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DENNIS WESTFALL (Director of Investor Relations, Intact Financial Corporation): Okay, good morning everybody. My name is Dennis Westfall and I'm the Director of Investor Relations. Thank you for joining us today and thank you for your continued interest in Intact Financial. I want to welcome you to our annual Investor Day. Today's session is being webcast and the slides are available in the Investor Relations section of the website at www.intactfc.com. The conference will last approximately three hours. We have several speakers today including a couple of new faces. I'll let Charles introduce them in a moment. Other company officials are also with us today. We'll have two separate Q&A sessions this morning, one before the break at approximately 10 o'clock and one following the second segment at approximately 11:10.

Before we begin, I want to draw your attention to the forward-looking statement on slide 2 of the presentation.

Finally, before inviting Charles to make his opening remarks, I wonder if anybody has told you to switch off the ringers on your Blackberrys and iPhones and other devices in order to allow the conference to proceed smoothly.

With that, I'd like to turn the floor over to Charles Brindamour, our Chief Executive Officer.

CHARLES BRINDAMOUR (Chief Executive Officer, Intact Financial Corporation): Good morning everyone. Thank you very much for joining us this morning.

Building a world-class P&C insurer. Why is that important? Well, one of our core values here is striving for excellence and what this means for us is when the management team and the employees walk in the office in the morning, we want to build the very best P&C business we can and so in everything we do, we're trying to be world-class and that's why the theme is important for us. Why is it important to be world-class? To protect and grow our leadership position in Canada, first and foremost. You know, to be ready for new forms of competition which might not exist in the market implies that we need to be at the top of our game.

Also, we need to build capability to compete outside Canada and so from that point of view, if we want to have a chance to succeed abroad, over time, being world-class in what we do here is particularly important.

When it comes to the agenda per se, obviously, given what we've been focused on in the past few months, there will be a heavy emphasis on the AXA acquisition, on the integration, how the integration is going, but also on the strategic implications of the AXA transaction.

We will also touch on a number of key issues which we believe are important to investors, things like Ontario Automobile and so on. And one of the third elements I'd like us to achieve today is that you meet new faces. We've had the opportunity to meet many of you over the years, many of the same faces have been there but with the acquisition came a number of new faces and I'm hoping that you'll have an opportunity to hear them today but more importantly maybe chat with them during the break.

So this is the picture of Intact Financial. I mean this is a picture that we have presented to you folks for a number of years and what I find interesting, and you might find that boring, but despite a very large transaction, that picture and the strategy has not really changed. The transaction itself is very consistent with the strategy that we've laid out a number of years ago which we've been patiently working on, day in, day out.

Let me touch on a few points though of relevance when it comes to that picture. The first one is that the AXA acquisition really bolsters our scale advantage and we've talked about that scale advantage in the past in terms of how it gives a service and a profitability advantage. Clearly, growing the business by more than 40 percent bolsters the advantage we've built over time.

When you look at the picture at the bottom, with 6.5 billion of revenues, you see that we're twice the size of number two; we're 15 times the size of the average player. So the scale advantage applies to everybody we compete with and the advantage is really significant with every one of our competitors.

The other point of relevance, in my view, when you look at the bottom left picture is that despite the acquisition, the market is still very much fragmented with the top five only representing only 43 percent of the market, and I'll come back on that later but there is still room for consolidation in Canada.

The second point of relevance when it comes to our brands and our distribution strategy, the AXA acquisition has done a number of things but two things in particular; it has deepened and expanded our relationships with brokers and Jean-Francois Blais whom you'll meet in a moment will expand on that this morning. Another thing it's done, it has really grown our commercial lines presence; in fact we've almost doubled our commercial lines portfolio which was a clear objective that we've laid out a couple of years ago.

So the track record you're seeing here is the past 10 years of our performance and you see that on all fronts we've outperformed our

competitors. You know that our core objective, the number one objective, is to outperform the industry's return on equity by 500 basis points every year. We were able to do that in the past 10 years but I think more importantly, what are we building from? What has the acquisition done for us? And if I just continue on a capacity to outperform, when you combine AXA and IFC, look at what the outperformance looks like. That's against the top 20 players in the industry which is about 80 percent of the market; these are the people with whom we compete day in, day out. You see that our combined ratio of performance in the first half of this year with both organizations have been together at that point in time would have been six points. You see that the return on equity had both organizations been together would have been 12 points last year and 14 points this year. Now I don't think 14 points is a sustainable ROE advantage but what that tells me though is that our ability to outperform the industry as a result of this transaction has only increased and we'll certainly build on that as you'll hear this morning in building the business going forward.

Another point that I'd like to touch on, we refer here to enhanced business mix or improved profile. Now many people say that when they do an acquisition but let me quantify what that means in our book, at least the way we look at the business. When we look at our distribution—IFC was

pre-transaction, pro forma both businesses combined—there's been a meaningful line of business shift and we've grown in businesses where we operated before but you see that our weight on personal automobile dropped from 50 to 46 percent and was essentially upset in commercial lines where our commercial lines presence grew from 26 to 32 percent. So less auto, more small to mid commercial lines.

The second big shift in the business mix is a geographic one where you see that our presence in Ontario went from 46 to 41 percent, compensated by a growth in Quebec from 25 to 30 percent. And I've mentioned before that Quebec was one of the best and most stable provinces operate in; Ontario is very good at the moment but it's been volatile so we see that as positive. And same thing, commercial lines versus automobile insurance, and maybe to illustrate the point, if you take 10 years of industry loss ratio and you apply the industry loss ratio to the distribution of IFC before the deal versus the distribution of IFC after the deal, it gives a difference of about two points of loss ratio. So when I say enhanced mix, it's not just a nice word, it's actually backed by the fact that the loss ratio distribution is better.

The other point of relevance for us is stability. It is a cyclical industry but we try to be more stable than the people we compete with. When you

look at those two distribution, that is industry loss ratios past 10 years, our distribution before versus the distribution after, we used to have a standard deviation that was about 10 percent less than the industry and with the new mix of business following the acquisition, it's close to 15 percent less than the industry. So overall, when you look at the shift in mix, our is that it is positive both from a stability of earnings point of view and from an absolute level of earnings point of view.

The fourth element that's really important is that we've built a best-in-class management team. That's really important. You cannot drive to be one of the best P&C insurers in the world if you don't have a best-in-class team. And so throughout the spring and the summer I worked with a few people to build what the new team should look like and there's been a number of considerations. On one hand there's been strategic considerations in building the team; on the other hand, there's been talent considerations, obviously, in building the team. If I touch on the strategic elements that are reflected here, you'll notice that on the top left corner we've made a change in our direct-to-consumer business with a person called Marc Pontbriand who used to run our claims operation, been with us for 10 years, deep direct experience, and our objective there was to

strengthen the organizational capability of our direct business so as to be able to grow it faster in time.

The second change driven by strategy was in marketing. We've decided to create a Senior Vice President, Marketing because we believe that given our scale, given our presence in the market, it's important to take our brand, a new brand, to the very next level and as such we created a more senior role and we have here with us today, Monika Federau, our newest VP, Marketing. Monika, maybe you could stand up. Monika has been with us since May 2010, in charge of building the Intact brand, was formerly in Asia with a very large green life insurance company and has an MBA from Queens.

Third change driven by strategy, you'll see in the middle a red box here, SVP International Business Development. In the four avenues of growth which we've presented in the past few years, you know we said that this is something we want to achieve over 60 months. In the past 12 months we've done that on the fly, so to speak, or part-time, looked at a number of opportunities. We felt that given the task-at-hand with the AXA integration, we felt we needed to dedicate resources specifically to do some research and explore opportunities on that front. The gentleman

there is Byron Hindle who used to be SVP Commercial Lines. Many of you have heard him on the earnings calls.

The fourth element in relationship with strategic considerations, you'll see on the right SVP Strategic Distribution. With the AXA acquisition, we've got a huge investment in the distribution channel and my colleagues will refer to that earlier and we felt we needed to dedicate the resource to manage that investment and you'll understand a bit later when we quantify our investment in the channel.

So these are the strategic considerations. Now if we talk about the new talent that we've brought on board, one of the big changes that we've made is brought Louis Gagnon, which many of you know—or know because he's still alive—as President and COO of Intact Financial Corp. And Louis is looking after claims, IT, he's looking after our proprietary distribution, business units, looking after our investments and distribution, looking after the international side of the house as well as strategy and communications. Louis is replaced by the former CEO of AXA Canada, Jean-Francois Blais. Maybe Jean-Francois you could stand up. Jean-Francois was the architect of the spectacular performance of AXA Canada for the past seven, eight years. Fantastic track record. He's been with

AXA and now Intact for 23 years. He joined in '88 out of the actuarial program.

Another big change we've made is in the human resources. We've promoted Lucie Martel who is here. Lucie, you might stand up. Lucie has 30 years experience in strategic management of HR. Now it doesn't show that it's 30 years but there's a lot of experience, and about 10 years with Intact; that is 9.75 with AXA and the last few months with Intact.

Another key element here is in claims. Marc Pontbriand will move to direct, is replaced by Mathieu Lamy. Mathieu, you might want to stand up. Mathieu has been 23 years with AXA and you've been in the business, what? Twenty-five years, Mathieu? Twenty-eight. But he went through a really great school before going to AXA; he actually was working with Intact. So very happy to see you back, Mathieu. He's also an actuary and Mathieu used to run Ontario and the Maritimes, so a big operation of AXA before accepting the claims position.

Another big change which—you'll meet him this morning—is Alain Lessard who comes from AXA as well, Senior VP Commercial Lines. Alain has been with the business, or was with basically AXA or predecessor company for 29 years. He's got a long and deep expertise in commercial lines; been involved on that front since '94, and he also worked abroad;

was Chief Risk Officer of the French operation of AXA and he's an actuary by trade. So you realize that we're creating big diversity problems for ourselves here with so many actuaries, but we'll work on that.

So overall I think we've got a best-in-class management team. On average, there's 25 years of industry experience in the team and 17 years with the organization on average.

Which takes me to the key priorities for the coming 12 to 18 months. It's pretty simple. I think our understanding of the economic levers here are very clear. Priority number one, by far the most important, is the AXA Canada integration and that's what you'll hear about this morning. Priority is in relationship with the quality of the service we provide throughout the integration, building the teams and making sure we have the best products in the market. That will drive retention and retention is an important economic lever in this transaction. The other element here is the 100 million synergies which we've talked about, clearly right up there in terms of priority.

At the same time, I think we need to plan very carefully what happens once the business is integrated. As organic growth, that integration will be really important and the base or the denominator will be really quite significant. It's therefore very important to invest in organic

growth right now, whether it's in the broker channel—and Jean-Francois will talk about that in a moment—continuing to expand our direct operations which are not really impacted by the AXA integration and expanding BrokerLink, the broker we own, as we've talked about last year. So these remain: building the organic growth muscle is really important and we'll invest in that in the coming period.

Which takes me to the next presentation and I'd like to invite Louis Gagnon, who many of you know, to talk about the AXA integration.

LOUIS GAGNON (President and Chief Operating Officer, Intact Financial Corporation): Thank you, Charles. Good morning. I'm very happy to be here this morning. I mean it's always a pleasure to meet the people that have—that want to learn more about our company and most of you I think you know sometimes more than us so it's always a bit worrying when we look at you. But that's always fun because we always learn a lot when we do those presentations.

So AXA integration, I mean, has been definitely taking all the time—most of the time of the people in our organization in the last few months. If you remember, starting in June, we announced the deal at the end of May and just really starting in June we have built 10 teams, 10 joint task force with people of both organizations who start planning the integration,

identify synergies and we'll talk a bit more about synergies in a few minutes, and also identifying people to build teams that will be the new teams of Intact going forward. And we've done so with having in mind five objectives. I believe you probably already know those objectives but I think this morning it will be good to give you a bit of where are we, what's the progress we've made so far in going and to achieving those objectives.

First objective is to create one team in the new organization. It seems very simple but as you know, as everyone has been through an integration process, this is really a great task and a tough task to accomplish there. So you can see that we've made great steps so far in building that team. Charles has presented the structure. That structure was announced the following day after the closing, not a long time ago there. So you see that there's a good mix of people from Intact and from AXA and you know I think it was well-perceived by brokers, well-perceived by employees, that we've been able to mix the two organizations together at the highest level there.

Also an important thing, that we've confirmed close to 10,000 people in the last six weeks. We confirmed their job, their position and so removed a lot of uncertainty but that task has been done in the last six to eight weeks. And we have filled also about 150 vacancies that have been

created during the summer because during the summer we have not replaced jobs. We've been very prudent and very disciplined in not hiring too many people during that period of transition and we filled those vacancies in the last few weeks.

So one team, one common value, those are all common values. This is one great objective and I would say we are going in the right direction right now.

Second thing that is key and that is part of the objectives is we want to maintain the portfolio. We want to maintain the business. And we also want to make sure that we keep the talent that we have acquired during that—in that acquisition there. So so far we're pretty happy that we did not lose talent. Staff turnover has been the lowest for many years at this stage, so again, this is very positive and Jean-Francois will be a bit more explicit about the broker reaction and the portfolio retention so far. So again, that objective is in a good place right now.

Third objective and things that are really important for you guys is that we expect that transaction to be accretive in 2012 and to be accretive by 15 percent in the mid-term. So again, you will see with the steps we've been taking with the synergies that we have identified and started working on, this is something that we are very positive that will be achieved.

Third thing—fourth thing, sorry about that—we want that transaction to be done over an 18-month period and to do so we had to start—and we had to start working and making sure that policies are written in Intact system starting January 1st this year, so it means that we had to be ready November 1st and we can say today that we have already started to issue policy in our system. We are in—I mean it's going really well in person line; commercial line is a bit more difficult. It's always an area where there's less place for automation in the path so now we're trying to build some conversion items but we're going to be there. The teams are working really hard to achieve this and we will be done in that period of 12 to 18 months where the entire book and portfolio of AXA will be renewed in the Intact machine as you can see. So—and specialty line will be converted during the next—early in 2012; again, because of the complexity of those line of business but it will—also we are very confident that it will be done.

And finally, our fifth objective is to achieve and to find 100 million of synergies after tax. We'll talk about that just a bit later. But again, we are very confident that we've identified and started to work on achieving those synergies.

But in doing so, I think was key that you can have objectives and you can drive to achieve those objectives but while you are doing that you also need to make sure that your team and the people that are working at those teams have core guiding principles to make sure that we're not going in all sorts of directions. So we've established three core guiding principles before going into the process there.

First core principle that's there now, that's going to be there during the integration process and that's going to be there for sure going forward is there's no compromise on customer and broker service. There is no—we have to make sure that we are not affecting the perception of broker and we've had a pretty strong reputation of being able to do integration in a way that is seamless for broker and customer and for sure we don't want to lose that edge that we've built in the past. So again, very important. To do so, we hired 200 people just to do the integration of the business from AXA into the Intact system. So we have 200 people that are dedicated to just work at inputting, making sure that we don't—we are their focus on doing this while we can have a great part of the organization focusing on customer experience and broker experience.

Second thing, another core principle, we talked about it a bit just before; we have to make sure that we protect and we leverage what we

bought, what we purchased. And the thing is we bought a fantastic company, a strong company, a company that had great talent, a great portfolio and we have absolutely to protect those things and keep them and making sure that we retain as much as possible of those things. So we have—as we speak, we have created one suite of products combining the best of the two organizations, in personal lines and commercial lines. So again, we make sure that we keep everything. We have kept the best people at the best place so I think we've managed to really identify the people and make sure that they are staying with us and it's been—it's shown in the senior management structure, that is clear.

So again, we have to keep the service, we have to make sure that we keep the talent and keep the business and again, on the—and for sure that Jean-Francois also will talk about the perception of the broker.

And third, we have to go fast. It's key in an integration like that that we have to deliver quickly; we have to bring to the broker, to the employees, results and clear understanding of the future and where we're going. So—and I think we've done it. I think we've made sure that our plan was solid and that the execution that we're doing right now is near to be flawless there. This is a big task. There is always some little glitches in

those kind of things but we're pretty happy with the way it is going so far, at the speed we're going.

So five objectives, three core principles that are guiding us through that process that will take place during the next 12 to 18 months.

So if we come back to the synergies there, an element—a topic that I'm sure you are very interested in, we very early on asked our team to identify those synergies. So as we speak, those taskforce—the taskforce we had and the entire management team have identified those synergies, the synergies we've talked about, we'll talk a bit more about them. They are definite cost reductions in our structure in putting the two companies together. So they've been identified. They will be included in our budget process that is taking place right now and I think most importantly they will be monitored closely. We have to make sure that we realize those synergies and that they are part of our results going forward.

So just to talk quickly about what are those synergies and when are they going to materialize there. So we were talking about 100 million of after-tax synergies; fifty percent of those synergies will materialize in 2012 and the 100 million will be a run rate as of 2013. So we—as I said, they're identified. And where are they coming, those synergies? First of all, they're not coming from anything that's related to broker or customer-



related areas there. So we've really tried to avoid cutting in any places where broker and customer were impacted there. So we have really kept, I would say 99 percent of the people that were already talking to clients in the claims side or talking to brokers on the distribution side. So again, there's no synergy that we're expecting on those sides. They are coming mainly from really bringing within the organization tasks that were outsourced. AXA were outsourcing more things than we were so in the claims side we are bringing more claims within the organization. We are bringing more of the legal aspects of our work within the organization and just there this is a huge saving for us, just bringing those things within the organization. We are also, for sure, reducing some of the overhead in the organization. We went from the two combined organizations at 150 VPs, where the structure now has about 122 VPs. So right there, there's an important savings and important synergies. We will also reduce the size of the shared services. We're not adding one plus one on the shared services. We're reducing because it doesn't—you don't need to keep all the people at those levels. And finally, one of the things that's important, we're repatriating a few things in IT that were done elsewhere, so we're bringing jobs back to the country here and we're stopping paying fees to the mother company that was there in the past.

So again, those are some places where we have found that \$100 million of synergies that will have an impact on a short-term basis.

Those synergies are also accompanied by integration and restructuring costs there and those integration and restructuring costs have been evaluated at about 100 million also. So these restructuring costs are related to putting the two companies together: severance pay, severance package and all sorts of stuff that brings and that make the process—that we have to do during the process. Two-thirds of those costs will be factored in in 2012, so last quarter and the next quarter and the last third—so one-third of that will happen early in 2012. So this is a bit of a over—two-thirds in 2011, sorry, and one-third in 2012. Sorry. Thank you, Charles. Good you're following there.

Other aspects that are also affecting the organization and that are related to market conditions and also about the process of integrating the two organizations together and I think Charles has already talked about it in some earnings calls there, there's—because of our exposure to BC (phon)—because of our also our more conservative approach in reinsurance and also because we lose some of the benefit that the AXA Canada business had with being part of the AXA Worldwide organization. We expect our costs of reinsurance to rise going forward. But those costs



will be offset and we believe more than offset by the cost savings that are purely related to bringing into our organization and adding the volume to our existing contract that we have on the supply chain side of the business. So the sheer volume of claims that we add to the contract—we already have our supplier—will definitely offset those costs. So even though we think this has to be monitored very closely, we are really confident that that's not going to have an impact on the previous synergies that I've talked about just before.

And finally, we are talking here about synergies that have been identified clearly, cost reductions that have been looked at, but we also see potential opportunities going forward for more savings, more leveraging our size even more than we see. And those benefits that have not been estimated as we speak are the benefits related to putting those two great actuarial teams together. We will have very, very deep actuarial expertise. We believe that we can improve our segmentation even more. We can go into areas that others at this stage have not been and we can leverage that. It's difficult to say exactly how much but we are positive, we are sure that there's a definite place to gain on growth and also on savings.

And one other aspect that I think is key that we haven't—we have not put a number on at that stage is just the sheer renegotiation of the

contract we're having in our supply chain management. We're talking—I've talked before about costs savings on the supply chain management but those are just cost savings related to bringing the AXA volume in our existing contract there. I think there's going to be room in the next few months to renegotiate many of those contracts with the suppliers, glass suppliers, any supplier that is part of our car rentals, our—we have subrogation, we have salvage and those places are places that we believe could also bring some positive impact on our cost structure.

So in conclusion, integration, as Charles was mentioning, is for sure the number one priority there. This is where everybody has a look on this one. We are striving to accomplish and getting to our objectives over the next 12 to 18 months and we want to create one team that are using one system, one suite of product and most importantly, that will bring value to investors.

So—but overall I think the most important also aspect is that we want to make sure that at the end of the day we have an organization that brings to brokers and customers something that cannot be replicated by any other competitors.

So on that, thank you very much and I would like now to invite my colleague and the co-Chair of the Integration Committee there, Jean-

Francois and I, so Jean-Francois Blais from—I was going to say from Intact.

JEAN-FRANCOIS BLAIS (President, Intact Insurance): There we go. Good morning everyone. My name is Jean-Francois Blais. It's my first investor day experience so after 23 years in the business I think it was due. So thank you for this day.

I guess you've seen the overall plan and objectives and my goal is to present you the execution of the integration in Intact Insurance, how do we see it and how do we go along with this?

Well first, just maybe an overview of what the new Intact Insurance is. At 5.7 billion out of 6.5, it's clearly a significant subsidiary of the Intact Financial Corporation and we clearly are here to execute the integration and we cannot miss because of the importance of this in the overall business. So 5.7 billion is a significant size company. We have about more than 2,000 brokerages comprising of this volume. The vast majority of the brokers were both brokers from Intact and AXA, so very few brokers have to learn Intact going into this transaction so they were already doing business with both, which is obviously good. One of our strengths is our regional presence throughout Canada. We have approximately 20 offices throughout the country. That may be three or four more than Intact had

before; one new in Montreal, one new in New Brunswick, one new in Newfoundland and right now we have two offices in Vancouver. So a few new offices obviously to have better broker relationship and also it's easier to keep the staff when we don't move or extend the commute too much. So that presence is really the strongest in the country without any doubt.

One thing that is very important and we started meeting employees and brokers everywhere. There's one highlight of the staff that we put together; it's our common culture of profit. It's very clear that the performance of Intact and AXA was driven by strategic objective but it was being followed very closely by employees in both organizations that put profit first in their mind.

And if we look at now a bit further on the distribution by lines of business and I think Charles said it very well, one of the keys to the performance is your mix of business and clearly the mix of business throughout the different cycles in Canada has been proven, a huge success factor. So when we combine both organizations, the very good news about this is what you see on the slide is we have about 50 percent of our business in automobile lines, where they're 42 in personal and 8 in commercial. We have about 50 percent of our business in property and



liability. So that mix of business has proven to be very good when we went through cycles over the past 10 years.

When we look at it by geography, we split the business in four geographies because those geographies are the structure of Intact Insurance. We have four regional teams: one in, obviously, the Atlantic; one in Quebec; one in Ontario; one in the West. Those teams have the number one position in each region. So in Atlantic, Intact is number one. In Quebec, Intact is number one. In Ontario, Intact is number one, and in the West, Intact is number one. We are not number one in each province. The split we have on our structure makes us number one in every region. I don't have to tell you it's a nice benefit to start in the number one position.

What are the three priorities for us going forward? I think the first item is what's not a priority or what is not something we have to change. The starting position, as you've seen, is a very solid one on profit. You've seen the combined experience. You've seen the combined ratio. You've seen the ROE. So clearly these are the—our profit margins that we have before the synergies. When you add the synergies to the already existing performing book, we believe that we will have a very nice profit margin going forward and that's why the first priority is to keep the AXA portfolio. The AXA portfolio has been running at a combined ratio—historically very

profitable and 2011 is also a year where the combined is close to 90 percent. So when you have a portfolio at 90 percent or close to, you want to keep all of it. So priority number one is to keep that portfolio.

Priority number two is obviously you want to grow it. We want to grow it and we want—priority number three, we want to—or at the same time as number two, what we've called here leverage our best practice, but we need, as you've seen from Louis' slides, to extract some synergies going into 2012 and so we need to extract those synergies so we improve our profit margin and then continue to grow the business for the years to come.

So if we go a bit into the detail, how do we keep that AXA portfolio? Well first of all, I think that the timing is great because now we're not talking about plans anymore; we're talking about reality and execution because we've started renewing the AXA book into the Intact system in November so the timing of this conference is very good. So what was the first broker reaction when we announced the closing of the transaction? Well, brokers are running business and as a business they are looking for a business partner and the first thing they look, the executives or the owners of the brokers, is they are looking for relationships and what they were very happy to see was the diversity in the mix of the executives at the Senior



VP level, at the VP level, throughout the organization. By combining this team together we are clearly sending the message to brokers that we want to keep developing and we keep building on existing relationships and we have an open door policy for them if they want to talk to any of us.

Clearly, what's important for brokers also in that transaction is they want their staff to continue doing business with the people they know. So when we assign teams and when we split the staff in every region with every broker, first it was very important we keep the people that had the insurance experience so we continue having the great relationships we have with brokers. Synergies, by the way, in Intact Insurance have been two-thirds done or will be two-thirds done in 2011, a bit like the overall plan, and a third is coming like I will discuss. But clearly in Intact Insurance it was mostly about a few management positions, a few support staff that—where we had, and clearly when we put all of our inspections and regular cost of doing the business, these are synergies that are already identified and will start January 1.

Service is a priority for brokers as we go through an integration. They want to continue—they're not just happy with merging two companies. Everyone wants to grow in the future so for Intact to keep the service is a priority as we go along, especially for brokers that didn't have



an AXA portfolio because they are only with Intact. Brokers that are merging their portfolios, they want business, they want our appetite to be the same on new business. So the creation of the dedicated team for the conversion was a very positive reaction that we got. It was very impressive for them that we put so much energy on isolating the integration service from the regular service.

And then to keep the policies—you know, in the broker world, you have a broker who is running a business and who owns their client and obviously the last thing you want is to send a letter to a client that the client has a reduced coverage. So first we wrote a letter to all the clients in Canada advising them of the transaction. Then, obviously, the broker as we go through each renewal will be able to tell their client that they have at least the same coverage as before, if not more, because when we put the one single suite of products, we obviously look at what AXA and Intact were having in their products and build also with some innovations in it so again we will be able to put either the client in a good position and it will be more difficult for competitors to compete with our products.

We say here that 99 percent of the products were kept. One noticeable exception there is two-year policy that AXA had in Ontario and in the West that we did not keep, mostly for profitability reasons.

And last but not least, if you keep the client with the same product, the question is what's going to happen to my rate or the rate of the client? Obviously when you go from one rate book to another rate book, you have dislocation or differences in rates. So we're not putting everybody to the Intact rating structure on renewal. We have a capping process, basically, that will limit the increases, if they are, to clients so we have a better retention for that book of business. If rates are lower, we are forced to give the lower rate, but if rates are higher—so overall this is increasing very slightly the rates of the AXA book, the effect of this.

So so far it's still early. As you know, we are mid November so broker reaction to all this has been very positive. What we've been measuring first on retention of the policies on both AXA and Intact from June to November, or October, has been stable. So the business has been retained with the same retention ratio as if there were no transaction which is, right now, we are very happy with. And the number of brokers that have cancelled their AXA book and move it to another market is about 1 percent of the AXA volume so far. So why usually they do that, it's because the acquisition restricted the number of markets. Those brokers were not denying the value of Intact but they were usually down to one or

two markets in personal lines and they wanted obviously to have either three or four markets. This is something that was expected from us.

So if we keep—so for strategies, we want to keep the portfolio and we do everything we can because it's very profitable. Obviously then we need to grow the business because we start from a very profitable profit margin, very good combined ratio, very good ROE.

So how this will be good for growth for Intact? Well first we have approximately 200 new brokers to Intact which obviously when you increase your distribution, you have a better chance of increasing your top line. So those AXA brokers that are new to Intact will have the Intact products and the Intact service and all the Intact tools that were not available to them. All the Intact brokers, as you see on the products, will benefit from the renewed product suite. When Louis was talking about one product suite, it's not only one but a much better one than last year, especially in commercial lines and slightly in personal lines. But that product suite for us as we see it today is a competitive advantage. So brokers will have the opportunity to sell those products and to sell those upscale products or additional coverages for sometimes an additional premium which obviously should help us as we go forward. Those brokers also have access to new lines of business, the specialty lines that Alain will



discuss a bit more in detail in a few minutes. So specialty lines are a subsection of commercial lines but mostly they are lines of business that you can sell to, again, businesses that will increase the coverages.

All that to say that first we do a significant product improvement. We've increased the distribution. We are refining our pricing. Clearly, when we put both books together, there were—obviously Intact was about twice the size of AXA so mostly Intact is the base for rating but when you—in personal lines in some provinces or some territories, AXA had more business than Intact so we looked at the experience of that book, the rates of that book and we—and the profitability for sure of that book, to position our final pricing. So we've made adjustments in personal lines. In commercial lines when we put both books together, we've doubled the size or approximately doubled the size. So clearly we had more data so we did a first run of combining the experience and we've refined the pricing in there.

Branding and marketing. Well, it's clearly—Intact is a new brand or two years old or less than three years old, so it's going to walk soon by itself. But the brand has been on a path of increasing investment. We started from 6 million last year to 10 million this year and to 15 million and plus next year where we—as you know, the brand is going to be there to



send a message to our brokers and our clients that we're the number one in the market and people should ask a quote from Intact to see how we measure up. So the increasing brand will be for us a competitive advantage.

And obviously, Intact is a broker-focused company. We work with partners. We need to align our objectives with our brokers. Clearly the compensation of brokers now, we feel is more aligned to Intact's objectives and to the reality than it was before. First element in there, we want to recognize size. So if you're a broker with Intact and you have more volume, you will get additional profit sharing commission obviously if the book is profitable than it was before. What we also to recognize is the size, the growth; the size is one thing and then the growth. And if it's not growing then there will be a disincentive to the profit sharing for brokers. All of that obviously if the book is profitable. So this alignment is a mix of what—obviously mostly driven on Intact but it's also incorporating a bit of AXA so we're not confusing brokers about a completely innovative formula, mostly a mix of both.

And with size and concentration and better relationships comes opportunity to participate in the consolidation of brokers in the market and to be a good financial partner with them.



And last but not least to increase the organic growth is leveraging our Web experience. AXA started three years ago to an initiative to use the Web in the broker environment. Intact was developing the same strategy. We put both teams together and we are launching that new and improved Web strategy for brokers starting in December 2011, next month, for the Quebec market and for 2012 for Ontario and Alberta.

So how do you mix Web and brokers was the interesting question. And why do we feel this is important and that this has a lot of value for clients? Well, our experience has shown that first people don't buy everything on the Web all the time. People don't want to buy everything in a physical location all the time, and people don't want their service on the phone all the time. It's really what we call multiple access. That is making a relationship strong. So it's important for people to know that if they want the advice of a broker, they don't necessarily need to go to see a broker. They can start a transaction on the Web. They can even buy their auto policy on the Web and as they go through or even after they are done, they still can have the advice. And this is exactly what we've built. As you see, you have a sample of the screen but what is more important than that screen is you see the broker there, that is when you go online, you are able to chat or to call the broker for advice as you go through. And our

experience has shown in the—with the Web clients that those clients when they talk to an advisor, they usually buy coverage than when they buy it by themselves on the Web. Why? Because insurance is still a product difficult to understand. So clearly there is—that business model has been started and it's working and this is where we want obviously to push it a lot further as we go along. So we believe brokers will benefit from this in many ways. Customers are benefitting from this because clearly the customers that talk to a broker and work on the Web are buying better coverages, and clearly for Intact it's a great opportunity to leverage our brand and our marketing campaigns.

The third element is clearly we have to make sure we do our part of the synergies in Intact Insurance. The slide has shown that most of it will be done in 2011, still have work to do in 2012. Clearly there, you see the third bullet about workflow efficiencies and straight-through processing. When we compare the processes between AXA and Intact and we put both of them together and all the ideas, we've identified clearly areas of improvement. They're not part of the synergies on January 1st, 2012 because first we have to implement in our systems and we have to train our people but clearly we expect that by the end of 2012 or early 2013 we

will have those new processes in place and we will complete our part of the synergies.

And then I think we referred to that clearly—we did a first round of putting both company experience together in personal lines and in commercial lines; I referred to that earlier. Clearly speed is a concern. We don't work in a vacuum and we have competitors who are very interested in our business. So we have to do a first round of pricing exercise to start. This is why we've adjusted the Intact pricing in some lines of business or some territories or some segmentation, but then we will take obviously more time to go at this as we go in 2012 and 2013 and we expect that new pricing algorithms will come out of this and will be again more refined and we will leverage obviously our database and our experience with this.

There are examples that I referred to a bit earlier. One I did not refer to is claims experience, not really pricing and underwriting but clearly, as you know, personal property is a difficult line of business to make very profitable right now with the catastrophes we have and we know water damage is an issue so when we compare the way we work on this, the appraisals, we found obviously best practices that we want to apply that should help us as we go forward.

So how do I close all this? Well first to say that the integration is really underway right now. We are really into it. It's very live. Our vision is clearly to build this world-class organization. We've done major accomplishments on products so far. We've visited and met a lot of employees and brokers to discuss about the vision. Reception was great. Clearly our commitment—what brokers see is they see a great team. They see a great suite of products. They see a strong company. They see us able to support them in broker financing. We referred earlier about our broker financing which is now when we combine the two companies that's 750 million that we have invested with brokers for either succession planning or for their acquisitions and investments. Clearly there is—there will be more opportunities because of our size now and our relationship with brokers so we want to continue this. Marketing—I was at the broker convention last month in Ontario and the brokers' survey for clients—clients are looking for a brand from their brokers when they buy insurance. It's clear in this day and age that trust is important so everything we do in marketing and branding is good for clients when the brokers are proposing Intact to them. So clearly, we have the brokers support on this one. IT, IT is more of 2012 and 2013 to come. Clearly, like we've said, some workflows and some processes have been identified. It's now time to

program them and test them and train the people. The—no location was closed in the AXA integration. All offices are open, are strengthened; we have more people in it so clearly service for brokers is local. They have the expertise, they have the proximity. Pricing I've talked about and comes with regional focus. You know brokers are in their community. As you know, they are creating local jobs so they need local presence and the Intact foundation is there to support them in their local presence.

I guess all that being said, as you can see there are many reasons why a broker would prefer to do business with Intact today and it's not only about all those reasons but it's also about the quality of the execution. I think we are there with our large acquisition where nobody thought we would be, especially our competitors and our brokers, and it's not only what we have done but it's our capacity to react and our capacity to innovate that we're giving as a trust for brokers in the future.

So we're very happy about this and I thank you for your attention. I now turn it to Martin Beaulieu.

MARTIN BEAULIEU (Senior Vice President, Personal Lines, Intact Insurance): Thank you, Jean-Francois. Good morning everyone. I am very happy to be here today to give you a bit more background on—thank you—to give you a bit more background about personal lines. In the next

few moments I will go through Intact's vision with respect to personal lines and how the AXA integration is bringing us closer to that vision as well as giving you a progress report on the Ontario Automobile and Personal Property file.

Our personal lines vision is to use our scale to exploit market inefficiencies—that's not new—in order to grow our business faster and to expand our profit margins and as you know, scale is a major advantage. In terms of segmentation of the market we have larger databases or the largest database in the market as well as—both for underwriting and for claims purposes. And we have, as well, the largest team of experts to slice and dice these databases so as to identify faster the trends that can emerge but also to identify the patterns within these databases so as to better segment.

Scale is also an advantage when it comes to claims where we have the capacity to internalize more claims so we, in that way, are able to improve the quality of the indemnities but also the administrative costs associated with the settlement of those claims and we have the opportunity to leverage our size in terms of what we negotiate in terms of contracts with providers.

In addition, we have, in the context of the integration, we are going to leverage some of the AXA strengths so Jean-Francois was referring to that, the straight-through processing, so a few concrete examples of that is improving the automated underwriting functionality so as to make it simpler, to have, as well, more broker delegation of authority, being able to suppress documents for brokers so using electronic documentation with them, and optimizing the renewal process with what we have as a proprietary retention score so as to make brokers use all that knowledge that we have about retention to work the right renewals when they come to their office. So we really feel that the addition of the AXA portfolio is bringing us closer to our vision in terms of size—of exploiting our size to better expand our profit margins and as well as growing.

So I would like to next talk to you about Automobile Ontario and last year at the Investor Day we were just starting to experience the new reforms that had been implemented in September of 2010. Those reforms had become necessary because Ontario drivers were spending 5 percent of their disposable on automobile insurance and this is 3 percent in other provinces, so very expensive in Ontario. But the rates had also increased by 20 percent since the end of 2007 and not only the cost was high but the inflation was high. So in the last four years prior to the reforms, accident

benefit inflation had been in the 19 percent range yearly, so clearly an unsustainable level. And all of that was compounded by the fact that insurers were running at the 110 percent combined ratio. So government was in a situation where they had to move and try and bring the product costs under control and most of the problem was coming from accident benefit where the product was complex and we had there potential for fraud and abuse which we were observing; not only was that a potential but we were observing it.

So those reforms were initially expected to bring 6 percent cost reduction; accident was to reduce by 31 percent and bodily injury was to increase by 26 percent because some of what was not going to be covered in accident was going to overflow—to flow over into bodily injury. And we have on top of that, during the process, introduced a number of claims initiatives that were aimed at combating fraud and abuse which we were expecting would bring additional benefits.

With respect to the reforms, on the assessment front, the government had introduced in the reforms a \$2,000 cap on assessments and the rebuttal assessments were being eliminated so that was going to create savings. On the medical front, the reforms were introducing a lower coverage, so from \$100,000 to \$50,000 coverage and as well there was a

minor injury guideline that was going to cap the minor injury compensation to \$3,500. On the attendant care front, there was also reduction of coverage from \$72,000 to \$36,000 and there was home maintenance caregiver benefits and housekeeping which was becoming optional and on top of that, the basis on which this coverage was going to be paid for was on the actual economics plus so you had to have an expense to be paid, not just a potential expense to be paid. So those reforms that we had—those claims initiatives that we have added to combat front end abuse included adding 40 adjusters in terms of capacity to our accident benefit unit. We have tightened our acceptance processes with respect to assessments and treatment plans. We have introduced a centralized payment team. We have created a special handling unit and special investigating unit for fraudulent cases and we have made a number of improvements to our system so that we'd be able to track better the costs and how we can manage them.

So our reforms and claims initiatives have translated into more than 50 percent reduction in assessment and treatment plan requests; more also than 40 percent reduction in invoicing. The minor injury guideline penetration has reached 55 percent and we are observing even a bit better but I'll come back a bit later on why we think that this may be what we have

seen in excess may come back to the 55 percent level. And the minor injury guideline forms which had started the year at 5 percent are now at 15 percent so showing that the practitioners are starting to accept the reforms or the minor injury guidelines as being a good practice and this is increasing each month.

So what we have when we look at all these benefits that we're seeing is that we're still of the view that there are 6 percent cost savings in the reforms but that our claims initiatives are adding value with another 6 percent of cost savings which is something that is instrumental in what you see in the bottom left corner which is our outperformance versus the industry. And there was you can observe is that we are at the moment outperforming by 18 points in Auto Ontario the average loss ratio of the industry. You see that we have a consistent outperformance except in 2007 where we believe we have recognized earlier the trends that were coming in terms of accident benefits inflation and we explained that outperformance by our early recognition of those increases in trends and that we had started increasing rates faster. We had a quality portfolio entering into the reforms and we have also, with our claims initiatives, I think expanded that margin that we have of outperformance. So I've covered the left-hand side of that sheet in my comments of the previous

sheet but what I could add there is that using the same claims initiatives we expect that 10 million of savings will come into the AXA book that—on the indemnity front using these same processes so that’s something that we’re looking forward.

A proportion of our claims are—since the reforms are being disputed, I think that what we observe is that there is in the system stakeholders that are testing and sometimes even abusing the new system so there is dispute. There are three mechanisms that are being used in our industry for resolving those disputes. The first one is mediation where this is a non-binding process but the costs are borne by insurers. This is \$500 every time we enter one of these mediations. Most all of them are being requested by claimants or providers. There are about 20 percent of our open claims that are in that mediation process and there has been a significant backlog accumulating for the industry in that mechanism and at the moment there is roughly a year of backlog in that process. So it’s still early. We don’t see yet outcomes of those mediations and it’s still early to determine if those mediations or even the mechanisms that are being used are going to change the interpretation that the industry has of the new product.

The arbitration is binding so this is a mechanism that when you enter, an arbitrator will decide and both parties are bound by the decision. There is a \$3,000 cost again borne by the insurer when entering in that process but on this one there is no backlog, but there is 5 percent of our cases—open cases that are in arbitration.

And the last mechanism is a pure civil lawsuit but that is hardly used because it's costly for claimants to use and it's longer than the other processes so what we observe is that most of the disputes are being resolved either in mediation or arbitration.

So what we have done is we have put in our reserves—or our reserves are reflecting the potential for the negative outcomes that could come from the product interpretation that would not be to our advantage.

So in the—so that's the caveat on how the reforms are developing. I think we're positive about what we are observing. There's still a little bit of dispute but that's reflected in our reserving or in our results. But on the—something that is very positive is that government has said that they would keep an eye on the system to keep costs in check even after the reforms and we have concrete evidence that this is happening. So on these backlogs I think that they want to see the outcome of these mediations so they are organizing these days blitzes to try and resolve multiple of these

cases or they have introduced an automated way of resolving these mediations. We have also introduced a task force, an anti-fraud task force just a couple of months ago which is going to most likely deliver positive outcomes for the system. And just last Friday, FSCO was issuing a guideline on how to—on invoicing practices so trying to avoid that insurers would get paper, as they describe it, so sending us all kinds of invoices that we have a lot of difficulty processing because of the sheer number of those invoices that is sent. Our own centralized payment team has really helped us in the course of the last year to manage this large number of invoices and we see that with that team we have been able to reduce by 40 percent the number of invoices draining the providers but I think this has not been widespread in the industry and this is a positive sign to see that FSCO is addressing this and they've even put some consequences for those who would have done or would maintain questionable or abusive practices.

So as you can see, we're fairly positive about what—about the outcome of those reforms and of our additional claims initiatives and what that does is that it gives us a margin to invest in our growth and we are at the moment working on reinvesting some of those—of that advantage into stimulating our growth in automobile insurance.



Next, ensuring profitability in property and you will remember that we have since the end of 2008 deployed significant efforts to improve by 10 to 15 points our property results. That line of business has reached a level of profitability or non-profitability that was unacceptable and where our underperformance was not to our satisfaction so our own improvement planning included rate level adjustments; we've increased by high single digit to low double digit on a yearly basis in the last three years the rates of our policies. We've introduced segmentation by kind of loss. We have introduced claims controls so we have strengthened those in terms of appraisals and inspections after the repairs and we have also, in terms of product design, introduced a \$2,000 water deductible in Ontario so as to mitigate the claims themselves.

So as of the end of 2012, we were satisfying ourselves that we had reached our objective of 15 points when we were looking at what we were already observing in our results and what we had in the pipeline in terms of actions. And then came 2011 where the results seemed to be getting to a level again where we are not satisfied and when we dissect the results of 2011, between catastrophic and non-catastrophic loss ratios, what we observe is that we have twice as much catastrophe losses this year as we have had in the recent past and even longer than recent past. So that's

something that I think is worth noting. And the other trend that we see is that the non-catastrophic losses have gradually improved, constantly improved since we have started our plan at the end of 2008. And that I think is a sign that our action is clearly working. I think what that tells us is that there are catastrophes in the system that we need to keep an eye on because they introduce volatility. We had reviewed our catastrophe load in 2009 as part of our home improvement plan and we maintain the view that they are adequate so they are designed to be adequate two years out of three and the nature of catastrophes is such that because there is volatility (inaudible - audio cut out) to be okay 100 percent of the time but two years out of three was something that we felt comfortable with.

So, from an outperformance perspective, we have been able to move from an underperformance a few years back to an outperformance, a slight outperformance in 2010. So, that's something that we were striving for, so we're now moving in positive territory. We're not at a level where we would like to be. We would like to see that outperformance exceeding the five-point level. So, what that tells us is that we'll have to maintain the focus on that line of business, we're not where we would like to be, and actions that we will have to take are, or that are already planned, are more

rates. I think that there's no way out in a line of business where costs are increasing and the results are not there.

Product design, what we had introduced in Ontario, the \$2,000 deductible, we'll expand in other territories or in other provinces, and we're going even to expand it to hail—or we're contemplating expanding it to hail and wind, such as what we see in some states in the U.S. where they have this kind of exposure. This is where the product has evolved. So, we're seriously contemplating that for the Canadian market.

The place where I think we need to go as an industry, but we, as a leader, will lead the charge, is getting the prevention and education at the higher level. I think that we've been able on fire and on theft to educate consumers about how to mitigate those losses themselves and see insurance as a second level of protection mechanism for them. I think that water losses are still unknown by consumers and we need to go down that same path of educating consumers as to how to protect themselves, and it's not just consumers, I think it's also municipalities and governments that have to play a role in there, because not all of this is under a consumer's control.

So, again, we're not where we would like to be in home insurance, but there's been great progress in the last three years. I think we have a

plan that is making me comfortable that we can get that line of business to the level it needs to be, and now that we are in outperformance, I think that only gives me more incentive to get to that five point.

So, on that, I would turn the session back to Dennis. Thank you very much.

DENNIS WESTFALL: Thanks, Martin. I'm actually going to ask all the speakers to step back to the front. We have a session now for Q&A. There are microphones that will come around, so if you do have a question, please raise your hand and please do wait for the microphone, and it would be preferable if you stick to the topics covered in the morning. We will have another session at the end of the morning to cover topics as they come. Thank you. After the Q&A, we will take about a ten-minute break.

DOUG: Thank you. I guess, just three questions. Jean-François, you talked about your retention so far trending in line with what your normal retention rate is. Can you just remind us what that retention rate is?

The second, you talked about just capping rate increases on renewals. Can you talk about what that cap rate is and how are you managing that through and over what timeframe?

Then, third, correct me if I'm wrong, I don't think you previously did volume commissions before, Charles, but maybe I'm wrong and I think that's something that you're starting to do. I'm just curious as to the thought behind that. Thanks.

JEAN-FRANÇOIS BLAIS: Well, the retention we're targeting, is 90 percent, give or take, you know, one or two points by line of business, by province, but, overall, it's around 90 percent.

Capping has been developed by line of business, by province, depending on what we could file in automobile and depending on the profitability of the book, but, in general, it's single-digit capping for auto and property, but let's say maybe five.

MARTIN BEAULIEU: Five is the minimum (inaudible).

JEAN-FRANÇOIS BLAIS: Yes, between—or maybe three? Was it 3.5?

UNIDENTIFIED SPEAKER: It depends on the province.

JEAN-FRANÇOIS BLAIS: It depends on the province, but it's single-digit, right? Somewhere around 5 to 8, 9 percent, as a capping.

CHARLES BRINDAMOUR: The strategy with capping, when you do integration, we've done that in previous transactions. It's basically as you

go along, depending on your ability to retain the business monitor of them, every month, you modify your capping algorithm, that's the first point.

The second point is that the capping is meant to disappear over a two-, three-year period, depending on the degree of dislocation. That's why when we present our objectives of bringing the loss ratio of the acquired business to our level, we always say to give ourselves three years to achieve that. The reason why we say we give ourselves three years, take the first 15 months to move it your system, then you need another year or two to decap that, or go through the capping mechanism fully at our level. That's how those (inaudible). In particular, when you move from a book that has a 90 percent combined ratio, these are very small concessions to maintain that quality of business and within three years, you're (inaudible).

You're third question, Doug, I'll let Louis Gagnon now to give the—not under pressure—to answer your questions about—on the commission, but you were involved in the design (inaudible).

LOUIS GAGNON: Well, I think, Doug, the commission structure, the CPC or the profit sharing, has always been—we have always had a few different models of profit sharing, again, depending on the region, the division, and line of product, also, there. So, I have to admit that Intact has

never been really aligned with the size of the portfolio as much as AXA was. AXA has particularly put in their profit sharing elements that were related to the size of the portfolio. So, we, in integrating that, and in also making sure that we will promote retention of the business in the next few years, and this is our main objective, I think it will align ourselves much better with our objective and also with what the brokers are looking for. So, brokers will get more CPC if they have a larger volume and if they retain their business more than others. Something, again, that was more pure profit CPC, with some little adjustments on the retention. I think the AXA model reflects more of those things. But profit is the trigger. No profit, no CPC. It's just a matter of if you make profit and you grow, then you have a better share, but it's not growth only.

DOUG: Just following up on this retention issue, this 90 percent was sort of incorporating any kind of shock lapse associated with an acquisition, is that right? Or is this—that's an ongoing. Now, what did you have in terms of—obviously, you would have had a higher kind of a lapse assumption built into this 15 percent accretion when you initially bring on this book of business, was that the case? And so how is that—then, this 1 percent that you talked about, is that 1 percent renewing, or not renewing of the renewals that came up over the last three months or is that

annualized? How do you look at that? So, if 90 percent is a run rate, what was assumed in the accretion for the first year, and what is this 1 percent you've talked about rate?

CHARLES BRINDAMOUR: Okay. So, Doug's first question was what's the normal retention rate? Jean-François said about 90 percent, sort of the normal retention rate. When you look at our business mix, automobile has been more in the mid 80's, because we have direct operations and so on; commercial and property is in the 90 percent range; it's been pretty steady, it's actually increased a bit in the past. So, that's the first part of the question. Regardless of the acquisition, this is the sort of retention rate level that you anticipate.

We have not talked about the fact that—we have not said here's how much of the AXA business we expect to retain, right? There's no expectation that the business should move, because we think we have the best products, we have the best service proposition. Jean-François did a great job to describe why brokers have a clear advantage to do business with us, so our customers—and we're very stable and, you know, the decisions are being made right here in Canada, so there's no reason, as far as we're concerned, for the book to move, first point, just so we're clear about that.

When you assess how much a company is worth, we always take a conservative stance, and we're not talking about how conservative we've been in our evaluation. Clearly, the accretion assessments that we put on the table, when we announced the transaction on May 31st, before knowing what would happen in the market, reflected our anticipation of how much of that business we'd be able to retain. So, that was the second part of your question.

Then, the third thing was the 1 percent that Jean-François referred to, and that is our view at this stage of the decisions, the cumulative decisions that have been made not to place the AXA business with us.

UNIDENTIFIED SPEAKER: Coming in the next year, (inaudible) percent of the AXA business.

DOUG: Okay. Then, a follow-up would be—you talked about increase in reinsurance. Now, you're a bigger company; if you can quantify what impact in dollar amounts this increase in reinsurance would be, and you're a bigger company, why don't you just increase your retention rates to sort of offset some of that?

CHARLES BRINDAMOUR: Yes, I think that's why we're not putting numbers on the table because we're looking at all the options at the moment. Our reinsurance advisor is in the room, but he works for us, so

that's a good thing; it's the webcast I have to worry about. But, you know, we're in the stage of assessing a greater need, we're in the stage of assessing—our additional size gives us more flexibility, indeed, from a retention point of view; and we're assessing the capacity in the market at the same time, the relative pricing in the market. We're playing with all these numbers. We've got a best-case scenario, we've got a worse-case scenario, and come the next turning (inaudible), so to speak, the cards will be clear, crystallized, negotiations will be done and we'll be able to provide more clarity at that stage.

What we're saying, in terms of what is the impact of that is that the short-term supply chain gains we've identified, and we've touched on a few here, will more than offset our assessment of the worse-case scenario on the reinsurance side. Paul?

PAUL: Thanks. I have two questions for you. First, on the personal property side, you say you want further improvements. Maybe you can talk about where AXA stands relative to the industry on the loss ratio and personal property, and is there anything you can learn from what AXA has done in that line of the business?

Then, the second one, I'm kind of curious in terms of why so many people are going to mediation rather than arbitration. There's a big



discrepancy there. What is it they're trying to really test in the mediation process? And is there any threat there that if they're successful in testing mediation more claims are going to arbitration?

MARTIN BEAULIEU: Yes, so on the personal property front, AXA had a portfolio mix that was advantageous in personal property, so we're learning from that. They're largest personal property book is in Quebec and there their share of homeowners is half the size of what Intact has, and the mix of business is clearly that homeowners is the place where there are more issues, and tenants and condominiums are more favourable. So, that's one thing that we're learning in this and that we will definitely include in our plan. We're looking into how they were also managing the insured values and this is another area that we think we can learn from, from the AXA experience.

On the mediations, I think that this is the process, to go through mediation before going through arbitration, so this is why you see more there. Clearly, you're right, that if the decisions that are being made in mediation and arbitration are unfavourable, that from then on this will be the interpretation in the market of how the product should be handled then, and from then on these costs would have to be reflected. Our reserving approach is taking a view that there can be some of that happening.

CHARLES BRINDAMOUR: Maybe on the question why, why is there so much going into mediation, first, the fact that the government introduced a minor injury guideline, where more than half of the AB claims fall in that minor injury guideline at \$3,500, a major change in the environment, and that change itself, in my view, is what is the big driver of the mediation process.

We talk about the reforms, we talk about the claims actions we've taken on top of the reforms. One thing that gives me some comfort on the mediation front is that we have less than our market share of the mediation backlog than our overall automobile market share, despite the fact that we've taken additional robust initiatives on top of the reforms. So, this gives me comfort about our own initiatives.

UNIDENTIFIED SPEAKER: (Inaudible - off microphone).

UNIDENTIFIED SPEAKER: Thank you. Probably for Martin. You talked about your cap loading being good—two or three years being the objective, I should say. Can you illustrate that in combined ratio points? You know, how much combined points of catastrophes did you price for?

MARTIN BEAULIEU: Well, overall, this is between two and three points, overall, all lines of business. Most of those cap loadings are in

personal property and this represents 22 percent of—a bit more than 22 percent of our book.

UNIDENTIFIED SPEAKER: Thank you.

DENNIS WESTFALL: Let's take about a five-minute break. We do have, like I said, more time at the end and we can catch more of your questions then. Thank you.

SHORT BREAK

DENNIS WESTFALL: All right. I'm going to ask everyone to please take their seats and we'll continue with the second half of the morning. I'd like to introduce Alain Lessard, our new Head of Commercial Lines. Please come up and get things started, Alain.

ALAIN LESSARD (Senior Vice President, Commercial Lines, Intact Insurance): Thank you, Dennis. I'm delighted to be with you this morning. This is a first for me since I've been on the job since September 26th, okay. I've been polishing my English for the last five months, but bear in mind that I've spent two years in France and this is still taking a little bit of its toll as we go forward.

So, the first thing maybe to say about the commercial lines portfolio—you've heard a few times this morning that Intact has been outperforming the market. When we look at the commercial lines portfolio,

the first thing that strikes is that both organizations, Intact and AXA, have been outperforming the market, and they've been outperforming the market for the last ten years. If we look at the last ten years, the average outperformance in loss ratio points is about 7 points for AXA and Intact, but more so the thing that strikes is also the consistency of the outperformance, since they have been outperforming the market nine years out of ten for each company.

So, when we combine the two portfolios together, well, not surprising, the outperformance of the market stays at 7 points, although the consistency improves a lot because now we are outperforming the market ten years out of ten, and that outperformance is anywhere between one to 13 points. So, that's very, very important and a very strong message on the performance of the commercial lines portfolio.

If we were to translate that into dollars—I like to give, you know, an image on the dollars—that outperformance over the last ten years represents, basically, 1.5 billion of value creation for the commercial lines portfolio. So, no wonder, when you look at that performance, we understand that the key message for commercial lines was retention, retention of the portfolio and retention of the expertise and the people that made those outperformances come true.

The second thing we can say about the portfolio is the size of the portfolio. Intact is now number one in commercial lines across Canada, with a market share of roughly 13 percent. I would say that this graph does not include commercial automobile, since commercial automobile is difficult to split between personal and commercial automobile for every company. If we were to look at Intact's global commercial portfolio, it would be just north of about 2 billion if we include commercial automobile in the picture.

So, with the transaction, Intact has gained, basically, between one and three ranks in the market share, and we are by far the largest. Our second competitor, which I would label Aviva, we're 70 percent larger Aviva, and we're, basically, two-and-a-half times the average size of true commercial lines competitors. I didn't delve too much into Lloyd's. Lloyd's here appears as one company of about 1.3 billion, but the reality is Lloyd's operates within Canada with 50 to 60 syndicates and all of these syndicates operate as individual companies. So, what you see there is, as a matter of fact, a bunch of small companies grouped together under the label of Lloyd's.

Why does size matter? Size is very important in commercial lines because there's no opportunity of risk, there is no true understanding—to

understand the risk, you need to have a larger picture and larger data to be able to go through that and understand the difference that exists between the different risks. There's also no statistical plan. So, there's no industry data available where we group all the industry together to mine for everyone. So, the larger your portfolio is, the greater the advantage you have over your competitors, and having more information about your different risks.

It's also important to be able to manage volatility. Being (inaudible), being small to very large risk, there is volatility. So, the larger the scale of your portfolio, the better you can manage volatility. It reduces your dependency towards reinsurance. It also gives you the capacity to leverage the expertise.

We have a very large portfolio, but when you look at it, there's still room to grow, because at 13 percent market share, that's less than the overall market share of Intact sitting at about 16.5 percent, so there's room to grow for the commercial lines portfolio in the near future through market consolidation or organic growth.

One of the things we want to do is to retain the business and grow the commercial lines business. We said retention of people, retention of portfolio is key, growth is key. How will we achieve that? We think that

today we have one of the best commercial lines value proposition to broker and to consumer. That translates within three key elements. The first one is the product side. We think that by combining the AXA product suite and the Intact product suite we created a new product suite based on best of both worlds. So, we took the best coverage that existed in every company and created a new product suite that offers lots of multiple levels of coverage. So, we don't have a single offering on any client, we have multiple offerings, such as standard protection, you could see a superior protection, a supreme protection, okay. As an example of that, we're the only company offering two to three levels of liability coverage across Canada. So, there's no other companies that are offering that. That is an important aspect of building our product suite, to get something that can be delivered to the client and give the broker an advantage of being able to offer multiple levels of coverage.

The second aspect, which is more for us, on the product suite, is also retaining the exposure. As an example, Intact was feeding boiler machinery businesses—boiler machinery is basically equipment breakdown. That coverage was feeded 100 percent to BI&I, a Canadian insurance company, because it required commercial lines expertise, especially as the loss prevention, you need specific expertise for that line

of business. That expertise was available at AXA. So, when we combine the two organizations together, we will be keeping 100 percent of that expertise within Intact going forward. Just to know that this line of business is about 20 million for Intact and it's been operating industry-wide in Canada at a combined ratio below 80 percent and on a marginal basis would be even better than that. So, we will continue to focus on small and medium commercial lines enterprise and adding a product suite that is able to sustain and offer multiple coverage there is something that is key for us going forward.

The second point is maintaining the risk appetite. All through the integration, our model was to making sure that we maintain the outer bound offering of AXA and Intact, offering the you know—anything that Intact would have been written or that AXA would have been written, we want to make sure that going forward we will continue to write. As a matter of the fact, the only risks we want to decline are risks that would have been declined by AXA and Intact going forward. We've done that by making sure we are pairing our underwriters coming from either Intact or AXA together, either two-by-two or as a group, to make sure that on any piece on business that's coming through they will share and they will discuss that to make sure that we give the broader aspect of our risk appetite.

An example of that would be line limits. We are offering on commercial property capacity varying between a few hundred thousand dollars to \$60 million, depending on the quality of the risk, okay. Those criteria were different within Intact and AXA and we are making sure going forward that any risk that comes through we will offer the maximum of the capacity that would have been available either from AXA or Intact.

The third aspect of our offering, which is basically for brokers, relates in the regional structure we have. Our regional structure is based on two words, the first being proximity, the second one expertise. So, we want to be very close to our brokers. Especially in commercial lines, a lot of the growth is related to the quality of the relationship between the underwriters and the broker. So, we maintain, as Jean-François said, 99 percent of the front-line people present in our organization. These front-people are the ones having the relationship, which have built those relationships with brokers over time. So, we make sure that these relationships and people are still available in our front-line operations. They also bring a level of expertise to the organization. So, we make sure that we are having very close proximity to our broker. But, we also strive for expertise, because we'll talk a little bit later about specialty lines, but we make sure that in every division across Canada there's a team of people dedicated to

specialty lines, because those specialty lines require specific expertise to understand the risks and write those risks profitably. So, we are trying to create a mixture of having proximity to our brokers and at the same time maintaining the expertise, those available on commercial lines or on any specialty lines type of business.

So, these are the key elements that we think will bring a very important and the best value proposition to our brokers going forward.

Before we go into specialty lines, I would like to come back on something we said last year. Last year, one of our targets was to grow what we call the MSE, medium to small enterprise, or accounts where the premium band is between 10,000 and 50,000, okay. These risks require more expertise. When we look at our portfolio, when we segment that by premium band, small risks are more transactional, they have to be fast, easy to place, with a very efficient, a really efficient delivery to the broker or the client. The mid-size business, between 10,000 and 50,000, or even above 50,000, requires a lot more knowledge, requires expertise up front. These risks are more (inaudible) and they need to be analyzed further. So, we wanted to grow that part of our business and to double that part of the business. With the AXA acquisition, the premium on the 10,000 to 50,000 went from 194 million to 369 million, so a growth of almost 90 percent,

compared to the growth of 70 percent. We've made some headway on that type of risk, but we have still room to grow and we can improve our presence on that market going forward.

One other thing I would say to illustrate the similarity between AXA and Intact, the funny thing is AXA has the same kind of three premium band, labelled alpha, delta and omega, alpha being the small risk, delta being the medium risk, and omega being the large risk, and our target growth was basically alpha and delta, just as it is for Intact, because we were seeing the same thing in terms of profitability. Those two type of risks have a much better profitability result than the largest risks, where our loss ratio were like 20 points higher in Intact, and when we combine Intact and AXA together, there's about a 13-point gap for those risks, where the loss ratio is about 13 points higher on those type of risks.

So, we are making sure that we will continue to grow on that direction, okay, and keep our focus on small to medium-size. So, if you hear me talk about MSE, we're basically talking about premium for 10,000 lower or 10,000 to 50,000.

I said earlier on I would come to specialty lines. That's another important aspect of when we, you know, put our product offering together to broker, we deliver a good value proposition to the broker. We are

bringing now new lines of business to a new number of brokers. You will never hear a standard definition of what is specialty lines, so I said I will give you maybe a little bit of insurance 101 on specialty lines.

Specialty lines for us at AXA means farm, E&O, D&O, marine, trucking and surety. Why we say those lines of business are specialty lines? Because they require special knowledge, special expertise to understand the risks. That expertise can be either at underwriting, loss control, actuarial or even claims. When we're talking about farm, these are basically—these are risks which are not in protected areas. So, the fire risk there is quite complex because there's generally no water available, so they require a very specific analysis of the situation. E&O is coverage that is specific to professionals, which is covering the errors and omission of their professional act. So, you need to understand the trade they're in. The professional acts of an actuary or a lawyer or an engineer are quite different, so you need to master what those risks can be. D&O, we're talking about coverage for directors and officers; again, depending if you're talking non-profit. Intact was doing a little bit of non-profit. AXA was doing non-profit, for-profit, and even publicly traded companies, which is also another aspect to the valuation of the risk. Marine and trucking are basically moving property. You are looking at property that can be moved

around, so that's a special line and requires special access of where the property is being transported. And surety, this is almost more a financial aspect since you're guaranteeing—you're pre-analyzing the capacity of a contractor, capacity to do—either financial capacity, capacity to do the work, capacity to retain and having the human people and skill to carry on the job he's being asked. So, it's almost a financial aspect to that.

So, those lines of business are special and need special people to handle them, plus they are bringing lots of value. They are bringing, from our point of view, diversification, because those lines of business are not always correlated to the commercial lines market. They are historically profitable. They are bolstering our offer to the broker, okay, and making them, you know—the broker can not only meet specific market needs. These lines of business traditionally have been handled by specialty markets, but bringing that in and making that line of business subject to CPC brings added value to the broker, and these lines of business are key for the development of our mid-market capacity, because the type of account that normally requires complement from those lines of business are generally in the mid-market range.

Sometimes, they can be seen as risky, okay. The reality is when we look at those lines of business, the average combined ratio of AXA for the



last five years is 83 percent, which is about five or six points better than the regular commercial lines. But, the reality is they are a little bit risky in the sense that they are more volatile. What's not shown there, but we could look at, is the loss ratio by line by year has varied anywhere between 60 percent and up to 120 percent. So, there are more volatile lines of business, okay, but this is where the scale of Intact brings us the capacity to manage that volatility. The growth there brought by AXA is 190 percent, okay, but we have today more than 180 people dedicated to those lines of business throughout Canada, being at the corporate or at the distribution level, to service those lines of business. So, they are bringing value, they are bringing profit, okay. They will never represent a large amount of our portfolio. They are about 15 percent of our portfolio. They may grow maybe 15, 20, depending on the size, because there's an opportunity for us to grow, because we are number one in commercial lines, but in those lines of market, except for surety where we are number one in Canada, I would say we are probably number three or four in Canada, so there's opportunity to offer those lines of business, especially in Ontario where our presence with brokers—our footprint into brokerage has increased, and we have more brokers that can sell those lines of business. We will grow

there, but at the pace we can maintain the expertise and acquire the expertise to support the growth we want on those lines of business.

Finally, I would like to leave you with maybe what's our philosophy, what's our future, how we see the growth in the pricing and underwriting in commercial lines. I would say both organizations have a very, very similar philosophy regarding that; that is, segmenting the portfolio. Both companies had large scales, were using those data and those expertise, being actuarial, underwriting, loss prevention, to segment the information and be able to segment the risks and better understand and analyze them and underwrite them.

The segmentation translates into two aspects. The first one is risk selection, meaning focusing on target classes, identifying the most profitable target classes; retaining the exposure where we are and we have the expertise, as in farm, boiler machinery or specialty lines; and the emphasis being made on individual risk selection. We're not class-of-business selection. We select and we underwrite risk at the individual level, based on each risk characteristic.

The second aspect of the segmentation is the pricing aspect. As we go forward, and you can see that, the pricing aspect was both on commercial lines, but also on specialty lines. We have specialty lines



property pricing algorithms for all our lines of business, and that pricing algorithm is supported in our system and embedded in our system as we go forward, because not only do you need to price those with, but you need to really much control the pricing around that, and this is all embedded in our system going forward. We are also gradually embedding rules, underwriting rules on our system, to make sure that not only we identify those risks, but also in the execution and the selection on a day-to-day basis we have a strong system support to make sure they're supplied everywhere. So, we are monitoring that on a regular basis, being at new business or renewal level.

So, that disciplined approach has yielded for both companies the results you saw on the first slide, the seven-point average outperformance, and that is true as a philosophy for the AXA portfolio or the Intact. So, we will continue to do the same. The thing is that today we just have a better position since we have more people, more expertise and more data to slice, mine and look at to better identify and segment our portfolio going forward.

Thank you very much. So, now I think Mark.

MARK TULLIS (Chief Financial Officer, Intact Financial Corporation):

Thanks, Alain. So, we had a busy 2011, but our capital framework remains

unchanged from the past, and as always, the key to our framework is maintaining and, if possible, increasing our dividend payments. Because of this, we try to do be conservative when setting dividends so that we can have confidence to maintain them in the future. We do not set a target payout ratio, for example, we base it on projections for the business, how we feel about the business. It's turned out in the past the payout ratio has been fairly consistently in the 40 percent of net operating earnings per share level, but that's not a target. We set it at a level we feel confident that we can do going forward.

After dividends, excess capital is used to invest in growth, both organic growth and growth through acquisitions, and, finally, if we feel there's more capital than we will likely need in the short to mid-term, we consider share buybacks. We like the buybacks because we can turn them on and off opportunistically, and since they don't—we can do them without raising the dividend to a level that may or may not be sustainable in the future.

I will note, also, that we always maintain capital above the 170 percent MCT level and we might adjust our view of that depending upon market environment, how volatile things are, and currently we're

comfortable maintaining our capital in the 190 to 200 percent range, where we are currently.

At Intact, we strive to deliver shareholder value. We have six straight years of increasing dividends to shareholders and since 2006 the annual increase has averaged over 8 percent. This is a record of which we are proud and we will strive to maintain our record of annually increasing our dividend. Since February 2010, we have returned \$471 million to shareholders through buybacks at an average share price of under \$45, and of course we have deployed capital through the AXA Canada transaction. We expect this transaction to deliver a very attractive internal rate of return and per share accretion for our shareholders.

The declining rate environment continues to impact our market-based yield and our investment income. Assuming rates remain at current levels, we expect our market-based yield to continue to decrease as bonds are reinvested in lower yielding assets. Our invested asset base will of course increase significantly as a result of the AXA acquisition, but the lower market yields will impact investment earnings. We have here some illustrative 2010 figures, assuming the interest rate environment remains relatively unchanged.

On the AXA transaction, we moved quickly after closing to integrate investment management, and this process is largely complete. The assets are now under our direct control, under our mandates, and the increased asset base from the AXA transaction will result in investment expense efficiencies in 2012, as illustrated on this slide.

Like most companies, our pension plans are also impacted by the lower yields. Lower yields, along with the equity market decline, have resulted in a \$120 million hit to our equity in 2011, which is fully reflected in our third quarter balance sheet. Additionally, when we acquired AXA Canada, AXA Canada had a \$122 million net deficit in their pension plan, which is reflected in the opening balance sheet, and thus also included in our third quarter balance sheet. We identified the AXA Canada pension shortfall during due diligence, before price negotiations, and the impact from this shortfall has been anticipated in our cash flow and capital planning.

Permanent financing for the AXA transaction is now secured at a weighted average after-tax cost of 3.76 percent. Because of the success of our green shoe, we were able to issue 123 million more equity than originally anticipated. This, plus the success of the Life transaction, means that we were able to issue \$100 million less long-term debt than originally

anticipated, and this means that we will be able to get back to our target of 20 percent debt to total capital more than a year sooner than originally anticipated.

We are rated by three of the rating agencies and in their evaluations they all use different metrics which change over time. We clearly view ourselves as an A-level company, but we manage ourselves through several financial metrics which have remained constant over time. We then work closely with the rating agencies to help them understand our business, including non-quantitative measures, such as their view of our business, how we manage transaction risks, things like that, how we manage capital, and hopefully, generally, to help them become more comfortable with Intact Financial.

The rating agencies have taken different approaches in our case and we will continue to work with them so that they better understand our business, the progress we are making on the AXA transaction, and generally to continue to help them understand the non-quantitative aspects of their valuations, but, in any case, our debt has continued to trade at levels tighter than many other Canadian financials and, clearly, the market understands our story.

With that, I will turn the podium back over to Charles.

CHARLES BRINDAMOUR: I would like to talk about the outlook a little bit and some of the avenues of growth which we've talked about before. I would say that the outlook that you've seen as we released our third quarter results a few weeks ago is very much consistent with what we've been talking about for over one year. In fact, after six months, the industry has really—the industry's performance has really panned out as we anticipated, and so we're seeing that—for personal automobile, we have talked about mid single digits and the industry at the end of June 2011 had a growth of about 6 percent. So, that would qualify as mid single digits. Personal property, we had talked about upper single digits. At the end of June the industry was growing roughly at 8.5 percent; again, pretty much upper single digits. Then we had talked low single digits for commercial P&C and at June the industry's growth was about 2 percent in commercial lines.

Our view is very much that the environment in which we operate will be maintained in the coming six to 12 months. In automobile insurance, we still expect mid single-digit growth for the coming 12 months—and I'll talk about the past 12 months in a moment. I think the thing that we will need to watch with regard to automobile insurance—outside Ontario, a pretty stable environment, we see very little change there. In Ontario, I'll

talk about the improvements we have seen in the industry's results, they are close to 10 points, or in fact more 10 points, still inadequate, so we expect rate increases to take place in that province, but, overall, for 12 months, the overall impact of rate changes should bring the industry's automobile growth in the mid single-digit range.

Personal property, we still maintain the view that we'll see upper single-digit rate increases for the foreseeable future. In fact, our 12-month outlook clearly (inaudible) this summer, the fact that the industry's not yet in great shape gives us a sense that we'll see upper single-digit rate increases there for some time to come. An element that's important, in our view, is that we're still shrinking in that line of business. So, it is a sign that the industry has not yet caught up with what we're doing. We feel we need to do more. We, therefore, think that the industry will have to do more beyond 12 months. So, the view there is still a fairly firm environment in home insurance.

Commercial P&C, if you recall, six to nine months we said, you know, we've seen some changes, we've gone from a rate decrease environment—in our own portfolio, low single-digit rate decrease—to a rate increase environment of about 2 percent, but we've said in the course of last year we see no acceleration for the improvements we've seen.



Indeed, when you look at the industry, well, it's grown by 2 percent in 2010. It was 2 percent, as well, this year. Therefore, no acceleration, still very competitive for new business. Still, we expect in that line of business improvements when you take a 24-to-36-month perspective, and I'll get to that in a moment.

So, I would say, overall, the outlook for the industry, very consistent with what we've talked about in the last few months, and the industry, things are playing out pretty much as we anticipated in the industry.

Just very quickly, I talked about the fact that the Ontario automobile performance had improved. It's important to keep in mind, though, that the combined ratio, or the loss ratio is still close to 85 percent in the industry. So, despite a really significant improvement in automobile insurance in Ontario, we're still not there from a rate (inaudible) point of view. This supports our mid single-digit outlook for the coming 12 months, overall, in automobile insurance.

Two points I'd like to highlight which are relevant to support the outlook that I've just talked about—first, the impact on the industry from low yields. Martin talked about that and we're seeing the five-year government Canada yield has been dropping steadily in 2011. There's no expectation of upward movement there for the coming 24 to 36 months. Two things

that are important to keep in mind for the industry; first, the industry's running at 6 to 7 percent ROE right now. As we've talked about in the past year, while we expect improvement in combined ratios, the pressure from yield will keep the ROE in that range. Now, when you operate mid single-digit ROE, which is pretty bad, as far as I'm concerned, and you are under yield pressure because the asset duration of the industry is in the three to four year range, we'll see pressure continuing. Starting point 6 to 7 percent ROE, further pressure on investment income, no underwriting income generated, our view is that this will support the outlook we've put on the table. This will feed in the commercial lines market, if you take a longer term perspective, and the figure to keep in mind is that to maintain the same ROE, for every point of drop in pre-tax yield, you would need to compensate between two and three points of combined ratio. I'm not saying the industry will do that, but I'm saying this certainly will put pressure for the industry to better reflect the cost environment in which it operates.

The second point which supports the overall outlook is that the reinsurance market might be a source of pressure, in particular, for property lines and in commercial lines, and I'm talking about the industry here, but in the commercial lines space, for instance, reinsurance is a

bigger portion of the equation for the average player. So, if there is reinsurance pressure, this tends to feed through on the rate side; the same thing in property lines.

So, these our elements—in our view, those two elements support the outlook that we’ve just presented and certainly will deserve monitoring in the coming period to see the outlook changes.

You know, sometimes people ask is there a correlation between the U.S. market and the Canadian market and, you know, it’s not clear that there is a very strong correlation, though, in commercial lines, over time, you see some similarities, and we always keep an eye on what’s happening on the U.S. market, in particular, because of impact of yields and because of the impact of reinsurance, and for the first time over the past six or seven years the rate changes at renewal in the U.S. market went from mid single-digit rate decreases in January this year to flat for two months in a row, overall, in the U.S. commercial lines market. So, is this the start of a turn? I’m not sure, but this is certainly a move in the right direction.

Our view is that it remains very competitive here. We were able to increase our rates. We’ll continue to increase our rates. We don’t see an acceleration of the improvement in the coming 12 months, but if you take a

24-to-36-month perspective, there's lots of signs that point in the right direction for commercial lines.

I think there's a 'but' in all of this. There's the ROE, on one hand, at the industry level which is weak, but there's a lot of capital still at the industry level, and we like to look at the excess of 200 percent MCP as a measure of how much loose capital there is in the industry, and you see that there's roughly 5 billion worth of excess capital floating around in the industry, and that remains a key reason why we're cautious when we say there's no acceleration expected in the coming 12 months.

Let's talk for a moment about the avenues for growth. I suspect that most of you are familiar with that page. This is a strategy that we've been focused on for a number of years, and we remain focused on those elements because we think there's a lot of room to grow there. I'll skip the firming market conditions. I think that, you know, we've covered what the outlook is, and you know that our outperformance is very strong at the moment, so as the market improves, clearly we'll build on that.

We have a multi-channel distribution strategy and Jean-François presented very well what's in the pipeline for Intact insurance this morning. It's important to keep in mind that we have other business units, as well. We talked about these business units last year. We felt focusing on AXA

integration this morning was the right thing to do. So, when it comes to our direct operations, we've talked about the fact that they've been causing our top line growth in the past six to nine months to shrink a bit or to be less strong than we'd like it to be. I mentioned to investors six months ago that my perspective was that we'd see growth pick up in the direct channels by Q4 this year.

So, just to give you a perspective of where we are there, year-to-date our direct operations shrank—shrank, shrunk, I'm not sure how you conjugate this one, but you know what I'm saying—by 3 percent year-to-date October, and this is largely driven by the actions we've taken in Ontario throughout 2010, by slashing marketing, increasing rates further and so on. In October, what was a first 10-month drop of three points, we grew the direct operations by a couple of points in October. So, you that the curve is actually shifting on the direct side of the house and I think that we'll get towards a better growth level throughout the business, as anticipated, towards the end of this year.

We talked about BrokerLink last year, which is a broker that we operate, 500 million of business, a key distributor for Intact insurance, and we're making good progress on that front, good growth coming in part from meaningful acquisitions that the team there was able to do. We're

generating very healthy margins on that front and we're seeing further acquisition opportunities in that channel.

Then we talk about the fourth avenue of growth, and then I'll talk about consolidation in a moment. So, our view on our abilities to export our competencies outside Canada has always been to try to bring claims management, pricing and our web expertise in a market where our sophistication would create an advantage. We'll test it in the short term. We might deploy a bit of capital. Then, once we're convinced we can make money, primarily, we'll invest more over time. People will understand what we're doing. So, let me make a couple of points on that.

We have evaluated a handful of opportunities seriously in the past year that will fit within the strategy, and maybe we were not visionary enough, but we were not able to put our finger on an opportunity where earnings visibility was close enough for us to jump into these opportunities. So, at this stage, we've created a position to continue to evaluate the opportunities. We'll do that. I don't expect any press release within six to nine months on that front. We're still looking at it, the priority is the integration of AXA, but until we get an opportunity where there is earnings visibility, we will refrain.



Let's talk about consolidation in the Canadian marketplace. So, there's been a fair bit of activity this year. We have talked about 25 points of market share moving over five years, we've done five this year, and our view is that the environment remains conducive for consolidation in the coming four or five years. So, we don't really change our view—though I'd like to change my slide—we don't really change our view that there'll be probably 20 points of market share that will trade in the coming four/five years. I think the industry is weak and is likely to remain single digits for a few years. There's still a lot of digestion from the previous crisis globally, there is going to be digestion from the current crisis, and you have capital requirements changing, and this is true in Europe, this is true in the U.S. and this is true, to a certain extent, might be true, right here in Canada.

So, when I look at the pie and I try to substantiate or update our view on the 20 points of market share, you can see movement. A third of the pie is foreign-owned. You should expect to see movement on that front. Canadian mutuals 11 percent, we know there isn't action on that front, it's been very public. Then, even at the Canadian private level, as well, I would not be surprised if there would be changes in terms of the ownership structure over time.

So, our view is that the world has evolved as we anticipated. We were able to benefit from it this year. There will be more action at the industry level because the conditions are right. I think our transaction, actually, has created—has led people to start thinking, or accelerate their thinking. So, our view is that there will be more in the coming four or five years, and, clearly, we're interested in participating in consolidation further. So, just in case you thought the AXA transaction was the end of the story, I wanted to reassure you that there is life after the AXA integration, though we're really focused on it at the moment.

This is a brief overview of what's going on at Intact Financial these days. I think that we really have strengthened our position and we really have strengthened the strategy that we have been working on for many years, and I think we have a fantastic team to take the Company forward for many decades to come. We have a deep (inaudible) succession for the current management team that we're working on proactively, and our mindset is to build the best P&C company in the world and to be at that level for decades to come.

I think, overall, though, from a culture point of view, what we bring to the table, in my view, to the investor community, is three things. We're disciplined. Everybody says that they're disciplined. We are disciplined.

We're transparent, and this morning I think was clear proof of that. Then, the last thing is that we do what we say we will do. For me, these are three key elements in running the business and I think these are three key elements in choosing where we put our money, and I hope you'll think the same.

So, this is what I have to conclude on and I think we have 15 minutes for questions, Dennis, so we're ready for any questions you might have.

UNIDENTIFIED SPEAKER: How does your view on the potential for further consolidation affect how you think about your AXA capital levels and what you might use for buybacks or dividend increases?

CHARLES BRINDAMOUR: I think Mark did a great job to outline our capital framework, you know, steady increase in dividend comes first, and then opportunities for growth come second, and then buyback, and there's volatility in the environment in between, and then buyback comes third. That's what we said last year and that's what we repeat this year. Mark said we're comfortable at operating at 190, 200 MCP at this stage. It's in part driven by the fact that there is volatility in the environment. We want to pay back or get the debt back to 20 percent debt to total cap, which is conservative in my view, but that's the target, we want to get there as

quickly as possible. But, beyond that, I think we'll deploy capital where we feel that there's good opportunities to grow the business and where there's good earnings visibility, before we would do buybacks at this stage. Steven (phon)?

STEVEN: Just two questions. First, you—your reinsurance, you mentioned that the AXA acquisition would bump up your reinsurance rates. What ...

CHARLES BRINDAMOUR: I didn't say rates.

STEVEN: Well, the reinsurance ...

CHARLES BRINDAMOUR: Cost.

STEVEN: Cost, yes. How much of the—I guess you didn't really talk about the downgrade and what that will do to your reinsurance cost, as well, and how that factors into your decision in terms of retention or outsourcing is.

CHARLES BRINDAMOUR: You've seen—Mark showed a slide with how the spreads have evolved and you've seen that the spreads have evolved somewhat irrespective of Moody's view, and that's what you're referring to I suspect, and I think that in my own mind this is completely independent of our reinsurance purchasing decision. I think we have a very good and healthy capital base at this stage, very healthy debt level,

very close to our target, and therefore we'll make our reinsurance decision at this stage, not necessarily being influenced by Moody's view of the world.

STEVEN: Okay, and if I could just go back to the broker retention, you've done a lot of things and you've talked about it in terms of what you're trying to do to retain the business from brokers. How do you get around the fact that brokers, you know, tend to want to show their clients, you know, multiple quotes and multiple pricing from different companies, as well as having sort of a backup, you know, they don't want to have too many eggs in the basket? So, how do you get around that when you're talking about retention?

CHARLES BRINDAMOUR: Well, I think the first point is that our market share is 16.5 percent, just to put things in perspective, and so concentration issues, per se, which is what you're referring to, basically, exist in individual situations. There more of these issues in a market like Quebec, for instance, but, overall, this is not a big issue outside of Quebec. In Quebec, where our concentration levels are higher because our market share is also much higher in the province of Quebec, brokers who feel they don't have enough tools in their toolkit to grow their business prospectively going forward, we work with these brokers individually, one by one, to

assess how we can help them grow their business, while protecting as much of our combined portfolio as possible. So, this is a case-by-case approach based on the individual conditions of brokers, and we have a lot of things in our toolbox, quite frankly, to help brokers grow their business. I think that is very important as you engage in a discussion with brokers, to understand what is the motivation for a sudden concern about concentration. Sometimes there's a genuine motivation in their ability to grow the business, sometimes it's a financial consideration driven by a competitor putting an offer on the table for the AXA portfolio, and that's why we take an individual case-by-case approach, and that's what my friends here are spending a fair bit of time doing. So far, so good.

I don't know why it's not possible. Maybe I should have let Louis answer the question.

LOUIS GAGNON: I think brokers, on their base business, they also look for execution and they also look for products, and it's not only quote. It's clear that if they place the business, what I said before, and it's moving to Intact—well, first, it's an easier solution than moving the business and going to market, but it's also how do you deliver after you've moved that business, because, clearly, the business is not underwritten as new business, it's underwritten as a renewal, or basically it's a guaranteed

transfer with all the conditions. When you go to market, you do not necessarily have all the same conditions on new business as you have on renewals.

So, when you take all that into account, you know, brokers have all the benefits of renewing the business with Intact and they won't go to market unless there is a real need for that, which might be that the product is not there or the rate is moving significantly, which is not happening in the integration. So, there's no reason to go to market just to go to market, and, yes, clients sometimes ask to go to market and this is where also we have the opportunity to react and to review the file and see if we can do something different. So, at the end, I think brokers know we will also support them if to go to market for some clients.

UNIDENTIFIED SPEAKER: With respect to the investment portfolio, the asset weighting on—or asset allocation with respect to AXA is a little bit different than Intact. Now you've merged the two portfolios, maybe you can just give us a timeline in terms of when you expect to bring it back to Intact's former asset weightings?

MARK TULLIS: Yes. So, for example, our common share portfolio, we work on more in the 20 range, it's kind of more in the 12 range now, fewer perhaps, something like that. Our feeling is right now we're well

positioned for the current environment and we don't have plans over the next few quarters to change that. That's something we'll evaluate as time goes on, but right now we're comfortable where we are and the plans are not to change that in the short to mid-term.

CHARLES BRINDAMOUR: Yes, and the portfolio has moved already, the team is managing it. The third-party mandates have largely been terminated. So, how has the portfolio moved? The fixed income portion of the pie was 66 before the deal, it's now 72. Commons were closer 10, prefs were closer to 13, so it's a three to four-point decrease in both these asset classes versus what we had prior to integrating the transaction, so a little more conservative.

MARK TULLIS: I always think of something I should add. Even though we haven't changed the broad mixes, as Charles said, we have taken over management, and for example, some of the individual assets, we've traded some of the bonds to be more in line with our profile of bonds. We've certain assets that don't meet our risk class. Even though we haven't changed the broad categories, we have taken over management of the assets and gotten rid of the assets, traded the assets we didn't feel were appropriate for our portfolio.

UNIDENTIFIED SPEAKER: One related question, then. With respect derivatives and sort of hedging out your portion of your equity exposure, have you added additional derivatives?

CHARLES BRINDAMOUR: We have, largely, the same as we had before. On the common portfolio, on half the common portfolio, we bought puts to protect a market downfall, between 15 and 30 percent, minor (inaudible), we felt were half the stock portfolio, to protect the—if the market, if the bottom falls out, we want to protect a portion of it.

MARK TULLIS: Yes, and I think it's important we view this as capital protection as opposed to making the call. So, this is not something we're doing to enhance yield, for example. We view this as part of our capital management policy.

UNIDENTIFIED SPEAKER: And one final question. With respect to your credit ratings, and maybe the financial stability ratings as well, my understanding is it does impact to some extent your ability to underwrite commercial insurance, or at least in a broad—at an industry level, it does. So, maybe you can talk about how that impacts your ability to grow that book.

UNIDENTIFIED SPEAKER: (Inaudible).

ALAIN LESSARD: Well, in general, there is, I would say, a few lines that could be impacted, but as long as you maintain an A rating, generally, you're in the door, and after that it's more the service, the product and the appetite you have, so it doesn't impact too much, and that is even more true if you're targeting risk management accounts, very, very large accounts, and we're talking premium band and 0.5 million to 1.0 million, more, which is not the target classes we're looking at so far.

UNIDENTIFIED SPEAKER: (Inaudible).

MARK TULLIS: I think another point to make is if you compare us with almost all the companies on the chart that Alain put up with the top commercial writers, we're higher rated. So, it's not a situation that we're lower or the same. It's a situation we're higher rated. It's actually a plus for us.

UNIDENTIFIED SPEAKER: Just a question on the number of legal entities you now have. Is there any plan to rationalize that? You have quite a few AXA entities, quite a few Intact entities, and what are the plans for that?

CHARLES BRINDAMOUR: Yes, there are plans for that. We're in the process—when you look at the integration process, there's two steps. The first step is to move the policies—in our world, anyways—is to move

the policies to our system. So, right now, as renewals take place, there's a lot of customers who move from AXA insurance into Intact insurance. That's the first step. So, you don't eliminate the legal entity until that step is completed.

The second step, as part of the integration process, is that you have the in-force claims that came with the acquired company, that can take up to three years, on average, to settle, and so there will be a step where we actually convert those in-force claims, as well, into our environment. That normally takes place a little later in the integration process, because you want your open files to drop so that the conversation is not as demanding, and once these things are done, we will rationalize a number of the AXA legal entities. We will keep a few, though. Where there are fiscal advantages with those entities, we'll try to leverage those legal entities to the extent that, operationally speaking, it makes sense, but it's clearly an area where our legal team is looking forward to rationalization.

UNIDENTIFIED SPEAKER: I have a question, perhaps, for Mark. I was just intrigued about what you said about the puts. Is there any potential here that the accounting for the puts will differ from accounting for the underlying and create quarter-to-quarter earnings volatility?

MARK TULLIS: Okay. The way the puts work, we buy them at fair market. So, basically, if nothing happens, if markets don't move, we'll have a few million after tax, of the order of 2-3 million after tax per quarter coming through as a hit to earnings, and then, as Charles said, if there's a very, very substantial increase in the market, they'll be mark-to-market ...

UNIDENTIFIED SPEAKER: (Inaudible).

MARK TULLIS: An increase in value, yes. They will be mark-to-market. Maybe the way to interpret your question, if markets stay stable or go up, there's sort of no mismatch. If markets go down, we can have a gain on the derivative. We may or may not actually experience a gain in the portfolio, depending upon whether we actually realized a gain.

UNIDENTIFIED SPEAKER: So, in those circumstances, we shouldn't see ... (cross talking).

MARK TULLIS: In those you shouldn't, unless there's a big fall, in which case we—unless we sell the asset, we'll be reporting a gain in current income without necessarily recording a loss. But, again, we're doing it from a capital preservation point of view. Our balance sheet is mark-to-market. So, from a balance sheet point of view, there's no mismatch.

UNIDENTIFIED SPEAKER: Thank you.



CHARLES BRINDAMOUR: If there are no more questions, thank you very much for coming this morning. We are hoping that you picked up on how the integration is going and that you had the opportunity to hear, but also talk with some of the new members of the team, as well the existing members of the team.

Maybe one last point is that we really appreciate the support that the investors have given us in the past few years, but we don't take that support for granted. We work hard every day to make sure we keep it. So, thank you very much and have a nice afternoon.
