



TORONTO, August 4, 2011

**INTACT FINANCIAL CORPORATION REPORTS
SECOND QUARTER RESULTS**

- **Net operating income per share of \$0.87, despite significant losses associated with natural catastrophes**
- **Combined ratio of 97.0% driven by very strong underwriting results in auto insurance**
- **Operating ROE of 13.6% with an 11% increase in book value per share in the last 12 months**
- **AXA Canada acquisition progressing well and on-track to close this fall**

Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended June 30, 2011 of \$95 million, down \$24 million from the same quarter of last year. On a per share basis, net operating income decreased 16% to \$0.87. The decrease reflects after-tax losses of \$92 million (\$0.84 per share) due to the Slave Lake wildfires and the numerous rain and wind storms that prevailed during the spring months. The very strong performance of the auto insurance portfolio partly offset those losses and the combined ratio for the quarter was 97.0%. Net gains on invested assets for the quarter were up \$10 million from the second quarter of last year to \$44 million. Direct premiums written increased 3% over the same quarter a year ago to reach \$1,354 million. Net income was \$123 million, or \$1.12 per share, compared to \$141 million, or \$1.22 per share, for the same period last year.

Net operating income for the first six months was \$197 million compared to \$232 million last year while net income remains more or less constant at \$280 million. Net operating income per share was \$1.78 down 10% while net income per share increased by 6% to \$2.54. The combined ratio increased by 2.3 percentage points over last year to 95.8% during the first six months of the year. Direct premiums written for the first six months of the year were \$2,297 million, up 3% year-over-year.

CEO's Comments

"The catastrophic losses we incurred during the spring months, the largest since the 1998 Ice Storm, overshadow one of our best performances in recent years. As our strategic initiatives continue to prove quite sustainable, the strength of our results demonstrates our ability to weather the impact of both natural catastrophes and severe climatic events," said Charles Brindamour, President and CEO of Intact Financial Corporation.

“The performance of our auto insurance portfolio, which has been solid over the last few months, continues to improve, most notably in Ontario, where we have taken a prudent approach to growth and introduced initiatives to reduce fraudulent activities. We continue to be confident that the initiatives adopted by the Ontario government to curb the cost inflation of medical claims will prove successful. “

“Our financial position remains strong and we are well positioned to take advantage of improving market conditions. Furthermore, the upcoming acquisition of AXA Canada, which is expected to close in the fall, should enhance our profitability advantage and the stability of our earnings. “

Dividend

The Board of Directors declared a quarterly dividend of 37 cents per share on the Company’s outstanding common shares. The Board also declared a quarterly dividend of 23.014 cents per share on the Company’s Class A Series 1 shares. Both dividends are payable on September 30, 2011 to shareholders of record on September 15, 2011.

Current Outlook

Industry premiums are likely to increase in the next 12 months at a pace similar to last year with percentage growth in the mid single digits in personal auto and upper single digits in personal property. These increases will be driven by rate inadequacies in auto insurance in Ontario and the impact of water-related losses and more frequent and severe storms. Commercial lines premiums are expected to grow at a low single digit rate.

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

The company is well-positioned to continue outperforming the P&C insurance industry in the current environment due to its significant scale, pricing and underwriting discipline, prudent investment and capital management practices, and strong financial position. Given these attributes, the company strongly believes that it will outperform the industry’s ROE by at least 500 basis points in the next 12 months.

Consolidated Highlights

| In millions of dollars, except as otherwise noted | Q2-2011 | Q2-2010 | Change | YTD 2011 | YTD 2010 | Change |
|---|---------|---------|---------|----------|----------|---------|
| Direct premiums written (excluding pools) | 1,354 | 1,318 | 3% | 2,297 | 2,232 | 3% |
| Underwriting income ¹ | 33 | 66 | (50)% | 91 | 135 | (33)% |
| Net operating income ² | 95 | 119 | (20)% | 197 | 232 | (15)% |
| Net income | 123 | 141 | (13)% | 280 | 282 | (1)% |
| Net operating income per share (dollars) | 0.87 | 1.04 | (16)% | 1.78 | 1.98 | (10)% |
| Earnings per share Basic and diluted (dollars) | 1.12 | 1.22 | (8)% | 2.54 | 2.40 | 6% |
| Operating ROE ³ | 13.6% | | | | | |
| ROE ⁴ | 17.3% | | | | | |
| Combined ratio (excluding MYA) | 97.0% | 93.7% | 3.3 pts | 95.8% | 93.5% | 2.3 pts |
| Book value per share (dollars) | 26.89 | 24.32 | 11% | | | |

¹ Underwriting income is defined as underwriting income excluding market yield adjustment (MYA). The MYA is the impact on claims liabilities due to movement in discount rates.

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

³ Operating ROE is defined as net operating income for the last 12 months divided by the average shareholders' equity (excluding accumulated other comprehensive income) for the same 12-month period. The average shareholders' equity is calculated by adding the beginning balance and the ending balance and dividing by two. Q2-2010 comparative ratio has been omitted from the table as the 2009 results were not restated to IFRS. Under Canadian GAAP, the Operating ROE was 11.7% in Q2-2010.

⁴ ROE is defined as net income for the last 12 months divided by the average shareholders' equity for the same twelve-month period. The average shareholders' equity is calculated by adding the beginning balance and the ending balance and dividing by two. Q2-2010 comparative ratio has been omitted from the table as the 2009 results were not restated to IFRS. Under Canadian GAAP, the ROE was 11.5% in Q2-2010.

Operating Highlights

- **Net operating income** for the quarter was down 20% to \$95 million from the same quarter in 2010, as a result of lower underwriting income resulting from an exceptionally high number of natural catastrophes during the quarter. The operating ROE for the last 12 months was 13.6%. Net operating income for the first six months of the year was \$197 million, down from \$232 million during the same period last year.
- **Direct premiums written** increased 3% in the second quarter to \$1,354 million as growth in commercial lines continued to gain momentum. Personal insurance premiums grew by 2%, as a result of slower growth of the company's direct channel operations, notably in Ontario, where the company adopted a prudent approach towards auto insurance. Commercial insurance premiums increased by 5% as a result of a higher number of risks insured, and moderate premium rate increases in commercial P&C.

For the first two quarters of the year, total direct premiums written increased 3% to \$2,297 million compared to the same period in 2010.

- **Underwriting income** in the quarter decreased from \$66 million to \$33 million compared to the same period a year ago. The Slave Lake wildfires accounted for pre-tax losses of \$47 million net of reinsurance while the numerous rain and wind storms that prevailed during the spring months accounted for additional losses of \$58 million, bringing the total to \$105 million. A much improved performance in auto insurance and favourable prior year claims development partly offset the impact of the natural catastrophes. The underlying performance of our portfolio, which excludes catastrophes and prior year claims development, improved by 3.9 percentage points during the quarter. Overall, the combined ratio increased by 3.3 percentage points to 97.0%.

Personal auto underwriting income reached \$79 million, up 244% from the same period last year as the combined ratio decreased 10 percentage points to 85.7% reflecting significant improvements in Ontario.

Home insurance was the most impacted by the natural catastrophes and incurred a \$74 million loss with a 129.5% combined ratio. The losses associated with the Slave Lake wildfires contributed 20.7 percentage points to the combined ratio. Excluding the impact of the catastrophes and prior year claims development, the loss ratio for home insurance improved by 1.1 percentage point year-over-year.

Commercial auto results continued to be excellent with a combined ratio of 75.4% while the combined ratio in commercial P&C insurance increased by 8.6 percentage points to 96.2% as a result of higher catastrophe losses. Overall, commercial insurance generated a \$28 million underwriting profit.

Total underwriting income for the first six months of the year was \$91 million, down from \$135 million in the corresponding period of 2010.

- **Investment income** remained almost unchanged at \$75 million. The growth of invested assets offset a 20 basis point reduction in the market-based yield. Total investment income for the first six months also remained unchanged at \$149 million.

Investment Gains

Net gains on invested assets, excluding fair-value-through-profit-or-loss bonds, were up \$10 million to \$44 million. Since the beginning of the year, the company has had investment gains of \$128 million compared to \$78 million for the same period last year. Cash and invested assets amounted to more than \$8.6 billion at the end of the quarter, up \$0.4 billion from a year ago.

Capital Management

The company's book value per share at the end of the quarter rose 11% over the last 12 months to \$26.89. The company's financial position remains strong with \$758 million in excess capital.

During the quarter, the company repurchased 127,000 common shares under its normal course issuer bid launched in February 2011, but suspended future purchases following the announcement of the AXA Canada acquisition on May 31. Since then, the company

successfully completed three financings related to this transaction with gross proceeds of \$1.312 billion.

The planning of the integration of the two companies started in earnest in the days following the announcement of the transaction with the establishment of numerous task forces that are reviewing the activities, processes and systems of both organizations, identifying synergies and developing the appropriate action plans to ensure an efficient and successful integration. The transaction is expected to close in the fall.

Analysts' Estimates

Earnings per share and net operating income per share for the second quarter amounted to \$1.12 and \$0.87 respectively compared to average estimates of \$0.77 and \$0.71 respectively among the analysts who follow the company.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today at 1:00 p.m. ET. To listen to the call via live audio webcast and to view the company's Financial Statements, Management's Discussion & Analysis, presentation slides, the statistical supplement and other information not included in this press release, visit our website at www.intactfc.com and link to "Investor Relations." All of these documents are available on our website.

The conference call is also available by dialling (647) 427-7450 or 1 (888) 231-8191 (toll-free in North America). Please call 10 minutes before the start of the call.

A replay of the call will be available later today at 4:00 p.m. ET through 11:59 p.m. ET on Thursday, August 11. To listen to the replay, call 1 (800) 642-1687, passcode 77425178. A transcript of the call will also be available on Intact Financial Corporation's website.

About Intact Financial Corporation

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

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Forward Looking Statements

This document may contain forward looking statements that involve risks and uncertainties. The company's actual results could differ materially from these forward looking statements as a result of various factors, including those discussed in the company's most recently filed Annual Information Form and annual Management's Discussion & Analysis. Please read the cautionary note at the end of the MD&A.