

Intact Financial Corporation reports Q1-2024 results

(in Canadian dollars except as otherwise noted)

TORONTO, May 7, 2024 /CNW/ - (TSX: IFC)

Highlights

- Operating DPW^{1,2} increased 6%, with organic growth of 7%, driven by double-digit growth in personal lines
- Undiscounted combined ratio¹ of 91.2%, led by solid underlying performance across all geographies
- Net operating income per share¹ up 19% to \$3.63, largely on the back of premium growth and strong investment results
- EPS up 79% to \$3.68 driven by investment gains on our equity portfolio as well as the gain on the sale of our UK direct Personal Lines operations
- Operating ROE¹ increased to 14.7% from higher operating earnings, while BVPS⁴ grew 9% to \$84.76
- Balance sheet is strong with \$2.7 billion of total capital margin⁴ and adjusted debt-to-total capital ratio¹ of 20.5%, largely on target

Charles Brindamour, Chief Executive Officer, said:

"We delivered strong results again this quarter with contribution from all segments, resulting in mid-teens ROE and solid book value growth. We also continued to make good progress on the integration of DLG, closed the sale of our UK direct Personal Lines operations and advanced on all other aspects of our strategic roadmap. With our strong balance sheet and business fundamentals, we are on course to grow net operating income per share by 10% per year over time and outperform the industry ROE by at least 500 basis points."

Consolidated Highlights

(in millions of Canadian dollars except as otherwise noted)

	Q1-2024 Q1-2023 Change		
Operating direct premiums written^{1,2}	5,110	4,809	6 %
Combined ratio (discounted)¹	86.8 %	87.4 %	(0.6) pts
Combined ratio (undiscounted)¹	91.2 %	91.9 %	(0.7) pts
Underwriting income ^{1, 3}	687	613	12 %
Operating net investment income	380	295	29 %
Net unwind of discount on claims liabilities ^{1,3}	(227)	(226)	nm
Operating net investment result ¹	153	69	122 %
Distribution income ¹	100	105	(5) %
Net operating income attributable to common shareholders ¹	648	537	21 %
Net income	673	377	79 %
Per share measures (in dollars)			
Net operating income per share (NOIPS) ¹	\$3.63	\$3.06	19 %
Earnings per share (EPS)	\$3.68	\$2.06	79 %
Book value per share ¹	\$84.76	\$77.72	9 %
Return on equity for the last 12 months			
Operating ROE ¹	14.7 %	14.1 %	0.6 pts
Adjusted ROE ¹	13.5 %	18.3 %	(4.8) pts

ROE ¹	10.6 %	15.4 %	(4.8) pts
Total capital margin ¹	2,654	2,796	(142)
Adjusted debt-to-total capital ratio ¹	20.5 %	22.4 %	(1.9) pts

12-Month Industry Outlook

- We expect favourable market conditions to continue, driven by inflation and catastrophe losses.
- In Canada, both personal property and auto premium growth could reach a low double-digit level.
- In commercial and specialty lines across all geographies, we expect mid to high single-digit premium growth.

This release contains Non-GAAP financial measures, Non-GAAP ratios and other financial measures (each as defined in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure"). Refer to Section 16 – Non-GAAP and other financial measures in the Q1-2024 Management's Discussion and Analysis for further details.

² DPW change (growth) is presented in constant currency.

³ Underwriting income includes our underlying performance, catastrophe losses, prior year development as well as the discount build on claims liabilities. The discount build is largely offset with the net unwind of discount on claims liabilities presented within operating net investment result.

Segment Results

(in millions of Canadian dollars except as otherwise noted) **Q1-2024 Q1-2023 Change**

Operating direct premiums written^{1,2}

Canada	3,252	2,996	9 %
UK&I ³	1,245	1,235	(2) %
US	613	578	6 %
Total	5,110	4,809	6 %

Combined ratio¹

Canada	90.7 %	91.7 %	(1.0) pt
UK&I ³	94.6 %	94.6 %	- pts
US	88.0 %	89.1 %	(1.1) pts
Combined ratio (undiscounted)	91.2 %	91.9 %	(0.7) pts
Impact of discounting	(4.4) %	(4.5) %	0.1 pts
Combined ratio (discounted)	86.8 %	87.4 %	(0.6) pts

Q1-2024 Consolidated Performance

- Overall operating DPW increased 6%, with organic growth of 7% (excluding exits and acquisitions) led by double-digit growth in Canada personal lines and healthy rate increases across our commercial lines of business.
- Overall combined ratio was solid at 91.2% (undiscounted), reflecting mild weather and lower catastrophe losses in the quarter, as well as continued rate actions in favourable market conditions.
- Operating net investment income of \$380 million for the quarter increased 29% year-over-year, reflecting higher reinvestment yields and increased turnover of our portfolio over the last 12 months.
- Distribution income decreased by 5% to \$100 million, reflecting lower contribution from On Side due to mild winter weather, as well as lower variable commissions compared to last year's strong level. We continue to expect a growth of at least 10% in 2024.

Lines of Business⁴

P&C Canada

- **Personal auto** premium growth was strong at 11%, reflecting high single-digit rate increases and continued unit growth. The combined ratio of 98.6% reflected a 2-point impact from mild winter seasonality, 1-point impact from unfavourable industry pools and another 1-point impact from non-recurring expenses, essentially incentive compensation related. Underlying performance reflected a 3-point improvement year-over-year, which was tempered by lower favourable PYD in the quarter. We continue to expect a seasonally adjusted sub-95 combined ratio in 2024.
- **Personal property** premiums grew by 9%, driven by strong rate increases and unit growth momentum. The combined ratio was strong at 82.5%, improving by 2 points from the prior year, reflecting the absence of catastrophe losses in the period, along with favourable development on prior year losses.
- **Commercial lines** premiums grew by 5%, reflecting continued rate discipline, tempered by increased competition in regular commercial and specialty lines. The combined ratio was strong at 87.3% for the quarter, reflecting solid underlying performance, low catastrophe losses and very favorable prior-year development.

P&C UK&I

- Excluding the impact of the UK Personal Lines exit, operating DPW growth in constant currency was 29%, mainly due to the brokered Commercial Lines operations acquired from Direct Line Insurance Group plc in Q4-2023. The combined ratio of 94.6% included 7 points of catastrophe losses, approximately 2 points above expectations. The underlying performance including DLG was otherwise solid at 92.6% for the first quarter.

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² DPW change (growth) is presented in constant currency.

The comparative period results presented in the table are on a reported basis. Following the exit of the UK personal lines operations in 2023, performance of this segment is now

³ analyzed on a pro-forma basis (which excludes UK Personal Lines results) for comparability. Pro-forma growth in constant currency was 29% in Q1-2024, and pro-forma combined ratio was 88.4% for Q1-2023.

⁴ Combined ratios within the Lines of Business are reported on an undiscounted basis.

P&C US

- Operating DPW grew 6% on a constant currency basis, reflecting healthy rate increases across most lines of business, with a focus on pricing discipline. The combined ratio was solid at 88.0% for the quarter, 1 point better than prior year, reflecting a favourable business mix and continued underwriting discipline.

Net Operating Income, EPS and ROE

- Net operating income attributable to common shareholders of \$648 million increased 21% from last year, driven by solid underwriting and investment results.
- Strong Earnings Per Share of \$3.68, up 79% year-over-year, as the gain on sale of our UK direct Personal Lines operations and favourable equity movements largely offset strategic costs associated with the DLG and RSA acquisitions.
- Operating ROE increased to 14.7% on strong operating performance across the business, despite an impact of nearly 2.5 points from excess catastrophe losses over the last 12 months. Adjusted ROE of 13.5% and ROE of 10.6% remained healthy despite strategic costs from our restructuring and de-risking activities in the UK&I.

Balance Sheet

- The Company ended the quarter in a strong financial position, with a total capital margin of \$2.7 billion and solid regulatory capital ratios in all jurisdictions.
- Adjusted debt-to-total capital ratio decreased to 20.5% as at March 31, 2024, returning close to our long-term target quicker than anticipated, reflecting strong capital generation in a benign catastrophe loss quarter, which was deployed for deleveraging activities.
- IFC's book value per share (BVPS) of \$84.76 as at March 31, 2024 increased 9% year-over-year, and was 4% higher than in Q4-2023, due to strong operating earnings.

Common Share Dividend

- The Board of Directors approved the quarterly dividend of \$1.21 per share on the Company's outstanding common shares. The dividends are payable on June 28, 2024, to shareholders of record on June 14, 2024.

Preferred Share Dividends

- The Board of Directors also approved a quarterly dividend of 30.25625 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, 32.50 cents per share on the Class A Series 5 preferred shares, 33.125 cents per share on the Class A Series 6 preferred shares, 37.575 cents per share on the Class A Series 7 preferred shares, 33.75 cents per share on the Class A Series 9 preferred shares, and 32.8125 cents per share on the Class A Series 11 preferred shares. The dividends are payable as of June 30, 2024, to shareholders of record on June 14, 2024.

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 \$2.92 and \$3.40, respectively.

Management's Discussion and Analysis (MD&A) and Interim Condensed 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 Q1-2024 MD&A, as well as the Q1-2024 interim condensed consolidated financial statements, which are available on the Company's website at www.intactfc.com and later today on SEDAR+ at www.sedarplus.ca.

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 interim condensed Consolidated 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 May 8, 2024 at 2:00 p.m. ET until midnight on May 15, 2024. To listen to the replay, call 416-764-8677 or 1-888-390-0541 (toll-free in North America), entry code 498474. 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 \$22 billion of total annual operating DPW.

In Canada, Intact distributes insurance under the Intact Insurance brand through agencies and a wide network of brokers, including its wholly owned subsidiary BrokerLink. Through belairdirect, Intact distributes directly to consumers. Intact also provides affinity insurance solutions through affinity groups, travel insurance, as well as exclusive and tailored offerings through Intact Prestige.

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.

In the U.K., Ireland, and Europe, Intact provides personal, commercial and specialty insurance solutions through the RSA, NIG and FarmWeb brands.

Non-GAAP and other financial measures

Non-GAAP financial measures and Non-GAAP ratios (which are calculated using Non-GAAP financial measures) do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry. Non-GAAP and other financial measures are used by management and financial analysts to assess our performance. Further, they provide users with an enhanced understanding of our financial results and related trends, and increase transparency and clarity into the core results of the business.

Non-GAAP financial measures and Non-GAAP ratios used in this Press Release and the Company's financial reports include measures related to our consolidated performance, our underwriting performance and our financial strength.

For more information about these supplementary financial measures, Non-GAAP financial measures, and Non-GAAP ratios, including definitions and explanations of how these measures provide useful information, refer to Section 16 – Non-GAAP and other financial measures in the Q1-2024 MD&A dated May 7, 2024, which is available on our website at www.intactfc.com and on SEDAR+ at www.sedarplus.ca.

Table 1 Reconciliation of NOI, NOIPS and OROE to Net income attributable to common shareholders, as reported under IFRS

	Q1-2024 Q1-2023	
Net income attributable to shareholders, as reported under IFRS	673	377
Remove: pre-tax non-operating results	13	141
Remove: non-operating tax expense (benefit)	(21)	35
NOI attributable to shareholders	665	553
Remove: preferred share dividends and other equity distribution	(17)	(16)
NOI attributable to common shareholders	648	537
Divided by weighted-average number of common shares (in millions)	178.3	175.3
NOIPS, basic and diluted (in dollars)	3.63	3.06
NOI attributable to common shareholders for the last 12 months	2,172	2,114
Adjusted average common shareholders' equity, excluding AOCI	14,785	15,039
OROE for the last 12 months	14.7 %	14.1 %

Table 2 Reconciliation of underwriting results on a MD&A basis with the interim condensed consolidated financial statements

Financial statements	FS	1	2	3	4	5	6	7	8	Total	MD&A	MD&A
For the quarter ended March 31, 2024												
Insurance revenue	6,511	(673)	(359)				(281)	(20)	15	(1,318)	5,193	Operating net underwriting revenue
Insurance service expense	(5,358)	314	420	(148)	8	(49)	302	20	(15)	852	(4,506)	Sum of: Operating net claims (\$2,717 million) and Operating net underwriting expenses (\$1,789 million)
Expense from reinsurance contracts	(673)	673								673	-	n/a
Income from reinsurance contracts	314	(314)								(314)	-	n/a
Insurance service result	794	-	61	(148)	8	(49)	21	-	-	(107)	687	Underwriting income (loss)
For the quarter ended March 31, 2023												
Insurance revenue	6,354	(847)	(80)				(541)	(59)	37	(1,490)	4,864	Operating net underwriting revenue
Insurance service expense	(5,596)	733	140	(86)	6	(35)	565	59	(37)	1,345	(4,251)	Sum of: Operating net claims (\$2,599 million) and Operating net underwriting expenses (\$1,652 million)
Expense from reinsurance contracts	(847)	847								847	-	n/a
Income from reinsurance contracts	733	(733)								(733)	-	n/a
Insurance service result	644	-	60	(86)	6	(35)	24	-	-	(31)	613	Underwriting income (loss)

Reconciling items in the table above:

- 1 Adjustment to present results net of reinsurance
- 2 Adjustment to exclude net underwriting revenue, net claims, net underwriting expenses from exited lines (treated as non-operating)
- 3 Adjustment to include indirect underwriting expenses (from Other income and expense under IFRS)
- 4 Adjustment to exclude the non-operating pension expense
- 5 Adjustment to reclassify intercompany commissions (to Distribution income & Other corporate income (expense))
- 6 Adjustment to exclude Net insurance service results from claims acquired in a business combination (treated as non-operating)
- 7 Adjustment to reclassify Assumed (ceded) commissions and premium adjustments
- 8 Adjustment to reclassify Net insurance revenue from retroactive reinsurance contracts

Table 3 Reconciliation of Net unwind of discount on claims liabilities to Net insurance financial result, as reported under IFRS

	Q1-2024 Q1-2023	
Net insurance financial result, as reported under IFRS	(97)	(251)
Remove: Changes in discount rates and other financial assumptions	(81)	92
Remove: Net foreign currency gains (losses)	(30)	(44)
Remove: Net insurance financial result from claims acquired in a business combination	(19)	(23)
Net unwind of discount on claims liabilities	(227)	(226)

Table 4 Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q1-2024 Q1-2023	
Net income attributable to shareholders	673	377
Remove: preferred share dividends and other equity distribution	(17)	(16)
Net income attributable to common shareholders	656	361
Divided by weighted-average number of common shares (in millions)	178.3	175.3
EPS, basic and diluted (in dollars)	3.68	2.06
Net income attributable to common shareholders for the last 12 months	1,527	2,269
Adjusted average common shareholders' equity	14,397	14,762
ROE for the last 12 months	10.6 %	15.4 %

Table 5 Reconciliation of consolidated results on a MD&A basis with the interim condensed consolidated financial statements

MD&A captions	Pre-tax							
	Distribution income	Total finance costs	Other operating income (expense)	Operating net investment result	Total income taxes	Non-operating results	Underwriting income (loss)	Total F/S caption
As presented in the Financial statements								
For the quarter ended March 31, 2024								
Insurance service result	43		6			(90)	835	794
Net investment income				380				380
Net gains (losses) on investment portfolio						(40)		(40)
Net insurance financial result				(227)		130		(97)

Share of profits from investments in associates and joint ventures	38	(5)	2		(7)	(6)	22
Other net gains (losses)						180	180
Other income and expense	19		(36)			(74)	(148)
Other finance costs			(57)				(57)
Acquisition, integration and restructuring costs						(113)	(113)
Income tax benefit (expense)					(157)		(157)
Total, as reported in MD&A	100	(62)	(28)	153	(164)	(13)	687
For the quarter ended March 31, 2023							
Insurance service result	36		(1)			(90)	699
Net investment income				295			295
Net gains (losses) on investment portfolio						149	149
Net insurance financial result				(226)		(25)	(251)
Share of profits from investments in associates and joint ventures	47	(4)	1		(10)	(4)	30
Other net gains (losses)						17	17
Other income and expense	22		(31)			(52)	(86)
Other finance costs			(50)				(50)
Acquisition, integration and restructuring costs						(136)	(136)
Income tax benefit (expense)					(174)		(174)
Total, as reported in MD&A	105	(54)	(31)	69	(184)	(141)	613

Table 6 Reconciliation of AEPS and AROE to Net income attributable to shareholders, as reported under IFRS

	Q1-2024 Q1-2023	
Net income attributable to shareholders, as reported under IFRS	673	377
Remove acquisition-related items, after tax		
Amortization of acquired intangible assets	57	49
Acquisition and integration costs	55	45
Tax adjustments on acquisition-related items	-	1
Net result from claims acquired in a business combination	2	1
Adjusted net income attributable to shareholders	787	473
Remove: preferred share dividends and other equity distribution	(17)	(16)
Adjusted net income attributable to common shareholders	770	457
Divided by weighted-average number of common shares (in millions)	178.3	175.3
AEPS, basic and diluted (in dollars)	4.31	2.61
Adjusted net income attributable to common shareholders for the last 12 months	1,950	2,697
Adjusted average common shareholders' equity	14,397	14,762
AROE for the last 12 months	13.5 %	18.3 %

Table 7 Calculation of BVPS and BVPS, excluding AOCI

As at March 31, 2024 2023

Equity attributable to shareholders, as reported under IFRS	16,740	15,241
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Remove: Preferred shares and other equity, as reported under IFRS	(1,619)	(1,619)
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Common shareholders' equity	15,121	13,622
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Remove: AOCI, as reported under IFRS	292	484
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Common shareholders' equity (excluding AOCI)	15,413	14,106
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Number of common shares outstanding at the same date (in millions)	178.4	175.3
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BVPS	84.76	77.72
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BVPS (excluding AOCI)	86.39	80.49
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Table 8 Adjusted average common shareholders' equity and Adjusted average common shareholders' equity, excluding AOCI

As at March 31,	2024	2023
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Ending common shareholders' equity	15,121	13,622
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Remove: significant capital transaction in the last 12 months	(557)	1,195
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Ending common shareholders' equity, excluding significant capital transaction	14,564	14,817
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Beginning common shareholders' equity	13,622	14,923
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Average common shareholders' equity, excluding significant capital transaction	14,093	14,870
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Weighted impact of significant capital transactions ¹	304	(108)
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Adjusted average common shareholders' equity	14,397	14,762
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Ending common shareholders' equity, excluding AOCI	15,413	14,106
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Remove: significant capital transaction in the last 12 months	(557)	1,195
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Ending common shareholders' equity, excluding AOCI and significant capital transaction	14,856	15,301
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Beginning common shareholders' equity, excluding AOCI	14,106	14,993
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Average common shareholders' equity, excluding AOCI and significant capital transaction	14,481	15,147
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Weighted impact of significant capital transactions ¹	304	(108)
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Adjusted average common shareholders' equity, excluding AOCI	14,785	15,039
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¹ March 31, 2023 figure represents the net weighted impact of the February 27, 2023 significant capital transaction. March 31, 2024 figure represents the weighted impact of the September 13, 2023 significant capital transaction.

Table 9 Reconciliation of Debt outstanding (excluding hybrid debt) and Total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	March 31, 2024	Dec. 31, 2023
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Debt outstanding, as reported under IFRS	4,714	5,081
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Remove: hybrid subordinated notes	(247)	(247)
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Debt outstanding (excluding hybrid debt)	4,467	4,834
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Debt outstanding, as reported under IFRS	4,714	5,081
Equity attributable to shareholders, as reported under IFRS	16,740	16,190
Preferred shares from Equity attributable to non-controlling interests	285	285
Adjusted total capital	21,739	21,556

Debt outstanding (excluding hybrid debt)	4,467	4,834
Adjusted total capital	21,739	21,556
Adjusted debt-to-total capital ratio	20.5 %	22.4 %

Debt outstanding, as reported under IFRS	4,714	5,081
Preferred shares and other equity, as reported under IFRS	1,619	1,619
Preferred shares from Equity attributable to non-controlling interests	285	285
Debt outstanding and preferred shares (including NCI)	6,618	6,985
Adjusted total capital	21,739	21,556
Total leverage ratio	30.4 %	32.4 %
Adjusted debt-to-total capital ratio	20.5 %	22.4 %
Preferred shares and hybrids	9.9 %	10.0 %

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 Direct Line Insurance Group plc's brokered Commercial Lines operations acquisition and the exit of Royal & Sun Alliance Insurance Limited ("RSA") from the UK personal lines market, including the sale of our UK direct personal lines operations to Admiral Group plc. 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 February 13, 2024 and available on SEDAR+ at www.sedarplus.ca. 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 Q1-2024 MD&A.

SOURCE Intact Financial Corporation

<https://newsroom.intactfc.com/2024-05-07-Intact-Financial-Corporation-reports-Q1-2024-results>