

Intact Financial Corporation to acquire leading 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 its \$3 billion annual Direct Premiums Written objective

- Adds attractive surety business and expertise on both sides of the border
- Enhances specialty lines with public entity capabilities and adds an MGA to the platform
- Expands Intact's personal lines offering in Canada with high net worth products
- Delivers a return on capital above Intact's threshold and immediate accretion to NOIPS
- Strong financial position maintained, with over \$1 billion of capital margin after closing

TORONTO, Aug. 15, 2019 /CNW/ - Intact Financial Corporation (TSX: IFC) ("Intact" or the "Company") announced today that it has entered into a definitive agreement with Princeton Holdings Limited ("Princeton Holdings") to acquire The Guarantee Company of North America ("The Guarantee"), a specialty lines insurer in Canada and the U.S., and Frank Cowan Company Limited ("Frank Cowan"), a managing general agent ("MGA") focused on specialty insurance for a cash consideration of approximately \$1 billion. The transaction is expected to close in the fourth quarter of 2019, subject to regulatory approvals.

In Canada, the acquisition bolsters Intact's position and adds new products for the high net worth customer segment. It meaningfully advances Intact's North American specialty lines platform solidifying prominent positions in public entity and surety. The transaction will also contribute to additional distribution-related earnings.

The Guarantee is a Canadian-owned insurance company with customers in Canada and the U.S. Two-thirds of its business is specialty lines and surety and one-third personal lines including a high net worth home and auto insurance portfolio in Canada. It adds more than \$560 million in Gross Premiums Written¹, including over \$100 million in the U.S., bringing Intact's annual North American specialty lines Direct Premiums Written close to \$3 billion².

Frank Cowan Company Limited is an MGA that is a leader in providing specialized insurance programs to public entities across Canada. It offers coverage placement, risk management consultation, and claims services for municipalities, healthcare, education, community, children's and social service organizations. Frank Cowan places business with several insurers including The Guarantee.

Princeton Holdings will continue to retain full ownership of its other businesses: Cowan Insurance Group, Cowan Asset Management, and Fountain Street Finance.

"The acquisition of The Guarantee Company of North America and Frank Cowan Company is strongly aligned with our strategic and financial objectives," said Charles Brindamour, Chief Executive Officer, Intact Financial Corporation. "We are delivering on our objectives to grow in Canada and build a leading North American specialty platform. I'm enthusiastic about what we will accomplish by leveraging the combined expertise of our teams and our expanded offering."

The transaction is expected to deliver strong economics for Intact through loss ratio improvements, expense savings, and optimization of reinsurance and capital. In addition, the combined platform offers top-line expansion opportunities.

"The Guarantee Company of North America and Frank Cowan Company have built a strong customer-focused specialty and personal lines business over almost 150 years, of which we are very proud. After careful consideration, we believe that combining our strong customer focus and the expertise of our employees in specialty lines and surety, with Intact's resources, in particular its advanced analytics capabilities, provides tremendous opportunities for the combined entities to leverage one another's strengths to build an outstanding, Canadian owned, North American specialty insurer," said Maureen Cowan, Chairman of the Board, Princeton Holdings Limited.

Intact expects the acquisition to generate a return on capital above its threshold and expects the acquisition to be immediately accretive to net operating income per share ("NOIPS") with low single-digit NOIPS accretion within 24 months after close. To finance the transaction, Intact has access to its own capital resources and bank facilities and may evaluate capital markets alternatives. Intact will maintain a strong capital position at closing with an estimated capital margin above \$1 billion, estimated MCT at 195% and a debt to total capital ratio below 25%. The debt to capital ratio is expected to return below the target level of 20% within 24 months following closing of the acquisition.

Conference Call

Intact Financial Corporation will host a conference call to review the transaction today, August 15, 2019 at 4:30 p.m. ET. To listen to the call via live audio webcast and to view the Company's presentation slides and other information not included in this press release, visit our website at www.intactfc.com and link to the "Investors" section.

The conference call is also 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. A replay of the call will be available later today at 7:30 p.m. ET until midnight on August 22, 2019. To listen to the replay, call 1 (855) 859-2056, passcode 5171553.

About Princeton Holdings

Princeton Holdings is a private holding company that is headquartered in Cambridge, Ontario. All subsidiary companies within Princeton Holdings are providers of comprehensive insurance, risk management and wealth management solutions to specialized market segments. All subsidiary companies within Princeton Holdings have expert knowledge of their industry and proven delivery of customized client solutions focused on chosen market segments where they have specialized expertise.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America, with over \$10 billion in total annual Direct Premiums Written. 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 through a wide network of brokers, including its wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. 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 statements that constitute "forward-looking information" as defined under applicable Canadian provincial and territorial securities laws and "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. 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, the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements; expected growth (including magnitude of growth); the anticipated benefits and costs of the proposed acquisition; the anticipated effect of the acquisition on the Company's strategy, operations and financial performance, including its book value per share, debt to capital ratio, NOIPS, MCT, direct premiums written, products, services, expertise and capabilities; earnings contributions, cost savings and transition and integration costs; and statements with respect to the financing structure for the acquisition and the completion of and timing for completion of the acquisition. Unless otherwise indicated, all forward-looking statements in this press release are made as at the date hereof and are subject to change after that date.

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:

- 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 it currently expects;
- the Company's ability to accurately assess the risks associated with the insurance policies that it writes;
- the impact of potentially unfavourable developments from historical claims which may affect the Company's reserve levels;
- 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;
- the Company's ability to accurately predict future claims frequency and severity, including in the personal auto line of business and 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;
- the Company's expectations in relation to synergies, future economic and business conditions and other factors in relation to the acquisition and resulting impact on growth and accretion in various financial metrics;
- 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 integration post-closing 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 and frequency of catastrophe events, including a major earthquake;
- the Company's ability to maintain its financial strength and issuer credit ratings and access to debt financing;
- 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 impact of developments in technology and use of data on the Company's products and distribution;
- the Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including in the context of evolving cybersecurity 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;
- changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; and
- those risks outlined in the "Risk Management" section of the Company's management discussion and analysis of operating and financial results for the year ended December 31, 2018 (the "Annual MD&A"), which is posted under the Company's profile on SEDAR at www.sedar.com

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. Certain of the material factors or assumptions that have been applied in making the forward-looking statements include the following: that the acquisition will be completed in the fourth quarter of 2019 on the terms currently anticipated; that the anticipated benefits of the acquisition to the Company will be

realized, including the impact on growth and accretion in various financial metrics; that reserves will be strengthened following closing of the acquisition; and assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information available as of the date hereof. 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. Certain of the forward-looking statements included in this press release may be considered "financial outlook" for purposes of applicable Canadian provincial and territorial securities laws. The financial outlook information contained herein may not be appropriate for purposes other than for the purpose of giving an indication of the expected financial performance of the Company upon and following completion of the acquisition. All of the forward-looking statements included in this press release are qualified by these cautionary statements and those made in the section entitled Risk Management (Sections 19-24) of our Annual MD&A. 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 relying on forward-looking statements made herein. The Company 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.

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. Management analyzes performance based on underwriting ratios such as combined, expense, loss and claims ratios, MCT, RBC and debt-to-total capital, as well as other non-IFRS financial measures, namely DPW, change or growth in constant currency, underlying current year loss ratio, underwriting income (loss), underwriting expenses, NEP, NOI, NOIPS, OROE, ROE, AROE, non-operating results, net distribution income, adjusted net income, AEPS, total net claims, and total capital margin. See section 27 of the Annual MD&A, which is posted under the Company's profile on SEDAR at www.sedar.com, for the definition and historical reconciliation to the most comparable IFRS measure, where such a measure exists.

Footnotes:

¹ Gross Premiums Written include reinsurance assumed. For FY 2018 the reinsurance assumed was \$9.5M.

² North American Specialty based on trailing twelve months from June 30, 2019.

<https://newsroom.intactfc.com/2019-08-15-Intact-Financial-Corporation-to-acquire-leading-specialty-insurer-The-Guarantee-Company-of-North-America-and-Frank-Cowan-Company-Limited>