



Emerging Risk Management

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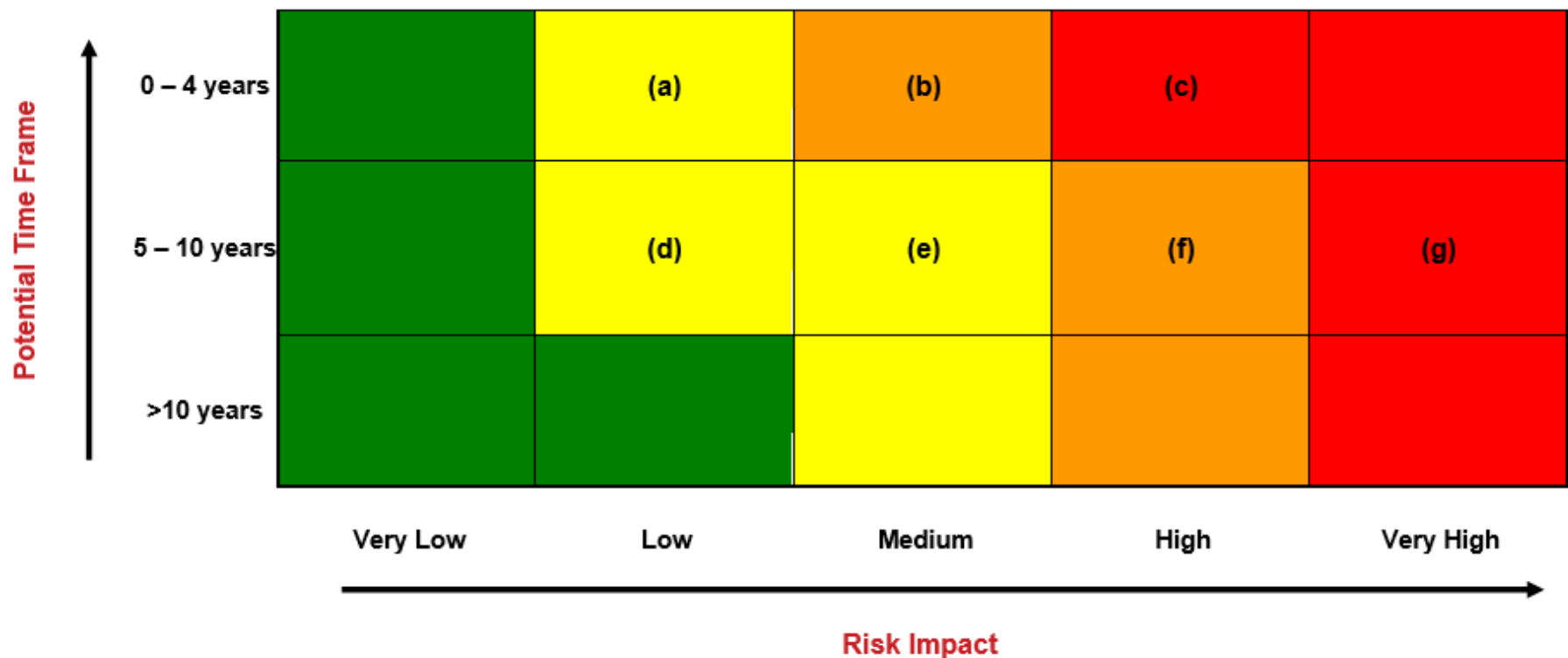
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An Emerging Risk Management Journey

Year	Maturity Level
<p>2013</p>	<ul style="list-style-type: none"> ➤ Adopted a definition of emerging risks. ➤ Identified our first emerging risk. Gathered research on this topic and discussed it at our enterprise risk committee.
<p>2014</p>	<ul style="list-style-type: none"> ➤ Developed a 1 page table of emerging risks that included a description, potential root causes, a status update, and identified the person(s) responsible for further research, analysis and/or remediation (if required).
<p>2016</p>	<ul style="list-style-type: none"> ➤ Developed a risk grid consisting of the following axes: <ul style="list-style-type: none"> ○ Potential time frame; and ○ Impact ➤ Assessed each of our top emerging risks and placed them on the risk grid
<p>2017</p>	<ul style="list-style-type: none"> ➤ Included emerging risks in Intact Financial Corporation’s annual MD&A: i) autonomous vehicles; and ii) the legalization of cannabis.

Emerging Risk Matrix

The color code in risk matrix identifies the level of management responsible for managing the associated risk. This is referred to as the risk intensity.



Top emerging risk 2018

The emergence of autonomous vehicles and crash avoidance technology		Emerging risk
<p>Risk we are facing</p> <p>Commercialisation of fully- or semi-autonomous vehicles could profoundly change the transportation and auto insurance industries. The speed at which autonomous vehicles are adopted will depend on a number of factors including, but not limited to, the success of the new technology, the legal and regulatory environment, and customer preferences. These vehicles may have a dramatically different risk profile than current modes of transportation.</p>		
<p>Potential impact</p> <p>If the potential of autonomous vehicles and crash avoidance technology is realized, a number of changes may occur including a significant reduction in accident frequency and the emergence of new ways to provide automobile insurance coverage. This could cause a material decline in our written premiums.</p>	<p>How we manage this risk</p> <p>We recognize the potential impact of this emerging technology and have been closely monitoring developments on this topic for some time. We devote part of our research agenda to include items such as the future of mobility insurance and autonomous vehicles. We believe it is crucial to understand this emerging technology and the possible implications to be able to adjust our corporate strategy accordingly.</p>	

Source: Intact Financial Corporation Management’s Discussion and Analysis – December 31, 2017

Top emerging risk 2018

The legalization of cannabis (marijuana)		Emerging risk
<p>Risk we are facing</p> <p>Under proposed legislation by Canada’s federal government, marijuana would become legal under certain circumstances in July 2018. In addition, several states in the U.S. such as California have also proposed the legalization of marijuana. Cannabis for medical use is already permitted in many states and the trend to allow its use for recreational purpose may accelerate in the coming years.</p>		
<p>Potential impact</p> <p>Marijuana legalization could have an impact our results in various ways, including:</p> <ul style="list-style-type: none"> • higher frequency and severity of auto insured losses as a result of impaired driving; and • an increase in claims related to liability insurance or workers compensation. <p>This could cause a decline in our underwriting income.</p>	<p>How we manage this risk</p> <p>In 2017, we have taken actions to better understand how this risk may impact our business. Consequently, we have conducted a stress test inspired by other jurisdictions (e.g. Colorado) that have legalized marijuana for recreational purposes.</p> <p>Our personal lines and commercial lines teams have reviewed our product wordings and underwriting guidelines to ensure we have a clear risk appetite around exposures related to marijuana producers and distributors. We will continue to monitor this risk and make adjustments to product pricing or features as more information becomes available.</p>	

Source: Intact Financial Corporation Management’s Discussion and Analysis – December 31, 2017