

## PRESS RELEASE

### Intact Financial Corporation reports Q4-2015 Results and 2015 Annual Results

#### Highlights

#### Q4-2015

- **Net operating income per share** of \$1.97 and a solid **combined ratio** of 88.6%
- Strong **underlying DPW** growth of 7%, driven by 6 points of organic growth
- **Operating ROE** of 16.6% for the last 12 months with total excess capital of \$625 million
- **Book value per share** up 6% this year to \$39.83
- **Quarterly dividend** increased 9% to \$0.58 per share

#### Charles Brindamour, Chief Executive Officer, said:

"Our strong fourth quarter results are indicative of our continued investment in growth initiatives including branding, digital leadership, product innovation, customer experience and distribution. Overall, we delivered solid topline growth while maintaining strong profitability as reflected in our combined ratio. Our acquisition of Canadian Direct Insurance (CDI) this year extended our direct-to-consumer business from coast to coast which positively impacted our business. We ended the year with a solid capital position supporting our ability to pursue growth prospects."

(in millions of dollars except as otherwise noted)	Consolidated Highlights					
	Q4-2015	Q4-2014	Change	2015	2014	Change
DPW <sup>1</sup>	1,897	1,760	8%	7,907	7,349	8%
DPW (underlying) <sup>1</sup>	1,908	1,775	7%	7,922	7,461	6%
Underwriting income <sup>1</sup>	221	216	5	628	519	109
Combined ratio	88.6%	88.2%	0.4 pts	91.7%	92.8%	(1.1) pts
Net investment income	110	111	(1)	424	427	(3)
Net operating income <sup>1</sup>	265	247	7%	860	767	12%
Net income	198	205	(3)%	706	782	(10)%
Earnings per share (in dollars)	1.46	1.52	(4)%	5.20	5.79	(10)%
Net operating income per share (in dollars) <sup>1</sup>	1.97	1.84	7%	6.38	5.67	13%
Operating ROE for the last 12 months <sup>1</sup>	16.6%	16.3%	0.3 pts			
Book value per share (in dollars)	39.83	37.75	6%			

(1) This is a non-IFRS financial measure, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. Please refer to Section 22 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details.

#### Current Outlook

- The Company expects that industry premiums will grow at a low single-digit rate. In **personal auto**, the Company expects mild rate reductions in Ontario auto to be offset by increases in other markets. In **personal property**, the Company expects the current hard market conditions to continue as changing weather patterns have negatively impacted industry results. In **commercial lines**, the Company believes continued low interest rates and elevated loss ratio of the past years, driven in part by weather events, have translated into firmer conditions.
- Overall, the **industry's ROE** is expected to trend back toward its long-term average of 10%. The Company expects the **industry's combined ratio** to continue to improve in 2016, from the recent peak above 100% in 2013.

#### Dividend

- The Board of Directors approved an increase to the **quarterly dividend** of 9% to \$0.58 per share on the Company's outstanding common shares. The Board also declared a **quarterly dividend** of 26.25 cents per share on the Company's Class A Series 1 and Class A Series 3 preferred shares. The dividends are payable on March 31, 2016 to shareholders of record on March 15, 2016.

#### Normal Course Issuer Bid

- The Board of Directors has authorized a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 6,577,156 common shares during the next 12 months, representing approximately 5% of the Company's issued and outstanding common shares.

<b>Underwriting</b>	<ul style="list-style-type: none"> <li>• <b>Underlying DPW</b> grew 7.5% to \$1.9 billion in the quarter, reflecting strong organic growth of 5.8% and 1.7 points from our CDI acquisition. Premiums grew as a result of our investments in growth initiatives and favourable market conditions. For 2015, underlying DPW increased 5.0% organically, and 6.2% including CDI, reflecting the results from our growth initiatives combined with favourable market conditions, positively impacting both units and premiums.</li> <li>• <b>Underwriting Income</b> for the quarter was \$221 million, up \$5 million from the strong results last year. Our ongoing organic growth initiatives combined with the acquisition of CDI helped increase net earned premiums by 6%, while the combined ratio was fairly stable at 88.6%. For 2015, underwriting income of \$628 million increased 21% compared to last year, reflecting higher net earned premiums combined with improved margins.</li> <li>• Overall, the <b>combined ratio</b> of 88.6% for the quarter and 91.7% for the year reflects a solid underwriting performance driven by our property lines.</li> </ul>
<b>Line of Business</b>	<ul style="list-style-type: none"> <li>• <b>Personal auto</b> reported underwriting income of \$28 million in the quarter compared to \$53 million a year ago. Underlying DPW grew 9.4% on 6.9 points of organic growth driven mainly by our growth initiatives and rational market dynamics. The combined ratio of 96.9% was 3.2 points worse than last year due mainly to headwinds from bodily injury trends in Alberta. We are taking claims and pricing action and engaging with the government in finding a solution.</li> <li>• <b>Personal property</b> reported underwriting income of \$123 million in the quarter compared to \$109 million a year ago. Underlying DPW grew 11.1% on 8.4 points of organic growth initiatives supported by hard market conditions, and a 2.7 point contribution from our CDI acquisition. The combined ratio was strong at 72.7% in an environment where there were no catastrophe losses, weather was benign and our profitability initiatives have been effective.</li> <li>• <b>Commercial P&amp;C</b> reported improved underwriting income of \$83 million in the quarter compared to \$53 million a year ago. The combined ratio was strong at 80.1%, improving by 7 points, benefiting from our action plan launched two years ago, lower large losses and benign weather.</li> <li>• <b>Commercial auto</b> reported an underwriting loss of \$13 million in the quarter compared to an underwriting profit of \$1 million last year. The combined ratio deteriorated by 8.4 percentage points to 107.9%, as we increased reserves to match our experience in this line of business. The underperformance of this line of business has led to corrective measures starting in Q4-2015 for policies renewing in 2016 with a target of bringing this line of business back to a low 90's combined ratio.</li> </ul>
<b>Investments</b>	<ul style="list-style-type: none"> <li>• On a quarterly and annual basis, net investment income of \$110 million and \$424 million respectively is largely unchanged, as the benefit of incremental operating cash flows was offset by lower yields. Net investment losses were up by \$69 million for the quarter and \$238 million for the year due to lower equity markets.</li> </ul>
<b>Net Income</b>	<ul style="list-style-type: none"> <li>• <b>Net operating income</b> for the quarter of \$265 million, was up 7% compared to last year. On a per share basis, net operating income increased to \$1.97. For 2015 net operating income was up 12% to \$860 million reflecting a 21% increase in underwriting income and strong distribution income. On a per share basis, net operating income increased 13% to \$6.38.</li> <li>• <b>Earnings per share</b> of \$1.46 declined this quarter as improved net operating income was offset by investment losses related to challenging capital market conditions. For 2015, EPS of \$5.20 declined 10% from 2014, as higher net operating income was offset by investment losses related to challenging capital market conditions, including higher equity impairments.</li> </ul>
<b>Balance Sheet</b>	<ul style="list-style-type: none"> <li>• The Company's <b>financial position</b> remains strong, with an estimated Minimum Capital Test (MCT) of 203% and \$625 million in total excess capital as at December 31, 2015, following the all-cash acquisition of CDI in early May. The Company's <b>book value per share</b> was \$39.83, an increase of 6% year over year.</li> <li>• The <b>operating ROE</b> for the last 12 months was very healthy at 16.6%.</li> </ul>
<b>Analysts' Estimates</b>	<ul style="list-style-type: none"> <li>• The average estimate of <b>earnings per share</b> and <b>net operating income per share</b> for the quarter among the analysts who follow the Company was \$1.57 and \$1.64, respectively.</li> </ul>

## **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 2015 MD&A as well as the 2015 Audited Consolidated Financial Statements, which are available on our website at [www.intactfc.com](http://www.intactfc.com) and later today on SEDAR at [www.sedar.com](http://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 "Investor Relations" section of our web site at [www.intactfc.com](http://www.intactfc.com)

### **Conference Call**

Intact Financial Corporation will host a conference call to review its earnings results later today 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, the Supplementary financial information and other information not included in this press release, visit our website at [www.intactfc.com](http://www.intactfc.com) and link to "Investor Relations".

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 later today at 2:00 p.m. ET until midnight on February 11. To listen to the replay, call 1 (855) 859-2056, passcode 22848980. A transcript of the call will also be available on Intact Financial Corporation's website.

### **About Intact Financial Corporation**

Intact Financial Corporation is the largest provider of property and casualty insurance in Canada. The company 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.

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### **Forward-Looking Statements**

This document may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these 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. Please read the cautionary note at the beginning of the MD&A.