

Intact Financial Corporation to Acquire US Specialty Insurer OneBeacon Insurance Group, Ltd. for US \$1.7 billion

TORONTO, ONTARIO--(Marketwired - May 2, 2017) -

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- Creating a leading North American specialty lines insurer with over \$2 billion in specialty lines premiums
- Focuses on small to mid-size businesses where both organizations have deep capabilities and ability to scale up
- Bolsters Intact's existing Canadian business with new products and cross-border capabilities
- Provides additional growth pipeline to leverage Intact's consolidation expertise in a highly fragmented market
- Accretive to net operating income per share within 24 months
- Strong financial position maintained with MCT estimated above 200% at closing

Intact Financial Corporation (TSX:IFC) announced today that it has entered into a definitive agreement and plan of merger pursuant to which it has agreed to acquire OneBeacon Insurance Group, Ltd. (NYSE:OB), a leading US specialty insurer. Under the terms of the all-cash deal, OneBeacon shareholders will receive US\$18.10 cash per common share, a 14% premium based on OneBeacon's closing stock price on the NYSE of US\$15.89 as of May 1, 2017 and a 15% premium to the volume weighted average price over the last 30 days. This represents an aggregate cash consideration of approximately US\$1.7 billion (\$2.3 billion). In addition, OneBeacon debt of approximately US\$275 million will remain outstanding. The transaction has been unanimously approved by the Boards of Directors of both companies and is subject to approval by OneBeacon's shareholders.

Intact's acquisition of OneBeacon is creating a North American leader in specialty insurance, with over \$2 billion of annual premiums. It combines Intact's leading commercial lines track record and deep data, claims and digital expertise with OneBeacon's high caliber team and specialty lines capabilities. The acquisition bolsters Intact's Canadian business with new products and cross-border capabilities, and better positions Intact to compete with international insurers. Furthermore, this provides an additional growth pipeline to leverage Intact's consolidation expertise in a fragmented specialty lines market.

"Today, we've taken an important step in building a world class P&C insurer. The addition of OneBeacon is creating a leading North American specialty lines insurer focused on small to mid-sized businesses," said Charles Brindamour, CEO of Intact Financial Corporation. "OneBeacon is a strong strategic fit for Intact, with deep expertise in commercial and specialty lines, and shared values. We see significant growth potential from the combination of our specialty lines operations and we look forward to welcoming OneBeacon employees to the Intact family."

Mike Miller, CEO of OneBeacon Insurance Group, said, "We are all very excited to join the Intact family. The opportunity to leverage Intact's deep technical, financial and technology capabilities makes this combination the perfect next step in the OneBeacon journey. Together, we will accelerate our pursuit in creating a leading specialty insurer in North America. We look forward to working with our US and Canadian independent agents and brokers to deliver market-leading capabilities to our targeted customers. Both companies are dedicated to ensuring a seamless transition and look forward to profitably growing our specialty portfolio going forward."

Attractive Shareholder Returns and Conservative Financing Structure

The transaction is expected to be neutral to net operating income per share in 2018 and generate mid-single digit NOIPS accretion within 24 months after close. Intact expects to also benefit from top and bottom line growth opportunities resulting from broader geographic and line of business diversification.

Intact secured the conditional purchase of a reinsurance agreement pursuant to which a major reinsurer will assume 80% of any negative development in excess of US\$74 million with respect to OneBeacon's claims liabilities as at December 31, 2016. The maximum amount payable by the major reinsurer is US\$200 million and is subject to some exclusions and limitations.

Intact intends to finance the acquisition and related transaction expenses using a combination of \$700 million of equity financing, approximately \$700 million of excess capital and approximately \$1.0 billion of financing comprised of bank term loans, medium term notes and preferred shares. Intact has hedged the purchase price against the exposure associated with USD/CAD exchange rate fluctuations. Intact will maintain its strong capital position with an estimated MCT above 200% on closing and expects its debt-to-total capital ratio to return below the target level of 20% within 24 months following the closing of the acquisition.

Intact will cancel the automatic share purchase plan announced on March 27, 2017 and suspend its normal course issuer bid in order to maintain excess capital prior to the closing date of the transaction. Following closing, Intact plans to use excess capital for deleveraging in line with its conservative transaction financing plan.

The \$700 million of equity financing is being completed through a combination of a \$360 million bought deal subscription receipt offering and \$340 million of subscription receipts issued on a private placement basis to three Canadian institutional investors, namely Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board and Ontario Teachers' Pension Plan (collectively, the "Private Placement Subscribers").

In connection with the bought deal subscription receipt offering, Intact has entered into an agreement with a group of underwriters, led by CIBC Capital Markets and TD Securities Inc. for the issue of 3.9 million subscription receipts at a price of \$91.85 per subscription receipt (less an underwriting fee) pursuant to a bought deal public offering in Canada and to qualified institutional buyers in accordance with Rule 144A of the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"). Each subscription receipt will entitle the holder to receive one common share of Intact upon closing of the acquisition. Intact has also granted the underwriters the option to purchase an additional 0.6 million subscription receipts exercisable at the offering price for a period of 30 days after the closing of the offering for additional gross proceeds of up to \$54 million. The gross proceeds (net of the initial underwriters' fee) from the sale of the subscription receipts will be held in escrow until the acquisition close date. The offering is expected to close on May 11, 2017.

Intact has separately agreed with the Private Placement Subscribers to issue an aggregate of 3.7 million subscription receipts at a price of \$91.85 per subscription receipt (less a private placement fee). The escrow release provisions of the private placement subscription receipts are substantially equivalent to those applicable to the public offering of subscription receipts and the private placement is expected to close concurrently with the public offering.

Completion of the concurrent private placement is subject to a number of conditions including the closing of the bought deal subscription receipt offering. Completion of the bought deal subscription receipt offering is conditional upon the closing of the concurrent private placement.

The subscription receipts and the common shares of Intact have not been, and will not be, registered under the U.S. Securities Act, or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, within the United States, except in certain transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. This press release does not constitute an offer to sell or a solicitation of an offer to buy any of these subscription receipts within the United States.

Additional Details, Closing and Approvals

The transaction was unanimously approved by the Boards of Directors of both companies (Mr. Yves Brouillette, who is a director of Intact Financial Corporation and White Mountains Insurance Group, Ltd., the controlling shareholder of OneBeacon, was excluded from board meetings, deliberations, votes and related communications regarding the transaction). The transaction is expected to close in the fourth quarter of 2017, subject to satisfaction of customary closing conditions, including OneBeacon shareholder approval and receipt of required regulatory approvals. In connection with the entering into of the acquisition agreement, White Mountains Insurance Group, Ltd. has entered into a voting agreement pursuant to which it has agreed to vote in favour of the transaction. The voting agreement can be terminated by White Mountains Insurance Group, Ltd., if the acquisition agreement is terminated by OneBeacon. OneBeacon has the ability to terminate the acquisition agreement, subject to the procedures set forth therein and the payment of a US\$85.1 million termination fee and reimbursement of Intact's expenses up to US\$22 million, in order to enter into a definitive agreement for a superior proposal with a third party.

Advisors

Goldman, Sachs & Co. LLC is acting as financial advisor to Intact Financial Corporation. Skadden, Arps, Slate, Meagher & Flom LLP and Blake, Cassels & Graydon LLP are acting as legal advisors to Intact Financial Corporation in this transaction. Davies Ward Phillips & Vineberg LLP is acting as legal advisor to the Private Placement Subscribers. McCarthy Tetrault LLP is acting as counsel to the underwriters in the bought deal subscription receipt offering.

Conference Call

Intact Financial Corporation (TSX:IFC) will host a conference call today at 4:45 p.m. ET to discuss this transaction and 2017 first quarter results. Given the concurrent equity offering, there will not be a question and answer session following the remarks.

The conference call will be made available by dialing 1 (647) 427-7450 or 1 (888) 231-8191 (toll-free in North America). Please call 10 minutes before the start of the call. To listen to the call via live audio webcast, visit our website at www.intactfc.com.

A replay of the call will be available later today until midnight on May 10. To listen to the replay, call 1 (855) 859-2056, passcode 3414926.

A transcript of the call and link to the audio webcast will also be made available on Intact Financial's website

at www.intactfc.com under "Investors".

About Intact Financial Corporation

Intact Financial Corporation (TSX:IFC) is the largest provider of property and casualty (P&C) insurance in Canada with over \$8.0 billion in annual 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, Quebec, Nova Scotia and Newfoundland & Labrador. 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.

About OneBeacon Insurance Group

OneBeacon Insurance Group, Ltd. is publicly traded on the New York Stock Exchange under the symbol "OB." OneBeacon's underwriting companies offer a range of specialty insurance products sold through independent agencies, regional and national brokers, wholesalers and managing general agencies. Each business is managed by an experienced team of specialty insurance professionals focused on a specific customer group or industry segment, and providing distinct products and tailored coverages and services. OneBeacon's solutions target group accident and health; architects and engineers; commercial surety; entertainment; environmental; excess property; financial institutions; financial services; healthcare; management liability; ocean and inland marine; programs; public entities; technology; and tuition refund. For further information about our products and services visit: Onebeacon.com and to remain up to date on OneBeacon news, follow us on Twitter @OneBeaconIns or visit our online newsroom: www.onebeacon.com/newsroom.

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, business objectives, expected growth (including magnitude of growth), the anticipated benefits and costs of the transaction, the anticipated effect of the transaction on the Company's strategy, operations and financial performance, including its book value per share, debt to capital, internal rate of return ("IRR"), net operating income per share, minimum capital test ("MCT"), direct premiums written and excess capital, dividends, financial leverage, 2017 management objectives, products, services, expertise and capabilities, earnings contributions, cost savings and transition and integration costs, revenue synergies and statements with respect to the financing structure for the transaction and the completion of and timing for completion of the transaction.

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 use of the net proceeds from the bought deal public offering ("Offering") of subscription receipts of the Company (the "Subscription Receipts") and the sale of Subscription Receipts to private placement subscribers pursuant to concurrent private placements with the Offering (the "Concurrent Private Placements"); the timing and completion of the Offering, Concurrent Private Placements and the acquisition (the "Acquisition") of OneBeacon; expected competition and regulatory processes and outcomes in connection with the Acquisition; 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 the Fort McMurray wildfires, 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; the terms and conditions of the Acquisition; management's expectations in relation to synergies, future economic and business conditions and other factors outline herein and therein and resulting effect on accretion, equity IRR, net operating income per share, MCT, debt to total capital, combined ratio and the other metrics used in relation to the Acquisition; the Company's financing plans for the Acquisition, including the availability of equity and debt financing in the future; various other actions to be taken or requirements to be met in connection with the Acquisition and integrating the Company and OneBeacon 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 key employees; changes in laws or regulations; the exercise of the over-allotment option in connection with the Offering; 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 (including the Subscription Receipts once issued); the Company's ability to hedge exposures to fluctuations in foreign exchange rates; future sales of a substantial number of its common shares; changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; and the timing of the distribution of the Subscription Receipts pursuant to the Offering, including the expected closing date of the Offering and the distribution of common shares of the Company upon closing of the Acquisition.

Certain material factors or assumptions are applied in making these forward-looking statements, including completion of the Offering and Concurrent Private Placements; that the additional financing of the Acquisition is completed; that the Acquisition will be completed in the fourth quarter of 2017; that the anticipated benefits of the Acquisition to IFC will be realized, including the impact on growth and accretion in various financial metrics; that reserves will be strengthened following closing of the Acquisition; that the protection we have purchased against adverse reserve developments will be sufficient; 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 or incorporated by reference 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, 2016 and the three months ended March 31, 2017 and those may be made in the prospectus supplement to be filed in respect of the Offering. 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. 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 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.

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. See section 23 of Management's Discussion and Analysis for the year ended December 31, 2016 for the definition and reconciliation to the most comparable IFRS measure. Management analyzes performance based on underwriting ratios such as combined, expense, loss and claims ratios, MCT, and debt-to-capital, 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. Additional information about the Company, including the Annual Information Form, may be found online on SEDAR at www.sedar.com.

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Source: Intact Financial Corporation

<https://newsroom.intactfc.com/2017-05-02-Intact-Financial-Corporation-to-Acquire-US-Specialty-Insurer-OneBeacon-Insurance-Group,-Ltd-for-US-1-7-billion>