

Intact Financial Corporation reports Q1-2017 Results

TORONTO, ONTARIO--(Marketwired - May 2, 2017) -Intact Financial Corporation (TSX:IFC) -

Highlights Q1-2017

- **Net operating income per share of \$0.90** reflects lower underwriting income and strong growth in distribution income
- **Combined ratio of 98.2%**, as higher weather related claims and lower favourable prior year claims development offset solid underlying performance
- **Premiums grew 4%** driven by personal and specialty lines
- **Strong financial position** with over \$1 billion of total excess capital and 8% growth in book value per share

Charles Brindamour, Chief Executive Officer, said: *"The underlying strength of our operations allowed us to deliver solid premium growth and support customers affected by severe weather events this winter. We remain unsatisfied with our personal auto results this quarter, and continue to focus on our robust profitability actions in this segment."*

Consolidated Highlights⁽¹⁾

(in millions of dollars except as otherwise noted) **Q1-2017** **Q1-2016** **Change**

Direct Premiums Written	1,744	1,681	4%
Underwriting income	35	145	(110)
Combined ratio	98.2%	92.5%	5.7 pts
Net investment income	105	104	1
Net operating income	123	197	(38)%
Net income	146	152	(4)%
Earnings per share (in dollars)	1.08	1.11	(3)%
Net operating income per share (in dollars)	0.90	1.46	(38)%
Operating ROE for the last 12 months	10.6%	16.7	(6.1) pts
Book value per share (in dollars)	43.14	40.06	8%
Total excess capital	1,034	904	130
MCT	223%	215%	8 pts
Debt-to-capital ratio	18.5%	19.5%	(1.0) pts

(1) This table contains non-IFRS financial measures. Please refer to Section 15 - Non-IFRS financial measures in the Management's Discussion and Analysis for further details.

Industry Outlook

12 month

- The Company expects that industry premiums will grow at a low to mid single-digit rate. In **personal auto**, claims cost inflation should lead to further rate increases in all markets. In **personal property**, the current firm market conditions are expected to continue, as companies are adjusting to changing weather patterns. The **commercial lines** remain competitive and the economy in Western Canada continues to pressure industry growth.
- Overall, the **industry's ROE** is expected to improve but remain slightly below its long-term average of 10% over the next 12 months.

Dividend

- The Board of Directors approved the quarterly dividend of \$0.64 per share on the Company's outstanding common shares. The Board also approved a quarterly dividend of 26.25 cents per share on the Company's Class A Series 1 preferred shares, 20.825 cents per share on the Class A Series 3 preferred shares, and 19.57125 cents per share on the Class A Series 4 preferred shares. The dividends are payable on June 30, 2017 to shareholders of record on June 15, 2017.

Normal Course Issuer Bid

- On February 13, 2017, the Company renewed its normal course issuer bid ("NCIB"), permitting the purchase for cancellation of up to 6,551,741 common shares until February 12, 2018, representing approximately 5% of issued and outstanding common shares as at February 1, 2017. During Q1-2017, the Company repurchased 49,100 shares for cancellation for a total consideration of approximately \$5 million.

Underwriting

- Premiums** grew 4% driven mainly by rate actions across the country and ongoing growth initiatives.
- Combined ratio** was 98.2%, 5.7 points worse than the same period last year due to an increase in weather related claims, including 3.3 points of additional catastrophe losses, and lower favourable prior year claims development.
- As a result, **underwriting income** was \$35 million in the quarter, \$110 million lower than Q1-2016.

Line of Business

- Personal auto** premiums grew 3% due to growth initiatives and rate increases, offsetting the impact of slower unit growth from profitability actions. The combined ratio of 102.6% was mainly impacted by higher weather-related claims frequency and lower favourable prior year claims development. This resulted in an underwriting loss of \$24 million compared to an underwriting income of \$32 million last year. The Company's profitability initiatives involving rate, underwriting and claims actions are well underway, with the majority of the benefit expected in the latter half of 2017.
- Personal property** premiums grew 8%, as rate and growth initiatives continued to be supported by favourable market conditions. The combined ratio was 92.8%, as very strong underlying performance was offset by 11.5 points of catastrophe losses primarily from severe wind events. Underwriting income was \$35 million compared to \$78 million for the same period last year, which had benefited from milder weather.
- Commercial P&C** premiums decreased by 2% due to difficult economic conditions in Western Canada and continued competitive market conditions, offsetting strong growth in specialty lines. The 95.8% combined ratio included 7 points of catastrophe losses from fires and wind events, offsetting very strong underlying performance driven by ongoing profitability initiatives. This resulted in underwriting income of \$17 million compared to \$31 million for the same period last year.
- Commercial auto** premiums grew 9%, led by strong growth in specialty lines. The combined ratio improved 1.3 points to 96.2% due to higher favourable prior year claims development and lower commission expenses. This resulted in underwriting income of \$7 million compared to \$4 million last year. The Company remains committed to its profitability actions to drive a combined ratio sustainably in the low 90s.

Investments

- Net investment income** of \$105 million was largely unchanged. Net investment gains of \$75 million were driven by stronger equity market conditions.

Distribution

- Net distribution income** of \$24 million was 71% higher than Q1-2016, driven by growth and improved profitability in our broker network.

Net Income

- Net operating income** of \$123 million was down 38% compared to Q1-2016, as lower underwriting income was offset in part by strong distribution income. On a per share basis, net operating income decreased 38% to \$0.90.
- Earnings per share** of \$1.08 declined by 3%, as lower net operating income was partially offset by investment gains in stronger equity market conditions.

Balance Sheet

- The Company ended the quarter in a very strong financial position, with an **estimated MCT of 223% and over \$1 billion in total excess capital**. The Company's **book value per share was \$43.14**, an increase of 8% from a year ago.
- Our **debt-to-capital ratio was 18.5%** at March 31, 2017, close to our target level of 20%.
- The **operating ROE** was 10.6%, despite absorbing elevated catastrophe losses over the last 12 months.

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 \$1.01 and \$1.03, respectively.

Management's Discussion and Analysis (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 Q1-2017 MD&A as well as the Q1-2017 Consolidated Financial Statements. These 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 MD&A and to the glossary available in the "Investors" section of our website at www.intactfc.com.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results today at 4:45 p.m. ET. To listen to the call via live audio webcast and to view the Company's Financial Statements, MD&A, presentation slides, the Supplementary financial information and other information not included in this press release, visit our website at www.intactfc.com and link to the "Investors" section.

The conference call is also available by dialing 1 (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 7:30 p.m. ET until midnight on May 10. To listen to the replay, call 1 (855) 859-2056, passcode 3414926. A transcript of the call will also be available on Intact Financial Corporation's website.

About Intact Financial Corporation

[Intact Financial Corporation](http://www.intactfc.com) (TSX:IFC) is the largest provider of property and casualty (P&C) insurance in Canada with over \$8.0 billion in annual premiums. Supported by over 12,000 employees, the Company insures more than five million individuals and businesses through its insurance subsidiaries and is the largest private sector provider of P&C insurance in British Columbia, Alberta, Ontario, Québec, Nova Scotia and Newfoundland & Labrador. The Company distributes insurance under the [Intact Insurance](http://www.intactfc.com) brand through a wide network of brokers, including its wholly owned subsidiary [BrokerLink](http://www.brokerlink.com), and directly to consumers through [belairdirect](http://www.belairdirect.com).

Forward-Looking Statements

Certain statements made in this news release are forward-looking statements. These statements include, without limitation, statements relating to the outlook for the property and casualty insurance industry in Canada, the Company's business outlook and the Company's growth prospects. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements as a result of various factors, including those discussed in the Company's most recently filed Annual Information Form and annual MD&A. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this news release, whether as a result of new information, future events or otherwise. Please read the cautionary note at the beginning of the MD&A.

<https://newsroom.intactfc.com/2017-05-02-Intact-Financial-Corporation-reports-Q1-2017-Results>