

Intact Financial Corporation Announces Conversion Right of Series 3 Preferred Shares and Dividend Rates on Series 3 and Series 4 Preferred Shares

TORONTO, Aug. 31, 2016 /CNW/ - Intact Financial Corporation ("IFC") (TSX: IFC) announced today that it does not intend to exercise its right to redeem all or any part of the currently outstanding Non-cumulative Rate Reset Class A Shares Series 3 of IFC (the "Series 3 Preferred Shares") (TSX: IFC.PR.C) on September 30, 2016. As a result, subject to certain conditions set out in the prospectus supplement dated August 11, 2011 relating to the issuance of the Series 3 Preferred Shares (the "Prospectus"), the holders thereof will have the right, at their option, to elect to convert all or any of their Series 3 Preferred Shares into Non-cumulative Floating Rate Class A Shares Series 4 of IFC (the "Series 4 Preferred Shares") on a one-for-one basis on September 30, 2016. Holders who do not exercise their right to convert their Series 3 Preferred Shares into Series 4 Preferred Shares on such date will retain their Series 3 Preferred Shares, unless automatically converted in accordance with the conditions below.

With respect to any Series 3 Preferred Shares that remain outstanding after September 30, 2016, commencing as of such date, holders thereof will be entitled to receive fixed non-cumulative preferential cash dividends on a quarterly basis, as and when declared by the Board of Directors of IFC. The annual dividend rate for the Series 3 Preferred Shares for the five-year period from and including September 30, 2016 to but excluding September 30, 2021 will be 3.332%, as determined in accordance with the terms of the Series 3 Preferred Shares.

With respect to any Series 4 Preferred Shares that may be issued on September 30, 2016, holders thereof will be entitled to receive floating rate non-cumulative preferential cash dividends on a quarterly basis, as and when declared by the Board of Directors of IFC. The dividend rate for the Series 4 Preferred Shares for the 3-month floating rate period from and including September 30, 2016 to but excluding December 31, 2016 will be 0.79733% (3.172% on an annualized basis), as determined in accordance with the terms of the Series 4 Preferred Shares (the "Floating Quarterly Dividend Rate"). The Floating Quarterly Dividend Rate will be reset every quarter.

The foregoing conversion right is subject to the conditions that: (i) if IFC determines that there would be less than 1,000,000 Series 3 Preferred Shares outstanding on September 30, 2016, then all remaining Series 3 Preferred Shares will automatically be converted into an equal number of Series 4 Preferred Shares on September 30, 2016, and (ii) alternatively, if IFC determines that there would be less than 1,000,000 Series 4 Preferred Shares outstanding on September 30, 2016, then no Series 3 Preferred Shares will be converted into Series 4 Preferred Shares. In either case, IFC will give written notice to that effect to any registered holders of Series 3 Preferred Shares on or before September 23, 2016.

The Series 3 Preferred Shares are issued in "book entry only" form and must be purchased or transferred through a participant in the CDS depository service ("CDS Participant"). All rights of holders of Series 3 Preferred Shares must be exercised through CDS or the CDS Participant through which the Series 3 Preferred Shares are held. The deadline for the registered shareholder to provide notice of exercise of the right to convert Series 3 Preferred Shares into Series 4 Preferred Shares is 5:00 p.m. (ET) on September 15, 2016. Any notices received after this deadline will not be valid. As such, holders of Series 3 Preferred Shares who wish to exercise their right to convert their shares should contact their broker or other intermediary for more information and it is recommended that this be done well in advance of the deadline in order to provide the broker or other intermediary with time to complete the necessary steps.

Holders of the Series 3 Preferred Shares and the Series 4 Preferred Shares will have the opportunity to convert their shares again on September 30, 2021, and every five years thereafter as long as the shares remain outstanding. Subject to certain conditions described in the Prospectus, IFC may redeem the Series 3 Preferred Shares, in whole or in part, on September 30, 2021 and on September 30 every five years thereafter and may redeem the Series 4 Preferred Shares, in whole or in part, after September 30, 2016.

The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Series 4 Preferred Shares effective on conversion. Listing of the Series 4 Preferred Shares is subject to IFC fulfilling all of the listing requirements of the TSX.

For more information on the terms of, and risks associated with an investment in, the Series 3 Preferred Shares and the Series 4 Preferred Shares, please see IFC's prospectus supplement dated August 11, 2011 which is available on www.sedar.com.

Neither the Series 3 Preferred Shares nor the Series 4 Preferred Shares have been or will be registered in the United States under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. This press release does not constitute an offer to sell or a solicitation to buy securities in the United States and any public offering of the securities in the United States must be made by means of a prospectus.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty insurance in Canada with almost \$8.0 billion in premiums. Supported by over 12,000 employees, the company insures more than five million individuals and businesses through its insurance subsidiaries and is the largest private sector provider of P&C insurance in British Columbia, Alberta, Ontario, Québec, Newfoundland and Labrador and Nova Scotia. The company 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](#).

Forward-Looking Statements

Certain statements made in this news release are forward-looking statements. These statements include, without limitation, statements relating to future conversions, redemptions, quantum and payment of dividends with respect to the Series 3 Preferred Shares and the Series 4 Preferred Shares and listing of the Series 4 Preferred Shares. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements as a result of various factors, including those discussed in IFC's most recently filed Annual Information Form and annual MD&A. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this news release, whether as a result of new information, future events or otherwise. Please read the cautionary note of IFC's most recently filed MD&A.

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