

Intact Financial Corporation Reports Third Quarter Results

- **Net operating income per share of \$1.47, up 7% from last year with a combined ratio of 93.2%**
- **Strong underlying DPW growth of 8%, driven by 6% organic growth**
- **Operating ROE of 16.9% for the last 12 months**
- **Strong financial position with MCT of 195% despite challenging capital market conditions**

TORONTO, Nov. 4, 2015 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended September 30, 2015 of \$199 million, 8% higher than last year. The improvement mainly reflects higher underwriting and distribution income. The company continued to deliver strong top line growth, as underlying direct premiums written ("DPW") increased by 8% to \$2.1 billion in the quarter, benefitting from its growth strategies and the acquisition of Canadian Direct Insurance Inc. ("CDI"). The combined ratio of 93.2% was unchanged from 2014, as lower catastrophe losses were offset by multiple non-catastrophe weather events and an increase in large losses. On a per share basis, net operating income increased by 7% to \$1.47. This improvement in operating income was offset by impairments related to weaker capital markets, resulting in earnings per share of \$0.95 compared to \$1.49 for the third quarter of 2014.

Net operating income for the first nine months of the year increased 14% from the same period last year to \$595 million, or \$4.40 per share. Underlying direct premiums written for the first nine months of the year increased by 6% to \$6.0 billion. The combined ratio improved by 1.7 percentage points to 92.7% compared to the same period last year, due to our profitability initiatives, higher favourable prior year claims development, and lower catastrophe losses. Net income was \$508 million compared to \$577 million in 2014 and earnings per share decreased 12% to \$3.74. This decrease can be attributed to equity impairments and lower realized gains from investments. Despite the challenging capital market conditions, we ended the quarter in a strong financial position with an estimated MCT of 195%.

CEO's Comments

"Our business continues to deliver sound results," said Charles Brindamour. "Our brand investments, digital strategies, and product development are generating strong top line growth without compromise to the quality of our portfolio. Our multi-channel distribution approach has also proven to be effective. Our financial position remains strong and we continue 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 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, 2015 to shareholders of record on December 15, 2015.

Current Outlook

The Company expects that industry premiums will grow at a low single digit rate over the next 12 months. In personal property, the current hard market conditions should continue as the magnitude of catastrophe losses in recent years negatively impacts industry results. In personal auto, the Company expects that the upcoming rate reductions in Ontario will be commensurate with government cost reduction measures. Minimal growth is expected in personal auto. 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% over the next 12 months.

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	Q3-2015	Q3-2014	Change	YTD 2015	YTD 2014	Change
DPW	2,092	1,913	9%	6,010	5,589	8%
DPW (underlying) ¹	2,095	1,941	8%	6,014	5,686	6%
Underwriting income	131	124	6%	407	303	34%

Net operating income ¹	199	185	8%	595	520	14%
Net income	131	202	(35)%	508	577	(12)%
Earnings per share	0.95	1.49	(36)%	3.74	4.27	(12)%
Basic and diluted (dollars)						
Adjusted earnings per share	1.06	1.55	(32)%	4.00	4.44	(10)%
Basic and diluted (dollars) ¹						
Net operating income per share (dollars) ¹	1.47	1.37	7%	4.40	3.84	15%
ROE for the last 12 months	14.2%	14.5%	(0.3) pts			
Adjusted ROE for the last 12 months ¹	15.0%	15.2%	(0.2) pts			
Operating ROE for the last 12 months ¹	16.9%	14.3%	2.6 pts			
Combined ratio	93.2%	93.2%	0 pts	92.7%	94.4%	(1.7) pts
Book value per share (dollars)	37.84	36.44	4%			

¹ 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 \$199 million, up 8% from the same period last year. This was driven mainly by improved underwriting and distribution income.

Net operating income for the first nine months of the year was \$595 million, up 14% from the corresponding period of 2014, reflecting an increase in underwriting and distribution income. The operating ROE for the last 12 months was 16.9%, up 2.6 points from the previous year.

- **Direct premiums written** grew 9% to \$2.1 billion, reflecting underlying growth of 8%. The growth was strong across all business lines, including a 2 point increase from the acquisition of CDI. Our investments in branding, distribution, digital strategies, and product development initiatives focused on customer needs helped drive organic growth.

In the first nine months of 2015, underlying DPW growth grew by 6% to \$6 billion, reflecting organic growth initiatives, improving market conditions and the acquisition of CDI.

- **Underwriting income** for the quarter grew 6% to \$131 million from last year, reflecting an improvement in all lines of business except for commercial auto. Although we incurred lower catastrophe losses compared to last year, our underlying current year loss ratio was impacted by non-catastrophe weather events, an increase in large losses and slightly higher frequency. Overall, the combined ratio for the quarter remained stable at 93.2%.

Personal auto underwriting income grew 42% to \$51 million this quarter compared to the same period last year. The combined ratio improved by 1.4 percentage points to 94.4% as we experienced a mild increase in frequency, less catastrophe losses and continue to see favourable prior year claims development.

Personal property underwriting income grew 10% to \$11 million compared to the corresponding quarter of the previous year. The combined ratio of 97.4% is consistent with last year's result of 97.7% as lower catastrophe losses were offset largely by an increase of non-catastrophe weather events, higher large losses, and the remaining impact from the Atlantic winter storms earlier this year.

Commercial auto underwriting income declined 69% to \$5 million compared to 2014. The combined ratio deteriorated by 7.6 percentage points to 97.0% due to an increase in large losses and unfavourable prior year claims development. We are taking corrective actions, targeting a sustainable combined ratio in the low 90s.

Commercial P&C underwriting income was strong and improved by 3% to \$64 million compared to last year, delivering a combined ratio of 84.6%. This line of business continues to benefit from our profitability initiatives and favourable prior year claims development.

For the first nine months of the year, total underwriting income was \$407 million, a 34% improvement over the same period of last year, due mainly to our profitability initiatives, lower catastrophe losses, and an increase in favourable prior year claims development. We reported a 92.7 % combined ratio for the first nine months of 2015, 1.7 points better than last year.

- **Net investment income** of \$105 million during the quarter was \$1 million lower than a year ago. Although average net investments rose \$0.2 billion to \$12.9 billion over the past year, the benefit of incremental investments was offset by lower yields.

For the first nine months of the year, total net investment income was \$314 million, consistent with the first nine months of 2014 as the benefit of incremental investments was offset by lower yields.

Investment Gains and Losses

Net investment losses excluding fair-value-through-profit-and-loss ("FVTPL") fixed income securities were \$40 million in the quarter compared to net investment gains of \$48 million the same time last year. This is a result of higher impairment losses, principally on energy stocks and losses on equities resulting from the decline in equity markets this quarter.

During the first nine months of the year, net investment gains excluding FVTPL fixed-income securities were \$139 million lower than the same period last year. This was driven mainly by lower equity markets and higher impairment charges, partly offset by gains on embedded derivatives and broker transactions.

Capital Management

The Company's financial position remained strong at the end of the quarter with an estimated MCT of 195% and \$389 million in excess capital. The Company's book value per share was \$37.84 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 \$1.60 and \$1.62 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.

For the definitions of measures and other insurance-related terms used in this Press Release, please refer to the Management's Discussion and Analysis and to the glossary available in the "Investor Relations" section of our web site at www.intactfc.com

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today at 11:00 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 11. To listen to the replay, call 1 (855) 859-2056, passcode 55667933. 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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