

PRESS RELEASE

Intact Financial Corporation reports Q3-2019 Results

- Highlights**
- **Net operating income per share increased 18% to \$1.91** driven by strong performances across the business
 - **Premium growth of 11%** fuelled by rate increases across North America and unit growth momentum
 - **Strong combined ratio of 92.3%** driven by solid underlying results in Canada and lower catastrophe losses
 - Strong financial position with **\$1.1 billion of total capital margin** and **operating ROE of 12%**
 - On track to close the acquisitions of The Guarantee and Frank Cowan Company by year end

Charles Brindamour, Chief Executive Officer, said:

“We delivered strong results in the third quarter with double-digit topline growth and low-90s underwriting performance. Our ability to concurrently drive higher rates while increasing our customer base reflects the favourable market conditions across all our businesses. As our competitive position continues to improve, we are maintaining our focus on portfolio quality as we drive towards a return to our historical mid-teens ROE. We are pleased to have completed the acquisition of On Side and the integration planning with The Guarantee and Frank Cowan Company is already underway. We look forward to welcoming our new colleagues into the Intact family.”

(in millions of Canadian dollars except as otherwise noted)	Consolidated Highlights ¹			YTD 2019	YTD 2018 ²	Change
	Q3-2019	Q3-2018 ²	Change			
Direct premiums written ¹	3,012	2,708	11%	8,379	7,698	8%
Combined ratio	92.3%	93.8%	(1.5) pts	96.9%	96.3%	0.6 pts
Underwriting income	198	152	30%	236	264	(11%)
Net investment income	146	136	7%	434	398	9%
Distribution EBITA	56	41	37%	164	133	23%
Net operating income	277	237	17%	602	558	8%
Net income	187	199	(6%)	514	463	11%
Per share measures (in dollars)						
Net operating income per share (NOIPS)	\$1.91	\$1.62	18%	\$4.08	\$3.80	7%
Earnings per share (EPS)	\$1.26	\$1.34	(6%)	\$3.45	\$3.12	10%
Return on equity for the last 12 months						
Operating ROE	12.4%	11.6%	0.8 pts			
ROE	10.2%	9.8%	0.4 pts			
Book value per share (in dollars)	\$51.20	\$49.27	4%			
Total capital margin ³	1,116	1,177	(61)			
Debt-to-total-capital ratio	19.3%	21.7%	(2.4) pts			

(1) This press release contains non-IFRS financial measures. Refer to Section 16 – *Non-IFRS financial measures* in the Management’s Discussion and Analysis for further details. DPW change (growth) is presented in constant currency. The impact of fluctuations in foreign exchange rates was not material to our consolidated results. Impact on the U.S. segment’s performance is outlined in the Insurance Business Performance section hereafter.

(2) Refer to Section 14 – *Presentation changes* in the Management’s Discussion and Analysis for further details on the reclassification of comparatives.

(3) Aggregate of capital in excess of company action levels in regulated entities (170% MCT, 200% RBC) plus available cash in unregulated entities. Refer to Section 12 – *Capital management* in the Management’s Discussion and Analysis for further details.

- Dividend**
- The Board of Directors approved the quarterly dividend of \$0.76 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, 27.08325 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 30.625 cents per share on the Class A Series 7 preferred shares. The dividends are payable on December 31, 2019, to shareholders of record on December 16, 2019.

- 12-month Industry Outlook**
- For the **Canadian P&C** industry, we expect **upper single-digit premium growth**. Market conditions are hard as weak industry profitability in all lines of business continues to put upward pressure on rates.
 - In **U.S. commercial**, the market is hardening. We expect **mid single-digit premium growth**.
 - Overall, the Canadian 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)	Q3-2019	Q3-2018	Change	YTD 2019	YTD 2018	Change
Direct premiums written¹						
Canada	2,491	2,239	11%	7,071	6,534	8%
U.S.	521	469	10%	1,308	1,164	9%
	3,012	2,708	11%	8,379	7,698	8%
Combined ratio						
Canada	91.8%	93.9%	(2.1) pts	97.2%	96.7%	0.5 pts
U.S.	95.9%	93.5%	2.4 pts	94.9%	94.2%	0.7 pts
	92.3%	93.8%	(1.5) pts	96.9%	96.3%	0.6 pts
Underwriting income						
Canada	183	129	54	179	204	(25)
U.S.	14	22	(8)	53	58	(5)
Corporate & other ²	1	1	0	4	2	2
	198	152	46	236	264	(28)

¹ DPW change (growth) is presented in constant currency. Refer to Section 16 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details. In the U.S., DPW change (growth) as reported was 11% for the quarter and 12% year-to-date.

² Reflects the impact of our internal catastrophe reinsurance treaty.

- **Premiums grew 11%** in the quarter and 8% year-to-date on a constant currency basis, reflecting strong growth across all lines of business. In Canada, topline growth was 11%, reflecting ongoing robust rate increases and improving units. We continue to see hard market conditions, with average rate increases of 7% overall. In the U.S., topline grew 11% in the quarter (or 10% on a constant currency basis) driven by strong new business and rate increases.
- **Combined ratio of 92.3%** in the quarter improved 1.5 points over last year. The combined ratio in Canada of 91.8% improved 2.1 points versus Q3-2018 reflecting a solid performance in personal auto and lower catastrophe losses. U.S. combined ratio of 95.9% deteriorated by 2.4 points mainly due to increased claims activity.
- Year-to-date, IFC's **combined ratio of 96.9%** deteriorated slightly, as improved underlying performance and expense management were more than offset by lower favourable prior year claims development.

Lines of Business

P&C Canada
<ul style="list-style-type: none"> • Personal auto premiums' growth accelerated to 12% in the quarter, driven by rate increases and unit momentum in hard market conditions. The combined ratio improved 5.6 points over last year to 93.4% in Q3-2019. Prior year development was muted. The underlying current year loss ratio of 70.3% was strong, improving 2.2 points over last year driven by rate increases and improved portfolio quality driven by our action plans. • Personal property premiums increased 8% in the quarter driven by rate increases in hard market conditions and improving unit growth. The combined ratio of 89.1% was solid with lower than average catastrophe losses partially offset by elevated non-catastrophe weather-related losses. • Commercial lines (P&C and auto) premiums increased 13% in the quarter with strong contributions from all lines led by rate increases deployed in hard market conditions. The combined ratio of 91.8% in the quarter was solid and improved 3.1 points over last year, largely driven by lower catastrophe losses. • Distribution EBITA grew 37% to \$56 million in Q3-2019, bolstered by rate momentum across all regions, as well as broker acquisitions.

P&C U.S.

- **Premiums** grew 10% in constant currency to \$521 million, driven by lines not under profitability improvement plans. Strong new business, rate increases, and higher retention levels are driving growth as market conditions are favourable and continue to improve across most business lines.
- **Combined ratio of 95.9%** was 2.4 points higher than last year due to increased claims activity, which can fluctuate from quarter to quarter.
- As of July 1, 2019, OneBeacon exited the Healthcare business representing about US\$75 million in DPW in the 12 months to June 30, 2019. Excluding the results of this business, the year-to-date 2019 combined ratio of 94.9% would have improved just over two points to 92.8%.
- We continue to make steady progress on our profitability improvement plan and remain on-track to achieve a sustainable low-90s combined ratio by the end of 2020.

Investments

- **Net investment income** of \$146 million for the quarter grew 7% largely reflecting higher invested assets and the timing of dividends. Year-to-date net investment income increased 9% to \$434 million, mainly driven by higher reinvestment yields captured in 2018 and higher invested assets.

Net Income

- **Net operating income** growth increased 17% to \$277 million (or \$1.91 per share), reflecting robust growth in underwriting income, as well as strong distribution EBITA and net investment income performance.
- **Earnings per share** of \$1.26 declined 6% driven by non-operating items largely related to equity impairments.
- **Operating ROE** for the last 12 months was 12.4% as at September 30, 2019 and below our historical track record due to severe winter weather and personal auto challenges in H1-2019.

Balance Sheet

- The Company ended the quarter in a strong financial position, with a total capital margin of \$1.1 billion. MCT in Canada was estimated at 195%.
- IFC's **book value per share** was \$51.20 as at September 30, 2019, increasing 4% from a year ago mainly driven by earnings.
- The **debt-to-total capital ratio** was 19.3% below our 20% target level.

M&A update

- On October 1, we completed the acquisition of On Side Developments Ltd. (On Side Restoration), having received all required regulatory approvals. Starting in Q4-2019, On Side Restoration results will be reported in Distribution EBITA and Other in IFC's MD&A.
- On August 15, we announced the acquisition of The Guarantee Company of North America and Frank Cowan Company Limited (the "Proposed Acquisition"). During the quarter, a portion of the \$1 billion purchase price, as well as related transaction expenses, was secured by the completion of a \$461 million common equity financing in the form of subscription receipts. The remaining balance is expected to be financed through excess capital and short-term debt upon closing.
- The Proposed Acquisition is progressing well and on track to close in Q4-2019, subject to customary regulatory approvals. IFC has received Canadian and U.S. competition approval as well as US state insurance approval from Michigan, where The Guarantee's U.S. subsidiary is domiciled. Applications have been filed with OSFI which are in various stages of approval.
- The financing structure of the Proposed Acquisition preserves Intact's strong capital position at closing with an estimated total capital margin of approximately \$1.3 billion, an estimated MCT of 197% and a debt-to-total capital ratio slightly above 20% at year end.
- Together the above transactions are expected to be immediately mildly accretive to net operating income per share and deliver mid-single digit NOIPS accretion by 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 \$1.58 and \$1.78, respectively.
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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 Q3-2019 MD&A as well as the Q3-2019 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

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 November 6th, 2019 at 2:00 p.m. ET until midnight on November 13th. To listen to the replay, call 1- 855- 859-2056 (toll-free in North America), passcode 8090287. 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 \$10 billion in total annual premiums. 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](http://belairdirect.com). 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, the timing related to the completion of the Proposed Acquisition, the timing and details related to the financing of the Proposed Acquisition, the payment of any dividend equivalent amount on the Company's subscription receipts 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 and prospectus supplement dated August 19, 2019 related to the issuance of the Company's subscription receipts. 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.