



Press Release

Toronto, December 2, 2019

Intact Financial Corporation completes acquisition of specialty insurer The Guarantee Company of North America and Frank Cowan Company Limited

- Bolsters Intact's leadership position in Canada
- Brings Intact's North American specialty lines platform close to \$3 billion in annual Direct Premiums Written
- Delivers a return on capital above Intact's threshold and immediate accretion to NOIPS
- Strong financial position maintained, with over \$1.2 billion of capital margin following closing

Intact Financial Corporation (TSX: IFC) announced that it has today completed the acquisition (the "Acquisition") of The Guarantee Company of North America ("The Guarantee") and Frank Cowan Company Limited ("Frank Cowan"), having received all required regulatory approvals.

"Closing this transaction represents meaningful progress on our strategic objectives," said Charles Brindamour, Chief Executive Officer, Intact Financial Corporation. "After months of working together on integration planning, we can now welcome The Guarantee and Frank Cowan employees into the Intact family. We look forward to continue to work together to advance our goals of bolstering our leadership position in Canada while building a leading North American specialty insurer."

Financially compelling transaction

The acquisition is expected to generate a return on capital above IFC's internal threshold and be immediately accretive to net operating income per share (NOIPS) with low single-digit NOIPS accretion within 24 months after close.

Intact will maintain a strong capital position following closing with an estimated capital margin above \$1.2 billion, Minimum Capital Test (MCT) above 195% and a debt-to-total-capital ratio below 22% at end of 2019. IFC's debt-to-total-capital ratio is expected to return to 20% in 2020.

Subscription receipt conversion

The \$1.0 billion acquisition payment has been financed in part with the net proceeds from the issuance of \$461 million of subscription receipts. The balance has been funded from excess capital and short-term debt.

Upon closing of the acquisition, the 3,829,500 subscription receipts issued by IFC in August 2019 were deemed to be automatically exchanged in accordance with their terms on a one-for-one basis for common shares of IFC. Trading in the subscription receipts (TSX: IFC.R) will be halted effective immediately and the subscription receipts will be delisted as at the close of business today.

The subscription receipt conversion increased the number of outstanding common shares to approximately 143.0 million, resulting in the average outstanding number of common shares

being approximately 140.4 million for the fourth quarter 2019 and approximately 139.5 million for the year ended December 31, 2019.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada and a leading provider of specialty insurance in North America, with over \$10 billion in total annual premiums. The Company has approximately 14,000 full- and part-time employees who serve more than five million personal, business and public sector clients through offices in Canada and the U.S.

In Canada, Intact distributes insurance under the Intact Insurance brand as well as The Guarantee Company of North America, through a wide network of brokers, including its wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. Intact also provides specialized insurance programs to public entities through its wholly-owned subsidiary, Frank Cowan Company.

In the U.S., OneBeacon Insurance Group, a wholly-owned subsidiary, provides specialty insurance products through independent agencies, brokers, wholesalers and managing general agencies.

Forward Looking Statements

This press release contains forward-looking statements. When used in this press release, 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 press release contains forward-looking statements with respect to, among other things, future product offerings and expected financial performance.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. 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 property and casualty insurance industry; management's ability to accurately predict future claims frequency and severity, including in the Ontario personal auto line of business, as well as the evaluation of losses relating to catastrophe losses caused by severe weather and other weather-related losses; 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; management's expectations in relation to synergies, future economic and business conditions and other factors outlined herein and resulting effect on accretion, equity IRR, net operating income per share, MCT, debt to total capital ratio, combined ratio and the other metrics used in relation to the Acquisition; various other actions to be taken or

requirements to be met in connection with the Acquisition and integrating the Company and The Guarantee and Frank Cowan after completion 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 of catastrophe events, including a major earthquake; the Company's ability to maintain its financial strength and issuer credit ratings; access to debt financing and 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 cyber-attack risk; 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; and changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

Certain material factors or assumptions are applied in making these forward-looking statements, including: that the anticipated benefits of the Acquisition to IFC, including the impact on growth and accretion in various financial metrics, will be realized; that reserves will be strengthened following closing of the Acquisition; the accuracy of certain cost assumptions, including with respect to employee retention matters; and the amounts that will be recovered from certain obligations and litigation matters.

All of the forward-looking statements included in this press release are qualified by these cautionary statements, those made in the "Risk Management" sections of management's discussion and analysis of operating and financial results for the year ended December 31, 2018 and the three, six and nine months ended September 30, 2019 and those that have been made in the prospectus supplement dated August 19, 2019 filed in respect of the financing of the Acquisition. 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. Investors should not rely on forward-looking statements to make decisions and investors should ensure the preceding information is carefully considered when reviewing forward-looking statements made in this press release. The Company has no intention and undertakes 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.

The purpose of including information relating to the expected future NOIPS, MCT and the debt to total capital ratio in this press release is to provide the reader with an indication of management's objectives and expectations, as of the date of this press release, regarding the Company's future performance. Readers are cautioned that this information may not be appropriate for other purposes.

Non-IFRS Measures

The Company uses both International Financial Reporting Standards (IFRS) and certain non-IFRS measures to assess performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to any similar measures presented by other companies. Like many insurance companies, IFC analyzes performance based on underwriting ratios such as combined expense, loss and claims ratios, MCT, and debt-to-total capital ratios, as well as other non-IFRS financial measures, namely DPW, underlying

current year loss ratio, underwriting income, NOI, NOIPS, OROE, ROE, AROE, non-operating results, AEPS, cash flow available for investment activities, and market-based yield. These measures and other insurance-related terms used in this press release are defined in the glossary available in the "Investors" section of our web site at www.intactfc.com. See Section 27 of the Company's Management's Discussion and Analysis for the year ended December 31, 2018 for the definition and reconciliation to the most comparable IFRS measure.

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