



TORONTO, May 4, 2011

**INTACT FINANCIAL CORPORATION REPORTS  
FIRST QUARTER RESULTS**

- **Net operating income per share of \$0.91 driven by strong underwriting performance with a combined ratio of 94.6%**
- **Operating ROE of 14.8% with an 11% increase in book value in the last twelve months**
- **Healthy premium growth in all lines of business except in Ontario auto**

Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended March 31, 2011 of \$101 million or \$0.91 per share, down 4% on a per share basis from the remarkable performance of the first quarter of 2010. Operating return on equity for the last twelve months was 14.8% with a strong combined ratio of 94.6%. Direct premiums written increased by 3% to reach \$943 million.

Net income for the first three months of 2011 increased to \$157 million, or \$1.42 per share, a 19% improvement on a per share basis, as a result of higher investment gains. The return on equity for the last twelve months reached 17.8%.

**CEO's Comments**

"The strong performance we delivered throughout 2010 prevailed again during the early months of this year. We continue to reap the benefits of the action plans we have adopted over the past two years while winter weather conditions remained generally favourable," said Charles Brindamour, President and CEO of Intact Financial Corporation.

"The strong results of our home and commercial insurance activities during the quarter confirmed the sustainability of these action plans. The performance of our auto insurance portfolio remains robust as we maintain a prudent approach to managing our growth in Ontario and continue to deploy effective initiatives to counter the high prevalence of fraud in that province.

"Given the quality of our operational platforms and the flexibility provided by our strong financial position, we believe that we will continue to outperform the industry and strengthen our leadership position," said Charles Brindamour.

**Dividend**

The Board of Directors declared a quarterly dividend of 37 cents per share on its outstanding common shares. The dividend will be payable on June 30, 2011 to shareholders of record on June 15, 2011.

## Current Outlook

Industry premiums are likely to increase in the next twelve months at a pace similar to last year with percentage growth in the mid single digits in personal auto and upper single digits in personal property. These increases will be driven by rate inadequacies in auto insurance in Ontario and the impact of water-related losses and more frequent and severe storms. Commercial lines premiums are expected to grow at a low single digit rate, with no acceleration from the pace of the last 12 months.

At an industry level, loss ratios are expected to improve in personal auto assuming that the reforms adopted in Ontario will bring the anticipated results. In home insurance, loss ratios should also benefit from continued premium increases. Loss ratios are expected to remain stable in commercial lines but pricing conditions may improve at a moderate pace over time. The industry's return on equity was approximately 7% in 2010 and is unlikely to improve in the near term, as any increase in underwriting income will be offset by a decline in investment income, resulting from lower yields.

The company is well-positioned to continue outperforming the P&C insurance industry in the current environment due to its significant scale, pricing and underwriting discipline, prudent investment and capital management practices, and strong 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	Q1-2011	Q1-2010	Change
Direct premiums written (excluding pools)	943	914	3%
Underwriting income <sup>1</sup>	58	69	(16%)
Net operating income <sup>2</sup>	101	113	(11%)
Net income	157	141	11%
Net operating income per share (dollars)	0.91	0.95	(4%)
Earnings per share Basic and diluted (dollars)	1.42	1.19	19%
Operating ROE <sup>3</sup>	14.8%	n/a	
ROE <sup>4</sup>	17.8%	n/a	
Combined ratio (excluding MYA)	94.6%	93.2%	1.4 pts
Weighted average number of shares outstanding (millions)	111	119	(7%)

<sup>1</sup> 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.

<sup>2</sup> Net operating income is defined as the sum of underwriting income, interest and dividend income and other income, after tax.

<sup>3</sup> Operating ROE is defined as net operating income for the last twelve months divided by the average shareholders' equity (excluding accumulated other comprehensive income) for the same twelve-month period. The average shareholders' equity is calculated by adding the beginning balance and the ending balance and dividing by two. Q1-2010 comparative ratio has been omitted as 2009 results were not restated to IFRS.

<sup>4</sup> ROE is defined as IFRS net income for the last twelve months divided by the average shareholders' equity for the same twelve-month period. The average shareholders' equity is calculated by adding the beginning balance and the ending balance and dividing by two. Q1-2010 comparative ratio has been omitted as 2009 results were not restated to IFRS.

## Operating Highlights

- **Net operating income** for the quarter remained strong at \$101 million, despite a \$12 million decline from the remarkable performance of the first quarter of last year, which benefited from unusually mild weather conditions. The operating ROE for the last twelve months was 14.8%.
- **Direct premiums written** increased 3% in the quarter to \$943 million. Home insurance premiums grew by 5% as a result of increases in both rates and amounts insured. The growth rate of personal auto premiums slowed to 1% during the quarter as a result of our disciplined approach in Ontario as the regulatory reforms unfold. Commercial auto and P&C insurance premiums were up 7% and 4% respectively as a result of an increase in the number of risks insured and higher rates.
- **Underwriting income** for the quarter also remained strong at \$58 million, with a 94.6% combined ratio. Underwriting income was down \$11 million from the particularly strong performance of the first quarter of last year largely due to a number of storms that occurred in early March in Quebec and Ontario.

Underwriting income in personal insurance amounted to \$32 million. The underwriting performance of the company's home insurance activities remained robust with a combined ratio of 92.3%. In personal auto, the combined ratio increased slightly to 97.7% as a result of more normal weather.

Commercial insurance continued to deliver strong underwriting results, which reached \$26 million, up 8% from the first quarter of 2010. The increase was driven by improved results in auto insurance while the performance of the P&C insurance portfolio remained unchanged. The combined ratio for commercial auto and P&C were respectively 91.7% and 89.9%.

- **Net investment income** remained unchanged at \$73 million compared to the same period of last year. The market-based yield for the quarter was 4.0%, down slightly from last year as a result of a different asset mix.

## Investment Gains

Gains on investments, excluding Fair Value Through Profit or Loss (FVTPL) debt securities, increased significantly to \$84 million compared to \$44 million in the first quarter of 2010. Cash and investments amounted to nearly \$8.6 billion at the end of the quarter, down \$59 million since the beginning of the year.

## Capital Management

The company's book value per share reached \$26.91, an 11% increase over the past twelve months. The financial position of the company remains strong with \$784 million in excess capital and a ratio of debt to total capital of 14.4% with additional debt capacity of about \$241 million before reaching its optimal level of 20%.

During the quarter, the company acquired three million shares under its normal course issuer bids at an average price of \$46.90 for a total consideration of \$122 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 \$0.92 and \$0.83 respectively.

### **Conference Call**

Intact Financial Corporation will host a conference call to review its earnings results later today at 10:00 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](http://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 1:00 pm ET through 11:59 p.m. ET on Wednesday, May 11. To listen to the replay, call 1 (800) 642-1687, passcode 55130188. A transcript of the call will also be available on Intact Financial Corporation's website.

### **Annual and Special Meeting of Shareholders**

Intact Financial Corporation will host its Annual and Special Meeting of Shareholders at 2:00 p.m. ET later today at the Art Gallery of Ontario, 317 Dundas Street West, Toronto. At the meeting, shareholders will be asked, among other things, to confirm the adoption of the company's Shareholder Rights Plan and approve a non-binding advisory resolution as it relates to the company's approach to executive compensation. The meeting will be webcast on the company's website at [www.intactfc.com](http://www.intactfc.com).

### **About Intact Financial Corporation**

Intact Financial Corporation ([www.intactfc.com](http://www.intactfc.com)) is the largest provider of property and casualty insurance in the country with \$4.5 billion in premiums. Its 7,500 employees offer home, auto and business insurance under the Intact Insurance, Novex Group Insurance, belairdirect and GP Car and Home brands.

#### **Media Inquiries:**

Gilles Gratton  
Vice President, Corporate Communications  
+1 (416) 217-7206  
[gilles.gratton@intact.net](mailto:gilles.gratton@intact.net)

#### **Investor Inquiries:**

Dennis Westfall  
Director, Investor Relations  
+1 (416) 341-1464 ext. 45122  
[dennis.westfall@intact.net](mailto:dennis.westfall@intact.net)

## **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.