

Intact Financial Corporation and RSA to acquire Direct Line Insurance Group plc's brokered Commercial Lines operations

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Strengthening RSA's leading UK Commercial Lines platform

- Enhances the profitability and growth profile of the UK & International (UK&I) business through increased focus on Royal & Sun Alliance Insurance Limited's (RSA) outperforming Commercial Lines business
- Increases RSA's presence in the attractive UK Commercial Lines market, where it will become the third largest player with an estimated 7% market share
- Broadens RSA's broker distribution network and expands our current Commercial Lines product offering
- Accretive to Net Operating Income Per Share (NOIPS)¹ in 2024, with low single-digit accretion by Year 3
- Expected Internal Rate of Return (IRR)² in excess of 15% and immediately accretive to Book Value Per Share (BVPS)³ by 2%
- Strategic options being explored for RSA's UK Personal Lines business

Intact Financial Corporation (TSX: IFC) (Intact, IFC or the Company) and its subsidiary RSA today announced that they have reached an agreement with Direct Line Insurance Group plc (Direct Line) to acquire Direct Line's brokered Commercial Lines operations. The purchase price includes an initial cash consideration of £520 million (C\$884 million), with potential for up to a further £30 million (C\$51 million) contingent payment under earnout provisions relating to the financial performance

¹ NOIPS is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing net operating income attributable to common shareholders, divided by the weighted-average number of common shares outstanding on a daily basis during a specific period. Net operating income attributable to common shareholders is a non-IFRS measure which represents the net income attributable to shareholders, excluding the after-tax impact of non-operating results, net of net income (loss) attributable to non-controlling interests (non-operating component), preferred share dividends and other equity distributions. See Non-IFRS measures at the end of this press release.

² IRR is the discount rate that makes the net present value of all cash flows equal to zero in a discounted cash flow analysis.

³ BVPS is a supplementary financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing common shareholders' equity by the number of common shares outstanding. See Non-IFRS measures at the end of this press release.

of the acquired business lines. The transaction will result in the transfer of renewal rights, brands, employees, and systems to RSA.

Direct Line's brokered Commercial Lines generated written premiums⁴ of £530 million in 2022, and delivered an average combined ratio⁵⁶ of approximately 96% across 2021 and 2022.

The transaction has been unanimously approved by the Boards of Directors of both Intact and Direct Line, and is subject to approval by Direct Line's shareholders (Direct Line Shareholder Approval).

"This acquisition significantly strengthens our UK&I business, and is strongly aligned with our strategic and financial objectives," said Charles Brindamour, Chief Executive Officer, Intact Financial Corporation. "The transaction enhances our position in the UK by doubling down on lines of business where we already outperform."

Ken Norgrove, Chief Executive Officer, RSA, added: "We look forward to welcoming a team of experienced, highly talented and skilled colleagues from strong brands, including NIG and FarmWeb, to further enhance RSA's strong Commercial Lines business."

To accelerate its outperformance ambition, Intact is also exploring strategic options in respect of RSA's UK Personal lines business, including a possible sale. RSA had previously announced its exit from the UK Personal Lines motor market in March 2023, as well as outlined plans to optimize its leading Home and Pet platforms.

Strong strategic fit

The acquisition is a unique opportunity to enhance the outperformance position of the UK&I platform.

- Strengthens our presence in the attractive small and medium-sized enterprises (SME) and mid-market segment of the UK market, improving the risk profile of our UK&I business.

⁴Stated as Gross Written Premiums (GWP), which is a supplementary financial measure, does not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures used by other companies in our industry. It is defined as the total premiums from insurance contracts that were inception during the period.

⁵Combined ratio is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is the sum of (i) claims ratio (which is a non-IFRS ratio which represents operating net claims divided by operating net underwriting revenues) and (ii) expense ratio (which is a non-IFRS ratio which represents operating net underwriting expenses divided by operating net underwriting revenues. See Non-IFRS measures at the end of this press release.

⁶ Data provided by Direct Line. Average combined ratio is presented on an IFRS 4 basis.

- Acquisition of well-established and leading brands, including NIG and FarmWeb, given Direct Line's 125-year history in the UK commercial insurance market.
- Broadens our broker distribution network and expands our current Commercial lines product offering.
- Drives outperformance through greater presence and focus on our UK&I Commercial and Specialty lines portfolios, which have delivered a 91% combined ratio⁵ in the two years since the acquisition of RSA.
- Opportunity to drive value creation through loss ratio improvement in the acquired business by leveraging our underwriting expertise.

Financially compelling

- Internal rate of return (IRR)² is expected to be in excess of 15%.
- Annual UK&I Commercial Lines (including Specialty) direct premiums written (DPW)⁷ is expected to increase to approximately £2.3 billion on a pro forma basis from £1.8 billion in 2022.
- The pro forma UK&I Commercial Lines combined ratio⁵ is expected to be approximately 92% in 2024. By leveraging our price segmentation and risk selection capabilities, we expect this to improve to approximately 90% in the subsequent 12 to 24 months.
- We expect to drive annual cost synergies of approximately £20 million by Year 3.
- We expect the transaction to be accretive to NOIPS¹ in 2024, with low single-digit accretion by Year 3. The impact on Operating ROE⁸ is expected to be largely neutral.
- BVPS³ is expected to increase by approximately 2% upon the issuance of common shares to finance the transaction.
- Intact will maintain a strong capital position after financing the transaction, with all regulatory capital ratios remaining at or above target operating levels.
- The pro forma adjusted debt-to-total capital ratio⁹ is expected to be under 25% upon completion of the financing, and return to pre-transaction levels by the

⁷ Direct premiums written (DPW) is a supplementary financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is composed of the total amount of premiums for new and renewal policies written during the reporting period, excluding industry pools, fronting and exited lines. See Non-IFRS measures at the end of this press release.

⁸ Operating ROE is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated by dividing net operating income attributable to common shareholders by the adjusted average common shareholders' equity (excluding accumulated other comprehensive income). See Non-IFRS measures at the end of this press release.

⁹ Adjusted debt-to-total capital ratio is a non-IFRS ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. It is calculated using debt outstanding (excluding hybrid debt) divided by adjusted total capital. See Non-IFRS measures at the end of this press release.

end of 2024. Intact does not expect that its external credit ratings will be impacted.

Transaction details and approvals

The transaction is subject to Direct Line Shareholder Approval, with the vote expected to take place in October 2023.

The transaction will be effected through the combination of:

- An agreement to transfer the new business franchise and certain operations, brands, employees, contractors, data, renewal rights, third party contracts and premises to RSA, with the transfer expected to occur in Q2 2024.
- A quota share reinsurance agreement relating to premiums written but not yet earned, whereby substantially all of the future economics of Direct Line's brokered Commercial Lines portfolio will be transferred to RSA starting from October 1, 2023. If approved by the Court, this will be followed by an insurance business transfer.
- Certain administration and transitional services arrangements.

As part of the transaction, Direct Line will retain the pre-October 1, 2023 economics in relation to the acquired portfolio. RSA is therefore not exposed to any development on prior-year reserves. However, RSA and Direct Line intend to enter into discussions regarding the potential transfer of those economics at a later date.

Any additional capital required to support the quota share reinsurance agreement and new business growth will be funded through excess capital in our UK subsidiary, as well as future capital generation.

RSA and Direct Line will work closely with brokers to ensure a smooth transition process.

Around 800 Direct Line employees will move to RSA to provide ongoing support and service delivery, which will allow RSA to continue to maintain its excellent relationships with brokers and provide outstanding service to customers.

Transaction financing

Following Direct Line Shareholder Approval, Intact will make a £520 million (C\$884 million) payment to Direct Line as cash consideration for the acquired UK commercial lines business, with potential for up to a further £30 million (C\$51 million) contingent

payment under certain earnout provisions relating to the financial performance of the business lines.

The purchase price, as well as expected integration costs of approximately £45 million, will be financed through a combination of:

- a C\$500 million bought deal public offering of common shares;
- issuance of medium-term notes; and
- a new term loan facility

Intact has entered into an agreement with a group of underwriters, led by CIBC Capital Markets and BMO Capital Markets for the issuance of 2,666,000 common shares at C\$187.60 per common share (the Offering Price) for gross proceeds to Intact of approximately C\$500 million (the Offering) pursuant to a bought deal public offering in Canada and in the United States in a private offering to qualified institutional buyers in reliance upon Rule 144A under the U.S. Securities Act of 1933, as amended (the U.S. Securities Act).

Intact has granted the underwriters an option, exercisable, in whole or in part, at any time and from time to time, until the date that is 30 days following the closing of the Offering, to purchase up to an aggregate of 399,900 additional common shares for additional gross proceeds of up to C\$75 million. Closing of the Offering is expected to occur on September 13, 2023.

In support of the transaction, Caisse de dépôt et placement du Québec (“CDPQ”) intends to purchase common shares pursuant to the bought deal public offering, at the Offering Price, representing an aggregate purchase price of approximately C\$50 million. As a result, CDPQ’s equity interest in Intact is expected to remain largely unchanged at approximately 10%.

The issuance of the common shares is subject to the approval of the Toronto Stock Exchange and other customary closing conditions.

Advisers

J.P. Morgan Securities plc is acting as financial adviser to Intact Financial Corporation. Skadden, Arps, Slate, Meagher & Flom LLP is acting as legal adviser to Intact Financial Corporation in this transaction.

Additional information

For more details on this transaction, a pre-recorded audio webcast, transcript and presentation slides have been posted to the corporate website. Please visit the Events and Presentations section under “Investors” at www.intactfc.com to access these supplementary materials.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada, a leading provider of global specialty insurance, and, with RSA, a leader in the U.K. and Ireland. Our business has grown organically and through acquisitions to over \$21 billion of total annual premiums.

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. Intact also provides affinity insurance solutions through the Johnson Affinity Groups.

In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies.

In the U.K., Ireland, and Europe, Intact provides a range of personal, commercial and specialty insurance solutions through a wide network of brokers, third party partners and directly to customer under the RSA brands.

About RSA Insurance

RSA Insurance is a multinational insurance group. We are one of the world’s oldest general insurers, providing peace of mind to individuals and protecting small businesses and large organisations from uncertainty. We use our capabilities to anticipate and improve outcomes for customers via our direct channel, our strong broker relationships or partner organisations. We have established businesses in the UK, Ireland and continental Europe.

In 2021, the former RSA Group Plc came under new ownership and is now a wholly-owned subsidiary of Intact Financial Corporation.

For more information about RSA Insurance, please visit www.rsainsurance.co.uk

About Direct Line

Direct Line Insurance Group plc is a retail general insurer with leading market positions in the United Kingdom. The Group operates under highly recognised brands such as Direct Line and Churchill and is comprised of five primary segments: motor, home, rescue and other personal lines, and commercial.

About CDPQ

CDPQ is a global investment group managing funds for public pension and insurance plans. It invests constructively to generate sustainable returns over the long term, working alongside partners to build enterprises that drive performance and progress. It is active in the major financial markets, private equity, infrastructure, real estate and private debt.

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Cautionary note regarding forward-looking statements

Certain of the statements included in this press release about the acquisition of Direct Line's brokered Commercial Lines operations and the issuance of common shares pursuant to the Offering, including the completion of the transaction and the Offering, the receipt of Direct Line Shareholder Approval, the timing of the transfer of Direct Line's brokered Commercial Lines operations, the expected sources of financing for the transaction, expectations regarding sources of funds for any additional capital required to support the quota share reinsurance agreement and new business growth, and the anticipated benefits of the transaction, including the impact of the transaction on Intact's business, financial condition, capital position, cash flows and results of operations, expectations relating to market share, combined ratio, adjusted debt-to-total capital ratio, IRR, BVPS, NOIPS, operating ROE, and DPW, Intact's plans in respect of RSA's UK Personal Lines business and the performance of the UK&I Personal Lines business, the timing of closing of the Offering, the expected use of the net proceeds of the Offering, or any other future events or developments constitute forward-looking statements. 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. Unless otherwise indicated, all forward-looking statements in this press release are made as of the date hereof and are subject to change.

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. 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. In addition to other estimates and assumptions which may be identified herein, estimates and assumptions have been made regarding, among other things, the anticipated completion of the transaction, the sources of financing for the transaction, the anticipated closing of the Offering of and the expected use of the net proceeds thereof. However, the completion of each of the transaction and the Offering is subject to customary closing conditions, termination rights and other risks and uncertainties, and there can be no assurance that the transaction and the Offering will be completed within anticipated timeframes or at all. All of the forward-looking statements included in this press release are qualified by these cautionary statements and those made in the "Risk Management" sections of the Company's 2022 Management's Discussion and Analysis (Sections 30-34) and the Company's Q2-2023 Management's Discussion and Analysis (Sections 19-20), in Notes 10 and 13 of the Company's Consolidated Financial Statements for the year ended December 31, 2022 and in the Company's Annual Information Form dated February 7, 2023, all of which are available on the Company's website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca and those that will be made in the prospectus supplement to be filed in respect of the Offering. 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 reviewing forward-looking statements made in this press release. The Company has no intention and

undertakes 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

This press release does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

The information contained in this press release concerning the Company does not purport to be all-inclusive or to contain all the information that an 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 and the cautionary note regarding forward-looking statements included in this press release.

No securities regulatory authority has either approved or disapproved the contents of this press release. The common shares to be issued pursuant to the Offering and over-allotment option have not been, and will not be, registered under the U.S. Securities Act, or any state securities laws. Accordingly, the common shares may only be offered or sold within the United States pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the common shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Any website address included in this press release is an inactive textual reference only and information appearing on such website is not part of, and is not incorporated by reference in, this press release.

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Non-IFRS Measures

The Company uses both International Financial Reporting Standards (IFRS) and certain non-IFRS measures to assess performance.

Non-IFRS financial measures and non-IFRS ratios (which are calculated using non-IFRS financial measures) do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies. They are used by management to assess the Company's performance.

Supplementary financial measures, non-IFRS financial measures and non-IFRS ratios used in this press release and the Company's financial reports include NOIPS, operating ROE, BVPS, combined ratio, claims ratio, expense ratio, GWP, DPW, and adjusted debt-to-total capital ratio.

For more information about these supplementary financial measures, non-IFRS financial measures and non-IFRS ratios, including definitions and explanations of how these measures provide useful information, refer to Section 21 – Non-GAAP and other financial measures in the Company's Q2-2023 Management's Discussion and Analysis dated August 2, 2023, which Section is incorporated by reference into this press release and which is available on the Company's website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca.

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