

Intact Financial Corporation Reports Third Quarter Results

- **Net operating income per share of \$0.89, despite \$1.02 per share in net losses from weather-related events**
- **Combined ratio of 95.9%, driven by strong results in commercial lines**
- **Premium growth of 47%, reflecting the additions of AXA Canada and JEVCO**
- **Book value per share increased 10% with an operating ROE of 16.4% in the last 12 months**
- **AXA Canada integration remains on track and JEVCO integration is now well underway**

TORONTO, Nov. 7, 2012 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended September 30, 2012 of \$122 million, up \$11 million compared to the corresponding quarter of last year. On a per share basis, net operating income decreased 8% to \$0.89 as a result of elevated losses from severe weather. Net income was \$96 million compared to \$101 million for the same period last year on lower investment gains. Adjusted earnings per share, which excludes integration-related costs, was \$0.93 compared to \$1.11. The combined ratio increased 1.7 percentage points to 95.9%. Direct premiums written increased 47% to reach \$1.8 billion, reflecting the continued retention of the AXA Canada business and the inclusion of one month of JEVCO.

Net operating income for the first nine months was \$481 million, up \$173 million from the previous year, due to the contribution of AXA Canada and improved underwriting results. On a per share basis, net operating income increased 30% to \$3.58. Net income was \$406 million compared to \$381 million for the first nine months of 2011 and adjusted earnings per share was \$3.63 compared to \$3.69. The combined ratio improved by 1.7 percentage points to 93.5%, while direct premiums written for the same period increased 47% to reach \$5.2 billion. The book value per share increased 10% to \$31.81 over the last twelve months.

CEO's Comments

"Our operating results remained sound this past summer, despite the significant financial impact of helping our customers recover from severe hail, wind and rain storms in Alberta, Ontario and Quebec," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation.

"As the prevalence of severe weather events puts pressure on the operating performance of our home insurance business, we remain committed to ensure its profitability and sustainability."

"Our consistent growth and solid financial performance since the beginning of the year reflect the success of our strategic initiatives which have strengthened our position in the industry."

Dividends

The Board of Directors declared a quarterly dividend of 40 cents per share on the Company's 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. Both dividends are payable on December 31, 2012 to shareholders of record on December 14, 2012.

Current Outlook

The company expects that industry premiums are likely to increase in the next 12 months at a mid single digit rate, with low single digit growth in personal auto and commercial lines, and upper single digit growth in personal property. The continuing low interest rate environment could support firmer industry premium levels.

At an industry level, the loss ratio is expected to improve in personal auto as a result of previous rate increases and the effectiveness of reforms in Ontario. Results in personal property may benefit from continued premium increases but will be impacted by the storms of last summer. The company does not anticipate loss ratio improvements in commercial lines, but pricing conditions could improve at a moderate pace over time.

As a result, the industry's combined ratio is expected to improve in 2012. However, reduced investment income will partially offset that improvement. Overall, the industry's ROE is likely to improve to the upper single digits, bolstered by the performance of the first six months of the year but somewhat dampened by the impact of the summer storms.

IFC is well-positioned to continue outperforming the P&C insurance industry 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 believes that it will likely 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	Q3-2012	Q3-2011	Change	YTD 2012	YTD 2011	Change
Direct premiums written (excluding pools)	1,798	1,226	47%	5,178	3,523	47%
Underwriting income ¹	67	65	3%	313	155	102%
Net operating income	122	111	10%	481	308	56%
Net income	96	101	(5)%	406	381	7%
Earnings per share Basic and diluted (dollars)	0.70	0.87	(20)%	3.00	3.41	(12)%
Adjusted earnings per share Basic and diluted (dollars)	0.93	1.11	(16)%	3.63	3.69	(2)%
Net operating income per share (dollars)	0.89	0.97	(8)%	3.58	2.75	30%
ROE for the last 12 months ²	12.1%	16.8%	(4.7) pts			
Adjusted ROE for the last 12 months ²	15.9%	17.8%	(1.9) pts			
Operating ROE for the last 12 months ²	16.4%	14.0%	2.4 pts			
Combined ratio (excluding MYA)	95.9%	94.2%	1.7 pts	93.5%	95.2%	(1.7) pts
Book value per share (dollars)	31.81	28.97	10%			

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 Q3-2012, the average shareholders' equity calculation was adjusted on a pro rata basis to account for the \$229 million of common shares issued as at September 4, 2012. Q3-2011 was adjusted for the \$921 million of common shares issued as at September 23, 2011.

Operating Highlights

- **Net operating income** for the quarter was \$122 million, up \$11 million from the same quarter in 2011. The 10% increase is largely attributable to higher investment income. The operating ROE for the last 12 months improved by 2.4 percentage points to reach 16.4%.

Net operating income for the first nine months of the year was \$481 million, up 56% from the \$308 million recorded in 2011. The increase reflects the contribution of AXA Canada and an improvement in the combined ratio.

- **Direct premiums written** increased 47% in the third quarter to \$1.8 billion, as a result of the acquisition of AXA Canada and one month of JEVCO premiums. Direct premiums written in personal insurance increased 37% from a year ago, while premium growth in commercial insurance was up 78% over the same period.

For the first three quarters of the year, total direct premiums written increased by 47% to \$5.2 billion.

- **Underwriting income** in the quarter increased by \$2 million to \$67 million compared to the same period a year ago despite recording \$142 million in catastrophic losses resulting from severe storms in Alberta, Ontario and Quebec. The combined ratio increased by 1.7 percentage points to 95.9% from a year ago as strong results in commercial lines partially offset the losses from weather-related events in personal lines.

Personal auto underwriting performance declined with a 94.9% combined ratio, up 8.5 percentage points from the corresponding period last year. Severe hail storms in Calgary and Ottawa accounted for most of the increase in the combined ratio.

Personal property combined ratio was also up 9.5 percentage points from last year to 119.8%, as a result of severe weather events. However, the current year loss ratio excluding catastrophic losses improved slightly.

Commercial auto combined ratio improved 5.8 percentage points from a year ago to an exceptional 77.0%, driven by strong current year results.

Commercial P&C combined ratio improved 18.6 percentage points to 81.4% from the third quarter of 2011, reflecting

higher favourable prior year claims development, improved current year results and fewer large losses.

For the first nine months of the year, total underwriting income was up\$158 million to \$313 million. The substantial growth was driven by the contribution of AXA Canada and an improvement in the current year loss ratio.

- **Net investment income** of \$92 million was up 24% from a year ago, as a result of additional assets. The market-based yield declined 20 basis points to 3.6% due to lower interest rates.

For the first nine months of the year, total net investment income increased 29% to\$287 million from the previous period due to additional assets. The market-based yield for the period was 3.7%.

Investment Gains

Net investment gains, excluding fair-value-through-profit-or-loss bonds, were \$15 million in the third quarter compared to gains of \$19 million a year ago, mainly due to fewer gains on equity securities.

Since the beginning of the year, the company has had investment gains of\$42 million compared to \$147 million for the same period last year as gains in equity securities were significantly lower. Cash and invested assets amounted to \$12.8 billion at the end of the quarter, up \$1.0 billion from one year ago.

Capital Management

The company's financial position remained solid with a minimum capital test of 201% and\$598 million in excess capital. The company's book value per share was \$31.81 at the end of the quarter, 10% higher compared to 12 months ago.

AXA Canada Acquisition

The company expects that once the integration is completed the retention level of the acquired book of business will be in line with the current experience.

The company maintains its \$50 million and \$100 million in after-tax synergies for the end of 2012 and 2013 respectively. At the end of the third quarter, \$45 million had been recorded. Integration expenses, which typically occur earlier in the integration process than synergies, amounted to \$71 million in 2011 and \$58 million for the first nine months of 2012.

JEVCO Insurance Company Acquisition

On September 4, 2012 the company completed its \$530 million acquisition of JEVCO Insurance Company and the integration of its activities is underway. The acquisition strengthens the company's offering to brokers and customers to include recreational vehicles, commercial specialty lines and non-standard auto insurance.

The company expects to progressively reach annual expense synergies of approximately\$15 million after-tax largely by the end of 2014. During the quarter, the company recorded integration expenses of \$21 million. The acquisition is expected to be accretive to net operating income per share in 2013.

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 \$0.57 and \$0.55 respectively.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today 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 inNorth America). Please call 10 minutes before the start of the call.

A replay of the call will be available later today at 2:00 p.m. ET through 11:59 p.m. ET on Wednesday, November 14. To listen to the replay, call 1 (855) 859-2056, passcode 15915238. 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 inCanada. Intact offers home, auto and business insurance through Intact Insurance, belairdirect, Grey Power, BrokerLink and JEVCO.

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.

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