

Intact Financial Corporation and RSA announce sale of UK direct Personal Lines operations to Admiral Group plc

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- RSA to sell its UK direct Personal Lines (Home and Pet) operations following the recent conclusion of a strategic review
- RSA will also exit its Home and Pet partner and broker contracts in the UK, which completes its exit from the UK Personal Lines market
- Accelerates path to sustainable outperformance for the continuing UK&I business, which is now expected to deliver a low-90s combined ratio¹ in 2024
- No material impact expected to Net Operating Income Per Share (NOIPS)²

TORONTO, DECEMBER 7, 2023 – Intact Financial Corporation (TSX: IFC) (Intact, IFC or the Company) and its subsidiary Royal & Sun Alliance Insurance Limited (RSA) announced today that they have reached an agreement to sell RSA's UK direct Personal Lines operations, representing approximately £165 million of annual premiums³, to Admiral Group plc (Admiral). The transaction will result in the transfer of renewal rights, brands and employees. RSA will retain the claims reserves, which will be run off over time.

The sale has been approved by the Boards of Directors of both Intact and Admiral, and is expected to close at the end of Q1 2024.

RSA will also exit its UK Home and Pet partner and broker contracts representing annual premiums of approximately £515 million³, and is exploring options to either transfer these arrangements to other parties or let the contracts expire over time. This step completes RSA's exit of the UK Personal Lines market and marks the conclusion of the strategic review announced on September 6, 2023.

The sale price for RSA's direct Home and Pet operations includes an initial cash consideration of £82.5 million, with a potential additional payment of up to £32.5 million, subject to the fulfilment of certain retention thresholds. In aggregate, the proceeds from the sale to Admiral and the release over time of capital backing the UK Personal Lines business are expected to total approximately £350 million, including the benefit of earnout provisions.

¹ Combined ratio is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is the sum of (i) claims ratio (which is a non-IFRS ratio which represents operating net claims divided by operating net underwriting revenues) and (ii) expense ratio (which is a non-IFRS ratio which represents operating net underwriting expenses divided by operating net underwriting revenues. See Non-IFRS measures at the end of this press release.

² NOIPS is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing net operating income attributable to common shareholders, divided by the weighted-average number of common shares outstanding on a daily basis during a specific period. Net operating income attributable to common shareholders is a non-IFRS measure which represents the net income attributable to shareholders, excluding the after-tax impact of non-operating results, net of net income (loss) attributable to non-controlling interests (non-operating component), preferred share dividends and other equity distributions. See Non-IFRS measures at the end of this press release.

³ 2022 annual premiums, restated under IFRS 17

“The exit from the UK personal lines market sharpens RSA’s focus as a leading UK commercial and specialty lines player, accelerating our ability to deliver sustainable outperformance in the UK&I segment,” said Charles Brindamour, Chief Executive Officer, Intact Financial Corporation.

Ken Norgrove, Chief Executive Officer, RSA, added, “We recognize the important work of our Personal Lines colleagues in building RSA’s leading Home and Pet businesses. I’m confident that Admiral’s shared values and track record in delivering excellence for customers makes them a perfect fit for our UK direct Personal Lines business. Our focus is on ensuring an orderly transition that supports our customers, colleagues and partners.”

Although it is exiting the UK Personal Lines market, RSA will continue to maintain its personal lines presence in Ireland, where it is recognized as a leading provider of motor and home insurance, in addition to commercial insurance.

Strong strategic rationale

- Exit of UK Personal Lines accelerates our ability to deliver outperformance in the UK&I operations, consistent with Intact’s objective to outperform wherever it operates.
- RSA will focus its resources on its leading Commercial and Specialty Lines platform, which has consistently been delivering low-90s combined ratios.
- RSA’s technology investments will now be redirected to Commercial Lines, thereby accelerating the company’s ability to modernize its platforms and build outperformance.
- Refocuses RSA’s distribution model on brokered Commercial Lines, where the economics are more attractive.

Financial impact

- Underwriting income (including any catastrophe losses) from UK Personal Lines will be reported in Exited Lines from Q4 2023 onward. The impact on NOIPS attributable to the exit of UK Personal Lines is not expected to be material.
- The overall exposure to UK Personal Lines will gradually diminish as approximately £680³ million of annual premiums run off starting in mid-2024.
- Approximately £240 million of capital is expected to be released over time, which will partly be used to reduce leverage. The pro forma adjusted debt-to-total capital ratio⁴ is expected to return to approximately 20% by the end of 2024, though release of capital is expected to continue beyond that date until both direct and partnership business is fully run off.
- RSA expects to incur costs related to the exit of UK Personal Lines over the next three years, the majority of which is non-cash. The ultimate amount of these costs is contingent on the nature and timing of the transfer of partnership arrangements. Proceeds from the sale of UK direct Personal Lines are expected to mostly offset these costs.
- The impact on book value per share (BVPS)⁵ is not expected to be material.

⁴ Adjusted debt-to-total capital ratio is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated using debt outstanding (excluding hybrid debt) divided by adjusted total capital. See Non-IFRS measures at the end of this press release.

⁵ BVPS is a supplementary financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing common shareholders’ equity by the number of common shares outstanding. See Non-IFRS measures at the end of this press release

Additional details related to the UK Personal Lines exit

- The sale of RSA's direct Personal Lines operations in the UK entails the transfer of the new business franchise and certain operations, brands, employees, data and renewal rights to Admiral, with the transfer expected to take place at the end of Q1 2024.
- The transfer of policies will be completed through a renewal migration over 12 months expected to start from Q3 2024, minimizing impact on customers.
- Around 300 RSA employees will move to Admiral to provide ongoing support and service delivery.
- RSA is exploring options to transfer to other parties its Home and Pet partner and broker contracts, which will otherwise expire over the next two to three years. RSA will work closely with partners and brokers to ensure a smooth transition process.
- RSA will retain the claims reserves related to all of its UK Personal Lines business, which have recorded favourable prior-year development over the last two years.

Outlook for the continuing UK&I business

On October 26, 2023, Intact and RSA completed the acquisition of Direct Line's brokered Commercial Lines operations, representing annual written premiums of approximately £530 million. This transaction significantly strengthened RSA's outperforming Commercial Lines business.

- Following the subsequent exit of UK Personal Lines, Intact's continuing UK&I operations are expected to generate £2.8 billion of premiums in 2024, representing approximately 20% of IFC direct premiums written.
- Approximately 95% of UK&I direct premiums written will be attributable to Commercial and Specialty Lines, with the remainder coming from Personal Lines in Ireland.
- The pro forma UK&I combined ratio is expected to be in the low 90s in 2024. This is expected to improve by approximately 2 points in the subsequent 12 to 24 months through both loss and expense ratio synergies related to the Direct Line acquisition.
- The Direct Line brokered Commercial Lines transaction is expected to generate an IRR⁶ in excess of 15%.

Advisers

J.P. Morgan Securities plc is acting as financial adviser to Intact Financial Corporation. Skadden, Arps, Slate, Meagher & Flom LLP is acting as legal adviser to Intact Financial Corporation in this transaction.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada, a leading provider of global specialty insurance, and, with RSA, a leader in the UK and Ireland. Our business has grown organically and through acquisitions to over \$21 billion of total annual premiums.

⁶ IRR is the discount rate that makes the net present value of all cash flows equal to zero in a discounted cash flow analysis.

In Canada, Intact distributes insurance under the Intact Insurance brand through a wide network of brokers, including its wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. Intact also provides affinity insurance solutions through the Johnson Affinity Groups.

In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies.

In the UK, Ireland, and Europe, Intact provides a range of personal, commercial and specialty insurance solutions through a wide network of brokers, third party partners and directly to customer under the RSA brands.

About RSA Insurance

RSA Insurance is a multinational insurance group. We are one of the world's oldest general insurers, providing peace of mind to individuals and protecting small businesses and large organisations from uncertainty. We use our capabilities to anticipate and improve outcomes for customers via our direct channel, our strong broker relationships or partner organisations. We have established businesses in the UK, Ireland and continental Europe.

In 2021, the former RSA Group Plc came under new ownership and is now a wholly-owned subsidiary of Intact Financial Corporation.

For more information about RSA Insurance, please visit www.rsainsurance.co.uk

About Admiral Group plc

Admiral Group is a leading FTSE100 Financial Services company with businesses in the UK, Europe and the US. Established in 1993 as a car insurance specialist in the UK, it has expanded into other countries and products such as household, travel and pet insurance, as well as personal lending products.

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Cautionary note regarding forward-looking statements

Certain of the statements included in this press release constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this press release are made as of the date hereof and are subject to change.

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. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the anticipated completion of the transactions referred to herein and their anticipated impact on the Company's financial results, release of capital and premiums written. There can be no assurance that the transactions referred to herein will be completed or have the anticipated effects within anticipated timeframes or at all. All of the forward-looking statements included in this press release are qualified by these cautionary statements and those made in the "Risk Management" sections of the Company's 2022 Management's Discussion and Analysis (Sections 30-34) and the Company's Q3-2023 Management's Discussion and Analysis (Sections 17-18), in Notes 10 and 13 of the Company's Consolidated Financial Statements for the year ended December 31, 2022 and in the Company's Annual Information Form dated February 7, 2023, all of which are available on the Company's website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca. 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.

Disclaimer

The information contained in this press release concerning the Company does not purport to be all-inclusive or to contain all the information that an investor may desire to have in evaluating whether or not to make an investment in the Company. The information is qualified entirely by reference to the Company's publicly disclosed information and the cautionary note regarding forward-looking statements included in this press release.

Any website address included in this press release in an inactive textual reference only and information appearing on such website is not part of, and is not incorporated by reference in, this press release.

J.P. Morgan Securities plc ("J.P. Morgan"), which is authorised in the UK by the Prudential Regulation Authority (the "PRA") and regulated in the UK by the PRA and the Financial Conduct Authority, is acting as financial adviser exclusively for Intact and its affiliates and no one else in connection with the transaction and will not regard any other person as a client in relation to the transaction and will not be responsible to anyone other than Intact and its affiliates for providing the protections afforded to clients of J.P. Morgan or its affiliates, nor for providing advice in relation to the transaction or any other matters referred to in this announcement.

Non-IFRS Measures

The Company uses both International Financial Reporting Standards (IFRS) and certain non-IFRS measures to assess performance.

Non-IFRS financial measures and Non-IFRS ratios (which are calculated using Non-IFRS financial measures) do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies. They are used by management to assess the Company's performance.

Supplementary financial measures, non-IFRS financial measures and non-IFRS ratios used in this Press Release and the Company's financial reports include NOIPS, operating ROE, BVPS, combined ratio, claims ratio, expense ratio, GWP, DPW, and adjusted debt-to-total capital ratio.

For more information about these supplementary financial measures, Non-IFRS financial measures and non-IFRS ratios, including definitions and explanations of how these measures provide useful information, refer to Section 19 – Non-GAAP and other financial measures in the Company's Q3-2023 Management's Discussion and Analysis dated November 7, 2023, which Section is incorporated by reference into this press release and which is available on the Company's website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca.

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