TORONTO (TSX: IFC) – February 9, 2021
(in Canadian dollars except as otherwise noted)

PRESS RELEASE
Intact Financial Corporation reports Q4-2020 results

Highlights

- **Net operating income per share of $3.18 in Q4-2020 and OROE of 18.4%,** driven by strong underwriting performance and distribution results
- **Premiums grew 8% in the quarter and 9% for the full year** with solid growth in all lines and The Guarantee Company of North America ("The Guarantee") acquisition
- **Combined ratio of 85.6%** in Q4-2020 included $74 million of CAT losses, with $23 million related to the COVID-19 crisis
- **Our COVID-19 related relief** has helped more than 1.2 million customers, with $530 million of support provided in 2020
- **Full year EPS of $7.20** and BVPS up 9% in 2020 to $58.79
- **RSA acquisition is progressing well and on track for Q2-2021 closing**

Charles Brindamour, Chief Executive Officer, said:

"Our solid results and resilient operations have enabled us to provide much needed relief to over 1.2 million customers since the COVID-19 pandemic began. Our Canadian business is performing very well, and our U.S. business is positioned for low-90s performance. We are assessing additional relief options given wave two of the pandemic. At the same time, we continue to enhance our strategies across the business to best protect people and support our most impacted customers. The RSA transition and integration planning are progressing well and provide increased confidence in the strategic and financial merits of the transaction."

(in millions of Canadian dollars except as otherwise noted)	Consolidated Highlights[1] Q4-2020	Q4-2019	Change	2020	2019	Change
Direct premiums written[1]	**2,872**	2,670	8%	**12,039**	**11,049**	9%
Combined ratio	**85.6%**	91.5%	(5.9) pts	**89.1%**	**95.4%**	(6.3) pts
Underwriting income	**415**	229	81%	**1,227**	**465**	164%
Net investment income	**143**	142	1%	**577**	**576**	nm
Distribution EBITA and Other	**72**	45	60%	**275**	**209**	32%
Net operating income	**467**	303	54%	**1,471**	**905**	63%
Net income	**378**	240	58%	**1,082**	**754**	44%
Per share measures (in dollars)						
Net operating income per share (NOIPS)	**$3.18**	$2.08	53%	**$9.92**	**$6.16**	61%
Earnings per share (EPS)	**$2.55**	$1.63	56%	**$7.20**	**$5.08**	42%
Return on equity for the last 12 months						
Operating ROE	**18.4%**	12.5%	5.9 pts			
ROE	**12.8%**	10.0%	2.8 pts			
Book value per share (in dollars)	**$58.79**	$53.97	9%			
Total capital margin[2]	**2,729**	1,222	1,507			
Debt-to-total-capital ratio	**24.1%**	21.3%	2.8 pts			

Common Share Dividend

- The Board of Directors approved the quarterly dividend of $0.83 per share on the Company's outstanding common shares. The dividends are payable on March 31, 2021, to shareholders of record on March 15, 2021.
- With a strong financial position and confidence in earnings growth, we will continue to protect our people, support our customers and advance on our strategic objectives. We intend to increase our dividend this year as we have in the past 15 years. However, given the current regulatory environment, we are postponing our dividend increase to a later quarter in 2021.

[1] This press release contains non-IFRS financial measures. Refer to Section 36 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details. DPW change (growth) is presented in constant currency.
[2] Aggregate of capital in excess of company action levels in regulated entities (165% MCT effective April 1, 2020, previously 170% MCT, 200% RBC) plus available cash and investments in unregulated entities. Refer to Section 25 – *Capital management* in the Management's Discussion and Analysis for further details.

Industry Outlook

- Given that the Canadian industry combined ratio was approximately 100% for the first three quarters of 2020 and the industry ROE was slightly above 7% for the last twelve months to September 30, 2020, we believe continued industry corrective measures are required and are likely to resume as the impact of the crisis eases.
- In commercial lines on both sides of the border, hard market conditions are expected to continue. In personal lines, firm market conditions are expected in personal property, while personal auto market conditions are temporarily softening.

Insurance Business Performance

(in millions of Canadian dollars except as otherwise noted)	Q4-2020	Q4-2019	Change	2020	2019	Change
Direct premiums written[3]						
Canada	**2,471**	2,328	6%	**10,216**	9,399	9%
U.S.	**401**	342	19%	**1,823**	1,650	9%
Total	**2,872**	2,670	8%	**12,039**	11,049	9%
Combined ratio						
Canada	**84.0%**	92.0%	(8.0) pts	**88.0%**	95.9%	(7.9) pts
U.S.	**92.0%**	88.8%	3.2 pts	**94.9%**	93.2%	1.7 pts
Total	**85.6%**	91.5%	(5.9) pts	**89.1%**	95.4%	(6.3) pts
Underwriting income						
Canada	**392**	184	113%	**1,154**	363	218%
U.S.	**35**	44	(20)%	**81**	97	(16)%
Corporate & other	**(12)**	1	nm	**(8)**	5	nm
Total	**415**	229	81%	**1,227**	465	164%

- **Premium growth of 8%** in the quarter was solid and included the benefit of The Guarantee acquisition. In Canada, premium growth of 6% in the quarter was driven by market conditions and unit growth. In the U.S., topline growth was very strong at 19%.
- **Combined ratio was 85.6%** in the quarter after increasing our provision for COVID-19 CAT losses by $23 million and providing $50 million of targeted relief in commercial lines. The combined ratio in Canada was strong at 84.0%, reflecting strong underlying performance across all lines. In the U.S., the combined ratio of 92.0% reflected solid underlying performance, offset by unfavourable prior year development and higher weather-related losses. For the full year 2020, IFC's overall combined ratio of 89.1% included 0.9 pts of COVID-19 CAT losses and was 6.3 points better than last year, driven by strong underlying performance in Canada and the U.S.

Lines of Business

P&C Canada

- **Personal auto** premiums grew 5% in the quarter driven by unit growth. The Q4-2020 combined ratio of 82.6% improved 13.9 points over last year, reflecting lower claims frequency due to the benefit of reduced driving, our profitability actions and lower non-CAT weather-related losses, partly offset by increased claims severity and customer relief. For the full year 2020, the combined ratio improved 11.1 points to 86.6%, reflecting lower claims frequency partly driven by our effective profitability action plans.
- **Personal property** premiums increased 10% in the quarter, driven by solid unit growth, market conditions, and The Guarantee acquisition. The combined ratio improved 8.8 points year-over-year to 73.2%, driven by strong fundamentals, market conditions and a lower level of weather-related losses. The catastrophe loss ratio of 2.4 points, versus 8.5 points last year, was in-line with expectations. For full year 2020, the combined ratio of 81.7% improved 10.8 points year-over-year reflecting strong fundamentals and lower weather-related losses.
- **Commercial lines** (P&C and auto) premium growth of 5% in the quarter, was driven by market conditions and the benefit of The Guarantee acquisition, offset by 6 points due to the $50M targeted relief program for small business customers and lower volumes related to the sharing economy. The combined ratio of 95.3% in the quarter was solid, as lower claims frequency and our profitability actions were offset by 6 points from our targeted customer relief program and 2 points of direct COVID-19 related CAT losses. For the full year 2020, the combined ratio of 95.1% was solid as strong underlying performance was offset by direct COVID-19 related CAT losses of $64 million, customer relief actions and increased bad debt provisions.
- **Distribution EBITA and Other** grew 60% to $72 million in the quarter, and 32% to $275 million for the full year 2020, reflecting better than expected performance of our broker network, including successful expense management and revenue growth. Recent acquisitions also added to year-over-year growth.

P&C US

- **Premiums** grew 19% in constant currency to $401 million in Q4-2020, including 6 points from The Guarantee acquisition, driven by hard market conditions and strong new business growth and retention.
- **Combined ratio** of 92.0% in the quarter reflects strong underlying performance, offset by 1.3 points of unfavourable prior year development and 1 point of higher weather-related losses. For the full year 2020, the combined ratio was 94.9%, as strong underlying performance was more than offset by 2.0 points of COVID-19 related CAT losses. This business is now well positioned to run in the low 90s going forward.

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[3] DPW change (growth) is presented in constant currency. Refer to Section 7 – *U.S.* in the Management's Discussion and Analysis for further details. In the U.S., DPW change (growth) as reported was 17% for the quarter and 11% for 2020.

Investments

- **Net investment income** of $143 million for the quarter was in line with last year, as the benefit of higher invested assets was offset by the impact of lower reinvestment yields.
- **Net gains excluding FVTPL bonds** were $53 million for the quarter driven by favourable equity markets. Equity impairments of $22 million were largely related to energy stocks.

Net Income and ROE

- **Net operating income** of $467 million in Q4-2020, reflects strong growth in underwriting income and Distribution EBITA and Other.
- **Earnings per share** of $2.55 in Q4-2020 was driven by growth in net operating income.
- **Operating ROE** improved 5.9 points year-over-year to 18.4% for the 12 months to December 31, 2020 driven by strong operating performance.

Balance Sheet

- The Company ended the quarter in a strong financial position, with a total capital margin of $2.7 billion. MCT in Canada was estimated at 224%.
- IFC's **book value per share** (BVPS) of $58.79 as at December 31, 2020, increased 5% since September 30, 2020, driven by strong operating performance and mark-to-market gains in the investment portfolio.
- The **debt-to-total capital ratio** was 24.1% as at December 31, 2020, compared to 21.2% as of September 30, 2020. Included in the debt-to-total capital ratio is $600 million (3.8 points) of medium-term notes to fund the RSA transaction. We expect the leverage ratio to be 26% at closing of the RSA acquisition and return to 20% within 36 months following closing.

Preferred Share Dividends

- The Board of Directors also approved a quarterly dividend of 21.225 cents per share on the Company's Class A Series 1 preferred shares, 20.825 cents per share on the Class A Series 3 preferred shares, 17.06925 cents per share on the Class A Series 4 preferred shares, 32.5 cents per share on the Class A Series 5 preferred shares, 33.125 cents per share on the Class A Series 6 preferred shares, 30.625 cents per share on the Class A Series 7 preferred shares and 33.75 cents per share on the Class A Series 9 preferred shares. The dividends are payable on March 31, 2021, to shareholders of record on March 15, 2021.

M&A Update

- **The announced acquisition of RSA is progressing well and on track for Q2-2021 closing**. We have received clearance from the Canadian Competition Bureau on January 12, 2021 and RSA shareholders voted in favour of the acquisition on January 18, 2021, to be made effective by a Court-sanctioned scheme of arrangement. As well, on December 18, 2020, Tryg shareholders voted in favour of a rights issue to finance their portion of the transaction. Other regulatory approval processes are on track.
- During the quarter, a significant portion of the approximate $5.2 billion (£3.0 billion) purchase price and $0.7 billion of expected related transaction costs was financed with $4.45 billion of private placement subscription receipts, €392 million ($0.6 billion) bank term loan facility and $0.6 billion of medium-term notes.
- Non-operating transaction costs related to the RSA acquisition in the quarter were $42 million, which are largely related to M&A and legal fees.
- The RSA acquisition is expected to generate over 15% internal rate of return, high single digit NOIPS accretion in the first year, increasing to upper teens within 36 months, and a 25% increase in BVPS on completion. As well, operating ROE is expected to be maintained at a mid-teens level in the medium term.
- RSA is scheduled to release its 2020 full year results on February 26, 2021.
- The integrations of The Guarantee, Frank Cowan and On Side acquisitions are on track, and we continue to expect to deliver mid-single digit NOIPS accretion by the end of 2021.

Analysts' Estimates

- The average estimate of **earnings per share** and **net operating income per share** for the quarter among the analysts who follow the Company was $1.92 and $2.35, respectively.

Management's Discussion and Analysis (MD&A) and Consolidated Financial Statements

This Press Release, which was approved by the Company's Board of Directors on the Audit Committee's recommendation, should be read in conjunction with the Q4-2020 MD&A as well as the Q4-2020 Consolidated Financial Statements, which are available on the Company's website at www.intactfc.com and later today on SEDAR at www.sedar.com.

For the definitions of measures and other insurance-related terms used in this Press Release, please refer to the MD&A and to the glossary available in the "Investors" section of the Company's website at www.intactfc.com.

Conference Call Details

Intact Financial Corporation will host a conference call to review its earnings results tomorrow at 11:00 a.m. ET. To listen to the call via live audio webcast and to view the Company's Financial Statements, MD&A, presentation slides, Supplementary financial information and other information not included in this press release, visit the Company's website at www.intactfc.com and link to "Investors". The conference call is also available by dialing 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 on February 10, 2021 at 2:00 p.m. ET until midnight on February 17, 2021. To listen to the replay, call 416 849-0833 or 1 855 859-2056 (toll-free in North America), passcode 6977038. A transcript of the call will also be made available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada and a leading provider of specialty insurance in North America, with over $12 billion in total annual premiums. The Company has over 16,000 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. Frank Cowan Company, a leading MGA, distributes public entity insurance programs including risk and claims management services in Canada.

In the U.S., Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, wholesalers and managing general agencies. Products are underwritten by the insurance company subsidiaries of Intact Insurance Group USA, LLC.

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Forward Looking Statements

Certain statements made in this news release are forward-looking statements. These statements include, without limitation, statements relating to the outlook for the property and casualty insurance industry in Canada and the U.S., the Company's business outlook, the Company's growth prospects, the impact on the Company of the occurrence of and response to the coronavirus (COVID-19) pandemic and ensuing events, and the Company's proposed acquisition of RSA and the completion of and timing for completion of the RSA acquisition. 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 the Company's most recently filed Annual Information Form dated March 30, 2020 and those made in our Q4-2020 Management's Discussion and Analysis (including in its "Risk Management" sections (Sections 28-33)), in Notes 10 and 13 of our Consolidated Financial Statements for the year ended December 31, 2020 and the additional risk factors of the Company related to the proposed RSA acquisition as described at pages 24-28 of the Company's Presentation entitled "Building a Leading P&C Insurer - Acquisition of RSA's Canada and UK&I operations," dated November 18, 2020. 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 at the beginning of the MD&A.