

# Q2-2011 Review of performance



## Q2-2011 Review of performance conference call

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Charles Brindamour	Chief Executive Officer
Mark Tullis	Chief Financial Officer
Martin Beaulieu	SVP, Personal lines
Byron Hindle	SVP, Commercial lines

Charles Brindamour

Chief Executive Officer



# Q2-2011 Key points

## Second quarter highlights

- Net operating income per share of \$0.87, despite \$0.84 in losses from natural catastrophes
- Q2 combined ratio of 97.0% driven by very strong underwriting results from our auto businesses
- DPW growth of 2% in personal lines reflects slower growth in our direct businesses, notably in Ontario, while commercial lines grew 5% YoY
- Operating return on equity reached 13.6% for the last 12 months, with an 11% increase in book value per share
- AXA Canada acquisition progressing well, on-track to close this fall

### Important notes:

- All references to direct premiums written in this document exclude industry pools, unless otherwise noted.
- All references to “excess capital” in this document include excess capital in the P&C insurance subsidiaries at 170% minimum capital test (“MCT”) plus liquid assets in the holding company, unless otherwise noted.
- Catastrophe (“CAT”) claims are any one claim, or group of claims, equal to or greater than \$5 million, related to a single event.
- All underwriting results and related ratios exclude the market yield adjustment (“MYA”), except if noted otherwise.



# 12-month industry outlook

We remain well-positioned to continue outperforming the Canadian P&C insurance industry in the current environment

## Premium growth

- Industry premiums likely to increase at a similar rate as in 2010, with mid-single digit growth in personal auto (driven by ON), upper single digit growth in personal property (reflecting impact of water related losses and more frequent and/or severe storms) and low single digit growth in commercial lines
- As a result of IFC's disciplined pricing strategy, we are well-positioned to grow organically as market pricing becomes more rational

## Capital markets

- Capital markets remain volatile, as economic data (particularly outside of Canada) raise questions about the sustainability of global recovery. Low interest rates continue to pressure investment yields which could influence higher premiums across the industry
- Capital requirements are not expected to negatively impact IFC to the same degree as the overall P&C insurance industry, given the composition of our investment portfolio and the nature of our claims liabilities

## Return on equity

- Industry's ROE was approximately 7% in 2010 and 8% in Q1-2011. Although the combined ratio may improve, we believe this would be largely offset by a reduction in the level of investment income. Consequently, we do not expect material improvement in ROEs in the near term
- We strongly believe IFC is likely to outperform the industry's ROE by at least 500 basis points in the next 12 months





## AXA Canada acquisition on-track

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- Integration planning process initiated immediately following the announcement
- Numerous task forces established, comprised of employees from both IFC and AXA, charged with:
  - Reviewing activities, processes and systems of both companies
  - Identifying potential synergies
  - Developing appropriate action plans
- Acquisition expected to close in the fall, once all regulatory approvals are received
- Targeting to begin the integration of AXA business on our platform before year-end





## We remain confident of our prospects

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- The resilience of our company was illustrated during the quarter:
  - Combined ratio of 97.0%, despite more than \$100 million in losses from natural catastrophes
  - Net operating income per share of \$0.87
  - Ontario auto results much improved
  - AXA Canada acquisition progressing well, on-track to close this fall
- Given the quality of our operational platforms, the flexibility provided by our strong financial position, and the upcoming addition of AXA Canada, we believe we will continue to outperform the Canadian P&C insurance industry and strengthen our leadership position



Mark Tullis

Chief Financial Officer



## Financial highlights

(in \$ millions, except as otherwise noted)

	Q2-2011	Q2-2010	Change	YTD-2011	YTD-2010	Change
Direct premiums written	\$1,354	\$1,318	3%	\$2,297	\$2,232	3%
Net underwriting income	\$33	\$66	(50)%	\$91	\$135	(33)%
Combined ratio	97.0%	93.7%	3.3 pts	95.8%	93.5%	2.3 pts
Net operating income per share (in dollars)	\$0.87	\$1.04	(16)%	\$1.78	\$1.98	(10)%
Earnings per share (in dollars)	\$1.12	\$1.22	(8)%	\$2.54	\$2.40	6%
Trailing 12-month operating ROE	13.6%	n/a	n/a			

- Underwriting performance was good but combined ratio was 3.3 points weaker than Q2-2010 as strong core underwriting in our auto businesses and continued favourable prior year claims development (largely driven by industry pools) were more than offset by significantly higher catastrophe losses.
- Operating ROE of 13.6% (ROE of 17.3%) with an 11% increase in book value per share to \$26.89
- Growth in direct premiums written at 3% year-over-year

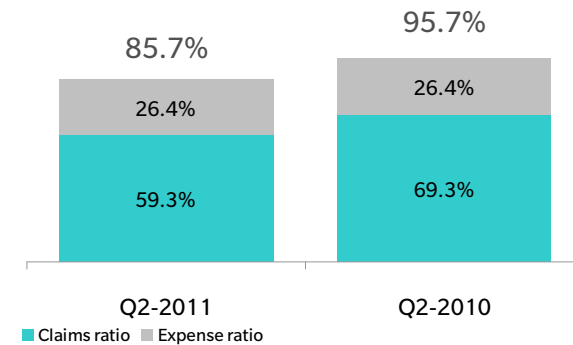


# Significantly improved results in personal auto

(in \$ millions, except as otherwise noted)

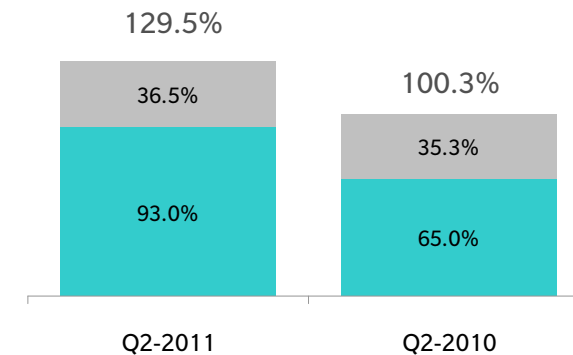
Personal auto	Q2-2011	Q2-2010	Change
Direct premiums written	\$674	\$665	1%
Underwriting income	\$79	\$23	244%
Combined ratio	85.7%	95.7%	(10) pts

## Combined ratios



- Significant improvement in combined ratio reflects impact of ON auto reforms and our own internal actions
- DPW growth impacted by slower growth in direct businesses, notably from our approach to growth in Ontario

Personal property	Q2-2011	Q2-2010	Change
Direct premiums written	\$321	\$311	3%
Underwriting income (loss)	\$(74)	\$(1)	n/a
Combined ratio	129.5%	100.3%	29.2 pts



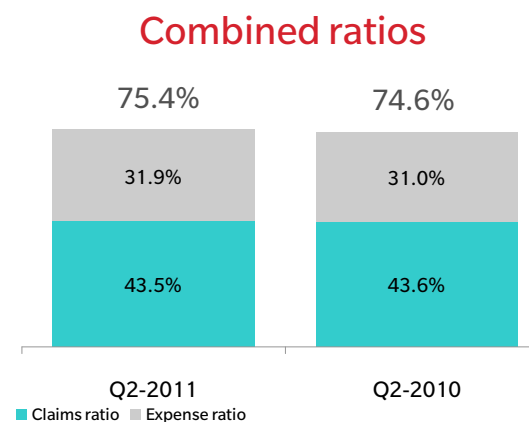
- Slave Lake wildfires added 20.7 points to the combined ratio in Q2-2011
- DPW growth negatively impacted by 'bundled' effect from auto policies



## Continued solid results in commercial lines

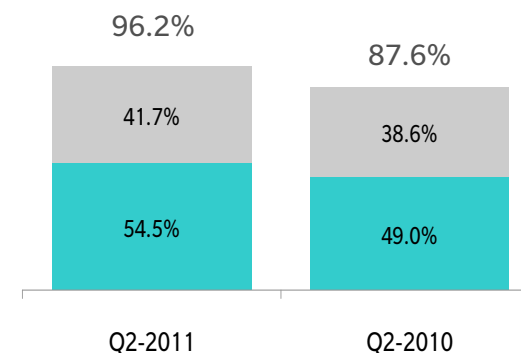
(in \$ millions, except as otherwise noted)

Commercial auto	Q2-2011	Q2-2010	Change
Direct premiums written	\$108	\$101	7%
Net underwriting income	\$21	\$20	5%
Combined ratio	75.4%	74.6%	0.8 pts



- Growth in direct premiums written remained strong at 7%; underwriting results steady year-over-year

Commercial P&C	Q2-2011	Q2-2010	Change
Direct premiums written	\$251	\$241	4%
Net underwriting income	\$7	\$24	(71)%
Combined ratio	96.2%	87.6%	8.6 pts



- Combined ratio up on increased losses from catastrophes
- Steady growth in commercial P&C driven by unit growth and premium increases



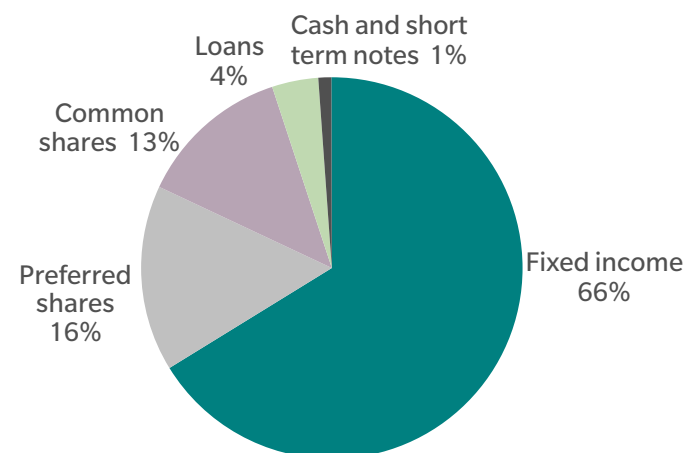
# High quality investment portfolio

## Net investment gains (losses)

(in \$ millions, except as otherwise noted)

	Q2-11	Q2-10	Change
<b>Debt securities</b>			
Gains on fixed income securities & related derivatives	(1)	(1)	-
<b>Equity securities</b>			
Gains, net of stand-alone derivatives	48	14	34
Impairment losses	(4)	(5)	1
Losses on embedded derivatives	1	26	(25)
Gains on equity securities & related derivatives	45	35	10
<b>Total gains excl. FVTPL debt securities</b>	<b>44</b>	<b>34</b>	<b>10</b>
Losses on FVTPL debt securities	27	29	(2)
<b>Total net gains, before income taxes</b>	<b>71</b>	<b>63</b>	<b>8</b>

\$8.6 billion in investments



Note: Investment mix is net of hedging positions.

## Healthy investment portfolio

- Approx. 99.2% of bonds are rated A or better
- 79.9% of preferred shares are rated P1 or P2
- \$75 million in net investment income
- Market-based yield of 4.2%

# Strategic, operational and financial strength



- Largest P&C insurance company in Canada
- Strong financial position
- Excellent long-term earnings power
- Organic growth platforms easily expandable
- AXA Canada acquisition expected to close in the fall

Disciplined pricing, underwriting, investment and capital management  
have positioned us well for the future





## Forward-looking statement disclaimer

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Certain of the statements in this document about the company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the company's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that the company writes; unfavourable capital market developments or other factors which may affect the company's investments and funding obligations under its pension plans; the cyclical nature of the P&C insurance industry; management's ability to accurately predict future claims frequency; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the company's reliance on brokers and third parties to sell its products to clients; the company's ability to successfully pursue its acquisition strategy; its ability to execute its business strategy; the terms and conditions of, and regulatory approvals relating to, the Acquisition; timing for completion of the Acquisition; synergies arising from, and the company's integration plans relating to the Acquisition; the company's financing plans for the Acquisition; management's estimates and expectations in relation to resulting accretion, internal rate of return and debt to capital position at closing of the Acquisition and thereafter, as applicable; various other actions to be taken or requirements to be met in connection with the Acquisition and integrating the company and AXA Canada after completion of the Acquisition; the company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools; terrorist attacks and ensuing events; the occurrence of catastrophic events; the company's ability to maintain its financial strength ratings; the company's ability to alleviate risk through reinsurance; the company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); the company's reliance on information technology and telecommunications systems; the company's dependence on key employees; general economic, financial and political conditions; the company's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the company's share price; and future sales of a substantial number of its common shares. All of the forward-looking statements included in this document are qualified by these cautionary statements and those made in the "Risk Management" section of our MD&A for the year ended December 31, 2010. These factors are not intended to represent a complete list of the factors that could affect the company; however, these factors should be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law..



Q3-2011 Earnings conference call  
Wednesday November 2, 2011

