

First Quarter

2018

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Management's Discussion and Analysis
For the quarter ended March 31, 2018

Intact Financial Corporation

Management’s Discussion and Analysis for the first quarter of 2018

(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 (or “Board”) for the quarter ended March 31, 2018. This MD&A is intended to enable the reader to assess our results of operations and financial condition for the three-month period ended March 31, 2018, compared to the corresponding period in 2017. It should be read in conjunction with our interim Consolidated financial statements, as well as the MD&A and the Consolidated financial statements included in our 2017 Annual Report. This MD&A is dated May 8, 2018.

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

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Non-IFRS financial measures

We use both IFRS and non-IFRS financial measures to assess our performance. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to any similar measures presented by other companies. See *Section 15 – Non-IFRS financial measures for the definition and reconciliation to the most comparable IFRS measures*. These measures and other insurance-related terms used in this MD&A are defined in the glossary available in the "Investors" section of our web site at www.intactfc.com.

Cautionary note regarding forward-looking statements

Certain of the statements included in this MD&A about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. This MD&A contains forward-looking statements with respect to the acquisition (the "Acquisition") of OneBeacon Insurance Group, Ltd. ("OneBeacon") and the integration and future plans relating to the Acquisition.

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. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the Company's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that the Company writes; unfavourable capital market developments or other factors which may affect the Company's investments, floating rate securities and funding obligations under its pension plans; the cyclical nature of the P&C insurance industry; management's ability to accurately predict future claims frequency and severity, including in the Ontario personal auto line of business, catastrophe losses caused by severe weather and other weather-related losses, as well as the impact of climate change; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the Company's reliance on brokers and third parties to sell its products to clients and provide services to the Company; the Company's ability to successfully pursue its acquisition strategy; the Company's ability to execute its business strategy; the Company's ability to achieve synergies arising from successful integration plans relating to acquisitions; economic, financial, business and political conditions, as well as their resulting effect on management's estimates and expectations in relation to accretion, equity IRR, net operating income per share, MCT, combined and debt-to-total capital ratio and the other metrics used in relation to the Acquisition; the terms and conditions of the Acquisition; the Company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools; terrorist attacks and ensuing events; the occurrence and frequency of catastrophe events, including a major earthquake; the Company's ability to maintain its financial strength and issuer credit ratings; the Company's access to debt and equity financing; the Company's ability to compete for large commercial business; the Company's ability to alleviate risk through reinsurance; the Company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); the Company's ability to contain fraud and/or abuse; the Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including evolving cyber-attack risk; the impact of developments in technology on the Company's products and distribution; the Company's dependence on and ability to retain key employees; changes in laws or regulations; general economic, financial and political conditions; the Company's dependence on the results of operations of its subsidiaries and the ability of the Company's subsidiaries to pay dividends; the volatility of the stock market and other factors affecting the trading prices of the Company's securities; the Company's ability to hedge exposures to fluctuations in foreign exchange rates; future sales of a substantial number of its common shares; changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

All of the forward-looking statements included in this MD&A and the quarterly earnings earnings press release dated May 8, 2018, are qualified by these cautionary statements and those made in the section entitled Risk management (Sections 19-24) of our MD&A for the year ended December 31, 2017. 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.

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Glossary of abbreviations

Description		Description	
AEPS	Adjusted EPS	NAIC	National Association of Insurance Commissioners
AFS	Available for sale	NCIB	Normal course issuer bid
AMF	Autorité des marchés financiers	NEP	Net earned premiums
AOCI	Accumulated OCI	NOI	Net operating income
AROE	Adjusted ROE	NOIPS	NOI per share
BVPS	Book value per share	OCI	Other comprehensive income
CAD	Canadian Dollar	OROE	Operating ROE
CAGR	Compound annual growth rate	OSFI	Office of the Superintendent of Financial Institutions
CAN	Canada	P&C	Property & Casualty
CAT	Catastrophe	PTOI	Pre-tax operating income
DPW	Direct premiums written	PYD	Prior year claims development
EPS	Earnings per share to common shareholders	RBC	Risk-based capital
FVTPL	Fair value through profit and loss	ROE	Return on equity
IFRS	International Financial Reporting Standards	S&P	Standard & Poor’s
MCT	Minimum capital test	U.S.	United States
MD&A	Management’s Discussion and Analysis	USD	U.S. Dollar
MYA	Market yield adjustment		

Important notes

- Unless otherwise noted, DPW refer to DPW normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines (referred to as “DPW” in this MD&A). DPW for 2017 were adjusted to exclude fronting from Canada Insurance, to enhance comparability with our current reporting. *See Table 24 for details on exited lines and Table 26 for the reconciliation to DPW, as reported under IFRS.* All underwriting results and related ratios exclude the MYA and the results of our U.S. Commercial exited lines, unless otherwise noted. The expense and general expense ratios are presented herein net of other underwriting revenues.
- DPW (pro forma) for 2017 are comprised of the DPW of P&C Canada and the DPW (pro forma) of P&C U.S.
- Catastrophe claims are any one claim, or group of claims, equal to or greater than \$7.5 million for P&C Canada (US\$5 million for P&C U.S.) related to a single event (referred to as the “CAT threshold”). A non-catastrophe weather event is a group of claims, which is considered significant but that is smaller than the CAT threshold, related to a single weather event. A large loss is defined as a single claim larger than \$0.25 million for P&C Canada (US\$0.25 million for P&C U.S.) but smaller than the CAT threshold.
- Regulatory Capital Ratios refer to MCT (as defined by OSFI and the AMF in Canada) and RBC (as defined by the NAIC in the U.S.). All references to “total capital margin” in this MD&A include the aggregate of capital in excess of company action levels in regulated entities (170% MCT, 200% RBC) plus available cash in unregulated entities (*see Section 12.2 - Capital position for details*).
- Unless otherwise noted, market share and market related data for P&C Canada are based on the latest available data (Q4-2017) from MSA Research Inc. (“MSA”) and excludes Lloyd’s Underwriters Canada, Insurance Corporation of British Columbia, Saskatchewan Government Insurance, Saskatchewan Auto Fund, Genworth Financial Mortgage Insurance Company Canada and Canada Guaranty Mortgage Insurance Company. MSA data excludes certain Québec regulated entities. Market share and market positioning reflect the impact of announced or completed acquisitions and are therefore presented on a *pro forma* basis.
- Unless otherwise noted, market share and market related data for P&C U.S. are based on the latest available data from SNL Insurance.
- 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%.

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OVERVIEW

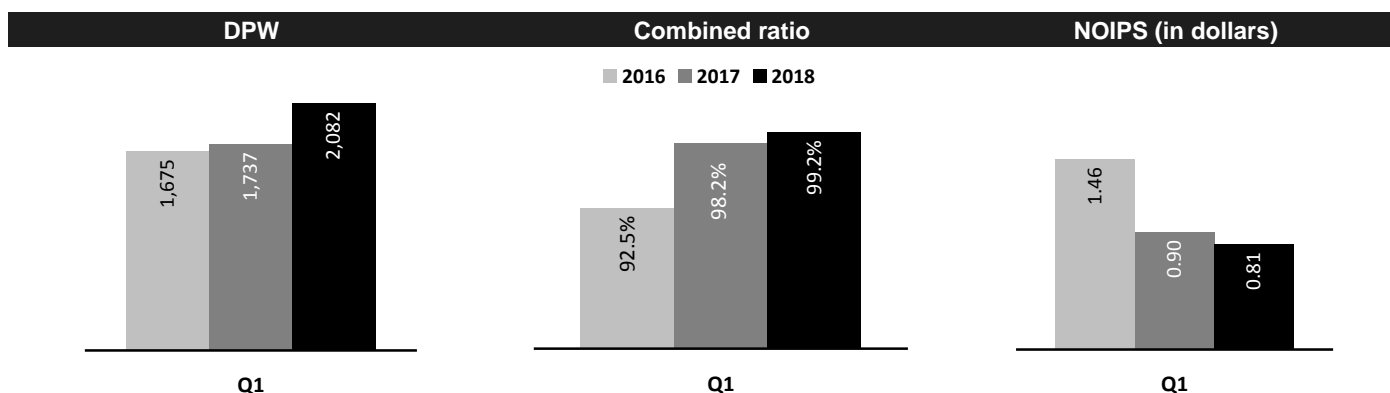
Section 1 – Overview of Intact Financial Corporation

1.1 Building a world-class P&C insurer

- We are the largest provider of P&C insurance in Canada and a leading provider of specialty insurance in North America, with close to \$10 billion in annual DPW¹.
- We have over 13,000 full- and part-time employees who serve more than five million personal, business, public sector and institutional customers through offices in Canada and the U.S.
- 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. In the U.S., OneBeacon, our wholly-owned subsidiary, provides specialty insurance products through independent agencies, brokers, wholesalers and managing general agencies.
- We are a proven industry consolidator with a track record of 16 successful P&C acquisitions since 1988.

1.2 Q1-2018 Highlights

- **Net operating income per share of \$0.81** reflecting a \$0.70 impact from the severe winter conditions in Canada and an increase in investment income
- **Premiums grew 20%** bolstered by OneBeacon and strong growth in commercial lines in Canada
- **Combined ratio of 99.2%** reflects the severe winter in Canada and OneBeacon’s solid results at 95.3%
- **Operating ROE of 12.4% and a 10% increase in book value per share** over the last twelve months



¹ DPW (pro forma) for 2017 are comprised of the DPW of P&C Canada and the DPW (pro forma) of P&C U.S., using an exchange rate of 1.30.

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1.3 Our business segments

Following the acquisition of OneBeacon on September 28, 2017, we now report our financial results under the business segments set out below. The composition of our segments is aligned with our management structure and internal financial reporting based on geography and the nature of our activities.

Intact Financial Corporation	
Canada Insurance (CAN)	<p>Comprised of the underwriting (P&C Canada) and distribution activities in Canada</p> <ul style="list-style-type: none"> Underwriting of automobile, home and business insurance contracts to individuals and businesses in Canada. Underwriting results in Canada are reported under three lines of business: <ul style="list-style-type: none"> Personal auto Personal property Commercial lines, which include Commercial auto and Commercial P&C Distribution operations, including the operating results of our wholly-owned broker, BrokerLink, as well as our share of results of broker affiliates.
U.S. Insurance (U.S)	<p>Comprised of the underwriting activities in the U.S. (P&C U.S.)</p> <ul style="list-style-type: none"> Underwriting of specialty contracts to small and midsize businesses in the U.S., which are reported under: <ul style="list-style-type: none"> Commercial lines, which include the underwriting results of OneBeacon since September 28, 2017 (see Sections 3 and 7.2).
Corporate and Other (Corporate)	<p>Comprised of the following activities, which are managed at the Corporate level:</p> <ul style="list-style-type: none"> Investment management Treasury and capital management Other corporate activities <p>Operating results include net investment income, finance costs, as well as other income and expenses (including corporate expenses and ancillary income).</p>



We measure our consolidated performance mainly based on NOIPS and business segment performance based on pre-tax operating income (PTOI). Comparative information has been reclassified accordingly.

Table 1 – Operating performance by segment¹

As at March 31,	2018				2017			
	CAN	U.S.	Corporate	Total	CAN	U.S.	Corporate	Total
DPW	1,761	321	-	2,082	1,737	-	-	1,737
Operating income								
Underwriting income	4	15	-	19	35	-	-	35
Net investment income	-	-	122	122	-	-	105	105
Net distribution income	24	-	-	24	24	-	-	24
Finance costs	-	-	(25)	(25)	-	-	(19)	(19)
Other income (expense)	-	-	(1)	(1)	-	-	5	5
Pre-tax operating income (PTOI)	28	15	96	139	59	-	91	150
Net operating income (NOI)				120				123
NOIPS (in dollars)				0.81				0.90

¹ Refer to Section 15 – Non-IFRS financial measures.

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1.4 Consolidated performance

On September 28, 2017, we completed the acquisition of OneBeacon. Its results of operations and balance sheet are included in our consolidated results and financial position from that date.

Table 2 – Consolidated performance¹

	Q1-2018	Q1-2017	Change
DPW	2,082	1,737	20%
NEP	2,334	1,997	17%
Operating income			
Underwriting income	19	35	(16)
Net investment income	122	105	17
Net distribution income	24	24	-
Finance costs	(25)	(19)	(6)
Other income (expense)	(1)	5	(6)
PTOI	139	150	(11)
NOI	120	123	(2)%
Non-operating gains (losses)	(19)	31	(50)
Effective income tax rate	14.2%	19.3%	(5.1) pts
Net income	103	146	(29)%
Underwriting ratios			
Claims ratio	69.1%	69.2%	(0.1) pts
Expense ratio	30.1%	29.0%	1.1 pts
Combined ratio	99.2%	98.2%	1.0 pts
Per share measures, basic and diluted (in dollars)			
NOIPS	0.81	0.90	(10)%
EPS	0.68	1.08	(37)%
AEPS	0.94	1.18	(20)%
BVPS	47.32	43.14	10%
Return on equity for the last 12 months			
OROE	12.4%	10.6%	1.8 pts
ROE	11.7%	9.5%	2.2 pts
AROE	12.3%	10.8%	1.5 pts
Total capital margin	1,067	1,034	33
Debt-to-total capital ratio	23.4%	18.5%	4.9 pts

¹ Refer to Section 15 – Non-IFRS financial measures.

Table 3 – Performance by business segment¹

	Section	Q1-2018	Q1-2017	Change
DPW growth				
Canada Insurance	2.1	1,761	1,737	1%
U.S. Insurance	3.1	321	-	n/a
		2,082	1,737	20%
Combined ratio				
Canada Insurance	2.1	99.8%	98.2%	1.6 pts
U.S. Insurance	3.1	95.3%	-	n/a
		99.2%	98.2%	1.0 pts
PTOI				
Canada Insurance	2.1	28	59	(53)%
U.S. Insurance	3.1	15	-	n/a
Corporate and Other		96	91	5%
		139	150	(7)%

¹ Refer to Section 15 – Non-IFRS financial measures.

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

Q1-2018 vs Q1-2017	
DPW growth	<ul style="list-style-type: none"> • Our premiums grew 20% in the quarter, mainly from the acquisition of OneBeacon. • OneBeacon contributed a solid 19%, which was particularly strong this quarter due to topline seasonality. • Premium growth in Canada of 1% was driven by 5% growth and improving momentum in commercial lines, tempered by the impact of robust profitability actions including rate increases in personal auto.
Underwriting performance	<ul style="list-style-type: none"> • Combined ratio of 99.2%, reflecting severe winter conditions in Canada and OneBeacon's solid results. • Combined ratio for Canada of 99.8% reflected an estimated 5 point impact from the severe winter and a strong performance in personal property, while challenges still remain in personal auto. • We estimate that the severe winter weather in Canada led to higher-than-expected losses of approximately \$130 million. Compared to Q1-2017, which also experienced difficult winter conditions, this represents an estimated increase of \$40 million. Please refer to Section 2.2 - Weather for further details. • OneBeacon delivered a solid combined ratio of 95.3%, including a favourable PYD contribution of 1.3 points.
Net investment income	<ul style="list-style-type: none"> • Net investment income was up \$17 million primarily reflecting the growth in our investment portfolio following the acquisition of OneBeacon.
Net distribution income	<ul style="list-style-type: none"> • Net distribution income remains solid though unchanged at \$24 million. We remain on track to grow distribution income by 10% in 2018.
NOIPS	<ul style="list-style-type: none"> • NOIPS of \$0.81 reflected \$0.70 of losses from the particularly severe winter, partially offset by solid results from OneBeacon.
Effective income tax rate	<ul style="list-style-type: none"> • Effective income tax rate of 14.2%, reflecting a lower proportion of Canadian underwriting income over total pre-tax income, as well as OneBeacon results taxed at a lower rate.
Net income	<ul style="list-style-type: none"> • Net income of \$103 million was impacted by the items discussed above and OneBeacon's non-operating losses, including integration costs and underwriting results of exited lines.
Financial condition	<ul style="list-style-type: none"> • BVPS increased 10% from a year ago to \$47.32, mainly driven by our earnings and the equity financing of OneBeacon. • Our debt-to-total capital ratio of 23.4% as at March 31, 2018 remains above 20%, but has decreased since the acquisition of OneBeacon as we focus on bringing it back to targeted levels. • We ended the quarter in a strong capital position, with close to \$1.1 billion of total capital margin.

Management's Discussion and Analysis for the first quarter of 2018

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

SEGMENT PERFORMANCE

Section 2 – Canada Insurance

2.1 P&C Canada

Table 4 – Underwriting results for P&C Canada¹

	Section	Q1-2018	Q1-2017	Change
DPW		1,761	1,737	1%
Personal auto	2.3	792	803	(1)%
Personal property	2.4	423	414	2%
Commercial lines	2.5	546	520	5%
NEP		2,020	1,997	1%
Current year claims (excluding CAT claims)		1,467	1,375	92
Current year CAT claims		36	88	(52)
Unfavourable (favourable) PYD		(71)	(82)	11
Total net claims		1,432	1,381	51
Underwriting expenses		584	581	3
Underwriting income		4	35	(31)
Underwriting ratios				
Underlying current year loss ratio		72.6%	68.8%	3.8 pts
CAT loss ratio (including reinst. premiums)		1.8%	4.5%	(2.7) pts
Unfavourable (favourable) PYD ratio		(3.5)%	(4.1)%	0.6 pts
Claims ratio		70.9%	69.2%	1.7 pts
Commissions		14.9%	15.4%	(0.5) pts
General expenses		10.1%	9.9%	0.2 pts
Premium taxes		3.9%	3.7%	0.2 pts
Expense ratio		28.9%	29.0%	(0.1) pts
Combined ratio		99.8%	98.2%	1.6 pts
Personal auto	2.3	106.4%	102.6%	3.8 pts
Personal property	2.4	88.3%	92.8%	(4.5) pts
Commercial lines	2.5	99.5%	95.9%	3.6 pts

¹ Refer to Section 15 – Non-IFRS financial measures.

Q1-2018 vs Q1-2017

- **DPW growth of 1%** reflected strong growth in commercial lines, while personal lines were tempered by the impact of robust profitability actions, including rate increases.
- **Weather-related losses increased by about \$40 million compared to Q1-2017, which also experienced difficult winter conditions.** This increase impacted personal auto and commercial lines equally. *Please refer to Section 2.2 – Weather for further details.*
- **Underlying current year loss ratio of 72.6%** reflected the particularly severe winter, which drove increased claims frequency in personal auto, and water and fire losses in property lines.
- **CAT losses of \$36 million** were weather driven and above expectations.
- **Favourable PYD ratio was healthy at 3.5%.**
- **Expense ratio of 28.9% improved slightly** as lower variable commissions were offset by timing variances and additional premium taxes.
- **Combined ratio of 99.8%** included an estimated 5 points from the particularly severe winter, roughly a 2 point increase from last year, which also experienced difficult winter conditions.

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2.2 Weather

Severe winter conditions in Canada in Q1-2018

This winter was characterized by an **active jet stream**, which resulted in several **major shifts** in weather conditions in Canada. In Central Canada, frequent changes in temperature caused freezing and thawing, as well as rain falling on snow. In Western Canada, temperatures were much colder than average throughout the season, while Québec saw increases in rain with snow accumulation and winter storms. This resulted in **severe winter weather conditions in Q1-2018, even more difficult than those in Q1-2017**, with more frequent weather events in major cities in 2018 versus 2017.

We estimate the impact of weather on our results by matching increases in frequency with specific weather events, and also by considering the underlying cause of claims. This methodology, refined over time, allows us to correlate increases in claims with severe winter weather.

Examples of winter weather events include:

- **Intense cold**, which can cause water damage and fires from overuse of heating devices in our property lines, or loss of control and collisions in our auto lines. For example, intense cold can be defined as two consecutive days with a minimum temperature below -20°C in property lines, or as a day with a maximum temperature below -10°C in auto lines. **In Western Canada, an overall increase in these intense cold periods when compared to historical averages resulted in increased weather-related claims.**
- **Shifts in temperature and rain with snow accumulation**, for instance when it rains with more than five centimeters of snow on the ground, which may cause flooding and other water damage in property lines and collisions in personal auto. In Central Canada, **there was a higher incidence of these events when comparing to historical averages.**
- **Winter storms**, defined as days with a combination of snow and high winds, which cause collisions in our auto lines. **We saw more winter storms in Central Canada** when compared to historical averages, increasing our claims count in personal auto.

Impact on our financial results

On April 10, 2018, we announced that severe winter conditions in Canada resulted in higher than expected weather-related losses of approximately \$130 million pre-tax, or \$0.70 per share after tax. These weather-related losses were roughly \$40 million higher than Q1-2017, which also experienced difficult winter conditions, as an increase in weather-related non-CAT losses more than offset lower weather-related CATs.

Our estimate of the impact of these losses on the respective combined ratios was as follows:

Table 5 – Estimated impact of weather-related losses on our Canadian Insurance segment¹

	Unfavourable impact versus Q1-2017
In millions of dollars	40
In points (underlying current accident year and CATs)¹	
Personal auto	1.4 pts
Personal property	- ²
Commercial lines	4.1 pts
Canadian insurance segment	1.7 pts
Consolidated performance	1.5 pts

¹Reflects the estimated impact in points of combined ratio, when normalizing weather-related losses and NEP for premium growth.

²The year-over-year impact of weather on this line is not material.

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2.3 Personal auto

Table 6 – Underwriting results for personal auto

	Q1-2018	Q1-2017	Change
DPW	792	803	(1)%
Written insured risks (in thousands)	888	903	(2)%
NEP	919	919	-
Underwriting income (loss)	(59)	(25)	nm
Underlying current year loss ratio	82.2%	79.9%	2.3 pts
CAT loss ratio (including reinst. premiums)	0.1%	0.3%	(0.2) pts
Unfavourable (favourable) PYD ratio	0.7%	(1.0)%	1.7 pts
Claims ratio	83.0%	79.2%	3.8 pts
Expense ratio	23.4%	23.4%	- pts
Combined ratio	106.4%	102.6%	3.8 pts

Q1-2018 vs Q1-2017

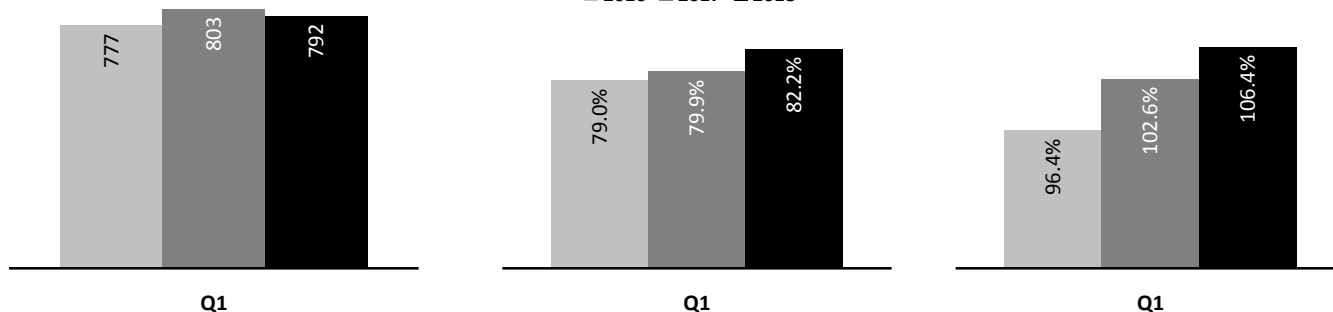
- **DPW declined by 1%**, reflecting continued profitability actions, including rate increases taken across the country ahead of our competitors, and the impact of segmentation initiatives. This led to a shift in our portfolio including changes in our regional and new business mix, which reduced the average premium.
- **Underlying current year loss ratio of 82.2% increased by 2.3 points**, driven by 1.7 points from higher weather-related claims frequency, as well as lower benefits from industry pools. Excluding these items, the underlying performance improved slightly thanks to our actions, though it remained impacted by physical damage cost inflation.
- **PYD was slightly unfavourable**, largely from adverse development on specific large losses.
- **Combined ratio of 106.4%** included approximately 5 points from higher-than-expected weather-related losses, and elevated physical damage costs.
- **We remain on track to deliver a mid-90s run-rate by the end of the year.** Our actions to date have tempered increasing claims costs, while further pricing, claims and segmentation actions continue to be implemented to address physical damage cost trends. We are committed to our target, while remaining well positioned to capture potential growth opportunities. *Please refer to Section 7.1 - Personal auto action plan for further details.*

DPW

Underlying current year loss ratio

Combined ratio

■ 2016 ■ 2017 ■ 2018



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2.4 Personal property

Table 7 – Underwriting results for personal property

	Q1-2018	Q1-2017	Change
DPW	423	414	2%
Written insured risks (in thousands)	467	476	(2)%
NEP	512	495	3%
Underwriting income	60	36	67%
Underlying current year loss ratio	58.4%	52.2%	6.2 pts
CAT loss ratio (including reinst. premiums)	4.6%	11.5%	(6.9) pts
Unfavourable (favourable) PYD ratio	(6.5)%	(3.4)%	(3.1) pts
Claims ratio	56.5%	60.3%	(3.8) pts
Expense ratio	31.8%	32.5%	(0.7) pts
Combined ratio	88.3%	92.8%	(4.5) pts

Q1-2018 vs Q1-2017

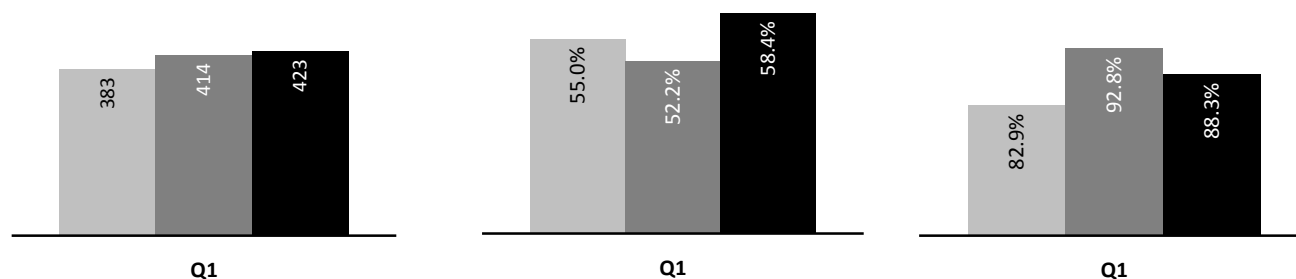
- **DPW growth of 2%** reflected rate increases in firm market conditions, tempered by the impact of profitability actions in personal auto on bundled products.
- **The impact of the severe winter weather on the claims ratio was neutral year-over-year**, as both quarters recorded higher than expected weather-related losses. The increase in the underlying current year loss ratio of 6.2 points was more than offset by a decrease in CAT losses of 6.9 points, due to a shift between CAT and non-CAT weather-related losses.
- **Favourable PYD ratio was healthy at 6.5%** and in line with historical averages for a first quarter.
- **Combined ratio of 88.3% was strong despite a severe winter**, improving 4.5 points from higher favourable PYD and lower expenses.

DPW

Underlying current year loss ratio

Combined ratio

■ 2016 ■ 2017 ■ 2018



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

2.5 Commercial lines

Table 8 – Underwriting results for Commercial lines Canada, including Commercial P&C and Commercial auto

	Q1-2018	Q1-2017	Change
DPW	546	520	5%
Commercial P&C	376	363	4%
Commercial auto	170	157	8%
NEP	589	583	1%
Underwriting income	3	24	(88)%
Underlying current year loss ratio	69.8%	65.6%	4.2 pts
CAT loss ratio (including reinst. premiums)	2.2%	5.0%	(2.8) pts
Unfavourable (favourable) PYD ratio	(7.5)%	(9.6)%	2.1 pts
Claims ratio	64.5%	61.0%	3.5 pts
Expense ratio	35.0%	34.9%	0.1 pts
Combined ratio	99.5%	95.9%	3.6 pts

Q1-2018 vs Q1-2017

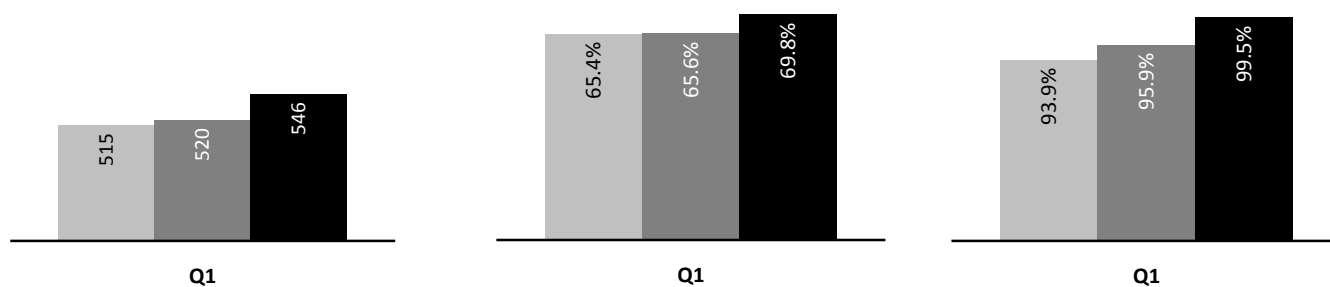
- **Strong DPW growth of 5% reflects improving momentum**, with continued rate increases in favourable market conditions across the country. Our focus on specialty lines is also paying off.
- **Underlying current year loss ratio increased by 4.2 points**, essentially all due to weather-related losses (water damage and fires).
- **CAT losses**, while lower than last year, were twice the expected levels due to severe winter conditions.
- **Favourable PYD ratio remained healthy at 7.5%** and in line with historical averages.
- **Overall, higher weather-related non-CAT losses and lower favourable PYD more than offset lower CAT losses, driving the combined ratio to 99.5%.** The underlying fundamentals of this business remain very strong. See *Section 2.2 – Weather for details.*

DPW

Underlying current year loss ratio

Combined ratio

■ 2016 ■ 2017 ■ 2018



Management’s Discussion and Analysis for the first quarter of 2018

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

Section 3 – U.S. Insurance

3.1 P&C U.S.

All figures in the table below are shown in CAD, using an average exchange rate of 1.26.

The underwriting results for P&C U.S. exclude the results of exited lines (mainly Programs, and Architects & Engineers), which are reported in Non-operating results (see Section 14 – Non-operating results).

Table 9 – Underwriting results for Commercial lines (U.S.)¹

	Q1-2018	Q1-2017	Change
DPW	321	-	n/a
NEP	314	-	n/a
Current year claims	185	-	n/a
Unfavourable (favourable) PYD	(4)	-	n/a
Net claims incurred	181	-	n/a
Underwriting expenses	118	-	n/a
Underwriting income	15	-	n/a
Underwriting ratios			
Underlying current year loss ratio	59.1%	-	n/a
Unfavourable (favourable) PYD ratio	(1.3)%	-	n/a
Claims ratio	57.8%	-	n/a
Commissions	16.1%	-	n/a
General expenses	19.2%	-	n/a
Premium taxes	2.2%	-	n/a
Expense ratio	37.5%	-	n/a
Combined ratio	95.3%	-	n/a

¹ Excluding the results of exited lines (see Section 15 – Non-IFRS financial measures).

Commercial lines (U.S.)

- **Premiums of \$321 million** included organic mid-single-digit growth in profitable lines which represent about two-thirds of the portfolio. This was offset by declines in underperforming lines, due to our profitability actions. As a result, on a comparable basis (excluding exited lines and currency fluctuations), DPW were essentially unchanged from Q1-2017.
- **Underlying current year loss ratio was healthy at 59.1%.**
- **Favourable PYD ratio of 1.3% improved 5.9 points when compared to Q4-2017.** PYD can fluctuate from quarter to quarter.
- **Expense ratio of 37.5%** was in line with expectations.
- We have realized about **US\$4 million of additional synergies in the quarter**, mostly impacting the expense and claims ratios. On a run-rate basis, we estimate that annual synergies are approximately US\$20 million as at the end of the quarter, and will total US\$25 million by the end of 2019.
- **Combined ratio of 95.3% reflects good progress** towards our goal of bringing the combined ratio to a low-90s level within 24 to 36 months of closing, with **more than two-thirds of our lines continuing to perform at or better than expectations.**

At the date of acquisition of OneBeacon, we purchased an adverse development coverage (“ADC”) on claims liabilities for 2016 and prior accident years to mitigate the risk of adverse development on the acquired book of claims liabilities. As at March 31, 2018, significant capacity remains under this coverage. Refer to Note 10 - Reinsurance of the accompanying interim Consolidated financial statements for more details.

Management's Discussion and Analysis for the first quarter of 2018

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

Section 4 – Corporate and Other

4.1 Net investment income

Table 10 – Net investment income

	Q1-2018	Q1-2017	Change
Interest income	83	64	19
Dividend income	48	50	(2)
Investment income, before expenses	131	114	17
Expenses	(9)	(9)	-
Net investment income	122	105	17
Average net investments¹	16,310	13,809	18%
Market-based yield²	3.22%	3.32%	(10) bps

¹ Defined as the mid-month average fair value of net equity and fixed-income securities held during the reporting period.

² Refer to Section 15 – Non-IFRS financial measures.

Q1-2018 vs Q1-2017

- **Net investment income increased by \$17 million and average net investments by 18%** largely due to the addition of the OneBeacon investment portfolio.
- **The lower market-based yield** reflects the impact of the addition of the OneBeacon portfolio.

Management's Discussion and Analysis for the first quarter of 2018

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

4.2 Net gains (losses)

Net gains (losses) are reported in Non-operating results and included the following items.

Table 11 – Net gains (losses)

	Q1-2018	Q1-2017	Change
Fixed-income strategies			
Realized and unrealized gains (losses) on FVTPL bonds	(56)	3	(59)
Other gains (losses)	(7)	2	(9)
	(63)	5	(68)
Equity strategies			
Realized and unrealized gains (losses): ¹			
equity securities, net of derivatives	83	71	12
embedded derivatives	(2)	(19)	17
Net foreign currency gains on investments	-	14	(14)
Impairment losses on common shares	(19)	-	(19)
	62	66	(4)
Net investment gains (losses)	(1)	71	(72)
Foreign currency	1	-	1
Distribution transactions	5	4	1
Net gains (losses)	5	75	(70)
Net gains (losses) excluding FVTPL bonds	61	72	(11)

¹ Excluding foreign currency impact on equity securities, which are reported in Net foreign currency gains on investments.

Q1-2018 vs Q1-2017

- **Realized and unrealized losses on our FVTPL bonds of \$56 million** in Q1-2018 were driven by rising interest rates in both Canada and the U.S. These losses were mostly offset by the positive impact of changes in the discount rate used on our claims liabilities of \$52 million (referred to as MYA).
- **Net gains excluding FVTPL bonds in Q1-2018 and Q1-2017** were driven by gains realized from trading activity on our AFS common shares, reflecting the strong capital markets in 2017. Impairment losses on common shares of \$19 million in Q1-2018 related mainly to energy stocks.

Management’s Discussion and Analysis for the first quarter of 2018

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

4.3 Capital markets

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 investments.

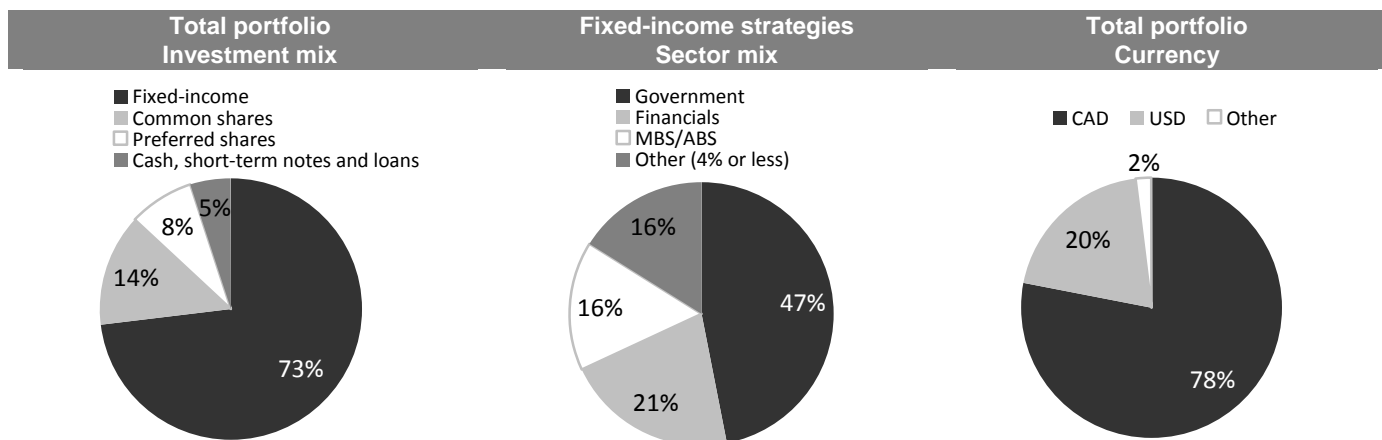
Table 12 – Selected market indicators

Selected market indicators	Q1-2018	Q1-2017
S&P/TSX Composite	(5)%	2%
S&P/TSX Financials	(4)%	3%
S&P/TSX Preferred Share Index	(1)%	6%
5Y Canada Sovereign Index (estimated variance in bps)	11 bps	(4) bps
5Y AA Corporate spread (estimated variance in bps)	4 bps	(12) bps
DJ Dividend 100 Composite (U.S.)	(4)%	2%
5Y U.S. Sovereign Index (estimated variance in bps)	36 bps	(1) bps
Strengthening (weakening) of USD vs CAD	3%	(1)%

Comments on capital markets performance

- North American equity markets decreased significantly in Q1-2018. The **S&P/TSX Composite Index** decreased by 5% in Q1-2018, while our benchmark **DJ Dividend 100 Composite (U.S.) Index** decreased 4%. This resulted in a decrease in the fair value of our common share portfolios.
- **The S&P/TSX Preferred Share Index** decreased by 1% this quarter, leading to a slight decrease in the fair value of our AFS preferred shares.
- **Five-year Canadian Sovereign yields and five-year U.S. Sovereign yields** increased by approximately 11 bps and 36 bps, respectively, in Q1-2018, leading to lower bond valuations and mark-to-market losses (See Section 14 – Non-operating results for more details).

Our net exposure as at March 31, 2018, after reflecting the impact of hedging strategies related to investments and foreign subsidiaries, is outlined below.



ENVIRONMENT & OUTLOOK

Section 5 – Insurance industry

5.1 P&C insurance in Canada

We continue to operate in a highly competitive and fragmented market, with personal auto rates regulated in most provinces.

- The market grew 6% in 2017, with \$51 billion in annual premiums according to MSA data, representing approximately 3% of gross domestic product (GDP).
- The top five insurers represent 48% of the market, and the top 20 have a combined market share of 84%. Intact remains the largest player with approximately 17% market share.
- While we distribute about 85% of our premiums through brokers, the P&C industry as a whole distributes about 64% of their premiums through this channel.

Industry data below represents an IFC estimate based on MSA. The industry benchmark consists of the 20 largest comparable companies in the P&C industry based on industry data. *Please refer to Important notes on page 3 for further details.*

Table 13 – Canadian P&C Industry – IFC outperformance (underperformance)

	Full year 2017	Full year 2016	Full year 2015	Full year 2014	Full year 2013
ROE (annualized)¹					
P&C Industry	6.9 pts	5.8 pts	5.1 pts	8.2 pts	4.1 pts
DPW growth (including industry pools)					
Industry benchmark	(2.4) pts	2.4 pts	3.4 pts	(1.5) pts	3.7 pts
Combined ratio (including MYA)					
Industry benchmark	6.2 pts	4.7 pts	5.2 pts	6.5 pts	4.5 pts

¹ IFC’s ROE corresponds to the AROE.

- Our ROE outperformance of 6.9 points versus the P&C insurance industry is above our objective of 5 points.
- Our growth underperformance against our industry benchmark was 2.4 points, reflecting robust profitability actions, including rate increases taken across the country ahead of competitors. We encountered a similar situation in 2014, when our actions to reduce earthquake exposure and improve the profitability of our portfolio also resulted in a growth underperformance.
- Our combined ratio outperformance against our industry benchmark was 6.2 points, mainly attributable to the effectiveness of our profitability actions.

5.2 U.S. specialty insurance

We operate in a highly fragmented, growing market.

- U.S. commercial P&C insurance is a US\$290 billion market, up 2% from last year, with specialty insurance accounting for more than 43% in 2017.
- U.S. commercial specialty industry is a fragmented industry, with the largest player capturing roughly 7% in 2017. Outside of the top seven players, no single insurer contributes more than 3% to the total estimated market. The majority of the top 25 players have a market share between 1% and 2.5%.
- Over the last 20 years, the specialty insurance market has remained attractive, and has grown at a 4.4% CAGR.

Management’s Discussion and Analysis for the first quarter of 2018

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

Section 6 – P&C insurance industry outlook

6.1 Outlook

	P&C insurance industry 12-month outlook	Our response
Personal auto	<ul style="list-style-type: none"> Industry profitability continues to be challenged with average direct loss ratios in the mid-to-upper 70s in 2017. Claims inflation is leading to rate increases in all markets. We see rate action across the country and continued increases in the volume ceded to risk sharing pools and non-standard auto markets. The market is firming. The industry grew at 4.5% in 2017 and we expect growth to continue at a mid-single-digit level in 2018. 	<ul style="list-style-type: none"> Our actions continue on pricing, underwriting and claims to tackle trends, and return us to a mid-90’s combined ratio run-rate by the end of 2018. Our actions on rates ahead of the market are bringing some near term pressure on growth but position us well for when conditions improve. Our brand investments and customer driven enhancements will continue to help selectively grow our market share. We are investing in telematics, big data, and artificial intelligence to maintain our advantage in data and segmentation.
Personal property	<ul style="list-style-type: none"> As companies are adjusting to changing weather patterns, we expect the current firm market conditions to continue. The industry grew at close to 6% in 2017, and we expect growth at a mid-single-digit level in 2018. 	<ul style="list-style-type: none"> Product enhancements and pricing actions taken over time have positioned this business very well for the future. We expect to continue to capitalize on market conditions with rate increases to ensure our results are sustainable even in severe weather conditions.
Commercial lines Canada	<ul style="list-style-type: none"> These lines of business remain competitive, mainly in the larger risks, with signs of firming conditions evident in some segments. The industry grew close to 5% in 2017, and we expect growth at a mid-single-digit rate in 2018. 	<ul style="list-style-type: none"> We continue to develop innovative products to address customer needs (e.g. cyber risk coverage and sharing economy). At the same time, our focus on training and service excellence remains. Following the acquisition of OneBeacon we have strengthened our capabilities in specialty lines. We are now leveraging OneBeacon’s tailored specialty products and services in Canada with the launch of products for technology and entertainment sectors. Growth initiatives are underway with underwriting desks now serving our cross-border customers.
Distribution	<ul style="list-style-type: none"> The broker channel represents approximately 64% of the total P&C industry and had higher growth than the direct channel in 2017. The broker industry remains fragmented with continuing opportunities for consolidation. 	<ul style="list-style-type: none"> Our multi-channel strategy ensures we are well positioned to capture opportunities as consumer and technology trends continue to evolve the distribution of insurance. We will continue to grow distribution income by supporting our brokers as they expand and grow their businesses, while actively participating in broker consolidation via BrokerLink. Our brand and technology investments will bolster growth of our belairdirect business.

Management’s Discussion and Analysis for the first quarter of 2018

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

	P&C insurance industry 12-month outlook	Our response
U.S. Commercial lines	<ul style="list-style-type: none"> The U.S. Commercial specialty industry is highly fragmented with the top 10 players capturing just under 45% of the market share in 2017. While the pricing environment remains competitive, there are continuing signs of upward trends in certain specialty lines with low single-digit growth expected in the coming year. 	<ul style="list-style-type: none"> Our objective is to grow the U.S. specialty business and operate at a combined ratio in the low 90s within 24-36 months of closing. Growth opportunities are being pursued in the segments of the portfolio performing at or above expectations. Profitability actions on underperforming lines are well underway and gaining traction. Claims efficiency initiatives have been launched and synergies are being realized.
Investments	<ul style="list-style-type: none"> Investment yields remain low by historical standards, but there has been upward momentum on interest rates recently. 	<ul style="list-style-type: none"> The addition of the OneBeacon investment portfolio and higher interest rates should generate robust growth in our Net investment income in 2018. Our investment management team continues to optimize the mix of our consolidated investment portfolio, taking into account factors such as risk, return, capital, regulation and the recent tax legislation changes in the United States.
Overall	<ul style="list-style-type: none"> Overall, we expect the industry’s ROE to improve but remain below its long-term average of 10% over the next 12 months. 	<ul style="list-style-type: none"> Given our action plans and strategies, we expect to outperform the industry’s ROE by more than 500 basis points in the coming year.

STRATEGY

Section 7 – Strategy update

7.1 Personal auto action plan




Industry profitability continues to be challenged, with average direct loss ratios remaining in the mid-to-upper 70s in 2017, which has led to disappointing results in this line of business. Our action plan continues to gain traction, and we have deployed initiatives coast-to-coast to address the challenges we face.

We are taking robust actions to ensure that we bring the performance of this line back to the mid-90s by the end of 2018.

Our actions to date have tempered the headwinds from the challenges we are facing, such as:

- inflation in repair costs;
- increasing pressure on personal injury coverages, namely bodily injury (BI) and accident benefits (AB); and
- the impact of weather.

Our action plan is essentially three-fold and focuses on the following:

Our focus	Our action plan	Q1-2018 update
 <p>Rates ≈ 4 pts of CR</p>	<p>Lead the market on rate action</p>	<ul style="list-style-type: none"> • Earned rates have increased more than 5% in 2018, mostly from rates approved in previous years. • Further rate approvals have been received, effective starting in the first half of 2018. The average approved increases are as follows: <ul style="list-style-type: none"> • Ontario: +4.6% • Alberta: +3.6% • Atlantic provinces: +0.5%
 <p>Risk selection & segmentation ≈ 2 pts of CR</p>	<p>Renewal quality</p> <p>New business quality</p> <p>Addressing physical damage</p> <p>Using artificial intelligence</p>	<ul style="list-style-type: none"> • We are taking underwriting actions to address the unprofitable segments within the portfolio. • We are implementing additional underwriting controls to improve the quality of our new business, for example by working with selected brokers to improve profitability. • We are taking targeted actions on certain risk profiles directly contributing to the deteriorating physical damage trends. • We have accelerated our rating implementation and refined our risk sharing pool strategy.
 <p>Claims ≈ 1 pt of CR</p>	<p>Repair estimates</p> <p>Reliable network</p> <p>Makes and models</p> <p>Rental & storage</p>	<ul style="list-style-type: none"> • We are implementing tighter controls on damage estimates and repair processes, including choice of parts and fraud detection. • We have deployed a reference tool on our front line, to manage the performance of our suppliers. • We are using data analytics to identify the most problematic makes and models to allow us to adjust process & controls. • We have reviewed and refined our process for total losses and repairs reducing rental and storage costs.

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

7.2 OneBeacon

OneBeacon

We are on track to achieve a low-90s combined ratio within 24-36 months of closing and mid-single digit accretion to NOIPS by the end of 2019.

- **Underwriting:** We are recalibrating our portfolio, by investing in our profitable lines of business and exiting or implementing profitability actions in our underperforming lines. We continue to deploy new segmentation and pricing models across all lines.
- **Claims:** We are importing our proven analytics and claims expertise to our U.S. platform, and we continue to internalize our claims handling.
- **Expense synergies update:** Actions as at March 31, 2018 have led to realized synergies of US\$4M in Q1-2018. On a run-rate basis, we estimate that annual synergies are approximately US\$20 million at the end of the quarter, and will total US\$25 million by the end of 2019. These synergies result mainly from cost savings related to the combination of our reinsurance programs, shared services, technology savings and the internalization of investment management.



7.3 Other developments at a glance

Awards and recognition

We were recognized:

- For a second year in a row, as **one of Canada's Top Employers for Young People**, an award given to employers who offer the best workplaces and employee programs to young professionals starting their careers.
- Our Intact Investment Management (IIM) team was selected as **one of ten TopGun Investments Teams of the Year**, which honours the most enlightened and disciplined professionals in the investment industry.
- By IR Magazine for '**Best Financial Reporting**' (co-winner) at the annual IR Magazine Awards Gala, the largest gathering in Canada to recognize excellence in various aspects of investor relations.

Social responsibility

- The **Intact Centre on Climate Adaptation (Intact Centre) presented to the Government of Canada** standing Senate committee on energy, environment and natural resources in February, discussing the financial and social need, and means, to mitigate flood risk across Canada.
- In April, **Dr. Blair Feltmate, Head of the Intact Centre, delivered two keynotes** to the G20 climate sustainability working group, OECD (Organization of Economic Cooperation and Development), International Labour Organization and the United Nations Environment Program to profile how Canadian climate adaptation best practices may be transferable to G20 members.
- belairdirect made public its **partnership with Breakfast Clubs of Canada in March**, announcing a **\$1.5 million grant over the next three years**. With this partnership, the Breakfast Clubs of Canada will open new breakfast programs, build the capacity of existing programs across Canada and assist with its research initiatives.

Management's Discussion and Analysis for the first quarter of 2018

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

FINANCIAL CONDITION

Section 8 – Financial position

Q1-2018 Highlights

Investment portfolio	Claims liabilities	BVPS for the last 12 months	Debt-to-total capital ratio
\$16.4 billion	\$10.6 billion	+10%	23.4%

8.1 Balance sheets

Table 14 – Balance sheets

As at	Section	March 31, 2018	December 31, 2017
Assets			
Investments	9	16,424	16,853
Premium receivables		3,095	3,351
Reinsurance assets	10	813	822
Deferred acquisition costs		839	881
Other assets		1,719	1,618
Intangible assets and goodwill		4,440	4,403
Total assets		27,330	27,928
Liabilities			
Claims liabilities	10	10,567	10,475
Unearned premiums		5,064	5,365
Financial liabilities related to investments		370	246
Other liabilities		1,711	2,138
Debt outstanding	11	2,248	2,241
Total liabilities		19,960	20,465
Shareholders' equity			
Common shares		2,816	2,816
Preferred shares		783	783
Contributed surplus		131	128
Retained earnings		3,516	3,520
AOCI		124	216
Shareholders' equity		7,370	7,463
Book value per share (in dollars)	17.4	47.32	48.00

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Section 9 – Investments

Our investment portfolio is mainly comprised of Canadian and U.S. securities. Our invested assets totalled \$16.4 billion as at March 31, 2018, down \$0.4 billion from December 31, 2017, reflecting lower equity markets and bond prices.

- The Canadian securities mainly comprise a mix of cash and short-term notes, fixed-income securities, preferred shares, common shares and loans.
- The U.S. securities mainly comprise fixed-income securities (including asset-backed securities and corporate bonds) and common shares.

Table 15 – Investments by asset class

As at	March 31, 2018		December 31, 2017	
Cash, cash equivalents, and short-term notes	377	2%	380	2%
Fixed-income	10,904	67%	11,012	66%
Preferred shares	1,325	8%	1,409	8%
Common equities	3,479	21%	3,659	22%
Loans	339	2%	393	2%
	16,424	100%	16,853	100%

Net exposure by asset class

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.

The following table shows the economic exposure of our investment portfolio after reflecting the impact of hedging strategies related to investments.

Table 16 – Investment mix by asset class (net exposure)

As at	March 31, 2018	December 31, 2017
Cash, cash equivalents, and short-term notes	3%	4%
Fixed-income	73%	72%
Preferred shares	8%	8%
Common equities ¹	14%	14%
	98%	98%
Loans	2%	2%
	100%	100%

¹ Excluding the impact of hedging strategies, common equities account for 21% of our investment mix as at March 31, 2018, as shown in Table 15.

Management's Discussion and Analysis for the first quarter of 2018

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

Net currency exposure

Table 17 – Investment portfolio – currency (net exposure)

As at	March 31, 2018	December 31, 2017
CAD	78%	79%
USD	20%	19%
Other	2%	2%
	100%	100%

We hedge the currency exposure of all USD-denominated investments in our Canadian P&C entities using foreign currency contracts, resulting in minimal currency gains or losses.

Net sectoral exposure

Our fixed-income portfolio remains concentrated in the government and financial sectors providing liquidity and stability to our balance sheet.

Our fixed-income portfolio has more structured debt securities, following the OneBeacon acquisition. As at March 31, 2018, these securities comprised \$687 million of asset-backed securities ("ABS") and \$1,027 million of mortgage-backed securities ("MBS"). Residential MBS ("RMBS") and Commercial MBS ("CMBS") make up respectively 57% and 43% of our MBS portfolio. Approximately 99% of these structured debt securities are rated 'A' or better.

We continue to have no exposure to leveraged securities.

High-quality investment portfolio**Fixed income**

Our fixed-income portfolio includes high quality government and corporate bonds. Approximately 91% of our fixed-income portfolio was rated 'A-' or better as at March 31, 2018 (90% as at December 31, 2017).

On a consolidated basis, the weighted-average rating of our fixed-income portfolio was 'AA', ('AA' at December 31, 2017). The average duration of our fixed-income portfolio was 3.82 years (3.53 years as at December 31, 2017), reflecting the integration of the OneBeacon fixed income portfolio.

Preferred shares

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 March 31, 2018, and December 31, 2017.

Management's Discussion and Analysis for the first quarter of 2018

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

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

In determining the fair value of investments, we rely on quoted market prices. In cases where an active market does not exist, the estimated fair values are based on recent transactions or current market prices for similar securities.

Table 18 – Net pre-tax unrealized gain (loss) on AFS securities

As at	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017
Fixed-income securities	2	22	25	69	93
Preferred shares	64	79	40	33	26
Common shares	54	212	124	114	194
Net pre-tax unrealized gain position	120	313	189	216	313

March 31, 2018 vs December 31, 2017

Our pre-tax unrealized gain position was down by \$193 million from Q4-2017, mainly due to:

- mark-to-market losses on common shares, reflecting declines in North American equity markets in Q1-2018 (*See Section 4.3 – Capital markets for more details*); and
- realized gains on our AFS common share portfolios recorded in income.

Gains and losses in the common share portfolio are generally realized on an ongoing basis under normal capital market conditions.

Impairment recognition on AFS common shares

Table 19 – Aging of unrealized losses on AFS common shares

As at	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017
Less than 25% below book value	78	34	48	41	23
More than 25% below book value for less than 6 consecutive months	3	4	2	27	6
More than 25% below book value for 6 consecutive months or more, but less than 9 consecutive months	1	13	24	7	4
Unrealized losses on AFS common shares	82	51	74	75	33

Impairment losses on AFS common shares amounted to \$19 million in Q1-2018, compared to nil in Q1-2017. Assuming no trading activity or change in equity markets from March 31, 2018, we project that additional impairment losses of \$24 million could be recognized later in 2018. Since common shares are measured at fair value on our balance sheet, impairment losses have no impact on our BVPS. *Refer to Note 2 – Summary of significant accounting policies of the Consolidated financial statements for the year ended December 31, 2017, for additional details on our accounting policy regarding the impairment of financial assets.*

Management’s Discussion and Analysis for the first quarter of 2018

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

Section 10 – Claims liabilities and reinsurance

10.1 Prior year development

PYD can fluctuate from quarter to quarter and year to year and, therefore, should be evaluated over longer periods of time.

In the past five years, favourable PYD as a percentage of opening reserves ranged between 3% to 6% per year for our Canadian operations, higher than our long-term historical averages.

We expect the average favourable PYD as a percentage of opening reserves to be in the 2% to 4% range over the long term. Higher interest rates will trend PYD around the lower end of this range, with an offset in the CAY loss ratio.

The level of PYD is typically higher in the first quarter compared to other quarters since any prior quarter claims development experienced in the first quarter is reported as PYD.

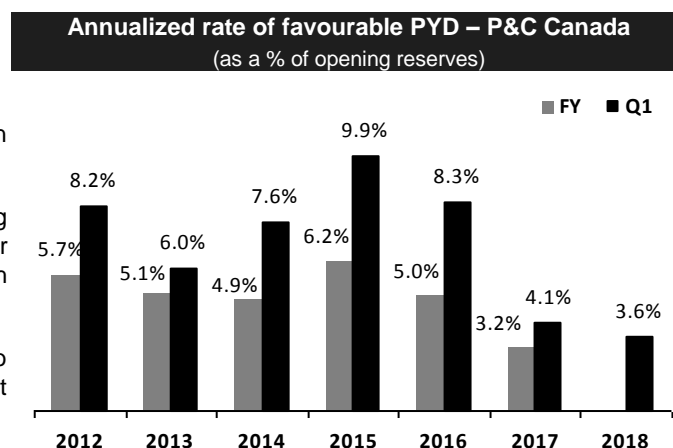


Table 20 – PYD by line of business

	Q1-2018	Q1-2017	Change
By line of business			
Personal auto	6	(9)	15
Personal property	(33)	(17)	(16)
Commercial lines – Canada	(44)	(56)	12
Commercial lines – U.S.	(4)	-	(4)
Total unfavourable (favourable) development	(75)	(82)	7
Unfavourable (favourable) annualized rate of PYD¹			
P&C Canada	(3.6)%	(4.1)%	0.5 pts
P&C U.S.	(1.0)%	-%	n/a
Consolidated	(3.1)%	(4.1)%	1.0 pts

¹ As a % of opening reserves.

Q1-2018 vs Q1-2017	
•	Favourable PYD of \$75 million reflected positive development in all lines of business, except personal auto which was impacted by adverse development on specific large losses.
•	PYD in the U.S improved by \$19 million in Q1-2018 compared to Q4-2017, where it was unfavourable due to our share of prior year losses and the impact of discounting on the amount recoverable from the ADC.

10.2 Reinsurance

In the ordinary course of business, we reinsure certain risks with other reinsurers to limit our maximum loss in the event of catastrophic events or other significant losses. Refer to Note 10 - Reinsurance of the accompanying interim Consolidated financial statements for more details.

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

Section 11 – Treasury management

11.1 Financing structure

As we evolve in an international context, we ensure that we are able to access funds in multiple currencies. We believe that our optimal financing structure is one where the debt-to-total capital ratio is generally at 20%. The debt-to-total capital ratio may occasionally exceed 20% with a firm plan to revert back to 20% within a short period of time; in the case of the OneBeacon acquisition, within 24 months following the closing. Our debt-to-total capital ratio increased to 24.7% following the acquisition of OneBeacon at the end of September 2017, and has decreased to 23.4% as at March 31, 2018 (23.1% as at December 31, 2017).

Credit facility

Our \$750 million five-year credit facility matures on August 28, 2022. The outstanding balance under our credit facility amounted to \$58 million as at March 31, 2018, at an interest rate of 2.68% (\$60 million as at December 31, 2017).

As part of the covenants under the credit facility, we are required to maintain certain financial ratios, which were fully met as at March 31, 2018, and December 31, 2017.

Base shelf prospectus

On November 15, 2017, we filed a base shelf prospectus that allows us to offer up to \$7.0 billion in any combination of debt, preferred shares or common share securities, subscription receipts, warrants, share purchase contracts and units until its expiry on December 15, 2019. We also have a supplement to this base shelf prospectus that would allow us to issue up to \$1.7 billion in unsecured medium-term notes. As at March 31, 2018 the amounts available under the respective prospectuses were \$7.0 billion and \$1.7 billion, unchanged from December 31, 2017.

11.2 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"). These ratings are unchanged since December 31, 2017.

On February 23, 2018, A.M. Best reaffirmed the financial strength ratings of IFC's principal Canadian P&C insurance subsidiaries, as well as IFC's senior unsecured debt rating. In addition, A.M. Best reaffirmed the financial strength ratings of OneBeacon U.S. regulated entities, as well as OneBeacon's senior unsecured debt rating.

11.3 NCIB

Our 2017 NCIB program expired on February 12, 2018 and was not renewed, as we focus on deleveraging our balance sheet.

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11.4 Understanding our cash flows

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

Table 21 – Cash flows

	Q1-2018	Q1-2017	Change
Net cash flows used in operating activities	(247)	(17)	(230)
Cash flows generated from (deployed on):			
Equity investments in brokerages and other, net	(3)	(34)	31
Purchases of intangibles and property & equipment, net	(22)	(25)	3
Dividends	(106)	(89)	(17)
Share-based payments in shares	(8)	(10)	2
NCIB	-	(5)	5
Amount repaid under our credit facility	(2)	-	(2)
Net cash flows before investment portfolio sales	(388)	(180)	(208)
Proceeds from net investment sales	461	100	361
Net increase (decrease) in cash and cash equivalents	73	(80)	153

Cash flows used in operating activities increased by \$230 million, mainly due to the timing of income tax payments.

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 requirements in the near term.

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Section 12 – Capital management

Q1-2018 Highlights

Total capital margin	MCT (Canada)	RBC (U.S.)	ROE
\$1.1 billion	201%	411%	12%

12.1 Capital management objectives

Our objectives when managing capital consist of:

- maintaining strong regulatory capital levels (see Regulatory capital section below), while ensuring policyholders are well protected; and
- maximizing long-term shareholder value by optimizing capital used to operate and grow the Company.

We seek to maintain adequate capital margin to ensure that the probability of breaching the regulatory minimum requirements is very low. Such levels may vary over time depending on our evaluation of risks and their potential impact on capital. We also keep higher levels of capital margin when we foresee growth or actionable opportunities in the near term. Furthermore, we may return capital to shareholders through annual dividend increases and, when appropriate, through share buybacks.

Capital levels are carefully managed to ensure that we are in compliance with regulatory requirements, internal risk management policies, and to support business expansion. Most of the total capital margin is retained to ensure adequate protection against breaching the regulatory minimum requirements (e.g. from adverse underwriting or market developments), while amounts in excess of this level would be considered deployable for strategic purposes.

12.2 Capital position

All of our regulated P&C insurance subsidiaries were well capitalized on an individual basis with capital levels well in excess of regulator supervisory minimum levels, as well as Company action levels (CALs). CALs represent the thresholds below which regulator notification is required together with a company action plan to restore capital levels.

Table 22 – Estimated aggregated capital position

As at	March 31, 2018			December 31, 2017		
	Canada (MCT)	U.S. (RBC)	IFC capital margin	Canada (MCT)	U.S. (RBC)	IFC capital margin
Regulatory capital ratios (RCRs)	201%	411%	-	205%	459%	-
Industry-wide supervisory minimum levels	150%	150%	-	150%	150%	-
CALs	170%	200%	-	170%	200%	-
Capital above CALs (capital margin)	537	404	941	618	438	1,056
Other regulated/unregulated entities ¹	-	-	126	-	-	79
Total capital margin			1,067			1,135

¹ Other regulated entities include Split Rock Insurance, Ltd. (Bermuda) and IB Reinsurance Inc. (Barbados).

U.S. capital levels comprise the risk based capital (RBC) levels of OneBeacon’s U.S. regulated entities, consolidated in Atlantic Specialty Insurance Company (ASIC). As at March 31, 2018, ASIC’s RBC level stood at 411% down 48 points from December 31, 2017, mostly due to the impact of lower equity markets in Q1-2018.

In Canada, our estimated aggregate MCT level was strong at 201% as at March 31, 2018. The decrease from December 31, 2017, was mostly due to lower income from operations and a decline in equity markets.

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RISK MANAGEMENT

Section 13 – Sensitivity analyses

Sensitivity analyses are one risk management technique that assists management in ensuring that risks assumed remain within our risk tolerance level. Sensitivity analyses involve varying a single factor to assess the impact that this would have on our results and financial condition. No management action is considered.

Actual results can differ from these estimates for a variety of reasons and therefore, these sensitivities should be considered as directional estimates.

Table 23 - Sensitivity analysis (after tax)

For the quarters ended	March 31, 2018			December 31, 2017		
	Net income	OCI	BVPS	Net income	OCI	BVPS
Equity price risk						
Common share prices (10% decrease) ¹	-	(204)	(1.47)	(1)	(201)	(1.45)
Preferred share prices (5% decrease) ²	12	(58)	(0.33)	13	(62)	(0.35)
Interest rate risk (100 basis point increase)	(17)	(81)	(0.70)	9	(64)	(0.40)
Currency risk (strengthening of the CAD by 10% vs all currencies) ³						
USD investments supporting P&C Canada	-	-	-	6	(1)	0.04
International equities supporting P&C Canada	-	(19)	(0.14)	-	(19)	(0.14)
Consolidated net assets of foreign subsidiaries	-	(196)	(1.41)	-	(176)	(1.26)

¹ Net of any equity hedges, including the impact of any impairment.

² Including the impact on related embedded derivatives.

³ After giving effect to forward-exchange contracts.

The above analyses were prepared using the following assumptions:

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

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

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

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ADDITIONAL INFORMATION**Section 14 – Non-operating results**

Non-operating results, a non-IFRS financial measure, include elements that are not representative of our operating performance because they relate to special items, bear significant volatility from one period to another, or because they are not part of our normal activities. As a result, these elements are excluded from the calculation of NOI and related non-IFRS financial measures.

Table 24 – Non-operating results

	Q1-2018	Q1-2017	Change
Net gains (losses)	5	75	(70)
Positive (negative) impact of MYA on underwriting	52	(13)	65
Difference between expected return and discount rate on pension assets	(12)	(11)	(1)
Integration and restructuring costs ¹	(25)	(4)	(21)
Amortization of intangible assets recognized in business combinations ²	(20)	(12)	(8)
Underwriting results of exited lines	(15)	-	(15)
Other	(4)	(4)	-
Non-operating gains (losses)	(19)	31	(50)

¹ Includes \$22 million in Q1-2018 in connection with the acquisition of OneBeacon.

² Includes \$7 million in Q1-2018 in connection with the acquisition of OneBeacon.

- Investment gains and losses as well as the effect of MYA on underwriting arise mostly from changes in market conditions, which can be volatile to earnings.
- Claims liabilities are discounted at the estimated market yield of the assets backing these liabilities. The impact of changes in the discount rate used to discount claims liabilities based on the change in the market-based yield of the underlying assets is referred to as MYA.
- The difference between the expected return and discount rate on pension assets is treated as non-operating results, as the gap in these measures is not reflective of our internal investment management expertise and management of our pension asset portfolio.
- Integration and restructuring costs include items such as retention bonuses, the initial net impact of a reinsurance coverage which provides protection against certain negative reserve developments, pre-acquisition finance costs and acquisition-related expenses.
- Underwriting results of exited lines included the results of the U.S. Commercial's business lines Programs, and Architects and Engineers.

Management's Discussion and Analysis for the first quarter of 2018

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Section 15 – Non-IFRS financial measures

Non-IFRS 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. These non-IFRS financial measures are used by management and financial analysts to assess our performance. Further, they provide users with an enhanced understanding of our results and related trends and increase transparency and clarity into the core results of the business.

NOI, NOIPS and OROE

- Exclude non-operating results (see Section 14 for details)

Table 25 – Reconciliation of NOI, NOIPS and OROE to net income

	Q1-2018	Q1-2017
Net income	103	146
Add (less) income tax expense (recovery)	17	35
Add (less) non-operating losses (gains)	19	(31)
Pre-tax operating income	139	150
Tax impact	(19)	(27)
NOI	120	123
Less preferred share dividends	(8)	(5)
NOI to common shareholders	112	118
Divided by weighted-average number of common shares (in millions)	139.2	131.0
NOIPS, basic and diluted (in dollars)	0.81	0.90
NOI to common shareholders – last 12 months	739	566
Average common shareholders' equity, excluding AOCI	5,950	5,342
OROE for the last 12 months	12.4%	10.6%

All underwriting results and related ratios excluded the MYA and results of our U.S. Commercial exited lines, unless otherwise noted.

DPW

- Represents the total amount of premiums for new and renewal policies billed (written) during the reporting period, normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines.
- This measure matches premiums written to the year in which coverage is provided, whereas under IFRS, the full value of multi-year policies is recognized in the year the policy is written.

Table 26 – Reconciliation of DPW and DPW growth to DPW, as reported under IFRS

	Q1-2018	Q1-2017
DPW, as reported under IFRS	2,124	1,731
Exclude impact of industry pools and fronting	(30)	2
Less DPW of exited lines	(8)	-
DPW (full term)	2,086	1,733
Add impact of the normalization for multi-year policies	(4)	4
DPW	2,082	1,737
DPW growth	20%	4%

INTACT FINANCIAL CORPORATION

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Underlying current year loss ratio

- Represents our current year claims ratio excluding catastrophe losses, reinstatement premiums, and PYD.
- Catastrophe events are not predictable, and as such, excluding them provides clearer insight into our analysis of current year performance.

Table 27 – Reconciliation of NEP before reinstatement premiums to NEP and of current year claims to net claims incurred, as reported under IFRS

	Q1-2018	Q1-2017
NEP, as reported under IFRS	2,354	1,997
Less NEP of exited lines	(20)	-
NEP	2,334	1,997
Add (deduct) reinstatement premiums ceded (recovered)	-	1
NEP, before reinstatement premiums	2,334	1,998
Net claims incurred, as reported under IFRS	1,599	1,399
Less positive (negative) impact of MYA on underwriting results	52	(13)
Less difference between expected return and discount rate on pension assets allocated to net claims incurred	(5)	(5)
Less net claims of exited lines	(33)	-
Total net claims	1,613	1,381
Less current year CAT claims	(36)	(88)
Add favourable (unfavourable) PYD	75	82
Current year claims	1,652	1,375
NEP, before reinstatement premiums	2,334	1,998
Underlying current year loss ratio	70.7%	68.8%
CAT loss ratio (including reinst. premiums)	1.6%	4.5%
Unfavourable (favourable) PYD ratio	(3.2)%	(4.1)%
Claims ratio	69.1%	69.2%

Underwriting expenses

Table 28 – Reconciliation of underwriting expenses to underwriting expenses, as reported under IFRS

	Q1-2018	Q1-2017
Underwriting expenses, as reported under IFRS	738	615
Less difference between expected return and discount rate on pension assets	(7)	(6)
Less other underwriting revenues	(27)	(28)
Less underwriting expenses of exited lines	(2)	-
Underwriting expenses	702	581

ROE

- Excludes the dividends declared on preferred shares.

Table 29 – Reconciliation of ROE to net income

	Q1-2018	Q1-2017
Net income	103	146
Less preferred share dividends	(8)	(5)
Net income attributable to common shareholders	95	141
Net income attributable to common shareholders – last 12 months	719	516
Average common shareholders' equity	6,123	5,457
ROE for the last 12 months	11.7%	9.5%

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AEPS and AROE

- Exclude the after-tax impact of amortization of intangible assets recognized in business combinations, as well as integration and restructuring costs.
- We believe that these items are not appropriate in assessing our underlying performance.

Table 30 – Reconciliation of AEPS and AROE to net income

	Q1-2018	Q1-2017
Net income	103	146
Adjustments, net of tax		
Add amortization of intangibles recognized in business combinations	16	10
Add integration costs	20	4
Adjusted net income	139	160
Less preferred share dividends	(8)	(5)
Adjusted net income attributable to common shareholders	131	155
Divided by weighted-average number of common shares (in millions)	139.2	131.0
AEPS, basic and diluted (in dollars)	0.94	1.18
Adjusted net income attributable to common shareholders – last 12 months	751	591
Average common shareholders' equity	6,123	5,457
AROE for the last 12 months	12.3%	10.8%

Market-based yield

- Represents the annualized total pre-tax investment income (before expenses), divided by the mid-month average fair value of net equity and fixed-income securities held during the reporting period (average net investments).
- This calculation provides users with a consistent measure of our relative investment performance.

Section 16 – Accounting and disclosure matters

Reference to the accompanying interim Consolidated financial statements	
Summary of significant accounting policies	Standards issued but not yet effective
<i>Note 3</i>	<i>Note 22</i>

16.1 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.

16.2 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 limited the scope of design of its disclosure controls and procedures and its ICFR to exclude the controls, policies and procedures of OneBeacon, which was acquired by IFC on September 28, 2017. OneBeacon’s total assets and total liabilities represented approximately 22% and 19% of total consolidated assets and total consolidated liabilities, respectively, as at March 31, 2018. The impact of the acquisition on the total consolidated net income for the quarter ended March 31, 2018, amounted to a net income of \$11 million. Management is committed to removing this limitation within the timeframe permitted by regulation.

No significant changes were made to our ongoing ICFR during the first quarter of 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

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Section 17 – Shareholder information

17.1 Authorized share capital

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

17.2 Outstanding share data

Table 31 – Outstanding share data (number of shares)

As at May 4, 2018	
Common shares	139,188,634
Class A	
Series 1 preferred shares	10,000,000
Series 3 preferred shares	8,405,004
Series 4 preferred shares	1,594,996
Series 5 preferred shares ¹	6,000,000
Series 6 preferred shares ²	6,000,000

¹ Series 5 preferred shares were issued on May 24, 2017.

² Series 6 preferred shares were issued on August 18, 2017.

Refer to our Annual Information Form for the year ended December 31, 2017, for more detailed information on the rights of shareholders.

17.3 Dividends declared on common shares and preferred shares

Table 32 – Dividends declared per share

	Q2-2018 ¹	Q1-2018
Common shares	0.70	0.70
Class A		
Series 1 preferred shares	0.21225	0.21225
Series 3 preferred shares	0.20825	0.20825
Series 4 preferred shares	0.2387825	0.217725
Series 5 preferred shares	0.325	0.325
Series 6 preferred shares	0.33125	0.33125

¹ On May 8, 2018, the Board of Directors approved the quarterly dividend for Q2-2018.

17.4 BVPS

Table 33 – Evolution of BVPS (in dollars)

As at	Q1-2018	Last 12 months
BVPS, beginning of period	48.00	43.14
EPS	0.68	5.35
Dividends on common shares	(0.70)	(2.62)
Impact of market movements on AFS securities ¹	(1.08)	(1.08)
Net actuarial gains (losses) on employee future benefits ¹	-	(0.37)
Foreign exchange gains and other	0.42	0.32
Impact from issuance of common shares	-	2.58
BVPS, end of period	47.32	47.32
Period-over-period increase	(1)%	10%

¹ Reported in AOCI.

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Section 18 – Selected quarterly information

18.1 Selected quarterly information

Table 34 – Selected quarterly information¹

	2018				2017			2016
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
DPW	2,082	2,293	2,203	2,497	1,737	1,959	2,188	2,455
Total revenues ²	2,496	2,576	2,231	2,204	2,146	2,188	2,187	2,090
NEP	2,334	2,400	2,082	2,051	1,997	2,043	2,036	1,937
Current year CAT losses	36	31	89	105	88	34	166	164
Favourable PYD	(75)	(62)	(53)	(41)	(82)	(62)	(71)	(93)
Underwriting income	19	178	170	103	35	153	61	16
Combined ratio	99.2%	92.6%	91.8%	95.0%	98.2%	92.5%	97.0%	99.2%
Net investment income	122	121	101	105	105	104	102	104
Net distribution income	24	28	30	50	24	24	30	43
NOI	120	236	219	193	123	212	137	114
Net income	103	232	171	243	146	171	125	93
Per share measures, basic and diluted (in dollars)								
NOIPS	0.81	1.63	1.61	1.44	0.90	1.58	1.01	0.83
EPS	0.68	1.60	1.25	1.82	1.08	1.27	0.91	0.67

¹ Refer to Section 15 – Non-IFRS financial measures.

² Total revenues exclude other underwriting revenues and NEP of exited lines.

18.2 Seasonality of the P&C Canadian insurance business

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

For instance, in 2017 our first and second quarters saw a higher combined ratio including CAT losses than the third and fourth quarters, meaning that underwriting results were relatively less profitable in Q1-2017 and Q2-2017. Excluding CAT losses, the first and fourth quarters of 2017 saw a slightly higher combined ratio than the other quarters in 2017, meaning that underwriting results were relatively less profitable in Q1-2017 and Q4-2017 than the rest of the year.

Table 35 – Seasonal indicator, including CAT losses

	2017	2016	2015	2014	2013	2012	2011	2010	Eight-year average
Q1	1.04	0.97	1.02	1.05	0.97	0.99	1.00	0.98	1.00
Q2	1.01	1.04	1.00	1.00	1.00	0.99	1.03	0.98	1.01
Q3	0.97	1.02	1.02	1.00	1.05	1.03	0.99	1.01	1.01
Q4	0.98	0.97	0.96	0.95	0.98	0.99	0.98	1.03	0.98

Table 36 – Seasonal indicator, excluding CAT losses

	2017	2016	2015	2014	2013	2012	2011	2010	Eight-year average
Q1	1.03	1.01	1.03	1.04	1.04	1.02	1.04	1.00	1.03
Q2	0.99	0.99	1.01	1.02	0.97	0.98	0.96	0.99	0.99
Q3	0.97	0.99	0.98	0.96	0.97	0.97	0.99	0.98	0.98
Q4	1.01	1.01	0.98	0.98	1.02	1.03	1.01	1.03	1.01

18.3 Expected release dates of our financial results

Q2-2018	Q3-2018	Q4-2018	Q1-2019
July 31, 2018	November 6, 2018	February 5, 2019	May 7, 2019