

Intact Financial Corporation Reports First Quarter Results

- Premium growth up nearly 50% for a second consecutive quarter
- Net operating income per share of \$1.34, up 47%, leading to an operating ROE of 16.2%
- Combined ratio of 92.3% as the mild winter contributed to exceptional underwriting results
- Book value per share increased 13% from a year ago
- AXA Canada integration remains on track

TORONTO, May 1, 2012 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended March 31, 2012 of \$179 million, up \$77 million compared to the corresponding quarter of last year. On a per share basis, net operating income increased 47% to \$1.34. The increase was driven by an exceptional underwriting performance, with a combined ratio of 92.3%, and higher investment income. Net income was \$177 million compared to \$157 million in the first three months of 2011 and adjusted earnings per share, which excludes integration-related costs, was \$1.59 per share compared to \$1.43 for the same period last year. Direct premiums written increased 49% over the same quarter a year ago to reach \$1.4 billion, reflecting the addition of AXA Canada and organic growth.

CEO's Comments

"This was a particularly strong quarter as we continued to reap the benefits from our robust auto and home initiatives and our results were helped by the mild winter weather conditions with a significant decrease in claims frequencies across all of our businesses," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation.

"As the Ontario government's reforms prove successful in slowing claims cost inflation, we have taken the opportunity to accelerate our growth initiatives in the Ontario auto marketplace while maintaining our prudence. Furthermore, while our customer retention level following our acquisition will not be fully visible for a number of months, the initial response is positive."

Dividend

The Board of Directors declared a quarterly dividend of 40 cents per share on its outstanding common shares. The Board also declared a quarterly dividend of 26.25 cents per share on the Company's Class A Series 1 and Class A Series 3 preferred shares. All dividends are payable on June 29, 2012 to shareholders of record on June 15, 2012.

Current Outlook

Industry premiums are likely to increase in the next 12 months at a pace similar to last year. It is expected that growth in personal auto will be in the mid-single digit range, driven by Ontario. Growth is expected to be in the upper single digits in personal property, due to the impact of water-related losses and more frequent and/or severe storms. Commercial line premiums are expected to grow at a low single digit rate. The low interest rate environment and reinsurance market conditions should support firmer industry premium levels.

At an industry level, while the combined ratio might improve modestly as a result of the better pricing environment, the Ontario auto reforms and the mild weather in the first quarter, the industry's 2012 ROE is unlikely to improve materially in the near term as the low interest rate environment will continue to put pressure on investment income.

The company is well-positioned to continue outperforming the P&C insurance industry in the current environment due to its pricing and underwriting discipline, claims management capabilities, prudent investment and capital management practices and solid financial position. Given these attributes, the company strongly believes that it will outperform the industry's ROE by more than 500 basis points in the next 12 months.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q1-2012	Q1-2011	Change
Direct premiums written (excluding pools)	1,403	943	49%
Underwriting income ¹	123	58	112%
Net operating income	179	102	75%
Net income	177	157	13%

Earnings per share			
Basic and diluted (dollars)	1.33	1.42	(6)%
Adjusted earnings per share			
Basic and diluted (dollars)	1.59	1.43	11%
Net operating income per share (dollars)	1.34	0.91	47%
ROE for the last 12 months ²	13.6%	17.8%	(4.2) pts
Adjusted ROE for the last 12 months ²	17.6%	18.1%	(0.5) pts
Operating ROE for the last 12 months ²	16.2%	14.8%	1.4 pts
Combined ratio (excluding MYA)	92.3%	94.6%	(2.3) pts
Book value per share (dollars)	30.40	26.91	13%

¹ Underwriting income is defined as underwriting income excluding market yield adjustment (MYA). The MYA is the impact on claims liabilities due to movement in discount rates.

² For ROE, Adjusted ROE and Operating ROE in Q1-2012, the average equity calculation has been adjusted on a pro rata basis to account for the \$921 million of common shares issued as at September 23, 2011.

Operating Highlights

- **Net operating income** for the quarter was \$179 million, up \$77 million from the same quarter in 2011. The 75% increase is attributable to the growth of our business, improved underwriting results and higher investment income. The operating ROE for the last twelve months improved by 1.4 percentage points to 16.2%.
- **Direct premiums written** increased 49% in the first quarter to \$1.4 billion, as a result of the addition of AXA Canada and organic growth throughout the organization.
- **Underwriting income** in the quarter increased by \$65 million to \$123 million compared to the same period a year ago. The combined ratio improved 2.3 percentage points to 92.3% driven by improved results across the majority of our businesses. The underlying performance of our portfolio, which excludes catastrophes and prior year claims development, improved 3.6 percentage points year-over-year.

Personal auto underwriting income improved to \$36 million up from \$12 million recorded in the first quarter of 2011. The combined ratio improved 2.5 percentage points to 95.2% primarily as a result of a decline in the frequency of claims due to the mild winter weather.

Personal property underwriting income increased to \$59 million from \$20 million recorded in the corresponding period last year. The exceptional combined ratio of 83.5% improved 8.8 percentage points from the first quarter of 2011 as a result of benefits from our home improvement action plan and mild winter conditions.

Commercial auto underwriting income results reached \$19 million from the \$6 million recorded in the first quarter of 2011. The 85.2% combined ratio improved 6.5 percentage points from last year's 91.7% due to higher favourable prior year claims development and improved current year results.

Commercial P&C underwriting income amounted to \$9 million from \$20 million recorded in the first three months of 2011. The combined ratio in commercial P&C insurance increased by 7.7 percentage points to 97.6%, due to an unusually high number of large claims losses and an increase in ceded reinsurance premiums.

- **Net investment income** of \$100 million was up 37% compared to the same period of last year as a result of an increase in assets. The market-based yield for the quarter was 3.7%, down 30 basis points from last year due to the low yield environment.

Investment Gains

Net investment gains, excluding fair-value-through-profit-or-loss bonds, were \$54 million in the first quarter compared to gains of \$84 million a year ago due to normal equity portfolio rebalancing. Cash and investments amounted to \$11.5 billion at the end of the first quarter, up \$2.9 billion from a year ago.

Capital Management

The company's financial position remained solid with a minimum capital test of 205% and \$595 million in excess capital. The company's book value per share was \$30.40 at the end of the quarter, 13% higher compared to 12 months ago.

AXA Canada Acquisition

The integration of AXA Canada activities is on track and it is anticipated to be completed by mid-2013. The company remains confident that it will progressively reach its \$100 million in after-tax synergies by the second half of 2013 which includes a \$36 million run rate at the end of the first quarter with a target of \$50 million by the end of 2012. The acquisition is expected to be accretive to net operating income per share in 2012 and to provide up to 15% accretion in the mid-term.

Integration expenses amounted to \$71 million in 2011 and \$23 million in the first quarter. The company expects a similar or lower quarterly expense level for the remainder of 2012. The purchase agreement entails a performance-based contingent consideration of up to \$100 million based on the development of AXA Canada's consolidated reserves. At the end of 2011, the fair value of this contingent consideration was \$89 million and in the first quarter of 2012 the remaining \$11 million was recorded as a non-operating expense.

Although we still require time to determine the true customer retention level from the acquired book of business, the retention to date has been strong. To ensure the company continues to offer an outstanding customer experience and top-notch service to brokers, most of AXA Canada's products and services were integrated into Intact's offering and nearly all of its front-line employees joined Intact.

On January 1, 2012, the company completed the sale of AXA Canada's life insurance business to SSQ Life Insurance Company, Inc. for proceeds of \$300 million.

Analysts' Estimates

The average estimate of earnings per share and net operating income per share for the quarter among the analysts who follow the company was \$1.19 and \$1.26 respectively.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results tomorrow at 1:00 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 tomorrow at 2:00 p.m. ET through 11:59 p.m. ET on Wednesday, May 9. To listen to the replay, call 1 (855) 859-2056, passcode 61980682. 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 Canada. Intact offers home, auto and business insurance through Intact Insurance, Novex Group Insurance, belairdirect, Grey Power and BrokerLink.

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/2012-05-01-Intact-Financial-Corporation-Reports-First-Quarter-Results>