

Intact Financial Corporation reports fourth quarter and year-end results

- **Operating ROE of 11.2% in 2013 despite incurring \$530 million in pre-tax catastrophe losses**
- **Net operating income per share of \$1.05 in Q4-2013 with a combined ratio of 96.3%**
- **Quarterly dividend raised 9% to \$0.48 per share**
- **AXA Canada and Jevco integration activities now complete**

TORONTO, Feb. 5, 2014 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended December 31, 2013 of \$143 million, down \$51 million compared to the corresponding quarter of last year. On a per share basis, net operating income decreased by \$0.37 to \$1.05. The decrease reflects mainly the impact of severe winter weather conditions, including the December ice storm in Ontario and Québec, which led to a combined ratio of 96.3%. The decline in net operating income led to net income of \$107 million compared to \$177 million for the same period last year. Adjusted earnings per share, which excludes integration-related costs, was \$0.88 compared to \$1.49 for the fourth quarter of 2012. Direct premiums written increased 1% to \$1.7 billion.

2013 was marked by severe weather events, resulting in \$781 million of insured losses from catastrophes or \$530 million net of reinsurance. As a result, net operating income for the year was \$500 million, down \$175 million from 2012. On a per share basis, net operating income decreased 28% to \$3.62. Net income was \$431 million compared to \$571 million the year before and adjusted earnings per share were \$3.44 compared to \$5.02. The combined ratio increased by 4.9 percentage points to 98.0%. Direct premiums written for the year increased 7% to reach \$7.3 billion. The book value per share was higher than a year ago at \$33.94.

CEO's Comments

"Throughout 2013, we continued to clearly demonstrate the quality of our operations and the resilience of our financials, as unprecedented weather events challenged our industry," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation. "Our people demonstrated again and again their commitment to help the thousands of our customers who sustained damage as a result of the severe storms. While the cost of helping people resume their normal lives amounted to more than \$500 million, our financials remained solid. As we continue to adapt the protection we offer customers to reflect our new climate reality and ensure the sustainability of our products, we remain confident that our disciplined approach and the quality of our operations will provide us the ability to continue to outperform our industry."

Dividend

The Board of Directors increased the quarterly dividend by 9% to 48 cents per share on its outstanding common shares. The Board also declared a quarterly dividend of 26.25 cents per share on the Company's Class A Series 1 and Class A Series 3 preferred shares. The dividends are payable on March 31, 2014 to shareholders of record on March 17, 2014.

Current Outlook

The Company expects that industry premiums will grow at a low single digit rate. In personal property, the current hard market conditions will accelerate meaningfully as the magnitude of 2013 catastrophe losses negatively impacted industry results. The Company expects that the Ontario auto premium reductions will be largely commensurate with additional cost reduction measures and, as such, does not foresee material deterioration in profitability. In commercial lines, continued low interest rates and the impact on commercial lines loss ratios from the recent elevated catastrophe losses could translate into firmer conditions over time. The level of catastrophe losses is likely to diminish in 2014 from the record levels of the past year. This should lead to improvements in the combined ratio in 2014 at the industry level. Overall, the industry's ROE is expected to trend back toward its long-term average of 10% in 2014.

IFC is well-positioned to continue outperforming the P&C insurance industry due to its pricing and underwriting discipline, claims management capabilities, prudent investment and capital management practices and solid financial position. Given these attributes, the Company believes that it will outperform the industry's ROE by at least 500 basis points in the next 12 months.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q4-2013	Q4-2012	Change	2013	2012	Change
Direct premiums written (excluding pools)	1,702	1,690	1%	7,319	6,868	7%
Underwriting income (loss) ¹	67	138	(51)%	142	451	(69)%

Net operating income ²	143	194	(26)%	500	675	(26)%
Net income	107	177	(40)%	431	571	(25)%
Earnings per share						
Basic and diluted (dollars)	0.77	1.29	(40)%	3.10	4.20	(26)%
Adjusted earnings per share						
Basic and diluted (dollars) ²	0.88	1.49	(41)%	3.44	5.02	(31)%
Net operating income						
per share (dollars) ²	1.05	1.42	(26)%	3.62	5.00	(28)%
ROE for the last 12 months	9.3%	13.5%	(4.2) pts			
Adjusted ROE for the last 12 months ²	10.3%	16.1%	(5.8) pts			
Operating ROE for the last 12 months ²	11.2%	16.8%	(5.6) pts			
Combined ratio						
(excluding MYA)	96.3%	92.1%	4.2 pts	98.0%	93.1%	4.9 pts
Book value per share (dollars)	33.94	33.03	3%			

¹ Underwriting income excludes market yield adjustment (MYA) which is the impact on claims liabilities due to movements in discount rates.

² This is a non-IFRS 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. Please refer to Section 6 - *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details.

Operating Highlights

- **Net operating income** for the quarter was \$143 million, down \$51 million from the same quarter in 2012 as a result of a \$71 million decline in underwriting income. The operating ROE for the last twelve months was 11.2%.

Net operating income for the year was \$500 million, down from the \$675 million in 2012. The decrease is attributed mainly to the elevated level of catastrophe losses incurred during the year, which amounted to \$530 million pre-tax.

- **Direct premiums written** increased 1% in the quarter to \$1.7 billion but were impacted by the decision to no longer offer 2-year policies in Québec as part of the company's plans to improve the performance of its home insurance portfolio. The growth was also tempered by the final phase of re-underwriting policies following the acquisition of Jevco.

Total direct premiums written increased by 7% during the year to reach \$7.3 billion, reflecting the acquisition of Jevco and its product suite as well as organic growth.

- **Underwriting income** for the quarter was \$67 million compared to \$138 million during the same period a year ago. The active weather season across the country resulted in catastrophe losses of \$55 million and impacted the underlying current year loss ratio as driving conditions became more difficult. Favourable prior year claims development was also \$19 million lower than the same period last year.

Personal property reported underwriting income of \$54 million compared to \$124 million in the corresponding quarter of the previous year. The 86.4% combined ratio was strong despite being higher than the exceptional performance of the previous year with a 67.1% combined ratio. Severe winter conditions and the December ice storm in Ontario and Québec were the main drivers of the increase in the combined ratio.

Personal auto underwriting income increased to \$14 million from the \$25 million loss recorded in the last quarter of 2012 as the combined ratio improved 4.7 percentage points from last year to 98.4%. The improvement is largely due to more favourable prior year claims development. The underlying current year loss ratio which excludes catastrophe losses and prior year claims development was higher by 2.1 points as a result of the more severe winter driving conditions.

Commercial auto recorded a loss of \$1 million compared to a gain of \$23 million a year ago. The combined ratio increased 16.2 percentage points to 100.4%. The increase reflects the significant 14.9 percentage point deterioration of the underlying current year loss ratio resulting from severe winter driving conditions and a higher level of large losses.

The commercial P&C combined ratio was up 4.1 percentage points to 100.0% as favourable prior year claims

development was \$28 million less than the corresponding quarter of last year. However, the underlying current year loss ratio remained unchanged.

For the year, total underwriting income was \$142 million, down from \$451 million in 2012 as the catastrophe losses resulting mainly from severe weather conditions and floods in Alberta and Ontario amounted to \$530 million.

- **Net investment income** of \$104 million during the quarter was up 2% from a year ago, as the improvement from transferring investments from the Jevco acquisition into our higher-yielding asset mix was largely offset by declining bond yields. Overall the market-based yield of 3.7% was up from 3.6% in the last quarter of 2012.

For the year, total net investment income increased 4% to \$406 million due to the additional investments from the Jevco acquisition and their transfer into our investment mix. During the year the market-based yield increased by 0.1% to 3.7%.

Investment Gains

Net investment losses, excluding fair-value-through-profit-and-loss bonds amounted to \$20 million in the quarter compared to a gain of \$30 million a year ago. During the year, the Company has recorded net investment gains of \$32 million compared to \$72 million last year. Total investments amounted to \$12.3 billion at the end of the year, down \$0.7 billion from one year ago.

Capital Management

The Company's financial position remained solid at the end of the quarter with an estimated Minimum Capital Test of 203% and \$550 million in excess capital. The Company's book value per share was \$33.94 at the end of the quarter.

AXA Canada and Jevco integration update

The integrations of AXA Canada and Jevco are now complete. The Company maintains its \$100 million after tax synergies target which it expects to achieve in the coming months as the decommissioning of the AXA systems continues. At the end of 2013, an estimated run-rate of \$94 million in annual synergies had been achieved.

The after tax synergies run-rate resulting from the Jevco integration amounted to \$17 million at the end of 2013, surpassing the initial estimate of \$15 million.

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 \$1.25 and \$1.23, respectively.

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 our 2013 Management's Discussion and Analysis as well as our audited 2013 Consolidated financial statements, which are available on our website at www.intactfc.com and later today on SEDAR at www.sedar.com.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today at 1:00 a.m. ET. To listen to the call via live audio webcast and to view the Company's Financial Statements, Management's Discussion & Analysis, presentation slides, the statistical supplement and other information not included in this press release, visit our website at www.intactfc.com and link to "Investor Relations".

The conference call is also available by dialling (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 later today at 2:00 p.m. ET until midnight on February 12. To listen to the replay, call 1 (855) 859-2056, passcode 34583659. A transcript of the call will also be available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation is the largest provider of property and casualty insurance in Canada. Intact offers home, auto and business insurance through Intact Insurance, belairdirect, Grey Power, BrokerLink and Jevco.

Forward Looking Statements

This document may contain forward looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these forward looking statements as a result of various factors, including those discussed in the Company's most recently filed Annual Information Form and annual Management's Discussion & Analysis. Please read the

cautionary note at the beginning of the MD&A.

SOURCE Intact Financial Corporation

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