

# Acquisition of The Guarantee Company of North America & Frank Cowan Company

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*Bolsters Canadian leadership position and expands our North American specialty platform*

A final base shelf prospectus of Intact Financial Corporation (the “Company” or “IFC”) dated November 15, 2017 (the “final base shelf prospectus”) containing important information relating to the securities described in this presentation has been filed with the securities regulatory authorities in each of the provinces and territories of Canada. A copy of the final base shelf prospectus, any amendment to the final base shelf prospectus and any applicable shelf prospectus supplement that has been filed, is required to be delivered with this presentation. This presentation does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final base shelf prospectus, any amendment and any applicable shelf prospectus supplement for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

**Thursday, August 15<sup>th</sup>, 2019**  
**Intact Financial Corporation (TSX: IFC)**



# FORWARD-LOOKING STATEMENTS

This Presentation 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 presentation 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); credit ratings; the anticipated benefits and costs of the proposed acquisition of (the “Acquisition”) The Guarantee Company of North America (“The Guarantee”) and Frank Cowan Company Limited; the anticipated closing date of the 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, internal rate of return, net operating income per share (“NOIPS”), minimum capital test (“MCT”), direct premiums written (“DPW”) and excess capital, financial leverage, 2019 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 Acquisition and the completion of and timing for completion of the Acquisition. Unless otherwise indicated, all forward-looking statements in this Presentation 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:

- the ability to complete the bought deal public offering (the “Offering”) of subscription receipts of the Company (the “Subscription Receipts”) and the Acquisition on the negotiated terms and within the anticipated timeline;
- the exercise of the over-allotment option in connection with the Offering;
- 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;
- 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 outlined in the prospectus supplement in relation to the Acquisition and resulting impact on growth and accretion in various financial metrics;
- the Company’s financing plans for the Acquisition;
- 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 (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;
- 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;
- those risks outlined in the “Risk Management” sections of the Company’s management discussion and analysis of operating and financial results for the year ended December 31, 2018 (“Annual MD&A”) which is posted under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com); and
- those risks included under the heading “Risk Factors” in the prospectus supplement to be filed in respect of the Offering.



# FORWARD-LOOKING STATEMENTS (CONT'D)

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 those noted in footnotes within these materials, as well as the following: completion of the Offering; 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 presentation 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, in connection with the Offering, 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 Presentation 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, investors should ensure the preceding information is carefully considered when reviewing 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.

## DISCLAIMER

An investment in Subscription Receipts of the Company is subject to a number of risks that should be considered by a prospective purchaser. See, for example, the risk factors set out under the "Risk Management" sections of Annual MD&A and the risk factors that may be found in the prospectus supplement to be filed in respect of the Offering. These sections also describe the Company's assessment of those risk factors, as well as the potential consequences to an investor if a risk should occur. The risk factors identified under the heading "Forward-Looking Statements" in the final base shelf prospectus should also be carefully reviewed and evaluated by prospective investors before purchasing the Subscription Receipts.

No securities regulatory authority has expressed an opinion about the subscription receipts discussed in this Presentation and it is an offence to claim otherwise. The Subscription Receipts discussed in this Presentation or the common shares of IFC underlying the Subscription Receipts have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state in the United States and are being offered and sold within the United States exclusively to "qualified institutional buyers" in compliance with Rule 144A of the U.S. Securities Act and outside the United States in compliance with Regulation S under the U.S. Securities Act.

This Presentation does not constitute an offer to sell or solicitation of an offer to buy any securities of the Company, including any subscription receipts or the common shares underlying such subscription receipts, in the United States or in any jurisdiction in which it is unlawful to make such an offer or solicitation. The following is a summary only and should be read together with the more detailed information and financial data and statements contained in the final base shelf prospectus and the applicable shelf prospectus supplement. The information contained in this Presentation concerning the Company does not purport to be full, true and plain disclosure of all material facts relating to the subscription receipts or to contain all the information that a prospective purchaser or investor may desire to have in evaluating whether or not to make an investment in the Company. The information is qualified entirely by reference to the Company's publicly disclosed information. Additional information about the Company, including the Annual Information Form, may be found online on SEDAR at [www.sedar.com](http://www.sedar.com).

No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its directors, officers or employees as to the completeness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this Presentation, the Company does not undertake or agree to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation that may become apparent. The information and opinions contained in this Presentation are provided as at the date of this Presentation. The contents of this Presentation are not to be construed as legal, financial or tax advice. Each prospective purchaser should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

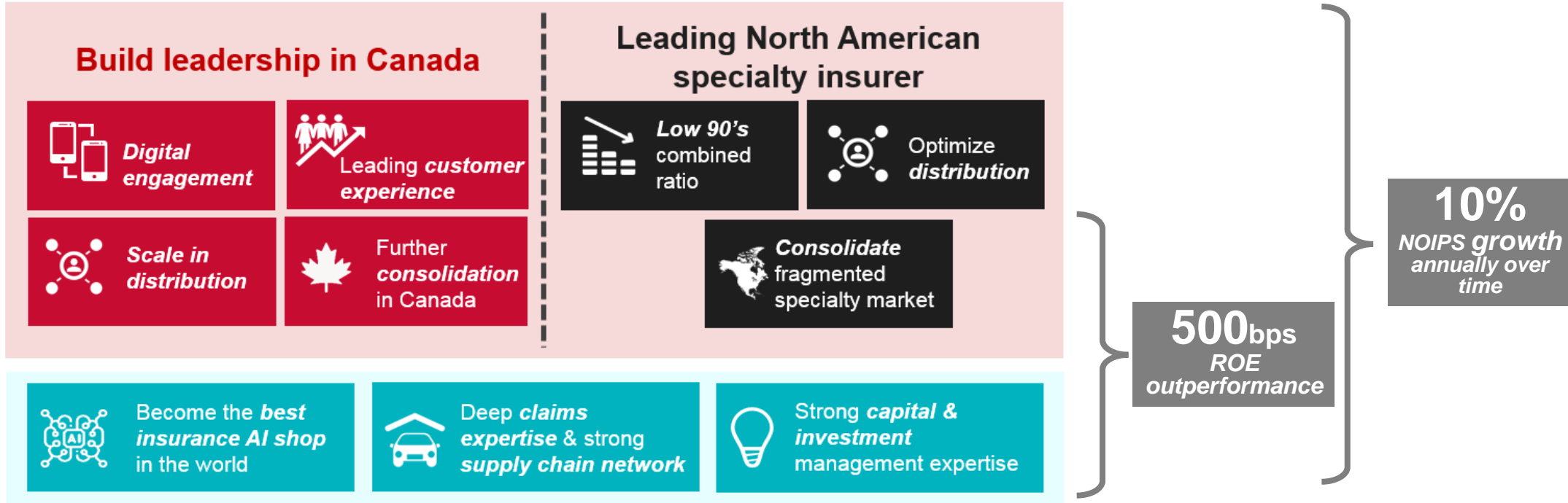
### Non-IFRS Measures

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, return on equity ("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](http://www.sedar.com), for the definition and historical reconciliation to the most comparable IFRS measure, where such a measure exists.

*All dollar figures in Canadian dollars, except as otherwise noted.*

# Strong strategic fit...

Roadmap for the next decade...



# Transaction highlights

## Strong **Strategic** Fit

- Bolsters IFC's leadership position in Canada
- Brings North American specialty lines platform close to \$3 billion in annual Direct Premiums Written
- Enhances IFC's surety platform in Canada and the U.S.; adds public entity capabilities
- Expands personal lines offering with high net worth (HNW) products in Canada
- Adds a leading MGA platform to manufacture and distribute specialty products

## Value **Creation**

- Meaningful combined ratio improvement through:
  - Deployment of IFC's risk selection analytics and pricing expertise
  - Implementation of IFC's claims handling and supply chain practices
  - Estimated expense synergies of \$20 million (pre-tax, run-rate)
  - Capital and reinsurance optimization
- Top-line expansion opportunities

## Financially **Compelling**

- Attractive return on capital<sup>1</sup> expected to be above IFC's 15% threshold
- Expected to be immediately accretive to NOIPS with low single-digit NOIPS accretion within 24 months after close
- Accretive to book value per share at close
- Conservatively financed to maintain a strong financial position at closing

1. Based on equity returns per proposed financing plan and based on IFC's target capital structure of 20% debt/10% preferred shares/70% common equity.

# A customer focused specialty and personal lines business

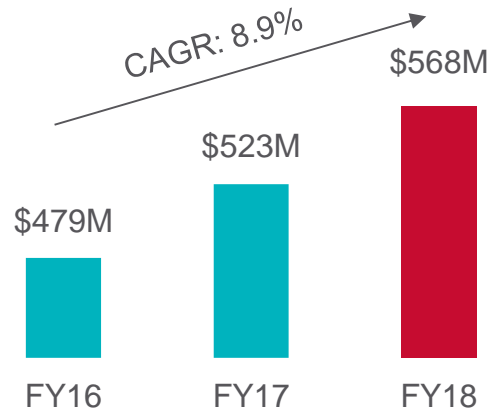
## The Guarantee Company of North America

- Canadian-owned leading North American specialty insurance company
- Focused on surety, public entity coverages and HNW personal customers
- Strong track record of profitable premium growth
- Rated “A” by AM Best and “A-” by S&P

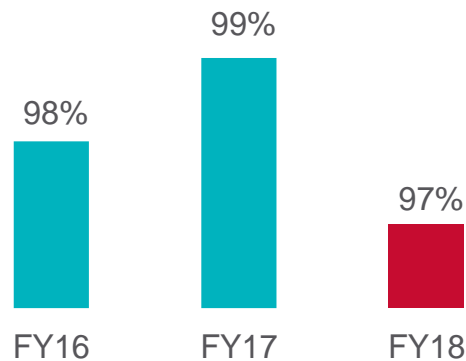
## Frank Cowan Company

- Specialty MGA that is a leader in providing specialized insurance programs to public entities across Canada
- Places business with The Guarantee and other insurers

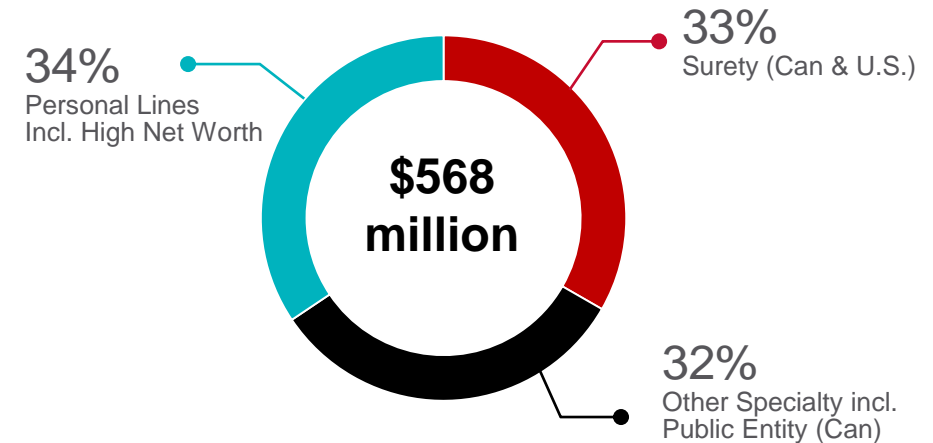
### GPW Growth



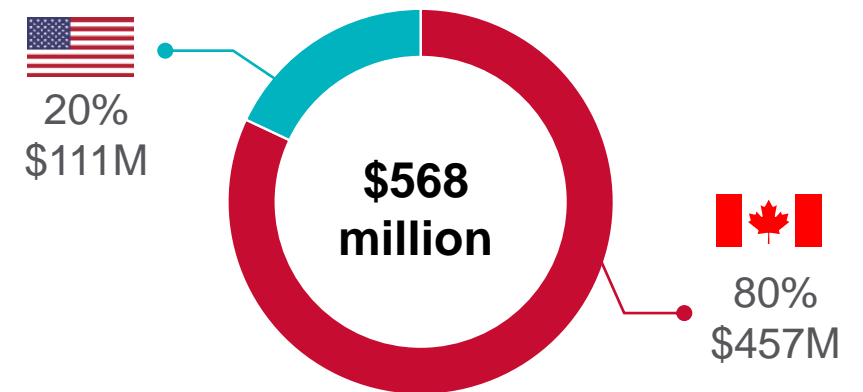
### Combined Ratio



### 2018 GPW by LoB<sup>1</sup>



### 2018 GPW by Geography



Note: All GPW figures include reinsurance assumed. For FY2018 the reinsurance assumed was \$9.5M.  
 1. Chart illustration 2018 GPW by LoB does not add to 100% due to rounding differences.

# Enhances IFC's business & geographic mix

Expands North American specialty platform

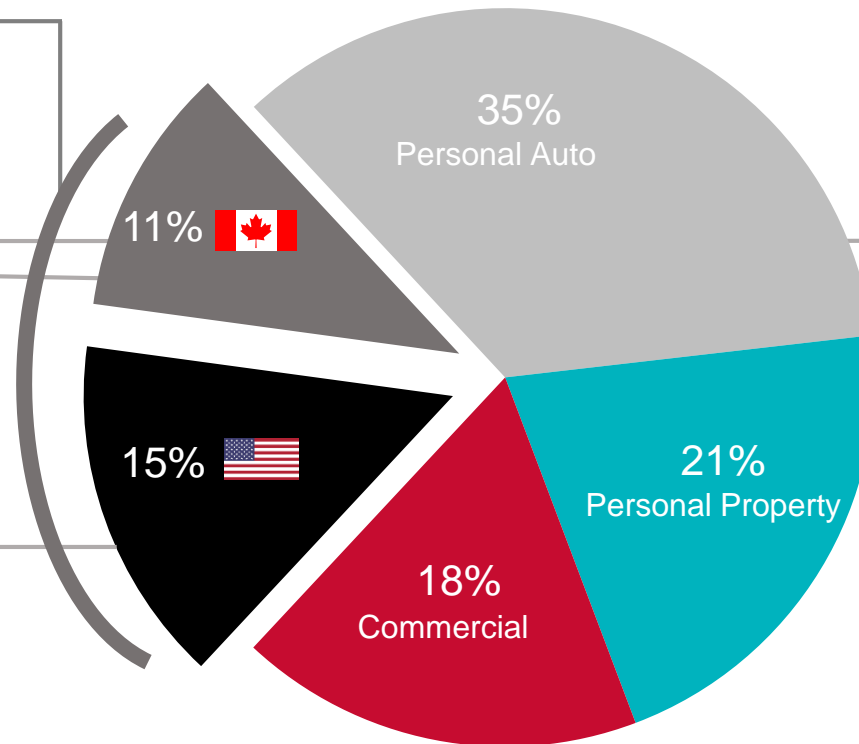
IFC Pro Forma DPW: \$10.7B<sup>1</sup>

North American Specialty  
close to \$3B DPW<sup>2</sup>



Public entity products  
& capabilities

Surety products



High Net Worth  
products

1. Direct Premiums Written based on pro forma figures for FY 2018.  
2. North American Specialty based on trailing twelve months from June 30, 2019; applies to chart illustration as well.

# Transaction summary

<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>Approximately \$1 billion</li> </ul>
<b>Purchase Metrics</b>	<ul style="list-style-type: none"> <li>The Guarantee: P/BV of 1.3x<sup>1</sup></li> <li>Frank Cowan Company: Transaction Value/EBITDA of 11x<sup>2</sup></li> </ul>
<b>Returns/Economics</b>	<ul style="list-style-type: none"> <li>Attractive internal rate of return estimated above 15%<sup>3</sup></li> <li>Estimated immediate NOIPS accretion with expected low single-digit NOIPS accretion within 24 months of close</li> </ul>
<b>Financing Plan</b>	<ul style="list-style-type: none"> <li>Excess Capital \$200 million</li> <li>Short Term Debt \$400 million</li> <li>Equity Bought Deal \$400 million<sup>4</sup></li> </ul>
<b>Capital Impact</b>	<ul style="list-style-type: none"> <li>Total capital margin of approximately \$1.2 billion at close</li> <li>Estimated 195% MCT at close</li> </ul>
<b>Debt-to-Total Capital</b>	<ul style="list-style-type: none"> <li>Approximately 21% at year end 2019</li> </ul>
<b>Regulatory Approvals</b>	<ul style="list-style-type: none"> <li>Customary regulatory approvals including OSFI, competition bureau and U.S. State insurance regulators</li> </ul>
<b>Expected Closing</b>	<ul style="list-style-type: none"> <li>Q4 2019</li> </ul>

1. Price to book value based on book value as at December 31, 2018.

2. Transaction value to EBITDA based on consolidated earnings before interest, taxes, depreciation & amortization for the year ended December 31, 2018.

3. Based on equity returns per proposed financing plan and based on IFC's target capital structure of 70% common equity/20% debt/10% preferred shares.

4. Excluding any exercise of over-allotment option.



# Contact information



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