Make it Intact

INTACT FINANCIAL CORPORATION
ANNUAL REPORT 2022

Our Purpose

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

Our Values

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

Integrity

Be honest, open and fair

Set high standards

Stand up for what is right

Respect

Be kind

See diversity as a strength

Be inclusive and collaborate

Customer-driven

Listen to our customers

Make it easy, find solutions

Deliver second-to-none experiences

Excellence

Act with discipline and drive to outperform

Embrace change, improve every day

Celebrate success, yet remain humble

Generosity

Help others

Protect the environment

Make our communities more resilient

Our Core Belief

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.

Table of Contents

Who We Are

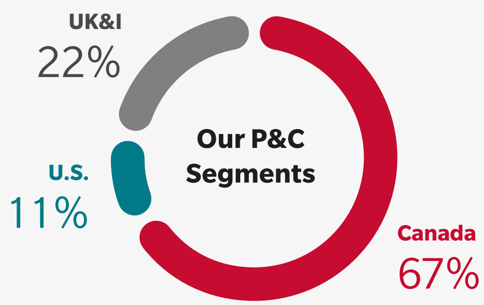
Intact is the largest provider of Property & Casualty insurance in Canada, a leading specialty lines insurer with international expertise and a leader in personal and commercial lines in the U.K. and Ireland.

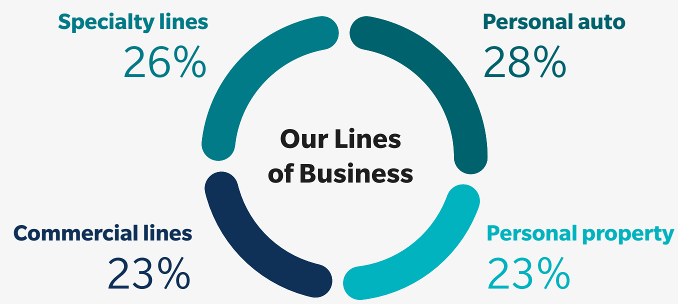
Largest provider of P&C insurance in Canada

U.K. & Ireland leading personal and commercial lines insurer

Leading Global Specialty lines platform

Our business has grown organically and through acquisitions to over **$21 billion** of total annual operating Direct Premiums Written[1].





We have a global team of **29,000 employees** delivering best-in-class operations through a diversified business offering.

[1] This is a non-GAAP financial measure.

What We Aim To Achieve

Our strategic objectives define what we aim to achieve: placing customers at the centre of everything we do, making sure our employees are engaged and proud to work at Intact, and being recognized as leaders in building resilient communities and industry outperformance.

3 out of 4 customers are our advocates

4 out of 5 brokers value our specialized expertise

Our customers are our ADVOCATES

Our people are ENGAGED

We are a **best employer**

Our employees and leaders are **representative of the communities we serve**

3 out of 4 stakeholders recognize us as leaders in building resilient communities

Achieve **Net Zero by 2050**, and halve our operations emissions by 2030

Our company is one of the MOST RESPECTED

Exceed industry **ROE by 5 pts**

Grow NOIPS **10% yearly over time**

Our Strategic Roadmap

Our strategy is focused on these five big ideas. Together, they help us achieve our goals and remain successful.

10% NOIPS GROWTH ANNUALLY OVER TIME

Expand our leadership position in Canada
- Leading customer experience
- 3 out of 4 customers digitally engaged
- Scale in distribution
- Further consolidation in Canada
- Outperform industry combined ratio by 5 pts

Strengthen our leading position in U.K. & Ireland
- Leading customer experience
- Expand broker (CL) and direct (PL) distribution
- Optimize Underwriting for outperformance
- Responsive and agile technology and operations
- Low 90s combined ratio

Build a Specialty Solutions leader
- Specialized customer value proposition
- Expand distribution
- Profitable & growing mix of verticals
- Consolidate fragmented market
- Sub-90 combined ratio

Transform our competitive advantages
- Global leader in leveraging data and AI for pricing and risk selection
- Deep Claims expertise & strong supply chain network
- Strong capital & investment management expertise

STRENGTHEN OUR OUTPERFORMANCE MINDSET

500 bps ANNUAL ROE OUTPERFORMANCE*

Invest in our people
- Be a best employer
- Be a destination for top talent & experts
- Enable our people to thrive

*Based on a weighted-average ROE benchmark of leading P&C insurers in Canada, the U.S. and the U.K.

2022 Strategic Highlights

70% of customers in Canada who had a transaction with us are our advocates

90% of brokers in North America intend to continue doing business with us

2022 Kincentric Best Employer:

- in Canada for the **7th** consecutive year
- in the U.S. for the **4th** consecutive year

Representing the communities we serve

42%
of women and
13%
of Black and People of Colour in North America at Vice President and higher positions

53%
of women globally and more than
20%
of Black and People of Colour in IFC Canada and U.S. in managerial positions

46%
of women on IFC Board of Directors

Net Operating Income Per Share[1] of
$11.88
with a 5-year NOIPS CAGR of 16%

Return on Equity[1, 2] outperformance of
10.3 points
in 2022

More than 1 in 2[3]
stakeholders believe that Intact is a leader in helping build resilient communities in Canada

23% reduction
in our overall operations emissions[4] from 2019

[1] These are non-GAAP financial measures. See Section 36 – Non-GAAP and other financial measures of the MD&A for the definition and reconciliation to the most comparable GAAP measures.
[2] Intact's ROE corresponds to an adjusted return on equity (AROE), which is more comparable to the industry.
[3] Intact's Resilience Barometer, launched in Canada this year, measures our social impact performance through feedback from key stakeholders.
[4] Including Scope 1, Scope 2 and Scope 3 business travel.

2022 Financial Highlights

$11.88
NOIPS[1]

$13.46
EPS

$80.33
BVPS

14.3%
OROE[1]

19.5%
AROE[1]

16.5%
ROE[1]

$21.1B
Operating DPW[1]

$927M
Operating Net Investment income[1]

91.6%
Operating Combined Ratio[1]

$437M
Distribution Income[1]

Strong balance sheet

21.2%
Adjusted Debt-to-Total Capital Ratio[1]

$2.4B
Total Capital Margin

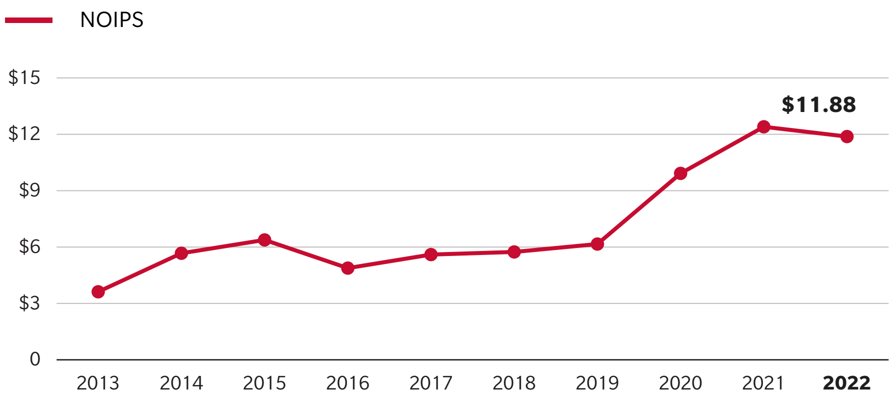
Financial Strength Credit Ratings

A+	AA (low)	AA-	A1
A.M. Best	**DBRS**	**Fitch**	**Moody's**

[1] These are non-GAAP financial measures. See Section 36 – Non-GAAP and other financial measures of the MD&A for the definition and reconciliation to the most comparable GAAP measures.

A Strong Track Record

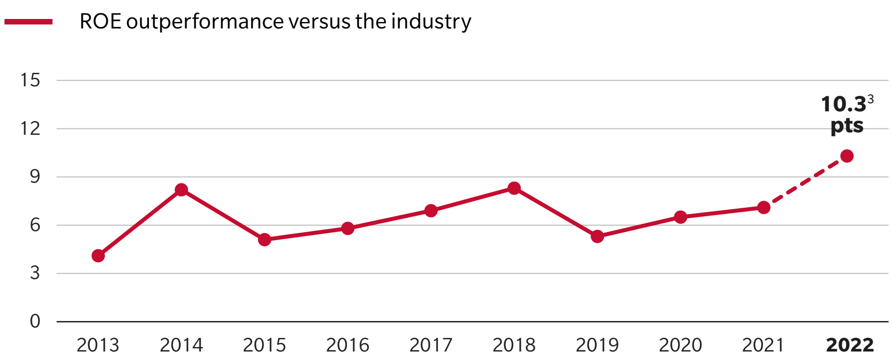
Net operating income per share[1] over time



24% 3-year CAGR | **16%** 5-year CAGR | **9%** 10-year CAGR

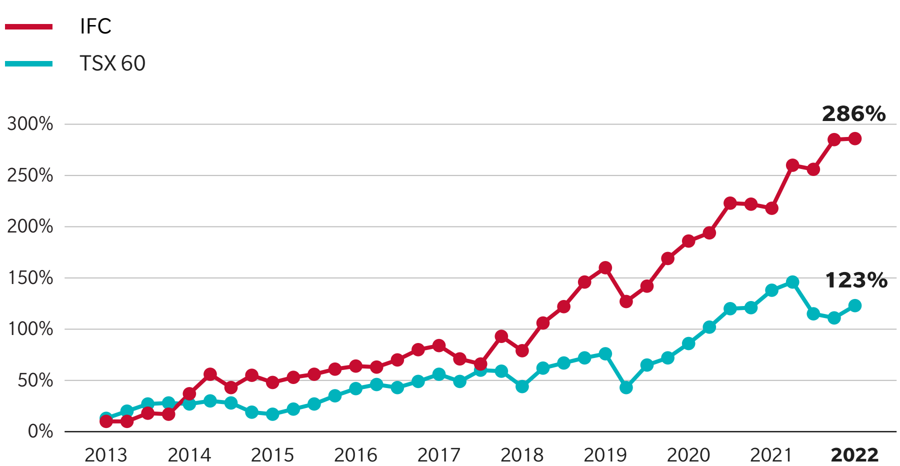
Over the past three and five years, our NOIPS grew at a CAGR of 24% and 16% respectively, and is expected to grow by 10% per year, over time.

ROE[1,2] outperformance



Over the last decade, we exceeded industry ROE by a yearly average of 6.8 points.

Total shareholder return[4]



10-year Annualized Total Shareholder Return

14% IFC | **8%** TSX 60

18 consecutive dividend increases since our IPO, and total shareholder return outpacing the TSX 60 by 600 basis points per year, over the last 10 years.

[1] These are non-GAAP financial measures. See Section 36 – Non-GAAP and other financial measures of the MD&A for the definition and reconciliation to the most comparable GAAP measures.
[2] Intact's ROE corresponds to an adjusted return on equity (AROE), which is more comparable to the industry.
[3] 2022 ROE outperformance includes estimated U.K. industry ROE.
[4] This graph compares the total cumulative return of $100 invested in Common Shares of the Company with the total cumulative return of the S&P/TSX, assuming the reinvestment of dividends.

CEO's Letter

Charles Brindamour
Chief Executive Officer

In 2022 Intact delivered solid results. We executed our game plan against a backdrop of inflation, socio-economic and geopolitical challenges, and the increasing impacts of extreme weather.

More importantly, these factors have affected people, businesses and communities deeply over the last few years – including our own employees and customers. Our core purpose is to help and that's what we've tried to do.

I was again reminded this year that our team really shines in times of adversity. This period has helped us redefine resilience – reinforcing our ability to withstand volatility, help our customers and grow the business. Our team of 29,000 people is guided by a common purpose and a set of core values that permeate every decision we make. We share a belief that we are here to help our customers in good times and bad.

Together, we've built an organization with incredible spirit, one that is transforming a strong Canadian champion into an international force. The Intact spirit is one that takes nothing for granted – we celebrate our achievements, but we are never satisfied. We benchmark against the best in the world and invest accordingly. We focus on what we are good at and try to get better.

It's in that spirit that we've centred our game plan on helping society while finding ways to grow. We are at a pivotal time. We must take a whole-of-society approach to tackle issues such as climate change, poverty and inequality. To do so requires strong leadership in the business community. Solving these issues does not fall solely on the shoulders of government.

With that context in mind, I want to spend time in this year's letter to explore deep trends and key socio-economic challenges and their impacts on our customers and communities. I will also share what resiliency means to us, why it is core to helping, and how we are uniquely positioned to lead.

Tackling these challenges from a business perspective requires strong financial performance. Despite the headwinds, we generated a 21% total return for our shareholders last year when the TSX 60 was down 6% on the same basis. More importantly, our long-term track record speaks for itself: we have generated 14% total shareholder return on average per year over the past decade, outperforming the TSX 60 by 600 basis points. I feel very strongly that we can help and win.

Contents:

2022 Performance Highlights

Building on our track record as a resilient business, our solid results in 2022 enabled us to increase the common share dividend for the eighteenth consecutive year.

We wrapped up the year with positive top line momentum. Premiums[1] increased 23%, bolstered by the RSA acquisition. Excluding this and the impact of exited lines, premium growth was 5%, led mainly by our continued rate momentum.

The 2022 operating combined ratio of 91.6% reflected solid performance amidst elevated weather-related losses and inflationary pressures.

Operating net investment income increased by 31%. This was driven by the RSA acquisition and higher reinvestment yields, which we captured through increased turnover of our investment portfolio. With market yields remaining significantly higher than the book yield of our portfolio, investment income will provide a meaningful earnings tailwind for some time to come.

Distribution income grew by 21%, largely as a result of accretive acquisitions and continued growth in our On Side home restoration business. Over the last five years, annual growth has exceeded 10% and we expect this momentum to continue into 2023.

Net Operating Income Per Share (NOIPS) of $11.88 reflected robust underwriting performance and meaningful RSA accretion of 16%, coupled with strong investment and distribution results.

Earnings Per Share of $13.46 increased by 9%, as solid operating results were also bolstered by the gain on the sale of Codan Denmark. This translated into an Operating Return on Equity (OROE) of 14.3% and Return on Equity (ROE) of 16.5%.

We ended the year in a strong financial position, with $2.4 billion of total capital margin and solid regulated capital ratios in all jurisdictions. We are well positioned to absorb volatility in the external environment and pursue future growth opportunities.

While the absolute performance matters, the relative performance compared to our competitors determines if we are winning. With an ROE of 10.3 points above the industry, it is fair to say that we're at a healthy advantage. It's this outperformance that drives our ability to invest, grow, face disruption in distribution and demonstrate tremendous resilience against adversity.

We are well positioned to absorb volatility in the external environment and pursue future growth opportunities.

Our sights are set firmly on 2023 and beyond. The business overall is operating at a low 90s operating combined ratio. Top line momentum is positive and our balance sheet remains strong. We are on track to deliver on our financial objectives – to grow Net Operating Income Per Share by 10% annually over time and to outperform the industry ROE by at least 500 basis points each year.

[1] This is Operating Direct Premium Written, which is a non-GAAP measure. See Section 36 – Non-GAAP and other financial measures of the MD&A for the definition and reconciliation to the most comparable GAAP measures.

How We See the World

A key ingredient of our success over the last decade and confidence in our future performance comes from being focused on the deep trends shaping society. Having a good understanding of how they impact our customers, employees and our communities is fundamental to winning. And strategy is really about using our strengths and competitive advantages to turn these trends into growth opportunities.

Right now, we see high inflation and low growth at the top of the economic agenda. Inflation pressures and related uncertainty around short-term and long-term interest rates are driving current capital market volatility. While we see central banks acting with resolve to bring inflation back to target, we believe inflation will be stubborn. As a result, we intend to navigate the investment environment conservatively while seizing opportunities to improve income as they arise.

We are also seeing the effects of a strong labour market. While positive for real wage growth, it is also adding to the inflationary environment. With pressure on wages and supply chains, moving back to a 2% target rate of inflation could prove challenging. Monetary policy and related housing pressure coupled with capital market volatility will mean little or negative growth this year.

The cost-of-living crisis being felt by so many is feeding into the speed at which consumers' expectations are changing. Customers want simplicity, transparency and – with purchasing power declining – they want value for money. Technology is also influencing customer expectations. It is changing how we consume and share information and influencing how we live.

We've responded with an increasing range of digital options while continuing to focus on the importance of the human dimension. With a wider range of brands and products, we can offer a spectrum of services at different price points. We continue to look at additional ways to provide availability and affordability, including new low-cost options in the future.

Customers want simplicity, transparency and – with purchasing power declining – they want value for money.

We are seeing an explosion in the democratization of data. Over the next three years we expect the data sets that exist globally to increase by a factor of three. One-third of our competitive advantage is based on how we use data. Our focus on AI and machine learning over the last seven years has given us an edge. We need to build on it. Our enhancements to Usage Based Insurance – including our recently launched eco fuel component to help customers track their greenhouse gas emissions – is a good example of that work.

Cyber security is another by-product of data explosion. Cyber presents a massive threat and a big business opportunity. Ransomware attacks are up three-fold in the past two years and up 50% over the past year. In Canada alone, that represents $3 billion of losses, net of the investments on cyber defence, for customers and businesses. We are building defensive capabilities for Intact and our customers – we see Cyber as an emerging and important underwriting segment in our Global Specialty Lines operations.

While many of the trends we are planning for are more medium- to long-term, climate change is the defining trend of the next century. Weather patterns have changed dramatically in the past 30 years. Natural disasters are now four times more costly, frequent and intense. This is the case globally, but it's even more true in Canada, where the temperature is rising twice as fast as the global average.

There is an urgency to the transition to net zero. To meet the commitments in the Paris Agreement, global emissions must be reduced by 45% from our current trajectory. This target has to be reached within eight years and emissions must continue to decline rapidly after that. For context, at the height of the pandemic, global emissions were only down by approximately 5%.

Much of the damage to our climate is irreversible and the positive impacts of emissions reduction will be slow at first. That means extreme weather is going to get worse over the next decade. Our societal response must be to double down on adapting to this changing environment and be better prepared for floods, wildfire and extreme heat.

We've been on the front lines of climate change with our customers for more than a decade – getting them back on track and helping them adapt. We have a plan – to help people build resilient communities – and win in the climate transition. I will talk about this in the last part of the letter.

We've been on the front lines of climate change with our customers for more than a decade – getting them back on track and helping them adapt.

What Intact is Aiming to Achieve and How We are Doing It

To build a sound strategy, you need to be clear about what you are trying to achieve. Success for us starts with customers. We aim to have three out of four customers as advocates – meaning they would feel comfortable recommending us to friends or family. Many of our customer relationships are via brokers and so we also aspire to have four out of five brokers value our specialized expertise.

Employee engagement is our second objective and a key factor for success. People are at the heart of our organization. We want employees to be representative of the communities we serve and to be proud of what they do and who they work with.

Our third objective is to ensure that we are one of the most respected companies. We measure this in three ways – by showing leadership in building resilient communities, by reducing our carbon emissions, and by outperforming our competitors financially.

To execute against these objectives, we have a bold strategic roadmap. Below, I've outlined our progress this year and how we are set up for success in 2023.

Expanding our leadership position in Canada

Our strategy in Canada is clear. It starts with leading in customer experience and ensuring that three out of four customers are digitally engaged. Scale in distribution and further consolidation in the market round out the game plan.

With one in two customers willing to recommend us to friends and family – and that number rising to 70% when customers have a transaction with us – we are confident that we will achieve our customer advocacy objective.

On digital engagement, we have hit a major milestone of two million Client Centre accounts, up 14% from 2021. Over half of our customers in Canada can now access insurance services online. And more than half of online transactions are now completed via our apps.

We are on track to achieve our targets in distribution. BrokerLink further bolstered its footprint this year with 24 acquisitions representing $374 million in Direct Premium Written (DPW). In 2022, BrokerLink surpassed $3 billion in DPW, putting us on track to hit our distribution goal of $5 billion DPW by 2025.

The RSA acquisition and integration has been a game changer for our Canadian operations, leading to 20% market share in Canada and adding 30% more volume to the business. Customer retention has been in the range of 90%. We see further consolidation opportunities over the next five to 10 years and our goal is to insure one in three Canadians.

In 2023, we will strive to deepen our relationships with customers by doubling down on the customer experience both digitally and in-person. We've set bold ambitions to outperform the industry operating combined ratio by five points and to hit $20 billion in annual premium by 2027.

Strengthening our leading position in the U.K. and Ireland

We've laid out a game plan focused on building a strong, sustainable and profitable business in the region. It begins with leading in customer experience and digital engagement. Optimizing underwriting and focusing the footprint for outperformance are also key elements of the plan.

We are investing in technology platforms to drive a better digital experience for customers and brokers as well as for the employees who are serving them. And we have started to deploy IFC's competitive advantages – improving pricing and risk selection with the help of our Data Lab.

We continue to evaluate our value propositions across our personal lines portfolio in the U.K. in an effort to drive sustainable outperformance. And we see big opportunities in mid-market commercial lines where we have strength and scale.

We are aiming for a sustainable low 90s operating combined ratio across the U.K. and Ireland by the end of 2024.

Building a Specialty Solutions leader

With the strength of the RSA network and access to 70% of the global market, we have built a truly global specialty solutions platform. We can now service customers around the globe, offering policies and handling claims locally in more than 150 countries and territories. Marine has been established as our first Global Franchise.

Our core platform is built on three pillars: talent and expertise, deep distribution relationships and diverse product offerings. With a sharper focus on execution, we are in a solid position to outperform.

In 2023, we will bring our global capabilities together in a cohesive fashion across the platform. And we will continue to improve our risk selection tools and strategies.

As referenced earlier, with deep trends in the explosion of data and climate change, we are focused on cyber and renewable energy as two emerging and important specialty underwriting segments.

With a solid growth plan in place, we have raised our ambitions to reach $10 billion in annual premium by the end of the decade while further deepening our outperformance in this sector to operate at a sustainable sub-90s operating combined ratio.

Transforming our competitive advantages

Our use of data and AI for pricing and risk selection, our deep claims expertise and strong supply chain, and our strong capital and investment management expertise set us apart from the competition.

With deep trends in the explosion of data and climate change, we are focused on cyber and renewable energy as two emerging and important specialty underwriting segments.

Data and AI

The Data Lab has grown to more than 500 data specialists. This team is focused on improving risk selection and making our operations as efficient as possible while creating outstanding interactions with customers.

We have delivered nearly 300 AI models that have in aggregate yielded almost $100 million of run-rate underwriting benefits.

Advanced machine learning techniques have helped us test more than 100 new proprietary weather variables and deploy more than 10 specific spatial and geographic models – all created by our own meteorologists. The Lab is also working with our social impact team to better identify the most climate vulnerable communities in Canada.

We can now better predict losses and customer behaviour, and we will be leveraging this expertise to a greater extent in our Commercial and Specialty Lines operations over the next three years.

Claims and supply chain

We handled over one million claims globally in 2022 – paying out $11 billion and getting our customers back on track.

We've continued to internalize our claims process over the last year, driving synergies and better customer service.

We doubled down on the Intact Service Centre model in Canada in 2022, opening 11 partner-operated locations. These new centres exclusively service Intact customers with an enhanced experience that is faster and more convenient while strengthening controls on indemnity.

Our strong supply chain networks helped us better manage supply chain dislocation and inflation and minimize disruption for our customers during a very challenging period.

Our investment in On Side, our property restoration company, continues to pay dividends. It's been a game changer from a customer experience perspective. We will aim to double the size of On Side over the next few years. With extreme weather on the rise, demand will only continue to increase.

Capital and investment management

Our capital and investment management scope has grown significantly over the last 18 months. We added global expertise to our internal investment management team – an already best-in-class and award-winning team. Our diverse geography, strong balance sheet and capital position underpin our ability to optimize asset allocation decisions, capture opportunities and manage headwinds.

With the experts on our team in Canada and the U.K. leading the way, we recently strengthened Intact's balance sheet further by completing a £6.5 billion U.K. pension buy-in agreement[1] with Pension Insurance Corporation (PIC). This transaction removes U.K. pension exposure on our balance sheet by fully insuring U.K. defined benefit pension liabilities with PIC. The transaction supports our ROE outperformance objectives by improving capital efficiency and enhances our ability to pursue future growth opportunities.

Investing in our people

Our people are at the heart of our ability to deliver on our purpose. That is why one of our objectives is to ensure that our people are engaged. It's why investing in our people is an important aspect of our strategic roadmap.

Being a best employer, a destination for top talent and experts, and enabling our people to thrive are the key areas of focus.

Being a best employer means ensuring our employees are engaged as measured through Kincentric Best Employer surveys. In Canada we've achieved Best Employer status for the seventh consecutive year and for the fourth consecutive year in the U.S. We also launched the Kincentric survey in the U.K. and International region this year.

> ***Our people are at the heart of our ability to deliver on our purpose.***

Being a best employer goes beyond survey results. It's about delivering on our Employee Promise to provide people with the opportunity to shape the future, win as a team and grow with us.

We believe our team is stronger than it's ever been. At the same time, the world is changing. The demographic challenges of an aging workforce are impacting an already tight labour market and the ability to attract and retain talent. Continued outperformance means we need to keep growing our skills and leadership capabilities, and be proactive in identifying talent so that we can maintain our edge for decades to come.

Finally, we know that thriving employees will enable sustained outperformance and growth. That is why it's important to invest not only in our employees' growth and development but also in the tools that our people use to perform each day, as well as in their resilience and wellness.

[1] Our press releases dated February 27 and February 28, 2023, provide further details on this transaction and its partial financing through our Limited Recourse Capital Notes offering.

Building Resilience and Transitioning to a Low Carbon Economy

Society is at a pivotal time. There are increasing expectations for businesses to step up – three out of four people want us to do more. Governments and businesses must work together to address key societal challenges, seize momentum and capitalize on the big trends.

To me it starts with leadership. True leadership requires genuine care for people and a desire to relentlessly challenge the status quo. Leadership is about the cause. It's about inspiring people to be better.

At Intact we've always believed that we could help society and win in the marketplace at the same time. It speaks to why we exist. It goes to the core of our role as risk managers – and the part insurance plays in protecting society.

As leaders in getting people back on track, we believe we are uniquely positioned to help build resilient communities. At Intact we define resilient communities as being climate proof and economically thriving.

In that context, let's tackle climate first. It is one of the biggest challenges we collectively face over the next 50 to 100 years. As mentioned earlier, we've been on the front lines of climate change with our customers for over a decade. For us it's about learning from our experience and leading with our strengths.

With that in mind, we've established a shared mandate of helping people adapt to climate change, encompassing our approach to building resilient communities and our broader climate strategy.

Our thesis is that the most economically vulnerable communities are also the most climate vulnerable. Our focus on climate adaptation is guided by an ambition to make these communities more climate resilient.

We've invested $25 million into 100 climate adaptation projects over a 13-year period. This includes partnerships with several leading organizations.

- A $10 million commitment over 10 years to the **Intact Centre on Climate Adaptation** at the University of Waterloo – helping homeowners, communities, governments and businesses reduce the impacts of climate change and extreme weather risk.
- A new $8 million, five-year partnership with the **Nature Conservancy of Canada** to help accelerate nature-based solutions for climate resilience.
- A U.K.-based partnership with **The Wildlife Trusts** on natural flood management techniques that will enhance biodiversity, test sustainable urban drainage systems and help protect communities downstream.
- A new partnership with **Landscape Enterprise Networks** in the U.K. focusing on organizing the buying and selling of nature-based solutions to improve water quality, sequester carbon, enhance biodiversity and promote more resilient land management.

While helping communities adapt to climate change is where we want to lead, seizing the opportunity to help and win in the climate transition is an important part of our strategic roadmap.

Building on our leadership in climate adaptation, we launched a comprehensive Climate Strategy earlier last year. It includes five big intentions – commit, adapt, shape, enable, collaborate:

- We **commit** to achieving net zero emissions by 2050 and halving emissions from our corporate operations by 2030.
- We will double down on our shared mandate on climate **adaptation** – with a focus on investing in natural infrastructure and scaling up restoration services to address the growing impact of severe weather.
- We want to **shape** customer behaviour – leverage our platform to help them adopt climate friendly behaviours in their own transition to net zero.
- In our role as risk managers, we can do our part to **enable** the transformation of industries that are key to the transition.
- **Collaborate** with governments and industry to accelerate climate action.

We've had very positive interactions with governments on climate. We've been active participants on the **Sustainable Finance Action Council** and in the development of the **National Adaptation Strategy** (NAS) in Canada. Through RSA we committed to **Build Back Better,** a joint initiative between the U.K. insurance industry and the government that promotes affordability and availability of flood insurance.

Climate change isn't the only challenge that communities face and building resiliency also includes economic resilience.

Over the last few years, we have focused our efforts on economic resilience by creating opportunity for families living in poverty. We have existing partnerships with the United Way and Breakfast Club of Canada. In 2023, we are taking a fresh look at how to best use our strengths in this area. We will aim to identify new partnerships to help communities both navigate a challenging economy and access opportunities for development and growth.

I think there is room to work with government to better address economic opportunity and a challenging labour market as we shift to an increasingly automated and low carbon economy. We need to better identify and seek out under-represented groups in the labour force – including Indigenous Peoples, Black and Persons of Colour and people living in poverty. Many of these individuals do not have access to equitable skills training and other community support to help them thrive. This requires both business and government investment.

One of our values is generosity, and I have been impressed by how our people have stepped up. Last year, our employees donated more than $3 million and volunteered more than 14,000 hours of their time to over 400 organizations. It is important for us to support them in helping their communities, so in 2022, Intact donated $12.5 million to more than 2,000 organizations across all regions where we operate.

We want to make a difference and we hold ourselves accountable to that. We've set an ambition to have three out of four stakeholders see us as leaders in building resilient communities. And we've developed a Resilience Barometer to measure our progress. In 2022, we asked six stakeholder groups – customers, employees, brokers, investors, governments, NGOs and industry associations – for feedback on our performance.

Our inaugural results in Canada indicate we're on the right track – 54% of stakeholders recognize us as leaders in building resilient communities. And 90% of stakeholders believe Intact has a responsibility to help communities become more resilient. We are expanding the Barometer's geographic reach in 2023 to include U.S., U.K. and E.U. stakeholders.

We want to make a difference and we hold ourselves accountable to that.

Conclusion

While communities continue to face challenges around the world, I am optimistic that we can make important progress with the right leadership and an all-of-society approach.

Our purpose grounds us – to help people, businesses and society prosper in good times and be resilient in bad times. Our Values guide every decision we make.

Intact's track record demonstrates our ability to manage in difficult times and our competitive advantage is stronger today than a decade ago. This strength fuels our ability to take a help-and-win approach in everything we do.

I want to thank our shareholders who have been backing our growth over the past decade. Rest assured – we do not take your support for granted.

Thank you also to our employees for their commitment to living our values, delivering second-to-none service to our customers and brokers, and demonstrating their generosity in the communities where they live and work, day in and day out.

Charles Brindamour
Chief Executive Officer

Chairman's Letter

William Young
Chairman of the Board

2022 was an important year marked by adaptation and growth. Against the backdrop of inflation, natural catastrophes and volatile capital markets, Intact made significant progress toward fully integrating the RSA business and continues to be in a solid financial position. Intact has a long history of adapting to grow the business, even in challenging times, and has demonstrated that ability yet again.

For the full year, premiums[1] increased 23% to over $21 billion, bolstered by the landmark RSA acquisition. Net operating income per share remained solid at $11.88, reflecting robust underwriting performance, meaningful accretion from RSA, and strong investment and distribution results.

Intact's strength can be attributed to its sound strategy that guides the business. Success begins with customers. If shareholders want to win, customers must win first, which is why Intact aims to exceed expectations and have customers be our advocates. This year we made meaningful progress on that front, particularly through digital engagement and AI. Thanks to continued investment in technology, Intact has expanded its digital footprint. In Canada, one out of every two customers are digitally engaged , and we're making significant strides towards reaching our goal of having three out of four customers being digitally engaged.

Success also stems from having an engaged team, and Intact continues to focus on attracting, retaining and developing high-performing employees, who represent the communities we serve. Six out of thirteen board members are women, and we will continue to strive for gender parity. Having diverse perspectives at the table is key to a strong board and building an engaged team in the business, and this will strengthen our competitive position in the market.

The Board is proud to recognize that Intact was once again named a Best Employer in Canada, the United States and North America. The U.K. participated in our Engagement Survey for the first time in 2022 – an important step in helping us determine how best to keep employees engaged across all our markets.

[1] This is Operating Direct Premium Written, which is a non-GAAP measure. See Section 36 – Non-GAAP and other financial measures of the MD&A for the definition and reconciliation to the most comparable GAAP measures.

Strength in the market also comes from being a recognized leader and a force for good in our industry. The Board is pleased Intact has been recognized again as one of Canada's most respected companies in The Globe & Mail's 2022 Board Games rankings. This reflects the company's strong governance, purpose, and Values.

2022 was another year where deep-rooted challenges impacted people, communities and the economy. Intact's purpose is to help people, businesses, and society prosper in good times and be resilient in bad times, making Social Impact and ESG fundamental parts of Intact's business. This year, Intact released its global climate strategy, a significant step for our business that strengthens our ongoing commitment to climate action. We invite you to read more about how Intact manages climate change and works to build a resilient society in our Social Impact & ESG Report.

As the Board looks to the future, overseeing the implementation of our strategy will be a priority, and we will also focus on the succession of senior management team members. Happily, the bench at Intact is deep, with seven successors available to step into each of the top 250 positions. Communication between shareholders, the Board and Management is another priority. This year I participated in stakeholder engagement and met with shareholders who represented approximately 34% of our investor base. Intact also held its first in-person investor day since 2019, where we shared with investors our strategy and ambitions for the markets in which we operate.

I want to take a moment to thank the members of the Board for their unwavering dedication and expertise this year, which guided us through challenges and ever-changing economic and socio-political circumstances, helping us reach the strong position we're in today. I'm pleased to welcome our newest Board Member, Michael Katchen, who was appointed in July. As Co-founder and CEO of Wealthsimple, Michael is a leader in technological innovation, and I know the Board will benefit immensely from his expertise. 2022 marked my first year as Chair of the Board of Directors, and over the past year, it's been an absolute privilege to lead this highly committed team.

I also want to thank Charles Brindamour and his Executive Team, who have done an extraordinary job of growing Intact into the leading company that it is today. Charles's track record of consistently outperforming in the industry and providing value for shareholders was recognized publicly this year when he was named Canada's outstanding CEO of the year by Caldwell and Bennett Jones. The award is a tremendous honour but comes as no surprise to those of us who have worked closely with him. Charles and his Executive Team's resolute leadership in the face of challenges gives me immeasurable confidence that Intact will continue to outperform while serving the interests of all stakeholders.

In conclusion, as your new Chairman, I'd like to thank employees, customers, brokers and shareholders for your continued loyalty and support. Intact's ability to adapt and its commitment to excellence was illustrated again in 2022, and I am confident the company will continue to thrive in the years ahead.

Sincerely,

William L. Young
Chairman of the Board

Strength in the market also comes from being a recognized leader and a force for good in our industry.

Our Board

William L. Young
Chair of the Board of Intact Financial Corporation and Chair of the Board of SNC-Lavalin Group Inc.

Charles Brindamour
Chief Executive Officer, Intact Financial Corporation

Emmanuel Clarke
Corporate Director
Audit Committee + Risk Management Committee

Janet De Silva
President and CEO of Toronto Region Board of Trade
Audit Committee + Risk Management Committee

Michael Katchen
Chief Executive Officer and Co-Founder, Wealthsimple
Human Resources and Compensation Committee

Stephani Kingsmill
Corporate Director
Governance and Sustainability Committee + Human Resources and Compensation Committee

Jane E. Kinney
Corporate Director
Audit Committee + Governance and Sustainability Committee

Robert G. Leary
Corporate Director
Human Resources and Compensation Committee + Risk Management Committee

Sylvie Paquette
Corporate Director
Human Resources and Compensation Committee + Risk Management Committee

Stuart J. Russell
Professor of Electrical Engineering and Computer Sciences at University of California at Berkeley
Human Resources and Compensation Committee + Risk Management Committee

Indira V. Samarasekera
Corporate Director and Senior Advisor, Bennett Jones, LLP
Governance and Sustainability Committee + Human Resources and Compensation Committee

Frederick Singer
Corporate Director
Audit Committee + Governance and Sustainability Committee

Carolyn A. Wilkins
Corporate Director and Senior Research Scholar at the Griswold Center for Economic Policy Studies, Princeton University
Audit Committee + Risk Management Committee

Complete biographies of the members of the Board of Directors available at www.intactfc.com.

Our Leadership

Charles Brindamour
Chief Executive Officer,
Intact Financial Corporation

Ken Anderson
Executive Vice President, CFO, RSA UK&I

Patrick Barbeau
Executive Vice President &
Chief Operating Officer

Sonya Côté
Senior Vice President &
Group Chief Internal Auditor

Frédéric Cotnoir
Executive Vice President &
Chief Legal Officer & Secretary

Debbie Coull-Cicchini
Executive Vice President, Intact Insurance
(excluding Québec)

Anne Fortin
Executive Vice President,
Direct Distribution & Chief Marketing &
Communications Officer

Louis Gagnon
Chief Executive Officer, Canada

Darren Godfrey
Executive Vice President,
Global Specialty Lines

Louis Marcotte
Executive Vice President &
Chief Financial Officer

T. Michael Miller
Chief Executive Officer,
Global Specialty Lines

Benoit Morissette
Executive Vice President,
Chief Risk & Actuarial Officer

Werner Muehlemann
Executive Vice President & Managing Director,
Intact Investment Management Inc.

Ken Norgrove
Chief Executive Officer, UK&I

Carla Smith
Executive Vice President & Chief Human Resources,
Strategy & Climate Officer

Complete biographies of our executives available at www.intactfc.com.

As at December 31, 2022

MD&A and Financial Statements

Please note that the following MD&A and Financial Statements are provided as distinct sections with individual pagination:

MD&A – **pages 1 to 124**;
Financial Statements – **pages 1 to 90**.

Intact Financial Corporation

Management's Discussion and Analysis

For the year ended December 31, 2022

INTACT FINANCIAL CORPORATION

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

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

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

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

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

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

- Abbreviations and definitions of selected key terms used in this MD&A are defined in ***Section 40 – Glossary and definitions.***
- Other insurance-related terms are defined in ***Section 40 – Glossary and definitions*** of our MD&A, as well as in the glossary available in the "Investors" section of our web site at ***www.intactfc.com***.
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

Non-GAAP and other financial measures

We use both Generally Accepted Accounting Principles financial measures ("reported measures"), as well as Non-GAAP financial measures and Non-GAAP ratios (each as defined in National Instrument 52-112 "*Non-GAAP and Other Financial Measures Disclosure*") to assess our performance. Non-GAAP financial measures and Non-GAAP ratios (which are calculated using Non-GAAP financial measures) do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry.

The **Non-GAAP financial measures** included in the MD&A and other financial reports are: operating DPW, operating NPW, operating NEP, operating net claims, operating net underwriting expenses, underwriting income, operating net investment income, distribution income, total finance costs, other operating income (expense), operating and total income tax expense (benefit), PTOI, NOI, NOI attributable to common shareholders, pre-tax income, non-operating results, adjusted net income, adjusted average common shareholder's equity, adjusted average common shareholder's equity (excluding AOCI), debt outstanding (excluding hybrid debt), debt outstanding and preferred shares (including NCI) and adjusted total capital.

The **Non-GAAP ratios** included in the MD&A and other financial reports (other than Consolidated financial statements) are:

- operating growth and operating growth in constant currency (for both operating DPW and NPW);
- operating NEP growth and operating NEP growth in constant currency;
- operating combined ratio, claims ratio (including underlying current year loss ratio, CAT loss ratio and PYD ratio) and expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio);
- operating and total effective income tax rates;
- NOIPS and AEPS, as well as ROE, OROE and AROE;
- book value per share (BVPS) excluding AOCI; and adjusted debt-to-total capital ratio and total leverage ratio.

We believe that similar measures and ratios are widely used in the industry and provide investors, financial analysts, rating agencies and other stakeholders with a better understanding of our business activity and financial results over time, in line with how management analyses performance. Non-GAAP and other financial measures used by management are fully defined and reconciled to the corresponding GAAP measures. We also use other financial measures to assess our performance, including supplementary financial measures and segment measures, which are further presented in the MD&A.

See Section 36 – Non-GAAP and other financial measures for the definition and reconciliation to the most comparable GAAP measures (or "reported measures").

Cautionary note regarding forward-looking statements

Certain of the statements included in this MD&A about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this MD&A are made as at December 31, 2022, and are subject to change after that date. This MD&A contains forward-looking statements with respect to the acquisition (the "RSA Acquisition") and integration of RSA Insurance Group PLC ("RSA"), the sale of the Company's 50% stake in RSA Middle East B.S.C. (c) to the National Life & General Insurance Company (NLGIC) (the "Sale of RSA Middle East"), the realization of the expected strategic, financial and other benefits of the Sale of RSA Middle East, and with respect to the impact of COVID-19 and related economic conditions on the Company's operations and financial performance.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, economic and political environments and industry conditions. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, credit, market, liquidity, operational, strategic and legal risks and the risks discussed in ***Section 33.6- Top and emerging risks that may affect future results*** and ***Section 33.7- Other risk factors that may affect future results*** of this MD&A for the year ended December 31, 2022, including a major earthquake, climate change, catastrophe, increased competition and disruption, turbulence in financial markets, reserving inadequacy, underwriting inadequacy, reinsurance, governmental and/or regulatory intervention, failure of an acquisition, cyber security failure, failure of a major technology initiative, inability to contain fraud and/or abuse, customer satisfaction, social unrest, third party reliance, employee defined benefit pension plan, the ability to retain and to attract talent, business interruption to our operations, credit downgrade, limit on dividend and capital distribution.

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

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

OVERVIEW

Section 1 - About Intact Financial Corporation

1.1 Our purpose, values and core belief

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

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

Integrity | Respect | Customer Driven | Excellence | Generosity

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

1.2 What defines us

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

2022 Operating DPW[1] by business segment and line of business

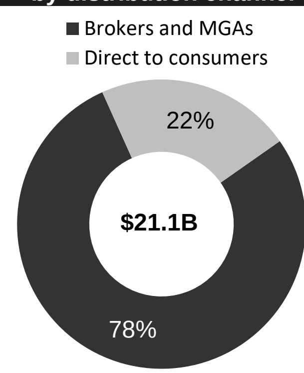
	Total PL		Total CL		Total
	PA	PP	Reg. CL	SL	
Canada	26%	17%	15%	9%	**67%**
UK&I	2%	6%	8%	6%	**22%**
US	-	-	-	11%	**11%**

PA: Personal auto; **PP**: Personal property

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

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

2022 Operating DPW[1] by distribution channel



Section 2 - Segments and lines of business

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

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

LINES OF BUSINESS

Personal auto – CANADA
We provide coverage to our customers for their vehicles, including accident benefits, third party property and physical damage. Our coverage is also available for motor homes, recreational vehicles, motorcycles, snowmobiles and all terrain vehicles.

Personal property – CANADA
We provide protection to our customers for their homes and contents from risks such as fire, theft, vandalism, water damage and other damages, as well as personal liability coverage. Property coverage is also available for tenants, condominium owners, non-owner-occupied residences and seasonal residences. We also provide travel insurance.

Commercial lines (including specialty lines) – CANADA
We provide a broad range of coverages tailored to the needs of a diversified group of businesses. Commercial property coverages protect the physical assets of a business. Liability coverages include commercial general liability, product liability, professional liability, as well as cyber coverage. Commercial vehicle coverages provide protection for commercial auto, fleets, garage operations, light trucks, public vehicles and the specific needs of the sharing economy.

Personal lines – UK&I
We provide various levels of coverage to our customers for their home, motor, pet and other insurance products in the UK and Ireland.

Commercial lines (including specialty lines) – UK&I
We provide a broad range of general insurance, specialty lines and risk management expertise for businesses and other organisations in the UK, Ireland, France, Belgium, Spain and the Netherlands.

Commercial lines (specialty lines) – US
We provide a broad range of specialty insurance solutions tailored to meet the unique needs of specific industry segments or product/customer groups. Businesses serving targeted industry segments include accident and health, technology, ocean marine, inland marine, builder's risk, entertainment, financial services, and financial institutions. Businesses offering distinct specialty products to broad customer groups include specialty property, surety, tuition reimbursement, management liability, cyber and environmental.

Specialty lines

Specialty lines are embedded in the commercial operations of each segment. Specialty is about focus and deep knowledge of a unique customer segment (such as marine, technology and entertainment) or product niche (such as surety, excess property, multi-national programs, management liability and cyber). We continue to capitalize on the opportunities to expand and bring our capabilities to new markets across the globe.

Section 3 - Building sustainable competitive advantages

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

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

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

PERFORMANCE

Section 4 - Consolidated performance

4.1 Consolidated highlights

Q4-2022 Highlights

- **Operating DPW[1] growth accelerated to 3% in the quarter,** 5% excluding strategic exits, on favourable market conditions
- **Operating combined ratio[1] was a solid 91.5% in Q4-2022 and 91.6% for the full year**, despite elevated catastrophe losses and inflation
- **NOIPS[1] of $3.34 in Q4-2022 and $11.88 for the full year** reflected higher investment and distribution income, which partially offset lower underwriting margins
- **EPS decreased to $2.26 in Q4-2022 but was up 9% for the full year** on higher operating income and investment gains
- **OROE of 14.3% and ROE of 16.5%,** reflected strong operating performance in a challenging environment
- Balance sheet remained strong with a **total capital margin of $2.4 billion** and **BVPS of $80.33** despite capital markets volatility
- **Quarterly dividend increased by 10% to $1.10** per common share

Table 1 - Consolidated performance[1]

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

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

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

4.2 Consolidated performance

Table 2 – Consolidated underwriting performance

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

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

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

	Q4-2022 vs Q4-2021	2022 vs 2021
NOIPS	• **NOIPS of $3.34** was lower than last year, as higher investment and distribution income only partially offset the impact of lower underwriting margins.	• **NOIPS remained solid at $11.88,** reflecting a robust underwriting performance and meaningful RSA accretion, coupled with strong investment and distribution results.
Non-operating results *(Section 15)*	• **Non-operating losses of $236 million** compared to a non-operating gain of $17 million last year, largely due to the recent volatility in capital markets. This also reflected an increase in underwriting losses from our exited lines, as we continue to focus on portfolio quality.	• **Non-operating gains of $311 million** compared to a non-operating loss of $70 million last year, due to a $421 million gain from the sale of Codan Forsikring A/S ("Codan DK"), as well as favourable MYE.
Effective income tax rates[1] *(Section 16.2)*	• **Operating effective income tax rate of 15.2% and total effective income tax rate of 12.9% in the quarter** were lower than expected and included a 9-point benefit due to our ability to recognize more tax recoveries, thanks to our improved outlook on future profitability in the UK.	• **Operating effective income tax rate of 18.8%** was lower than 2021, mainly due to the benefit of the tax recoveries in the UK. • **Total effective income tax rate of 18.7% for 2022** was lower than expected, due to non-taxable gains in Q2-2022 and the previously mentioned UK tax benefits.
EPS	• **EPS decreased by 41% to $2.26**, driven by net investment losses caused by recent volatility in capital markets, compared to significant gains in the prior year. EPS was significantly lower than NOIPS this quarter due to the non-operating losses described above.	• **EPS of $13.46 increased by 9%,** as solid operating results were bolstered by the gain on the sale of Codan DK.
Return on equity for the last 12 months	• **Operating ROE of 14.3%** reflected a strong operating performance across the business, even with elevated CAT losses. • **Adjusted ROE of 19.5% and ROE of 16.5%,** reflected strong results in a challenging environment, bolstered by the gain from the sale of Codan DK and realized gains on our equity portfolio.	
BVPS *(Section 28.6)*	• **BVPS of $80.33** increased from Q3-2022, driven by solid earnings and mark-to-market gains on our available-for-sale securities portfolio, partially offset by market-related losses in our UK pension plans.	• **BVPS decreased by 2% year-over-year**, as strong earnings were offset by mark-to-market losses on our investments earlier in the year, caused by the increase in interest rates and the recent volatility in capital markets.
Adjusted debt-to-total capital ratio *(Section 28.2)*	• Our **adjusted debt-to-total capital ratio decreased to 21.2% as at December 31, 2022**, mainly due to the repayment of the US senior notes of US$275 million.	
Financial condition *(Section 28.2)*	• **We ended the year in a strong financial position, with $2.4 billion of total capital margin** and solid regulated capital ratios in all jurisdictions.	

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

IFRS 17 / 9
Effective Q1-2023

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

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

Section 5 - Segment performance

5.1 Operating performance by segment

Table 3 – Operating performance by segment[1,2]

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

[1] The totals of the segment measures reconcile to *Table 1 – Consolidated performance.*
[2] *See Section 36 – Non-GAAP and other financial measures for more details.*

Section 6 - Canada segment

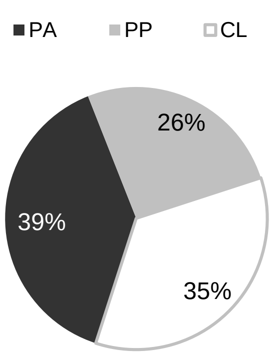
Canada segment

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

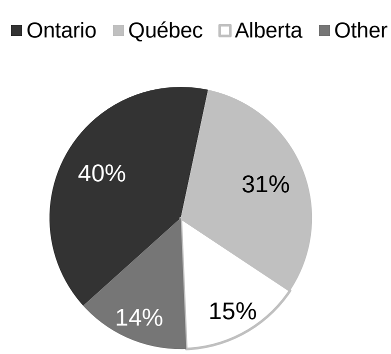
- We have more than $14 billion in annual operating DPW. We had an approximate market share of 20% in 2021[1].
- We underwrite **automobile, home and business insurance contracts** to individuals and businesses in Canada (including specialty lines).
- We offer our products through **multiple distribution channels including brokers, direct to consumer and our managing general agent (MGA) platform.**
    - Intact Insurance and RSA branded products are sold through a wide network of brokers, including our wholly-owned subsidiary BrokerLink.
    - Belairdirect is our direct-to-consumer brand.
    - Intact Public Entities is the MGA platform for distributing public entity insurance products in Canada. Coast Underwriters is our MGA specialized in Marine Insurance.
- We also provide affinity insurance solutions through the Johnson Affinity Groups as well as exclusive and tailored offerings through Intact Prestige.
- **In our strategic roadmap, we laid out our growth and profitability ambitions for Canada: to grow our DPW to $20 billion by 2027, with 5 points of operating combined ratio outperformance**.

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

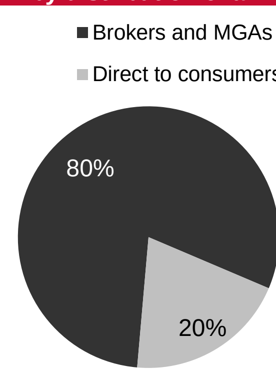
2022 Operating DPW [1] by line of business



2022 Operating DPW [1] by region



2022 Operating DPW [1] by distribution channel



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

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

6.1 P&C Canada

Table 4 – Underwriting results for P&C Canada[1]

		Q4-2022	Q4-2021	Change	2022	2021[2]	Change
Operating DPW		**3,417**	3,283	4%	**14,037**	12,023	17%
Operating NEP		**3,403**	3,296	3%	**13,369**	11,450	17%
Underwriting income		**385**	513	(25)%	**1,267**	1,525	(17)%
Underwriting ratios							
Underlying current year loss ratio		**60.9%**	54.6%	6.3 pts	**60.8%**	55.8%	5.0 pts
CAT loss ratio		**2.6%**	3.2%	(0.6) pts	**4.2%**	3.3%	0.9 pts
(Favourable) unfavourable PYD ratio		**(4.5)%**	(4.0)%	(0.5) pts	**(4.3)%**	(4.4)%	0.1 pts
Claims ratio		**59.0%**	53.8%	5.2 pts	**60.7%**	54.7%	6.0 pts
Commissions		**14.3%**	16.6%	(2.3) pts	**15.6%**	18.2%	(2.6) pts
General expenses		**11.6%**	10.1%	1.5 pts	**10.4%**	10.0%	0.4 pts
Premium taxes		**3.8%**	3.9%	(0.1) pts	**3.8%**	3.8%	- pts
Expense ratio		**29.7%**	30.6%	(0.9) pts	**29.8%**	32.0%	(2.2) pts
Operating combined ratio		**88.7%**	84.4%	4.3 pts	**90.5%**	86.7%	3.8 pts
Personal auto	*6.2*	**95.8%**	87.5%	8.3 pts	**92.9%**	86.9%	6.0 pts
Personal property	*6.3*	**76.9%**	79.5%	(2.6) pts	**90.1%**	83.8%	6.3 pts
Commercial lines	*6.4*	**89.0%**	84.3%	4.7 pts	**87.9%**	88.6%	(0.7) pts

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

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

Q4-2022 vs Q4-2021

- **Premium growth was 4%,** reflecting continued rate momentum across all lines of business tempered by muted unit growth.
- **Expense ratio decreased to 29.7%**, as variable commissions returned closer to historical levels. General expenses were impacted by higher variable compensation as well as technology and marketing investments.
- **Operating combined ratio was strong at 88.7%**, thanks to a strong performance in personal property and commercial lines. Personal auto delivered a mid-90s combined ratio, reflecting inflation pressures coupled with higher weather-related frequency.

2022 vs 2021

- **Premium growth of 17%** was bolstered by the RSA Acquisition. Excluding this impact, growth was 4% driven by rates across all lines of business.
- **Expense ratio decreased to 29.8%,** driven by lower variable commissions across all lines of business compared to last year's elevated level. General expense ratio of 10.4% was comparable to last year, despite the impact of the RSA Acquisition on business mix (more direct business which typically has a higher general expense ratio but lower commissions). We continue to deliver earned synergies, which will support our underwriting margins.
- **Overall operating combined ratio was strong at 90.5%**, reflecting a robust performance in commercial lines tempered by higher weather-related claims and inflation pressures in personal lines.

6.2 Personal auto

Table 5 – Underwriting results for Personal auto[1]

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

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

Q4-2022 vs Q4-2021

- **Premium growth of 2%,** up 3 points from the preceding quarter, was driven by rate increases and a firming market. Rates progressed from mid-single-digits in Q3 to high single-digits in Q4.
- **Underlying current year loss ratio increased by 12.4 points to 78.9%,** driven by inflationary pressures on short-tail coverages, as well as higher claims frequency from increased driving activity and challenging weather. We continue to tackle inflation pressures through our ongoing rate and underwriting actions.

2022 vs 2021

- **Premium growth of 14%** was bolstered by the RSA Acquisition. Excluding this impact, operating DPW was essentially flat as progressive rate increases throughout the year were offset by unit pressures.
- **Underlying current year loss ratio increased by 8.9 points to 73.3%,** reflecting increased driving activity across the country and claims inflation, offset in part by the benefit of our profitability actions, including rate increases.

- **CAT loss ratio of 0.3% in the quarter and 0.6% for 2022** was in line with expectations**.**
- **Favourable PYD of 7.2% in the quarter and 5.1% in 2022 continued to be strong**, reflecting our prudent reserving practices.
- **Expense ratio of 23.8% in the quarter and 24.1% for 2022,** lower than last year, largely due to lower variable commissions partly offset by higher general expenses ***(see Section 6.1 – P&C Canada)***.

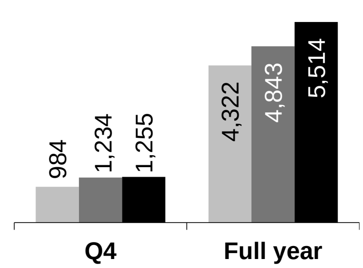
Q4-2022 vs Q4-2021:

- **Operating combined ratio of 95.8%** was 8.3 points higher than last year, mainly due to inflation pressures and higher frequency.
- **We expect our earned rate momentum, coupled with decelerating inflation, to position us to deliver a seasonally adjusted sub-95 combined ratio in the next 12 months.**

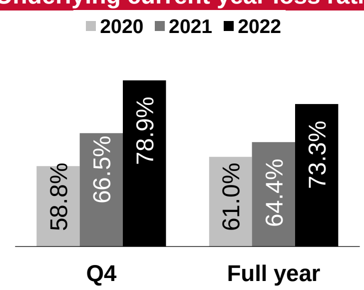
2022 vs 2021:

- **Operating combined ratio was in line with expectations for the full year at 92.9%,** given increased driving activity and higher claims severity driven by inflationary pressures, which we tackled with early mitigating actions.

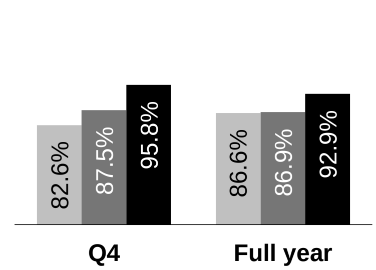
Operating DPW



Underlying current year loss ratio



Operating combined ratio



6.3 Personal property

Table 6 – Underwriting results for Personal property[1]

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

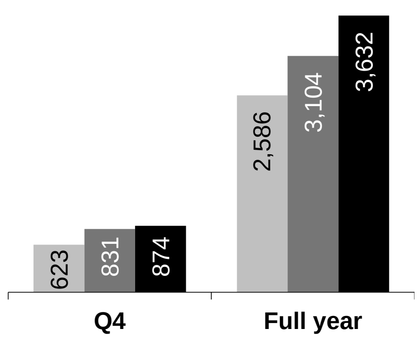
[1] *See Section 36 – Non-GAAP and other financial measures for more details.*

Q4-2022 vs Q4-2021	2022 vs 2021
• **Premium growth of 5%** was driven by rate increases in firm market conditions.	• **Premium growth of 17%** was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was 5%, driven by continued rate increases.
• **Underlying current year loss ratio of 45.2% remained solid**, though 3.9 points higher than last year mainly from large fire losses during the quarter.	• **Underlying current year loss ratio of 50.6% remained solid**, reflecting the benefit of higher earned rates, offset in part by higher weather-related claims and large fire losses for the year.
• **CAT loss ratio of 1.8%** was lower than expectations due to favourable development on CAT losses from prior quarters (2 points), which partly offset the impact of the December windstorm and hail event.	• **CAT loss ratio of 10.0%** was elevated mainly due to the May windstorms in Quebec and Ontario, as well as Hurricane Fiona.

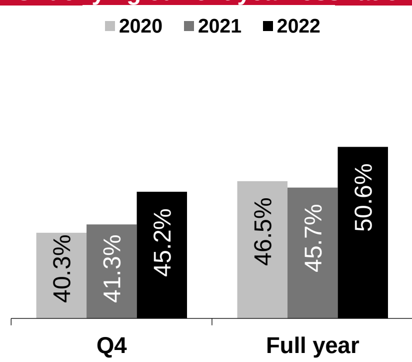
- **Favourable PYD ratio was healthy at 1.8% in the quarter and 2.1% for 2022**.
- **Expense ratio of 31.7% in the quarter and 31.6% for 2022,** lower than last year, largely due to lower variable commissions. *(see Section 6.1 – P&C Canada)*.

• **Operating combined ratio was strong at 76.9%.** The 2.6-point improvement from last year was driven by lower CATs offset in part by an increase in large losses which impacted underlying performance.	• **Operating combined ratio of 90.1%** in firm market conditions, a solid performance despite challenging weather. **This line is well positioned to continue to operate at a sub-95 combined ratio, even with elevated CATs.**

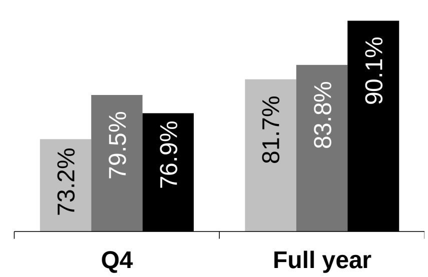
Operating DPW



Underlying current year loss ratio



Operating combined ratio



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

6.4 Commercial lines

Table 7 – Underwriting results for Commercial lines[1]

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

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

Q4-2022 vs Q4-2021	2022 vs 2021
• **Premium growth of 6%** mainly reflected rate actions, led by strength in commercial property and specialty lines.	• **Premium growth of 20%** was bolstered by the RSA Acquisition. Excluding this impact, operating DPW growth was strong at 7%, reflecting continued hard market conditions and good momentum in specialty lines.

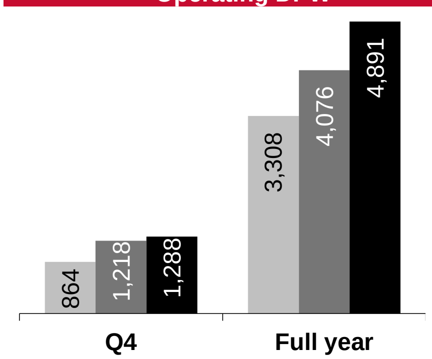
- **Underlying current year loss ratio remained strong at 51.1% in the quarter and 52.9% for 2022**, reflecting the benefit of higher earned rates and favourable market conditions.

Q4-2022 vs Q4-2021	2022 vs 2021
• **CAT loss ratio of 6.0%** was higher than expectations driven by further development of losses from Hurricane Fiona, a CAT event from earlier in the year.	• **CAT loss ratio of 4.3%,** in line with last year but higher than expected, reflected the impact of Hurricane Fiona and the May windstorms in Quebec and Ontario.
• **Favourable PYD ratio remained healthy at 3.4%**, compared to a particularly strong quarter last year.	• **Favourable PYD ratio was strong at 5.1%**, in line with historical averages.

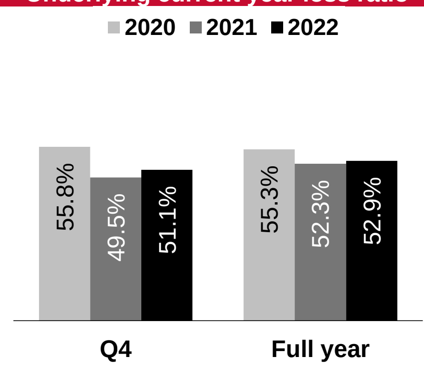
- **Expense ratio of 35.3% in the quarter and of 35.8% for 2022,** lower than last year, largely due to lower variable commissions *(see Section 6.1 – P&C Canada).*

Q4-2022 vs Q4-2021	2022 vs 2021
• **Operating combined ratio was solid at 89.0%,** reflecting a strong underlying performance. The increase of 4.7 points from last year's exceptional performance was driven by higher CATs and lower favourable PYD.	• **Operating combined ratio was strong at 87.9%**. The performance is better than our low-90s guidance, reflecting the actions we have taken in favourable market conditions. **This line is well positioned to deliver a low-90s combined ratio in the future.**

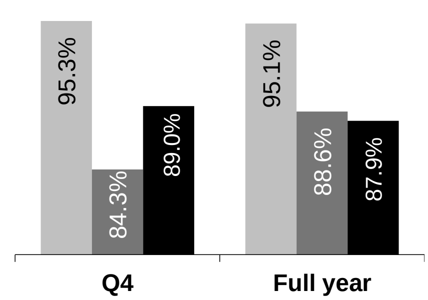
Operating DPW



Underlying current year loss ratio



Operating combined ratio



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

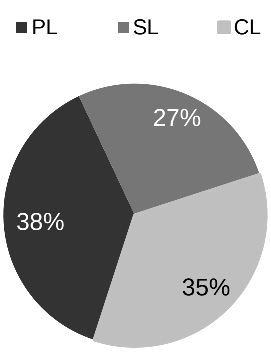
Underwriting activities in the UK, Ireland and Europe

INSURANCE: P&C UK&I[1] *(see Section 7.1 – P&C UK&I)*

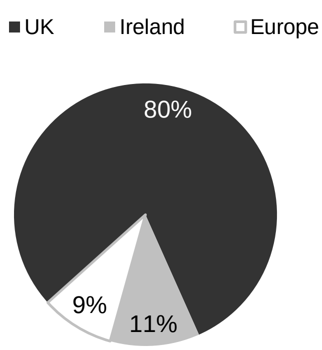
- We underwrite **automobile, home, pet and business insurance** to individuals and businesses in the UK, Ireland and Europe, as well as internationally through our global network, with nearly £3 billion ($4.7 billion) in annual operating DPW. We distribute insurance through a wide network of affinity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

[1] Market share and industry data are for 2021.

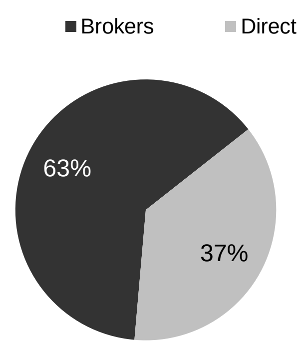
2022 Operating DPW [1] by line of business



2022 Operating DPW [1] by region



2022 Operating DPW [1] by distribution channel



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

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

7.1 P&C UK&I

Table 8 – Underwriting results for P&C UK&I[1]

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

[1] ***See Section 36 – Non-GAAP and other financial measures and Section 15.2 – Income (loss) from exited lines for more details.***
[2] Comparatives above (2021) only include underwriting results for the period from July 1, 2021 to December 31, 2021 as June 2021 underwriting results were included in the Corporate segment. For more details, refer to ***Table 3 – Operating performance by segment***

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

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

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

7.2 Personal lines

Table 9 – Underwriting results for personal lines – UK&I[1]

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

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

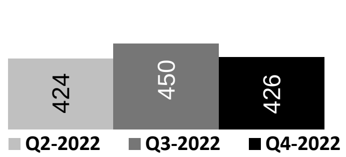
Q4-2022 vs Q4-2021

- **Operating DPW declined by 12% on a constant currency basis for the quarter,** of which 9 points was due to the Sale of RSA Middle East earlier in 2022. The remainder reflected the impact of pricing reforms in UK home and our continued discipline and rate action in competitive market conditions.
- **Underlying current year loss ratio at 72.8%** was elevated, driven by continued inflationary pressures and several non-CAT large losses.
- **CAT loss ratio of 20.6%** was significantly above our expectation of 2 points, driven by the December freeze event in the UK, which resulted in increased claims mainly due to burst water pipes in homes.
- **Favourable PYD was strong at 7.5%,** driven by development on large losses and post-reform experience in the UK and Ireland.
- **Expense ratio of 34.9%** was 1.9 points better than last year due to a decrease in variable commissions relating to the December freeze event.
- **Operating combined ratio at 120.8%** reflects elevated CAT losses from the December freeze and inflationary pressures in motor and home. Our pet business continued to perform well.

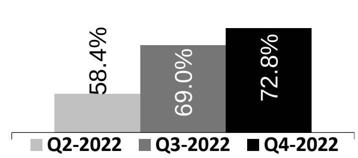
2022

- **Underlying current year loss ratio at 64.6%** was higher than expectations, mainly due to inflationary pressures and subsidence claims in H2-2022.
- **CAT loss ratio of 7.6%** was well above expectations, mostly driven by the UK December freeze, as well as the February windstorms in the UK.
- **Favourable PYD was solid at 2.9%.**
- **Expense ratio of 36.9%** was slightly better than expectations, benefitting from lower variable commissions, driven by weather-related events.
- **Operating combined ratio of 106.2%** was elevated, reflecting inflationary pressures and elevated CAT and non-CAT weather-related losses, which were approximately 8 points higher than expected. Excluding this impact, the operating combined ratio remained elevated in the high-90s. Profitability actions are underway to improve results in this line of business.

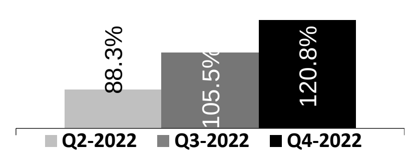
Operating DPW



Underlying current year loss ratio



Operating combined ratio



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

7.3 Commercial lines

Table 10 – Underwriting results for commercial lines – UK&I[1]

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

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

Q4-2022 vs Q4-2021 | **2022**

- **Operating DPW grew slightly in constant currency for the quarter.** Excluding the 3-point negative impact from the Sale of RSA Middle East earlier in 2022 and the 5-point negative impact from the optimization of our delegated portfolio, underlying DPW growth of 9% was driven by high single-digit rate increases, and strong retention levels in a continued hard market.

Q4-2022 vs Q4-2021:

- **Underlying current year loss ratio at 64.1%** was elevated compared to last year due to higher non-CAT large losses across all territories.
- **CAT loss ratio of 0.5%** reflected an overall muted quarter.

2022:

- **Underlying current year loss ratio at 60.2%** benefitted from our pricing actions and benign non-CAT weather, which offset inflation pressures and higher non-CAT large losses.
- **CAT loss ratio of 4.8%** was broadly in line with expectations, despite both weather-related and several fire related CAT losses.

- **Favourable PYD was healthy at 2.1% for the quarter and strong at 4.1% for 2022**, mainly reflecting favourable development on large losses.
- **Expense ratio of 30.3% in the quarter and 29.5% for 2022,** improved over last year, largely due to lower variable commissions.

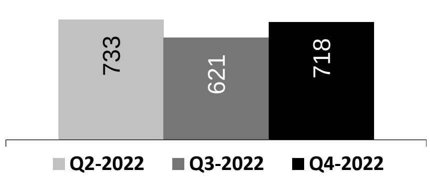
Q4-2022 vs Q4-2021:

- **Operating combined ratio was solid at 92.8%,** though 2.4 points higher than the prior year, reflecting an increase in non-CAT large losses.

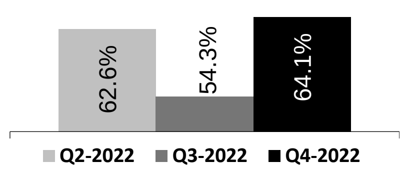
2022:

- **Operating combined ratio was strong at 90.4%**. Our commercial lines business profitability is strong, and it is well positioned to grow in its market.

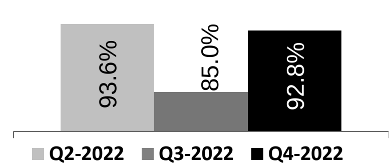
Operating DPW



Underlying current year loss ratio



Operating combined ratio



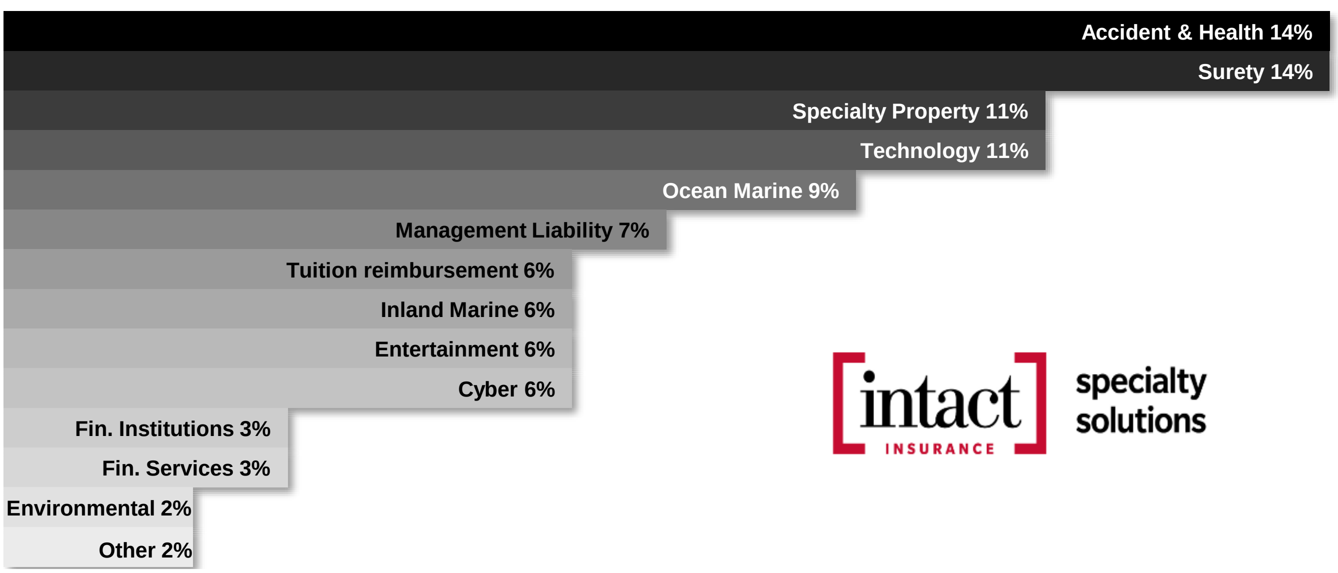
Section 8 - US segment

Underwriting activities in the US

INSURANCE: P&C US

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

2022 Operating DPW by business unit



intact INSURANCE specialty solutions

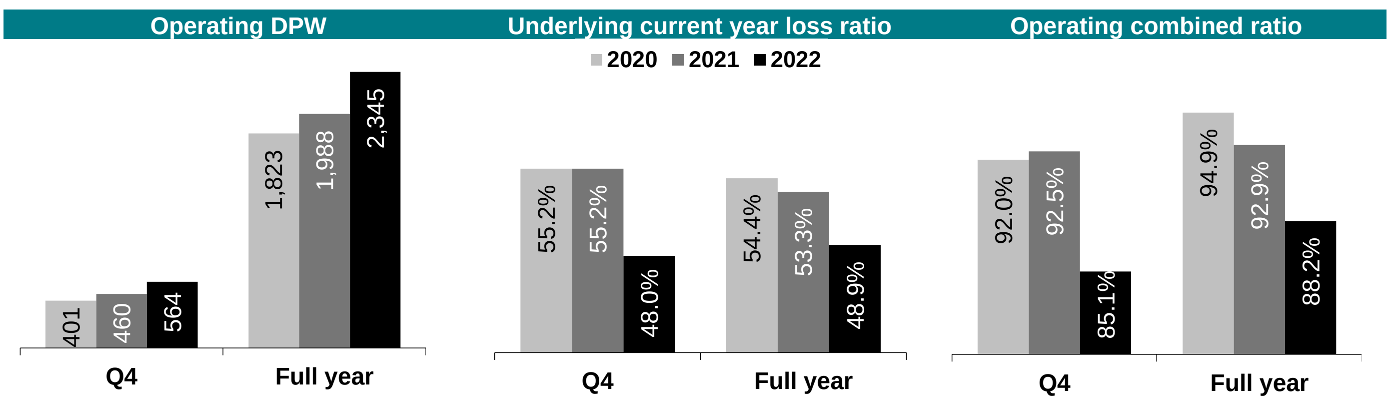
(in millions of Canadian dollars, except as otherwise noted)

8.1 P&C US

Table 11 – Underwriting results for P&C US[1]

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

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



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

<table>
<tr><th>Q4-2022 vs Q4-2021</th><th>2022 vs 2021</th></tr>
<tr><td colspan="2">• Strong operating DPW growth in constant currency of 13% for the quarter and 14% for 2022, despite a 4-point negative impact quarter-to-date and year-to-date from the exit of Public Entities. Growth was driven by our entry into the E&S builder's risk market (following our recent Highland MGA acquisition), increased exposures, new business, and rate increases.</td></tr>
<tr><td colspan="2">• Operating net premiums written growth in constant currency of 8% for the quarter and 11% for 2022, was driven by the strong DPW growth described above, offset by the impact of significant reinsurance quota-share cessions in our cyber and builder's risk segments.</td></tr>
<tr><td colspan="2">• Underlying current year loss ratio was strong at 48.0% quarter-to-date and 48.9% for 2022, driven by the benefits of our profitability actions, including rate increases and a focus on portfolio quality.</td></tr>
<tr><td>• There were no CAT losses in the quarter.</td><td>• CAT loss ratio of 1.5% included the impact of Hurricane Ian and large commercial fires. It compared favourably to last year, which was impacted by severe weather events (including the Texas winter storms and Hurricane Ida) and large non-weather claims in H2-2021.</td></tr>
<tr><td>• PYD ratio from our continuing business was unfavourable at 1.7%, mainly due to increased claims activity on one large closed account.</td><td>• Favourable PYD ratio from our continuing business of 0.6% was healthy throughout the year but impacted by increased claims activity on one large closed account in Q4-2022.</td></tr>
<tr><td colspan="2">• Expense ratio of 35.4% in Q4-2022 and 38.4% for 2022 were slightly higher than last year, mainly due to a changing mix of business, which call for higher commissions, and increased variable compensation, partly offset by the benefit of higher earned premiums.</td></tr>
<tr><td>• Operating combined ratio improved by 7.4 points to a strong 85.1%. Robust underwriting discipline and the absence of catastrophe losses in the quarter helped deliver strong results.</td><td>• Operating combined ratio improved by 4.7 points to a strong 88.2%, reflecting a strong underlying performance driven by our profitability actions, including our exit from Public Entities. Our continuing US specialty business is extremely well positioned to grow profitably in the future.</td></tr>
</table>

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

Section 9 - Corporate

Corporate and Other

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

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

9.1 Corporate and Other

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

Table 12 – Corporate and other

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

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

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

Q4-2022 vs Q4-2021

- Total finance costs of $50 million were higher than last year, mainly due to the Highland acquisition financing and rate increases on our short-term debt.
- Other operating expenses of $27 million reflected the central corporate costs and were in line with our expected run-rate.

2022 vs 2021

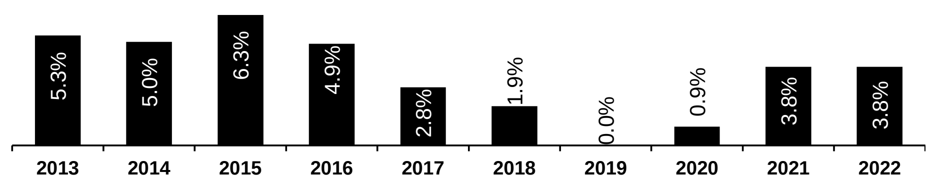
- Total finance costs of $177 million for 2022 were higher than last year, mainly due to the impact of the RSA Acquisition.
- Other operating expenses of $134 million for 2022 were higher than our expected run-rate, mainly due to variable compensation.

- Following the RSA Acquisition, we have consolidated our corporate activities (previously reported in part within our operating segments) and now report these centrally. Our group functions have also benefitted from significant synergies.
- Reminder: In 2021, we had significant internal reinsurance programs in place (mainly driven by the RSA Acquisition), the results of which were recorded in the underwriting income of our Corporate segment. These programs have been reduced in 2022.

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

Section 10 - Prior year claims development

PYD ratio (2013-22)[1]



- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.
- Favourable PYD ratio averaged 3.5% over the last 10-year period.

[1] As a % of NEP.

Table 13 – Net (favourable) unfavourable PYD by segment

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

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

[1] 2021 above only includes RSA's PYD results from July 1, 2021 to December 31, 2021 as RSA's June 2021 PYD results were included in the Corporate segment.
[2] Includes the impact of Corporate reinsurance. ***(see Section 9 – Corporate for details).***
[3] As a % of NEP. ***See Section 36 – Non-GAAP and other financial measures for more details.***

Highlights

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

10.1 PYD guidance & IFRS 17 impact

IFRS 17
Effective Q1-2023

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

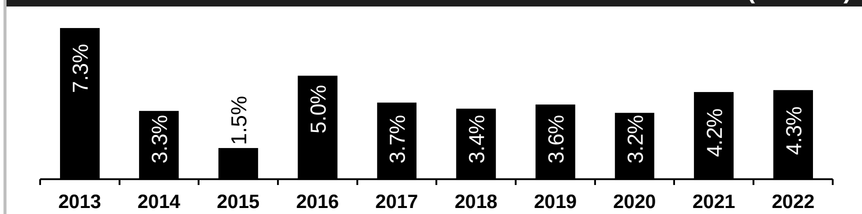
Section 11 - CAT losses and weather conditions

11.1 Net CAT losses

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

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

CAT loss ratio (2013-22)



- CAT loss ratio of 4.3% in 2022 was slightly higher than 2021 and 10-year average (4.0%).
- It was particularly elevated in 2013 and 2016, due to the Alberta and Toronto floods (2013) and Fort MacMurray wildfires (2016), and especially low in 2015, due to benign weather.

11.2 CAT guidance

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

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

11.3 CAT disclosure policy

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

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

11.4 Net CAT losses

Table 14 – Net CAT losses by segment

	Q4-2022	Q4-2021	Change	2022	2021	Change
By segment						
P&C Canada[1]	**77**	104	(27)	**552**	378	174
P&C UK&I[1,2]	**90**	41	49	**246**	162	nm
P&C US	**-**	11	(11)	**28**	54	(26)
Corporate[1]	**-**	30	(30)	**-**	82	(82)
Current year CAT losses[2,3]	**167**	186	(19)	**826**	676	150
Consolidated favourable PYD on CAT losses[4]	**(12)**	(11)	(1)	**(37)**	(47)	10
All accident year CAT losses	**155**	175	(20)	**789**	629	160
CAT loss ratio[5]						
P&C Canada	**2.6%**	3.2%	(0.6) pts	**4.2%**	3.3%	0.9 pts
P&C UK&I	**8.5%**	3.5%	5.0 pts	**6.0%**	7.0%	nm
P&C US	**-%**	2.3%	(2.3) pts	**1.5%**	3.3%	(1.8) pts
Consolidated	**3.6%**	3.8%	(0.2) pts	**4.3%**	4.2%	0.1 pts

1 2021 above only includes RSA's CAT losses from July 1, 2021 to December 31, 2021 as RSA's June 2021 CAT losses were included in the Corporate segment.
2 Our CAT announcement Press Release, dated January 12, 2023, contained an estimate for the UK December freeze event which was subsequently revised based on new information, increasing our overall reported CATs by $24 million.
3 Net current year CAT losses exclude the impact of reinstatement premiums. ***See Table 56 for more details.***
4 PYD on CAT losses is presented within our PYD captions and ratios.
5 CAT loss ratio includes the impact of reinstatement premiums in its numerator. ***See Section 36 – Non-GAAP and other financial measures for more details.***

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

11.5 Weather conditions

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

CANADA
• **In Q1-2022,** temperatures were colder than average across Canada, leading to more snow and freezing rain than average. Major cities such as Toronto and Winnipeg recorded their snowiest winters in the past 30 years. Overall, weather-related losses were essentially in line with expectations for a first quarter.
• **In Q2-2022,** the weather was cold in the West, warm in the East and wetter than average almost everywhere across the country. It was relatively quiet in terms of severe weather, except for the strong May windstorms (Derecho), which caused widespread damage in Québec and Ontario. This resulted in a significant CAT loss in Canada for Q2-2022.
• **In Q3-2022,** most of Canada was warmer and drier than average, especially in the West. Parts of Quebec along the St. Lawrence Valley and the Maritimes received more precipitation than average. The weather was generally quiet this summer, except for one peculiar storm, Hurricane Fiona, which made landfall in Nova Scotia. This resulted in a significant CAT loss in Canada for Q3-2022.
• **In Q4-2022,** the weather was particularly warm and dry across the country during the first half of the quarter. For the second half, there was a significant split in weather conditions between the Western and Eastern parts of Canada; it was quite cold in the West and warm in the East. In terms of severe weather, there was a significant storm that caused widespread wind and water damage in Eastern Canada, a couple of days before the holidays. This resulted in a significant CAT loss for Q4-2022.

UK&I
• **In Q1-2022,** the UK&I region experienced significant weather-related losses due to three storms (Dudley, Eunice and Franklin) during a seven-day period in February. These storms led to extensive flooding and wind damage across Northern Europe. Gross industry losses approximate £5 billion with the UK, Germany and Netherlands experiencing the heaviest damage. IFC losses were mainly driven by windstorms in the UK.
• **In Q2-2022,** domestic weather was largely benign across the UK and European regions. Our Global Specialty lines were however impacted by some large CAT weather losses.
• **In Q3-2022,** domestic UK weather was characterised by an unusually dry summer resulting in an increase in notified subsidence claims in personal lines. UK commercial lines included claims relating to Hurricane Ian and non-CAT weather-related losses in Europe.
• **In Q4-2022,** UK experienced a period of unusually severe and prolonged cold weather in December resulting in a CAT loss. The December freeze had a significant impact on our personal home book, mainly from burst water pipes.

US
• **In Q1-2022 and Q2-2022,** weather conditions were mild, with no weather CAT losses during the quarter.
• **In Q3-2022,** weather conditions were fairly mild throughout the quarter, except for Hurricane Ian which caused widespread damage across the southeast United States at the end of September.
• **Q4-2022** was characterized by climate anomalies and events. However, the impact on our US lines of business was limited, and as such, there were no weather-related CAT losses reported during the quarter.

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

Section 12 - Seasonality of our P&C insurance business

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

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

P&C Canada

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

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

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

P&C UK&I

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

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

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

P&C US

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

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

Section 13 - Investment performance

13.1 Operating net investment income

Table 17 – Operating net investment income

	Q4-2022	Q4-2021	Change	2022	2021[4]	Change
Interest income	**210**	126	84	**634**	426	208
Dividend income	**74**	96	(22)	**305**	297	8
Investment property rental income	**5**	9	(4)	**23**	17	6
Investment income, before expenses	**289**	231	58	**962**	740	222
Expenses	**(10)**	(11)	1	**(35)**	(34)	(1)
Operating net investment income[1]	**279**	220	59	**927**	706	221
Average investments[2]	**35,343**	36,532	(3)%	**35,037**	30,016	17%
Market-based yield[3]	**3.32%**	2.56%	76 bps	**2.78%**	2.50%	28 bps

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

Q4-2022 vs Q4-2021

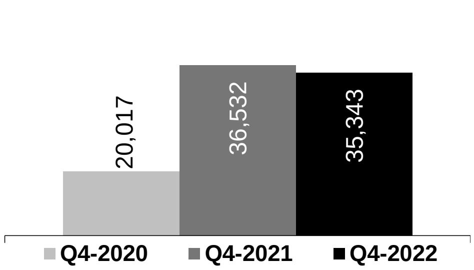
- **Operating net investment income increased by 27% to $279 million**, driven by higher re-investment yields, captured through maturity and trading.
- **Average investments decreased by 3% compared to last year,** reflecting a negative impact from higher interest rates and unfavourable equity markets during 2022, partly offset by cash inflows from operations.
- **Market-based yield increased by 76 bps to 3.32%,** reflecting rising interest rates and the related decrease in the market value of our fixed income portfolio.

2022 vs 2021

- **Operating net investment income increased by 31% to $927 million**, driven by the growth in our investment portfolio following the RSA Acquisition. We also continued to capture the benefits of rising yields, bolstered by the increased turnover of our portfolio.
- **Average investments increased by 17% compared to last year,** reflecting the addition of RSA's investment portfolio and cash inflows from operations, partly offset by a negative impact from higher interest rates and unfavourable equity markets.
- **Market-based yield increased by 28 bps to 2.78%,** reflecting rising interest rates and the related decrease in the market value of our fixed income portfolio.

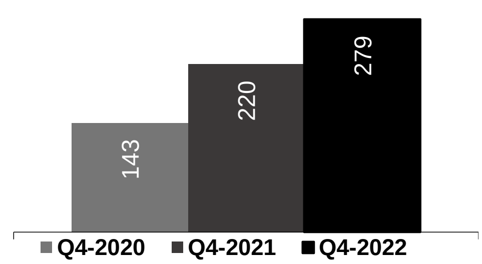
- As at quarter-end, the reinvestment yield of 4.5% exceeded our book yield of 2.5%.

Average investments
(as of the end of period)



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

Operating net investment income
(for the period)



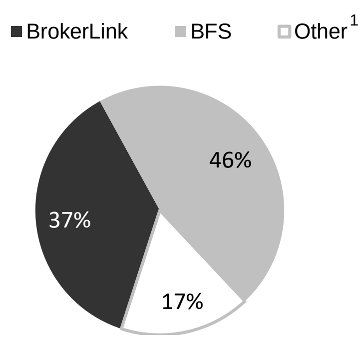
Section 14 - Distribution income

Distribution income

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

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

Distribution income by source

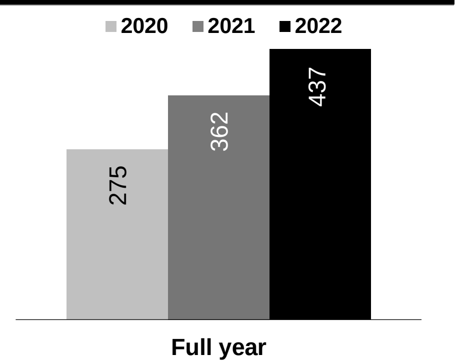


[1]Other includes On Side, Coast Underwriters, Highland and Johnson Group Benefits.

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

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

Distribution income



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

Section 15 - Non-operating results

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

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

Table 18 – Non-operating results

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

[1] ***See respective Notes 5 and 19 of the Consolidated financial statements for details.***
[2] ***See Section 36 – Non-GAAP and other financial measures*** for the after-tax impacts and non-operating NCI component.

Q4-2022 vs Q4-2021

Non-operating losses of $236 million for the quarter, compared to non-operating gains of $17 million in Q4-2021. The change of $253 million was driven by net losses excluding FVTPL bonds in Q4-2022, compared to significant gains last year ***(see Section 15.1 – Net gains (losses) excluding FVTPL).***

2022 vs 2021

Non-operating gains of $311 million compared to a non-operating loss of $70 million last year, was mainly due to favourable MYE and a $421 million gain from the sale of Codan DK.

Exited lines have deteriorated year-over-year, mainly due to the US exited businesses ***(see Section 15.2 – Income (loss) from exited lines).***

Net gains on FVTPL bonds of $54 million for the quarter, driven by the decrease in interest rates, primarily in the UK ***(see Section 25.2 – Capital market update).***

Net losses on FVTPL bonds of $862 million for the year, driven by the increase in interest rates in Canada, the US and the UK ***(see Section 25.2 – Capital market update).***

Generally, we expect these net gains (losses) on FVTPL bonds to be offset by the impact of MYA on underwriting results, given our asset-liability management. However, given the fluctuations in market yields in 2022, **the MYE impact was more pronounced and overall favourable**.

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

15.1 Net gains (losses) excluding FVTPL bonds

Table 19 – Net gains (losses) excluding FVTPL bonds[1]

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

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

Q4-2022 vs Q4-2021

Net losses excluding FVTPL bonds of $81 million reflected:

- Negative mark-to-market on our investment properties portfolio of $56 million given the unfavourable real estate environment;
- realized losses on AFS bonds of $37 million as we aimed to capture the benefit of higher yields;
- impairment losses on AFS common shares of $37 million;
- partly offset by gains on embedded derivatives and equity securities for a total of $68 million

2022 vs 2021

Net gains excluding FVTPL bonds of $433 million, mainly reflected:

- realized gains on equity securities in favourable markets in Q1-2022 and the repositioning of certain common stock portfolios in Q2-2022;
- net foreign currency gains in UK&I driven by a weak GBP compared to CAD, USD and EUR;
- gains on embedded derivatives of $71 million;
- partly offset by impairment losses on AFS common shares of $83 million

Reminder: Net gains of $262 million in Q4-2021, and of $516 million in 2021, *included realized gains on our AFS common shares of $137 million and $214 million respectively, positive mark-to-market on our investment properties portfolio as well as realized gains on venture investments and broker transactions.*

IFRS 9
Effective Q1-2023

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

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

15.2 Income (loss) from exited lines

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

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

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

Income (loss) from exited lines

Canada

- This includes the exit of BC auto (effective in Q4-2020) and of our CNS operations (wind-down since Q3-2021) as part of our de-risking actions in reducing our major earthquake exposure.
- These exited lines generated an underwriting income of $8 million in Q4-2022. If they had been reported within the Canada segment, the impact would have been immaterial.
- As at December 31, 2022, we have approximately $70 million of unearned premiums in exited lines.

UK&I

- This includes the legacy exits of the UK&I portfolio, as well as the Sale of RSA Middle East in 2022.
- The UK&I exited lines generated an underwriting loss of $18 million in Q4-2022. This is mainly due to adverse development in segments of our UK home book and one specific prior year large loss in the broker motor portfolio. If exited lines had been reported within the UK&I segment, the impact would have been an unfavourable 1.7 points on its full year 2022 operating combined ratio.
- As at December 31, 2022, we have approximately $7 million of unearned premiums in exited lines.

US

- We have exited the Programs, Architects and Engineers business (effective in Q4-2017), the Healthcare business (effective July 1, 2019) and Public Entities (effective in Q1-2022) given the fundamental changes to the risk profile in these segments and the profitability challenges that followed.
- The US exited lines generated an underwriting loss of $40 million in Q4-2022. Roughly half of our Q4 underwriting loss was driven by Public Entities, as we prudently increased reserves to reflect recent loss activity, while the other half was driven by the exited Healthcare business, due to adverse development on two large claims. If exited lines had been reported within the US segment, the impact would have been an unfavourable 6.6 points on its full year 2022 operating combined ratio.
- As at December 31, 2022, we have approximately $3 million of unearned premiums in exited lines.

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

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

Section 16 - Income taxes

16.1 Statutory income tax rates

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

Table 21 – Statutory income tax rates

As at December 31,	2022	2021
Canada[1]	**26.4%**	26.2%
UK	**19.0%**	19.0%
US	**21.0%**	21.0%
Corporate[2]	**25.9%**	25.9%

[1] Represents the combined Canadian tax rates applicable in provinces where the Group operates.
[2] Represents the combined Canadian federal and provincial statutory income tax rate of the top parent company.

Tax legislative changes

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

16.2 Effective income tax rates

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

Table 22 – Effective income tax rate reconciliation

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

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

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

2022 vs 2021

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

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

16.3 Recognized deferred tax assets

December 31, 2022 vs December 31, 2021

- Deferred tax assets can be recognized on the balance sheet when it is considered probable that they will be utilized against profits in the near future.
- As at December 31, 2022, we have recognized additional deferred tax assets in the UK due to higher expected future profitability driven by strategic initiatives, synergies and increased investment income. This increase in recognized deferred tax assets on our balance sheet resulted in an additional benefit of $58 million[1] to operating taxes in Q4-2022, a synergy reflecting in part our expectation to improve the performance of this business in the future.
- An additional deferred tax asset of $128 million was also recognized through OCI in Q4-2022, relating to the unrecognized loss position on our AFS bond portfolio in the UK, driven by increasing yields. While this had no impact to earnings, it benefited our BVPS (***see Section 28.6 – Book value per share for details).***

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

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

16.4 Unrecognized net tax losses

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

Table 23 – Unrecognized net operating losses

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

Recognition of tax benefits

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

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

Section 17 - IFRS 17 & 9 key impacts

IFRS 17 / 9
Effective Q1-2023

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

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

ENVIRONMENT & OUTLOOK

Section 18 - P&C insurance industry outlook

Summary

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

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

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

	P&C insurance industry 12-month outlook	Our response
US Commercial lines	• The US commercial P&C industry continues to experience hard market conditions across lines, including sustained price increases and tightening terms and conditions. • We expect favourable market conditions to persist in the near term, given rising reinsurance costs and elevated CAT losses, both exacerbated by the impact of Hurricane Ian, as well as industry concerns over price inflation, and geopolitical and economic uncertainty. • The US commercial P&C industry posted low double-digit growth in the first three quarters of 2022, fueled by rate increases and growing exposures. The industry combined ratio for the first three quarters of 2022 was estimated in the mid-to-high 90s. • We expect industry premium growth at an upper single-digit level over the next 12 months.	• Our objective remains to expand our US specialty business while outperforming on profitability. Growth opportunities are being successfully pursued in the segments of the portfolio performing at or above expectations, and focused corrective actions are being applied to underperforming segments. • We continue to execute on pricing actions across the portfolio, achieving rate increases consistent with the broader industry while maintaining retention levels in line with expectations. • We believe the underlying fundamentals of our US commercial business remain strong and are well positioned to maintain a low 90s combined ratio in line with our near-term objectives.
Investments	• Capital markets are expected to remain volatile due to inflation trends, increased probability of recession, and the war in Ukraine. • Interest rates remain high. As a result, we expect the industry's pre-tax investment yield to increase as portfolios roll over.	• Our investment portfolio is managed like the rest of our business, for the long-term. Our investment management team seeks to maximize after-tax returns, while preserving capital and limiting volatility. • We continuously seek to optimize the composition of our investment portfolio, considering factors including risk, return, capital, regulation and tax legislation changes.
Overall	• Over the last 12 months, industry profitability in Canada and the UK was helped in part by favourable market conditions and strong favourable prior year development. While market conditions were also favourable in the US, industry profitability was hampered by higher auto severity and elevated catastrophe losses. • High pre-pandemic combined ratios, inflation trends and climate change drive the continuation of favourable market conditions. • We expect our industry benchmark ROE[1] to be in the high single-digit range in the next 12 months.	• The RSA Acquisition expanded our leadership position in Canada, created a leading specialty lines platform with international expertise, and provided entry into the UK and Ireland markets at scale. • With our action plans and strategies, we expect to continue to achieve our 500-basis point industry ROE outperformance target.

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

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

Section 19 - Insurance industry at a glance

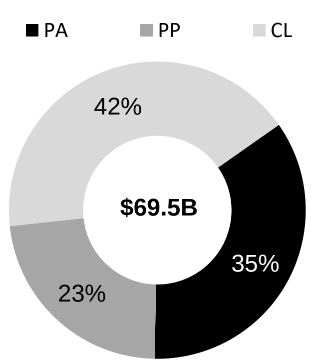
19.1 P&C insurance in Canada

Highly fragmented	• In 2021, the P&C market grew by 8%, driven by rate increases, to $69.5 billion in annual premiums, representing close to 3.5% of gross domestic product (GDP). • The top five insurers represent 49% of the market, and the top 20 have a combined market share of 84%. • There has been consolidation over the past decade in which IFC has participated. We still expect 10 to 15 points of market share will change hands in the next three to five years.
Evolving and growing over time	• Over the last 30 years, the industry has grown at about a 5% CAGR and delivered a ROE of almost 10%. • Emerging technologies and innovations continue to transform the insurance landscape. IFC and other insurers are increasingly using artificial intelligence models, advanced analytics systems and digital platforms to differentiate themselves and improve risk selection.

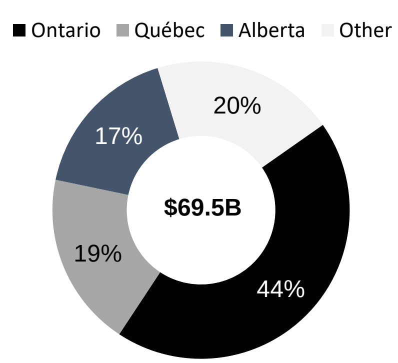
Broad distribution channel	• The P&C industry offers its products primarily through the broker and direct distribution channels. Brokers offer products from multiple insurance companies. The direct distribution channel includes direct writers and tied agents.
	• Close to two-thirds of the P&C industry premiums is distributed through brokers.
	  ◦ In commercial lines, brokers are the primary distribution channel (estimated at close to 90%) given the higher level of complexity and customization in business insurance.
	  ◦ In personal lines, while brokers continue to be the main distribution channel, direct writers make up a significant portion of the market (estimated at close to 50%) as consumers seek digital solutions for personal property and auto products.

Regulated market	• Insurance companies are licensed under insurance legislation in each of the provinces and territories in which they conduct business. • Personal property and commercial insurance products and rates are unregulated. • Personal auto is regulated in all provinces. Insurers must file and receive approval for rate adjustments before they can be effective (file and approve rate setting mechanism), except for Québec, where no approval is required once rate adjustments are filed (use and file). There is no private personal auto insurance provided in British Columbia, Manitoba and Saskatchewan, as coverage is provided through government-owned corporations. • Capital for federal insurance companies is regulated by OSFI and by provincial authorities in the case of provincially incorporated insurance companies, while the holding companies are non-regulated *(see Section 28 – Capital management)*.

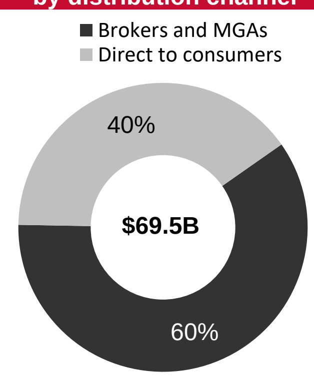
2021 Industry DPW by line of business



2021 Industry DPW by region



2021 Industry DPW by distribution channel



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

19.2 Performance against the Canadian P&C benchmark

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

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

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

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

YTD Q3-2022 relative performance	
	• **Our growth outperformance was 10.8 points,** mainly due to the RSA Acquisition. Excluding this impact, our growth would be approximately 6.7%, slightly below the industry benchmark. • **Our combined ratio outperformance was 3.6 points,** due to our outperformance in both the loss and expense ratios.

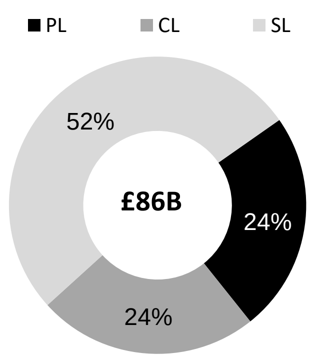
Unless otherwise noted, market share and market related data for P&C Canada are based on the latest available annual market data (2021) from MSA Research Inc. ("MSA") and excludes Lloyd's Underwriters Canada, Insurance Corporation of British Columbia, Saskatchewan Government Insurance, Saskatchewan Auto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

19.3 P&C insurance in the UK&I

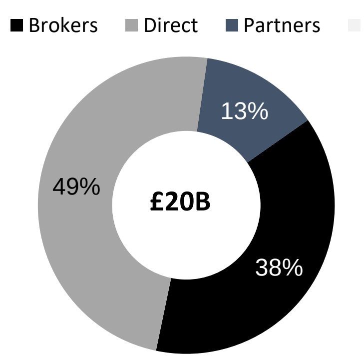
Overall	• In 2021, the P&C UK market grew by 3.1% to £86 billion in estimated annual premiums. • IFC underwrites automobile, home, pet and business insurance to individuals and businesses in the UK, Ireland and Europe, as well as internationally through our global network. • Roughly 80% of the UK&I segment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

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

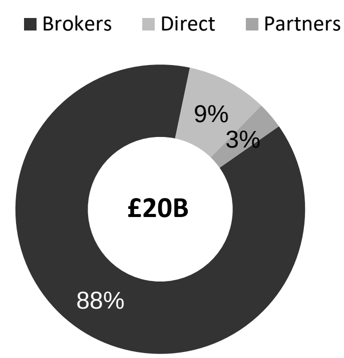
2021 UK Industry DPW by line of business



2021 UK Industry DPW by distribution channel (PL)



2021 UK Industry DPW by distribution channel (CL)



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

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

19.4 Performance against the UK P&C benchmark

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

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

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

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

[2] Excluding the risk margin and discount impact for comparability purposes

H1-2022 relative performance	
	• **Our growth was 7.4 points, an outperformance of 0.6 points** as we hold a lower proportion of personal lines business compared to our peers. Hard market conditions continue to support strong growth in commercial and specialty lines, while challenging market conditions continue to impact personal lines. • **Our combined ratio was 95.7%, underperforming by 2.5 points.** Strong performance in UK commercial lines (including Specialty) was offset by an underperformance in UK personal lines, due to our business mix (high proportion of intermediated business) and higher expenses (primarily technology costs).

19.5 US specialty market

Highly fragmented with no clear leader	• The US specialty insurance market accounts for approximately 47%, or more than US$180 billion, of the total commercial P&C insurance market. • US commercial specialty insurance industry is fragmented, with the largest player capturing less than 7% market share in 2021. • Outside of the top nine players, no single insurer contributes more than 3% to the total estimated specialty market. The majority of the top 25 players have a market share between 1% and 2.5%.
Niche market with lucrative potential	• The specialty insurance market offers niche and unique products and services that are not written by most P&C insurance companies. These products generally require specialized underwriting knowledge compared with more traditional insurance products. • The combined ratio of many specialty products have outperformed those typically offered in the standard market due to more pricing and policy form flexibility. • This unique risk and specialty focus can also come with above-average earnings volatility.
Evolving and growing over time	• Over the last 20 years, the specialty insurance market has remained attractive, and has grown at an approximate 4.9% CAGR. • The market has experienced elevated merger and acquisition activity in recent years and we expect further consolidation to continue. • The agency channel (independent agencies, brokers, wholesalers and MGAs) is the primary distribution channel for specialty insurance products. • Trends in litigation, regulation, social and workforce issues, and technology will continue to support growth and drive product innovation.

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

19.6 Performance against the US P&C industry

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

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

	YTD Q3-2022	Full year 2021	Full year 2020	Full year 2019
DPW growth (in local currency)				
IFC: US Commercial	**13.6%**	16.7%	9.6%	8.0%
Outperformance (underperformance) vs Industry benchmark	**(1.1) pts**	(0.4) pts	1.7 pts	(1.2) pts
Combined ratio[1]				
IFC: US Commercial	**89.9%**	93.9%	93.8%	92.8%
Outperformance (underperformance) vs Industry benchmark	**1.2 pts**	(2.0) pts	4.7 pts	2.3 pts

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

YTD Q3-2022 relative performance

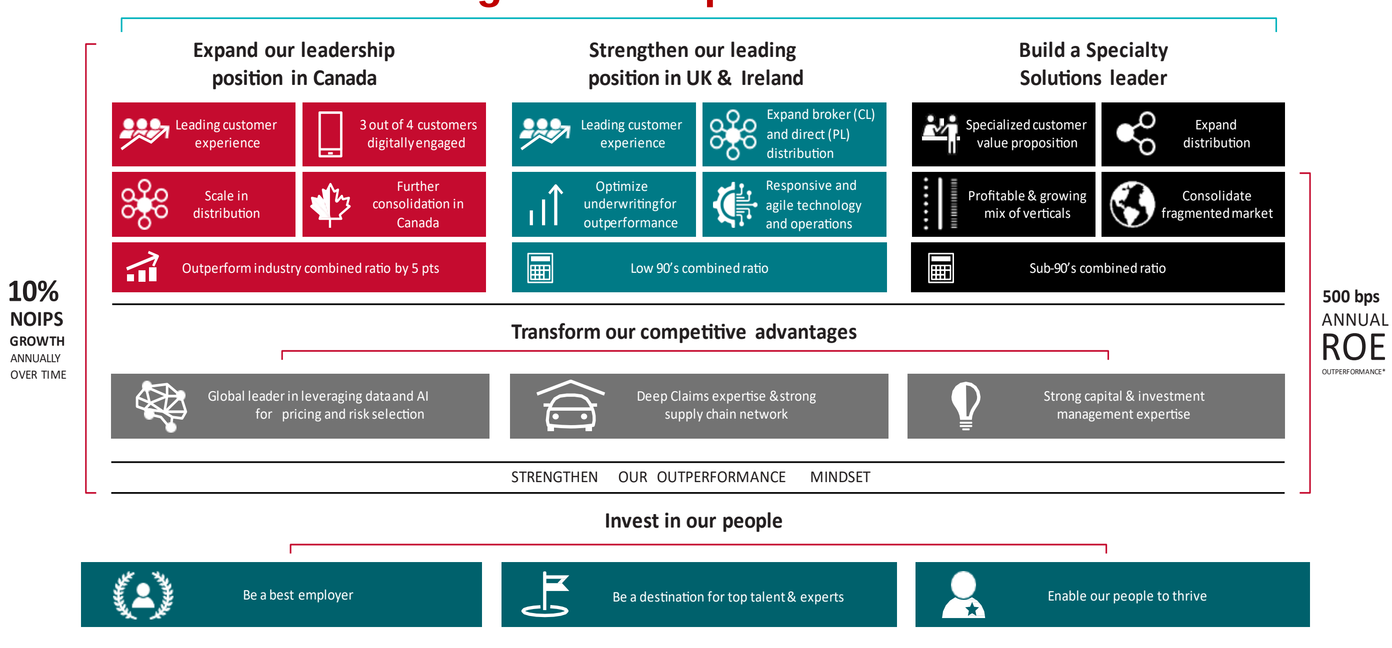
- **Our reported DPW growth of 13.6%,** trailed behind the industry benchmark, as substantial growth continued among peers. Excluding the negative impact from the exit of Public Entities, our reported growth would have been 18%, above the industry benchmark.
- **Our combined ratio outperformance was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

STRATEGY

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

Section 20 - What we are aiming to achieve

Section 21 - Our strategic roadmap



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

21.1 Progress on our strategic roadmap

Expand our leadership position in Canada

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

Strengthen our leading position in the UK & Ireland

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

Build a Specialty Solutions leader

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

Transform our competitive advantages

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

Invest in our People

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

Social Impact & Environment, Social, Governance (ESG)

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

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

In Q4, we continued making good progress on ESG:

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

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

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

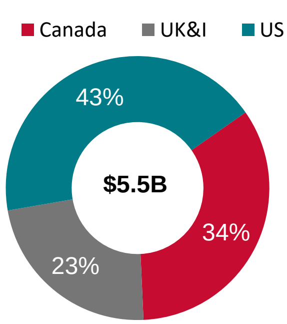
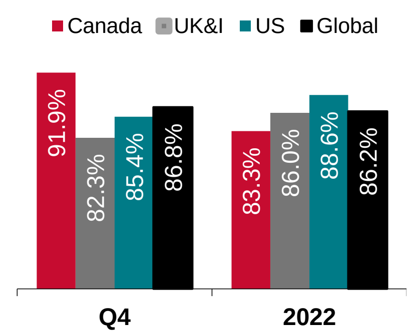
21.2 RSA integration update

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

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

21.3 Global Specialty Lines (GSL)

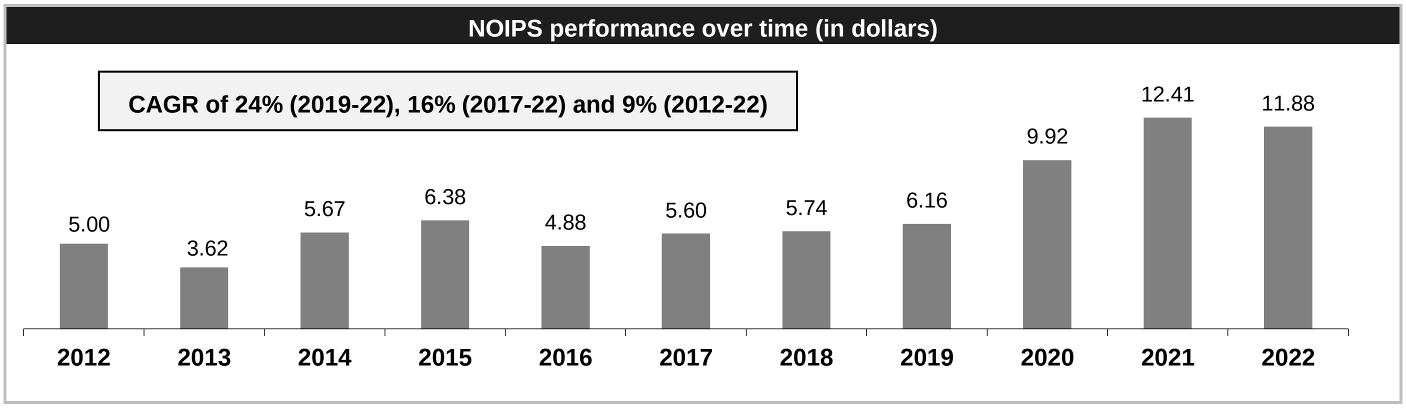
- Our specialty lines results are embedded in the commercial operations of each segment (Canada – ***Section 6***, UK&I – ***Section 7*** and US – ***Section 8***).
- Specialty insurance is about focus and deep knowledge of a unique customer segment (such as marine, technology, entertainment and public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

Operating DPW (2022)[1]	2022	Operating combined ratio[1]
	Operating DPW in constant currency grew by 8% to $1.3 billion in Q4-2022 and by 12% to $5.5 billion in 2022 with strength across all geographies. **GSL delivered a strong combined ratio of 86.8% in Q4-2022 and 86.2% in 2022.**	

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

Section 22 - Progress on our two financial objectives

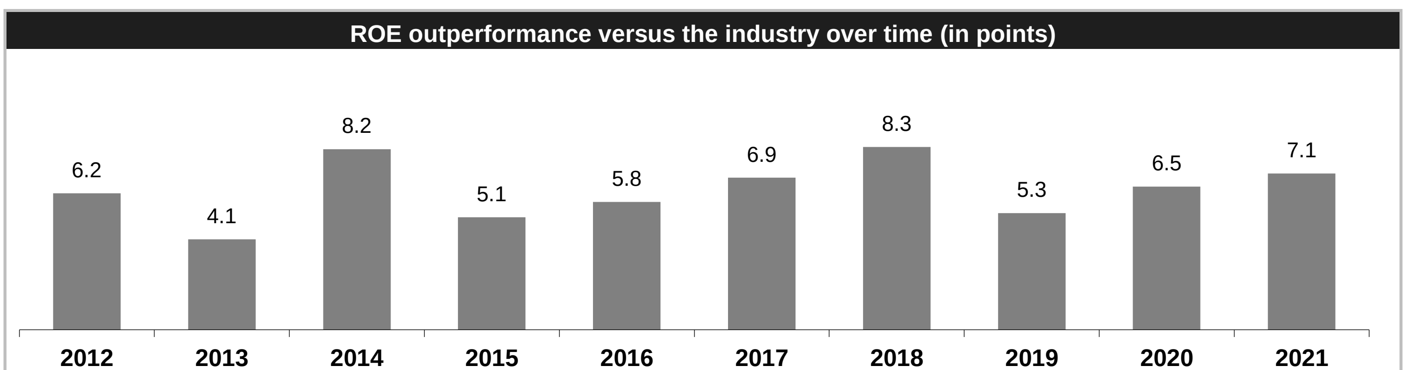
22.1 Grow NOIPS by 10% yearly over time



10% NOIPS GROWTH ANNUALLY OVER TIME

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

22.2 Exceed industry ROE by 5 points



Our final 2022 outperformance results will be available in Q2-2023

500bps ANNUAL ROE OUTPERFORMANCE

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

Section 23 - Climate change

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

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

23.1 Governance

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

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

Within our Board of Directors[2], climate change is an integral accountability of the Board's Risk Management Committee (RMC) and Compliance Review & Corporate Governance Committee (CRCG). The RMC oversees the assessment and monitoring of the risks related to climate change. The CRGC oversees compliance and climate-related disclosures. The Board as a whole is engaged in shaping the strategy as well as oversight.

[1] See Section 33- Enterprise Risk Management for more details
[2] See Section 31- Risk Management structure for more details on our Board of Directors and Committee structures

23.2 Impact of climate change on our business

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

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

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

Physical Risk

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

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

Transition Risk

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

Intact Investment Management (IIM)	• Joined Climate Engagement Canada as a founding member, to drive dialogue with Canadian issuers about climate risks and opportunities.
	• Adopted and implemented positions on coal in 2020 and oil and gas in 2021, focused on supporting the energy sector transition to a low-carbon economy.
	• Will assess the climate disclosure and transition plans for all companies in our investment universe that:
	  ○ generate more than 25% of revenue from thermal coal mining;
	  ○ derive more than 25% of energy generation, revenue or net income from thermal coal; and
	  ○ are included in the top GHG emitters from the oil and gas sector.
	• Will engage with investee companies who do not have satisfactory transition plans and expect tangible improvements.

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

Intact Investment Management (IIM) *(continued)*	• Will remove companies who are non-responsive or do not provide evidence of progress on their transition plan from our investment universe within a communicated timeline. • In 2022, IIM portfolio managers held 125 meetings to engage in discussions on company climate resilience.
Transition Risk Assessment for Investments	• Enhanced our internal analysis and understanding of potential impacts of transition risk on specific industries within our asset portfolio, building on IFC's participation in recent Bank of Canada and Bank of England projects to explore the risks posed by climate change and test the resilience of the financial services sector. • Recognize the need for continued investment in data and modelling, given the stochastic and uncertain nature of climate risk analysis. • Confirmed the benefits of our diversified, high-quality portfolio as well as our investment policy to invest in companies with strong transition plans and remain ready to adjust our security selection, sector/segment allocation, and asset mix – as appropriate – when we see evolving climate risk trends.
Transition Risk Assessment for Underwriting	• Leverage our climate risk assessment framework for the underwriting process across commercial, personal and global specialty lines of business. • Hold our leaders accountable to identify, assess, measure and monitor climate risks and identify opportunities in our insurance business.

23.3 Climate Strategy

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

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

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

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

We will leverage our strengths and help society by:

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

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

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

FINANCIAL CONDITION

Section 24 - Financial position

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

24.1 Balance sheets

Table 27 – Balance sheets

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

IFRS 17
Effective Q1-2023

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

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

Section 25 - Investments and capital markets

25.1 Strategic objectives

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

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

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

25.2 Capital market update

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

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

Table 28 – Selected market indicators

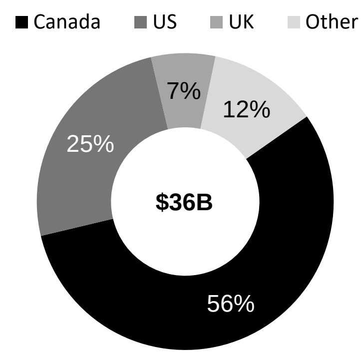
Selected market Indicators	Q4-2022	Q4-2021	2022	2021
Common shares				
S&P/TSX Composite	**5%**	6%	**(9)%**	22%
S&P/TSX Financials	**2%**	8%	**(13)%**	32%
DJ Dividend 100 Composite (US)	**14%**	9%	**(7)%**	26%
Preferred shares				
S&P/TSX Preferred Share Index	**(5)%**	-%	**(22)%**	14%
Fixed-income securities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

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

25.3 Our portfolio remains of high quality

2022 Highlights	Investment portfolio by geography (country of incorporation)

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



25.4 Investment portfolio net exposure

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

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

Table 29 – Investment mix (net exposure)

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

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

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

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

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

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

Net sectoral exposure

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

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

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

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

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

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

Highlights

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

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

IFRS 9
Effective Q1-2023

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

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

25.6 Aging of unrealized losses on AFS common shares

IFRS 9
Effective Q1-2023

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

Table 32 – Aging of unrealized losses on AFS common shares

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

Q4-2022 vs. Q4-2021

- We recorded $37 million of impairment on AFS common shares, compared to $4 million in Q4-2021, mainly due to their prolonged unrealized loss position.

2022 vs. 2021

- We recorded $83 million of impairment on AFS common shares, compared to $85 million of impairment losses on AFS common shares in 2021, mostly related to a venture investment.
- We recorded nil impairment on AFS debt securities, compared to $7 million in 2021.

- Since AFS investments are measured at fair value on our balance sheet, impairment losses have no impact on our BVPS and capital position.

Section 26 - Claims liabilities and reinsurance

26.1 Claims liabilities

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

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

The total claims reserve is made up of two main elements:
- reported claims case reserves, and
- incurred but not reported ("IBNR") reserves.

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

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

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

IFRS 17
Effective Q1-2023

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

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

26.2 Reinsurance

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

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

Corporate reinsurance program for multi-risk events and catastrophes

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

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

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

[1] Excludes reinstatement premium, tax impacts and co-participations between the retention level and coverage limit.
[2] Represents the ground up limit before co-participations and retention level.

January 1, 2023

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

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

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

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

Section 27 - Employee future benefit programs

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

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

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

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

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

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

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

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

Table 34 – Selected pension indicators

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

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

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

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

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

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

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

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

Section 28 - Capital management

28.1 Our capital management framework

Capital management objectives

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

Our objectives when managing capital consist of:

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

Group capital position

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

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

Capital deployment strategy

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

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

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

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

Regulatory capital

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

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

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

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

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

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

28.2 Maintaining a strong capital position

Capital position

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

Table 35 – Estimated aggregated capital position

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

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

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

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

[4] Including debt, preferred shares and hybrids.

Total capital margin highlights

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

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

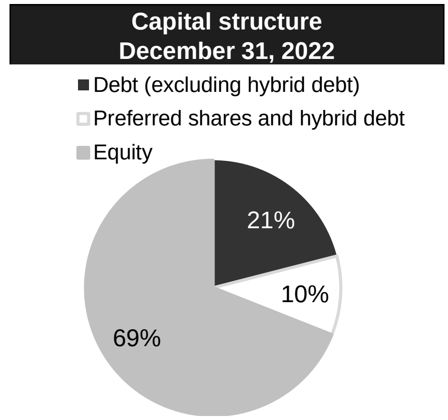
Aggregate regulatory capital levels by jurisdiction are well above minimum regulatory targets.

28.3 Managing leverage

We believe that our optimal financing structure is one where:
- the adjusted debt-to-total capital ratio is broadly at 20%; and
- approximately 10% of our total capital is comprised of preferred shares and hybrids.

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

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



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

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

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

<table>
<tr><th colspan="3">Financing activities in 2022</th></tr>
<tr><td rowspan="3">Q1-2022</td><td>$150 million preferred share issuance</td><td>• On March 15, 2022, we completed the issuance of 6,000,000 Class A Series 11 Preferred Shares (the "Series 11 Preferred Shares"), at a price of $25 per share, for aggregate gross proceeds of $150 million.
• The proceeds of this offering were used to partially fund the redemption of the RSA's Tier 1 notes.</td></tr>
<tr><td>Redemption of Tier 1 notes</td><td>• On March 28, 2022, RSA's Tier 1 notes were redeemed at their first call date for the principal amount of SEK 2,500M and DKK 650M, for a total redemption amount of approximately $450 million.
• The Tier 1 redemption was funded using the bank term loan of $350 million and the issuance of Series 11 Preferred Shares.</td></tr>
<tr><td>$350 million bank term loan</td><td>• On March 28, 2022, we entered into a 9-month bank term loan facility agreement of $350 million at a rate of CDOR plus 25bps.
• On May 2, 2022, the bank term loan was repaid using the proceeds from the sale of Codan DK to Alm Brand A/S Group.</td></tr>
<tr><td rowspan="2">Q3-2022</td><td>Term Loan</td><td>• On July 29, 2022, we entered into a third USD term loan agreement for an amount of $241 million (US$188 million). The proceeds were used for the Highland acquisition.
• This term loan was refinanced with the Series 14 unsecured medium-term notes (see below).</td></tr>
<tr><td>Series 14 Unsecured Medium-Term Notes (USD)</td><td>• On September 22, 2022, we completed an offering of $674 million (US$500 million) of Series 14 unsecured medium-term notes in USD through a private placement in Canada and in the United States. These notes bear interest at an annual rate of 5.459% and mature on September 22, 2032.
• The net proceeds received have been used to reimburse the third USD term loan of $254 million (US$188 million) on September 22, 2022, the first USD term loan of $107 million (US$80 million) on September 29, 2022, as well as the 2012 US senior notes of $372 million (US$275 million) on November 9, 2022.</td></tr>
<tr><td rowspan="4">Q4-2022</td><td>NCIB program</td><td>• On February 17, 2022, we commenced a NCIB to purchase for cancellation during the next twelve months up to 5,282,458 common shares, representing approximately 3% of IFC issued and outstanding common shares as of February 8, 2022.
• From February 17, 2022 to December 31, 2022, a total of 824,990 shares were repurchased under the NCIB program at an average price of $182 per share for a total consideration of approximately $150 million.
• Subsequent to year end, on February 7, 2023, the Board authorized the renewal of the NCIB for the repurchase of up to 3% of the Company's issued and outstanding common shares over the subsequent 12-month period, subject to TSX approval.</td></tr>
<tr><td>Commercial paper program</td><td>• As of December 31, 2022, we had $135 million outstanding ($439 million as of December 31, 2021), with weighted-average maturity of 37 days and weighted average annual rate of 4.42%.
• This program represents an effective short-term funding vehicle. We expect to continue using commercial paper to manage short-term liquidity needs.</td></tr>
<tr><td>$1.5 billion credit facility</td><td>• As at December 31, 2022, there was $2 million drawn under the credit facility (nil as at December 31, 2021).
• The credit facility serves as a guarantee for the Commercial paper program. As at December 31, 2022, an amount of $135 million is reserved on the credit facility for this program and as a result, cannot be drawn.</td></tr>
<tr><td>Series 1 Preferred shares</td><td>• On December 1, 2022, we communicated our intention not to redeem our Series 1 Preferred Shares and proceed with the rate reset. As such, holders of Series 1 Preferred Shares could have elected to convert their shares into Series 2 Preferred Shares on a one-for-one basis on December 31, 2022. However, given that the minimum amount of 1,000,000 shares required to be tendered for conversion was not met, none of the Series 1 Preferred Shares were converted to Series 2 Preferred Shares. The Series 1 Preferred Shares now yield a 4.841% dividend rate.</td></tr>
</table>

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

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

Financing activity in 2022

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

Table 36 – Financing activity

Financing	Debt outstanding (excluding hybrid debt)[1, 2]	Adjusted total capital[2]	Adjusted debt-to-total capital ratio[2]
As at December 31, 2021	**4,982**	**21,698**	**23.0%**
Commercial paper	(304)	(304)	(1.1)%
Credit facility	2	2	-%
Tier 1 notes	-	(510)	0.5%
Preferred shares	-	147	(0.2)%
NCIB program	-	(150)	0.2%
Term Loans			
Issuance of third USD Term loan	241	241	0.9%
Repayment of first USD Term loan	(107)	(107)	(0.4)%
Repayment of second USD Term loan	(615)	(615)	(2.3)%
Repayment of third USD Term loan	(254)	(254)	(1.0)%
Series 14 Medium-Term Notes USD	667	667	2.6%
2012 US Senior Notes redemption	(372)	(372)	(1.4)%
Other movements	35	(236)	0.4%
As at December 31, 2022	4,275	20,207	21.2%
Reconciliation to the most comparable GAAP measures			
Hybrid subordinated notes[1]	247		
Debt outstanding[1]	**4,522**		
Total capital[3]		**20,207**	

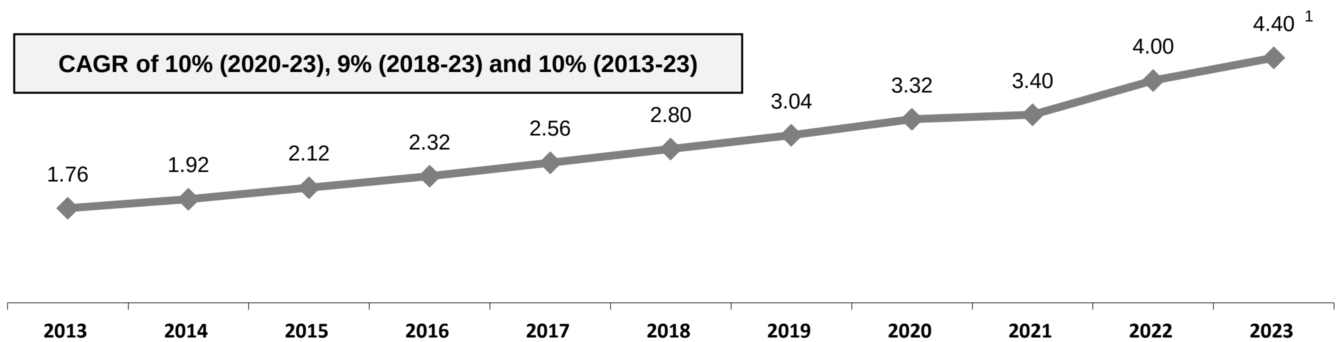
[1] Debt is presented at carrying value. ***See Note 20.1 – Summary of debt outstanding to the Consolidated financial statements***
[2] ***See Section 36 – Non-GAAP and other financial measures for more details.***
[3] Total capital represents the sum of Debt outstanding and Total equity, as reported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

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

28.4 Common shareholder dividends

2023: our 18th consecutive dividend increase

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



[1]Annual dividend for 2023 is projected

28.5 Ratings

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

Table 37 – Ratings

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

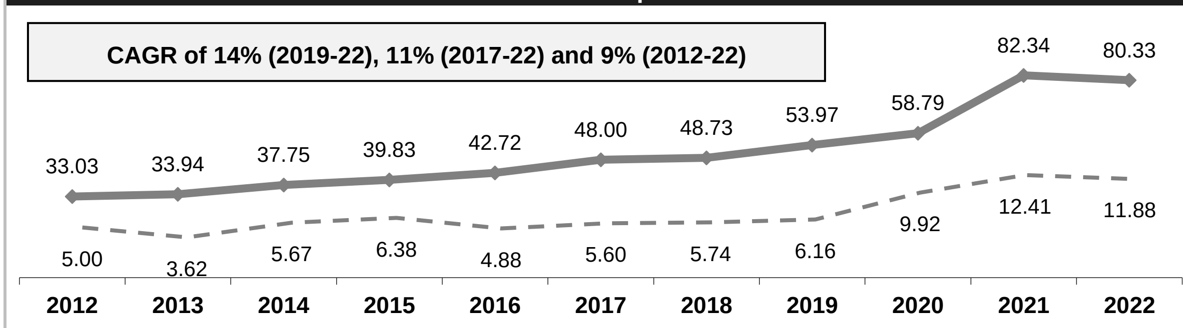
2022 Ratings highlights

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

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

28.6 Book value per share

Book value per share increase over time



2022 Highlight: Our BVPS decreased by 2% year-over-year, as strong earnings were offset by significant mark-to-market losses on investments earlier in the year.

Table 38 – Evolution of BVPS (in dollars)

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

[1] Reflects the realized gains and losses reclassified from AOCI to Net income.
[2] Includes share-based payments.

Q4-2022 BVPS highlights

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

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

28.7 Understanding our cash flows

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

Table 39 – Cash flows

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

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

[2] ***See Section 28.3 – Managing leverage for details.***

[3] Net of bank overdraft.

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

Q4-2022 Cash flows highlights

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

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

The decrease of $122 million on the balance of cash and cash equivalents since December 31, 2021, was mainly driven by:
- capital outflow of $1,163 million from investing, financing and treasury activities;
- capital return of $852 million to our common shareholders (including dividends and NCIB program); and
- corporate expenses of $197 million (including preferred shares dividends)

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

28.8 Contractual obligations

Table 40 – Contractual obligations

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

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

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

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

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

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

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

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

Section 29 - Foreign currency management

29.1 Foreign currency rates

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

Table 41 – Foreign currency rates

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

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

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

29.2 Currency hedging

Net investment hedges *(previously book value hedges)*

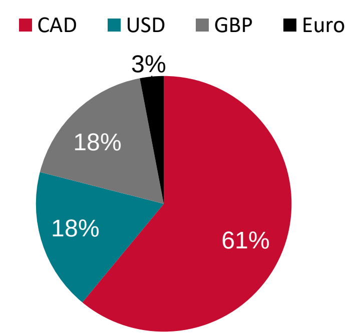
- We protect our book value from currency risk arising from our ownership of non-Canadian entities by hedging foreign currency. The hedging is done using foreign currency forward contracts and cross-currency swap agreements as per our internal risk appetite.

Operational/ cash flow hedging

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

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

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



RISK MANAGEMENT

Section 30 - Overview

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

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

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

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

Section 31 - Risk management structure

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

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

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

Section 32 - Corporate governance and compliance program

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

32.1 Corporate governance and compliance program

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

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

Section 33 - Enterprise Risk Management

33.1 Mandate

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

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

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

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

33.2 Guiding Principles

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

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

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

33.3 A shared responsibility

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

33.4 Risk Appetite

How do we manage corporate risk?

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

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

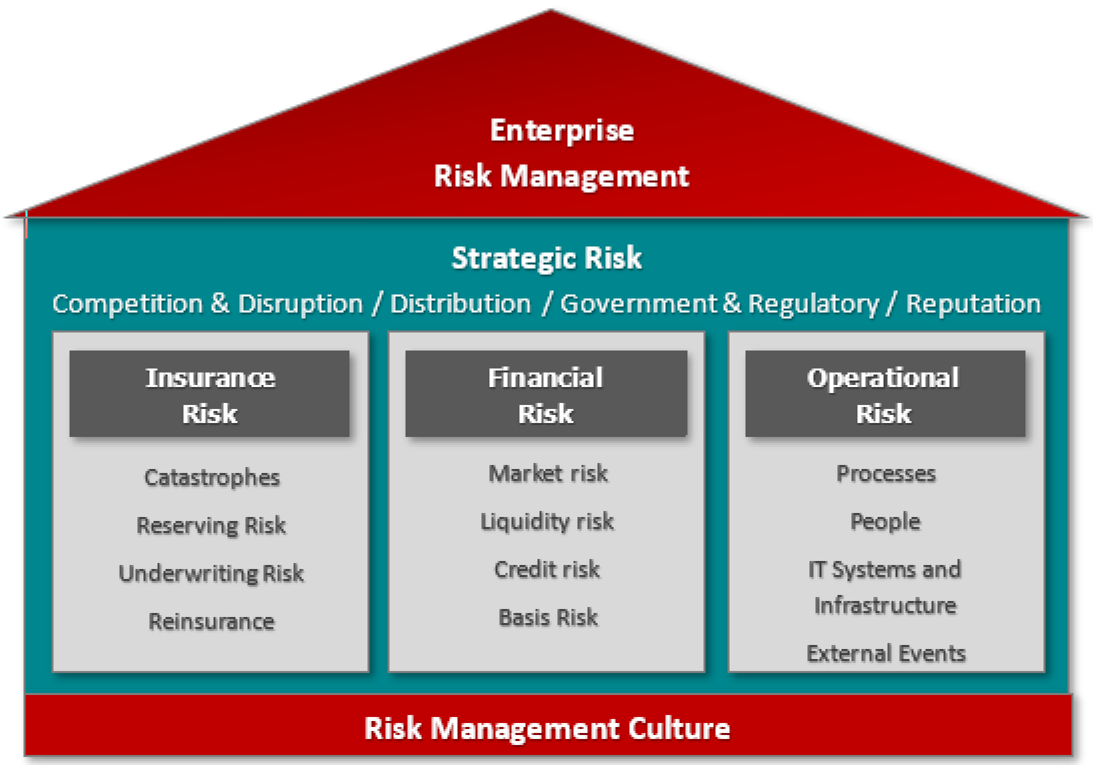
Consult our website for a more detailed discussion of our Risk Appetite under the Corporate Governance section.

33.5 Main risk factors and mitigating actions

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

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

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



33.6 Top and emerging risks that may affect future results

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

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

TOP AND EMERGING RISKS

Major earthquake — **Insurance risk**

Risk we are facing

The occurrence of a major earthquake may produce significant damage in large, heavily populated areas.

Potential impact

The occurrence of a major earthquake could have a significant impact on our profitability and financial condition and that of the entire P&C insurance industry in Canada. Depending on the magnitude of the earthquake, its epicentre and the extent of the damage, the losses could be substantial even after significant reinsurance recoveries of IFC and RSA treaties. There could also be significant additional costs to find the required reinsurance capacity upon further renewals. In addition, we could be subject to increased assessments from the P&C Insurance Compensation Corporation (PACICC) leading to further costs if other insurers are unable to meet their contractual obligations with their clients.

How we manage this risk

Our risk management strategy consists of regular monitoring of insured value accumulation and concentration of risks. We use earthquake risk models to help assess our possible losses at various return periods and use reinsurance to transfer a substantial amount of risk. Consequently, the diversification of risk among an appropriate number of reinsurers is vital for us. ***See Section 26.2 – Reinsurance for more details on our reinsurance program.***

We also purchase a prudent amount of catastrophe reinsurance beyond regulatory requirements to transfer a significant portion of this risk. The modelled 1-in-500 year probable maximum loss (PML) for an earthquake event in Western Canada, net of reinsurance and taxes, has an impact of -5.3% of BVPS as at January 1, 2023.

During 2022, we announced the wind-down of CNS business. In addition, we implemented further product measures in both personal and commercial lines to reduce exposure to a Western Canada earthquake. These measures will result in a significant reduction in gross earthquake exposure from the end of Q3 2022 until the end of Q3 2023 (we estimate a reduction of approximately 1% over that time frame).

Climate change risk — Insurance risk

Risk we are facing

As a property and casualty insurer, a core element of our business is to assume physical climate risk from our customers. Changes in the climate may have a material impact on the Company's risk profile in several ways.

Physical risk has been affecting our property and auto insurance business due to changing climate patterns and an increase in the number and cost of claims associated with severe storms and other natural disasters. Changing weather patterns have resulted in hotter, drier weather in some areas and more humid, wetter weather in other areas. The result has been more unpredictability in weather and increasingly severe storms.

Transition risk is the risk inherent in the transition to a low-carbon and more climate-resilient economy, involving changes in government policies, the legal environment, technologies and financial markets. Awareness of the potential risk continued to increase this year with several examples of large institutional investors shifting away from carbon-intensive sectors.

Liability risk is the risk of climate-related claims under liability policies. Compensation could be sought for losses resulting from the physical or transition risks outlined above. Although in its very early stages globally, climate-related litigation could increase with implications for certain liability coverages.

Potential impact

The most significant climate change risks we face include physical risk related to our insurance products and transition risk related to our investments.

Physical risk

Underwriting: Weather patterns could continue to change and impact on the likelihood and severity of natural catastrophes, such as wildfires and flooding in the west and heavy precipitation and hurricanes in the east. The impact of climate change may result in increased earnings volatility and negatively affect our property and automobile insurance results, which collectively contribute to a majority of our total annual premiums.

Two examples of severe storms in 2022 include the Derecho (windstorm) in Quebec and Ontario in May and Hurricane Fiona in the Atlantic region in September. These types of events may become more frequent and/or severe as a result of climate change.

Operations: Could disrupt our operations, should severe weather events affect our premises or the premises of any outsourced business functions.

Transition risk

Investments: The risk could lead to a decline in the valuation of assets we hold in certain sectors that are vulnerable to transition risk. Furthermore, the exposure to carbon-intensive sectors or companies could result in the perception of disregard towards a greener economy and increase reputational risk for insurers who underwrite these risks.

How we manage this risk

Physical risk

Underwriting: To address this risk, we have ongoing initiatives including pricing and product changes to reflect new climate realities, regular reviews of claims processes and a greater focus on consumer loss prevention. Many initiatives have been implemented over the last several years including the expanded use of deductibles and sub-limits, segmentation refinement, the introduction of depreciation schedules in personal property insurance across Canada, and the supply chain enhancement with the acquisition of On Side Restoration. These initiatives help mitigate, to some extent, P&C insurance losses resulting from water damage and harsh weather. As climate risk continues to evolve, and given that it is subject to uncertainty, we are continuously developing or acquiring new modelling tools to help better assess risks from weather patterns. We input weather, climate and topographic data into machine learning models to develop and adapt risk maps used to assess weather perils such as flood and wildfire. ***See Section 23 – Climate change for more details on our initiatives and ongoing management related to the risks of climate change.*** In addition, our reinsurance program offers protection against unexpected weather-related catastrophe events, ***see Section 26.2 – Reinsurance for details on our reinsurance program.*** Changes in the cost and/or availability of reinsurance can significantly impact our ability to manage the risk associated with physical climate change.

Transition risk

Investments: Intact Investment Management (IIM) developed a Coal Policy and engaged portfolio companies on climate change. Existing holdings that exceed thresholds stated in our Policy are evaluated based on their energy transition plan. In 2022, IIM released its position on investing in Oil & Gas companies. We will divest from companies that do not have a satisfactory plan which helps mitigate transition risk in our investment portfolio.

Catastrophe risk (excluding earthquake risk) — Insurance risk

Risk we are facing

Catastrophe events include natural disasters and non-natural events.

- There is a wide variety of natural disasters that are mainly weather-related including but not limited to hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, severe winter weather and forest fires. In addition, natural disasters could originate from outer space including solar storms and asteroid strikes.
- Non-natural catastrophe events include but are not limited to hostilities, terrorist acts, riots, explosions, crashes and derailments, and wide scale cyber-attacks.

Despite the use of sophisticated models, the incidence and severity of catastrophe events are inherently unpredictable. The extent of losses from a catastrophe event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophe events are restricted to small geographic areas; however, hurricanes and other storms may produce significant damage in large, heavily populated areas. Catastrophe events can cause losses in a variety of P&C insurance lines.

Potential impact

Claims resulting from natural or non-natural catastrophe events could cause substantial volatility in our financial results and could materially reduce our profitability or harm our financial condition.

Non-natural catastrophe risk

We offer cyber risk insurance to our commercial customers. We may be adversely affected by large-scale cyber-attacks that simultaneously compromise the systems of many of our insureds.

In addition, we have exposure to terrorism risk through our specialty business. Terrorism can take many forms and both our property and workers' compensation policies may be affected by an event.

How we manage this risk

- Underwriting segmentation through the use of detailed maps (flood, hail, etc.).
- Country diversification through uncorrelated catastrophe events helps mitigate our overall exposure. We monitor our peak catastrophe exposures in all our main markets.
- Location and exposure data is monitored and provides effective control over geographic risk accumulation.

Natural catastrophe risk

Some of the risk mitigations referred to in the section above on climate change risk also mitigate the catastrophe risk.

With the assistance of third-party models, we model a range of natural catastrophes across all the main jurisdictions in which we operate. The modelled aggregate 1-in-100 year probable maximum loss (PML), net of reinsurance and taxes has an incremental impact of -6.1% of BVPS.

Non-natural catastrophe risk

To help mitigate the risks associated with our cyber risk insurance product, we generally focus on small to medium-size companies with relatively modest policy limits. We leverage both external and internal cyber catastrophe modelling scenarios to assess our exposure. We purchase reinsurance specifically to transfer some of the risk in the event a large-scale cyber-attack triggers a high volume of claims.

In addition to private reinsurance, we also participate in the US federal government terrorism insurance backstop (TRIPRA), which mitigates our exposure under certain circumstances as outlined in US federal legislation and we also participate in the UK government-backed pool reinsurance facility, which limits our retention to terrorism-related risks.

Increased competition and disruption — Strategic risk

Risk we are facing

We believe that competition in our business lines is based on price, service, commission structure, product features, financial strength and scale, ability to pay claims, ratings, reputation and name or brand recognition. We compete with a large number of domestic and foreign insurers as well as with Canadian banks that sell insurance products. Disruptors with lower costs and/or better technology could enter our markets and quickly accumulate market share. These firms may use business models that are different than ours and sell products through various distribution channels, including aggregators, brokers and agents who sell products exclusively for one insurer and directly to the consumer. We compete not only for business and individual customers, employers and other group customers but also for brokers and other distributors of investment and insurance products.

We distribute our products primarily through a network of brokers and a great part of our success depends on the capacity of this network to be competitive against other distributors, including direct insurers and web aggregators, as well as our ability to maintain our business relationships with them. These brokers sell our competitors' insurance products and may stop selling our insurance products altogether. Strong competition exists among insurers for brokers with demonstrated ability to sell insurance products.

In the UK market, aggregators have a strong presence leading to increased competition in the personal insurance market. Aggregators are a common feature of the UK auto environment which increases competition on products and pricing.

Potential impact

Intense competition for our insurance products could harm our ability to maintain or increase our profitability, premium levels and written insured risk volume.

The entrance of a sophisticated player or disruptor in the market could shift methods for purchasing insurance and challenge our distribution model. The use of information technology in the distribution and pricing of insurance products (e.g. telematics, the use of Big Data, etc.) has increased over the last several years and this trend is expected to continue in the near future. Artificial intelligence is another area that is gaining much attention and could have a material impact on the insurance industry. Potential disruptors may use these technologies more effectively than us or there may be negative reputational consequences arising from our initiatives.

Demutualization and further consolidation in the Canadian P&C industry remains likely which may result in an erosion of our competitive advantage.

The evolution of customer preferences for different distribution channels or alternate business models (e.g. peer-to-peer insurance) could lead to a material decline in our market share. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of brokers that choose to sell our insurance products. In addition, our strategy of distributing through the direct channel may adversely impact our relationship with brokers who distribute our products.

How we manage this risk

There are a number of initiatives that we have presented to our customers to mitigate the risk of competition and disruption including, but not limited to:

- Our multi-channel distribution strategy including the broker channel, direct distribution brands and web platforms, enhances our ability to adapt to evolving conditions in the insurance market. We have established close relationships with our independent distributors by providing them with advanced technology, as well as training to help strengthen their market position. We closely monitor pricing gaps between our various channels and manage the different channels under different brand names including BrokerLink, our wholly owned broker network.
- We are promoting our brands with a focus on using web and mobile technology to reach consumers. US activities now operate under the North American Intact Insurance Specialty Solution name.
- We are constantly streamlining and simplifying the experience in our direct distribution channel. As a result, we have seen a drop in our expense ratio ensuring that we can compete on affordability.
- We are insourcing part of our claim supply chain process to differentiate ourselves from a cost and customer experience perspective. With the acquisition of On Side Restoration, we have now vertically integrated an important supply chain vendor. We have established innovative service centres in major Canadian cities to provide an unmatched customer experience in auto repair. We have also deployed digital tools to accelerate claims settlement and enhance communication with our customers.
- We are investing in our Data Lab and our large team of experts. We use artificial intelligence and machine learning in a variety of business applications to acquire and retain more profitable clients (e.g. usage-based insurance).

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

Turbulence in financial markets — Financial risk

Risk we are facing

Movements in interest rates, credit spreads, foreign exchange rates, inflation rates, and equity prices cause changes in realized and unrealized gains and losses. Generally, our interest and dividend income will be reduced during sustained periods of lower interest rates. During periods of rising interest rates, the fair value of our existing fixed-income securities will generally decrease and our realized gains on fixed-income securities will likely be reduced or result in realized losses. Changes in credit spreads would have similar impacts as those described above for changes in interest rates. Severe deflation or unexpected and sustained inflation could materially impact both our assets and liabilities, including our employee defined benefit pension plans. There was a resurgence of inflation rates during 2021 and 2022, and central banks responded by rapidly increasing interest rates to contain inflation. Consequently, we experienced a dramatic rise in interest rates and a decline in equity markets during 2022. ***See Section 25.2 – Capital markets update.***

Potential impact

Changes in the market variables mentioned above could adversely affect our investment income and/or the market value of our securities.

In addition to the risk related to investments discussed previously, an economic downturn and/or increase in the inflation rate would have a significant impact on the funded status of our defined benefit pension plans. Consequently, this could impact our financial condition.

General economic conditions, political conditions, social unrest, COVID-19 variants and many other factors can also adversely affect the equity markets and, consequently, the fair value of the equity securities we own and ultimately affect the timing and level of realized gains or losses.

Our preferred share portfolio depreciates in value as a result of negative developments in interest rates, credit or liquidity markets.

Our fixed income portfolio may experience defaults resulting in impairments and lower income prospectively.

How we manage this risk

While our strategy is long-term in nature, it is regularly reviewed to adapt to the investment environment when necessary, especially in times of turbulence and increased volatility, such as the COVID-19 crisis. We closely monitor concentration across and within asset classes and ensure that exposures remain within the risk tolerance stated in our investment policy.

Periodically, we employ risk mitigation measures such as changes to our strategic asset mix, hedging of interest rate, foreign exchange, or equity risk and increased holdings in cash. These actions serve to reduce exposures in the investment portfolio and decrease the sensitivity of our regulatory capital ratios to financial market volatility. In 2022, our investment portfolio remains defensive with a higher allocation to cash than usual and lower equity exposure than our target investment policy allocation.

Regular stress testing of our investment risk exposures assists management in assessing the overall level of financial risk and helps to ensure that exposures remain within established risk tolerances. These stress tests help assessing whether our financial risk exposure requires any adjustments.

The Company's exposure to financial risk arising from its financial instruments together with the Company's risk management policies and practices used to mitigate it are explained in our Consolidated financial statements. Consult the following sections for more information.

Reference to our Consolidated financial statements

Market risk/Interest risk	Credit risk
Notes 10.1 and 10.2	*Note 10.4*
Basis risk	**Liquidity risk**
Note 10.3	*Note 10.5*

Reserving Inadequacy | **Insurance risk**

Risk we are facing

Our success depends upon our ability to accurately assess the risks associated with the insurance policies that we write. We establish reserves to cover our estimated liability for the payment of all losses and loss adjustment expenses ("LAE") incurred with respect to premiums collected or due on the insurance policies that we write. Reserves do not represent an exact calculation of a liability. Rather, reserves are our estimates of what we expect to be the ultimate cost of resolution and administration of claims. These estimates are based upon various factors, including:

- actuarial projections of the cost of settlement and administration of claims reflecting facts and circumstances then known;
- estimates of trends in claims severity and frequency;
- judicial theories of liability;
- variables in claims handling procedures;
- economic factors such as inflation;
- judicial and legislative trends, and actions such as class action lawsuits and judicial interpretation of coverage or policy exclusions; and
- the level of insurance fraud.

The effects of the COVID-19 pandemic continues to bring an additional level of uncertainty to these factors when estimating reserves.

Potential impact

Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our ability to accurately assess the risks of the policies that we write. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer and additional lags between the time of reporting and final settlement of claims.

The effects of the COVID-19 pandemic related to emerging coverage issues and claims, including certain class actions relating to business interruption coverage and related defence costs, as well as other indirect claims could negatively impact our claims reserves.

The following factors may have a substantial impact on our future actual losses and LAE experience:

- amounts of claims payments;
- expenses that we incur in resolving claims;
- legislative and judicial developments; and
- changes in economic variables such as interest rates and/or inflation.

To the extent that actual losses and LAE exceed our expectations and the reserves reflected in our Consolidated financial statements, we will be required to reflect those changes by increasing our reserves. In addition, government regulators could require that we increase our reserves if they determine that our reserves were understated in the past. When we increase reserves, our earnings before taxes for the period will decrease by a corresponding amount. In addition, increasing or strengthening reserves causes a reduction in our P&C insurance subsidiaries' regulatory capital. ***See Section 26.1 – Claims liabilities for more details.***

How we manage this risk

Establishing an appropriate level of reserves is an inherently uncertain process. We continually refine our reserve estimates in an ongoing process as claims are reported and settled.

Our broader international exposure enhances diversification and reduces the potential impact of overall reserve inadequacy.

Our reserve review committees scrutinize reserves by business segment, analyze trends and variations in losses to ensure that we maintain a sufficient level of claims reserves and recommends adjustments when necessary. Claims and Reserving teams also closely monitor severity trends for inflation, particularly on short tail lines.

There are several class-action lawsuits over our business interruption coverage. Most commercial policies, except in very limited instances, do not provide for business interruption coverage in the context of a closure due to COVID-19 since direct physical damage is required to trigger this coverage. COVID-19 business interruption case law continues to evolve in our favour, strengthening our position on reserving by providing additional confidence in our policy language.

During 2022, we've been closely monitoring the impact of inflation on our claims and making appropriate adjustments to our reserves, particularly in short-tail lines of business, to help mitigate the risk of adverse development.

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

Governmental and/or regulatory intervention	Strategic Risk

Risk we are facing

Our subsidiaries and affiliates are subject to regulation and supervision by regulatory authorities of the jurisdictions in which they are incorporated and licensed to conduct business.

These laws and regulations:

- delegate regulatory, supervisory and administrative powers to federal, state, provincial and territorial insurance commissioners and
- are generally designed to protect policyholders and creditors, and are related to matters including:
    - requirements on privacy and the protection of personal information;
    - personal auto insurance rate setting;
    - risk-based capital and solvency standards;
    - restrictions on types of investments;
    - maintenance of adequate reserves for unearned premiums and unpaid claims;
    - examination of insurance companies by regulatory authorities, including periodic financial and market conduct examinations;
    - licensing of insurers, agents and brokers;
    - limitations on upstream dividends from operating companies; and
    - transactions with affiliates.
- typically require us to periodically file financial statements and annual reports, prepared on a statutory accounting basis, and other information with insurance regulatory authorities, including information concerning our capital structure, ownership and financial condition including, on an annual basis, the aggregate amount of contingent commissions paid and general business operations.

Regulatory authorities closely monitor the solvency of insurance companies by requiring them to comply with strict solvency standards based on the risk assumed by each company with respect to asset composition, liability composition, and the matching between these two components. We are required to submit regular reports to the regulatory authorities regarding our solvency and publish our solvency ratio every quarter. Solvency requirements are amended from time to time.

Expectations from Canadian regulators are increasing due to our larger size, multinational operations and gain of share in the insurance market. We are also exposed to new jurisdictions and regulators such as the Prudential Regulation Authority in the UK, with new sets of laws and requirements. The regulatory environment in Europe can be stricter with large fines and penalties.

On February 2, 2022, OSFI published its Register of OSFI-Regulated Internationally Active Insurance Groups ("IAIG"), which included the Company. Following the RSA acquisition, the Company met the criteria as an IAIG and will continue to document its practices, policies and procedures to align with core outcomes of the International Association of Insurance Supervisors Framework for the Supervision of the IAIGs.

Governmental and/or regulatory intervention (cont'd) — **Strategic risk**

Potential impact

We believe that our subsidiaries are in material compliance with all applicable regulatory requirements. However, it is not possible to predict the future impact of changing federal, states, provincial and territorial regulations on our operations. Laws and regulations enacted in the future may be more restrictive than current laws. Overall, our business is heavily regulated and changes in regulation may reduce our profitability and limit our growth prospects.

We could be subject to regulatory actions, sanctions and fines if a regulatory authority believes we have failed to comply with any applicable law or regulation. Any such failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business or significant penalties, which could adversely affect our reputation, results of operations and financial condition. In addition, any changes in laws and regulations could materially adversely affect our business, results of operations and financial condition.

We may be subject to governmental or administrative investigations and proceedings in the context of our highly regulated sectors of activity. We cannot predict the outcome of these investigations, proceedings and reviews, and cannot be sure that such investigations, proceedings or reviews or related litigation or changes in operating policies and practices would not materially adversely affect our results of operations and financial condition. In addition, if we were to experience difficulties with our relationship with a regulatory body in a given jurisdiction, it could have a material adverse effect on our ability to do business in that jurisdiction.

Furthermore, a significant increase in solvency requirements would increase the possibility of regulatory intervention and may reduce our ability to generate attractive returns for shareholders. This may also negatively impact our ability to execute our growth strategy and attain our financial objectives.

In May 2021, the Financial Conduct Authority (FCA) published its revised rules on certain general insurance pricing practices. The changes are designed to address market practices that can result in the progressive charging higher premiums to existing customers than new customers and discourage customers from switching insurers. The rules require firms to provide accessible and easy options to enable customers to cancel auto-renewing policies. The new rules that relate to systems and controls and product governance came into effect in September 2021 and the new rules relating to pricing and auto-renewing come into effect on January 1, 2022, with a transitional period. There remains uncertainty on how this could impact customer premiums and switching of customers into or out of RSA insurance products which, taken as a whole, may adversely affect RSA's financial prospects.

How we manage this risk

We are supported by an in-house team of lawyers and staff, and by outside counsel when deemed necessary or appropriate, in handling general regulation and litigation issues and are an active member of the major industry associations.

Our government relations team ensures contact with the governments of the various jurisdictions in which we operate and can be proactive in situations that could affect our business. We have been an active partner with governments throughout the COVID-19 crisis, offering our expertise around risk management, data and tracing.

We regularly monitor trends and make adjustments to our strategy and products, when deemed appropriate, to ensure the sustainability of insurance products and to avoid the potential for additional regulation that may negatively impact our reputation, profitability, and financial condition.

To reduce the risk of breaching the regulatory capital requirements, we have Board approved thresholds for the regulatory capital ratios in all jurisdictions in which we operate. We operate above these thresholds under normal circumstances to reduce the likelihood of regulatory intervention. Our Enterprise Risk Committee regularly review risks related to solvency and uses stress testing to identify vulnerabilities and areas for possible remediation. Our capital management policy contains guidelines to help ensure that we maintain adequate capital to withstand adverse event scenarios and has documented procedures to take corrective actions should any unanticipated conditions arise.

We have implemented a robust regulatory compliance process to ensure close tracking of, and adherence to, regulations and laws across the jurisdictions in which we operate.

In addition, we conducted a full internal solvency assessment as described hereafter in ***Section 33.8 – Own Risk and Solvency Assessment (ORSA)***.

Cyber security failure — Operational risk

Risk we are facing

Information technology and cyber security risks continue to be key risks for many companies. Criminal organizations, hackers, and other external actors have become more active and better equipped to attack even robust systems and networks. Our dependency on technology, network, telephony and critical applications makes our ability to operate and our profitability vulnerable to business interruptions, service disruptions, theft of intellectual property and confidential information, litigation and reputational damage.

The volume and sophistication of cyber-attacks have continued to accelerate in recent years. Geo-political conflict could exacerbate this risk further.

These attacks may include targeted attacks on systems and applications, introduction of malicious software, denial of service attacks, and phishing attacks that could result in the fraudulent use or theft of data, and may involve attempts to fraudulently induce employees, customers or third-party service providers to disclose sensitive information in order to gain access to the Company's data. Ransomware attacks have particularly accelerated in frequency and severity. These activities are designed to disrupt the operations of an organization and/or to benefit the attacker financially.

We may be unable to prevent cyber-attacks that result in system disruption or a breach of confidential information, whether personal or corporate in nature. Third party service providers and other suppliers may also be the targets of successful cyber-attacks leading to a material impact on our systems or the theft of confidential information.

Following the RSA Acquisition, our expanded technological footprint increases the likelihood of being targeted by attackers.

Potential impact

Despite our commitment to information and cyber security, we may not be able to fully mitigate all risks associated with the increased sophistication and volume in the threat landscape.

The working-from-home environment during the pandemic also increases the level of some risks. As such, we may be subject to a cyber-attack resulting in system unavailability, data corruption or deletion, or the disclosure of confidential or personal information. Massive denial of service attacks and system intrusion attempts could compromise our ability to operate or we may be unable to safeguard personal and confidential information from public disclosure. Other potential consequences include our inability to provide customers with real-time access to information on their insurance policies, provide quotes for new insurance products or enable customers to report claims electronically.

These events and attacks may lead to wide ranging consequences including:

- financial loss, which also includes lost productivity, remediation costs, and costs associated with potential legal action;
- regulatory action, which may include regulatory fines and/or increased scrutiny by government; and
- reputational damage such as lost consumer confidence and lower customer retention.

How we manage this risk

To ensure the security and resilience of our systems, the safeguarding of our confidential information and the integrity of our information and databases, dedicated teams plan, test and execute our continuity and security plans. This includes threat and vulnerability assessments and the implementation of appropriate mitigation actions. Our security teams constantly monitor our systems and are ready to intervene if an incident occurs. In the context of work-from-home, there was also an acceleration of investment and initiatives related to data loss protection.

We continuously upgrade our applications to better protect our systems and information. We regularly monitor external trends in cyber security to ensure we are able to rapidly mitigate known vulnerabilities.

We periodically benchmark our information security practices to assess areas of our cyber security program that may require additional effort and to ensure we learn from industry leading practices. We closely monitor external cyber-attacks and strive to continually learn from them to improve our defences. A cyber breach simulation exercise was conducted in 2021, and again in 2022 for RSA, to strengthen preparedness related to cyber security incidents.

Our Information Technology Security Committee oversees information security initiatives and ensures effective collaboration across teams. As part of our overall security program, we provide employee information security awareness and training to enhance our ability to resist cyber-attacks. The Enterprise Risk Committee oversees the establishment of our cyber security strategy and monitors the progress of our mitigation action plans. During 2022, cyber security awareness was continually provided to employees in addition to regular phishing tests to strengthen our cyber defense.

We conducted a cyber security benchmarking exercise to compare our security posture with similar organizations and use the results to determine areas of focus to further enhance our cyber security defenses.

We renewed our cyber insurance to continue to mitigate a portion of the financial impact in the event of a major cyber security incident affecting our operations.

Failure of a major technology initiative — Operational risk

Risk we are facing

To maintain our performance levels in a world of digitalization, we are required to regularly modernize and enhance our systems. Often significant time and investment are required for accomplishing these projects. Any unplanned delays, unforeseen costs, or unsuccessful execution of such projects could lead to a significant decline in service levels, impact employee morale negatively and reduce our competitiveness. There is no assurance that we will succeed in meeting our objectives for these projects. The RSA Acquisition added incrementally to this risk given the presence of legacy systems.

Potential impact

Our technology strategy may take too long to execute or may not be adequate to maintain a competitive advantage. The complexity and interdependence of our infrastructure and applications may lead to higher costs and more errors. Implementation of new technology may introduce more complexity in the interim prior to simplification after decommissioning older systems. We could decide to abandon one or more of our technology initiatives resulting in a material write down.

How we manage this risk

Senior management provides careful oversight and ensures that proper funding and resources are allocated to our key projects. Risk assessments and real-time internal audits are regularly conducted to identify potential areas for remediation or the necessity for additional controls. A dedicated committee ensuring proper focus is devoted to major technology projects.

A series of successful deliverables for our major personal lines policy administration system offer proofs of our ability to deliver on this project and mitigates the risk of failure.

As part of the IFRS 17 implementation, we have been undertaking the modernization of our financial reporting systems.

In 2021 we launched strategic projects to modernize and replace RSA's legacy systems. Remediation of the Legacy IT environment is ongoing.

Inability to contain fraud and abuse — Operational risk

Risk we are facing

As a P&C insurer, we may be subject to internal or external fraud. Our insureds may exaggerate claims for personal gain. Despite our efforts to control fraud and abuse, our staff, systems, and processes may be unable to accurately detect and prevent internal or external fraud. An economic downturn could increase pressure on individuals and result in increased fraud and abuse. The work-from-home context brings additional challenges to mitigating this risk.

Potential impact

Fraud may result in unanticipated losses and a negative impact on our reputation. Our written premiums and profitability can be significantly affected by regulatory regimes that limit our ability to detect and defend against fraudulent claims and fraud rings.

How we manage this risk

We have strong internal controls in place to prevent and detect potential internal fraud. Internal and external audits are performed to verify that the controls are followed.

In Canada, we also have national investigative services and a number of investigative tools to help detect and root out fictitious losses or injuries, staged accidents and material misrepresentation or exaggeration of loss amounts or personal injury. We have multiple ways of detecting potential fraud either through automated reports, adjuster referrals, and external alerts. In 2021 we became one of the founding members of Équité Association. Through Équité, members have access to an advanced network dedicated to detecting and preventing insurance fraud and crime, including advanced analytics and countermeasures, investigative services, intelligence education and engagement, and reporting on emerging threats and trends

Government authorities also have an incentive to help reduce fraud in the system and maintain affordable insurance for consumers. Ontario Bill 15 – *Fighting Fraud and Reducing Automobile Insurance Rates Act* is one example of government action that aims to reduce auto insurance fraud.

Customer satisfaction risk — Strategic risk

Risk we are facing

Our insurance products and services are ultimately distributed to individual consumers and businesses. From time to time, unsatisfied customers, consumer advocacy groups or the media may generate negative publicity related to our claims handling or underwriting practices. Untimely or poor handling of such negative publicity may increase the impact of a situation and materially affect our reputation and growth prospects.

In addition, a lack of appropriate focus on customers' needs and wants may threaten our ability to meet customer expectations, resulting in poor customer retention.

In the current context, there is an increased risk of negative publicity related to the perception of not providing affordable insurance.

Potential impact

Negative publicity resulting from unsatisfied customers may result in increased regulation and legislative scrutiny of practices in the P&C insurance industry as well as increased litigation. Such events may further increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, requiring us to change our products or services or increasing the regulatory burdens under which we operate. The periodic negative publicity around insurance and related businesses may negatively impact our financial results and financial condition.

Social media could amplify the impact of a reputational issue. It could result in further damage to our reputation and impair our future growth prospects.

How we manage this risk

To mitigate these risks, we have established escalation procedures to help ensure that our customers have multiple channels to express any dissatisfaction. These include a National Customer Experience Team in Canada and an Ombudsman's Office which offer the opportunity for customer dissatisfaction to be resolved. In addition, management proactively identifies potential issues and performs an additional review to help ensure that our customers are treated fairly.

The wording of our insurance policies is reviewed periodically by management to detect and remediate potential issues before they arise.

New products and significant changes in existing products undergo a rigorous product development life cycle including an independent review by the risk management function prior to launch. Potential reputational issues can be identified in the early stages of product development and, if required, changes are implemented prior to launch

The Enterprise Risk Committee and regional risk committees regularly monitor our operations to identify situations that can negatively affect customer satisfaction.

We also invest in digital tools and artificial intelligence to enhance the customer experience and reduce the possibility of negative publicity arising from interactions with our customers. We are closely monitoring our Net Promoter Scores from Claims and Underwriting to ensure that we continue to deliver an experience to our customers that is second to none.

Social unrest risk — Insurance risk

Risk we are facing

Potential catalysts for social unrest includes, but are not limited to, public health measure related to the pandemic, movements for social justice, climate change inaction, economic downturn, labor shortage and supply chain issues could all spark social unrest. Geo-political tension, including the use of political warfare, could exacerbate the risk of social unrest. The speed of communication and social media could amplify this risk or facilitate the spread across jurisdictions. The ensuing physical conflict and violence could result in property damage impacting our underwriting results and operations.

Potential impact

Social unrest events in high-density areas could result in material losses on our automobile and property business.

Social unrest could also disrupt our operations and affect the security of our employees.

How we manage this risk

In 2020, we stress tested our exposures against a severe social unrest scenario. It concluded that Intact has sufficient capital and reinsurance to absorb losses despite a material decline in underwriting results and lower regulatory capital levels prior to management actions. A playbook has been developed to manage our operations in a social unrest environment and a number of actions were identified to help mitigate the impact of this risk on our personal and commercial lines. We revisited this risk in 2022 and developed indicators to assess social unrest risk in our main jurisdictions (Canada, U.S. and the U.K).

In 2022, we conducted a table-top exercise to test the preparedness of our operations in the event of social unrest.

Third party risk — Operational risk

Risk we are facing

The acceleration of digitalization has increased the reliance on third parties and increases the risk of disruption to our operations. The work-from-home context has increased our reliance on critical utilities/communications infrastructures. Moreover, the economic downturn increases supplier failure risk and adds pressure on supply chain quality of service and capacity.

Potential impact

Our third parties may face internal and external incidents that could compromise the confidentiality of our information and/or limit the service level.

Widespread power grid, internet or phone failure could limit our operations, impact our customer support and lead to substantial reputational damages. Depending on the length of the failure, significant opportunity costs could also be incurred.

How we manage this risk

We manage third party risk along the life cycle of our arrangements, from planning, due diligence, contractual commitment, and ongoing management to termination. We have deployed tools to help in assessing how third parties manage our information and what controls they have in place. Levels of monitoring and mitigation are directly proportional to the level of criticality of each third party.

To ensure the expected levels of service are delivered by our critical third-party service providers, service level agreements are signed and added to relevant contracts.

Our cyber insurance could also mitigate a portion of the financial impact in the event of a third-party incident affecting our operations.

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

33.7 Other risk factors that may affect future results

Legal risk

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

Reinsurance risk

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

People risk

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

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

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

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

The risk of business interruption to our operations

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

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

Credit downgrade risk

Independent third-party rating agencies assess our ability to honour our financial obligations (the "senior unsecured debt rating") and our insurance subsidiaries' ability to meet their ongoing policyholder obligations (the "financial strength rating"). ***See Section 28.5 – Ratings for more details on ratings.***
The rating agencies periodically evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. We may not be in a position to maintain either the issuer credit ratings or the financial strength ratings we have received from the rating agencies. An issuer credit rating downgrade could result in materially higher borrowing costs. A financial strength rating downgrade could result in a reduction in the number of insurance contracts we write and in a significant loss of business; such business could move to other competitors with higher ratings, thus causing premiums and earnings to decrease.

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

Limit on dividend and capital distribution risk

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

Distribution risk

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

33.8 Own Risk and Solvency Assessment

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

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

33.9 Off-balance sheet arrangements

Securities lending

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

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

Structured settlements

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

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

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

Section 34 - Sensitivity analysis to market risk

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

IFRS 9
Effective Q1-2023

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

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

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

[1] Including the impact of common shares (net of any equity hedges) or investment property related to the defined benefit pension plan, recorded in OCI.
[2] Including the impact on related embedded derivatives.
[3] Excludes the impact of credit spreads.
[4] Excludes the impact of debt securities related to the defined benefit pension plan.
[5] Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 49% of government-related securities and 51% of corporate-related securities.
[6] After giving effect to forward-exchange contracts
[7] Not reflecting the impact under IFRS 17

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

.

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

ADDITIONAL INFORMATION

Section 35 - Financial KPIs and definitions

35.1 Our financial KPIs

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

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

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

Section 36 - Non-GAAP and other financial measures

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

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

36.1 Operating performance

NOIPS, OROE, NOI and PTOI

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

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

NOIPS for a specific period	NOI* attributable to common shareholders ――――――― WANSO[1]	**OROE** for a 12-month period	NOI* attributable to common shareholders ――――――― Adjusted average common shareholders' equity (excluding AOCI)* ***(Section 38.6)***

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

- **Net operating income (NOI)*** represents the Net income attributable to shareholders (most directly comparable GAAP measure), excluding the after-tax impact of Non-operating results. NOI is net of net income (loss) attributable to non-controlling interests. ***See Table 43 – Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS.***

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

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

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

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

Non-operating results

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36.2 Relative performance

Adjusted net income, AEPS and AROE

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

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

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

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

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

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

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

Acquisition-related items

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

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

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

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

36.3 Consolidated performance

ROE and Adjusted average common shareholder's equity

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

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

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

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

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

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

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

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

Effective income tax rates

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

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

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

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

Table 51 – Reconciliation of effective income tax rates

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

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

36.4 Premiums volume

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

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

Change in operating DPW	$\left(\dfrac{\text{Operating DPW for a specified period} - \text{Operating DPW for the previous year}}{\text{Operating DPW for the previous year}}\right)$	**Change in operating DPW** in constant currency	$\left(\dfrac{\text{Operating DPW (in CAD) for a specified period} - \text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}{\text{Operating DPW (in CAD) for the previous year, using the current foreign exchange rate}}\right)$

Change in operating DPW in constant currency and Change in operating DPW are calculated using **Operating DPW**, a non-GAAP financial measure.

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

Table 52 – Reconciliation of Operating DPW to DPW

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

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

Operating NPW

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

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

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

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

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

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

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

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

36.5 Underwriting profitability

Underwriting income (loss) and Operating combined ratio

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

<table>
<tr><th colspan="4">Operating combined ratio</th></tr>
<tr><td colspan="4">An operating combined ratio below 100% indicates a profitable underwriting result. An operating combined ratio over 100% indicates an unprofitable underwriting result.
Claims ratio (see below) + Expense ratio (see below)</td></tr>
<tr><th colspan="2">Claims ratio</th><th colspan="2">Expense ratio</th></tr>
<tr><td colspan="2">Operating net claims* (defined hereafter)
―――
Operating NEP* (Section 36.4)</td><td colspan="2">Operating net underwriting expenses* (defined hereafter)
―――
Operating NEP* (Section 36.4)</td></tr>
<tr><td>Underlying current year loss ratio</td><td>Operating net claims excluding current year CAT losses and PYD[1] (Section 36.5)
―――
Operating NEP* before the impact of reinstatement premiums (Section 36.4)</td><td>Commissions ratio</td><td>Commissions[1] (Section 36.5)
―――
Operating NEP* (Section 36.4)</td></tr>
<tr><td>CAT loss ratio</td><td>Net current year CAT losses[1] plus net reinstatement premiums (Section 36.5)
―――
Operating NEP* before the impact of reinstatement premiums (Section 36.4)</td><td>General expenses ratio</td><td>General expenses[1] (Section 36.5)
―――
Operating NEP* (Section 36.4)</td></tr>
<tr><td>PYD ratio</td><td>PYD[1] (Section 36.5)
―――
Operating NEP* (Section 36.4)</td><td>Premium taxes ratio</td><td>Premium taxes[1] (Section 36.5)
―――
Operating NEP* (Section 36.4)</td></tr>
</table>

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

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

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

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

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

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

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

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

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

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

[1] Calculated using Operating NEP before reinstatement premiums.

[2] Calculated using Operating NEP.

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

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

36.6 Financial strength

Total capital margin and regulatory capital ratios

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

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

[1] The average CAL for all regulated Canadian insurance entities is 173% MCT. The CAL varies by legal Canadian entity. The CAL is 200% RBC for regulated insurance entities in the US and 120% SCR for those in the UK.

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

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

BVPS as at the end of a specific period	Common shareholders' equity / Number of common shares outstanding at the same date	**BVPS (excluding AOCI)** as at the end of a specific period	Common shareholders' equity (excluding AOCI) / Number of common shares outstanding at the same date

Table 58 – Calculation of BVPS and BVPS (excluding AOCI)

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

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

Adjusted average common shareholders' equity

- **Adjusted average common shareholders' equity*** is a Non-GAAP financial measure used in the calculation of ROE and AROE. It is the mean of the shareholders' equity at the beginning and the end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders and Preferred shares are determined in accordance with IFRS. ***See Table 59 below.***

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

- We believe that adjusting for common share issuance on prorata basis based on the number of days is a better reflection of our average common shareholders' equity base used to calculate ROE, AROE and OROE.

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

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

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

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

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

Adjusted debt-to-capital ratio as at the end of a specific period	Debt outstanding (excluding hybrid debt)* ***(see Table 60)*** / Adjusted total capital*	**Total leverage ratio** as at the end of a specific period	Debt outstanding and preferred shares (including NCI)* ***(see Table 60)*** / Adjusted total capital*

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

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

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

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

Section 37 - Accounting and disclosure matters

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

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

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

Reminder: New standards at a glance

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

Key Highlights (IFRS 17 & IFRS 9)

Timing, comparatives & transition impact

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

Impact to operating income

The principal changes expected are outlined below, based on our preliminary assessment:

Measurement changes

- IFC's insurance contracts are predominately short tail which allows for a simplified accounting (*the premium allocation approach or "PAA").* Given that this is generally aligned to current accounting practices, **we expect limited impact on operating income.** The more complex general measurement model ("GMM") will apply only to the claims acquired in the RSA Acquisition and a limited number of reinsurance contracts.
- Losses on onerous (unprofitable) contracts must be recorded in earnings as soon as the insurance contract is issued. This change in timing is **expected to have limited impact** on an ongoing basis given that our groups of contracts are generally expected to be profitable.
- We will continue to discount and apply a risk adjustment to our claims liabilities. The changes in methodology are **not expected to have a significant impact over time.**

Presentation changes

- Expected to **positively impact overall underwriting income and operating combined ratio**:
  - Main change is the unwinding of the claims discount, which will be presented outside of net claims incurred but will remain in operating income. This change in presentation will not impact the **underlying fundamentals of how we manage our lines of business**.
  - Our underwriting ratios will be based on a higher denominator which will include the current operating NEP plus the addition of other insurance-related revenues (which are currently netted against underwriting expenses). This will not impact underwriting income.
- We expect other presentation changes – within the various components of operating income such as underwriting and distribution income, and/or between expense and claims ratio.

> In aggregate, changes are **not expected to have a significant impact on operating income over time**.

Impact to non-operating results

The principal changes expected are outlined below, based on our preliminary assessment:

- IFRS 9 will result in classification changes, with more equity investments now classified as FVTPL. The mark-to-market on these equity investments will now be recognized in Net income as opposed to through OCI. Though this will result in increased volatility to Net income, it will only impact the timing of the recognition of gains/losses, **with no impact on BVPS or total equity.**
- Our investment strategy is designed to generate total return outperformance over time, and while it may bring short-term volatility, it is expected to remain within our risk appetite.
- The **MYA on our claims liabilities will continue to be presented in non-operating results**, along with the market movements of the underlying investments that support them.
- The new expected credit losses impairment model is expected to have an immaterial impact on our financials given the high quality of our investment portfolio.

> Though IFRS 9 will result in increased volatility to Net income and EPS, it will **not impact BVPS**.

Impact to Equity & Ratios

- As mentioned above, **impact to BVPS upon transition is not expected to be significant**
- Changes from IFRS 9 investment classification could bring volatility to AROE and ROE, with the expected fluctuation of capital markets resulting in a positive impact over time.
- No significant impact to our adjusted debt-to-capital ratio expected, and no change to our overall capital framework.

> Overall impact on **equity, adjusted debt-to-total capital and capital framework is not expected to be significant**, but IFRS 9 could **result in volatility to AROE and ROE.**

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

Reference to our Consolidated financial statements for the year ended December 31, 2022			
Significant accounting judgments, estimates and assumptions	**Adoption of new accounting standards**	**Related-party transactions**	**Standards issued but not yet effective**
Note 3	*Note 4*	*Note 33*	*Note 36*

37.2 Significant accounting judgments, estimates and assumptions

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

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

Reference to our Consolidated financial statements for the year ended December 31, 2022			
Global economic environment	*Note 3.2*	Impairment of financial assets	*Note 25.2*
Business combinations and disposals	*Note 5.3*	Measurement of income taxes	*Note 27.3*
Valuation of claims liabilities	*Note 11.3*	Valuation of defined benefit obligation	*Note 30.7*
Impairment of goodwill and intangible assets	*Note 15.2*		

37.3 Related-party transactions

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

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

37.4 Financial instruments

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

Reference to our Consolidated financial statements for the year ended December 31, 2022		
Summary of significant accounting policies	**Derivative financial instruments**	**Fair value measurement**
Note 2	*Note 8*	*Note 9*

37.5 Disclosure controls and procedures

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

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

37.6 Internal controls over financial reporting

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

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

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

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

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

Section 38 - Shareholder information

38.1 Authorized share capital and outstanding share data

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

Table 61 – Outstanding share data (number of shares)

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

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

38.2 Quarterly dividends declared on common shares and preferred shares

Table 62 – Dividends declared per share

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

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

38.3 Expected release dates of our financial results

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

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

Section 39 - Selected annual and quarterly information

39.1 Selected annual information

Table 63 – Selected annual information

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

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

39.2 Selected quarterly information

Table 64 – Selected quarterly information[1]

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

[1] This measure has been adjusted to align with our Consolidated financial statements. Comparative figures are reported on the same basis.
[2] *See Section 12 – Seasonality of our P&C insurance business.*

Section 40 - Glossary and definitions

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

40.1 Glossary of abbreviations

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

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

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

Intact Financial Corporation

Consolidated financial statements

For the years ended December 31, 2022 and 2021

Management's responsibility for financial reporting

Management is responsible for the preparation and presentation of the Consolidated financial statements of Intact Financial Corporation and its subsidiaries, collectively known as "the Company". This responsibility includes selecting appropriate accounting policies and making estimates and informed judgments based on the anticipated impact of current transactions, events and trends, consistent with International Financial Reporting Standards.

In meeting its responsibility for the reliability of consolidated financial statements, management maintains and relies on a comprehensive system of internal control comprising organizational procedural controls and internal controls over financial reporting. The Company's system of internal control includes the communication of policies and of the Company's Code of Conduct, proper segregation of duties, delegation of authority for transactions, personal accountability, selection and training of personnel, safeguarding of assets and maintenance of records. The system of internal controls is reviewed and evaluated on an ongoing basis by management and the Company's Group Financial Control function.

The Company's Board of Directors, acting through the Audit Committee, which is composed entirely of independent Directors who are neither officers nor employees of the Company, oversees management's responsibility for the design and operation of effective financial reporting and internal controls, as well as the preparation and presentation of financial information.

The Audit Committee conducts such review and inquiry of management and the internal and external auditors as it deems necessary to establish that the Company employs an appropriate system of internal control, adheres to legislative and regulatory requirements and applies the Company's Code of Conduct. The internal and external auditors, the Group Financial Control function, and the Chief Actuarial Officer, have full and unrestricted access to the Audit Committee, with and without the presence of management.

The Regional Chief Actuaries, who are members of management, are appointed by the relevant entity Board of the Company. The Regional Chief Actuaries are responsible for discharging the various actuarial responsibilities and conduct a valuation of claims liabilities, in accordance with generally accepted actuarial standards, reporting results to management and the Audit Committee.

The Company's external auditors, Ernst & Young LLP, are appointed by the shareholders to conduct an independent audit of the Consolidated financial statements of the Company and meet separately with both management and the Audit Committee to discuss the results of their audit, financial reporting and related matters. The Independent Auditor's Report to shareholders appears on the following pages.

February 7, 2023

Charles Brindamour
Chief Executive Officer

Louis Marcotte
Executive Vice President and
Chief Financial Officer

Independent auditor's report

To the shareholders of
Intact Financial Corporation

Opinion

We have audited the consolidated financial statements of **Intact Financial Corporation** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of claims liabilities

The Group describes its significant accounting judgments, estimates and assumptions in relation to the valuation of claims liabilities in Note 3 and Note 11 to the consolidated financial statements. As at December 31, 2022, the Group has recognized $25 billion in claims liabilities on its consolidated balance sheet, which represent 51% of its total liabilities.

The principal consideration for our determination that claims liabilities are a key audit matter is that the estimate of the provision involves the application of models, methodologies, and assumptions that require significant auditor attention. Claims liabilities are determined in accordance with generally accepted actuarial practices. The main assumption underlying these estimates is that the Group's past claims development experience can be used to project future claims development. As such, actuarial claims projection techniques extrapolate the development of paid and incurred losses, frequency and severity of claims based on the observed development of earlier years and expected loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, considering the uncertainties involved, including the impact of the changes in the prevailing social, economic and legal environment. As a result, estimates of claims liabilities have a high degree of estimation uncertainty and may materially change in future periods.

Our audit procedures related to the determination of claims liabilities were conducted with the support of our actuarial specialists and included the following, among other procedures:

- Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management;
- Obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls related to the handling portion of the claims liabilities processes, including the integrity of data flows through the administration systems for the Canada and United States segments;
- Obtained an understanding of the Group's actuarial methodologies and assessing whether they were determined in accordance with generally accepted actuarial practices;
- Performed an independent reprojection of claims liabilities for a sample of lines of business that reflected our expectations based on the Group's historical experience, current trends, and benchmarking to our industry knowledge including information relating to forthcoming legislation and the changes in the prevailing social, economic and legal environment that could affect claims settlement in terms of speed or amount. The high degree of uncertainty led to a high degree of auditor judgment in establishing our estimates;
- Performed data integrity testing of incurred claims, paid claims, and earned premiums used in the valuation of claims liabilities; and
- Assessed the adequacy of the disclosures pertaining to the claims liabilities provided in notes to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Doru Pantea.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 7, 2023

This page intentionally left blank

INTACT FINANCIAL CORPORATION

Consolidated financial statements
For the years ended December 31, 2022 and 2021

Table of contents

Notes to the Consolidated financial statements

INTACT FINANCIAL CORPORATION

Consolidated balance sheets

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

As at December 31,	Note	2022	2021
Assets			
Investments	*6*		
Cash and cash equivalents		**$ 1,010**	$ 2,276
Debt securities		**27,095**	25,307
Preferred shares		**1,421**	1,847
Common shares		**4,598**	5,686
Investment property		**476**	634
Loans		**1,001**	930
Total investments		**35,601**	36,680
Premiums receivable		**8,028**	7,838
Reinsurance assets	*14*	**5,709**	5,616
Income taxes receivable		**257**	198
Deferred tax assets	*27*	**782**	584
Deferred acquisition costs		**2,062**	2,024
Investments in associates and joint ventures	*16*	**845**	760
Property and equipment	*17*	**778**	774
Intangible assets	*15*	**4,700**	4,636
Goodwill	*15*	**3,350**	3,066
Other assets	*18*	**2,847**	3,331
Assets held for sale	*19*	**-**	842
Total assets		**$ 64,959**	$ 66,349
Liabilities			
Claims liabilities	*11*	**$ 25,144**	$ 25,116
Unearned premiums	*12*	**11,997**	11,703
Financial liabilities related to investments	*7*	**189**	265
Income taxes payable		**31**	131
Deferred tax liabilities	*27*	**694**	698
Debt outstanding	*20*	**4,522**	5,229
Other liabilities	*18*	**6,697**	6,424
Total liabilities		**$ 49,274**	$ 49,566
Equity			
Common shares	*21*	**$ 7,542**	$ 7,576
Preferred shares	*21*	**1,322**	1,175
Contributed surplus		**269**	211
Retained earnings		**7,352**	6,183
Accumulated other comprehensive income (loss):			
Available-for-sale securities		**(1,124)**	513
Translation of foreign operations, net of hedges		**(8)**	1
Other		**47**	15
Equity attributable to shareholders		**15,400**	15,674
Equity attributable to non-controlling interests	*22*	**285**	1,109
Total equity		**$ 15,685**	$ 16,783
Total liabilities and equity		**$ 64,959**	$ 66,349

See accompanying notes to the Consolidated financial statements.

On behalf of the Board:

Charles Brindamour
Charles Brindamour
Director

Jane Kinney
Jane E. Kinney
Director

Consolidated statements of income

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

Years ended December 31,	Note	2022	2021
Direct premiums written		**$ 22,655**	$ 17,994
Premiums ceded		**(2,586)**	(1,322)
Net premiums written		**20,069**	16,672
Changes in unearned premiums		**(277)**	(434)
Net earned premiums		**19,792**	16,238
Other underwriting revenues		**312**	236
Investment income	*24*	**966**	740
Other revenues		**545**	421
Total revenues		**21,615**	17,635
Net claims incurred	*11*	**(11,022)**	(8,967)
Underwriting expenses		**(6,534)**	(5,611)
Investment expenses	*24*	**(35)**	(34)
Net gains (losses)	*25*	**(429)**	249
Gain on bargain purchase	*5*	**-**	204
Gain on sale of businesses	*19*	**421**	-
Share of profit from investments in associates and joint ventures	*16*	**103**	87
Finance costs		**(177)**	(153)
Acquisition, integration and restructuring costs	*26*	**(353)**	(429)
Other expenses		**(647)**	(413)
Income before income taxes		**2,942**	2,568
Income tax benefit (expense)	*27*	**(522)**	(480)
Net income		**$ 2,420**	$ 2,088
Net income attributable to:			
Shareholders		**2,424**	2,067
Non-controlling interests		**(4)**	21
		$ 2,420	$ 2,088
Weighted-average number of common shares outstanding (in millions)	*28*	**175.6**	162.4
Earnings per common share, basic and diluted (in dollars)	*28*	**$ 13.46**	$ 12.40
Dividends paid per common share (in dollars)	*21*	**$ 4.00**	$ 3.40

See accompanying notes to the Consolidated financial statements.

INTACT FINANCIAL CORPORATION

Consolidated statements of comprehensive income

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

Years ended December 31,	Note	2022	2021
Net income		**$ 2,420**	$ 2,088
Other comprehensive income (loss)			
Available-for-sale securities:			
Net changes in unrealized gains (losses)		**(1,893)**	445
Income tax benefit (expense)		**456**	(154)
Reclassification of net losses (gains)		**(295)**	(289)
Income tax (benefit) expense		**92**	99
		(1,640)	101
Cash flow hedges:			
Net changes in unrealized gains (losses)		**17**	(26)
Income tax benefit (expense)		**(2)**	(1)
Reclassification of net losses (gains)		**(23)**	32
Income tax (benefit) expense		**3**	-
		(5)	5
Foreign exchange gains (losses) on:			
Translation of foreign operations		**139**	(11)
Reclassification of net gains		**(15)**	-
Net investment hedges		**(113)**	23
Income tax benefit (expense)		**(10)**	-
		1	12
Other, net of tax		**32**	16
Items that may be reclassified subsequently to net income		**(1,612)**	134
Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement	*30*	**(350)**	352
Income tax benefit (expense)		**(57)**	(80)
Items that will not be reclassified subsequently to net income		**(407)**	272
Other comprehensive income (loss)		**(2,019)**	406
Total comprehensive income		**$ 401**	$ 2,494
Total comprehensive income attributable to:			
Shareholders		**403**	2,459
Non-controlling interests		**(2)**	35
		$ 401	$ 2,494

See accompanying notes to the Consolidated financial statements.

Consolidated statements of changes in equity

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

		Equity attributable to shareholders						
	Note	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Equity attributable to non-controlling interests	Total Equity
Balance as at January 1, 2022		**$ 7,576**	**$ 1,175**	**$ 211**	**$ 6,183**	**$ 529**	**$ 1,109**	**$ 16,783**
Net income		**-**	**-**	**-**	**2,424**	**-**	**(4)**	**2,420**
Other comprehensive income (loss)		**-**	**-**	**-**	**(407)**	**(1,614)**	**2**	**(2,019)**
Total comprehensive income (loss)		**-**	**-**	**-**	**2,017**	**(1,614)**	**(2)**	**401**
Preferred shares issued	*21*	**-**	**147**	**-**	**-**	**-**	**-**	**147**
Common shares repurchased for cancellation	*21*	**(36)**	**-**	**-**	**(114)**	**-**	**-**	**(150)**
Dividends declared on:								
Common shares		**-**	**-**	**-**	**(702)**	**-**	**-**	**(702)**
Preferred shares		**-**	**-**	**-**	**(60)**	**-**	**-**	**(60)**
Share-based payments		**-**	**-**	**58**	**(32)**	**-**	**-**	**26**
Non-controlling interests:								
Dividends		**-**	**-**	**-**	**-**	**-**	**(24)**	**(24)**
Redemption	*22*	**-**	**-**	**-**	**60**	**-**	**(510)**	**(450)**
Sale of business	*5*	**-**	**-**	**-**	**-**	**-**	**(288)**	**(288)**
Other		**2**	**-**	**-**	**-**	**-**	**-**	**2**
Balance as at December 31, 2022		**$ 7,542**	**$ 1,322**	**$ 269**	**$ 7,352**	**$ (1,085)**	**$ 285**	**$ 15,685**
Balance as at January 1, 2021		$ 3,265	$ 1,175	$ 187	$ 4,547	$ 409	$ -	$ 9,583
Net income		-	-	-	2,067	-	21	2,088
Other comprehensive income (loss)		-	-	-	272	120	14	406
Total comprehensive income (loss)		-	-	-	2,339	120	35	2,494
Common shares issued	*21*	4,311	-	-	-	-	-	4,311
Dividends declared on:								
Common shares		-	-	-	(626)	-	-	(626)
Preferred shares		-	-	-	(53)	-	-	(53)
Share-based payments		-	-	24	(22)	-	-	2
Non-controlling interests:								
Dividends	*22*	-	-	-	-	-	(27)	(27)
Business combination	*5*	-	-	-	-	-	1,101	1,101
Other		-	-	-	(2)	-	-	(2)
Balance as at December 31, 2021		$ 7,576	$ 1,175	$ 211	$ 6,183	$ 529	$ 1,109	$ 16,783

See accompanying notes to the Consolidated financial statements.

Consolidated statements of cash flows

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

Years ended December 31,	Note	2022	2021
Operating activities			
Income before income taxes		**$ 2,942**	$ 2,568
Income taxes received (paid), net		**(408)**	(783)
Adjustments for non-cash items	*32*	**926**	191
Changes in other operating assets and liabilities	*32*	**205**	1,170
Net cash flows provided by (used in) operating activities		**3,665**	3,146
Investing activities			
Business combinations, net of cash acquired	*5*	**(239)**	(11,076)
Proceeds from the sale of businesses, net of cash disposed	*5*	**1,295**	7,209
Proceeds from sale of investments		**21,365**	16,442
Purchases of investments		**(24,521)**	(18,118)
Proceeds from (purchases of) brokerages and other equity investments, net		**(235)**	(102)
Purchases of intangibles and property and equipment, net		**(411)**	(327)
Net cash flows provided by (used in) investing activities		**(2,746)**	(5,972)
Financing activities			
Payment of lease liabilities		**(111)**	(97)
Payment of contingent consideration related to a business combination		**-**	(15)
Proceeds from issuance of debt, net	*20*	**1,258**	1,815
Repayment of debt	*20*	**(1,700)**	(1,429)
Borrowing (repayment) on the credit facility and commercial paper	*20*	**(302)**	439
Proceeds from issuance of common shares, net	*21*	**-**	4,263
Proceeds from issuance of preferred shares, net	*21*	**146**	-
Repurchase of common shares for cancellation	*21*	**(150)**	-
Repurchase of common shares for share-based payments	*29*	**(112)**	(81)
Payment of dividends on common shares and preferred shares		**(762)**	(679)
Payment of dividends to non-controlling interests		**(24)**	(27)
Redemption of non-controlling interests	*22*	**(450)**	-
Net cash flows provided by (used in) financing activities		**(2,207)**	4,189
Net increase (decrease) in cash and cash equivalents		**(1,288)**	1,363
Cash and cash equivalents, beginning of year		**2,276**	917
Exchange rate differences on cash and cash equivalents		**22**	(4)
Cash and cash equivalents, end of year		**$ 1,010**	$ 2,276
Composition of cash and cash equivalents			
Cash		**600**	901
Cash equivalents		**410**	1,375
Cash and cash equivalents, end of year		**1,010**	2,276
Other relevant cash flow disclosures – operating activities			
Interest paid		**176**	191
Interest received		**634**	445
Dividends received		**355**	323

See accompanying notes to the Consolidated financial statements.

Note 1 – Status of the Company

Intact Financial Corporation (the "Company"), incorporated under the *Canada Business Corporations Act*, is domiciled in Canada and its shares are publicly traded on the Toronto Stock Exchange (TSX: IFC). The Company has investments in wholly owned subsidiaries which operate principally in the Canadian, UK and US P&C insurance market. The Company, through its operating subsidiaries, principally underwrites automobile, home, as well as commercial P&C contracts to individuals and businesses.

These Consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's significant operating subsidiaries are presented in ***Note 31 – Segment information.***

The registered office of the Company is 700 University Avenue, Suite 1500, Toronto, Ontario, Canada, M5G 0A1.

Note 2 – Summary of significant accounting policies

Notes to the Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

Glossary of abbreviations

ABS	Asset-backed securities	**JV**	Joint ventures
AFS	Available-for-sale	**LAE**	Loss adjustment expenses
AMF	Autorité des marchés financiers	**LTIP**	Long-term incentive plan
AOCI	Accumulated other comprehensive income	**MBS**	Mortgage-backed securities
ARR	Alternative reference rate	**MCT**	Minimum capital test (Canada)
ATRA	Alberta Tax and Revenue Administration	**MD&A**	Management's Discussion and Analysis
CAD	Canadian Dollar	**MYA**	Market-yield adjustment
CALs	Company action levels	**NCI**	Non-controlling interests
CAN	Canada	**NCIB**	Normal course issuer bid
CDOR	Canadian Dollar Offered Rate	**NEP**	Net earned premiums
CGU	Cash generating unit	**NOI**	Net operating income
CPI	Consumer price index	**OCI**	Other comprehensive income
		OSFI	Office of the Superintendent of Financial Institutions
CRA	Canada Revenue Agency		
DB	Defined benefits	**P&C**	Property and casualty
DKK (kr.)	Danish krone, Denmark's official currency	**PSU**	Performance stock units
DPW	Direct premiums written	**PTOI**	Pre-tax operating income
DSU	Deferred share unit	**RBC**	Risk-based capital (US)
EPS	Earnings per share to common shareholders	**ROE**	Return on equity
ESOP	Employee stock option plan	**RPI**	Retail price index
ESPP	Employee share purchase plan	**RQ**	Revenu Québec
EUR (€)	Euro, European Union's official currency	**RSU**	Restricted stock units
FA	Facility Association	**SAR**	Stock appreciation rights
FVTOCI	Fair value through other comprehensive income	**SCR**	Solvency Capital Requirement (Europe)
FVTPL	Fair value through profit and loss	**SOFR**	Secured Overnight Financing Rate
GBP (£)	British pound sterling, UK's official currency	**TSX**	Toronto Stock Exchange
IAS	International Accounting Standard	**UK**	United Kingdom
IASB	International Accounting Standards Board	**UK&I**	United Kingdom and International
IBNR	Insurance claims incurred but not reported by policyholders	**US**	United States
IBOR	Interbank offered rate	**USD**	US Dollar
IFRS	International Financial Reporting Standards		

2.1 Basis of presentation

These Consolidated financial statements and the accompanying notes are prepared in accordance with IFRS, as issued by the IASB. They were authorized for issue in accordance with a resolution of the Board of Directors on February 7, 2023.

The key accounting policies applied in the preparation of these Consolidated financial statements are described below. These policies have been applied consistently to all periods presented, except for the amendments to existing standards as described in ***Note 4 – Adoption of new accounting standards*** and accounting policies newly applied in relation to the RSA acquisition as described below.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

The Company presents its Consolidated balance sheets broadly in order of liquidity.

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

2.2 Basis of consolidation

These Consolidated financial statements include the accounts of the Company and its subsidiaries. ***Table 2.1*** presents the basis of consolidation.

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee or the sharing of control in a joint arrangement. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Company is exposed and the degree to which the Company can use its power to affect its returns from investees.

Acquisitions or disposals of equity interests in a subsidiary that do not result in the Company obtaining or losing control are treated as equity transactions and recognized as acquisitions or disposals of NCI in the Consolidated statements of changes in equity. All balances, transactions, income and expenses and profits and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

Table 2.1 – Basis of consolidation

Investment category	Shareholding	Accounting policies
Subsidiaries Entities over which the Company: • has the power over the relevant activities of the investee; • is exposed, or has rights to variable returns from its involvement with the investee; and • has the ability to affect those returns through its power over the investee.	Generally, more than 50% of voting rights	All subsidiaries are fully consolidated from the date control is transferred to the Company. They are deconsolidated from the date control ceases and any gain or loss is recognized in Net gains (losses).
Associates Entities over which the Company: • has the power to participate in the decisions over the relevant activities of the investee, but • does not have control.	Generally, between 20% to 50% of voting rights	Equity method ***Note 2.8 for details***
Joint ventures Joint arrangements whereby the parties have: • joint control of the arrangements, requiring unanimous consent of the parties sharing control for strategic and operating decision making; and • rights to the net assets of the arrangements.	Generally, an equal percentage of voting rights from each party to the joint arrangement	Equity method ***Note 2.8 for details***

2.3 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Company determines whether it has significant insurance risks, by comparing the benefits that could become payable under various possible scenarios relative to the premium received from the policyholder for insuring the risk.

In relation to the RSA acquisition, accounting policy and presentation were aligned on closing of the acquisition for all jurisdictions where the Company had previously adopted accounting policies. For new jurisdictions, certain local accounting practices were maintained as permitted by IFRS 4 - *Insurance contracts* (“IFRS 4”).

a) Revenue recognition and premiums receivable

Premiums written are recognized net of cancellations, promotional returns and sales taxes. Premiums written are recognized on the date coverage begins. Premiums written are deferred as Unearned premiums and recognized as NEP (net of reinsurance), on a pro rata basis over the terms of the underlying policies, which is usually 12 months.

Premium modifications are recognized against premiums written with a corresponding change in Premiums receivable and are recognized on the contract modification date. Premium modifications are deferred as part of Unearned premiums and are recognized against NEP on a pro rata basis over the remaining term of the underlying policy or immediately if they clearly relate to past services to match the change in insurance risk. Premiums receivable consist of the premiums due for the remaining months of the contracts.

Other underwriting revenues include:

- Fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans, which are recognized over the terms of the underlying policies; and
- Fees received for the administration of a portion of the FA and other policies.

Other revenues are recognized on an accrual basis and include commission revenues received from external insurance providers by consolidated brokers and revenues related to supply chain operations.

b) Claims liabilities

Claims liabilities are established to reflect the estimate of the full amount of all liabilities associated with the insurance contracts earned at the balance sheet date, including IBNR, that have occurred on or before the balance sheet date. They also include a provision for adjustment expenses representing the estimated ultimate expected costs of investigating, resolving and processing these claims (usually referred to as loss adjustment expenses or LAE).

Claims liabilities are first determined on a case-by-case basis as insurance claims are recognized. They are reassessed as additional information becomes known. Claims liabilities are estimated by the appointed actuaries using generally accepted actuarial standard techniques and are based on assumptions that represent best estimates of possible outcomes, such as historical loss development factors and payment patterns, claims frequency and severity, inflation, reinsurance recoveries, expenses, as well as changes in the legal and regulatory environment, taking into consideration the circumstances of the Company and the nature of the insurance policies.

The ultimate amount of these liabilities will vary from the best estimate made for a variety of reasons, including additional information with respect to the facts and circumstances of the insurance claims incurred. Actuaries are required to include margins in some assumptions to recognize the uncertainty in establishing this best estimate, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are sufficient to pay future benefits.

Claims liabilities are discounted to consider the time value of money, using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. Anticipated payment patterns are revised from time to time to reflect the most recent trends and claims environment. This ensures getting the most accurate and representative market yield-based discount rate.

Claim liabilities include periodic payment orders which are settlements in the form of annuities awarded by UK courts on some high value injury claims where the claimant's quality of life has been impaired due to severe injuries. These annuities are payable until death and increase annually, applying a defined index set in the court decision, usually linked to care provider professionals' salaries and are eligible for reinsurance where applicable.

Claims liabilities are deemed to be settled when the contract expires, is discharged or cancelled.

c) Reinsurance assets

The Company reports third party reinsurance balances on the Consolidated balance sheets on a gross basis to indicate the extent of credit risk related to third party reinsurance. The estimates for the reinsurers' share of claims liabilities and unearned premiums are presented as assets and are determined on a basis consistent with the related claims liabilities and unearned premiums respectively. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. For retroactive reinsurance contracts, the premium ceded is recognized in Net income net of the related risk margin release at inception.

d) Deferred acquisition costs

Policy acquisition costs incurred in acquiring insurance premiums include commissions, premium taxes, levies, and other costs directly related to the writing or renewal of insurance policies. These acquisition costs are deferred and amortized on the same basis as the unearned premiums and are recognized in Underwriting expenses. Deferred acquisition costs are written off when the corresponding contracts are settled or cancelled.

e) Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to validate the adequacy of unearned premiums and deferred acquisition costs. A premium deficiency would exist if unearned premiums were deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred acquisition costs to the extent that unearned premiums plus anticipated investment income are not considered adequate to cover for all deferred acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred acquisition costs, a liability is accrued for the excess deficiency.

2.4 Financial instruments

a) Classification and measurement of financial assets and financial liabilities

Table 2.2 – Classification of the Company's most significant financial assets and financial liabilities

Classification	Financial instruments	Description	Initial and subsequent measurement
AFS	Debt securities	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (except as noted below for Level 3 instruments) at end of period, with changes in fair value recognized in OCI (when unrealized) or in Net gains (losses) when realized or impaired.
	Common shares and preferred shares	Investments neither classified nor designated as FVTPL.	
	Other instruments	Investments in mutual and private funds.	***Refer to Note 2.4 b) (Level 3) hereafter for more details on the fair value measurement.***
Designated as FVTPL on initial recognition	Debt securities backing claims liabilities and some common shares	A portion of the Company's investments backing its claims liabilities has been voluntarily designated as FVTPL to reduce the volatility caused by fluctuations in fair values of underlying claims liabilities due to changes in discount rates. To comply with regulatory guidelines, the Company ensures that the weighted-dollar duration of debt securities designated as FVTPL is approximately equal to the weighted-dollar duration of claims liabilities.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (for financial assets) or ask prices (for financial liabilities) at end of period, with changes in fair value recognized in Net gains (losses). The effective portion of designated cash flow hedges and net investment hedges in foreign operations is recognized in foreign exchange gains (losses) in OCI.
Classified as FVTPL	Common shares	Investments purchased with the intention of generating profits in the near term.	
	Derivative financial instruments	Derivatives used for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio as long as the resulting exposures are within the investment policy guidelines.	
	Embedded derivatives	Embedded derivatives related to the Company's perpetual preferred shares. Treated as separate derivative financial instruments when their economic characteristics and risks are not clearly and closely related to those of the host instrument. These embedded derivatives are presented in Investments, with the related perpetual preferred shares, on the Consolidated balance sheets.	
	Contingent considerations	Financial liability arising from a business combination to be remeasured at fair value based on future performance.	Initially measured at fair value based on the estimate on the date of the transaction. Subsequently measured at fair value based on revised estimates, with changes in fair value recognized in Acquisition, integration and restructuring costs. ***Refer to Note 2.4 b) (Level 3) hereafter for more details on the fair value measurement.***

Classification	Financial instruments	Description	Initial and subsequent measurement
Amortized cost - Cash and cash equivalents, loans and receivables	Cash and cash equivalents	Highly liquid investments that are readily convertible into a known amount of cash are subject to an insignificant risk of changes in value and have an original maturity of three months or less.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at amortized cost using the effective interest method, with changes in fair value recognized in Net gains (losses) when realized or impaired.
	Loans and receivables	Financial assets with fixed or determinable payments not quoted in an active market (including securities purchased under reverse repurchase agreements).	
Amortized cost - Other financial liabilities	Debt outstanding	Financial liabilities with fixed or determinable payments and maturity date, such as the Company's Senior, medium-term and subordinated notes, term loan and amount drawn under a credit facility.	Initially measured at fair value at the issuance date net of transaction costs. Subsequently measured at amortized cost using the effective interest method, with changes in fair value recognized in Net gains (losses) when the liability is extinguished.
	Securities sold under repurchase agreements	The sale of securities together with an agreement to repurchase them in the short-term, at a set price and date.	Initially measured at fair value at the amount owing. Subsequently measured at amortized cost using the effective interest method.

b) Fair value measurement

The fair value of financial instruments on initial recognition is normally the transaction price, being the fair value of the consideration given or received. After initial recognition, the fair value of financial instruments is determined based on available information and categorized according to a three-level fair value hierarchy.

Table 2.3 – Three-level fair value hierarchy

Levels	Description	Type of financial instruments normally classified as such
Level 1	Quoted prices in active markets for identical assets or liabilities	• Government debt securities[1] • Common shares and preferred shares • Investments in mutual funds • Exchange-traded derivatives
Level 2	Valuation techniques for which all inputs that have a significant effect on the fair value are observable (either directly or indirectly)	• Government and Corporate debt securities not deemed to be Level 1 • Debt outstanding[2] • ABS and MBS • Over-the-counter derivatives
Level 3	Valuation techniques for which inputs that have a significant effect on the fair value are not based on observable market data	• Loans[2] • Embedded derivatives related to perpetual preferred shares with call option • Private funds • Contingent considerations • Investment property

[1] Includes securities issued by governments and government agencies of the following countries: Canada, US, UK, Germany, France, Italy and Japan.
[2] Measured at amortized cost with fair value disclosed.

Level 1

A financial instrument is regarded as quoted in an active market if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models.

For discounted cash flow models, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics.

- Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments, currencies, market liquidity and financial condition of counterparties.
- Discount rates are influenced by risk free interest rates and credit risk.

The inputs to these models are derived from observable market data where possible. Inputs used in valuations include:
- Prevailing market rates for bonds with similar characteristics and risk profiles;
- Closing prices of the most recent trade date subject to liquidity adjustments; or
- Average brokers' quotes when trades are too sparse to constitute an active market.

Level 3
The Company uses input parameters that are not based on observable market data. Non-market observable inputs use fair values determined in whole or in part using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgment is required to establish fair values. Changes in assumptions about these factors could affect the recognized fair value of financial instruments.

- ***Loans*** – The fair value of loans is determined using a valuation technique based on the income approach. Future inflows of principal and interest are discounted using a pre-tax risk-free rate from a Government bonds curve plus a risk premium that is based on the credit risk to which the Company would be exposed from the borrowers. The Company ensures that the discount rate is consistent with borrowing rates on similar loans issued by financial institutions. The Company receives guarantees for loans.

- ***Embedded derivatives related to perpetual preferred shares call options*** – The fair value of the Company's perpetual preferred shares call options (which give the issuer the right to redeem the shares at a particular price) has to be measured separately from preferred shares and accounted for as an embedded derivative. To determine the fair value of embedded derivatives, the Company uses a valuation technique based on the implied volatility of underlying preferred shares. The implied volatility is an unobservable parameter that is calculated using an internally developed valuation model, which can be significantly affected by market conditions. Judgment is also required to determine the time period over which the volatility is measured.

- ***Private funds*** – Private funds are measured at fair value for which the net assets value (''NAV'') is generally the practical expedient. The Company employs several procedures to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and discussing each fund's pricing with the fund manager throughout the year. In the event the Company believes that its estimate of the NAV differs from that reported by the fund due to illiquidity or other factors, the Company will adjust the fund's reported NAV to more appropriately represent the fair value of its interest in the investment.

- ***Contingent considerations*** – The fair value of the contingent considerations is based on future revenues or profitability metrics discounted using a rate adjusted for specific risks related to the transaction using information as at the measurement date.

- ***Investment property*** – The fair value is determined, at least annually, at their highest and best use by external independent valuers***.*** The valuation techniques include the comparative method with reference to sales of other comparable buildings as well as discounted cash flow models which consider the net present value of cash flows to be generated from the properties. The cash flow streams reflect the current rent payable to lease expiry, at which point each unit is assumed to be re-let at its estimated rental value. The discount rate considers many factors such as recent transactions on similar properties, building location and quality, tenant credit quality and lease terms.

c) Derivative financial instruments and hedging

The Company enters a variety of derivative financial instruments to manage its exposure arising from financial assets, financial liabilities and the RSA acquisition ***(refer to Note 8.3 – Currency hedging in relation with the RSA acquisition for more details).*** Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index. The Company uses derivatives for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio as long as the resulting exposures are within the investment policy guidelines. In certain circumstances, these hedges also meet the requirements for hedge accounting. Risk management strategies when eligible for hedge accounting have been designated as cash flow hedges or net investment hedges in a foreign operation and fair value hedges.

Derivatives are initially measured at fair value at the trade date and subsequently remeasured at fair value at the end of each reporting date. Derivative financial instruments with a positive fair value are recognized as assets while derivative financial instruments with a negative fair value are recognized as liabilities. Changes in fair value are recognized in Net gains (losses) unless the derivative financial instruments are part of a qualified hedging relationship.

Net investment hedges **–** The Company uses foreign currency derivatives to manage its book value exposure to foreign operations with a functional currency other than CAD. Where the Company has elected to apply hedge accounting, the effective portion of gains or losses on hedging derivatives, together with foreign exchange translation gains or losses on foreign operations, is recognized in Foreign exchange gains (losses) in OCI.

Cash flow hedges **–** The Company used foreign currency derivatives to hedge the RSA purchase price exposure to fluctuations in foreign exchange rates. The Company also uses "fixed to fixed" interest rate swaps to hedge changes in the fair value of fixed income securities. Where the Company has elected to apply hedge accounting, the effective portion of changes in the fair value of the derivatives are recognized in OCI and the ineffective portion is recognized in Net gains (losses) in Net income.

The Company uses foreign currency derivatives to hedge a portion of the selling price of the Danish business. ***Refer to Note 8.4 – Hedge of an investment in associate held for sale for details.***

Fair value hedges – The Company uses "fixed to floating" interest rate swaps to hedge changes in the fair value of fixed income securities. Where the Company has elected to apply hedge accounting, the gains and losses on hedging instruments are recognized in Net gains (losses) in Net income and the change in fair value of the hedged item that are attributable to the hedged risk is transferred from AOCI to Net income.

The Company uses foreign currency denominated debt, cross-currency swaps and foreign currency forwards to manage a portion of its fair value exposure to the DKK relative to the CAD for the Danish business classified as an investment in associate held for sale. ***Refer to Note 8.4 – Hedge of an investment in associate held for sale for details.***

Derivatives that qualify for hedge accounting

A hedging relationship is designated and documented at inception. Hedge effectiveness is evaluated at inception and throughout the term of the hedge. Hedge accounting is only applied when the Company expects that the hedging relationship will be highly effective in achieving offsetting changes in fair value or changes in cash flows attributable to the risk being hedged.

Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

Derivatives that do not qualify for hedge accounting and held for trading

Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of such derivatives are recognized in Net gains (losses) in Net income. ***Refer to Note 8 – Derivative financial instruments for details.***

d) Derecognition of financial assets and financial liabilities

Financial assets are no longer recognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are no longer recognized when they have expired or have been cancelled. ***Refer to Table 2.2 for the initial recognition of financial assets and financial liabilities.***

Securities purchased under reverse repurchase agreements and sold under repurchase agreements – The Company purchases securities from major Canadian financial institutions with an agreement to resell them to the original seller in the short-term (reverse repurchase agreements), at a set price and date. It also sells securities to major Canadian financial institutions together with an agreement to repurchase them in the short-term (repurchase agreements), at a set price and date.

Securities purchased in the course of reverse repurchase agreements are not recognized on the Consolidated balance sheets because the seller substantially retained the risks and rewards related to the assets sold. The commitment to resell the assets purchased is presented in Financial assets related to investments in Other assets in the Consolidated balance sheets.

Securities sold in the course of repurchase agreements remain on the Consolidated balance sheets because the Company has not substantially transferred the risks and rewards related to the assets sold. The obligation to repurchase the assets sold is presented in Financial liabilities related to investments in the Consolidated balance sheets.

Structured settlements – The Company enters into annuity agreements with various Canadian life insurance companies to provide for fixed and recurring payments to claimants.

- When the annuity agreements are non-commutable, non-assignable and non-transferable, the Company is released by the claimant for the settlement of the claim amount. As a result, the liability to its claimants is substantially discharged and the Company removes that liability from its Consolidated balance sheets. However, the Company remains exposed to the credit risk that life insurers may fail to fulfill their obligations.
- When the annuity agreements are commutable, assignable, or transferable, the Company keeps the liability and the corresponding asset on its Consolidated balance sheets.

e) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is recognized on the Consolidated balance sheets only when there is:

- A legally enforceable right to offset the recognized amounts; and
- An intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

f) Revenue and expense recognition

Net investment income

- Interest income from debt securities and loans is recognized on an accrual basis.
- Premiums and discounts on debt securities classified as AFS, as well as premiums earned, or discounts incurred for loans and AFS securities are amortized using the effective interest method.
- Dividends are recognized when the shareholders’ right to receive payment is established, which is the ex-dividend date.

Net gains (losses)

- Gains and losses on the sale of AFS debt and equity securities are generally calculated on a first in, first out basis, except for certain equity strategies.
- Transaction costs associated with the acquisition of financial instruments classified or designated as FVTPL are expensed as incurred; otherwise, transaction costs are capitalized on initial recognition and amortized using the effective interest method.
- Transaction costs incurred at the time of disposition of a financial instrument are expensed as incurred.
- If there is a change of control in an entity in which the Company held an equity interest, that equity interest is remeasured at fair value as at the acquisition or disposal date and any resulting gain or loss is recognized in income.

g) Impairment of financial assets other than those classified or designated as FVTPL

The Company determines, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets, other than those classified or designated as FVTPL, are impaired. Those financial assets are impaired according to either a debt, equity, or loans and receivables impairment model. The appropriate impairment model is determined based on the characteristics of each instrument, the capacity of the issuer to pay dividends or interest and the Company’s intention to either hold the preferred shares for the long term or sell them. Objective evidence of impairment includes:

Debt impairment model

- One or more loss events (a payment default for example) that occurred after initial recognition and that has an impact on the estimated future cash flows of the financial asset.
- Increased probability that the future cash flows will not be recovered based on counterparty credit rating considerations.

Equity impairment model

- A significant, a prolonged, or a significant and prolonged decline in the fair value of an investment below cost.
- Information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which an issuer operates, indicating that the cost of an equity instrument may not be recovered.

Table 2.4 – Objective evidence of impairment for equity impairment model

Unrealized loss position	Common shares
Significant	Unrealized loss of 50% or more
Prolonged	Unrealized loss for 15 consecutive months or more
Significant and prolonged	Unrealized loss for 9 consecutive months or more and unrealized loss of 25% or more

Loans and receivables impairment model

A payment default or when there are objective indications that the counterparty will not honour its obligations.

The following table summarizes the measurement and recognition of impairment losses.

Table 2.5 – Impairment models

	Debt	Equity	Loans and receivables
Application	• Debt securities • Preferred shares redeemable at the option of the holder • Perpetual preferred shares purchased with the intent of holding for the long-term[1]	• Common shares • Perpetual preferred shares not impaired using the debt impairment model[1]	• Loans and receivables: – Significant (tested individually) – Otherwise (grouped by similar characteristics for testing)
Loss measure-ment	Difference between amortized cost and current fair value less any unrealized loss on that security previously recognized.	Difference between acquisition cost and current fair value less any impairment loss on that security previously recognized.	Difference between amortized cost and the present value of the estimated future cash flows.
Reported loss	Impairment loss removed from OCI and recognized in Net gains (losses)		Impairment loss recognized in Net gains (losses)
Subsequent fair value increases	Recognized in Net gains (losses) when there is observable positive development on the original impairment loss event. Otherwise, recognized in OCI.	Recognized directly in OCI Impairment losses are not reversed.	Provision can be reversed when the event that gave rise to its initial recognition subsequently disappears. Recognized in Net gains (losses) when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

[1] Since the business model of the Company is to purchase preferred shares for the purpose of earning dividend income, with the intent of holding them for the long-term, virtually all preferred shares are assessed for impairment using a debt impairment model.

2.5 Business combination

Business combinations are accounted for using the acquisition method. The purchase consideration is measured at fair value at acquisition date. At that date, the identifiable assets acquired, and liabilities assumed are estimated at their fair value. Acquisition-related costs are expensed as incurred. When the Company acquires a business, it assesses financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual term, economic circumstances, and relevant conditions at the acquisition date. The excess of the purchase consideration over the fair value of the net identifiable assets acquired and liabilities assumed in a business combination results in Goodwill. When the excess is negative, a bargain gain is recognized in Net income.

2.6 Goodwill and intangible assets

a) Goodwill

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's share in the net identifiable assets acquired and liabilities assumed in a business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to CGUs, or groups of CGUs, that are expected to benefit from the business combination in which they arose. Impairment testing is performed at least annually, on June 30, or more frequently if there are objective indicators of impairment, by comparing the recoverable amount of a CGU with its carrying amount. Impairment testing is undertaken at the lowest level at which goodwill is monitored for internal management purposes, which corresponds to the Company's operating segments ***(refer to Note 31 – Segment information)***.

Upon disposal of a portion of a CGU, the carrying amount of goodwill related to the portion of the CGU sold is included in the determination of gains and losses on disposal. The carrying amount is determined based on the relative fair value of the disposed portion to the total CGU.

b) Intangible assets

The Company's intangible assets consist of distribution networks, customer relationships, trade names and internally developed software.

- Distribution networks represent the contractual agreements between the Company and unconsolidated brokers for the distribution of its insurance products. It also includes selling insurance through affinity partnerships, usually to a group of similar customers such as store-card holders, alumni groups, unions and utility company customers.
- Customer relationships represent the relationships that exist with the policyholders, either directly (as a direct insurer) or indirectly (through consolidated brokers).

Intangible assets are initially measured at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. For each distribution network acquired, that assessment depends on the nature of the distribution network. When the related cash flows are expected to continue indefinitely, intangible assets are assessed as having an indefinite useful life.

Intangible assets with finite lives are amortized over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite lives, as well as those intangible assets that are under development, are not subject to amortization, but are tested for impairment on an annual basis.

The amortization method and terms of intangible assets assessed as having finite useful lives are shown below.

Table 2.6 – Amortization methods and terms of intangible assets – finite useful life

Intangible assets	Method	Term
Distribution networks	Straight-line	6 to 25 years
Customer relationships	Straight-line	3 to 15 years
Trade names	Straight-line	3 to 10 years
Internally developed software	Straight-line	3 to 10 years

Amortization of intangible assets is included in Other expenses in the Consolidated statements of income.

2.7 Foreign currency translation

The Consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency.

Notes to the Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

Foreign currency transactions
Transactions denominated in foreign currencies are initially recognized in the functional currency of the related entity using the exchange rates in effect at the date of the transaction.

- Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in Net income.
- Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined.
- Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.
- Net foreign exchange gains and losses are recognized in income except for AFS equity securities where unrealized foreign exchange gains and losses are recognized in OCI until the asset is sold or becomes impaired.

Foreign operations
- Assets and liabilities of foreign operations whose functional currency is other than the Canadian dollar are translated into Canadian dollars using closing exchange rates.
- Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period.
- Translation gains or losses are recognized in OCI and are reclassified to income on disposal or partial disposal of the investment in the related foreign operation.

The exchange rates used in the preparation of the Consolidated financial statements were as follows:

Table 2.7 – Exchange rates used

	As at December 31,		Average rate for the years	
	2022	**2021**	**2022**	**2021**
USD vs CAD	**1.354**	1.265	**1.302**	1.254
GBP vs CAD	**1.637**	1.710	**1.607**	1.724
EUR vs CAD	**1.449**	1.439	**1.370**	1.483
DKK vs CAD[1]	**0.195**	0.193	**0.184**	0.197

[1] For 2021, the average rate reflects the period from June 1 to December 31, 2021 in relation to the RSA acquisition.

2.8 Investments in associates and joint ventures

The Company's investments in associates and joint ventures are initially recognized at the amount of consideration paid, which includes the fair value of tangible assets, intangible assets and goodwill identified on acquisition, plus post-acquisition changes in the Company's share of their net assets. They are subsequently measured using the equity method.

The Company's profit or loss from such investments is shown in Share of profit from investments in associates and joint ventures and reflects the after-tax share of the results of operations of the associates and joint ventures. The Company determines at each reporting date whether there is any objective evidence that investments in associates and joint ventures are impaired.

2.9 Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation terms are established to depreciate the cost of the assets over their estimated useful lives. Depreciation methods and terms are shown below.

Table 2.8 – Depreciation methods and terms of property and equipment

Property and equipment	Method	Term
Buildings	Straight-line	15 to 40 years
Furniture and equipment	Straight-line	2 to 10 years
Leasehold improvements	Straight-line	Over the terms of related leases or 10 years

2.10 Investment property and rental income

Investment property includes land and buildings mainly located in the UK which are held to earn rental income and are externally managed and not owner-occupied.

Investment property is initially measured at cost, including transaction costs, and is subsequently measured at fair value based on revised estimates, with changes in fair value recognized in Net gains (losses) in Net income. Rental income from the related operating leases is recognized as Investment income in Net income on a straight-line basis over the length of the lease.

2.11 Leases

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate for a similar asset. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivable, and exclude operational costs and variable lease payments. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company presents right-of-use assets in Property and equipment and lease liabilities in Other liabilities in the Consolidated balance sheets. The interest and depreciation expense are presented in Finance costs and Underwriting expenses respectively in the Consolidated statements of income.

2.12 Assets held for sale

Assets are classified as held for sale when the carrying amount is to be recovered principally through a sale transaction rather than through continued use and such sale is considered highly probable. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

2.13 Income taxes

a) Income tax expense (benefit)

Income tax is recognized in Net income, except to the extent that it relates to items recognized in OCI, or directly in equity where it is recognized in OCI or equity. Income tax expense (benefit) comprises current and deferred tax.

- **Current income tax** is based on current year's results of operations, adjusted for items that are not taxable or not deductible. Current income tax is calculated based on income tax laws and rates enacted or substantively enacted as at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and provisions are established where appropriate based on amounts expected to be paid to the tax authorities.

- **Deferred income tax** is provided using the liability method on temporary differences between the carrying amount of assets and liabilities and their respective tax values. Deferred tax is calculated using income tax laws and rates enacted or substantively enacted as at the balance sheet date, which are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences as well as unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. For each entity for which there is a history of tax losses, deferred tax assets are only recognized in excess of deferred tax liabilities if there is convincing evidence that future profit will be available.

Deferred tax in respect of the unremitted earnings of subsidiaries, associates and joint ventures is recognized as an expense in the year in which the profits arise, except where the remittance of earnings can be controlled and it is probable that remittance will not take place in the foreseeable future.

b) Recognition and offsetting of current tax assets and liabilities

For each legal entity consolidated, current tax assets and liabilities are offset when they relate to the same taxation authority, which allows the legal entity to receive or make one single net payment, and when it intends to settle the outstanding balances on a net basis. Upon consolidation, a current tax asset of one entity is offset against a current tax liability of another entity if, and only if, entities concerned have a legally enforceable right to make or receive a single net payment and entities intend to make or receive such net payment or to recover the asset or settle the liability simultaneously.

2.14 Share-based payments

The Company has three types of shared-based payment plans:

a) Long-term incentive plan

Certain key employees are eligible to participate in the LTIP. Participants are awarded notional share units referred to as PSUs and RSUs. The PSU payout is subject to the achievement of specific targets with regards to:

- The Company's estimated ROE outperformance versus the global P&C industry benchmark based on a three-year average of Canada, US and the UK weighted on the Company's deployed capital in each country; or
- The three-year average combined ratio of the US, UK or Global Specialty Lines operations compared to a specific target; or
- A combination of both.

Most RSUs automatically vest three years from the year of the grant. Vesting for RSUs is not linked to the Company's performance.

RSUs and PSUs – Subject to the Company's Board of Directors' approval, certain participants can receive cash in lieu of shares of the Company:

- Based on the plan structure; or
- If they meet a defined share ownership threshold ("eligible participants") and elect to receive cash.

At the time of the payout, the plan administrator purchases in the market the number of common shares based upon the vested PSUs and RSUs, and elections of eligible participants.

The awards are estimated and valued at fair value at grant date, which corresponds to the average share price of the Company over the last quarter of the preceding year.

The LTIP is accounted for as an equity-settled plan, except for the participants that are eligible to receive cash in lieu of shares of the Company (accounted for as a cash-settled plan).

Equity-settled plan
The cost of the awards is recognized as an expense over the vesting period, with a corresponding entry to Contributed surplus. The value of each award is not revalued subsequently, but the Company re-estimates the number of awards that are expected to vest at each reporting period. The difference between the market price of the shares purchased and the cumulative cost for the Company of these vested units, net of income taxes, is recognized in Retained earnings.

Cash-settled plan
The cost of the awards is recognized as an expense over the vesting period, with a corresponding entry to Other liabilities. The liability is remeasured at each reporting period based on the number of awards that are expected to vest and the current share price, with any fluctuations in the liability also recognized as an expense until it is settled.

b) Employee share purchase plan

Employees who are not eligible for the LTIP are entitled to make contributions to a voluntary ESPP. Eligible employees can contribute up to 10% of their annual base salary through a payroll deduction to purchase IFC common shares in the market. As an incentive to participate in the plan the Company matches, at the end of each year, a number of shares equal to 50% of the common shares purchased by the employees during the year (subject to certain conditions). During the following year, the common shares contributed by the Company are purchased by an independent broker at each pay period and deposited in the employee account evenly each pay. The common shares contributed by the Company are awarded and vested at the time they are deposited in the employee account.

Equity-settled plan
The fair value of awards is estimated at the grant date and is not revalued subsequently, but the Company re-estimates the number of awards that are expected to vest at each reporting period. The cost of awards is recognized as an expense over the vesting period, with a corresponding entry to Contributed surplus. The difference between the market price of the common shares purchased and the cumulative cost for the Company of these vested awards, net of income taxes, is recognized in Retained earnings.

c) Deferred share unit plan

Non-employee directors of the Company are eligible to participate in the Company's DSU plan. A portion of the remuneration of non-employee directors of the Company must be received in DSUs or common shares of the Company. For the remainder of their compensation, the directors are given the choice of cash, common shares of the Company, DSUs or a combination of the three. Both DSUs and common shares vest at the time of the grant. The DSUs are redeemed upon director retirement or termination and are settled for cash afterwards. When directors elect to receive shares, the Company makes instalments to the plan administrator for the purchase of shares of the Company on behalf of the directors.

Cash-settled plan
The DSUs are cash-settled awards which are expensed at the time of granting with a corresponding financial liability recognized in Other liabilities. This liability is remeasured at each reporting date based on the current share price, with any fluctuations in the liability also recognized as an expense until it is settled.

d) Employee stock option plan

In 2021, the Company established an ESOP for certain key executive employees of the Company. Under the ESOP, the Human Resources and Compensation Committee may, at its discretion, from time-to-time grant options and SARs and also determines the terms and conditions of grants.

The options entitle participants to purchase common shares of the Company at an exercise price that is normally equal to the volume weighted average trading price per common share on the TSX for a period of a few days preceding the grant date. The options granted generally vest over three to seven years upon achievement of performance objectives and are exercisable within a ten-year period, except in the event of termination of employment or death.

The number of options expected to vest are estimated on the grant date and will be subsequently revised on each reporting date.

Equity-settled plan
The fair value of the options, adjusted for expectations related to performance conditions and forfeitures, is accounted for as an equity-settled plan and is recognized as an expense over the vesting period with a corresponding credit to Contributed surplus. When the options are exercised, any consideration paid is credited to Common shares and the recognized fair value of the options is removed from Contributed surplus and credited to Common shares.

2.15 Employee future benefits – pension

The actuarial determination of the DB obligation uses the projected unit credit method and management's best estimate assumptions.

DB pension expense
Cost recognized in Net income in the current period includes:
- Service cost: benefits cost provided in exchange for employees' services rendered during the year (current service cost) or prior years (past service cost);
- Net interest expense: change in the DB obligation and the plan assets resulting from the passage of time; and
- Administrative expenses paid from the pension assets.

The discount rate methodology used to determine the DB expense is determined with reference to the yields on high quality corporate bonds.

Remeasurement of net DB asset (liability)
The rate used to discount the DB obligation is determined by reference to market yields on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments, determined at the end of each reporting period.

Remeasurements are recognized directly in OCI in the period in which they occur and include:
- Return on plan assets, which represents the difference between the actual return on plan assets and the return based on the discount rate determined using high quality corporate bonds;
- Actuarial gains and losses arising from plan experience; and
- Changes in actuarial assumptions, such as the discount rate used to discount the DB obligation.

Such remeasurements are also immediately reclassified to Retained earnings as they will not be reclassified to Net income in subsequent periods.

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

2.16 Current vs non-current

In line with industry practice for insurance companies, the Company's balance sheets are not presented using current and non-current classifications but are rather presented broadly in order of liquidity. Most of the Company's assets and liabilities are considered current given they are expected to be realized or settled within the Company's normal operating cycle. All other assets and liabilities are considered as non-current and generally include: Investments in associates and joint ventures, Deferred tax assets, Property and equipment, Intangible assets, Goodwill, Deferred tax liabilities and Debt outstanding.

Note 3 – Significant accounting judgments, estimates and assumptions

3.1 Use of 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 the recognized amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date, as well as recognized 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 amount of certain assets and liabilities are as follows:

Description	Reference	Description	Reference
Global economic environment	***Note 3.2***	Impairment of financial assets	***Note 25.2***
Business combinations and disposals	***Note 5.3***	Measurement of income taxes	***Note 27.6***
Valuation of claims liabilities	***Note 11.3***	Valuation of DB obligation	***Note 30.6***
Impairment of goodwill and intangible assets	***Note 15.2***		

3.2 Global economic environment

Global financial market volatility
The Company continued to observe a significant volatility in financial markets, notably due to increasing inflation and interest rates across all regions, with central banks reaffirming their intention to tackle inflation with further tightening measures.

The increased uncertainty required management to use judgements, estimates and assumptions related to the Company's exposure to the Global economic environment. As a result, additional disclosures were provided on the Company's exposure to the Global economic environment in the following areas:

- The valuation of the Company's investments ***(refer to Note 25 – Net gains (losses))***;
- The valuation of the DB obligation and the related plan assets ***(refer to Note 30 – Employee future benefits)***; and
- The valuation of provisions in Claims liabilities to reflect the potential risks for certain lines of business ***(refer to Note 11 – Claims liabilities)***.

COVID-19 pandemic
The magnitude of the impact of the COVID-19 crisis on the economy and financial markets continues to evolve while also contributing to increased market volatility and changes to the macroeconomic environment. The Company continues to manage the impact on its business and believes that its operations and financial position remain strong and that it is well positioned to deal with this crisis.

In Canada, most commercial policies, except in very limited instances, do not provide for business interruption coverage in the context of a closure due to COVID-19 since direct physical loss or damage is required to trigger this coverage. In the UK&I, the current assessment of Claims liabilities reflects court judgments across the jurisdictions that business operates in, including those recently announced in the UK in October 2022. These most recent judgments are complex and create a number of uncertainties and the Company continues to monitor the progression of these judgements, including any appeal to a higher court. Based on information currently known and management's assumptions, the Company has made adequate provisions for, or has adequate reinsurance to cover all insurance claims and legal proceedings.

Russia-Ukraine war
The war in Ukraine has caused instability in the global economy and markets. While its direct exposure to Russia and Ukraine is immaterial, the Company continues to closely monitor for any indirect impacts.

Note 4 – Adoption of new accounting standards

The following amendments to existing standards are effective for annual periods beginning on or after January 1, 2022:

4.1 Reference to the Conceptual Framework (amendments to IFRS 3 – Business Combinations)

In May 2020, the IASB issued amendments to IFRS 3 – *Business Combinations* ("IFRS 3") to update references to the revised Conceptual Framework without significantly changing its requirements. It also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential day 2 gains or losses for some types of liabilities and contingent liabilities. Finally, it clarified existing guidance by explicitly prohibiting the recognition of contingent assets in a business combination.

The amendments were applied prospectively with no impact on the Consolidated financial statements.

4.2 Demand Deposits with Restriction on Use Arising from a Contract with a Third Party (IAS 7 – Statement of Cash Flows)

In April 2022, the IFRS Interpretations Committee ("IFRIC") concluded that restrictions on the use of demand deposits arising from a contract with a third party do not result in the deposits no longer being cash and cash equivalents when they are available to an entity on demand. Therefore, they should be included in cash and cash equivalents in the statements of cash flows and balance sheet, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7, Statement of Cash Flows ("IAS 7").

As a result of the application of this interpretation, there was no change in the presentation of the Cash and cash equivalents on the Company's consolidated balance sheets and consolidated statements of cash flows. Cash and cash equivalents with restricted use was approximately $350 million as at December 31, 2022.

Note 5 – Business combinations and disposals

5.1 Business combinations

The Company completed the following acquisition during the year ended December 31, 2022:

Highland Insurance Solutions
On August 1, 2022, the Company completed the acquisition of Highland Insurance Solutions ("Highland"), the US construction division of Tokio Marine Highland for a cash consideration of $239 million (USD186 million). Highland is a managing general agent specializing in the builder's risk segment of the construction industry and will expand the Company's portfolio of owned distribution assets. The Company financed the acquisition through debt, ***refer to Note 20 – Debt outstanding for more details***.

As at December 31, 2022, the purchase price allocation was finalized and mainly allocated to intangible asset and goodwill for an amount of $181 million and $50 million, respectively.

The Company completed the following acquisition during the year ended December 31, 2021:

RSA Insurance Group PLC
On June 1, 2021, the Company, together with the Scandinavian P&C leader Tryg A/S ("Tryg"), completed the all-cash acquisition for the entire issued share capital of RSA Insurance Group PLC ("RSA"), a multinational insurance group with strong positions in the P&C insurance market in the UK, Scandinavia and Canada along with supporting international business in Ireland, Continental Europe and the Middle East.

RSA shareholders received 685 pence per ordinary share from the Company which represented an aggregate cash consideration of £7.2 billion ($12.3 billion). On the same day, the Company sold a portion of the Scandinavian operations to Tryg for £4.2 billion which was used to partially fund the consideration paid to RSA's shareholders. The total consideration paid to RSA shareholders consists of:

- £3.0 billion ($5.1 billion) for the acquisition of RSA's Canadian, UK and International operations and the 50% co-share of RSA's Danish business; and
- £4.2 billion ($7.2 billion) for the acquisition of RSA's Sweden and Norway businesses and the 50% co-share of RSA's Danish business which was sold to Tryg on the same day.

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

The preliminary fair values have been reassessed following the acquisition. There were no significant adjustments during the 12-month measurement period and the purchase price allocation is now final.

The following table summarizes the consideration and the final fair value of the assets acquired and liabilities assumed as at the acquisition date including the Scandinavian assets and liabilities held for sale.

Table 5.1 – RSA's business combination

As at the acquisition date (June 1, 2021)	GBP	CAD
Purchase price		
Cash consideration[1]	**7,182**	**12,311**
Purchase price hedge	**-**	**28**
Total purchase price	**7,182**	**12,339**
Fair value of the identifiable assets acquired, and liabilities assumed		
Assets		
Investments[2]	**8,331**	**14,283**
Premiums receivable	**2,305**	**3,952**
Reinsurance assets	**2,607**	**4,470**
Deferred tax assets[3]	**256**	**440**
Deferred acquisition costs	**538**	**921**
Property and equipment	**180**	**309**
Intangible assets	**1,223**	**2,096**
Other	**959**	**1,642**
Assets held for sale[4]	**8,982**	**15,399**
Liabilities		
Claims liabilities	**(6,804)**	**(11,664)**
Unearned premiums	**(3,105)**	**(5,324)**
Deferred tax liabilities[3]	**(258)**	**(442)**
Debt outstanding[5]	**(829)**	**(1,421)**
Other	**(2,153)**	**(3,691)**
Liabilities associated with assets held for sale[4]	**(4,273)**	**(7,326)**
Total identifiable net assets acquired	**7,959**	**13,644**
Non-controlling interests	**(642)**	**(1,101)**
Gain on bargain purchase	**(135)**	**(204)**
Exchange rate (GBP/CAD)		**1.714**

[1] Includes proceeds from Tryg of $7.2 billion (£4.2 billion).
[2] Includes cash and cash equivalents acquired of $1,263 million (£736 million).
[3] Considers changes in the UK corporate tax rate from 19% to 25% enacted in May 2021 and effective on April 1, 2023.
[4] Represents RSA's Sweden and Norway businesses and 50% of RSA's Danish business sold to Tryg as well as the Company's 50% interest in RSA's Danish business ***(refer to Note 19 – Assets held for sale).***
[5] The Company repaid part of the debt assumed ahead of the maturity date.

The gain on bargain purchase of $204 million is non-taxable and represents the difference between the purchase price paid for RSA and the fair value of the identifiable net assets acquired less the amount of non-controlling interests. The gain considers various items including the difference between the valuation of the pension plan liability used to determine the transaction price and the recognition and measurement principles defined by IAS 19 – *Employee benefits*.

The customer relationships, distribution networks and the trade names will be amortized over a three to seven year, six to twenty year and three to ten-year period, respectively, and vary by country. ***Refer to Note 5.3 below for details*** on how management determined the fair value of the intangible assets on acquisition.

For the year ended December 31, 2022, the Company recognized acquisition and integration costs of nil and $272 million ($90 million and $285 million – December 31, 2021), respectively. ***Refer to Note 26 – Acquisition, integration and restructuring costs.***

5.2 Disposals

Codan DK

On June 11, 2021, the Company announced that together with Tryg it had entered into a definitive agreement to sell Codan Forsikring A/S's Danish business ("Codan DK") to Alm. Brand A/S Group ("Alm. Brand"). On May 2, 2022, the sale was completed for a total cash consideration of DKK13.2 billion ($2.4 billion), including post-closing adjustments. The Company received 50% of the total proceeds, which represents approximately $1.2 billion. ***Refer to Note 19 – Assets held for sale for more details***.

RSA Middle East

On April 4, 2022, the Company announced the sale of its 50% shareholding in Royal & Sun Alliance Insurance ("Middle East") BSC (c) ("RSA Middle East") to National Life & General Insurance Company ("NLGIC"). The sale of RSA Middle East follows a strategic review of operations by the Board of Directors.

RSA Middle East's assets and associated liabilities were presented as held for sale until its disposal and measured at the lower of their carrying amount or fair value less costs to sell. On July 7, 2022, the sale was completed for a total cash consideration of $175 million (USD135 million). Upon closing, the Company derecognized $465 million of net assets, $288 million of NCI and $10 million of AOCI and other items. For the year ended December 31, 2022, the Company recorded a loss of $16 million in Net gains (losses), $15 million net of tax of which $1 million was attributable to shareholders and $14 million was attributable to NCI.

5.3 Significant accounting judgments, estimates and assumptions

Upon initial recognition, the acquiree's assets and liabilities and the contingent consideration (if any) have been included in the Consolidated balance sheets at fair value. Management determined the fair values using the methods described below. During the measurement period following the acquisition, the changes in the estimates that relate to new information obtained about facts and circumstances that existed as of the acquisition date, would have an impact on the amount of goodwill or gain on bargain purchase recognized. Any other changes in the estimates would be recognized in income.

Customer relationships and distribution networks were determined using discounted cash flows with the key estimates and assumptions as follows:

- Cash flow projections including estimated growth rates and profitability, synergies and contributory asset charges such as capital required to operate; and
- Discount rate is based on the weighted-average cost of capital by major geographical regions for comparable companies with similar activities.

Trade names were determined using the relief-from royalty method, an income approach using a projection of DWP to which a royalty rate is applied. The key estimates and assumptions are the growth rate, the useful life, the royalty rate and the discount rate.

Internally generated software was determined using the replacement cost method. The key estimates and assumptions used include direct and indirect costs attributable to the development of the software, adjustment for obsolescence and assumptions on the useful life of the assets.

The fair value at the time of the acquisition of the Company's 50% interest in RSA's Danish business was supported by the agreed price with Tryg and a valuation based on the income approach.

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

Note 6 – Investments

6.1 Classification of investments

Table 6.1 – Classification of investments

As at	Fair value AFS	Fair value Classified as FVTPL	Fair value Designated as FVTPL	Amortized cost Cash and cash equivalents and loans	Total carrying values
December 31, 2022					
Cash and cash equivalents	**-**	**-**	**-**	**1,010**	**1,010**
Short-term notes	**1,786**	**-**	**-**	**-**	**1,786**
Fixed income					
Investment grade					
Government	**4,828**	**-**	**4,880**	**-**	**9,708**
Corporate	**6,974**	**-**	**3,327**	**-**	**10,301**
Asset-backed[1]	**1,168**	**-**	**187**	**-**	**1,355**
Mortgage-backed					
Agency[2]	**1,248**	**-**	**207**	**-**	**1,455**
Non-agency	**590**	**-**	**224**	**-**	**814**
Below investment grade Corporate	**156**	**-**	**14**	**-**	**170**
Non-rated	**1,506**	**-**	**-**	**-**	**1,506**
Debt securities	**18,256**	**-**	**8,839**	**-**	**27,095**
Investment grade					
Retractable	**15**	**-**	**-**	**-**	**15**
Fixed-rate perpetual	**311**	**-**	**-**	**-**	**311**
Other perpetual	**1,095**	**-**	**-**	**-**	**1,095**
Preferred shares	**1,421**	**-**	**-**	**-**	**1,421**
Common shares	**3,159**	**12**	**1,427**	**-**	**4,598**
Investment property	**-**	**476**	**-**	**-**	**476**
Loans	**-**	**-**	**-**	**1,001**	**1,001**
	22,836	**488**	**10,266**	**2,011**	**35,601**
December 31, 2021					
Cash and cash equivalents	-	-	-	2,276	2,276
Short-term notes	516	-	-	-	516
Fixed income					
Investment grade					
Government	5,247	-	3,860	-	9,107
Corporate	6,818	-	3,690	-	10,508
Asset-backed[1]	1,100	-	202	-	1,302
Mortgage-backed					
Agency[2]	1,150	-	215	-	1,365
Non-agency	691	-	298	-	989
Below investment grade Corporate	70	-	9	-	79
Non-rated	1,441	-	-	-	1,441
Debt securities	17,033	-	8,274	-	25,307
Investment grade					
Retractable	16	-	-	-	16
Fixed-rate perpetual	408	-	-	-	408
Other perpetual	1,423	-	-	-	1,423
Preferred shares	1,847	-	-	-	1,847
Common shares	3,841	14	1,831	-	5,686
Investment property	-	634	-	-	634
Loans	-	-	-	930	930
	22,721	648	10,105	3,206	36,680

[1] Credit card receivables and auto loans.
[2] Publicly traded MBS, which carry the full faith and credit guarantee of the US Government or are guaranteed by a government sponsored entity.

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

The Company uses data from various rating agencies to rate debt securities and preferred shares. When there are two ratings for the same instrument, the Company uses the lower of the two. When there are three ratings for the same instrument, the Company uses the median. Debt securities with a rating equal to or above 'BBB-' are classified as investment grade. Preferred shares with a rating equal to or above 'P3L' are classified as investment grade.

6.2 Carrying amount of investments

Table 6.2 – Carrying amount of investments

As at	FVTPL investments Carrying amount	Amortized cost	Unrealized gains[2]	Unrealized losses[2]	Other investments Carrying amount	Total investments Carrying amount
December 31, 2022						
Cash and cash equivalents	**-**	**1,010**	**-**	**-**	**1,010**	**1,010**
Debt securities	**8,839**	**19,416**	**75**	**(1,235)**	**18,256**	**27,095**
Preferred shares[1]	**-**	**1,637**	**13**	**(229)**	**1,421**	**1,421**
Common shares	**1,439**	**3,272**	**124**	**(237)**	**3,159**	**4,598**
Investment property	**476**	**-**	**-**	**-**	**-**	**476**
Loans	**-**	**1,001**	**-**	**-**	**1,001**	**1,001**
	10,754	**26,336**	**212**	**(1,701)**	**24,847**	**35,601**
December 31, 2021						
Cash and cash equivalents	-	2,276	-	-	2,276	2,276
Debt securities	8,274	17,003	145	(115)	17,033	25,307
Preferred shares[1]	-	1,676	183	(12)	1,847	1,847
Common shares	1,845	3,420	475	(54)	3,841	5,686
Investment property	634	-	-	-	-	634
Loans	-	930	-	-	930	930
	10,753	25,305	803	(181)	25,927	36,680

[1] Includes unrealized gains (losses) on embedded derivatives of $19 million as at December 31, 2022 ($(62) million as at December 31, 2021). These derivatives were presented in Investments, with the related perpetual preferred shares, on the Consolidated balance sheets but their change in fair value was recognized in Net gains (losses) in Net income.
[2] Foreign amounts are translated using the period-end exchange rate.

IFRS 9 – Financial Instruments

The Company assessed the cash flow characteristics test (solely payments of principal and interest or "SPPI" test). The table below presents the fair value and the change in fair value of financial assets that have contractual cash flows that qualify as SPPI and other assets.

Table 6.3 – SPPI and Other financial assets

As at December 31,	2022			2021		
	SPPI financial assets	Other financial assets	Total	SPPI financial assets	Other financial assets	Total
Cash and cash equivalents	**1,010**	**-**	**1,010**	2,276	-	2,276
Debt securities	**25,215**	**1,880**	**27,095**	23,114	2,193	25,307
Preferred shares	**-**	**1,421**	**1,421**	-	1,847	1,847
Common shares	**-**	**4,598**	**4,598**	-	5,686	5,686
Loans	**1,001**	**-**	**1,001**	930	-	930
Derivative financial assets	**-**	**165**	**165**	-	150	150
	27,226	**8,064**	**35,290**	26,320	9,876	36,196

The fair value of SPPI financial assets and other financial assets decreased by $1,929 million and $850 million, respectively, for the year ended December 31, 2022 (decreased by $497 million and increased by $850 million as at December 31, 2021) respectively.

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

6.3 Collateral

The following table summarizes the investment related collateral:

Table 6.4 – Collateral

As at December 31,	2022	2021
Collateral pledged	**697**	789
Collateral accepted	**3,731**	4,560

The Company has pledged financial assets as collateral for liabilities or contingent liabilities, mainly consisting of debt and cash and cash equivalents. The terms and conditions of the collateral pledged are market standard in relation to letter of credit facilities, derivative transactions and repurchase agreements.

The Company has accepted collateral mainly consisting of government securities. The terms and conditions of the collateral accepted are market standard in relation to securities loaned, derivative transactions and reverse repurchase agreements. The collateral cannot be sold or re-pledged externally by the Company unless the counterparty defaults on its financial obligations. The obligation to repay the cash is recognized in Other liabilities and the corresponding receivable is recognized as an asset. Collateral accepted is mainly related to securities loaned which as at December 31, 2022 had a fair value of $3,616 million ($3,036 million as at December 31, 2021). The related collateral accepted represents approximately 105% of the fair value of the securities loaned as at December 31, 2022 (104% as at as at December 31, 2021).

Note 7 – Financial liabilities related to investments

Table 7.1 – Financial liabilities related to investments

As at December 31,	2022	2021
Accounts payable to investment brokers on unsettled trades	**33**	32
Derivative financial liabilities ***(Table 8.2)***	**147**	224
Equities sold short positions	**9**	9
	189	265

Note 8 – Derivative financial instruments

8.1 Types of derivatives used

Table 8.1 – Types of derivatives used

Derivatives	Description	Objective	Reason for holding the instrument
Forwards	**Contractual obligations to exchange:**	Mitigate risk arising from foreign currency fluctuations on:	
Currency	One currency for another at a predetermined future date	• Foreign currency cash inflows and outflows impacting the Company's operations;	Risk management purposes
		• On the Company's net investment in foreign operations;- and	Net investment hedge
		• Foreign currency cash flows related to the purchase price and the Company's net investment in foreign operations as a result of the RSA acquisition.	Risk management purposes
Futures	**Contractual obligations to buy or sell:**		
Interest rate	An interest rate sensitive financial instrument at a specified price and a predetermined future date	Modify or mitigate exposure to interest rate fluctuations	Mostly for risk management purposes
Equity	A specified number of stocks, a basket of stocks or an equity index at an agreed price and a specified date	Mitigate exposure to equity market	Risk management purposes
Swaps	**Over-the-counter contracts:**		
Cross currency	In which two counterparties exchange interest and principal payments in two different currencies	Mitigate risk arising from foreign currency fluctuations on the Company's net investment in foreign operations	Net investment hedge
Interest rate	In which two counterparties exchange a stream of future interest payment for another, based on a specified principal amount	Modify or mitigate exposure to interest rate fluctuations	Fair value hedge
Cross currency interest rate	In which two counterparties exchange a stream of future interest payment for another, based on a specified principal amount and in two different currencies	Modify or mitigate exposure to interest rate and foreign currency fluctuations	Cash flow hedge
Equity	in which two counterparties exchange a series of cash flows based on a basket of stocks, applied to a notional amount	Mitigate exposure to equity market fluctuations	Risk management purposes
Credit default	That transfer credit risk related to an underlying financial instrument from one counterparty to another	Modify exposure to credit risk	Risk management purposes
Inflation	That transfer inflation risk from one party to another	Modify exposure to inflation risk	Risk management purposes

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

8.2 Fair value and notional amount of derivatives

Derivative financial assets are presented on the Consolidated balance sheets as part of Other assets and derivative financial liabilities are presented as part of Financial liabilities related to investments.

Table 8.2 – Fair value and notional amount of derivatives

	2022			2021		
	Notional	Fair value		Notional	Fair value	
As at December 31,	amount	Asset	Liability	amount	Asset	Liability
Foreign currency contracts						
Forwards	**6,317**	**29**	**117**	5,695	34	60
Cross currency swaps	**-**	**-**	**-**	604	42	-
Interest rate contracts						
Futures	**478**	**-**	**-**	889	-	-
Swaps	**89**	**29**	**-**	93	-	15
Foreign currency and interest rate contracts						
Cross currency interest rate swaps	**82**	**-**	**15**	142	3	11
Equity contracts						
Swaps	**1,411**	**60**	**-**	1,819	-	81
Futures	**776**	**-**	**-**	428	-	-
Inflation contracts						
Swaps	**196**	**47**	**15**	205	71	57
	9,349	**165**	**147**	9,875	150	224
Held for risk management purposes						
Designated as net investment hedges	**4,953**	**23**	**95**	4,127	17	42
Designated as cash flow hedges	**74**	**-**	**13**	367	9	9
Designated as fair value hedges	**97**	**29**	**2**	1,019	49	17
Not designated	**4,184**	**113**	**37**	4,230	75	156
	9,308	**165**	**147**	9,743	150	224
Held for trading purposes	**41**	**-**	**-**	132	-	-
	9,349	**165**	**147**	9,875	150	224
Term to maturity:						
Less than one year	**8,981**			9,435		
From one to five years	**56**			108		
Over five years	**312**			332		
	9,349			9,875		

8.3 Currency hedging in relation with the RSA acquisition

Purchase price hedges
In November 2020, in connection with the RSA acquisition, the Company entered into foreign currency forward contracts in order to hedge the £3.0 billion ($5.1 billion) purchase price to exposures from fluctuations in the CAD/GBP and EUR/GBP currency pairs. These derivatives have a notional of £2.7 billion ($4.6 billion) GBP/CAD and £0.3 billion ($0.5 billion) GBP/EUR, of which £2.4 billion ($4.1 billion) were contingent on the closing of the acquisition.

On January 18, 2021, the RSA acquisition was considered highly probable and the purchase price hedge was designated as a cash flow hedge. From this date, the effective portion of changes in the fair value of GBP/CAD derivatives with a notional value of £2.1 billion ($3.6 billion) was recognized in OCI and the ineffective portion was recognized in Net gains (losses) in Net income. On closing, losses of $32 million ($28 million net of tax) was recognized in AOCI and was reclassified as part of the purchase price consideration for RSA. Before January 18, 2021, these derivatives did not qualify as cash flow hedges. As a result, the changes in the fair value were recognized in Net gains (losses) in Net income. These contracts were settled upon closing of the acquisition.

Net investment hedges
In November 2020, the Company also entered into foreign currency forward contracts for a notional of £700 million ($1.2 billion), whereby it sells GBP for CAD, in order to reduce its book value exposure to the GBP. These derivatives represent economic hedges and the changes in the fair value were recognized through Net income until closing of the transaction. At the time of closing, the Company designated these forward contracts as a net investment hedge of its foreign operations in RSA. The effective portion of changes in fair value was recognized in OCI and the ineffective portion was recognized in Net gains or losses in Net income.

The Company also entered into other foreign currency forward contracts for a net notional of £100 million ($171 million) CAD/GBP for risk management purposes related to the RSA acquisition. These contracts were settled upon closing of the acquisition.

In September 2021, the Company hedged an additional £275 million ($470 million) using foreign currency forward contracts. The Company also reduced its USD net investment hedge by USD200 million.

8.4 Hedge of an investment in associate held for sale

Fair value hedge
As part of the RSA acquisition on June 1, 2021, the Company hedged its exposure to the DKK relative to the CAD. The Company used a USD denominated bank term loan together with cross-currency swaps equivalent to DKK 2.9 billion ($0.6 billion) (the “synthetic term loan”) and foreign currency forwards of DKK 1.4 billion ($0.3 billion) to manage its fair value exposure. The synthetic term loan and the forwards were designated as hedging instruments in a fair value hedge and as a result their gains or losses are recognized in Net gains (losses) in Net income together with foreign exchange translation gains or losses on the asset held for sale.

Upon closing of the sale of Codan DK on May 2, 2022, the fair value hedge was derecognized. The gains (losses) related to re-evaluation of the asset held for sale was offset by the changes in fair value of the hedging instruments.

Cash flow hedge
On July 1, 2021, the sale of Codan DK was considered highly probable and foreign currency forwards used to hedge the remaining exposure to the selling price were designated as a cash flow hedge. The effective portion of changes in the fair value of the hedging instrument was recognized in OCI and the ineffective portion was recognized in Net gains (losses) in Net income.

Upon closing of the transaction on May 2, 2022, the cash flow hedge was settled, and a gain of $23 million, initially recognized in AOCI, was reclassified in Net income as part of the gain on sale of Codan DK.

Refer to Note 19 – Assets held for sale for details.

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

Note 9 – Fair value measurement

9.1 Categorization of fair values

Table 9.1 – Fair value hierarchy of financial assets, investment property and financial liabilities measured at fair value

As at	Level 1 Valued using quoted (unadjusted) market prices	Level 2 Valued using models with observable inputs	Level 3 Valued using models without observable inputs	Total
December 31, 2022				
Short-term notes	**1,786**	**-**	**-**	**1,786**
Fixed income				
Investment grade				
Government	**4,354**	**5,354**	**-**	**9,708**
Corporate	**-**	**10,301**	**-**	**10,301**
Asset-backed	**-**	**1,355**	**-**	**1,355**
Mortgage-backed				
Agency	**-**	**1,455**	**-**	**1,455**
Non-agency	**-**	**814**	**-**	**814**
Below investment grade corporate		**170**	**-**	**170**
Non-rated	**-**	**-**	**1,506**	**1,506**
Debt securities	**6,140**	**19,449**	**1,506**	**27,095**
Preferred shares[1]	**1,421**	**-**	**-**	**1,421**
Common shares	**4,433**	**-**	**165**	**4,598**
Investment property	**-**	**-**	**476**	**476**
Derivative financial assets *(Table 8.2)*	**-**	**165**	**-**	**165**
Total financial assets measured at fair value	**11,994**	**19,614**	**2,147**	**33,755**
Total financial liabilities measured at fair value *(Table 7.1)*	**9**	**147**	**-**	**156**
December 31, 2021				
Short-term notes	516	-	-	516
Fixed income				
Investment grade				
Government	4,352	4,755	-	9,107
Corporate	-	10,508	-	10,508
Asset-backed	-	1,302	-	1,302
Mortgage-backed				
Agency	-	1,365	-	1,365
Non-agency	-	986	3	989
Below investment grade Corporate	-	79	-	79
Non-rated	-	-	1,441	1,441
Debt securities	4,868	18,995	1,444	25,307
Preferred shares[1]	1,844	3	-	1,847
Common shares	5,471	-	215	5,686
Investment property	-	-	634	634
Derivative financial assets *(Table 8.2)*	-	150	-	150
Total financial assets measured at fair value	12,183	19,148	2,293	33,624
Total financial liabilities measured at fair value *(Table 7.1)*	9	224	-	233

[1] Includes perpetual preferred shares with call options amounting to $1,196 million as at December 31, 2022 ($1,574 million as at December 31, 2021). The fair value of the embedded derivatives component amounting to $62 million as at December 31, 2022 ($139 million as at December 31, 2021) was determined using a Level 3 methodology.

The fair value of loans was $971 million as at December 31, 2022 ($929 million as at December 31, 2021). The carrying amount of certain short-term financial instruments not measured at fair value is a reasonable approximation of their fair value.

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

9.2 Reconciliation of fair values measurement of Level 3 financial assets and investment property

Table 9.2 – Reconciliation of fair value measurement of Level 3 financial assets and investment property

	AFS		Classified as FVTPL		
Years ended	**Equity**	**Fixed income**	**Equity**	**Investment property**	**Total**
December 31, 2022					
Balance, beginning of the year	**210**	**1,444**	**5**	**634**	**2,293**
Total gain (losses) recognized in:					
Net income	**13**	**1**	**(1)**	**(17)**	**(4)**
OCI	**3**	**(22)**	**-**	**-**	**(19)**
Purchases	**18**	**511**	**-**	**11**	**540**
Disposals	**(74)**	**(468)**	**(1)**	**(114)**	**(657)**
Exchange rate differences	**(8)**	**40**	**-**	**(38)**	**(6)**
Balance, end of year	**162**	**1,506**	**3**	**476**	**2,147**
December 31, 2021					
Balance, beginning of the year	19	335	9	-	363
Business combinations	222	995	-	522	1,739
Total gain (losses) recognized in:					
Net income	2	24	5	79	110
OCI	11	(3)	-	-	8
Purchases	1	379	-	41	421
Disposals	(43)	(287)	(9)	(4)	(343)
Exchange rate differences	(2)	1	-	(4)	(5)
Balance, end of year	210	1,444	5	634	2,293

Note 10 – Financial risk

The Company has a comprehensive risk management framework and internal control procedures designed to manage and monitor various risks to protect the Company's business, clients, shareholders and employees. The risk management programs aim to manage risks that could materially impair the Company's financial position, accept risks that contribute to sustainable earnings and growth and disclose these risks in a full and complete manner.

Effective risk management consists of identifying, assessing, responding, monitoring, and reporting on all material risks that the Company is exposed to in the course of its operations. To make sound business decisions, both strategically and operationally, management must have continual direct access to the most timely and accurate information possible. Either directly or through its committees, the Board of Directors ensures that the Company's management has put appropriate risk management programs in place. The Board of Directors, directly and through its Risk Management Committee, oversees the Company's risk management programs, procedures and controls and, in this regard, receives periodic reports from, among others, the Risk Management Department through the Chief Risk Officer and internal auditors.

Table 10.1 – Financial risk

	Market risk	Basis risk	Credit risk	Liquidity risk
Risk definition	Risk that the fair value or future cash flows of a financial instrument or investment property will fluctuate because of changes in equity market prices, interest rates or spreads, foreign exchange rates, property prices or commodity market.	Risk that offsetting investments in an economic hedging strategy will not experience price changes that entirely offset each other.	Risk that counterparties may not be able to meet payment obligations when they become due.	Risk that the Company will encounter difficulty in raising funds to meet obligations associated with financial liabilities.
Reference	*Notes 10.1 and 10.2*	*Note 10.3*	*Note 10.4*	*Note 10.5*

10.1 Market risk

Table 10.2 – Market risk

	Equity price risk	Interest rate and credit spread risk	Currency risk	Property price risk
Risk definition	Risk of losses arising from changes in equity market prices.	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates or credit spreads.	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	Risk of losses arising from changes in property prices.
Risk exposure	Significant exposure to price changes for common shares and preferred shares, including pension plan equities.	Significant exposure to changes in interest rates from: • Debt securities and preferred shares; • Defined benefit pension plan obligations, net of related debt securities; and • Net claims liabilities.	A portion of the Company's net investment in foreign operations. Investments supporting the Company's Canadian operations denominated in foreign currencies. A portion of foreign currency inflows and outflows impacting the Company's operations.	Exposure to price changes for property including investment properties held in the pension plans.
Risk management	Set forth limits in terms of equity exposure through investment policies. Through geographic and economic sector diversification and, in some cases, the use of derivatives.	Set forth limits in terms of interest rate and credit spread duration through investment policies. Using interest-rate derivatives. Changes in the discount rate applied to the Company's claims liabilities offers a partial offset to the change in price of interest sensitive assets.	Set forth limits in terms of currency exposure through investment policies. Using foreign currency derivatives.	Set forth limits in terms of direct property exposure through investment policies. Used to back the Company's long-tailed claim liabilities.

The Operational Investment Committee and Compliance Review and Corporate Governance Committee regularly monitor and review compliance, respectively, with the Company's investment policies.

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

a) Sensitivity analysis to market risk

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

Table 10.3 – Sensitivity analysis (after tax)

	December 31, 2022		December 31, 2021	
Years ended	**Net income**	**OCI**	**Net income**	**OCI**
Equity price risk				
Common share prices (10% decrease)[1]	**(166)**	**(87)**	27	(446)
Preferred share prices (5% decrease)[2]	**(15)**	**(38)**	19	(88)
Property price risk (10% decrease)	**(36)**	**(22)**	(51)	(40)
Interest rate risk (100 basis point increase)				
Debt securities[3,4]	**(368)**	**(386)**	(237)	(445)
Net claims liabilities	**360**	**-**	378	-
Defined benefit pension plan obligation, net of related debt securities	**-**	**(75)**	-	11
Currency risk[5]				
Strengthening of CAD by 10% vs all currencies				
Net assets of foreign operations in:				
USD	**(14)**	**(296)**	10	(305)
GBP	**6**	**(384)**	8	(411)

[1] Including the impact of common shares (net of any equity hedges, including the impact of any impairment) or investment property related to the defined benefit pension plan.
[2] Including the impact on related embedded derivatives.
[3] Excludes the impact of debt securities related to the defined benefit pension plan.
[4] Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 49% of government-related securities and 51% of corporate-related securities.
[5] After giving effect to forward-exchange contracts.

The sensitivity analysis was prepared using the following assumptions:

- Shifts in the yield curve are parallel;
- Interest rates, equity prices, property prices and foreign currency move independently;
- Credit, liquidity, spread and basis risks have not been considered;
- Impact on the Company's pension plans has been considered; and
- Risk reduction measures perform as expected, with no material basis risk and no counterparty defaults.

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

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

b) Exposure to currency risk

Table 10.4 – Net foreign currency and translation exposure

As at December 31,	2022			2021		
Exposure in CAD	**USD[1]**	**GBP**	**EUR**	**USD[1]**	**GBP**	**DKK/EUR[2]**
Investments supporting the Company's Canadian operations	**3,373**	**-**	**-**	2,499	-	-
Less: foreign-currency derivatives, notional amount	**(3,349)**	**-**	**-**	(2,499)	-	-
	24	**-**	**-**	-	-	-
Consolidated net assets of foreign operations	**2,391**	**3,555**	**640**	2,636	3,507	574
Less: foreign-currency derivatives, notional amount	**-**	**(974)**	**(279)**	-	(1,337)	(328)
	2,391	**2,581**	**361**	2,636	2,170	246
Other net assets in foreign currency	**150**	**(56)**	**-**	161	(60)	842
Less: foreign-currency derivatives, notional amount[3]	**-**	**-**	**-**	-	-	(1,093)
	150	**(56)**	**-**	161	(60)	(251)
Total net currency exposure	**2,565**	**2,525**	**361**	2,797	2,110	(5)

[1] Includes the Company's operations in the US and the Middle East until the disposal of RSA Middle East in July 2022.
[2] The DKK and EUR exposures are aggregated as the DKK continues to be pegged closely to the EUR.
[3] Includes the fair value and cash flow hedges of the Danish business classified as an investment in associated held for sale. ***Refer to Note 8.4- Hedge of an investment in associate held for sale.***

10.2 Interest risk

The following table presents the fair value and respective duration of the Company's assets and liabilities measured at fair value, as well as financial instruments that are sensitive to movements in interest rates.

Table 10.5 – Interest risk

	2022		2021	
As at December 31,	**Fair value**	**Duration (in years)**	**Fair value**	**Duration (in years)**
Investments:				
Debt securities	**27,095**	**3.2**	25,307	3.5
Preferred shares	**1,421**	**4.0**	1,847	2.2
Net claims liabilities[1]	**20,866**	**2.4**	20,793	2.3
Defined benefit pension plans				
Debt securities	**10,981**	**16.1**	19,502	20.7
Obligation[1]	**11,837**	**13.8**	18,569	17.7

[1] ***Refer to Table 11.3 - Discount rate and duration of claims liabilities and Table 30.1 – DB pension plan asset (liability) by country for more details on duration by country.***

The Company manages the interest rate risk exposure of its investment portfolio in accordance with its investment policies. Compliance with interest rate risk exposure ranges and targets established in these policies is monitored regularly.

As a result of the transition to ARRs as part of the IBOR reform, certain benchmark rates may be subject to discontinuance, changes in methodology, increased volatility or decreased liquidity. The Company, as a holder of certain IBOR-based instruments, is exposed to increased financial, operational, legal and regulatory risks as the rates transition. In order to manage those risks, the Company has established an enterprise-wide IBOR Transition Working Group, supported by senior management, to coordinate the transition from IBORs to ARRs, and to monitor the development and adoption of ARRs across the industry. The Company is progressing on its transition plan and incorporating market developments as they arise.

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

The Company's exposure to IBORs that have yet to transition to ARRs as at December 31, 2022 consists of financial assets of approximately $3 million related to the CDOR, $271 million related to the USD LIBOR and nil related to GBP LIBOR. The Company also has an unsecured revolving term credit facility of $1.5 billion, subject to USD Libor (***refer to Note 20.4 - Other financing***). The Company holds other financial instruments indexed to US LIBOR and CDOR tenors which will mature before their related transition dates. Therefore, no additional disclosure was provided.

10.3 Basis risk

The use of derivatives exposes the Company to several risks, including credit and market risks. The hedging of certain risks with derivatives results in basis risk. The imperfect correlation between the hedging instrument and hedged item creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position. The Company monitors the effectiveness of its economic hedges on a regular basis. Basis risk is controlled by limits prescribed in the investment policy, which are monitored regularly.

10.4 Credit risk

The Company's credit risk exposure is concentrated primarily in its debt securities and preferred shares and, to a lesser extent, in its premiums receivable, reinsurance assets, and structured settlement agreements entered with various life insurance companies. The Company is also subject to counterparty credit risk arising from reinsurance, over-the-counter derivatives, as well as securities lending and borrowing transactions. A counterparty is any person or entity from which cash or other forms of consideration are expected to extinguish a liability or obligation to the Company. These exposures and the Company's risk management policy and practices used to mitigate credit risk are explained below.

a) Credit exposure

The table below presents the Company's maximum exposure to credit risk without considering any collateral held or other credit enhancements available to the Company to mitigate this risk. For on-balance sheet exposures, maximum exposure to credit risk is defined as the carrying amount of the asset.

Table 10.6 – Maximum exposure to credit risk

As at December 31,	**2022**	**2021**
Cash and cash equivalents	**1,010**	2,276
Debt securities	**27,095**	25,307
Preferred shares	**1,421**	1,847
Loans	**1,001**	930
Premiums receivable	**8,028**	7,838
Reinsurance assets	**5,709**	5,616
Other financial assets[1]	**1,444**	1,755
On-balance sheet credit risk exposure	**45,708**	45,569
Structured settlements	**1,660**	1,859
Off-balance sheet credit risk exposure	**1,660**	1,859

[1] Mainly includes other receivables and recoverables, industry pools receivable, financial assets related to investments, restricted funds, reinsurance receivable and accrued investment income.

Structured settlements

The Company has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments. If the life insurers are in default, the Company may have to assume a financial guarantee obligation. Therefore, the net risk to the Company is any credit risk related to the life insurers. This credit risk is reduced since the Company deals with registered life insurers. In addition, the credit risk is further mitigated by an industry compensation scheme which would assume a significant majority of the remaining outstanding obligations in case a life insurer defaults.

b) Credit quality

The Company's risk management strategy is to invest in debt securities and preferred shares of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer by imposing limits based upon credit quality. The Company's investment policy requires at least 98% of the public fixed income investments portfolio to be rated investment grade and at least 57% of preferred shares portfolio to be rated P2 (low) or better. This credit quality restriction excludes indirect investments through debt funds. In the case of funds, specific policy limits apply to manage the overall exposure to these investments. Management monitors subsequent credit rating changes on a regular basis.

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

The following tables present the credit quality of the Company's debt securities and preferred shares.

Table 10.7 – Credit quality of debt securities

As at December 31,	**2022**	**2021**
Debt securities:		
AAA	**38%**	28%
AA	**23%**	30%
A	**22%**	23%
BBB	**11%**	12%
Not rated	**6%**	7%
	100%	100%

Table 10.8 – Credit quality of preferred shares

As at December 31,	**2022**	**2021**
Preferred shares:		
P1	**1%**	2%
P2	**72%**	75%
P3	**27%**	23%
	100%	100%

Credit risk concentration

Concentration of credit risk exists where several borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. The Company's investments could be sensitive to changing conditions in specific geographic regions or industries.

Investments

The Company has a significant concentration of its investments in the financial sector and in Canada. These risk concentrations are closely monitored. To enhance sector diversification, the Company holds investment-grade non-financial US corporate bonds. The recently acquired RSA investment portfolio helps diversify out of Canadian Financial issuers.

Table 10.9 – Investment breakdown by country of incorporation and by industry

As at December 31,	**2022**	**2021**
By country of incorporation:		
Canada	**54%**	55%
US	**25%**	19%
UK	**9%**	11%
Other (including Ireland)	**12%**	15%
	100%	100%
By industry:		
Government	**33%**	26%
Financials	**26%**	33%
ABS and MBS	**11%**	10%
Energy	**4%**	4%
Other	**26%**	27%
	100%	100%

The Company's regulated subsidiaries are subject to limitations on issuer concentration that vary by jurisdiction; the Company ensures continuous compliance with these regulations. The Company also monitors aggregate concentrations of credit risk by country of issuer and by industry regardless of the asset class *(refer to Note 14.4 – Risk management and counterparty credit risk)*. The Company applies limits against that aggregate exposure, which are more conservative than OSFI's limits. Investment portfolio diversification helps to mitigate credit risk and is monitored against established guidelines with respect to exposure to individual issuers.

Most of the investment portfolio is invested in well established, active and liquid markets.

c) Counterparty credit risk

Counterparty credit risk arises from reinsurance ***(refer to Note 14.4 – Risk management and counterparty credit risk)***, over-the-counter derivatives, reverse repurchase agreements, securities lending and borrowing transactions.

Over-the-counter derivatives, as well as securities lending and borrowing transactions
Credit risk from over-the-counter derivative transactions reflects the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Company. Therefore, derivative-related credit risk is represented by the positive fair value of an over-the-counter instrument and is normally a small fraction of the contract's notional amount. In addition, the Company may be subject to wrong-way risk arising from certain derivative transactions. Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty.

Credit risk from securities lending and borrowing transactions arises when the counterparty can re-hypothecate or re-pledge the collateral externally. Credit risk from securities borrowing is the potential for the counterparty to default when the value of the collateral posted is higher than the value of the security borrowed.

The Company subjects its derivative-related, as well as securities lending and borrowing credit risk to the same credit approval, limit and monitoring standards that it uses for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a monthly review by the Operational Investment Committee. The Company has adopted a policy whereby, upon signing the derivative contract, the counterparty is required to have a minimum credit rating of 'A-' and an issuer credit spread below established thresholds or has a guarantee from a company rated 'A-' or better.

The Company uses netting clauses in master derivative agreements to reduce derivative-related credit exposure. Netting clauses in master derivative agreements provide for a single net settlement of all financial instruments covered by the agreement in the event of default. However, credit risk is reduced only to the extent that the Company's financial obligations toward the counterparty to such an agreement can be set off against obligations such counterparty has toward the Company. The overall exposure to credit risk that is reduced through the netting clauses may change substantially following the reporting date as the exposure is affected by each transaction subject to the agreement as well as by changes in underlying market rates and values.

The Company's rigorous collateral management process is another significant credit mitigation tool used to manage counterparty credit risk arising from over-the-counter derivative and securities lending and borrowing transactions. Most of the Company's legal agreements allow for daily collateral movement. Consequently, the Company regularly validates that the collateral that it pledges is not too high and that mark-to-market provisions for derivatives are sufficient. Mark-to-market provisions provide the Company with the right to request that the counterparty pay down or collateralize the current market value of its derivative positions when the value exceeds a specified threshold amount.

The aggregate credit risk exposure was $205 million as at December 31, 2022 ($189 million as at December 31, 2021) and is the sum of the replacement cost net of collateral plus an add-on amount for potential future credit exposure. The risk-weighted amount represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty.

10.5 Liquidity risk

The Company's liquidity management is governed by establishing a prudent policy that identifies oversight responsibilities as well as by setting limits and implementing effective techniques to monitor, measure and control exposure to liquidity risk. Given the nature of the Company's P&C insurance activities, cash flows may be volatile and unpredictable. The company uses internal liquidity metrics to monitor and control liquidity risk within its insurance subsidiaries.

The Company's liquidity needs are rigorously managed by matching asset and liability cash flows and by establishing forecasts for cash inflows and outflows. The Company invests in various types of assets to match them to its liabilities. This method maps the obligations towards insured clients to asset life and performance. The Company reviews the matching status on a quarterly basis. To manage its cash flow requirements, a portion of the Company's investments is maintained in short-term (less than one year) highly liquid money market securities. A large portion of the investments are unencumbered and held in highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements. In addition, the Company also has an unsecured committed credit facility ***(refer to Note 20.4 – Other financing).***

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

a) Investments and derivative financial assets by contractual maturity

Table 10.10 – Investments and derivative financial assets by contractual maturity

As at	Less than 1 year	From 1 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2022					
Cash and cash equivalents	**1,010**	**-**	**-**	**-**	**1,010**
Debt securities	**3,758**	**13,515**	**8,297**	**1,525**	**27,095**
Preferred shares	**8**	**7**	**88**	**1,318**	**1,421**
Common shares	**-**	**-**	**-**	**4,598**	**4,598**
Investment property	**-**	**-**	**-**	**476**	**476**
Loans	**-**	**44**	**248**	**709**	**1,001**
	4,776	**13,566**	**8,633**	**8,626**	**35,601**
Derivative financial assets	**165**	**-**	**-**	**-**	**165**
	4,941	**13,566**	**8,633**	**8,626**	**35,766**
December 31, 2021					
Cash and cash equivalents	2,276	-	-	-	2,276
Debt securities	2,709	12,173	9,194	1,231	25,307
Preferred shares	-	16	21	1,810	1,847
Common shares	-	-	-	5,686	5,686
Investment property	-	-	-	634	634
Loans	44	220	666	-	930
	5,029	12,409	9,881	9,361	36,680
Derivative financial assets	150	-	-	-	150
	5,179	12,409	9,881	9,361	36,830

b) Financial liabilities by contractual maturity

Table 10.11 – Financial liabilities by contractual maturity

As at	Less than 1 year	From 1 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2022					
Claims liabilities – undiscounted value[1]	**10,590**	**12,312**	**2,705**	**-**	**25,607**
Financial liabilities related to investments	**180**	**-**	**-**	**9**	**189**
Debt outstanding	**135**	**1,355**	**3,032**	**-**	**4,522**
Other liabilities:					
Lease liabilities – undiscounted value[2]	**112**	**316**	**288**	**-**	**716**
Other financial liabilities	**4,431**	**608**	**22**	**251**	**5,312**
	15,448	**14,591**	**6,047**	**260**	**36,346**
December 31, 2021					
Claims liabilities – undiscounted value[1]	9,904	11,700	2,504	-	24,108
Financial liabilities related to investments	256	-	-	9	265
Debt outstanding	892	1,952	2,385	-	5,229
Other liabilities:					
Lease liabilities – undiscounted value[2]	120	321	284	-	725
Other financial liabilities	3,366	572	24	998	4,960
	14,538	14,545	5,197	1,007	35,287

[1] Excludes periodic payment orders.

[2] Lease liabilities includes discounting of $94 million as at December 31, 2022 ($87 million as at December 31, 2021) ***(refer to Note 18.2 – Other liabilities).***

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

The contractual maturity of claims liabilities is determined by estimating when claims liabilities will be settled. Unearned premiums have been excluded because they do not constitute actual obligations.

The contractual maturity of lease liabilities excludes operational costs and variable lease payments. The Company has extension options for its real estate leases. Such extensions were excluded from the measurement of lease liabilities as management concluded that it is not reasonably certain that they will be exercised.

Note 11 – Claims liabilities

On the Consolidated balance sheets, claims liabilities are recognized gross of the reinsurers' share, which is included in Reinsurance assets. Changes in claims liabilities, net of reinsurance, are recognized in Net claims incurred. At closing of the RSA acquisition in 2021, the Company's risk margin was reviewed to ensure risk margin assumptions reflects the benefit of additional diversification of insurance risk across lines of businesses and geographic region.

11.1 Movements in claims liabilities

Table 11.1 – Movements in claims liabilities

	2022			2021		
Years ended December 31,	**Direct**	**Ceded**	**Net**	**Direct**	**Ceded**	**Net**
Balance, beginning of year	**25,116**	**4,323**	**20,793**	12,780	1,381	11,399
Business combinations *(Note 5)*[1]	**-**	**-**	**-**	11,679	3,087	8,592
Current year claims	**14,411**	**1,633**	**12,778**	10,606	864	9,742
Unfavourable (favourable) prior-year claims development	**(637)**	**(8)**	**(629)**	(611)	(62)	(549)
Increase (decrease) due to changes in discount rate *(Note 11.2)*	**(1,347)**	**(220)**	**(1,127)**	(255)	(29)	(226)
Total claims incurred	**12,427**	**1,405**	**11,022**	9,740	773	8,967
Claims paid	**(12,264)**	**(1,375)**	**(10,889)**	(9,040)	(905)	(8,135)
Disposal and other	**(134)**	**(50)**	**(84)**	-	-	-
Exchange rate differences	**(1)**	**(25)**	**24**	(43)	(13)	(30)
Balance, end of year	**25,144**	**4,278**	**20,866**	25,116	4,323	20,793

[1] Includes the net favourable impact on claims liabilities resulting from the purchase of adverse development coverage (***refer to Note 14 – Reinsurance***).

11.2 Fair value of claims liabilities

The Company estimates that the fair value of its net claims liabilities approximates their carrying amounts.

Table 11.2 – Carrying amount of claims liabilities

	2022			2021		
As at December 31,	**Direct**	**Ceded**	**Net**	**Direct**	**Ceded**	**Net**
Undiscounted value	**25,607**	**4,168**	**21,439**	24,108	3,952	20,156
Effect of time value of money	**(2,142)**	**(313)**	**(1,829)**	(742)	(95)	(647)
Risk margin	**1,266**	**232**	**1,034**	1,328	271	1,057
Periodic payment orders[1]	**413**	**191**	**222**	422	195	227
	25,144	**4,278**	**20,866**	25,116	4,323	20,793

[1] The net claims liabilities are net of the discount and risk margin of $313 million as at December 31, 2022 ($332 million as at December 31, 2021).

Table 11.3 – Discount rate and duration of claims liabilities

	2022			2021		
As at December 31,	**Canada**	**UK&I[1]**	**US**	**Canada**	**UK&I[1]**	**US**
Discount rate	**4.25%**	**4.17%**	**5.08%**	1.68%	3.10%	1.67%
Average duration (in years)	**2.2**	**2.8**	**2.1**	2.3	2.5	2.2

[1] Includes the discount rate and average duration of periodic payment orders of 4.00% and 18.1 years as at December 31, 2022 (4.00% and 17.7 years as at December 31, 2021), respectively.

11.3 Significant accounting judgments, estimates and assumptions

The Company establishes claims liabilities to cover the estimated liability for the payment of all losses, including LAE incurred with respect to insurance contracts underwritten by the Company. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with generally accepted actuarial methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, by geographical area, as well as by significant business line and claim type. Catastrophic events are separately addressed, either by being reserved at the face value of loss adjuster estimates in the case of very large losses or separately projected to reflect their future development which might differ from historical data in the case of catastrophic events.

A particular area of consideration during the year ended December 31, 2022 has been the emergence of increased inflationary trends. The Company has observed inflation driven increases to the assessed cost of claims across many different lines of business and types of claims, consistent with the general economic environment and the wider insurance industry. A lot of focus was put on reviewing changes in inflation assumptions, updating methodologies to project the ultimate cost of claims given the changing trends, ensuring consistency of reserving assumptions with other areas of the business and running sensitivity tests to understand the impact of alternative assumptions in order to get comfort with final selections. Claims inflation is likely to remain as a key area of risk and uncertainty for the purpose of estimating the ultimate cost of claims over 2023.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, considering the uncertainties involved ("best estimate"). In relation to COVID-19, the Company applied actuarial standards to determine its Claims liabilities reserve as well as judgment given the lack of historical data, using different scenarios and assumptions based on the information currently available. As a result of the COVID-19 crisis, the claims liabilities may be subject to volatility from potential distortion in claims development pattern and claim severity for certain lines of business (*refer to Note 3.2 Global economic environment*). Actuaries are required to include margins in some assumptions to recognize the uncertainty in establishing this best estimate, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are sufficient to pay future benefits.

The determination of the overall risk margin considers:
- The level of uncertainty in the best estimate due to estimation error, variability of key inflation assumptions and possible economic and legislative changes;
- The volatility in our measurement of the time value of money (discounting) from variability of the financial markets;
- The level of uncertainty in how reinsurers will react to claims from severe events; and
- The volatility of each line of business and the diversification between the lines of business and geographic regions (referred to as diversification benefit).

At a fixed probability of adequacy, the appropriate risk margin for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of the risk margins for the individual classes. The level of diversification assumed between classes considers industry analysis, historical experience and the judgement of experienced and qualified actuaries. The risk margin assumption used reflects this diversification benefit.

11.4 Sensitivity analysis

The claims liabilities' sensitivity to certain key assumptions is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on Net income. Movements in these assumptions may be non-linear and may be correlated with one another.

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

Table 11.4 – Sensitivity analysis (claims liabilities net of reinsurance) – Impact on Net income

As at December 31,		2022 Canada	2022 UK&I[1]	2022 US	2021 Canada	2021 UK&I[1]	2021 US
Average claim costs (severity)	+5%	**(493)**	**(241)**	**(91)**	(483)	(261)	(88)
Average number of claims (frequency)	+5%	**(126)**	**(37)**	**(12)**	(115)	(33)	(13)
Discount rate	+1%	**220**	**72**	**34**	210	84	34

[1] Excludes periodic payment orders. A change of +0.5% in the discount rate of periodic payment orders would increase Net income by $18 million as at December 31, 2022 ($19 million as at December 31, 2021).

A portion of the Company's investments backing its claims liabilities has been voluntarily designated as FVTPL to reduce the volatility caused by fluctuations in the value of underlying claims liabilities due to changes in discount rates.

11.5 Prior-year claims development

The claims development table below demonstrates the extent to which the original claim cost estimates in any one accident year has subsequently developed favourably (lower than originally estimated) or unfavourably. This table illustrates the variability and inherent uncertainty in estimating the claims estimate on a yearly basis. The ultimate claims cost for any accident year is not known until all claims payments have been made. For property insurance, payout of claims liabilities generally occurs shortly after the occurrence of the loss. For casualty (long-tailed) coverages, the loss may not be paid, or even reported, until well after the loss occurred. The estimated ultimate claims payments at the end of each subsequent accident year demonstrate how the original estimate has been revised over time.

The outstanding claims liabilities assumed and revised estimates resulting from a business combination are included in the claims development table from the acquisition year. Prior years are adjusted to ensure comparability while avoiding the presentation of development in pre-acquisition accident years. Future developments are presented from the acquisition year.

The following table presents the estimates of cumulative incurred claims, including IBNR, with subsequent developments during the periods and together with cumulative payments to date.

Table 11.5 – Prior-year claims development – net

		Accident year										
As at December 31, 2022	Total	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Earlier
Undiscounted claims liabilities outstanding at end of accident year		7,294	6,661	5,110	4,675	4,226	4,114	3,506	3,033	2,847	2,786	
Revised estimates												
One year later			6,373	4,800	4,568	4,131	3,966	3,544	2,930	2,775	2,724	
Two years later				4,578	4,507	4,142	3,934	3,550	2,965	2,769	2,689	
Three years later					4,533	4,187	3,934	3,612	2,986	2,786	2,680	
Four years later						4,008	3,949	3,658	3,007	2,797	2,676	
Five years later							4,073	3,672	3,021	2,786	2,685	
Six years later								3,644	3,013	2,780	2,656	
Seven years later									3,002	2,765	2,645	
Eight years later										2,747	2,639	
Nine years later											2,669	
Current estimate		7,294	6,373	4,578	4,533	4,008	4,073	3,644	3,002	2,747	2,669	
Claims paid to date			(2,437)	(1,773)	(2,405)	(2,599)	(2,949)	(2,932)	(2,619)	(2,470)	(2,429)	
Net undiscounted claims liabilities	**21,439**	7,294	3,936	2,805	2,128	1,409	1,124	712	383	277	240	1,131
Discounting and risk margin	**(795)**											
Periodic payment orders[1]	**222**											
Net claims liabilities	**20,866**											

[1] ***Refer to Table 11.2 - Carrying amount of claims liabilities***.

The original reserve estimates are evaluated quarterly for redundancy or deficiency. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

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

To eliminate the distortion resulting from changes in foreign currency rates, all amounts denominated in currencies other than the CAD have been translated into CAD using the exchange rate in effect as at December 31, 2022.

11.6 Industry pools

The Company participates in several voluntary and mandatory industry pools in different jurisdictions as it operates in various countries. The impact of these industry pools on the Consolidated financial statements may vary, as in some cases the Company pays a levy to the pool and in other cases it may assume or cede risks.

Note 12 – Unearned premiums

12.1 Movements in unearned premiums

Unearned premiums represent the portion of DPW that the Company has not yet earned as it represents insurance coverage to be provided by the Company after the balance sheet date. There was no premium deficiency as at December 31, 2022 and 2021.

Table 12.1 – Movements in unearned premiums

	2022			2021		
Years ended December 31,	**Direct**	**Ceded**	**Net**	**Direct**	**Ceded**	**Net**
Balance, beginning of year	**11,703**	**1,293**	**10,410**	6,256	152	6,104
Business combinations ***(Note 5)***	**-**	**-**	**-**	5,324	1,447	3,877
Premiums written	**22,655**	**2,586**	**20,069**	17,994	1,322	16,672
Premiums earned	**(22,181)**	**(2,389)**	**(19,792)**	(17,866)	(1,628)	(16,238)
Disposal and other	**(155)**	**(15)**	**(140)**	-	-	-
Exchange rate differences	**(25)**	**(44)**	**19**	(5)	-	(5)
Balance, end of year	**11,997**	**1,431**	**10,566**	11,703	1,293	10,410

Note 13 – Insurance risk

The Company principally underwrites automobile, home, as well as commercial P&C contracts to individuals and businesses in the Canadian, UK and US insurance market. ***Refer to Note 31 – Segment information for more details.***

Most of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period. ***For the average duration of claim liabilities, refer to Table 11.3 – Discount rate and duration of claims liabilities.***

Insurance contract risk is the risk that a loss arises from the following reasons:

- underwriting and pricing ***(Note 13.1)***;
- fluctuation in the timing, frequency and severity of claims relative to expectations ***(Note 13.2)***;
- large, unexpected losses arising from a single event such as a catastrophe ***(Note 13.3)***;
- claims liability risk ***(Note 13.4)****;* and
- inadequate reinsurance protection ***(Note 14.4)***.

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Company is to ensure that sufficient claims liabilities are established to cover future insurance claim payments related to past insured events. The Company's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Company. The Company establishes claims liabilities to cover the estimated liability for the payment of all losses, including LAE incurred with respect to insurance contracts underwritten by the Company.

Claims liabilities are the Company's best estimates of its expected ultimate cost of resolution and administration of claims. Expected claim cost inflation is considered when estimating claims liabilities, thereby mitigating inflation risk. The composition of the Company's insurance risk, as well as the methods employed to mitigate risks, are described hereafter.

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

13.1 Underwriting and pricing risks

The insurance business is cyclical in nature whereby the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The Company's profitability tends to follow this cyclical market pattern and can also be affected by demand and competition. In addition, the Company's underwriting performance is at risk from a deterioration of the economy, unexpected cost inflation, inadequate segmentation, the misestimation of replacement costs, and/or unclear wording in our contracts. The Company also manages emerging risks that may arise.

The Company has a Board approved risk appetite statement that includes guiding principles for risk taking and key risk metrics. These metrics are monitored and reported on frequently to ensure underwriting risk remains within our tolerance.

a) Concentration by countries and lines of business

Table 13.1 – Concentration by countries and lines of business

	2022		2021	
As at December 31,	**DPW**	**Net claims liabilities**	**DPW**	**Net claims liabilities**
By countries:				
Canada	**63%**	**66%**	69%	66%
UK&I	**27%**	**25%**	20%	26%
US	**10%**	**9%**	11%	8%
	100%	**100%**	100%	100%
By lines of business:				
Personal auto - Canada	**24%**	**33%**	28%	34%
Personal property - Canada	**17%**	**7%**	18%	6%
Commercial lines - Canada	**22%**	**26%**	23%	26%
Personal lines - UK&I	**8%**	**4%**	8%	4%
Commercial lines - UK&I	**19%**	**21%**	12%	22%
Commercial lines - US	**10%**	**9%**	11%	8%
	100%	**100%**	100%	100%

Risks associated with commercial lines and personal insurance contracts may vary in relation to the geographical area of the risk insured by the Company. For instance, legislation for automobile insurance is in place at a provincial level in Canada and this creates differences in the benefits provided among the provinces.

The Company's exposure to concentration of insurance risk, in terms of type of risk and level of insured benefits, is mitigated by careful selection and implementation of underwriting strategies, which is in turn largely achieved through diversification across industry sectors and geographical areas. Diversification also reduces the uncertainty associated with the unfavourable development of claims liabilities for both the Company's Canadian, US and UK&I operations. The Company maintains Growth and Profitability Committees responsible for balancing growth and profitability of its insurance business and ensuring it remains adequately compensated for the risks that it underwrites.

The Enterprise Risk Committee monitors the Company's overall risk profile, aiming for a balance between risk, return and capital and determines policies concerning the Company's risk management framework. Its mandate is to identify, measure and monitor risks, as well as avoid risks that are outside of the Company's risk tolerance level. Further, to minimize unforeseen risks, new products are subject to an internal product and approval review process. The Company also uses reinsurance under its strategy for managing the underwriting risk. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect the Company's ceded premium volume and profitability. Reinsurance companies exclude some types of coverage from the contracts that the Company purchases from them or may alter the terms of such contracts from time to time. These gaps in reinsurance protection expose the Company to greater risk and greater potential loss and could adversely affect its ability to underwrite future business. Where the Company cannot successfully mitigate risk through reinsurance arrangements, consideration is given to reducing premiums written to lower its risk.

13.2 Risk related to the timing, frequency and severity of claims

With the occurrence of claims being unforeseeable, the Company is exposed to the risk that the number and the severity of claims could exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Company's risk exposure. Further, the Company enforces a policy of actively managing and promptly pursuing claims, to reduce its exposure to unpredictable future developments that could negatively impact the business. The Company regularly reviews large losses and contentious matters to ensure that appropriate claims liabilities are established and approved.

13.3 Catastrophe risk

Catastrophe risk is the risk of occurrence of a catastrophe defined as any one claim, or group of claims related to a single event such as a natural disaster or any climatic, environmental, technological, political, or geopolitical risk. Catastrophes can have a significant impact on the underwriting income of an insurer. Changing climate conditions may add to the unpredictability and frequency of natural disasters and create additional uncertainty as to future trends and exposures.

Catastrophic events include natural disasters and unnatural events:

- There are a wide variety of natural disasters including but not limited to earthquakes, hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, solar storms, severe winter weather and wildfires.
- Unnatural catastrophe events include but are not limited to hostilities, terrorist acts, riots, explosions, crashes and derailments, and wide scale cyber-attacks.

Despite the use of sophisticated models, the incidence and severity of catastrophic events are inherently unpredictable. The extent of losses from a catastrophic event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event.

The Company manages its exposure to catastrophe risk by imposing limits of insurance, deductibles, exclusions and strong underwriting guidelines on contracts, as well as by using reinsurance arrangements. The placement of ceded reinsurance is almost exclusively on an excess-of-loss basis (per event or per risk), but some proportional cessions are performed on specific portfolios. Ceded reinsurance complies with regulatory guidelines. Retention limits for the excess-of-loss reinsurance vary by product line. ***Refer to Note 14.3 – Reinsurance net retention and coverage limits by nature of risk.***

13.4 Claims liability risk

The principal assumption underlying the claims liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. Claims liabilities estimates are also based on various quantitative and qualitative factors, including:

- average claim costs, including claim handling costs (severity);
- average number of claims by accident year (frequency);
- trends in claim severity and frequency;
- payment patterns;
- inflation including social inflation;
- other factors such as expected or in-force government pricing and coverage reforms, and level of insurance fraud;
- discount rate; and
- risk margin ***(refer to Note 11.3 – Significant accounting judgments, estimates and assumptions for more details).***

Refer to Note 11.4 for the sensitivity analysis of claims liabilities to certain key assumptions.

Most or all the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Company's ability to accurately assess the risk of insurance contracts that the Company underwrites. There may also be significant lags between the occurrence of the insured event and the time it is reported to the Company and additional lags between the time of reporting and final settlement of claims.

Regional Reserve Review Committees provide Chief Actuaries a forum to present their estimates to business stakeholders and get their feedback to ensure consistency across divisions within each region on key assumptions. Additionally, the Group Chief Actuary being a member of each Regional Reserve Review Committee ensures that macro-level assumptions are considered consistently across regions.

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

Note 14 – Reinsurance

14.1 Components of reinsurance assets

Reinsurance assets include the reinsurers' share of claims liabilities and unearned premiums.

Table 14.1 – Components of reinsurance assets

As at December 31,	2022	2021
Reinsurers' share of claims liabilities *(Note 11.1)*	**4,278**	4,323
Reinsurers' share of unearned premiums *(Note 12.1)*	**1,431**	1,293
	5,709	5,616

14.2 Net recovery (expense) from reinsurance

Table 14.2 – Net recovery (expense) from reinsurance

Years ended December 31,	2022	2021
Ceded earned premiums *(Note 12.1)*	**(2,389)**	(1,628)
Ceded claims incurred *(Note 11.1)*	**1,405**	773
Commissions earned on ceded reinsurance	**175**	102
	(809)	(753)

14.3 Reinsurance net retention and coverage limits

In the ordinary course of business, the Company reinsures certain risks with reinsurers to limit its maximum loss in the event of catastrophic events or other significant losses. The Company has a corporate reinsurance program which covers single risk events and multi-risk events and catastrophes. In 2021, RSA's operations were covered by its own reinsurance program as described below.

The following table shows the reinsurance retention and coverage limits for multi-risk events and catastrophes.

Table 14.3 – Reinsurance net retention and coverage limits

Years ended December 31,	2022	2021[3]
Canadian events (in million of CAD)		
Retention[1]	**200**	150
Coverage limits[2]	**7,200**	5,300
US events (in million of CAD)		
Retention[1]	**125**	150
Coverage limits[2]	**1,225**	445
UK events (in million of GBP)		
Retention[1]	**75**	n/a
Coverage limits[2]	**1,350**	n/a

1 Excludes reinstatement premium, tax impacts and co-participations between the retention level and coverage limits.
2 Represents the ground up limits before co-participations.
3 Excludes RSA's operations which were covered by its own reinsurance program.

Effective January 1, 2022, RSA is covered by the Company's corporate reinsurance programs with certain reinsurance programs being purchased separately by region based on the nature of risk. In addition, the Company increased its retention and coverage limits for Canadian events, reflecting the addition of RSA. The retention and coverage limits for US events have been adjusted to reflect all exposure in the US. For UK events, the Company maintained the same retention and coverage limits for 2022 and introduced a small amount of co-participation in the program.

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

Effective January 1, 2023, the Company reduced its coverage limits for Canadian events from $7.2 billion to $6.4 billion reflecting the reduction in earthquake exposure in British Columbia. In addition, the Company increased its retention from $200 million to $250 million for Canadian events to reflect reinsurance market conditions. For US events, the coverage limits and retention are $1.3 billion and $150 million, respectively, and for UK events, the coverage limits and retention are £1.6 billion and £125 million, respectively. For US and UK events, the Company has increased its coverage limits for 2023 to reflect changes in exposures including inflationary impacts.

The Company's approach for setting limits in each country is consistent with prior years.

2021 RSA program

As at December 31, 2021, RSA was covered by its own reinsurance program for multi-risk events and catastrophes. Under the property catastrophe reinsurance program, the retention and coverage limits vary based on the location of the loss occurrence. In addition, the Company also purchases dedicated reinsurance protection for certain lines of business and territories. The following table shows the Company's reinsurance net retention and coverage limits for multi-risk events and catastrophes.

Table 14.4 – RSA's reinsurance net retention and coverage limits

Year ended December 31, 2021	**Canada (CAD)**	**UK (GBP)**
Retention	**75**	**75**
Coverage limits	**3,200**	**1,350**

In 2021, large net retained property risk and catastrophe losses were subject to an annual aggregate loss treaty. Coverage limits under this treaty were triggered once cumulative qualifying large losses exceed £160 million, subject to a limit of £125 million and the Company retained participation of 25%.

On July 27, 2021, the Company entered into a reinsurance contract pursuant to which a third-party reinsurer assumed 50% of negative reserve development in excess of an agreed retention with respect to certain of RSA's UK&I and other claims liabilities for accident years 2020 and prior. The maximum amount recoverable from the third-party reinsurer under the reinsurance contract is 50% of £400 million and is subject to certain exclusions and limitations including in relation to first party COVID-19 related claims. The transaction closed on October 6, 2021, following regulatory approval and satisfaction of various closing conditions. The purchase of this adverse development coverage has reduced the potential volatility in the Company's claims liabilities and resulted in a release of risk margin in 2021. The net impact of the adverse development coverage, amounting to $71 million was recognized in Acquisition, integration and restructuring costs in Net income.

14.4 Risk management and counterparty credit risk

The Company relies on reinsurance to manage underwriting risk. Under reinsurance programs, management considers that for a contract to reduce exposure to risk, it must be structured to ensure that the reinsurer assumes significant insurance risk related to the underlying reinsured risks and it is reasonably possible that the reinsurer may realize a significant loss from the reinsurance.

Although reinsurance makes the assuming reinsurer liable to the Company to the extent of the risk ceded, the Company is not relieved of its primary liability to its policyholders as the direct insurer. There is no certainty that its reinsurers will pay all reinsurance claims on a timely basis or at all. As a result, the Company bears credit risk with respect to its reinsurers on potential future recoverable and collectability of balances due from reinsurers is important to the Company's financial strength.

The Company is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. The Company's placement of reinsurance is diversified such that it is not dependent on a single reinsurer and the Company's operations are not substantially dependent upon any single reinsurance contract. The Company also has a policy that limits potential exposure to a single reinsurer. The Company monitors the financial strength of its reinsurers on a regular basis. Uncollectible amounts historically have not been significant.

As at December 31, 2022 and 2021, the Company did not have significant concentration of credit risk with any single reinsurer.

Management concluded that the Company was not exposed to significant loss from reinsurers for potentially uncollectible reinsurance as at December 31, 2022 and 2021.

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

The Company also has minimum rating requirements for its reinsurers. Substantially all reinsurers are required to have a minimum credit rating of 'A-' at inception of the contract. The Company also requires that its contracts include a special termination and security review clause allowing the Company to replace a reinsurer during the contract period should the reinsurer's credit rating fall below the level acceptable to the Company or for other reasons that might jeopardize the Company's ability to continue doing business with such reinsurer as intended at the time of entering into the reinsurance arrangement.

The following table shows the collateral in place to support amounts receivable and recoverable from unregistered reinsurers in Canada, and from unauthorized reinsurers in the US and captive reinsurers in the UK&I. This collateral is held in support of policy liabilities and could be used should these reinsurers be unable to meet their obligations.

Table 14.5 – Collateral in place to support amounts receivable and recoverable from unregistered, unauthorized and captive reinsurers

	2022			2021		
As at December 31,	**CAN**	**UK&I**	**US**	**CAN**	**UK&I**	**US**
Collateral[1]	**142**	**153**	**102**	124	143	113
Policy liabilities supported by collateral	**107**	**77**	**79**	95	69	88

[1] Consisting of cash, security agreements and letters of credit.

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

Note 15 – Goodwill and intangible assets

15.1 Summary of goodwill and intangible assets

Table 15.1 – Reconciliation of the carrying amount of goodwill and intangible assets.

		Intangible assets			
	Goodwill	Distribution networks	Customer Relationships and trade names	Internally developed software	Total Intangible assets
Cost					
Balance as at January 1, 2022	**3,066**	**3,408**	**1,031**	**1,321**	**5,760**
Business combinations ***(Note 5)***	**50**	**181**	**-**	**5**	**186**
Acquisitions and costs capitalized	**168**	**-**	**95**	**310**	**405**
Disposals and write-off	**-**	**(117)**	**(17)**	**(71)**	**(205)**
Exchange rate differences	**66**	**75**	**(4)**	**(5)**	**66**
Balance as at December 31, 2022	**3,350**	**3,547**	**1,105**	**1,560**	**6,212**
Accumulated amortization					
Balance as at January 1, 2022	**-**	**(309)**	**(360)**	**(455)**	**(1,124)**
Amortization expense	**-**	**(127)**	**(108)**	**(154)**	**(389)**
Disposals and write-off	**-**	**9**	**3**	**12**	**24**
Exchange rate differences	**-**	**(16)**	**(1)**	**(6)**	**(23)**
Balance as at December 31, 2022	**-**	**(443)**	**(466)**	**(603)**	**(1,512)**
Net carrying amount	**3,350**	**3,104**	**639**	**957**	**4,700**
Cost					
Balance as at January 1, 2021	2,813	2,051	560	740	3,351
Business combinations ***(Note 5)***	-	1,365	352	379	2,096
Acquisitions and costs capitalized	259	-	120	241	361
Disposals and write-off	-	(4)	-	(37)	(41)
Exchange rate differences	(6)	(4)	(1)	(2)	(7)
Balance as at December 31, 2021	3,066	3,408	1,031	1,321	5,760
Accumulated amortization					
Balance as at January 1, 2021	-	(209)	(281)	(347)	(837)
Amortization expense	-	(102)	(79)	(132)	(313)
Disposals and write-off	-	-	-	23	23
Exchange rate differences	-	2	-	1	3
Balance as at December 31, 2021	-	(309)	(360)	(455)	(1,124)
Net carrying amount	3,066	3,099	671	866	4,636

Intangible assets under development amounted to $361 million as at December 31, 2022 ($295 million as at December 31, 2021). These intangible assets are not subject to amortization but are tested for impairment on an annual basis.

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

15.2 Significant accounting judgments, estimates and assumptions

a) Allocation of goodwill and intangible assets with indefinite lives to the group of CGUs

Goodwill and intangible assets with indefinite lives are allocated to CGUs, or groups of CGUs, that are expected to benefit from the business combination in which they arose.

Table 15.2 – Allocation of goodwill and intangible assets with indefinite lives to the groups of CGUs

	Goodwill		Intangible assets	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Canada	**2,336**	2,168	**829**	829
US	**1,014**	898	**9**	8
	3,350	3,066	**838**	837

The RSA acquisition did not result in goodwill or intangible assets with indefinite lives ***(refer to Note 5 – Business combinations and disposals)***.

b) Impairment testing of goodwill and intangible assets with indefinite lives

The Company determines whether goodwill and intangible assets with indefinite useful lives (not subject to amortization) are impaired at least annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable at the CGU or group of CGUs level.

The annual impairment tests for the groups of CGUs were performed as at June 30, 2022 and 2021.

The Canada and US groups of CGUs, which correspond to the Company's operating segments level, were tested for impairment by comparing their carrying amount to their recoverable amount, which has been determined based on a value in use calculation using the following key estimates and assumptions:

- Cash flow projections for the next three years are based on financial budgets approved by the Board of Directors and determined using budgeted margins based on past performance and management expectations for the Canada and US groups of CGUs and their industry.
- Cash flow projections beyond the three-year period are extrapolated using estimated growth rates, based mainly on the Canadian and US inflation, as well as demographic or gross domestic product growth perspectives.
- Pre-tax discount rate is based on the weighted-average cost of capital for comparable companies whose activities are similar to the Canada and US groups of CGUs.
- In some cases, the Company can use, for its current year impairment test, the most recent detailed calculation of the recoverable amount made in a preceding year, but only if there are no significant changes to the CGU, the likelihood of impairment is remote based on the analysis of current events and circumstances, and the most recent recoverable amount substantially exceeds the carrying amount of the CGU. The impairment tests as at June 2022 and 2021 were performed using the 2020 calculation of the recoverable amount for the Canada group of CGU and the 2021 calculation of the recoverable amount for the US group of CGU.

Table 15.3 – Key assumptions used (groups of CGUs)

	Terminal growth rate		Pre-tax discount rate	
	2022	**2021**	**2022**	**2021**
Canada	**2.5%**	2.5%	**11.1%**	11.1%
US	**3.9%**	3.9%	**11.5%**	11.5%

No impairment loss on goodwill or intangible assets with indefinite lives has been recognized for these CGUs for the years ended December 31, 2022 and 2021.

The key assumptions used to determine the recoverable amount of each group of CGUs were tested for sensitivity by applying a reasonably possible change to those assumptions, with all other assumptions held constant. The results of the sensitivity analysis would not have resulted in an impairment of the Canada and US groups of CGUs.

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

Note 16 – Investments in associates and joint ventures

Table 16.1 – Movement in investments in associates and joint ventures

Years ended December 31,	2022	2021
Balance, beginning of year	**760**	811
Business combinations (disposals) and other	**31**	(123)
Dividends received	**(49)**	(28)
Share of profit (loss) recognized in:		
Net income	**103**	87
OCI	**-**	13
Balance, end of year	**845**	760
Of which:		
Associates	**448**	378
Joint ventures	**397**	382

During the year ended December 31, 2022, there were no events or changes in circumstances that indicated that the carrying amounts of the Company's investments in associates and joint ventures, all of which are investments in private entities, may not be recoverable.

Note 17 – Property and equipment

Table 17.1 – Net carrying amount of property and equipment

As at December 31,	2022	2021
Right-of-use assets[1]	**462**	465
Furniture and equipment	**134**	140
Leasehold improvements	**123**	107
Land and buildings	**59**	62
	778	774

[1] Right-of-use assets mainly related to real estate for which additions for the year ended December 31, 2022 amounted to $89 million ($48 million – December 31, 2021). Total additions to right-of-use assets related to business combinations were nil for the year ended December 31, 2022 ($183 million – December 31, 2021)

Note 18 – Other assets and other liabilities

18.1 Other assets

Table 18.1 – Components of other assets

As at December 31,	2022	2021
Pension plan in a surplus position	**671**	1,027
Other investments	**400**	282
Reinsurance receivable	**398**	400
Other receivables and recoverables	**289**	294
Industry pools receivable	**218**	219
Financial assets related to investments	**216**	500
Prepaids	**216**	161
Accrued investment income	**178**	174
Premium and sale taxes receivable	**74**	58
Restricted funds	**67**	73
Other	**120**	143
	2,847	3,331

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

18.2 Other liabilities

Table 18.2 – Components of other liabilities

As at December 31,	2022	2021
Reinsurance payable	**1,505**	1,378
Deposits received in connection with insurance contracts[1]	**942**	704
Commissions payable	**763**	918
Lease liabilities	**622**	638
Accrued salaries and related compensation	**513**	380
Account payables and accrued expenses	**450**	484
Premium and sale taxes payable	**424**	410
Industry pools payable	**228**	213
Pension plans in a deficit position and unfunded plans	**176**	225
Other payable to broker	**153**	149
Premiums payables by brokers to insurers	**107**	59
Collateral from third parties	**105**	127
Other post-employment benefits and other post-retirement benefits	**85**	139
Provisions[2]	**85**	112
Other	**539**	488
	6,697	6,424

[1] Unrestricted collateral held by the Company primarily in relation with the surety business.
[2] Provisions were mainly related to the RSA acquisition and include restructuring provisions of $19 million as at December 31, 2022 ($34 million – December 31, 2021) as well as other provisions such as litigations and lease dilapidations and refurbishments.

Note 19 – Assets held for sale

19.1 Codan DK

On June 1, 2021, the Company acquired RSA, and on the same day, sold a portion of the Scandinavian operations to Tryg for £4.2 billion ($7.2 billion). From that date, the Company and Tryg co-owned the Danish business. On June 11, 2021, the Company announced that together with Tryg it had entered into a definitive agreement to sell Codan DK to Alm. Brand. As a result, the Company's retained interest in the Danish business was classified as an investment in associate held for sale and was measured at its fair value less cost to sell at the date of acquisition.

On May 2, 2022, the sale of Codan DK was completed for a total cash consideration of DKK13.2 billion ($2.4 billion), including post-closing adjustments. The Company received 50% of the total proceeds, which represents approximately $1.2 billion.

For the year ended December 31, 2022, the Company recognized in Net income a gain on sale of business of $421 million, including the impact of the hedges ($409 million net of tax on hedges) and post-closing adjustments. The fair value and cash flow hedges were settled upon closing of the sale, ***refer to Note 8.4 – Hedges of an investment in associate held for sale for more details.***

The proceeds from this sale were used to reduce debt and for general corporate purposes, ***refer to Note 20 – Debt outstanding for more details.***

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

Note 20 – Debt outstanding

20.1 Summary of debt outstanding

Table 20.1 – Carrying amount of debt outstanding

As at December 31,	Maturity date	Initial term (years)	Fixed rate	Coupon (payment)	Principal amount	Carrying amount (net of fees) 2022	2021
Medium-term notes							
Series 2	Nov. 2039	30	6.40%	May & Nov.	250	**248**	248
Series 3	July 2061	50	6.20%	Jan. & July	100	**99**	99
Series 5	June 2042	30	5.16%	June & Dec.	250	**249**	249
Series 6	Mar. 2026	10	3.77%	Mar. & Sept.	250	**249**	249
Series 7	June 2027	10	2.85%	June & Dec.	425	**424**	423
Series 8	Mar. 2025	5	3.69%	Mar. & Sept.	300	**299**	299
Series 9	Dec. 2030	10	1.93%	June & Dec.	300	**299**	298
Series 10	Dec. 2050	30	2.95%	June & Dec.	300	**298**	298
Series 11	May 2024	3	1.21%	May & Nov.	375	**374**	374
Series 12	May 2028	7	2.18%	May & Nov.	375	**373**	373
Series 13	May 2053	32	3.77%	May & Nov.	250	**248**	248
Series 14 USD	Sept. 2032	10	5.46%	Mar. & Sept.	USD500	**669**	-
2012 US senior notes						**-**	352
Term loans							
USD first term loan						**-**	101
USD second term loan						**-**	600
Guaranteed subordinated							
GBP Notes	Oct. 2045	31	5.13%	Oct.	£160	**285**	307
US bonds	Oct. 2029	30	8.95%	Apr. & Oct.	USD9	**17**	16
Commercial paper						**135**	439
Credit facility	May 2027					**2**	-
Other debt	Various					**7**	9
Total debt outstanding before hybrid subordinated notes						**4,275**	4,982
Hybrid subordinated notes							
Series 1	Mar. 2081	60	4.13%	Mar. & Sept.	250	**247**	247
Total debt outstanding						**4,522**	5,229

The medium-term notes may be redeemed at the option of the issuer, in whole or in part at any time, at a redemption price equal to the greater of the Government of Canada Yield at the date of redemption plus a margin or their par value.

Fair value of debt outstanding amounted to $4,189 million as at December 31, 2022 ($5,552 million as at December 31, 2021) and was established using valuation data from a benchmark firm. The Company is required to maintain certain financial ratios, which were fully met as at December 31, 2022 and 2021.

20.2 Financing issued in 2022

Term Loan	• On July 29, 2022, the Company entered into a 24-month term loan agreement (the "USD third term loan") for an amount of $241 million (USD188 million), bearing interest at a rate of SOFR plus 35 bps. • The USD third term loan was repaid on September 22, 2022 using the proceeds of the Series 14 USD medium-term note issuance.

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

Series 14 Unsecured Medium-Term Notes (USD)	• On September 22, 2022, the Company completed an offering of $674 million (USD500 million) principal amount of Series 14 unsecured medium-term notes (the “USD notes”) through a private placement in Canada and the United States. The USD notes bear interest at an annual rate of 5.459% until maturity on September 22, 2032, payable in semi-annual instalments, commencing on March 22, 2023. • The net proceeds received were used to reimburse, on September 22, 2022, the USD third term loan of $254 million (USD188 million), and, on September 29, 2022, the USD first term loan of $107 million (USD80 million) in advance of its maturity date in November 2022. • In addition, the Company used the remaining net proceeds to fully reimburse the 2012 US senior notes of $372 million (USD275 million) at maturity, on November 9, 2022.

Bank Term Loan Facility	• On March 28, 2022, the Company entered into a nine-month bank term loan facility agreement of $350 million at a rate of CDOR plus 25bps which was repaid on May 2, 2022 using part of the proceeds from the sale of Codan DK to Alm. Brand, ***refer to Note 19 – Assets held for sale for more details***.

20.3 Financing issued in 2021

Series 1 Subordinated Notes	• On March 31, 2021, the Company completed an offering of $250 million principal amount of fixed-to-fixed rate subordinated notes Series 1 (the “hybrid notes”), due March 31, 2081 with the option for the issuer to redeem the hybrid notes every five years. • The hybrid notes bear interest at a fixed annual rate of 4.125% for the initial five years until March 31, 2026, subsequently the interest rate will be reset on that date and on every fifth anniversary of such date until maturity on March 26, 2081 at a fixed interest rate per annum equal to the Government of Canada Yield on the business day prior to such interest date reset plus 3.196%. Interest is payable in semi-annual instalments commencing on September 30, 2021. • The hybrid notes will be converted automatically into Non-cumulative Class A Series 10 preferred shares of the Company upon certain bankruptcy or insolvency related events. The hybrid notes are direct unsecured obligations and are subordinated to all senior indebtedness of the Company. • The net proceeds from this offering were used to partly finance the RSA acquisition.

Series 11, 12 & 13 Unsecured Medium-Term Notes	• On May 18, 2021, the Company completed a three-tranche offering of: o $375 million Series 11 unsecured medium-term notes, which bears interest at a fixed annual rate of 1.207% until maturity on May 21, 2024, payable in semi-annual instalments commencing on November 21, 2021; o $375 million Series 12 unsecured medium-term notes, which bears interest at a fixed annual rate of 2.179% until maturity on May 18, 2028, payable in semi-annual instalments commencing on November 18, 2021; o $250 million Series 13 unsecured medium-term notes, which bears interest at a fixed annual rate of 3.765% until maturity on May 20, 2053, payable in semi-annual instalments commencing on November 20, 2021. • The net proceeds from this offering were used to fund the early redemption of: o RSA’s £350 million 2019 Senior notes on June 16, 2021; o the Company’s $300 million Series 4 unsecured medium-term notes on June 17, 2021; and o the early redemptions resulted in fees of $30 million, offset by the reversal of fair value adjustments on acquisition of $27 million, which were recognized in Finance costs.

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

Commercial Paper	• On October 7, 2021, the Company launched a Canadian commercial paper program, whereby it may issue short-term promissory notes ("commercial paper") up to an aggregate principal amount of $500 million. • The commercial paper were issued with maturities of less than one year at varying interest or discount rates depending on prevailing market rates. • The net proceeds were used to finance the Company's short-term liquidity needs. • In October 2021, the Company issued a total of $471 million in commercial paper at a weighted average rate of 0.27%. The proceeds were used to repay the Company's credit facility. • The remaining balance at the end of 2022 was $135 million at a weighted average rate of 4.42%.

20.4 Other financing

USD second term loan
On January 31, 2022, the Company repaid $45 million (USD35 million) of the principal amount ahead of the maturity date. On May 2, 2022, the remaining principal amount of $570 million (USD443 million) was repaid using part of the proceeds from the sale of Codan DK to Alm. Brand, ***refer to Note 19 – Assets held for sale for more details***.

Credit facility

As at December 31, 2022 and 2021, the Company had an unsecured revolving term credit facility of $1.5 billion. On May 17, 2022, the credit facility was extended by an additional twelve months, it now matures on May 17, 2027. As at December 31, 2022, $2 million was drawn under this credit facility (nil as at December 31, 2021).

Type:	At a rate of:
Prime loans	Prime rate plus a margin
Base rate (Canada) advances	Base rate (Canada) plus a margin
Bankers' acceptances	Bankers' acceptance rate plus a margin
Libor advances	Libor rate plus a margin

Debt outstanding assumed from the RSA acquisition
2019 Senior notes – On June 17, 2021, the Company repaid £350 million principal amount of debt assumed ahead of the maturity date which had a fair value of £364 million. ***Refer to Note 20.3 – Financing issued in 2021.***

Guaranteed subordinated notes – The £400 million principal amount of bonds were issued on October 10, 2014 at a fixed rate of 5.13% and have a redemption date of October 10, 2045. The Company has the right to repay the notes on specific dates from October 10, 2025. If the bonds are not repaid at that time, the applicable interest rate would be reset at a rate of 3.852% plus the appropriate benchmark gilt for a further five-year period. Upon closing of the acquisition, the bonds were remeasured at fair value of £455 million using a quoted market price. On September 30, 2021, the Company redeemed £240 million principal amount of the notes ahead of the maturity date using its credit facility. The redemption price was £275 million, and the notes had a carrying amount of £271 million reflecting fair value adjustments on acquisition. The net cost of £4 million ($7 million) was recognized in Acquisition, integration and restructuring costs.

Guaranteed subordinated US bonds – The USD9 million principal amount of bonds were issued in 1999 and have a redemption date of October 15, 2029, and the rate of interest payable on the bonds is 8.95%. Upon closing of the acquisition, the bonds were remeasured at fair value of USD13 million using a quoted market price.

The Guaranteed subordinated notes and bonds are contractually subordinated to all other creditors such that, in the event of a winding up or of bankruptcy, they are able to be repaid only after the claims of all other creditors have been met. The Company has the option to defer interest payment but has not exercised this right to date.

20.5 Movement in debt outstanding

Table 20.2 – Movement in debt outstanding

Years ended December 31,	2022	2021
Balance, beginning of year	**5,229**	3,041
Business combinations *(Note 5)*	**-**	1,421
Cash flows from financing activities		
Proceeds from issuance of debt	**1,258**	1,815
Borrowing (repayment) on the credit facility and commercial paper, net	**(302)**	439
Repayment of debt	**(1,700)**	(1,429)
Exchange rate differences	**43**	26
Other	**(6)**	(84)
Balance, end of year	**4,522**	5,229

Note 21 – Common shares and preferred shares

21.1 Authorized

Authorized share capital consists of an unlimited number of common shares and preferred shares (“Class A Shares”).

21.2 Issued and outstanding

Table 21.1 – Issued and outstanding shares

	2022		2021	
As at December 31,	Number of shares	Amount (in millions)	Number of shares	Amount (in millions)
Common shares	**175,256,968**	**7,542**	176,081,958	7,576
Preferred shares – Class A Shares				
Series 1	**10,000,000**	**244**	10,000,000	244
Series 3	**10,000,000**	**245**	10,000,000	245
Series 5	**6,000,000**	**147**	6,000,000	147
Series 6	**6,000,000**	**147**	6,000,000	147
Series 7	**10,000,000**	**245**	10,000,000	245
Series 9	**6,000,000**	**147**	6,000,000	147
Series 11	**6,000,000**	**147**	-	-
Total Class A	**54,000,000**	**1,322**	48,000,000	1,175

Issued and outstanding Class A shares rank in priority to common shares with regards to payment of dividends.

Table 21.2 – Reconciliation of number of shares outstanding (in shares)

	Common shares		Preferred shares Class A shares	
Years ended December 31,	2022	2021	2022	2021
Balance, beginning of year	**176,081,958**	143,018,134	**48,000,000**	48,000,000
Issued	**-**	33,063,824	**6,000,000**	-
Repurchased and cancelled	**(824,990)**	-	**-**	-
Balance, end of year	**175,256,968**	176,081,958	**54,000,000**	48,000,000

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

21.3 Financing issued in 2022

Series 11 Preferred Shares	• On March 15, 2022, the Company completed a Class A Series 11 offering (the “Series 11 Preferred Shares”) by issuing and selling 6,000,000 Series 11 Preferred Shares, at a price of $25.00 per share, for aggregate gross proceeds of $150 million. • The holders of the Series 11 Preferred Shares are entitled to receive fixed quarterly non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Company, on the last day of March, June, September and December in each year at an annual rate equal to $1.3125 per share. The initial dividend of $0.3848 per share was paid on June 30, 2022. • On or after March 31, 2027, the Company may redeem, in whole or in part, at its option, the Series 11 Preferred Shares, subject to certain conditions. • Share issuance costs of $4 million ($3 million net of tax), were accounted for as a reduction in preferred shares. • The proceeds of this offering were used to partially fund the redemption of the Tier 1 notes, ***refer to Note 22 – Non-controlling interests for more details.***

21.4 Financing issued in 2021

Issuance of common shares pursuant to subscription receipts	On June 1, 2021, concurrent to the closing of the RSA acquisition: • 23.8 million private placement subscription receipts (“receipts”) were converted into 23.8 million common shares. The Company had completed its offering of the receipts on November 25, 2020 with three Canadian institutional investors at a price of $134.50 per receipt for gross proceeds of $3.2 billion. The related issuance costs of $140 million ($104 million after tax) were accounted for as a reduction in common shares, resulting in net proceeds of approximately $3.1 billion. • 9,272,000 receipts were converted into 9,272,000 common shares. The Company had completed its offering of the receipts on December 3, 2020 with a group of underwriters at a price of $134.50 per receipt for gross proceeds of $1.25 billion. The related issuance costs of $47 million ($35 million after tax) were accounted for as a reduction in common shares, resulting in net proceeds of approximately $1.2 billion. • The receipt holders received a dividend equivalent payment of $55 million which is equal to any common share dividends declared by the Company from the date of their issuance to the closing of the acquisition.

Refer to Note 5.1 – Business combinations for more details.

21.5 Preferred share conversions and dividend rate reset

Series 1 Preferred Shares

On December 1, 2022, the Company announced that it did not intend to exercise its right to redeem the Company’s Non-cumulative Rate Reset Class A Series 1 Preferred Shares (the “Series 1 Preferred Shares”) on December 31, 2022. Holders of Series 1 Preferred shares could elect to convert their shares into Non-cumulative Floating Rate Class A Series 2 Preferred Shares (the “Series 2 Preferred Shares”) on a one-for-one basis on December 31, 2022. There were less Series 1 Preferred Shares tendered for conversion than the minimum required for the ability to proceed with the conversion, in accordance with the terms of the Series 1 Preferred Shares. As a result, no conversion took place and the dividend rate was reset on December 31, 2022 to 4.841%, which will prevail from and including December 31, 2022 to but excluding December 31, 2027.

Series 3 Preferred Shares

On August 31, 2021, the Company announced that it did not intend to exercise its right to redeem the Company’s Non-cumulative Rate Reset Class A Series 3 Preferred Shares (the “Series 3 Preferred Shares”) or the Non-cumulative Floating Rate Class A Series 4 Preferred Shares (the “Series 4 Preferred Shares”) on September 30, 2021. Holders of Series 3 and Series 4 Preferred shares could elect to convert their shares into Series 4 and Series 3 shares respectively. As a result of the conversion, less than 1,000,000 Series 4 Preferred Shares remained outstanding therefore, they were automatically converted into Series 3 Preferred Shares on a one-to-one basis, on September 30, 2021 and were subsequently delisted on the same day.

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

21.6 Dividends declared and paid per share

Table 21.3 – Dividends declared and paid per share (in dollars)

Years ended December 31,	2022	2021
Common shares	**4.00**	3.40
Preferred shares		
Series 1	**0.85**	0.85
Series 3	**0.86**	0.84
Series 4	**-**	0.52
Series 5	**1.30**	1.30
Series 6	**1.33**	1.33
Series 7	**1.23**	1.23
Series 9	**1.35**	1.35
Series 11	**1.04**	-

The holders of record of the Company's preferred shares are entitled to receive non-cumulative preferential cash dividends on a quarterly basis, as and when declared by the Board of Directors of the Company.

- ***Series 1 Preferred Shares –*** The annual dividend rate for the five-year period from and including December 31, 2022 to December 30, 2027 is 4.841% (3.396% from December 31, 2017 to December 30, 2022), subject to a rate reset every five years at a rate equal to the five-year Government of Canada bond yield plus 1.72%. The next dividend rate reset will occur on December 31, 2027.
- ***Series 3 Preferred Shares –*** The annual dividend rate for the five-year period from and including September 30, 2021 to but excluding September 30, 2026 is 3.457%.
- ***Series 4 Preferred Shares –*** These shares were delisted on September 30, 2021, ***refer to Note 21.5 above***.
- ***Series 5 Preferred Shares –*** The annual dividend rate is 5.20% and is not subject to a rate reset.
- ***Series 6 Preferred Shares –*** The annual dividend rate is 5.30% and is not subject to a rate reset.
- ***Series 7 Preferred Shares –*** The annual dividend rate until June 30, 2023 is 4.90%, the dividend rate will be reset at this time and every five years thereafter.
- ***Series 9 Preferred Shares*** – The annual dividend rate is 5.40% and is not subject to a rate reset.
- ***Series 11 Preferred Shares*** – The annual dividend rate is 5.25% and is not subject to a rate reset. The initial dividend paid on June 30, 2022 amounted to $0.3848 per share.

21.7 Normal course issuer bid

On February 17, 2022, the Company commenced a NCIB to repurchase, for cancellation, up to 5,282,458 common shares during the next twelve months, representing approximately 3% of its issued and outstanding common shares. The actual number of common shares purchased for cancellation and the timing of any such purchases is determined by the Company.

The Company has entered into an automatic share purchase plan ("ASPP") with a designated broker to repurchase its common shares during the NCIB. The ASPP allows for purchases of shares during pre-determined black-out periods, subject to certain parameters. Outside of these black-out periods, shares will be purchased in accordance with management's discretion. The price for any shares will be the market price at the time of acquisition or such other price as may be permitted by the TSX.

Subsequent to year end, on February 7, 2023, the Board authorized the renewal of the NCIB for the repurchase of up to 3% of the Company's issued and outstanding common shares over the subsequent 12-month period, subject to TSX approval.

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

The following table presents the summary of the common shares repurchased for cancellation under the NCIB.

Table 21.4 – NCIB

Year ended December 31,	2022
Common shares repurchased for cancellation (in shares)	**824,990**
Average price (in dollars)	**182.05**
Total consideration paid	**150**

The cost paid, including fees, was first charged to Share capital to the extent of the average carrying amount of the common shares purchased for cancellation and the excess of $114 million was charged to Retained earnings as at December 31, 2022.

Note 22 – Non-controlling interests

Table 22.1 – Non-controlling interests recognized in the consolidated balance sheet

As at December 31,	2022	2021
RSA Middle East	**-**	314
Tier 1 notes[1]	**-**	510
Preferred shares[1]	**285**	285
	285	1,109

[1] Related to the Tier 1 notes and Preferred shares issued by RSA, a subsidiary of the Company, as a result presented as NCI.

RSA Middle East
On July 7, 2022, the Company completed the sale to NLGIC of its 50% shareholding in RSA Middle East, which itself owned 50% of the ordinary share capital of Al Alamiya for Cooperative Insurance Company, a company operating in the Kingdom of Saudi Arabia and 52.5% of Al Ahlia Insurance Company SAOG, a company operating in the Sultanate of Oman. ***Refer to Note 5 – Business combinations and disposals for more details.***

Tier 1 notes
On March 27, 2017, RSA issued two floating rate Restricted notes (the “notes”) totalling $509 million in aggregate size and with a blended coupon of 4.7%:

- Swedish Krona, 2,500 million at 3-month Stibor +525bps (equivalent to 4.8% coupon on issue); and
- Danish Krone 650 million at 3-month Cibor +485bps (equivalent to 4.6% coupon on issue).

Upon closing of the RSA acquisition in 2021, the Tier 1 notes were remeasured at fair value of $510 million (£298 million) using average quotes obtained from dealer banks.

On March 7, 2022, the Company provided notice of redemption of the restricted Tier 1 notes (the “notes”) issued by RSA. The notes, for which the carrying amount was $510 million, were redeemed at their principal amount of approximately $450 million together with accrued and unpaid interest on the first call date on March 27, 2022. A gain of $60 million on the redemption of the notes was recognized in Retained earnings.

The Company also settled foreign currency forward contracts used to economically hedge this transaction and recognized a loss of $18 million during the year ended December 31, 2022 in Net gains (losses).

The redemption of the notes was financed by the issuance of a bank term loan facility and preferred shares. ***Refer to Note 20 – Debt outstanding and Note 21 – Common shares and preferred shares for more details.***

Preferred shares
The Company assumed preferred shares issued by RSA which have a nominal value of £1 each, are not redeemable, have preferential rights over the holders of RSA's ordinary shares in respects of dividends and are entitled to a cumulative preferential dividend of 7.375% per annum in semi-annual installments subject to approval by the Board. As at December 31, 2022, shares issued to and fully paid by preferred shareholders were 125,000,000.

Upon closing of the RSA acquisition in 2021, preferred shares were remeasured at fair value of $285 million (£166 million) using a quoted market price.

Note 23 – Capital management

23.1 Capital management objectives

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

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

The Company seeks to maintain adequate capital levels to ensure the probability of breaching the regulatory minimum requirements is very low. Such levels may vary over time depending on the Company's evaluation of risks and their potential impact on capital. The Company also keeps higher levels of capital margin when it foresees growth or actionable opportunities in the near term. Furthermore, the Company may return capital to shareholders through annual dividend increases and, when appropriate, through share buybacks.

Any deployment of capital is executed within the context of the stated capital management objectives and only after careful consideration of the impact on the Company's risk metrics.

23.2 Group capital position

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

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

23.3 Regulatory capital

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

Regulatory capital guidelines change from time to time and may impact the Company's capital levels. The Company carefully monitors all changes, actual or proposed.

As at December 31, 2022 and 2021, each of the Company's regulated P&C insurance subsidiaries was in compliance with regulatory capital requirements.

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

Canada	• The Company's federally chartered Canadian P&C insurance subsidiaries are subject to the regulatory capital requirements defined by OSFI and the *Insurance Companies Act*, while its Québec provincially chartered subsidiaries are subject to the requirements of the AMF and the *Act Respecting Insurance*. • Federal and Québec regulated P&C insurers are required, at a minimum, to maintain a MCT ratio of 100%. • OSFI and the AMF have also established a regulator supervisory target capital ratio of 150%, which provides a cushion above the minimum requirement.

UK&I	• RSA's UK&I operations are subject to regulation and supervision by the Prudential Regulation Authority ("PRA"), as well as other regulators at a subsidiary level. • UK&I operations use an internal model compliant with the Solvency II regime enacted in the UK and approved by the PRA to calculate the Solvency capital requirement ("SCR"). • The coverage ratio represents total Eligible Own Funds over the SCR as determined by the internal model.

US	• The Company's US insurance operations are subject to regulation and supervision in each of the states where they are domiciled and licensed to conduct business. • State insurance departments have established the insurer solvency laws and regulatory infrastructure to maintain accredited status with the National Association of Insurance Commissioners ("NAIC"). • A key solvency driven NAIC accreditation requirement is a state's adoption of RBC requirements.

Annually, the Company performs Capital Adequacy Testing to ensure that the Company has sufficient capital to withstand significant adverse event scenarios. These scenarios are reviewed each year to ensure appropriate risks are included in the testing process. In addition, the target, actual and forecasted capital position of the Company is subject to ongoing monitoring by management using stress and scenario analysis to ensure its adequacy.

Note 24 – Net investment income

Table 24.1 – Net investment income

Years ended December 31,	**2022**	**2021**
Interest income from:		
Debt securities		
Designated or classified as FVTPL	**223**	181
Classified as AFS	**351**	212
Loans and cash and cash equivalents	**64**	33
Interest income	**638**	426
Dividend income (expense) from:		
Common shares, net		
Designated or classified as FVTPL	**81**	85
Classified as AFS	**140**	125
Preferred shares classified as AFS	**83**	86
Other investments	**1**	1
Dividend income	**305**	297
Investment property rental income	**23**	17
Total investment income	**966**	740
Expenses	**(35)**	(34)
	931	706

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

Note 25 – Net gains (losses)

25.1 Net gains (losses)

Table 25.1 – Net gains (losses)

Years ended December 31,	2022			2021		
Portfolios	Fixed Income	Equity and property	Total	Fixed Income	Equity and property	Total
Net gains (losses) from:						
Financial instruments:						
Designated as FVTPL	**(862)**	**(35)**	**(897)**	(267)	458	191
Classified as FVTPL	**-**	**-**	**-**	-	6	6
Classified as AFS[1]	**(69)**	**451**	**382**	-	381	381
	(931)	**416**	**(515)**	(267)	845	578
Derivatives[2]:						
Swap agreements	**-**	**38**	**38**	-	(494)	(494)
Forwards and futures	**20**	**(17)**	**3**	-	(137)	(137)
	20	**21**	**41**	-	(631)	(631)
Embedded derivatives[1]	**-**	**71**	**71**	-	(96)	(96)
Investment property	**-**	**(17)**	**(17)**	-	79	79
Net foreign currency gains (losses)	**177**	**-**	**177**	10	-	10
Impairment losses on investments[1]	**-**	**(83)**	**(83)**	(7)	(85)	(92)
	(734)	**408**	**(326)**	(264)	112	(152)
Currency derivative hedges related to the RSA acquisition *(Note 8.3)*:						
Purchase price			**-**			(71)
Net investment			**-**			36
Gain related to an investment in associate[1]			**-**			273
Other net foreign currency gains (losses)			**(147)**			(1)
Other gains (losses)[3, 4]			**44**			164
			(429)			249

[1] Includes a net gain of $66 million related to a venture investment recognized in 2021, comprised of a gain of $273 million mainly related to the disposal of an investment in associate in exchange for its publicly issued common shares, offset by $207 million of losses of which $134 million were mainly due to the sale of shares and $73 million were due to impairment losses.
[2] Excluding foreign currency contracts, which are recognized in the line net foreign currency gains (losses).
[3] Includes the net loss of $16 million recognized in 2022 resulting from the sale of RSA Middle East, ***refer to Note 5 – Business combinations and disposals for more details***.
[4] Includes an unrealized gain of $41 million recognized in 2022 ($68 million – December 31, 2021) related to certain venture investments remeasured at fair value. The remaining amount recorded in 2021 is mainly related to realized gains on broker transactions.

25.2 Significant accounting judgments, estimates and assumptions

The Company determines, at each balance sheet date, whether there is objective evidence that financial assets, other than those classified or designated as FVTPL, are impaired. Considerations which form the basis of these objective evidence judgments include a significant or prolonged decline in fair value, a loss event that has occurred which has impaired the expected cash flows, as well as other considerations such as liquidity and credit risk. ***See Table 2.4 – Objective evidence of impairment for equity impairment model***.

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

Note 26 – Acquisition, integration and restructuring costs

26.1 Acquisition, integration and restructuring costs

Acquisition costs include professional fees and stamp duties related to the closing of an acquisition. Integration costs include restructuring costs related to an acquisition such as severances, retention bonuses and system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition as well as changes in the fair value of the contingent considerations. Restructuring and other costs include restructuring costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.

Table 26.1 – Acquisition, integration and restructuring costs

Years ended December 31,	**2022**	**2021**
Acquisition costs	**-**	90
Integration costs	**294**	285
Restructuring and other costs	**59**	54
	353	429

Note 27 – Income taxes

27.1 Income tax expense recognized in Net income

Table 27.1 – Components of income tax expense recognized in Net income

Years ended December 31,	**2022**	**2021**
Current income tax expense (benefit)		
Current year	**546**	496
Adjustments to prior years	**(2)**	(9)
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	**(18)**	(8)
Adjustments to prior years	**(4)**	1
	522	480

27.2 Effective income tax rate

The effective income tax rates are different from the combined Canadian federal and provincial statutory income tax rates. The Consolidated statements of comprehensive income contain items that are non-taxable or non-deductible for income tax purposes, which cause the income tax expense to differ from what it would have been if based on statutory tax rates.

The following table presents the reconciliation of the effective income tax rate to the income tax expense calculated at statutory tax rates.

Table 27.2 – Effective income tax rate reconciliation

Years ended December 31,	**2022**	**2021**
Statutory tax rate	**25.9%**	25.9%
Increase (decrease) in income tax rates resulting from:		
Non-taxable gain on bargain purchase	**-**	(2.1)%
Non-deductible losses (non-taxable gains)	**(3.8)%**	(1.5)%
Non-taxable investment income	**(1.4)%**	(2.3)%
Non-deductible losses (non-taxable income) from subsidiaries and associates	**(0.9)%**	(0.9)%
Change in unrecognized deferred income taxes	**(1.5)%**	(0.9)%
Difference in tax rates of subsidiaries, foreign entities and associates	**(0.8)%**	(0.9)%
Non-deductible expenses	**0.4%**	1.0%
Other	**(0.2)%**	0.4%
Effective income tax rate	**17.7%**	18.7%

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

27.3 Components of deferred tax assets and liabilities

Table 27.3 – Components of deferred tax assets and liabilities

	Balance sheet Asset (liability)		Comprehensive income Expense (benefit)	
As at December 31, / Years ended December 31,	**2022**	**2021**	**2022**	**2021**
Investments	**194**	(70)	**(255)**	(2)
Deferred acquisition costs	**56**	64	**8**	(7)
Property and equipment	**48**	37	**(15)**	1
Intangible assets	**(856)**	(862)	**(33)**	(50)
Other assets	**-**	2	**2**	(3)
Losses available for carry forward	**211**	197	**(13)**	26
Financing costs	**38**	54	**19**	(12)
Net claims liabilities	**12**	100	**87**	67
Accrued liabilities	**415**	336	**(63)**	(40)
DB pension plans	**(17)**	32	**49**	66
Other liabilities	**(13)**	(4)	**9**	(1)
Net deferred tax asset (liability) / expense (benefit)	**88**	(114)	**(205)**	45

The Company believes that it is probable that it will generate sufficient taxable income in the future to realize the above deferred tax assets.

The Company recognizes a deferred tax liability on all temporary differences associated with investments in subsidiaries and associates unless it can control the timing of the reversal of these differences, and it is probable that these differences will not reverse in the foreseeable future. As at December 31, 2022 and 2021, no deferred tax liability has been recognized on the temporary differences of $614 million ($493 million as at December 31, 2021) associated with investments in subsidiaries and associates.

27.4 Movement in the net deferred tax asset (liability)

Table 27.4 – Movement in the net deferred tax asset (liability)

Years ended December 31,	**2022**	**2021**
Balance, beginning of year	**(114)**	(100)
Business combinations and other acquisitions	**(17)**	(21)
Income tax benefit (expense):		
Recognized in net income	**22**	7
Recognized in OCI	**183**	(52)
Recognized in equity	**16**	53
Exchange rate differences and other	**(2)**	(1)
Net deferred tax asset (liability), end of year	**88**	(114)
Recognized in:		
Deferred tax assets	**782**	584
Deferred tax liabilities	**(694)**	(698)
Net deferred tax asset (liability)	**88**	(114)

As a result of the RSA acquisition, the Company has recognized $440 million of deferred tax assets during the year-ended December 31, 2021, which was included in the acquired net assets of RSA. ***Refer to Note 5 – Business combinations and disposals for more details.***

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

27.5 Unused tax losses, tax credits and other tax attributes

The following table presents a summary of unused tax losses and credits, as well as the amount for which a deferred tax asset was recognized on the Consolidated Balance sheets as at December 31, 2022 and 2021.

Table 27.5 – Unused tax losses and tax credits

	2022			2021		
As at December 31,	**Total**	**Recognized**	**Expiry date**	**Total**	**Recognized**	**Expiry date**
Unused net operating losses:						
US	**160**	**160**	**2024-2036**	179	179	2024-2036
Canada	**327**	**321**	**2037-2042**	211	208	2037-2041
UK	**2,964**	**120**	**No expiry date**	2,942	154	No expiry date
Ireland	**540**	**188**	**No expiry date**	523	170	No expiry date
Other jurisdictions	**117**	**12**	**No expiry date**	121	9	No expiry date
Unused tax credits:						
US	**28**	**28**	**2030-2036**	25	25	2030-2041
Canada	**6**	**-**	**2038-2041**	-	-	n/a
Unused allowable capital losses:						
Canada	**1**	**-**	**No expiry date**	1	-	No expiry date
Ireland	**1**	**-**	**No expiry date**	1	-	No expiry date
UK	**2,102**	**-**	**No expiry date**	2,196	-	No expiry date

Unused tax credits can be used to offset US tax payable in the future. Unused allowable capital losses in Canada can be used to reduce future taxable capital gains. Unused capital losses in Canada, UK and Ireland have not been recognized as it is not considered probable that they will be utilized in the future.

In addition to tax losses and tax credits not recognized, the Company had deductible temporary differences of $358 million as at December 31, 2022 ($753 million as at December 31, 2021), for which no deferred tax asset was recognized on the Consolidated Balance Sheet. These deductible temporary differences are predominantly located in the UK.

Deferred tax assets in respect of losses, deductible temporary differences and tax credits have been recognized on the basis that management consider it probable that future taxable profits will be available against which deferred tax assets can be utilized. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income based on future profit projections in the respective tax type and jurisdiction. Management also considers tax planning opportunities that will create future taxable income against which the unused losses, deductible temporary differences and tax credits can be utilized.

27.6 Significant accounting judgments, estimates and assumptions

Management exercises judgment in estimating the provision for income taxes. The Company is subject to income tax law in various jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. To the extent that the Company’s interpretations of tax laws differ from those of tax authorities or that the timing of realization of deferred tax assets is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

27.7 Dividend received deduction

During the fiscal years 2022, 2021 and 2020, the Company was reassessed by the Canada Revenue Agency, Revenu Québec and the Alberta Tax and Revenue Administration for additional income tax and interest with respect to the 2013-2016 taxation years. The total amount of additional income taxes and interest owed (including provincial tax and interest) is approximately $41 million for the 2013-2016 taxation years combined.

All reassessments received to date have been paid in full and accordingly, no additional interest should be owing in the event of an unfavourable outcome.

These tax authorities are denying certain dividend deductions on the basis that they were part of a “dividend rental arrangement”. The Company is confident that its tax filing position was appropriate and intends to defend itself vigorously. As a result, no amounts have been accrued in the Consolidated financial statements.

Note 28 – Earnings per share

EPS was calculated by dividing the Net income attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the year. There was no dilution effect during the years ended December 31, 2022 and 2021, therefore, diluted EPS was the same as basic EPS.

Table 28.1 – Earnings per share

Years ended December 31,	2022	2021
Net income attributable to shareholders	**2,424**	2,067
Less: dividends declared on preferred shares, net of tax	**60**	53
Net income attributable to common shareholders	**2,364**	2,014
Weighted-average number of common shares outstanding (in millions)	**175.6**	162.4
EPS – basic and diluted (in dollars)	**13.46**	12.40

Note 29 – Share-based payments

29.1 Long-term incentive plan

a) Outstanding LTIP units and fair value at grant date

Table 29.1 – Outstanding units and weighted-average fair value at grant date by performance cycle

As at December 31,	2022			2021		
Performance cycles	Number of units	Weighted-average fair value at grant date (in $)	Amount (in millions of $)	Number of units	Weighted-average fair value at grant date (in $)	Amount (in millions of $)
2017 – 2022	**66,631**	**103.88**	**7**	110,005	103.88	11
2019 – 2021	**-**	**-**	**-**	470,541	102.36	48
2020 – 2022	**477,072**	**136.06**	**65**	416,240	136.06	56
2021 – 2023	**628,811**	**149.17**	**94**	513,190	149.17	77
2022 – 2024	**561,189**	**165.01**	**92**	-	-	-
	1,733,703	**149.07**	**258**	1,509,976	127.48	192

b) Movements in LTIP units

Table 29.2 – Movements in LTIP share units

Years ended December 31,	2022 (in units)	2021 (in units)
Outstanding, beginning of year	**1,509,976**	1,420,075
Awarded	**438,495**	432,618
Net change in estimate of units outstanding	**384,801**	151,290
Units settled	**(599,569)**	(494,007)
Outstanding, end of year	**1,733,703**	1,509,976

c) LTIP expense recognized in Net income

The LTIP is accounted for as an equity-settled plan, except for the participants that are eligible to receive cash in lieu of shares of the Company (accounted for as a cash-settled plan).

Table 29.3 – LTIP expense recognized in Net income

Years ended December 31,	2022	2021
Cash-settled plans	**29**	29
Equity-settled plans	**100**	47
	129	76

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

29.2 Employee share purchase plan

a) Movements in restricted common shares

Table 29.4 – Movements in restricted common shares

Years ended December 31,	2022 (in units)	2021 (in units)
Outstanding, beginning of year	**113,728**	123,114
Accrued	**115,925**	115,625
Awarded and vested	**(111,690)**	(122,386)
Forfeited	**(3,326)**	(2,625)
Outstanding, end of year	**114,637**	113,728

b) ESPP expense recognized in Net income

The ESPP is accounted for as an equity-settled plan. For the year ended December 31, 2022, the ESPP expense was $19 million ($17 million – December 31, 2021).

29.3 Deferred share unit

The DSU is accounted for as a cash-settled plan. For the year ended December 31, 2022, the expense was $7 million ($1 million – December 31, 2021). The DSU provision amounted to $26 million as at December 31, 2022 ($19 million as at December 31, 2021).

29.4 Executive stock option plan

In 2021, the Company established an ESOP for certain key executive employees under which, from time-to-time, stock options and SARs may be granted

As at December 31, 2022 and 2021, 1,430,181 common shares were reserved for issuance under the ESOP.

During the year ended December 31, 2022, no stock options and SARs were granted (830,166 stock options – as at June 1, 2021).

a) Fair value of ESOP at grant date

The fair value of the stock options granted in 2021, and the key assumptions used in the calculation of their fair value on the date of grant using the Black-Scholes option pricing model were as follows:

Table 29.5 – Key assumptions used in the Black-Scholes option pricing model

	Values
Grant date fair value	**$20.05**
Exercise price[1]	**$161.27**
Share price at the date of grant	**$163.24**
Expected life[2]	**8 years**
Risk-free interest rate	**1.37%**
Expected volatility[3]	**18.3%**
Dividend yield	**3.07%**

[1] The exercise price was approved by the HRC Committee and represents the weighted average trading price for the three-week period preceding the grant date.
[2] The maturity date of the options outstanding is June 1, 2031.
[3] The expected volatility was determined by using the Company's own historical volatility on a daily basis, calculated over a period corresponding to the expected life of the options.

b) ESOP expense recognized in Net income

The ESOP is accounted for as an equity-settled plan. For the year ended December 31, 2022, the ESOP expense was $4 million ($2 million – December 31, 2021).

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

29.5 Common shares repurchased for share-based payments

The settlement in shares with regards to the Company's LTIP and ESPP plans is presented below.

Table 29.6 – Settlement in shares (LTIP and ESPP plans)

Years ended December 31,	2022	2021
Value of common shares repurchased for share-based payments	**112**	81
Less: cumulative cost of the units for the Company	**66**	53
Excess of market price over the cumulative cost for the Company	**46**	28
Amount recognized in Retained earnings, net of taxes	**32**	22

The cumulative cost of the units that vested during the year and were settled through the plan administrator purchasing common shares on the market and remitting them to the participants was removed from Contributed surplus.

The difference between the market price of the shares and the cumulative cost for the Company of these vested units, net of income taxes, was recognized in Retained earnings.

Note 30 – Employee future benefits

30.1 Employee future benefits

The Company provides various post-employment plans, including DB and defined contribution pension plans as well as other benefit plans for its employees as described below. In the US, the Company offers a 401(k) plan to its employees.

a) Employee future benefits in the UK

DB pension plans

The plans were closed to new entrants in 2002 and subsequently closed to future accruals in 2017. The plans in surplus are net a 35% tax expense of an authorized return of surplus; the Company does not believe the tax to be an income tax expense within the meaning of IAS 12 – *Income Taxes* ("IAS 12"), but rather classifies it with "other net surplus remeasurements".

Accrued benefits are revalued up to retirement in accordance with government indices for inflation. After retirement, pensions in payment are increased each year based on the increases in the government indices for inflation, subject to maximum caps.

The plans are managed through trusts with independent trustees responsible for safeguarding the interests of all members. The plan funds are legally separated from the Company. The trustees meet regularly with Company management to discuss the funding position and any proposed changes to the plans. The plans are regulated by The Pensions Regulator in UK.

b) Employee future benefits in Canada

DB pension plans

The Company has funded and unfunded DB pension plans in Canada that provide benefits to members in the form of a guaranteed pension payable for life based on final average earnings and contingent upon certain age and service requirements. In Canada, the Company provides active employees a choice between a DB and a defined contribution pension plan.

Subject to applicable pension legislation, the Canadian plans are administered either by the Company or by a pension committee, with assets held in a pension fund that is legally separated from the Company. The assets cannot be used for any purpose other than payment of pension benefits and related administrative fees.

Provincial minimum funding regulations in Canada require special payments from the Company to amortize any shortfall of registered plans' assets relative to the corresponding funding targets. Security in the form of letters of credit is permitted in lieu of those special payments, up to a limit of 15% of the actuarial liability used to determine the funding target.

Subject to applicable legal requirements in Canada, any balance of assets remaining after providing for the accrued benefits of the plan members may be returned to the Company upon termination of the plan. Pension legislation in certain provinces may require that the Company submit a proposal to the members and beneficiaries regarding the allocation of surplus assets. However, on an ongoing basis, a portion of such surplus may be recoverable by the Company through a reduction in future contributions or through payment of eligible administrative expenses.

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

Other post-employment benefits and other post-retirement benefits
The Company also offers employer-paid post-retirement life insurance and health care benefit plans to a limited number of active employees and retirees as well as post-employment benefit plans that provide health and dental coverage to employees on disability for the duration of their leaves. These post-retirement and post-employment benefit plans are unfunded.

30.2 Funded status

DB pension plans are recognized on the Consolidated balance sheet as an asset when plans are in a surplus position, or as a liability, when plans are in a deficit position. This classification is determined on a plan-by-plan basis.

Table 30.1 – DB pension plan assets (liabilities) by country

	Pension plans					
	2022			**2021**		
As at December 31,	**UK&I**	**Canada**	**Total**	UK&I	Canada	Total
DB obligation[1]	**(8,939)**	**(2,898)**	**(11,837)**	(14,830)	(3,739)	(18,569)
Fair value of plan assets	**9,480**	**3,040**	**12,520**	16,094	3,736	19,830
Other net surplus remeasurement[2]	**(180)**	**(8)**	**(188)**	(435)	(24)	(459)
Net DB asset (liability)	**361**	**134**	**495**	829	(27)	802
Recognized in:						
Other assets – plans in a surplus position ***(Table 18.1)***	**368**	**303**	**671**	838	189	1,027
Other liabilities – plans in a deficit position and unfunded plans ***(Table 18.2)***	**(7)**	**(169)**	**(176)**	(9)	(216)	(225)
	361	**134**	**495**	829	(27)	802
Funded status – funded plans	**106%**	**109%**	**107%**	109%	106%	108%

1 The weighted average duration of the DB obligation for the UK plans was 13.6 years (17.6 years as at December 31, 2021) and of the Canada plans was 14.3 years as at December 31, 2022 (18.0 years as at December 31, 2021).
2 Includes a 35% authorized surplus payments charge related to UK DB pension plans as it does not fall within the meaning of IAS 12, and the impact of the asset ceiling related to certain Canadian DB pension plans.

Funding and contributions to DB pension plans
The funding valuations of the UK plans, which determine the level of cash contributions payable into the plans and which must be agreed between the Trustees and the Company, are typically based on a prudent assessment of future experience with the discount rate reflecting a prudent expectation of returns based on actual investment strategy. This differs from IAS 19, which requires that future benefit cash flows are projected on the basis of best-estimate assumptions and discounted in line with high-quality corporate bond yields. The Trustees' funding assumptions are updated only every three years, following completion of the triennial funding valuations.

Each plan is subject to triennial valuations, which are used to determine the future funding, including funding to eliminate any funding deficit. The effective date of the most recent valuations of the main UK plans was March 31, 2021. The next required funding valuation will be as at March 31, 2024.

At the most recent funding valuation, the main UK plans had an aggregate funding deficit of $227 million (£138 million), equivalent to a funding level of 98%. The Company and the Trustees have agreed on funding plans to eliminate the funding deficits by 2025. In addition, the funding commitments agreed in 2020 were reaffirmed, which included:

- Continuation of current funding arrangements of approximately $123 million (£75 million) per year plus expenses and regulatory levies until the plans are fully funded on a previously agreed longer term funding basis; and
- The Company provides parental guarantees of the obligations.

The latest actuarial valuations for the Canadian DB pension plans were performed as at December 31, 2021. The Company's liquidity risk with regards to these pension plans is not significant, as inflows from contributions and buy-in insurance contracts mostly offset outflows for benefit payments. A large portion of the invested assets is held in short-term notes and highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements.

Notes to the Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

The Company makes contributions to the DB pension plans to secure the benefits. The amount and timing of the Company's contributions are made in accordance with applicable pension and tax legislation following the advice of an actuary. The Company must fund the excess of the required funding over the members' contributions. The Company funds the UK plans further to agreements with the pension Trustees. Since the UK plans are closed to future accruals, contributions that are made are with respect to past service deficiencies. Under the provisions of the pension plans in Canada, members may annually select between three different DB levels and are required to make contributions to their respective plans based on the benefit level selected.

Based on the latest projections of the financial position of all its plans, total cash contributions by the Company are expected to be approximately $186 million in 2023 including $123 million (£75 million) of additional contributions to reduce the deficit of the UK plans. The contributions will vary depending on the number of active members accruing benefits and their level of pensionable earnings, the results of any new actuarial valuations, the impact of any funding rule changes and decisions taken by the Company to use or not use surplus or letters of credit or to take contribution holiday as permitted by legislation. The Company is also expected to meet the cost of eligible administrative expenses through the pension funds.

30.3 Movement in the DB obligation and fair value of plan assets

The DB obligation is based on the present value of expected benefit payment cash flows to plan members over their expected lifetime.

Table 30.2 – Movement in the DB obligation and fair value of plan assets

	Pension plans			
Year ended December 31, 2022	**DB obligation**	**Fair value of plan assets**	**Other net Surplus Remeasure-ment**	**Net DB asset (liability)**
Balance, beginning of year	**(18,569)**	**19,830**	**(459)**	**802**
Current service cost	**(87)**	**-**	**-**	**(87)**
Net interest expense	**(361)**	**384**	**-**	**23**
Other	**-**	**(20)**	**-**	**(20)**
Total benefit (expense) recognized in Net income	**(448)**	**364**	**-**	**(84)**
Change in discount rate	**5,980**	**-**	**-**	**5,980**
Change in other financial assumptions	**191**	**-**	**-**	**191**
Changes in plan experience	**(336)**	**-**	**-**	**(336)**
Changes in demographic assumptions	**41**	**-**	**-**	**41**
Actual return on plan assets	**-**	**(6,503)**	**-**	**(6,503)**
Other net surplus remeasurements	**-**	**-**	**238**	**238**
Net actuarial gains (losses) recognized in OCI	**5,876**	**(6,503)**	**238**	**(389)**
Employee contributions	**(43)**	**43**	**-**	**-**
Employer contributions	**-**	**228**	**-**	**228**
Benefit payments	**636**	**(636)**	**-**	**-**
Exchange rate differences	**711**	**(806)**	**33**	**(62)**
Balance, end of year	**(11,837)**	**12,520**	**(188)**	**495**

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

	Pension plans			
Year ended December 31, 2021	**DB obligation**	**Fair value of plan assets**	**Other net Surplus Remeasure-ment**	**Net DB asset (liability)**
Balance, beginning of year	(3,151)	2,891	-	(260)
Business combination	(15,139)	16,100	(355)	606
Current service cost	(91)	-	-	(91)
Net interest expense	(244)	248	-	4
Other	-	(13)	-	(13)
Total benefit (expense) recognized in Net income	(335)	235	-	(100)
Change in discount rate	83	-	-	83
Change in other financial assumptions	(157)	-	-	(157)
Changes in plan experience	(245)	-	-	(245)
Changes in demographic assumptions	(81)	-	-	(81)
Actual return on plan assets	-	856	-	856
Other net surplus remeasurements	-	-	(104)	(104)
Net actuarial gains (losses) recognized in OCI	(400)	856	(104)	352
Employee contributions	(37)	37	-	-
Employer contributions	-	206	-	206
Benefit payments	456	(456)	-	-
Exchange rate differences	37	(39)	-	(2)
Balance, end of year	(18,569)	19,830	(459)	802

30.4 Net actuarial gains (losses) recognized in OCI

Table 30.3 – Net actuarial gains (losses) recognized in OCI

Years ended December 31,	**2022**	**2021**
Pension plans ***(Table 30.2)***	**(389)**	352
Other post-retirement benefits	**39**	-
Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement	**(350)**	352

30.5 Composition of pension plan assets

Pension plan assets are mainly composed of securities from the government and financial sectors.

Table 30.4 – Composition of fair value of pension plan assets by quoted and unquoted

	Pension plans					
As at December 31, 2022	**UK&I**	**Canada**	**Total**	**% of total**	**Total quoted**	**Total unquoted**
Cash and cash equivalents	**2,091**	**3**	**2,094**	**17%**	**2,055**	**39**
Debt securities						
Government	**6,626**	**826**	**7,452**	**60%**	**7,452**	**-**
Non-government	**2,915**	**614**	**3,529**	**28%**	**2,125**	**1,404**
Debt securities	**9,541**	**1,440**	**10,981**	**88%**	**9,577**	**1,404**
Annuity buy-in insurance contracts	**43**	**1,021**	**1,064**	**8%**	**-**	**1,064**
Common shares	**37**	**805**	**842**	**7%**	**616**	**226**
Derivative financial instruments	**(30)**	**(9)**	**(39)**	**-%**	**-**	**(39)**
Property	**690**	**-**	**690**	**6%**	**2**	**688**
Other	**453**	**-**	**453**	**3%**	**-**	**453**
Securities sold under repurchase agreements	**-**	**(220)**	**(220)**	**(2)%**	**-**	**(220)**
Total investments	**12,825**	**3,040**	**15,865**	**127%**	**12,250**	**3,615**
Value of asset and longevity swaps	**(3,345)**	**-**	**(3,345)**	**(27)%**	**-**	**(3,345)**
Total assets	**9,480**	**3,040**	**12,520**	**100%**	**12,250**	**270**

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

	Pension plans					
As at December 31, 2021	**UK&I**	**Canada**	**Total**	**% of total**	**Total quoted**	**Total unquoted**
Cash and cash equivalents	147	21	168	1%	168	-
Debt securities						
Government	11,313	1,154	12,467	63%	12,467	-
Non-government	6,254	781	7,035	35%	4,775	2,260
Debt securities	17,567	1,935	19,502	98%	17,242	2,260
Annuity buy-in insurance contracts	46	793	839	4%	-	839
Common shares	1,020	1,220	2,240	11%	1,779	461
Derivative financial instruments	1,801	37	1,838	9%	-	1,838
Investment property	1,126	-	1,126	6%	2	1,124
Other	606	-	606	3%	-	606
Securities sold under repurchase agreements	-	(270)	(270)	(1)%	-	(270)
Total investments	22,313	3,736	26,049	131%	19,191	6,858
Value of asset and longevity swaps	(6,219)	-	(6,219)	(31)%	-	(6,219)
Total assets	16,094	3,736	19,830	100%	19,191	639

Annuity buy-in insurance contracts
During the year ended December 31, 2022, the Company purchased qualifying annuity buy-in insurance contracts totalling $422 million ($808 million for the year ended December 31, 2021) on behalf of certain Canadian DB pension plans, as part of its de-risking strategy. The resulting actuarial loss of $35 million ($26 million – December 31, 2021) was recognized in OCI. The fair value of annuity buy-in insurance contracts fluctuates based on changes in the associated DB obligation. These values are unquoted due to the use of the significant unobservable inputs used in deriving these assets' fair values.

Asset and longevity swaps
In 2009, RSA entered into an arrangement that provides coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment of the two largest UK plans at that time. The arrangement provides for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio made up of quoted government debt of $5,102 million (£3,117 million) which was offset by swaps held by the pension funds of $3,345 million (£2,044 million) as at December 31, 2022. The swaps are accounted for as longevity swaps and are measured at fair value by discounting all expected future cash flows using a discounted rate which reflects the economic matching nature of the arrangement with a range of acceptable values obtained from external sources. As at December 31, 2022, the total value of the arrangement, including government debt measured at prices quoted in an active market was $1,756 million (£1,073 million).

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

30.6 Significant accounting judgments, estimates and assumptions

The cost of the DB plans and the DB obligation are measured by the Company's independent actuaries using assumptions determined by management. The actuarial valuation involves making assumptions about discount rates, future salary increases, future inflation, the employees' age upon termination and retirement, mortality rates, future pension increases, disability incidence and health and dental care cost trends. If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years.

Due to its long-term nature, the DB obligation is highly sensitive to changes in some of the assumptions. Assumptions are reviewed at each reporting date. During the year ended December 31, 2022, there have been significant fluctuations in the financial markets including an increase in yields on fixed income and an increase in actual and expected short-term inflation.

a) Assumptions used and sensitivity analysis

Table 30.5 – Key weighted-average assumptions used in measuring the Company's pension plans

	2022		2021	
As at December 31,	**UK&I**	**Canada**	UK&I	Canada
To determine the DB obligation:				
Discount rate	**4.86%**	**5.27%**	1.84%	3.25%
Rate of increase in future compensation:				
Next 3 years	**n/a**	**3.44%**	n/a	2.75%
Beyond 3 years	**n/a**	**3.32%**	n/a	3.07%
Rate of inflation (CPI)[1]	**2.46%**	**2.32%**	2.71%	2.07%
Rate of inflation (RPI)	**3.11%**	**n/a**	3.35%	n/a
Rate of increase in pensions[2]	**2.96%**	**n/a**	3.14%	n/a

	2022		2021	
Years ended December 31,	**UK&I**	**Canada**	**UK&I**	**Canada**
To determine the benefit expense:				
Discount rate:				
Current service cost	**n/a**	**3.28%**	n/a	2.84%
Interest expense on the DB obligation	**1.84%**	**2.89%**	1.94%	2.29%
Rate of increase in future compensation:				
Next 3 years	**n/a**	**2.75%**	n/a	2.75%
Beyond 3 years	**n/a**	**3.07%**	n/a	2.55%
Rate of inflation (CPI)	**2.71%**	**2.07%**	2.69%	1.75%
Rate of inflation (RPI)	**3.35%**	**n/a**	3.35%	n/a
Rate of increase in pensions[2]	**3.14%**	**n/a**	3.09%	n/a

[1] 6.51% for 2023, 5.00% for 2024, 3.00% for 2025, and 2.32% per year thereafter for Canada.
[2] For the UK, the annual rate of increase in pensions shown is the rate that applies to pensions that increase at RPI subject to a cap of 5%.

The following table presents the assumptions regarding future mortality. The current life expectancies underlying the DB obligation and benefit expenses in the DB plans are as follows.

Table 30.6 – Future mortality assumptions

	2022		2021	
As at December 31,	**UK&I**	**Canada**	**UK&I**	**Canada**
Life expectancy (in years) for pensioners at the age of 65:				
Male	**22.2**	**22.8**	22.4	22.6
Female	**23.8**	**24.3**	23.8	24.6

The core mortality rates assumed for the main UK plans are based on the latest industry-standard UK tables published in 2018 by the Continuous Mortality Investigation ("CMI") (S3 series tables) with percentage adjustments to reflect the plans' recent experience based on the latest study conducted in 2021. Reductions in future mortality rates are allowed for by using the CMI 2021 tables with a long-term improvement rate of 1.25%. For the year ending 31 December 2022, reductions in future mortality rates have been assumed to slow down temporarily as a result of COVID-19.

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

The rate of compensation increase for the Canadian DB plans was based on management expectation for the next 2 years, and on inflation and long-term expectations of wage salary increase beyond 2 years. Assumptions regarding life expectancy for participants in the Canadian DB plans are based on the standard Canadian private sector mortality table published in 2014 by the Canadian Institute of Actuaries ("CPM2014Priv table"), adjusted based on the results of a mortality experience study conducted in 2022.

The following table presents the sensitivity analysis of the main DB obligation to key assumptions.

Table 30.7 – Sensitivity of the DB obligation to key assumptions

		2022		2021	
As at December 31,	**Change**	**UK&I**	**Canada**	**UK&I**	**Canada**
Discount rate	+1%	**(1,037)**	**(357)**	(2,220)	(578)
Discount rate	-1%	**1,284**	**477**	2,880	769
Rate of increase in future compensation	+1%	**-**	**92**	-	153
Rate of increase in future compensation	-1%	**-**	**(78)**	-	(133)
Rate of inflation	+1%	**746**	**59**	1,562	98
Rate of inflation	-1%	**(715)**	**(54)**	(1,490)	(89)
Life expectancy	+ One year	**267**	**61**	556	95
Life expectancy	- One year	**(270)**	**n/a**	(556)	(95)

The effect on the DB obligation at the end of the year has been calculated by changing one assumption for the sensitivity but without changing any other assumptions. The impact of a one-year increase (decrease) in life expectancy has been approximated by measuring the impact of members being one year younger (older) than their actual age on the valuation date.

30.7 Risk management and investment strategy

DB pension plans expose the Company to balance sheet volatility resulting from changes in actuarial assumptions (such as longevity, interest rates, credit spreads and inflation). The ultimate cost of the DB provisions to the Company will depend upon future events rather than on the assumptions made. In general, the risk to the Company is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a higher deficit disclosed.

Factors that may vary significantly include:
- The actual return on plan assets;
- Decrease in asset values not being matched by a similar decrease in the value of obligation; and
- Unanticipated future changes in mortality patterns leading to an increase in the DB obligation.

The DB obligation and the service cost are sensitive to the assumptions made about the discount rate, which is based on estimates of market yields of highly rated corporate bonds and also to salary growth levels, inflation and life expectancy.

a) UK DB pension plans

The UK plans are managed through trusts with independent trustees responsible for all oversight and the safeguarding of the interests of all members at all times. The Trustees work closely with the Company and meet regularly to discuss the funding position, investment strategy and any proposed changes to the plans. The plans are regulated by The Pensions Regulator.

The assets of the UK plans are held under trust, with control of these arrangements belonging to the Trustees. Investment strategy is set by the Trustees after consultation with the Company. Both the Company and the Trustees with the support of their investment advisers regularly review the performance of the plans' assets to ensure that they are performing in line with expectations. In addition, stress and scenario testing is regularly carried out to understand current exposures.

The plans have taken significant steps over recent years to substantially de-risk from return seeking assets such as equities into bonds and other asset classes that produce a stable stream of cashflows that match liabilities. Market conditions and funding levels are also monitored dynamically on an ongoing basis to identify opportunities for further de-risking.

In addition, the plans have significant hedging strategies in place, including the use of interest rate, inflation rate and longevity swaps,

The plans use a range of physical assets and derivative instruments to protect against adverse movements in interest rates and inflation. In the case of interest rates, these provide protection against falls in rates which increase the value of a plan's liabilities. However, when interest rates rise, the plans are required to post collateral against the derivatives in order to maintain the same level of interest rate protection.

The UK pension plan's liquidity position is closely monitored with a well-developed liquidity management plan to ensure that sufficient liquidity is available to meet any collateral calls. As at December 31, 2022, the UK pension plans are estimated to have sufficient immediately available liquidity to meet further rises in interest rates of more than 4%. The UK pension plans also hold other assets that could be liquidated within a week if needed.

b) Canadian DB pension plans

The Management Pension Committee is responsible for the oversight of the pension plans, including the review of the funding policy and investment performance. The Statement of Investment Policies and Procedures of the pension plans (the "SIP&P") formulates investments principles, guidelines and monitoring procedures to meet the funds' needs and objectives, in conformity with applicable rules. It also establishes principles and limits pertaining to debt and equity market risks. Any deviation from the SIP&P is reviewed by the Operational Investment Committee. The Risk Management Committee, which is a committee of the Company's Board of Directors, is responsible for the approval of the SIP&P and the review of the pension plans' investment performance.

The pension plans investment portfolio is managed by Intact Investment Management Inc., a subsidiary of the Company, in accordance with the SIP&P that focuses on asset diversification and asset-liability matching. The Company regularly monitors compliance with the SIP&P.

Asset diversification

The goal of asset diversification is to limit the potential of sustaining significant capital losses.

Debt securities in the pension plans are significantly exposed to changes in interest rates and movements in credit spreads. Investment policies seek a balanced target investment allocation between debt and equity securities, within credit concentration limits. The pension plans' risk management strategy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer by imposing limits based upon credit quality. The adopted SIP&P generally requires minimum credit ratings of 'BBB' for investments in debt securities and limits its concentration in any one investee or related group of investees to 10% of the cost of its total assets (except for securities that are issued or guaranteed by the Government of Canada or by a province of Canada). The Company has overall limits on credit exposure that include debt and equity securities, as well as off-balance sheet exposure.

Sensitivity analysis is one risk management technique that assists management in ensuring that equity risks assumed remain within the pension plans' risk tolerance level. The Company's pension plans have a significant concentration of their investments in Canada as well as in the Government sector. This risk concentration is closely monitored.

As part of a de-risking strategy, annuity buy-in insurance contracts were acquired in 2021 and 2022. These contracts effectively removed all market and demographic risks associated with over 90% of the retiree liabilities in the Company's Canadian registered pension plans.

The Company also establishes asset allocation limits to ensure sufficient diversification *(refer to Note 10.4 – Credit risk)*.

Asset-liability matching

One objective established in the SIP&P is to maintain an appropriate balance between the interest rate exposure of the plans' invested assets and the duration of its contractual liabilities. The Company calculates an interest rate hedge ratio as the interest rate duration of the pension asset portfolio divided by the duration of the funded registered pension plans' obligation, adjusted to reflect the relative size of each. A lower interest rate hedge ratio increases the Company's exposure to changes in interest rates. In performing this calculation, the obligation covered by annuity buy-in insurance contracts, is considered to be fully hedged. The interest rate hedge ratio was 79% as at December 31, 2022 (73% as at December 31, 2021).

A portion of the pension plan liabilities contain an indexation provision linked to the consumer price index ("CPI"). The Company invests in inflation sensitive assets to partially mitigate the risk of an unanticipated increase in inflation. As at December 31, 2022, most of the inflation-linked liabilities related to retirees were covered by the annuity buy-in insurance contracts acquired in 2021 and 2022. As at December 31, 2022, of the remaining pension plan assets excluding the annuities, 24% were invested in Government of Canada Real Return Bonds (25% as at December 31, 2021).

The Company used repurchase agreements to partly fund the increase of fixed income securities in the pension plan asset mix with the objective to improve its asset-liability matching.

Note 31 – Segment information

31.1 Reportable segments

The Company has three reportable segments, in line with its management structure and internal financial reporting which is based on country and the nature of its activities as described below.

Canada
• Underwriting of automobile, home and business insurance contracts to individuals and businesses in Canada distributed through a wide network of brokers and directly to consumers, including the results of RSA's Canadian operations since July 1, 2021. The underwriting results of Canadian Northern Shield Insurance Company and British Columbia auto lines were excluded from operating performance. • Distribution income includes the operating results from the Company's wholly owned subsidiaries, Brokerlink Inc. and broker affiliates, including the results of RSA's Canadian operations since July 1, 2021, as well as supply chain operations from On Side Developments LTD.

UK & International
• Underwriting of automobile, home, pet and business insurance contracts to individuals and businesses in the UK, Europe, Ireland and the Middle East as well as internationally through the Company's global network since July 1, 2021. The Company distributes insurance through a wide network of affinity partners and brokers or directly to consumers. Effective January 1, 2022 and until its disposal on July 7, 2022, the underwriting results of the Middle East were excluded from operating performance.

US
• Underwriting of specialty contracts mainly to small to medium-sized businesses in the United States. The Company distributes insurance through independent agencies, brokers, wholesalers and managing general agencies. Effective January 1, 2022, the underwriting results from the Public Entities business were excluded from operating performance. • Distribution income includes the operating results from the Company's wholly owned subsidiary, Highland Insurance Solutions since its acquisition on August 1, 2022 (***Refer to Note 5 – Business combinations and disposals***).

Corporate and Other ("Corporate" or "Corp.") consists of investment management, treasury and capital management activities, corporate reinsurance, including certain internal and external agreements as well as other corporate activities. Effective January 1, 2022, and until its disposal on July 7, 2022, the investment results of the Middle East were excluded from Corporate.

31.2 Segment operating performance

All segment operating revenues presented in ***Table 31.1 – Segment operating performance*** are generated from external customers.

Management measures the profitability of the Company's segments based on PTOI which excludes elements that are not representative of the Company's operating performance because they include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or because they are not part of the Company's normal activities. In addition, the Company presents:

- Other underwriting revenues against Operating net claims and Operating net underwriting expenses, as a result, they are not included in segment operating revenues;
- Share of profit from investments in associates & JV before interest and taxes from affiliated brokers ("broker associates");
- Finance costs including finance costs from broker associates resulting in total finance costs.

The reconciliation of the segment information to the amounts recognized in the Consolidated statements of income is presented in ***Table 31.2 – Reconciliation of segment information to amounts recognized in the Consolidated statements of income***.

Notes to the Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

Table 31.1 – Segment operating performance[1]

	2022					2021				
Years ended December 31,	**CAN**	**UK&I**	**US**	**Corp.**	**Total**	**CAN**	**UK&I**	**US**	**Corp.**	**Total**
Operating income										
Operating NEP	**13,369**	**4,127**	**1,871**	**17**	**19,384**	11,450	2,319	1,652	622	16,043
Operating investment income	**-**	**-**	**-**	**962**	**962**	-	-	-	740	740
Other	**500**	**-**	**37**	**8**	**545**	389	-	-	32	421
Segment operating revenues	**13,869**	**4,127**	**1,908**	**987**	**20,891**	11,839	2,319	1,652	1,394	17,204
Operating net claims	**(8,109)**	**(2,658)**	**(932)**	**1**	**(11,698)**	(6,259)	(1,381)	(910)	(423)	(8,973)
Operating net underwriting expenses	**(3,993)**	**(1,346)**	**(718)**	**(3)**	**(6,060)**	(3,666)	(786)	(625)	(206)	(5,283)
Operating investment expenses	**-**	**-**	**-**	**(35)**	**(35)**	-	-	-	(34)	(34)
Share of profit from invest. in associates & JV	**169**	**-**	**-**	**-**	**169**	146	-	-	-	146
Total finance costs	**(12)**	**-**	**-**	**(177)**	**(189)**	(9)	-	-	(153)	(162)
Other	**(239)**	**-**	**(30)**	**(142)**	**(411)**	(173)	-	-	(57)	(230)
PTOI	**1,685**	**123**	**228**	**631**	**2,667**	1,878	152	117	521	2,668
Operating income tax expense					**(501)**					(577)
Net income (loss) attributable to NCI					**4**					(21)
Non-operating component of NCI					**(24)**					-
Preferred share dividends					**(60)**					(53)
NOI attributable to common shareholders					**2,086**					2,017
PTOI is comprised of:										
Underwriting income	**1,267**	**123**	**221**	**15**	**1,626**	1,525	152	117	(7)	1,787
Operating net investment income	**-**	**-**	**-**	**927**	**927**	-	-	-	706	706
Distribution income	**430**	**-**	**7**	**-**	**437**	362	-	-	-	362
Total finance costs	**(12)**	**-**	**-**	**(177)**	**(189)**	(9)	-	-	(153)	(162)
Other operating income (expense)	**-**	**-**	**-**	**(134)**	**(134)**	-	-	-	(25)	(25)
PTOI	**1,685**	**123**	**228**	**631**	**2,667**	1,878	152	117	521	2,668

[1] ***See Section 38 – Non-GAAP and other financial measures*** of the Company's MD&A for the definition and reconciliation of related operating measures.

Table 31.2 – Reconciliation of segment information to amounts recognized in the Consolidated statements of income

Years ended December 31,	**2022**	**2021**
Segment operating revenues ***(Table 31.1)***	**20,891**	17,204
Add: other underwriting revenues	**312**	236
Add: NEP from exited lines	**408**	195
Add: non-operating investment income from exited lines	**4**	-
Revenues, as reported	**21,615**	17,635
Segment PTOI ***(Table 31.1)***	**2,667**	2,668
Non-operating items[1]:		
Net gains (losses)	**(429)**	249
Gain on bargain purchase	**-**	204
Gain on sale of business ***(Note 19)***	**421**	-
Positive (negative) impact of MYA on underwriting	**1,127**	226
Amortization of intangible assets recognized in business combinations	**(254)**	(199)
Acquisition, integration and restructuring costs	**(353)**	(429)
Non-operating pension expense	**(56)**	(64)
Income (loss) from exited lines	**(145)**	(53)
Other	**-**	(4)
Pre-tax income, as reported in the MD&A	**2,978**	2,598
Less: share of income tax expense of broker associates	**(36)**	(30)
Income before income taxes, as reported	**2,942**	2,568

[1] ***See Section 37 – Non-operating results*** of the Company's MD&A for the definition of related non-operating measures.

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

31.3 Selected segment assets and liabilities

Table 31.3 – Selected segment assets and liabilities

	2022					2021				
As at December 31,	**CAN**	**UK&I**	**US**	**Corp.**	**Total**	**CAN**	**UK&I**	**US**	**Corp.**	**Total**
Investments ***(Note 6)***	**-**	**-**	**-**	**35,601**	**35,601**	-	-	-	36,680	36,680
Net claims liabilities ***(Table 11.1)***	**13,758**	**5,235**	**1,868**	**5**	**20,866**	13,663	5,234	1,669	227	20,793

31.4 Information by geographic areas

Table 31.4 – Geographic areas

	Revenues		Total assets	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Canada	**14,850**	12,973	**37,029**	37,899
UK&I	**4,690**	2,915	**19,490**	21,102
US	**2,075**	1,747	**8,440**	7,348
	21,615	17,635	**64,959**	66,349

Revenues and assets are allocated based on the country where the risks originate. The Company's significant operating subsidiaries by geographic areas of operations are presented below.

Table 31.5 – Significant operating subsidiaries by geographic areas

Operations	Legal entities	
Canada	• Belair Insurance Company Inc. • Brokerlink Inc. • Canadian Northern Shield Insurance Company • Equisure Financial Network Inc. • IB Reinsurance Inc. • Intact Insurance Company • Intact Public Entities Inc. • Jevco Insurance Company • Novex Insurance Company	• On Side Developments Ltd. • Quebec Assurance Company • Royal & Sun Alliance Insurance Company of Canada • The Johnson Corporation • The Nordic Insurance Company of Canada • Trafalgar Insurance Company of Canada • Unifund Assurance Company • Western Assurance Company
US	• Atlantic Specialty Insurance Company • Intact Insurance Group USA Holdings Inc. • Intact U.S. Financial Services Inc.	• The Guarantee Company of North America USA • Highland Insurance Solutions
UK&I	• Al Alamiya for Cooperative Insurance Company[1] • Al Ahlia Insurance Company SAOG[1] • Royal & Sun Alliance Insurance Limited	• Royal & Sun Alliance Insurance (Middle East) BSC (c)[1] • RSA Luxembourg S.A. • RSA Insurance Ireland DAC

[1] Until their disposal on July 7, 2022, ***refer to Note 5 Business combinations and disposals for details***.

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

Note 32 – Additional information on the Consolidated statements of cash flows

32.1 Cash flows from operating activities

Table 32.1 – Cash flows from operating activities

Years ended December 31,	2022	2021
Adjustments for non-cash items		
Net losses (gains) ***(Note 25)***	**429**	(249)
Gain on bargain purchase ***(Note 5)***	**-**	(204)
Gain on sale of businesses ***(Notes 5 & 19)***	**(421)**	-
Depreciation of property and equipment[1]	**174**	148
Amortization of intangible assets	**389**	313
Net premiums on debt securities classified as AFS	**120**	124
DB pension expense	**84**	100
Share-based payments expense	**152**	95
Share of profit from investments in associates and joint ventures ***(Note 16)***	**(103)**	(87)
Other	**102**	(49)
	926	191
Changes in operating assets and liabilities		
Contributions to the defined benefit pension plans ***(Note 30)***	**(228)**	(206)
Share-based payments	**(15)**	(18)
Changes in net claims liabilities	**133**	783
Unearned premiums, net	**277**	434
Premiums receivable, net	**(259)**	(90)
Deferred acquisition costs, net	**(90)**	(16)
Other operating assets	**(47)**	125
Other operating liabilities	**385**	130
Dividends received from investments in associates and joint ventures ***(Note 16)***	**49**	28
	205	1,170

[1] Includes depreciation of right-of-use assets of leases.

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

Note 33 – Related-party transactions

The Company enters into transactions with associates and joint ventures, including those classified as held for sale, in the normal course of business, as well as with key management personnel and pension plans. Transactions with related parties are at normal market prices and mostly comprise of commissions for insurance policies, interest and principal payments on loans and reinsurance agreements.

33.1 Transactions with associates and joint ventures

Table 33.1 – Transactions with associates and joint ventures

As at December 31,	2022	2021
Income (expenses) recognized in:		
Net earned premiums	**9**	2
Net claims incurred	**(41)**	(31)
Net investment income	**5**	5
Underwriting expenses	**(380)**	(454)
Assets and liabilities recognized in:		
Assets		
Reinsurance assets	**-**	83
Deferred acquisition costs	**160**	161
Loans and other receivables	**117**	122
Liabilities		
Claims liabilities	**-**	9
Unearned premiums	**-**	2
Other payables and other liabilities	**153**	154
Commissions payable	**143**	149

33.2 Compensation of key management personnel

The Company's key management personnel are those that have the authority and responsibility for planning, directing and controlling the activities of the Company, which includes the entirety of the Executive Officers of the Company as well as the Board of Directors.

Table 33.2 – Aggregate compensation of key management personnel

Years ended December 31,	2022	2021
Compensation[1]	**28**	**21**
Share-based payments	**29**	**25**
	57	**46**

[1] Compensation is comprised of short-term employee benefits and long-term employee benefits, including pension benefits.

Key management personnel can purchase insurance products offered by the Company in the normal course of business. The terms and conditions of such transactions are essentially the same as those available to clients and employees of the Company.

33.3 Pension plans

Intact Investment Management Inc., a subsidiary of the Company, manages the investment portfolio of the Canadian pension plans' Master Trust in return for investment advisory fees charged to the pension plans, for a total of $6 million for the year ended December 31, 2022 ($8 million – December 31, 2021).

The Company made contributions to the Canadian and UK pension plans of $228 million for the year ended December 31, 2022 ($206 million – December 31, 2021).

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

Note 34 – Commitments and contingencies

34.1 Commitments

The Company has entered into commercial leases mainly related to real estate right-of-use assets, as well as other commitments. The remaining life of these commitments ranges from one to 18 years. ***Refer to Note 10.5 – Financial liabilities by contractual maturity and Note 18.2 – Other liabilities for details on lease liabilities.***

a) Other non-cancellable commitments

The following table presents other non-cancellable commitments including operational costs and variable lease payments.

Table 34.1 – Other non-cancellable commitments

As at December 31, 2022	Leases[1]	Investments[2]	Other	Total
Less than 1 year	**93**	**854**	**202**	**1,149**
From 1 to 5 years	**206**	**-**	**217**	**423**
Over 5 years	**181**	**-**	**6**	**187**
	480	**854**	**425**	**1,759**

[1] Includes variable lease payments not based on an index or rate, such as property taxes.
[2] Represents property funds, collateralized debt obligations and other classes of investments which are callable on demand over the life of the funds.

b) Amounts recognized in the Consolidated statements of income

Table 34.2 – Amounts recognized in the Consolidated statements of income

Years ended December 31,	2022	2021
Interest expense on lease liabilities	**15**	16
Operational costs and variable lease payment expenses	**71**	58

34.2 Contingencies

In the normal course of operations, various insurance claims and legal proceedings are instituted against the Company. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, the Company has made adequate provisions for, or has adequate insurance to cover all insurance claims and legal proceedings. Consequently, any settlements reached should not have a material adverse effect on the Company's consolidated future operating results and financial position. ***For details on class actions relating to business interruption coverage refer to Note 3.2 – COVID-19 pandemic.***

The Company provides indemnification agreements to directors and officers, to the extent permitted by law, against certain claims made against them as a result of their services to the Company. The Company has insurance coverage for these agreements.

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

Note 35 – Disclosures on rate regulation

35.1 Canada

The Company's Canadian insurance subsidiaries are licensed under insurance legislation in each of the provinces and territories in which they conduct business. Personal and commercial automobile insurance is a compulsory product and is subject to different regulations across the provinces and territories in Canada, including those with respect to rate setting.

Rate setting mechanisms generally fall under three categories:

Table 35.1 – Rate filing categories

Category	Description
File and approve	Insurers must wait for specific approval of filed rates before they may be used.
File and use	Insurers file their rates with the relevant authorities and wait for a prescribed period and then implement the proposed rates.
Use and file	Rates are filed following use.

In Canada, essentially all provinces and territories use a "file and approve" rate setting mechanism except for Québec, which uses a "use and file" mechanism. Automobile DPW covered by a "file and approve" rate setting mechanism totalled $4.9 billion, or 75% of the Canadian Company's automobile DPW for the year ended December 31, 2022 ($4.4 billion, or 74% – December 31, 2021).

35.2 US

Most states have insurance laws generally requiring property and casualty insurance companies to file their rates, rules and policy or coverage forms with the state's regulatory authority. In most cases, such rates, rules and forms must be approved prior to use. While pricing laws vary from state to state, their objectives are generally to ensure that rates are not excessive, inadequate or unfairly discriminatory or used to engage in unfair price competition. The Company's ability to increase rates and the timing of the process are dependent upon the regulatory requirements in each state. Certain lines of property and casualty insurance may be exempt from these requirements.

35.3 UK&I

In the UK&I, there are no regulations requiring insurance companies to file their rates, however, there are rules to ensure that insurance companies provide quotes for renewing home and automobile insurance policies that are not greater than quotes for a new customer through the same channel.

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

Note 36 – Standards issued but not yet effective

36.1 Insurance contracts and financial instruments

Glossary of new abbreviations			
CSM	Contractual service margin	**LIC**	Liabilities for incurred claims
ECL	Expected credit loss	**LRC**	Liability for remaining coverage
FVTOCI	Fair value through other comprehensive income	**PAA**	Premium allocation approach
GMM	General measurement model	**SPPI**	Solely payments of principal and interest

The Company will adopt IFRS 17 – *Insurance Contracts* ("IFRS 17") in conjunction with IFRS 9 – *Financial instruments* ("IFRS 9") on the required effective date of January 1, 2023, which replace IFRS 4 – *Insurance Contracts* ("IFRS 4") and IAS 39 – *Financial instruments: recognition and measurement* ("IAS 39"), respectively. While IFRS 9 was effective for annual periods beginning on or after January 1, 2018, IFRS 4 allows a temporary exemption to delay the implementation of IFRS 9 until IFRS 17 is applied.

IFRS 17 will be applied retrospectively as at January 1, 2022 to each group of insurance contracts, as a result comparative information will be restated. If full retrospective application is impracticable, the modified retrospective approach or the fair value approach could be applied. The Company will apply the modified retrospective approach for past business combinations, except for the most recent acquisition of RSA on June 1, 2021. The Company will recognize any IFRS 9 measurement differences by adjusting its Consolidated balance sheet on January 1, 2023, as a result comparative information will not be restated.

Financial impact
IFRS 17
Upon transition to IFRS 17 on January 1, 2022, the Company's Equity attributable to shareholders will be positively impacted by approximately $420 million (after-tax) mainly due to the deferral of additional indirect costs which were previously expensed as incurred.

The impact on the measurement of Claims liabilities will be limited due to the short tail nature of the Company's business and the current accounting practices of risk margin and discounting which are fairly aligned with IFRS 17. IFRS 17 will result in presentation reclasses as insurance related assets and liabilities will be presented together on a single line, and reinsurance related assets and liabilities will be presented together on a single line. The following table summarizes the preliminary impact of IFRS 17 on the Company's Consolidated balance sheet on transition.

Table 36.1 – Preliminary impact of IFRS 17 on the Consolidated balance sheet

As at January 1, 2022	IFRS 4	Impact of IFRS 17	IFRS 17
Total assets	66,349	(10,985)	55,364
Total liabilities	(49,566)	11,405	(38,161)
Equity attributable to shareholders	(15,674)	(420)	(16,094)
Equity attributable to non-controlling interests	(1,109)	-	(1,109)

In Canada, where the Company is subject to OSFI's MCT guidelines, the transition to IFRS 17 will have a neutral impact on its regulatory capital position. In other jurisdictions where the Company is regulated, the regulatory capital calculations are independent of IFRS 17. The new standard will not change the Company's overall capital framework and how it manages its capital.

IFRS 9
Upon transition to IFRS 9 on January 1, 2023, the Company's Equity attributable to shareholders will be negatively impacted by approximately $2 million which corresponds to the ECL calculated on its investment portfolio measured at amortized cost.

IFRS 9 will also result in reclassifications from AOCI to retained earnings as follows:

- Certain equity instruments currently classified as AFS will be classified as FVTPL which will result in increased volatility in Net income subsequently;
- The FVTPL designation of some fixed income instruments will change on transition date; and
- The ECL calculated on instruments at fair value currently in OCI will be recycled to the Net income.

As at January 1, 2023, the Company will reclassify approximately $385 million (after-tax) of net unrealized losses from AOCI to Retained earnings.

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

The table below summarizes the preliminary classification and measurement impacts of IFRS 9 on the Company's investments on transition:

Table 36.2 – Preliminary impact of the adoption of IFRS 9 on the classification and measurement of investments

	Measurement category		Carrying amount		
As at January 1, 2023,	**IAS 39**	**IFRS 9**	**IAS 39**	**Impact of IFRS 9**	**IFRS 9**
Cash and cash equivalent	Amortized cost	Amortized cost	1,010	-	**1,010**
Debt securities	AFS	FVTOCI	18,256	(5,461)	**12,795**
	FVTPL	FVTPL[1]	8,839	5,461	**14,300**
Preferred shares	AFS	FVTPL	1,421	(1,024)	**397**
	AFS	FVTOCI[2]	-	1,024	**1,024**
Common shares	AFS	n/a	3,159	(3,159)	**-**
	FVTPL	FVTPL	1,439	3,159	**4,598**
Loans	Amortized cost	Amortized cost[3]	1,001	(2)	**999**
			35,125	(2)	**35,123**

[1] Includes $1,880 million of debt securities that will be classified at FVTPL as they will not pass the SPPI test.
[2] On transition to IFRS 9, the Company will make an irrevocable election to designate these preferred shares at FVTOCI with fair value changes presented directly and permanently in OCI.
[3] The IFRS 9 carrying amount includes an ECL impact of $2 million.

There will be no significant impact on the Company's other financial assets and liabilities on transition to IFRS 9. In addition, Investment property is in the scope of IAS 40 – *Investment property* and therefore is not in the scope of IFRS 9.

a) Insurance contracts

The following summarizes the Company's main accounting policies under IFRS 17 compared to IFRS 4:

Topic	Description	Impact
Scope and separating components	Similar to IFRS 4, under IFRS 17 the Company will evaluate if contracts are in scope of the insurance contract standard and will separate its components if necessary. Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. The Company issues insurance contracts in the normal course of business (direct business). The Company also holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Company.	The Company will continue to assess its insurance and reinsurance contracts to determine whether they contain components which must be accounted for under an IFRS other than the insurance contract standard. The Company's insurance policies do not include any components that require separation.
Level of aggregation of insurance contracts	IFRS 17 introduces a new concept of aggregating insurance and reinsurance contracts into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. The Company divides its direct and ceded business into portfolios. Management uses judgement in considering the main geographic areas, lines of businesses, distribution channels and legal entities in which it operates as the relevant drivers for establishing its various portfolios. Portfolios are then divided into groups of contracts based on expected profitability. Groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts. This is the level at which the Company will apply the requirements of IFRS 17.	Portfolios of insurance contracts issued that are assets and those that are liabilities and portfolios of reinsurance contracts held that are assets and those that are liabilities will be presented separately in the Consolidated balance sheets, resulting in presentation changes when compared to IFRS 4 as described below in the Presentation and disclosures section.

Topic	Description	Impact
Measurement models	IFRS 17 introduces a new concept of GMM for the recognition and measurement of insurance contracts. Entities also have the option to use a simplified measurement model (the PAA), for contracts that have a coverage period of one year or less or if the resulting LRC, which represents insurance coverage to be provided after the reporting period, is not expected to materially differ from the LRC measured using the GMM. The accounting under the PAA is similar to current approach under IFRS 4. The GMM is required for a limited number of contracts including acquired claims from the RSA acquisition as described below and retroactive reinsurance contracts the Company holds to cover adverse development of existing claims. The GMM requires measuring insurance and reinsurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance and reinsurance contracts. Under this model the LRC is the sum of discounted future cash flows, risk adjustment and CSM representing the unearned profit the Company will recognize as it provides service under the insurance contracts in the group.	The Company does not have any significant contracts with coverage periods that are greater than one year and has developed a methodology for determining whether those contracts are eligible to apply the PAA. Based on its models the PAA will be applicable to all the insurance and reinsurance contracts except in limited circumstances where the GMM is required as described below.
Onerous contracts	IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. Under the PAA, the Company assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Company has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information on planning information, forecast information and historic experience. The Company has developed models for measuring potential onerous contract losses. For onerous contracts, a loss component determined based on estimated fulfilment cash flows is included in the LRC when insurance contracts are issued with a loss recognized immediately in Net income, resulting in early recognition compared to IFRS 4. The loss component will be reversed to Net income over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.	Onerous contracts will not have a significant impact on transition to IFRS 17 and will have a limited impact on an ongoing basis given the Company's group of contracts are generally expected to be profitable.
Discount rate	IFRS 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risk that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. The LIC and the LRC of contracts measured under the GMM approach will be discounted using this methodology. The Company will elect to not discount the LRC of contracts measured under the PAA approach. Under IFRS 4, claims liabilities are discounted using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.	The changes in discount methodology will not have a significant impact on transition and on an ongoing basis. There is an accounting policy choice under IFRS 17 to record the MYA on LIC in either Net income or OCI. The Company will elect to record the MYA in Net income, in line with how it is currently presented. The change in the LIC from the MYA and the impact of discount unwinding will be recognized in insurance finance income and expenses outside of underwriting performance, whereas under IFRS 4 it is recognized in Net claims incurred.

Topic	Description	Impact
Risk adjustment	The measurement of insurance contract liabilities includes a risk adjustment which will replace the risk margin under IFRS 4. The IFRS 4 risk margin reflects the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk.	Like the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned.
Contracts acquired in a business combination in the scope of IFRS 3	IFRS 17 introduces a new complexity for acquired contracts, to the extent that it is practicable for past acquisitions, insurance and reinsurance contracts acquired in a business combination in the scope of IFRS 3 are treated as if they had been issued by the Company at the date of their acquisition. Consequently, the acquired LIC is reclassified as a LRC in the acquirer's Consolidated balance sheets. At their acquisition date, the Company will identify groups of contracts acquired based on the level of aggregation requirements of IFRS 17 and determine the CSM using the consideration received for the contracts as a proxy for the premiums received and exclude any consideration for other assets and liabilities acquired in the same transaction. If the acquired contracts are onerous, the difference between the consideration received and fulfilment cash flows will be recognised as part of the goodwill or gain on bargain purchase. After the acquisition date, under the GMM the LRC including any CSM will be released into insurance revenue over the service coverage which is the expected claims settlement pattern. As a result, there will be a gross presentation in Net income of insurance service revenue representing the LRC recognized over the claims settlement pattern and expenses representing the settlement of claims. In addition, favourable development of the acquired claims' fulfilment cash flows will be recognized within the CSM, to the extent there was no prior loss component, and the updated CSM will be released into revenue over the expected claims settlements.	The Company used judgment to determine if the retrospective transition approach will be practicable for prior acquisitions. The Company will elect to use the modified retrospective approach for acquisitions prior to RSA, as a result, the acquired LIC for these acquisitions will not be reclassified as a LRC in the Company's Consolidated balance sheets. It will apply the retrospective transition approach to the RSA acquisition only.
Insurance revenue	Under IFRS 17, direct premiums written will no longer be presented in the Consolidated statements of income, instead insurance revenues on direct business will be allocated to the period and will include: • Premium receipts net of cancellations, promotional returns, and sales taxes, similar to IFRS 4; and • Other insurance revenue currently recognized in Other underwriting revenues under IFRS 4. This includes 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.	For contracts measured under the PAA, the allocation will be based on the passage of time, which is usually 12 months, similar to IFRS 4. For contracts measured under the GMM, the allocation will be based on the service coverage provided which is the expected claims settlement pattern for acquired claims.
Insurance service expenses	Insurance service expenses will include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of fixed and variable overhead costs. It will be composed of the following: • Incurred claims and other insurance service expenses, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts; • Amortization of insurance acquisition cash flows (see below); and • Losses and reversal of losses on onerous contracts (see above).	IFRS 17 will result in presentation changes to IFRS 4's Underwriting expenses since expenses will be classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expenses or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses currently classified as Underwriting expenses under IFRS 4 will be presented as other expenses under IFRS 17.

Topic	Description	Impact
	Insurance acquisition cash flows Insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts and are presented in the LRC. These cash flows include direct costs such as commissions and premium taxes and indirect costs such as salaries, rent and technology costs. Under IFRS 17, the PAA provides the option to expense insurance acquisition cash flows as they are incurred. The Company will elect to amortize these costs on a straight-line basis over the coverage period of the related groups.	Insurance acquisition cash flows are similar to IFRS 4's deferred acquisition costs except they also include a portion of indirect costs, as a result, the Company will capitalize additional costs under IFRS 17. The impact on Equity attributable to shareholders on transition is mostly due to the deferral of additional indirect costs. Overall, the impact will not be significant in proportion to Equity and will have limited impact on an ongoing basis.

Presentation and disclosures	IFRS 17 introduces significant changes to the disclosure and presentation of insurance items in the financial statements including:
	• Changes in presentation in the Consolidated balance sheets where the premiums receivable, deferred acquisition costs, claims liabilities, unearned premiums and other related assets and liabilities will be presented together by portfolio on a single line called insurance contract liabilities or assets. Reinsurance assets, reinsurance receivables, deferred acquisition costs ceded, and other related assets and liabilities will be presented together by portfolio on a single line called reinsurance contract assets or liabilities;
	• Changes in presentation in the Consolidated statements of income where direct insurance results will be presented separately from reinsurance results;
	• Underwriting performance will be presented in the Consolidated statements of income under insurance service result which will be composed of:
	    ○ Insurance revenue which includes revenues related to direct business as described above;
	    ○ Insurance service expenses which include expenses related to direct business as described above; and
	    ○ net income (expenses) from reinsurance contracts held which includes revenues and expenses related to ceded business.
	• Insurance service results will be presented without the impact of discount unwinding and MYA which will be shown separately under insurance finance income and expenses; and
	• Extensive disclosures are required on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.	

b) Financial instruments

The following summarizes the Company's main accounting policies under IFRS 9 compared to IAS 39:

Classification and measurement

Business model
Under IFRS 9, the classification of debt instruments is dependent on the business model under which the Company manages its investments as well as their cash flow characteristics.

The Company's primary business model will be held-to-collect and sell because debt securities (except non-rated investments that are not liquid) are held to collect contractual cash flows and sold when required to fund insurance contract liabilities. These financial assets will be classified as FVTOCI with changes in fair value recognized in OCI (when unrealized) or in Net gains (losses) when realized or impaired.

A portion of the debt securities used to back insurance liabilities will also be voluntarily designated as FVTPL to reduce an accounting mismatch caused by fluctuations in fair values of the underlying insurance liabilities due to changes in discount rates. Changes in fair value will be recognized in Net gains (losses). This designation will be done on an individual basis on January 1, 2023 and will be irrevocable.

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

The Company's cash and cash equivalents, non-rated private investments and loans and receivables will fall under the held-to-collect business model where the emphasis is to collect contractual cash flows. These financial assets will be classified as amortized cost.

Common shares and a small portion of the preferred shares will be classified at FVTPL. For the majority of preferred shares, the Company will elect at initial recognition to present fair value changes directly and permanently in OCI.

Solely payments of principal and interest assessment
Financial assets which are held within held-to-collect and sell and held to collect business models are assessed to evaluate if their contractual cash flows are comprised of SPPI. Contractual cash flows generally meet SPPI criteria if such cash flows reflect compensation for basic credit risk and customary returns from a debt instrument which also includes time value for money. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset will be classified and measured at FVTPL.

Impairment model - Expected credit loss

The new impairment model applies only to financial assets classified as amortized cost and debt securities classified as FVTOCI. The ECL model is forward looking, resulting in a loss allowance being recognized earlier as described below rather than on an incurred credit losses basis under IAS 39.

Staging	Debt securities
Stage 1 (12 months ECL)	Credit risk of the financial instrument is low (investment grade), or credit risk has not increased significantly since initial recognition (performing)
Stage 2 (Lifetime ECL)	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired
Stage 3 (Lifetime ECL)	Financial instrument is credit impaired

IFRS 9 provides a simplification where an entity may assume that the criterion for recognizing lifetime ECL is not met if the credit risk on the financial instrument is low ("investment grade") at the reporting date. The Company will use the low credit risk simplification as approximatively 95% of the debt securities portfolio consists of investment-grade financial instruments with a quoted market price.

The ECL model will not have a significant impact, due to the high quality of the Company's investment portfolio.

Hedge accounting

IFRS 9 includes an accounting policy choice to continue applying existing hedge accounting rules under IAS 39 until the Dynamic Risk Management (macro hedging) project is finalized, which the Company will elect to apply.

36.2 Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB amended IAS 1 – *Presentation of Financial Statements* ("IAS 1") and IFRS Practice Statement 2 – *Making Materiality Judgements* to require the Company to disclose its material accounting policy information rather than its significant accounting policies. Further amendments to IAS 1 were made to explain how an entity can identify a material accounting policy. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently assessing the impact of these amendments on its accounting policies disclosure.

36.3 Deferred tax related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued narrow scope amendments to IAS 12, to clarify how companies should account for deferred tax on certain transactions and events that lead to the initial recognition of both an asset and a liability. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences, such as leases and decommissioning obligations.

The amendments will apply prospectively to annual periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently assessing the impact of these amendments but does not expect any significant impact from their adoption.

Glossary

This glossary includes GAAP and non-GAAP financial measures, as well as other insurance-related terms used in our financial reports.

Acquisition, integration and restructuring costs
Acquisition costs – Include professional fees and stamp duties related to the closing of an acquisition. Acquisition costs incurred in connection with an acquired business do not represent an ongoing operating expense of the business.

Integration costs – Include costs related to an acquisition, such as severance, 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. Integration costs incurred in connection with an acquired business do not represent an ongoing operating expense of the business.

Restructuring and other costs – Include non-recurring reorganization costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.

Adjusted average common shareholders' equity[1]
Mean of *Common shareholders' equity* at the beginning and end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders and Preferred shares is determined in accordance with IFRS.

Adjusted debt-to-total capital ratio[1]
Debt outstanding (excluding hybrid debt) at the end of the period, divided by *Adjusted total capital*.

Adjusted earnings per share (AEPS)[1]
Adjusted net income attributable to common shareholders, divided by the *WANSO*.

Adjusted net income attributable to common shareholders[1]
Adjusted net income attributable to shareholders less preferred share dividends.

Adjusted net income attributable to shareholders[1]
Net income attributable to shareholders, as reported under IFRS, adjusted for the after-tax impact of acquisition-related items, such as amortization of intangible assets recognized in business combinations, as well as acquisition and integration costs. Adjusted net income is net of net income (loss) attributable to non-controlling interests.

Adjusted return on equity (AROE)[1]
Adjusted net income attributable to common shareholders for the last 12 months, divided by the *Adjusted average common shareholders' equity* over the same period.

Adjusted total capital[1]
The sum of Debt outstanding, Equity attributable to shareholders, Restricted Tier 1 notes and preferred shares instruments held by subsidiaries, at the same date. The restricted Tier 1 notes and preferred shares instruments held by subsidiaries are included in the equity attributable to non-controlling interests.

Affiliated brokers
Brokers in which we hold an equity investment or provide financing.

Attributable to shareholders
Excludes Non-controlling interests (NCI).

Average investments
Mid-month average fair value of investments portfolio held during the reporting period.

Book value per share
Common shareholders' equity divided by the number of common shares outstanding at the same date.

Book value per share (excluding AOCI)[1]
Common shareholders' equity (excluding AOCI) divided by the number of common shares outstanding at the same date.

Case reserves
The liability established to reflect the estimated cost of unpaid claims that have been reported and claims expenses that the insurer will ultimately be required to pay.

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

CAT loss ratio
Net current year *CAT losses* plus net reinstatement premiums, expressed as a percentage of *Operating NEP* before the impact of reinstatement premiums.

Claims liabilities
Technical accounting provisions comprising case reserves, claims incurred but not reported by policyholders (IBNR) and a risk margin as required by accepted actuarial practice. Claims liabilities are discounted to consider the time value of money, using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.

Claims ratio[1]
Operating net claims expressed as a percentage of *Operating NEP*.

Common shareholders' equity
Equity attributable to shareholders determined in accordance with IFRS, excluding preferred shares at the end of a specific period.

[1] These are non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to similar measures presented by other companies.

Company action levels (CALs)
Thresholds below which regulator notification is required together with a company action plan to restore capital levels. The average CAL for all regulated Canadian insurance entities is 168% MCT. The CAL varies by legal Canadian entities. The CAL is 200% RBC for regulated insurance entities in the U.S. and 120% SCR for those in the UK&I.

Direct premiums written (DPW)
The total amount of premiums for new and renewal policies written during a specific period, as determined in accordance with IFRS.

Distribution income[1]
Includes operating income before interest and taxes from our consolidated brokers, broker associates, managing general agents (MGAs) and other supply chain-related businesses.

Earnings per share (EPS)
Net income attributable to common shareholders divided by the *WANSO*, as reported in the Consolidated statements of income.

Expense ratio[1]
Operating net underwriting expenses, expressed as a percentage of *Operating NEP*.

Frequency (of claims)
Average number of claims reported in a specific period.

Full-time equivalent number of employees
A unit of measurement equivalent to an employee with a full-time workload. If two employees each have a 50% workload, they would represent one full-time equivalent employee.

Funding ratio
Pension plan assets expressed as a percentage of funded plans' obligations.

Income (loss) from exited lines
Includes the underwiting results and net investment income from exited lines.

Incurred but not reported (IBNR) claims reserve
Reserves for estimated claims that have been incurred but not reported by policyholders, including a reserve for future developments on claims which have been reported.

Industry pools
Canadian operations – When certain automobile owners are unable to obtain insurance via the voluntary insurance market in Canada, they are insured via the Facility Association (FA). In addition, entities can choose to cede certain risks to the FA administered Risk Sharing Pool (RSP). The related risks associated with FA insurance policies and policies ceded to the RSP are aggregated and shared by the entities in the Canadian P&C insurance industry, generally in proportion to market share and volume of business ceded to the RSP.

U.S. operations – As a condition of its license to do business in certain states in the U.S., the Company is required to participate in various mandatory shared market mechanisms commonly referred to as residual or involuntary markets. Each state dictates the type of insurance and the level of coverage that must be provided.

Interest rate hedge ratio
A ratio calculated by the Company as the sum of the dollar duration of the pension asset portfolio divided by the dollar duration of the registered pension plans' obligation. An interest rate hedge ratio below 100% indicates that funded status of the pension plans would increase if government bond yields rise, all else equal.

Large loss
A single claim which is considered significant but that is smaller than the CAT threshold.

Market-based yield
Annualized total pre-tax investment income (before expenses), divided by the weighted-average investments.

Market yield adjustment (MYA)
Claims liabilities are discounted at the estimated market yield of the assets backing these liabilities. The impact of changes in the discount rate used to discount claims liabilities based on the change in the market-based yield of the underlying assets is referred to as MYA. MYA is included in Net claims incurred under IFRS.

Market yield effect (MYE)
Realized and unrealized gains and losses on our FVTPL bonds are expected to offset *MYA*, which are both reflected in *Non-operating results*. The net result of these two items is referred to as the Market Yield Effect.

Minimum capital test (MCT)
Ratio of total capital available to total capital required, as defined by the Office of the Superintendent of Financial Institutions (OSFI) and the Autorité des marchés financiers (AMF).

Net current year CAT losses (Net CAT losses)
Current accident year *Catastrophe losses*, net of reinsurance, excluding those from exited lines.

Net earned premiums (NEP)
Net premiums written recognized for accounting purposes as revenue during a specific period, including net reinstatement premiums, as determined in accordance with IFRS.

Net income attributable to common shareholders
Net income attributable to shareholders, as reported under IFRS, less preferred share dividends.

Net operating income (NOI)[1]
Net income attributable to shareholders, as reported under IFRS, excluding the after-tax impact of *Non-operating results*. NOI is presented net of Net income attributable to non-controlling interests.

Net operating income attributable to common shareholders[1]
Net operating income, less preferred share dividends.

Net operating income per share (NOIPS)[1]
Net operating income attributable to common shareholders, divided by the *WANSO*.

[1] These are non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to similar measures presented by other companies.

Non-catastrophe weather event
A group of claims which is considered significant, but that is smaller than the catastrophe threshold, related to a single weather event.

Non-operating pension expense
Difference between the asset return (interest income on plan assets), calculated using the expected return on plan assets versus the IFRS discount rate on Intact's Canadian pension plan assets. The expected return better reflects our operating performance given our internal investment management expertise and the composition of our pension asset portfolio. The non-operating pension expense is included in Net claims incurred and Underwriting expenses under IFRS.

Non-operating results[1]
Include elements that are not representative of our operating performance because they relate to special items, bear significant volatility from one period to another, or because they are not part of our normal activities. These include the Amortization of intangible assets recognized in business combinations, *Acquisition, integration and restructuring costs*, Net gains (losses), *Non-operating pension expense, Market yield adjustment* on underwriting, *Underwriting results from exited lines*, as well as other costs or revenues that are not representative of our operating performance.

Non-weather catastrophe losses
Catastrophe losses mostly related to large commercial losses (including non-weather-related fires), surety and liability losses, as well as direct losses related to the COVID-19 crisis.

Normal course issuer bid (NCIB)
A program for the repurchase of the Company's own common shares, for cancellation, through a stock exchange that is subject to the various rules of the relevant stock exchange and securities commission.

Operating combined ratio[1]
The sum of the *Claims ratio* and the *Expense ratio*. An operating combined ratio below 100% indicates a profitable underwriting result. An operating combined ratio over 100% indicates an unprofitable underwriting result.

Operating direct premiums written (Operating DPW)[1]
Direct premiums written normalized for the effect of multi-year policies, excluding the impact of industry pools, fronting and exited lines. This measure matches operating direct premiums written to the year in which coverage is provided, whereas under IFRS, the full value of multi-year policies is recognized in the year the policy is written.

Operating DPW growth in constant currency[1]
Operating DPW growth, excluding 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.

Operating income tax expense (benefit)[1]
Includes the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS.

Operating net claims[1]
Claims incurred, net of reinsurance (as determined in accordance with IFRS), excluding the *Impact of MYA on underwriting results*, adjustment for *Non-operating pension expense* and net claims from exited lines.

Operating net earned premiums (Operating NEP)[1]
NEP, excluding net earned premiums from exited lines.

Operating net investment income[1]
Investment income less Investment expenses, as reported under IFRS, excluding the impact of exited lines.

Operating net premiums written (Operating NPW)[1]
Net premiums written normalized for the effect of multi-year policies, excluding NPW from exited lines.

Operating net underwriting expenses[1]
Underwriting expenses, net of reinsurance and other underwriting revenues, including commissions, premium taxes and general expenses related to underwriting activities but excluding the adjustment for non-operating pension expense and underwriting expenses from exited lines.

Operating return on equity (OROE)[1]
Net operating income attributable to common shareholders for the last 12 months, divided by the *Adjusted average common shareholders' equity* (excluding accumulated other comprehensive income) over the same period.

Other operating income (expense)[1]
Includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments and other operating items.

Policies in force
The number of insurance policies in effect at a specific date. If two or more separate risks are covered under the same insurance policy, this counts as one policy in force.

Pre-tax income[1]
Income before income taxes, as reported under IFRS, excluding income taxes from our broker associates, which are accounted for using the equity method under IFRS. In the MD&A, income taxes from our broker associates are included in *Total income tax expense (benefit)*. In the Financial statements, the share of profit (loss) from investments in associates and joint ventures is presented net of taxes.

Pre-tax operating income (PTOI)[1]
Represents Income before income taxes, as reported under IFRS, 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. Comprises the following items: *Underwriting income, Operating net investment income, Distribution income, Total finance costs and Other operating income (expense).*

[1] These are non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to similar measures presented by other companies.

Prior year claims development (PYD)[1]
Change in total prior year claims liabilities during a specific 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.

PYD ratio[1]
PYD, expressed as a percentage of *Operating NEP*.

Regulatory capital ratios
Minimum capital test (as defined by the Office of the Superintendent of Financial Institutions and the Autorité des marchés financiers in Canada), Risk-based capital requirements (as defined by the National Association of Insurance Commissioners in the U.S.), and Solvency capital requirement (as defined by the Prudential Regulation Authority in the U.K.).

Reinstatement premium
Premium payable to restore the original reinsurance policy limit as a result of a reinsurance loss payment under a catastrophe coverage. Reinstatement premiums are reported in Net earned premiums under IFRS.

Reinsurer
An insurance company that agrees to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance or reinsurance risks underwritten by the ceding company, under one or more policies.

Return on equity[1] **(ROE)**
Net income attributable to common shareholders for the last 12 months, divided by the *Adjusted average common shareholders' equity* over the same period.

Risk-based Capital (RBC)
Risk-based capital, as defined by the National Association of Insurance Commissioners (NAIC) in the U.S.

Severity (of claims)
Average cost of a claim calculated by dividing the total cost of claims by the total number of claims.

Solvency Capital Requirement ratio (SCR)
Ratio of Eligible Own Funds to Solvency Capital Requirement as defined under Solvency II and regulated by the Prudential Regulation Authority in the U.K.

Structured settlements
Periodic payments to claimants for a determined number of years or until death, typically in settlement for a claim under a liability policy, usually funded through the purchase of an annuity.

Total capital margin
Total capital margin includes capital in excess of the internal CALs for insurance entities in Canadian, U.S., U.K. and other internationally regulated jurisdictions and the funds held in non-regulated entities less any ancillary own funds committed by the Company.

Total finance costs[1]
Finance costs, as reported under IFRS, adjusted to include finance costs from our broker associates, which are accounted for using the equity method under IFRS (included in Share of profit from investments in associates and joint ventures under IFRS).

Total income tax benefit (expense)[1]
Income tax benefit (expense), as reported under IFRS, adjusted to include income taxes from our broker associates, which are accounted for using the equity method under IFRS.

Underlying current year loss ratio[1]
Operating net claims, excluding *Current year CAT losses* and *Prior year claims development*, expressed as a percentage of *Operating NEP* before reinstatement premiums.

Underwriting income[1]
Operating NEP less *Operating net claims* and *Operating net underwriting expenses* for a specific period. Underwriting income (loss) represents Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses, all of which are reported under IFRS, excluding the impact of MYA on underwriting results, non-operating pension expense and underwriting results from exited lines.

Underwriting results from exited lines
Included the underwriting results of the U.S. Commercial's Business Programs, Architects and Engineers (effective in Q4-2017), the Healthcare business (effective July 1, 2019), Public Entities (effective in Q1-2022), B.C. auto exit (effective in Q4-2020), CNS operations (wind-down since Q3-2021), legacy exits of the UK&I portfolio, as well as the operating results of the Middle East (sold in 2022).

WANSO
Weighted-average number of common shares outstanding on a daily basis during a specific period.

Written insured risks
The number of vehicles in personal automobile insurance and the number of premises in personal property insurance written for a specific period.

[1] These are non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to similar measures presented by other companies.

Five-Year Financial History

This table contains non-GAAP and other financial measures. Refer to Section 36 – Non-GAAP and other financial measures of the MD&A for the year ended December 31, 2022 for further details.

	2022	2021	2020	2019	2018	3-year average	5-year average	10-year average
Consolidated performance								
Operating direct premiums written[1]	**21,053**	17,283	12,039	11,049	10,090	**16,792**	**14,303**	**11,119**
Direct premiums written	**22,655**	17,994	12,143	11,019	10,125	**17,597**	**14,787**	**11,341**
Operating net earned premiums[1]	**19,384**	16,043	11,220	10,211	9,715	**15,549**	**13,315**	**10,481**
Net earned premiums	**19,792**	16,238	11,241	10,275	9,765	**15,757**	**13,462**	**10,540**
Underwriting income (loss)[1]	**1,626**	1,787	1,227	465	474	**1,547**	**1,116**	**773**
Operating net investment income[1]	**927**	706	577	576	541	**737**	**665**	**550**
Distribution income[1]	**437**	362	275	209	175	**358**	**292**	**205**
Net operating income[1]	**2,146**	2,070	1,471	905	839	**1,896**	**1,486**	**1,099**
Non-operating results[1]	**311**	(70)	(535)	(257)	(147)	**(98)**	**(140)**	**(120)**
Effective income tax rate[1]	**18.7%**	19.6%	21.7%	11.3%	21.4%	**20.0%**	**18.5%**	**18.0%**
Net income	**2,420**	2,088	1,082	754	707	**1,863**	**1,410**	**1,030**
Operating combined ratio[1]	**91.6%**	88.8%	89.1%	95.4%	95.1%	**89.8%**	**92.0%**	**93.2%**
Per share measures ($)								
Net operating income per share[1]	**11.88**	12.41	9.92	6.16	5.74	**11.40**	**9.22**	**7.23**
Earnings per share	**13.46**	12.40	7.20	5.08	4.79	**11.02**	**8.59**	**6.67**
Book value per share	**80.33**	82.34	58.79	53.97	48.73	**73.82**	**64.83**	**52.64**
Dividend per common share	**4.00**	3.40	3.32	3.04	2.80	**3.57**	**3.31**	**2.72**
Return on equity								
Operating return on equity[1]	**14.3%**	17.8%	18.4%	12.5%	12.1%	**16.8%**	**15.0%**	**14.4%**
Adjusted return on equity[1]	**19.5%**	21.0%	15.0%	11.4%	11.8%	**18.5%**	**15.7%**	**14.4%**
Return on equity[1]	**16.5%**	17.0%	12.8%	10.0%	9.9%	**15.4%**	**13.2%**	**12.7%**

[1] These are non-GAAP and other financial measures. See glossary on page 242 for definitions.

	2022	2021	2020	2019	2018	3-year average	5-year average	10-year average
Underwriting performance								
P&C Canada								
Operating direct premiums written[1]	**14,037**	12,023	10,216	9,399	8,601	**12,092**	**10,855**	**9,364**
Operating net earned premiums[1]	**13,369**	11,450	9,633	8,775	8,332	**11,484**	**10,312**	**8,947**
Operating combined ratio[1]	**90.5%**	86.7%	88.0%	95.9%	95.2%	**88.4%**	**91.3%**	**92.8%**
Personal auto								
Operating direct premiums written[1]	**5,514**	4,843	4,322	4,067	3,750	**4,893**	**4,499**	**4,045**
Operating net earned premiums[1]	**5,502**	4,825	4,187	3,818	3,727	**4,838**	**4,412**	**3,979**
Operating combined ratio[1]	**92.9%**	86.9%	86.6%	97.7%	99.5%	**88.8%**	**92.7%**	**94.8%**
Personal property								
Operating direct premiums written[1]	**3,632**	3,104	2,586	2,337	2,186	**3,107**	**2,769**	**2,322**
Operating net earned premiums[1]	**3,428**	2,924	2,444	2,184	2,098	**2,932**	**2,616**	**2,187**
Operating combined ratio[1]	**90.1%**	83.8%	81.7%	92.5%	88.3%	**85.2%**	**87.3%**	**89.6%**
Commercial lines – Canada								
Operating direct premiums written[1]	**4,891**	4,076	3,308	2,995	2,665	**4,092**	**3,587**	**2,996**
Operating net earned premiums[1]	**4,439**	3,701	3,002	2,773	2,507	**3,714**	**3,284**	**2,781**
Operating combined ratio[1]	**87.9%**	88.6%	95.1%	96.0%	94.6%	**90.5%**	**92.4%**	**92.4%**
P&C UK&I (in Canadian dollars)[2]								
Operating direct premiums written[1]	**4,671**	2,538	–	–	–	**n/a**	**n/a**	**n/a**
Operating net earned premiums[1]	**4,127**	2,319	–	–	–	**n/a**	**n/a**	**n/a**
Operating combined ratio[1]	**97.0%**	93.4%	–	–	–	**n/a**	**n/a**	**n/a**
Personal lines (in Canadian dollars)[2]								
Operating direct premiums written[1]	**1,779**	1,099	–	–	–	**n/a**	**n/a**	**n/a**
Operating net earned premiums[1]	**1,728**	1,054	–	–	–	**n/a**	**n/a**	**n/a**
Operating combined ratio[1]	**106.2%**	97.0%	–	–	–	**n/a**	**n/a**	**n/a**
Commercial lines (in Canadian dollars)[2]								
Operating direct premiums written[1]	**2,892**	1,439	–	–	–	**n/a**	**n/a**	**n/a**
Operating net earned premiums[1]	**2,399**	1,265	–	–	–	**n/a**	**n/a**	**n/a**
Operating combined ratio[1]	**90.4%**	90.5%	–	–	–	**n/a**	**n/a**	**n/a**
Commercial lines – U.S. (in Canadian dollars)								
Operating direct premiums written[1]	**2,345**	1,988	1,823	1,650	1,489	**2,052**	**1,859**	**n/a**
Operating net earned premiums[1]	**1,871**	1,652	1,582	1,431	1,380	**1,702**	**1,583**	**n/a**
Operating combined ratio[1]	**88.2%**	92.9%	94.9%	93.2%	94.8%	**92.0%**	**92.8%**	**n/a**
Corporate & Other (RSA June 2021)								
Operating direct premiums written[1]	**–**	734	–	–	–	**n/a**	**n/a**	**n/a**
Operating net earned premiums[1]	**–**	608	–	–	–	**n/a**	**n/a**	**n/a**
Operating combined ratio[1]	**–**	90.7%	–	–	–	**n/a**	**n/a**	**n/a**
Financial condition								
Total assets	**64,959**	66,349	35,119	32,292	28,461	**55,476**	**45,436**	**33,955**
Total capital margin	**2,379**	2,891	2,729	1,222	1,333	**2,666**	**2,111**	**1,452**
Adjusted debt-to-total capital ratio[1]	**21.2%**	23.0%	24.1%	21.3%	22.0%	**22.8%**	**22.3%**	**20.6%**

1 These are non-GAAP and other financial measures. See glossary on page 242 for definitions.
2 2021 only includes Q3 & Q4 results.

Three-Year Quarterly Financial History

This table contains non-GAAP and other financial measures. Refer to Section 36 – Non-GAAP and other financial measures of the MD&A for the year ended December 31, 2022 for further details.

	2022				2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Consolidated performance												
Operating direct premiums written[1]	**5,125**	**5,443**	**5,807**	**4,678**	5,017	5,447	4,297	2,522	2,872	3,264	3,382	2,521
Direct premiums written	**5,528**	**5,796**	**6,238**	**5,093**	5,318	5,719	4,414	2,543	2,928	3,269	3,389	2,557
Operating net earned premiums[1]	**5,004**	**4,880**	**4,758**	**4,742**	4,931	4,871	3,482	2,759	2,879	2,863	2,712	2,766
Net earned premiums	**5,054**	**4,945**	**4,902**	**4,891**	5,003	4,950	3,508	2,777	2,899	2,864	2,712	2,766
Underwriting income (loss)[1]	**427**	**362**	**441**	**396**	600	426	464	297	415	369	284	159
Operating net investment income[1]	**279**	**232**	**211**	**205**	220	191	154	141	143	143	141	150
Distribution income[1]	**93**	**111**	**141**	**92**	77	105	118	62	72	81	78	44
Net operating income[1]	**601**	**488**	**569**	**488**	679	519	515	357	467	411	350	243
Non-operating gains (losses)[1]	**(236)**	**(150)**	**697**	**–**	17	(265)	6	172	(125)	(114)	(130)	(166)
Effective income tax rate[1]	**12.9%**	**20.4%**	**16.2%**	**27.9%**	20.1%	24.8%	17.0%	18.9%	20.4%	22.9%	19.1%	27.9%
Net income	**419**	**370**	**1,184**	**447**	701	300	573	514	378	334	263	107
Operating combined ratio[1]	**91.5%**	**92.6%**	**90.7%**	**91.7%**	87.8%	91.3%	86.7%	89.3%	85.6%	87.1%	89.5%	94.3%
Per share measures ($)												
Net operating income per share[1]	**3.34**	**2.70**	**3.14**	**2.70**	3.78	2.87	3.26	2.40	3.18	2.78	2.35	1.61
Earnings per share	**2.26**	**2.02**	**6.64**	**2.53**	3.85	1.60	3.59	3.51	2.55	2.25	1.74	0.66
Book value per share	**80.33**	**78.90**	**80.86**	**82.20**	82.34	79.21	77.67	62.19	58.79	56.22	53.95	51.71
Dividend per common share	**1.00**	**1.00**	**1.00**	**1.00**	0.91	0.83	0.83	0.83	0.83	0.83	0.83	0.83
Return on equity												
Operating return on equity[1]	**14.3%**	**15.0%**	**15.4%**	**16.6%**	17.8%	18.3%	19.8%	19.0%	18.4%	16.9%	15.6%	14.0%
Adjusted return on equity[1]	**19.5%**	**22.5%**	**21.9%**	**18.8%**	21.0%	20.2%	22.9%	20.1%	15.0%	13.4%	12.0%	11.0%
Return on equity[1]	**16.5%**	**19.1%**	**18.5%**	**14.9%**	17.0%	16.5%	19.6%	17.6%	12.8%	11.5%	10.1%	9.2%

[1] These are non-GAAP and other financial measures. See glossary on page 242 for definitions.

	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Underwriting performance												
P&C Canada												
Operating direct premiums written[1]	**3,417**	**3,664**	**4,047**	**2,909**	3,283	3,564	3,051	2,125	2,471	2,724	2,896	2,125
Operating net earned premiums[1]	**3,403**	**3,401**	**3,312**	**3,253**	3,296	3,280	2,492	2,382	2,446	2,479	2,330	2,378
Operating combined ratio[1]	**88.7%**	**92.7%**	**90.6%**	**90.1%**	84.4%	89.2%	85.0%	88.2%	84.0%	86.0%	89.0%	93.3%
Personal auto												
Operating direct premiums written[1]	**1,255**	**1,536**	**1,608**	**1,115**	1,234	1,544	1,251	814	984	1,214	1,242	882
Operating net earned premiums[1]	**1,387**	**1,404**	**1,367**	**1,344**	1,390	1,404	1,048	983	1,087	1,081	990	1,029
Operating combined ratio[1]	**95.8%**	**93.0%**	**89.8%**	**93.0%**	87.5%	85.1%	82.4%	93.4%	82.6%	84.9%	84.7%	94.6%
Personal property												
Operating direct premiums written[1]	**874**	**1,034**	**1,008**	**716**	831	965	790	518	623	719	753	491
Operating net earned premiums[1]	**872**	**867**	**851**	**838**	838	828	637	621	630	620	601	593
Operating combined ratio[1]	**76.9%**	**98.4%**	**97.6%**	**87.6%**	79.5%	93.5%	83.3%	77.4%	73.2%	83.7%	88.6%	81.8%
Commercial lines – Canada												
Operating direct premiums written[1]	**1,288**	**1,094**	**1,431**	**1,078**	1,218	1,055	1,010	793	864	791	901	752
Operating net earned premiums[1]	**1,144**	**1,130**	**1,094**	**1,071**	1,068	1,048	807	778	729	778	739	756
Operating combined ratio[1]	**89.0%**	**87.9%**	**86.0%**	**88.5%**	84.3%	91.2%	89.6%	90.1%	95.3%	89.4%	95.1%	100.7%
P&C UK&I (in Canadian dollars)												
Operating direct premiums written[1]	**1,144**	**1,071**	**1,157**	**1,299**	1,274	1,264	–	–	–	–	–	–
Operating net earned premiums[1]	**1,048**	**1,000**	**1,017**	**1,062**	1,145	1,174	–	–	–	–	–	–
Operating combined ratio[1]	**104.0%**	**93.5%**	**91.3%**	**98.9%**	93.0%	93.9%	–	–	–	–	–	–
Personal lines (in Canadian dollars)												
Operating direct premiums written[1]	**426**	**450**	**424**	**479**	517	582	–	–	–	–	–	–
Operating net earned premiums[1]	**420**	**416**	**431**	**461**	516	538	–	–	–	–	–	–
Operating combined ratio[1]	**120.8%**	**105.5%**	**88.3%**	**110.4%**	96.1%	97.9%	–	–	–	–	–	–
Commercial lines (in Canadian dollars)												
Operating direct premiums written[1]	**718**	**621**	**733**	**820**	757	682	–	–	–	–	–	–
Operating net earned premiums[1]	**628**	**584**	**586**	**601**	629	636	–	–	–	–	–	–
Operating combined ratio[1]	**92.8%**	**85.0%**	**93.6%**	**90.0%**	90.4%	90.5%	–	–	–	–	–	–
Commercial lines – U.S. (in Canadian dollars)												
Operating direct premiums written[1]	**564**	**708**	**603**	**470**	460	619	512	397	401	540	486	396
Operating net earned premiums[1]	**551**	**475**	**424**	**421**	485	415	379	373	432	383	381	386
Operating combined ratio[1]	**85.1%**	**90.5%**	**91.1%**	**86.8%**	92.5%	92.8%	90.3%	96.3%	92.0%	94.5%	93.2%	100.1%
Corporate & Other (RSA June 2021)												
Operating direct premiums written[1]	**–**	**–**	**–**	**–**	–	–	734	–	–	–	–	–
Operating net earned premiums[1]	**–**	**–**	**–**	**–**	–	–	608	–	–	–	–	–
Operating combined ratio[1]	**–**	**–**	**–**	**–**	–	–	90.7%	–	–	–	–	–
Financial condition												
Total assets	**64,959**	**64,459**	**63,922**	**65,354**	66,349	66,173	65,491	35,264	35,119	34,110	33,184	32,229
Total capital margin	**2,379**	**2,490**	**2,479**	**2,567**	2,891	2,693	2,558	3,008	2,729	1,871	1,707	1,485
Adjusted debt-to-total capital ratio[1]	**21.2%**	**22.5%**	**20.3%**	**23.9%**	23.0%	23.9%	24.1%	22.5%	24.1%	21.2%	22.1%	24.1%

[1] These are non-GAAP and other financial measures. See glossary on page 242 for definitions.

Forward-Looking Statements

Certain of the statements made in this annual report are forward-looking statements. Unless otherwise indicated, all forward-looking statements in this annual report are made as at March 31, 2023, and are subject to change after that date. This annual report contains forward-looking statements with respect to objectives regarding return on equity, net operating income per share, combined ratio, underwriting performance, achievement of net-zero greenhouse gas emissions, our market position in the areas in which we operate, our specialty solutions business, the realization of the expected strategic, financial and other benefits of the acquisition and integration of RSA Insurance Group Ltd. ("RSA"), and with respect to the impact of COVID-19 and related economic conditions on the Company's operations and financial performance.

Forward-looking statements are based on estimates and assumptions made by Management based on Management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Management believes are appropriate in the circumstances. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, economic and political environments and industry conditions. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against unduly relying on any of these forward-looking statements. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this annual report, whether as a result of new information, future events or otherwise. Please read the cautionary note at the beginning of the annual MD&A herein.

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 Annual Report include measures related to our consolidated performance, our underwriting performance and our financial strength. Please see Section 36 – Non-GAAP and other financial measures of our annual MD&A for further details.

Disclaimer:

Shareholder and Corporate Information

Credit rating

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

DBRS has assigned a rating of "Pfd-2" with a Positive trend for the Non-cumulative Rate Reset Class A Series 1 preferred shares, Non-cumulative Rate Reset Class A Series 3 preferred shares, Non-cumulative Class A Series 5 preferred shares, Non-cumulative Class A Series 6 preferred shares, Non-cumulative Class A Series 7 preferred shares, Non-cumulative Class A Shares Series 9 and Non-Cumulative Class A Series 11 (the "Series 1 Preferred Shares", "Series 3 Preferred Shares", "Series 5 Preferred Shares", "Series 6 Preferred Shares", "Series 7 Preferred Shares", "Series 9 Preferred Shares" and "Series 11 Preferred Shares", respectively) issued on July 12, 2011, August 18, 2011, May 24, 2017, August 18, 2017, May 29, 2018, February 18, 2020 and March 15, 2022, respectively. Fitch Ratings has assigned a rating of "BBB" with a Stable outlook to the Series 1 Preferred Shares, Series 3 Preferred Shares, Series 5 Preferred Shares, Series 6 Preferred Shares, Series 7 Preferred Shares, Series 9 Preferred Shares and Series 11 Preferred Shares.

Toronto Stock Exchange (TSX) listings
Common Shares Ticker Symbol: IFC
Series 1 Preferred Shares Ticker Symbol: IFC.PR.A
Series 3 Preferred Shares Ticker Symbol: IFC.PR.C
Series 5 Preferred Shares Ticker Symbol: IFC.PR.E
Series 6 Preferred Shares Ticker Symbol: IFC.PR.F
Series 7 Preferred Shares Ticker Symbol: IFC.PR.G
Series 9 Preferred Shares Ticker Symbol: IFC.PR.I
Series 11 Preferred Shares Ticker Symbol: IFC.PR.K

Annual and special meeting of the shareholders
Date: Thursday, May 11, 2023
Time: 1:00 p.m. (Eastern Time)
Place: Virtual-only meeting via live audio webcast. The webcast will be available at **https://web.lumiagm.com/497222487**. Detailed information on how to participate in the Meeting is included in our Management Proxy Circular.

Version française
Il existe une version française du présent rapport annuel à la section Investisseurs de notre site Web **www.intactfc.com/French/accueil/default.aspx**. Les personnes intéressées peuvent obtenir une version imprimée en envoyant un courriel à **ir@intact.net**.

Transfer agent and registrar
Computershare Investor Services Inc.
100 University Avenue, 8th Floor, North Tower
Toronto, Ontario M5J 2Y1
1 800 564-6253

Auditors
Ernst & Young LLP

Earnings conference call dates
Q1 – May 11, 2023
Q2 – August 3, 2023
Q3 – November 8, 2023
Q4 – February 14, 2024

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

Media inquiries
David Barrett, Director, Media
1 416 227-7905
media@intact.net

Dividend reinvestment
Shareholders can reinvest their common share dividends of Intact Financial Corporation on a commission-free basis either through their broker under a Dividend Reinvestment Plan (DRIP) administered on behalf of the Company by our transfer agent, Computershare Investor Services Inc., or via the Co-Operative Investing Service operated by Canadian ShareOwner Investments Inc. Full details can be obtained by visiting the "Investors" section of the **www.intactfc.com** website.

Eligible dividend designation
For purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by Intact Financial Corporation to Canadian residents on our common and preferred shares after December 31, 2005 are designated as eligible dividends. Unless stated otherwise, all dividends (and deemed dividends) paid by the Company hereafter are designated as eligible dividends for the purposes of such rules.

Information for shareholders outside of Canada
Dividends paid to residents of countries with which Canada has bilateral tax treaties are generally subject to the 15% Canadian non-resident withholding tax. There is no Canadian tax on gains from the sale of shares (assuming ownership of less than 25%) or debt instruments of the Company owned by non-residents not carrying on business in Canada. No government in Canada levies estate taxes or succession duties.

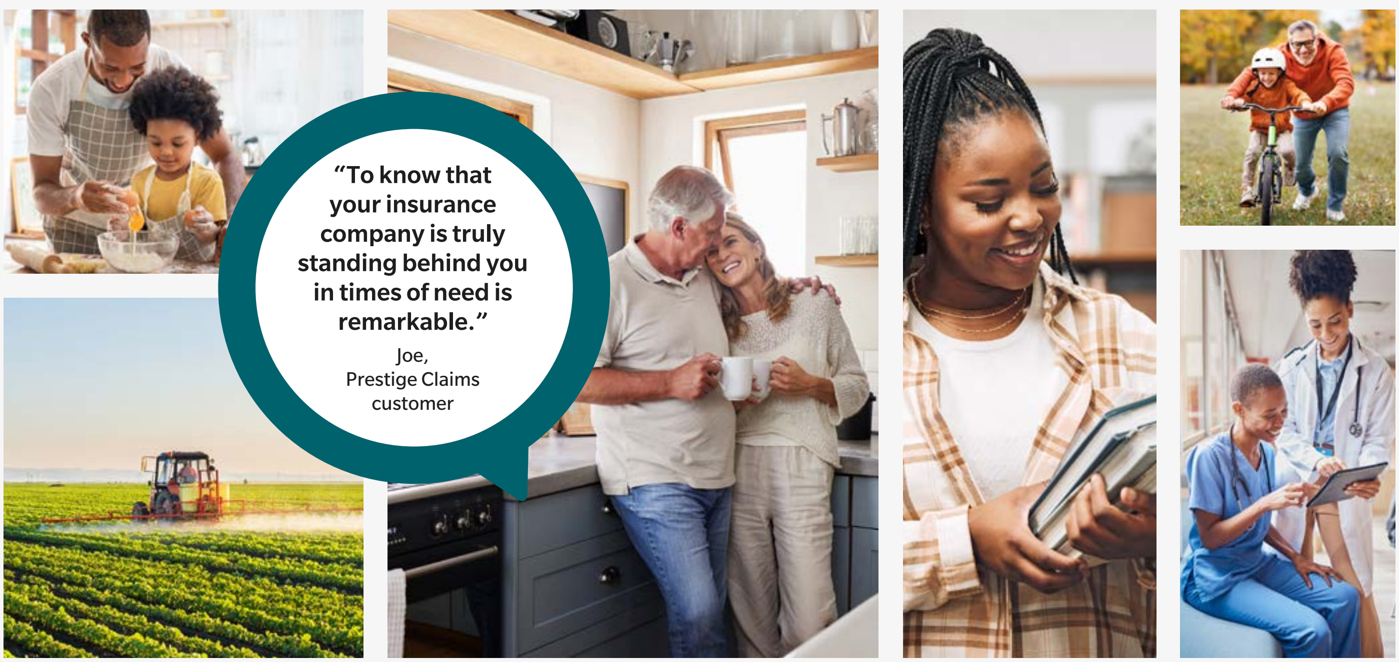
Common share dividend history

Record	Payable	Amount
Dec. 15, 2022	**Dec. 30, 2022**	**$1.00**
Sept. 15, 2022	**Sept. 30, 2022**	**$1.00**
June 15, 2022	**June 30, 2022**	**$1.00**
Mar. 15, 2022	**Mar. 31, 2022**	**$1.00**
Dec. 15, 2021	Dec. 31, 2021	$0.91
Sept. 15, 2021	Sept. 30, 2021	$0.83
June 15, 2021	June 30, 2021	$0.83
Mar. 15, 2021	Mar. 31, 2021	$0.83
Dec. 15, 2020	Dec. 31, 2020	$0.83
Sept. 15, 2020	Sept. 30, 2020	$0.83
June 15, 2020	June 30, 2020	$0.83
Mar. 16, 2020	Mar. 31, 2020	$0.83

Common share prices and volume

	High	Low	Close	TSX Volume
2022 YE	**$209.57**	**$159.89**	**$194.91**	**95,875,296**
2022 Q4	**$209.57**	**$187.60**	**$194.91**	**21,809,080**
2022 Q3	**$205.40**	**$177.74**	**$195.49**	**24,335,540**
2022 Q2	**$189.95**	**$170.82**	**$181.56**	**22,949,676**
2022 Q1	**$190.48**	**$159.89**	**$184.72**	**26,781,000**
2021 YE	$178.28	$140.50	$164.42	67,892,949
2021 Q4	$173.03	$158.00	$164.42	15,581,571
2021 Q3	$178.28	$164.82	$167.48	18,209,154
2021 Q2	$172.24	$154.29	$168.41	17,839,784
2021 Q1	$157.36	$140.50	$154.00	16,262,440
2020 YE	$157.74	$104.81	$150.72	88,078,150
2020 Q4	$157.74	$131.94	$150.72	18,551,508
2020 Q3	$147.81	$128.61	$142.58	16,552,737
2020 Q2	$143.10	$117.54	$129.21	25,805,748
2020 Q1	$157.65	$104.81	$121.63	27,168,157

Insurance is about people, not things.



"I wanted to bring to your attention what can only be described as an absolute gem of a customer service experience. This was the most pleasant, empathetic, and personalized experience I've ever had."

belairdirect customer

"Intact's values are different. From interactions with other employees to dealing with our clients and opposing parties, I am very proud to work for a company that lives these values every day."

Christina C.,
Senior Legal Counsel

See our full suite of reports at intactfc.com

Media Inquiries

David Barrett
Director, Media
+1.416.227.7905
media@intact.net

Investor inquiries

Shubha Khan
Vice President, Investor Relations
+1.416.341.1464 ext. 41004
shubha.khan@intact.net

700 University Ave., Suite 1500
Toronto, Ontario M5G 0A1
ir@intact.net
www.intactfc.com

Make it Intact

LEADING PROVIDER
of P&C insurance in Canada, the UK and Ireland, with a leading Global Specialty Lines platform

Consistently
OUTPERFORMS INDUSTRY
due to disciplined underwriting, scale advantage and in-house claims expertise

TRACK RECORD
of strong capital generation and annual dividend increases

Proven
INDUSTRY CONSOLIDATOR & INTEGRATOR

FINANCIAL STRENGTH
reinforced by prudent risk management

2022 Kincentric
BEST EMPLOYER
in Canada and the US