

Intact Financial Corporation reports second quarter results

- **Net operating income per share of \$1.56 with a combined ratio of 91.6%**
- **All business lines contributed to organic growth in DPW of 5%, or 6% including our recent acquisition of Canadian Direct Insurance Inc. ("CDI")**
- **Strong financial position with \$564 million of excess capital and operating ROE of 16.8% for the last 12 months**

TORONTO, July 29, 2015 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended June 30, 2015 of \$210 million, up \$4 million compared to the corresponding quarter of last year. On a per share basis, net operating income increased to \$1.56. The success of our profitability initiatives supported by firmer market conditions and favourable prior year claims development led to improved underwriting results, despite the prolonged winter conditions in Atlantic Canada. Overall, the combined ratio of 91.6% was 1.3 percentage points better than the same quarter last year. Net income of \$199 million declined this quarter as improved net operating income was offset by lower capital market returns and a higher effective tax rate than a year ago. Direct premiums written grew 6% on an underlying basis to \$2.3 billion. The operating ROE for the last 12 months was 16.8%, while maintaining \$564 million in excess capital at quarter end, following the all-cash acquisition of CDI in early May.

Net operating income for the first six months of the year was \$396 million, up 18% from the same period last year. On a per share basis, net operating income increased 19% to \$2.93. Net income was \$377 million compared to \$375 million the year before and earnings per share increased 1% to \$2.79. The combined ratio improved by 2.5 percentage points to 92.5%. Direct premiums written for the first six months of the year increased 7% to reach \$3.9 billion.

CEO's Comments

"Our business continues to yield good results," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation. "We experienced organic growth across all regions and all lines of business. The investments in our brands, digital strategies and new product offerings supported by favourable market conditions are paying off. The recent acquisition of CDI also had a positive impact on our business. We 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 September 30, 2015 to shareholders of record on September 15, 2015.

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 catastrophe losses in recent years weighs on industry results. The Company expects that future rate reductions in Ontario auto 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	Q2-2015	Q2-2014	Change	YTD 2015	YTD 2014	Change
Direct premiums written ("DPW") (excluding pools)	2,346	2,173	8%	3,918	3,676	7%
DPW (underlying) ¹ (excluding pools)	2,344	2,212	6%	3,919	3,745	5%
Underwriting income ²	158	128	23%	276	179	54%
Net operating income ¹	210	206	2%	396	335	18%
Net income	199	215	(7)%	377	375	1%

Earnings per share Basic and diluted (dollars)	1.47	1.6	(8)%	2.79	2.77	1%
Adjusted earnings per share Basic and diluted (dollars) ¹	1.56	1.65	(5)%	2.94	2.89	2%
Net operating income per share (dollars) ¹	1.56	1.53	2%	2.93	2.47	19%
Operating ROE for the last 12 months ¹	16.8%	11.6%	5.2 pts			
ROE for the last 12 months	15.4%	11.1%	4.3 pts			
Adjusted ROE for the last 12 months ¹	16.1%	11.9%	4.2 pts			
Combined ratio ²	91.6%	92.9%	(1.3) pts	92.5%	95.0%	(2.5) pts
Book value per share (dollars)	39.23	36.29	8%			

(1) This is a non-IFRS financial measure, which does not have a standardized meaning prescribed by IFRS. Please refer to Section 5 - *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details.

(2) Excludes 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 \$210 million, up \$4 million from the same period last year. The operating ROE for the last 12 months was 16.8%, while maintaining \$564 million in excess capital at quarter end, following the all-cash acquisition of CDI in early May.

Net operating income for the first six months of the year was \$396 million, compared to \$335 million the corresponding period of 2014, reflecting an increase in underwriting income.

- **Direct premiums written** grew 8% to \$2.3 billion, reflecting underlying growth of 6%. This can be attributed to organic growth across all business lines as well as the inclusion of two months of premiums from the CDI acquisition.

Underlying DPW growth was 5% in the first half of 2015, reflecting organic growth initiatives and the acquisition of CDI, which contributed 0.7 points to underlying growth.

- **Underwriting Income** for the quarter was \$158 million, or 23% higher, than the same period last year. The improvement was primarily attributable to firming market conditions in commercial P&C and personal property, rate actions and higher favourable prior year claims development, offset by the lingering impact of a severe winter in Atlantic Canada on our property lines of business and higher claims severity in commercial auto. Overall, the combined ratio of 91.6% in the quarter was 1.3 percentage points better than the same period last year.

Personal property reported underwriting income of \$31 million in Q2-2015 compared to \$26 million in the corresponding quarter of 2014. The combined ratio improved slightly by 0.8 percentage points to 92.7%, helped by lower catastrophe losses of \$11 million this quarter compared to Q2-2014, despite the harsh winter in Atlantic Canada that continued to be felt in the quarter.

Personal auto reported an underwriting income of \$85 million in the quarter compared to \$72 million for the same period a year ago. The combined ratio of 90.3% was 1.2 points better than last year which included an unusually low level of favourable prior year claims development. This was offset by an uptick in claims frequency.

Commercial P&C underwriting income improved to \$33 million in the quarter. Results benefited from elevated favourable prior year claims development and rate actions under our action plan, improving our combined ratio 8.7 percentage points to 91.8%.

Commercial auto underwriting income was \$9 million in the quarter compared to \$32 million for the same period a year ago. The combined ratio deteriorated by 14.9 percentage points to 94.4%, related to claims severity and unfavourable prior year claims development.

Underwriting income of \$276 million in the first half of 2015 was higher than the \$179 million for the same period in 2014. The increase was primarily attributable to an \$89 million increase in favourable prior year claims development and a \$75 million decline in catastrophe losses from last year's level due to generally better weather this year. We reported a 92.5% combined ratio for the first half of 2015, 2.5 points better than the first half of 2014.

- **Net investment income** of \$104 million during the quarter was essentially flat versus a year ago, as the benefit of incremental investments was offset by a low yield environment. Net investment income of \$209 million in the first half of 2015 was consistent with the first half of 2014.

Investment Gains

Net investment gains, excluding fair-value-through-profit-and-loss fixed-income ("FVTPL") securities, amounted to \$23 million in the quarter, compared to \$31 million a year ago, as a result of lower gains from equity strategies. During the first six months of the year, net investment gains excluding FVTPL fixed-income securities were \$47 million, \$51 million lower than the same period last year. This was driven mainly by lower equity markets and higher impairment charges, offset in part by gains on embedded derivatives and broker transactions.

Capital Management

The Company's financial position remains strong, with an estimated Minimum Capital Test of 200% and \$564 million in excess capital at quarter end, following the all-cash acquisition of CDI in early May. The Company's book value per share was \$39.23, up 8% 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 \$1.71 and \$1.65, 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 dialing (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 August 5. To listen to the replay, call 1 (855) 859-2056, passcode 77961516. 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.

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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