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Press Release

Toronto, September 28, 2017

Intact Financial Corporation Completes Acquisition of U.S. Specialty Insurer OneBeacon Insurance Group, Ltd. and Announces Executive Appointment

- Creates a leading specialty insurer in North America with over C$2 billion (US$1.6B) in annual premiums
- Objective to grow the new specialty lines businesses in the U.S. and operate at a combined ratio in the low 90s within 24-36 months
- Creates additional opportunities for growth in the Canadian marketplace and diversifies Intact's business and geographical mix
- New cross-border offerings and new technology and entertainment insurance products for Canadian customers expected to be available in Q4
- Provides a growth platform to leverage consolidation expertise in the highly fragmented small to midsize North American market
- Expected to be accretive to net operating income per share within 24 months while maintaining a strong financial position

Intact Financial Corporation (TSX: IFC) today announced that it has completed its C$2.3 billion (US$1.7 billion) acquisition of U.S. specialty insurer OneBeacon Insurance Group, Ltd. (OneBeacon). The acquisition makes IFC a leading provider of specialty insurance in North America with over C$2 billion in combined annual premiums focusing on small to midsize businesses.

"The completion of this transaction represents a defining milestone in our history and our journey to build a world-class P&C insurer by combining Intact's leading commercial lines track record and deep data, claims and digital expertise with OneBeacon's high caliber team and specialty lines capabilities," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation.

Building a leading North American insurer – Executive Appointment

The combined specialty organization will be led by Mike Miller, former Chief Executive Officer of OneBeacon Insurance. Mr. Miller will join IFC's executive team as President, U.S. and Specialty Solutions and report to Mr. Brindamour.

"We are delighted to welcome the OneBeacon leadership and employees to the Intact family. We believe this new structure will help us accelerate the sharing of our specialty lines expertise and best practices across North America, and support Mike and his teams in achieving our specialty lines objectives," said Mr. Brindamour.

"All of us at OneBeacon are excited to be part of the Intact team and together, build upon our combined capabilities to deliver a compelling specialty lines experience for agents and brokers throughout North America. OneBeacon's proven specialty lines track record, combined with Intact's analytics and service expertise well position us for profitable growth and near-term delivery of new products and opportunities across Canada and the U.S.," said Mike Miller.

New products for Canadian customers

IFC and OneBeacon have been working together for the past several months to review each organization's activities, processes and systems. In the fourth quarter, Intact will start offering OneBeacon's tailored specialty products and services in Canada, beginning with technology and entertainment risks.

New capabilities will provide coverages for all lines of business for technology risks including third-party cyber and professional liability for manufacturers of electronics, software and IT service providers, and the telecommunications industry. For the entertainment industry, comprehensive commercial insurance solutions for motion picture, television and documentary film makers will be offered, as well as for businesses associated with the motion picture and television industry.

New cross-border offerings

With its combined strengths, capabilities and talents, Intact has established a cross-border facility to better serve its Canadian-based customers with U.S. exposure, and its U.S. based OneBeacon customers with Canadian exposure.

"This seamless cross-border experience and broader geographic footprint will strengthen our ability to compete with other large international insurers," said Mr. Brindamour.

Accretive transaction while maintaining strong financial position

The acquisition is expected to be accretive to net operating income per share within 24 months. The financing has been structured to maintain balance sheet strength with debt to capital and minimum capital test (MCT) ratios of approximately 25 per cent and 200 per cent respectively at closing. The debt-to-capital ratio is targeted to be below 20 per cent within 24 months. Additionally, a reinsurance arrangement has been entered into to provide significant downside protection against adverse reserve developments.

IFC's balance sheet remains strong and well protected, allowing flexibility to pursue growth opportunities as they arise.

Financing and conversion of subscription receipts

Since the announcement of the acquisition in May, IFC has secured long-term financing at attractive rates. The C$2.3 billion acquisition has been financed with the net proceeds from the issuance of C$754 million of subscription receipts, C$300 million of preferred shares and C$425 million of medium term notes. The balance was funded from IFC's excess capital and approximately C$200 million drawn down under the terms of the Company's credit facility.

As a result of the closing of the acquisition, the 8,210,000 subscription receipts issued by IFC in May 2017 will be automatically exchanged in accordance with their terms on a one-for-one basis for common shares of IFC effective today. Trading in the subscription receipts (TSX: IFC.R) will be halted effective immediately and the subscription receipts will be delisted as at the close of business today.

The subscription receipt conversion will increase the number of outstanding common shares to 139.2 million, resulting in the average outstanding number of common shares being 131.2 million for the third quarter 2017 and 131.1 million for the first nine months of 2017.

With the completion of the transaction, OneBeacon's common shares (NYSE: OB) have ceased trading and are being delisted from the New York Stock Exchange.

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.

Forward Looking Statements

This press release contains forward-looking statements. When used in this press release, 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 press release contains forward-looking statements with respect to, among other things, future product offerings and expected financial performance.

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, including, without limitation, the following factors: timing of the distribution of common shares of IFC in exchange for the subscription receipts; the Company's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that the Company writes; 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; management's ability to accurately predict future claims frequency and severity, including in the Ontario personal auto line of business, as well as the evaluation of losses relating to the Fort McMurray wildfires, 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; management's expectations in relation to synergies, future economic and business conditions and other factors outlined herein and resulting effect on accretion, equity IRR, net operating income per share, MCT, debt to total capital, combined ratio and the other metrics used in relation to the Acquisition; various other actions to be taken or requirements to be met in connection with the Acquisition and integrating the Company and OneBeacon after completion 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 of catastrophe events, including a major earthquake; the Company's ability to maintain its financial strength and issuer credit ratings; access to debt financing and 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 Company's reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including cyber-attack 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; the Company's ability to hedge exposures to fluctuations in foreign exchange rates; future sales of a substantial number of its common shares; and changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

Certain material factors or assumptions are applied in making these forward-looking statements, including that the anticipated benefits of the Acquisition to IFC will be realized, including the impact on growth and accretion in various financial metrics; that reserves will be strengthened following closing of the Acquisition; that the protection we have purchased against adverse reserve developments will be sufficient; the accuracy of certain cost assumptions, including with respect to employee retention matters; and the amounts that will be recovered from certain obligations and litigation matters.

All of the forward-looking statements included or incorporated by reference in this press release are qualified by these cautionary statements, those made in the "Risk Management" sections of management's discussion and analysis of operating and financial results for the year ended December 31, 2016 and the three and six months ended June 30, 2017 and those that have been made in the prospectus supplements filed in respect of the financing of the Acquisition. 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. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on 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.

The purpose of including information relating to the expected future combined ratio, NOPIS, MCT and the debt to capital ratio in this press release is to provide the reader with an indication of management's objectives and expectations, as of the date of this press release, regarding the Company's future performance and readers are cautioned that this information may not be appropriate for other purposes.

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. See section 23 of Management's Discussion and Analysis for the year ended December 31, 2016 for the definition and reconciliation to the most comparable IFRS measure. Management analyzes performance based on underwriting ratios such as combined, expense, loss and claims ratios, MCT, and debt-to-capital, as well as other non-IFRS financial measures, namely DPW, Underlying current year loss ratio, Underwriting income, NOI, NOIPS, OROE, ROE, AROE, Non-operating results, AEPS, Cash flow available for investment activities, and Market-based yield. These measures and other insurance-related terms used in this press release are defined in the glossary available in the "Investors" section of our web site at www.intactfc.com.

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