

Intact Financial Corporation Reports Third Quarter Results

- **Acceleration of direct written premium growth to 4.0%**
- **Operating income down as a result of the high number of severe summer storms, as previously announced**
- **Book value per share up 9.9% year-to-date and a strong excess capital position of \$635 million**

Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended September 30, 2009 of \$21.6 million, or \$0.18 per share, down 79.7% from the corresponding quarter of last year. Good automobile underwriting performance was offset by the impact of the high number of severe weather events, mainly affecting property results, for an overall combined ratio of 105.2%.

The company recorded a net loss of \$8.0 million, or \$0.07 per share, compared to net income of \$57.3 million, or \$0.47 per share, for the same period last year, primarily reflecting lower underwriting results, the impact of market yield effect and a non-cash accounting loss related to the increase in value of its preferred shares portfolio.

Direct written premium growth accelerated by 4.0%, to \$1,144.1 million, with increases in all lines of business, reflecting growth initiatives and firming industry conditions.

CEO's Comments

"While the pace of growth of our direct written premiums has been most encouraging, the high costs of property damage associated with the unusual number of summer storms resulted in one of our worst underwriting results since the 1998 ice storm. Despite the disappointing impact of these events, our underlying home insurance results continued to improve and our auto insurance business performed well both during the quarter and throughout 2009," said Charles Brindamour, President and CEO, Intact Financial Corporation.

"As the pricing environment shows increasing signs of firming up following a decline in underwriting margins, investment yields and excess capital across the industry, we are well positioned to take advantage of the underlying growth opportunities."

"Our financial situation is very strong with a continued increase in our excess capital position which reached \$635.2 million. In addition, our book value grew by nearly 10% since the beginning of the year as a result of improved capital market conditions," said Mr. Brindamour.

Dividend

The Board of Directors of Intact Financial Corporation declared a quarterly dividend of 32 cents per share on its outstanding common shares. The dividend will be payable on December 31, 2009 to shareholders of record on December 14, 2009.

Current Outlook

Home insurance premiums are increasing across the industry as a result of water-related damage, which is now the leading cause of home insurance claims. Personal auto insurance premiums are also increasing, reflecting medical cost inflation in Ontario. In commercial lines, there are more concrete signs of firming market conditions.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q3-2009	Q3-2008	Change	YTD 2009	YTD 2008	Change
Direct premiums written (excluding pools)	1,144.1	1,100.3	4.0%	3,263.6	3,177.3	2.7%
Underwriting (loss) income ¹	(53.2)	61.9	(185.9)%	(2.1)	106.1	(102.0)%
Net operating income ²	21.6	106.4	(79.7)%	183.5	285.8	(35.8)%
Net (loss) income	(8.0)	57.3	(114.0)%	30.0	192.3	(84.4)%
Net operating income per share (dollars)	0.18	0.88	(79.5)%	1.53	2.33	(34.3)%

Earnings per share						
Basic and diluted (dollars)	(0.07)	0.47	(114.9)%	0.25	1.57	(84.1)%
Return on equity (ROE) for the last 12 months	(1.2)%	9.5%	(10.7) pts			
Operating ROE for the last 12 months³	8.4%	12.5%	(4.1) pts			
Combined ratio (excluding MYA)	105.2%	94.0%	11.2 pts	100.1%	96.5%	3.6 pts

¹ Underwriting income is defined as underwriting income excluding market yield adjustment (MYA).

² Net operating income is defined as the sum of underwriting income, interest and dividend income and corporate and distribution income after tax.

³ Defined as operating income for the last 12 months divided by the average equity (excluding accumulated other comprehensive income) for the same period. The average is calculated by adding the beginning balance and the ending balance and dividing by two.

Operating Highlights

- **Net operating income** for the quarter amounted to \$21.6 million compared to \$106.4 million in the third quarter of 2008. Net operating income for the first nine months was \$183.5 million, down 35.8%. The decrease in both the quarter and year-to-date reflects the impact of severe storms on property results.
- **Direct premiums written** increased 4.0% in the third quarter to \$1,144.1 million with gains in all lines of business, reflecting increases in both premiums and the number of risks insured. Year-to-date, direct premiums written increased 2.7% to \$3,263.6 million.
- **Underwriting income** in the quarter was down with a loss of \$53.2 million and a combined ratio of 105.2%

Personal auto results continued to be good with a combined ratio of 95.9% and underwriting income of \$21.4 million. Direct written premium growth was 4.5%, reflecting higher average premiums and an increase in the number of risks insured as industry pricing continued to firm up, primarily in Ontario.

Direct written premium growth in personal property increased 4.0%, reflecting premium growth under Intact's initiatives to address the industry-wide increase in water-related property claims. Overall, personal property underwriting results were poor due to a high number of severe storms resulting in a combined ratio of 129.3%. Underlying performance in personal property excluding major weather related claims improved year-over-year for the second consecutive quarter.

In the commercial insurance portfolio, direct written premiums increased by 2.9%, showing further evidence of firming market conditions. Strong underwriting performance in commercial auto resulting in a combined ratio of 87.1% was offset by lower underwriting results in commercial property and casualty (P&C). Commercial P&C underwriting results decreased mainly due to a small number of significantly large fires which led to a combined ratio of 109.0%.

Interest and dividend income, net of expenses was healthy at \$72.9 million in the third quarter with a market-based yield of 4.4% compared to 4.9% in the same quarter of last year.

Investments

The Canadian capital markets rebound that began in March continued to increase the overall market value of the company's invested assets. As the preferred share portfolio increased in value by 8.8%, the company recognized a \$30.4 million non-cash accounting loss on the embedded derivatives of its perpetual preferred shares.

Capital Management

The company's financial position remains very strong at the end of the third quarter, with \$635.2 million in excess capital and a minimum capital test of 219.2%, 8.1 percentage points higher than the end of the second quarter of 2009. The significant increase in the excess capital position includes the \$250 million medium-term note offering in August, the proceeds of which

were reinvested in the company's investment portfolio. Year-to-date, the company's book value per share rose to \$24.13 from \$21.96.

Analyst Estimates

The average estimate of earnings per share and net operating income per share for the third quarter among the analysts who follow the company was \$0.12 and \$0.14 respectively.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later this morning at 10:00 a.m. ET. To listen to the call via live audio webcast and to view the presentation slides, the statistical supplement and other information not included in this press release, visit our website at www.intactfc.com and link to "Investor Relations."

The conference call is also available by dialling 416-644-3426 or 1-800-732-1073 (toll-free in North America). Please call ten minutes before the start of the call.

A replay of the call will be available at 12:00 p.m. ET November 11 through 11:59 p.m. ET on Thursday, November 19. To listen to the replay, call 416-640-1917 or 1-877-289-8525 (toll-free in North America). The passcode is 4166128. A transcript of the call will also be available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation (www.intactfc.com) is the largest provider of property and casualty insurance in the country with over \$4 billion in premiums. Its 7,000 employees offer home, auto and business insurance under the Intact Insurance, Novex Group Insurance, belairdirect and Grey Power brands.

Media inquiries:	Investor inquiries:
Ian Blair	Michelle Dodokin
Director, External Communications	Vice President, Investor Relations
416-341-1464 ext. 45251	416-344-8044
Email: ian.blair@intact.net	Email: michelle.dodokin@intact.net

<https://newsroom.intactfc.com/2009-11-11-Intact-Financial-Corporation-Reports-Third-Quarter-Results>