

Intact Financial Corporation reports Q3-2021 results

(in Canadian dollars except as otherwise noted)

Highlights

- **Net operating income per share of \$2.87** driven by strong underwriting performance and an accretive contribution from RSA
- **Premiums grew 68%**, reflecting the first full quarter of RSA in our results and continued strength in commercial lines
- **Combined ratio of 91.3%**, driven by strength in all business segments despite an elevated 7.5 pts of catastrophe losses
- **OROE of 18.3%** with a total capital margin of \$2.7 billion
- **EPS of \$1.60** reflects strong operating results tempered by an investment loss and integration costs
- **Quarterly dividend increased by 10% to \$0.91** per common share

TORONTO, Nov. 9, 2021 /CNW/ - (TSX: IFC)

Charles Brindamour, Chief Executive Officer, said:

"The strength of our business was again evident this quarter, with robust operating performance across the platform, despite an elevated level of catastrophes. Our people have worked hard to get customers back on track following many severe weather events. We are making great progress on the integration of RSA, with synergies being realized as expected. The acquisition is already delivering high single-digit accretion to NOIPS since closing on June 1, and we remain on track to generate upper teens accretion within 36 months. With a strong and resilient balance sheet and momentum in all segments, we are increasing dividends to our common shareholders for the sixteenth consecutive year."

Consolidated Highlights¹

(in millions of Canadian dollars except as otherwise noted)

	Q3-2021	Q3-2020	Change	YTD 2021	YTD 2020	Change
Direct premiums written ¹	5,447	3,264	68%	12,266	9,167	35%
Combined ratio	91.3%	87.1%	4.2 pts	89.3%	90.3%	(1.0) pts
Underwriting income	426	369	15%	1,187	812	46%
Net investment income	191	143	34%	486	434	12%
Distribution EBITA and Other	105	81	30%	285	203	40%
Net operating income	519	411	26%	1,391	1,004	39%
Net income	300	334	(10)%	1,387	704	97%
Per share measures (in dollars)						
Net operating income per share (NOIPS)	\$2.87	\$2.78	3%	\$8.56	\$6.74	27%
Earnings per share (EPS)	\$1.60	\$2.25	(29)%	\$8.46	\$4.65	82%
Return on equity for the last 12 months						
Operating ROE	18.3%	16.9%	1.4 pts			
ROE	16.5%	11.5%	5.0 pts			
Book value per share (in dollars)	\$79.21	\$56.22	41%			
Total capital margin ²	2,693	1,871	822			
Adjusted debt-to-total capital ratio	23.9%	21.2%	2.7 pts			

¹ This press release contains non-IFRS financial measures. Refer to Section 23 – *Non-IFRS financial measures* in the Q3-2021 Management's Discussion and Analysis for further details.

DPW change (growth) is presented in constant currency.

Common Share Dividend

- The Board of Directors approved a \$0.08 per share increase in the quarterly dividend to \$0.91 per share on the Company's outstanding common shares. This represents a 10% increase and marks the sixteenth consecutive annual increase in our dividend since our IPO in 2004.

Industry Outlook

- Canadian industry profitability improved in the twelve months to June 30, 2021, helped in part by benign weather, favourable PYD and reduced driving activity. However, high pre-pandemic combined ratios, potential inflation, and a relatively low interest rate environment support continuation of favourable market conditions.
- In personal lines in Canada, we expect firm market conditions to continue in personal property, while personal auto rates remain tempered in the current environment.
- In commercial lines in both the US and Canada, hard market conditions are expected to continue.
- In the UK, hard market conditions are also prevailing across commercial lines, while UK personal lines growth remains muted pending new pricing regulations effective from Q1-2022.

Segment Results

(in millions of Canadian dollars except as otherwise noted)	Q3-2021	Q3-2020	Change	YTD 2021	YTD 2020	Change
Direct premiums written						
Canada	3,564	2,724	31%	8,740	7,745	13%
UK&I	1,264	n/a	nm	1,264	n/a	nm
U.S.	619	540	21%	1,528	1,422	16%
Corporate (RSA for June 2021)	n/a	n/a	nm	734	n/a	nm
Total	5,447	3,264	68%	12,266	9,167	35%
Combined ratio						
Canada	89.2%	86.0%	3.2 pts	87.6%	89.4%	(1.8) pts
UK&I	93.9%	n/a	nm	93.9%	n/a	nm
U.S.	92.8%	94.5%	(1.7) pts	93.0%	96.0%	(3.0) pts
Corporate (RSA for June 2021)	n/a	n/a	nm	90.7%	n/a	nm
Total	91.3%	87.1%	4.2 pts	89.3%	90.3%	(1.0) pts
Underwriting income						
Canada	356	347	9	1,012	762	250
UK&I	72	n/a	72	72	n/a	72
U.S.	30	21	9	81	46	35
RSA – June 2021	n/a	n/a	nm	57	n/a	57
Group Reinsurance, Corporate and Other	(32)	1	(33)	(35)	4	(39)
Total	426	369	57	1,187	812	375

Insurance Business Performance.

- Premium growth of 68% in constant currency** mainly reflected the RSA acquisition which contributed 61 points of growth. Commercial lines organic growth was robust across all segments.
- Combined ratio of 91.3%** was solid and included \$365 million (7.5 points) of catastrophe losses, well above expectations and impacting all segments. The combined ratio in Canada was a strong 89.2%, driven by improved underlying performance. In the UK&I, the combined ratio was a solid 93.9%, despite including 10.3 points of CAT losses. In the U.S., the combined ratio was 92.8%, also reflecting strong underlying performance.

Lines of Business

P&C Canada (includes RSA Canada results)

- **Personal auto** premiums grew by 27%, driven by RSA while we continue to operate in a muted rate environment. The combined ratio was similar to last year at 85.1%, with strong underlying performance and healthy favourable prior year development.
- **Personal property** premiums grew by 34%, mainly driven by RSA and continued firm market conditions. The combined ratio of 93.5% was 9.8 points higher than last year while reflecting 15.3 points of higher CAT losses. Underlying performance improved 4.4 points from a year ago.
- **Commercial lines** (P&C and auto) premium growth of 33% was mainly driven by RSA and continued hard market conditions. The combined ratio of 91.2% was 1.8 points higher than a year ago, as improved underlying performance was offset by higher commission expenses and a 2.7 point increase in catastrophe losses.
- **Distribution EBITA and Other** grew by 30%, driven by higher variable commission revenues, as well as accretive acquisitions and continuing expense management.

P&C UK&I

- **Personal lines** premiums were \$582 million with competitive market conditions in auto. The combined ratio of 97.9% included an elevated 4.4 points of catastrophe losses.
- **Commercial lines** premiums were \$682 million with hard market conditions continuing. The combined ratio was a strong 90.5% despite including 15.3 points of catastrophe losses, significantly above expectations.

P&C U.S.

- **US Commercial** premium growth was very strong at 21% on a constant currency basis, driven by hard market conditions and strong new business in most lines. The combined ratio improved 1.7 points to 92.8%, despite including 3.9 points of CAT losses mainly driven by Hurricane Ida, reflecting the benefit of our profitability actions.

Investments

- **Net investment income of \$ 191 million** for the quarter increased 34% year-over-year, mainly driven by the RSA acquisition. Excluding the impact of RSA, net investment income was flat reflecting the impact of lower reinvestment yields and a weaker U.S. dollar, partly offset by the benefit of higher invested assets.
- **Net losses excluding FVTPL bonds** of \$45 million for the quarter included a loss of \$183 million on a venture investment, for which in Q1-2021 we recorded a \$273 million gain following its IPO.

Net Income and ROE

- **Net operating income** of \$519 million is up 26% from a year ago, reflecting the contribution of RSA, strong growth in underwriting, investment and distribution earnings.
- **Earnings per share** of \$1.60 in Q3-2021 was driven by strong operating results, tempered by a venture investment loss and integration costs.
- **Operating ROE** improved 1.4 points year-over-year to 18.3% for the 12 months to September 30, 2021. This is better than our historical average and reflects strong performance across the business.

Balance Sheet

- The Company ended the quarter in a strong financial position, with **total capital margin of \$2.7 billion**.
- IFC's **book value per share** (BVPS) of \$79.21 as at September 30, 2021, increased 41% since September 30, 2020, driven by strong earnings and the financing of RSA.
- **The adjusted debt-to-total capital ratio of 23.9%** as at September 30, 2021 reflects the financing and closing of the RSA acquisition. With proceeds from the sale of Codan Denmark expected in H1-2022, we expect the adjusted debt-to-total-capital ratio to return to 20% well within our objective of 36 months following closing.

RSA Acquisition Update

- **RSA contributed 8% accretion to Q3-2021 NOIPS**, bringing accretion to 9% for the four-month period since closing. Given the overall strength of Intact's results, immediate high single-digit accretion is evidence of the quality of the

acquired portfolio. We have increased confidence in achieving our target of high single-digit accretion in the first 12 months and upper teens within 36 months of closing.

- We remain on track to realize at least **\$250 million of pre-tax annual run-rate synergies within 36 months of closing.**
- Integration activities are progressing as planned. In Canada, policy conversion to Intact systems is already well underway. Customer retention is ahead of expectations and engagement with brokers and affinity partners is very strong.
- In the UK, we are continuing RSA's improvement plan and mobilizing workstreams to leverage Intact expertise in areas of opportunity including UK auto pricing, underwriting processes and Commercial lines.
- Planning for the integration of RSA's capabilities into our now global specialty lines platform is well underway across geographies.
- Closing of the announced sale of Codan Forsikring A/S's P&C business to Alm. brand A/S Group is on track for H1-2022. This represents proceeds of DKK 6.3 billion (~\$1.26 billion) for Intact's 50% stake.
- The reinsurance agreement entered into on July 27 to provide protection for adverse development on UK&I claims liabilities for 2020 and prior years was approved by regulators and will be recorded in the 4th quarter, effective as of October 6, 2021.

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, 21.60625 cents per share on the Class A Series 3 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 33.75 cents per share on the Class A Series 9 preferred shares. The dividends are payable on December 31, 2021, to shareholders of record on December 15, 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 \$1.04 and \$1.75, 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 Q3-2021 MD&A as well as the Q3-2021 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 Details

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 416-764-8659 or 1-888-664-6392 (toll-free in North America). Please call 10 minutes before the start of the call. A replay of the call will be available on November 10, 2021 at 2:00 p.m. ET until midnight on November 17, 2021. To listen to the replay, call 416-764-8677 or 1-888-390-0541 (toll-free in North America), entry code 107779. 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, a leading provider of global specialty insurance, and, with RSA, a leader in the U.K. and Ireland. Our business has grown organically and through acquisitions to over \$20 billion of total annual premiums.

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. Intact also provides affinity insurance solutions through the Johnson Affinity Groups.

In the U.S., Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies.

Outside of North America, the Company provides personal, commercial and specialty insurance solutions across the U.K., Ireland, Europe and the Middle East through the RSA brands.

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 U.S. and the UK, the Company's business outlook, the Company's growth prospects, the impact on the Company of the occurrence of and response to the coronavirus (COVID-19) pandemic and ensuing events, the acquisition of RSA, the sale of Codan Forsikring A/S's Danish business (the "Sale"), and the completion of and timing for completion of the Sale. 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 dated March 31, 2021 and those made in our Q3-2021 Management's Discussion and Analysis (including in its "Risk Management" in section 21), our 2020 Annual Management's Discussion and Analysis (sections 28-33), in Notes 10 and 13 of our Consolidated Financial Statements for the year ended December 31, 2020 and the additional risk factors of the Company related to the proposed RSA acquisition as described at pages 24-28 of the Company's Presentation entitled "Building a Leading P&C Insurer - Acquisition of RSA's Canada and UK&I operations," dated November 18, 2020 and the risk factors included in the Company's Business Acquisition Report dated June 16, 2021 and available on SEDAR at www.sedar.com. 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.

SOURCE Intact Financial Corporation

<https://newsroom.intactfc.com/2021-11-09-Intact-Financial-Corporation-reports-Q3-2021-results>