Intact Financial Corporation

2023 Annual Report

About us

We're motivated by our purpose

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

We're driven by 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

We're guided by our core belief

We are a purpose-driven company based on values and a belief that insurance is about people, not things.

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What we do

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

① Largest provider of P&C insurance in Canada

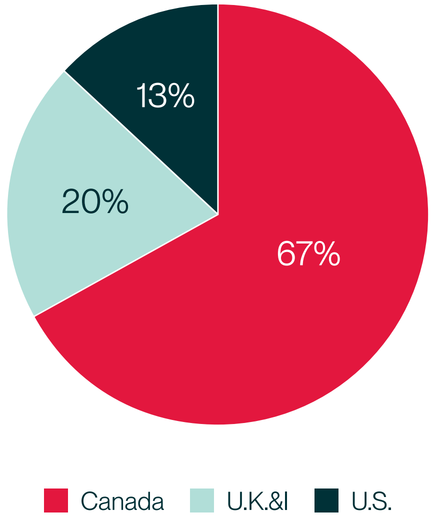
② Leading Global Specialty Lines platform

③ U.K. & Ireland leading commercial lines insurer

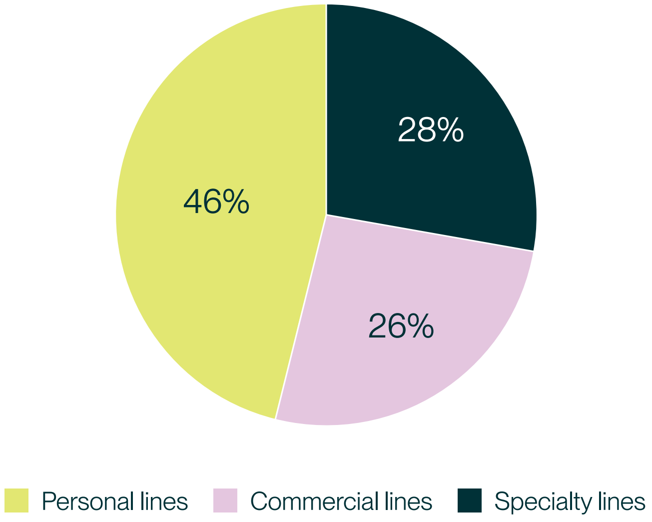
We have a global team of more than **30,000 employees** delivering best-in-class service through over **350 offices**.

Our business has grown organically and through acquisitions to over **$22 billion** of total annual operating Direct Premiums Written.[1]

Our P&C segments[2]



Our lines of business[2]



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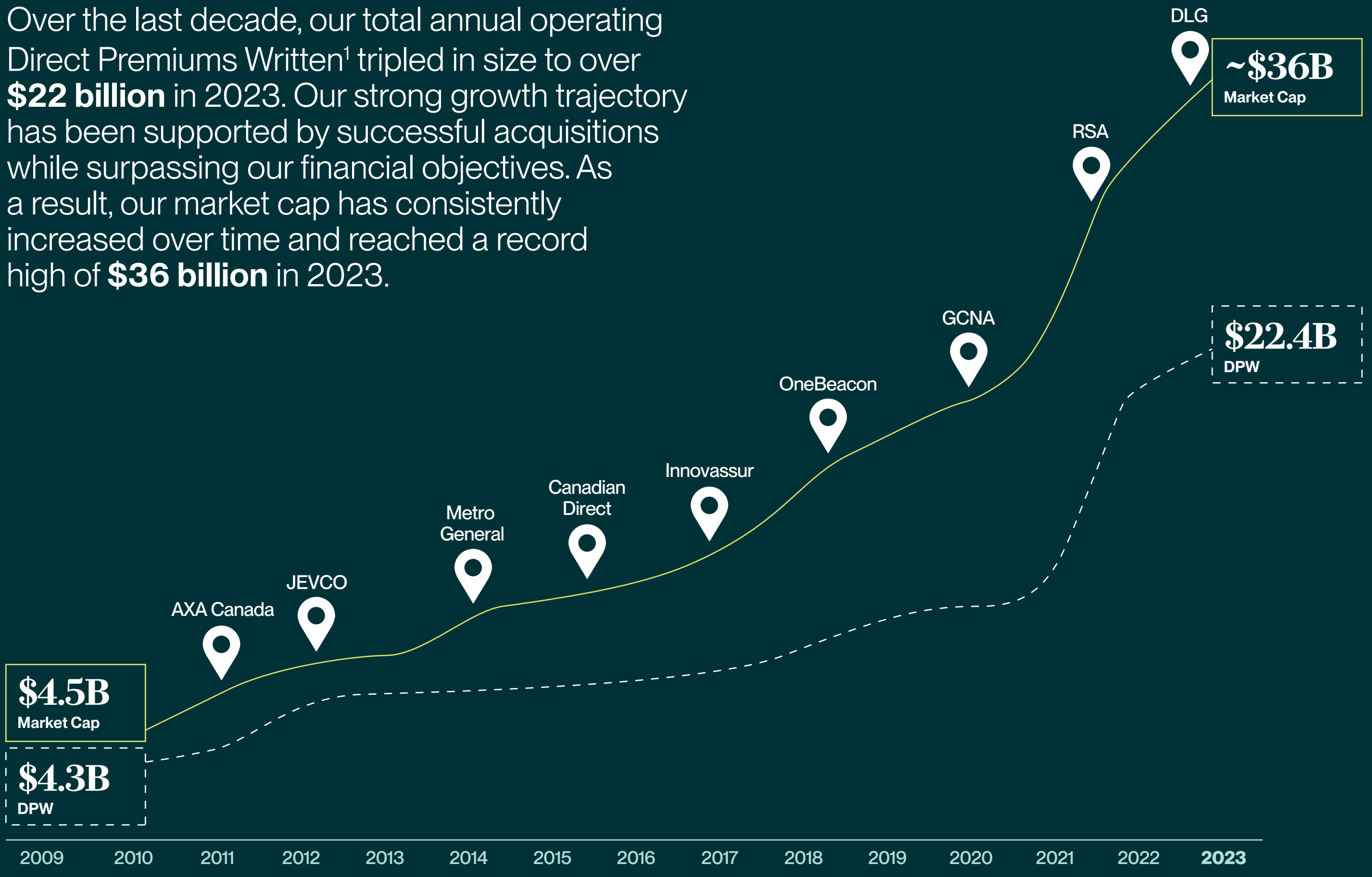
[1] See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

[2] Based on 2023 operating DPW on a continuing pro-forma basis. This reflects the impact of the DLG brokered commercial lines acquisition for a full year and excludes U.K. personal lines DPW, as this is a better indication of our future annual premiums. See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

Over the last decade, our total annual operating Direct Premiums Written[1] tripled in size to over **$22 billion** in 2023. Our strong growth trajectory has been supported by successful acquisitions while surpassing our financial objectives. As a result, our market cap has consistently increased over time and reached a record high of **$36 billion** in 2023.



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[1] See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

What we aim to achieve

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**

2023 strategic highlights

Our customers are our ADVOCATES

71%

of our personal lines customers who had a transaction with us are **our advocates**

82%

of brokers in Canada, the U.S. and the U.K. **value** our specialized expertise

Our people are ENGAGED

2023 Kincentric Best Employer:

- in Canada for the 8th consecutive year
- in the U.S. for the 5th consecutive year

Progression toward Best Employer in U.K.&I: **A six-point improvement this year** on the employee engagement survey

Representing the communities we serve:

40%

of Vice President and higher positions at IFC are held by women

14%

of Vice President and higher positions in Canada and U.S. are held by employees who identify as Black People and People of Colour[1]

Our company is one of the MOST RESPECTED

10-year CAGR

12%

with a Net Operating Income Per Share[2] of $11.70

10-year average Return on Equity[2,3] outperformance of

6.8 points

57%

of stakeholders in Canada believe that Intact is a leader in helping build resilient communities[4]

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[1] Excluding On Side Restoration due to data unavailability.

[2] See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

[3] Intact's ROE corresponds to an adjusted return on equity (AROE), which is more comparable to the industry.

[4] Intact's Resilience Barometer measures our progress on achieving our target of "3 out of 4 stakeholders recognize us as leaders in building resilient communities" through feedback from key stakeholders. More information on "our company is one of the most respected" objective can be found in the annual Social Impact and ESG Report.

Our strategic roadmap

10% **NOIPS growth** annually over time

Expand 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 leading position in U.K. & Ireland

- Leading broker & customer experience
- Expand broker distribution
- Optimize underwriting & claims for outperformance
- Responsive and agile technology and operations
- Low 90s combined ratio

Build a Specialty Lines leader

- Specialized customer value proposition
- Expand distribution
- Profitable & growing mix of verticals
- Consolidate fragmented market
- Sub-90s combined ratio

Transform our competitive advantages & solidify outperformance

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

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

Invest in our community

- Leverage our strengths to win on climate
- Build resilient communities

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

Highlights of our strategic progress

Expand our leadership position in Canada	belairdirect, our direct-to-consumer arm, and BrokerLink, our wholly owned business, strengthened our scale in distribution with over **$6.5 billion** of total annual DPW[1]
Strengthen our leading position in U.K. & Ireland	Optimized our footprint to become **one of the largest** commercial lines writers in the U.K. with the acquisition of Direct Line's brokered Commercial Lines operations
Build a Specialty Lines leader	**Over $6 billion** in DPW[1] generated as we expand our capabilities across our global platform and progress on pricing sophistication
Transform our competitive advantages and solidify outperformance	**93 new AI models** deployed by our Data Lab experts, guided by an outperformance mindset and a strong data and AI governance
Invest in our people	**Almost a quarter** of our employees moved to a new role and progressed their career, enabling our people to grow with us, while deepening the global talent pool
Invest in our community	**$26.4 million** in funding for climate adaptation since 2010, supporting applied research and adaptation actions that help build resilient communities where we operate

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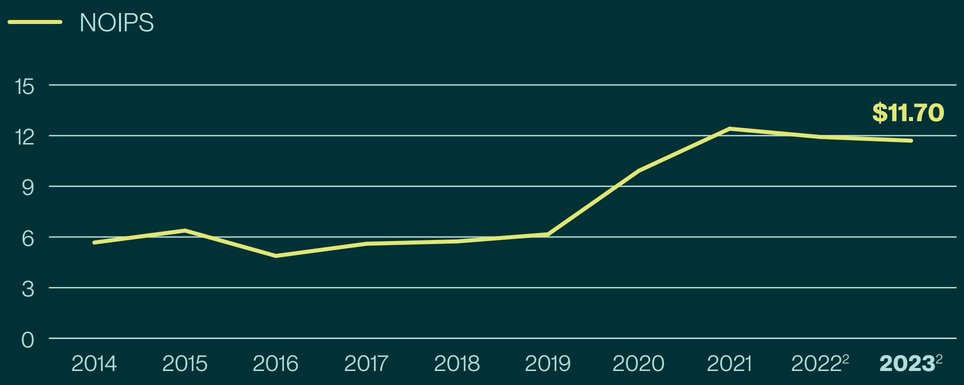
1 See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

Our strong track record of **financial performance**

Net Operating Income Per Share[1] over time

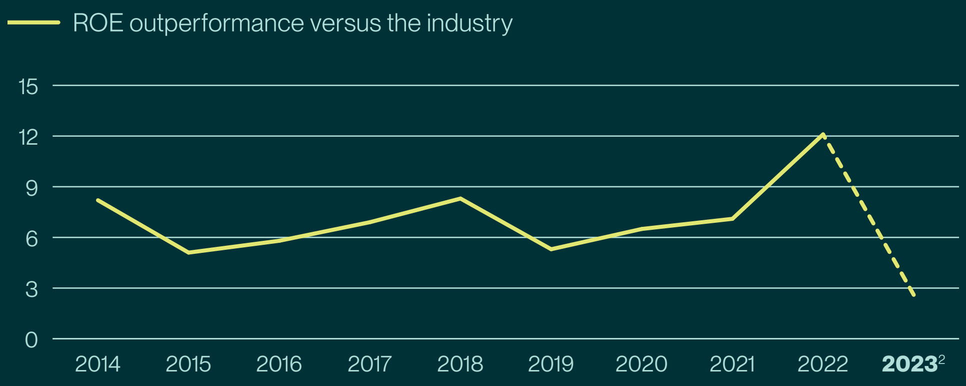


12%

10-year CAGR

This was driven by solid organic growth, healthy underwriting margins, as well as strong investment and distribution results, altogether bolstered by contributions from our numerous acquisitions. We remain confident in our ability to grow NOIPS by 10% annually, over time.

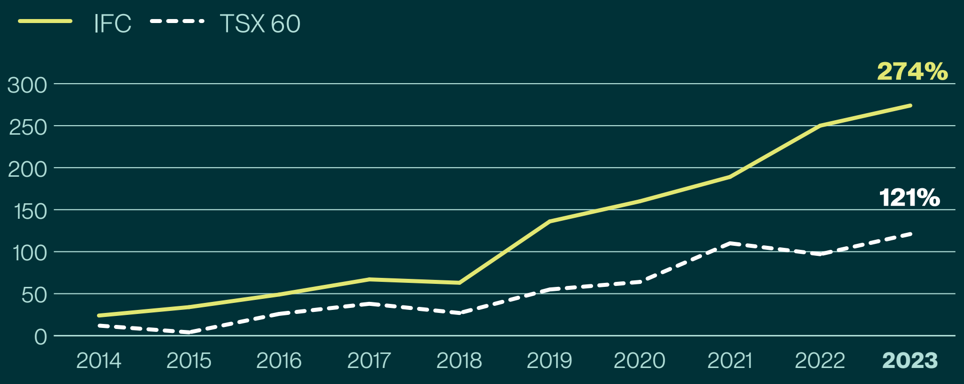
ROE[1,3] outperformance



Average ROE over the past decade of 14.6% exceeding industry ROE by a yearly average of 6.8 points.[4]

Estimated ROE outperformance in 2023 was impacted by our strategic restructuring and derisking activities during the year. We remain confident in our ability to deliver 500 bps of ROE outperformance every year, driven by our underwriting, claims, as well as capital and investment management activities.

Total shareholder return[5]



10-year Annualized Total Shareholder Return

14%	8%
IFC	TSX 60

We had 19 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] See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

[2] IFRS 17 basis.

[3] Intact's ROE corresponds to an adjusted return on equity (AROE), which is more comparable to the industry.

[4] 2023 ROE outperformance is estimated at 260 basis points and includes estimated U.K. industry ROE. Final 2023 outperformance results will be available in Q2-2024.

[5] 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.

2023 financial highlights

Our performance is driven by our sophisticated pricing, disciplined underwriting, in-house claims expertise and strong supply chain network. Despite the unusually challenging operating environment, we reported solid results, a testament to the resilience of our operations as well as our ability to deliver strong profitable growth.

We reported solid operating performance in 2023

Underwriting

$22.4B

Operating DPW[1]

94.2%

Combined Ratio[1,2]

Investment

$1,346M

Operating Net Investment Income[1]

3.94%

Market-based yield

Distribution

$467M

Distribution Income[1]

BrokerLink closed 20 acquisitions, representing

$375M DPW

$11.70

NOIPS[1]

$6.99

EPS

Our financial position continues to be strong[3]

22.4%

Adjusted Debt-to-Total Capital Ratio[1]

$2.7B

Total Capital Margin[1]

Credit Ratings

A+	AA	AA-	A1
A.M. Best	DBRS	Fitch	Moody's

14.2%

OROE[1]

11.7%

AROE[1]

8.8%

ROE[1]

$81.71

BVPS[1]

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[1] See Section 31—Non-GAAP and other financial measures of the MD&A for more details.

[2] Combined ratio is presented on an undiscounted basis, in line with how we manage our business.

[3] As of December 31, 2023.

CEO's letter

Charles Brindamour
Chief Executive Officer

With the convergence of wars, affordability of life and natural disasters, it's been a tough year for society. Given we exist to help people, businesses and society prosper in good times and be resilient in bad times, it has been a demanding year for us. Despite the adversity, our teams rose to the challenge as this environment energizes us and plays to our strengths. Resilience is for us the name of the game. And ours was on full display this year.

Globally 2023 was the hottest year on record and it brought the impacts of climate change and extreme weather into sharp focus. In North America, wildfire smoke enveloped major cities and Canada had the worst wildfire season on record. We paid out more than one billion dollars in natural disaster claims to get our customers back on track. While this was twice the level expected, we saw strong underlying financial performance across most business lines and markets. Our strength enabled us to deliver for our customers, brokers and employees while investing in climate resilience in our communities. Financially, we have clearly shown we can withstand extreme events with an operating ROE of 14% and a total capital margin of $2.7 billion.

But resilience is not enough to outperform. That's why we accelerated investments in our long-term strategy while being opportunistic with the conditions at hand. Strategic advances were solid with large technology deployments globally, digital accelerations and big distribution advances in Canada, AI deployments bolstering segmentation, and an aggressive transformation in the U.K. We also took advantage of a high inflationary and high interest rate environment to de-risk the organization and acquire a competitor in the U.K.

All this progress is made possible by our people, who deliver on our purpose for customers. They are our greatest strength. In 2023 we refreshed our People Strategy and continue to invest in their engagement. Despite consistently achieving Best Employer status in North America and a six-point lift in the U.K.&I, we are not satisfied. They deserve more.

And while we are winning as a business, we also want to be helping the communities where we live and work. Our social impact plan and our Climate Strategy are in full swing, as you'll read in our Social Impact Report.

When all is said and done, we are not happy with our financial performance and Total Shareholder Return (TSR) this year. But we have a clear sense that the organization is stronger today than at the start of 2023.

2023 financial performance

We delivered strong financial results for the full year despite elevated catastrophe losses. Net operating income per share of $11.70 and an operating ROE of 14.2% were driven by topline growth, healthy underwriting margins, as well as solid results from our investment and distribution activities. Against this backdrop, we are pleased to raise dividends to common shareholders for the nineteenth consecutive year.

Our overall combined ratio of 94.2% reflected our continued underwriting discipline and ongoing profitability actions amid elevated weather-related losses and inflation pressures. Personal Auto performance was consistent with our sub-95 combined ratio guidance, underlying performance in Personal Property was sub-90, and Commercial Lines delivered a low 90s combined ratio or better across all geographies. This is a solid foundation on which to grow our business.

Top line momentum was also strong across our platform with organic growth rising to 8% in the back half of the year. Hard market conditions continue to provide a significant tailwind for a majority of our businesses, and our priority is to leverage this environment to accelerate profitable organic growth.

With interest rates rising for much of 2023, we increased portfolio turnover to capture higher reinvestment yields, driving growth in investment income of 45%. We have good visibility on continued growth in investment income for 2024, in part because market yields remain above the book yield of our portfolio.

Distribution income grew by 6%, reflecting a slower pace of brokerage acquisitions in the first half of the year, which picked up significantly in the latter half. The M&A pipeline remains strong for 2024, as distribution income provides a strong, dependable and diversified source of earnings. We are on course for at least 10% growth in the next year, further supporting our ROE outperformance objectives.

At year end, our balance sheet remained strong with $2.7 billion of total capital margin and solid regulated capital ratios in all jurisdictions. Book Value Per Share was largely stable year over year as strong underlying earnings allowed us to fully recover the dilutive impact of actions to de-risk the U.K. pension plan earlier this year. With mid-teens ROE contribution and supportive capital markets, we expect to deliver solid book value growth going forward.

We are proud of our track record over the past decade, with NOIPS compounding at 12% annually and ROE outperformance of 680 basis points on average. We also delivered annualized total shareholder return of 14% during this period, outperforming the TSX 60 benchmark by 600 basis points.

With the tremendous progress we made on strategic initiatives, supportive market conditions and a strong balance sheet, we entered 2024 with a lot of momentum. We remain well positioned to grow Net Operating Income Per Share by 10% annually over time, and to outperform the industry ROE by 500 basis points each year.

Demonstrating resilience in a changing world

We are building Intact by taking an outside-in approach when it comes to strategy. In other words, we explore deep societal trends impacting our customers and employees and ask ourselves how we can use our competitive advantages to make the most of this changing environment. That's offence. Then our ability to build a resilient organization is also directly connected to our understanding of these trends. That's defence. And sustained outperformance requires not only a future-proof strategy, but also disciplined, high-quality execution. Our past performance is testament to our relentless pursuit of all three. As we look ahead to 2024, we are well positioned amid the key trends we observe, some which I have outlined below.

We believe consumers will determine who wins, and their expectations are changing fast. Our challenge is to keep pace, and technology will be a key driver of success. They are increasingly connected and demanding great interactions which include digital components. Nearly two in three customers believe their experiences, from initial product exploration via digital channels to customer service within the same organization, lack consistency.[1]

Consumers are also shopping more and trying to find value for money amid affordability challenges. Our view is that inflationary pressures will be stubborn. While we remain focused on pricing for inflation, we are also committed to using our supply chain advantages and wide range of offerings to enhance customer experience and alleviate inflationary pressure for them.

The direct consequence of consumers embracing technology is an explosion in data, increasing the importance of AI techniques that can help us to analyze it. One third of our competitive advantage is achieved through pricing and segmentation, so we've been investing in data sources and predictive AI techniques to expand our advantage for more than a decade. Still, I feel we need to move faster. About half of companies globally use AI[2] and this will surely accelerate as data storage, computing and training costs continue to decline. With much of the AI stack being democratized, the strategic importance of proprietary data sets is being amplified.

The arrival of generative AI is another step change in AI adoption. There is significant—but different—power to be harnessed through the deployment of large language models. While we continue investing in machine learning and data science within our quantitative models, we are also exploring how we can tap into generative AI to improve customer experience and amplify our specialized expertise. But we must be careful as we pilot its potential with consumers, who increasingly expect trust, transparency and data security.

Another consequence of the acceleration in data and technology is the rise of cybercrime, which is set to eclipse US$10.5 trillion by 2025.[3] On one hand, risk is our business, so this presents a growth market for us in commercial and specialty lines which we've already started to capitalize on. On the other hand, we are also doubling down to protect our own systems and data as well as that of our customers.

Employee expectations are also changing. They are more likely to quit if leaders don't measure up ethically,

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[1] The State of CX (Customer Experience) Report 2023 | Oxford Economics and Adobe Business.

[2] The state of AI in 2023: Generative AI's breakout year | McKinsey; The state of AI in 2022—and a half decade in review | McKinsey.

[3] Cybercrime To Cost The World $10.5 Trillion Annually By 2025 (cybersecurityventures.com).

↑ Michael Katchen, Co-Founder and CEO of Wealthsimple, and member of IFC’s Board of Directors, sharing his perspective about innovation with Marie-Eve Racicot, Deputy Senior Vice President, Software Engineering, Data & Digital, at Intact Lab.

morally and socially; and elements like core values and purpose are critical for attraction and retention.[1] Global worker stress is also at a record high and workplace changes have hit managers especially hard.[2] People are still adjusting to hybrid work, and at IFC we continue to believe that togetherness is an important ingredient for outperformance. In addition, workplace demographics are shifting. In 2023, Millennials and Gen Z crossed the threshold of being more than half our workforce at IFC. We’ve maintained Best Employer[3] status in North America and improved engagement by six points in the U.K.&I, but we must do more. Our people deliver on our purpose for customers, so in 2023 we refreshed our People Strategy for them. More on that below.

Finally, let’s talk about climate change, the defining trend of the next century. The negative impacts of major weather events have been increasing for decades. Average global insured losses from natural catastrophes over the past two years are 31% higher than over the past ten years.[4] We’ve been on the front lines getting our customers back on track, and we’ve managed to do so profitably. After transforming our products, data collected, pricing models, service models and supply chain a decade ago, our track record of strong profitability in our most CAT exposed line of business shows we can turn this headwind into an opportunity. But the next decades won’t look like the last one. In 2023 we began modelling more extreme global warming scenarios to stress test the resilience of our products and have been reassured that our action plans will keep us profitable and relevant for consumers. In our Social Impact & ESG Report we outline our five-pillar Climate Strategy which includes our action plan to help society, while also winning as a business. We need to take an all-of-society approach and Intact has an important part to play by sharing our learnings, expertise, scale and resources with customers, communities and governments.

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[1] The State of Organizations 2023 (mckinsey.com).
[2] 6 Workplace Trends Leaders Should Watch in 2024 (gallup.com).
[3] Survey conducted and Best Employer status granted by Kincentric, a Spencer Stuart Company.
[4] Insured losses from severe thunderstorms reach new all-time high of USD 60 billion in 2023, Swiss Re Institute estimates | Swiss Re.

Our goals, our gameplan

It's worth restating. Sustained outperformance requires not only a future-proof strategy, but also disciplined, high-quality execution and the agility to be opportunistic. We must be crystal clear about WHAT we're trying to achieve (Goals), and HOW we are going to get there (our Game Plan or Strategic Roadmap), and we are.

We want our customers to be our advocates, at least three out of four of them. And we want four out of five brokers to value our specialized expertise.

We want our people to be engaged. This means achieving Best Employer status in our annual engagement surveys, and our people reflecting the diversity of the communities we serve.

And we want to be one of the most respected companies, not only because of our financial success—exceeding industry ROE by 5 points and growing NOIPS by 10% yearly over time—but also for our investments in community. We want three out of four stakeholders to recognize us as leaders in building resilient communities, and we want to achieve net zero by 2050, which includes halving our operations emissions by 2030.

And we will get there by delivering on our Strategic Roadmap, which has six categories of action.

Expanding our leadership position in Canada

Our strategy in Canada has been delivering outperformance for decades, and there is still much more we can achieve. In 2023, we made excellent progress and accelerated momentum in key strategic areas.

Creating leading customer experiences is critical to success. Increasingly, customers want to interact digitally—so we're making investments in digital. We've set a goal to have three out of four customers digitally engaged with us, and we are well on our way. In 2023, our top-rated mobile insurance app saw over 23 million visits. We had $282 million in web sales, a 75% lift over the previous year. And, with our easy-to-use self-serve tools, nearly one in five policy transactions is now completed online.[1]

Deep claims expertise and supply chain management are key in creating great claims experiences and containing costs, especially during years with above average catastrophe activity which puts increased demands on supply chain capacity. In 2023, nearly two-thirds of our property claims were handled by our Rely Network, and almost half of those claims were handled by On Side, our owned restoration firm which has grown to nearly 50 locations across the country. In auto, we're increasingly connecting with customers in-person and delivering faster turn-around times through our Intact-branded service centres, which will reach 32 locations by early 2024. Among them, is our first branded auto shop on First Nations territory, which opened last September.

But the proof is in the Promoters.[2] At the conclusion of their claim, we survey thousands of customers per month for feedback about their experience. In 2023, 71% indicated that as a result of their experience with us, they are Promoters[2] of Intact.

Consolidation and scale in distribution are also key building blocks to expanding our leadership position, and we hit several success milestones in 2023. belairdirect has become our one national brand in the direct channel, having re-branded Johnson Insurance and Anthony Insurance. We are also nearing the completion of the RSA integration—about six months ahead of schedule—and synergies have reached $350 million. Finally, BrokerLink hit a milestone year closing 20 acquisitions, growing the business by 18% and surpassing $3.5 billion in DPW.

2024 is about keeping up the momentum, capturing the benefits of our investments in technology and translating that into customer and broker satisfaction, higher organic growth, and outperformance. We remain on track in Canada to grow our DPW to $20 billion by 2027, with five points of combined ratio outperformance.

[1] Across transactions available to be done online.

[2] Promoters are customers who select 9 or 10 on a scale of 10 to the question "How likely are you to recommend IFC to a friend or colleague?"

↑ Ken Norgrove, Chief Executive Officer of RSA, U.K.&I, exchanging with employees in London.

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

In 2023, we significantly focused the footprint of our U.K.&I business to set it up for sustainable outperformance. In fact, the transformation we have navigated is nothing short of extraordinary.

In February, **we de-risked our balance sheet** by completing a £6.5 billion pension buy-in with Pension Insurance Corporation plc (PIC). While maintaining security of benefits for pensioners, the transaction improved capital efficiency and paved the way for new options to gear the business toward outperformance. We then rapidly proceeded to capture strategic opportunities.

We exited U.K. Personal Lines, an area where we lacked scale and the road to outperformance was not clear. We withdrew from Personal Lines Motor in March, sold our Home and Pet operations to Admiral Group plc in December, and are running off remaining partnership arrangements as contracts expire. Our focus through this major period of change is on ensuring a transition that supports our customers, colleagues and partners.

In parallel, **we bolstered our Commercial Lines platform** where the path to outperformance is clear. In September, we acquired the brokered Commercial Lines business of Direct Line Insurance Group plc, significantly strengthening our offering and positioning us as one of the largest players in U.K. Commercial Lines. This is financially compelling for shareholders, with an expected internal rate of return above 15%.

And despite executing these significant transactions, we made excellent progress on our strategic roadmap. We delivered two new IT systems; dramatically improved our controls, protocols, and defense against cyber-attacks; launched our Leadership Success Factors; strengthened leadership development through the introduction of a Senior Talent Program; and improved employee engagement by 6 points.

These initiatives will accelerate our ability to achieve outperformance in the U.K.&I, which is now expected to deliver a low-90s combined ratio in 2024. I am optimistic about what the future holds for this business.

Building a specialty solutions leader

Building on the foundation we had in Canada, it was six years ago that we entered U.S. Specialty Lines, believing there was an opportunity to deploy our strengths into a sizeable and fragmented sector. Through organic and inorganic growth, including meaningful contributions from the RSA acquisition, we have more than doubled the size of the platform and improved profitability to be sub-90's. Today, our geographic footprint gives us access to 70% of the global specialty lines market and we service customers in over 150 countries.

Winning in specialty requires three things: deep technical expertise, specialized product offerings, and strong distribution relationships.

We have a strong bench of seasoned talent and a leadership team averaging 25 years of underwriting experience. We're building on the value they bring by providing tools that enable them to leverage IFC's sophisticated **capabilities in data, pricing and segmentation**. In 2023, consistent with our strategic roadmap, we've linked a number of new predictive models to our specialty underwriting systems, enabling better and more efficient underwriting decisions in real time. In addition, for certain lines of business we've pooled our experts into truly global teams, accelerating the pace of technical exchanges, mentorship and best practice sharing.

Our **product offering spans more than 20 verticals in four distinct markets**. Across those verticals, we see many opportunities for growth. In some cases we can export a vertical across the markets we now operate in. In 2023 for example, we expanded our cyber offering to the U.K. and Europe[1], and imported our technology offering to Europe. In other cases, we can extend our offering to more of the distribution partners we work with. And given our experience, acquiring distribution is also an option. We already own several successful specialty MGAs totalling more than $1 billion in DPW. Starting new verticals is also something we'll consider where the opportunity is meaningful. In 2023 we launched our Renewable Energy vertical.

In 2022, we added a new strategic objective: **four out of five brokers value our specialized expertise**. We did this in recognition of the important role that brokers play, especially in the distribution of commercial and specialty lines insurance. By providing brokers with the service and expertise they expect, they will in turn be able to deliver an outstanding experience for our customers. As of 2023, we have exceeded that objective in all the markets where we operate.

We are entering 2024 with more than $6 billion in Direct Written Premiums, growth momentum at 9%, and an 88% combined ratio. This is excellent progress towards our ambition of $10 billion with a sustained sub-90's combined ratio by end of the decade. I have confidence that our current strategic roadmap will get us there.

↓ Our Risk Control team visiting a commercial insurance client, a manufacturer of particleboards.
Photo credit: Pierre Chamberland.

In 2022, we added a new strategic objective:
4 out of 5
brokers value our specialized expertise.

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[1] Through our equity partnership with Resilience, a cyber focused MGA.

Transforming our competitive advantages and solidifying outperformance

There are three areas of expertise that we have been investing in, because they disproportionately contribute to our outperformance.

Data and AI
We aim to be the best AI insurance shop in the world. With the support of 500 people in our Data Lab in Montreal, Toronto and Hong Kong—experts in data science, actuarial science, machine learning, meteorology, climate science and geomatics—we have helped deploy more than 370 models into production. With a strong foundation built in personal lines, in 2023 we began to accelerate deployment of AI in commercial and specialty lines. We also continue to invest in academic partnerships and intern programs to ensure we have access to the best talent and the most current knowledge.

Claims and supply chain
As outlined above, the depth of our claims expertise and strong supply chain network are on full display in Canada where we have considerable scale. To use that advantage, we have internalized the vast majority of claims, and have vertically integrated into the supply chain through On Side and our branded auto service centres. But our claims expertise is also contributing to outperformance in specialty lines, where dedicated experts settle often complex and highly technical claims using their specialized expertise. And in the U.K.&I, the successful deployment of a new modern claims system will contribute as we pursue the path to outperformance. Over time, we will continue to deepen our expertise and supply chain management in all the regions where we operate.

Capital and investment management
2023 was a standout year for our capital and investment management teams. In addition to the tremendous activity they supported in re-shaping the footprint of our U.K.&I business, they also successfully navigated a changing economic environment to prudently capitalize on increasing investment yields. Investment income was up 45% year over year and 80% of our investment strategies outperformed their respective benchmarks. Intact Investment Management was again named a TOP Gun Investment Team by Brendan Woods, scoring third overall in Canada. Most importantly, over the last five years our investment portfolio outperformed our industry peers by approximately 150 basis points contributing to our ROE outperformance objective.[1] With a strong balance sheet, $2.7 billion in capital margin, and a top performing in-house team, we are well positioned to continue outperforming and capturing future growth opportunities.

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[1] Based on five-year historical data as of 2022. 2023 outperformance will be available in Q2-2024.

↑ Life at Intact: Chantal Harvey and Ashley MacNeil.
Photo credit: Michael Faubert.

Investing in our people

People are at the heart of everything we do, and they are our greatest strength. To continue to outperform, we must invest in our workforce and grow our talent pool at the pace of our business ambitions. We now have a global team of more than 30,000 employees.

As we grow, it's equally important that our employees are engaged in the work they do. Engagement leads to success. To foster engagement, our People Strategy has three elements—we strive to be a best employer, to be a destination for top talent and experts, and to enable our people to thrive.

To be a Best Employer, we must deliver on our Employee Promise, which is our commitment to providing employees with the support and opportunities that will help them *Shape the future*, *Win as a team* and *Grow with us*.

We measure engagement through Kincentric Best Employer Surveys. We're proud to be named a Kincentric Best Employer in Canada for the eighth consecutive year and the fifth straight year in the U.S. I'm also pleased to share that since we introduced the engagement survey in the U.K. and International last year, our engagement results have increased by six points. That increase is even more meaningful in the context of the significant amount of change in our U.K. business right now. We will strive to see further improvement in 2024.

It is essential that we invest in being a destination for the top talent and specialized experts who will help us succeed today and in the future.

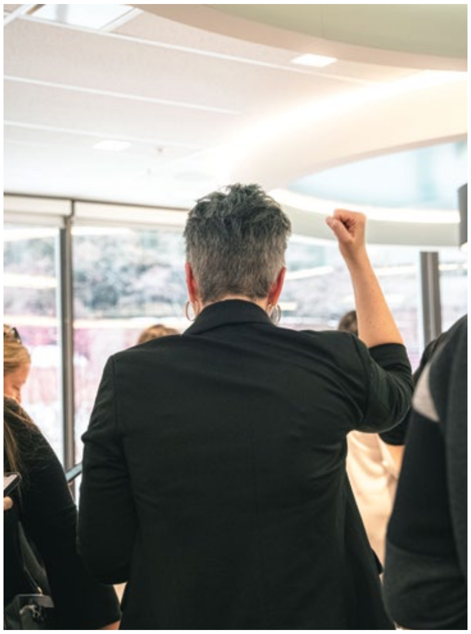
Thanks to our investments in leadership capability, 77% of our manager-and-above vacancies were filled internally in 2023. In addition, almost a quarter of our employees moved into a new role progressing their careers and deepening our talent pool. We also continued to invest in the skillsets that will be needed for sustained outperformance, such as data and AI, digital and design, and specialty underwriting.

A strong workforce also means enabling our employees to thrive. Our employees completed close to 545,000 training courses in 2023, deepening their personal and professional growth. In addition, they told us they are getting the support they need to succeed, rating all aspects of manager effectiveness well above the Kincentric Top Quartile and in our top three scoring dimensions across all regions.

At Intact, we value diversity and strive to create an inclusive workplace where all individuals feel valued, respected and heard. We are proud to have achieved gender parity across our leadership roles globally and through our regional Diversity Councils. We will continue to invest in training and activities that will make our environment attractive and inclusive to employees and that reflect the communities we serve. For example, we now have 16 employee-led networks to celebrate and educate about different diversity dimensions.

Delivering on our People Strategy is the right thing to do and it makes good business sense. When we invest in our people, it enables them to deliver on Our Purpose for our customers, and that will help us win.

↑ *Photo credit: Nancy Christopher*



Investing in our community

↑ *Photo credit: Kimberly Demonte.*

We aim to make a positive difference across three areas of social impact: climate resilience, economic resilience, and community well-being.

When it comes to climate resilience, Intact has been committed to helping customers and communities adapt to a changing climate for over a decade. When we launched our Climate Strategy, we committed to double down on our efforts—because the problem is accelerating, so our efforts need to also.

To name a few, we've been working with the Intact Centre on Climate Adaptation at the University of Waterloo for over 10 years on practical solutions to protect communities, and just established a relationship with the Gloucestershire Wildlife Trust to provide nature-based solutions to areas most affected by flooding in the U.K.

We actively foster economic resilience and community well-being in a number of ways, since the communities that are most vulnerable to extreme weather are also often the most economically vulnerable as well. For example, through our annual Generosity in Action campaign, we match the charitable donations of our employees in their local communities.

In 2021 we set a performance target to have three out of four stakeholders recognize us as leaders in building resilient communities, and developed a Resilience Barometer to track our progress. In 2022 we released the results from our first survey and in 2023 we expanded the Barometer's geographic perimeter to include U.S., U.K., and E.U. stakeholders. In 2023, 57% of stakeholders recognize us as leaders in building resilient communities in Canada, up 3 points from 2022, and 53% of stakeholders recognizing our leadership globally. A solid start, and with much more work to do.

> In 2022, we launched our Climate Strategy because we believed that while helping communities build resilience, the changing climate would also create opportunities to win as a business. Four pillars were added to our existing focus on adaptation: commit to net zero, leverage our platform to shape customer behaviour, enable the transformation by supporting existing and new businesses that are key to the transition, and collaborate with government and industry to accelerate climate action.

More information about our Social Impact and Climate Strategy progress will be available in our Social Impact & ESG Report.

Conclusion

While 2023 was a tough year for society, our business demonstrated remarkable resilience. Our team performs best in challenging times and this year was no exception. With our strong financial foundation and balance sheet, we withstood substantial pressure from natural disasters which enabled us to get our customers back on track while continuing to invest in our employees and our competitive advantages.

Intact is well positioned to make the most of the current environment. In 2024 we will maintain discipline and continue to advance our Strategic Roadmap everywhere we operate. Inspired by our Purpose and guided by our Values, we will use our resources, scale and expertise to help society and win in the marketplace.

We have the tools, the people, the strategy, and the opportunities to grow earnings and outperform. I want to thank our customers, brokers, employees and investors for your loyalty as we work hard every day to deliver for you.

Charles Brindamour
Chief Executive Officer

Chairman's letter

William L. Young
Chairman of the Board

In 2023, Intact's strength and resilience were clear. Natural disasters dominated the headlines and we, along with our customers, experienced them first-hand. From ice storms to flooding to the worst wildfire season ever recorded in Canada, Intact withstood these significant headwinds and continued to thrive.

The company had strong underlying performance across the business, despite higher-than-expected natural catastrophe losses. Overall, the business delivered an Operating Return on Equity (OROE) of 14.2% and maintained a strong balance sheet with $2.7 billion of total capital margin.

The Board strives to ensure that Intact is delivering strong financial returns and realizing its purpose—to help people, businesses and society prosper in good times, and be resilient in bad times. The company really delivered on all aspects of its strategy and its purpose in 2023. That effort was recognized through financial and non-financial results, including increased customers satisfaction and Resilience Barometer scores.

One of the key roles of the Board is to review the longer-term trends with management to ensure the company can use its competitive advantages and is well positioned to continue to outperform. Again, this year, we spent an inordinate amount of time reflecting on outside trends and their potential impact on business prospects.

Climate change is at the top of the list as a defining trend of the next century. We are encouraged by the resolute focus Intact has on its climate strategy, from being well positioned to meet the increasing need for customer protection to helping communities build their resilience. I referred to Intact's Resilience Barometer above—this is a measure the company put in place two years ago with the support of the Board. The company's ambition is to have three out of four stakeholders recognize us as leaders in building resilient communities. In 2023, our Resilience Barometer results indicated 57% of stakeholders in Canada recognized Intact as leaders in building resilient communities, up 3 points from 2022, and 53% of stakeholders recognized our leadership globally. While this represents progress, we will do more to ensure Intact can meet its ambition of 75%. From a business perspective, we also reviewed extreme global warming scenarios with management this year to ensure Intact can continue to thrive while offering a solid value proposition to customers.

Climate will remain at the forefront of the Board's priorities in 2024 and beyond. I encourage you to read more about how Intact is helping customers and society to build more resilient communities in the Social Impact & ESG Report.

Technology, data and AI is another key trend that Intact has been ahead of the curve on and one that the Board has also spent significant time on this past year. The Board is proud of Intact's leading efforts in predictive AI to drive better risk selection and pricing segmentation—it is an important competitive advantage. Intact has also developed strong governance and ethical guard rails to protect people and their data and we will continue to monitor this closely. The Board will also provide guidance as the business explores generative AI as a tool to enhance the customer experience.

Technology is driving change in the business at an incredible pace and another key driver of change and accelerator of strategy is Intact's growth through acquisitions. One of the most important is the acquisition and integration of RSA. It has been a significant part of the Board agenda for some time. The Board wishes to congratulate management on important progress in 2023 including the realization of $350 million in synergies in under three years, and an expected early completion of the RSA integration in Canada. We also want to acknowledge the significant efforts of the U.K. team to refocus RSA's platform for outperformance this past year. This included a difficult but important decision to exit U.K. Personal Lines. At the same time RSA acquired Direct Line Insurance Group's brokered commercial lines business. This provides an excellent opportunity to build on RSA's existing outperformance in the attractive commercial lines market segment.

A topic the Board is often asked about is the succession of senior management - this is a critical mandate for us. We are pleased to say that Intact's bench remains strong, with seven successors available for each of the top 250 positions. And at the same time, we continue to see progress against Diversity, Equity and Inclusion initiatives. This was evident in the appointments of Anne Fortin as President of Intact Insurance, Marie-Lucie Paradis as Senior Vice President of belairdirect, and Isabelle Girard as Senior Vice President, Chief Digital and Data Officer. The Board offers our congratulations to Anne, Marie-Lucie, and Isabelle. And the company's bench strength extends beyond Canada. The Board had the opportunity to engage with the U.K. leadership team this year when we held a quarterly board meeting in London for the first time.

Again, this year I engaged with shareholders directly and we had productive discussions. Director Indira Samarasekera and I met with ten of our 20 largest shareholders, representing holdings of approximately 38% of total outstanding shares. Topics of discussion included strategic priorities, board changes, succession planning and our social impact and ESG strategy, along with progress to date. We look forward to continuing with these engagements in 2024.

Speaking of ESG, and governance specifically, Intact has once again been named one of Canada's most respected companies, with a top spot in The Globe and Mail Board Games in 2023. This is a true reflection of Intact's purpose, Values and strategy.

In closing, I would like to take this opportunity to express my gratitude to my Board colleagues. Your resolute dedication and counsel helped us reach the strong position we are in today and I am grateful to each of you. I look forward to working with you again in the year ahead.

I would also like to thank Charles Brindamour and his executive team. Charles continues to show strong leadership on important topics such as climate resilience in a year when the impacts of climate change were clear. As the Globe and Mail pointed out, Charles Brindamour has "become a leading global voice advocating how industries and communities can adapt to the changing weather." 2023 was a year filled with important wins, but also unique challenges. The executive team has done an exceptional job planning for the unexpected, navigating obstacles and leading the business to sustainable success. This leadership team gives me the utmost confidence that Intact will continue to outperform.

Finally, I want to thank you, the shareholders, customers and employees for your loyalty and trust. As I mentioned earlier, 2023 was a year where Intact demonstrated its resilience in abundance. But it also demonstrated foresight, innovation, and solid leadership. I am confident Intact will continue to deliver on its purpose and outperform in the years ahead.

Sincerely,

William L. Young
Chairman of the Board

Our board

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

William L. Young
Chair of the Board, Intact Financial Corporation
and Chair of the Board, AtkinsRéalis (formerly SNC Lavalin)

Charles Brindamour
Chief Executive Officer,
Intact Financial Corporation

Emmanuel Clarke
Corporate Director

Audit Committee + Risk Management Committee

Janet De Silva
Corporate Director

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 and Chairman, Arrow Global Group

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

As at February 13, 2024

Our leadership

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

Charles Brindamour
Chief Executive Officer,
Intact Financial Corporation

Ken Anderson
Executive Vice President, CFO, RSA U.K.&I

Patrick Barbeau
Executive Vice President
& Chief Operating Officer

Maude Choquette
Senior Vice President &
Chief Internal Auditor

Frédéric Cotnoir
Executive Vice President & Chief Legal Officer

Anne Fortin
President, Intact Insurance

Louis Gagnon
Chief Executive Officer, Canada

Isabelle Girard
Senior Vice President,
Chief Data & Digital Officer

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, U.K.&I

Marie-Lucie Paradis
Senior Vice President,
Direct Distribution Canadian Operations

Carla Smith
Executive Vice President &
Chief People, Strategy and Climate Officer

As at February 13, 2024

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 116;
Financial Statements—pages 1 to 113.

Intact Financial Corporation

Management's Discussion and Analysis

For the year ended December 31, 2023

INTACT FINANCIAL CORPORATION

Management's Discussion and Analysis for the year ended December 31, 2023

(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, 2023. 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, 2023, compared to the corresponding periods in 2022. It should be read in conjunction with our Consolidated financial statements for our fiscal year ended December 31, 2023. This MD&A is dated February 13, 2024.

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

- Abbreviations and definitions of selected key terms used in this MD&A are defined in ***Section 35 – Glossary and definitions.***
- Other insurance-related terms are defined in ***Section 35 – Glossary and definitions*** of our MD&A, as well as in the glossary available in the "Investors" section of our web site at ***www.intactfc.com.***
- Certain totals, subtotals and percentages may not agree due to rounding. Not meaningful (nm) is used to indicate that the current and prior year figures are not comparable, not meaningful, or if the percentage change exceeds 1,000%.

Adoption of new accounting standards

We adopted *IFRS 17 – Insurance Contracts ("IFRS 17")* in conjunction with *IFRS 9 – Financial instruments ("IFRS 9"*) on January 1, 2023, which replace *IFRS 4 – Insurance Contracts ("IFRS 4") and IAS 39 – Financial instruments: recognition and measurement ("IAS 39")*, respectively. IFRS 17 was applied retrospectively as at January 1, 2022, as a result comparative information was restated (see "Restated" columns throughout this MD&A). IFRS 9 was applied retrospectively as of January 1, 2023 with no restatement of comparative information. To help investors adapt to the changes to our financial disclosures, we have provided additional explanations and insights in our IFRS 17 & 9 teach-in presentation dated April 27, 2023, available on our website. For more information, refer to ***Note 2 – Adoption of new accounting standards*** to our Consolidated financial statements for the fiscal year ended December 31, 2023.

Non-GAAP and other financial measures

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

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

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

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

See Section 31 – Non-GAAP and other financial measures for the definition and reconciliation to the closest GAAP measures (or "reported measures"), as well as the rationale for their use.

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

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

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

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

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

Cautionary note regarding forward-looking statements

Certain of the statements included in this MD&A about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indicates", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this MD&A are made as at December 31, 2023, and are subject to change after that date. This MD&A contains forward-looking statements with respect to the acquisition of Direct Line Insurance Group plc's ("DLG") brokered Commercial Lines operations ("the DLG brokered commercial lines acquisition"), the exit of Royal & Sun Alliance Insurance Limited from the UK personal lines market, including the sale of our UK direct personal lines operations to Admiral Group plc ("Admiral"), the realization of the expected strategic, financial and other benefits of the transactions and the related economic conditions on the Company's operations and financial performance. This MD&A also contains forward-looking statements with respect to the Company's climate-related strategy, goals or plans, based on our current expectations, estimates and projections involving inherent risks and uncertainties, as they are based on various factors and assumptions, all of which are difficult to predict and many of which are beyond our control, including technological advancement, development of climate-related measurement methodologies, varying decarbonization efforts across economies, governmental or regulatory action, geopolitical factors impacting global energy needs, challenges of balancing emission reduction targets with an orderly, just and inclusive transition, evolution of customer behavior, our ability to gather and verify data, the participation of various stakeholders or our ability to implement various initiatives across our global operations within a specified timeframe.

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

All of the forward-looking statements included in this MD&A and the quarterly earnings press release dated February 13, 2024 are qualified by these cautionary statements and those made in the section entitled Risk management (***Sections 26 to 30***) of this MD&A for the year ended December 31, 2023 and the Company's Annual Information Form for the year ended December 31, 2023. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Intact Financial Corporation, Belair Insurance Company Inc., Brokerlink Inc., RSA Insurance Group Limited, On Side Restoration Services Ltd. and their respective affiliates own and/or use a number of trademarks in connection with their business operations. These trademarks (both registered and unregistered) are the exclusive property of Intact Financial Corporation, Belair Insurance Company Inc., Brokerlink Inc., RSA Insurance Group Limited, On Side Restoration Services Ltd. and/or their respective affiliates.

Summary of changes in our Q4-2023 MD&A

Section	Change	Information
Segments and lines of business	Relocated	Description integrated directly in each respective Segment section (***Sections 5 – 8***)
UK&I segment	Shortened	Underwriting results are presented on a total P&C basis and no longer disclosed by line of business (in ***Section 6***) due to our exit from the UK personal lines market
Insurance industry at a glance (industry data)	Relocated	Information integrated directly in each respective Segment section (***Sections 5 – 7***)
Insurance industry at a glance (outperformance)	Removed	Our relative performance update will be provided in 2024, which will allow for a better yearly comparison with our peers (***Section 32.7***)

OVERVIEW

Section 1 - About Intact Financial Corporation

1.1 Our purpose, values and core belief

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

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

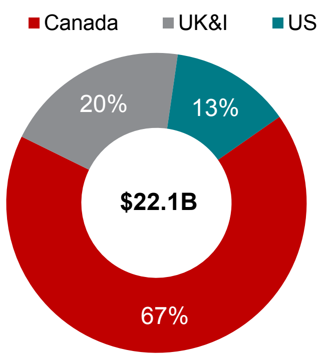
Integrity | Respect | Customer-driven | Excellence | Generosity

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

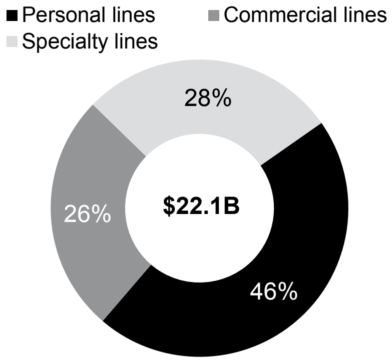
1.2 What defines us

- A global team of over 30,000 employees putting our collective strengths to work – supporting customers and brokers and delivering on the key strategies and best in class operations that are essential to the success of Intact Financial Corporation.
- Largest provider of Property & Casualty insurance in Canada, a leading specialty lines insurer with international expertise and a leader in commercial lines in the UK and Ireland. Our business has grown organically and through acquisitions to over $22 billion of total annual operating DPW.
- In Canada, we distribute insurance under the Intact Insurance brand through a wide network of brokers, including our wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. We also provide affinity insurance solutions through our affinity groups, travel insurance, as well as exclusive and tailored offerings through Intact Prestige. In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies. Across the UK, Ireland and Europe, we provide personal, commercial and/or specialty insurance solutions through the RSA brands.

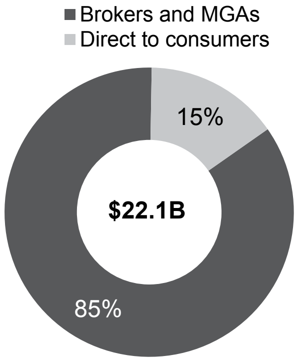
2023 Operating DPW (continuing pro-forma basis) [1] by business segment



2023 Operating DPW (continuing pro-forma basis) [1] by type



2023 Operating DPW (continuing pro-forma basis) [1] by distribution channel



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[1] 2023 DPW (continuing pro-forma basis) reflects the impact of the DLG brokered commercial lines acquisition for a full year and excludes UK personal lines DPW, as this a better indication of our future annual premiums. See ***Section 31 – Non-GAAP and other financial measures*** for more details.

Section 2 - 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 from 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. • Our broker distribution brands are well recognized by customers and brokers alike. Intact Insurance is the most recognized insurance brand in Canada[1] and RSA is a storied brand with over 300 years of history in the UK. • We have leading direct channel brands in Canada 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 digital tools provides brokers and customers with a simple and straightforward experience. Speed, simplicity and transparency are core tenets of our customer-driven digital focus.
Our People	• Our people are the cornerstone to executing our strategy. As a Best Employer, we attract, retain and engage some of the best and most experienced talent from within and outside our industry. • We have highly engaged employees and our strong set of Values and Leadership Success Factors guide decision making and support 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, the US, UK, and Europe, 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 help us win in the market. • Over 300 AI models are leveraged across pricing and risk selection, digital engagement, claims operations, and customer service. These models help us optimize underwriting performance and customer experience.
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 supply chain through our Claims Service Centres and our property supply chain through On Side Restoration to strengthen our network and secure capacity. This provides a 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. We also account for ESG considerations in our investments.
Proven consolidator & integrator	• Acquisitions play an important role in accelerating the achievement of our goals. • We are a proven industry consolidator with 19 successful P&C acquisitions since 1988. Most recently we acquired Direct Line's brokered Commercial Lines operations which strengthens RSA's leading UK Commercial Lines platform. The RSA acquisition strengthened our consolidation track record, having achieved an IRR well above our goal of 15%. • Our successful track record on acquisitions is driven by three key factors: thorough due diligence to assess all the risks and opportunities; swift and effective integration that is seamless to our customers; and financial benefit from significant synergies due to our scale and core expertise in data, pricing and segmentation, and claims and supply chain management.

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[1] Measured by Ipsos, a market research company

PERFORMANCE

Section 3 - Consolidated performance

3.1 Consolidated highlights

Q4-2023 Highlights (under IFRS 17)

- **Net operating income per share[1] up 45% to $4.22** driven by strong underwriting, investment and distribution results
- **Undiscounted combined ratio[1] was solid at 90.1%** (85.0% discounted), reflecting strong underlying performance across all geographies and our exit from the UK personal lines market, tempered by catastrophe losses in the UK&I
- **Operating DPW[1] increased 4%,** with organic growth of 8%, led by double-digit growth in personal lines
- **BVPS[1] up 6% from Q3-2023**, driven by a **strong EPS of $2.78** (with a 48% increase year-over-year) and favourable capital markets
- **Adjusted ROE[1] of 11.7%** (and ROE[1] of 8.8%) after absorbing elevated catastrophe losses and UK personal lines exit costs. Operating ROE[1] increased to a solid 14.2% from 12.2% in Q3-2023
- **Quarterly dividend increased by $0.11 to $1.21** per common share, representing a **10-year compounded annual growth rate of 10%**

Table 1 - Consolidated performance[1]

	Section	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW[1] *(growth in constant currency)*	*3.2*	**5,410**	5,125	4%	**22,370**	21,005	5%
Operating income							
Underwriting income[1]	*3.2*	**787**	485	62%	**2,131**	2,064	3%
Operating net investment income[1]		***376***	*279*	*35%*	***1,346***	*927*	*45%*
Net unwind of discount on claims liabilities[1]		***(217)***	*(117)*	*nm*	***(884)***	*(378)*	*nm*
Operating net investment result[1]	*11*	**159**	162	(2)%	**462**	549	(16)%
Distribution income[1]	*12*	**109**	94	16%	**467**	441	6%
Total finance costs[1]	*8*	**(62)**	(55)	nm	**(235)**	(189)	nm
Other operating income (expense)[1]	*8*	**(45)**	(38)	nm	**(157)**	(163)	nm
NOI attributable to common shareholders[1, 2]		**752**	508	48%	**2,061**	2,093	(2)%
Non-operating results[1]	*13*	**(205)**	(221)	nm	**(829)**	341	nm
Net income		**531**	353	50%	**1,331**	2,450	(46)%
Claims ratio[1]		**52.5%**	57.5%	(5.0) pts	**56.1%**	56.4%	(0.3) pts
Expense ratio[1]		**32.5%**	32.9%	(0.4) pts	**33.4%**	33.0%	0.4 pts
Combined ratio (discounted)[1]	*8*	**85.0%**	90.4%	(5.4) pts	**89.5%**	89.4%	0.1 pts
Combined ratio (undiscounted)[1]	*3.2*	**90.1%**	93.2%	(3.1) pts	**94.2%**	91.8%	2.4 pts
Effective income tax rates							
Operating[1]	*14*	**16.9%**	18.0%	(1.1) pts	**19.0%**	19.6%	(0.6) pts
Total[1]	*14*	**28.5%**	17.4%	11.1 pts	**27.6%**	19.5%	8.1 pts
Per share measures, basic and diluted (in dollars)							
NOIPS[1]	*3.2*	**4.22**	2.91	45%	**11.70**	11.92	(2)%
EPS	*3.2*	**2.78**	1.88	48%	**6.99**	13.63	(49)%
BVPS[1]	*24.6*	**81.71**	82.84	(1)%			
Return on equity for the last 12 months							
OROE[1]	*3.2*	**14.2%**	14.0%	0.2 pts			
AROE[1]	*3.2*	**11.7%**	19.2%	(7.5) pts			
ROE[1]	*3.2*	**8.8%**	16.3%	(7.5) pts			
Total capital margin[1]	*24.2*	**2,671**	2,379	292			
Adjusted debt-to-total capital ratio[1]	*24.3*	**22.4%**	20.7%	1.7 pts			

[1] See ***Section 31 – 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 49*** for more details.

3.2 Consolidated performance

Table 2 – Consolidated underwriting performance[1]

	Section	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW *(growth in constant currency)*							
Canada	*5.1*	**3,682**	3,410	8%	**14,891**	13,995	6%
UK&I	*6.1*	**1,112**	1,150	(9)%	**4,706**	4,664	(3)%
US	*7.1*	**616**	565	9%	**2,773**	2,346	14%
Total		**5,410**	5,125	4%	**22,370**	21,005	5%
Combined ratio *(undiscounted)*							
Canada	*5.1*	**86.7%**	87.6%	(0.9) pts	**94.5%**	90.2%	4.3 pts
UK&I	*6.1*	**104.6%**	116.4%	(11.8) pts	**96.4%**	99.3%	(2.9) pts
US	*7.1*	**86.4%**	84.7%	1.7 pts	**88.7%**	87.8%	0.9 pts
Combined ratio (undiscounted)		**90.1%**	93.2%	(3.1) pts	**94.2%**	91.8%	2.4 pts
Impact of discounting[2]		**(5.1)%**	(2.8)%	(2.3) pts	**(4.7)%**	(2.4)%	(2.3) pts
Combined ratio (discounted)		**85.0%**	90.4%	(5.4) pts	**89.5%**	89.4%	0.1 pts

[1] See ***Section 31 – Non-GAAP and other financial measures*** for more details.

[2] Includes the impact of discount build on our claims liabilities for all P&C segments. See ***Section 8 – Corporate and other*** for more information.

<table>
<tr><th></th><th>Q4-2023 vs Q4-2022</th><th>2023 vs 2022</th></tr>
<tr><td>Operating DPW growth[1] <i>(in constant currency)</i>
<i>(Sections 5-7)</i></td><td colspan="2">
<table>
<tr><th>Operating DPW growth <i>(in constant currency)</i></th><th>Q4-2023</th><th>2023</th></tr>
<tr><td>DPW growth - <i>reported</i></td><td>4%</td><td>5%</td></tr>
<tr><td>DPW growth - <i>excluding exits</i>[1]</td><td>11%</td><td>7%</td></tr>
<tr><td>DPW growth - <i>organic</i>[2]</td><td>8%</td><td>6%</td></tr>
</table>
[1] Excludes DPW from UK personal lines (motor, home & pet) for full-year 2023 and 2022.
[2] Excludes DPW from the exited lines above, the end of a large commercial UK motor contract as well as the DLG brokered commercial lines acquisition (in the UK effective as of Q4-2023) and the acquisition of the E&S builder's risk operations (in the US effective as of Q4-2022).
• Organic operating DPW growth was 8% in the quarter and 6% for the year, driven by strong momentum in Canada personal lines and continued rate actions across all geographies.</td></tr>
<tr><td>Underwriting income[1]
<i>(Sections 5-8)</i></td><td>• Undiscounted combined ratio of 90.1% improved by 3.1 points compared to last year, with strong underlying performance across all regions and reflecting our exit from the UK personal lines market.</td><td>• Undiscounted combined ratio of 94.2%, including approximately 7 points of catastrophe losses. This year, strong underlying performances were delivered across all geographies, driven by underwriting discipline, prudent reserving and expense management.</td></tr>
<tr><td></td><td colspan="2">• See <i>Section 8 – Corporate and other</i> for details on our discounted combined ratios.</td></tr>
<tr><td>Operating net investment result[1]
<i>(Section 11)</i></td><td>• Operating net investment income increased by 35% to $376 million, driven by higher book yields and increased turnover of our portfolio over the last 12 months.</td><td>• Operating net investment income increased by 45% to $1,346 million, driven by the benefits of rising yields and increased turnover of our portfolio.</td></tr>
<tr><td></td><td colspan="2">• The favourable net impact of the discount build and unwind on claims liabilities was $53 million for the quarter and $64 million for the year, reflecting rising interest rates throughout most of the year.
See <i>Section 8 – Corporate and other</i> for more details on discount build and unwind on claims liabilities.</td></tr>
<tr><td>Distribution income[1]
<i>(Section 12)</i></td><td>• Distribution income increased by 16% to $109 million, mainly driven by BrokerLink's recent acquisitions paired with solid organic growth.</td><td>• Distribution income increased by 6% to $467 million, reflecting lower variable commissions compared to last year's strong level. In 2024, we expect growth of at least 10%.</td></tr>
</table>

Total finance costs[1] *(Section 8)*	• **Total finance costs of $62 million for the quarter and $235 million for the year** were higher than last year, driven by additional financing required to fund strategic initiatives throughout the year, as well as the impact of higher interest rates on short-term debt.	
Other operating income (expense)[1] *(Section 8)*	• **Other operating expenses of $45 million for the quarter and of $157 million for the year** were higher than expectations due to intersegment eliminations, while our corporate expenses remained relatively stable. See ***Section 8 – Corporate and other*** for further details.	
NOIPS[1]	• **NOIPS of $4.22 increased by 45%** driven by solid topline growth, higher underwriting margins, as well as strong investment and distribution results.	• **NOIPS of $11.70 decreased by 2%,** reflecting significant weather-related losses in 2023, which offset otherwise strong underwriting and investment results.
Non-operating results[1] *(Section 13)*	• **Non-operating losses of $205 million** reflected mainly underwriting losses and restructuring costs related to the exit of our UK personal lines business, offsetting mark-to-market gains on our equity securities.	• **Non-operating losses of $829 million,** of which almost half was driven by underwriting losses and restructuring costs from the UK personal lines motor exit in Q1-2023, followed by the exit of UK home and pet operations in Q4-2023.
Effective income tax rates[1] *(Section 14)*	• **Operating effective income tax rate of 16.9% for the quarter and 19.0% for the year** were lower than last year, due to a higher proportion of non-taxable investment returns. We also benefitted from the recognition of additional deferred tax assets as a result of our improved outlook on future profitability in the UK. • **Total effective income tax rate of 28.5% for the quarter and 27.6% for the year** increased from the prior year, as the benefits mentioned above were offset by a temporary increase in the non-operating income tax expense related to the UK pension buy-in transaction.	
EPS	• **EPS of $2.78 was up 48%**, driven by strong growth in net operating income this quarter, as described above.	• **EPS of $6.99 decreased 49% year-over-year,** mainly due to investment losses and non-operating losses from strategic actions taken over the course of the year. In addition, 2022 benefited from the gain on sale of Codan Denmark.
Return on equity for the last 12 months[1]	• **Operating ROE of 14.2%** reflected strong operating performance across businesses, tempered by a 3-point impact from catastrophe losses in excess of expectations over the last 12 months. • **Adjusted ROE of 11.7% and ROE of 8.8%** were healthy in spite of the non-operating losses previously mentioned.	
BVPS[1] *(Section 24.6)*	• **BVPS of $81.71 increased by 6% from Q3-2023**, driven by strong operating performance and mark-to-market gains on our fixed-income investments from a decrease in interest rates.	• **BVPS remained in line with last year,** as anticipated. The dilutive impact of the UK pension buy-in transaction in Q1-2023 was fully recovered by strong earnings, capital gains in the quarter and the equity issuance from Q3-2023.
Adjusted debt-to-total capital ratio[1] *(Section 24.3)*	• **Our adjusted debt-to-total capital ratio of 22.4%** was relatively stable compared to last quarter, as the growth in capital from strong earnings was tempered by financing issued in connection with Direct Line Insurance Group plc's ("DLG") brokered commercial lines acquisition. We expect to return to our long-term target of 20% by the end of 2024.	
Financial condition[1] (*Section 24.2)*	• **We ended the quarter in a strong financial position**, with solid regulatory capital ratios in all jurisdictions and a total capital margin of $2.7 billion. Strong capital generated in the quarter, as well as favourable market movements, offset $0.9 billion of capital deployed following the close of the DLG brokered commercial lines acquisition.	

[1] See ***Section 31 – Non-GAAP and other financial measures*** for more details.

3.3 GAAP and Non-GAAP KPIs

Throughout our MD&A, we refer to our principal key performance indicators (KPIs), which are comprised of both GAAP and Non-GAAP financial measures. Our Non-GAAP financial measures represent GAAP measures with changes in the geography of certain components, which reflect how we manage and evaluate our business. Although our individual Non-GAAP key performance indicators do not have a meaning prescribed by IFRS, the sum of all operating and non-operating components reconcile in total to Net income, as presented in our Consolidated financial statements, and our bottom-line KPIs are identical in both instances. All Non-GAAP financial measures are reconciled to their closest GAAP measures in ***Section 31 – Non-GAAP and other financial measures.***

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

Table 3 – Non-GAAP and GAAP key performance indicators

	Non-GAAP KPIs				**Closest GAAP measures**			
	MD&A captions	**2023**	**2022 *Restated***	**Analyses of results**	**Financial Statement captions**	**2023**	**2022 *Restated***	**Reconciliation to GAAP**
NON-GAAP KPIs[1]	Operating net underwriting revenue	**20,365**	19,522	***Sections 5-8***	Insurance revenue	**25,507**	25,914	***Table 43***
					Expense from reinsurance contracts	**(3,056)**	(3,475)	
	Total operating net claims & expenses	**18,234**	17,458	***Sections 5-8***	Insurance service expense	**(22,584)**	(22,750)	***Table 43***
					Income from reinsurance contracts	**2,442**	2,913	
	Underwriting income	**2,131**	2,064	***Sections 5-8***	Insurance service result	**2,309**	2,602	***Table 43***
	Operating net investment income	**1,346**	927	***Section 11***	Net investment income	**1,346**	931	***Table 46***
	Net unwind of discount on claims liabilities	**(884)**	(378)	***Section 8***	Unwind of discount[2]	**(832)**	(368)	***Table 47***
	PTOI	**2,668**	2,702	***Section 3.2***	Income before income taxes	**1,804**	3,007	***Table 48***
	NOI attributable to common shareholders	**2,061**	2,093	***Section 3.2***	Net income attributable to shareholders	**1,316**	2,454	***Table 49***
	NOIPS	**11.70**	11.92	***Section 3.2***	EPS	**6.99**	13.63	***Table 55***
	GAAP KPIs *(composite measures of the above KPIs)*							
	MD&A captions	**2023**	**2022 *Restated***	**Analyses of results**	**Financial Statement captions**	**2023**	**2022 *Restated***	**Reconciliation to GAAPs**
GAAP KPIs	Net income	**1,331**	2,450	***Section 3.2***	Net income	**1,331**	2,450	N/A - identical
	EPS	**6.99**	13.63	***Section 3.2***	EPS	**6.99**	13.63	N/A - identical
	BVPS	**81.71**	82.84	***Section 3.2***	BVPS	**81.71**	82.84	N/A - identical

[1] For a reconciliation to the closest GAAP measures, please see ***Section 31 – Non-GAAP and other financial measures.***

[2] Included within ***Note 24 – Net investment return and net insurance financial result*** from the Consolidated financial statements.

Section 4 - Segment performance

We report our financial results under 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 13.2 – Income (loss) from exited lines*** for more 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 (incl. Specialty lines)	Underwriting activities in the UK, Ireland and Europe. Predominately in the Commercial lines of business (incl. Specialty lines).	Underwriting and distribution activities in the US. **One line of business:** Commercial lines (Specialty 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.

4.1 Operating performance by segment

Table 4 – Operating performance by segment[1,2]

For the three-month periods ended December 31,	2023					2022 - *Restated*				
	CAN	**UK&I**	**US**	**Corp.**	**Total**	**CAN**	**UK&I**	**US**	**Corp.**	**Total**
Operating DPW	**3,682**	**1,112**	**616**	**-**	**5,410**	3,410	1,150	565	-	5,125
Operating net underwriting revenue	**3,658**	**1,011**	**590**	**-**	**5,259**	3,454	1,037	546	4	5,041
Operating net claims	**(2,023)**	**(706)**	**(296)**	**268**	**(2,757)**	(1,931)	(835)	(274)	140	(2,900)
Operating net underwriting expenses	**(1,148)**	**(352)**	**(214)**	**(1)**	**(1,715)**	(1,095)	(372)	(189)	-	(1,656)
Underwriting income (loss)	**487**	**(47)**	**80**	**267**	**787**	428	(170)	83	144	485
Operating net investment income	**-**	**-**	**-**	***376***	***376***	-	-	-	*279*	*279*
Net unwind of discount on claims liabilities	**-**	**-**	**-**	***(217)***	***(217)***	-	-	-	*(117)*	*(117)*
Operating net investment result	**-**	**-**	**-**	**159**	**159**	-	-	-	162	162
Distribution income	**102**	**-**	**7**	**-**	**109**	91	-	3	-	94
Total finance costs	**(3)**	**-**	**-**	**(59)**	**(62)**	(5)	-	-	(50)	(55)
Other operating income (expense)	**-**	**-**	**-**	**(45)**	**(45)**	-	-	-	(38)	(38)
PTOI	**586**	**(47)**	**87**	**322**	**948**	514	(170)	86	218	648

For the twelve-month periods ended December 31,	2023					2022 - *Restated*				
	CAN	**UK&I**	**US**	**Corp.**	**Total**	**CAN**	**UK&I**	**US**	**Corp.**	**Total**
Operating DPW	**14,891**	**4,706**	**2,773**	**-**	**22,370**	13,995	4,664	2,346	-	21,005
Operating net underwriting revenue	**14,086**	**4,143**	**2,114**	**22**	**20,365**	13,531	4,107	1,866	18	19,522
Operating net claims	**(8,802)**	**(2,521)**	**(1,052)**	**949**	**(11,426)**	(7,917)	(2,625)	(941)	467	(11,016)
Operating net underwriting expenses	**(4,511)**	**(1,471)**	**(823)**	**(3)**	**(6,808)**	(4,288)	(1,455)	(697)	(2)	(6,442)
Underwriting income (loss)	**773**	**151**	**239**	**968**	**2,131**	1,326	27	228	483	2,064
Operating net investment income	**-**	**-**	**-**	***1,346***	***1,346***	-	-	-	*927*	*927*
Net unwind of discount on claims liabilities	**-**	**-**	**-**	***(884)***	***(884)***	-	-	-	*(378)*	*(378)*
Operating net investment result	**-**	**-**	**-**	**462**	**462**	-	-	-	549	549
Distribution income	**444**	**-**	**23**	**-**	**467**	433	-	8	-	441
Total finance costs	**(13)**	**-**	**-**	**(222)**	**(235)**	(12)	-	-	(177)	(189)
Other operating income (expense)	**-**	**-**	**-**	**(157)**	**(157)**	-	-	-	(163)	(163)
PTOI	**1,204**	**151**	**262**	**1,051**	**2,668**	1,747	27	236	692	2,702

[1] The totals of the segment measures reconcile to ***Table 1 – Consolidated performance.***
[2] ***See Section 31 – Non-GAAP and other financial measures*** for more details.

Section 5 - Canada segment

Our underwriting activities in Canada

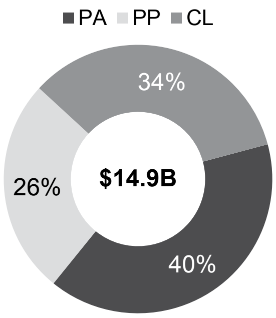
- We have $14.9 billion in annual operating DPW in 2023 ($14.0 billion in 2022) and remain the largest player with an estimated market share of 19% in 2022[1].
- We underwrite **automobile, home and business insurance contracts** to individuals and businesses in Canada.
  - **Personal auto** – protects our customers’ vehicles with coverages including accident benefits, third party liability, and physical damage.
  - **Personal property** – provides protection to our customers for their homes and belongings from risks such as fire, theft, vandalism, water damage and other damages; it also provides coverage for personal liability.
  - **Commercial lines (including specialty lines)** – provides a broad range of coverages including commercial auto, property, and liability coverages tailored to the needs of a diversified group of businesses.
- We offer our products through **multiple distribution channels including brokers, direct to consumer and our managing general agent (MGA) platform.**
  - Intact Insurance branded products are sold through a wide network of brokers, including our wholly-owned subsidiary BrokerLink.
  - belairdirect is our direct-to-consumer brand. Starting in fall 2023, we began our rebrand of Johnson Insurance and Anthony Insurance to belairdirect.
  - 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 our affinity groups, travel insurance, 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 combined ratio outperformance**.

[1] 2023 market share update will be available in the Q1-2024 MD&A.

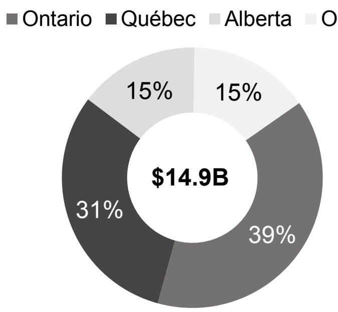
P&C insurance industry in Canada

- In 2022, the P&C market grew by 8%, driven by rate increases, to $75 billion in annual premiums.
- The top five insurers represented 48% of the market, and the top 20 had a combined market share of 84%.
- The P&C industry offers its products primarily through brokers, which make up two-thirds of industry premiums, and direct distribution channels.
- 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, whereas personal auto is regulated in all provinces. Commercial auto regulation varies depending on the segments, with some being regulated in all provinces and others remaining unregulated. The Office of the Superintendent of Financial Institutions’ (OSFI) mandate is to regulate and supervise federally regulated P&C insurance companies, conducting prudential reviews to determine their financial soundness.

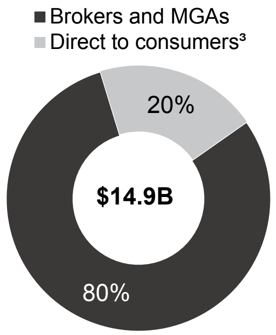
2023 Operating DPW[2] by line of business



2023 Operating DPW[2] by region



2023 Operating DPW[2] by distribution channel



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[2] *See Section 31 – Non-GAAP and other financial measures for more details.*

[3] Split between retail, affinity and travel.

5.1 P&C Canada

Table 5 – Underwriting results for P&C Canada[1]

		Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW		**3,682**	3,410	8%	**14,891**	13,995	6%
Operating net underwriting revenue		**3,658**	3,454	6%	**14,086**	13,531	4%
Underwriting income		**487**	428	14%	**773**	1,326	(42)%
Underwriting ratios							
Underlying current year loss ratio		**59.9%**	59.8%	0.1 pts	**60.2%**	59.9%	0.3 pts
CAT loss ratio		**0.8%**	2.3%	(1.5) pts	**7.5%**	4.1%	3.4 pts
(Favourable) unfavourable PYD ratio		**(5.3)%**	(6.2)%	0.9 pts	**(5.2)%**	(5.5)%	0.3 pts
Claims ratio		**55.4%**	55.9%	(0.5) pts	**62.5%**	58.5%	4.0 pts
Commissions		**14.8%**	14.2%	0.6 pts	**15.3%**	15.4%	(0.1) pts
General expenses		**12.8%**	13.7%	(0.9) pts	**13.0%**	12.5%	0.5 pts
Premium taxes		**3.7%**	3.8%	(0.1) pts	**3.7%**	3.8%	(0.1) pts
Expense ratio		**31.3%**	31.7%	(0.4) pts	**32.0%**	31.7%	0.3 pts
Combined ratio (undiscounted)		**86.7%**	87.6%	(0.9) pts	**94.5%**	90.2%	4.3 pts
Personal auto	*5.2*	**95.2%**	93.5%	1.7 pts	**94.7%**	93.2%	1.5 pts
Personal property	*5.3*	**75.8%**	76.5%	(0.7) pts	**100.7%**	89.2%	11. 5 pts
Commercial lines	*5.4*	**84.4%**	89.1%	(4.7) pts	**89.3%**	87.2%	2.1 pts

[1] *See* ***Section 31 – Non-GAAP and other financial measures*** for more details.

Q4-2023 vs Q4-2022	2023 vs 2022
• **Operating DPW growth of 8%** reflected double-digit growth within personal lines, while growth in commercial lines was driven by rate actions.	• **Operating DPW growth of 6%** driven by continued rate actions in supportive market conditions.
• **Expense ratio of 31.3%** reflected lower general expenses mainly due to lower variable compensation.	• **Expense ratio of 32.0%** was broadly in line with last year, as variable commissions returned closer to historical levels, while general expenses reflected technology investments to support growth initiatives.
• **Combined ratio improved 0.9 points to a strong 86.7%** with solid underlying results in all lines of business and benign catastrophe losses.	• **Combined ratio of 94.5% remained healthy** despite roughly 8 points of catastrophe losses, primarily impacting our personal property and commercial lines performance.

5.2 Personal auto

Table 6 – Underwriting results for Personal auto[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW	**1,408**	1,256	12%	**5,956**	5,514	8%
Written insured risks (in thousands)	**1,103**	1,083	2%	**5,034**	5,035	-%
Operating net underwriting revenue	**1,524**	1,402	9%	**5,808**	5,557	5%
Underwriting income	**74**	92	(20)%	**306**	376	(19)%
Underlying current year loss ratio	**75.8%**	77.7%	(1.9) pts	**74.3%**	73.0%	1.3 pts
CAT loss ratio	**(0.1)%**	0.3%	(0.4) pts	**1.1%**	0.5%	0.6 pts
(Favourable) unfavourable PYD ratio	**(5.9)%**	(10.6)%	4.7 pts	**(6.5)%**	(6.5)%	- pts
Claims ratio	**69.8%**	67.4%	2.4 pts	**68.9%**	67.0%	1.9 pts
Expense ratio	**25.4%**	26.1%	(0.7) pts	**25.8%**	26.2%	(0.4) pts
Combined ratio (undiscounted)	**95.2%**	93.5%	1.7 pts	**94.7%**	93.2%	1.5 pts

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

Q4-2023 vs Q4-2022	2023 vs 2022
• **Operating DPW growth accelerated to 12%**, as a result of rate actions in hard market conditions and continued momentum in unit growth.	• **Strong operating DPW growth of 8%**, with growth accelerating since the beginning of the year, driven by our rate actions in supportive market conditions.
• **Underlying current year loss ratio of 75.8%** improved by 1.9 points compared to last year, driven by higher earned premiums and slightly lower claims frequency. Earned rates are now in the high single digits and continue to mitigate the impact of inflation.	• **Underlying current year loss ratio of 74.3%** increased compared to last year. The benefit of higher earned rates, which have increased quarter-over-quarter, continued to temper inflationary pressures.
• **CAT loss ratio was muted** in the quarter.	• **CAT loss ratio of 1.1%** was in line with expectations.
• **Favourable PYD ratios of 5.9% for the quarter and 6.5% for the year continued to be strong,** consistent with recent quarters and reflective of our prudent reserving practices.	
• **Expense ratio of 25.4%** slightly decreased compared to last year, mainly due to lower variable compensation.	• **Expense ratio of 25.8%** was broadly in line with last year, as variable commissions returned closer to historical levels.
• **Combined ratio of 95.2%** was largely in line with our seasonally-adjusted sub-95 guidance.	• **Our full-year combined ratio of 94.7%** reflected our profitability actions to-date and is in line with our sub-95 guidance, which remains unchanged for the next twelve months.

5.3 Personal property

Table 7 – Underwriting results for Personal property[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW	**946**	874	8%	**3,877**	3,632	7%
Written insured risks (in thousands)	**708**	697	2%	**3,016**	2,981	1%
Operating net underwriting revenue	**949**	895	6%	**3,650**	3,493	4%
Underwriting income (loss)	**229**	210	9%	**(26)**	376	nm
Underlying current year loss ratio	**44.4%**	42.9%	1.5 pts	**49.0%**	47.9%	1.1 pts
CAT loss ratio	**0.6%**	1.4%	(0.8) pts	**18.3%**	9.8%	8.5 pts
(Favourable) unfavourable PYD ratio	**(1.7)%**	(2.0)%	0.3 pts	**(0.3)%**	(2.5)%	2.2 pts
Claims ratio	**43.3%**	42.3%	1.0 pt	**67.0%**	55.2%	11.8 pts
Expense ratio	**32.5%**	34.2%	(1.7) pts	**33.7%**	34.0%	(0.3) pts
Combined ratio (undiscounted)	**75.8%**	76.5%	(0.7) pts	**100.7%**	89.2%	11.5 pts

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

Q4-2023 vs Q4-2022	2023 vs 2022
• **Operating DPW growth was strong at 8%**, reflecting rate increases in hard market conditions and continued unit growth momentum.	• **Operating DPW growth was 7%,** reflecting rate and unit growth momentum in supportive market conditions.
• **Underlying current year loss ratio of 44.4% remained strong,** as higher earned rates continued to mitigate severity pressures.	• **Underlying current year loss ratio of 49.0%** benefitted from higher earned rates, which offset in part elevated non-catastrophe large losses in the year.
• **CAT loss ratio of 0.6%** was lower than last year and reflective of benign weather during the quarter.	• **CAT loss ratio of 18.3%** included approximately 11 points of catastrophe losses in excess of expectations, driven by multiple events, particularly in the summer months.
• **Favourable PYD ratio was healthy at 1.7%** and in line with expectations.	• **Favourable PYD ratio was close to nil,** with adverse development earlier in the year offsetting favourable development in the latter half of 2023.
• **Expense ratio of 32.5%** decreased compared to last year, mainly due to lower variable compensation.	• **Expense ratio of 33.7%** was broadly in line with last year, as variable commissions returned closer to historical levels.
• **Combined ratio was very strong at 75.8%,** reflecting a robust underlying performance coupled with mild weather.	• **Combined ratio was of 100.7%** mainly on account of elevated catastrophe losses. With pricing, risk selection, product, claims and supply chain actions already underway, we remain confident to deliver sub-95 performance, even with severe weather.

5.4 Commercial lines

Table 8 – Underwriting results for Commercial lines[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW	**1,328**	1,280	4%	**5,058**	4,849	4%
Operating net underwriting revenue	**1,185**	1,157	2%	**4,628**	4,481	3%
Underwriting income	**184**	126	46%	**493**	574	(14)%
Underlying current year loss ratio	**51.6%**	51.1%	0.5 pts	**51.3%**	52.9%	(1.6) pts
CAT loss ratio	**2.1%**	5.5%	(3.4) pts	**7.1%**	4.2%	2.9 pts
(Favourable) unfavourable PYD ratio	**(7.5)%**	(4.1)%	(3.4) pts	**(7.5)%**	(6.7)%	(0.8) pts
Claims ratio	**46.2%**	52.5%	(6.3) pts	**50.9%**	50.4%	0.5 pts
Expense ratio	**38.2%**	36.6%	1.6 pts	**38.4%**	36.8%	1.6 pts
Combined ratio (undiscounted)	**84.4%**	89.1%	(4.7) pts	**89.3%**	87.2%	2.1 pts

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

<table>
<tr><th>Q4-2023 vs Q4-2022</th><th>2023 vs 2022</th></tr>
<tr><td colspan="2">• Operating DPW growth of 4% quarter-to-date and for the year, reflecting continued rate discipline and strong retention in most lines, partially offset by targeted actions to optimize the portfolio and increased competition for large accounts within specialty lines.</td></tr>
<tr><td colspan="2">• Underlying current year loss ratios were strong at 51.6% for the quarter and 51.3% for the year, driven by the benefit of our profitability actions in hard market conditions, including higher earned rates.</td></tr>
<tr><td>• CAT loss ratio of 2.1% was lower than last year and reflective of a benign quarter.</td><td>• CAT loss ratio of 7.1% was higher than last year, driven by roughly 3 points of catastrophe losses in excess of expectations, resulting from multiple events throughout the year.</td></tr>
<tr><td colspan="2">• Favourable PYD ratios were strong at 7.5% for the quarter and for the year, reflecting favourable development on losses from longer-tail exposures.</td></tr>
<tr><td colspan="2">• Expense ratios of 38.2% in the quarter and 38.4% for the year increased compared to last year, driven by higher general expenses from the development and deployment of new technology.</td></tr>
<tr><td>• Combined ratio of 84.4% improved 4.7 points compared to last year. Continued underwriting discipline, coupled with lower catastrophe losses helped deliver strong results for the quarter.</td><td>• Combined ratio of 89.3% remained solid, as we shouldered elevated catastrophe losses. We remain well positioned to continue to deliver a low-90s or better combined ratio, as a result of our profitability actions.</td></tr>
</table>

Section 6 - UK and International (UK&I) segment

Our underwriting activities in the UK, Ireland and Europe[1]

- We provide a broad range of **commercial insurance, specialty lines and risk management expertise** for businesses in the UK, Ireland and Europe, as well as internationally through our global network. We also provide home and motor insurance products in Ireland.
    - We have reported £2.8 billion ($4.7 billion) in annual operating DPW for 2023. On a continuing pro-forma basis[2], this would be approximately £2.6 billion ($4.4 billion).
    - In the UK commercial lines, we have a 5% market share. Products are offered via brokers through the RSA brand and the NIG and FarmWeb brands which became part of the Intact Group through the DLG brokered commercial lines acquisition.
    - In Ireland, we hold a top 5 position overall, with over £325 million in annual operating DPW. Personal and commercial insurance are offered through a multi-distribution network, including 123.ie (our direct-to-consumer brand) and brokers, complimented by affinity partnerships.
    - In Europe, we offer products through the RSA brand via brokers in France, Belgium, Spain and the Netherlands.
- Effective Q4-2023, we have exited our UK personal lines operations and have expanded our commercial lines portfolio through the DLG brokered commercial lines acquisition. These strategic actions accelerate our path to sustainable outperformance for the continuing UK&I 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 combined ratio by 2025. Following our recent strategic actions taken, the refocused UK&I segment is expected to deliver a low-90s combined ratio in 2024.**

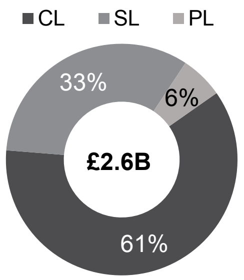
[1] Market share and industry data are for 2022.

[2] Reflects the impact of DLG brokered commercial lines acquisition for a full year and excludes UK personal lines DPW, as this is a better indication of our future annual premiums.

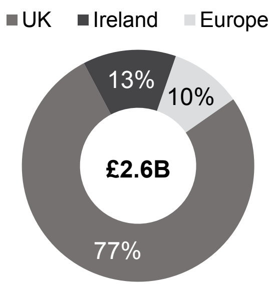
P&C Insurance industry in the UK

- In 2022, the UK domestic commercial lines market represented £25 billion in annual premiums. The London Specialty Market represented over £50 billion in annual premiums, following significant growth over recent years, primarily driven by hard market conditions.
- In the UK Commercial Lines market, the commercial Motor market is very concentrated with the largest 10 insurers representing 94% of the market, whereas commercial property and liability are more fragmented with the largest 10 insurers accounting for 80% and 73% of the market, respectively.
- Brokers remain the primary distribution channel for commercial lines, including SME.
- The UK non-life insurance industry is regulated by two regulatory bodies, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (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.

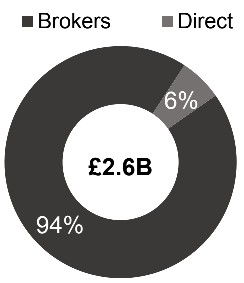
2023 Operating DPW[3] (continuing pro-forma basis)[4] by line of business



2023 Operating DPW[3] (continuing pro-forma basis)[4] by region



2023 Operating DPW[3] (continuing pro-forma basis)[4] by distribution channel



[3] See *Section 31 – Non-GAAP and other financial measures* for more details.

[4] 2023 DPW (continuing pro-forma basis) reflects the impact of the DLG brokered commercial lines acquisition for a full year and excludes UK personal lines DPW, as this a better indication of our future annual premiums.

6.1 P&C UK&I

Following the strategic actions taken to exit the UK personal lines market, the majority of our underwriting activities lie within our commercial lines business, as we focus resources on our leading UK commercial and specialty lines platform. Our remaining personal lines business represents a small portion of our overall UK&I business. **Our underwriting results will therefore be presented solely on a total P&C UK&I basis going-forward.**
To provide comparability with last year, the UK personal lines results (motor, home and pet) were excluded from full-year 2023 and 2022 results. The impact from the DLG brokered commercial lines acquisition is included as part of Q4-2023 results. For more details on our recent exits, see ***Section 13.2 – Income (loss) from exited lines.***

Table 9 – Underwriting results for P&C UK&I[1]

	Q4-2023	Q4-2022 *Pro-forma[2] & Restated*	Change	2023 *Pro-forma[2]*	2022 *Pro-forma[2] & Restated*	Change	2023 *Reported*
Operating DPW	**1,112**	830	34%	**3,768**	3,379	12%	***4,706***
Growth in constant currency			26%			7%	
Operating net underwriting revenue	**1,011**	723	40%	**3,299**	2,819	17%	***4,143***
Underwriting (loss) income	**(47)**	34	nm	**189**	292	(35)%	***151***
Underwriting ratios							
Underlying current year loss ratio	**60.8%**	60.9%	(0.1) pts	**56.5%**	55.9%	0.6 pts	***57.8%***
CAT loss ratio	**15.0%**	2.1%	12.9 pts	**6.6%**	4.7%	1.9 pts	***5.2%***
(Favourable) unfavourable PYD ratio	**(6.0)%**	(3.5)%	(2.5) pts	**(4.0)%**	(5.9)%	1.9 pts	***(2.1)%***
Claims ratio	**69.8%**	59.5%	10.3 pts	**59.1%**	54.7%	4.4 pts	***60.9%***
Commissions	**18.8%**	18.4%	0.4 pts	**17.4%**	18.0%	(0.6) pts	***17.5%***
General expenses	**16.0%**	17.5%	(1.5) pts	**17.8%**	17.0%	0.8 pts	***18.0%***
Expense ratio	**34.8%**	35.9%	(1.1) pts	**35.2%**	35.0%	0.2 pts	***35.5%***
Combined ratio (undiscounted)	**104.6%**	95.4%	9.2 pts	**94.3%**	89.7%	4.6 pts	***96.4%***

[1] *See **Section 31 – Non-GAAP and other financial measures** and **Section 13.2 – Income (loss) from exited lines** for more details.*
[2] Results exclude UK personal lines results.

Q4-2023 *reported* **vs Q4-2022** *pro-forma*	**2023** *pro-forma* **vs 2022** *pro-forma*
• **Operating DPW growth in constant currency was 26%,** driven by the DLG brokered commercial lines acquisition. Excluding this impact and the end of a large commercial motor contract, organic growth was 6% for the quarter, mainly due to rate actions in supportive market conditions.	• **Operating DPW growth in constant currency was 7%,** including an organic growth of 6%, driven by a strong performance in specialty lines.
• **Underlying current year loss ratio was 60.8%**, in line with last year, reflecting continued underwriting discipline, tempered by a 2-point impact from increased large losses.	• **Underlying current year loss ratio remained strong at 56.5%**, and broadly in line with last year, as we continue to focus on portfolio quality.
• **Elevated CAT loss ratio of 15.0%** with roughly 11 points of catastrophe losses in excess of expectations, driven by two severe windstorms, Storms Ciaran and Babet.	• **CAT loss ratio of 6.6%** was higher than last year, resulting from the storms in Q4-2023 as well as from non-weather-related losses earlier in the year.
• **Favourable PYD was strong at 6.0%,** mainly due to positive development on specific large commercial claims.	• **Favourable PYD ratio was solid at 4.0%,** reflecting positive development on large losses throughout most of the year.
• **Expense ratio of 34.8%** improved 1.1 points compared to last year, mainly due to non-recurring benefits in the quarter.	• **Expense ratio of 35.2%** was largely in line with last year, driven by investments to support growth initiatives, including technology expenditures.
• **Combined ratio was elevated at 104.6%** reflecting elevated catastrophe and large losses, partially offset by favourable PYD. The DLG business performance was consistent with expectations.	• **Combined ratio of 94.3%** included a 2-point impact from catastrophe losses in excess of expectations. We expect to run this business at a combined ratio of approximately 92% in 2024, and to improve to roughly 90% within 24 months.

Section 7 - US segment

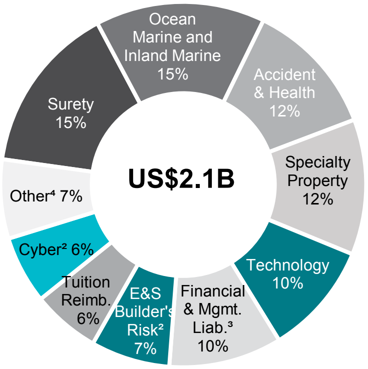
Our underwriting activities in the US

- We are focused on small to medium-sized businesses, with US$2.1 billion ($2.8 billion) in annual operating DPW for 2023.
- 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 are one of the top 10 largest Surety underwriters in the United States, with a significant presence in the Commercial Surety market, as well as Contract Surety and Customs bonds.
- 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 (MGA)**, 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.
    - Striior Insurance Solutions (formerly Highland Insurance Solutions) is our MGA platform specializing in the E&S Builder’s Risk market.

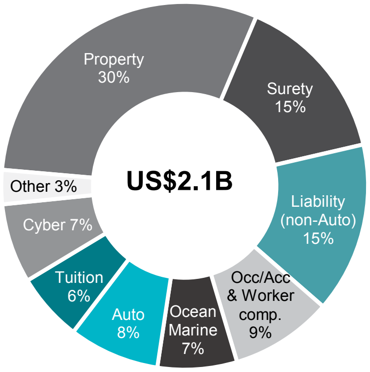
Specialty Insurance industry in the US

- In 2022, the US specialty insurance market accounted for approximately 46%, or more than US$188 billion, of the total commercial P&C insurance market.
- The US commercial specialty insurance industry is fragmented, with the largest player capturing less than 7% market share in 2022. 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%.
- The agency channel (independent agencies, brokers, wholesalers and MGAs) is the primary distribution channel for specialty insurance products.
- Insurance companies are subject to regulation and supervision in each of the states where they are domiciled and licensed to conduct business. The state insurance regulators are supported by the National Association of Insurance Commissioners (NAIC), which establishes standards and best practices, as well as assists state insurance regulators in monitoring the financial condition of insurance companies.

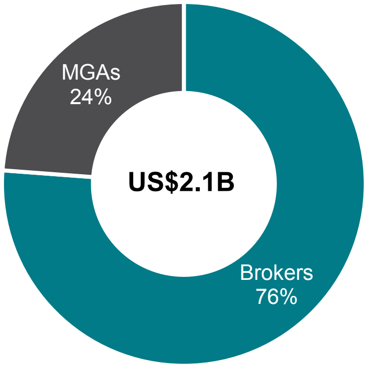
2023 Operating DPW [1] by business unit



2023 Operating DPW [1] by type of coverage



2023 Operating DPW [1] by distribution channel



[1] See *Section 31 – Non-GAAP and other financial measures* for more details.
[2] Cyber and E&S Builder’s Risk each account for 2% of our portfolio, net of ceded premiums.
[3] Includes Management Liability, Financial Institutions and Financial Services.
[4] Includes Entertainment, Environmental, and Other.

7.1 P&C US

Table 10 – Underwriting results for P&C US[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Operating DPW	**616**	565	9%	**2,773**	2,346	18%
Growth in constant currency			9%			14%
Operating net underwriting revenue	**590**	546	8%	**2,114**	1,866	13%
Growth in constant currency			7%			9%
Underwriting income	**80**	83	(4)%	**239**	228	5%
Underlying current year loss ratio	**44.4%**	49.0%	(4.6) pts	**47.8%**	50.3%	(2.5) pts
CAT loss ratio	**3.0%**	0.1%	2.9 pts	**3.0%**	1.5%	1.5 pts
Unfavourable (favourable) PYD ratio	**2.9%**	1.1%	1.8 pts	**(1.0)%**	(1.4)%	0.4 pts
Claims ratio	**50.3%**	50.2%	0.1 pts	**49.8%**	50.4%	(0.6) pts
Commissions	**16.6%**	16.4%	0.2 pts	**18.1%**	17.4%	0.7 pts
General expenses	**17.5%**	16.1%	1.4 pts	**18.9%**	18.0%	0.9 pts
Premium taxes	**2.0%**	2.0%	- pts	**1.9%**	2.0%	(0.1) pts
Expense ratio	**36.1%**	34.5%	1.6 pts	**38.9%**	37.4%	1.5 pts
Operating combined ratio	**86.4%**	84.7%	1.7 pts	**88.7%**	87.8%	0.9 pts

[1] See *Section 31 – Non-GAAP and other financial measures* and *Section 13.2 – Income (loss) from exited lines* for more details.

<table>
<tr><th>Q4-2023 vs Q4-2022</th><th>2023 vs 2022</th></tr>
<tr><td>• Operating DPW growth in constant currency of 9% was led by strong growth across several lines of business, with robust rate increases in Specialty Property and a strong Surety market.</td><td>• Operating DPW growth in constant currency was strong at 14%, reflecting a 6-point contribution from our entry into the E&S builder's risk market, as well as continued focus on rates across most lines of business.</td></tr>
<tr><td colspan="2">• Full-year operating net underwriting revenue growth is lower than our full-year operating DPW growth, due to high reinsurance cessions on newer and high-growth products, including cyber and builders' risk.</td></tr>
<tr><td>• Strong underlying current year loss ratio of 44.4% improved 4.6 points compared to last year, benefitting from higher earned rates and a favourable business mix.</td><td>• Strong underlying current year loss ratio improved 2.5 points to 47.8%, driven by a favourable business mix and the benefits of higher earned rates generally outpacing loss trends.</td></tr>
<tr><td>• Elevated CAT loss ratio of 3.0% was attributable to a large non-weather claim.</td><td>• CAT loss ratio of 3.0% was higher than last year, primarily due to non-weather-related losses.</td></tr>
<tr><td>• Unfavourable PYD ratio of 2.9% was driven by adverse development relating to a single large claim, offsetting otherwise favourable development across multiple business units.</td><td>• Favourable PYD ratio was healthy at 1.0%, and largely in line with last year, driven by positive development on prior year losses across most of the portfolio throughout 2023.</td></tr>
<tr><td>• Expense ratio of 36.1% increased 1.6 points, driven by variable compensation, as well as investments in operations to support growth.</td><td>• Expense ratio of 38.9% increased 1.5 points from the prior year due to higher commissions on our more profitable business lines as well as increased investments to support growth.</td></tr>
<tr><td colspan="2">• Combined ratios of 86.4% in the quarter and of 88.7% for the year were strong, driven by continued growth in profitable business lines and underwriting discipline. We are well positioned to maintain a low 90s or better combined ratio, going forward.</td></tr>
</table>

Section 8 - Corporate and other

Corporate and Other

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

- Corporate underwriting income, which includes earned premiums from certain internal reinsurance treaties as well as the impact of discount build on our claims liabilities for all P&C segments;
- Investment management activities *(see **Section 11 – Investment performance**);*
- Treasury and capital management *(see **Section 24 – Capital management**)*; and
- Other corporate activities related to the operation of the group and our public company status. These group functions include group legal, finance, investor relations, corporate development, strategy and other head office responsibilities.

8.1 Corporate operating results

Table 11 – Corporate and other[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Corporate underwriting[2]	**(3)**	4	(7)	**20**	17	3
Discount build on claims liabilities	**270**	140	130	**948**	466	482
Corporate underwriting income	**267**	144	123	**968**	483	485
Operating net investment income	**376**	279	97	**1,346**	927	419
Net unwind of discount on claims liabilities	**(217)**	(117)	(100)	**(884)**	(378)	(506)
Operating net investment result	**159**	162	(3)	**462**	549	(87)
Total finance costs	**(59)**	(50)	(9)	**(222)**	(177)	(45)
Other operating income (expense)[3]	**(45)**	(38)	(7)	**(157)**	(163)	6
Total corporate and other	**322**	218	104	**1,051**	692	359

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

[2] Includes interest expense on contracts collateral as of Q4-2023.

[3] Other operating income (expense) can fluctuate from quarter to quarter and includes intersegment adjustments as well as other operating items.

Q4-2023 vs Q4-2022 **2023 vs 2022**

- **Corporate underwriting income was $267 million for the quarter and $968 million for the year,** reflecting a higher discount build on claims liabilities due to higher interest rates compared to last year.
- **Operating net investment result was $159 million for the quarter and $462 million for the year**, as investment income benefitted from higher book yields, while the unwind of discount on claims liabilities remained relatively stable throughout the year.
- **Total finance costs of $59 million for the quarter and $222 million for the year** were higher than last year, driven by additional financing required to fund strategic initiatives throughout the year, as well as the impact of higher interest rates on short-term debt.
- **Other operating expenses of $45 million for the quarter and $157 million for the year** were higher than expectations due to timing of intersegment eliminations between our underwriting and distribution businesses, while our corporate expenses remained relatively stable.

8.2 Discounted combined ratios by segment and line of business

We have provided undiscounted and discounted combined ratios by line of business below. When assessing our performance versus our competitors, it is important to compare combined ratios on a similar basis of calculation.

Table 12 – Discounted & undiscounted combined ratios by segment and by lines of business[1]

	Q4-2023		Q4-2022		2023		2022	
By segment	**Undisc.**	**Disc.**	**Undisc.**	**Disc.**[2]	**Undisc.**	**Disc.**	**Undisc.**	**Disc.**[2]
P&C Canada								
Personal auto	**95.2%**	**89.4%**	93.5%	88.3%	**94.7%**	**89.7%**	93.2%	89.1%
Personal property	**75.8%**	**74.6%**	76.5%	75.4%	**100.7%**	**98.8%**	89.2%	88.1%
Commercial lines	**84.4%**	**78.5%**	89.1%	83.7%	**89.3%**	**83.8%**	87.2%	82.5%
	86.7%	**82.0%**	87.6%	83.4%	**94.5%**	**90.1%**	90.2%	86.6%
P&C UK&I	**104.6%**	**98.6%**	116.4%	114.6%	**96.4%**	**91.0%**	99.3%	97.2%
P&C US	**86.4%**	**80.0%**	84.7%	80.3%	**88.7%**	**83.8%**	87.8%	84.4%
Combined ratio	**90.1%**	**85.0%**	93.2%	90.4%	**94.2%**	**89.5%**	91.8%	89.4%

[1] *See* ***Section 31 – Non-GAAP and other financial measures*** for more details.

[2] Included an adjustment of the discount build in the transition year within Corporate. See ***Section 31.4 – Non-operating results*** for more details.

2023 vs. 2022

- **Our segments and lines of business in *Sections 5 to 7* are presented on an undiscounted basis, in line with how we manage our business.** We provided discounted combined ratios in the table above as additional information.
- The impact of discounting varies by line of business and is impacted by the duration of claims in that particular line. For example, commercial lines across all segments (including specialty lines) and Canada personal auto tend to have longer-tail exposures compared to Canada personal property, and therefore the impact of discounting is more pronounced in these lines.

Net impact of the discount build / unwind

Table 13 - Net impact of discount build and unwind

	Q4-2023	Q4-2022 *Restated*[1]	Change	2023	2022 *Restated*[1]	Change
Discount build on claims liabilities	**270**	140	130	**948**	466	482
Net unwind of discount on claims liabilities	**(217)**	(117)	(100)	**(884)**	(378)	(506)
Total net impact	**53**	23	30	**64**	88	(24)

[1] Included an adjustment of the discount build in the transition year within Corporate. See ***Section 31.4 – Non-operating results*** for more details.

Q4-2023 vs Q4-2022

- **Total favourable net impact of $53 million** primarily reflected an increased duration of expected payment for certain claim liabilities, in addition to the impact of higher interest rates, which only decreased towards the end of the quarter.

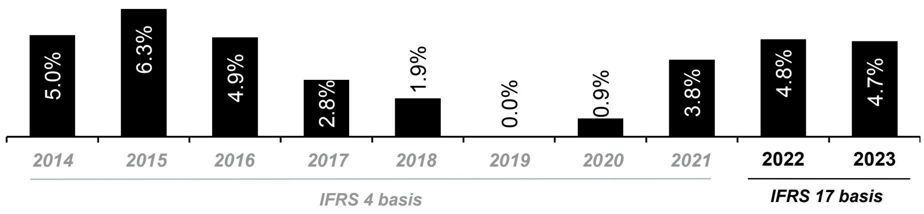
2023 vs 2022

- **Total favourable net impact of $64 million** was driven by rising interest rates throughout most of the year, as well as a duration increase in Q4-2023.

- **2023 reminder:** the net unwind on prior year claims is largely calculated based on discount rates fixed at the beginning of the year, while the discount build on current year claims uses the average yield on a year-to-date basis. While the unwind is relatively stable quarter on quarter within the year, the discount build is impacted by the volatility in interest rates, and therefore these two components may not perfectly offset.

Section 9 - Prior year claims development

Favourable PYD ratio (2014-23)[1]



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

[1] PYD as a percentage of Net underwriting revenue in 2023 and 2022, and as a percentage of Net earned premiums for 2021 and prior.

9.1 PYD guidance

- We expect average favourable PYD as a percentage of operating net underwriting revenue to be in the **2 - 4% range in the mid-term**, on a consolidated view of our continuing business. The impact of PYD can vary across our different lines of business and segments.
- PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.

9.2 PYD ratio by segment

Table 14 – Net (favourable) unfavourable PYD ratio by segment[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
P&C Canada						
Personal auto	**(5.9)%**	(10.6)%	4.7 pts	**(6.5)%**	(6.5)%	- pts
Personal property	**(1.7)%**	(2.0)%	0.3 pts	**(0.3)%**	(2.5)%	2.2 pts
Commercial lines	**(7.5)%**	(4.1)%	(3.4) pts	**(7.5)%**	(6.7)%	(0.8) pts
	(5.3)%	(6.2)%	0.9 pts	**(5.2)%**	(5.5)%	0.3 pts
P&C UK&I	**(6.0)%**	(1.9)%	(4.1) pts	**(2.1)%**	(3.2)%	1.1 pts
P&C US	**2.9%**	1.1%	1.8 pts	**(1.0)%**	(1.4)%	0.4 pts
Total segments PYD[2]	**(4.5)%**	(4.5)%	- pts	**(4.1)%**	(4.6)%	0.5 pts
Impact of discount build on PYD[3]	**(0.7)%**	(0.1)%	(0.6) pts	**(0.6)%**	(0.2)%	(0.4) pts
Consolidated	**(5.2)%**	(4.6)%	(0.6) pts	**(4.7)%**	(4.8)%	0.1 pts

[1] See ***Section 31 – Non-GAAP and other financial measures*** for more details.
[2] Includes the impact of PYD on corporate reinsurance.
[3] Includes the impact of discount build on claims liabilities across all P&C segments.

2023 Highlights

- **Favourable PYD ratio remained strong at 5.2% for the quarter**, despite unfavourable PYD in the US which was driven by adverse development on a single large claim.
- **Favourable PYD ratio of 4.7% for the year** was strong and in line with last year, driven by healthy PYD across all segments.

Section 10 - CAT losses and Seasonality

10.1 Net CAT losses

Table 15 – Net CAT losses by segment[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
By segment						
P&C Canada	**29**	80	(51)	**1,058**	561	497
P&C UK&I	**152**	90	62	**217**	246	(29)
P&C US	**18**	1	17	**64**	29	35
Current year CAT losses[2]	**199**	171	28	**1,339**	836	503
Consolidated (favourable) unfavourable PYD on CAT losses[3]	**(17)**	(10)	(7)	**(11)**	(33)	22
All accident year CAT losses	**182**	161	21	**1,328**	803	525
Current year CAT loss ratio						
P&C Canada	**0.8%**	2.3%	(1.5) pts	**7.5%**	4.1%	3.4 pts
P&C UK&I	**15.0%**	8.7%	6.3 pts	**5.2%**	6.0%	(0.8) pts
P&C US	**3.0%**	0.1%	2.9 pts	**3.0%**	1.5%	1.5 pts
Consolidated	**3.8%**	3.4%	0.4 pts	**6.6%**	4.3%	2.3 pts
Exited lines						
Current year losses from reported CATs	**65**	1	64	**65**	3	62

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.
[2] Including reinstatement premiums. CAT losses are reported on an undiscounted basis, in line with how we present our business segments.
[3] PYD on CAT losses is presented within our PYD captions and ratios.

Q4-2023 highlights

- **We reported current year CAT losses of $199 million (CAT loss ratio of 3.8%)**, above our expectations within the UK&I, driven by two severe windstorms in the UK and Europe, Storms Ciaran and Babet.
- These severe windstorms also impacted our exited UK home insurance operations with losses of $65 million in Q4-2023. These would have been considered CAT losses had they been reported within our continuing business.

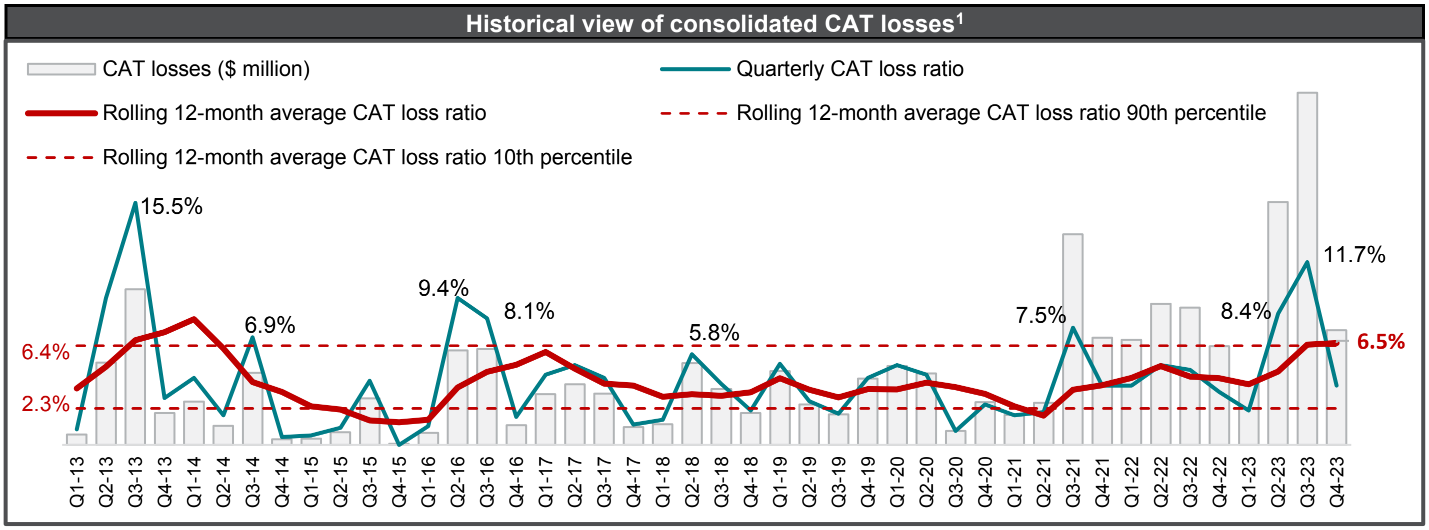
2023 highlights

- **We reported current year CAT losses of $1,339 million (CAT loss ratio of 6.6%)**, well above expectations, driven by a multitude of weather events this year. Most of the losses were in our Canadian segment and attributable to multiple hailstorms, thunderstorms, and wildfires.

- We generally seek to manage our exposure to CAT losses at the company level, through individual risk selection and the purchase of reinsurance contracts. Although we have a comprehensive catastrophe reinsurance program in place, no individual catastrophe event reached our reinsurance retention threshold in 2023. Our catastrophe treaties are primarily designed as a capital safeguard against catastrophic events and are not intended to manage quarter to quarter volatility. As such, only four CAT events[4] in the past 10 years have reached the retention thresholds of our current corporate CAT treaty.

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

Historical view of consolidated CAT losses[1]



[1] 2023 and 2022 CAT loss ratios are presented on an IFRS 17 basis (using Operating net underwriting revenue) whereas previous years' CAT loss ratios are presented on an IFRS 4 basis (using Operating net earned premiums). *See* ***Section 31 – Non-GAAP and other financial measures***.

Evolution of consolidated 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).
- Though this year was subject to an elevated level of catastrophe losses, the quarterly volatility seen in 2023 was not unprecedented. Looking at our historical data, past quarters have seen CAT loss ratios with elevated peaks, such as those attributable to the Fort McMurray wildfire in 2016, as well as the Calgary and Toronto floods in 2013.
- Our rolling 12-month average CAT loss ratio has remained relatively stable over time, largely within the range of 4%, showing that the upward trend in catastrophe losses on a dollar basis in recent periods has been proportional to the growth in our premium base. While climate change has impacted the frequency and intensity of weather events, we have responded with pricing, risk selection, product, claims and supply chain actions.
- Our personal property business has shown long-term resiliency with an average combined ratio below 90% in the last 10 years and our rolling 12-month combined ratio breaching the 95% threshold only in two instances: following the 2013 events and this year.
- As a P&C insurer, assuming physical risk for our customers is our business. Our primary focus is on resilience and protection at both the individual level and the community level. Climate change presents an opportunity for IFC to both help society and win in the marketplace with innovative products and services.

10.2 CAT guidance

- Our guidance for 2024 will be based on a CAT loss ratio of 4.3%. On a dollar basis, this represents $900 million of CAT losses (on a continuing basis, net of reinsurance), up from our previous guidance of $700 million. The revised estimate reflects recent experience, our view of long-term climate trends, on-going inflation, our growing premium base (including our recent DLG brokered commercial lines acquisition and excluding UK Personal Lines) and the latest impact of reinsurance renewals. The revised estimate does not reduce our profitability expectations as the increase in CAT losses is embedded within our pricing actions, increasing our earned premiums.
- Though volatility is inherent, we expect that approximately 70% of CAT losses will impact our Canadian segment (of which approximately 60% 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. 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).

10.3 Seasonality of our P&C insurance business

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

Seasonality indicators are attributable to the variance in quarterly results with respect to the corresponding full-year combined ratio excluding CATs. The indicators are expressed in points of combined ratio, where a higher seasonality indicator indicates a relatively less profitable underwriting result.

P&C Canada

Table 16 – Unfavourable (favourable) seasonal indicators – P&C Canada[1]

P&C Canada	2023	2022	2021	2020	3-yr average	5-yr average	10-yr average
Q1	2.2 pts	3.3 pts	4.4 pts	5.2 pts	**3.3 pts**	**4.1 pts**	**3.9 pts**
Q2	1.4 pts	(3.2) pts	(0.8) pts	(1.0) pts	**(0.9) pts**	**(0.2) pts**	**(0.2) pts**
Q3	(2.3) pts	0.8 pts	(0.8) pts	0.1 pts	**(0.8) pts**	**(1.0) pts**	**(1.6) pts**
Q4	(1.3) pts	(0.9) pts	(2.9) pts	(4.3) pts	**(1.7) pts**	**(2.9) pts**	**(2.0) pts**

[1] 2023 and 2022 are based on restated underwriting results following the adoption of IFRS 17, whereas prior years are on under the IFRS 4 basis.

Highlights

At the P&C level, Q1 usually sees a higher combined ratio compared to other quarters, driven by harsh winter weather conditions impacting our personal lines of business.

By line of business, seasonality indicators present differing trends:

- Personal auto tends to have a pronounced unfavourable seasonal indicator in Q1, whereas seasonally favourable in Q2.
- Personal property tends to have a strong favourable trend in Q4.

P&C UK&I and US

In the US and UK&I, the expected impact of seasonality is relatively limited when excluding CATs, given that there is a higher concentration in commercial lines and relatively milder winter weather.

Section 11 - Investment performance

11.1 Operating net investment result

Table 17 – Operating net investment result

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Interest income	**307**	210	97	**1,038**	634	404
Dividend income	**75**	74	1	**327**	305	22
Investment property rental income	**7**	5	2	**23**	23	-
Operating investment income	**389**	289	100	**1,388**	962	426
Investment expenses	**(13)**	(10)	(3)	**(42)**	(35)	(7)
Operating net investment income[1]	**376**	279	97	**1,346**	927	419
Net unwind of discount on claims liabilities[1]	**(217)**	(117)	(100)	**(884)**	(378)	(506)
Operating net investment result[1]	**159**	162	(3)	**462**	549	(87)
Average investments[2]	**36,781**	35,343	4%	**35,958**	35,037	3%
Market-based yield[3]	**4.32%**	3.32%	100 bps	**3.94%**	2.78%	116 bps

[1] See ***Section 31 – Non-GAAP and other financial measures*** for more details.
[2] Defined as the mid-month average fair value of investments held during the reporting period.
[3] Defined as the annualized total pre-tax operating investment income (before expenses), divided by the weighted-average investments.

Q4-2023 vs Q4-2022

- **Operating net investment income increased by 35% to $376 million** driven higher book yields and increased turnover of our portfolio over the last 12 months.

2023 vs 2022

- **Operating net investment income increased by 45% to $1,346 million** driven by the benefits of rising yields and increased turnover of our portfolio over the last 12 months.

- As at December 31, 2023, the reinvestment yield declined to 4.3% but still exceeded our book yield of 3.5%.
- **The net unwind of discount on claims liabilities of $(217) million for the quarter and $(884) million for the year** increased significantly compared to last year, driven by higher discount rates.
- **Overall, the operating net investment result of $159 million for Q4-2023** increased from the preceding quarter. Investment income captured the benefits of higher book yields, while the net unwind remained relatively stable, as it is calculated based on discount rates fixed at the beginning of the year.

Q4-2023 vs Q4-2022

- **Average investments increased 4% compared to Q4-2022,** reflecting primarily cash inflows from operations.
- **Market-based yield increased by 100 bps to 4.32% compared to Q4-2022,** reflecting increased investment income driven by higher book yields and increased turnover of our portfolio, while average investments slightly increased.

2023 vs 2022

- **Average investments increased 3% compared to 2022,** reflecting primarily cash inflows from operations, tempered by the negative mark-to-market from higher interest rates throughout most of 2023.
- **Market-based yield increased by 116 bps to 3.94% for the year,** reflecting increased investment income driven by higher book yields captured through increased turnover of our portfolio as well as a special dividend in Q2-2023, while average investments slightly increased.

Section 12 - Distribution income

Distribution income

We have broker relationships across Canada, the US, the UK and Europe for customers who value advice from 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. **Our strategy is to increase scale in distribution and to be a preferred partner by supporting brokers in their growth and profitability ambitions.**

Distribution income is reported on an earnings before interest, tax and amortization basis ("EBITDA"), 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 as well as On Side Restoration ("On Side").

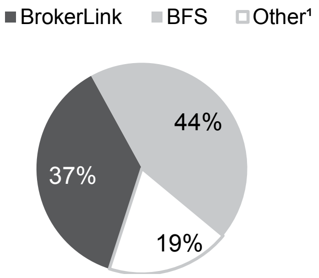
- BrokerLink is a distributor of P&C products in Canada, with over $3.5 billion of annual DPW. In 2023, BrokerLink completed 20 acquisitions totalling $375 million in premiums.
- Broker Financial Solutions ("BFS") offers financial support and advice to our network of brokers, in areas such as succession planning, growth, and profitability improvement. This network accounts for over $3 billion of Intact written premiums.
- Our managing general agent (MGA) platform is composed of the following:
  - Intact Public Entities, the MGA platform distributing public entity insurance products in Canada;
  - Coast Underwriters, the MGA platform distributing Marine Insurance;
  - Striior Insurance Solutions (formerly Highland Insurance Solutions), the MGA platform specializing in the E&S Builder's Risk segment in the US.
- 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, enabling us to be faster in our response and ensure the quality of repairs, while being more efficient on costs.

Having a meaningful distribution business differentiates our balance sheet and earnings from other insurers:

- If we allocate debt to our distribution business in line with the brokerage industry comparables, the adjusted debt-to-capital ratio of our P&C business would be approximately 3.5 points[1] lower.
- Approximately 25% of our intangible assets and goodwill are attributable to our distribution business.
- Distribution income covers approximately 1.5x our total annual interest charges and preferred share dividends.
- Distribution income provides a strong, dependable and diversified source of earnings supporting our ROE outperformance objective with approximately 2-point[2] contribution to our OROE.

[1] All debt outstanding is held & managed at the Holding Company level. Debt was allocated to reach a debt / LTM EBITDA multiple of approximately 2.5.
[2] Calculated using Distribution income, after-tax and after allocated finance costs, divided by IFC's Adjusted average common shareholder's equity (excl. AOCI).

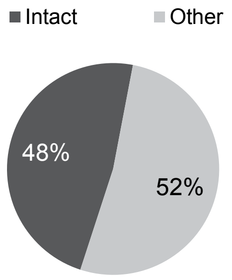
Distribution income by source



Highlights

Distribution income increased by 16% to $109 million for the quarter, mainly driven by BrokerLink's recent acquisitions paired with solid organic growth. Distribution income increased by 6% to $467 million for the year, reflecting a slow pace of acquisitions in the first half of the year as well as lower variable commissions compared to last year's strong level. **In 2024, we expect distribution income growth of at least 10%.**

BrokerLink topline (DPW)



[1] Other includes Intact Public Entities, On Side, Coast Underwriters, Striior and other.

Section 13 - Non-operating results

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

Table 18 – Non-operating results[1]

	Q4-2023	Q4-2022 *Restated*[2]	Change	2023	2022 *Restated*[2]	Change
Net gains (losses) on FVTPL bonds and FX[3]	**388**	54	334	**271**	(862)	1,133
MYA and FX on claims liabilities[4]	**(354)**	82	(436)	**(62)**	973	(1,035)
Net gains (losses) excluding FVTPL bonds ***(Table 19)***	**144**	(193)	337	**(22)**	536	(558)
Other net gains, including sale of Codan Denmark	**22**	38	(16)	**50**	477	(427)
Income (loss) from exited lines ***(Table 20)***	**(158)**	(35)	(123)	**(313)**	(126)	(187)
Restructuring costs	**(96)**	(23)	(73)	**(248)**	(59)	(189)
Amortization of acquired intangible assets ***(Table 52)***	**(74)**	(66)	(8)	**(270)**	(254)	(16)
Acquisition and integration costs	**(86)**	(61)	(25)	**(255)**	(294)	39
Net result from claims acquired in a business combination	**(1)**	(1)	-	**(3)**	(5)	2
Other	**10**	(16)	26	**23**	(45)	68
Non-operating results	**(205)**	(221)	16	**(829)**	341	(1,170)

[1] ***See Section 31 – Non-GAAP and other financial measures*** for the after-tax impacts and non-operating NCI component.

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

[3] Includes realized and unrealized gains and losses on our FVTPL bonds, as well as $(42) million of foreign currency gains (losses) on our bonds for the quarter, and $(55) million for the year.

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

<table>
<tr><th>Q4-2023 vs Q4-2022</th><th>2023 vs 2022</th></tr>
<tr><td>• Net gains on FVTPL bonds and FX of $388 million, driven by decreases in interest rates in Canada, the US and the UK (see <i>Section 21.2 – Capital market update</i>).</td><td>• Net gains on FVTPL bonds and FX were $271 million, reflecting decreases in interest rates compared to the beginning of the year, primarily led by movements in Q4.</td></tr>
<tr><td>• MYA and FX loss on claims liabilities of $354 million, driven by the decrease in interest rates in all geographies.</td><td>• MYA and FX loss on claims liabilities of $62 million, driven by the interest rates movements described above.</td></tr>
<tr><td>• Net gains excluding FVTPL bonds of $144 million reflected a rebound of equity markets.</td><td>• Net losses excluding FVTPL bonds of $22 million, included net foreign currency losses in the UK&I, partly offset by overall mark-to-market gains on our equity securities.</td></tr>
<tr><td>• Other net gains of $22 million were broadly comparable to last year and included certain gains on distribution.</td><td>• Other net gains of $50 million were lower than the comparable period due to the sale of Codan Denmark in 2022.</td></tr>
<tr><td colspan="2">• Losses from exited lines of $158 million in the quarter and $313 million for the year have deteriorated year-over-year, mainly due to our UK motor exit in Q1-2023 and our UK home and pet exits in Q4-2023 (see <i>Section 13.2 – Income (loss) from exited lines</i>).</td></tr>
<tr><td>• Restructuring costs of $96 million reflected costs mainly related to the exit from the UK Personal Lines market, the majority of which is non-cash.</td><td>• Restructuring costs of $248 million, in large part driven by write-off of assets related to the exited UK Personal Lines market (motor, home and pet).</td></tr>
<tr><td colspan="2">• Restructuring costs related to our UK strategic exits are expected to be incurred over the next 3 years. Proceeds from the sale of our UK direct Home and Pet operations are expected to be received in H1-2024 and will mostly offset these costs in 2024.</td></tr>
</table>

13.1 Net gains (losses) excluding FVTPL bonds

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

	Q4-2023	Q4-2022	Change	2023	2022	Change
Realized and unrealized gains (losses) on:						
FVTOCI bonds, net of derivatives	**4**	(37)	41	**1**	(49)	50
Equity securities, net of derivatives	**156**	51	105	**36**	437	(401)
Embedded derivatives	**-**	17	(17)	**-**	71	(71)
Investment property	**(11)**	(56)	45	**(14)**	(17)	3
Other net foreign currency gains (losses)	**(3)**	(131)	128	**(41)**	177	(218)
Impairment losses	**-**	(37)	37	**-**	(83)	83
Other[2]	**(2)**	-	(2)	**(4)**	-	(4)
Net gains (losses) excluding FVTPL bonds	**144**	(193)	337	**(22)**	536	(558)

[1] See ***Note 24 – Net investment return and net insurance financial result*** to the Consolidated financial statements for details.

[2] Includes $2 million of losses in Q4-2023 relating to the expected credit loss model ($4 million of losses for the year-ended December 31, 2023).

Q4-2023 vs Q4-2022	2023 vs 2022
Net gains excluding FVTPL bonds of $144 million reflected a rebound of equity markets (see ***Section 21.2 – Capital market update***).	**Net losses excluding FVTPL bonds of $22 million,** reflected • net foreign currency losses in the UK&I driven by a strong GBP compared to CAD, USD and EUR; • market-related losses on certain investment properties; • partly offset by overall gains on our equity securities, driven by the favourable market movements in Q4.

13.2 Income (loss) from exited lines

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

Canada	UK&I	US
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.	This includes the legacy exits of the UK&I portfolio, the sale of RSA Middle East in 2022 as well as the exit of the UK Personal Lines Motor portfolio as of Q1-2023. Effective Q4-2023, we exited the UK Home and Pet businesses following a strategic review of operations with a decision to focus on areas where we have scale and an ability to outperform.	We have exited the Programs, Architects and Engineers business (effective in Q4-2017), the Healthcare business (effective Q3-2019) and Public Entities (effective in Q1-2022) given the fundamental changes to the risk profile in these segments and the profitability challenges that followed.

Table 20 – Income (loss) from exited lines[1]

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
DPW	**366**	5	361	**538**	350	188
Net underwriting revenue	**346**	49	297	**562**	406	156
Net claims	**(359)**	(61)	(298)	**(614)**	(353)	(261)
Net underwriting expenses	**(145)**	(23)	(122)	**(261)**	(183)	(78)
Underwriting income (loss)	**(158)**	(35)	(123)	**(313)**	(130)	(183)
Net investment income – Middle East operations	**-**	-	-	**-**	4	(4)
Income (loss) from exited lines	**(158)**	(35)	(123)	**(313)**	(126)	(187)
Canada	**(5)**	6	(11)	**(6)**	27	(33)
UK&I	**(138)**	(7)	(131)	**(250)**	(42)	(208)
US	**(15)**	(34)	19	**(57)**	(111)	54

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

	Q4-2023 highlights	2023 highlights
UK&I	• Underwriting losses of $138 million in the quarter, essentially fully attributable to our UK personal lines exits. • Storms Babet and Ciaran in the UK and Europe drove losses of approximately $65 million, which would have been considered catastrophe losses if these were reported within our continuing business. • Results for the quarter also included prudent reserve strengthening of approximately $70 million within the UK Home business. • If exited lines were included within the UK&I segment, this would have an unfavourable 9-point impact on the overall UK&I combined ratio, or an unfavourable 4.2-point impact if we exclude the losses from the above-mentioned storms.	• Underwriting losses of $250 million in 2023 were largely attributable to our UK personal lines exited during the year, including the Motor exit in Q1-2023 and the Home and Pet exit in Q4-2023. Weather events also generated significant losses in Q4-2023. • If exited lines were included within the UK&I segment, this would have an unfavourable 5.8-point impact on the overall UK&I combined ratio. • We expect approximately £680 million of annual premiums to primarily run off starting in mid-2024, with a remaining £140 million to run off in mid-2025. • In 2024 and beyond, we expect to run our exited portfolios at a total combined ratio of 100% or better, assuming expected levels of weather-related claims, as we continue to push double digit rate increases.
US	• The underwriting loss of $15 million for the quarter was largely attributable to reserve strengthening within the Healthcare business lines. • If exited lines were included within the US segment, this would have an unfavourable 2.4-point impact on the overall US combined ratio.	• The underwriting loss of $57 million for the year was largely attributable to adverse PYD in the exited Healthcare businesses as well as Architects and Engineers, with minimal impact from Public Entities. • If exited lines were included within the US segment, this would have an unfavourable 2.7-point impact on the overall US combined ratio.

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

Section 14 - Income taxes

14.1 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,	2023	2022
Canada[1]	**26.3%**	26.4%
UK	**23.5%**	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

- In 2023, the Canadian federal government introduced Bill C-59 to implement certain tax measures that were announced in the 2023 Federal Budget and Fall Economic Statement. Although the legislation is not yet enacted, the key tax measures that could impact us are as follows:
    - Deny financial institutions a deduction on dividends on certain types of portfolio shares of Canadian corporations that they own (other than taxable preferred share). If enacted, this tax measure would increase our operating effective income tax rate ("operating ETR") by approximatively 1 point based on our investment portfolio mix.
    - Implement a tax of 2% on the net value of share repurchase transactions undertaken by public corporations. We do not expect a material impact from this tax measure.
- The government also intends to move forward with the adoption of the Organization for Economic Co-operation and Development's Pillar Two rules. The rules are designed to ensure that large multinational enterprises pay a minimum effective corporate tax rate (currently agreed upon at 15%) on the income arising in each jurisdiction where they operate. Canada has drafted legislation to adopt Pillar Two however it is currently not enacted. If the legislation is enacted in its current form, it would be effective January 1, 2024. Based on our assessment, the Company's substantial operations are in jurisdictions with Pillar Two effective tax rates that are not less than 15%. We therefore expect the impact of Pillar Two to be limited on our operating ETR.

14.2 Effective income tax rates

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

Table 22 – Operating effective income tax rate reconciliation[1]

As at December 31,	2023	2022 *Restated*
Corporate statutory income tax rate ***(Table 21)***	**25.9%**	25.9%
Adjustment for different rates of other jurisdictions (mainly US and UK)	**(1.5)%**	(0.9)%
Non-taxable investment income (mainly composed of dividends)	**(3.4)%**	(2.4)%
Utilization and recognition of previously unrecognized tax benefits ***(Section 14.3)***	**(2.9)%**	(2.9)%
Other	**0.9%**	(0.1)%
Operating effective income tax rate, as reported in MD&A	**19.0%**	19.6%

[1] Impact calculated on the basis of pre-tax operating income.

2023 vs 2022

Operating ETR of 19.0% was lower than last year, due to a higher proportion of non-taxable investment returns. As per last year, we also benefitted from the recognition of additional deferred tax assets as a result of our improved outlook on future profitability in the UK.

The following table presents the reconciliation of our total ETR to the income tax expense calculated at the Corporate statutory tax rate.

Table 23 – Effective income tax rate reconciliation[1]

As at December 31,	2023	2022 *Restated*
Corporate statutory income tax rate *(Table 21)*	**25.9%**	25.9%
Increase (decrease) in income tax rates resulting from:		
Adjustments on operating income	**(10.0)%**	(5.7)%
Adjustments on non-operating income	**11.7%**	(0.7)%
Total effective income tax rate, as reported in MD&A	**27.6%**	19.5%
Remove: share of income tax expense of broker associates[2]	**(1.4)%**	(1.0)%
Effective income tax rate, as reported under IFRS[3]	**26.2%**	18.5%

[1] Impact calculated on the basis of pre-tax income.

[2] Includes income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS.

[3] *Refer to* ***Note 28 – Income taxes*** to the Consolidated Financial Statements for further details.

2023 vs 2022

Total ETR of 27.6% was higher than last year, as the aforementioned operating benefits were offset by a temporary increase in non-operating income tax expense related to the UK pension buy-in transaction.

14.3 UK – recognition of deferred tax assets

In 2023, due to higher expected future profitability driven by strategic initiatives, synergies and increased investment income, we have recognized additional deferred tax assets of £35 million in the UK. This resulted in a benefit of $59 million to operating taxes in Q4-2023, a synergy reflecting in part our expectation to improve the performance of this business in the future.

14.4 UK - unrecognized tax losses and other tax attributes

The following table presents a summary of unrecognized tax losses and other tax attributes in the UK as at December 31, 2023.

Table 24 – Unrecognized tax losses and other tax attributes in the UK

	Unrecognized tax losses and other tax attributes	
As at December 31,	**2023**	**2022**
Tax losses P&L	**1,260**	1,263
Tax losses OCI	**1,679**	1,581
Other tax attributes	**908**	353
Total unrecognized tax losses and other tax attributes	**3,847**	3,197
Unrecognized UK deferred tax assets (at 25%)	**962**	799

Recognition of UK tax benefits

- As at December 31, 2023, we have $962 million of UK unrecognized deferred tax assets that can be used against potential future taxable income and benefit our KPIs.
- In 2023, the UK unrecognized tax assets have increased compared to prior year. This was predominately driven by the UK pension buy-in transaction which created a new class of deferred tax asset within OCI, that has been recognized in priority to other tax attributes available.

In addition to the above summary, we also have unrecognized tax losses in Canada, Ireland and in other jurisdictions, refer to ***Note 28.5 – Unused tax losses, tax credits and other tax attributes*** to the Consolidated financial statements for further details.

- The tax losses have arisen in both the P&L and in OCI. The recognition of these tax losses through the P&L would lower operating ETR and total ETR. The recognition of these tax losses outside the P&L will not impact the ETR, but their recognition will still generate book value benefits.
- As the utilization of UK tax losses is limited to 50% of taxable profits, the recognition and utilization of other tax attributes other than tax losses is prioritized. We will continue to identify opportunities where we can use these unrecognized losses, including higher expected future profitability driven by strategic initiatives in the UK.

ENVIRONMENT & OUTLOOK

Section 15 - P&C insurance industry outlook

Summary

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

	P&C insurance industry 12-month outlook	Our response
Personal Auto Canada	• We estimate that in the first three quarters of 2023, industry premiums grew by high single-digits. • Given low industry profitability relative to recent years, as well as on-going severity pressures, we expect industry corrective measures to continue. • We expect industry premium growth to be in the high single-digit range over the next twelve months.	• We monitor inflation in our portfolio and adjust our pricing and claims strategies to maintain control on indemnity. This includes leveraging our strong supply chain network and in-house legal capabilities. • We continue to invest in telematics, big data, and artificial intelligence to maintain our advantage in pricing and risk selection. • Our brand investments, telematics offering, and customer driven digital leadership contribute to accelerating growth in the current hard market conditions. • Following the recent regulatory developments in Alberta, we are actively working with the government and the industry to find long-term solutions including a potential product reform. We expect limited earnings impact in 2024. • 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	• We estimate that industry premiums grew by high single-digits in the first three quarters of 2023. • We expect hard market conditions to persist as the industry responds to challenging weather and inflation. • We expect premium growth could reach a low double-digit level over the next 12 months.	• We actively monitor and defend against inflation and climate trends within our portfolio through pricing actions, prevention, supply chain initiatives (e.g. expansion of On Side Restoration) and the continued internalization of the claims process. • We are continuously adapting our products, and are well positioned to protect profitability through rate actions in supportive market conditions. • We expect to achieve our objective of a 95% or better combined ratio over the next twelve months, even with severe weather.

	P&C insurance industry 12-month outlook	Our response
Commercial lines Canada	• We estimate that the industry registered high single-digit premium growth in the first three quarters of 2023, reflecting continued rate actions in hard market conditions. • We expect upper single-digit premium growth for the industry over the next 12 months, with favourable market conditions underpinned by a firm reinsurance market, 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 have adjusted and maintained our pricing and automatic indexation for inflation factors to address inflation.
UK&I	• UK&I Commercial Lines market conditions are broadly hard, with rate increases driven by a firm reinsurance market and continued inflationary pressures. • We therefore expect the UK and EU commercial industry premium rates to grow at a mid single-digit level over the next 12 months.	• We accelerated our path to sustainable outperformance for the UK&I business by acquiring Direct Line's brokered commercial lines operations and exiting the UK Personal Lines market. • We remain disciplined on new business, prioritizing quality and profitability. We continue to increase rates to offset claims inflation, while also enhancing pricing and segmentation capabilities.
US Commercial lines	• The US commercial P&C market conditions continue to be hard across most lines. For the first three quarters of 2023, industry premiums grew by mid-to-high single-digits, and we estimate the industry combined ratio to be in the mid-to-high 90s. • Favourable market conditions are expected to persist in the near term, given rising reinsurance costs, elevated weather CAT losses, ongoing inflation pressures, as well as geopolitical and economic uncertainty. • 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 are well positioned to maintain a low 90s or better combined ratio in line with our near-term objectives.

	P&C insurance industry 12-month outlook	Our response
Investments	• Capital markets are expected to remain volatile due to inflation trends, higher interest rates, possibility of a recession and geopolitical conflicts. • Interest rates remain high but could decrease in 2024. We expect the industry's pre-tax investment yield to increase as reinvestment yields remain above book yields.	• Our investment portfolio is managed like the rest of our business, for the long-term. Our investment management team seeks to maximize after-tax returns, while preserving capital and limiting volatility. • In the current environment, we have maintained exposure to common shares below our long-term target. • In 2024, we expect investment income to reach $1.5 billion, mainly reflecting actions taken in 2023 to strengthen our book yield on fixed-income securities.
Overall	• Inflation pressures and elevated catastrophe losses continue to drive favourable insurance market conditions across most lines of business. • We expect our industry benchmark ROE[1] to be in the high single-digit range in the next 12 months.	• We continue to be disciplined on underwriting, appropriately taking pricing actions to protect against inflation pressures and climate trends. • We continue to invest in our competitive advantages, including data and AI, claims internalization and supply chain, as well as in the expansion of our broker distribution platform. • We expect to outperform the industry ROE by at least 500 basis points in 2024.

[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.

STRATEGY

Section 16 - What we are aiming to achieve

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 5pts**

Grow NOIPS **10% yearly over time**

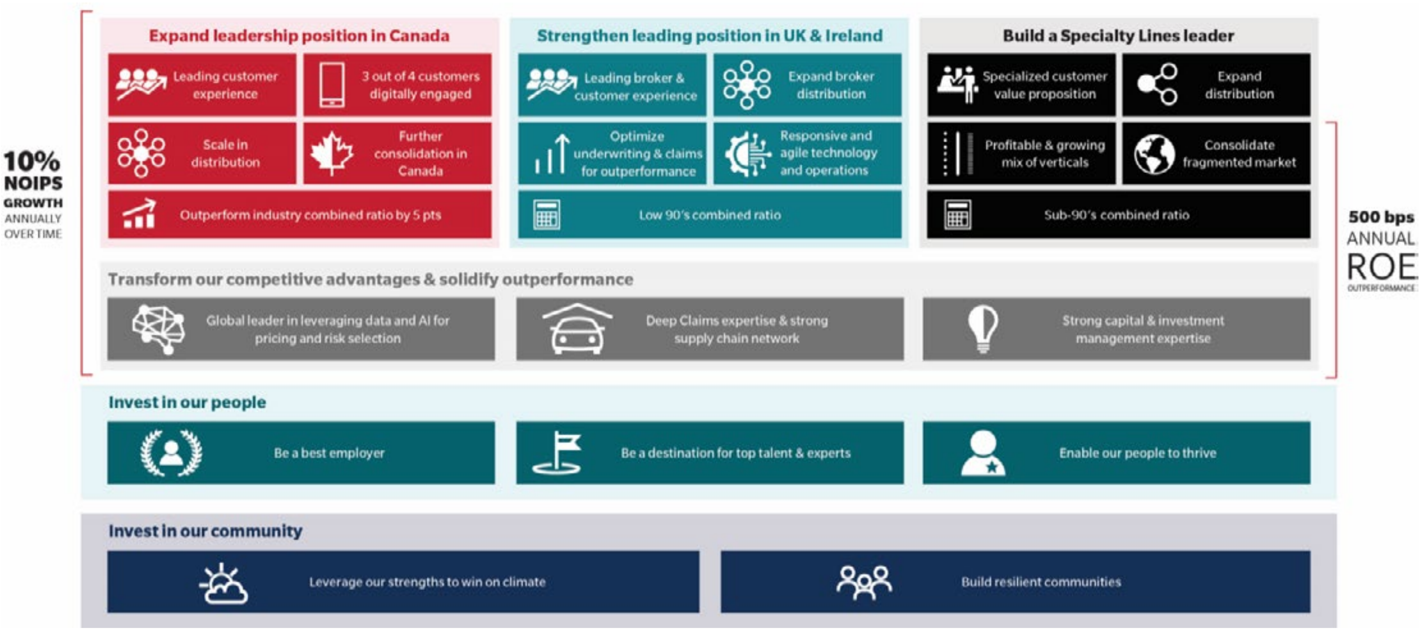
We are here to help people, businesses and society prosper in good times and be resilient in bad times. Our strategic objectives define what we aim to achieve: placing customers at the centre of everything we do, making sure our employees are engaged and proud to work at Intact, achieving outperformance, and being recognized as leaders in building resilient communities.

Progress on our strategic objectives

What we are aiming to achieve	Our progress as of 2023
Our customers are our ADVOCATES	• 71% of our personal lines customers who had a transaction with us are our advocates • 82% of brokers in Canada, US and the UK value our specialized expertise
Our people are ENGAGED	• Kincentric Best Employer in Canada for the 8th consecutive year • Kincentric Best Employer in US for the 5th consecutive year • Progress towards Best Employer in the UK&I with a 6 point year-over-year improvement in engagement
Our company is one of the MOST RESPECTED	• We exceeded industry ROE by a yearly average of 6.9 points between 2013 and 2022[1] • Our NOIPS has grown at a 12% CAGR over the last decade • 57%[2] of stakeholders in Canada recognize us as leaders in building resilient communities

[1] Our 2023 ROE outperformance metrics will be available in Q2 2024.
[2] Measured by Ipsos, a market research company.

Section 17 - Our strategic roadmap



Our strategic roadmap outlines how we will achieve our objectives. The following section highlights our progress on our strategic roadmap and against key financial and non-financial measures.

Our strategic roadmap has been updated in light of the recent DLG brokered commercial lines acquisition and exit of the UK personal lines market.

17.1 Progress on our strategic roadmap in 2023

Expand our leadership position in Canada

- **In 2023, our mobile apps saw over 23 million visits from customers.** Our self-serve tools provide increased efficiency and ease of use with one in five policy transactions completed online in 2023, up 23% from 2022.
- In 2023, we made progress on our brands in Canada:
    - **Anthony Insurance and Johnson Insurance have been rebranded to belairdirect.** With its strong brand awareness and insurance.simplified proposition, belairdirect is well positioned for sustained growth with a product offering which now includes group benefits and travel insurance.
    - **Intact Insurance is the most recognized insurance brand in Canada**. We've increased our brand awareness by two points year-over-year, achieving one in three brand awareness.
- **BrokerLink continued to expand its footprint in Canada** by closing 20 acquisitions this year, bringing BrokerLink's year-to-date acquisition total to $375 million DPW. In 2023, BrokerLink surpassed $3.5 billion in annual DPW, putting us on track to hit our goal of $5 billion DPW by 2025.

Strengthen our leading position in the UK & Ireland

- **We continued to invest in the efficiency of the broker experience** through enhancements to the online broker journey, improved data quality and automation of underwriting workflows. We also expanded our SME and Mid-Market offering in Commercial Lines. Our efforts have resulted in an increase in promoters scores and SME new business exceeding our target.
- **In Ireland, we saw strong customer and broker satisfaction throughout 2023.** In direct distribution, 74% of our customers are likely to recommend us and 73% of brokers value us for our people, expertise and product benefits.
- In 2023, **we took significant steps to optimize our UK footprint and enhance our position for outperformance:**
    - On March 28, **IFC and RSA announced the exit from UK personal lines motor**, representing a step in optimizing our UK footprint around Commercial and Specialty lines of businesses.
    - On October 26, **we completed the purchase of DLG's brokered commercial lines operations**, expanding our Commercial Lines offering in the UK.
    - On December 7, **we exited our UK direct Personal Lines business,** with the sale of our UK direct Home and Pet operations to Admiral Group plc expected to close in H1-2024. We also announced that we are exploring options to transfer the Home and Pet partnerships to other parties or let them expire over time.

Build a Specialty Solutions leader

- **We expanded our cyber underwriting capacity with Resilience, a cyber MGA, to all markets where we operate** after successful launches in the UK, Europe, and Canada. This expansion builds upon our global platform.
- **Our pricing sophistication roadmap continues to progress** with the deployment of six new predictive models in Q4-2023 and two currently being deployed. This enhances profitability and supports businesses in each of our geographies (US, Canada, UK, Europe).
- **We have rebranded our Builder's Risk MGA to Striior Insurance Solutions** (formerly Highland Insurance Solutions). This refreshed distribution brand reflects the strong foundation Striior was built upon, the expertise of the team and the ambitious goals of the group.

Transform our competitive advantages

- **Use of machine learning pricing was deployed successfully to Commercial Lines.** With 93 new models deployed across the business in 2023, our AI and machine learning tools strengthen our pricing and risk selection capabilities, as well as improve operational performance and user experience.

Transform our competitive advantages *(continued)*

- We continued to invest in and strengthen our auto and property supply chains:
    - **We deployed four new Claims Service Centres in Q4-2023**, bringing the total to 31 locations across Canada. Our Claims Service Centres provide an average of 30% faster cycle time and a 15-point higher customer promoter score than regular auto repair shops.
    - **On Side Restoration closed an acquisition** to enhance capacity, growing to nearly 50 locations and almost 2,000 employees across Canada to help get property customers back on track.
- **We continued to invest in and modernize our technology.** Migration of our core platforms and improvement of our security maturity enables new efficiencies, improves ease of doing business, and strengthens our technology resiliency.
- **RSA UK Pension Trustees entered a buy-in agreement worth more than £6 billion** with Pension Insurance Corporation plc (PIC). This transaction removes almost all UK pension exposure from IFC's balance sheet, releases capital thereby improving OROE for IFC, and at the same time enhances security for RSA UK pension members.

Invest in our People

- **We continued to invest in our deep talent pool through the pillars of our People Strategy**. As at the end of 2023, we had an average of seven successors for each senior leadership[1] role at IFC.
- **To support the growth of our people, we launched Career Centre in Canada.** Since the launch in September 2023, we enabled our people to thrive by delivering over 50 sessions to nearly 3,000 employees and leaders.
- **As part of the DLG brokered commercial lines acquisition, we launched a communication and engagement campaign** to maximize employee experience and solidify new relationships. The campaign includes our Let's Connect newsletter, a townhall with 400 of our new colleagues, and our Success Partner program.

Invest in our community

- **The Intact Centre on Climate Adaptation (ICCA) continued its leadership in building community resilience.** The ICCA, strongly focused on climate research and knowledge mobilisation, was featured in the media over 250 times and developed guidance delivered to 500,000 households to limit flooding, wildfire and extreme heat risk.
- **Intact renewed its longstanding partnership with the Dallaire Institute for Children, Peace and Security** at Dalhousie University at $1.25 million over 5 years to create a Latin America Centre of Excellence.
- **IFC and RSA continued building resilient communities in partnership with the Nature Conservancy of Canada (NCC) and the Gloucestershire Wildlife Trust (GWT).**
    - A recent project with NCC protected nearly 200 hectares of land within the Great Jacques-Cartier Bog in Quebec, serving as an effective nature-based solution for both climate change adaptation and mitigation.
    - The partnership with GWT is focused on natural flood management interventions to protect communities from flooding and test climate adaptation and resilience solutions in urban environments.

See ***Section 19 – Climate change*** for more details on climate-related initiatives.

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[1] Includes Senior vice-president and above.

17.2 The RSA Journey

The RSA Acquisition was a strategically and financially compelling transaction. **It was a key milestone in our journey** to expand our leadership position in Canada, create a leading specialty lines platform with international expertise and provide us with an entry into the UK and Ireland markets at scale.

Integration of RSA Canada operations

- All RSA Canada policy conversions have been completed, with the exception of Johnson. Claims conversions will be completed throughout 2024. Archiving and decommissioning projects are on plan to be completed by the end of 2025.
- Retention of the RSA Canada portfolio following our RSA Acquisition continues to be aligned with or better than historical RSA retention.
- Nearly all of RSA Canada claims are now being handled by our internal adjusters, and more than 80% of new RSA matters were handled by our in-house legal team in 2023.

Integration of UK&I operations

- Brought Intact's Purpose, Values and Leadership Success Factors to the RSA UK&I business, guiding us in everything we do.
- Created a leading specialty solutions platform with international expertise, expanding our specialty presence to the UK and Europe.
- In UK Commercial Lines, we focused on pricing discipline and risk selection, including further rationalisation of our footprint through exits of underperforming SME segments and certain delegated authority arrangements.
- The harmonizing of the acquired investment portfolio has been an opportunity to reassess the optimal mix of our consolidated assets, including further diversification as well as significant increase of private credit investments and expertise.
- Reinforced RSA's commitment to Diversity, Equity, and Inclusion (DEI) and was awarded accordingly "5 Star best Diversity, Equity & Inclusion in the Workplace" by Insurance Business UK.

Outperformance initiatives and de-risking actions

- Acquired DLG's brokered commercial lines operations for an initial cash consideration of $869 million.
- Closed the sale of Codan Denmark with proceeds of $1.2 billion, with a recorded gain on sale of approximately $0.4 billion.
- Sold RSA's 50% shareholding in RSA Middle East B.S.C. for a total consideration of $175 million.
- Exit of the UK personal lines market (motor in Q1-2023, home and pet in Q4-2023), accelerating our path to outperformance for the RSA UK&I business.
- Entered into a reinsurance agreement to provide protection for adverse development in UK&I claims liabilities for 2020 and prior.
- Reduction in major earthquake exposure with the wind down of CNS, a subsidiary in British Columbia.
- UK pension exposures were removed from IFC's balance sheet following a buy-in agreement worth more than £6 billion, the largest UK pension buy-in transaction to-date.

Value creation from RSA Acquisition

Expected value announced at Acquisition	Realized value created post-Acquisition
Upper teen NOIPS accretion within 36 months, by June 2024	**Approximately 20% NOIPS accretion in 2023** and EPS remains accretive, despite short-term pressures from exited lines and restructuring costs.
15% IRR	**IRR greater than 20%,** despite our footprint optimization and de-risking actions.
$250 million of pre-tax annual run-rate synergies within 36 months	**$350 million of realized annual run-rate synergies** as of Q4-2023. Looking ahead, we expect ultimate synergies by 2026 to be close to $450 million.
Integration costs to be between 1.5x to 1.7x of annual run-rate synergies within 36 months	Integration costs are estimated at **1.7x our 2026 annual run-rate synergies**.

17.3 Global Specialty Lines (GSL)

- Our specialty lines results are embedded in the commercial operations of each segment (Canada – ***Section 5***, UK&I – ***Section 6*** and US – ***Section 7***).
- Specialty insurance is about focus and deep knowledge of a unique customer segment (such as Marine, Technology and Entertainment) or product niche (such as Surety, Excess Property, Multi-national programs, Management Liability and Cyber). Each business unit is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment. We continue to capitalize on the opportunities to expand and bring our capabilities to new markets across the globe.
- **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**.

Table 25 – Global Specialty Lines results[1]

	Q4-2023	Q4-2022[2]	Change	2023	2022[2]	Change
Operating DPW (in millions) *(growth in constant currency)*	**1,376**	1,299	4%	**6,117**	5,497	9%
Operating net underwriting revenue *(growth in constant currency)*	**1,290**	1,231	3%	**4,825**	4,412	7%
Combined ratio	**89.8%**	86.8%	3.0 pts	**88.0%**	86.2%	1.8 pts

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

[2] Figures are presented under IFRS 4.

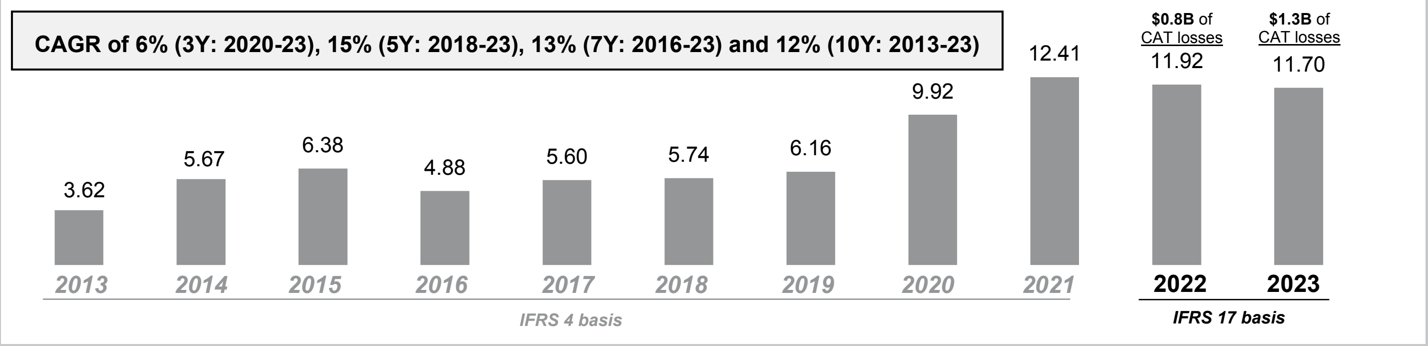
GSL highlights

- **Operating DPW in constant currency grew by 4% to $1.4 billion in the quarter and by 9% to $6.1 billion in the year,** with continued rate actions across most lines of business. In Canada, headwinds reflected targeted actions to optimize the portfolio as well as increased competition for large accounts.
- **Combined ratios of 89.8% for the quarter and of 88.0% for the year were solid** despite the elevated catastrophe losses experienced in all regions throughout the year.

Section 18 - Progress on our two financial objectives

18.1 Grow NOIPS by 10% yearly over time

NOIPS performance over time (in dollars)

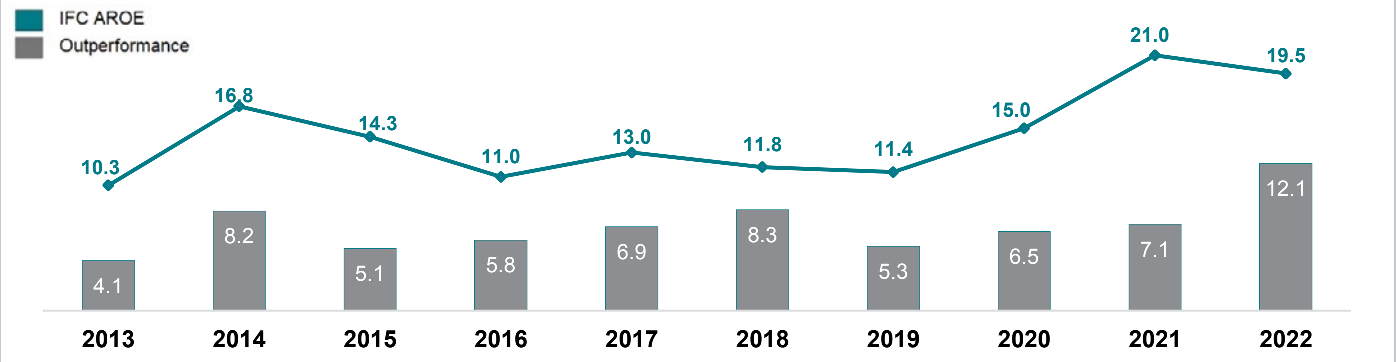


10%
NOIPS
GROWTH
ANNUALLY
OVER TIME

- During the last decade, our NOIPS grew at a CAGR of 12%. This was driven by solid organic growth, healthy underwriting margins, as well as strong investment and distribution results, altogether bolstered by contributions from our numerous acquisitions.
- Despite the unusually challenging operating environment over the last 24 months, from severe weather conditions, inflation pressures and market volatility, we reported solid results, a testament to the resilience of our operations as well as our ability to deliver strong profitable growth.
- We remain confident in our ability to grow NOIPS by 10% annually, over time.

18.2 Exceed industry ROE by 5 points

ROE outperformance[1] versus the industry over time[2] (in points)



[1] IFC's ROE corresponds to an adjusted return on equity (AROE), which is more comparable to the industry.

[2] Our final 2023 outperformance results will be available in Q2-2024.

500 bps
ANNUAL
ROE
OUTPERFORMANCE

- During the last decade, our average ROE was of 14.4%, exceeding the industry ROE by a yearly average of 6.9 points, which is better than our target. Our BVPS has grown at a CAGR of 9% over the past 10 years.
- Overall, our ROE outperformance was driven by a combination of strong underwriting results, efficient capital and investment management as well as healthy distribution income. We have achieved our objective of exceeding the industry ROE by 5 points in 9 out of the last 10 years.
- 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 19 - 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 we have been on the front lines of climate change for over a decade, which puts us in a unique position to play a leadership role in strengthening society's climate resilience. For over ten years, we have been spearheading various applied research and community-level investment projects to demonstrate the concrete benefits of climate adaptation. In 2022 we launched our Climate Strategy, acknowledging that the decades ahead will also present opportunities to win as a business, and publicly commit to achieving net zero by 2050.

In the following sections on climate change, we outline our approach to governance (***Section 19.1***), how we manage physical and transition risk (***Section 19.2***), and our "help and win" strategic framework (***Section 19.3***). More information on IFC's ESG performance and targets is publicly reported within its annual Social Impact and ESG Report.

19.1 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 within industry associations, for example the Geneva Association, and through collaboration with governments and regulators, including bilateral engagements with multiple levels of governments.

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 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 at Intact.

The Board of Directors[2] is ultimately responsible for overseeing the strategic direction and initiatives of IFC, including our strategy related to climate change. Climate change risk is shared accountability of the Board's Risk Management Committee (RMC), Audit Committee (AC) and Governance and Sustainability Committee (GSC). The RMC oversees the assessment and management of the risks related to climate change and the development of strategies to manage these risks. The AC oversees the integrity, fairness and completeness of our climate-related financial disclosures. The GSC oversees our compliance and climate-related corporate disclosure and supports the Board in overseeing our climate strategy and objectives. The Board as a whole is engaged in shaping the strategy as well as oversight.

[1] See ***Section 29 – Enterprise Risk Management*** for more details.

[2] See ***Section 27 – Risk Management structure*** for more details on our Board of Directors and Committee structures.

19.2 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 29.6 – Top and emerging risks that may affect future results***, the ERM Committee identified climate change as a top risk facing IFC.

Our approach to Physical and Transitional risks, which are inherently connected, is outlined below. 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. Our risk management and underwriting expertise have enabled strong financial performance even in lines heavily impacted by severe weather. For example, in the personal property Canada business line, we have shown long-term resiliency with an average combined ratio below 90% in the last 10 years.

Our team of specialists in meteorology, geomatics, data science, climate science and actuarial science continuously evaluate how our underwriting business is impacted by weather-related events. Global temperatures have risen 1.1-1.2°C since pre-industrial levels and we have seen a four-fold increase in natural hazards over the past three decades. We recently evaluated the impact of a 3-5°C global warming scenario, using the Intergovernmental Panel on Climate Change's (IPCC) RCP8.5 (Representative Concentration Pathway), currently representing the scenario with the highest level of GHG emissions and resulting warming among all modelled RCP's. We developed peril-by-peril projections through to 2040 – a prudent timeline for understanding and proactively responding to the anticipated impacts – starting with our Canadian personal lines business. The results of this assessment lead us to believe that the projected increase in weather-related losses in this segment will be manageable for IFC, based on our diversified business segments, the current design of our products and pricing, as well as anticipated future management actions to further mitigate physical risk.

For more details on weather-related CAT losses, see *Section 10.2 – CAT guidance*.

The actions we have taken to lower the impact and volatility of physical risks include:

Pricing & risk selection	• Re-pricing when needed, as most of our products are 12 months in duration. This allows for our charged prices to be responsive to the latest weather-related trends which we assess and action in our property business. • 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. To get the full benefits of our pricing sophistication, we have account level pricing governance metrics for new business and renewals that are monitored closely to ensure execution of the pricing strategies.
Product	• Continually evolve our products to account for new climate realities, such as individualizing coverages by peril; bundling and enhancing our water damage product to improve penetration rates of flood protection for our customers; implementing the latest hazard maps to most accurately reflect exposure; and implementing coverage endorsements that respond to changing risk.
Supply chain & claims	• Capitalizing on opportunities 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. On Side maintains expertise in clean-up and restoration, enabling us to mobilize our emergency response in impacted regions. • Using 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.
Risk control and loss prevention	• Investing in a global risk control team with vast backgrounds including engineers, fire protection experts, sprinkler designers, brokers, claims adjusters, and underwriters. • Using 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. • Offering discounts when customers have taken preventative actions, such as those that limit the damage from water-related losses. We are also committed to Flood Re's *Build Back Better* scheme, which incentivizes preventative actions, including the installation of property flood resilience measures when repairing properties. • Digitally engaging with customers through our mobile app to proactively provide weather and seasonal alerts, while offering preventive tips to protect and maintain their homes and cars.

Enhanced loss modelling	• Enhancing 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. • Combining specialized actuarial talent within the Company, with that of our CCGA (meteorology, climate science, geomatics, and data science) in pricing, segmentation and risk selection. • Setting risk tolerances based on catastrophe model output and use it to determine pricing.
Risk transfer	• Reinsuring certain risks with external reinsurers to limit our maximum loss in the event of catastrophes or other significant losses. The placement of ceded reinsurance is mainly on an excess-of-loss basis (per-risk or per-event), with the primary objective of capital protection. See ***Section 22.2 – Reinsurance*** for more details.
Engaging with investees	• Engaging with investees on climate change resiliency, to assess the awareness of climate-related weather issues and investees' adaptation efforts. • In 2023, Intact Investment Management (IIM) portfolio managers held 77 meetings to engage in discussions on investees' climate resilience.

Transition Risk

The transition to a low-GHG future has the potential to negatively impact certain businesses, adding risk to the assets we hold and customers we insure in certain sectors. The actions we have taken to reduce transition risks to our business include:

Transition risk assessment for investments	• Enhancing our internal analysis and understanding of potential impacts of transition risk on specific industries within our asset portfolio, building on IFC's participation in regulatory scenario analysis pilot projects to explore the risks posed by climate change and test the resilience of the financial services sector. • Recognizing the need for continued investment in data and modelling to continuously refine our analysis given the stochastic and uncertain nature of climate risk. • Confirming the benefits of our diversified, high-quality portfolio as well as our policies to review our investees' 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.
Engaging with investees	• Continuing to progress our engagement of investees through Climate Engagement Canada as a founding participant, to drive dialogue with Canadian issuers about climate risks and opportunities. • Through deployment of our position on oil and gas, engaging with investee companies who do not have satisfactory transition plans and expect tangible improvements. • Removing companies who are non-responsive or do not provide evidence of progress on their plan from our investment universe.
Proxy voting policy	• Leveraging our position as investors to have a say on climate related issues. • In 2023, IIM voted on 347 shareholder proposals related to ESG matters overall.
Investment policies	• Continuing to enforce our positions on coal and oil and gas, focusing on supporting the energy sector transition towards a low-carbon economy. This involves assessing the climate disclosure and transition plans for all companies in our investment universe that: o generate more than 25% of revenue from thermal coal mining; o derive more than 25% of energy generation, revenue, or net income from thermal coal; o and are included in the top GHG emitters from the oil and gas producers in our portfolio. • Removing companies from our investment universe who are non-responsive or do not provide a satisfactory plan.
Underwriting	• Leveraging our internal climate risk management framework for the underwriting process across commercial, personal and global specialty lines of business. • Holding our leaders accountable to identify, assess, measure and monitor climate risks and identify opportunities in our insurance business.

19.3 Climate Strategy

We are here to help people, businesses, and society prosper in good times and be resilient in bad times. As part of living that purpose, we have embedded climate change into our strategic objectives, with a focus on achieving net zero by 2050 and being recognized as a leader in building resilient communities. This led to the launch of our 5-part climate strategy in 2022, which focuses on applying our expertise, scale, and resources to address societal challenges with climate change and seize market opportunities for IFC. We will leverage our strengths and help society by focussing on 5 big intentions:

Our climate strategy is grounded in the following guiding 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.

Over the past decade, IFC has supported various climate change initiatives, contributing to strengthening society's climate resilience. We created the Intact Centre on Climate Adaptation (ICCA) at the University of Waterloo in 2015, an applied research centre which works with homeowners, communities, governments, and businesses in Canada to help reduce impacts of climate change through the incubation and mobilization of adaptation action. And since 2010, we have committed $26.4M in funding for climate adaptation action, including our support for the ICCA, the Nature Conservancy of Canada, and the Gloucestershire Wildlife Trust in the UK.

FINANCIAL CONDITION

Section 20 - Financial position

20.1 Balance sheets

Table 26 – Balance sheets

As at	Section	December 31, 2023	September 30, 2023	December 31, 2022 *(Restated)*
Assets				
Investments				
Cash and cash equivalents		**1,171**	1,531	1,010
Short-term notes		**1,588**	1,832	1,786
Fixed-income securities		**26,848**	25,849	25,309
Preferred shares		**1,384**	1,332	1,421
Common shares		**4,668**	4,451	4,598
Investment property		**480**	482	476
Loans		**944**	997	1,001
Total investments	*21*	**37,083**	36,474	35,601
Reinsurance contract assets		**5,217**	5,261	5,004
Investments in associates and joint ventures		**944**	951	845
Intangible assets and goodwill		**9,132**	8,150	8,050
Other assets		**3,603**	4,171	4,241
Total assets		**55,979**	55,007	53,741
Liabilities				
Insurance contract liabilities		**30,353**	30,307	29,130
Debt outstanding	*24*	**5,081**	4,927	4,522
Other liabilities		**4,070**	4,096	3,961
Total liabilities		**39,504**	39,330	37,613
Equity				
Common shares	*33*	**8,099**	8,099	7,542
Preferred shares and other equity		**1,619**	1,619	1,322
Share capital		**9,718**	9,718	8,864
Contributed surplus		**290**	262	269
Retained earnings		**6,503**	6,179	7,801
Accumulated other comprehensive income (loss)		**(321)**	(767)	(1,091)
Equity attributable to shareholders		**16,190**	15,392	15,843
Equity attributable to non-controlling interests		**285**	285	285
Total equity		**16,475**	15,677	16,128
Total liabilities and equity		**55,979**	55,007	53,741

Section 21 - Investments and capital markets

21.1 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.

21.2 Capital market update

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

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

Table 27 – Selected market indicators

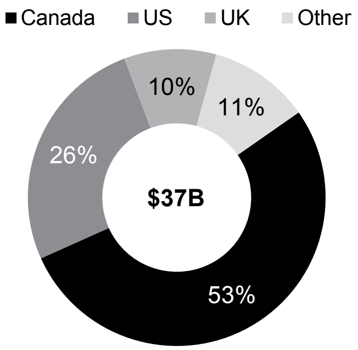
Selected market Indicators	Q4-2023	Q4-2022	2023	2022
Common shares				
S&P/TSX Composite	**7%**	5%	**8%**	(9)%
S&P/TSX Financials	**12%**	2%	**9%**	(13)%
DJ Dividend 100 Composite (US)	**8%**	14%	**1%**	(7)%
Preferred shares				
S&P/TSX Preferred Share Index	**6%**	(5)%	**(1)%**	(22)%
Fixed-income securities (estimated variance in bps)				
5Y Canada Sovereign Index	**(107) bps**	(14) bps	**(24) bps**	221 bps
5Y US Sovereign Index	**(76) bps**	(9) bps	**(16) bps**	274 bps
5Y UK Sovereign Index	**(105) bps**	(77) bps	**(15) bps**	280 bps
5Y Canada AA Corporate spread	**(10) bps**	12 bps	**(27) bps**	67 bps
Strengthening (weakening) of:				
USD vs CAD	**(2)%**	(2)%	**(2)%**	7%
GBP vs CAD	**2%**	6%	**3%**	(4)%

21.3 Our portfolio remains of high quality

2023 Highlights

- **The $0.6 billion increase in our investment portfolio** during the quarter reflected a positive impact of lower market yields on fixed-income securities as well as positive market returns, partly offset by the cash consideration paid following the close the DLG brokered commercial lines acquisition.
- ***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, 2023 (81% as at December 31, 2022). On a consolidated basis, the weighted-average rating of our fixed-income portfolio was ‘AA’ as at December 31, 2023 and December 31, 2022. The average duration of our fixed-income portfolio was 3.5 years as at December 31, 2023 (3.4 years as at December 31, 2022).
- ***Our preferred share portfolio is made up of high-quality Canadian issuers***. The weighted-average rating of our preferred share portfolio was ‘P2’ as at December 31, 2023 and December 31, 2022.
- We have minimal direct exposure to US regional banks. RSA’s investment property portfolio is unlevered, diversified in terms of sectors (office, commercial and industrial) and geography within the UK.

Investment portfolio by geography (country of incorporation)



21.4 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, 2023 (after reflecting the impact of hedging strategies related to investments and foreign subsidiaries) is outlined below. Additional information on detailed exposures can be found in our Statistical Supplement, available in the “Investors” section of our web site at ***www.intactfc.com.***

Table 28 – Investment mix (net exposure)

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

We continued to remain overweight on cash, cash equivalents and short-term notes, and underweight on equities given persisting market volatility. Our fixed-income strategy remains the same: conservative credit exposure and stable interest rate duration.

The reduction in the weight of cash, cash equivalents, and short-term notes in the quarter mostly comes from the closing of the DLG brokered commercial lines acquisition on October 26, 2023. The increase in market value of our fixed income portfolio was driven by the decrease in interest rates during the quarter.

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

Table 29 – Net pre-tax unrealized gain (loss) on FVTOCI/AFS fixed-income securities

	IFRS 9				IAS 39
As at	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022
Fixed-income securities	**(504)**	(1,080)	(927)	(723)	(1,160)
Preferred shares[1, 2]	n/a	n/a	n/a	n/a	(216)
Common shares[1]	n/a	n/a	n/a	n/a	(113)
Net pre-tax unrealized gain (loss) position	**(504)**	(1,080)	(927)	(723)	(1,489)

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

[2] As of January 1, 2023, on transition to IFRS 9, we made an irrevocable election to designate the preferred shares as FVTOCI with fair value changes to be presented directly and permanently in shareholders’ equity (within OCI). As of December 31, 2023, there was an unrealized loss position of $154 million on the FVTOCI preferred shares.

Highlights

The unrealized loss position improved to $504 million as of December 31, 2023, a reduction in the losses of 53% compared to September 30, 2023. This was driven by a decrease in interest rates in Canada, the US and the UK.

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

Section 22 - Claims liabilities and reinsurance

22.1 Claims liabilities

Our liability for incurred claims estimates are based on various quantitative and qualitative factors, including trends in claim severity and frequency, payment patterns, inflation, discount rate, risk adjustment and other factors, with the main underlying assumption that our future claims development will follow a similar pattern to past claims development experience.

Our total claims reserve is made up of reported claims case reserves and incurred but not reported ("IBNR") reserves. In addition to reserving for possible incurred claims that have not yet been reported by policyholders, IBNR also supplements the case reserves by taking into account 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.

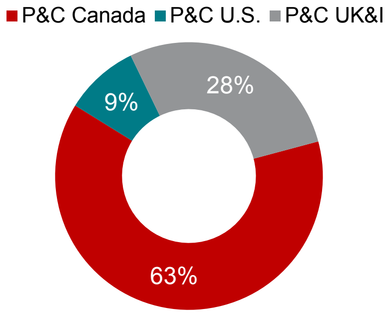
Our liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. Our discount yield curves are established using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts.

The ultimate claims cost for any accident year is not known until all claims for that period have been reported and settled, which may span many years in the case of casualty (long-tailed) coverages. Case reserves and IBNR should be sufficient to cover all expected claims liabilities for events that have already occurred, whether reported or not, and are discounted to take into account the time value of money. Our reserve estimates are evaluated quarterly.

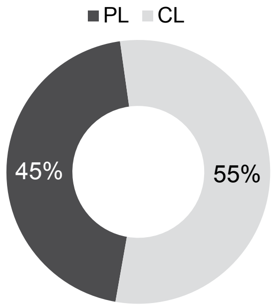
Net liability for incurred claims[1] by business segment

December 31, 2023

Net liability for incurred claims[1] by line of business



Liability for incurred claims stood at $26.2 billion (on a direct basis) and at $21.6 billion (on a net basis) as at December 31, 2023.



[1] Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.

22.2 Reinsurance

In the ordinary course of business, we reinsure certain risks with external reinsurers to limit our maximum loss in the event of catastrophic events or other significant losses. Our objectives related to ceded reinsurance are primarily capital protection and are not intended to manage quarter to quarter volatility of results. 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.

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 30 – Corporate reinsurance program for multi-risk events and catastrophes

As of January 1,	2024	2023
Canadian events (in million of CAD)		
Retention[1]	**250**	250
Coverage limits[2]	**5,400**	6,400
US events (in million of CAD)		
Retention[1]	**150**	150
Coverage limits[2]	**1,300**	1,300
UK events (in million of GBP)		
Retention[1]	**150**	125
Coverage limits[2]	**2,100**	1,600

[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, 2024

- For Canadian events, the lower coverage limit reflects reductions in earthquake exposure in British Columbia. However, the limit as a percentage of our 1 in 500-year PML is higher than it was as at January 1, 2023.
- As an illustration of the capacity of our 2024 reinsurance program, as at January 1, 2024, the retained cost of a 1 in 500-year earthquake event in Western Canada would represent around 4 points of combined ratio (5 points in 2023), pre-tax, based on latest exposures. This was calculated using our retained cost of $250 million retention plus reinstatement premiums and co-participations. Overall, this demonstrates that an event of this magnitude can be well absorbed within our yearly earnings, with limited impact on our balance sheet and capital position.
- For UK&I events, we have increased our retention and coverage limits for 2024 to reflect the addition of the DLG brokered commercial lines operations. The UK&I limit requirement will begin to reduce from Q3-2024, as the UK personal lines portfolio runs-off.
- For US events, there has been no change to the retention or the coverage limit for 2024.

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. See ***Note 13 – Reinsurance*** to the Consolidated financial statements for further details.

Section 23 - 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. In the UK&I, we provide DC pension plans to current employees. In the US, we provide a 401(k) plan to our 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

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 pension asset mix, including buy-in annuity contracts by country are summarized below.

Table 31 – Selected pension indicators

As at		December 31, 2023			December 31, 2022	
	Canada	UK&I	Total	Canada	UK&I	Total
Fair value of plan assets *(see asset mix below)*	**3,276**	**9,332**	**12,608**	3,040	9,480	12,520
DB pension obligation	**(3,272)**	**(9,327)**	**(12,599)**	(2,898)	(8,939)	(11,837)
Other net surplus remeasurements	**(5)**	**(3)**	**(8)**	(8)	(180)	(188)
Net DB pension asset (liability)	**(1)**	**2**	**1**	134	361	495
Pension asset mix						
Debt securities	**1,545**	**124**	**1,669**	1,440	9,541	10,981
Buy-in annuity insurance contracts	**1,035**	**9,188**	**10,223**	1,021	43	1,064
Common shares	**857**	**25**	**882**	805	37	842
Derivative financial instruments	**1**	**(7)**	**(6)**	(9)	(30)	(39)
Deferred annuity premium	**-**	**(180)**	**(180)**	-	-	-
Other	**(162)**	**182**	**20**	(217)	(111)	(328)
Total assets	**3,276**	**9,332**	**12,608**	3,040	9,480	12,520
Funded status – funded plans only	**106%**	**100%**	**102%**	111%	106%	107%
% Annuities / Plan assets	**32%**	**98%**	**81%**	34%	-%	8%

23.1 UK pension buy-in transaction

Strategic rationale

- In February 2023, we entered into an agreement with Pension Insurance Corporation plc ("PIC"), a specialized insurance counterparty, for a bulk purchase of annuity buy-in insurance contracts for a total premium payment of £6.3 billion (the "UK pension buy-in transaction").
- The UK pension buy-in transaction transferred substantially all remaining economic and demographic risks associated with two major UK DB pension plans to PIC.
- This transaction removed balance sheet exposure to pension risks that are non-core to our business and at the same time enhanced security for RSA UK pension members. It also eliminated our obligation to contribute £75 million per year to the pension schemes and released approximately £150 million of capital.
- The UK pension buy-in transaction supported our ROE outperformance objective by improving capital efficiency and our ability to capture future strategic opportunities, as we are no longer constrained by the responsibility of managing the liabilities of these pension schemes and all future funding needs.

Financial impact

Ten-months after the UK pension buy-in transaction, the impacts on our 2023 financials were as follows:

- NOIPS decrease of approximately 1.4%, due to the financing costs associated with this transaction;
- Single-digit dilution to BVPS, as a result of the net initial actuarial loss of $1,195 million (£727 million) recognized in OCI; and
- OROE improvement of approximately 90 bps, due to the weighted impact of this transaction recognized in our average common shareholders' equity. By Q1-2024, we continue to expect a 100 bps benefit to be reflected in OROE.

For more details on the transaction, please refer to ***Note 31.6 - Additional information on UK DB pension plans*** to the Consolidated financial statements.

Section 24 - Capital management

24.1 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. The normal operating range for the total capital margin is anticipated to be $2.0 billion to $2.5 billion.

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.

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).

Operating targets for each jurisdiction are selected at a level that reflects our current risk appetite, market conditions, or regulatory considerations. Capital levels are managed around the operating target, and it is expected that actual results will vary above or below that target for any single reporting period.

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 *Insurers Act*.
- 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.
- The operating target for the aggregated Canadian entities is 195% MCT.

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.
- The operating target for the UK&I is 160% SCR.

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.
- The operating target for the US is 375% RBC.

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

24.2 Maintaining a strong capital position

Capital position

Table 32 – Estimated aggregated capital position[1]

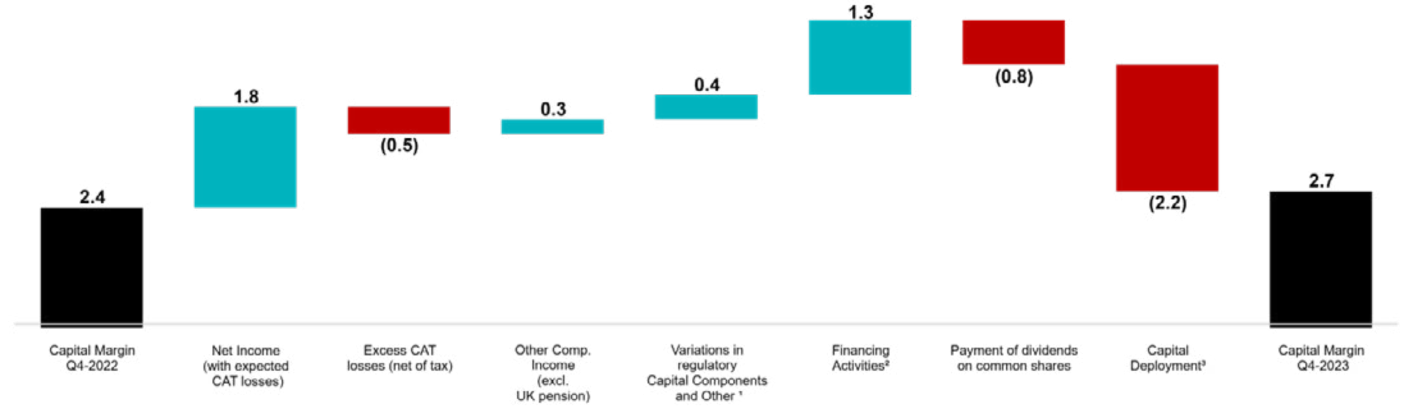
As at	Regulatory capital ratios	CAL	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022
Total capital margin							
Canadian regulated entities			**1,428**	971	1,160	1,459	1,005
UK & International regulated entities			**633**	768	694	657	725
US regulated entities			**555**	570	588	600	560
Holding Companies			**55**	532	40	80	89
Total capital margin			**2,671**	2,841	2,482	2,796	2,379
Regulatory capital ratios							
Canadian regulated entities	MCT	169%[2]	**210%**	197%	201%	210%	197%
UK & International regulated entities[3]	SCR	120%	**168%**	185%	180%	177%	175%
US regulated entities	RBC	200%	**381%**	383%	399%	406%	388%

[1] *See Section 31 – Non-GAAP and other financial measures* for more details.

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

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

2023 key performance indicators ($ in billions)



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

[2] Includes issuance and repayment of debt, preferred shares dividends as well as financing raised for acquisitions.

[3] Represents capitalized expenditures, net acquisitions/divestitures of brokers and strategic investments as well as special transactions.

2023 Capital highlights

Total capital margin was solid at $2.7 billion as at December 31, 2023, with an increase of $0.3 billion over the year, due to:

- Solid capital generated of $1.6 billion, despite $0.5 billion of catastrophe losses in excess of expectations, largely utilized to support organic growth objectives and to return approximately $0.8 billion of dividends back to shareholders.
- We have undertaken a number of capital deployment initiatives totalling $2.2 billion, including consideration paid of $0.9 billion for the DLG brokered commercial lines acquisition and $0.8 billion for the UK pension buy-in transaction, as well as continued investments in our distribution business.
- Financing raised of $1.3 billion reflected the combination of issuances of short- and long-term debt as well as equity capital to finance primarily the DLG brokered commercial lines acquisition and the UK pension buy-in transaction.

As at December 31, 2023, each of the Company’s regulated P&C insurance subsidiaries were well capitalized and in compliance with regulatory capital requirements by jurisdiction.

24.3 Managing leverage

We believe that our optimal financing structure is one where:

1) the adjusted debt-to-total capital ratio is broadly at 20%; and
2) approximately 10% of our total capital is comprised of preferred shares and hybrid debt (including LRCN).

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.

Capital structure December 31, 2023

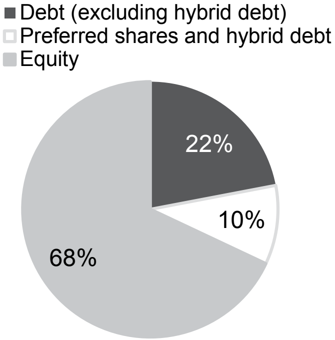


Table 33 – Weighted-average debt maturity, debt coupon and preferred share coupon

Weighted-average of funding instruments					
As at December 31, 2023	**Debt maturity** (excl. commercial paper & hybrid debt)	**Debt coupon** (incl. commercial paper & term loans)	**Debt carrying amount** (incl. commercial paper & term loans)	**Preferred share coupon**[1]	**Preferred share carrying amount**[1]
2023	**12 years**	**3.01%**	**4,834**	**5.07%**	**2,151**
2022	12 years	2.89%	4,275	4.65%	1,854

[1] Includes preferred shares and other equity outstanding, assumed preferred shares issued by RSA as well as hybrid subordinated notes

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, 2023, our adjusted debt-to-total capital ratio of 22.4% was relatively stable compared to the previous quarter, and is expected to return to our long-term target of 20% by the end of 2024.

Table 34 – Financing activity

Financing	Debt outstanding (excluding hybrid debt)[1]	Adjusted total capital[1]	Adjusted debt-to-total capital ratio[1]
As at December 31, 2022	**4,275**	**20,650**	**20.7%**
Commercial paper	(30)	(30)	(0.1)%
Credit facility	(2)	(2)	-%
Common shares issuance	-	551	(0.5)%
Preferred shares and other equity issuance	-	297	(0.3)%
Redemption of Tier 2 Notes	(67)	(67)	(0.2)%
Series 14 medium-term notes issuance	396	396	0.9%
Term loans			
Issuance of CAD tranche and GBP tranche	294	294	1.6%
Issuance of GBP loan	109	109	0.4%
Repayment of CAD tranche	(130)	(130)	(0.5)%
Other movements	(11)	(512)	0.4%
As at December 31, 2023	**4,834**	**21,556**	**22.4%**

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

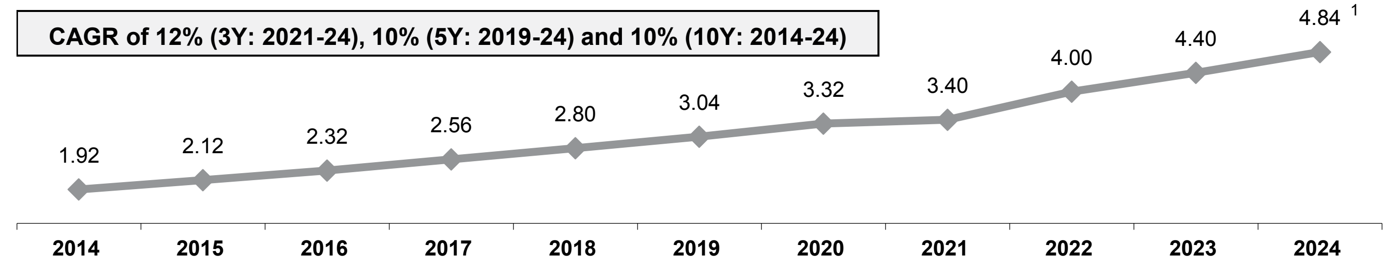
Financing activities in 2023	
NCIB program	• On February 17, 2023, we renewed the normal course issuer bid ("NCIB") program to purchase for cancellation during the next twelve months up to 3% of IFC's issued and outstanding common shares. As at December 31, 2023, only 2,000 shares were repurchased. • Subsequent to year end, the Board has authorized, subject to TSX approval, the renewal of the NCIB to purchase for cancellation up to 3% of the Company's issued and outstanding common shares commencing February 17, 2024.
LRCN Series 1	• On March 7, 2023, we issued $300 million of Limited Recourse Capital Notes Series 1 ("LRCN Series 1 Notes") which were offered by way of private placement to accredited investors. The proceeds received were used for the purpose of partially funding the execution of the UK pension plans buy-in transaction.
Tier 2 subordinated notes	• On June 6, 2023, we redeemed a portion of the principal amount of the subordinated notes outstanding ahead of their maturity date, $67 million (£40 million) worth, using our commercial paper program and available cash.
Common shares issuance	• On September 13, 2023, we issued 3,065,900 common shares at a price of $187.60 per common share for gross proceeds of $575 million. The proceeds were used to partially fund the DLG brokered commercial lines acquisition.
Series 14 unsecured medium-term notes	• On September 14, 2023, we completed an offering of $400 million principal amount of Series 14 unsecured medium-term notes through a private placement to accredited investors in Canada. The net proceeds received were used to partially fund the DLG brokered commercial lines acquisition.
Term Loans	• On February 27, 2023, we entered into a 12-month term loan agreement, issuing a GBP tranche for an amount of $164 million (£100 million) and a CAD tranche for an amount of $130 million. The proceeds were used for the partial funding of the UK pension buy-in transaction. As at December 31, 2023, the CAD tranche was repaid in full. Subsequent to year end, on February 8, 2024 the GBP tranche was repaid in full using available excess cash. • On October 24, 2023, we entered into a 24-month term loan agreement for an amount of $109 million (£65 million). The proceeds received were used to partially fund the DLG brokered commercial lines acquisition.
$1.8 billion credit facility	• On October 19, 2023, our credit facility increased from $1.5 billion to $1.8 billion, with a new maturity date of October 19, 2028, providing additional liquidity as needed. As at December 31, 2023, no amount was drawn under the credit facility ($2 million as at December 31, 2022).
Commercial paper program	• As of December 31, 2023, we had $105 million outstanding ($135 million as of December 31, 2022), with weighted average maturity of 22 days and weighted average annual rate of 5.16%. This program represents an effective short-term funding vehicle. We expect to continue using commercial paper to manage short-term liquidity needs.

See ***Note 19 – Debt outstanding and Note 20 – Share capital*** of the Consolidated financial statements for more details.

24.4 Common shareholder dividends

2024: our 19th 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 in 2004.
- The decision to increase our dividends by $0.11 to $1.21 per quarter in 2024 reflects the strength of our financial position and confidence in our ongoing operating earnings and capital generation This represents the 19th consecutive increase in dividend since our initial public offering (IPO).



CAGR of 12% (3Y: 2021-24), 10% (5Y: 2019-24) and 10% (10Y: 2014-24)

[1] Annual dividend for 2024 is projected

24.5 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 35 – Ratings

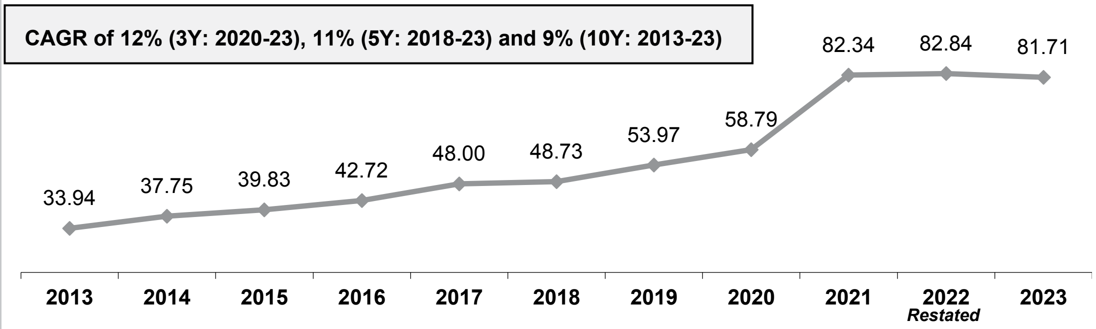
	A. M. Best	DBRS	Moody’s	Fitch
Latest review	May 18, 2023	Oct. 10, 2023	Oct. 18, 2023	Dec. 13, 2023
Outlook	Stable	Stable	Positive	Stable
Financial strength ratings				
IFC’s principal Canadian P&C insurance subsidiaries	A+	AA	A1	AA-
RSA Canadian entities	not rated	AA	A1	AA-
Intact U.S. Holdings Inc.	A+	AA	A2	AA-
RSA Insurance Group Limited	A	AA	A2	AA-
Senior unsecured debt ratings				
Intact Financial Corporation	a-	A (high)	Baa1	A-
Intact U.S. Holdings Inc.	a-	A (high)	Baa2	A-
RSA Insurance Group Limited	a+	A (high)	Baa1	A-

2023 Ratings highlights

- **On March 1, 2023,** A.M. Best reaffirmed Intact’s ratings following the UK pension buy-in transaction and noted that the transaction will result in significantly lower pension risk to IFC’s balance sheet.
- **On October 10, 2023,** DBRS Morningstar upgraded our debt ratings from “A” to “A (high)” and our financial strength ratings from “AA (low)” to “AA”, with stable outlook, reflecting our strong financial performance and growth in premiums, as well as recent acquisitions that have enhanced our product offering and provided revenue diversification while deepening market shares.
- **On October 18, 2023**, Moody's changed its outlook from stable to positive reflecting our strong market presence in Canada, improved product and geographic diversification as a result of acquisitions, continued risk management discipline and solid reserving adequacy, as well as strong and consistent underwriting profitability.

24.6 Book value per share

Book value per share increase over time



AROE evolution over time

10.3%	16.8%	14.3%	11.0%	13.0%	11.8%	11.4%	15.0%	21.0%	19.2%	11.7%

2023 Highlight: Our BVPS remained in line with last year, as anticipated. The dilutive impact of the UK pension buy-in transaction in Q1-2023 was fully recovered by strong earnings, capital gains in the quarter and the equity issuance from Q3-2023.

AROE has averaged 14.5% over the last decade.

Table 36 – Evolution of BVPS (in dollars)

	Q4-2023	Change in %[2]	2023	Change in %[2]
BVPS, beginning of period under IFRS 4	**n/a**	n/a	**80.33**	n/a
Impact of application of IFRS 17 and IFRS 9	**n/a**	n/a	**2.51**	3.1%
BVPS, beginning of period *(restated)*	**77.24**	n/a	**82.84**	n/a
Net income				
NOIPS, basic and diluted	**4.22**	5.5%	**11.70**	14.1%
After-tax non-operating gains (losses)	**(1.44)**	(1.9)%	**(4.71)**	(5.7)%
Net income attributable to common shareholders (EPS)	**2.78**	3.6%	**6.99**	8.4%
Other comprehensive income (loss)				
Impact of market movements on FVTOCI securities	**2.72**	3.5%	**1.77**	2.1%
Foreign exchange impact, net of hedges	**(0.02)**	-%	**0.19**	0.2%
UK pension buy-in transaction	**-**	-%	**(6.83)**	(8.2)%
Net actuarial gains (losses) on employee future benefits	**(0.06)**	(0.1)%	**(0.58)**	(0.7)%
Dividends on common shares	**(1.10)**	(1.4)%	**(4.40)**	(5.3)%
Net impact from issuance of common shares	**-**	-%	**1.80**	2.2%
Other[1]	**0.15**	0.2%	**(0.07)**	(0.1)%
BVPS, end of period	**81.71**	5.8%	**81.71**	(1.4)%

[1] Included share-based payments.

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

2023 vs 2022

- **EPS contribution of $6.99** reflected strong earnings throughout the year, even after absorbing elevated catastrophe losses as well as higher non-operating costs related to the strategic exit from the UK personal lines market.
- **Gains on FVTOCI securities of $1.77 per share** reflected the decrease in interest rates in all regions in Q4-2023, driving strong mark-to-market gains on our fixed-income investments.
- **Favourable net impact of $1.80 per share** as a result of our common share issuance for the DLG brokered commercial lines acquisition.
- **A decrease of $6.83 per share** related to the UK pension buy-in transaction. This transaction generated a net initial actuarial loss of $1,195 million (£727 million) in Q1-2023, which was recognized in OCI.

24.7 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 37 – Cash flows

	Q4-2023	Q4-2022 *Restated*	Change	2023	2022 *Restated*	Change
Net cash flows provided by operating activities	**381**	928	(547)	**1,846**	3,665	(1,819)
Cash flows generated from (deployed on):						
Proceeds from the sale of businesses	**-**	-	-	**-**	1,295	(1,295)
Proceeds from issuance of debt, net	**109**	(1)	110	**799**	1,258	(459)
Repayment of debt	**(51)**	(372)	321	**(198)**	(1,700)	1,502
Borrowing on (repayment of) the credit facility and commercial paper, net	**105**	107	(2)	**(32)**	(302)	270
Proceeds from issuance of common shares, net	**-**	-	-	**551**	-	551
Proceeds from issuance of preferred shares and other equity, net	**-**	-	-	**296**	146	150
Repurchase of common shares for share-based payments	**(6)**	(5)	(1)	**(128)**	(112)	(16)
Repurchase of common shares for cancellation	**-**	(1)	1	**-**	(150)	150
Payment of dividends on common shares, preferred shares and other equity distribution	**(224)**	(191)	(33)	**(862)**	(762)	(100)
Payment of dividends to non-controlling interests	**(7)**	(7)	-	**(15)**	(24)	9
Redemption of non-controlling interests	**-**	-	-	**-**	(450)	450
Payments of lease liabilities	**(28)**	(27)	(1)	**(90)**	(111)	21
Proceeds from (purchases of) brokerages and other equity investments, net	**(58)**	(35)	(23)	**(126)**	(235)	109
Purchases of intangibles and property and equipment, net	**(114)**	(119)	5	**(458)**	(411)	(47)
Business combination, net of cash acquired	**(869)**	-	(869)	**(869)**	(239)	(630)
Net cash inflows (outflows) before the following:	**(762)**	277	(1,039)	**714**	1,868	(1,154)
Proceeds from sales of investments (purchases of), net	**412**	(602)	1,014	**(552)**	(3,156)	2,604
Net increase (decrease) in cash and cash equivalents	**(350)**	(325)	(25)	**162**	(1,288)	1,450
Cash and cash equivalents, beginning of the period	**1,531**	1,310	221	**1,010**	2,276	(1,266)
Exchange rate differences on cash and cash equivalents	**(10)**	25	(35)	**(1)**	22	(23)
Cash and cash equivalents, end of the period[1]	**1,171**	1,010	161	**1,171**	1,010	161

[1] Net of bank overdraft.

Cash position at the end of Q4-2023

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

Holding company cash flow

We hold cash and cash equivalents at the holding company level, Intact Financial Corporation, and within our wholly owned operating subsidiaries. As at December 31, 2023, Intact Financial Corporation (our holding company) had $8 million of cash and cash equivalents ($4 million as at December 31, 2022).

Table 38 – Cash flows at the holding company level

	2023
Net cash and cash equivalents, at the beginning of the period	**4**
Cash flows generated from:	
Our wholly owned operating subsidiaries	**1,562**
Cash flows deployed on:	
Investing, financing and treasury activities	**(217)**
Capital returned to shareholders	**(778)**
Corporate expenses[1]	**(563)**
Net cash and cash equivalents, at the end of the period	**8**

[1] Including debt interest payments, preferred shares dividend and other equity distribution, as well as other general expenses.

24.8 Contractual obligations

Table 39 – Contractual obligations

As at December 31, 2023		Payments due by period		
	Total	Less than 1 year	1 – 5 years	Thereafter
Principal repayment on notes outstanding[1]	**5,081**	655	1,457	2,969
Interest payments on notes outstanding	**3,184**	181	624	2,379
Insurance contract liabilities[2,3]	**27,757**	12,795	11,894	3,068
Leases[4]	**1,390**	203	574	613
Investments[5]	**421**	421	-	-
Financial liabilities related to investments[1,6]	**135**	96	8	31
Pension obligations[7]	**111**	10	43	58
Other financial liabilities[1]	**1,843**	1,280	144	419
Other commitments[5]	**191**	124	67	-
Total contractual obligations	**40,113**	15,765	14,811	9,537

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

[2] Undiscounted value. Excludes periodic payment orders and the liability for remaining coverage measured under the PAA.

[3] Refer to ***Note 10.5 c) – Insurance and reinsurance contracts by maturity*** to the Consolidated financial statements for details.

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

[5] See ***Note 35 – Commitments and contingencies*** to the Consolidated financial statements for details.

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

[7] Represent the expected benefit payments for funded and unfunded plans. ***See Section 23 – Employee future benefits program and Note 31 – Employee future benefits*** to the Consolidated financial statements for details.

Section 25 - Foreign currency management

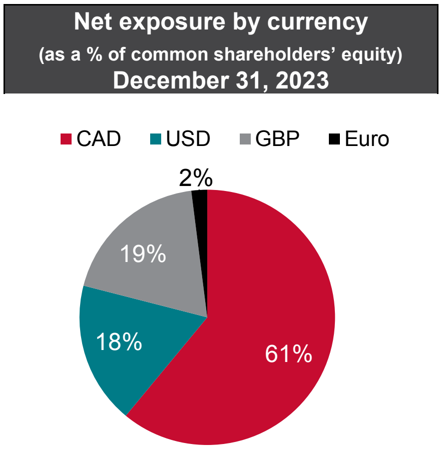
25.1 Foreign currency rates

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 40 – Foreign currency rates

	As at		Average rates for the periods			
	Dec. 31, 2023	**Dec. 31, 2022**	**Q4-2023**	**Q4-2022**	**2023**	**2022**
Foreign currency vs CAD						
USD	**1.325**	1.354	**1.362**	1.357	**1.350**	1.302
GBP	**1.689**	1.637	**1.690**	1.594	**1.679**	1.607
EUR	**1.463**	1.449	**1.465**	1.386	**1.460**	1.370

25.2 Currency hedging



Net investment hedges

- We protect our book value from currency risk arising from our ownership of non-Canadian entities by hedging foreign currency. The hedging is done using foreign currency forward contracts and debt in foreign currency as per our internal risk appetite, which we aim to keep below 40% of total foreign currency.

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.

In September 2023, in connection with the DLG brokered commercial lines acquisition, we entered into foreign currency forward contracts to hedge the currency risk related to the purchase price and the initial carrying value of the business. After the closing of the acquisition in October 2023, the purchase price hedges were settled and the net investment hedges were designated as a hedge of net investments in foreign operations.

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

RISK MANAGEMENT

Section 26 - Overview

We designed the Enterprise Risk Management (ERM) Framework to ensure effective management and monitoring of the risks that Intact is exposed to in order to protect our business, clients, employees and stakeholders, while delivering on our promises to our shareholders. 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 effective 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 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. In some circumstances, we choose to avoid certain risks by exiting lines of businesses that exceed our risk appetite or are not expected to achieve our long-term profitability targets. Residual risks that are within the Board approved risk tolerance are acceptable in the pursuit of our strategic objectives.

Section 27 - 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.

Board of Directors	Main responsibility is to oversee our management of business and affairs, including our pension funds. In this regard, the Board establishes policies, reporting mechanisms and procedures in view of safeguarding our assets and ensuring our long-term viability, profitability and development.
Risk Management Committee	The Risk Management Committee assists the Board of Directors in overseeing the management of the Company 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.
Governance and Sustainability Committee	The Governance and Sustainability Committee (the "GSC") ensures a high standard of governance, compliance, and ethics in the Company, including its pension funds and that the Company meets its legal requirements and engages in best practices as determined by the Board of Directors. In this regard, the GSC oversees, amongst others: (i) the governance framework of the Company, its subsidiaries and its pension plans, (ii) the compliance framework, (iii) the compliance programs of the Company and its subsidiaries which include related party transactions, market conduct programs and policies, as well as the implementation of corporate compliance initiatives and (iv) the Company's ESG framework, performance thereunder and related reporting.
Human Resources and Compensation Committee	The Human Resources and Compensation Committee assists the Board of Directors in fulfilling its governance supervisory responsibilities for strategic oversight of the Company's human capital, including organization effectiveness, succession planning and compensation, and the alignment of compensation with the Company's philosophy and programs consistent with the overall business objectives of the Company. Compensation includes base salaries, benefits, pension plans and incentive programs of the employees, management and executives.
Audit Committee	The Audit Committee assists the Board of Directors in its oversight of (i) the integrity, fairness and completeness of the Company's financial statements and financial information; (ii) the accounting and financial reporting process; (iii) the qualifications, performance and independence of the external auditors; (iv) the performance of the internal finance function and audit function; (v) the quality and integrity of internal controls and; (vi) actuarial practices of the Company.
Enterprise Risk Committee	The Enterprise Risk Committee (the "ERC") is an enterprise-wide executive committee with a mandate to assist the Board and Senior Management with their responsibilities of managing and providing risk oversight on the operations of the Company. The ERC was established to support the Chief Executive Officer (the "CEO") and the Chief Risk Officer (the "CRO") in the matters of: • Formulating the risk strategy and setting and monitoring of the risk appetite and the key risk metrics, including monitoring performance of the Group relative to the risk appetite, aiming for the right balance between risk, return, and capital. Recommending risk appetite to the Risk Management Committee of the Board ("RMC") and the Board for approval. • Identification, assessment, responding, monitoring and reporting to the RMC of the main risks facing the Company, including periodic review and evaluation of the top risks and emerging risks profiles. The main risk categories 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.

Section 28 - 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 policies 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:

28.1 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 Governance and Sustainability Committee periodically receives reports on all important litigation involving the company, whether in the ordinary course of business 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 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 that remain independent of operations. The EVP & Chief Legal Officer and Group Chief Compliance Officer report to the Board of Directors and its committees on material matters, including with respect to privacy and customer 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 Code of Conduct – Living our Values, and employees sign a confirmation that they have reviewed and complied with them annually.

Section 29 - Enterprise Risk Management

29.1 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

29.2 Guiding Principles

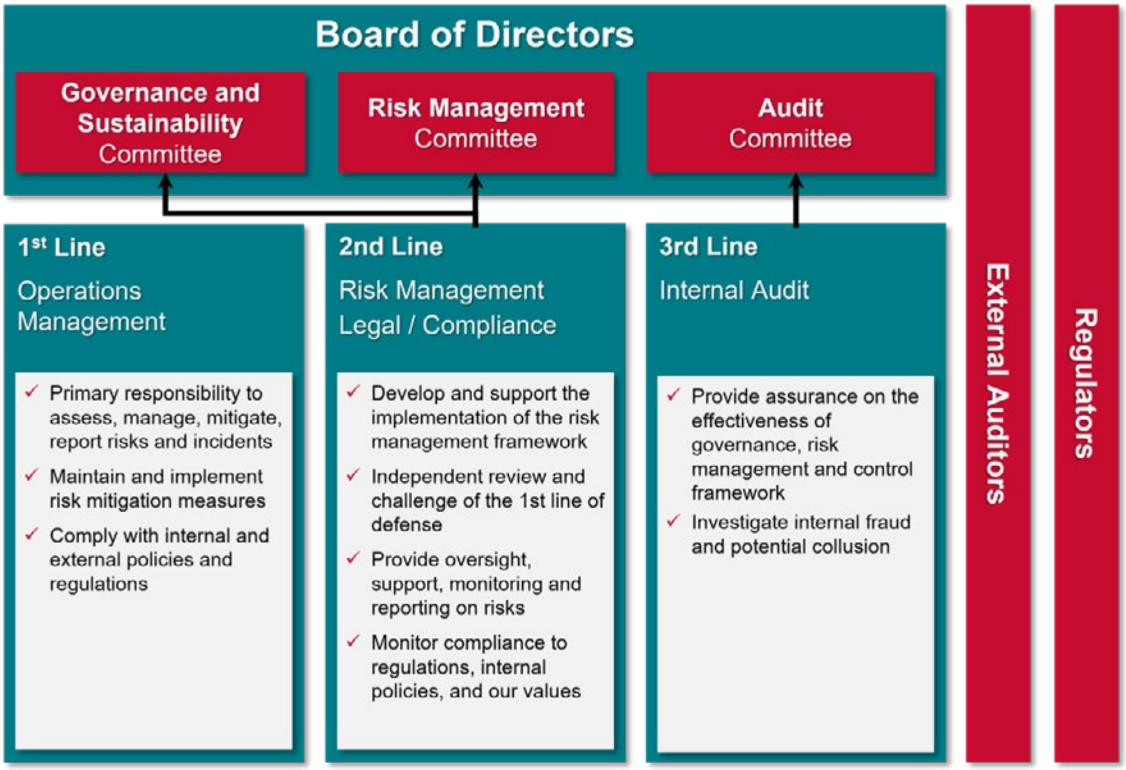
Our business strategies and capital management decisions are tied to the risks the company is prepared to accept, mitigate, transfer or avoid. The ERM function reports to the Board on capital level sufficiency to support planned business operations in line with our risk appetite. Based on the alignment 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

29.3 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.



Board of Directors

Governance and Sustainability Committee

Risk Management Committee

Audit Committee

1st Line

Operations Management

- ✓ Primary responsibility to assess, manage, mitigate, report risks and incidents
- ✓ Maintain and implement risk mitigation measures
- ✓ Comply with internal and external policies and regulations

2nd Line

Risk Management Legal / Compliance

- ✓ Develop and support the implementation of the risk management framework
- ✓ Independent review and challenge of the 1st line of defense
- ✓ Provide oversight, support, monitoring and reporting on risks
- ✓ Monitor compliance to regulations, internal policies, and our values

3rd Line

Internal Audit

- ✓ Provide assurance on the effectiveness of governance, risk management and control framework
- ✓ Investigate internal fraud and potential collusion

29.4 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.

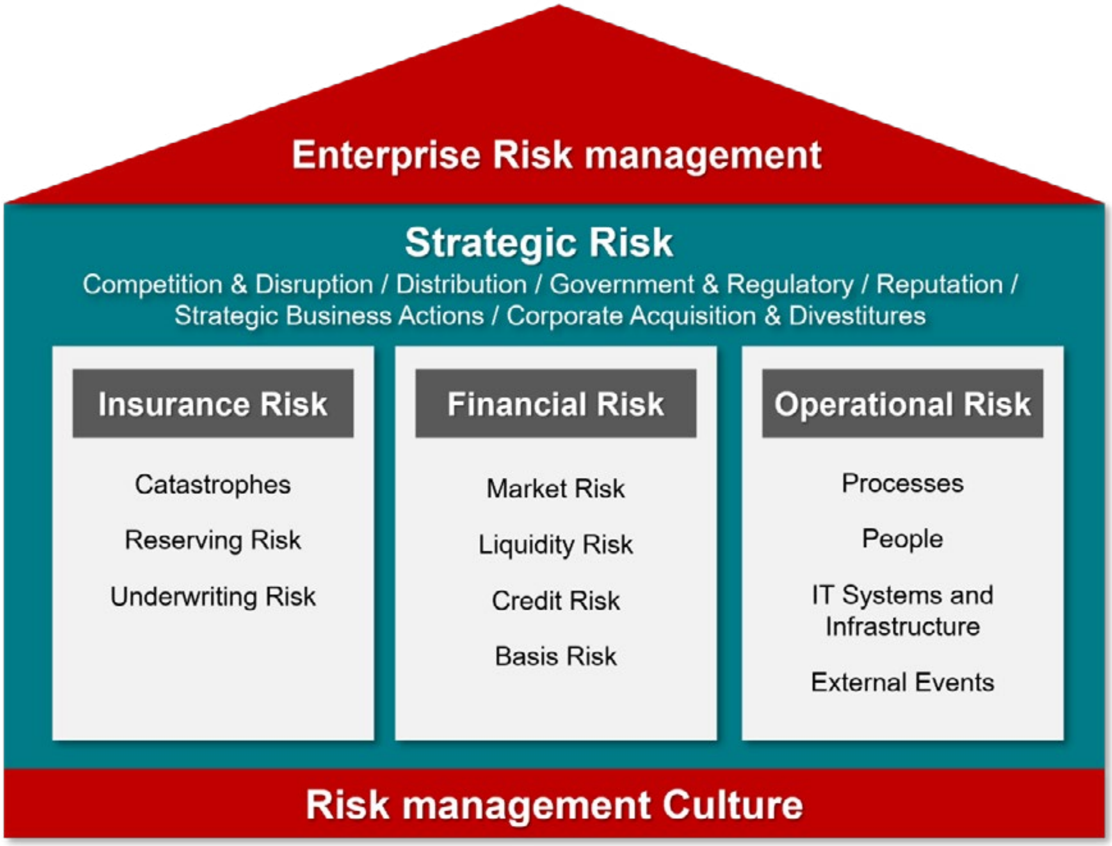
Consult our website for a more detailed discussion of our Risk Appetite under the Corporate Governance section.

29.5 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.



29.6 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	***How we manage this risk***
The occurrence of a major earthquake could have a significant impact on our profitability and financial condition and that of the entire P&C insurance industry in Canada. Depending on the magnitude of the earthquake, its epicentre and the extent of the damage, the losses could be substantial even after significant reinsurance recoveries of IFC treaties. There could also be significant additional costs to find the required reinsurance capacity upon further renewals. In addition, we could be subject to increased assessments from the P&C Insurance Compensation Corporation (PACICC) leading to further costs if other insurers are unable to meet their contractual obligations with their clients.	Our risk management strategy consists of regular monitoring of insured value accumulation and concentration of risks. We use earthquake risk models, with adjustments for non-modelled losses, 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 22.2 – 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 -3.8% of BVPS. 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 were fully executed in 2023 and resulted in a significant reduction in gross earthquake exposure.

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. In 2023, this was increasingly evident as we incurred elevated catastrophe losses related to weather events.

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.

Physical and transition risks may also lead to **liability risk**, such as the risk of climate-related claims under liability policies, as well as the risk arising from other climate-related litigation or direct actions against the Company. For instance, compensation could be sought for losses resulting from an alleged failure of the Company to manage the climate-related risks outlined above, from allegations related to "greenwashing" in the Company's representations or from climate activism-driven actions. Such litigation or direct actions may also pose reputational risk.

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, hail and flooding in the west, and wind, 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.

There were many examples in 2023 including wildfires (Halifax & Kelowna), flooding, severe storms, and an ice storm that materially impacted our earnings. These types of events are likely to 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 ownership 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 19 – 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 22.2 – Reinsurance*** for details on our reinsurance program. Changes in the cost and/or availability of reinsurance can significantly impact our ability to manage the physical risk associated with climate change.

Transition risk

Investments: See ***Section 19.2 – Impact of climate change on our business*** for more details on initiatives undertaken by Intact Investment Management (IIM) to help 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.

<u>Non-natural catastrophe risk</u>
We offer cyber risk insurance to our personal and commercial customers and in our specialty lines business. 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.

<u>Natural catastrophe risk</u>
Some of the risk mitigations referred to in the section above on climate change risk also mitigate the catastrophe risk.

With the assistance of third-party models, we model a range of natural catastrophes across all the main jurisdictions in which we operate. The modelled aggregate 1-in-100 year probable maximum loss (PML), net of reinsurance and taxes has an incremental impact of -6.4% of BVPS above our expected annual catastrophe losses.

<u>Non-natural catastrophe risk</u>
To help mitigate the risks associated with our cyber risk insurance product, we generally focus on small to medium-size companies with relatively modest policy limits. We leverage both external and internal cyber catastrophe modelling scenarios to assess our exposure. We purchase reinsurance specifically to transfer some of the risk in the event a large-scale cyber-attack triggers a high volume of claims. In addition, we implemented stronger exclusions related to cyber war/nation state activity and the failure of critical infrastructure in our commercial cyber insurance policies to partially mitigate the impact of a systemic cyber event.

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.

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) 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, including purchasing insurance directly from auto manufacturers, or through 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 our wholly-owned subsidiary On Side Restoration, we have vertically integrated an important supply chain vendor to provide emergency and restoration services for property insurance clients.
- 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). With recent advancements in generative artificial intelligence applications, we expect this trend will accelerate in the coming years.

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. In 2023, inflation trended downwards towards central bank targets while equity markets rebounded. The current geo-political environment increases uncertainty in financial markets with a possible resurgence of inflation, including upward pressure on oil prices and the potential for global supply-chain disruptions. *See **Section 21.2 – Capital market 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, geo-political conditions, social unrest 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. 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. 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 *Notes 10.1 and 10.2*	**Credit risk** *Note 10.4*
Basis risk *Note 10.3*	**Liquidity risk** *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.

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 22.1 – 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. In 2023, we continued to receive favourable judgments related to COVID-19 business interruptions cases.

We continue to closely monitor 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, a poor estimate of the future experience of several factors, or risk selection inadequacy.

Potential impact

Pricing inadequacy may lead to material declines in underwriting results and/or deficient reserves. In addition, the increase in frequency and/or severity of claims could also create pressure on profitability. The following factors could deviate claims from expected levels:

- deterioration of the economy;
- unexpected cost inflation;
- inadequate segmentation;
- misestimation of replacement costs;
- unclear wording;
- deviation from underwriting guidelines.

How we manage this risk

Our profitability committees review the results of each business line and determine if appropriate action is required in terms of product design or pricing to remediate poor underwriting performance. These committees also review our portfolio quality and the evolution of our pricing versus internal rate indications to ensure ongoing rate adequacy. We have ongoing monitoring and action to mitigate inflation. On Side Restoration's size and scale helps mitigate the impacts of inflation on our Canadian insurance results. The inflation impact was also tempered by the increase in salvage value in auto claims.

We do not write multi-year policies and the short-term nature of our business allows us to implement timely action to mitigate inflation that impacts our claim costs. Supply chain agreements also help mitigate this risk.

We adopted policies that specify our retention limits and risk tolerance, and our application depends on training and the discipline of our underwriting teams. Once the retention limits have been reached, we use reinsurance to cover the excess risk. Moreover, our profitability and ability to grow may also be adversely affected by our mandatory participation in the Facility Association and assumed risk-sharing pools in several automobile insurance markets including Ontario, Québec, Alberta, and the Maritimes.

We maintain a strong underwriting discipline in the hard market environment and increase our rates while maintaining a good retention.

We closely monitor the impact of increased inflation in our claims data and promptly increase rates accordingly.

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 regulators with their own set of requirements. This includes the Prudential Regulation Authority, Financial Conduct Authority, Central Bank of Ireland and Commissariat aux Assurances in the UK and International region.

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.

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 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 29.8 – Own Risk and Solvency Assessment***.

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.

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 2023 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. 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 undertook the modernization of our financial reporting systems which supported the revamp of our financial reporting process.

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 include, 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

We stress tested our exposures against a severe social unrest scenario across our geographic locations. We concluded that we have 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.

Failure of an acquisition or divestiture **Strategic risk**

Risk we are facing

Our primary strategy is to pursue consolidation in the Canadian market and expansion in foreign markets where we can deploy our expertise in data analytic, pricing, underwriting, claims management and multi-channel management. Specialty lines is another key avenue of growth where we can leverage our expertise and leading-edge customer experience.

In 2023, we announced the acquisition of Direct Line Insurance Group (“DLG”) plc’s brokered Commercial Lines operations and the sale of our UK direct Personal Lines operations to Admiral Group plc.

Potential impact	***How we manage this risk***
Key risks related to the DLG transaction include the following: valuation, execution & customer risk, talent management, technology, integration, and credit risk.	We are a proven industry consolidator with a track record of successful P&C acquisitions since 1988. We have a dedicated corporate development team that follows a rigorous selection process. Our approach to conducting due diligence to assess all the risks and opportunities is well developed and is consistently executed. We also assign dedicated and experienced task forces to ensure a swift and effective integration with seamless impact to our customers. There is also strong oversight by the Board of Directors regarding acquisitions.

29.7 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 24.5 – Ratings*** for more details.

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.

Employee defined benefit pension plan risk

We sponsor defined benefit pension plans in several jurisdictions, including Canada and the U.K. These plans are exposed to financial market risk, credit risk, and longevity risk. In 2023, we completed a UK pension buy-in transaction, a significant step in de-risking the UK pension plans. See ***Section 23 – Employee future benefit programs*** and ***Note 31*** in our Consolidated financial statements.

Artificial Intelligence risk

The recent developments in generative AI represent increasing risks. This includes risks related to AI safety, ethics, privacy or exploitation. AI could have effects on several of our risks including cyber security, where AI may increase the likelihood and impact of cyber attacks as hackers could exploit AI algorithms. In competition and disruption, there is prospect risk of AI algorithms creating risk profiles quickly and reducing the cycle times for completing the purchase of an insurance policy. It also presents the risk of smaller insurance carriers growing rapidly with the enhanced technology. There are government and regulatory risks as they could make it onerous for us to implement new AI technologies or tools. Increases in fraud could become present as AI could be used to make fraudulent claims or facilitate fraud in the claims cycle. Furthermore, there is an increased likelihood of system failures or errors arising from AI systems implemented to automate and streamline processes and increase operational efficiency.

29.8 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 24 – Capital management*** for details.

In 2023, 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 is more weighted to insurance risk than 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.

29.9 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 $2,631 million as at December 31, 2023 ($3,616 million as at December 31, 2022).

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, 2023 (105% as at December 31, 2022).

Structured settlements

We have obligations to pay certain fixed amounts to claimants on a recurring basis and thus have purchased annuities from various Canadian life insurers to provide for those payments. 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. 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. These off balance-sheet annuity agreements have a fair value of $1,488 million as at December 31, 2023 ($1,660 million as at December 31, 2022).

Section 30 - Sensitivity analysis to market risk

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

Table 41 – Sensitivity analysis to market risk (after tax)

Periods ended December 31,		**2023**			**2022**	
	Net income	**OCI**	**BVPS**	**Net income**	**OCI**	**BVPS**
Equity price risk						
Common share prices (10% decrease)[1]	**(158)**	**(66)**	**(1.26)**	(166)	(87)	(1.44)
Preferred share prices (5% decrease)[2]	**(14)**	**(36)**	**(0.28)**	(15)	(38)	(0.30)
Property price risk (10% decrease)	**(35)**	**-**	**(0.20)**	(36)	(22)	(0.33)
Interest rate risk (100 basis point increase)[3]						
Debt securities[4,5]	**(301)**	**(424)**	**(4.07)**	(368)	(386)	(4.30)
Net liability for incurred claims[6, 8]	**350**	**-**	**1.96**	319	-	1.82
Defined benefit pension plan obligation, net of related debt securities and annuity buy-in insurance	**-**	**84**	**0.47**	-	(75)	(0.43)
Currency risk[7]						
Strengthening of CAD by 10% vs all currencies						
Net assets of foreign operations in[8]:						
USD	**(5)**	**(234)**	**(1.34)**	(11)	(219)	(1.31)
GBP	**3**	**(286)**	**(1.59)**	4	(235)	(1.32)

[1] Including the impact of common shares (net of any equity hedges, including the impact of any impairment).
[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 of approximately 48% in government-related securities and 52% in corporate-related securities.
[6] Represents the net liability for incurred claims before net payables and claims reported under the GMM, including the impact of a +0.5% change in the discount rate of net periodic payment orders.
[7] After giving effect to forward-exchange contracts.
[8] 2022 comparatives were restated.

The sensitivity analysis was prepared using the following assumptions:
- shifts in the yield curve are parallel;
- interest rates, equity prices, property prices and foreign currency move independently;
- credit, liquidity, spread and basis risks have not been considered; and
- impact on our pension plans has been considered

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

ADDITIONAL INFORMATION

Section 31 - Non-GAAP and other financial measures

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

Non-GAAP financial measures and Non-GAAP ratios used in this MD&A and other Company's financial reports include measures related to:

- Underwriting profitability and premiums volume ***(see Section 31.1)***
- Operating net investment result & other corporate results ***(see Section 31.2)***
- Consolidated operating performance ***(see Section 31.3)***
- Non-operating results ***(see Section 31.4)***
- Relative performance KPIs ***(see Section 31.5)***
- Consolidated performance KPIs ***(see Section 31.6)***
- Equity & Financial strength ***(see Section 31.7)***

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

For the definitions of our non-GAAP key performance indicators, please see ***Section 35.2 – KPI definitions.***

31.1 Underwriting profitability and premiums volume

Operating DPW, Operating DPW growth, Operating DPW on a continuing pro-forma basis, Operating net underwriting revenue and Operating net underwriting growth

- Our top line consolidated performance is measured based on operating direct premiums written (**Operating DPW**), a supplementary financial measure not presented in the Consolidated financial statements. Operating DPW represents the total amount of premiums for new and renewal policies written during the reporting period, excluding industry pools, fronting and exited lines. **Our operating DPW growth** is measured based on the change in operating DPW year-over-year and represents the growth or decline in our top line measure.

- **Operating DPW on a continuing pro-forma basis** is a supplementary measure not presented in the Consolidated financial statements. It represents Operating DPW adjusted to include 12 months of Direct Line's brokered commercial lines operations and excludes UK personal lines operations (home, pet and motor) for all of 2023.

- **Operating net underwriting revenue*,** a Non-GAAP financial measure, is comprised of earned premiums net of reinsurance contracts (previously 'Operating NEP') and other revenues directly related to our insurance activities including fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans and fees received for the administration of other policies. The closest GAAP measure is Insurance revenue, as reported under IFRS, net of expense from reinsurance contracts, as reported under IFRS.

- **Our operating net underwriting revenue growth*** is measured based on the change in operating net underwriting revenue, which is a non-GAAP ratio. This represents the growth or decline in operating net underwriting revenue year-over-year *(as defined above).*

- For our non-Canadian operating segments, growth is also measured in constant currency, which is calculated by applying the respective exchange rates in effect for the current year to the previous year. We believe that this enhances the analysis of our financial performance with comparative periods as it excludes the impact of foreign currency fluctuations.

Underwriting income (loss) and combined ratio

- **Our underwriting performance*** is measured based on the combined ratio*, claims ratio* (including underlying current year loss ratio*, CAT loss ratio* and PYD ratio*) and expense ratio* (including commissions ratio*, general expenses ratio* and premium taxes ratio*), which are Non-GAAP ratios ***(as defined below)***.
- Our underwriting performance is consistently managed and measured on an operating basis, in line with how we report NOI and NOIPS. We believe that this basis provides investors and financial analysts with a valuable measure of our ongoing underwriting performance in terms of underwriting discipline and profitability.
- While combined ratio and components of underwriting performance are commonly used across the industry, they do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry. **Operating net claims*** is a Non-GAAP operating financial measure comprised of claims related to our underwriting activities, including losses on onerous contracts, net of reinsurance.
- To provide more insight into our underlying current year performance, we further analyze Operating net claims as follows in our MD&A and other financial reports:
    - **Operating net claims excluding current year CAT losses and PYD*** are used in the calculation of the Underlying current year loss ratio. CAT losses and PYD are not predictable and subject to volatility, and as such, excluding them provides clearer insight into our analysis of underlying current year performance.
    - **Net current year CAT losses***, including reinstatement premiums, are used in the calculation of the CAT loss ratio. Reported CAT losses can either be weather-related or not weather-related and exclude those from exited lines. A CAT loss represents any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event for the current accident year (on an undiscounted basis).
    - **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.
- **Operating net underwriting expenses*** is a Non-GAAP operating financial measure comprised of commissions (including regular and variable commissions), premium taxes and general expenses related to our underwriting activities, as well as the amortization of our deferred allocated acquisition costs.

A reconciliation of our underwriting-related non-GAAP financial measures to their closest comparable GAAP measures can be found on the following page, in Tables 42-43.

Management's Discussion and Analysis for the year ended December 31, 2023

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

Table 42 – Reconciliation of underwriting results on a MD&A basis with the Consolidated financial statements (quarterly)

Financial statements	FS *IFRS 17*	1	2	3	4	5	6	7	8	9	Total	MD&A *IFRS 17*	MD&A
Quarter ended December 31, 2023													
Insurance revenue	**6,525**	**(586)**	**(346)**				**(311)**		**(63)**	**40**	**(1,266)**	**5,259**	Operating net underwriting revenue
Insurance service expense	**(5,540)**	**388**	**504**	**(122)**	**5**	**(40)**	**310**	**-**	**63**	**(40)**	**1,068**	**(4,472)**	Sum of: Operating net claims ($2,757 million) and Operating net underwriting expenses ($1,715 million)
Expense from reinsurance contracts	**(586)**	**586**									**586**	**-**	n/a
Income from reinsurance contracts	**388**	**(388)**									**(388)**	**-**	n/a
Insurance service result	**787**	**-**	**158**	**(122)**	**5**	**(40)**	**(1)**	**-**	**-**	**-**	**-**	**787**	**Underwriting income (loss)**
Quarter ended December 31, 2022													
Insurance revenue	6,404	(867)	(49)				(446)		(38)	37	(1,363)	5,041	Operating net underwriting revenue
Insurance service expense	(5,621)	757	84	(162)	18	(33)	448	(48)	38	(37)	1,065	(4,556)	Sum of: Operating net claims ($2,900 million) and Operating net underwriting expenses ($1,656 million)
Expense from reinsurance contracts	(867)	867									867	-	n/a
Income from reinsurance contracts	757	(757)									(757)	-	n/a
Insurance service result	**673**	**-**	**35**	**(162)**	**18**	**(33)**	**2**	**(48)**	**-**	**-**	**(188)**	**485**	**Underwriting income (loss)**

Reconciling items in the table above:

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

Management's Discussion and Analysis for the year ended December 31, 2023

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

Table 43 – Reconciliation of underwriting results on a MD&A basis with the Consolidated financial statements (year-to-date)

Financial statements	FS *IFRS 17*	1	2	3	4	5	6	7	8	9	Total	MD&A *IFRS 17*	MD&A
Twelve-month period ended December 31, 2023													
Insurance revenue	25,507	(3,056)	(562)				(1,418)		(244)	138	(5,142)	20,365	Operating net underwriting revenue
Insurance service expense	(22,584)	2,442	875	(417)	22	(151)	1,473	-	244	(138)	4,350	(18,234)	Sum of: Operating net claims ($11,426 million) and Operating net underwriting expenses ($6,808 million)
Expense from reinsurance contracts	(3,056)	3,056									3,056		n/a
Income from reinsurance contracts	2,442	(2,442)									(2,442)		n/a
Insurance service result	**2,309**	**-**	**313**	**(417)**	**22**	**(151)**	**55**	**-**	**-**	**-**	**(178)**	**2,131**	**Underwriting income (loss)**
Twelve-month period ended December 31, 2022													
Insurance revenue	25,914	(3,475)	(406)				(2,472)		(181)	142	(6,392)	19,522	Operating net underwriting revenue
Insurance service expense	(22,750)	2,913	536	(438)	53	(132)	2,487	(166)	181	(142)	5,292	(17,458)	Sum of: Operating net claims ($11,016 million) and Operating net underwriting expenses ($6,442 million)
Expense from reinsurance contracts	(3,475)	3,475									3,475	-	n/a
Income from reinsurance contracts	2,913	(2,913)									(2,913)	-	n/a
Insurance service result	**2,602**	**-**	**130**	**(438)**	**53**	**(132)**	**15**	**(166)**	**-**	**-**	**(538)**	**2,064**	**Underwriting income (loss)**

Reconciling items in the table above:

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

Table 44 – Reconciliation of the components within Operating net claims

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Operating net claims, *as reported in* ***Tables 42-43***	**2,757**	2,900	**11,426**	11,016
Remove: net current year CAT losses ***(Table 15)***	**(199)**	(171)	**(1,339)**	(836)
Remove: favourable (unfavourable) PYD	**272**	233	**958**	936
Operating net claims excluding current year CAT losses and PYD	**2,830**	2,962	**11,045**	11,116
Operating net underwriting revenue	**5,259**	5,041	**20,365**	19,522
Underlying current year loss ratio	**53.9%**	58.7%	**54.2%**	56.9%
CAT loss ratio ***(Table 15)***	**3.8%**	3.4%	**6.6%**	4.3%
(Favourable) unfavourable PYD ratio ***(Table 14)***	**(5.2)%**	(4.6)%	**(4.7)%**	(4.8)%
Claims ratio	**52.5%**	57.5%	**56.1%**	56.4%

Table 45 – Reconciliation of the components within Operating net underwriting expenses

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Operating net underwriting expenses, *as reported in* ***Tables 42-43***	**1,715**	1,656	**6,808**	6,442
Commissions	**834**	759	**3,267**	3,120
General expenses	**732**	754	**2,979**	2,770
Premium taxes	**149**	143	**562**	552
Operating net underwriting revenue	**5,259**	5,041	**20,365**	19,522
Commissions ratio	**15.8%**	15.1%	**16.0%**	16.0%
General expenses ratio	**13.9%**	15.0%	**14.6%**	14.2%
Premium taxes ratio	**2.8%**	2.8%	**2.8%**	2.8%
Expense ratio	**32.5%**	32.9%	**33.4%**	33.0%
Claims ratio, *as reported in* ***Table 44***	**52.5%**	57.5%	**56.1%**	56.4%
Combined ratio (discounted)	**85.0%**	90.4%	**89.5%**	89.4%

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

31.2 Operating net investment result & other corporate results

Operating net investment result

Operating net investment result* is the sum of the following two non-GAAP financial measures (see reconciliation in ***Tables 50-51)***:

- **Operating net investment income***, which represents Net investment income as presented in the financial statements, excluding the investment income from the RSA Middle-East exited operations (see ***Section 13.2 – Income (loss) from exited lines***), as presented in ***Table 46.***
- **Net unwind of discount on claims liabilities***, a non-GAAP financial measure defined in the table below, which represents the passage of time of the effect of the discounting of our claims liabilities, as presented in ***Table 47.***

Table 46 – Reconciliation of Operating net investment income to Net investment income, as reported under IFRS

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Net investment income, as reported under IFRS	**376**	279	**1,346**	931
Remove: investment income from the RSA Middle-East exited operations	**-**	-	**-**	(4)
Operating net investment income	**376**	279	**1,346**	927

Table 47 – Reconciliation of Net unwind of discount on claims liabilities to Net insurance financial result, as reported under IFRS

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Net insurance financial result, as reported under IFRS	**(573)**	(82)	**(894)**	439
Remove: Changes in discount rates and other financial assumptions[1]	**394**	39	**156**	(962)
Remove: Net foreign currency gains (losses)[1]	**(40)**	(73)	**(94)**	155
Remove: Net insurance financial result from claims acquired in a business combination	**2**	(1)	**(52)**	(10)
Net unwind of discount on claims liabilities	**(217)**	(117)	**(884)**	(378)

[1] Included within ***Note 24 –Net investment return and net insurance financial result*** from the Consolidated financial statements.

Other corporate results

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

A reconciliation of the above non-GAAP financial measures to their closest comparable GAAP measures can be found on the following pages, in Tables 50-51.

31.3 Consolidated operating performance

PTOI

- **Pre-tax operating income (PTOI)***, which is used in the calculation of NOI, represents the Income before income taxes (closest GAAP measure), including the Share of income tax expense (benefit) of broker associates (accounted for using the equity method – net of tax – under IFRS), and excluding the pre-tax impact of Non-operating results*.
- PTOI on a segment basis, which is determined in the same manner as PTOI, increases transparency and clarity of the core results of the business. *See **Table 4 – Operating performance by segment*** for the details of PTOI by component and segment.

Table 48 – Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Income before income taxes, as reported under IFRS	**736**	421	**1,804**	3,007
Add: share of income tax expense of broker associates	**7**	6	**35**	36
Remove: Pre-tax non-operating results ***(Table 18)***	**205**	221	**829**	(341)
PTOI	**948**	648	**2,668**	2,702
Add: operating income tax expense	**(161)**	(117)	**(508)**	(529)
Remove: net operating income attributable to non-controlling interests (NCI)	**(7)**	(7)	**(15)**	(20)
NOI attributable to shareholders ***(Table 49)***	**780**	524	**2,145**	2,153

NOI attributable to common shareholders, NOIPS and OROE

- **Our operating performance is measured based on NOIPS* and OROE***, which are Non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude elements that are not representative of our operating performance (referred to as “Non-operating results*”). Non-operating results include elements that arise mostly from changes in market conditions, from acquisition-related items or special items, or that are not part of our normal activities. We believe that analysing our consolidated performance excluding these elements reflects more accurately our underlying business performance over time.
- We note that investors, financial analysts, rating agencies and media organizations use NOIPS, OROE and other components of operating income (such as underwriting income, operating net investment result and distribution income) to evaluate and report our financial performance and make investment decisions and recommendations. These measures are widely used as they represent a reliable, representative and consistent measure of our financial performance over time.
- NOIPS is also used in incentive compensation as one of our financial objectives is to grow NOIPS by 10% yearly over time.
- **Net operating income (NOI) attributable to common shareholders*** represents the Net income attributable to shareholders (closest GAAP measure), excluding the after-tax impact of Non-operating results*, net of net income (loss) attributable to non-controlling interests (non-operating component), preferred share dividends and other equity distribution.

Table 49 - Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Net income attributable to shareholders, as reported under IFRS	**524**	346	**1,316**	2,454
Remove: pre-tax non-operating results ***(Table 18)***	**205**	221	**829**	(341)
Remove: non-operating tax expense (benefit)[1]	**51**	(43)	**-**	64
Remove: non-operating component of NCI	**-**	-	**-**	(24)
NOI attributable to shareholders	**780**	524	**2,145**	2,153
Remove: preferred share dividends and other equity distribution	**(28)**	(16)	**(84)**	(60)
NOI attributable to common shareholders	**752**	508	**2,061**	2,093
Divided by weighted-average number of common shares (in millions)	**178.3**	175.3	**176.2**	175.6
NOIPS, basic and diluted (in dollars)	**4.22**	2.91	**11.70**	11.92
NOI attributable to common shareholders for the last 12 months	**2,061**	2,093		
Adjusted average common shareholders’ equity, excluding AOCI ***(Table 57)***	**14,518**	15,001		
OROE for the last 12 months	**14.2%**	14.0%		

[1] *See **Table 52 – Acquisition-related gains (losses) and other non-operating results*** for more details.

Table 50 – Reconciliation of consolidated results on a MD&A basis with the Consolidated financial statements (quarterly)

	MD&A captions					Pre-tax		
As presented in the Financial statements	**Distribution income**	**Total finance costs**	**Other operating income (expense)**	**Operating net investment result**	**Total income taxes**	**Non-operating results**	**Underwriting income (loss)**	**Total F/S caption**
For the quarter ended December 31, 2023								
Insurance service result	**78**		**(38)**			**(162)**	**909**	**787**
Net investment income				**376**				**376**
Net gains (losses) on investment portfolio						**532**		**532**
Net insurance financial result				**(217)**		**(356)**		**(573)**
Share of profits from investments in associates and joint ventures	**38**	**(3)**	**1**		**(7)**	**(7)**		**22**
Other net gains (losses)						**22**		**22**
Other income and expense	**(7)**		**(8)**			**(52)**	**(122)**	**(189)**
Other finance costs		**(59)**						**(59)**
Acquisition, integration and restructuring costs						**(182)**		**(182)**
Income tax benefit (expense)					**(205)**			**(205)**
Total, as reported in MD&A	**109**	**(62)**	**(45)**	**159**	**(212)**	**(205)**	**787**	
For the quarter ended December 31, 2022 *(Restated)*								
Insurance service result	37		(4)			(55)	695	673
Net investment income				279				279
Net gains (losses) on investment portfolio						(139)		(139)
Net insurance financial result				(117)		83	(48)	(82)
Share of profits from investments in associates and joint ventures	35	(5)			(6)	(6)		18
Other net gains (losses)						38		38
Other income and expense	22		(34)			(58)	(162)	(232)
Other finance costs		(50)						(50)
Acquisition, integration and restructuring costs						(84)		(84)
Income tax benefit (expense)					(68)			(68)
Total, as reported in MD&A	94	(55)	(38)	162	(74)	(221)	485	

Table 51 – Reconciliation of consolidated results on a MD&A basis with the Consolidated financial statements (year-to-date)

	MD&A captions					Pre-tax		
As presented in the Financial statements	**Distribution income**	**Total finance costs**	**Other operating income (expense)**	**Operating net investment result**	**Total income taxes**	**Non-operating results**	**Underwriting income (loss)**	**Total F/S caption**
For the twelve-month period ended December 31, 2023								
Insurance service result	149		2			(390)	2,548	2,309
Net investment income				1,346				1,346
Net gains (losses) on investment portfolio						249		249
Net insurance financial result				(884)		(10)		(894)
Share of profits from investments in associates and joint ventures	167	(13)			(35)	(23)		96
Other net gains (losses)						50		50
Other income and expense	151		(159)			(202)	(417)	(627)
Other finance costs		(222)						(222)
Acquisition, integration and restructuring costs						(503)		(503)
Income tax benefit (expense)					(473)			(473)
Total, as reported in MD&A	467	(235)	(157)	462	(508)	(829)	2,131	
For the twelve-month period ended December 31, 2022 *(Restated)*								
Insurance service result	121		11			(198)	2,668	2,602
Net investment income				927		4		931
Net gains (losses) on investment portfolio						(326)		(326)
Net insurance financial result				(378)		983	(166)	439
Share of profits from investments in associates and joint ventures	169	(12)			(36)	(18)		103
Other net gains (losses)						477		477
Other income and expense	151		(174)			(228)	(438)	(689)
Other finance costs		(177)						(177)
Acquisition, integration and restructuring costs						(353)		(353)
Income tax benefit (expense)					(557)			(557)
Total, as reported in MD&A	441	(189)	(163)	549	(593)	341	2,064	

31.4 Non-operating results

Non-operating results

Non-operating results* include elements that arise mostly from changes in market conditions, from acquisition-related items or that are not part of our normal activities. The following table provides the breakdown of non-operating results between acquisition-related items as well as other non-operating results, showing the pre-tax and after-tax amount by line item.

Table 52 – Acquisition-related gains (losses) and other non-operating results

	Q4-2023		Q4-2022 *Restated*	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	**(74)**	**(55)**	(66)	(49)
Acquisition and integration costs	**(86)**	**(66)**	(61)	(46)
Tax adjustment on acquisition-related items	**-**	**(2)**	-	(1)
Net result from claims acquired in a business combination	**(1)**	**-**	(1)	(2)
Acquisition-related gains (losses)	**(161)**	**(123)**	(128)	(98)
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	**532**	**395**	(139)	(116)
MYA and FX on claims liabilities	**(354)**	**(264)**	82	64
Non-operating pension expense	**9**	**7**	(15)	(11)
Other net gains (losses)	**22**	**18**	38	30
Income (loss) from exited lines	**(158)**	**(122)**	(35)	(29)
Restructuring and other non-operating costs	**(95)**	**(167)**	(24)	(18)
Other non-operating results	**(44)**	**(133)**	(93)	(80)
Non-operating results	**(205)**	**(256)**	(221)	(178)

	2023		2022 *Restated*	
	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of acquired intangible assets	**(270)**	**(204)**	(254)	(193)
Acquisition and integration costs	**(255)**	**(193)**	(294)	(228)
Tax adjustment on acquisition-related items	**-**	**(6)**	-	(4)
Net result from claims acquired in a business combination	**(3)**	**(2)**	(5)	(5)
Acquisition-related gains (losses)	**(528)**	**(405)**	(553)	(430)
Net gains (losses) on investment portfolio excluding Net gain (loss) on currency derivative economic hedges (acquisitions)	**249**	**178**	(326)	(316)
MYA and FX on claims liabilities	**(62)**	**(44)**	973	737
Non-operating pension expense	**28**	**22**	(43)	(31)
Other net gains (losses)	**50**	**46**	477	462
Income (loss) from exited lines	**(313)**	**(244)**	(126)	(104)
Restructuring and other non-operating costs	**(253)**	**(382)**	(61)	(41)
Other non-operating results	**(301)**	**(424)**	894	707
Non-operating results	**(829)**	**(829)**	341	277

Non-operating results are comprised of the following items:

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

Table 53 – Reconciliation of MYA to Net insurance financial result, as calculated under IFRS

	Q4-2023	**Q4-2022** *Restated*	**2023**	**2022** *Restated*
Net insurance financial result, as reported under IFRS	**(573)**	(82)	**(894)**	439
Remove: Unwind of discount on claims liabilities[1]	**219**	116	**832**	368
Remove: Normalisation of discount build in transition year	**-**	48	**-**	166
MYA and FX on claims liabilities	**(354)**	82	**(62)**	973

[1] Included within ***Note 24 – Net investment return and net insurance financial result*** from the Consolidated financial statements.

31.5 Relative performance KPIs

Adjusted net income attributable to common shareholders, AEPS and AROE

- **Our relative performance is measured based on AEPS* and AROE***, which are Non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude the impact of acquisition-related items ***(as detailed hereafter)***. We believe that analyzing our consolidated performance excluding these items reflect more accurately our financial performance compared to our peers over time.
- One of our key financial objectives is to exceed industry ROE by 500 basis points annually. For industry comparison and incentive compensation purposes, IFC's ROE corresponds to IFC's AROE, which we believe is the most comparable to the industry.
- **Adjusted net income attributable to common shareholders*** represents the Net income attributable to shareholders (closest GAAP measure), excluding the after-tax impact of acquisition-related items, preferred share dividends and other equity distribution.

Table 54 – Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Net income attributable to shareholders, as reported under IFRS	**524**	346	**1,316**	2,454
Adjustments, after tax (see ***Table 52*** for details)				
Remove: amortization of acquired intangible assets	**55**	49	**204**	193
Remove: acquisition and integration costs	**66**	46	**193**	228
Remove: net loss (gain) on currency derivative hedges (acquisitions)	**-**	-	**-**	-
Remove: tax adjustments on acquisition-related items	**2**	1	**6**	4
Remove: net result from claims acquired in a business combination	**-**	2	**2**	5
Adjusted net income attributable to shareholders	**647**	444	**1,721**	2,884
Remove: preferred share dividends and other equity distribution	**(28)**	(16)	**(84)**	(60)
Adjusted net income attributable to common shareholders	**619**	428	**1,637**	2,824
Divided by weighted-average number of common shares (in millions)	**178.3**	175.3	**176.2**	175.6
AEPS, basic and diluted (in dollars)	**3.47**	2.43	**9.29**	16.08
Adjusted net income attributable to common shareholders for the last 12 months	**1,637**	2,824		
Adjusted average common shareholders' equity ***(Table 57)***	**14,021**	14,720		
AROE for the last 12 months	**11.7%**	19.2%		

31.6 Consolidated performance KPIs

EPS and ROE

- **Our consolidated performance is measured based on EPS (GAAP) and ROE***, a Non-GAAP ratio. ROE is based on Net income attributable to common shareholders. However, the denominator is adjusted to reflect the weighted-impact of significant capital transactions.
- **Net income attributable to common shareholders** is determined in accordance with IFRS and excludes the dividends declared on preferred shares and other equity distribution.

Table 55 – Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2023	Q4-2022 *Restated*	2023	2022 *Restated*
Net income attributable to shareholders	**524**	346	**1,316**	2,454
Remove: preferred share dividends and other equity distribution	**(28)**	(16)	**(84)**	(60)
Net income attributable to common shareholders	**496**	330	**1,232**	2,394
Divided by weighted-average number of common shares (in millions)	**178.3**	175.3	**176.2**	175.6
EPS, basic and diluted (in dollars)	**2.78**	1.88	**6.99**	13.63
Net income attributable to common shareholders for the last 12 months	**1,232**	2,394		
Adjusted average common shareholders' equity ***(Table 57)***	**14,021**	14,720		
ROE for the last 12 months	**8.8%**	16.3%		

Effective income tax rates

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

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

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

Table 56 – Reconciliation of effective income tax rates

	Q4-2023	**Q4-2022** *Restated*	**2023**	**2022** *Restated*
Income before income taxes, as reported under IFRS	**736**	421	**1,804**	3,007
Add: share of income tax expense of broker associates	**7**	6	**35**	36
Pre-tax income	**743**	427	**1,839**	3,043
Total income tax benefit (expense) per MD&A ***(Tables 50-51)***	**(212)**	(74)	**(508)**	(593)
Net income	**531**	353	**1,331**	2,450
Total effective income tax rate, as reported in the MD&A	**28.5%**	17.4%	**27.6%**	19.5%
Pre-tax operating income (PTOI) ***(Table 48)***	**948**	648	**2,668**	2,702
Operating income tax benefit (expense)	**(161)**	(117)	**(508)**	(529)
Netted with: operating component of NCI	**(7)**	(7)	**(15)**	(20)
NOI attributable to shareholders	**780**	524	**2,145**	2,153
Operating effective income tax rate, as reported in the MD&A	**16.9%**	18.0%	**19.0%**	19.6%

31.7 Equity and Financial strength

Adjusted average common shareholders' equity

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

Table 57 – Adjusted average common shareholders' equity and Adjusted average common shareholders' equity, excluding AOCI

As at December 31,	2023	2022 *Restated*
Ending common shareholders' equity	**14,571**	14,521
Remove: significant capital transactions during the period	**638**	-
Ending common shareholders' equity, excluding significant capital transaction	**15,209**	14,521
Beginning common shareholders' equity	**14,521**	14,919
Impact of the initial application of IFRS 9	**(2)**	n/a
Beginning common shareholders' equity, adjusted for the impact of IFRS 9	**14,519**	n/a
Average common shareholders' equity, excluding significant capital transaction	**14,864**	14,720
Weighted impact of significant capital transactions[1]	**(843)**	-
Adjusted average common shareholders' equity	**14,021**	14,720
Ending common shareholders' equity, excluding AOCI	**14,892**	15,612
Remove: significant capital transaction during the period	**638**	-
Ending common shareholders' equity, excluding AOCI and significant capital transaction	**15,530**	15,612
Beginning common shareholders' equity, excluding AOCI	**15,612**	14,389
Impact of the initial application of IFRS 9	**(420)**	n/a
Beginning common shareholders' equity, excluding AOCI and adjusted for the impact of IFRS 9	**15,192**	n/a
Average common shareholders' equity, excluding AOCI and significant capital transaction	**15,361**	15,001
Weighted impact of significant capital transactions[1]	**(843)**	-
Adjusted average common shareholders' equity, excluding AOCI	**14,518**	15,001

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

Total capital margin and regulatory capital ratios

- The capital strength of the group is measured by the **Total capital margin**, a supplementary financial measure. Each regulated insurance jurisdiction has its own supervisory capital ratio that is used to evaluate the ability of insurance companies to meet all policyholder liabilities, which are also supplementary financial measures. *See* ***Section 24 – 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 weighted-average CAL for all regulated Canadian insurance entities is 169% MCT. The CAL varies by legal Canadian entity. The CAL is 200% RBC for regulated insurance entities in the US and 120% SCR for those in the UK&I.

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

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

Table 58 – Calculation of BVPS and BVPS (excluding AOCI)

As at December 31,	2023	2022 *Restated*
Equity attributable to shareholders, as reported under IFRS	**16,190**	15,843
Remove: Preferred shares and other equity, as reported under IFRS	**(1,619)**	(1,322)
Common shareholders' equity	**14,571**	14,521
Remove: AOCI, as reported under IFRS	**321**	1,091
Common shareholders' equity (excluding AOCI)	**14,892**	15,612
Number of common shares outstanding at the same date (in millions)	**178.3**	175.3
BVPS	**81.71**	82.84
BVPS (excluding AOCI)[1]	**83.51**	89.07

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

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

- **Debt outstanding (excluding hybrid debt)*** represents the debt outstanding (most comparable GAAP measure), excluding hybrid subordinated notes**.** We classify hybrids with the preferred shares since they are convertible to preferred shares *pari passu* to our existing preferred shares in case of default or bankruptcy.
- **Adjusted total capital** represents the sum of Debt outstanding, Equity attributable to shareholders and preferred shares instruments held by subsidiaries, at the same date.
- **Adjusted debt-to-total capital ratio***, which is a Non-GAAP ratio, is calculated using debt outstanding (excluding hybrid debt)* divided by adjusted total capital.
- **Total leverage ratio**, which is a Non-GAAP ratio, is calculated using debt outstanding, preferred shares and other equity (including NCI) divided by adjusted total capital.

Table 59 – Reconciliation of Debt outstanding (excluding hybrid debt) and Total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	**Dec. 31, 2023**	**Sept. 30, 2023**	**Dec. 31, 2022** *Restated*
Debt outstanding, as reported under IFRS	**5,081**	4,927	4,522
Remove: hybrid subordinated notes	**(247)**	(247)	(247)
Debt outstanding (excluding hybrid debt)	**4,834**	4,680	4,275
Debt outstanding, as reported under IFRS	**5,081**	4,927	4,522
Equity attributable to shareholders, as reported under IFRS	**16,190**	15,392	15,843
Preferred shares from Equity attributable to non-controlling interests	**285**	285	285
Adjusted total capital	**21,556**	20,604	20,650
Debt outstanding (excluding hybrid debt)	**4,834**	4,680	4,275
Adjusted total capital	**21,556**	20,604	20,650
Adjusted debt-to-total capital ratio	**22.4%**	22.7%	20.7%
Debt outstanding, as reported under IFRS	**5,081**	4,927	4,522
Preferred shares and other equity, as reported under IFRS	**1,619**	1,619	1,322
Preferred shares from Equity attributable to non-controlling interests	**285**	285	285
Debt outstanding and preferred shares (including NCI)	**6,985**	6,831	6,129
Adjusted total capital ***(see above)***	**21,556**	20,604	20,650
Total leverage ratio	**32.4%**	33.2%	29.7%
Adjusted debt-to-total capital ratio	**22.4%**	22.7%	20.7%
Preferred shares and hybrids	**10.0%**	10.5%	9.0%

Section 32 - Accounting and disclosure matters

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

2023 is the first year reported under IFRS 17 and IFRS 9. 2022 comparatives were restated for IFRS 17 only. For IFRS 9, the transitional impact was reflected in the January 1, 2023 opening balance sheet. The highlights below are intended to illustrate the key impacts of IFRS 17 on the comparative year. For more details, refer to ***Note 2 – Adoption of new accounting standards*** to the Consolidated financial statements and our Investor presentation dated April 27, 2023, available on our website at ***www.intactfc.com***.

KPI	Key highlights (IFRS 17)	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY-2022
Underwriting income[1]	• Impact from changes in recognition patterns and methodologies are largely due to timing differences from deferred acquisition costs (depending on premium growth), onerous contracts (depending on future profitability) and discounting (depending on interest rates). **Over time, we do not expect timing differences to be significant.**	+$52 million	+$47 million	+$20 million	$(59) million	+$60 million
	• Overall increase to underwriting income, driven by the reclassification of the net unwind of discount on claims liabilities (with a similar decrease to operating net investment result and no overall impact to NOIPS).	+$83 million	+$88 million	+$90 million	+$117 million	+$378 million
Operating net investment result[1]	• Overall decrease to operating net investment result, driven by the reclassification of the net unwind of discount on claims liabilities (with a similar increase to underwriting income and no overall impact to NOIPS).	$(83) million	$(88) million	$(90) million	$(117) million	$(378) million
NOIPS[1]	• The most significant presentation change within operating income was the **reclassification of the net unwind of discount on claims liabilities from underwriting income to operating net investment result** (with no overall impact to NOIPS). • Overall NOIPS impact is mainly driven by the underwriting factors described above, including the change in discount rate methodology[2] and risk adjustment[3], the deferral of acquisition costs as well as the recognition of onerous contracts. • Other driving factors, other than the underwriting factors above, are an offsetting increase in taxes as well other corporate expenses reclassifications.	+$0.23	+$0.16	+$0.08	$(0.43)	+$0.04
EPS	• Overall impact to net income is driven by the NOIPS impact described above, as well as a similar impact within exited lines (change in discount rate methodology[2] and risk adjustment[3] as well as reclassification of the net unwind of discount on claims liabilities).	+$0.23	+$0.29	+$0.03	$(0.38)	+$0.17
BVPS[1]	• Upon transition on January 1, 2022, BVPS has slightly increased mainly due to the deferral of allocated acquisition costs that were previously expensed as incurred. • On December 31, 2022, BVPS has slightly increased mainly due to the deferral of allocated acquisition costs and a decrease to our net claims liabilities (as described above), partly offset by the recognition of onerous contracts.	$2.58 (+3%)	$2.88 (+4%)	$2.92 (+4%)	$2.53 (+3%)	$2.53 (+3%)

[1] *See **Section 31 – Non-GAAP and other financial measures*** for more details.

[2] Under IFRS 17, our claims liabilities are discounted using a rate based on a reference portfolio of assets that reflects the characteristics and duration of the claims liabilities (as opposed to the estimated market yield of the underlying assets backing the claims liability).

[3] Risk adjustment replaces the previous concept of risk margin, and no longer accounts for the investment interest rate risk.

Key highlights (IFRS 17) - Combined ratios by segment and line of business

Discount build and net unwind of discount on claims liabilities are time value concepts that offset to zero over the lifetime of a claim.

IFRS 4 (previous standard)

The favourable discount build as well as the unfavourable **net unwind of discount on claims liabilities** were both included within the combined ratio of each line of business/segment, largely offsetting each other.

IFRS 17 (new standard)

The favourable **discount build remains within underwriting income. However, the unfavourable net unwind of discount on claims liabilities is now** reported outside of underwriting income, within our operating net investment result. Operating net investment income remains unchanged.

KPI impact

No overall NOIPS impact from the presentation change explained above. Our consolidated combined ratio has improved, with an offset in operating net investment result. This change in presentation did not impact the underlying fundamentals or how we manage our lines of business.

Given the changes described above, **we now present our segments and lines of business on an undiscounted basis (including risk adjustment) to maintain comparability over time** (throughout *Sections 5 to 7*). We also provided discounted combined ratios, as presented in *Table 12*.

Insight

IFRS 17 brought other methodology changes to the calculation of the discount rates. Given that we were already discounting our reserves, the overall impact of these changes is limited.

The new method to calculate the changes in discount rates and other financial assumptions (referred to as **MYA** or market yield adjustment in the MD&A), now captures less of the movements in rate changes throughout the year. The new method could allow for more volatility in operating results, in years where are significant changes in discount rates. This was the case in the 2022 transition year, and as such we have adjusted the discount build in the transition year (see **Table 53** in ***Section 31 – Non-GAAP and other financial measures*** for more details on this adjustment).

Overall – New standards

- **As at December 31, 2023,** we closed our first year under IFRS 17 – Insurance Contracts and IFRS 9 – Financial instruments. 2022 comparatives were restated for IFRS 17 only.
- **The new standards have brought limited changes to our overall MD&A,** as they do not impact how we manage and measure our performance. However, it resulted in significant changes to financial statement presentation and disclosure. Refer to ***Note 2 - Adoption of new accounting standards to the Consolidated financial statements*** for more details.
- **Overall, these standards have had 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).

Reference to our Consolidated financial statements for the year ended December 31, 2023			
Adoption of new accounting standards	**Material accounting judgments, estimates and assumptions**	**Related-party transactions**	**Standards issued but not yet effective**
Note 2	***Note 4***	***Note 34***	***Note 37***

32.2 Material accounting judgments, estimates and assumptions

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

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

Reference to our Consolidated financial statements for the year ended December 31, 2023			
Global economic environment	***Note 4.2***	Impairment of financial assets	***Note 24.1***
Business combinations and disposals	***Note 5.3***	Measurement of income taxes	***Note 28.6***
Insurance and reinsurance contracts	***Note 11.3***	Valuation of defined benefit obligation	***Note 31.8***
Impairment of goodwill and intangible assets	***Note 14.2***		

32.3 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.

Refer to ***Note 34 – Related-party transactions*** of the Consolidated financial statements for more details.

32.4 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, 2023		
Summary of material accounting policies	**Derivative financial instruments**	**Fair value measurement**
Note 3	***Note 8***	***Note 9***

32.5 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, 2023. Management can therefore provide reasonable assurance that material information relating to the Company and its subsidiaries is reported to it on a timely basis so that it may provide investors with complete and reliable information.

32.6 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, 2023.

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

In the context of the adoption of IFRS 17 and IFRS 9 as at January 1, 2023, management has updated its ICFR to reflect the implementation of new IT systems and the design of new processes and internal controls. No other significant changes were made to our ongoing ICFR during the twelve-month period ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

32.7 Relative performance update

Industry participants are reporting their results for the first time under IFRS 17 in 2023. We have seen variability in the information reported on a year-to-date basis, with some peers yet to report comprehensive results. As the industry continues to adapt their filing for this new reporting standard, our relative performance update will be provided in 2024, which will allow for a better yearly comparison with our peers.

Section 33 - Shareholder information

33.1 Authorized share capital and outstanding share data

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

Table 60 – Outstanding share data (number of shares and amount)

As of February 13, 2024	Number of shares	Amount (in millions)
Common shares	**178,320,868**	**8,099**
Preferred shares - Class A Shares		
Series 1	**10,000,000**	**244**
Series 3	**10,000,000**	**245**
Series 5	**6,000,000**	**147**
Series 6	**6,000,000**	**147**
Series 7	**10,000,000**	**245**
Series 9	**6,000,000**	**147**
Series 11	**6,000,000**	**147**
Other equity		
LRCN Series 1 Notes	**n/a**	**297**

Refer to our ***Annual Information Form*** for more detailed information on the rights of shareholders and to ***Note 20 – Share Capital*** to the Consolidated financial statements for additional information.

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

Table 61 – Dividends declared per share

	Q1-2024	Q4-2023	Q4-2022
Common shares	**1.21**	**1.10**	**1.00**
Preferred shares – Class A			
Series 1	**0.3025625**	**0.3025625**	**0.21225**
Series 3	**0.2160625**	**0.2160625**	**0.2160625**
Series 5	**0.325**	**0.325**	**0.325**
Series 6	**0.33125**	**0.33125**	**0.33125**
Series 7	**0.37575**	**0.37575**	**0.30625**
Series 9	**0.3375**	**0.3375**	**0.3375**
Series 11	**0.328125**	**0.328125**	**0.328125**

On February 13, 2024, the Board of Directors approved the quarterly dividend for Q1-2024.

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

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

	Q1-2024	Q2-2024	Q3-2024	Q4-2024
Results release	May 7, 2024	July 30, 2024	November 5, 2024	February 11, 2025
Earnings call	May 8, 2024	July 31, 2024	November 6, 2024	February 12, 2025

Section 34 - Selected annual and quarterly information

34.1 Selected annual information

Table 62 – Selected annual information

	IFRS 17 basis		IFRS 4 basis
	2023	**2022**	**2021**
Operating DPW	**22,370**	21,005	17,283
Total revenues[1]	**27,516**	27,455	17,635
Net income	**1,331**	2,450	2,088
Net income attributable to shareholders	**1,316**	2,454	2,067
EPS, basic and diluted (in dollars)	**6.99**	13.63	12.40
Cash dividends declared per share (in dollars)			
Common shares	**4.40**	4.00	3.40
Preferred shares - Class A			
Series 1	**1.21**	0.85	0.85
Series 3	**0.86**	0.86	0.84
Series 4 (floating rate)	**-**	-	0.52
Series 5	**1.30**	1.30	1.30
Series 6	**1.33**	1.33	1.33
Series 7	**1.36**	1.23	1.23
Series 9	**1.35**	1.35	1.35
Series 11	**1.31**	1.04	-
Investments	**37,083**	35,601	36,680
Total assets	**55,979**	53,741	66,349
Total financial liabilities	**35,643**	34,320	35,287
Total non-current financial liabilities[2]	**20,697**	20,721	20,749
Equity attributable to shareholders	**16,190**	15,843	15,674

[1] Under IFRS 17, this measure is aligned with our Consolidated financial statements, and includes Insurance revenue, Net investment income and Other income. See ***Note 32.2 - Segment operating performance*** of the Consolidation financial statements for more details.

[2] From the Consolidated financial statements, this includes Financial liabilities by contractual maturity (in **Note 10.5 b)**) and Insurance contracts liabilities (in **Note 10.5 c)**).

34.2 Selected quarterly information

Table 63 – Selected quarterly information

	IFRS 17 basis							
	2023				**2022**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Operating DPW	**5,410**	**5,925**	**6,226**	**4,809**	5,125	5,423	5,801	4,656
Total revenues[1]	**7,058**	**6,880**	**6,738**	**6,840**	6,851	6,672	6,772	7,160
Segment operating revenues[1]	**5,768**	**5,700**	**5,488**	**5,325**	5,470	5,276	5,150	5,101
Operating net underwriting revenue	**5,259**	**5,226**	**5,016**	**4,864**	5,041	4,918	4,802	4,761
Current year CAT losses	**199**	**611**	**421**	**108**	171	238	245	182
(Favourable) PYD	**(272)**	**(189)**	**(238)**	**(259)**	(233)	(215)	(205)	(283)
Underwriting income (loss)	**787**	**340**	**391**	**613**	485	472	576	531
Operating combined ratio (discounted)	**85.0%**	**93.5%**	**92.2%**	**87.4%**	90.4%	90.4%	88.0%	88.9%
Operating net investment result	**159**	**124**	**110**	**69**	162	142	123	122
Distribution income	**109**	**116**	**137**	**105**	94	113	142	92
Net income	**531**	**163**	**260**	**377**	353	375	1,235	487
Net income attributable to shareholders	**524**	**163**	**252**	**377**	346	375	1,234	499
Per share measures[2]								
NOIPS	**4.22**	**2.10**	**2.30**	**3.06**	2.91	2.78	3.30	2.93
EPS	**2.78**	**0.83**	**1.30**	**2.06**	1.88	2.05	6.93	2.76

[1] See ***Note 32.2 - Segment operating performance*** of the Consolidation financial statements for more details.

[2] Basic and diluted (in dollars).

Section 35 - Glossary and definitions

35.1 Glossary of abbreviations

	Description		Description
AEPS	Adjusted EPS	**Moody's**	Moody's Investor Service Inc.
AFS	Available for sale	**MGA**	Managing general agent
AMF	Autorité des marchés financiers	**MYA**	Market yield adjustment
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	**NOI**	Net operating income
CAD	Canadian Dollar	**NOIPS**	NOI per share
CAGR	Compound annual growth rate	**OCI**	Other comprehensive income
CAL	Company action level	**OROE**	Operating ROE
CAN	Canada	**OSFI**	Office of the Superintendent of Financial Institutions
CAT	Catastrophe	**P&C**	Property & Casualty
CL	Commercial lines	**PA**	Personal auto
DB	Defined benefit	**P&L**	Profit & loss
DBRS	Dominion Bond Rating Services	**PL**	Personal lines
DC	Defined contribution	**PML**	Probable maximum loss
DPW	Direct premiums written	**PP**	Personal property
EBITDA	Earnings before interest, tax and amortization	**PRA**	Prudential Regulatory Authority
EPS	Earnings per share to common shareholders	**PTOI**	Pre-tax operating income
ESG	Environmental, Social and Governance	**PYD**	Prior year claims development
FCA	Financial Conduct Authority	**RBC**	Risk-based capital (US)
F/S	Financial Statements	**ROE**	Return on equity
Fitch	Fitch Ratings Inc.	**RSA**	RSA Insurance Group Limited
FVTOCI	Fair value through other comprehensive income	**SCR**	Solvency Capital Requirement (Europe)
FVTPL	Fair value through profit and loss	**SL**	Specialty lines
GBP (£)	British pound sterling, UK's official currency	**SME**	Small and medium-sized enterprise
IFRS	International Financial Reporting Standards	**S&P**	Standard & Poor's
IRR	Internal rate of return	**TSX**	Toronto Stock Exchange
KPI	Key performance indicator	**UK**	United Kingdom
LRCN	Limited Recourse Capital Notes	**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

35.2 KPI definitions

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

Underwriting performance	Claims ratio*	Operating net claims* / Operating net underwriting revenue*
	Expense ratio*	Operating net underwriting expenses* / Operating net underwriting revenue*
	Combined ratio*	Claims ratio* + Expense ratio*

Claims ratio	Underlying current year loss ratio*	Operating net claims excluding current year CAT losses and PYD* / Operating net underwriting revenue*
	CAT loss ratio*	Net current year CAT losses* / Operating net underwriting revenue*
	PYD ratio*	PYD* / Operating net underwriting revenue*

Expense ratio	Commissions ratio*	Commissions* / Operating net underwriting revenue*
	General expenses ratio*	General expenses* / Operating net underwriting revenue*
	Premium taxes ratio*	Premium taxes* / Operating net underwriting revenue*

Consolidated performance	NOIPS (in dollars)*	NOI attributable to common shareholders* / WANSO[1]
	OROE*	NOI attributable to common shareholders* / Adjusted average common shareholders' equity (excluding AOCI)*
	AEPS (in dollars)*	Adjusted net income attributable to common shareholders* / WANSO[1]
	AROE*	Adjusted net income attributable to common shareholders* / Adjusted average common shareholders' equity*
	EPS (in dollars)	Net income attributable to common shareholders / WANSO[1]
	ROE*	Net income attributable to common shareholders / Adjusted average common shareholders' equity*

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

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

* *See **Section 31 – Non-GAAP and other financial measures*** for more details.

35.3 Definitions of key terms used in our MD&A

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

Net current year catastrophe (CAT) losses	A CAT loss represents any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event for the current accident year (on an undiscounted basis). Reported CAT losses can either be weather-related or not weather-related.
Catastrophe loss thresholds	Our CAT thresholds are as follows by segment: P&C Canada: $10 million, P&C UK&I: £7.5 million and P&C US: US$5 million. For multi-jurisdiction events, IFC aggregate threshold: $15 million (combined impact across all segments of $15 million or more).
Discounted and Undiscounted results	Discounted results include the impact of the discount build on claims liabilities. Claims liabilities are discounted to reflect the time value of money using yield curves based on risk-free rates adjusted for an illiquidity premium. Undiscounted results exclude the impact of the discount build. This basis is line with how we manage our business.
Combined ratio	Represents the sum of our claims ratio and expense ratio. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
Growth in constant currency	Growth that excludes the impact of foreign currency fluctuations, calculated by applying the exchange rate in effect for the current period results to the results of the previous year.
Frequency (of claims)	Average number of claims reported in a specific period.
Large loss	A single claim, which is considered significant but that is smaller than the CAT threshold.
Organic growth	Excludes the impact of exited lines and growth attributable to acquisitions.
Prior year claims development (PYD)	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.
Severity (of claims)	Average cost of a claim calculated by dividing the total cost of claims by the total number of claims.
Underlying performance (underwriting)	Represents our current accident year performance, excluding the impact of catastrophe losses and prior year claims development.
Written insured risks	Also referred to as Units. It represents the number of vehicles in personal automobile insurance and the number of premises in personal property insurance written for a specific period.

Intact Financial Corporation
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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 Group 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 13, 2024

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 "Company"], which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and January 1, 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and January 1, 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022, 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 Company 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 the liability for incurred claims

The Company describes its material accounting judgments, estimates and assumptions in relation to the valuation of insurance contract liabilities, which include the liability for incurred claims, in note 4 and note 11 to the consolidated financial statements. As at December 31, 2023, the Company recognized insurance contract liabilities amounting to $30.4 billion, of which the liability for incurred claims was $21.7 billion and represented 55% of total liabilities.

The principal consideration for our conclusion that the liability for incurred claims is a key audit matter is that its determination involves the application of models, methodologies, and assumptions that require significant auditor attention. The main assumption underlying these estimates is that the Company'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 the liability for incurred claims have a high degree of estimation uncertainty and may materially change in future periods.

Our audit procedures related to the determination of the liability for incurred claims included the following, among other procedures:

- Obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls related to the claims handling portion of the liability for incurred claims processes, including the integrity of data flows through the administration systems for the majority of the Company's business in Canada and the United States;
- Obtained an understanding of the Company's actuarial methodologies and assessed whether they were determined in accordance with IFRS 17 - *Insurance Contracts*;
- Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management;
- Performed an independent valuation of the liability for incurred claims, with the support of our actuarial specialists, for a sample of lines of business that reflected our expectations based on the Company's historical experience, current trends, inflation, 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;
- Performed data integrity testing of incurred claims, paid claims, and earned premiums used in the valuation of liability for incurred claims; and
- Assessed the adequacy of the disclosures pertaining to the liability for incurred claims provided in note 11 to the consolidated financial statements.

IFRS 17 - Insurance contracts adoption

IFRS 17 – *Insurance Contracts* ["IFRS 17"], became effective on January 1, 2023. The Company applied IFRS 17 retrospectively as at January 1, 2022, and restated its comparative information. As a result, the Company recognized an increase in its equity position of $420 million on its consolidated balance sheet. Note 2 and note 3 to the consolidated financial statements provide quantitative and qualitative information on the impact of the new standard and accounting policy choices made by the Company.

The adoption of IFRS 17 is considered a key audit matter because the standard establishes new principles for the recognition, measurement, presentation, and disclosure of insurance contracts that require the Company to make judgments and estimates to determine the impact at transition. Significant audit effort was used to audit the appropriateness of the Company's selected accounting policies, to evaluate their application and impact on the opening retained earnings, including the testing of data. In addition, valuation and actuarial specialists were involved in the audit, specifically as it related to significant adjustments and key areas of judgement, including deferral of insurance acquisition cash flows, onerous contracts, discount rate and risk adjustment methodology and claims and ceded claims acquired in business combinations.

We performed the following procedures related to the adoption of IFRS 17, among other procedures:

- Evaluated the Company’s judgments in selecting various accounting treatments and choices at transition against the requirements of IFRS 17;
- Tested on a sample basis the completeness and accuracy of the data used by the Company in determining the impact of the adoption of IFRS 17 on the consolidated financial statements, by reconciling it to previously audited information;
- Reviewed the Company’s methodology and models to determine discount yield curves, risk adjustment and the identification of onerous contracts and assessed whether it was in accordance with the requirements of IFRS 17;
- Assessed the reasonability of the basis used by the Company to identify and allocate cash flows related to the acquisition of insurance contracts to groups of insurance contracts and whether the allocation was done on a systematic basis, by testing on a sample basis the financial and non-financial data used through agreeing the inputs to supporting evidence and recalculated the cash flows being deferred;
- Assessed the reasonability of the basis used to identify the direct and ceded claims acquired in business combinations to be reclassified as liability or asset for remaining coverage, by testing the data used and reconciling it to underlying fulfillment and paid cash flows; and
- Evaluated the adequacy of the disclosures provided in notes 2 and 3 to the consolidated financial statements.

Accounting for business combination - Acquisition of Direct Line Insurance Group plc’s brokered commercial lines operations

The Company describes its material accounting judgments, estimates and assumptions in relation to accounting for business combinations in note 4 and note 5 to the consolidated financial statements. On October 26, 2023, the Company acquired Direct Line Insurance Group plc’s [“DLG”] brokered commercial lines operations. The acquisition involved a business transfer agreement related to new business, renewal rights, data, brands, employees, contractors, third party contracts and premises for which the operational transfer is expected to occur in 2024, and a quota share agreement related to premiums written from October 1, 2023 until the operational transfer noted above is finalized. Our key audit matter is in relation to the business transfer agreement, which was accounted for as a business combination.

Auditing this business combination was complex due to the subjective nature of estimating the fair value of the intangible assets acquired. In addition, there was management judgement in determining that the business transfer agreement constituted a business combination and that the Company obtained control over the related net assets at the date of the acquisition.

Our audit procedures related to the preliminary purchase price allocation included the following, amongst other procedures:

- Inspected the business transfer agreement to obtain an understanding of the key terms and conditions, and to identify and assess the relevant accounting considerations;
- With the assistance of valuation specialists, we:
  - Assessed the appropriateness of the valuation methodology applied to determine the fair value of the intangible assets.
  - Assessed the reliability of information and data used in the valuation, including the reasonableness of cash flow projections by comparing to source data, industry benchmarking, and similar valuations.

  - Assessed the reasonableness of the key assumptions used in the valuation. These assumptions included broker attrition rates, royalty rate, useful economic lives, and discount rate. The assessment was based on historical experience, market comparable data or data derived from similar transactions, and sensitivity analyses.
- Evaluated the adequacy of the disclosures pertaining to the acquisition provided in note 5 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company'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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 13, 2024

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INTACT FINANCIAL CORPORATION

Consolidated financial statements
For the years ended December 31, 2023 and 2022

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Notes to the Consolidated financial statements

INTACT FINANCIAL CORPORATION

Consolidated balance sheets

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

As at	Note	December 31, 2023	December 31, 2022 (Restated)[1]	January 1, 2022 (Restated)[1]
Assets				
Investments	*6*			
Cash and cash equivalents		**$ 1,171**	$ 1,010	$ 2,276
Debt securities		**28,436**	27,095	25,307
Preferred shares		**1,384**	1,421	1,847
Common shares		**4,668**	4,598	5,686
Investment property		**480**	476	634
Loans		**944**	1,001	930
Total investments		**37,083**	35,601	36,680
Reinsurance contract assets	*11*	**5,217**	5,004	4,975
Income taxes receivable		**57**	254	195
Deferred tax assets	*28*	**811**	722	525
Investments in associates and joint ventures	*15*	**944**	845	760
Property and equipment	*16*	**799**	778	774
Intangible assets	*14*	**5,047**	4,700	4,636
Goodwill	*14*	**4,085**	3,350	3,066
Other assets	*17*	**1,936**	2,487	2,952
Assets held for sale	*18*	**-**	-	842
Total assets		**$ 55,979**	$ 53,741	$ 55,405
Liabilities				
Insurance contract liabilities	*11*	**$ 30,353**	$ 29,130	$ 28,946
Financial liabilities related to investments	*7*	**135**	189	265
Income taxes payable		**205**	28	128
Deferred tax liabilities	*28*	**726**	805	771
Debt outstanding	*19*	**5,081**	4,522	5,229
Other liabilities	*17*	**3,004**	2,939	2,863
Total liabilities		**$ 39,504**	$ 37,613	$ 38,202
Equity				
Common shares		**$ 8,099**	$ 7,542	$ 7,576
Preferred shares and other equity		**1,619**	1,322	1,175
Share capital	*20*	**9,718**	8,864	8,751
Contributed surplus		**290**	269	211
Retained earnings		**6,503**	7,801	6,602
Accumulated other comprehensive income (loss)		**(321)**	(1,091)	530
Equity attributable to shareholders		**16,190**	15,843	16,094
Equity attributable to non-controlling interests	*21*	**285**	285	1,109
Total equity		**$ 16,475**	$ 16,128	$ 17,203
Total liabilities and equity		**$ 55,979**	$ 53,741	$ 55,405

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

See accompanying notes to the Consolidated financial statements.

On behalf of the Board:

Charles Brindamour
Director

Jane E. Kinney
Director

INTACT FINANCIAL CORPORATION

Consolidated statements of income

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

Years ended December 31,	Note		2023		2022 (Restated)[1]
Insurance revenue	*11*	**$**	**25,507**	$	25,914
Insurance service expense	*11, 26*		**(22,584)**		(22,750)
Insurance service result from insurance contracts			**2,923**		3,164
Expense from reinsurance contracts	*11*		**(3,056)**		(3,475)
Income from reinsurance contracts	*11*		**2,442**		2,913
Net expense from reinsurance contracts			**(614)**		(562)
Insurance service result			**2,309**		2,602
Net investment income	*24*		**1,346**		931
Net gains (losses) on investment portfolio	*24*		**249**		(326)
Net investment return			**1,595**		605
Insurance finance income (expense)	*24*		**(1,091)**		546
Reinsurance finance income (expense)	*24*		**197**		(107)
Net insurance financial result			**(894)**		439
Net investment return and net insurance financial result			**701**		1,044
Share of profit from investments in associates and joint ventures	*15*		**96**		103
Other net gains (losses)	*25*		**50**		477
Other income and expense	*26*		**(627)**		(689)
Other finance costs			**(222)**		(177)
Acquisition, integration and restructuring costs	*27*		**(503)**		(353)
Income before income taxes			**1,804**		3,007
Income tax benefit (expense)	*28*		**(473)**		(557)
Net income		**$**	**1,331**	$	2,450
Net income attributable to:					
Shareholders			**1,316**		2,454
Non-controlling interests	*21*		**15**		(4)
		$	**1,331**	$	2,450
Weighted-average number of common shares outstanding (in millions)	*29*		**176.2**		175.6
Earnings per common share, basic and diluted (in dollars)	*29*	**$**	**6.99**	$	13.63
Dividends paid per common share (in dollars)	*20*	**$**	**4.40**	$	4.00

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

See accompanying notes to the Consolidated financial statements.

Consolidated statements of comprehensive income

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

Years ended December 31,	Note	2023	2022 (Restated)[1]
Net income		**$ 1,331**	$ 2,450
Items that may be reclassified subsequently to Net income			
FVTOCI debt securities[2]:			
Net changes in unrealized gains (losses)		**382**	-
Reclassification of net losses (gains)		**16**	-
Income tax benefit (expense)		**(83)**	-
		315	-
Available-for-sale securities[3]:			
Net changes in unrealized gains (losses)		**-**	(1,893)
Reclassification of net losses (gains)		**-**	(295)
Income tax benefit (expense)		**-**	548
		-	(1,640)
Cash flow hedges:			
Net changes in unrealized gains (losses)		**-**	17
Reclassification of net losses (gains)		**-**	(23)
Income tax benefit (expense)		**-**	1
		-	(5)
Foreign currency gains (losses) on:			
Translation of foreign operations		**5**	132
Reclassification of net losses (gains)		**-**	(15)
Net investment hedges		**24**	(113)
Income tax benefit (expense)		**6**	(10)
		35	(6)
Other, net of tax		**-**	32
		350	(1,619)
Items that will not be reclassified subsequently to Net income			
Employee future benefits:			
Actuarial gains (losses), net of other surplus remeasurement	*31*	**(1,526)**	(350)
Income tax benefit (expense)		**227**	(57)
		(1,299)	(407)
FVTOCI equity securities[2]:			
Net changes in unrealized gains (losses)		**1**	-
Income tax benefit (expense)		**(1)**	-
		-	-
		(1,299)	(407)
Other comprehensive income (loss)		**(949)**	(2,026)
Total comprehensive income (loss)		**$ 382**	$ 424
Total comprehensive income (loss) attributable to:			
Shareholders		**367**	426
Non-controlling interests		**15**	(2)
		$ 382	$ 424

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards.***

[2] Not applicable for the year ended December 31, 2022, as related to IFRS 9 – *Financial instruments*. Refer to ***Note 2 – Adoption of new accounting standards***.

[3] Not applicable for the year ended December 31, 2023, as related to IAS 39 – *Financial instruments: recognition and measurement.* Refer to ***Note 2 – Adoption of new accounting standards***.

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				Equity attributable to non-controlling interests	
	Note	Share Capital	Contributed surplus	Retained earnings	AOCI		Total Equity
Balance as at December 31, 2022 (As reported)		**$ 8,864**	**$ 269**	**$ 7,352**	**$ (1,085)**	**$ 285**	**$ 15,685**
Impact of the application of IFRS 17		**-**	**-**	**449**	**(6)**	**-**	**443**
Balance as at December 31, 2022 (Restated)[1]		**8,864**	**269**	**7,801**	**(1,091)**	**285**	**16,128**
Impact of the initial application of IFRS 9	*2*	**-**	**-**	**(422)**	**420**	**-**	**(2)**
Balance as at January 1, 2023		**8,864**	**269**	**7,379**	**(671)**	**285**	**16,126**
Net income		**-**	**-**	**1,316**	**-**	**15**	**1,331**
Other comprehensive income (loss)		**-**	**-**	**(1,299)**	**350**	**-**	**(949)**
Total comprehensive income (loss)		**-**	**-**	**17**	**350**	**15**	**382**
Issuance of common shares	*20*	**557**	**-**	**-**	**-**	**-**	**557**
Issuance of preferred shares and other equity	*20*	**297**	**-**	**-**	**-**	**-**	**297**
Dividends and other distributions:							
Common shares		**-**	**-**	**(778)**	**-**	**-**	**(778)**
Preferred shares and other equity		**-**	**-**	**(84)**	**-**	**-**	**(84)**
Share-based payments		**-**	**21**	**(31)**	**-**	**-**	**(10)**
Non-controlling interests:							
Dividends		**-**	**-**	**-**	**-**	**(15)**	**(15)**
Balance as at December 31, 2023		**$ 9,718**	**$ 290**	**$ 6,503**	**$ (321)**	**$ 285**	**$ 16,475**
Balance as at December 31, 2021 (As reported)		$ 8,751	$ 211	$ 6,183	$ 529	$ 1,109	$ 16,783
Impact of the initial application of IFRS 17	*2*	-	-	419	1	-	420
Balance as at January 1, 2022 (Restated)[1]		8,751	211	6,602	530	1,109	17,203
Net income[1]		-	-	2,454	-	(4)	2,450
Other comprehensive income (loss)[1]		-	-	(407)	(1,621)	2	(2,026)
Total comprehensive income (loss)[1]		-	-	2,047	(1,621)	(2)	424
Issuance of preferred shares	*20*	147	-	-	-	-	147
Repurchase of common shares for cancellation	*20*	(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	*21*	-	-	60	-	(510)	(450)
Sales of business	*5*	-	-	-	-	(288)	(288)
Other		2	-	-	-	-	2
Balance as at December 31, 2022 (Restated)[1]		$ 8,864	$ 269	$ 7,801	$ (1,091)	$ 285	$ 16,128

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

See accompanying notes to the Consolidated financial statements.

INTACT FINANCIAL CORPORATION

Consolidated statements of cash flows

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

Years ended December 31,	Note	2023	2022 (Restated)[1]
Operating activities			
Income before income taxes		**$ 1,804**	$ 3,007
Income tax received (paid), net		**(153)**	(408)
Adjustments for non-cash items	*33*	**445**	768
Changes in other operating assets and liabilities	*33*	**(250)**	298
Net cash flows provided by (used in) operating activities		**1,846**	3,665
Investing activities			
Business combinations, net of cash acquired	*5*	**(869)**	(239)
Proceeds from the sale of businesses	*5*	**-**	1,295
Proceeds from sales of investments		**31,930**	21,365
Purchases of investments		**(32,482)**	(24,521)
Proceeds from (purchases of) brokerages and other equity investments, net		**(126)**	(235)
Purchases of intangibles and property and equipment, net		**(458)**	(411)
Net cash flows provided by (used in) investing activities		**(2,005)**	(2,746)
Financing activities			
Payment of lease liabilities		**(90)**	(111)
Proceeds from issuance of debt, net	*19*	**799**	1,258
Repayment of debt	*19*	**(198)**	(1,700)
Borrowing on (repayment of) the credit facility and commercial paper, net	*19*	**(32)**	(302)
Proceeds from issuance of common shares, net	*20*	**551**	-
Proceeds from issuance of preferred shares and other equity, net	*20*	**296**	146
Repurchase of common shares for cancellation	*20*	**-**	(150)
Repurchase of common shares for share-based payments	*30*	**(128)**	(112)
Payment of dividends on common shares, preferred shares, and other equity distributions	*20*	**(862)**	(762)
Payment of dividends to non-controlling interests	*21*	**(15)**	(24)
Redemption of non-controlling interests	*21*	**-**	(450)
Net cash flows provided by (used in) financing activities		**321**	(2,207)
Net increase (decrease) in cash and cash equivalents		**162**	(1,288)
Cash and cash equivalents, beginning of year		**1,010**	2,276
Exchange rate differences on cash and cash equivalents		**(1)**	22
Cash and cash equivalents, end of year		**$ 1,171**	$ 1,010
Composition of cash and cash equivalents			
Cash		**905**	600
Cash equivalents		**266**	410
Cash and cash equivalents, end of year		**$ 1,171**	$ 1,010
Other relevant cash flow disclosures – operating activities			
Interest paid		**228**	176
Interest received		**1,011**	634
Dividends received		**366**	355

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

See accompanying notes to the Consolidated financial statements.

Glossary of abbreviations

12mECL	12-month expected credit loss	**LTIP**	Long term incentive plan
ABS	Asset-backed securities	**MBS**	Mortgage-backed securities
AFS	Available-for-sale	**MCT**	Minimum capital test (Canada)
AMF	Autorité des marchés financiers	**MD&A**	Management's Discussion and Analysis
AOCI	Accumulated other comprehensive income	**NAV**	Net assets value
CAD	Canadian Dollar	**NCI**	Non-controlling interests
CALs	Company action levels	**NCIB**	Normal course issuer bid
CAN	Canada	**NOI**	Net operating income
CDOR	Canadian Dollar Offered Rate	**OCI**	Other comprehensive income
CGU	Cash generating unit	**OSFI**	Office of the Superintendent of Financial Institutions
CPI	Consumer price index	**PAA**	Premium Allocation Approach
DB	Defined benefits	**P&C**	Property and casualty
DKK (kr.)	Danish krone, Denmark's official currency	**PSU**	Performance stock units
DSU	Deferred share unit	**PTOI**	Pre-tax operating income
ECL	Expected credit losses	**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	**RSA**	RSA Insurance Group Limited, a subsidiary domiciled in the UK (parent of UK&I business)
EUR (€)	Euro, currency of the European Union	**RSU**	Restricted stock units
FVTOCI	Fair value through other comprehensive income	**SAR**	Stock appreciation rights
FVTPL	Fair value through profit or loss	**SCR**	Solvency Capital Requirement (Europe)
GBP (£)	British pound sterling, UK's official currency	**SOFR**	Secured Overnight Financing Rate
GDP	Gross domestic product	**SONIA**	Sterling overnight index average
GMM	General Measurement Model	**SPPI**	Solely payments of principal and interest
IAS	International Accounting Standard	**TSX**	Toronto Stock Exchange
IASB	International Accounting Standards Board	**UK**	United Kingdom
IFRS	International Financial Reporting Standards	**UK&I**	United Kingdom and International
JV	Joint ventures	**US**	United States
LRCN	Limited recourse capital notes	**USD**	US Dollar
LTECL	Lifetime expected credit loss		

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 32 – Segment information***.

The registered office of the Company is 700 University Avenue, Suite 1500, Toronto, Ontario, Canada, M5G 0A1.

Note 2 – Adoption of new accounting standards

The Company adopted IFRS 17 - *Insurance Contracts* ("IFRS 17") in conjunction with IFRS 9 – *Financial instruments* ("IFRS 9") on January 1, 2023, which replace IFRS 4 – *Insurance Contracts* ("IFRS 4") and IAS 39 – *Financial instruments: recognition and measurement* ("IAS 39"), respectively. While IFRS 9 was effective for annual periods beginning on or after January 1, 2018, IFRS 4 allowed a temporary exemption to delay the implementation of IFRS 9 until IFRS 17 was adopted.

- IFRS 17 was applied retrospectively as at January 1, 2022, as a result comparative information was restated. The Company applied the modified retrospective approach for past business combinations, except for the most recent acquisition of RSA on June 1, 2021; and
- IFRS 9 was applied retrospectively and the Company elected to recognize any IFRS 9 measurement differences by adjusting its Consolidated balance sheets on January 1, 2023, as a result comparative information was not restated.

Refer to ***Note 3 – Summary of material accounting policies*** for more details on IFRS 17 and IFRS 9.

2.1 IFRS 17 – Insurance Contracts

The nature and the effect of the changes in accounting policies can be summarized, as follows:

a) Changes to classification, recognition and measurement

The Company applies IFRS 17 to the same scope of contracts previously reported under IFRS 4, as a result IFRS 17 did not change the classification of the Company's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance and reinsurance contracts.

IFRS 17 introduces the GMM for the recognition and measurement of insurance contracts, which requires measuring insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Entities also have the option to use a simplified measurement model (the "PAA") for short-duration contracts. The Company chose to apply the PAA model for all of its insurance and reinsurance contracts except in limited circumstances where the GMM is required.

The accounting under the PAA is similar to IFRS 4, but differs in the following key areas:

- ***Deferral of acquisition costs*** – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. An entity may elect to capitalize and amortize these costs over the coverage period of the related group. It is similar to IFRS 4's deferred acquisition costs except that they also include a portion of allocated indirect costs, as a result, the Company has capitalized additional costs under IFRS 17. The impact on Equity attributable to shareholders on transition was mostly due to the deferral of additional allocated indirect costs.

- ***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. For onerous contracts, the loss component based on projected profitability is recognized immediately in Net income, resulting in earlier recognition compared to IFRS 4. Onerous contracts did not have a significant impact on transition to IFRS 17.

- ***Discount rate*** – Under IFRS 17, the liability for incurred claims is discounted at a rate 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. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. The changes in discounting methodology did not have a significant impact on transition.

- ***Risk adjustment*** – Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk ("risk adjustment") which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liability estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned. As a result, the changes in methodology did not have a significant impact on transition.

In addition, IFRS 17 introduces changes in accounting for claims and ceded claims acquired in a business combination ("acquired claims") in the scope of IFRS 3 – *Business combinations* ("IFRS 3"). They are treated as new insurance contracts issued by the Company at the date of their acquisition. Consequently, acquired direct claims are reclassified as a liability for remaining coverage (acquired ceded claims are reclassified as an asset for remaining coverage) in the acquirer's Consolidated balance sheets and the GMM applies to these contracts as the settlement period is expected to be long tail.

When IFRS 17 is applied to acquired claims, a loss component may be recognized after the acquisition if the Company pays claims later than initially anticipated, resulting in most of the Company's loss component on transition to IFRS 17. There was no significant impact to Net income when compared to the prior-year development recognized under IFRS 4. However, due to the change in classification of acquired claims as remaining coverage under IFRS 17, there was a significant gross up in Insurance revenue and Insurance service expense compared to IFRS 4.

b) Changes to presentation and disclosures

IFRS 17 introduces significant changes to the presentation and disclosure of insurance and reinsurance contracts in the Consolidated financial statements.

Consolidated balance sheets

Presentation changes in the Consolidated balance sheets are introduced by IFRS 17. The previously reported line items: premiums receivable, deferred acquisition costs, claims liabilities, unearned premiums, and other related assets and liabilities are presented together by portfolio on a single line called Insurance contract liabilities or assets. The previously reported line items: reinsurance assets, reinsurance receivables, deferred acquisition costs ceded, and other related assets and liabilities are presented together by portfolio on a single line called Reinsurance contract assets or liabilities.

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance contracts that are assets;
- Portfolios of reinsurance contracts that are assets;
- Portfolios of insurance contracts that are liabilities; and
- Portfolios of reinsurance contracts that are liabilities.

Portfolios were established at initial recognition in accordance with IFRS 17. Portfolios and groups may change prospectively if there are changes to how the Company manages its business.

Consolidated statements of income

Presentation changes in the Consolidated statements of income are introduced by IFRS 17 where direct insurance results are presented separately from reinsurance results.

Underwriting performance is presented in the Consolidated statements of income under insurance service result and is composed of:

- Insurance revenue which includes revenues related to direct business;
- Insurance service expense which includes expenses related to direct business;
- Expense from reinsurance contracts which includes expenses related to ceded business; and
- Income from reinsurance contracts which include revenues related to ceded business.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under Net insurance financial result in Net income.

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses since expenses are classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expense or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as underwriting expenses under IFRS 4 is now presented as other expenses under IFRS 17 in the line Other income and expense.

The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

Disclosures

IFRS 17 introduces extensive disclosure requirements on the amounts recognized from insurance and reinsurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 also suggests disclosing information at a more granular level than required under IFRS 4. Under IFRS 17, the Company disaggregates information based on geographical area, which was the basis for most of the Company's insurance disclosures under IFRS 4. Management used judgment in determining the proper level of disclosures included in these first Consolidated financial statements.

c) Transition

On the transition date to IFRS 17, January 1, 2022, the Company identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied unless it was impracticable and derecognized any existing balances that would not exist had IFRS 17 always applied with any resulting net difference recognized in equity.

Upon transition to IFRS 17 on January 1, 2022, the Company's Equity attributable to shareholders increased by $420 million (net of a tax impact of $133 million) mainly due to the deferral of additional allocated indirect costs which were previously expensed as incurred. The impact on the measurement of claims liabilities was limited due to the short tail nature of the Company's business and the fact that accounting practices under IFRS 4 were generally aligned with IFRS 17. IFRS 17 also resulted in presentation reclassifications as described above.

The following tables summarize the impact of IFRS 17 on the Company's Consolidated balance sheet on transition.

Table 2.1 – Impact of IFRS 17 on the Consolidated balance sheet

		Impact of IFRS 17		
As at January 1, 2022	**IFRS 4**	**Presentation**	**Measurement**	**IFRS 17**
Total assets	66,349	(10,884)	(60)	55,405
Total liabilities	(49,566)	10,884	480	(38,202)
Equity attributable to shareholders	(15,674)	-	(420)	(16,094)
Equity attributable to non-controlling interests	(1,109)	-	-	(1,109)

Table 2.2 – Measurement impact of IFRS 17

As at January 1, 2022	**IFRS 17**
Deferral of acquisition costs	384
Discount rate and risk adjustment methodology changes	163
Onerous contracts	(27)
Claims acquired in a business combination	17
Other	16
Tax	(133)
	420

Full retrospective approach

The Company has applied the full retrospective approach to each group of insurance contracts unless the application was impracticable, in which case the Company applied the modified retrospective approach as described below.

Modified retrospective approach

Except for the most recent acquisition of RSA on June 1, 2021 which was accounted for under the full retrospective approach, the Company has applied the modified retrospective approach for past business combinations since the application of the full retrospective approach was determined to be impracticable. As a result:

- The Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach; and
- For acquired claims from before the RSA acquisition, the Company has elected to measure acquired claims as liability for incurred claims, even though the claims might have been incurred before the contracts were acquired.

2.2 IFRS 9 – Financial instruments

The Company adopted IFRS 9 retrospectively on January 1, 2023. The Company elected to not restate comparative information, as a result it continues to be reported under IAS 39.

Upon transition to IFRS 9 on January 1, 2023, the Company's Equity attributable to shareholders decreased by $2 million which corresponds to the ECL calculated on its investment portfolio measured at amortized cost.

IFRS 9 also resulted in reclassifications from AOCI to Retained earnings as follows:

- Certain investments previously classified as AFS were reclassified as FVTPL. This will result in increased volatility in Net income as unrealized gains and losses previously recognized in OCI are now being recognized in Net income. These investments include:
  - Common shares and certain preferred shares;
  - Fixed-income instruments that failed the SPPI test (mostly indirect investments in non-rated private credit funds); and
  - Certain fixed income instruments designated as FVTPL to back claims liabilities following the change in discount rate methodology under IFRS 17; and
- The ECL calculated on instruments at fair value previously in AOCI was reclassified to Retained earnings (and in Net income going forward).

The Company revised its preliminary estimate and reclassified $420 million (after-tax) of net unrealized losses from AOCI to Retained earnings as at January 1, 2023.

The following table summarizes the classification and measurement impacts of IFRS 9 on transition. The adoption of IFRS 9 had no significant impact on the Company's other financial assets or liabilities. In addition, Investment property is in the scope of IAS 40 – *Investment property* and therefore IFRS 9 does not apply to these types of investments.

Table 2.3 – 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 equivalents	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 were classified as FVTPL as they did not pass the SPPI test.

[2] On transition to IFRS 9, the Company made an irrevocable election to designate these preferred shares as FVTOCI with fair value changes presented directly and permanently in OCI.

[3] Includes an ECL impact of $2 million.

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 has elected to apply.

2.3 Deferred tax related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued narrow scope amendments to IAS 12 – *Income Taxes* ("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 were effective for annual periods beginning on or after January 1, 2023. The Company applied them prospectively with no impact on the Consolidated financial statements.

Note 3 – Summary of material accounting policies

3.1 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 13, 2024.

The material 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 new standards and amendments to existing standards adopted on January 1, 2023, as described in ***Note 2 – Adoption of new accounting standards***.

Comparative information was restated due to the adoption of IFRS 17. In addition, restated 2022 figures include certain reclassifications that do not directly pertain to the adoption of IFRS 17 to align with the presentation adopted in the current year. Therefore, comparative information was restated to ensure comparability. Refer to ***Note 2 – Adoption of new accounting standards*** for more details.

The Company presents its Consolidated balance sheets broadly in order of liquidity.

3.2 Basis of consolidation

These Consolidated financial statements include the accounts of the Company and its subsidiaries. ***Table 3.1*** 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 3.1 – 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 Other 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[1] ***Note 3.8*** for more 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[1] ***Note 3.8*** for more details

[1] Unless the investment is held by a venture capital organization, in which case the Company may elect to measure it at FVTPL.

3.3 Insurance and reinsurance contracts

The Company adopted IFRS 17 on January 1, 2023 and restated its comparative information. For the impact on the adoption of IFRS 17, refer to ***Note 2 – Adoption of new accounting standards***.

a) Classification and summary of measurement models

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. 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.

The Company issues insurance contracts in the normal course of business (direct business) and 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 may acquire insurance and reinsurance contracts through a business combination or transfer of contracts. All references to insurance and reinsurance contracts include contracts issued, held, and acquired by the Company, unless otherwise stated.

The Company uses different measurement models depending on the type of contract. The Company chose to apply the simplified measurement model (the PAA) for all of its insurance and reinsurance contracts except in limited circumstances where the GMM is required as described in the following table. The GMM is the default model for the recognition and measurement of insurance contracts; however, there is an option to use the PAA for contracts that have a coverage period of one year or less or if the resulting liability for remaining coverage (insurance coverage to be provided after the reporting period) is not expected to materially differ from its measurement under the GMM.

Table 3.2 – Summary of the Company's types of contracts and measurement models

Type of contracts	Measurement model
All of the Company's insurance and reinsurance contracts except for acquired claims and retroactive reinsurance contracts.	PAA (refer to ***Table 3.4***)
Acquired claims including those from the RSA acquisition on June 1, 2021 and any future acquisitions.	GMM (refer to ***Table 3.6***)
Retroactive reinsurance contracts to cover adverse development of existing claims mainly in the UK&I and US.	GMM (refer to ***Table 3.6***)

b) Separating components from insurance and reinsurance contracts

Insurance and reinsurance contracts are assessed to determine whether they contain components which must be accounted for under an IFRS other than the insurance contract standard. The Company's insurance and reinsurance contracts do not include such components.

Also, the Company applies judgment when particular facts and circumstances require the separation of its insurance contracts into distinct insurance components. The Company's judgment is based on interdependency between the different risks covered, whether components lapse together and whether components can be priced and purchased separately.

A limited number of insurance contracts contain profit commission arrangements where the policyholder will always receive a minimum guaranteed amount irrespective of the insured event occurring. The Company assessed the minimum guaranteed amount to be highly interrelated with the insurance component; as a result, they are considered non-distinct investment components and are not accounted for separately. Investment components are excluded from Insurance revenue and Insurance service expense with no impact on Net income.

c) Level of aggregation

Insurance and reinsurance contracts are aggregated 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 judgment in establishing its various portfolios, the drivers considered include the main geographic areas, lines of businesses, distribution channels, and legal entities in which it operates. 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.

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities are presented separately in the Consolidated balance sheets.

Portfolios and groups may change prospectively if there are changes to how the Company manages its business.

d) Recognition

The Company initially recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; or
- The issue date when the group of insurance contracts is onerous.

The Company initially recognizes a group of reinsurance contracts held:

- From the beginning of the coverage period of the group unless the reinsurance contracts provide proportionate coverage, in which case it is from the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; or
- The date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract at or before that date.

Acquired direct claims and acquired ceded claims are treated as new insurance contracts issued and reinsurance contracts held at the date of their acquisition.

Groups of contracts are established on initial recognition. The Company adds new contracts to the group when they individually meet the criteria above. Composition of groups is not revised subsequently.

Any premiums received before the recognition of the corresponding group of insurance contracts are recognized as deferred revenues in Other liabilities. When a group of contracts is recognized as per above the premiums received are reclassified to the liability for remaining coverage.

e) Contract boundary

The measurement of groups of insurance and reinsurance contracts includes all the future cash flows within the boundary of each contract.

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with services.

A substantive obligation or right ends when the entity has the practical ability to reassess risks and can set a price or level of benefits that fully reflects those risks.

f) Measurement models

The carrying amount of a group of insurance and reinsurance contracts at the end of each reporting period is composed of the following:

Table 3.3 – Basic components of insurance and reinsurance contracts

Component	Description	Relates to
Liability for remaining coverage	The obligation to provide coverage after the reporting period for insured events that have not yet occurred.	Future service
Liability for incurred claims	The obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses.	Past service
Asset for remaining coverage	The right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.	Future service
Asset for incurred claims	The right to receive compensation for reinsured events that have already occurred, including events that have occurred but for which reinsured claims have not been reported.	Past service

Premium Allocation Approach

The Company applies the PAA when measuring the liability for remaining coverage as follows:

Table 3.4 – Summary of the PAA for the liability for remaining coverage

Topic	Description
Overview	The PAA is a simplified measurement model which may be applied to insurance contracts when: • The coverage period is one year or less; or • For contracts longer than one year if there is no material difference in the liability for remaining coverage measured under both the PAA and the GMM.
Contracts applying this model	The Company applies the PAA to all of its insurance and reinsurance contracts, except in limited circumstances where the GMM is required (refer to ***Table 3.6***).
Initial and subsequent measurement	The liability for remaining coverage includes: • Premiums received; • Minus insurance acquisition cash flows paid net of the amortization of the insurance acquisition cash flows recognized (refer to ***j) Insurance service expense*** below); • Minus amounts recognized as insurance revenue for the services provided, generally allocated based on the passage of time which is usually 12 months (refer to ***i) Insurance revenue*** below); • Any investment component paid or transferred to the liability for incurred claims; and • Loss component for onerous contracts.
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 liability for remaining coverage. These cash flows include: • Direct costs such as commissions and premium taxes; and • An allocation of indirect costs such as salaries, rent and technology costs. Management used judgment in determining the drivers used to allocate indirect costs to groups of insurance contracts.
Onerous contracts	The Company assumes that no contracts is in a 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 historical experience. In addition, the Company has developed models for measuring potential onerous contract losses (refer to ***Onerous contracts*** below).
Other elections	The Company has elected to: • Not discount the liability for remaining coverage under the PAA; and • Capitalize all insurance acquisition cash flows to the related group and amortize these costs over the coverage period of the related group.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts, except: • They are adapted to reflect the features of reinsurance contracts that differ from insurance contracts, for example the generation of expenses or reduction in expenses rather than revenue; • They include an allowance for non-performance risk by the reinsurer (which is presented in Net expense from reinsurance contracts); and • The risk adjustment represents the amount of risk being transferred to the reinsurer.

For contracts measured under the PAA, the Company measures the liability for incurred claims as follows:

Table 3.5 – Summary of the PAA for the liability for incurred claims

Topic	Description
Liability for incurred claims	Generally, the liability for incurred claims is discounted to consider the time value money (refer to ***Discount rate*** below). However, for contracts measured under the PAA only, the Company is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Company has elected to discount all of its liability for incurred claims. The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flow. They reflect current estimates from the perspective of the Company and include an explicit risk adjustment (refer to ***Risk adjustment*** below). Liability for incurred claims 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. Refer to ***Note 11.3 – Material accounting judgments, estimates and assumptions*** for more details.

Onerous contracts

A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in Net income in Insurance service expense. The loss component is then amortized to Net income over the coverage period to offset incurred claims in Insurance service expense. 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. Refer to ***Table 3.4*** and ***Table 3.6*** for more details.

At initial recognition, the loss recovery component is calculated by multiplying the initial loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts. The loss recovery component is included in the asset for remaining coverage and the recovery is recognized immediately in Net income in Income from reinsurance contracts. The loss recovery is subsequently amortized in Income from reinsurance contracts.

During the coverage period, if facts and circumstances indicate that a group of insurance contracts is potentially onerous, the Company applies the same analysis it has performed for groups potentially onerous at initial recognition.

For more details on identifying onerous contracts under the PAA model, refer to ***Table 3.4***.

Discount rate

The liability for incurred claims under the PAA and the GMM and the liability for remaining coverage under the GMM are discounted. Estimates of future cash flows are discounted to reflect the time value of money and financial risk that considers 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. Refer to ***Note 11.3 – Material accounting judgments, estimates and assumptions*** for more details.

Risk adjustment

The measurement of insurance contracts includes a risk adjustment for non-financial risk which is the compensation required for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment includes the benefit of diversification and excludes the impact of financial risks. Refer to ***Note 11.3 – Material accounting judgments, estimates and assumptions*** for more details.

General Measurement Model

The Company applies the GMM when measuring the liability for remaining coverage as follows:

Table 3.6 – Summary of the GMM for the liability for remaining coverage

Topic	Description
Overview	The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. The liability for remaining coverage includes: • Fulfilment cash flows which are comprised of: o Discounted estimates of future cash flows (refer to ***Discount rate*** above and ***Note 11.3 – Material accounting judgments, estimates and assumptions*** for more details); and o A risk adjustment (refer to ***Risk adjustment*** above) which is the compensation required for bearing uncertainty; and • Contractual service margin which is the unearned profit that is recognized as services are provided.
Contracts applying this model	The Company applies the GMM to a limited number of contracts including: • Acquired claims from the RSA acquisition and any future acquisitions (refer to ***Table 3.7*** for more details); and • Retroactive reinsurance contracts to cover adverse development of existing claims mainly in the UK&I and US segments.
Initial and subsequent measurement	At initial recognition, unless the group of contracts is onerous, the contractual service margin is measured at an amount that results in no income nor expense arising from: • Initial recognition of fulfilment cash flows; and • Any cash flows arising from the contracts in the group. Subsequently, the contractual service margin is adjusted for: • The effect of any new contracts; • Interest accreted at the discount rates at initial recognition (locked-in discount rate); • Changes in fulfilment cash flows relating to future service, except to the extent that such: o Increases exceed the contractual service margin, in which case the excess is recognized as a loss in Net income and a loss component is recognized; and o Decreases are allocated to the loss component, reversing losses previously recognized in Net income; • The effect of any currency exchange differences; and • Amounts recognized as insurance revenue for services provided, determined by allocating the contractual service margin over the current and remaining service coverage period which is the expected claims settlement pattern for acquired claims. Changes in fulfilment cash flows related to current services are recognized immediately in Net income which include: • Changes in risk adjustment for expired risk; and • Experience adjustments which are the difference between estimated premiums and claims and other insurance service expense incurred in the period.
Onerous contracts	Groups of contracts are assessed as onerous when fulfilment cash flows exceed the carrying amount of the liability for remaining coverage (refer to ***Onerous contracts*** above). Refer to the ***Subsequent measurement*** section of ***Table 3.7*** for onerous contracts in the context of acquired claims.
Other elections	Estimates made in previous interim periods are revised therefore cash flows are measured on a year-to-date basis.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts, except: • They include an allowance for non-performance risk by the reinsurer (which is presented in Net expense from reinsurance contracts); • The risk adjustment represents the amount of risk being transferred to the reinsurer; • Day 1 gains/losses are recognized initially as a contractual service margin and released to Net income as the reinsurer renders services, except for day 1 losses related to events before initial recognition; and • Changes in fulfilment cash flows adjust the contractual service margin only to the extent that they relate to changes in underlying fulfilment cash flows that have adjusted the underlying contractual service margin. Any changes to the reinsurance contracts' fulfilment cash flows outside this limit are recognized immediately in Net income.

For contracts measured under the GMM, the liability for incurred claims is measured similar to that under PAA. Refer to ***Table 3.5***.

g) Claims acquired in a business combination in the scope of IFRS 3 – Business combinations

Table 3.7 – Summary of the claims acquired in a business combination

Topic	Description
Overview	Acquired claims are treated as new insurance contracts that had been issued by the Company at the date of their acquisition. The Company is deemed to have received a premium in consideration to cover adverse development and the settlement of future claims which is expected to be long tail, and as a result the GMM must be applied. The acquired direct claims are classified as a liability for remaining coverage (acquired ceded claims are classified as an asset for remaining coverage) in the acquirer's Consolidated balance sheets. There is a gross presentation in Net income of Insurance service revenue representing the liability for remaining coverage recognized over the claims settlement pattern and expenses representing the settlement of claims.
Contracts applying this model	Acquired claims from the RSA acquisition on June 1, 2021 and any future acquisitions.
Initial recognition (Acquisition date)	At initial recognition, the Company identifies the groups of contracts acquired based on the level of aggregation requirements as if it entered into the contracts at the date of the acquisition. For measurement purposes, the consideration received or paid for the contracts is treated as a proxy for the premiums received and excludes any consideration for other assets and liabilities acquired in the same transaction. This consideration is deemed to be the contracts' fair value at the date of the acquisition. The Company compares the fair value of acquired claims to its measurement of fulfilment cash flows related to the acquired claims under IFRS 17. If the fair value exceeds the fulfilment cash flows, a contractual service margin is established at initial recognition. If the fulfilment cash flows exceed the fair value, the difference is treated as a loss component and adjusts the goodwill or gain on bargain purchase.
Subsequent measurement	The Company measures these contracts following the GMM (refer to ***Table 3.6***). The liability for remaining coverage is released into Net income over the coverage period based on coverage units provided during the period. Coverage units are based on the expected claims settlement pattern, as they expire: • The contractual service margin is released into Insurance revenue; and • The loss component is released into Insurance service expense. As claims are settled, they are recognized as Insurance service expense. For more details regarding coverage units, refer to ***Note 11.3 – Material accounting judgments, estimates and assumptions.*** Since the expected settlement pattern is used to determine how insurance revenue will be recognized, any unexpected changes in payments beyond the reporting date such as developments in fulfilment cash flows or changes in timing, will be recognized within the contractual service margin or the loss component as follows: • Unexpected increases will either erode any existing contractual service margin until exhausted and establish a loss component for the excess or will increase any existing loss component; and • Unexpected decreases will either erode any existing loss component until exhausted and establish a contractual service margin for the excess or will increase any existing contractual service margin.

h) Modification and derecognition

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished; or
- The contract is modified such that it results in a change in the measurement model, substantially changes the contract boundary, or requires the modified contract to be included in a different group.

In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract. When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification as an adjustment to the relevant liability for remaining coverage.

i) Insurance revenue

Insurance revenue on direct business is allocated over the coverage period of the contract and includes:

- Premium receipts net of cancellations and promotional returns, and excluding sales taxes and any investment components; and
- Other insurance revenue which 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.

j) Insurance service expense

Insurance service expense includes fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It is composed of the following:

- Incurred claims and other insurance service expense, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts (excluding any investment component);
- Amortization of insurance acquisition cash flows (refer to ***Table 3.4*** and ***Table 3.6*** for more details); and
- Losses and reversals on onerous contracts (refer to ***Onerous contracts*** above for more details).

The Company has elected to present changes in risk adjustment related to the non-financial portion in Insurance service result and changes in the financial portion (discount unwinding and changes in discount rates) in Net insurance financial result.

k) Insurance finance income and expense

Insurance finance income and expense comprise the change in the carrying amount of the group of insurance contracts arising from:

- The discount unwinding;
- Changes in discount rates;
- The effect of financial risk and changes in financial risk; and
- Net foreign currency gains (losses).

The Company has elected to record changes in discount rates in Net income in Net insurance financial result.

l) Net expense from reinsurance contracts

Net expense from reinsurance contracts comprises of the amounts expected to be recovered from reinsurers (Income from reinsurance contracts) and an allocation of the reinsurance premiums paid (Expense from reinsurance contracts).

The Company treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts recoverable from reinsurers and includes ceded commissions not contingent on claims as a reduction of the premiums paid to reinsurers.

IFRS 17 requires management to use judgments, estimates and assumptions. Refer to ***Note 11.3 – Material accounting judgments, estimates and assumptions*** for more details.

m) Other income and expense

The Company also has contracts other than insurance and reinsurance contracts which are recognized in Other income on an accrual basis. They include commission revenues received from external insurance providers by consolidated brokers and revenues related to supply chain operations.

Other expense includes expenses that are not directly attributable to insurance contracts, the amortization of acquired intangible assets, and administrative expenses.

3.4 Financial instruments

The Company adopted IFRS 9 retrospectively on January 1, 2023. The Company elected to not restate comparative information. As a result, it continues to be reported under IAS 39. Refer to ***Note 2 – Adoption of new accounting standards*** for more details.

a) Classification and measurement of financial assets and financial liabilities under IFRS 9

Debt instruments

The classification and measurement of debt instruments is dependent on the business model under which the Company manages its investments as well as their cash flow characteristics (refer to ***SPPI assessment*** below). They are reclassified when and only when the business model for managing those assets changes.

Table 3.8 – Classification of the Company's debt instruments

Amortized cost	FVTOCI	FVTPL
Assets held for the collection of contractual cash flows. Cash flows represent solely payments of principal and interest.	Assets held for the collection of contractual cash flows and for the sale of financial assets. Cash flows represent solely payments of principal and interest.	Assets that do not meet the criteria for amortized cost nor FVTOCI are measured at FVTPL. An irrevocable election can be made (on an instrument-by-instrument basis) to designate assets as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Business model assessment

The Company determines its investment business model by considering its insurance activities. In addition, judgment is used in concluding which model aligns best with its core business objectives and practices. Factors that are used in business model decisions include how insurance business generate benefits, significant risks facing the business on asset and liability fronts, how compensation is determined for portfolio managers responsible for managing investments, as well as historical and projected turnover of the investment portfolio to fund insurance business on a day-to-day basis. The Company's business models fall into two categories, which are indicative of the key strategies to generate returns:

- The Company's primary business model is held-to-collect and sell which provides a desired flexibility to support the Company's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities.
- The Company also carries certain financial assets under the held-to-collect business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

The Company also specifically designates on an individual basis, a portion of investments as FVTPL to reduce accounting mismatch in Net income. This designation is irrevocable.

SPPI 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 is classified and measured at FVTPL.

Equity instruments

There are two measurement categories under which an equity instrument could be classified: as FVTOCI or FVTPL.

Table 3.9 – Classification of the Company's equity instruments

FVTOCI (without recycling)	FVTPL
Irrevocable election (on an instrument-by-instrument basis) on the date of acquisition. Designation is not permitted if the equity instrument is held for trading.	Default classification for all equity instruments.

Financial instruments

Table 3.10 – Classification of the Company's most significant financial instruments under IFRS 9

Classification	Financial instruments	Description	Initial and subsequent measurement
FVTOCI	Debt securities not backing insurance contracts	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) on investment portfolio when realized or impaired.
	Preferred shares	Most of the Company's preferred shares portfolios as they are held for the purpose of earning dividend income, with the intent of holding them for the long-term.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices at end of period, with changes in fair value recognized in OCI (without recycling to Net income).
Designated as FVTPL on initial recognition	Debt securities backing insurance contracts	A portion of the Company's investments backing its insurance contracts has been voluntarily designated as FVTPL to eliminate the accounting mismatch caused by fluctuations in fair values of underlying insurance contracts 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 insurance contracts.	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) on investment portfolio. The effective portion of designated cash flow hedges and net investment hedges in foreign operations is recognized in foreign currency gains (losses) in OCI.
Classified as FVTPL	Equity instruments	All common share portfolios and certain preferred shares which are classified as FVTPL.	
	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.	
	Other instruments	Investments in mutual and private funds.	
Amortized cost – Other financial assets	Cash and cash equivalents	Highly liquid investments held to meet short-term requirements 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.
	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 medium-term and subordinated notes, term loans 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.
	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) Classification and measurement of financial assets and financial liabilities under IAS 39

Table 3.11 – Classification of the Company's most significant financial instruments under IAS 39

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) on investment portfolio 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 ***Level 3*** hereafter for more details on the fair value measurement.
Designated as FVTPL on initial recognition	Debt securities backing insurance contracts and some common shares	A portion of the Company's investments backing its insurance contracts has been voluntarily designated as FVTPL to reduce the volatility caused by fluctuations in fair values of underlying insurance contracts 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 insurance contracts.	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) on investment portfolio. The effective portion of designated cash flow hedges and net investment hedges in foreign operations is recognized in foreign currency 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 ***Level 3*** hereafter for more details on the fair value 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.
	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.
	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.

c) 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 3.12 – 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 under IAS 39 (not applicable under IFRS 9 as embedded derivatives are not separated) • Private funds • Contingent considerations • Investment property • Other investments

[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 under IAS 39 (as under IFRS 9 it is not separated)*** – 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 estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model range from 4.2% to 9.9% and have a weighted average of 7.2% as at December 31, 2023 (3.5% to 11.6% and 7.1%, respectively, as at December 31, 2022). In some cases, the Company discusses 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. These valuations reflect yield ranges between 5.4% to 12.1% and a weighted average of 6.4% as at December 31, 2023 (5.0% to 10.8% and 6.3%, respectively, as at December 31, 2022).
- ***Other investments*** – Other investments mainly include direct investments in early-stage companies, fund investments, and investments in brokers for which the Company does not have significant influence nor control. They also include investments in associates held by a venture capital organization that the Company elected to measure at FVTPL in accordance with IFRS 9. The fair value is determined using estimates such as future cash flows, discount rates, projected earnings multiples, multiples of broker commissions, or recent transactions.

d) Derivative financial instruments and hedging

The Company enters a variety of derivative financial instruments to manage its exposure arising from financial assets and financial liabilities. 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 some instances, the Company enters into derivatives in order to manage its exposure arising from the purchase price of acquisitions made in foreign currency.

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 and presented in Other assets, while derivative financial instruments with a negative fair value are recognized as liabilities and presented in Financial liabilities related to investments. Changes in fair value are recognized in Net gains (losses) on investment portfolio unless the derivative financial instruments are part of a qualified hedging relationship.

Derivatives that qualify for hedge accounting

In certain circumstances, these derivatives also meet the requirements for hedge accounting. In which case, a hedging relationship is designated and formally documented at inception by describing the risk management objective and strategy, the hedged item as well as the methodology used to assess hedge effectiveness. Risk management strategies when eligible for hedge accounting have been designated as net investment hedges in a foreign operation, cash flow hedges or fair value hedges.

- ***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 currency gains (losses) in OCI.
- ***Cash flow hedges –*** The Company 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) on investment portfolio in Net income.
- ***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) on investment portfolio 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. In the year ended December 31, 2022, the Company also used 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.

Hedge effectiveness is evaluated at inception and throughout the term of the hedge. For net investment hedges, effectiveness is evaluated by using the dollar offset method based on spot foreign currency rates which is not expected to result in any ineffectiveness.

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. In the case of a sale or early termination of the hedged item, any balance remaining in AOCI as a result of hedge accounting with this hedged item is reclassified to Net income.

Derivatives not designated for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedging instruments in formal hedge accounting relationships. Changes in the fair value of such derivatives are recognized in Net gains (losses) on investment portfolio in Net income. Refer to ***Note 8 – Derivative financial instruments*** for details***.***

e) 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 3.10*** and ***Table 3.11*** 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.

f) 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.

g) Revenue and expense recognition

Net investment income

- Interest income from loans is recognized on an accrual basis, using the effective interest rate method.
- Dividends are recognized when the shareholders' right to receive payment is established, which is the ex-dividend date.
- Income on debt securities is classified as follows:
  - FVTOCI and AFS is recognized in interest income using the effective interest rate method, including the amortization of premiums earned or discounts incurred as well as transaction costs.
  - FVTPL is recognized in interest and similar income on securities designated or classified as FVTPL using a similar methodology except that transaction costs are expensed as incurred.

Net gains (losses) on investment portfolio

- Gains and losses on the sale of FVTOCI debt and FVTPL debt and equity securities under IFRS 9 and AFS debt and equity securities under IAS 39 are generally calculated on a first in, first out basis, except for certain equity strategies on investment portfolio.
- 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.

h) Impairment of financial assets other than those classified or designated as FVTPL under IFRS 9

The Company assesses, on a forward-looking basis, the ECL associated with its assets carried at amortized cost and FVTOCI debt securities. The impairment methodology applied depends on whether there has been a significant increase in credit risk or an actual default.

Table 3.13 – Staging

Staging	Debt securities
Stage 1 (12 months)	Credit risk of the financial instrument is low (investment grade) or credit risk has not increased significantly since initial recognition (performing).
Stage 2 (Life-time)	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired.
Stage 3 (Life-time)	Financial instrument is credit impaired. Refer to ***Note 10.4 d) – Impairment assessment***.

At each reporting date, the Company recognizes an allowance for debt instruments measured at FVTOCI or at amortized cost.

- The ECL does not reduce the carrying amount of FVTOCI financial assets, which remain at their fair value. Instead, an amount equal to the allowance and its subsequent changes is reclassified from OCI to Net income. Refer to ***Note 10.4 d) – Impairment assessment*** for more details.
- The ECL for financial instruments measured at amortized cost reduces the carrying amount of these financial assets with a corresponding expense recognized in Net income in Net gains (losses) on investment portfolio.

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 uses the low credit risk simplification as approximatively 94% of the debt securities portfolio (95% as at December 31, 2022) consists of investment-grade financial instruments with a quoted market price.

For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

IFRS 9 requires management to use judgments, estimates and assumptions. Refer to ***Note 10.4 d) – Impairment assessment*** for more details.

i) Impairment of financial assets other than those classified or designated as FVTPL under IAS 39

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, is 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 3.14 – 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 3.15 – 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 measurement	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) on investment portfolio		Impairment loss recognized in Net gains (losses) on investment portfolio
Subsequent fair value increases	Recognized in Net gains (losses) on investment portfolio 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) on investment portfolio 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.

3.5 Business combinations

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.

3.6 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 32 – Segment information***).

Upon disposal of a portion of a CGU through a sale of a business as defined within IFRS 3, 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 at the CGU level.

The amortization method and terms of intangible assets assessed as having finite useful lives are shown below.

Table 3.16 – 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 income and expense in the Consolidated statements of income.

3.7 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.

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 currency gains and losses are recognized in income except for:
  - AFS equity securities where unrealized foreign currency gains and losses are recognized in OCI until the asset is sold or becomes impaired under IAS 39;
  - FVTOCI equity securities where unrealized foreign currency gains and losses remain in OCI under IFRS 9; and
  - Designated hedges where unrealized foreign currency gains and losses are recognized in OCI under IFRS 9.

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 3.17 – Exchange rates used

	As at			Average rate for the years	
	December 31, 2023	December 31, 2022	January 1, 2022	2023	2022
USD vs CAD	**1.325**	1.354	1.265	**1.350**	1.302
GBP vs CAD	**1.689**	1.637	1.710	**1.679**	1.607
EUR vs CAD	**1.463**	1.449	1.439	**1.460**	1.370
DKK vs CAD	**0.196**	0.195	0.193	**0.196**	0.184

3.8 Investments in associates and joint ventures

The Company’s investments in associates and joint ventures are mainly composed of investments in brokers which are part of the Company’s distribution channels through which it offers its insurance products. These investments 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.

3.9 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 3.18 – 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

3.10 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) on investment portfolio in Net income. Rental income from the related operating leases is recognized as Net investment income in Net income on a straight-line basis over the length of the lease.

3.11 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 depreciation expense is presented in Insurance service expense or Other income and expense, and the interest expense is presented in Other finance costs in the Consolidated statements of income.

3.12 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.

3.13 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.

3.14 Share-based payments

The Company has four 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;
- The three-year average combined ratio of the US, UK or Global Specialty Line operations compared to a specific target; or
- A combination of both.

Most RSUs automatically vest three years from the year of the grant. Vesting of 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; and
- 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 the Company's 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

The Company maintains 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.

3.15 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.

3.16 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 4 – Material accounting judgments, estimates and assumptions

4.1 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 4.2*	Impairment of financial assets	*Note 24.1*
Business combinations and disposals	*Note 5.3*	Measurement of income taxes	*Note 28.6*
Insurance and reinsurance contracts	*Note 11.3*	Valuation of DB obligation	*Note 31.8*
Impairment of goodwill and intangible assets	*Note 14.2*		

4.2 Global economic environment

Global financial market volatility

The Company continued to observe a significant volatility in financial markets. Several recession indicators are pointing to difficult quarters ahead. Inflation has cooled but remains above targets, with central banks reaffirming their intention to bring it in line. The increase in interest rates is affecting asset values and the Company is closely monitoring the impact of lower commercial real estate values and the decrease in lending appetite from US banks.

The increased uncertainty required management to use judgments, 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 24 – Net investment income and net insurance finance result***);
- The valuation of the DB obligation and the related plan assets (refer to ***Note 31 – Employee future benefits***); and
- The valuation of provisions in the liability for incurred claims to reflect the potential risks for certain lines of business (refer to ***Note 11 – Insurance and reinsurance contracts***).

Geopolitical tensions

The wars in Ukraine and Gaza have caused instability in the global economy and markets. While the Company's direct exposure to Russia-Ukraine and Israel-Gaza is immaterial, it continues to closely monitor for any indirect impacts.

Note 5 – Business combinations and disposals

5.1 Business combinations

a) Business acquisitions completed in 2023

The Company completed the following acquisition during the year ended December 31, 2023:

Direct Line Insurance Group plc's brokered commercial lines operations

On September 6, 2023, the Company announced that it had entered into an agreement to acquire the brokered Commercial Lines operations of Direct Line Insurance Group plc ("DLG"), a P&C company with leading market positions in the UK ("the DLG brokered commercial lines acquisition"). The acquisition is expected to strengthen the Company's UK Commercial Lines platform, broaden its broker distribution network and expand its current Commercial Lines product offering.

The acquisition was approved by the Board of Directors of both companies and closed on October 26, 2023 following approval by DLG's shareholders on October 19, 2023.

The purchase price included an initial cash consideration of £520 million ($869 million) paid on October 26, 2023 with potential for up to a further £30 million ($50 million) contingent payment under earnout provisions relating to the financial performance of the acquired business lines.

The acquisition was structured through several agreements as described below:

- ***Business combination*** – The business transfer agreement related to new business franchise and certain operations, renewal rights, data, brands, employees, contractors, third party contracts, and premises and the operational transfer is expected to occur in the second quarter of 2024. The business transfer agreement resulted in a business combination as the Company controlled these net assets from the closing date, as a result, the acquired net assets were consolidated from that date.
- ***Quota share reinsurance agreement*** – The reinsurance agreement related to premiums written but not yet earned starting from October 1, 2023. As a result, substantially all of the future economics of the business were transferred to the Company before policies will be renewed by the Company starting in the second quarter of 2024. The reinsurance agreement was recognized in direct insurance results in the fourth quarter of 2023. In addition, if approved by the High Court of Justice in England and Wales these policies will be legally transferred to the Company.
- ***Administration and transitional services arrangements*** – The Company entered into certain arrangements to ensure the servicing of policies during the transition.

As part of the acquisition, DLG will retain claims incurred related to premiums earned pre-October 1, 2023. As a result, the Company is not exposed to any development on prior-year claims related to premiums earned pre-October 1, 2023.

Financing for the purchase price of $869 million (£520 million) and expected related integration costs of approximately $75 million (£45 million) was secured through a combination of $500 million from the aggregate gross proceeds of the $575 million bought deal public offering of common shares, $400 million from the issuance of medium-term notes, and a new term loan facility. Refer to ***Note 20 – Share capital*** and ***Note 19 – Debt outstanding*** for more details.

The Company economically hedged the purchase price and other items to foreign currency fluctuations. Refer to ***Note 8.3 – Currency hedging in relation with the DLG brokered commercial lines acquisition***.

The following table summarizes the consideration and the preliminary fair value of the assets acquired and liabilities assumed as at the acquisition date. The final determination of the fair value will be completed within the prescribed period of one year following the acquisition.

Table 5.1 – The DLG brokered commercial lines acquisition

As at the acquisition date (October 26, 2023)	**GBP**	**CAD**
Purchase price		
Cash consideration	**520**	**869**
Contingent consideration[1]	**3**	**5**
Total purchase price	**523**	**874**
Fair value of the identifiable assets acquired and liabilities assumed		
Assets		
Intangible assets	**229**	**383**
Other	**2**	**3**
Liabilities		
Deferred tax liabilities	**(32)**	**(53)**
Other	**(2)**	**(3)**
Total identifiable net assets acquired	**197**	**330**
Goodwill	**326**	**544**
Exchange rate (GBP/CAD)		**1.67080**

[1] Recorded at fair value based on estimates of future profitability metrics, discounted using information as of the measurement date and classified in Level 3 of the fair value hierarchy.

The intangible assets recognized on acquisition were mainly related to distribution networks, amortized over a 15-year period, and trade names, amortized over an 8-year period.

The fair value of the acquired distribution networks was determined using discounted cash flows with the key estimates and assumptions as follows:

- Cash flow projections included estimated growth rates and profitability, broker attrition rates, synergies and contributory asset charges such as capital required to operate.
- Discount rate was based on the weighted-average cost of capital for comparable companies with similar activities.

Trade names were determined using the relief-from royalty method, an income approach using a projection of growth 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.

Goodwill reflects new business growth, tax synergies and the quality of the acquired businesses. Goodwill is not deductible for tax purposes. The final determination of the fair value of identifiable assets acquired and liabilities assumed will be completed within the prescribed period of one year following the acquisition.

From October 1 to December 31, 2023, the contribution from the acquisition, including the Quota share agreement, to Insurance revenue and Income before income taxes was $257 million and $(26) million respectively for the year-ended December 31, 2023. On a pro-forma basis from January 1, 2023, the contribution to Insurance revenue would have been $921 million. The pro-forma basis was calculated using historical information and is not necessarily indicative of the Insurance revenue that would have been derived if the acquisition occurred on January 1, 2023, or the Insurance revenue that may be obtained in the future. The contribution to Income before income taxes on a pro forma basis cannot be determined based on historical information as the business acquired was operated in conjunction with other business activities that have not been acquired by the Company. On a pro-forma basis from January 1, 2023, the amortization expense related to the acquired intangible assets would have been $34 million.

For the year ended December 31, 2023, the Company recognized acquisition costs of $24 million and integration costs of $9 million in the line Acquisition, integration and restructuring costs.

b) Business acquisitions completed in 2022

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. 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 19 – Debt outstanding*** for more details. Subsequent to year-end, on January 1, 2024, Highland Insurance Solutions was rebranded to Striior Insurance Solutions.

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.

5.2 Disposals

a) Disposals announced in 2023

The Company announced the following disposals during the year ended December 31, 2023:

UK Personal Lines

In 2023, the Company exited the UK Personal Lines market following a series of announcements.

On March 28, 2023, the Company announced its exit from the UK Personal Lines motor market as part of initiatives aimed at improving the strength and sustainability of its UK&I business. The exit also resulted in the sale of renewal rights to Atlanta Group.

Subsequently, on December 7, 2023, the Company announced it had entered into an agreement to sell its UK direct Home and Pet operations to Admiral Group plc (“Admiral”) for an initial cash consideration of £85 million ($143 million), with a potential for up to a further £33 million ($55 million) subject to the fulfilment of certain retention thresholds. The transaction will result in the transfer of renewal rights, brands, and employees. However, the Company will retain claims incurred prior to closing. The sale was approved by the Boards of Directors of both companies and is expected to close in the first half of 2024. The net assets related to the operations to be sold were not material as at December 31, 2023. The expected gain on sale of business will be recognized in Other net gains (losses) on closing.

On the same date, the Company announced its exit from the UK Home and Pet partner and broker contracts.

The Company recorded restructuring costs of $147 million in Acquisition, integration and restructuring costs for the year ended December 31, 2023, related to these transactions.

b) Business disposals completed in 2022

The Company completed the following disposals during the year ended December 31, 2022:

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 18 – 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 Other 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 Material 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 estimates of future cash flows and discount rates. However, actual results can be different from those estimates. 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.

Note 6 – Investments

6.1 Classification of investments

Table 6.1 – Classification of investments

	FVTOCI		FVTPL		Amortized cost[1]	Total carrying amount
As at December 31, 2023 (IFRS 9)	**Classified as FVTOCI[1]**	**Designated as FVTOCI**	**Classified as FVTPL**	**Designated as FVTPL**	**Carrying amount**	
Cash and cash equivalents	-	-	-	-	1,171	1,171
Short-term notes	1,588	-	-	-	-	1,588
Fixed income						
Investment grade						
Government	3,760	-	-	6,448	-	10,208
Corporate	7,830	-	-	3,205	-	11,035
Asset-backed[2]	1,235	-	84	294	-	1,613
Mortgage-backed						
Agency[3]	1,273	-	28	274	-	1,575
Non-agency	417	-	71	212	-	700
Below investment grade corporate	129	-	-	21	-	150
Non-rated	-	-	1,567	-	-	1,567
Debt securities	16,232	-	1,750	10,454	-	28,436
Investment grade						
Retractable	-	4	-	-	-	4
Fixed-rate perpetual	-	293	2	-	-	295
Other perpetual	-	695	390	-	-	1,085
Preferred shares	-	992	392	-	-	1,384
Common shares	-	-	4,668	-	-	4,668
Investment property	-	-	480	-	-	480
Loans	-	-	-	-	944	944
	16,232	992	7,290	10,454	2,115	37,083

		Fair value		Amortized cost	Total carrying amount
As at December 31, 2022 (IAS 39)	**AFS**	**Classified as FVTPL**	**Designated as FVTPL**	**Carrying amount**	
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[2]	1,168	-	187	-	1,355
Mortgage-backed					
Agency[3]	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

[1] As at December 31, 2023 these investments were classified as stage 1 and the allowance for ECL on securities at amortized cost and classified as FVTOCI were $2 million and $11 million, respectively.

[2] Credit card receivables and auto loans.

[3] Publicly traded MBS, which carry the full faith and credit guarantee of the US Government or are guaranteed by a government sponsored entity.

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

	FVTPL investments	Other investments				Total investments
As at	Carrying amount	Amortized cost	Unrealized gains[2]	Unrealized losses[2]	Carrying amount	Carrying amount
December 31, 2023 (IFRS 9)						
Cash and cash equivalents	**-**	**1,171**	**-**	**-**	**1,171**	**1,171**
Debt securities	**12,204**	**16,736**	**124**	**(628)**	**16,232**	**28,436**
Preferred shares	**392**	**1,141**	**9**	**(158)**	**992**	**1,384**
Common shares	**4,668**	**-**	**-**	**-**	**-**	**4,668**
Investment property	**480**	**-**	**-**	**-**	**-**	**480**
Loans	**-**	**944**	**-**	**-**	**944**	**944**
	17,744	**19,992**	**133**	**(786)**	**19,339**	**37,083**
December 31, 2022 (IAS 39)						
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

[1] Includes unrealized gains (losses) on embedded derivatives of $19 million as at December 31, 2022. These derivatives were presented in Investments, with the related perpetual preferred shares, on the Consolidated balance sheets. The change in fair value of these derivatives was recognized in Net gains (losses) on investment portfolio.

[2] Foreign amounts are translated using the period-end exchange rate.

6.3 Collateral

The following table summarizes the investment related collateral:

Table 6.3 – Collateral

As at December 31,	2023	2022
Collateral pledged	**649**	697
Collateral accepted	**2,754**	3,731

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 in Other assets. Collateral accepted is mainly related to securities loaned which as at December 31, 2023 had a fair value of $2,631 million ($3,616 million as at December 31, 2022). The related collateral accepted represents approximately 105% of the fair value of the securities loaned as at December 31, 2023 (105% as at as at December 31, 2022).

Note 7 – Financial liabilities related to investments

Table 7.1 – Financial liabilities related to investments

As at December 31,	2023	2022
Accounts payable to investment brokers on unsettled trades	**35**	33
Derivative financial liabilities (***Table 8.2***)	**91**	147
Equities sold short positions	**9**	9
	135	189

Note 8 – Derivative financial instruments

8.1 Types of derivatives used

The Company generally uses derivatives for economic hedging purposes and to improve the risk profile of its investment portfolio, as long as the resulting exposures remain within the guidelines of its investment policy. In certain circumstances, these derivatives also meet the requirements for hedge accounting. Risk management strategies eligible for hedge accounting have been designated as net investment hedges in foreign operations, cash flow hedges and fair value hedges. The following table summarizes the types of derivatives used by the Company.

Table 8.1 – Types of derivatives used

Derivatives	Description	Objective	Designation
Forwards	**Contractual obligations to exchange:**		
Currency	One currency for another at a predetermined future date	Mitigate risk arising from foreign currency fluctuations on:	
		• Foreign currency cash inflows and outflows impacting the Company's operations;	Not designated
		• 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.	Cash flow hedge if the transaction meets the requirements of "highly probable"
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	Not designated
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	Not designated
Swaps	**Over-the-counter contracts:**		
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 and Fair value 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	Not designated
Credit default	That transfer credit risk related to an underlying financial instrument from one counterparty to another	Modify exposure to credit risk	Not designated
Inflation	That transfer inflation risk from one party to another	Modify exposure to inflation risk	Not designated

Notes to the Consolidated financial statements

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

8.2 Fair value and notional amount of derivatives

The following table presents the notional amount by remaining term to maturity and fair value of the derivatives held by the Company based on their designation in qualifying hedge accounting relationships.

Table 8.2 – Fair value and notional amount of derivatives

As at December 31, 2023			**Term to maturity (notional amount)**				**Fair value**	
Type of hedge	**Risk hedged**	**Instrument type**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**	**Asset**	**Liability**
Designated for hedge accounting								
Net investment hedges	Currency risk	Currency forward contracts	4,992	-	-	4,992	62	2
Cash flow hedges	Currency risk	Cross currency interest rate swaps	5	42	27	74	-	9
Fair value hedges	Currency risk and interest risk	Cross currency interest rate swaps	-	5	-	5	-	-
Fair value hedges	Interest risk	Interest rate swaps	-	-	92	92	29	-
			4,997	47	119	5,163	91	11
Not designated for hedge accounting								
		Currency forward contracts	1,343	-	-	1,343	39	7
		Interest rate futures	357	-	-	357	-	-
		Equity swaps	1,586	-	-	1,586	8	52
		Equity futures	843	-	-	843	-	-
		Inflation swaps	-	-	203	203	56	21
			4,129	-	203	4,332	103	80
			9,126	47	322	9,495	194	91

As at December 31, 2022			**Term to maturity (notional amount)**				**Fair value**	
Type of hedge	**Risk hedged**	**Instrument type**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**	**Asset**	**Liability**
Designated for hedge accounting								
Net investment hedges	Currency risk	Currency forward contracts	4,953	-	-	4,953	23	95
Cash flow hedges	Currency risk	Cross currency interest rate swaps	-	48	26	74	-	13
Fair value hedges	Currency risk and interest risk	Cross currency interest rate swaps	-	8	-	8	-	2
Fair value hedges	Interest risk	Interest rate swaps	-	-	89	89	29	-
			4,953	56	115	5,124	52	110
Not designated for hedge accounting								
		Currency forward contracts	1,364	-	-	1,364	6	22
		Interest rate futures	478	-	-	478	-	-
		Equity swaps	1,411	-	-	1,411	60	-
		Equity futures	776	-	-	776	-	-
		Inflation swaps	-	-	196	196	47	15
			4,029	-	196	4,225	113	37
			8,982	56	311	9,349	165	147

8.3 Currency hedging in relation with the DLG brokered commercial lines acquisition

Purchase price hedges

In September 2023, in connection with the DLG brokered commercial lines acquisition, the Company entered into foreign currency forward contracts to hedge the £520 million ($869 million) purchase price to exposures from fluctuations in the CAD/GBP currency pair. These derivatives have a notional amount of £500 million ($835 million) of which £265 million ($443 million) were contingent on the closing of the acquisition.

These derivatives, while providing effective economic hedges, did not qualify as cash flow hedges because the transaction was not highly probable, as it was not yet approved by DLG's shareholders. As a result, the changes in the fair value were recognized in Other net gains (losses) in Net income. The Company recognized a loss of $20 million for the year ended December 31, 2023, related to these derivatives. Refer to ***Note 25 – Other net gains (losses)*** for more details.

These derivatives were settled upon closing of the acquisition.

Net investment hedges

In September 2023, the Company also entered into a foreign currency forward contract for a notional amount of £235 million ($393 million) to hedge the currency risk related to the initial carrying value of the business to be acquired. The change in the fair value of this derivative was recognized through Other net gains (losses) in Net income until closing of the transaction as the Company did not have any book value exposure to the business until the acquisition closed. The Company recognized a gain of $6 million for the year ended December 31, 2023 related to this derivative. Refer to ***Note 25 – Other net gains (losses)*** for more details.

After the closing of the acquisition, this derivative was designated as a hedge of net investments in foreign operations, with changes in fair value recognized in OCI.

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 Other 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 Other 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 18 – Assets held for sale*** for more details.

Note 9 – Fair value measurement

9.1 Categorization of fair value

Table 9.1 – Fair value hierarchy of financial assets, investment property and financial liabilities measured at fair value

	Level 1	Level 2	Level 3	
	Valued using	Valued using models		
As at	quoted (unadjusted) market prices	with observable inputs	without observable inputs	Total
December 31, 2023 (IFRS 9)				
Short-term notes	**1,582**	**6**	**-**	**1,588**
Fixed income				
Investment grade				
Government	**4,749**	**5,459**	**-**	**10,208**
Corporate	**-**	**11,035**	**-**	**11,035**
Asset-backed	**-**	**1,613**	**-**	**1,613**
Mortgage-backed				
Agency	**-**	**1,575**	**-**	**1,575**
Non-agency	**-**	**700**	**-**	**700**
Below investment grade corporate	**-**	**150**	**-**	**150**
Non-rated	**-**	**-**	**1,567**	**1,567**
Debt securities	**6,331**	**20,538**	**1,567**	**28,436**
Preferred shares	**1,384**	**-**	**-**	**1,384**
Common shares	**4,539**	**-**	**129**	**4,668**
Investment property	**-**	**-**	**480**	**480**
Derivative financial assets *(Table 8.2)*	**-**	**194**	**-**	**194**
Financial assets and investment property measured at fair value	**12,254**	**20,732**	**2,176**	**35,162**
Financial liabilities measured at fair value *(Table 7.1)*	**9**	**91**	**-**	**100**
December 31, 2022 (IAS 39)				
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
Financial assets and investment property measured at fair value	11,994	19,614	2,147	33,755
Financial liabilities measured at fair value *(Table 7.1)*	9	147	-	156

[1] Includes perpetual preferred shares with call options amounting to $1,196 million as at December 31, 2022. The fair value of the embedded derivatives component amounting to $62 million as at December 31, 2022 was determined using a Level 3 methodology.

The fair value of loans was $904 million as at December 31, 2023 ($971 million as at December 31, 2022). The carrying amount of certain short-term financial instruments not measured at fair value is a reasonable approximation of their fair value.

9.2 Reconciliation of fair value 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

	Classified as FVTPL			
Year ended	**Debt securities**	**Common shares**	**Investment property**	**Total**
December 31, 2023 (IFRS 9)				
Balance, beginning of the year	**1,506**	**165**	**476**	**2,147**
Total gain (losses) recognized in Net income	**10**	**(16)**	**(14)**	**(20)**
Purchases	**265**	**-**	**20**	**285**
Disposals	**(188)**	**(26)**	**(15)**	**(229)**
Exchange rate differences	**(17)**	**6**	**13**	**2**
Transfer to Level 2	**(9)**	**-**	**-**	**(9)**
Balance, end of year	**1,567**	**129**	**480**	**2,176**

	AFS		Classified as FVTPL		
Year ended	**Debt securities**	**Common shares**	**Common shares**	**Investment property**	**Total**
December 31, 2022 (IAS 39)					
Balance, beginning of the year	1,444	210	5	634	2,293
Total gain (losses) recognized in:					
Net income	1	13	(1)	(17)	(4)
OCI	(22)	3	-	-	(19)
Purchases	511	18	-	11	540
Disposals	(468)	(74)	(1)	(114)	(657)
Exchange rate differences	40	(8)	-	(38)	(6)
Balance, end of year	1,506	162	3	476	2,147

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 credit 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; • DB pension plan obligations, net of related debt securities; and • Insurance and reinsurance contracts.	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 insurance and reinsurance contracts 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 liability for incurred claims.

The Operational Investment Committee and Governance and Sustainability Committee regularly monitor and review compliance, respectively, with the Company's investment policies.

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)

	2023		2022 (Restated)[1]	
Years ended December 31,	**Net income**	**OCI**	**Net income**	**OCI**
Equity price risk				
Common share prices (10% decrease)[2]	**(158)**	**(66)**	(166)	(87)
Preferred share prices (5% decrease)[3]	**(14)**	**(36)**	(15)	(38)
Property price risk (10% decrease)	**(35)**	**-**	(36)	(22)
Interest rate risk (100 bps increase)[4]				
Debt securities[5,6]	**(301)**	**(424)**	(368)	(386)
Net liability for incurred claims before net payables and claims reported under the GMM[7]	**350**	**-**	319	-
DB pension plan obligation, net of related debt securities and annuity buy-in insurance	**-**	**84**	-	(75)
Currency risk[8]				
Strengthening of CAD by 10% vs all currencies				
Net assets of foreign operations in:				
USD	**(5)**	**(234)**	(11)	(219)
GBP	**3**	**(286)**	4	(235)

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.
[2] Including the impact of common shares (net of any equity hedges, including the impact of any impairment).
[3] Including the impact on related embedded derivatives.
[4] Excludes the impact of credit spreads.
[5] Excluding the impact of debt securities related to the DB pension plan.
[6] Interest rate sensitivity is based on the fixed-income portfolio, which comprises approximately 48% of government-related securities and 52% of corporate-related securities.
[7] Including the impact of a +0.5% change in the discount rate of net periodic payment orders.
[8] 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; and
- Impact on the Company's pension plans has been considered.

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

b) Exposure to currency risk

Table 10.4 – Net foreign currency and translation exposure

As at December 31,	**2023**			**2022 (Restated)[1]**		
All amounts in CAD	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Investments supporting Canadian operations	**3,694**	**-**	**-**	3,373	-	-
Foreign-currency derivatives, notional amount[2]	**(3,655)**	**-**	**-**	(3,349)	-	-
	39	**-**	**-**	24	-	-
Consolidated net assets of foreign operations	**2,556**	**4,267**	**515**	2,494	3,572	588
Foreign-currency derivatives, notional amount[2]	**-**	**(1,403)**	**(249)**	-	(974)	(279)
	2,556	**2,864**	**266**	2,494	2,598	309
Other net assets in foreign currency	**54**	**(38)**	**-**	150	(56)	-
Total net currency exposure	**2,649**	**2,826**	**266**	2,668	2,542	309

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

[2] The average contractual rate of currency forward contracts designated in hedging relationships as net investment hedges were 1.3639 for USD/CAD contracts and 1.6890 for GBP/CAD contracts as at December 31, 2023 (1.3760 and 1.5985 respectively, as at December 31, 2022).

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

	2023		**2022 (Restated)[1]**	
As at December 31,	**Fair value**	**Duration (in years)**	**Fair value**	**Duration (in years)**
Investments:				
Debt securities	**28,436**	**3.5**	27,095	3.2
Preferred shares	**1,384**	**3.6**	1,421	4.0
Net liability for incurred claims before net payables and claims reported under the GMM	**21,641**	**2.1**	20,591	2.0

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

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 Alternative Reference Rates ("ARRs") as part of the IBOR reform, certain benchmark rates were or will be discontinued. The transition results in changes in methodology and may cause increased financial, operational, legal and regulatory risks. 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 finalizing its transition and expects its exposure to the transition to end in 2024.

The Company had no significant exposure to IBORs that have yet to transition to ARRs as at December 31, 2023 and 2022.

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, its reinsurance contracts assets and its structured settlement agreements entered with various life insurance companies. The Company is also subject to counterparty credit risk arising from over-the-counter derivatives, repurchase agreements, and 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,	**2023**	**2022 (Restated)[1]**
Cash and cash equivalents	**1,171**	1,010
Debt securities	**28,436**	27,095
Preferred shares	**1,384**	1,421
Loans	**944**	1,001
Reinsurance contract assets	**5,217**	5,004
Other financial assets[2]	**1,340**	1,394
On-balance sheet credit risk exposure	**38,492**	36,925
Structured settlements	**1,488**	1,660
Off-balance sheet credit risk exposure	**1,488**	1,660

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Mainly includes other receivables and recoverables, financial assets related to investments, restricted funds, accrued investment income, and on-balance sheet structured settlements.

Structured settlements

The Company has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from various Canadian 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.

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,	**2023**	**2022**
Debt securities:		
AAA	**37%**	38%
AA	**22%**	23%
A	**23%**	22%
BBB	**12%**	11%
Not rated	**6%**	6%
	100%	100%

Table 10.8 – Credit quality of preferred shares

As at December 31,	**2023**	**2022**
Preferred shares:		
P1	**-%**	1%
P2	**68%**	72%
P3	**32%**	27%
	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 US and European investment portfolios help diversify out of Canadian Financial issuers.

Table 10.9 – Investment breakdown by country of incorporation and by industry

As at December 31,	**2023**	**2022**
By country of incorporation:		
Canada	**53%**	54%
US	**26%**	25%
UK	**10%**	9%
Other (including Ireland)	**11%**	12%
	100%	100%
By industry:		
Government	**33%**	33%
Financials	**25%**	26%
ABS and MBS	**11%**	11%
Energy	**4%**	4%
Other	**27%**	26%
	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 13.2 – 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 13.2 – Risk management and counterparty credit risk***), over-the-counter derivatives, repurchase agreements, securities lending and borrowing transactions.

Over-the-counter derivatives, repurchase agreements, 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 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-' or to be guaranteed by such entity, and to have an issuer credit spread below established thresholds.

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 derivatives, repurchase agreements, 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 $207 million as at December 31, 2023 ($205 million as at December 31, 2022) 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.

d) Impairment assessment under IFRS 9

The Company's ECL assessment and measurement method is set out below.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL for investments in stage 1 of the ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal. Lifetime ECL is required to be calculated for instruments in stages 2 or 3. In all instances, the expected loss given default is based on external historical data.

Significant increase in credit risk and default

The Company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- The internal rating of the counterparty indicating default or near-default;
- The counterparty having past due liabilities to public creditors or employees;
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection; and
- The counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a LTECL.

Forward-looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as GDP growth, unemployment, equity markets indexes and other economic inputs.

The Company's debt instruments measured at FVTOCI and loans measured at amortized cost are in stage 1 of the ECL model. Due to the high quality of the Company's investment portfolio, the allowance for ECL was not significant as at December 31, 2023. Refer to ***Table 6.1 – Classification of investments*** for more details.

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 is 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 19.4 – Other financing***).

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, 2023					
Cash and cash equivalents	**1,171**	**-**	**-**	**-**	**1,171**
Debt securities	**3,004**	**14,811**	**8,975**	**1,646**	**28,436**
Preferred shares	**-**	**4**	**91**	**1,289**	**1,384**
Common shares	**-**	**-**	**-**	**4,668**	**4,668**
Investment property	**-**	**-**	**-**	**480**	**480**
Loans	**82**	**221**	**641**	**-**	**944**
	4,257	**15,036**	**9,707**	**8,083**	**37,083**
Derivative financial assets	**109**	**-**	**85**	**-**	**194**
	4,366	**15,036**	**9,792**	**8,083**	**37,277**
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	-	303	698	-	1,001
	4,776	13,825	9,083	7,917	35,601
Derivative financial assets	165	-	-	-	165
	4,941	13,825	9,083	7,917	35,766

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, 2023					
Financial liabilities related to investments	**96**	**8**	**22**	**9**	**135**
Debt outstanding	**655**	**1,457**	**2,969**	**-**	**5,081**
Other liabilities:					
Lease liabilities – undiscounted value[1]	**120**	**341**	**366**	**-**	**827**
Other financial liabilities[2]	**1,280**	**144**	**28**	**391**	**1,843**
	2,151	**1,950**	**3,385**	**400**	**7,886**
December 31, 2022 (Restated)[3]					
Financial liabilities related to investments	164	-	16	9	189
Debt outstanding	135	1,355	3,032	-	4,522
Other liabilities:					
Lease liabilities – undiscounted value[1]	112	316	288	-	716
Other financial liabilities[2]	1,336	112	33	391	1,872
	1,747	1,783	3,369	400	7,299

[1] Lease liabilities includes discounting of $167 million as at December 31, 2023 ($94 million as at December 31, 2022) (refer to ***Note 17.2 – Other liabilities***).

[2] Excludes facility carrier payables, pension plans in a deficit position and unfunded plans, other post-employment benefits and other post-retirement benefits, and other non-financial liabilities.

[3] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

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.

c) Insurance and reinsurance contracts by maturity

The following table summarizes the maturity profile of portfolios of insurance and reinsurance contracts based on the undiscounted future cash flows expected to be paid out in the periods presented.

Table 10.12 – Insurance and reinsurance contracts by contractual maturity[1]

	Estimates of undiscounted future cash flows							
As at	**Less than 1 year**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 4 years**	**From 4 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
December 31, 2023								
Insurance contracts liabilities	**12,795**	**5,029**	**3,237**	**2,204**	**1,424**	**3,031**	**37**	**27,757**
Reinsurance contracts assets	**2,967**	**836**	**399**	**238**	**149**	**438**	**-**	**5,027**
December 31, 2022 (Restated)[2]								
Insurance contracts liabilities	11,852	5,192	3,332	2,265	1,452	2,885	43	27,021
Reinsurance contracts assets	2,474	985	533	334	206	443	-	4,975

[1] Excludes periodic payment orders and the liability for remaining coverage measured under the PAA.

[2] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

Note 11 – Insurance and reinsurance contracts

Table 11.1 – Net carrying amounts of insurance and reinsurance contracts

As at December 31,	2023			2022		
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total
Insurance contracts:						
Canada	**3,134**	**14,012**	**17,146**	3,594	13,219	16,813
UK&I	**3,905**	**5,071**	**8,976**	4,784	3,588	8,372
US	**1,603**	**2,628**	**4,231**	1,313	2,632	3,945
Total insurance contract liabilities	**8,642**	**21,711**	**30,353**	9,691	19,439	29,130
Reinsurance contracts:						
Canada	**289**	**1,097**	**1,386**	336	1,048	1,384
UK&I	**1,307**	**1,630**	**2,937**	1,523	1,234	2,757
US	**192**	**702**	**894**	261	602	863
Total reinsurance contract assets	**1,788**	**3,429**	**5,217**	2,120	2,884	5,004
Net insurance and reinsurance contracts	**6,854**	**18,282**	**25,136**	7,571	16,555	24,126

11.1 Insurance revenue

Table 11.2 – Insurance revenue

Years ended December 31,	2023	2022
Contracts measured under PAA	**23,546**	22,525
Contracts measured under the GMM[1]		
Amounts related to changes in liability for remaining coverage		
Risk adjustment recognized for the risk expired	**77**	137
Expected incurred claims and other insurance service expense	**1,884**	3,252
Total insurance revenue	**25,507**	25,914

[1] Insurance revenue from contracts measured under the GMM was related to acquired claims.

11.2 Reconciliation of carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the period as a result of cash flows and amounts recognized in Comprehensive income.

The Company presents tables that separately analyze movements in the liability for remaining coverage and the liability for incurred claims and reconcile these movements to the line items in Comprehensive income (Refer to ***Tables 11.3*** and ***11.5***).

A second reconciliation is presented for contracts measured under the GMM, which separately analyzes changes in the estimates of the present value of future cash flows, the risk adjustment and the contractual service margin (Refer to ***Tables 11.4*** and ***11.6***).

Table 11.3 – Insurance contracts analysis by remaining coverage and incurred claims

	December 31, 2023					
	Liability for remaining coverage		**Liability for incurred claims**			
				Contracts under PAA		
Year ended	**Excluding loss component**	**Loss Component[1]**	**Contracts under GMM**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities, beginning of year	7,350	2,341	52	18,642	745	29,130
Changes in comprehensive income:						
Insurance revenue	(25,507)	-	-	-	-	(25,507)
Incurred claims and other insurance service expense	-	(1,091)	1,537	16,136	345	16,927
Amortization of insurance acquisition cash flows	5,168	-	-	-	-	5,168
Losses and reversals on onerous contracts	-	1,224	-	-	-	1,224
Prior-year development	-	-	-	(439)	(296)	(735)
Insurance service expense	5,168	133	1,537	15,697	49	22,584
Investment component	(118)	-	-	118	-	-
Insurance service result from insurance contracts	(20,457)	133	1,537	15,815	49	(2,923)
Insurance finance expense (income)	96	88	-	870	37	1,091
Exchange rate differences	47	46	-	102	1	196
Total changes in comprehensive income	(20,314)	267	1,537	16,787	87	(1,636)
Cash flows						
Premiums received	24,375	-	-	-	-	24,375
Claims and other insurance service expense paid	-	-	(1,578)	(14,561)	-	(16,139)
Insurance acquisition cash flows	(5,397)	-	-	-	-	(5,397)
Total cash flows	18,978	-	(1,578)	(14,561)	-	2,839
Disposals and other[2]	20	-	-	-	-	20
Insurance contract liabilities, end of year	6,034	2,608	11	20,868	832	30,353

[1] Loss component related to acquired claims was $2,595 million as at December 31, 2023 ($2,250 million as at December 31, 2022) and mostly reflects claims that the Company will settle later than initially anticipated. The loss component not related to acquired claims is mainly due to certain groups of insurance contracts in the UK&I.

[2] Includes the write-off of insurance acquisition cash flows related to the UK Personal Lines exit. Refer to ***Note 5.2 – Disposals*** for more details.

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	December 31, 2022					
	Liability for remaining coverage		Liability for incurred claims			
				Contracts under PAA		
Year ended	**Excluding loss component**	**Loss component[1]**	**Contracts under GMM**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities, beginning of year	10,886	1,030	61	16,284	685	28,946
Changes in comprehensive income:						
Insurance revenue	(25,914)	-	-	-	-	(25,914)
Incurred claims and other insurance service expense	-	(516)	1,859	14,911	315	16,569
Amortization of insurance acquisition cash flows	4,833	-	-	-	-	4,833
Losses and reversals on onerous contracts	-	1,930	-	-	-	1,930
Prior-year development	-	-	-	(329)	(253)	(582)
Insurance service expense	4,833	1,414	1,859	14,582	62	22,750
Investment component	(144)	-	-	144	-	-
Insurance service result from insurance contracts	(21,225)	1,414	1,859	14,726	62	(3,164)
Insurance finance expense (income)	(164)	(109)	-	(260)	(13)	(546)
Exchange rate differences	(151)	6	(1)	35	11	(100)
Total changes in comprehensive income	(21,540)	1,311	1,858	14,501	60	(3,810)
Cash flows:						
Premiums received	23,466	-	-	-	-	23,466
Claims and other insurance service expense paid	-	-	(1,867)	(12,008)	-	(13,875)
Insurance acquisition cash flows	(5,426)	-	-	-	-	(5,426)
Total cash flows	18,040	-	(1,867)	(12,008)	-	4,165
Disposals and other[2]	(36)	-	-	(135)	-	(171)
Insurance contract liabilities, end of year	7,350	2,341	52	18,642	745	29,130

[1] Loss component related to acquired claims was $2,250 million as at December 31, 2022 and mostly reflects claims that the Company will settle later than initially anticipated. The loss component not related to acquired claims is mainly due to certain groups of insurance contracts in the UK&I.

[2] Mainly related to RSA Middle East. Refer to ***Note 5.2 – Disposals*** for more details.

Table 11.4 – Insurance contracts analysis by measurement component – Contracts measured under the GMM

	2023			2022		
Years ended December 31,	**Present value of future cash flows**	**Risk adjustment**	**Total**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities, beginning of year	**6,447**	**251**	**6,698**	8,866	371	9,237
Changes in comprehensive income:						
Changes that relate to current services:						
Risk adjustment recognized for the risk expired	**-**	**(116)**	**(116)**	-	(154)	(154)
Experience adjustments	**(1,314)**	**-**	**(1,314)**	(1,787)	-	(1,787)
Changes that relate to future services:						
Changes in estimates that do not adjust the contractual service margin	**1,178**	**44**	**1,222**	1,704	64	1,768
Insurance service result from insurance contracts	**(136)**	**(72)**	**(208)**	(83)	(90)	(173)
Insurance finance expense (income)	**191**	**6**	**197**	(239)	(22)	(261)
Exchange rate differences	**110**	**5**	**115**	(230)	(8)	(238)
Total changes in comprehensive income	**165**	**(61)**	**104**	(552)	(120)	(672)
Cash flows:						
Claims and other insurance service expense paid	**(1,578)**	**-**	**(1,578)**	(1,867)	-	(1,867)
Total cash flows	**(1,578)**	**-**	**(1,578)**	(1,867)	-	(1,867)
Insurance contract liabilities, end of year	**5,034**	**190**	**5,224**	6,447	251	6,698

Table 11.5 – Reinsurance contracts analysis by remaining coverage and incurred claims

	December 31, 2023					
	Asset for remaining coverage		**Asset for incurred claims**			
				Contracts under PAA		
Year ended	**Excluding loss recovery component**	**Loss recovery component[1]**	**Contracts under GMM**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Reinsurance contract assets, beginning of year	**1,458**	**662**	**157**	**2,608**	**119**	**5,004**
Changes in comprehensive income:						
Expense from reinsurance contracts	**(3,056)**	**-**	**-**	**-**	**-**	**(3,056)**
Amounts recoverable for incurred claims and other expenses	**2**	**(321)**	**542**	**1,823**	**46**	**2,092**
Loss recoveries and reversals on onerous contracts	**-**	**404**	**-**	**-**	**-**	**404**
Prior-year development	**-**	**-**	**-**	**(5)**	**(41)**	**(46)**
Changes in non-performance risk of reinsurers	**1**	**-**	**-**	**(9)**	**-**	**(8)**
Income from reinsurance contracts	**3**	**83**	**542**	**1,809**	**5**	**2,442**
Net expense from reinsurance contracts	**(3,053)**	**83**	**542**	**1,809**	**5**	**(614)**
Reinsurance finance income (expense)	**42**	**22**	**1**	**127**	**5**	**197**
Exchange rate differences	**22**	**18**	**1**	**23**	**1**	**65**
Total changes in comprehensive income	**(2,989)**	**123**	**544**	**1,959**	**11**	**(352)**
Cash flows						
Premiums paid	**2,537**	**-**	**-**	**-**	**-**	**2,537**
Amounts received	**(3)**	**-**	**(590)**	**(1,379)**	**-**	**(1,972)**
Total cash flows	**2,534**	**-**	**(590)**	**(1,379)**	**-**	**565**
Reinsurance contract assets, end of year	**1,003**	**785**	**111**	**3,188**	**130**	**5,217**

[1] Loss recovery component related to acquired claims was $781 million December 31, 2023 ($649 million as at December 31, 2022) and is related to the underlying loss component that was recoverable under the terms of the reinsurance contracts held.

	December 31, 2022					
	Asset for remaining coverage		Asset for incurred claims			
				Contracts under PAA		
Year ended	**Excluding loss recovery component**	**Loss recovery component[1]**	**Contracts under GMM**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Reinsurance contract assets, beginning of year	2,642	281	195	1,775	82	4,975
Changes in comprehensive income						
Expense from reinsurance contracts	(3,475)	-	-	-	-	(3,475)
Amounts recoverable for incurred claims and other expenses	-	(118)	535	1,772	(12)	2,177
Loss recoveries and reversals on onerous contracts	-	529	-	-	-	529
Prior-year development	-	-	-	163	48	211
Changes in non-performance risk of reinsurers	1	-	-	(5)	-	(4)
Income from reinsurance contracts	1	411	535	1,930	36	2,913
Net expense from reinsurance contracts	(3,474)	411	535	1,930	36	(562)
Reinsurance finance income (expense)	(34)	(30)	-	(40)	(3)	(107)
Exchange rate differences	(75)	-	(2)	27	4	(46)
Total changes in comprehensive income	(3,583)	381	533	1,917	37	(715)
Cash flows						
Premiums paid	2,394	-	-	-	-	2,394
Amounts received	(26)	-	(571)	(1,038)	-	(1,635)
Total cash flows	2,368	-	(571)	(1,038)	-	759
Disposals and other[2]	31	-	-	(46)	-	(15)
Reinsurance contract assets, end of year	1,458	662	157	2,608	119	5,004

[1] Loss recovery component related to acquired claims was $649 million as at December 31, 2022 and is related to the underlying loss component that was recoverable under the terms of the reinsurance contracts held.

[2] Mainly related to RSA Middle East. Refer to ***Note 5.2 – Disposals*** for more details.

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Table 11.6 – Reinsurance contracts analysis by measurement component – Contracts measured under the GMM

	December 31, 2023			
Year ended	**Present value of future cash flows**	**Risk adjustment**	**Contractual Service margin**	**Total**
Reinsurance contract assets, beginning of year	2,173	84	12	2,269
Changes in comprehensive income				
Changes that relate to current services				
Contractual service margin recognized for services received	-	-	(3)	(3)
Risk adjustment recognized for the risk expired	-	(32)	-	(32)
Experience adjustments	(450)	-	-	(450)
Changes that relate to future services				
Changes in estimates that do not adjust the contractual service margin	439	(2)	-	437
Changes in non-performance risk of reinsurers	1	-	-	1
Net expense from reinsurance contracts	(10)	(34)	(3)	(47)
Reinsurance finance income (expense)	67	3	-	70
Exchange rate differences	45	2	-	47
Total changes in comprehensive income	102	(29)	(3)	70
Cash flows				
Amounts received	(590)	-	-	(590)
Total cash flows	(590)	-	-	(590)
Reinsurance contract assets, end of year	1,685	55	9	1,749

	December 31, 2022			
Year ended	**Present value of future cash flows**	**Risk adjustment**	**Contractual Service margin**	**Total**
Reinsurance contract assets, beginning of year	2,957	135	18	3,110
Changes in comprehensive income				
Changes that relate to current services				
Contractual service margin recognized for services received	-	-	(6)	(6)
Risk adjustment recognized for the risk expired	-	(29)	-	(29)
Experience adjustments	(634)	-	-	(634)
Changes that relate to future services				
Changes in estimates that do not adjust the contractual service margin	547	5	-	552
Changes in non-performance risk of reinsurers	2	-	-	2
Net expense from reinsurance contracts	(85)	(24)	(6)	(115)
Reinsurance finance income (expense)	(49)	(22)	-	(71)
Exchange rate differences	(79)	(5)	-	(84)
Total changes in comprehensive income	(213)	(51)	(6)	(270)
Cash flows				
Amounts received	(571)	-	-	(571)
Total cash flows	(571)	-	-	(571)
Reinsurance contract assets, end of year	2,173	84	12	2,269

11.3 Material accounting judgments, estimates and assumptions

Liability for incurred claims – Estimate of undiscounted future cash flows

The Company establishes claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the 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, geographical area, as well as significant business line and claim type. Catastrophic weather events are separately projected to reflect the fact that their development might differ from historical losses while very large losses are typically left reserved at the face value of claims adjuster estimates.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

A particular area of consideration during the year ended December 31, 2023 has been the continued elevated levels of inflation. 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 2024.

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 4.2 – Global economic environment***).

Discount rates

The liability for incurred claims under the PAA and GMM and the liability for remaining coverage under the PAA, when onerous, and GMM are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contracts. The illiquidity premium is determined by reference to observable market rates of investment grade bonds that the Company believes reflects the nature of the liabilities and are a suitable proxy for assessing the value of illiquidity.

Discount rates applied for discounting of future cash flows are listed below:

Table 11.7 – Yield curves used to discount cash flows for insurance and reinsurance contracts for major currencies

	2023				**2022**			
As at December 31,	**1 year**	**3 years**	**5 years**	**10 years**	**1 year**	**3 years**	**5 years**	**10 years**
CAD	**4.9%**	**4.3%**	**4.2%**	**4.2%**	5.0%	4.8%	4.6%	4.6%
USD	**5.2%**	**4.7%**	**4.6%**	**4.7%**	5.0%	4.9%	4.9%	5.0%
GBP	**5.0%**	**4.5%**	**4.4%**	**4.5%**	4.9%	4.9%	5.0%	5.0%
EUR	**3.5%**	**3.2%**	**3.1%**	**3.2%**	3.3%	3.6%	3.8%	3.9%
Periodic payment orders	**4.0%**	**4.0%**	**4.0%**	**4.0%**	4.0%	4.0%	4.0%	4.0%

Risk adjustment

The risk adjustment is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It reflects an amount the Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The main non-financial risks considered in determining the risk adjustment are:

- The level of uncertainty in the best estimate;
- The variability of key inflation assumptions; and
- Possible economic and legislative changes.

The Company has estimated the risk adjustment based on a percentile (80% as at December 31, 2023 and 2022) of the loss distribution of the Company's economic capital model less the mean of the loss distribution. Percentile estimates for loss distribution are highly uncertain. The loss distribution is estimated using standard statistical techniques in accordance with generally accepted actuarial principles.

The main assumptions underlying these techniques are:

- Historical claims development can be used to generate the full range of potential outcomes; and
- Expert judgments to allow for the correlation between line of business and region.

Additional qualitative judgment is used to assess the extent to which there are events not included in the historical data.

Liability for remaining coverage under the PAA (when onerous) and GMM – Estimate of undiscounted future cash flows

The Company's objective in estimating future cash flows is to determine the expected value of the full range of possible outcomes, considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows on a probability-weighted basis that are within the contract boundary. The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

Coverage units

Recognition of deferred profit in Net income through the amortization of the contractual service margin is dictated by coverage units which quantify the amount of insurance service provided in any given period. In the context of retrospective reinsurance contracts and acquired claims, the Company deems the expected settlement pattern of outstanding future cash flows to be the best representation of service provided.

11.4 Sensitivity analysis

The liability for incurred claims' 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.

Table 11.8 – Sensitivity analysis (liability for incurred claims) – Impact on Net income

	2023				**2022**			
As at December 31,	**Direct[1]**		**Net[2]**		**Direct[1]**		**Net[2]**	
	Reserves +5%	**Discount rate +1%**	**Reserves +5%**	**Discount rate +1%**	**Reserves +5%**	**Discount rate +1%**	**Reserves +5%**	**Discount rate +1%**
Canada	**(557)**	**222**	**(508)**	**204**	(546)	216	(495)	195
UK&I[3]	**(501)**	**174**	**(301)**	**95**	(466)	150	(270)	79
US	**(105)**	**40**	**(81)**	**31**	(100)	35	(72)	26

[1] Represents the liability for incurred claims before net payables included in incurred claims and the reclass of claims reported under the GMM.

[2] Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.

[3] Excludes periodic payment orders. A change of +0.5% in the discount rate of the direct periodic payment orders would increase Net income by $37 million and $35 million as at December 31, 2023 and 2022, respectively. A change of +0.5% in the discount rate of net periodic payment orders would increase Net income by $20 million and $19 million as at December 31, 2023 and 2022, respectively.

11.5 Fair value of the net liability for incurred claims

The Company estimates that the fair value of its net liability for incurred claims approximates its carrying amount.

Table 11.9 – Carrying amount of the net liability for incurred claims

	2023			2022 (Restated)[1]		
As at December 31,	**Direct**	**Ceded**	**Net**	**Direct**	**Ceded**	**Net**
Undiscounted value	**27,065**	**4,560**	**22,505**	26,243	4,707	21,536
Effect of time value of money	**(2,356)**	**(372)**	**(1,984)**	(2,419)	(438)	(1,981)
Undiscounted risk adjustment	**1,106**	**217**	**889**	1,084	266	818
Periodic payment orders[2]	**417**	**186**	**231**	399	181	218
Net liability for incurred claims before net payables and claims reported under the GMM	**26,232**	**4,591**	**21,641**	25,307	4,716	20,591
Net payables included in incurred claims	**692**	**467**	**225**	778	268	510
Reclass of claims reported under the GMM[3]	**(5,213)**	**(1,629)**	**(3,584)**	(6,646)	(2,100)	(4,546)
Net liability for incurred claims	**21,711**	**3,429**	**18,282**	19,439	2,884	16,555

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

[2] The net periodic payment orders are net of the discount and risk adjustment of $346 million as at December 31, 2023 ($327 million as at December 31, 2022).

[3] Includes the acquired claims and retroactive reinsurance reclassifications from liability for incurred claims to liability for remaining coverage.

11.6 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 after reinsurance with subsequent developments during the periods and together with cumulative payments to date.

Table 11.10 – Prior-year claims development – net of reinsurance

		Accident year										
As at December 31, 2023	**Total**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**Earlier**
Estimates of undiscounted net cumulative claims		7,949	7,254	6,828	5,021	4,752	4,184	4,090	3,504	3,025	2,843	
Revised estimates												
One year later			7,598	6,492	4,713	4,645	4,090	3,942	3,542	2,922	2,772	
Two years later				6,059	4,589	4,585	4,102	3,911	3,547	2,957	2,765	
Three years later					4,396	4,481	4,146	3,910	3,609	2,979	2,782	
Four years later						4,408	4,093	3,925	3,655	2,999	2,794	
Five years later							4,065	3,914	3,669	3,013	2,782	
Six years later								3,879	3,609	3,004	2,776	
Seven years later									3,574	2,945	2,761	
Eight years later										2,976	2,722	
Nine years later											2,729	
Current estimate		7,949	7,598	6,059	4,396	4,408	4,065	3,879	3,574	2,976	2,729	
Cumulative net claims paid to date			(3,138)	(3,274)	(2,344)	(3,000)	(3,063)	(3,227)	(3,078)	(2,707)	(2,510)	
Undiscounted net claims	**22,505**	**7,949**	**4,460**	**2,785**	**2,052**	**1,408**	**1,002**	**652**	**496**	**269**	**219**	**1,213**
Effect of time value of money	**(1,984)**											
Undiscounted risk adjustment	**889**											
Periodic payment orders	**231**											
Net liability for incurred claims before net payables and claims reported under the GMM	**21,641**											
Net payables included in incurred claims	**225**											
Reclass of claims reported under the GMM[1]	**(3,584)**											
Net liability for incurred claims *(Table 11.9)*	**18,282**											

[1] Includes the acquired claims and retroactive reinsurance reclassifications from liability for incurred claims to liability for remaining coverage.

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.

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, 2023.

11.7 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 – Insurance risk

The Company principally underwrites automobile, home, as well as commercial P&C contracts to individuals and businesses in the Canadian, UK&I and US insurance market. Refer to ***Note 32 – Segment information*** for more details. The adoption of IFRS 17 has not changed the way the Company manages insurance risk.

Most of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period. The following table presents the average duration of the net liability for incurred claims.

Table 12.1 – Average duration of the net liability for incurred claims (in years)[1]

As at December 31,	**2023**	**2022 (Restated)[2]**
Canada	**2.0**	1.8
UK&I[3]	**2.5**	2.6
US	**2.1**	2.1

[1] Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.
[2] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.
[3] Includes the duration of period payment orders of 19.6 years as at December 31, 2023 (19.3 years as at December 31, 2022).

Insurance risk is the risk that a loss arises from the following reasons:

- underwriting and pricing ***(Note 12.1)***;
- fluctuation in the timing, frequency and severity of claims relative to expectations ***(Note 12.2)***;
- large, unexpected losses arising from a single event such as a catastrophe ***(Note 12.3)***;
- risk related to the liability for incurred claims ***(Note 12.4)***; and
- inadequate reinsurance protection ***(Note 13.2)***.

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 a sufficient liability for incurred claims is 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 a liability for incurred claims to cover the estimated liability for the payment of all losses, incurred with respect to insurance contracts underwritten by the Company.

The liability for incurred claims is the Company's best estimate of its expected ultimate cost of resolution and administration of claims. Expected claim cost inflation is considered when estimating the liability for incurred claims, thereby mitigating inflation risk. The composition of the Company's insurance risk, as well as the methods employed to mitigate risks, are described hereafter.

12.1 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 risk appetite statement approved by the Board of Directors 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 12.2 – Concentration by countries and lines of business

	2023		**2022 (Restated)[1]**	
As at December 31,	**Insurance revenue[2]**	**Net liability for incurred claims[3]**	**Insurance revenue[2]**	**Net liability for incurred claims[3]**
By countries				
Canada	**64%**	**63%**	64%	65%
UK&I	**25%**	**28%**	26%	26%
US	**11%**	**9%**	10%	9%
	100%	**100%**	100%	100%
By lines of business				
Personal auto - Canada	**26%**	**31%**	26%	34%
Personal property - Canada	**16%**	**7%**	16%	6%
Commercial lines - Canada	**22%**	**25%**	22%	25%
Personal lines - UK&I	**7%**	**7%**	7%	6%
Commercial lines - UK&I	**18%**	**21%**	19%	20%
Commercial lines - US	**11%**	**9%**	10%	9%
	100%	**100%**	100%	100%

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.
[2] Excludes insurance revenue from acquired claims related to the RSA acquisition and assumed commissions.
[3] Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.

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 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.

12.2 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 an appropriate liability for incurred claims is established and approved.

12.3 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, frequency and severity 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 mainly 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 13.1 – Company's reinsurance net retention and coverage limits by nature of risk.***

12.4 Liability for incurred claims risk

The principal assumption underlying the liability for incurred claims estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. Liability for incurred claims 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 adjustment (refer to ***Note 11.3 – Material accounting judgments, estimates and assumptions*** for more details).

Refer to ***Note 11.4 – Sensitivity analysis*** for the liability for incurred claims' sensitivity 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.

Note 13 – Reinsurance

13.1 Company's reinsurance net retention and coverage limits by nature of risk

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. The following table shows the reinsurance retention and coverage limits for multi-risk events and catastrophes.

Table 13.1 – Company's reinsurance net retention and coverage limits by nature of risk

As at December 31,	**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 premiums, tax impacts, and co-participations between the retention level and coverage limits.
[2] Represents the ground up limits before co-participations and retention level.

Effective January 1, 2023, for Canadian events, the Company reduced its coverage limits to reflect the reduction in earthquake exposure in British Columbia and increased its retention to reflect reinsurance market conditions. For US and UK events, the Company increased its coverage limits to reflect changes in exposures including inflationary impacts.

Effective January 1, 2024, the Company reduced its coverage limits for Canadian events from $6.4 billion to $5.4 billion reflecting the reduction in earthquake exposure in British Columbia, while maintaining a consistent risk appetite. The Company maintained its retention in Canada at $250 million. For US events, the Company maintained the same retention and coverage limit for 2024. For UK events, the Company has increased its UK retention and coverage limits to £150 million and £2.1 billion, respectively, to reflect the impact of the DLG brokered commercial lines acquisition.

The Company's approach for setting limits in each country is consistent with prior years.

13.2 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, 2023 and 2022, 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, 2023 and 2022.

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.

When applicable, the Company obtains collateral to support reinsurance contract assets and reduce exposure to credit risk from unregistered reinsurers in Canada, and from unauthorized reinsurers in the US and captive reinsurers in the UK&I, which amounted to $417 million as at December 31, 2023 ($428 million as at December 31, 2022, restated to consider the revaluation of reinsurance contract assets under IFRS 17). This collateral consists of cash, security agreements, and letters of credit and could be used should these reinsurers be unable to meet their obligations.

Note 14 – Goodwill and intangible assets

14.1 Summary of goodwill and intangible assets

Table 14.1 – 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, 2023	**3,350**	**3,547**	**1,105**	**1,560**	**6,212**
Business combinations *(Note 5)*	**544**	**313**	**53**	**17**	**383**
Acquisitions and costs capitalized	**207**	**9**	**84**	**385**	**478**
Disposals and write-off[1]	**-**	**-**	**-**	**(86)**	**(86)**
Exchange rate differences	**(16)**	**(22)**	**4**	**12**	**(6)**
Balance as at December 31, 2023	**4,085**	**3,847**	**1,246**	**1,888**	**6,981**
Accumulated amortization					
Balance as at January 1, 2023	**-**	**(443)**	**(466)**	**(603)**	**(1,512)**
Amortization expense	**-**	**(132)**	**(117)**	**(187)**	**(436)**
Disposals and write-off	**-**	**-**	**-**	**8**	**8**
Exchange rate differences	**-**	**7**	**(1)**	**-**	**6**
Balance as at December 31, 2023	**-**	**(568)**	**(584)**	**(782)**	**(1,934)**
Net carrying amount	**4,085**	**3,279**	**662**	**1,106**	**5,047**
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

[1] Mainly related to the UK Personal Lines exit. Refer to ***Note 5.2 – Disposals*** for more details.

Intangible assets under development amounted to $396 million as at December 31, 2023 ($361 million as at December 31, 2022). These intangible assets are not subject to amortization but are tested for impairment on an annual basis.

14.2 Material 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.

In 2023, the DLG brokered commercial lines acquisition resulted in newly allocated goodwill to the UK&I CGU. Previously, there was no goodwill and intangible assets with indefinite lives allocated to this CGU as the RSA acquisition in 2021 resulted in a bargain gain and there were no intangible assets with indefinite lives. Refer to ***Note 5 – Business combinations and disposals*** for more details.

Table 14.2 – Allocation of goodwill and intangible assets with indefinite lives to the groups of CGUs

	Goodwill		**Intangible assets**	
As at December 31,	**2023**	**2022**	**2023**	**2022**
Canada	**2,543**	2,336	**829**	829
UK&I	**550**	-	**-**	-
US	**992**	1,014	**9**	9
	4,085	3,350	**838**	838

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, 2023 and 2022.

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.

Table 14.3 – Key assumptions used (groups of CGUs)

	Terminal growth rate		**Pre-tax discount rate**	
	2023	**2022**	**2023**	**2022**
Canada	**3.0%**	2.5%	**11.1%**	11.1%
US	**3.0%**	3.9%	**10.8%**	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, 2023 and 2022.

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. For the UK&I CGU, since the DLG brokered commercial lines acquisition completed in 2023 was recent, the related goodwill was already at fair value, as a result no impairment test was performed as at December 31, 2023

Note 15 – Investments in associates and joint ventures

Table 15.1 – Movement in investments in associates and joint ventures

Years ended December 31,	**2023**	**2022**
Balance, beginning of year	**845**	760
Business combinations (disposals) and other	**42**	31
Dividends received	**(39)**	(49)
Share of profit (loss) recognized in:		
Net income	**96**	103
Balance, end of year	**944**	845
Of which:		
Associates	**579**	448
Joint ventures	**365**	397

During the year ended December 31, 2023, 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.

The Company had no significant contingent liabilities or capital commitments relating to these associates and joint ventures as at December 31, 2023 and 2022.

Note 16 – Property and equipment

Table 16.1 – Net carrying amount of property and equipment

As at December 31,	**2023**	**2022**
Right-of-use assets[1]	**493**	462
Furniture and equipment	**120**	134
Leasehold improvements	**116**	123
Land and buildings	**70**	59
	799	778

[1] Right-of-use assets mainly related to real estate for which additions for the year ended December 31, 2023 amounted to $123 million ($89 million – December 31, 2022). Total additions to right-of-use assets related to business combinations were $2 million for the year ended December 31, 2023 (nil – December 31, 2022)

Note 17 – Other assets and other liabilities

17.1 Other assets

Table 17.1 – Components of other assets

As at December 31,	**2023**	**2022 (Restated)[1]**
Other receivables and recoverables	**553**	515
Other investments[2]	**338**	400
Pension plans in a surplus position (***Table 31.1***)	**229**	671
Accrued investment income	**206**	178
Financial assets related to investments	**203**	216
Prepaids	**195**	215
Restricted funds	**54**	67
Other	**158**	225
	1,936	2,487

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Mainly includes preferred shares and private funds recorded at fair value based on information such as future cash flows, discount rates, projected earnings multiples, multiples of broker commissions, or recent transactions, classified in Level 3 of the fair value hierarchy.

17.2 Other liabilities

Table 17.2 – Components of other liabilities

As at December 31,	2023	2022 (Restated)[1]
Lease liabilities	**660**	622
Accrued salaries and related compensation	**535**	513
Accounts payable and accrued expenses	**417**	435
Pension plans in a deficit position and unfunded plans (***Table 31.1***)	**228**	176
Other payables to broker	**188**	153
Collaterals from third parties	**154**	230
Industry pool payables	**133**	151
Facility carrier payables	**132**	117
Premiums payable by brokers to insurers	**116**	107
Provisions[2]	**93**	85
Other post-employment benefits and other post-retirement benefits	**85**	85
Other	**263**	265
	3,004	2,939

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Provisions were mainly related to the RSA acquisition and include restructuring provisions of $19 million as at December 31, 2022 as well as other provisions such as litigations and lease dilapidations and refurbishments.

Note 18 – Assets held for sale

18.1 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 19 – Debt outstanding*** for more details**.**

Note 19 – Debt outstanding

19.1 Summary of debt outstanding

Table 19.1 – 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) 2023	2022
Medium-term notes							
Series 2	Nov. 2039	30	6.40%	May & Nov.	250	**248**	248
Series 3	Jul. 2061	50	6.20%	Jan. & Jul.	100	**99**	99
Series 5	Jun. 2042	30	5.16%	Jun. & Dec.	250	**249**	249
Series 6	Mar. 2026	10	3.77%	Mar. & Sep.	250	**250**	249
Series 7	Jun. 2027	10	2.85%	Jun. & Dec.	425	**424**	424
Series 8	Mar. 2025	5	3.69%	Mar. & Sep.	300	**299**	299
Series 9	Dec. 2030	10	1.93%	Jun. & Dec.	300	**299**	299
Series 10	Dec. 2050	30	2.95%	Jun. & Dec.	300	**298**	298
Series 11	May 2024	3	1.21%	May & Nov.	375	**375**	374
Series 12	May 2028	7	2.18%	May & Nov.	375	**374**	373
Series 13	May 2053	32	3.77%	May & Nov.	250	**248**	248
Series 14	Sep. 2054	31	5.28%	Mar. & Sep.	400	**396**	-
2022 US senior notes	Sep. 2032	10	5.46%	Mar. & Sep.	USD500	**655**	669
Term loans (Refer to *19.2*)							
GBP tranche	Feb. 2024	1			£100	**169**	-
GBP loan	Oct. 2025	2			£65	**110**	-
Guaranteed subordinated							
GBP notes (Refer to *19.4*)	Oct. 2045	31	5.13%	Oct.	£120	**214**	285
US bonds	Oct. 2029	30	8.95%	Apr. & Oct.	USD9	**16**	17
Commercial paper						**105**	135
Credit facility	May 2027					**-**	2
Other Debt	Various					**6**	7
Total debt outstanding before hybrid subordinated notes						**4,834**	4,275
Hybrid subordinated notes							
Series 1	Mar. 2081	60	4.13%	Mar. & Sep.	250	**247**	247
Total debt outstanding						**5,081**	4,522

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 $5,004 million as at December 31, 2023 ($4,189 million as at December 31, 2022) 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, 2023 and 2022.

19.2 Financing issued in 2023

Series 14 Unsecured Medium-Term Notes	• On September 14, 2023, the Company completed an offering of $400 million principal amount of Series 14 unsecured medium-term notes through a private placement in Canada. These notes bear interest at an annual rate of 5.276% until maturity on September 13, 2054, payable in semi-annual instalments, commencing on March 14, 2024. • The net proceeds received were used to partially fund the DLG brokered commercial lines acquisition. Refer to ***Note 5 – Business combinations and disposals*** for more details.

Term loan	• On February 27, 2023, the Company entered into a 12-month agreement to issue a term loan in two tranches, one being denominated in GBP for an amount of $164 million (£100 million) (the "GBP tranche") and the other in CAD for an amount of $130 million (the "CAD tranche") (together the "Term loans"). o The GBP tranche and the CAD tranche are bearing interest at a rate of SONIA plus 80 basis points ("bps") and CDOR plus 55 bps, respectively. o The proceeds of the Term loans were used for the purpose of partially funding the execution of the UK pension plans buy-in transaction. Refer to ***Note 31.6 – Additional information on UK DB pension plans*** for more details. o As at December 31, 2023, the CAD tranche was repaid in full using available excess cash. o The Company designated the GBP tranche as a net investment hedge of its UK foreign operations. o Subsequent to year end, on February 8, 2024, the GBP tranche was repaid in full using available excess cash. • On October 24, 2023, the Company entered into a 24-month term loan agreement for an amount of $109 million (£65 million), bearing interest at a rate of SONIA + 70 bps ("the GBP loan"). The proceeds were used to partially fund the DLG brokered commercial lines acquisition. Refer to ***Note 5 – Business combinations and disposals*** for more details.

19.3 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.

2022 US senior notes (USD)	• On September 22, 2022, the Company completed an offering of $674 million (USD500 million) principal amount of 2022 US senior 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 18 – Assets held for sale*** for more details.

19.4 Other financing

Redemption of guaranteed subordinated GBP notes

On June 6, 2023, the Company redeemed $67 million (£40 million) principal amount of the GBP notes ahead of the maturity date using its commercial paper and available cash and cash equivalents. The redemption price was $65 million (£39 million), and the notes had a carrying value of $72 million (£43 million). A gain on redemption of $7 million (£4 million) was recognized in Other finance costs in Net income.

Credit facility

As at December 31, 2022, the Company had an unsecured revolving term credit facility of $1.5 billion. On October 19, 2023, the balance available under this credit facility was increased from $1.5 billion to $1.8 billion and a new maturity date was set to October 19, 2028. This increase was initiated to provide incremental liquidity. As at December 31, 2023, no amount was drawn under this credit facility ($2 million as at December 31, 2022).

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
SOFR advances	SOFR rate plus a margin

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 18 – Assets held for sale*** for more details.

19.5 Movement in debt outstanding

Table 19.2 – Movements in debt outstanding

Years ended December 31,	**2023**	**2022**
Balance, beginning of year	**4,522**	5,229
Cash flows from financing activities		
Proceeds from issuance of debt	**799**	1,258
Borrowing (repayment) on the credit facility and commercial paper, net	**(32)**	(302)
Repayment of debt	**(198)**	(1,700)
Exchange rate differences	**-**	43
Other	**(10)**	(6)
Balance, end of year	**5,081**	4,522

Note 20 – Share capital

20.1 Authorized

Authorized share capital consists of an unlimited number of common shares and preferred shares ("Class A Shares").

20.2 Issued and outstanding

Table 20.1 – Issued and outstanding shares

	2023		2022	
As at December 31,	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**
Common shares	**178,320,868**	**8,099**	175,256,968	7,542
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**	6,000,000	147
Total Class A	**54,000,000**	**1,322**	54,000,000	1,322
Other equity				
LRCN Series 1 Notes	**n/a**	**297**	n/a	-
Preferred shares and other equity		**1,619**		1,322
Share capital		**9,718**		8,864

Issued and outstanding Class A shares rank in priority to common shares with regards to payment of dividends.

Table 20.2 – Reconciliation of share capital

	December 31, 2023						
	Common shares		**Preferred shares Class A shares**		**Other equity**		**Share capital**
Year ended	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**	**Number of units**	**Carrying amount**	**Carrying amount**
Balance, beginning of year	**175,256,968**	**7,542**	**54,000,000**	**1,322**	**n/a**	**-**	**8,864**
Issued	**3,065,900**	**557**	**-**	**-**	**n/a**	**297**	**854**
Repurchased and cancelled	**(2,000)**	**-**	**-**	**-**	**n/a**	**-**	**-**
Balance, end of year	**178,320,868**	**8,099**	**54,000,000**	**1,322**	**n/a**	**297**	**9,718**

	December 31, 2022				
	Common shares		**Preferred shares Class A shares**		**Share capital**
Year ended	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**	**Carrying amount**
Balance, beginning of year	176,081,958	7,576	48,000,000	1,175	8,751
Issued	-	-	6,000,000	147	147
Repurchased and cancelled	(824,990)	(36)	-	-	(36)
Other	n/a	2	-	-	2
Balance, end of year	175,256,968	7,542	54,000,000	1,322	8,864

20.3 Financing issued in 2023

Common shares	• On September 13, 2023, the Company issued 2,666,000 common shares at a price of $187.60 per common share for gross proceeds of $500 million pursuant to a bought deal public offering in Canada, and a private offering to qualified institutional buyers in the United States. • On that same date, the Company issued another 399,900 common shares for additional gross proceeds of $75 million following the exercise, in full, of an over-allotment option. • Share issuance costs of $24 million ($18 million after tax) were accounted for as a reduction in common shares on the Consolidated balance sheets. • $500 million of net proceeds from the issuance of common shares were used to partially fund the purchase price of the DLG brokered commercial lines acquisition. Refer to ***Note 5 – Business combinations and disposals*** for more details. • The remaining $51 million of the net proceeds will be used for other general corporate purposes.

Other equity	• On March 7, 2023, the Company issued $300 million of Limited Recourse Capital Notes Series 1 (“LRCN Series 1 Notes”) maturing on June 30, 2083. Holders of the LRCN Series 1 Notes are entitled to receive semi-annual payments at a rate of 7.338% per annum until June 30, 2028. Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.95%. • In connection with the issuance of the Notes, the Company issued 300,000 Non-Cumulative Rate Reset Class A Shares, Series 12 (the "Series 12 Preferred Shares") which are held by a trustee of a newly formed trust (the "Limited Recourse Trust") and which are eliminated from the Company’s consolidated financial statements. • The net proceeds of $297 million are presented as equity instruments under Preferred shares and other equity. Semi-annual payments are recorded as equity distributions, and, for tax purposes, are considered as interest. • In case of non-payment of interest on or the principal or redemption price of the LRCN Series 1 Notes when due, the recourse of each holder of LRCN Series 1 Notes will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of Series 12 Preferred Shares except in limited circumstances. • The net proceeds from the LRCN Series 1 Notes were used for the purpose of partially funding the execution of the UK pension plans buy-in transaction. Refer to ***Note 31.6 – Additional information on UK DB pension plans*** for more details.

20.4 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 21 – Non-controlling interests*** for more details.

20.5 Preferred share conversions and dividend rate reset

Series 7 Preferred Shares

On May 31, 2023, the Company announced that it did not intend to exercise its right to redeem the Company's Non-cumulative Rate Reset Class A Series 7 Preferred Shares (the "Series 7 Preferred Shares") on June 30, 2023. Holders of Series 7 Preferred shares could elect to convert all or any of their shares into Non-cumulative Floating Rate Class A Series 8 Preferred Shares (the "Series 8 Preferred Shares") on a one-for-one basis on June 30, 2023. There were less Series 7 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 7 Preferred Shares. As a result, no conversion took place and the dividend rate was reset on June 30, 2023 to 6.012%, which will prevail from and including June 30, 2023 to but excluding June 30, 2028.

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.

20.6 Dividends declared and paid per share

Table 20.3 – Dividends declared and paid per share (in dollars)

Years ended December 31,	**2023**	**2022**
Common shares	**4.40**	4.00
Preferred shares		
Series 1	**1.21**	0.85
Series 3	**0.86**	0.86
Series 5	**1.30**	1.30
Series 6	**1.33**	1.33
Series 7	**1.36**	1.23
Series 9	**1.35**	1.35
Series 11	**1.31**	1.04

Subsequent to year-end, on February 13, 2024, the Board of Directors approved the increase of the Company's quarterly dividend by $0.11 to $1.21 per common share. On the same day, the Board of Directors approved the quarterly dividend for common and preferred shares for the first quarter of 2024.

The payment of dividends on common shares is subject to the discretion of the Board of Directors of the Company.

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 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 for the five-year period from and including June 30, 2023 to but excluding June 30, 2028 is 6.012% (4.90% from June 30, 2018 to June 29, 2023). 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.

20.7 Normal course issuer bid

On February 17, 2023, the Company renewed its NCIB to repurchase, for cancellation, up to 5,257,709 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 will be 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 at 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 13, 2024, the Board authorized, subject to TSX approval, 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, commencing February 17, 2024.

The following table presents the summary of the common shares repurchased for cancellation under the NCIB.

Table 20.4 – NCIB

Years ended December 31,	**2023**	**2022**
Common shares repurchased for cancellation (in shares)	**2,000**	824,990
Average price (in dollars)	**193.33**	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 nil and $114 million was charged to Retained earnings as at December 31, 2023 and 2022, respectively.

Note 21 – Non-controlling interests

Table 21.1 – Non-controlling interests recognized in the consolidated balance sheet

As at December 31,	**2023**	**2022**
Preferred shares issued by RSA	**285**	285

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 of Directors. As at December 31, 2023 and 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.

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. As a result, the Company derecognized the related NCI on that date. 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. As a result, the Company derecognized the notes and 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 Other 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 19 – Debt outstanding*** and ***Note 20 – Share capital*** for more details.

Note 22 – Accumulated other comprehensive income (loss)

Table 22.1 – Components of AOCI

As at December 31,	2023	2022 (Restated)[1]
FVTOCI securities[2]	**(338)**	-
Available-for-sale securities[3]	**-**	(1,124)
Translation of foreign operations, net of hedges	**17**	(14)
Other	**-**	47
	(321)	(1,091)

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.
[2] Not applicable as at December 31, 2022, as related to IFRS 9 – *Financial instruments*. Refer to ***Note 2 – Adoption of new accounting standards***.
[3] Not applicable as at December 31, 2023, as related to IAS 39 – *Financial instruments: recognition and measurement*. Refer to ***Note 2 – Adoption of new accounting standards***.

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, 2023 and 2022, each of the Company's regulated P&C insurance subsidiaries was in compliance with regulatory capital requirements.

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 *Insurers Act*.
- 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.

In Canada, where the regulatory capital requirements were impacted by IFRS 17 changes, the transition to the new standard did not have a significant impact on the Company's regulatory capital position. In other jurisdictions where the Company is regulated, the regulatory capital calculations are independent of IFRS 17, therefore there was no impact upon transition. The new standard did not change the Company's overall capital framework and how it manages its capital.

Note 24 – Net investment return and net insurance financial result

Table 24.1 – Net investment return and net insurance financial result

Years ended December 31,	**2023 (IFRS 9)**	**2022 (IAS 39)**
Net investment income	**1,346**	931
Net gains (losses) on investment portfolio	**249**	(326)
Net investment return	**1,595**	605
Net insurance financial result	**(894)**	439
Net investment return and net insurance financial results	**701**	1,044

Table 24.2 – Net investment income

Years ended December 31,	**2023 (IFRS 9)**	**2022 (IAS 39)**
Interest income calculated using the effective interest method:		
Debt securities classified as FVTOCI[1]	**493**	-
Debt securities classified as AFS[2]	**-**	351
Loans and cash and cash equivalents	**107**	64
Interest and similar income on securities designated or classified as FVTPL	**438**	223
Interest income	**1,038**	638
Dividend income (expense) from:		
Common shares, net		
Classified as AFS[2]	**-**	140
Classified as FVTPL	**242**	81
Preferred shares, net		
Designated as FVTOCI[1]	**63**	-
Classified as AFS[2]	**-**	83
Classified as FVTPL	**22**	-
Other investments	**-**	1
Dividend income	**327**	305
Investment property rental income	**23**	23
Investment income	**1,388**	966
Expense	**(42)**	(35)
	1,346	931

[1] Not applicable for the year ended December 31, 2022, as related to IFRS 9 – *Financial instruments*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Not applicable for the year ended December 31, 2023, as related to IAS 39 – *Financial instruments: recognition and measurement*. Refer to ***Note 2 – Adoption of new accounting standards***.

Table 24.3 – Net gains (losses) on investment portfolio

Years ended December 31,	**2023 (IFRS 9)**			**2022 (IAS 39)**		
Portfolios	**Fixed income**	**Equity and property**	**Total**	**Fixed income**	**Equity and property**	**Total**
Net gains (losses) from:						
Financial instruments:						
Classified or designated as FVTOCI[1]	**(18)**	**-**	**(18)**	-	-	-
Classified as AFS[2]	**-**	**-**	**-**	(69)	451	382
Designated as FVTPL	**313**	**-**	**313**	(862)	(35)	(897)
Classified as FVTPL	**13**	**112**	**125**	-	-	-
	308	**112**	**420**	(931)	416	(515)
Derivatives[3]:						
Swap agreements	**-**	**(19)**	**(19)**	-	38	38
Forwards and futures	**19**	**(57)**	**(38)**	20	(17)	3
	19	**(76)**	**(57)**	20	21	41
Embedded derivatives	**-**	**-**	**-**	-	71	71
Investment property	**-**	**(14)**	**(14)**	-	(17)	(17)
Net foreign currency gains (losses)	**(96)**	**-**	**(96)**	177	-	177
ECL expense[1]	**(4)**	**-**	**(4)**	-	-	-
Impairment losses from common shares[2]	**-**	**-**	**-**	-	(83)	(83)
	227	**22**	**249**	(734)	408	(326)

[1] Not applicable for the year ended December 31, 2022, as related to IFRS 9 – *Financial instruments*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Not applicable for the year ended December 31, 2023, as related to IAS 39 – *Financial instruments: recognition and measurement.* Refer to ***Note 2 – Adoption of new accounting standards***.

[3] Excluding foreign currency contracts, which are recognized in Net foreign currency gains (losses) on investments.

Table 24.4 – Net insurance financial result

Years ended December 31,	**2023**	**2022**
Change in the carrying amount of insurance contracts due to:		
Unwind of discount	**(1,036)**	(448)
Changes in discount rates and other financial assumptions	**(179)**	1,184
Net foreign currency gains (losses)	**124**	(190)
Insurance finance income (expense)	**(1,091)**	546
Change in the carrying amount of reinsurance contracts due to:		
Unwind of discount	**204**	80
Changes in discount rates and other financial assumptions	**23**	(222)
Net foreign currency gains (losses)	**(30)**	35
Reinsurance finance income (expense)	**197**	(107)
	(894)	439

24.1 Material accounting judgments, estimates and assumptions

Under IFRS 9

The ECL impairment model applies only to financial assets classified as amortized cost and debt securities classified as FVTOCI and is forward looking. Refer to ***Note 3.4 h) – Impairment of financial assets other than those classified or designated as FVTPL under IFRS 9*** for more details.

Under IAS 39

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. Refer to ***Table 3.14 – Objective evidence of impairment for equity impairment model.***

Note 25 – Other net gains (losses)

Table 25.1 – Components of other net gains (losses)

Years ended December 31,	**2023**	**2022**
Gain on sale of businesses[1]	**-**	421
Currency derivative hedges related to acquisitions (***Note 8.3***)		
Purchase price	**(20)**	-
Net investment	**6**	-
Other net foreign currency gains (losses)	**(8)**	18
Other[2, 3]	**72**	38
	50	477

[1] Related to the sale of the Codan DK business to Alm. Brand completed on May 2, 2022. Refer to ***Note 18.1 – Codan DK*** for more details.

[2] Mainly related to realized gains on broker transactions recognized in 2023.

[3] Includes an unrealized gain of $41 million recognized in 2022 related to certain venture investments remeasured at fair value and 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.

Note 26 – Expense by nature

Table 26.1 – Expense by nature

Year ended December 31, 2023	Amortization of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
Claims and adjustment expenses	-	15,437	-	15,437
Risk adjustment	-	49	-	49
Losses on onerous contracts[1]	-	133	-	133
Commissions	2,857	256	-	3,113
Premium taxes and levies	545	97	-	642
Allocated indirect expenses[2]	1,766	1,444	415	3,625
Amortization of acquired intangible assets[3]	-	-	249	249
Administrative and other expenses	-	-	626	626
	5,168	17,416	1,290	23,874
Represented by:				
Insurance service expense (*Table 11.3)*	5,168	17,416	-	22,584
Other expense (*Table 26.2)*	-	-	1,290	1,290
	5,168	17,416	1,290	23,874

Year ended December 31, 2022	Amortization of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
Claims and adjustment expenses	-	14,699	-	14,699
Risk adjustment	-	62	-	62
Losses on onerous contracts[1]	-	1,414	-	1,414
Commissions	2,752	289	-	3,041
Premium taxes and levies	545	97	-	642
Allocated indirect expenses[2]	1,536	1,356	442	3,334
Amortization of acquired intangible assets[3]	-	-	235	235
Administrative and other expenses	-	-	622	622
	4,833	17,917	1,299	24,049
Represented by:				
Insurance service expense (*Table 11.3)*	4,833	17,917	-	22,750
Other expense (*Table 26.2)*	-	-	1,299	1,299
	4,833	17,917	1,299	24,049

[1] Includes the initial recognition of losses on onerous contracts, any subsequent reversals, and the amortization of the loss component. Mainly related to acquired claims from the RSA acquisition which amounted to $216 million for the year-ended December 31, 2023 ($1,360 million – December 31, 2022). The remaining amount is mainly due to certain groups of insurance contracts in the UK&I.

[2] Mainly includes salaries, rent and technology costs.

[3] Includes the amortization of acquired distribution networks, customer relationships and trade names.

Table 26.2 – Other income and expense

Years ended December 31,	2023	2022
Other income[1]	663	610
Other expense (*Table 26.1)*	(1,290)	(1,299)
Other income and expense	(627)	(689)

[1] Mainly includes commission revenues received from external insurance providers by consolidated brokers and revenues related to supply chain operations.

Note 27 – Acquisition, integration and restructuring costs

27.1 Acquisition, integration and restructuring costs

Acquisition costs include professional fees and stamp duties related to the closing of acquisitions. 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, including impairment expenses, and expenses related to the implementation of significant new accounting standards.

Table 27.1 – Acquisition, integration and restructuring costs

Years ended December 31,	**2023**	**2022**
Acquisition costs	**24**	-
Integration costs	**231**	294
Restructuring and other costs	**248**	59
	503	353

Note 28 – Income taxes

28.1 Income tax expense recognized in Net income

Table 28.1 – Components of income tax expense recognized in Net income

Years ended December 31,	**2023**	**2022 (Restated)**[1]
Current income tax expense (benefit)		
Current year	**529**	546
Adjustments to prior years	**17**	(2)
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	**(60)**	17
Adjustments to prior years	**(13)**	(4)
	473	557

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

28.2 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 28.2 – Effective income tax rate reconciliation

Years ended December 31,	**2023**	**2022 (Restated)**[1]
Statutory tax rate	**25.9%**	25.9%
Increase (decrease) in income tax rates resulting from:		
Non-deductible losses (non-taxable gains)	**(0.5)%**	(3.8)%
Non-taxable investment income	**(4.8)%**	(1.3)%
Non-deductible losses (non-taxable income) from subsidiaries and associates	**(1.5)%**	(0.9)%
Change in unrecognized deferred income taxes	**2.8%**	(1.0)%
Higher (lower) effective rates on income subject to taxation in foreign jurisdictions	**3.0%**	(0.6)%
Non-deductible expenses	**0.5%**	0.4%
Other	**0.8%**	(0.2)%
Effective income tax rate	**26.2%**	18.5%

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

28.3 Components of deferred tax assets and liabilities

Table 28.3 – Components of deferred tax assets and liabilities

	Balance sheet Asset (liability)		**Comprehensive income Expense (benefit)**	
As at December 31, / Years ended December 31,	**2023**	**2022 (Restated)**[1]	**2023**	**2022 (Restated)**[1]
Investments	**118**	191	**76**	(255)
Property and equipment	**22**	50	**31**	(15)
Intangible assets	**(873)**	(854)	**(50)**	(33)
Other assets	**-**	-	**(3)**	2
Losses available for carry forward	**326**	214	**(111)**	(13)
Financing costs	**29**	38	**16**	19
Insurance and reinsurance contracts	**5**	(142)	**(148)**	130
Accrued liabilities	**335**	455	**137**	(63)
DB pension plans	**159**	(17)	**(175)**	49
Other liabilities	**(36)**	(18)	**20**	9
Net deferred tax asset (liability) / expense (benefit)	**85**	(83)	**(207)**	(170)

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

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, 2023 and 2022, no deferred tax liability has been recognized on the temporary differences of $811 million ($614 million as at December 31, 2022) associated with investments in subsidiaries and associates.

28.4 Movement in the net deferred tax asset (liability)

Table 28.4 – Movement in the net deferred tax asset (liability)

Years ended December 31,	**2023**	**2022 (Restated)[1]**
Balance, beginning of year	**(83)**	(114)
Impact of the adoption of IFRS 17 and IFRS 9	**n/a**	(136)
Business combinations and other acquisitions	**(72)**	(17)
Income tax benefit (expense):		
Recognized in net income	**73**	(13)
Recognized in OCI	**134**	183
Recognized in equity	**21**	16
Exchange rate differences and other	**12**	(2)
Net deferred tax asset (liability), end of year	**85**	(83)
Recognized in:		
Deferred tax assets	**811**	722
Deferred tax liabilities	**(726)**	(805)
Net deferred tax asset (liability)	**85**	(83)

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

28.5 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, 2023 and 2022.

Table 28.5 – Unused tax losses and tax credits

	2023			**2022 (Restated)[1]**		
As at December 31,	**Total**	**Recognized**	**Expiry date**	**Total**	**Recognized**	**Expiry date**
Unused net operating losses:						
US	**131**	**131**	**2024-2036**	160	160	2024-2036
Canada	**693**	**684**	**2038-2043**	327	321	2037-2042
UK	**3,160**	**221**	**No expiry date**	2,964	120	No expiry date
Ireland	**539**	**179**	**No expiry date**	540	202	No expiry date
Other jurisdictions	**111**	**29**	**No expiry date**	117	13	No expiry date
Unused tax credits:						
US	**27**	**27**	**2030-2036**	28	28	2030-2036
Canada	**9**	**-**	**2038-2042**	6	-	2038-2041
Unused allowable capital losses:						
Canada	**-**	**-**	**No expiry date**	1	-	No expiry date
Ireland	**1**	**-**	**No expiry date**	1	-	No expiry date
UK	**2,151**	**-**	**No expiry date**	2,102	-	No expiry date

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to **Note 2 – Adoption of new accounting standards**.

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 $949 million as at December 31, 2023 ($400 million as at December 31, 2022), 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.

28.6 Material 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.

28.7 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.

28.8 Tax legislative changes

Pillar two

In October 2021, various countries and jurisdictions, including Canada, UK, and Ireland, agreed to implement the Organization for Economic Co-operation and Development's Pillar Two rules. The proposed rules are designed to ensure that large multinational enterprises pay a minimum effective corporate tax rate (currently agreed upon at 15%) on the income arising in each jurisdiction where they operate.

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12, for fiscal years beginning as of December 31, 2023. The amendments include a temporary exception from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This exception will allow entities time to assess the implications of the new rules and to avoid diverse interpretations of IAS 12 which could result in inconsistent applications until the IASB can complete further work. The Company has applied this exception in jurisdictions in which the rules have been enacted and/or substantially enacted.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates and the legislation will be effective beginning January 1, 2024. The Company is in scope of the enacted or substantively enacted legislation and has performed an assessment of its potential exposure to Pillar Two income taxes based on the most recent tax filings, country-by-country reporting, and financial statements for its subsidiaries impacted by these rules. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Company operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply, and the Pillar Two effective tax rate is below 15%. The Company does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Note 29 – 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, 2023 and 2022, therefore, diluted EPS was the same as basic EPS.

Table 29.1 – Earnings per share

Years ended December 31,	**2023**	**2022 (Restated)[1]**
Net income attributable to shareholders	**1,316**	2,454
Less: dividends declared on preferred shares, net of tax	**(84)**	(60)
Net income attributable to common shareholders	**1,232**	2,394
Weighted-average number of common shares outstanding (in millions)	**176.2**	175.6
EPS – basic and diluted (in dollars)	**6.99**	13.63

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

Note 30 – Share-based payments

30.1 Long Term incentive plan

a) Outstanding LTIP units and fair value at grant date

Table 30.1 – Outstanding units and weighted-average fair value at grant date by performance cycle

As at December 31,	**2023**			**2022**		
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
2020 – 2022	**-**	**-**	**-**	477,072	136.06	65
2021 – 2023	**680,077**	**149.17**	**102**	628,811	149.17	94
2022 – 2024	**606,376**	**165.01**	**100**	561,189	165.01	92
2023 – 2025	**364,315**	**198.74**	**72**	-	-	-
	1,650,768	**166.05**	**274**	1,733,703	149.07	258

b) Movements in LTIP units

Table 30.2 – Movements in LTIP share units

Years ended December 31,	**2023 (in units)**	**2022 (in units)**
Outstanding, beginning of year	**1,733,703**	1,509,976
Awarded	**389,684**	438,495
Net change in estimate of units outstanding	**132,910**	384,801
Units settled	**(605,529)**	(599,569)
Outstanding, end of year	**1,650,768**	1,733,703

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 30.3 – LTIP expense recognized in Net income

Years ended December 31,	**2023**	**2022**
Cash-settled plans	**19**	29
Equity-settled plans	**75**	100
	94	129

30.2 Employee share purchase plan

a) Movements in restricted common shares

Table 30.4 – Movements in restricted common shares

Years ended December 31,	**2023 (in units)**	**2022 (in units)**
Outstanding, beginning of year	**114,637**	113,728
Accrued	**124,318**	115,925
Awarded and vested	**(113,648)**	(111,690)
Forfeited	**(2,604)**	(3,326)
Outstanding, end of year	**122,703**	114,637

b) ESPP expense recognized in Net income

The ESPP is accounted for as an equity-settled plan. For the year ended December 31, 2023, the ESPP expense was $22 million ($19 million – December 31, 2022).

30.3 Deferred share unit

The DSU is accounted for as a cash-settled plan. For the year ended December 31, 2023, the expense was $3 million ($7 million – December 31, 2022). The DSU provision amounted to $29 million as at December 31, 2023 ($26 million as at December 31, 2022).

30.4 Executive stock option plan

The Company maintains an ESOP for certain key executive employees under which, from time-to-time, stock options and SARs may be granted.

As at December 31, 2023 and 2022, 1,430,181 common shares were reserved for issuance under the ESOP and 830,166 stock options were issued with an exercise price of $161.67 and a maturity date of June 1, 2031. No options were issued during the years ended December 31, 2023 and 2022.

The ESOP is accounted for as an equity-settled plan. For the year ended December 31, 2023, the ESOP expense was $4 million ($4 million – December 31, 2022).

30.5 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 30.5 – Settlement in shares (LTIP and ESPP plans)

Years ended December 31,	2023	2022
Value of common shares repurchased for share-based payments	**128**	112
Less: cumulative cost of the units for the Company	**88**	66
Excess of market price over the cumulative cost for the Company	**40**	46
Amount recognized in Retained earnings, net of taxes	**31**	32

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 31 – Employee future benefits

31.1 Overview of 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, 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 the 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 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 that has delegated certain of its responsibilities to the Company, 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.

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.

c) De-risking of DB pension plans

As part of its de-risking strategy, the Company entered into annuity buy-in insurance contracts for its two major UK DB pension plans (the "UK buy-in transaction") and most of its Canadian DB pension plans. Refer to ***Note 31.6 – Additional information on UK DB pension plans***, ***Note 31.7 – Additional information on Canadian DB pension plans*** and ***Note 31.9 – Risk management and investment strategy*** for more details.

31.2 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 31.1 – DB pension plan assets (liabilities) by country

	Pension plans					
	2023			**2022**		
As at December 31,	**UK&I**	**Canada**	**Total**	**UK&I**	**Canada**	**Total**
DB obligation[1]	**(9,327)**	**(3,272)**	**(12,599)**	(8,939)	(2,898)	(11,837)
Fair value of plan assets	**9,332**	**3,276**	**12,608**	9,480	3,040	12,520
Other net surplus remeasurement[2]	**(3)**	**(5)**	**(8)**	(180)	(8)	(188)
Net DB asset (liability)	**2**	**(1)**	**1**	361	134	495
Recognized in:						
Other assets – plans in a surplus position ***(Table 17.1)***	**40**	**189**	**229**	368	303	671
Other liabilities – plans in a deficit position and unfunded plans ***(Table 17.2)***	**(38)**	**(190)**	**(228)**	(7)	(169)	(176)
	2	**(1)**	**1**	361	134	495
Funded status – funded plans	**100%**	**106%**	**102%**	106%	111%	107%

[1] The weighted average duration of the DB obligation for the UK plans was 13.1 years (13.6 years as at December 31, 2022) and of the Canada plans was 14.6 years as at December 31, 2023 (14.3 years as at December 31, 2022).

[2] Includes a 35% authorized surplus payments charge related to certain 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 Company makes contributions to the DB pension plans to secure the benefits. The amount and timing of the Company's contributions are determined in accordance with applicable pension and tax legislation following the advice of an actuary. The Company must contribute the excess of the total required funding over the members' contributions. Under the provisions of the pension plans in Canada, members' contribution rates vary according to their choice of benefit accrual rate, which they may change annually.

Required contributions by the Company 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.

a) UK 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, in conjunction with the triennial funding valuations.

The triennial funding valuations are used to determine future funding, including funding to eliminate any funding deficit. Since the UK plans are closed to future accruals, contributions that are made are strictly with respect to past service deficiencies.

The effective date of the most recent valuations of the main UK plans was March 31, 2021. At that date, 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 agreed on funding plans to eliminate the funding deficits by 2025. In addition, the funding commitments that had been 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
- Parental guarantees of the obligations by the Company.

As part of its funding arrangements in place prior to the UK buy-in transaction on February 27, 2023, the Company paid its last annual contribution of $123 million (£75 million) plus expenses and regulatory levies during the year ended December 31, 2023. As it was agreed with the Trustees of the UK plans, the Company will not be required to make any additional annual mandatory funding contribution but will continue to provide a parental guarantee of the obligations.

The Company is still required to make contributions to the main UK DB pension plans to meet outstanding deferred annuity premium obligations, as well as ongoing expenses and regulatory levies. These contributions are expected to be approximately $76 million (£45 million) for the year ending December 31, 2024. Refer to ***Note 31.6 – Additional information on UK DB pension plans*** for more details.

The next required funding valuation is as at March 31, 2024.

b) Canadian DB pension plans

Each plan is generally subject to triennial valuations, which are used to determine the future funding, including funding to eliminate any deficit. The effective date of the most recent valuations of the main Canadian DB pension plans was December 31, 2022. The next required funding valuation is as at December 31, 2025, but the Company has the option to perform a new valuation at an earlier date. The Company's liquidity risk with regards to these pension plans is low, as the Company has a high proportion of quality liquid assets and sufficient inflows from contributions and buy-in insurance contracts to cover a substantial portion of the benefit payments. Indeed, a large portion of the invested assets is held in highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements.

The Company had a contribution holiday in 2023 and based on the latest projections of the financial position of the plans the contribution holiday is expected to continue in 2024. As a result, the Company does not expect to make cash contributions to the Canadian DB pension plans in 2024.

31.3 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 31.2 – Movement in the DB obligation and fair value of plan assets

	Pension plans			
Year ended December 31, 2023	**DB obligation**	**Fair value of plan assets**	**Other net surplus remeasure-ment**	**Net DB asset (liability)**
Balance, beginning of year	**(11,837)**	**12,520**	**(188)**	**495**
Current service cost	**(49)**	**-**	**-**	**(49)**
Net interest revenue (expense)	**(585)**	**657**	**-**	**72**
Other	**(1)**	**(23)**	**-**	**(24)**
Total benefit (expense) recognized in Net income	**(635)**	**634**	**-**	**(1)**
Change in discount rate	**(621)**	**-**	**-**	**(621)**
Changes in other financial assumptions[1]	**117**	**-**	**-**	**117**
Changes in plan experience	**(83)**	**-**	**-**	**(83)**
Changes in demographic assumptions	**173**	**-**	**-**	**173**
Actual return on plan assets	**-**	**115**	**-**	**115**
Annuity buy-in insurance contracts[2]	**-**	**(1,404)**	**-**	**(1,404)**
Other net surplus remeasurements[2]	**-**	**-**	**181**	**181**
Net actuarial gains (losses) recognized in OCI	**(414)**	**(1,289)**	**181**	**(1,522)**
Employee contributions	**(45)**	**45**	**-**	**-**
Employer contributions	**-**	**1,027**	**-**	**1,027**
Benefit payments	**617**	**(617)**	**-**	**-**
Exchange rate differences	**(285)**	**288**	**(1)**	**2**
Balance, end of year	**(12,599)**	**12,608**	**(8)**	**1**

[1] Changes in other financial assumptions are mainly related to inflation rate.

[2] The UK buy-in transaction completed on February 27, 2023 resulted in a net impact of $1,195 million (£727 million), composed of a remeasurement loss on plan assets of $1,404 million (£854 million) included in annuity buy-in insurance contracts and the derecognition of a tax expense on surplus of $209 million (£127 million) included in other net surplus remeasurements. Refer to ***Note 31.6 – Additional information on UK DB pension plans*** for more details.

	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
Changes in other financial assumptions[1]	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

[1] Changes in other financial assumptions are mainly related to inflation rate.

31.4 Net actuarial gains (losses) recognized in OCI

Table 31.3 – Net actuarial gains (losses) recognized in OCI

Years ended December 31,	**2023**	**2022**
Pension plans *(Table 31.2)*	**(1,522)**	(389)
Other post-retirement benefits	**(4)**	39
Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement	**(1,526)**	(350)

31.5 Composition of pension plan assets

The pension plan assets were mainly composed of annuity buy-in insurance contracts as at December 31, 2023 and securities from the government and financial sectors as at December 31, 2022. The change in composition in the UK&I pension plans was due to the UK buy-in transaction completed during the year ended December 31, 2023. Refer to ***Note 31.6 – Additional information on UK DB pension plans*** for more details.

Table 31.4 – Composition of fair value of pension plan assets by quoted and unquoted

	Pension plans					
As at December 31, 2023	**UK&I**	**Canada**	**Total**	**% of total**	**Total quoted**	**Total unquoted**
Cash and cash equivalents	**45**	**(1)**	**44**	**-%**	**45**	**(1)**
Debt securities[1]						
Government	**95**	**837**	**932**	**7%**	**932**	**-**
Non-government	**29**	**708**	**737**	**6%**	**600**	**137**
Debt securities	**124**	**1,545**	**1,669**	**13%**	**1,532**	**137**
Annuity buy-in insurance contracts	**9,188**	**1,035**	**10,223**	**81%**	**-**	**10,223**
Common shares	**25**	**857**	**882**	**7%**	**637**	**245**
Derivative financial instruments	**(7)**	**1**	**(6)**	**-%**	**-**	**(6)**
Property	**2**	**-**	**2**	**-%**	**2**	**-**
Other	**135**	**-**	**135**	**1%**	**-**	**135**
Securities sold under repurchase agreements	**-**	**(161)**	**(161)**	**(1)%**	**-**	**(161)**
Total investments	**9,512**	**3,276**	**12,788**	**101%**	**2,216**	**10,572**
Deferred annuity premium	**(180)**	**-**	**(180)**	**(1)%**	**-**	**(180)**
Total assets	**9,332**	**3,276**	**12,608**	**100%**	**2,216**	**10,392**

	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[1]						
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

[1] The weighted average duration of debt securities was 15.8 years as at December 31, 2023 (16.1 years as at December 31, 2022).

31.6 Additional information on UK DB pension plans

Purchase of annuity buy-in insurance contracts

On February 27, 2023, the Company announced that the Trustees of its two major UK DB pension plans (the "UK plans") entered into an agreement with Pension Insurance Corporation plc ("PIC"), a specialist insurer of DB pension plans, to purchase annuity buy-in insurance contracts (the "buy-ins"), as part of their de-risking strategy. The buy-in agreement transferred the remaining economic and demographic risks associated with the UK plans to PIC and removed the volatility in relation to the UK plans from the Company's consolidated balance sheet. The main risks that the Company retains are the counterparty risk and the market risk on the assets remaining in the UK plans described below.

At the transaction date, the UK plans transferred the majority of their assets and an upfront contribution of $791 million (£481 million) to PIC. Of the total buy-in premium of $10.4 billion (£6.3 billion), an amount of $904 million (£550 million) was deferred and will be paid through the sale of certain less liquid assets that were initially retained by the UK plans, but were liquidated by the end of 2023. During the year ended December 31, 2023, the UK plans paid $759 million (£457 million) of the deferred annuity premium. The Company has committed to the UK plans to fund any shortfall in the deferred annuity premium obligation resulting from the liquidation of the assets. In addition, the UK plans retained longevity swaps that were already in place. Refer to ***Asset and longevity swaps*** below for more details.

The buy-in comprised various contracts which were considered in aggregate as one single contract because they form a structure designed to collectively match the exact amount and timing of all the benefits payable by the UK plans. The Company was not legally relieved of the primary responsibility for the obligation, and the benefit payments continue to be payable by the UK plans. The contracts provide the option to convert the buy-ins into individual policies which would transfer the UK plan assets and obligation to PIC (known as a "buy-out"). While this course of action may be considered in the future, a separate decision would be required, and certain significant conditions would need to be met before any buy-out could be executed. Consequently, the transaction was considered a buy-in as opposed to a buy-out under IAS 19. As a result, an initial actuarial loss of $1,195 million (£727 million) was recognized in OCI during the year ended December 31, 2023. The fair value of annuity buy-in insurance contracts subsequently fluctuates based on changes in the value of the associated DB obligation.

The UK buy-in transaction was funded through the issuance of short-term loans for an amount of $294 million, issuing LRCN Series 1 Notes in an amount of $300 million and excess capital held by the Company. Refer to ***Note 19.2 – Financing issued in 2023*** and ***Note 20.3 – Financing issued in 2023***, respectively.

Asset and longevity swaps

In 2009, the UK DB pension plans had entered into an arrangement that provided coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment from the UK plans at that time. The arrangement provided for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio made up of quoted government debt which was offset by asset swaps and longevity swaps held by the pension funds. On the UK buy-in transaction date, the portfolio and asset swaps were novated to PIC and the longevity swaps remained in place as plan assets of the UK plans. In combination with the other buy-in insurance policies purchased from PIC, these longevity swaps were accounted for as qualifying insurance policies at the UK buy-in transaction date, based on the value of the associated DB obligation under IAS 19.

Funding arrangement

During the year ended December 31, 2023, the Company contributed a total of $1,003 million (£610 million) to the UK plans, including the annual contribution and upfront contribution to PIC.

Other net surplus remeasurement

Prior to the UK buy-in transaction, the net DB asset (liability) of the UK plans was presented net of a 35% tax expense of an authorized return of surplus, which was classified with Other net surplus remeasurements. Since the surplus of the UK plans was derecognized through the UK buy-in transaction, the 35% tax provision totaling $209 million (£127 million) has also been derecognized through OCI during the year ended December 31, 2023.

31.7 Additional information on Canadian DB pension plans

Purchase of annuity buy-in insurance contracts in Canada in 2022

During the year ended December 31, 2022, the Company purchased qualifying annuity buy-in insurance contracts totalling $422 million on behalf of certain Canadian DB pension plans, as part of its de-risking strategy. The resulting actuarial loss of $35 million 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.

31.8 Material 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 were 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 31.5 – Key weighted-average assumptions used in measuring the Company's pension plans

	2023		2022	
As at December 31,	**UK&I**	**Canada**	**UK&I**	**Canada**
To determine the DB obligation:				
Discount rate	**4.54%**	**4.64%**	4.86%	5.27%
Rate of increase in future compensation:				
Next 3 years	**n/a**	**2.98%**	n/a	3.44%
Beyond 3 years	**n/a**	**2.85%**	n/a	3.32%
Rate of inflation (CPI)[1,2]	**2.45%**	**1.85%**	2.46%	2.32%
Rate of inflation (RPI)	**3.05%**	**n/a**	3.11%	n/a
Rate of increase in pensions[3]	**2.91%**	**n/a**	2.96%	n/a

	2023		2022	
Years ended December 31,	**UK&I**	**Canada**	**UK&I**	**Canada**
To determine the benefit expense:				
Discount rate:				
Current service cost	**n/a**	**5.26%**	n/a	3.28%
Interest expense on the DB obligation	**4.86%**	**5.22%**	1.84%	2.89%
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[3]	**2.96%**	**n/a**	3.14%	n/a

[1] As at December 31, 2022: 6.51% for 2023, 5.00% for 2024, 3.00% for 2025, and 2.32% per year thereafter for Canada.

[2] As at December 31, 2023: 4.00% for 2024, 3.00% for 2025, and 1.85% per year thereafter for Canada.

[3] 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 31.6 – Future mortality assumptions

	2023		2022	
As at December 31,	**UK&I**	**Canada**	**UK&I**	**Canada**
Life expectancy (in years) for pensioners at the age of 65:				
Male	**22.1**	**22.8**	22.2	22.8
Female	**23.6**	**24.4**	23.8	24.3

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 2022 tables with a long-term improvement rate of 1.25%.

The rate of compensation increase for the Canadian DB plans was based on management expectation for the next year, and on inflation and long-term expectations of wage salary increase beyond the next year. 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 31.7 – Sensitivity of the DB obligation to key assumptions

		2023		2022	
As at December 31,	**Change**	**UK&I**	**Canada**	**UK&I**	**Canada**
Discount rate	+1%	**(1,063)**	**(415)**	(1,037)	(357)
Discount rate	-1%	**1,310**	**555**	1,284	477
Rate of increase in future compensation	+1%	**-**	**106**	-	92
Rate of increase in future compensation	-1%	**-**	**(90)**	-	(78)
Rate of inflation	+1%	**789**	**68**	746	59
Rate of inflation	-1%	**(748)**	**(63)**	(715)	(54)
Life expectancy	+ One year	**288**	**71**	267	61
Life expectancy	- One year	**(290)**	**n/a**	(270)	n/a

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.

31.9 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 the 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.

With the purchase of annuity buy-in insurance contracts for UK and Canadian DB pension plans, the Company significantly reduced its exposure to balance sheet volatility, since the value of DB obligation and corresponding annuity buy-in insurance contracts change in the same proportion. As of December 31, 2023, 81% of the DB obligation was funded through buy-in annuities (9% as of December 31, 2022).

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.

The assets of the UK plans were mainly composed of annuity buy-in insurance contracts as at December 31, 2023, and securities from the government and financial sectors as at 31 December 2022. The change in composition in pension plan assets was due to the UK buy-in transaction completed during 2023. Refer to ***Note 31.6 – Additional information on UK DB pension plans*** for more details.

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 investment 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 for Canadian DB pension plans. These contracts effectively removed all market and demographic risks associated with over 90% of the retiree liabilities at the time of purchase of the annuity buy-in insurance contracts 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 78% as at December 31, 2023 (79% as at December 31, 2022).

A portion of the pension plan liabilities contains 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, 2023, 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, 2023, 23% of the remaining pension plan assets excluding the annuities were invested in Government of Canada Real Return Bonds (24% as at December 31, 2022).

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 32 – Segment information

32.1 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. 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 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. The Company distributes insurance through a wide network of affinity partners and brokers or directly to consumers.
- As the Company exited these businesses, the following were excluded from operating performance effective:
  - January 1, 2022 and until its disposal on July 7, 2022, the underwriting results of the Middle East;
  - January 1, 2023, the underwriting results of the UK Personal Lines motor market; and
  - October 1, 2023, the underwriting results of the UK Home and Pet Personal Lines.
- Effective October 1, 2023, results from the DLG brokered commercial lines acquisition are included in this segment.
- Refer to ***Note 5 – Business combinations and disposals*** for more details.

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.

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

32.2 Segment operating performance

All segment operating revenues presented in ***Table 32.1*** 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. Refer to ***Section 31 – Non-GAAP and other financial measures*** of the Company's MD&A for the definition and reconciliation of related operating measures.

The reconciliation of the segment operating revenue and PTOI to the amounts recognized in the condensed consolidated statements of income is presented in ***Table 32.2*** and ***Table 32.3*** respectively.

Table 32.1 – Segment operating performance

	2023					**2022 (Restated)[1]**				
Years ended December 31,	**CAN**	**UK&I**	**US**	**Corp**	**Total**	**CAN**	**UK&I**	**US**	**Corp**	**Total**
Operating income										
Operating net underwriting revenue	14,086	4,143	2,114	22	20,365	13,531	4,107	1,866	18	19,522
Operating net investment income	-	-	-	1,346	1,346	-	-	-	927	927
Other operating income	505	-	57	8	570	496	-	36	16	548
Segment operating revenue	14,591	4,143	2,171	1,376	22,281	14,027	4,107	1,902	961	20,997
Operating net claims	(8,802)	(2,521)	(1,052)	949	(11,426)	(7,917)	(2,625)	(941)	467	(11,016)
Operating net underwriting expenses	(4,511)	(1,471)	(823)	(3)	(6,808)	(4,288)	(1,455)	(697)	(2)	(6,442)
Net unwind of discount on claims liabilities	-	-	-	(884)	(884)	-	-	-	(378)	(378)
Share of profit from invest. in associates & JV	167	-	-	-	167	169	-	-	-	169
Total finance costs	(13)	-	-	(222)	(235)	(12)	-	-	(177)	(189)
Other operating expense	(228)	-	(34)	(165)	(427)	(232)	-	(28)	(179)	(439)
PTOI	1,204	151	262	1,051	2,668	1,747	27	236	692	2,702
Operating income tax expense					(508)					(529)
Net income (loss) attributable to NCI					(15)					4
Non-operating component of NCI					-					(24)
Preferred shares dividends and other equity distributions					(84)					(60)
NOI attributable to common shareholders					2,061					2,093
PTOI is comprised of:										
Underwriting income (loss)	773	151	239	968	2,131	1,326	27	228	483	2,064
Operating net investment result	-	-	-	462	462	-	-	-	549	549
Distribution income	444	-	23	-	467	433	-	8	-	441
Total finance costs	(13)	-	-	(222)	(235)	(12)	-	-	(177)	(189)
Other operating income (expense)	-	-	-	(157)	(157)	-	-	-	(163)	(163)
PTOI	1,204	151	262	1,051	2,668	1,747	27	236	692	2,702

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

Notes to the Consolidated financial statements

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

Table 32.2 – Reconciliation of segment operating revenue to amounts recognized in the Consolidated statements of income

Years ended December 31,	2023	2022 (Restated)[1]
Segment operating revenue (*Table 32.1*)	**22,281**	20,997
Expense from reinsurance contracts	**3,056**	3,475
Net insurance revenue from claims acquired in a business combination	**1,418**	2,472
Assumed commissions and premium adjustment	**244**	181
Net insurance revenue from retroactive reinsurance contracts	**(138)**	(142)
Other income included in Operating net underwriting expenses	**93**	62
Net underwriting revenue from exited lines	**562**	406
Net investment income from exited lines	**-**	4
Revenue, as reported below	**27,516**	27,455
Represented by:		
Insurance revenue	**25,507**	25,914
Net investment income	**1,346**	931
Other income (*Table 26.2*)	**663**	610
	27,516	27,455

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

Table 32.3 – Reconciliation of PTOI to amounts recognized in the Consolidated statements of income

Years ended December 31,	2023	2022 (Restated)[1]
Segment PTOI (*Table 32.1*)	**2,668**	2,702
Non-operating items:		
Net gains (losses) on investment portfolio	**249**	(326)
Changes in discount rate and other financial assumptions	**(156)**	962
Normalisation of discount build in transition year	**-**	166
Net foreign currency gains (losses) included in net insurance financial result	**94**	(155)
Other net gains (losses)	**50**	477
Income (loss) from exited lines	**(313)**	(126)
Amortization of acquired intangible assets	**(270)**	(254)
Acquisition, integration and restructuring costs	**(503)**	(353)
Net result from claims acquired in a business combination	**(3)**	(5)
Other	**23**	(45)
Pre-tax income, as reported in the MD&A	**1,839**	3,043
Less: share of income tax expense from broker associates	**(35)**	(36)
Income before income taxes, as reported	**1,804**	3,007

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

32.3 Selected segment assets and liabilities

Table 32.4 – Selected segment assets and liabilities

	2023					2022 (Restated)[1]				
As at December 31,	**CAN**	**UK&I**	**US**	**Corp**	**Total**	**CAN**	**UK&I**	**US**	**Corp**	**Total**
Investments ***(Note 6)***	**-**	**-**	**-**	**37,083**	**37,083**	-	-	-	35,601	35,601
Net liability for incurred claims[2]	**13,746**	**5,867**	**2,026**	**2**	**21,641**	13,415	5,280	1,891	5	20,591

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM. Refer to ***Table 11.9 – Carrying amount of the net liability for incurred claims***.

32.4 Information by geographic areas

Table 32.5 – Geographic areas

	2023				2022 (Restated)[1]			
As at December 31,	**Canada**	**UK&I**	**US**	**Total**	**Canada**	**UK&I**	**US**	**Total**
Insurance and reinsurance contracts:								
Insurance revenue	**15,514**	**7,389**	**2,604**	**25,507**	15,472	8,192	2,250	25,914
Insurance service expense	**(13,497)**	**(6,945)**	**(2,142)**	**(22,584)**	(12,970)	(7,759)	(2,021)	(22,750)
Expense from reinsurance contracts	**(798)**	**(1,781)**	**(477)**	**(3,056)**	(811)	(2,277)	(387)	(3,475)
Income from reinsurance contracts	**492**	**1,569**	**381**	**2,442**	515	2,005	393	2,913
Other information:								
Total revenues ***(Table 32.2)***	**17,014**	**7,672**	**2,830**	**27,516**	16,688	8,372	2,395	27,455
Total assets	**31,293**	**16,869**	**7,817**	**55,979**	31,548	14,558	7,635	53,741

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

The amounts presented above 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 32.6 – 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 • Striior Insurance Solutions (formerly 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 21 – Non-controlling interests*** for details.

Note 33 – Additional information on the Consolidated statements of cash flows

33.1 Cash flows from operating activities

Table 33.1 – Cash flows from operating activities

Years ended December 31,	2023	2022 (Restated)[1]
Adjustments for non-cash items		
Net (gains) losses on investment portfolio (***Note 24***)	**(249)**	326
Other net (gains) losses (***Note 25***)	**(50)**	(477)
Depreciation of property and equipment[2]	**161**	174
Amortization of intangible assets	**436**	389
Net (discounts) premiums on debt securities	**(37)**	120
DB pension expense (***Note 31***)	**1**	84
Share-based payments expense	**120**	152
Share of profit from investments in associates and joint ventures (***Note 15***)	**(96)**	(103)
Other	**159**	103
	445	768
Changes in operating assets and liabilities		
Contributions to the DB pension plans (***Note 31***)	**(1,027)**	(228)
Changes in insurance and reinsurance contracts	**879**	365
Share-based payments	**(14)**	(15)
Other operating assets	**10**	(42)
Other operating liabilities	**(137)**	169
Dividends received from investments in associates and joint ventures (***Note 15***)	**39**	49
	(250)	298

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

[2] Includes depreciation of right-of-use assets of leases.

Cash and cash equivalents with restricted use was approximately $232 million and $354 million as at December 31, 2023 and 2022, respectively.

Note 34 – 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.

34.1 Transactions with associates and joint ventures

Table 34.1 – Transactions with associates and joint ventures

As at December 31,	**2023**	**2022 (Restated)[1]**
Income (expenses) recognized in:		
Insurance revenue	**-**	9
Insurance service expense	**(363)**	(421)
Net investment income	**8**	5
Assets (liabilities) recognized in:		
Loans and other receivables	**111**	94
Other payables and other liabilities	**(188)**	(153)
Insurance contract liabilities	**69**	40

[1] Restated for the adoption of IFRS 17 – *Insurance contracts*. Refer to ***Note 2 – Adoption of new accounting standards***.

34.2 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 34.2 – Aggregate compensation of key management personnel

Years ended December 31,	**2023**	**2022**
Compensation[1]	**22**	28
Share-based payments	**30**	29
	52	57

[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.

34.3 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, 2023 ($6 million – December 31, 2022).

The Company made contributions to the Canadian and UK pension plans of $1,027 million for the year ended December 31, 2023 ($228 million – December 31, 2022).

Note 35 – Commitments and contingencies

35.1 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 b) – Financial liabilities by contractual maturity*** and ***Note 17.2 – 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 35.1 – Other non-cancellable commitments

As at December 31, 2023	Leases[1]	Investments[2]	Other	Total
Less than 1 year	**83**	**421**	**124**	**628**
From 1 to 5 years	**233**	**-**	**67**	**300**
Over 5 years	**247**	**-**	**-**	**247**
	563	**421**	**191**	**1,175**

[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 35.2 – Amounts recognized in the Consolidated statements of income

Years ended December 31,	2023	2022
Interest expense on lease liabilities	**19**	15
Operational costs and variable lease payment expenses	**114**	71

35.2 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 and reinsurance 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.

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 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 insurance contract liabilities reflects court judgments across the jurisdictions that business operates in. These judgments are complex and create a number of uncertainties and the Company continues to monitor the progression of these judgments, including any appeal to a higher court.

Subsequent to year end, on January 16, 2024, a judgment in a COVID-19 business interruption case was handed down in the UK, following an appeal hearing. The findings were consistent with assumptions previously made and, as a result, no adjustments to the consolidated financial statements were necessary related to the judgment.

Note 36 – Disclosures on rate regulation

36.1 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 36.1 – 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 insurance revenue covered by a "file and approve" rate setting mechanism totalled $5.1 billion, or 74% of the Canadian Company's automobile insurance revenue for the year ended December 31, 2023 ($5.0 billion, or 74% – December 31, 2022).

36.2 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.

36.3 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.

Note 37 – Standards issued but not yet effective

In October 2022, the IASB amended IAS 1 – *Presentation of Financial Statements* ("IAS 1") to clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also require an entity to disclose additional information in the notes to the financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate that this amendment will have a significant impact on its consolidated financial statements.

Five-year financial history

This table contains non-GAAP and other financial measures. Refer to Section 31—Non-GAAP and other financial measures of the MD&A for the year-ended December 31, 2023 for further details.

	IFRS 17 basis		IFRS 4 basis		
	2023	**2022**	**2021**	**2020**	**2019**
Consolidated performance					
Operating direct premiums written[1]	**22,370**	21,005	17,283	12,039	11,049
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**20,365**	19,522	16,043	11,220	10,211
Underwriting income (loss)[1]	**2,131**	2,064	1,787	1,227	465
Operating net investment income[1]	**1,346**	927	706	577	576
Net unwind of discount on claims liabilities[1,2]	**(884)**	(378)	n.a.	n.a.	n.a.
Operating net investment result[1,2]	**462**	549	n.a.	n.a.	n.a.
Distribution income[1]	**467**	441	362	275	209
Net operating income attributable to common shareholders[1]	**2,061**	2,093	2,017	1,419	860
Non-operating results[1]	**(829)**	341	(70)	(535)	(257)
Net income	**1,331**	2,450	2,088	1,082	754
Combined ratio (discounted)[1,2] / Operating combined ratio[1,3]	**89.5%**	89.4%	88.8%	89.1%	95.4%
Combined ratio (undiscounted)[1,2]	**94.2%**	91.8%	n.a.	n.a.	n.a.
Per share measures ($)					
Net operating income per share[1]	**11.70**	11.92	12.41	9.92	6.16
Earnings per share	**6.99**	13.63	12.40	7.20	5.08
Book value per share[1]	**81.71**	82.84	82.34	58.79	53.97
Dividend per common share	**4.40**	4.00	3.40	3.32	3.04
Return on equity					
Operating return on equity[1]	**14.2%**	14.0%	17.8%	18.4%	12.5%
Adjusted return on equity[1]	**11.7%**	19.2%	21.0%	15.0%	11.4%
Return on equity[1]	**8.8%**	16.3%	17.0%	12.8%	10.0%

	IFRS 17 basis		IFRS 4 basis		
	2023	2022	2021	2020	2019
Underwriting performance					
P&C Canada					
Operating direct premiums written[1]	**14,891**	13,995	12,023	10,216	9,399
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**14,086**	13,531	11,450	9,633	8,775
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**94.5%**	90.2%	86.7%	88.0%	95.9%
Personal auto					
Operating direct premiums written[1]	**5,956**	5,514	4,843	4,322	4,067
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**5,808**	5,557	4,825	4,187	3,818
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**94.7%**	93.2%	86.9%	86.6%	97.7%
Personal property					
Operating direct premiums written[1]	**3,877**	3,632	3,104	2,586	2,337
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**3,650**	3,493	2,924	2,444	2,184
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**100.7%**	89.2%	83.8%	81.7%	92.5%
Commercial lines — Canada					
Operating direct premiums written[1]	**5,058**	4,849	4,076	3,308	2,995
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**4,628**	4,481	3,701	3,002	2,773
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**89.3%**	87.2%	88.6%	95.1%	96.0%
P&C U.K.&I (in Canadian dollars)[4]					
Operating direct premiums written[1]	**4,706**	4,664	2,538	–	–
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**4,143**	4,107	2,319	–	–
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**96.4%**	99.3%	93.4%	–	–
Commercial lines — U.S. (in Canadian dollars)					
Operating direct premiums written[1]	**2,773**	2,346	1,988	1,823	1,650
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**2,114**	1,866	1,652	1,582	1,431
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**88.7%**	87.8%	92.9%	94.9%	93.2%
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	**55,979**	53,741	66,349	35,119	32,292
Total capital margin	**2,671**	2,379	2,891	2,729	1,222
Adjusted debt-to-total capital ratio[1]	**22.4%**	20.7%	23.0%	24.1%	21.3%

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[1] These are non-GAAP and other financial measures. Refer to Section 31—Non-GAAP and other financial measures of the MD&A for the year-ended December 31, 2023 for further details.

[2] Represents a nomenclature and definition change made following the adoption of IFRS 17. Refer to Section 31—Non-GAAP and other financial measures of the MD&A for the year-ended December 31, 2023 for further details.

[3] Represent the nomenclature and definition as reported under IFRS 4. The glossary of IFRS 4 terms is available in our 2022 Annual Report (pages 242 to 245).

[4] Effective Q4-2023, we have exited our U.K. personal lines operations. As a result, the U.K.&I segment will no longer show a breakdown between Personal lines and Commercial lines.

Three-year quarterly financial history

This table contains non-GAAP and other financial measures. Refer to Section 31—Non-GAAP and other financial measures of the MD&A for the year-ended December 31, 2023 for further details.

	IFRS 17 basis 2023				IFRS 17 basis 2022				IFRS 4 basis 2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Consolidated performance												
Operating direct premiums written[1]	**5,410**	**5,925**	**6,226**	**4,809**	5,125	5,423	5,801	4,656	5,017	5,447	4,297	2,522
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**5,259**	**5,226**	**5,016**	**4,864**	5,041	4,918	4,802	4,761	4,931	4,871	3,482	2,759
Underwriting income (loss)[1]	**787**	**340**	**391**	**613**	485	472	576	531	600	426	464	297
Operating net investment income[1]	**376**	**349**	**326**	**295**	279	232	211	205	220	191	154	141
Net unwind of discount on claims liabilities[1,2]	**(217)**	**(225)**	**(216)**	**(226)**	(117)	(90)	(88)	(83)	n.a.	n.a.	n.a.	n.a.
Operating net investment result[1,2]	**159**	**124**	**110**	**69**	162	142	123	122	n.a.	n.a.	n.a.	n.a.
Distribution income[1]	**109**	**116**	**137**	**105**	94	113	142	92	77	105	118	62
Net operating income attributable to common shareholders[1]	**752**	**370**	**402**	**537**	508	488	581	516	666	505	502	344
Non-operating results[1]	**(205)**	**(292)**	**(191)**	**(141)**	(221)	(161)	725	(2)	17	(265)	6	172
Net income	**531**	**163**	**260**	**377**	353	375	1,235	487	701	300	573	514
Combined ratio (discounted)[1,2] / Operating combined ratio[1,3]	**85.0%**	**93.5%**	**92.2%**	**87.4%**	90.4%	90.4%	88.0%	88.9%	87.8%	91.3%	86.7%	89.3%
Combined ratio (undiscounted)[1,2]	**90.1%**	**98.3%**	**96.3%**	**91.9%**	93.2%	91.7%	90.2%	92.1%	n.a.	n.a.	n.a.	n.a.
Per share measures ($)												
Net operating income per share[1]	**4.22**	**2.10**	**2.30**	**3.06**	2.91	2.78	3.30	2.93	3.78	2.87	3.26	2.40
Earnings per share	**2.78**	**0.83**	**1.30**	**2.06**	1.88	2.05	6.93	2.76	3.85	1.60	3.59	3.51
Book value per share[1]	**81.71**	**77.24**	**76.29**	**77.72**	82.84	81.82	83.74	84.78	82.34	79.21	77.67	62.19
Dividend per common share	**1.10**	**1.10**	**1.10**	**1.10**	1.00	1.00	1.00	1.00	0.91	0.83	0.83	0.83
Return on equity												
Operating return on equity[1]	**14.2%**	**12.2%**	**12.8%**	**14.1%**	14.0%	n.a.	n.a.	n.a.	17.8%	18.3%	19.8%	19.0%
Adjusted return on equity[1]	**11.7%**	**10.6%**	**11.8%**	**18.3%**	19.2%	n.a.	n.a.	n.a.	21.0%	20.2%	22.9%	20.1%
Return on equity[1]	**8.8%**	**7.8%**	**9.0%**	**15.4%**	16.3%	n.a.	n.a.	n.a.	17.0%	16.5%	19.6%	17.6%
Underwriting performance												
P&C Canada												
Operating direct premiums written[1]	**3,682**	**3,943**	**4,270**	**2,996**	3,410	3,657	4,035	2,893	3,283	3,564	3,051	2,125
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**3,658**	**3,586**	**3,474**	**3,368**	3,454	3,447	3,356	3,274	3,296	3,280	2,492	2,382
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**86.7%**	**101.8%**	**97.9%**	**91.7%**	87.6%	92.5%	89.6%	91.1%	84.4%	89.2%	85.0%	88.2%
Personal auto												
Operating direct premiums written[1]	**1,408**	**1,668**	**1,711**	**1,169**	1,256	1,535	1,608	1,115	1,234	1,544	1,251	814
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**1,524**	**1,475**	**1,430**	**1,379**	1,402	1,423	1,385	1,347	1,390	1,404	1,048	983
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**95.2%**	**95.4%**	**91.2%**	**97.1%**	93.5%	94.4%	91.3%	93.7%	87.5%	85.1%	82.4%	93.4%

	IFRS 17 basis 2023				IFRS 17 basis 2022				IFRS 4 basis 2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Personal property												
Operating direct premiums written[1]	**946**	**1,109**	**1,062**	**760**	874	1,034	1,008	716	831	965	790	518
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**949**	**925**	**898**	**878**	895	884	865	849	838	828	637	621
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**75.8%**	**123.7%**	**119.2%**	**84.5%**	76.5%	95.9%	96.5%	88.3%	79.5%	93.5%	83.3%	77.4%
Commercial lines—Canada												
Operating direct premiums written[1]	**1,328**	**1,166**	**1,497**	**1,067**	1,280	1,088	1,419	1,062	1,218	1,055	1,010	793
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**1,185**	**1,186**	**1,146**	**1,111**	1,157	1,140	1,106	1,078	1,068	1,048	807	778
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**84.4%**	**92.7%**	**89.5%**	**90.8%**	89.1%	87.6%	82.1%	89.9%	84.3%	91.2%	89.6%	90.1%
P&C U.K.&I (in Canadian dollars)[4]												
Operating direct premiums written[1]	**1,112**	**1,157**	**1,202**	**1,235**	1,150	1,058	1,164	1,292	1,274	1,264	–	–
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**1,011**	**1,103**	**1,037**	**992**	1,037	993	1,016	1,061	1,145	1,174	–	–
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**104.6%**	**92.5%**	**94.1%**	**94.6%**	116.4%	90.3%	92.0%	98.2%	93.0%	93.9%	–	–
Commercial lines—U.S. (in Canadian dollars)												
Operating direct premiums written[1]	**616**	**825**	**754**	**578**	565	708	602	471	460	619	512	397
Operating net underwriting revenue[1,2] / Operating net earned premiums[1,3]	**590**	**530**	**498**	**496**	546	475	424	421	485	415	379	373
Combined ratio (undiscounted)[1,2] / Operating combined ratio[1,3]	**86.4%**	**88.5%**	**91.3%**	**89.1%**	84.7%	89.3%	91.0%	86.8%	92.5%	92.8%	90.3%	96.3%
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	**55,979**	**55,007**	**53,255**	**53,692**	53,741	53,570	52,837	54,766	66,349	66,173	65,491	35,264
Total capital margin	**2,671**	**2,841**	**2,482**	**2,796**	2,379	2,490	2,479	2,567	2,891	2,693	2,558	3,008
Adjusted debt-to-total capital ratio[1]	**22.4%**	**22.7%**	**22.5%**	**22.4%**	20.7%	21.9%	19.8%	23.4%	23.0%	23.9%	24.1%	22.5%

[1] These are non-GAAP and other financial measures. Refer to Section 31—Non–GAAP and other financial measures of the MD&A for the year–ended December 31, 2023 for further details.

[2] Represents a nomenclature and definition change made following the adoption of IFRS 17. Refer to Section 31—Non–GAAP and other financial measures of the MD&A for the year-ended December 31, 2023 for further details.

[3] Represent the nomenclature and definition as reported under IFRS 4. The glossary of IFRS 4 terms is available in our 2022 Annual Report (pages 242 to 245).

[4] Effective Q4-2023, we have exited our U.K. personal lines operations. As a result, the U.K.&I segment will no longer show a breakdown between Personal lines and Commercial lines.

Forward-looking statements

Certain of the statements included in this annual report constitute forward-looking statements. Unless otherwise indicated, all forward-looking statements in this annual report are made as at March 27, 2024, and are subject to change after that date. This annual report contains forward-looking statements with respect to the acquisition of Direct Line Insurance Group plc's ("DLG") brokered Commercial Lines operations ("the DLG brokered commercial lines acquisition"), the exit of Royal & Sun Alliance Insurance Limited from the U.K. personal lines market, including the sale of our U.K. direct personal lines operations to Admiral Group plc ("Admiral"), the realization of the expected strategic, financial and other benefits of the transactions and the related economic conditions on the Company's operations and financial performance. This annual report also contains forward-looking statements with respect to the Company's climate-related strategy, goals or plans, based on our current expectations, estimates and projections involving inherent risks and uncertainties, as they are based on various factors and assumptions, all of which are difficult to predict and many of which are beyond our control, including technological advancement, development of climate-related measurement methodologies, varying decarbonization efforts across economies, governmental or regulatory action, geopolitical factors impacting global energy needs, challenges of balancing emission reduction targets with an orderly, just and inclusive transition, evolution of customer behaviour, our ability to gather and verify data, the participation of various stakeholders or our ability to implement various initiatives across our global operations within a specified timeframe.

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

All of the forward-looking statements included in this annual report are qualified by these cautionary statements. 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.

Disclaimer

Shareholder and corporate information

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 meeting of shareholders

Date: Wednesday, May 8, 2024

Time: 1:00 p.m. (Eastern Time)

Place: Virtual-only meeting via live webcast. The webcast will be available at https://web.lumiagm.com/#/452621456. Detailed information on how to participate in the Meeting is included in our Management Proxy Circular.

Earnings conference call dates

Q1—May 8, 2024
Q2—July 31, 2024
Q3—November 6, 2024
Q4—February 12, 2025

Common share dividend history

Record date	Payable date	Amount
December 15, 2023	December 29, 2023	$1.10
September 15, 2023	September 29, 2023	$1.10
June 15, 2023	June 30, 2023	$1.10
March 15, 2023	March 31, 2023	$1.10
December 15, 2022	December 30, 2022	$1.00
September 15, 2022	September 30, 2022	$1.00
June 15, 2022	June 30, 2022	$1.00
March 15, 2022	March 31, 2022	$1.00

Common share dividend dates in 2024*

Record date	Payable date
March 15, 2024	March 29, 2024
June 14, 2024	June 28, 2024
September 13, 2024	September 27, 2024
December 16, 2024	December 31, 2024

Preferred share dividend dates in 2024*

Record date	Payable date
March 15, 2024	March 31, 2024
June 14, 2024	June 30, 2024
September 13, 2024	September 30, 2024
December 16, 2024	December 31, 2024

* Dividends are not guaranteed and are subject to approval by the Board of Directors.

Transfer agent and registrar

Computershare Investor Services Inc.
100 University Avenue, 8th Floor, North Tower
Toronto, Ontario M5J 2Y1
1-800-564-6253

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.

Auditors

Ernst & Young LLP

Investor inquiries

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Vice President, Investor Relations
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shubha.khan@intact.net

Media inquiries

David Barrett
Director, Media, Social
and Owned Channels
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media@intact.net

Data items are not adjusted for stock splits and consolidations. This data is provided "AS IS". TSX, its affiliates and their respective service providers, suppliers and licensors: (i) make no warranties or representations of any kind, express, implied or otherwise regarding this data or its accuracy, completeness or timeliness, (ii) disclaim the implied warranties of merchantability and fitness for a particular purpose, and (iii) assume no liability in making this data available.

A glossary of abbreviations can be found in Section 35—Glossary and definitions of the MD&A. A glossary of definitions of GAAP and non-GAAP financial measures, as well as other insurance-related terms used in our financial reports, can be obtained by visiting the "Investors" section of the www.intactfc.com website.

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.

Committed to building climate resilient communities

Natural infrastructure is the first line of defense against climate change.

Intact supports the protection of natural assets and the development of nature-based solutions through long-term partnerships with Nature Conservancy of Canada and Gloucestershire Wildlife Trust.

We help people adapt to the impacts of extreme weather.

Intact provides funding to the Intact Centre on Climate Adaptation for the development of practical solutions that protect our communities from the increasing impacts of severe weather.

We help municipalities to be better prepared for wildfires and floods.

Intact launched a grant program to help municipalities across Canada with initiatives that accelerate their own adaptation solutions.

Why invest in Intact

Largest provider of P&C insurance in Canada, leader in commercial lines in the U.K. 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

2023 Kincentric **Best Employer** in Canada and the U.S.

belairdirect.

BrokerLink Insurance

[intact] INSURANCE

[intact] INSURANCE prestige

[intact] public entities

[intact] INSURANCE specialty solutions

ON SIDE RESTORATION. Performance demonstrated. Every day.

RSA

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