

Intact Financial Corporation reports second quarter results

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- Net operating income per share up 34% on improved underwriting performance
- Solid combined ratio of 93.7% driven by improvements in home and business insurance
- Top-line growth of 5.4%
- Twelve-month trailing Operating ROE of 11.7%

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TORONTO, Aug. 5 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended June 30, 2010 of \$118.6 million, up \$25.7 million from the same quarter of last year. On a per share basis, net operating income increased 33.8% to \$1.03. The increase was driven by an improved underwriting performance in home and commercial P&C insurance. Overall, the combined ratio improved by 2.0 percentage points during the quarter to 93.7%. Direct premiums written increased 5.4% over the same quarter a year ago to reach \$1,318 million. Net income for the quarter was \$120.2 million, or \$1.04 per share, compared to \$74.2 million, or \$0.62 per share, for the same period last year on improved operating and investment performance.

Net operating income for the first six months of the year increased by \$69.0 million over the same period last year to \$231.0 million. Net income was up \$202.1 million from the previous year to \$240.0 million as a result of higher operating results and a significant improvement in investment gains. The combined ratio also improved by 3.9 percentage points over last year to 93.5% during the first six months of the year. Direct premiums written for the first six months of the year were \$2,232 million, up 5.3% year-over-year. Earnings per share and net operating income per share were \$2.05 and \$1.97 respectively.

CEO's Comments

"This is the third consecutive quarter of solid underwriting performance across most of our lines of business. Today's results reflect the continuation of more favourable industry conditions and the positive impact of the strategic initiatives we launched over the last two years," said Charles Brindamour, President and CEO of Intact Financial Corporation.

"Home and commercial insurance results continued to improve significantly, reflecting the effectiveness of our action plans, while the performance of our auto insurance business remains solid. However, as anticipated, the severe summer storms and the increasing cost of medical claims in Ontario, pending the introduction of new regulatory measures this September, continued to impact upon our performance. Overall, our top-line growth continues to gain momentum as the pricing environment is firming up gradually in a number of our markets."

"Our financial position remains strong with more than \$766 million in excess capital and as such we are well positioned to take advantage of improving market conditions."

Dividend

The Board of Directors declared a quarterly dividend of 34 cents per share on the Company's outstanding common shares. The dividend will be payable on September 30, 2010 to shareholders of record on September 15, 2010.

Current Outlook

Personal property premiums continue to increase across the industry 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, conditions remain stable across the country, except in Ontario where a new auto insurance regime aimed at better controlling medical cost inflation will be implemented in September. Pricing conditions in commercial insurance continue to remain soft; however, we have observed over the last nine months that pricing has begun to firm up in segments where we operate. The Company expects that

conditions will gradually improve across the country over time.

The unpredictability of weather patterns and the increasing cost of medical claims in Ontario, pending the implementation of auto insurance reforms in the province this September, may impact the industry's short-term performance.

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Consolidated Highlights

In millions of dollars, except as otherwise noted

	Q2-2010	Q2-2009	YTD Change	YTD 2010	2009	Change
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Direct premiums written (excluding pools)	1,317.8	1,250.6	5.4%	2,232.1	2,119.4	5.3%
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Underwriting income(1)	66.3	43.2	53.5%	135.3	51.1	164.8%
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Net operating income(2)	118.6	92.9	27.7%	231.0	161.9	42.7%
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Net income (loss)	120.2	74.2	62.0%	240.0	37.9	533.2%
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Net operating income per share (dollars)	1.03	0.77	33.8%	1.97	1.35	45.9%
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Earnings per share Basic and diluted (dollars)	1.04	0.62	67.7%	2.05	0.32	540.6%
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Operating ROE for the last 12 months(3)	11.7%	10.9%	0.8 pts
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Combined ratio (excluding MYA)	93.7%	(2.0) 95.7%	(3.9) pts	93.5%	97.4%	pts
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Average number of shares outstanding (millions)	115.2	119.9	(4.7)	117.1	119.9	(2.8)
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(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.

Operating Highlights

- Net operating income for the quarter was \$118.6 million, up \$25.7 million from the same quarter in 2009, as a result of a continuing solid underwriting performance. The operating ROE for the last 12 months was 11.7%. On an annualized basis the operating ROE for the quarter was 17.1%. Net operating income for the first six months of the year was \$231.0 million, up from \$161.9 million during the same period last year.
- Direct premiums written increased 5.4% in the second quarter to \$1,318 million on contributions from all lines of business. Personal insurance premiums grew 5.8% mainly as a result of higher rates. Commercial insurance premiums also gained momentum, increasing 4.0% with moderate premium rate increases and a higher number of risks insured.

For the first two quarters of the year, total direct premiums written increased 5.3% to \$2,232 million compared to the same period in 2009.

- Underwriting income in the quarter increased 53.5% to \$66.3 million from the same period a year ago, as a result of significant improvements in both home and commercial P&C insurance. Overall, the combined ratio improved by 2.0 percentage points to 93.7%.

The underwriting performance in home insurance improved for the third consecutive quarter with a 7.6 percentage point reduction in the combined ratio from last year as a result of the company's action plan. However, the severe storms that occurred in the month of June resulted in losses of \$19.2 million and affected the performance of the portfolio, resulting in a combined ratio of 100.3%. Personal auto underwriting income was down by \$30.6 million to \$23.0 million with a combined ratio of 95.7%. The decline mainly reflects the increased cost of medical claims in Ontario.

Commercial insurance underwriting income improved significantly during the quarter, increasing from \$8.0 million in the same quarter of last year to \$44.1 million. Commercial auto results were excellent with a combined ratio of 74.6% while the combined ratio in commercial P&C insurance improved by 19.1 percentage points to 87.6% on improved current accident year experience and more favourable development on claims from prior years.

Total underwriting income for the first six months of the year was \$135.3 million, up from \$51.1 million in the corresponding period of 2009.

- Interest and dividend income, net of expenses remained robust at \$75.4 million, up 3.9% from the same period of the previous year. The market-based yield remained constant at 4.4%. Total interest and dividend income, net of expenses, for the first six months was up 2.3% to \$148.5 million.

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Investment Gains

Net gains on invested assets, excluding HFT bonds, were modest at \$3.9 million compared to a loss of \$26.0 million a year ago. Since the beginning of the year, the company has had investment gains of \$13.7 million compared to a loss of \$161.3 million last year. Cash and invested assets amounted to more than \$8.2 billion at the end of the quarter, up \$1.2 billion from a year ago.

Capital Management

The company's book value per share rose \$0.44 since the beginning of the year to \$25.32 at the end of the quarter. The company's financial position remains strong at the end of the second quarter with more than \$766 million in excess capital. The company's ratio of debt to total capital remains low at 14.6% with additional debt capacity of about \$227 million before reaching its optimal level of 20%.

At the end of June, the company had acquired under the Normal course issuer bid launched in February, 5.6 million shares at an average price of \$43.43 for a total consideration of \$241.2 million.

On August 4, 2010 the Board of Directors authorized an increase in the number of shares it may repurchase under its Normal course issuer bid over the twelve month period that commenced on February 22, 2010, from 5% of its public float to 10% of its public float, subject to approval by the Toronto Stock Exchange.

Analysts Estimates

The average estimate of earnings per share and net operating income per share for the second quarter among the analysts who follow the company was \$1.10 and \$1.04 respectively.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today at 1:00 p.m. ET. To listen to the call via live audio webcast and to view the company's Financial Statements, Management's Discussion & Analysis, 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." All of these documents are available on our website.

The conference call is also available by dialling (647) 427-7450 or 1 (888) 231-8191 (toll-free in North America). Please call 10 minutes before the start of the call.

A replay of the call will be available later today at 4:00 p.m. ET through 11:59 p.m. ET on Thursday, August 12. To listen to the replay, call 1 (800) 642-1687, passcode 83337867. 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 7,500 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/2010-08-05-Intact-Financial-Corporation-reports-second-quarter-results>