section 14 – Non-GAAP and other financial measures for more details.

<sup>2</sup> This measure is aligned with our interim condensed consolidated financial statements, and includes Insurance revenue, Net investment income and Other income.

<sup>3</sup> See Note 21.2 - Segment operating performance of the interim condensed consolidated financial statements for more details.

### 17.2 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 influenced by weather conditions which may vary significantly between quarters.

#### Reference to our Q4-2023 MD&A

Combined ratio seasonal indicator (by quarter) excluding CAT losses

Section 10.3 – Seasonality of our P&C insurance business

### 17.3 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 17.2 – Key exchange rates used

	As at		Average rates for the periods			
	Sept. 30, 2024	Dec. 31, 2023	Q3-2024	Q3-2023	YTD-2024	YTD-2023
<b>Foreign currency vs CAD</b>						
USD	1.352	1.325	1.364	1.342	1.360	1.346
GBP	1.808	1.689	1.774	1.698	1.737	1.675
EUR	1.506	1.463	1.499	1.459	1.479	1.458

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## 17.4 Operating performance by segment

Table 17.3 – Operating performance by segment (quarterly)<sup>1</sup>

For the three-month periods ended September 30,	2024					2023				
	CAN	UK&I	US	Corp.	Total	CAN	UK&I	US	Corp.	Total
Operating net underwriting revenue	3,870	1,062	573	-	5,505	3,586	1,103	530	7	5,226
Operating net claims	(3,024)	(617)	(289)	(4)	(3,934)	(2,529)	(636)	(258)	3	(3,420)
Operating net underwriting expenses	(1,214)	(359)	(212)	(1)	(1,786)	(1,123)	(385)	(210)	-	(1,718)
Underwriting income (loss)	(368)	86	72	(5)	(215)	(66)	82	62	10	88
Operating net investment income	-	-	-	394	394	-	-	-	349	349
Distribution income	126	-	6	-	132	111	-	5	-	116
Total finance costs	(4)	-	-	(55)	(59)	(2)	-	-	(61)	(63)
Other operating income (expense)	-	-	-	(39)	(39)	-	-	-	(34)	(34)
<b>PTOI</b>	<b>(246)</b>	<b>86</b>	<b>78</b>	<b>295</b>	<b>213</b>	<b>43</b>	<b>82</b>	<b>67</b>	<b>264</b>	<b>456</b>

<sup>1</sup> The totals of the segment measures reconcile to Table 2.1 – Consolidated performance.

Table 17.4 – Operating performance by segment (year-to-date)<sup>1</sup>

For the nine-month periods ended September 30,	2024					2023				
	CAN	UK&I	US	Corp.	Total	CAN	UK&I	US	Corp.	Total
Operating net underwriting revenue	11,239	3,112	1,645	3	15,999	10,428	3,132	1,524	22	15,106
Operating net claims	(7,087)	(1,788)	(809)	(7)	(9,691)	(6,779)	(1,815)	(756)	3	(9,347)
Operating net underwriting expenses	(3,640)	(1,102)	(638)	(3)	(5,383)	(3,363)	(1,119)	(609)	(2)	(5,093)
Underwriting income (loss)	512	222	198	(7)	925	286	198	159	23	666
Operating net investment income	-	-	-	1,161	1,161	-	-	-	970	970
Distribution income	382	-	19	-	401	342	-	16	-	358
Total finance costs	(12)	-	-	(166)	(178)	(10)	-	-	(163)	(173)
Other operating income (expense)	-	-	-	(127)	(127)	-	-	-	(112)	(112)
<b>PTOI</b>	<b>882</b>	<b>222</b>	<b>217</b>	<b>861</b>	<b>2,182</b>	<b>618</b>	<b>198</b>	<b>175</b>	<b>718</b>	<b>1,709</b>

<sup>1</sup> The totals of the segment measures reconcile to Table 2.1 – Consolidated performance.

## 17.5 Discounted and undiscounted combined ratios by segment and line of business

Our segments and lines of business are presented on an undiscounted basis, in line with how we manage our business. We provided discounted combined ratios in the table below as additional information.

Table 17.5 – Discounted & undiscounted combined ratios by segment and by lines of business

By segment	Q3-2024		Q3-2023		YTD-2024		YTD-2023	
	Undisc.	Disc.	Undisc.	Disc.	Undisc.	Disc.	Undisc.	Disc.
Personal auto	97.6%	93.2%	95.4%	90.5%	95.9%	91.1%	94.6%	89.8%
Personal property	147.5%	145.3%	123.7%	121.1%	103.4%	101.6%	109.5%	107.3%
Commercial lines	94.4%	89.7%	92.7%	87.1%	88.5%	83.6%	91.0%	85.6%
P&C Canada	109.5%	105.6%	101.8%	97.3%	95.4%	91.4%	97.3%	92.9%
P&C UK&I	91.9%	86.8%	92.5%	86.5%	92.9%	87.5%	93.7%	88.5%
P&C US	87.4%	83.1%	88.5%	84.2%	88.0%	83.3%	89.6%	85.2%
<b>Combined ratio</b>	<b>103.9%</b>	<b>99.7%</b>	<b>98.3%</b>	<b>93.5%</b>	<b>94.2%</b>	<b>89.9%</b>	<b>95.6%</b>	<b>91.1%</b>

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## Section 18 - Glossary and definitions

### 18.1 Glossary of abbreviations

Description		Description	
<b>AEPS</b>	Adjusted earnings per share	<b>MYA</b>	Market yield adjustment
<b>AOCI</b>	Accumulated other comprehensive income	<b>NCI</b>	Non-controlling interests
<b>AROE</b>	Adjusted return on equity	<b>NOI</b>	Net operating income
<b>bps</b>	Basis points	<b>NOIPS</b>	Net operating income per share
<b>BVPS</b>	Book value per share	<b>OCI</b>	Other comprehensive income
<b>CAD</b>	Canadian Dollar	<b>OROE</b>	Operating ROE
<b>CAGR</b>	Compound annual growth rate	<b>P&amp;C</b>	Property & Casualty
<b>CAL</b>	Company action level	<b>PA</b>	Personal auto
<b>CAN</b>	Canada	<b>P&amp;L</b>	Profit & loss
<b>CAT</b>	Catastrophe	<b>PL</b>	Personal lines
<b>CL</b>	Commercial lines	<b>PP</b>	Personal property
<b>DPW</b>	Direct premiums written	<b>PTOI</b>	Pre-tax operating income
<b>ECL</b>	Expected credit loss	<b>PYD</b>	Prior year claims development
<b>EPS</b>	Earnings per share to common shareholders	<b>RBC</b>	Risk-based capital (US)
<b>F/S</b>	Financial Statements	<b>ROE</b>	Return on equity
<b>FVTOCI</b>	Fair value through other comprehensive income	<b>RSA</b>	RSA Insurance Group Limited, a subsidiary domiciled in the UK (parent of UK&I business)
<b>FVTPL</b>	Fair value through profit and loss	<b>SCR</b>	Solvency Capital Requirement (Europe)
<b>GBP (£)</b>	British pound sterling, UK's official currency	<b>SL</b>	Specialty lines
<b>IFRS</b>	International Financial Reporting Standards	<b>S&amp;P</b>	Standard & Poor's
<b>KPI</b>	Key performance indicator	<b>TSX</b>	Toronto Stock Exchange
<b>LRCN</b>	Limited Recourse Capital Notes	<b>UK</b>	United Kingdom
<b>MCT</b>	Minimum capital test (Canada)	<b>UK&amp;I</b>	United Kingdom and International
<b>MD&amp;A</b>	Management's Discussion and Analysis	<b>US</b>	United States
<b>MGA</b>	Managing general agent	<b>USD (US\$)</b>	US Dollar

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## 18.2 Definitions of key terms used in our MD&A

The list below presents key terms that are used in the MD&A. These definitions are in line with how management analyzes performance and may not be comparable to similar measures used by other companies in our industry. For other insurance-related terms and definitions of our MD&A, a glossary is available in the "Investors" section of our web site at [www.intactfc.com](http://www.intactfc.com).

<b>Catastrophe loss thresholds</b>	Our CAT thresholds are as follows by segment: P&C Canada: \$10 million, P&C UK&I: £7.5 million and P&C US: US\$5 million. For multi-jurisdiction events, IFC aggregate threshold: \$15 million (combined impact across all segments of \$15 million or more).
<b>Combined ratio</b>	Presented on an undiscounted basis and represents the sum of our claims ratio and expense ratio. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
<b>Constant currency growth</b>	Growth that excludes the impact of foreign currency fluctuations, calculated by applying the exchange rate in effect for the current period results to the results of the previous year.
<b>Frequency (of claims)</b>	Average number of claims reported in a specific period.
<b>Large loss</b>	A single claim, which is considered significant but that is smaller than the CAT threshold.
<b>Net current year catastrophe (CAT) losses</b>	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). Reported CAT losses can either be weather-related or not weather-related.
<b>Organic growth</b>	Excludes the impact of exited lines and growth attributable to acquisitions.
<b>Prior year claims development (PYD)</b>	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.
<b>Severity (of claims)</b>	Average cost of a claim calculated by dividing the total cost of claims by the total number of claims.
<b>Underlying performance (underwriting)</b>	Represents our current accident year performance, excluding the impact of catastrophe losses and prior year claims development.
<b>Written insured risks</b>	Also referred to as Units. It represents the number of vehicles in Personal automobile insurance and the number of premises in Personal property insurance written for a specific period.