TORONTO (TSX: IFC) – July 31, 2018
(in Canadian dollars except as otherwise noted)

PRESS RELEASE
Intact Financial Corporation reports Q2-2018 Results

Highlights

- **Net operating income per share of $1.38,** reflecting solid underlying performance and strong net investment income offset by elevated catastrophe losses
- **Premiums grew 16%** bolstered by OneBeacon and strong growth in commercial lines in Canada
- **Combined ratio of 96.1%** reflects improvement in personal auto and solid results for OneBeacon at 93.8%
- **Operating ROE of 12% and a 15% increase in book value per share** over the last twelve months, with over $1.2 billion of total capital margin

Charles Brindamour, Chief Executive Officer, said:

"Our business once again demonstrated its resilience despite higher than expected catastrophe losses. Actions in personal auto are gaining momentum and results are trending towards a mid-90's combined ratio run-rate by year-end. The fundamentals of our Canadian property and commercial lines remain very strong and results in our U.S. Specialty business continue to improve."

Consolidated Highlights[1]						
(in millions of Canadian dollars except as otherwise noted)	Q2-2018	Q2-2017	Change	YTD 2018	YTD 2017	Change
Direct premiums written	**2,908**	2,497	16%	**4,990**	4,234	18%
Combined ratio	***96.1%***	*95.0%*	*1.1 pts*	***97.6%***	*96.6%*	*1.0 pts*
Underwriting income	**93**	103	(10)	**112**	138	(26)
Net investment income	**134**	105	29	**256**	210	46
Net distribution income	**52**	50	2	**76**	74	2
Net operating income	**201**	193	4%	**321**	316	2%
Net income	**161**	243	(34)%	**264**	389	(32)%
Per share measures (in dollars)						
Net operating income per share (NOIPS)	**1.38**	1.44	(4)%	**2.19**	2.34	(6)%
Earnings per share (EPS)	**1.10**	1.82	(40)%	**1.78**	2.90	(39)%
Operating ROE for the last 12 months	**11.9%**	12.1%	(0.2) pts			
Book value per share (in dollars)	**48.64**	42.16	15%			
Total capital margin[2]	**1,243**	1,014	229			
Debt-to-total-capital ratio	**22.5%**	22.8%	(0.3) pts			

(1) This table contains non-IFRS financial measures. Please refer to Section 14 – Non-IFRS financial measures in the Management's Discussion and Analysis for further details.
(2) Aggregate of capital in excess of company action levels in regulated entities (170% MCT, 200% RBC) plus available cash in unregulated entities. Please refer to Section 11– Capital management in the Management's Discussion and Analysis for further details.

Dividend

- The Board of Directors approved the quarterly dividend of $0.70 per share on the Company's outstanding common shares. The Board 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, 24.9535 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 and 41.62 cents per share on the Class A Series 7 preferred shares. The dividends are payable on September 28, 2018, to shareholders of record on September 14, 2018.

Industry Outlook

- In **personal auto**, industry profitability remains challenged while the market continues to firm. In **personal property**, firm market conditions are expected to continue, as companies adjust to changing weather patterns. **Commercial lines** remain competitive, while benefiting from continued signs of firming market conditions. Overall in Canada we expect mid-single-digit premium growth in the coming year.
- In **U.S. commercial**, the pricing environment remains competitive, with modest upward trends and low-to-mid single-digit growth expected in the coming year.
- Overall, the industry's ROE is expected to improve but remain below its long-term average of 10% over the next 12 months.

Insurance Business Performance

(in millions of Canadian dollars except as otherwise noted)	Q2-2018	Q2-2017	Change	YTD 2018	YTD 2017	Change
Direct premiums written						
Canada	**2,534**	2,497	2%	**4,295**	4,234	1%
U.S.	**374**	-	n/a	**695**	-	n/a
	2,908	2,497	16%	**4,990**	4,234	18%
Combined ratio						
Canada	**96.6%**	95.0%	1.6 pts	**98.2%**	96.6%	1.6 pts
U.S.	**93.8%**	-	n/a	**94.5%**	-	n/a
	96.1%	95.0%	1.1 pts	**97.6%**	96.6%	1.0 pts
Underwriting income						
Canada	**72**	103	(31)	**76**	138	(62)
U.S.	**21**	-	21	**36**	-	36
	93	103	(10)	**112**	138	(26)
Current year catastrophe claims	**142**	105	37	**178**	193	(15)

- **Premiums grew** 16% in the quarter and 18% in the first half of 2018, reflecting our acquisition of OneBeacon. In Canada, premium growth of 2% in the quarter was driven by strong growth in commercial lines, tempered by the impact of our profitability actions in personal auto, including rate increases.
- **Combined ratio** of 96.1% in the quarter deteriorated by 1.1 points over last year, as OneBeacon's solid 93.8% performance was offset by higher catastrophe losses in Canada. The combined ratio of 96.6% in Canada also reflected good progress on our personal auto action plan and solid underlying performance in property lines.
- Year-to-date, IFC's **combined ratio** of 97.6% was 1.0 points worse than H1-2017, as a healthy performance from OneBeacon was offset by higher non-catastrophe weather-related losses in Canada, mainly in Q1-2018.

Lines of Business

P&C Canada

- **Personal auto** premiums declined 2%. Ongoing profitability actions including rate increases ahead of the market and segmentation initiatives impacted unit growth. The combined ratio improved 2.2 points over last year to 95.6% driven by current accident year improvement from our auto action plan. This was tempered by unfavourable prior year claims development. We remain on track to achieve our mid-90's combined ratio run-rate target by year end.
- **Personal property** premiums grew 2% driven by rate increases in firm market conditions, but were tempered by slowing unit growth related to our profitability actions in personal auto. The combined ratio of 102.7% included 18.1 points of catastrophe losses driven by three severe weather events. Despite the impact of severe weather in 2017 and 2018, the year-to-date combined ratios were resilient, at a mid-90s level for both years.
- **Commercial lines** (P&C and auto) saw strong growth of 7% as both segments continued to benefit from rate momentum in firming market conditions and robust growth in specialty lines. Performance in the quarter was strong with a combined ratio of 92.9% despite close to 7 points of catastrophe losses.
- **Net distribution income** increased 4% to $52 million versus Q2-2017. Full year net distribution income is still expected to grow by approximately 10% in 2018 relative to 2017.

P&C U.S.

- **Premiums** of $374 million reflected organic growth of 2% in the quarter. Business lines not undergoing profitability improvement delivered low double-digit growth.
- **Underwriting income** of $21 million resulted in a solid 93.8% combined ratio. Results have continued to improve since closing and we remain on track to achieve a sustainable low-90s combined ratio within 24 months.

Investments

- **Net investment income** of $134 million increased 28% in the quarter reflecting the integration of the OneBeacon portfolio, optimization initiatives, and higher yields.

Net Income	•	**Net operating income** of $201 million for the quarter increased 4% over last year reflecting robust growth in net investment income and solid underwriting results in the U.S., which offset higher catastrophe losses in Canada. Despite a positive contribution from OneBeacon, NOIPS of $1.38 was down slightly, driven by $0.16 of higher catastrophe losses compared to last year.
	•	**Non-operating losses** of $45 million in the quarter related mainly to the acquisition of OneBeacon, whereas gains of $57 million in Q2-2017 were driven by currency derivative gains.
	•	**Earnings per share** of $1.10 for the quarter decreased 40% from a year ago impacted by the items discussed above.
	•	**Operating ROE** for the last 12 months was 11.9% as at June 30, 2018 essentially unchanged from a year ago.
Balance Sheet	•	The Company ended the quarter in a **strong financial position**, with a total capital margin of over $1.2 billion. MCT in Canada was estimated at 201%.
	•	IFC's **book value per share** was $48.64, increasing 15% from a year ago driven by earnings and the equity financing of OneBeacon.
	•	The **debt-to-total capital ratio** decreased to 22.5% as at June 30, 2018, and continues to track towards our goal of 20% in 2019.
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 $1.13 and $1.21, 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 Q2-2018 MD&A as well as the Q2-2018 Consolidated Financial Statements, which are available on the Company's website at www.intactfc.com and 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

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 August 1, 2018 at 2:00 p.m. ET until midnight on August 8. To listen to the replay, call 1-855-859-2056 (toll-free in North America), passcode 2555499. 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 close to $10 billion in total annual premiums. The Company has over 13,000 full- and part-time employees who serve more than five million personal, business, public sector and institutional 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.

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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 and the Company's growth prospects. 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 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 at the beginning of the MD&A.