

Intact Financial Corporation reports third quarter results

- Net operating income per share of \$0.78 despite significant storm losses
- Healthy combined ratio of 96.6% with claims ratio improvements in all lines
- Continued solid top-line growth of 5.4%
- Book value per share rose 10.7% over the last twelve months
- Operating ROE of 14.1% for the last twelve months with \$800 million in excess capital

TORONTO, Nov. 3 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended September 30, 2010 of \$89.0 million, up significantly from the \$21.6 million recorded in the same quarter of last year. On a per share basis, net operating income increased to \$0.78 from \$0.18. The increase was driven by a much improved underwriting performance with a 96.6% combined ratio, an 8.6 percentage point improvement. Direct premiums written increased 5.4% over the same quarter a year ago to reach \$1,206 million. Net income for the quarter was \$82.3 million, or \$0.72 per share, compared to a loss of \$8.0 million, or \$0.07 per share, for the same period last year.

Net operating income for the first nine months of the year was \$320.0 million, a 75% increase over the same period last year. Net income was up \$292.3 million from the previous year to \$322.3 million as a result of higher operating results and a significant improvement in investment gains. The combined ratio also improved by 5.6 percentage points over last year to 94.5% during the first nine months of the year. Direct premiums written for the first nine months of the year were \$3,438 million, up 5.3% year-over-year.

CEO's Comments

"The solid growth of our premiums and our much improved underwriting performance confirm the continuation of more favourable industry conditions and the positive results of the initiatives we have launched over the last two years. These are strong results, given the impact of the severe storms of the last few months," said Charles Brindamour, President and CEO of Intact Financial Corporation.

"Home and commercial insurance results have improved significantly since the beginning of the year. However, auto insurance results continued to be impacted by the increase in the cost of medical claims in Ontario in the months leading up to the introduction of new regulatory measures in early September. Early indications are, as we expected, positive, although the true effectiveness of the reforms will not be known for several months."

"Our financial position remains strong with \$800 million in excess capital and we are well positioned to take advantage of the opportunities that will result from 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 December 31, 2010 to shareholders of record on December 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, a new insurance regime took effect in Ontario on September 1st. The new regime is aimed at better controlling the cost of medical claims and could lead to improvements in the months to come. In other provinces, the conditions remain stable. Pricing conditions in commercial

insurance continue to remain soft; however, pricing has begun to firm up in segments where we operate over the last twelve months. The Company expects that conditions will improve at a moderate pace over time.

Consolidated Highlights

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In millions of dollars, except as otherwise noted	Q3-2010	Q3-2009	YTD Change	YTD 2010	2009	Change
Direct premiums written (excluding pools)	1,205.8	1,144.1	5.4%	3,437.9	3,263.6	5.3%
Underwriting income(1)	36.7	(53.2)	n/a	171.9	(2.1)	n/a
Net operating income(2)	89.0	21.6	312.0%	320.0	183.5	74.4%
Net income (loss)	82.3	(8.0)	n/a	322.3	30.0	974.3%
Net operating income per share (dollars)	0.78	0.18	333.3%	2.76	1.53	80.4%
Earnings per share Basic and diluted (dollars)	0.72	(0.07)	n/a	2.78	0.25	n/a
Operating ROE for the last 12 months(3)	14.1%	8.4%	5.7 pts			
Combined ratio (excluding MYA)	96.6%	105.2%	(8.6)pts	94.5%	100.1%	(5.6)pts
Weighted average number of shares outstanding (millions)	113.7	119.9	(6.2)	116.0	119.9	(3.9)

(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 \$89.0 million, up from \$21.6 million from the same quarter in 2009, as a result of improved underwriting results. The operating ROE for the last 12 months was 14.1%, up 5.7 percentage points. Net operating income for the first nine months of the year was \$320.0 million, up from \$183.5 million during the same period last year.
- Direct premiums written increased 5.4% in the third quarter to \$1,206 million. Personal insurance premiums grew 6.5% mainly as a result of higher rates. Commercial auto insurance premiums were up 7.3% while commercial P&C premiums declined by 0.3%. The growth in commercial P&C was slowed by the cancellation of a number of commercial group accounts late last year. These cancellations resulted in a 3.2 percentage point decline in premiums for commercial P&C in the quarter and are expected to have an estimated 2 percentage point impact in the fourth quarter. For the first three quarters of the

year, total direct premiums written increased 5.3% compared to the same period in 2009, to \$3,438 million.

- Underwriting income in the quarter was \$36.7 million compared to a loss of \$53.2 million last year as a result of a reduction in the amount of large losses, including those associated with severe weather. Overall, the combined ratio improved by 8.6 percentage points to 96.6%. The improvement took place despite a \$49.7 million loss resulting from severe storms and the anticipated significant increase in medical claims in the months leading up to the implementation of auto insurance reforms in Ontario.

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The underwriting performance in home insurance continued to improve during the quarter with a combined ratio of 106.0%, a 23.3 percentage point improvement over the same period of last year. Personal auto underwriting income was down by \$1.6 million to \$19.8 million with a combined ratio of 96.3%. The decline mainly reflects the increased cost of medical claims in Ontario in the first two months of the quarter, before the introduction of a new regulatory regime in the province, as well as the losses associated with the July hailstorm that hit the Calgary area.

Commercial insurance underwriting income improved significantly during the quarter to reach \$31.5 million compared to a loss of \$7.0 million in the same quarter of last year. Commercial auto results were excellent with a combined ratio of 80.5% while the combined ratio in commercial P&C insurance improved by 17.0 percentage points to 92.0% on improved current accident year experience and more favourable development on claims from prior years.

Total underwriting income for the first nine months of the year was \$171.9 million compared to a loss of \$2.1 million in the corresponding period of 2009.

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- Interest and dividend income, net of expenses remained unchanged at \$73.0 million with a market-based yield of 4.1%. Total interest and dividend income, net of expenses, for the first nine months was up 2.8% to \$221.5 million.

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Investment Gains

Net losses on invested assets, excluding HFT bonds, were modest at \$6.4 million compared to a \$12.7 million loss a year ago. Since the beginning of the year, the company has had investment gains of \$7.4 million compared to a loss of \$174.1 million last year. Cash and invested assets amounted to nearly \$8.6 billion at the end of the quarter, up \$539.9 million since the beginning of the year.

Capital Management

The company's book value per share has risen by \$2.57 over the last twelve months to \$26.70 and its financial position remains strong with \$800.0 million in excess capital. The company's ratio of debt to total capital remains low at 14.1% with additional debt capacity of about \$258 million before reaching its optimal level of 20%.

At the end of September, the company had acquired under the Normal course issuer bid launched in February, 6.952 million shares at an average price of \$43.64 for a total consideration of \$303.6 million.

Analysts 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 \$0.65 and \$0.57 respectively.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today at 9:00 a.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 12:00 pm ET through 11:59 p.m. ET on Wednesday, November 10. To listen to the replay, call 1 (800) 642-1687, passcode 11146097. 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/2010-11-30-Intact-Financial-Corporation-reports-third-quarter-results>