

PRESS RELEASE

Intact Financial Corporation reports Q2-2016 Results

Highlights Q2-2016

- **Net operating income per share** of **\$0.83** despite a \$0.97 loss from the Fort McMurray wildfires
- **Combined ratio of 99.2%**, as losses from the Fort McMurray wildfires (8.8 points) offset strong underlying underwriting performance
- **Solid premium growth** of 5%, led by personal lines
- **Operating ROE** of 14.6% with \$857 million of total excess capital

Charles Brindamour, Chief Executive Officer, said:

"We delivered \$114 million in net operating income despite the \$127 million impact from the Fort McMurray wildfires, the costliest insured catastrophe in Canadian history. This is a strong testament to the resilience of our operations across the country and our ability to support our customers in good times and in bad. Our catastrophe response is well underway in Fort McMurray and we remain committed to helping our customers get back on track."

Consolidated Highlights

(in millions of dollars except as otherwise noted)	Q2-2016	Q2-2015	Change	YTD 2016	YTD 2015	Change
Direct Premiums Written ¹	2,458	2,344	5%	4,139	3,919	6%
Underwriting income ¹	16	158	(142)	161	276	(115)
Combined ratio	99.2%	91.6%	7.6 pts	95.8%	92.5%	3.3 pts
Net investment income	104	104	-	208	209	(1)
Net distribution income	43	34	9	57	54	3
Net operating income ¹	114	210	(96)	311	396	(85)
Net income	93	199	(106)	245	377	(132)
Earnings per share (in dollars)	0.67	1.47	(54)%	1.78	2.79	(36)%
Net operating income per share (in dollars) ¹	0.83	1.56	(47)%	2.29	2.93	(22)%
Operating ROE for the last 12 months ¹	14.6%	16.8%	(2.2) pts			
Book value per share (in dollars)	40.57	39.23	3%			
Total excess capital	857	564	293			
MCT	212%	200%	12.0 pts			
Debt-to-capital ratio	19.3%	16.8%	2.5 pts			

(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 the Company's industry. Please refer to Section 14 – *Non-IFRS financial measures* in the Management's Discussion and Analysis for further details.

Industry Outlook

- The Company expects that industry premiums will grow at a low single-digit rate. In **personal auto**, the Company expects normal claims cost inflation will lead to moderate rate increases in all markets. In **personal property**, the Company expects the current firm market conditions to continue, as companies adjust to changing weather patterns. While **commercial lines** remain competitive, the Company believes that continued low interest rates and elevated loss ratios of the past years support firm market conditions.
- Overall, the **industry's ROE** is expected to remain around its long-term average of 10%.

Dividend

- The Board of Directors approved a quarterly dividend of \$0.58 per share on the Company's outstanding common shares. The Board also approved 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 September 30, 2016 to shareholders of record on September 15, 2016.

Normal Course Issuer Bid

- As at June 30, 2016, the Company had repurchased and cancelled 370,500 shares for approximately \$32 million under its normal course issuer bid ("NCIB"). The NCIB allows for the purchase, for cancellation, of up to 6,577,156 common shares until February 11, 2017, representing approximately 5% of the Company's issued and outstanding common shares as at February 1, 2016.

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- Underwriting**
- **Solid premium growth** of 5% was driven by personal lines, as customers responded positively to new product offerings, improved digital experiences, distribution and branding initiatives. In commercial lines, growth was dampened by the slowdown of the Alberta economy. For the first half of 2016, the Company delivered solid premium growth of 6%.
 - **Underwriting income** was \$16 million, despite absorbing a \$173 million impact from the Fort McMurray wildfires. For the first half of 2016, the Company generated \$161 million of underwriting income, lower by \$115 million from last year, as improved underlying results were more than offset by the Fort McMurray catastrophe. For further details on the Company's efforts, please refer to Section 7.1 *Fort McMurray wildfires* in the Management's Discussion and Analysis.
 - Overall, the Company delivered a **combined ratio** of 99.2%, including 8.8 points of Fort McMurray catastrophe losses. Most of the losses were incurred in the property lines with a small portion in the auto lines. Excluding this catastrophe, the combined ratio was 90.4% on strong performance in property lines and commercial auto. Similar factors drove a combined ratio of 95.8% for the first half of 2016, which included 4.4 points of losses from the Fort McMurray wildfires.
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- Line of Business**
Q2 2016
- **Personal auto** premiums grew 6% on the Company's telematics offer, improved, digital experiences, distribution and branding initiatives. The combined ratio of 97.6% was impacted by a mild increase in claims frequency and severity, while earned rates were flat in the quarter. The resulting underwriting income was \$23 million compared to \$85 million last year.
 - **Personal property** premiums grew 9%, as growth initiatives were supported by favourable market conditions. The combined ratio was 106.7%, including 24.7 points of losses from the Fort McMurray wildfires. This resulted in an underwriting loss of \$30 million compared to income of \$31 million last year. Excluding this catastrophe, the combined ratio of 82.0% was very strong due to milder weather in Atlantic Canada, lower claims frequency and the effectiveness of the Company's profitability actions. On a year-to-date basis, the combined ratio of 94.7%, including Fort McMurray, was in line with our target to operate at 95% or better, even with elevated catastrophe losses.
 - **Commercial P&C** premiums declined slightly as rate increases were offset by headwinds from the Alberta economy. The combined ratio was 98.2%, including 10.7 points of losses from the Fort McMurray wildfires. This resulted in an underwriting income of \$7 million compared to \$33 million last year. Excluding this catastrophe, the combined ratio of 87.5% was strong, driven by lower large losses.
 - **Commercial auto** premiums grew slightly as rate actions were offset by headwinds from the Alberta economy. The combined ratio improved substantially to 90.3%, driven by profitability actions and favourable prior year development. This resulted in an underwriting income of \$16 million compared to \$9 million last year.
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- Investments**
- **Net investment income** of \$104 million was unchanged for the quarter. Net investment gains of \$28 million were driven by higher bond prices and more favourable equity markets. For the first half of 2016, the Company delivered net investment income of \$208 million, largely unchanged from the prior year. Net investment gains of \$8 million were driven by higher bond prices offset by challenging equity markets at the start of the year.
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- Distribution**
- **Net distribution income** of \$43 million was \$9 million higher than last year due to growth in our broker network and improved profitability. Similar factors drove an increase in net distribution income to \$57 million for the first half of 2016.
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- Net Income**
- **Net operating income** of \$114 million, or \$0.83 per share, was lower by 46% compared to last year, impacted by the Fort McMurray catastrophe. Excluding this catastrophe, net operating income per share would have increased by 15% year-over-year driven by higher underwriting and distribution income. For the first half of 2016, net operating income was \$311 million.
 - **Earnings per share** of \$0.67 were lower by 54% compared to last year, impacted by the Fort McMurray catastrophe. For the first half of 2016, earnings per share were \$1.78.
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Balance Sheet

- The Company ended the quarter in a very strong financial position, with an **estimated MCT of 212% and \$857 million in total excess capital**. The Company's book value per share was \$40.57, an increase of 3% from a year ago.
- The Company's **debt-to-capital ratio was 19.3%** at June 30, 2016, close to the Company's target level of 20%.
- The **operating ROE** for the last 12 months remains healthy at 14.6%.

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 \$0.55 and \$0.62, respectively.
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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 Q2-2016 MD&A as well as the Q2-2016 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 "Investor Relations" section of the Company's web site at 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 the Company's website at 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 August 3. To listen to the replay, call 1 (855) 859-2056, passcode 42274084. A transcript of the call will also be available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty insurance in Canada with close to \$8.0 billion in premiums. Supported by over 12,000 employees, the Company insures more than five million individuals and businesses through its insurance subsidiaries and is the largest private sector provider of P&C insurance in British Columbia, Alberta, Ontario, Québec, Nova Scotia and Newfoundland & Labrador. 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](#).

Media Inquiries

Stephanie Sorensen
Director, External Communications
1 (416) 344-8027
stephanie.sorensen@intact.net

Investor Inquiries

Samantha Cheung
Vice President, Investor Relations
1 (416) 344-8004
samantha.cheung@intact.net

Forward-Looking Statements

Certain statements made in this news release are forward-looking statements. These statements include, without limitation, statements relating to the evaluation of losses relating to the Fort McMurray wildfires, the outlook for the property and casualty insurance industry in Canada, 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.