Intact Financial Corporation Reports Another Exceptional Year

Description

Last week **Intact Financial Corporation** (TSX:IFC) reported results that once again left investors with evidence that this is a top-notch company in the financial services industry. Net operating income per share increased 7% in the quarter and 13% for the full year, and the 16.6% ROE for the quarter compared to an ROE of 16.3% in the same quarter last year.

Let's look at two of the key operating metrics (direct premiums written and the combined ratio) and dive deeper into the results.

Direct premiums increase

Direct premiums written saw a 7.5% increase in the quarter and a 6.2% increase for the year. The personal property segment (20% of premiums) was the strongest performer with an 11.1% increase in the quarter and an 8.7% increase for the year. This was driven by the acquisition of Canadian Direct Insurance (CDI) as well as new products such as the lifestyle advantage and extended water protection as market conditions remained firm.

Combined ratio improves again

The overall combined ratio (incurred losses plus expenses divided by total premiums earned) for 2015 was 91.7%, compared to 92.8% in 2014 and 88.6% for the fourth quarter of 2015. This improvement was driven by strong performance in the personal property segment and the commercial property & casualty lines, which reported combined ratios of 85.9% and 90.3%, respectively.

This performance was driven by a lower claims ratio and lower catastrophe losses as weather was good and there were not many catastrophic events.

Investment income is stable

Investment income for the quarter and the year was pretty much stable. It came in at $110 million and $424 million, respectively. Book value per share increased 5% and excess capital was $635 million at the end of the year, which is quite impressive as it is at almost the same level as last year despite the all-cash acquisition of CDI in 2015.

Returning cash to shareholders

With this strong cash flow generation, management is in a position to return some of that cash to shareholders as well as continue to grow the business. And that is exactly what they are continuing to do. Management has been consistent in their message that they will return value to shareholders.

As such, the quarterly dividend was increased for the 11th year in a row this year by 9% to $0.58 per share. Additionally, the company authorized a normal-course-issuer bid to buy back shares as management believes that the shares represent good value at these levels.

Going forward

In terms of growing the business, the company remains optimistic about the future and still maintains that they will be the leader in consolidating the industry.

The company recently announced a strategic investment in U.S. company Metromile, which offers pay-per-mile car insurance in the United States, essentially reducing insurance costs for those drivers with low mileage. This is consistent with Intact's strategy to invest in and partner with innovative businesses.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:IFC (Intact Financial Corporation)

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