

Intact Financial Corporation reports 2010 first quarter results

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- Net operating income up 62.5% on improved underwriting performance
- Top-line growth accelerating to reach 5.2%
- Combined ratio improves 6.0 percentage points to 93.2%
- Operating ROE reaches 10.9%

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TORONTO, May 5 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended March 31, 2010 of \$112.3 million, or \$0.94 per share, up 62.5% compared to the same quarter last year. The increase was driven by strong underwriting performance across all lines of business. Operating return on equity for the last twelve months was 10.9% despite last summer's severe weather conditions. Overall, the combined ratio improved by 6.0 percentage points during the quarter to 93.2% as a result of the mild winter and continued progress on the company's action plans.

Direct premiums written increased 5.2% to \$914.3 million, up \$45.5 million from same period last year, continuing the trend of accelerating growth that began in early 2009.

Net income for the quarter was \$119.7 million, or \$1.01 per share, compared to a loss of \$36.3 million, or \$0.30 per share, for the same period last year. The increase was driven by better operating results and higher gains on investments resulting from improved equity market conditions.

CEO's Comments

"This was a particularly strong quarter with one of the best underwriting performances in the past three years as we benefited from remarkably mild weather conditions. All business lines performed well as a result of the positive impact of our action plans, especially in home insurance, which recorded excellent results," said Charles Brindamour, President and CEO, Intact Financial Corporation.

"Direct premiums written growth continued to accelerate on the strength of our ongoing initiatives and improved pricing conditions across all lines of business. However, the unpredictability of weather patterns and the increasing costs of medical claims in Ontario, pending the implementation of auto insurance reforms in the province later this year, may impact the industry's short-term performance," said Mr. Brindamour.

Dividend

The Board of Directors of Intact Financial Corporation declared a quarterly dividend of 34 cents per share on its outstanding common shares. The dividend will be payable on June 30, 2010 to shareholders of record on June 15, 2010.

Current Outlook

Although mild weather has been experienced for the past six months, personal property premiums are increasing to reflect the impact of more frequent or severe storms, as well as water-related losses which are the leading cause of home insurance claims. In personal auto, the Ontario Government adopted a new auto insurance regime in March that should result in better cost control while offering consumers some of the best protection in the country. These changes take effect September 1, 2010. However, in the interim, personal auto premiums in the province will continue to increase due to medical cost inflation. While pricing conditions in business insurance remain soft, there are clear signs that pricing is firming up, particularly in Ontario, in the segments where we operate. The company expects that similar conditions will develop across the country over time.

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Consolidated Highlights

(In millions of dollars, except as otherwise noted)

	Q1-2010	Q1-2009	Change
Direct premiums written (excluding pools)	914.3	868.8	5.2%
Underwriting income(1)	69.0	7.9	773.4%
Net operating income(2)	112.3	69.1	62.5%
Net income (loss)	119.7	(36.3)	n/a
Net operating income per share (dollars)	0.94	0.58	62.1%
Earnings per share - basic and diluted (dollars)	1.01	(0.30)	n/a
Return on equity (ROE) for the last 12 months	10.3%	2.4%	7.9 pts
Operating ROE for the last 12 months(3)	10.9%	11.5%	(0.6) pts
Combined ratio (excluding MYA)	93.2%	99.2%	(6.0) 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) Operating ROE is defined as net operating income for the last 12 months divided by the average shareholders equity (excluding accumulated other comprehensive income) for the same 12-month period. The average shareholders equity is calculated by adding the beginning balance and the ending balance and dividing by two.

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Operating Highlights

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- Net operating income for the quarter was \$112.3 million, up \$43.2 million from \$69.1 million for the same quarter in 2009, as a result of strong underwriting performance.
- Direct premiums written increased 5.2% in the first quarter to \$914.3 million, continuing the trend of accelerated growth that began in early 2009 due to rate increases across all lines of business and an increase in insured risks in business insurance.

Personal insurance premiums grew 6.6% as a result of higher rates for both home and auto insurance. Increased insured amounts in home insurance and growth in the number of risks written in auto insurance also contributed. Business insurance written premiums grew 2.1% as a result of a 4.0% increase in the number of risks insured and rate increases offset by the cancellation of a number of group accounts in late 2009.

- Underwriting income in the quarter increased to \$69.0 million from \$7.9 million for the same period last year and the combined ratio improved by 6.0 percentage points to 93.2% as performance in home insurance and commercial P&C continued to improve.

Home insurance was profitable for the second consecutive quarter, with an underwriting gain of \$29.0 million compared to a loss of \$26.9 million for the same period last year. The solid combined ratio of 87.8% reflects a significant improvement in that line of business resulting from continued progress under the company's home insurance action plan and a milder winter. Personal auto underwriting income declined slightly to \$15.9 million, with a combined ratio of 97.0%, mainly as a result of higher medical costs in Ontario which offset improvements in other provinces.

The combined ratio in business insurance improved 3.2 percentage points to 90.9% on stronger commercial P&C results. Commercial auto results remained strong despite a 6.9 point decline in the combined ratio compared to the same quarter in 2009.

- Interest and dividend income, net of expenses remained healthy at \$73.1 million, up 0.8% from the same period of last year.

Market-based yield was 4.1%, down from 4.7% in the first quarter of 2009, mainly because of lower market yields and the increased value of our investment portfolio.

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Investment Gains

Net gains on invested assets, excluding held-for-trading bonds, amounted to \$9.9 million, compared to a loss of \$135.3 million in the first quarter of 2009, as Canadian equity markets continue to improve.

Capital Management

At the end of the quarter, the company's book value per share was \$25.04, up 16.1% from the same quarter last year. The company's financial position remained strong at the end of the quarter with \$865.5 million in excess capital. The increase in the excess capital position reflects improved profitability, the higher market value of the investment portfolio and \$500 million in medium term notes issued since August of last year.

In February, the company also launched a Normal-Course Issuer Bid to acquire up to 5.0% of its shares. At the end of March, the company had acquired 3.9 million shares at an average price of \$42.99 for a total consideration of \$168.1 million.

Analysts Estimates

The average estimate of earnings per share and net operating income per share for the first quarter among the analysts who follow the company was \$0.84 and \$0.77 respectively.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results this morning at 10:00 a.m. ET. To listen to the call via live audio webcast and to view the company's first quarter Financial Statements, Management's Discussion & Analysis, presentation slides, the statistical supplement and other information not included in this press release, visit the website at www.intactfc.com and link to Investor Relations. All of these documents are available on Intact's website.

The conference call is also available by dialling (647) 427-7450 or +1 (888) 231-8191 (toll-free in North America). Please call ten minutes before the start of the call.

A replay of the call will be available today at 1:00 p.m. ET through 11:59 p.m. ET on May 12. To listen to the replay, call +1 (800) 642-1687, passcode 65909837. A transcript of the call will also be available on Intact Financial Corporation's website.

Annual Meeting of Shareholders

Intact Financial Corporation will also host its Annual Meeting of Shareholders at 2:00 p.m. later today at the Palais des congrès de Montréal (Room 524, 5th Floor), 1001 Place Jean-Paul-Riopelle, Montréal, PQ, H2Z 1H2. The meeting will be webcast on the company's website at www.intactfc.com.

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.

Forward Looking Statements

This document may contain forward looking statements that involve risks and uncertainties. The company's actual results could differ materially from these forward looking statements as a result of various factors, including those discussed in the company's most recently filed Annual Information Form and annual Management's Discussion & Analysis. Please read the cautionary note at the end of the MD&A.

<https://newsroom.intactfc.com/2010-05-05-Intact-Financial-Corporation-reports-2010-first-quarter-results>