Intact Financial Corporation Announces $225 million Preferred Share Offering

/NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR DISSEMINATION IN THE UNITED STATES/

TORONTO, June 22, 2011 /CNW/ - Intact Financial Corporation (TSX:IFC) announced today that it has entered into an agreement to issue and sell 9,000,000 Non-cumulative Rate Reset Class A Shares Series 1 (the "Series 1 Preferred Shares"), at a price of $25.00 per Series 1 Preferred Share, for aggregate gross proceeds of $225 million on a bought deal basis to a syndicate of underwriters led by CIBC, RBC Capital Markets, Scotia Capital Inc. and TD Securities Inc. IFC has granted the underwriters the option to purchase up to an additional 1,000,000 Series 1 Preferred Shares, at a price of $25.00, at any point prior to 30 days following closing of the offering.

IFC intends to use the net proceeds of the offering, together with borrowings under acquisition credit facilities previously arranged by IFC, the proceeds of a previously announced subscription receipt offering and a portion of IFC's existing cash resources, to fund the purchase price for its previously announced acquisition of all of the issued and outstanding shares of AXA Canada (the "Acquisition"). The closing of the Acquisition is expected to occur in the fall of 2011 subject to receipt of required competition and insurance regulatory approvals and the satisfaction of certain closing conditions. The offering is not conditional upon closing of the Acquisition; if the Acquisition is not completed, the net proceeds will be used for general corporate purposes.

The holders of Series 1 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors of Intact, on a quarterly basis (with the first quarterly dividend to be paid on September 30, 2011), for the initial fixed rate period ending on December 31, 2017, based on an annual rate of 4.20%. The dividend rate will be reset on December 31, 2017 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 1.72%.

Holders of the Series 1 Preferred Shares will have the right, at their option, to convert their Series 1 Preferred Shares into Non-cumulative Floating Rate Class A Shares Series 2 (the "Series 2 Preferred Shares"), subject to certain conditions, on December 31, 2017 and on December 31 every five years thereafter. The holders of Series 2 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors of Intact, at a rate equal to the 90-day Canadian Treasury Bill rate plus 1.72%.

DBRS Limited has assigned a provisional rating of Pfd-2 (low) for the Series 1 Preferred Shares.

The Series 1 Preferred Shares will be offered for sale to the public in each of the provinces and territories of Canada pursuant to a short form prospectus to be filed with the Canadian securities regulatory authorities. The offering is scheduled to close on or about July 12, 2011.

The securities to be offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act. This press release shall not constitute an offer to sell or the solicitation of an offer to buy such securities in the United States or in any other jurisdiction where such offer is unlawful.

About Intact Financial Corporation

Intact Financial Corporation (www.intactfc.com) is the largest provider of property and casualty insurance in Canada with $4.5 billion in premiums. Its 7,500 employees and network of more than 1,800 insurance brokerages offer home, auto and business insurance under the Intact Insurance, Novex Group Insurance, belairdirect and GP Car and Home brands.

Cautionary note about forward-looking statements

Certain of the statements included in this press release about IFC'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.

Forward-looking statements are based on estimates and assumptions made by management in light of our 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 IFC'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: IFC'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 IFC insurance subsidiaries write; unfavourable capital market developments or other factors which may affect IFC's investments 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; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; IFC's reliance on brokers and third parties to sell its products to clients; IFC's ability to successfully pursue its acquisition strategy; IFC's ability to execute its business strategy; the terms and conditions of, and regulatory approvals relating to, the Acquisition; timing for completion of the Acquisition; synergies arising from, and IFC's integration plans relating to the Acquisition; IFC's financing plans for the Acquisition; management's estimates and expectations in relation to resulting accretion, internal rate of return and debt to capital position at closing of the Acquisition and thereafter, as applicable; various other actions to be taken or requirements to be met in connection with the Acquisition and integrating IFC and AXA Canada after completion of the Acquisition; IFC'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 catastrophic events; IFC's ability to maintain its financial strength ratings; IFC's ability to alleviate risk through reinsurance; IFC's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); IFC's reliance on information technology and telecommunications systems; IFC's dependence on key employees; general economic, financial and political conditions; IFC's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting IFC's share price; and future sales of a substantial number of its common shares.

These factors are not intended to represent a complete list of the factors that could affect us. These factors should, however, be considered carefully. All of the forward-looking statements included in this press release are qualified by these cautionary statements. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, IFC 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. IFC 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.

---

https://newsroom.intactfc.com/2011-06-22-Intact-Financial-Corporation-Announces-225-million-Preferred-Share-Offering