

Intact Financial Corporation Reports First Quarter Results

- **Net operating income per share of \$1.27, leading to an operating ROE of 16.0%**
- **Combined ratio of 95.1% was above last year's exceptional 92.3%, largely due to more seasonal weather conditions**
- **Premium growth of 9%, bolstered by the addition of Jevco's product suite**
- **Book value per share increased 12% from a year ago**
- **Integration of recent acquisitions remains on track**

TORONTO, May 8, 2013 /CNW/ - Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended March 31, 2013 of \$175 million or \$1.27 per share (\$1.02 per share excluding a non-recurring item) compared to \$179 million or \$1.34 per share in the corresponding quarter of last year. Net income remained relatively unchanged at \$174 million and adjusted earnings per share, which excludes integration-related costs, was \$1.36 versus \$1.55 for the same period last year. The combined ratio increased 2.8 percentage points to 95.1% from the exceptional underwriting performance of 92.3% in the first quarter of 2012. Direct premiums written increased 9% to \$1.5 billion compared to a year ago, reflecting the addition of Jevco and organic growth.

CEO's Comments

"Throughout the first months of this year, we experienced better than expected growth as a result of our recent acquisition and its resulting expanded product offering, which was well-received by brokers and customers," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation.

"Our operating performance was sound during the quarter compared to last year's exceptional results which benefited from much more favourable weather conditions. Both our home and personal auto insurance portfolios fared well despite a significant increase in the number of snow and wind-related claims."

Dividends

The Board of Directors declared a quarterly dividend of 44 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 28, 2013 to shareholders of record on June 14, 2013.

Current Outlook

The company expects that industry premium growth is likely to evolve at a similar pace to that of the last 12 months. Furthermore, the continued low interest rate environment could support firmer market conditions. At an industry level, we do not expect improvement in personal auto as Ontario reforms have largely brought about the expected cost savings. While potential government initiatives in Ontario may reduce premium growth, loss ratios should remain stable as a result of additional cost reduction measures. Results in personal property may benefit from continued hard market conditions and potential initiatives aimed at mitigating losses from future catastrophes. In commercial lines, the company does not anticipate loss ratio improvements but conditions should improve at a moderate pace over time. Overall, the industry's ROE is not likely to improve materially from the 10.6% level reported last year.

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 outperform the industry's ROE by at least 500 basis points in the next 12 months.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q1-2013	Q1-2012	Change
Direct premiums written (excluding pools)	1,524	1,403	9%
Underwriting income ¹	83	123	(33)%
Net operating income	175	179	(2)%
Net income ²	174	173	1%

Earnings per share			
Basic and diluted (dollars) ²	1.27	1.30	(2)%
Adjusted earnings per share			
Basic and diluted (dollars) ²	1.36	1.55	(12)%
Net operating income per share (dollars)	1.27	1.34	(5)%
ROE for the last 12 months ^{2, 3}	12.9%	13.5%	(0.6) pts
Adjusted ROE for the last 12 months ^{2, 3}	14.9%	17.5%	(2.6) pts
Operating ROE for the last 12 months ³	16.0%	16.2%	(0.2) pts
Combined ratio (excluding MYA)	95.1%	92.3%	2.8 pts
Book value per share (dollars)	34.15	30.40	12%

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 Prior year figures have been restated to conform with the new employee benefits accounting standard. For details, please see page 22 and 23 of the Management's Discussion & Analysis.

³ For ROE, Adjusted ROE and Operating ROE in 2013, the average equity calculation has been adjusted on a pro rata basis to account for the \$229 million of common shares issued as at September 4, 2012. The 2012 calculation was adjusted for the \$921 million of common shares issued as at September 23, 2011.

Operating Highlights

- **Net operating income** for the quarter was \$175 million, down \$4 million from the same quarter in 2012 which benefited from a mild winter. The decrease in underwriting income and lower investment income were partially offset by an unusually-low effective tax rate this quarter. Although we paid \$284 million in taxes during the quarter, a non-recurring item related to a prior year adjustment significantly reduced our effective tax rate during the quarter. The operating ROE for the last twelve months was 16.0%.
- **Direct premiums written** increased 9% in the first quarter to \$1.5 billion, reflecting the addition of Jevco and low single-digit organic growth.
- **Underwriting income** in the quarter decreased by \$40 million to \$83 million compared to the same period a year ago. The combined ratio of 95.1% was 2.8 percentage points higher than last year's exceptional underwriting performance. The increase was primarily due to the impact of more normal winter weather conditions in home insurance and less favourable prior year claims development in commercial lines. The underlying performance of our portfolio, which excludes catastrophes and prior year claims development, was higher by 1.9 percentage points year-over-year largely driven by an increase in the number of claims across all lines of business.

Personal auto combined ratio improved 1.1 percentage points from a year ago to 94.1%, as a significant increase in the frequency of claims due to more seasonal weather conditions offset higher favourable prior year development.

Personal property combined ratio increased 10 percentage points to 93.5% from the exceptional performance last year. The results were impacted by an 11% increase in claims frequency from more seasonal weather conditions and less favourable prior year development versus the first quarter of 2012.

Commercial auto combined ratio increased 12.1 percentage points to 97.3% from the very strong performance of 85.2% in the first quarter of 2012. The increase was primarily due to a higher number of claims compared to last year's unusually mild weather conditions and unfavourable prior year claims development. Excluding catastrophes and prior year claims development, the current year loss ratio was up by 3.5 percentage points year-over-year.

Commercial P&C combined ratio increased 0.6 percentage points from last year to 98.2% as lower favourable prior year claims development more than offset a decline in the amount of large claims losses.

- **Net investment income** of \$96 million was down 4% compared to the same period of last year due to marginally lower investment income and higher expenses. The market-based yield for the quarter was 3.4%, down 30 basis points from last year due to the low-yield environment.

Investment Gains

Net investment gains, excluding fair-value-through-profit-and-loss bonds, were \$34 million in the first quarter compared to gains of \$54 million a year ago. Total investments amounted to \$12.5 billion at the end of the quarter, up \$1.0 billion from a year ago.

Capital Management

The company's financial position remained solid with a minimum capital test of 214% and \$744 million in excess capital. The company's book value per share was \$34.15 at the end of the quarter, 12% higher compared to a year ago.

Recent acquisitions

The integration of AXA Canada continues to progress very well. The company maintains its \$100 million in after-tax synergies target which it expects to achieve once the integration of policies are complete and the AXA system is shutdown in early 2014. At the end of the first quarter, an annual synergies run-rate of \$84 million had been recorded.

With respect to the Jevco integration, the company expects to progressively reach annual expense synergies of approximately \$15 million after-tax, largely by the end of 2014.

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 \$1.38 and \$1.32 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 in North 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, May 15. To listen to the replay, call 1 (855) 859-2056, passcode 33222558. 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, 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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