# 3 Key Takeaways From Intact Financial Corporation’s Q2 Earnings

## Description

Last Monday, I wrote about what I was expecting from **Intact Financial Corporation’s** (TSX: IFC) second-quarter earnings release. The numbers are in and here are my key takeaways from the report.



**Property and casualty**

The property and casualty insurance market for Intact Financial is mixed. On the positive side, personal property and auto insurance was strong with rising premiums signalling a firm market. The home segment reported a combined ratio of 93.5%, while the auto segment posted a ratio of 91.5%. Also, looking at how competitive the insurance landscape is in Canada, being able to not only post sub-100 combined ratios, but also increase it on a sequential basis speaks volumes of the force of the company’s offering.

This stellar result helped the company post a $215 million net income for the quarter. A 109% year-over-year increase for the quarter! I liked these results and was not expecting such strong numbers considering the inclement weather during the first quarter of 2014.

**Commercial property and casualty**

In my last article, I wrote that I was concerned that the outcome from this division might weigh down the overall company results. I was wrong because Intact managed to post robust earnings thanks to the personal insurance division, but like I  predicted, the commercial property sector posted disappointing results.

Underwriting posted a loss of $2 million with a combined ratio at 100.5% due to increased claims. While this loss is small compared to the consolidated results of the company, the struggle is severe enough that management intends to take serious steps to restore profitability to this sector. I have no doubt in its competence to restore profitability to this section.

While the results fell short of expectations, I was anticipating much worse, and I can live with a small underwriting loss when all three other divisions are doing so well.

**Ontario legislation and book value per share**

Finally, I was interested to hear the company speak of its strategy concerning the incoming legislation regarding auto insurance in Ontario. Overall the comments were positive with management confident that any reduction in premiums implemented by the provincial government will be in the same range as the cost decrease for the underwriters. There should not be a meaningful impact on the results of the company, regardless of the trajectory that the government will decide.

This is great news since Ontario is one of the biggest car markets in Canada.

Another positive takeaway from the quarter was the almost double-digit increase in book value per share  for the last 12 months. Specifically, book value increased 9.5% to $36.29 per share, which for a financial company is nothing short of exceptional. Much of this increase stemmed from the strong underwriting profit of the personal insurance segment along with positive net investment gains both from the equity and fixed income portfolio.

**Final takeaway**

Intact Financial delivered great quarter amid harsh conditions so far in 2014. Not just that, but the bulk of its divisions managed to increase their profitability and volume of business. While management did say it was anticipating a more challenging environment in the coming months I am confident Intact Financial will be able to come out on top.



**CATEGORY**

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**TICKERS GLOBAL**

1. TSX:IFC (Intact Financial Corporation)

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