S&P Capital IQ

CONTENTS

Intact Financial Corporation TSX:IFC

FQ3 2015 Earnings Call Transcripts

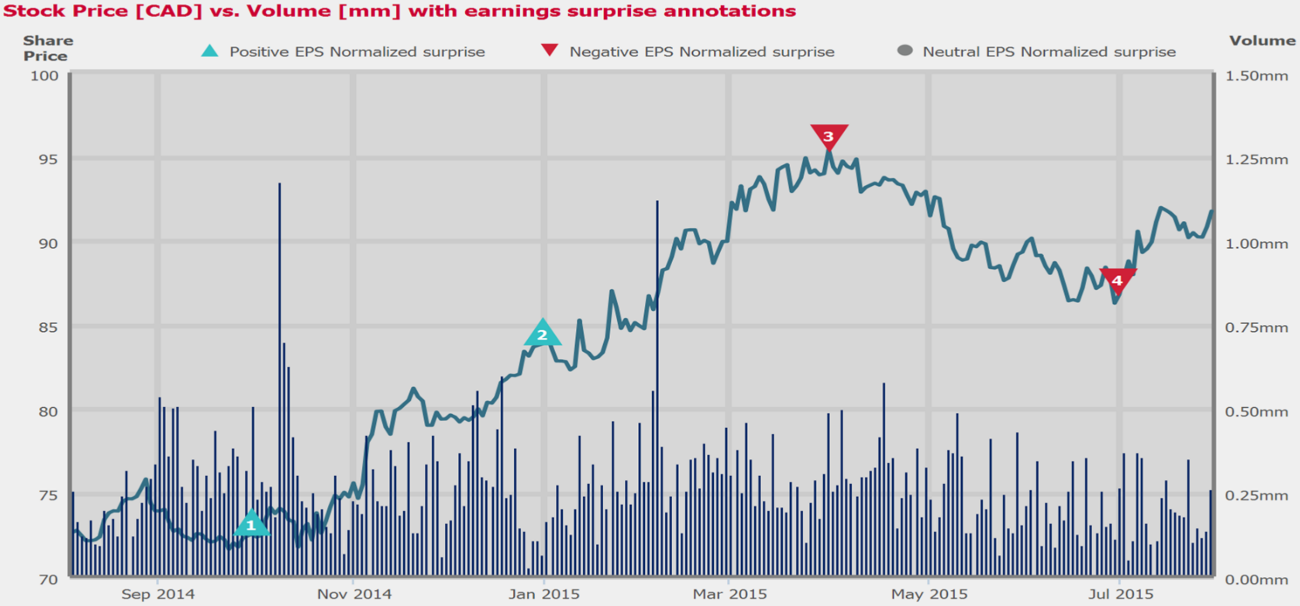
Wednesday, November 04, 2015 4:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2015-			-FQ4 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.63	1.47	▼(9.82 %)	1.66	6.50	6.76
Revenue (mm)	1883.82	1930.00	▲2.45	1882.12	7482.69	7831.67

Currency: CAD
Consensus as of Nov-04-2015 3:08 PM GMT

Stock Price [CAD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2014	1.10	1.55	▲1 40.91 %
FQ4 2014	1.46	1.84	▲2 26.03 %
FQ1 2015	1.39	1.37	▼3 (1.44 %)
FQ2 2015	1.66	1.56	▼4 (6.02 %)

Call Participants

EXECUTIVES

Alain Lessard
Senior Vice President of Commercial Lines

Charles Brindamour
Chief Executive Officer and Director

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Mathieu Lamy
Chief Information Officer and Senior Vice President

Patrick Barbeau
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Samantha Cheung
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Presentation

Operator

Good morning. My name is Connor, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Intact Financial Corporation Third Quarter Results Conference Call. [Operator Instructions]

Samantha Cheung, Vice President of Investor Relations, you may begin your conference.

Samantha Cheung
Vice President of Investor Relations

Thank you, Connor, and good morning, everyone. Thank you for joining the call today. A link to our live webcast and background information for the call is posted on our website at www.intactfc.com under the Investor Relations tab.

As a reminder, the slide presentation contains a disclaimer on forward-looking statements, which also apply to our discussion on this conference call today.

Joining me are Charles Brindamour, CEO; Louis Marcotte, CFO; Patrick Barbeau, SVP, Personal Lines; Alain Lessard, SVP of Commercial Lines; and Mathieu Lamy, SVP of Claims.

With that, I would like to turn the call to Charles to begin his remarks. Charles?

Charles Brindamour
Chief Executive Officer and Director

Good morning, everyone, and thanks for taking the time to join us today. Earlier this morning, we announced third quarter net operating income of $199 million or $1.47 per share, 7% better than a year ago. Growth accelerated across our platforms to a strong 8%, 6 points of which are organic. Our underwriting results are sound, with a combined ratio similar to last year's at 93.2%, while our distribution income continues to grow rapidly, reaching $28 million in the quarter.

As expected, investment income remained stable at $105 million despite a tough yield environment. Our performance led to an operating ROE of 16.9%, 2.6 points higher than last year. But our book value per share growth was modest at 4% given the challenging capital market environment.

On a year-to-date basis, we delivered net operating income per share of $4.40, up 15% from last year on higher underwriting and distribution income. Our ROE outperformance remained strong after 6 months at 520 basis points but narrowed from December 2014 as the industry's ROE improved to 10%, and we suffered from weaker capital markets.

As mentioned earlier, we have seen strong top line in the quarter, driven by all lines of business. Both rates and units together drove 6% organic growth, and we added 2 points from our acquisition of Canadian Direct Insurance. Even though our growth is strong, it does not come at the expense of quality and future profitability. We're equipped with proprietary profit indicators at the client level to ensure our growth is a profitable one.

Our initiatives to expand the business organically continue to pay off. New product launches such as cyber risk protection, our multimedia marketing campaigns as well as improved digital experiences through our buy-online offers or quick quotes all helped offset pressure from declining rates in Ontario. Our distribution activities are also contributing to our growth momentum.

That said, despite our strong operating ROE, we expected better underwriting results given the $81 million of catastrophes was slightly lower than what is typical in the third quarter, in addition to healthy support from prior year claims development. The deterioration in the current accident year loss ratio was largely driven by losses from multiple non-catastrophic weather events as well as large losses. We don't see this as a structural deterioration of the underlying performance of the business.

Let me give you a perspective by line of business now. So during the quarter, personal auto grew 9%, including 3 points from CDI, driven by a number of customer improvements in a better competitive dynamic. Although the combined ratio of 94.4% improved on prior year claims development, frequency is slightly higher, which we attribute in part to non-catastrophic weather events such as hailstorms. Our telematics data, which offers an apple-to-apple comparison with last year, does not provide evidence of higher number of kilometers driven.

With regards to the industry for personal auto, we expect minimal growth in the coming 12 months. As you know, rates vary across the country, with premiums growing in Alberta and Atlantic, remaining stable in Quebec and decreasing in Ontario, both of which are large contributors to our business.

We continue to believe that rate reductions in Ontario to be in line with the government's cost reduction measures. To date, the industry has taken close to 7 points of rate reductions before reflecting the impact of the April provincial budget and last year's Bill 15. The government-required rate filings for the end of October this year are to be effective in the second quarter of next year. We do expect 3 to 5 points in net cost reductions from the last reform package. We reflected some of those reforms in our latest rate changes already. This leaves us in a strong position to pursue our growth ambitions in that market.

In personal prop, we grew our premiums by 10%, including 3 points from CDI, in what continues to be a hard market. Our new products, such as our Lifestyle Advantage, and our early rate actions in this market, continue to improve our competitive positioning. Our combined ratio of 97.4% includes a higher level of non-cat weather events as well as large losses and the remaining impact of the Atlantic winter weather we talked about in the past couple of quarters. We don't view this as an ongoing issue.

On a year-to-date basis, our combined ratio is 4 points better than year ago at 90.5%, thanks to our home improvement plan. Overall, our view of the industry for personal property has not changed, and we see continued hard market conditions, leading to upper single-digit growth over 12 months.

Let me take a moment to discuss our commercial lines of business. Our profitability initiatives in commercial P&C, combined with firmer market conditions, led to very strong result this quarter, similar to last year's stellar results. We grew our business 3% year-over-year while taking robust actions to improve our performance, resulting in a combined ratio of 84.6% for the quarter and 89.1% on a year-to-date basis, in line with our low 90s target. The industry conditions continue to improve, and this industry segment should see mid-single-digit growth in the coming year.

While commercial auto premiums grew 8% in the quarter, we were disappointed with the combined ratio of 97%, which was primarily impacted by large losses and unfavorable prior year claims development. We are implementing specific corrective actions including rates, refined segmentation, underwriting strategies as well as loss prevention, aiming for a sustainable combined ratio in the low 90s. While still competitive at the industry level, we believe the market is firming up in that line, which should help underwriting profitability.

At the end of September, we remain in a strong financial position, with $389 million in excess capital and an MCT of 195%, after reflecting the impact of weaker capital markets and completing the acquisition of CDI. The integration of CDI into our operations in the West continues to be on track, with positive impact on top line and operating earnings. Our teams are ready to pursue other opportunities in the near to midterm.

In addition to growth and profitability, innovation is a key focus area of our development. During the quarter, we announced an agreement with Uber to develop tailored insurance products, our first foray into the rapidly growing sharing economy. We also announced an agreement with TELUS to create a unique fleet management insurance solution for Canadian businesses, leveraging our telematics capabilities.

This year continues to be very active for our employees across the country as we roll out new products and new technology interfaces, execute our branding initiatives and continue to consolidate distribution and manufacturing so as to ensure our customer experience continues to be second to none. Our employees' engagement makes a big difference, and we're well on our way to building Intact as one of the best employers in Canada.

In conclusion, our growth initiatives are paying off, leading to a strong top line, which will provide positive earnings momentum going forward. Our operating performance remains strong, and our ongoing actions should help us continue to outperform the industry's ROE by 500 points and grow NOIPS by 10% per year over time.

With a competitive environment conducive to growth, financial strength and a strong group of people across the country, we're confident in our prospects for the rest of 2015 and beyond.

With that, I'll turn the call over to our CFO, Louis Marcotte.

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Thanks, Charles. Good morning, everyone. Our top line growth accelerated further in Q3 to 8% on an underlying basis. We saw growth momentum in all lines and all regions, with a good mix of units and rate increases. Underwriting income grew 6% in the quarter on higher earned premiums and stable margins as our 93.2% combined ratio was unchanged from last year's.

Higher favorable prior year claims development and lower cat losses were offset by non-cat weather events and large losses. A non-cat weather event is considered one when multiple claims related to the event do not reach our $7.5 million cat threshold. A large loss is defined as a single claim for an amount above $250,000. Both these items combined had an estimated 2-point impact on the underlying current year loss ratio.

Net investment income was stable at $105 million as the benefit of incremental investments was offset by lower yields. We expect to see a mild erosion of our net investment income going forward as the low yield environment continues to be challenging.

The expense ratio of 29.8% is up slightly from last year as higher variable compensation was offset by lower commissions. Distribution income grew 40% in the quarter to $28 million, $82 million year-to-date due to the expansion of our distribution operations and its higher profitability. These profits vary significantly by quarter but remain on track to hit $100 million in 2015. We expect these earnings to grow north of 10% over the next 12 months based on our existing portfolio.

Net operating income per share of $1.47 is 7% higher than last year as a result of our growth and profitability initiatives and the items I mentioned earlier. There is also a positive impact from corporate and other income of $9 million, resulting from a onetime expense recorded last year.

Finally, the effective tax rate on operating earnings of the quarter was 20.4%, in line with our expectations but 1.9 points higher than a year ago when we benefited from the resolution of specific tax files.

Let me now provide a bit of color on our underwriting results. The personal auto business delivered strong organic growth, driven by 6% increase in units. Our investments in our brands and in the digital experience, combined with a favorable environment, have been instrumental in driving unit growth across the country. We reported a 1.4-point improvement in the combined ratio for the quarter. Favorable prior year claim development increased 1.9 points from last year, partly due to the impact of industry pools.

The underlying current year loss ratio was up 2 points, which we attribute to non-cat weather events, such as hailstorms, and slightly higher frequency. With regards to risk sharing pools whose results tend to fluctuate between quarters, we saw positive results from both the ceded pools, which we control, and assumed pools, which we share with the industry. In the quarter, our share of the assumed industry pools represented a profit of $4 million, a $15 million improvement from last year.

In personal property, we also saw solid organic growth of 8% on rate increases and 4% unit growth. From a margin perspective, this line of business performed slightly better than a year ago, delivering a combined ratio of 97.4%. While we had fewer headline catastrophes this year, our results were impacted by the higher level of non-cat weather events as well as multiple large losses and the remaining impact of the Atlantic winter storms. These items combined represent approximately 7 points and explain most of the increase of the underlying current accident year loss ratio. On a year-to-date basis, our combined ratio of 90.5% is a proof point that our action plan in personal property has been effective.

Commercial P&C grew 3% in the quarter, all organic, essentially on higher rates. The market is firmer, evidenced by our average rate increases of 4.3% in the quarter. Although we are watching economic indicators closely, particularly in the West, we have not yet felt much impact from a slowing economy on our commercial business except a bit of headwind in surety. The combined ratio remains very strong at 84.6% for the quarter, 89.1% year-to-date, and we expect another 1 to 2 points of improvement to be earned from our action plan.

On the commercial auto side, our combined ratio deteriorated 7.6 points to 97% partly due to noise from the reallocation of reserves between auto lines as well as an increase in large losses and some impact from U.S. exchange rates. Our corrective measures are aimed at curbing the impact of the last 2 items and returning to a combined ratio in the low 90s.

Finally, a few comments on our financial strength. Challenging capital markets resulted in net investment loss of $64 million in the quarter, a sharp reversal from last year's gains of $30 million. The loss was driven by impairments of $56 million primarily from continued weakness in the energy sector, which represents only 6% of our invested assets.

Our portfolio is well diversified, of high quality, and the asset mix is stable. Despite these challenging conditions, we ended the quarter in a solid financial position, with a debt-to-total capital ratio of 17.3%, $389 million in excess capital and MCT of 195%. The impact of mark-to-market losses on our portfolio in the quarter was 6 points of MCT. Book value per share was down 4% from Q2, including $1.55 from unrealized losses recorded in the quarter.

Both common and preferred shares were impacted by the markets, but the bulk of our unrealized losses were driven by the decline in the preferred share market, which was mostly affected by interest rate expectations. Our preferred shares comprise 8% of the investment mix and are of high credit quality, with an average rating of P2 by DBRS.

The decline in value is generally not related to credit risk of the issuers. Our preferred shares with reset features have been most impacted by the recent market behavior. Nevertheless, we remain long-term holders of preferred shares. As you know, a prolonged decline in the value of our equities could lead to further impairments. This would have no impact on our financial strength, our MCT or our acquisition capabilities. Impairments, if any, would negatively impact ROE in the year they are recorded. Fortunately, markets have rebounded in October, largely eliminating unrealized losses reported on our quarter end balance sheet.

Although final guidelines are not yet published, we expect our MCT ratio to be positively impacted by the upcoming changes in 2016, between 10 to 15 points over time. During the quarter, Moody's improved our outlook on our ratings from stable to positive. Also, Fitch launched a rating for IFC, assigning a rating of A- to our senior debt. Finally, we renewed our base shelf prospectus in September, increasing the amount to $5 billion from $3 billion to give ourselves a bit more room to fulfill our growth ambitions.

Overall, we reported a sound performance in the quarter, particularly considering the capital market headwinds. We remain in a solid financial position to capitalize upon growth opportunities. Our results this quarter show that our investments in CDI and organic growth initiatives are paying off. Distribution income is growing as planned while our underwriting results continue to be healthy. We have a strong platform from which to provide unparalleled service to our customers while delivering strong operating returns for our shareholders.

With that, I'll return the call back to Samantha.

Samantha Cheung
Vice President of Investor Relations
Thank you, Louis. Connor, we are now ready to take questions. Thank you.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Geoff Kwan with RBC Capital.

Geoffrey Kwan
RBC Capital Markets, LLC, Research Division

Just the first question I had was -- I know you guys gave some good color in terms of each of the division lines and then what happened. Just wondering if you can maybe give a little bit more, maybe some examples? Because I'm guessing with the non-cat weather, it may have been, for example, like the wind and rain storms out here in Vancouver and just trying to get a sense of what some of those events are. But also to -- around the larger losses, were they kind of geographic or maybe some examples of what those were?

Charles Brindamour
Chief Executive Officer and Director

Sure. I think -- thanks for your question, Geoff. I think the large losses are, of course, trickier to comment upon because they're individual cases, but we might give you a sense of pattern maybe. I'll ask Mathieu Lamy, who has the pleasure to manage all those non-cat weather events, and maybe you could give us a bit of color, Mathieu.

Mathieu Lamy
Chief Information Officer and Senior Vice President

Yes. So we have the non-cat event but still large related -- weather-related events in Alberta mainly, mainly in the West: a hailstorm in Central Alberta, We had one hailstorm in Quebec and some wind and rain in Ontario a little bit. So those are -- that varies from year-to-year because they are weather-related. They didn't make quite the threshold of $7.5 million, but they're still losses that are larger than...

Charles Brindamour
Chief Executive Officer and Director

Yes. And one needs to keep in mind that there was $81 million of cats as well. And as you know, this is slightly below our expectation for the third quarter, but it's still a meaningful amount of catastrophes to absorb and manage.

Mathieu Lamy
Chief Information Officer and Senior Vice President

Those were 2 large events in Central Alberta.

Geoffrey Kwan
RBC Capital Markets, LLC, Research Division

Okay. And then on the direct premiums written, it was -- I mean, it looked like a pretty good quarter. I know you've talked about the investment that you're making in brand, digital and whatnot there. Just was wondering if there's anything else that you might attribute to it. I mean, whether or not it's also with the harder market conditions that given you, typically, have moved first on price that others were catching up, and therefore, you became more competitive within the market. And again, if there's any other things that you would attribute to the strong performance.

Charles Brindamour
Chief Executive Officer and Director

Yes. Geoff, I think you're absolutely right. I mean, if you go back, let's say, 2 years, you will have seen us take a fairly proactive stance on correcting issues, whether it's commercial lines being cautious and rate reductions in Ontario to a certain extent and taking action in home insurance. And of course, when we did that, unit growth was muted. This prompted us to find ways to accelerate growth in other ways in addition to putting in place our strategy when it comes to client experience and distribution. Now the market is correcting, as we've identified in the outlook, and our actions are paying off at the same time. So I think when you put both at the same time, you get that sort of organic growth in the 6-ish percent range before CDI, which I would say if it would be for our actions alone, I'm not sure we'd be at 6% necessarily. We'd probably be in the mid-single-digit range. But we think this is a good environment for us to invest in client experience and in brand. And that's what we've shown in the second quarter following -- and in the third quarter as well.

Geoffrey Kwan
RBC Capital Markets, LLC, Research Division

Okay. And just the last question I had was, you talked about in terms of your cyber product, and then you made the announcement on the Uber. Is it -- the Uber one, is that an exclusive one? And also, just with respect to both of those lines, just if there's any thoughts as to what kind of potential impact it may have down the road on DPW.

Charles Brindamour
Chief Executive Officer and Director

I'll ask Alain to give a bit of color on the cyber because it's a product that we've launched in commercial lines, and I'll give you a perspective on the sharing economy.

Alain Lessard
Senior Vice President of Commercial Lines

Okay. So basically, we launched cyber early April this year, with the objective of trying to get a takeup rate of the coverage up to 20% on our books. And so far, we're quite pleased with the response because at the end of September, we were running at about 15% of our policy taking cyber coverage. But if we look at it on a new business, we're running closer to 35%, and that number has been increasing steadily. We have to understand that cyber is something that needs to be sold. It's a new coverage. It's a new risk for a lot of our customer. So it's something there we need to educate both the broker and the customer, but once we educate them, they see the value of it and the protection it gives in terms of privacy breach and everything. So we're quite happy with the takeup so far on the cyber coverage.

Charles Brindamour
Chief Executive Officer and Director

And then I think broadly, on products, I mean, we've highlighted examples of product launches that we've made. But we have, if I look at the past 12 months, a number of new products that we've added on the shelves ranging from our UBI strategy, which have been paying off very nicely, our Lifestyle Advantage in home insurance. We've recently announced new features that will be rolled out in '16 in home insurance in relationship with water coverage, and then some of the things we do in commercial lines. With regards to Uber, I mean, close to 90% of Canadians want to have access to a sharing-economy offer like the one that Uber provides. And we're working with them in cooperation with regulators to ensure that the insurance solution is as good as it can be available in the Canadian marketplace. And it is indeed an exclusive relationship at this stage.

Operator

Your next question comes from the line of Kai Pan with Morgan Stanley.

Kai Pan
Morgan Stanley, Research Division

First question is on the -- a follow up on the non-cat large losses. The 2 points impact, are those sort of like if you take it out for both personal auto, personal property line, looks like the underlying combined ratios remain unchanged year-over-year. Is that your expectation given the pricing -- auto, I can understand, but on the property side, do we expect further underlying improvements? Or would you think the margin now is sustainable for the future?

Charles Brindamour
Chief Executive Officer and Director

I think that in personal auto, it is a fairly stable environment, and we don't see much rate momentum in aggregate. I mean, rates are moving up in Alberta. Rates are moving up in the Atlantic. They are down a bit in Ontario. We think of automobile as a flat rate environment and a fairly stable cost environment. Home insurance, I think, is an area where there's been momentum in the past year, and there's a bit of upside left in terms of some of the actions we've taken. I'll let Patrick, who's the expert on the file, to give you a bit of perspective there.

Patrick Barbeau
Senior Vice President of Claims

Yes. On property, personal property, there are still some rates going up because unwinding capping on renewals, that's across the country. But as you know, we have talked about a very difficult winter in the Atlantic Canada that has affected our results all the way to August. And we are taking some additional actions there to make sure we address this situation, so additional rate is being taken in those provinces and a few product adjustments. So this is a line that we need to stay alert and proactive to keep our positioning, but we're very confident in where we are and correcting the few places we see new trends.

Charles Brindamour
Chief Executive Officer and Director

Perfect. And I think it's probably worth touching on commercial lines. If I just take the spirit of your question, there's been a bit of noise. Commercial P&C, as you know, we've been working on improving the performance of that line of business over the past few years. We've been trying to be opportunistic in a firming-up marketplace. And we're showing strong mid-80s combined ratio in that line, and we're increasing rates by 4.3% in the quarter. So for me, and Alain, correct me if I'm wrong, I think it's about 4.3%...

Alain Lessard
Senior Vice President of Commercial Lines

4.3%, yes.

Charles Brindamour
Chief Executive Officer and Director

In the quarter. I think the area of focus for us in the past few months after a few quarters of, I would call this disappointing or average performance, is commercial auto. And maybe Alain, you could touch on the key points that we're deploying in the coming weeks and couple of months in commercial auto to address the fact that we're just not happy with the mid- to upper 90s performance in that line.

Alain Lessard
Senior Vice President of Commercial Lines

Yes. So basically, when we look at the situation in commercial auto, there has been a lot of elements and noise coming out throughout the year, okay? But the results have been what it is in the last 4 quarters, and because of that, we have implemented corrective measure. I'm going to touch a little bit on some of those. Clearly, on the rate side, we are increasing rates mostly in provinces and in segments where we think we need and we're facing headwind. The first one that's been released lately is we're increasing our rates in Alberta by 9%. That's been approved. It was a filing done in August. That's been approved last week. So that will be coming up and affecting our results in the first quarter of 2016. We're -- also, we've rolled out in 2012 a new, I would say, fleet system, and that fleet system has accumulated a lot of information over the last 5 year. And we're basically bringing to our fleet rating algorithm the same kind of power and segmentation we did in P&C, and that again, will be gradually rolled out in the future. I want also to touch a little bit on the exchange rate. Part of our trucking book is exposed to exchange rate, like between the region, 10% to 30% of our exposure is in the U.S., and the exchange rate over the last 12 months has basically cost us 15% to 20%. We've taken some rate action but clearly not sufficient enough.

So we're doing and we're adjusting again our rates to reflect the closer exchange rate that we're basically living this year. So that's on the rate side pretty much what's going on, plus some adjustment here and there in the subsegments, smaller portfolio in the different provinces. We're also rolling out underwriting action, okay, more control, reviewing the eligibility classes. And we're also bringing review of our risk-sharing pool facility, ceding rules, things like this. And also, lately, we're doing more on the prevention side. All of our large trucking account are being visited by a preventionist prior to quoting to make sure they meet minimum prevention requirements that we've uptaken. And we're also -- as you see, rolled out a new prevention tool for our fleet manager in conjunction with a partnership with TELUS to, again, improve and promote a lot more prevention at the fleet management level. So we believe, clearly, that all of those action are what will bring our combined ratio back to the 90 levels.

Charles Brindamour
Chief Executive Officer and Director

Yes. So clearly, the spotlight is on commercial auto at the moment. Maybe additional color, what we're seeing now in commercial auto in the third quarter was a sort of 1.2% rate increase rolling in the system. We see that getting roughly 3 to 4x higher than that in '16.

Kai Pan
Morgan Stanley, Research Division

Thanks so much for expanding into commercial auto. Do you know what's exactly the reasons for these rising? Is it rising frequency or severity? And also, with the action you are taking right now, normally, how long will it take for the combined ratios to return to your target levels?

Charles Brindamour
Chief Executive Officer and Director

The issue in commercial auto is not frequency-driven. In fact, frequency is down in the quarter. Year-to-date, frequency is down minus 0.6% in commercial auto. I mean, it's essentially a severity issue. And Alain's talked about foreign exchange on U.S.-based losses. And when you get into trucking, for instance, you have movement back and forth around the frontier, and that's how those U.S. dollar-related losses emerge. We've had a number of large losses. And the fact that we've seen an increase in severity across the land, I think, is where we're seeing we need to take action. We've refined our reserving for commercial auto. There are certain elements of reserving that were looked at in aggregate between personal and commercial auto. And there's been some refinements in the third quarter that have pushed our perspective on commercial auto up a bit. Obviously, not very impactful on personal auto because personal auto is so much bigger than commercial auto, but when you make this change, you also put some pressure on your perspective of the severity. And so there was enough noise for us. There's not one single cause, one single source of inflation, just enough noise and a better marketplace to actually put corrective measures in place. The second part of your question was how long. I mean, underwriting measures can have an impact fairly quickly. Rates, as you know, you can expect in the first part of '16 to see our rates increase closer to 4%. And that will be earned over an 18-month sort of horizon.

Alain Lessard
Senior Vice President of Commercial Lines

Yes.

Charles Brindamour
Chief Executive Officer and Director

So our expectation is to see some momentum and some results in the near term. It's not a 3-year plan.

Kai Pan
Morgan Stanley, Research Division

Okay, great. My last question is on the investment side and the impact on your MCT. Looks like the market actually declined like 8.5% in Toronto Exchange in the third quarter. Your guidance in the past, you said 10% decline in the equity market result in 3 points impact on your -- 2- to 3-point impact on MCT. Looks like quarter is a little bit bigger. Could you kind of expand it a bit? And also, what's that MCT level? Would it have any impact on your capacity for financing future acquisitions?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So Kai, the guidance on sensitivity, as you mentioned, however, it actually -- we measure this 10% on common equities and then 5% on preferreds. Commons have deteriorated 10% in the quarter, 9% or something in Toronto, as you said, perhaps as north of 14%. And that's what drove the decline in the market value. So the commons have come down in line with the market, but the prefs have also impacted the MCT because of a 14% plus market decline in the quarter. So the 2 together actually drove the MCT decline.

Charles Brindamour
Chief Executive Officer and Director

How about capacity?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So on the capacity front, so this is a -- we don't see that as a reduction in our acquisition capacity. All transactions we look at, we would look at -- with the capital generation we can do on a quarterly basis, we think we can keep on -- keep the same capacity for acquisitions. We don't see that as an issue.

Operator

Your next question comes from the line of John Aiken with Barclays.

John Aiken
Barclays PLC, Research Division

Just a follow-on in terms of the investment portfolio. Given the weakness that we saw in the quarter and the volatility that it introduced to your MCT ratio as well as the book value, is there any thoughts to changing your investment strategy or the mandate that you've given your team?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

No. So we've looked carefully at this, and we remain long-term holders of the prefs, and our mix is expected to be somewhat stable to what it is today.

John Aiken
Barclays PLC, Research Division

Great. And a follow-on to your prepared commentary in terms of the distribution. I believe you mentioned that you're expecting 10% growth in 2016 with your existing portfolio. So then first of all, did I get that correct? And secondly, does that mean that any additional acquisition of brokers would actually add to that 10% number?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So yes to both, John. It is what I've mentioned, 10% next year. And then that's existing portfolios, so future acquisitions would be incremental.

Operator

Your next question comes from the line of Meny Grauman with Cormark Securities.

Meny Grauman
Cormark Securities Inc., Research Division

Just wanted to follow up on Uber and just ask a question about whether you're taking any actions or tracking the use of personal insurance among Uber drivers. And what's your perspective on that as being an issue or something that needs to be addressed and corrected?

Charles Brindamour
Chief Executive Officer and Director

I'll ask Patrick Barbeau to share his perspective on the impact on personal insurance.

Patrick Barbeau
Senior Vice President of Claims

Yes. So on Uber, as we said, for now, we have announced the partnership, but we are just in the process of working with regulators to find the right solution to start issuing the policies. So right now, we don't have -- we have not started to have them on our books. In terms of perspective on the results of the -- on the personal line sides for those driver, well, there's likely an additional exposure, but we will have a product that will be priced for that additional risk. So it's not -- this is not for us a concern. I think the risk will be properly rated. And Uber has been in place in a few different parts of the world already with some experience, so we can start with something and not from a blank page.

Operator

Your next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Charles, I just want to go back to the personal auto and some of the frequency you're seeing there. Last quarter, you talked about the frequency being up, and you thought it was kind of onetime due to small claim. This quarter, I noticed in the MDA, you said it was not because of increase in kilometers driven. Any others that you could kind of point to as to why we're seeing the increase in frequency in personal auto and any views on kind of whether that's going to moderate here going forward?

Charles Brindamour
Chief Executive Officer and Director

I'll ask Patrick to share his perspective on the kilometers driven because we've been pretty rigorous in trying to measure that, Brian, because you've heard the increase in kilometer driven as the reason for frequency increase in the past, in particular south of our border anyways. And so I'll ask Patrick to just share his perspective on that, and then we'll tell you what we've observed in a little more detail in the quarter.

Patrick Barbeau
Senior Vice President of Claims

Thanks. Okay, so on UBI, as you might recall, we have launched this initiative early in 2014. So we now have some history and are able to compare the kilometers driven by our clients in the quarter this year compared to the same quarter last year, and we've been doing that for, what, 3 quarters now since the beginning of the history. Our history is not long, but we have accumulated over 1 billion kilometers driven by our clients in the program so far. So I think it's starting to be a good indication. Of course, it's not the total of the portfolio. It's about 10%, 15% of the portfolio, but on that one that we can measure at this point, we're not seeing an increase in the average kilometers driven by clients.

Charles Brindamour
Chief Executive Officer and Director

In any of the province where we've looked at.

Patrick Barbeau
Senior Vice President of Claims

No, there's some fluctuations but nothing significant enough for us to conclude any trends at this point.

Charles Brindamour
Chief Executive Officer and Director

It's -- and it's almost a driver-by-driver comparison. Yes, so it's as tight as you'll get a reading on kilometers driven. Maybe you want to share a bit of perspective on what has been creating a bit of a frequency pop across the line?

Patrick Barbeau
Senior Vice President of Claims

Yes. So to recap, I think we have mentioned a 2-point deterioration on the current accident year loss ratio for personal auto in the quarter compared to last year. This is due to frequency. Severity for that line is flat year-over-year in the quarter. That 2 points, there's about half of it that's explained by, again, the weather events that we talked about. The hail, especially, that affect claims in auto is one, not only personal prop. The remainder, we don't have a very good explanation besides there's more accidents in our experience. So -- but we're not -- what we're doing is rates are already going up in Atlantic and Alberta. We're slightly accelerating those rate increase, and we're taking some also in Quebec just to make sure that we're proactive. And if there's anything behind that, we are maintaining our margins.

Charles Brindamour
Chief Executive Officer and Director

Yes. And I think there's a bit of noise in the frequency number as a result, for instance, of having more motorcycle than we used to following the Jevco acquisition. The frequency of motorcycle is highly seasonal, as you know. And year-over-year, it shouldn't make a big difference, but that's part of the noise. I think the integration of Canadian Direct Insurance brings a different profile of claims within relative terms because in the West, there's way more class claims. So you see a number pushing the frequency up, but you should have an offset on the severity side of things. In fact, in the quarter itself, the severity is down a bit but not as much as the frequency. So there's a bit of noise there, and -- but the biggest drivers are non-cat weather events and hail in Alberta clearly being the biggest driver of what we see on the frequency side of things.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then, Charles, my second question. Can you just remind us your thoughts on share buyback? Stock's down a fair amount, and obviously, I know your first priority is just to look at potential for organic growth as well as M&A. But would you think about buying back some stock here?

Charles Brindamour
Chief Executive Officer and Director

Yes. I think that -- no, there are good opportunities out there to consolidate the market, invest a bit abroad. I mean, this -- that perspective has not changed whatsoever, but it's -- on days like that, I'd love to have an open NCIB. I think that our -- I will say on this one, my philosophy is not to have an NCIB that you don't use. And given the opportunities that exist in the marketplace right now, I didn't feel we needed to have an open-ended NCIB because I didn't think we would actually use it. But would we have one? We definitely would be opportunistic with it, but as you know, you cannot just start an NCIB overnight. You need various approvals from the board and authorities. But I'd love to have an NCIB, yes.

Operator

Your next question comes from the line of Paul Holden with CIBC.

Paul David Holden
CIBC World Markets Inc., Research Division

So first question's going back to personal auto for a second now. So we've seen frequency trend up, I guess, for a few quarters now, and you said that you will respond by increasing rates in Alberta and Atlantic Canada. Does that suggest we should assume that frequency will remain at these elevated levels or perhaps even trend higher?

Charles Brindamour
Chief Executive Officer and Director

The point on rates going up in Atlantic and Alberta is not really frequency-driven. Rates are up right now. We've seen some severity in these jurisdictions. In the big scheme of the country, severity is down for a number of reasons. But the trigger for the rate increases in the Atlantic and Alberta has not really been a structural perspective on frequency. Would you

[Audio Gap]

Patrick Barbeau
Senior Vice President of Claims

[Audio Gap]

impact of Sparrowhawk decisions, and so it's the fact that we have an action plan, but we are taking rates also because

[Audio Gap]

yes. In Atlantic, a bit of the same. There was an increase in cats and stuff like that, that are affecting also severity. But I don't expect the -- an acceleration of frequency. That's not the reason why we're increasing rates. It's more we're being preventive. We observed a slight uptick in frequency over the last couple of quarters, and we're taking some rates to protect our margins, but we don't necessarily expect more to -- in the coming quarters.

Charles Brindamour
Chief Executive Officer and Director

There's not a structural view change on frequency at this stage.

Paul David Holden
CIBC World Markets Inc., Research Division

Got it. And then next question would be related to personal property. So when I look at Q3 for the last several years, we also -- we obviously see some seasonality in terms of the combined ratio, this year with less cats but more non-cat losses. So given your long-term target over time in this line of business is 95%, is it safe to assume above 95%, somewhere between 95% and 100%? Is that a fair way to look at it?

Charles Brindamour
Chief Executive Officer and Director

Well, look, we're saying we want to run that business sub-95% in good and in bad times, okay? And we're not saying we're happy with 95%. I think we want to have some room to absorb rougher years. So that's, I think, the first point of clarification. The second point of clarification is that indeed, as I think we've talked about in the burden of natural disasters, Q3 tends to have half of the yearly run rate, which is probably close to $100 million, would you say, Patrick?

Patrick Barbeau
Senior Vice President of Claims

Yes, yes.

Charles Brindamour
Chief Executive Officer and Director

This quarter at $81 million of catastrophes plus a bunch of smaller things, which, quite frankly, probably when you add everything up, it doesn't look too far from what a normal cat Q3 would be. So is it -- should one expect a combined ratio above 95% in the third quarter? I'd have to go back and think about it, but I would be inclined to say not necessarily.

Patrick Barbeau
Senior Vice President of Claims

Not recently [ph] anyway. Yes.

Charles Brindamour
Chief Executive Officer and Director

Not necessarily.

Paul David Holden
CIBC World Markets Inc., Research Division

Okay, good. And then final question is with respect to organic growth, and I appreciate you did give some growth expectations line by line, and it kind of suggests to me that maybe the 6% organic growth, give or take, is probably a good run rate for the next year or so. Is that a fair characterization?

Charles Brindamour
Chief Executive Officer and Director

In aggregate, I would say that's at the top end of what I expect we can produce in that environment. I don't think the run rate is necessarily far from that, but I would be very happy with more than 6%. Don't get me wrong. But we're quick to put corrective measures in place where we see inflation. So we're happy with 6% pre-CDI. We're happy with our capital position, which will allow us, just like with CDI, to add on top of that organic growth platform. But our objective is to grow earnings. That's really what we're focused on. And we're grateful that the environment allows us to grow organically at 6%, but our eyes are on the growth at the bottom.

Paul David Holden
CIBC World Markets Inc., Research Division

Got it. And then just sort of follow-up to that. How should we be thinking about unit growth more specifically, say, versus what we saw in Q3?

Charles Brindamour
Chief Executive Officer and Director

Well, what we saw in Q3 is units were fairly strong. I think when you look at the rate environment, you can expect -- I mean, unit growth in Q3 were 7.5% with CDI. So obviously, if you exclude CDI, you remove probably at least a couple of points there. And I think if you look at what we talked about during the call, including increasing rates in commercial auto, maintaining the sort of rate change perspective that we've seen at slightly above 4% in commercial auto, it'll be interesting to see how the units react to the actions we're taking in commercial auto at this stage. I expect our unit run rate in personal prop to be pretty good. There's no reason for me to think that the unit growth rate in personal auto will deteriorate. I think we'll have to keep our eyes on commercial lines as we're being opportunistic both in P&C as well as in auto.

Operator

Your next question comes from the line of Doug Young with Desjardins Capital Markets.

Doug Young
Desjardins Securities Inc., Research Division

Just a few, hopefully, quick questions. Just going back to commercial auto, and I just want to get maybe a little level deeper in terms of what drove some of the issues this quarter around the large losses. Was it a particular region? Like I know you're putting price increases through in Alberta. Was that predominately where the large losses came from? Or are you seeing more large losses in the U.S., excluding the FX impact? Is that where you're seeing it come from? And then further, is there a particular distribution channel where you've had some issues with -- and I'm assuming this is long-haul trucking that we're talking about, but is there a distribution channel where you've had some challenges with?

Charles Brindamour
Chief Executive Officer and Director

It's all distributed through independent brokers and, in fact, insurance. So no to the distribution channel. I'll let Alain give further perspective on large losses.

Alain Lessard
Senior Vice President of Commercial Lines

Yes. If I can give a bit of color on what's explaining the deterioration in results, we've mentioned a few elements, okay, between the refinement of our reserve, looking at selecting the parameter based solely on commercial automobile, a little bit of exchange rate impact and a little bit of large losses impact throughout the year, just want to say that these account overall for about 5 to 6 points throughout the year and explain about 6 points of the deterioration, okay? We don't necessarily see these elements as recurring, okay, unless there's a further deterioration on the exchange rate and elements like this. If I look at the large losses, we haven't seen clearly that it's coming from either a single regent -- or a single region. We have large losses even in the Quebec region where we don't see any bodily injury and everything. We have a bit more large losses coming out this quarter through the trucking. But if I look at it on a yearly basis, it's not necessarily the situation. So it's not a clear pattern. And also, because of the driver, the mileage on the trucking side, we do expect to see a little bit more large losses because they are spending about -- normally, 10% to 30% of their kilometers are driven in the U.S. And whenever there's an element there with the BI and everything, we do price and expect for larger losses, and we saw some of it this pattern. But we don't come out right now with a clear pattern saying we've identified one source as one element of the large losses.

Doug Young
Desjardins Securities Inc., Research Division

Okay. So there's not -- so the severity out of the U.S. isn't abnormal relative to what you've seen in the past, excluding the FX?

Alain Lessard
Senior Vice President of Commercial Lines

No. The thing that affected us this year in the U.S., it's -- to pinpoint, it's the fact that a lot of our reserve are being reviewed on an annual basis. And as people review the reserve, they corrected for the exchange rate that may have been open last year at $1.10, and today, it's about $1.30. So they adjusted for the exchange rate, but that is a one-off element.

Charles Brindamour
Chief Executive Officer and Director

Mathieu, do you want to add on this?

Mathieu Lamy
Chief Information Officer and Senior Vice President

No, that's true. So adjust or review periodically the reserve, and the exchange rates change like over the last 12 months, and that through the year, that got adjusted, but the effect is mainly in the number now at this point.

Charles Brindamour
Chief Executive Officer and Director

In the year, too. [ph]

Doug Young
Desjardins Securities Inc., Research Division

And I know that, as you mentioned, it's through independent channel, but you retain all the pricing in underwriting and client management. Yes, okay.

Charles Brindamour
Chief Executive Officer and Director

Oh, yes. Yes, absolutely. That's the business we are in, so people don't have our pen. Well, people never have our pen but certainly not in commercial auto. If I look at the commercial auto action plan, it's highly segmented, but it's fair to say that trucking is the area where the actions are most robust.

Doug Young
Desjardins Securities Inc., Research Division

Okay. And then just a few number questions. Louis, what's the size of your prefer -- your rate reset preferred book?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So the total preferred share portfolio is about $1.1 billion, and then the reset is about half of that.

Doug Young
Desjardins Securities Inc., Research Division

Okay. And then the non-cat, and I know you've kind of given some good explanations for Q3 of this year, do you recall what the non-cat losses roughly were last Q3? Was it at all significant just so we can do a year-over-year comparison?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

It was much lower, but I'll give you a figure -- give me a minute, I'll give you a more precise one.

Doug Young
Desjardins Securities Inc., Research Division

Okay. And then just lastly, while you're looking at that, the Atlantic Canada, I mean, the losses on the winter storms creeping into August, can you just enlighten me in how that -- or what transpired that it creeps into August?

Charles Brindamour
Chief Executive Officer and Director

Yes, that's a question -- you're not the only guy asking that question. It's been asked here a fair bit. I'll ask Mathieu to give his perspective on that.

Mathieu Lamy
Chief Information Officer and Senior Vice President

So the harsh winter condition lasted late into the spring, caused by more snowfall. We call that ice damming. And those losses got reported late, and they got reported through the summer. We even got a second wave when people went to their seasonal properties and discovered their trailers with roof issues. So that's still July and August. We got late reported loss on this. And the severity of those losses was higher than expected because of the amount of snow we got this winter. That's the color I can provide on this.

Operator

Your next question comes from the line of Tom MacKinnon with BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

Louis, I think you've mentioned that 6% of your invested -- total invested assets were in energy. Can you provide what the breakdown is of those energy assets by common and preferred and fixed? And then I got a follow-up question.

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Sure. So in the meantime, I'll just remind you that in our energy sector, we're a bit split between the infrastructure, the transportation and the production. And that's important because it talks to the quality of our portfolio because we're invested there, but we believe that our choice of investments has been fairly of high quality. So that's important to remember. Let me just pull out the specific details where we are. On fixed income, where energy as part of common shares, is about 20%, and I'm referring to my stats up for information. So it's 20% of our commons, it is 14% of -- in the prefs, and in fixed income it's not material. So it's really in the commons and in the prefs that we see them. And those are figures at the end of Q3.

Tom MacKinnon
BMO Capital Markets Equity Research

And I think you mentioned that there was the $1.55 per share unrealized mark-to-market loss in the quarter. I think you said this has rebounded since then. Is that -- maybe just give the magnitude of the rebound and where we're seeing that rebound?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So we've seen markets rebound, and this is a mix. So the unrealized position includes fixed income, prefs and common equities. The 3 of them together have rebounded. We had a net unrealized position of $121 million, and we're back up north of $100 million since the end of October. So we've seen the gains on the bond side, the prefs unrealized is lower than it was, and so are the commons.

Charles Brindamour
Chief Executive Officer and Director

So that would be since the end of September, right?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

End of September, I'm sorry.

Charles Brindamour
Chief Executive Officer and Director

People would have known.

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So on the 3 types of investments, there was a rebound since the end of September. So that talks to the bit of volatility of the markets, and hopefully, if we're...

Tom MacKinnon
BMO Capital Markets Equity Research

No. Obviously, that's a positive to the MCT then since then, correct?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Yes, that's right, that's right.

Operator

Your next question comes from the line of Mario Mendonca with TD Securities.

Mario Mendonca
TD Securities Equity Research

Just to clarify that last question, Louis, you said it's now north of $100 million. You mean north of $100 million positive now?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

That's right. So of the $121 million unrealized at the end of September, we have recovered a bit more than $100 million by the end of October.

Mario Mendonca
TD Securities Equity Research

Okay. So just a modest negative now if we were to mark it now?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

That's right.

Mario Mendonca
TD Securities Equity Research

Okay. And then a couple other quick number questions then. The industry in Ontario, auto price reduction, 6.8%, I think you've disclosed that. I didn't see the reference to what Intact has taken in price reductions.

Patrick Barbeau
Senior Vice President of Claims

Yes. So that's at the end of Q3. IFC overall has taken a bit less than 10%, the difference being that we have reflected, as we discussed previously, the impact of Bill 15 already, which most -- have not, so those are the numbers. That doesn't include the first round of the filings from the last reform, which was the winter tire discount that will be implemented in January. Those were approved mainly in the month of -- or after the end of the quarter. That's an additional 1 point that we can force before the industry.

Charles Brindamour
Chief Executive Officer and Director

So I think, Mario, when we say 3 to 5 points of reforms coming in terms of cost reduction, it's probably fair to assume that you'll see that at the industry level. I think our point is that a portion of that has been reflected in the rate actions we've taken so far. And as such, one should anticipate something less than that when it comes to the Intact family.

Mario Mendonca
TD Securities Equity Research

Okay. One -- another quick numbers question. On the preferred share portfolio, could you tell us year-to-date the total amount of preferred share impairments, charges taken plus any realized losses? I don't suppose there are. I don't know if you sold any, so just the impairments if that's the case year-to-date.

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Yes. So on the overall, prefs have been down since the quarter. They're now -- they went down $152 million. The specific year-to-date impairment is $38 million.

Mario Mendonca
TD Securities Equity Research

So that's the total amount...

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So $14 million in -- total amount of impairments year-to-date on prefs, $14 million in Q3.

Charles Brindamour
Chief Executive Officer and Director

And the $38 million is largely credit-driven.

Mario Mendonca
TD Securities Equity Research

All right. So you've not taken any impairment charges. And this is where I was going with this, you have not taken any impairment charges as it relates to just simply lower interest rates on the resets?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

No, and that's an important point. Our impairments tend to be triggered by credit events rather than interest rate triggers. So...

Mario Mendonca
TD Securities Equity Research

Sure. But -- and this is where the next question is going then. Your policy is if some -- if the preferreds are in an unrealized loss position for 18 months -- this is my understanding of your policy. If they're in an unrealized loss position for 18 months or more, you impair them. Does that true as it relates to the interest rate impact?

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

So I will say that's a good question. And we are currently reviewing that. So that...

Mario Mendonca
TD Securities Equity Research

You don't know yet.

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Well, we're facing this. So the policy, as you said, is an 18-month policy with a -- simply a time frame at this point though we're challenged by the fact that it's not credit-related, it's interest rate-related. And so we're sort of doing the best...

Charles Brindamour
Chief Executive Officer and Director

Because historically, the impairments were credit-driven.

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Absolutely.

Mario Mendonca
TD Securities Equity Research

Yes, for sure. Yes, I just wanted to make sure if you were going to stay -- stick with the policy or revise it because this is a different circumstance. And your answer is, "We don't know."

Louis Marcotte
Chief Financial Officer and Senior Vice President of Finance

Well, we're going to refine it if appropriate.

Charles Brindamour
Chief Executive Officer and Director

But historically, it's credit-driven.

Mario Mendonca
TD Securities Equity Research

I understand that. And then one final question on personal property. Like Doug, I was a little surprised to see these charges coming through, and I suspect everybody else was, these claims and -- related to the winter storms. The -- my question is, is this not something that should have been anticipated and built into the reserves? Or is this just such a big surprise that there would be that much snow in Atlantic Canada?

Charles Brindamour
Chief Executive Officer and Director

I think the reporting pattern was a surprise to us every month. And there's not an equivalent model that we've seen in the past that would trigger reserving for that reporting pattern. And Mario, when a cat happens, within one evening of the phones starting to ring after a cat, we know roughly what the ultimate will be because we have a database of cat reporting models. This sort of pattern is the first time we see that. So I would say, first of all, this was not a cat. This was a 75-day winter event, and we were really surprised in June and July that we'd have those sorts of reporting taking place. And August was a shock. So in theory, one could have put maybe some IBNR for that, but we've never seen such a reporting pattern.

Operator

There are no further questions at this time. I will turn the call back over to Samantha Cheung.

Samantha Cheung
Vice President of Investor Relations

Thank you all for your participation today. The telephone replay will be available following this call for a period of 1 week while the webcast will be archived on our website for a period of 1 year. As well, a transcript will also be available on our website following this call. As a reminder, we will be hosting our Annual Investor Day in Toronto during the afternoon of Wednesday, December 2, and our fourth quarter and year-end results for 2015 will be released on February 10, 2016. Thank you again.

Operator
This concludes today's conference call. You may now disconnect.