

Intact Financial Corporation Reports Third Quarter Results

- **Net operating income per share of \$1.37 despite \$0.70 per share in catastrophe losses**
- **Combined ratio of 93.2% in Q3-2014, leading to an operating ROE of 14.3%**
- **Efforts to improve profitability in property lines and rate reductions in Ontario auto limited underlying DPW growth to 1.3%**
- **Commercial P&C action plan ongoing despite Q3 underwriting results**
- **Strong financial position with \$497 million of excess capital and 10% growth in book value per share over the past 12 months**

TORONTO, Nov. 5, 2014 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended September 30, 2014 of \$185 million, \$126 million higher than the corresponding quarter of last year, which was impacted by severe rain storms in the Greater Toronto Area and Quebec, as well as hail storms in Alberta. On a per share basis, net operating income increased by 234% to \$1.37. The increase in net operating income and higher investment gains led to net income of \$202 million compared to \$47 million for the same period last year. Earnings per share totalled \$1.49 compared to \$0.32 for the third quarter of 2013. Direct premiums written were stable at \$1.9 billion while the combined ratio improved 9.6 percentage points to 93.2%.

Net operating income for the first nine months of the year was \$520 million, up 46% from the same period last year. On a per share basis, net operating income increased 49% to \$3.84. Net income was \$577 million compared to \$324 million in 2013 and earnings per share increased 83% to \$4.27. The combined ratio improved by 4.2 percentage points to 94.4%. Direct premiums written for the first nine months of the year were stable at \$5.6 billion. The book value per share increased 10% over the last twelve months to reach \$36.44.

CEO's Comments

"Our operating and financial results continued to significantly improve during the quarter despite the high cost of damage caused by severe weather," said Charles Brindamour. "Our personal insurance business is performing well, reflecting the successful implementation of our property improvement initiatives and the continued solid contribution of our auto insurance activities. Our commercial P&C insurance results were strong, and we are continuing our efforts to ensure their sustainability. Our strong profitability and financial position enhance our ability to pursue growth prospects."

Dividend

The Board of Directors declared a quarterly dividend of 48 cents per share on the Company's outstanding common shares. The Board of Directors 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 December 31, 2014 to shareholders of record on December 15, 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 should continue as the magnitude of recent catastrophe losses negatively impacts industry results. The Company expects that future reductions in Ontario auto rates will be commensurate with government cost reduction measures. In commercial lines, continued low interest rates and the impact on commercial lines loss ratios from elevated catastrophe losses are translating into firmer conditions. 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 strong financial position. Given these attributes, the Company believes that it will outperform the industry's ROE by at least 500 basis points over the next 12 months.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q3-2014	Q3-2013	Change	YTD 2014	YTD 2013	Change
Direct premiums written (excluding pools)	1,913	1,911	-	5,589	5,617	-
Underwriting income (loss) ¹	124	(50)	nm	303	75	304%

Net operating income ²	185	59	214%	520	357	46%
Net income	202	47	330%	577	324	78%
Earnings per share						
Basic and diluted (dollars)	1.49	0.32	366%	4.27	2.33	83%
Adjusted earnings per share						
Basic and diluted (dollars) ²	1.55	0.39	297%	4.44	2.56	73%
Net operating income						
per share (dollars) ²	1.37	0.41	234%	3.84	2.57	49%
ROE for the last 12 months	14.5%	11.2%	3.3 pts			
Adjusted ROE for the last 12 months ²	15.2%	12.5%	2.7 pts			
Operating ROE for the last 12 months ²	14.3%	12.7%	1.6 pts			
Combined ratio ¹	93.2%	102.8%	(9.6) pts	94.4%	98.6%	(4.2) pts
Book value per share (dollars)	36.44	33.25	10%			

¹ 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 5 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details.

Operating Highlights

- **Net operating income** for the quarter was \$185 million, up \$126 million from the same quarter in 2013 as a result of a significant improvement in underwriting income despite the continued high cost of catastrophe losses during the quarter.

Net operating income for the first nine months of the year was \$520 million, up 46% from the corresponding period of 2013, also reflecting an increase in underwriting income. The operating ROE for the last twelve months was 14.3% despite incurring \$289 million in pre-tax net catastrophe losses during that period.

- **Direct premiums written** remained stable in the quarter at \$1.9 billion. The underlying growth in premiums amounted to 1.3%. Total direct premiums written also remained stable during the first nine months of the year at \$5.6 billion while the underlying growth in premiums totalled 1.2%. The growth in premiums since the beginning of the year has been tempered by the Company's initiatives aimed at improving the performance of its property portfolios and by government-mandated auto insurance rate reductions in Ontario.
- **Underwriting income** for the quarter was \$124 million compared to a loss of \$50 million during the same period a year ago, which was impacted by severe storms in the Greater Toronto Area as well as in Québec and Alberta. The increase was attributable to a \$145 million decline in catastrophe losses and a 0.6 point improvement in the underlying loss ratio, which were partly offset by less favourable prior year claims development. However, catastrophe losses remained high at \$125 million. Overall the combined ratio improved by 9.6 percentage points to 93.2%.

Personal property reported a resilient underwriting income of \$10 million compared to a loss of \$95 million in the corresponding quarter of the previous year. The combined ratio improved by 27 percentage points to 97.7% as the cost of catastrophe losses, while higher than expected, were \$70 million lower than in the same period of 2013. The beneficial impact of the Company's rate and product actions and a lower frequency of claims resulted in a 5 percentage point improvement in the underlying current year loss ratio.

Personal auto underwriting income declined from \$60 million to \$36 million as the combined ratio increased 2.8 percentage points to 95.8%, reflecting the high costs of damage resulting from this summer's hail storms in Alberta. Less favourable prior year claims development and the negative impact from industry pools also contributed to the decline in underwriting income. Excluding these pools, the underlying current year loss ratio improved from a year ago.

Commercial auto underwriting income remained solid at \$16 million compared to \$21 million a year ago. The combined ratio increased 3.4 percentage points to 89.4% as unfavourable prior year claims development more than offset a 4 point

improvement in the underlying current year loss ratio.

Commercial P&C results were strong, with underwriting income of \$62 million compared to a loss of \$36 million in the third quarter of last year. The combined ratio improved 24.3 percentage points to 84.7% as a result of a \$92 million decline in catastrophe losses and a \$7 million increase in favourable prior year claims development. The underlying loss ratio remained strong at 53.4%.

For the first nine months of the year, total underwriting income was \$303 million, a significant improvement from \$75 million in the same period of last year, due mainly to lower losses from catastrophes.

- **Net investment income** of \$106 million during the quarter was up 2% from a year ago. The increased level of investments more than offset the decline in yields.

For the first nine months of the year, total net investment income increased 5% to \$316 million as a result of the growth in investments and an unusually high level of dividend income in the first quarter, which more than offset declining yields.

Investment Gains

Net investment gains excluding fair-value-through-profit-and-loss fixed income securities amounted to \$48 million in the quarter compared to \$11 million a year ago as a result of equities gains realised during the quarter. During the first nine months of the year, the Company has recorded net investment gains excluding fair-value-through-profit-and-loss fixed income securities of \$146 million compared to \$52 million in the same period last year as a result of prevailing bond yield environment.

Unrealized gains on securities available for sale declined during the quarter by \$112 million to \$204 million as a result of capital market weakness and the realization of gains on the sale of equities. Since the beginning of the year, unrealized gains increased by \$36 million.

Total investments amounted to \$13.2 billion at the end of the quarter, up 7.7% since the beginning of the year.

Capital Management

The Company's financial position remained strong at the end of the quarter with an estimated Minimum Capital Test of 203% and \$497 million in excess capital. The Company's book value per share was \$36.44 at the end of the quarter.

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 were \$1.10 and \$1.08 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 the Management's Discussion and Analysis as well as the 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 November 12. To listen to the replay, call 1 (855) 859-2056, passcode 18369480. 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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