

Intact Financial Corporation reports Q1-2019 Results

Highlights

- **Net operating income per share of \$0.73** was impacted by severe winter weather
- **Premiums grew 6%**, driven by rate increases across our Canadian businesses in hardening market conditions, and strong new business growth in U.S. commercial
- **Combined ratio of 101.5%** reflects the impact of elevated weather losses in Canada while underlying performance improved across the business; U.S. profitability improvement plans are on track with a combined ratio of 94.0%
- Strong financial position with **\$1.4 billion of total capital margin** and **operating ROE of 11.9%**

(TSX: IFC)

(in Canadian dollars except as otherwise noted)

TORONTO, May 7, 2019 /CNW/ -



Charles Brindamour, Chief Executive Officer, said:

"Our teams worked hard this past quarter to get our customers back on track following an unusually severe winter. Our underlying performance has improved in all lines of business, particularly in personal auto. In U.S. commercial, our action plans continue to deliver as expected. In 2018, our ROE outperformance versus the industry grew to 890 basis points. With hardening market conditions, we expect our ROE to improve and the outperformance gap to remain wide in 2019. We are also well positioned to capture growth opportunities in this environment."

Consolidated Highlights¹

(in millions of Canadian dollars except as otherwise noted) **Q1-2019** **Q1-2018**² **Change**

Direct premiums written	2,215	2,082	6%
Combined ratio	101.5%	99.2%	2.3 pts
Underwriting income	(37)	19	(56)
Net investment income	140	125	12%
Distribution EBITA	36	30	20%
Net operating income	113	120	(7)
Net income	159	103	56
Per share measures (in dollars)			
Net operating income per share	0.73	0.81	(10)%
Earnings per share	1.06	0.68	56%
Return on equity for the last 12 months			
Operating ROE	11.9%	12.4%	(0.5) pts
ROE	10.6%	11.7%	(1.1) pts
Book value per share (in dollars)	50.21	47.32	6%
Total capital margin ³	1,367	1,067	300
Debt-to-total capital ratio	21.5%	23.4%	(1.9) pts

This press release contains non-IFRS financial measures. Refer to Section 16 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details. The

(1) impact of fluctuations in foreign exchange rates was not material to our consolidated results. Impact on the U.S. segment's performance is outlined in the Insurance Business Performance section below.

(2) Refer to Section 14 – *Presentation changes* in the Management's Discussion and Analysis for further details on the reclassification of comparatives.

(3) Aggregate of capital in excess of company action levels in regulated entities (170% MCT, 200% RBC) plus available cash in unregulated entities. Refer to Section 12 – *Capital management* in the Management's Discussion and Analysis for further details.

Dividend

- The Board of Directors approved the quarterly dividend of \$0.76 per share on the Company's outstanding common shares. The Board also approved a quarterly dividend of 21.225 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, 27.06325 cents per share on the Class A Series 4 preferred shares, 32.5 cents per share on the Class A Series 5 preferred shares, 33.125 cents per share on the Class A Series 6 preferred shares and 30.625 cents per share on the Class A Series 7 preferred shares. The dividends are payable on June 28, 2019, to shareholders of record on June 14, 2019.

12-month Industry Outlook

- For the **Canadian P&C** industry, we expect **mid-to-upper single-digit premium growth**. Market conditions are hardening as weak industry profitability in all lines of business continues to put upward pressure on rates.
- In **U.S. commercial**, the pricing environment remains competitive with modest upward trends. We expect **low-to-mid single-digit growth**.
- Overall, the Canadian industry's ROE is expected to improve but remain below its long-term average of 10% over the next 12 months.

Insurance Business Performance

	Q1-2019	Q1-2018	Change
(in millions of Canadian dollars except as otherwise noted)			
Direct premiums written			
Canada	1,853	1,761	5%
U.S.	362	321	
<i>Growth as reported</i>			13%
<i>Growth in constant currency</i>			7%
	2,215	2,082	6%
Combined ratio			
Canada	102.9%	99.8%	3.1 pts
U.S.	94.0%	95.3%	(1.3) pts
	101.5%	99.2%	2.3 pts
Underwriting income			
Canada	(59)	4	(63)
U.S.	21	15	6

Corporate & other ¹	1	-	1
	(37)	19	(56)
¹ Reflects the impact of our internal reinsurance treaty.			

- **Premiums grew 6%** in the quarter with strength on both sides of the border. In Canada, premiums grew 5% bolstered by double digit growth in commercial lines, and positive momentum in personal lines. Hardening market conditions led to average rate increases of 7% across all lines. U.S. commercial premiums grew by 13% in the quarter (or 7% on a constant currency basis) driven by strong new business, as well as rate increases.
- **Combined ratio** of 101.5%, reflected the severe winter conditions in Canada and solid U.S. commercial performance at 94.0%. The combined ratio of 102.9% in Canada included about 8 points of higher-than-expected weather-related losses, while underlying performance improved across the business.

Lines of Business

P&C Canada

- **Personal auto** premiums increased 1%, driven by rate increases and our improving competitive position. Our action plans led to a 4.5-point improvement in combined ratio to 101.9% for the quarter, while we experienced challenging winter conditions. Underwriting results and expenses improved, offset in part by unfavourable prior year claims development. Our profitability actions continue to deliver as planned, and we remain well positioned to capture growth opportunities.
- **Personal property** premiums grew 4% driven by rate increases and favourable market conditions. The combined ratio deteriorated 11.5 points to 99.8%, driven mostly by the increase in catastrophe losses in the quarter.
- **Commercial lines** (P&C and auto) premiums increased 13% with contributions from all segments, led by rate increases deployed in hard market conditions. The combined ratio deteriorated 7.2 points to 106.7%, due to challenging winter conditions and lower favourable prior year claims development, offset in part by improved underlying results and lower expenses.
- **Distribution EBITA** grew 20% to \$36 million due to growth and improved profitability in our broker network. We continue to expect mid-single digit growth in Distribution EBITA in 2019.

P&C U.S.

- **Premiums of \$362 million** reflected strong organic growth of 7% on a constant currency basis. Strong new business as well as rate increases drove low double-digit growth in lines not undergoing profitability improvement.
- **Combined ratio** improved 1.3 points to 94.0% reflecting good progress on OneBeacon's profitability improvement plan. We remain on track to achieve a sustainable low-90s combined ratio by the end of 2020.

Investments

- **Net investment income** of \$140 million increased 12% in the quarter, largely reflecting the benefit of our portfolio optimization and higher reinvestment yields in 2018.

Net Income

- **Net operating income** decreased 6% to \$113 million (or \$0.73 per share) due to an unusually severe winter, offset in part by strong growth in net investment income and distribution EBITA and an operating tax benefit of \$17 million (or \$0.12 per share).
- **Earnings per share** of \$1.06 for the quarter increased 56% from a year ago, as a reduction in operating income was more than offset by a one-time non-operating gain of \$72 million (\$0.52 per share) relating to the restructuring of one of our distribution investments.

- **Operating ROE** for the last 12 months was 11.9% as at March 31, 2019, and below our historical track record due to personal auto challenges in 2018, as well as severe weather.

Balance Sheet

- The Company ended the quarter in a strong financial position, with a total capital margin of \$1.4 billion. MCT in Canada was estimated at 198%.
- IFC's **book value per share** was \$50.21 as at March 31, 2019, increasing 6% from a year ago largely driven by earnings. The new accounting standard for leases (IFRS 16) lowered IFC's book value by \$0.28 per share in Q1- 2019.
- The **debt-to-total capital ratio** was 21.5% as at March 31, 2019, and continues to track towards our goal of 20% by the end of the year.

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 \$0.46 and \$0.60, 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 Q1-2019 MD&A as well as the Q1-2019 Consolidated Financial Statements, which are available on the Company's 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 the Company's website at www.intactfc.com.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results tomorrow at 10:00 a.m. ET. To listen to the call via live audio webcast and to view the Company's Financial Statements, MD&A, presentation slides, Supplementary financial information and other information not included in this press release, visit the Company's website at www.intactfc.com and link to "Investors". 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 on May 8, 2019 at 1:00 p.m. ET until midnight on May 15. To listen to the replay, call 1- 855- 859- 2056 (toll-free in North America), passcode 9759775. A transcript of the call will also be made available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada and a leading provider of specialty insurance in North America, with over \$10 billion in total annual premiums. The Company has approximately 14,000 full- and part-time employees who serve more than five million personal, business and public-sector clients through offices in Canada and the U.S. In Canada, Intact 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. In the U.S., OneBeacon Insurance Group, a wholly-owned subsidiary, provides specialty insurance products through independent agencies, brokers, wholesalers and managing general agencies.

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 and the U.S., 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.

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