

Intact Financial Corporation Reports First Quarter Results

- **Net operating income per share of \$1.37 in Q1-2015 was 46% higher than the same period last year**
- **Combined ratio of 93.4% was 3.7 points improved from Q1-2014, as a repeat of challenging winter conditions was offset by lower catastrophe losses and the benefits of our corrective actions**
- **Operating ROE of 17.2%, with a 12% increase in book value per share over the past 12 months**

TORONTO, May 6, 2015 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended March 31, 2015 of \$186 million, up \$57 million compared to the corresponding quarter of last year. On a per share basis, net operating income increased 46% to \$1.37. The improvement reflects a \$64 million reduction in catastrophe losses and the success of our profitability initiatives, offset in part by a repeat of severe winter conditions in Q1-2015, resulting in a combined ratio of 93.4%, 3.7 percentage points better than the same quarter last year. Net income amounted to \$178 million compared to \$160 million for the same period last year. Adjusted earnings per share of \$1.38 compared to \$1.23 in the first quarter of 2014. Direct premiums written grew 3% on an underlying basis to \$1.6 billion.

CEO's Comments

"The underlying strength of our operations allowed us to deliver another good quarter in Q1-2015, in spite of record cold temperatures in parts of Canada impacting most lines of business," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation. "Our property lines of business performed well thanks to our corrective actions to improve profitability, while our auto lines of business were particularly impacted by the winter weather. We closed the Canadian Direct Insurance Inc. acquisition earlier this month, and remain in a strong financial position to pursue disciplined growth."

Dividend

The Board of Directors declared a quarterly dividend of 53 cents per share on the Company's 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 June 30, 2015 to shareholders of record on June 15, 2015.

12-Month 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 premiums will be commensurate with government cost reduction measures. In commercial lines, continued low interest rates and limited underwriting profitability at the industry level 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 12 months.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q1-2015	Q1-2014	Change
Direct premiums written ("DPW") (excluding pools)	1,572	1,503	5%
DPW (underlying) ^{1,2} (excluding pools)	1,575	1,533	3%
Underwriting income ³	118	51	131%
Net operating income ²	186	129	44%
Net income	178	160	11%
Earnings per share Basic and diluted (dollars)	1.32	1.17	13%

Adjusted earnings per share	1.38	1.23	12%
Basic and diluted (dollars) ²			
Net operating income	1.37	0.94	46%
per share (dollars) ²			
Operating ROE for the last 12	17.2%	9.9%	7.3 pts
months ²			
ROE for the last 12 months	16.1%	8.7%	7.4 pts
Adjusted ROE for the last 12	16.7%	9.6%	7.1 pts
months ²			
Combined ratio ³	93.4%	97.1%	(3.7) pts
Book value per share (dollars)	38.95	34.80	12%

DPW normalized for the effect of multi-year policies. Underlying growth represents the growth in related DPW. These measures match DPW to accident year, whereas under IFRS, the ¹ fair value of multi-year policies is recognized in the year the policy is written.

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 ² industry. Please refer to Section 5 – Non-IFRS financial measures in the Management's Discussion and Analysis for further details.

³Excludes market yield adjustment (MYA) which is the impact on claims liabilities due to movements in discount rates.

Operating Highlights

- **Net operating income** for the quarter was \$186 million, up \$57 million from the same period last year, driven by a \$67 million improvement in underwriting income. The operating ROE for the last twelve months was 17.2%, while maintaining \$763 million in excess capital at quarter end.
- **Direct premiums written** grew 5% to \$1.6 billion, reflecting underlying growth of 3% excluding the impact of the company's ongoing process to convert two-year policies to one-year policies in Québec. Underlying growth was helped by mid single-digit growth in commercial lines and personal property, tempered by 1% growth in personal auto.
- **Underwriting income** for the quarter was \$118 million, \$67 million higher than the same period last year despite a repeat of challenging first quarter winter conditions. The improvement was attributable to a \$64 million decline in catastrophe losses, and our actions to improve profitability, resulting in a combined ratio of 93.4% in the quarter, 3.7 percentage points better than the same period last year.

Personal property reported underwriting income of \$79 million compared to \$32 million in the corresponding quarter of 2014. The combined ratio experienced a significant 11.1 point improvement to 80.7%, helped by an absence of catastrophe losses this year and the benefits of our corrective actions, which together more than offset challenging winter conditions.

Personal auto reported an underwriting loss of \$3 million compared to underwriting income of \$25 million a year ago. The combined ratio of 100.3% was 3.3 points worse than last year, as the impact of difficult winter conditions in Québec and Atlantic Canada was partly offset by a \$28 million increase in favourable prior year claims development.

Commercial P&C underwriting income improved to \$36 million, compared to a loss of \$21 million a year ago. Results benefited from rate increases under our action plan, low catastrophe losses and higher favourable prior year claims development, improving our combined ratio 14.7 percentage points to 90.9%.

Commercial auto underwriting income was \$6 million compared to \$15 million a year ago. Challenging winter conditions led to an increase in frequency and severity of claims during Q1-2015, resulting in a combined ratio of 96.4%, 7.1

percentage points worse than last year.

- **Net investment income** of \$105 million during the quarter was flat versus a year ago, as the benefit of higher average investments was offset by lower yields.

Investment Gains

Net investment gains, excluding fair-value-through-profit-and-loss fixed income securities, amounted to \$24 million in the quarter, compared to \$67 million a year ago, as a result of lower gains from equity strategies. Investments amounted to \$13.4 billion, up \$1.0 billion from a year ago.

Capital Management

The Company's financial position remains strong, with an estimated Minimum Capital Test of 213% and \$763 million in excess capital at quarter end (\$601 million pro forma our Canadian Direct Insurance Inc. acquisition which closed after quarter end). The Company's book value per share was \$38.95, up 12% from a year ago.

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 \$1.39 and \$1.38, 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 May 13. To listen to the replay, call 1 (855) 859-2056, passcode 22840409. A transcript of the call will also be available on Intact Financial Corporation's website.

Annual Meeting of Shareholders

Intact Financial Corporation will hold its Annual Meeting of Shareholders at 2:00 p.m. ET later today at the Art Gallery of Ontario, 317 Dundas Street West, in Toronto, Ontario. At the meeting, shareholders will be asked, among other things, to elect the Company's directors, appoint its external auditor and approve the advisory resolution on the Company's executive compensation. There will also be a live webcast of the shareholders' meeting on the Company's website at www.intactfc.com.

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.

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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