

Intact Financial Corporation reports Q1-2020 results and provides COVID-19 update

COVID-19 Operational Update

- Our focus is on helping our employees, customers and communities through this crisis
- We are providing a range of relief measures to customers, including premium reduction and payment flexibility
- As of May 4, 2020 we have provided over \$130 million of relief to approximately 390,000 customers
- While our employees are safe at home, our operations and service levels remain strong

Financial Results

- Net operating income per share of \$1.61, includes \$83 million of direct COVID-19 related losses
- Premium growth of 14% includes The Guarantee Company of North America ("The Guarantee") acquisition. Integration remains on target
- Combined ratio of 94.3% in the quarter, with 93.3% in Canada and 100.1% in the U.S.
- EPS of \$0.66 was impacted by \$96 million of equity impairments
- Strong capital position with 202% MCT, 24.1% debt-to-total-capital and \$1.5 billion of total capital margin
- BVPS of \$51.71 declined 4% in the quarter including \$2.34 per share impact from capital market volatility

(TSX: IFC)

(in Canadian dollars except as otherwise noted)

TORONTO, May 5, 2020 /CNW/ -

Charles Brindamour, Chief Executive Officer, said:

"Dealing with the COVID-19 crisis is our number one priority and our teams are working around the clock to be responsive to our customers and communities. Despite COVID-19 related losses, our financial performance remains on track, our capital position is solid and I'm confident in the resilience of our business. We are prepared to operate our business remotely for an extended period if necessary. We also believe it is important for businesses and government to now work together to develop a plan for a gradual, risk-based return to work in the coming weeks."

Consolidated Highlights ¹			
(in millions of Canadian dollars except as otherwise noted)	Q1-2020	Q1-2019	Change
Direct premiums written ¹	2,521	2,215	14%
Combined ratio	94.3%	101.5%	(7.2) pts
Underwriting income	159	(37)	nm
Net investment income	150	140	7%
Distribution EBITA and Other	44	36	22%
Net operating income	243	113	115%
Net income	107	159	(33)%
Per share measures (in dollars)			
Net operating income per share (NOIPS)	1.61	0.73	121%
Earnings per share (EPS)	0.66	1.06	(38)%
Return on equity for the last 12 months			
Operating ROE	14.0%	11.9%	2.1 pts
ROE	9.2%	10.6%	(1.4) pts

Book value per share (in dollars)	51.71	50.21	3%
Total capital margin ²	1,485	1,367	118
Debt-to-total-capital ratio	24.1%	21.5%	2.6 pts

This press release contains non-IFRS financial measures. Refer to Section 21 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details. DPW change (growth) is presented in constant currency.

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 14 – *Capital management* in the Management's Discussion and Analysis for further details.

Common Share Dividend

- The Board of Directors approved the quarterly dividend of \$0.83 per share on the Company's outstanding common shares. The dividends are payable on June 30, 2020, to shareholders of record on June 15, 2020.
- With a strong balance sheet, low payout ratio and resilient operating income, IFC has capacity to support its customers and pay its dividends, while continuing to invest in its strategy.

Industry Outlook

- The prevailing hard market conditions in Canada are expected to moderate as insurers provide support to customers during the crisis. In the U.S., hardening market conditions in commercial lines are expected to continue.
- Given that the Canadian industry combined ratio was above 100% and the industry ROE was well below historical averages in 2019, we expect corrective measures to return when the COVID-19 crisis has passed.

Insurance Business Performance

(in millions of Canadian dollars except as otherwise noted)	Q1-2020	Q1-2019	Change
Direct premiums written ¹			
Canada	2,125	1,853	15%
U.S.	396	362	9%
	2,521	2,215	14%
Combined ratio			
Canada	93.3%	102.9%	(9.6) pts
U.S.	100.1%	94.0%	(6.1) pts
	94.3%	101.5%	(7.2) pts
Underwriting income			
Canada	158	(59)	217
U.S.	(1)	21	(22)
Corporate & other	2	1	1
	159	(37)	196

¹ DPW change (growth) is presented in constant currency. Refer to Section 6 – *U.S.* in the Management's Discussion and Analysis for further details. In the U.S., DPW change (growth) as reported was 9% for the quarter

- Premiums grew 14%** in the quarter with strong growth across all lines of business. In Canada, premium growth was 15% in the quarter, including the benefit of The Guarantee acquisition. In the U.S., topline grew 9% both on a stated and constant currency basis, driven by strong organic growth in most lines of business and including The Guarantee acquisition.
- Combined ratio of 94.3%** in the quarter included \$83 million of direct COVID-19 related losses, or 3 points, which are reported as CAT losses. Combined ratio was 93.3% in Canada, including 2.1 points of direct COVID-19 related losses, and 100.1% in the U.S., including 8.5 points of direct COVID-19 related losses.

Lines of Business

P&C Canada

- **Personal auto** premiums grew 11% in the quarter. The combined ratio improved 7.3 points over last year to 94.6% in Q1-2020. The underlying current year loss ratio of 70.9% improved by 6.0 points from Q1-2019, driven by our profitability actions, as well as better weather conditions. Catastrophe losses and prior year claims development were muted in the quarter.
- **Personal property** premiums increased 12% in the quarter. Favorable weather conditions contributed to a 3- and 12-point improvement in the underlying current year loss ratio and catastrophe loss ratio, respectively. This drove an 18.0 pts year-over-year improvement in the combined ratio to 81.8%.
- **Commercial lines** (P&C and auto) premiums increased 22% in the quarter, reflecting The Guarantee acquisition, as well as strong contributions from all lines. The underlying current year loss ratio of 58.8% improved 9.6 points from Q1-2019 driven by our profitability actions, lower non-CAT weather-related losses and fewer large losses. The combined ratio of 100.7% in the quarter included 6.6 pts, or \$50 million, of direct COVID-19 related losses.
- **Distribution EBITA and Other** grew 22% to \$44 million and includes the performance of our broker network as well as the results of the On Side and Frank Cowan Company ("Frank Cowan") operations acquired in Q4-2019.

P&C U.S.

- **Premiums** grew 9% in constant currency to \$396 million in Q1-2020, driven by strong organic growth in most lines of business and including The Guarantee acquisition. Excluding the impact of the Healthcare business exit effective July 1, 2019 and The Guarantee acquisition, premium growth was 10%.
- **Combined ratio** of 100.1% in the quarter reflected strong performance in most lines of business, despite the impact of direct COVID-19 related losses of 8.5 points, or \$33 million.

Investments

- **Net investment income** of \$150 million for the quarter increased 7% compared to last year, driven by a higher level of invested assets from The Guarantee acquisition.
- **Net losses excluding FVTPL bonds** were \$71 million for the quarter and included \$96 million of equity impairments.

Net Income and ROE

- **Net operating income** increased to \$243 million (or \$1.61 per share) in Q1-2020, reflecting growth in underwriting, investments and distribution EBITA and Other.
- **Earnings per share** of \$0.66 in Q1-2020 declined 38% compared to last year, driven by non operating results which included the equity impairments.
- **Operating ROE** for the last 12 months improved to 14.0% as at March 31, 2020.

Balance Sheet

- The Company ended the quarter in a strong financial position, with a total capital margin of \$1.5 billion. MCT in Canada was estimated at 202%.
- IFC's **book value per share** was \$51.71 as at March 31, 2020, declining 4% since December 31, 2019, driven by the volatility in capital markets in the later part of the quarter.
- The **debt-to-total capital ratio** was 24.1% as at March 31, 2020, following the issuance of \$300 million of medium-term notes on March 24, 2020. We expect to return to our 20% target level over the next 18-24 months.

Preferred Share Dividends

- The Board of Directors 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, 26.71575 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, 30.625 cents per share on the Class A Series 7 preferred shares and 49.06 cents per share on the Class A Series 9 preferred shares. The dividends are payable on June 30, 2020, to shareholders of record on June 15, 2020.

M&A Update

- In Q1-2020 the underwriting results of The Guarantee business are reported as part of our segment and line of business results. Frank Cowan EBITA are reported as part of our Distribution EBITA and Other results.
- The Guarantee, Frank Cowan and On Side acquisitions added 2 cents to NOIPS in Q1-2020.
- The integrations are on track to deliver mild NOIPS accretion in 2020 and **mid-single digit NOIPS accretion by 2021**.

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 \$0.64 and \$1.53, 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 Q1-2020 MD&A as well as the Q1-2020 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 11:00 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 6th, 2020 at 2:00 p.m. ET until midnight on May 13th. To listen to the replay, call 416 849-0833 or 1 855 859-2056 (toll-free in North America), passcode 9495045. 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 \$11 billion in total annual premiums. The Company has approximately 16,000 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. Frank Cowan brings a leading MGA platform to manufacture and distribute public entity insurance products in Canada.

In the U.S., Intact Insurance Group USA (previously known as 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 press release are forward-looking statements. These statements include, without limitation, statements relating to claims, catastrophe losses and non-catastrophe losses, the anticipated effect on combined ratio as well as on a per share basis and by line of business, the anticipated effect of applicable and future federal and provincial tax regulations and the impact on the Company of the occurrence of and response to the coronavirus (COVID-19) pandemic and ensuing events. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. In the case of estimated claims and losses, due to the preliminary nature of the information available to prepare estimates, future estimates and the actual amount of claims and losses associated with events described above may be materially different from current estimates.

All of the forward-looking statements included in this press release are qualified by these cautionary statements and those made in the "Risk Management" section of our Q1-2020 Management's Discussion and Analysis, in Section 18, and our 2019 Annual Management's Discussion and Analysis, in Notes 10 and 13 of our Consolidated Financial Statements for the year ended December 31, 2019 and in our Annual Information Form dated March 30, 2020. These factors are not intended to

represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made in this press release. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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