

Intact Financial Corporation reports fourth quarter and year-end results

- **Net operating income per share of \$1.84 in Q4-2014**
- **Combined ratio of 88.2% in Q4-2014 driven by the Company's initiatives to improve profitability and favourable weather conditions**
- **Operating ROE of 16.3% with an 11% increase in book value per share over the past twelve months**
- **Quarterly dividend raised 10% to \$0.53 per share**

TORONTO, Feb. 4, 2015 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended December 31, 2014 of \$247 million, \$104 million higher than the corresponding quarter of 2013. The growth in operating income was driven by strong underwriting income, as the Company reported an 8.1 point improvement in its combined ratio to 88.2%. On a per share basis, net operating income increased 75% from a year ago to \$1.84. The increase in net operating income led to net income of \$205 million compared to \$107 million for the same period last year. Earnings per share totaled \$1.52, versus \$0.77 in the fourth quarter of 2013. Direct premiums written increased 3% to \$1.8 billion.

Net operating income for the year was \$767 million, up \$267 million from 2013. On a per share basis, net operating income increased 57% to \$5.67. Net income was \$782 million compared to \$431 million the prior year, while earnings per share increased 87% to \$5.79. The combined ratio improved by 5.2 percentage points to 92.8%. Direct premiums written for the year were stable at \$7.3 billion. The book value per share increased 11% over the past twelve months to \$37.75.

CEO's Comments

"Our operating and financial results continued to significantly improve during the quarter, reflecting favourable weather conditions, as well as the hard work and dedication of thousands of employees from coast to coast," said Charles Brindamour. "Our personal insurance business is performing well, driven by our property improvement initiatives and the continued contribution of our auto insurance activities. Our commercial P&C insurance results were strong for a second consecutive quarter, and we are continuing our efforts to ensure their sustainability into 2015 and beyond. Our strong profitability and financial position support our ability to pursue growth prospects."

Dividend

The Board of Directors increased the quarterly dividend by 10% to 53 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 March 31, 2015 to shareholders of record on March 16, 2015.

Industry 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 catastrophe losses in recent years weighs on 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 have translated into firmer conditions. Overall, the industry's ROE is expected to trend back toward its long-term average of 10% in 2015.

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 twelve months.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q4-2014	Q4-2013	Change	2014	2013	Change
Direct premiums written (excluding pools)	1,760	1,702	3%	7,349	7,319	-
Underwriting income ¹	216	67	222%	519	142	265%
Net operating income ²	247	143	73%	767	500	53%
Net income	205	107	92%	782	431	81%

Earnings per share	1.52	0.77	97%	5.79	3.10	87%
Basic and diluted (dollars)						
Adjusted earnings per share	1.58	0.88	80%	6.01	3.44	75%
Basic and diluted (dollars) ²						
Net operating income	1.84	1.05	75%	5.67	3.62	57%
per share (dollars) ²						
ROE for the last 12 months	16.1%	9.3%	6.8 pts			
Adjusted ROE for the last 12 months ²	16.8%	10.3%	6.5 pts			
Operating ROE for the last 12 months ²	16.3%	11.2%	5.1 pts			
Combined ratio ¹	88.2%	96.3%	(8.1) pts	92.8%	98.0%	(5.2) pts
Book value per share (dollars)	37.75	33.94	11%			

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 the 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 \$247 million, up \$104 million from the same quarter in 2013 driven by a \$149 million increase in underwriting income.

Net operating income for the year was \$767 million, up 53% from 2013. The increase is attributed to a significant improvement in underwriting income, partly offset by higher taxes. The operating ROE for the last twelve months was 16.3%.

Direct premiums written increased 3% in the quarter to \$1.8 billion, driven by continued firming in commercial lines. Total direct premiums written remained stable at \$7.3 billion in 2014 while the underlying growth in premiums totaled 1.6%. The growth in premiums during 2014 was 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 \$216 million compared to \$67 million during the same period a year ago. The combined ratio improved 8.1 points to 88.2% compared to the same period last year, reflecting a 5.6 point improvement in the underlying loss ratio and a \$45 million decline in catastrophe losses.

Personal property reported an unusually strong underwriting income of \$109 million in the fourth quarter compared to \$54 million a year ago. The 73.6% combined ratio for the quarter was 12.8 percentage points better than the previous year, driven by the Company's profitability initiatives and mild weather conditions.

Personal auto underwriting income increased to \$53 million from \$14 million in the fourth quarter of 2013 as the combined ratio improved 4.7 percentage points to 93.7%. The improvement is largely due to milder weather conditions and higher favourable prior year claims development, offset in part by a negative net impact from industry pools. The underlying loss ratio improved 3.1 percentage points, due in part to a lower frequency of claims.

Commercial P&C results were strong, with underwriting income of \$53 million compared to a breakeven performance in the fourth quarter of last year. The combined ratio improved 12.9 percentage points to 87.1% primarily due to a reduction in claims frequency. The underlying loss ratio improved significantly to 52.7% from 66.1% a year ago.

Commercial auto underwriting income was \$1 million in the fourth quarter of 2014 compared to a loss of \$1 million a year ago, as the combined ratio improved slightly to 99.5% in the quarter.

For the year, underwriting income improved by \$377 million to \$519 million due to significantly lower catastrophe losses and a slight improvement in the underlying loss ratio to 64.3%.

- **Net investment income** of \$111 million in the fourth quarter of 2014 was up 7% from a year ago. The unusually high level of income was the result of higher average investments and favourable timing of expenses in the fourth quarter, which more than offset the decline in yields.

For the year, net investment income increased 5% to \$427 million as growth in investments more than offset declining yields.

Investment Gains

Net investment losses excluding fair-value-through-profit-and-loss fixed-income securities amounted to \$29 million in the quarter, compared to a loss of \$20 million a year ago, driven by lower equity prices and an impairment charge of \$51 million. For the full year 2014, the Company recorded net investment gains excluding fair-value-through-profit-and-loss fixed-income securities of \$117 million, compared to \$32 million in 2013, as a result of gains on equities realized during the first nine months of the year.

Total investments amounted to \$13.4 billion at the end of the year, up 10% since the beginning of the year.

Capital Management

The Company's financial position remained strong at the end of the year with an estimated Minimum Capital Test of 209% and \$681 million in excess capital. The Company's book value per share ended the year at \$37.75, an increase of 11% in 2014.

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 \$1.54 and \$1.47 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 2014 Management's Discussion and Analysis as well as the Company's audited 2014 Consolidated financial statements, which are available 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 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 11. To listen to the replay, call 1 (855) 859-2056, passcode 64074953. 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. The company 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 and Grey Power.

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.

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