

Third Quarter **2011**

3

Unaudited Interim Consolidated Financial Statements
For the quarter ended September 30, 2011

Intact Financial Corporation

Intact Financial Corporation

Unaudited interim Consolidated financial statements

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Intact Financial Corporation
Unaudited interim Consolidated balance sheet
(in millions of Canadian dollars)

As at	Note	September 30, 2011	December 31, 2010	January 1, 2010
Assets				
Investments	6			
Cash and cash equivalents		\$ 173	\$ 138	\$ 60
Debt securities		7,657	4,821	4,784
Preferred shares		1,655	1,503	1,582
Common shares		1,937	1,877	1,312
Loans		405	314	319
		11,827	8,653	8,057
Accrued investment income		93	43	43
Investments in associates and joint ventures		240	119	98
Premium receivables		2,548	1,762	1,640
Reinsurance assets		435	235	261
Income taxes receivable		38	52	40
Assets classified as held for sale	5	1,463	-	-
Deferred tax assets	9	198	29	56
Deferred acquisition costs		660	420	396
Other assets	10	378	335	336
Property and equipment		62	46	46
Intangible assets	4	1,072	170	159
Goodwill	4	752	211	179
Total assets		\$ 19,766	\$ 12,075	\$ 11,311
Liabilities				
Claims liabilities	7	\$ 6,858	\$ 4,379	\$ 4,270
Unearned premiums		3,876	2,586	2,464
Financial liabilities related to investments	6	856	715	406
Income taxes payable		32	78	102
Liabilities directly associated with assets classified as held for sale	5	1,170	-	-
Deferred tax liabilities	9	149	28	21
Other liabilities	10	1,290	824	733
Debt outstanding	12	1,293	496	398
		15,524	9,106	8,394
Shareholders' equity				
Common shares	13	1,890	993	1,061
Preferred shares	13	489	-	-
Contributed surplus		107	96	83
Retained earnings	17	1,746	1,596	1,527
Accumulated other comprehensive income	17	10	284	246
		4,242	2,969	2,917
Total liabilities and shareholders' equity		\$ 19,766	\$ 12,075	\$ 11,311

See accompanying notes to the unaudited interim Consolidated financial statements.

Intact Financial Corporation
Unaudited interim Consolidated statement of comprehensive income
(in millions of Canadian dollars, except as otherwise noted)

For the periods ended September 30,	Note	Three months		Nine months	
		2011	2010	2011	2010
Direct premiums written	8	\$ 1,256	\$ 1,186	\$ 3,553	\$ 3,423
Net premiums earned	8	1,158	1,066	3,301	3,140
Net claims incurred	7	(749)	(723)	(2,135)	(2,020)
Underwriting expenses		(341)	(307)	(1,007)	(948)
Impact of change in net claims discount rate	7	68	36	159	172
		(67)	(37)	(81)	(65)
Underwriting income (loss)		1	(1)	78	107
Net investment income	6	74	74	223	223
Net investment gains (losses)	6	78	66	211	169
Integration and restructuring costs	10	(29)	-	(29)	-
Share of profit from investments in associates and joint ventures		3	3	12	13
Other revenues		10	11	38	34
Other expenses		(8)	(9)	(29)	(24)
Finance costs	12	(11)	(7)	(26)	(21)
Net income (loss) before income tax expense (benefit)		118	137	478	501
Income tax expense (benefit)	9	17	28	97	110
Net income (loss) attributable to shareholders		\$ 101	\$ 109	\$ 381	\$ 391
Weighted average number of common shares, basic and diluted (in millions)		111	114	111	116
Earnings per common share, basic and diluted (dollars)		\$ 0.87	\$ 0.96	\$ 3.41	\$ 3.37
Dividends paid per common share (dollars)		\$ 0.37	\$ 0.34	\$ 1.11	\$ 1.02
Net income (loss) attributable to shareholders		\$ 101	\$ 109	\$ 381	\$ 391
Other comprehensive income (loss)					
Net actuarial gains (losses) on employee future benefits	11	(79)	(13)	(120)	(75)
Net changes in unrealized gains (losses) on derivatives designated as cash flow hedges		(16)	-	(16)	-
Available-for-sale securities:					
Net changes in unrealized gains (losses)		(110)	190	(54)	187
Reclassification to income of net (gains) losses		(26)	(44)	(178)	(117)
Income tax benefit (expense)	9	58	(35)	94	1
Other comprehensive income (loss) for the period		(173)	98	(274)	(4)
Total comprehensive income (loss) attributable to shareholders		\$ (72)	\$ 207	\$ 107	\$ 387

See accompanying notes to the unaudited interim Consolidated financial statements.

Intact Financial Corporation

Unaudited interim Consolidated statement of changes in shareholders' equity

(in millions of Canadian dollars, except as otherwise noted)

Note	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at January 1, 2011	\$ 993	\$ -	\$ 96	\$ 1,596	\$ 284	\$ 2,969
Net income (loss) attributable to shareholders	-	-	-	381	-	381
Other comprehensive income (loss) for the period	-	-	-	-	(274)	(274)
Total comprehensive income (loss) for the period	-	-	-	381	(274)	107
Common shares repurchased for cancellation	13 (24)	-	-	(105)	-	(129)
Common shares issued	13 921	-	-	-	-	921
Preferred shares issued	13 -	489	-	-	-	489
Dividends paid on common shares	13 -	-	-	(122)	-	(122)
Dividend paid on preferred shares	13 -	-	-	(3)	-	(3)
Share-based payments	14 -	-	11	(1)	-	10
Balance as at September 30, 2011	\$ 1,890	\$ 489	\$ 107	\$ 1,746	\$ 10	\$ 4,242
Balance as at January 1, 2010	\$ 1,061	\$ -	\$ 83	\$ 1,527	\$ 246	\$ 2,917
Net income (loss) attributable to shareholders	-	-	-	391	-	391
Other comprehensive income (loss) for the period	-	-	-	-	(4)	(4)
Total comprehensive income (loss) for the period	-	-	-	391	(4)	387
Common shares repurchased for cancellation	13 (62)	-	-	(242)	-	(304)
Dividends paid on common shares	13 -	-	-	(118)	-	(118)
Share-based payments	14 -	-	9	-	-	9
Balance as at September 30, 2010	\$ 999	\$ -	\$ 92	\$ 1,558	\$ 242	\$ 2,891

See accompanying notes to the unaudited interim Consolidated financial statements.

Unaudited interim Consolidated statement of cash flows

(in millions of Canadian dollars, except as otherwise noted)

For the periods ended September 30,	Note	Nine months	
		2011	2010
Operating activities			
Net income (loss) attributable to shareholders		\$ 381	\$ 391
Adjustments for non-cash items	15	(153)	(123)
Changes in other operating assets and liabilities	15	(12)	(10)
Changes in net claims liabilities		219	169
Net cash flows provided by (used in) operating activities		435	427
Investing activities			
Business combination, net of cash acquired	4	(2,546)	-
Proceeds from the sale of investments		5,871	6,216
Purchases of investments		(5,609)	(6,082)
Purchases of brokerages and books of business, net of sales		(17)	(22)
Purchases of property and equipment and other		(38)	(29)
Net cash flows provided by (used in) investing activities		(2,339)	83
Financing activities			
Proceeds from issuance of debt	12	797	99
Common shares repurchased for cancellation	13	(129)	(304)
Proceeds from issuance of common shares	13	911	-
Proceeds from issuance of preferred shares	13	485	-
Dividends paid	13	(125)	(118)
Net cash flows provided by (used in) financing activities		1,939	(323)
Net increase (decrease) in cash and cash equivalents		35	187
Cash and cash equivalents, beginning of period		138	60
Cash and cash equivalents, end of period	15	\$ 173	\$ 247

See accompanying notes to the unaudited interim Consolidated financial statements.

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

Note 1 - Status of the Company

Intact Financial Corporation (the "Company") (TSX: IFC), incorporated under the *Canada Business Corporations Act*, is domiciled in Canada and its shares are publicly traded on the Toronto Stock Exchange. The Company has investments in wholly-owned subsidiaries which operate principally in the Canadian property and casualty ("P&C") insurance market. The Company's significant subsidiaries are Intact Insurance Company, Belair Insurance Company Inc., The Nordic Insurance Company of Canada, Novex Insurance Company, Trafalgar Insurance Company of Canada, Equisure Financial Network Inc., Canada Brokerlink Inc. and GP Car and Home Inc.

On September 23, 2011, the Company acquired all of the issued and outstanding shares of AXA Canada Inc. ("AXA Canada"). Further details of the acquisition are provided in Note 4.

Note 2 - Basis of presentation

These unaudited interim Consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34"), using the accounting policies the Company expects to adopt in its Consolidated financial statements as at and for the year ending December 31, 2011. These accounting policies are included in Note 2 to the March 31, 2011 unaudited interim Consolidated financial statements and the additional accounting policies applied following the acquisition of AXA Canada are presented in Note 3 to these unaudited interim Consolidated financial statements.

As these unaudited interim Consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS"), they include certain disclosures that are required to be presented in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

For all periods up to and including the period ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS and as such, in preparing these financial statements, management has amended certain accounting policies previously applied in the Canadian GAAP financial statements to comply with IAS 34. The comparative figures for 2010 were restated to reflect these adjustments. Certain additional information which is considered material to the understanding of the Company's financial statements prepared in accordance with IAS 34 is provided in Note 17 – *First-time adoption of IFRS* along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS.

These unaudited interim Consolidated financial statements should be read in conjunction with the Company's 2010 annual financial statements and the Note 2 to the March 31, 2011 unaudited interim Consolidated financial statements.

The unaudited interim Consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for investments in associates and joint ventures and financial instruments measured at fair value. Financial assets and liabilities are offset and the net amount is reported on the unaudited interim Consolidated balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally involving a shareholding of more than one half of the voting shares. The financial statements of all subsidiary companies are fully consolidated from the date control is transferred to the Company. They are deconsolidated from the date control ceases. All balances, transactions, income, expenses, profits, losses and dividends resulting from intercompany transactions are eliminated in full on consolidation.

Associates are those entities over which the Company exerts significant influence as defined under IFRS. The investments in associates are accounted for using the equity method.

Joint ventures are those entities over which the Company exerts joint control as defined under IFRS. The investments in joint ventures are accounted for using the equity method.

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

In preparing these unaudited interim Consolidated financial statements, the Company has adopted certain presentation standards. The Company presents its unaudited interim Consolidated balance sheet broadly in order of liquidity. All amounts in these statements are in millions of Canadian dollars except as otherwise noted. Certain comparative figures have been reclassified to conform with the presentation adopted in the current period. Captions used in these unaudited interim Consolidated financial statements and notes generally have words such as "Income", "Benefit", "Revenue", "Gain" or "Profit" placed before the words "Loss" or "Expense".

Seasonality

The P&C insurance business is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, net underwriting income is driven mainly by weather conditions which may vary significantly between quarters.

Operating segments

The Company's business activities are directed towards P&C insurance operations. These activities are captured within a sole reporting and operating segment, P&C insurance operations. Internal reports on the performance of the segment are regularly reviewed by senior management, the Company's Chief Executive Officer and by the Board of Directors.

Note 3 - Summary of significant accounting policies

The Company's accounting policies used to prepare these unaudited interim Consolidated financial statements are included in Note 2 to the March 31, 2011 unaudited interim Consolidated financial statements. However, since the acquisition of AXA Canada, the Company has also applied the accounting policies described below.

3.1 Significant accounting policies

a) Assets classified as held for sale and discontinued operations

Assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continued use and such sale is considered highly probable. Assets held for sale are measured at the lower of their carrying amounts or their fair value less costs to sell.

Assets held for sale are classified as discontinued operations if the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company and they: represent a separate major line of business or geographical area of operations; are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or are a subsidiary acquired exclusively with a view to resale.

b) Joint ventures

The Company's investments in joint ventures are accounted for using the equity method. Investments in joint ventures are reported on the Interim Consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the joint ventures. The Company's profit from investments in joint ventures is shown on the Interim Consolidated statement of comprehensive income and reflects the share of the results of operations of the joint ventures after tax. Profits or losses resulting from transactions between the Company and its joint ventures are eliminated to the extent of the interest in the joint ventures. The Company determines at each reporting date whether there is any objective evidence that the investments in joint ventures are impaired. The financial statements of joint ventures are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of joint ventures in line with those of the Company.

c) Restructuring costs

A provision for restructuring costs is recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The provision for restructuring costs is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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d) Hedge accounting

The Company uses derivatives in its hedging strategies to manage its exposure to risk arising from financial instruments. Where hedge accounting can be applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset, liability or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. The hedging instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or anticipated cash flows attributable to the risk being hedged both at inception and throughout the life of the hedge. Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

Cash flow hedges

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income ("OCI") while the ineffective portion is recognized in Net realized gains (losses). When hedge accounting is discontinued, the amounts accumulated in Accumulated OCI are reclassified to Finance costs on the same basis as these costs are incurred. Gains and losses on derivatives are reclassified immediately to Net income (loss) attributable to shareholders when the hedged item is sold or terminated early. The Company uses interest rate futures and bond forwards to hedge the variability in cash flows related to the issuance of its debt.

e) Employee future benefits

For defined contribution plans, the Company pays specified contributions into a separate entity and has no legal or constructive obligation to pay further amounts. No liability therefore appears on the Company's unaudited interim Consolidated financial statements, except for the expense recognized for contributions due but not yet paid at the end of the reporting period. Obligations for contributions to defined contribution plans are recognized as an expense in net income (loss) attributable to shareholders in the periods during which services are rendered by employees.

3.2 Standards issued but not yet effective

The Company is currently analyzing the impact the following standards will have on its Consolidated financial statements:

a) Financial instruments: classification and measurement

In November 2009, the IASB issued IFRS 9 - *Financial Instruments*. This standard represents the completion of the first part of a three-part project to replace IAS 39 - *Financial Instruments: recognition and measurement*. The new standard reduces complexity by replacing the many different rules in IAS 39. The key features for the new standard are as follows:

- a business model test is applied first in determining whether a financial asset is eligible for amortised cost measurement. The business model objective is based on holding financial assets in order to collect contractual cash flows rather than realizing cash flows from the sale of the financial assets,
- in order to be eligible for amortized cost measurement an asset must have contractual cash flow characteristics representing principal and interest,
- all other financial assets are measured at fair value on the balance sheet,
- an entity can elect on initial recognition to present the fair value changes on an equity investment that is not held for trading directly in OCI. The dividends on investments for which this election is made must be recognized in profit or loss but gains or losses are not removed from OCI when the equity investment is disposed of, and
- if a financial asset is eligible for amortized cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch.

The standard is effective for years beginning on or after January 1, 2013. However, on August 4, 2011, the IASB issued an exposure draft proposing to change the mandatory effective date of IFRS 9 to years beginning on or after January 1, 2015. The comment period of the exposure draft closed on October 21, 2011.

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

b) Consolidated financial statements

IFRS 10 – *Consolidated financial statements* replaces IAS 27 – *Consolidated and separate financial statements* and SIC-12 – *Consolidation – special purpose entities* and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The main features are as follows:

- the principle of control sets out the three elements of control: (1) power over the investee; (2) exposure, or rights, to variable returns from involvement with the investee; (3) the ability to use power over the investee to affect the amount of the investor's returns, and
- when preparing consolidated financial statements, an entity must use uniform accounting policies for reporting like transactions and other events in similar circumstances. Intragroup balances and transactions must be eliminated. Non-controlling interests in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

The standard is effective for years beginning on or after January 1, 2013.

c) Joint arrangements

IFRS 11 – *Joint arrangements* replaces IAS 31 – *Interest in joint ventures* and SIC-13 – *Jointly controlled entities – non-monetary contributions by venturers* and is to be applied by all entities that are a party to a joint arrangement, whereby two or more parties have joint control. The key features of this new standard are as follows:

- joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control,
- joint arrangements are classified into two types – joint operations and joint ventures,
- an entity determines the type of arrangement in which it is involved by considering its rights and obligations,
- a joint operator will recognize and measure the assets, liabilities, revenues and expenses in relation to its interest in the arrangement, and
- a joint venturer will recognize an investment and measure it using the equity method.

The standard is effective for years beginning on or after January 1, 2013.

d) Disclosure of interests in other entities

IFRS 12 – *Disclosure of interests in other entities*, replaces the disclosure requirements of IAS 27 – *Consolidated and separate financial statements*, IAS 28 – *Investments in associates*, and IAS 31 – *Interests in joint ventures*. The IFRS 12 establishes disclosure objectives according to which an entity discloses information regarding consolidated entities, associates, joint arrangements, unconsolidated structured entities and non-controlling interests.

The standard is effective for years beginning on or after January 1, 2013.

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

e) Fair value measurement

In May 2011, the IASB issued IFRS 13 – *Fair value measurement* with a view to set out a single IFRS framework for defining, measuring and disclosing fair value. Its main features are as follows:

- defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date,
- the fair value measurement requires an entity to determine the following:
 - the particular asset or liability being measured;
 - for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand alone basis;
 - the market in which an orderly transaction would take place for the asset or liability; and
 - the appropriate valuation technique(s) to use when measuring fair value. The technique(s) should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and
- the entity is to disclose those valuation techniques and inputs used to develop the fair value measurements.

The standard is effective for years beginning on or after January 1, 2013.

f) Employee benefits

In June 2011, the IASB completed its project to improve the accounting for pension and other post-employment benefits by issuing an amended version of IAS 19 – *Employee benefits*. The amendments aim to:

- eliminate an option to defer the recognition of gains and losses, known as the “corridor method”, improving comparability and faithfulness of presentation,
- streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the results of an entity’s day-to-day operations, and
- enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The standard is effective for years beginning on or after January 1, 2013.

Note 4 - Business combination

On May 31, 2011, the Company announced that it had signed a definitive agreement with AXA SA for the acquisition of all of the issued and outstanding shares of its subsidiary AXA Canada for a cash consideration of \$2,621 and contingent consideration of up to \$100. Following the receipt of all required regulatory approvals, the acquisition closed and AXA Canada became a wholly owned subsidiary on September 23, 2011.

The results of operations of AXA Canada are included in the unaudited interim Consolidated financial statements beginning on the date of acquisition. For the period ended September 30, 2011, the net premiums earned included in the unaudited interim Consolidated statement of comprehensive income contributed by AXA Canada are \$37 and the net income (loss) attributable to shareholders is \$4. Had AXA Canada been consolidated from January 1, 2011, the additional net premiums earned would have been \$1,408 and the additional net income (loss) attributable to shareholders would have been \$204.

AXA Canada provides P&C insurance in Canada, principally through a network of independent brokers and also offers life and health insurance products in Canada (Note 5). It carries out its activities primarily through its wholly-owned insurance subsidiaries, AXA Insurance Inc., AXA Insurance (Canada), AXA Pacific Insurance Company, AXA General Insurance, AXA Farm Insurance Inc. and AXA Life Insurance Inc. (“AXA Life Insurance”).

The acquisition of AXA Canada is consistent with the Company’s growth strategy and brings its market share in Canada to approximately 16.5%.

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

The following table summarises the consideration paid for AXA Canada, and the amounts recognised for the assets acquired and liabilities assumed at the acquisition date.

Table 4.1 - Business combination

As at	September 23, 2011
Cash consideration paid	2,621
Provisional fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	75
Debt securities	3,076
Preferred shares	214
Common shares	121
Loans	79
Accrued investment income	34
Investments in associates and joint ventures	103
Premium receivables	679
Reinsurance assets	130
Income taxes receivable	3
Assets classified as held for sale (Note 5)	1,463
Deferred tax assets	83
Deferred acquisition costs	211
Other assets	27
Property and equipment	14
Intangible assets (net of deferred tax liabilities of \$131)	766
Claims liabilities	(2,193)
Unearned premiums	(1,148)
Financial liabilities related to investments	(40)
Income taxes payable	(23)
Liabilities directly associated with assets classified as held for sale (Note 5)	(1,170)
Deferred tax liabilities (excluding deferred tax liabilities related to intangible assets of \$131)	(2)
Other liabilities	(413)
Total identifiable net assets	2,089
Goodwill	532

The fair value of the acquired identifiable intangible assets is based on a preliminary discounted cash flows analysis of the distribution network and the customer relationships acquired. The useful life of the distribution network has been assessed to be indefinite and therefore, it is not subject to amortization, but will be tested for impairment on an annual basis. The customer relationships intangible asset is being amortized over a period of 10 years.

Goodwill reflects the quality of the acquired business and the synergies expected following the integration of AXA Canada. None of the goodwill is expected to be deductible for tax purposes.

A contingent consideration contract clause requires the Company to pay, up to an additional \$100, to AXA SA based on the development of the consolidated reserves of AXA Canada, excluding the life and health business, as at December 31, 2010. The calculation period of this consideration ends on December 31, 2016. Pending detailed review of the AXA Canada reserves in the last quarter of 2011, as at September 30, 2011, the fair value of the contingent consideration cannot be reasonably estimated. Therefore, no contingent consideration has been recorded as at September 30, 2011.

Note 5 - Assets classified as held for sale and directly associated liabilities

As part of the acquisition of AXA Canada, the Company acquired AXA Life Insurance. On September 26, 2011, the Company announced that it has entered into a definitive share purchase agreement to sell this subsidiary to a third party. The transaction is conditional on the receipt of regulatory approvals and is expected to close in early 2012.

For the purpose of these unaudited interim Consolidated financial statements, AXA Life Insurance has been measured at fair value less costs to sell and classified as a disposal group held for sale. Therefore, all its assets are grouped together as “assets classified as held for sale” and all its liabilities are grouped together as “liabilities directly associated with assets classified as held for sale”.

AXA Life Insurance qualifies as a discontinued operation at September 30, 2011, since, in addition to being classified as a disposal group, it is a subsidiary acquired exclusively with a view to resale. For the period of three and nine months ended September 30, 2011, the post-tax profit of this discontinued operation included on the unaudited interim Consolidated statement of comprehensive income is \$nil and there is no impact on the earnings per share, basic and diluted.

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
(in millions of Canadian dollars, except as otherwise noted)

Note 6 - Financial instruments

The following tables summarize the Company's investments.

Table 6.1 - Investments by classification

As at September 30, 2011	Available-for-sale	Classified as fair value through profit or loss	Designated as fair value through profit or loss	Cash and cash equivalents, loans and receivables	Total
Cash and cash equivalents	-	-	-	173	173
Debt securities					
Short-term notes	14	50	-	-	64
Fixed income					
Investment grade					
Government	2,245	-	2,274	-	4,519
Corporate	1,185	3	1,623	-	2,811
Asset-backed	136	-	127	-	263
Total debt securities	3,580	53	4,024	-	7,657
Preferred shares					
Investment grade					
Retractable	215	52	-	-	267
Fixed rate perpetual	342	103	-	-	445
Other perpetual	809	129	-	-	938
Non rated	4	1	-	-	5
Total preferred shares	1,370	285	-	-	1,655
Common shares	988	428	521	-	1,937
Loans	-	-	-	405	405
Total investments	5,938	766	4,545	578	11,827
As at December 31, 2010					
Cash and cash equivalents	-	-	-	138	138
Debt securities					
Short-term notes	363	-	-	-	363
Fixed income					
Investment grade					
Government	1,345	-	1,591	-	2,936
Corporate	638	-	832	-	1,470
Asset-backed	52	-	-	-	52
Total debt securities	2,398	-	2,423	-	4,821
Preferred shares					
Investment grade					
Retractable	241	25	-	-	266
Fixed rate perpetual	565	75	-	-	640
Other perpetual	506	85	-	-	591
Non rated	6	-	-	-	6
Total preferred shares	1,318	185	-	-	1,503
Common shares	1,021	438	418	-	1,877
Loans	-	-	-	314	314
Total investments	4,737	623	2,841	452	8,653
As at January 1, 2010					
Cash and cash equivalents	-	-	-	60	60
Debt securities					
Short-term notes	211	-	-	-	211
Fixed income					
Investment grade					
Government	1,628	-	1,631	-	3,259
Corporate	522	-	689	-	1,211
Asset-backed	103	-	-	-	103
Total debt securities	2,464	-	2,320	-	4,784
Preferred shares					
Investment grade					
Retractable	304	17	-	-	321
Fixed rate perpetual	777	45	-	-	822
Other perpetual	391	48	-	-	439
Total preferred shares	1,472	110	-	-	1,582
Common shares	727	201	384	-	1,312
Loans	-	-	-	319	319
Total investments	4,663	311	2,704	379	8,057

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Table 6.2 - Carrying value of investments

	FV TPL ¹	Other investments				Total
	instruments	Unamortized	Unrealized	Unrealized	Net	investments
As at September 30, 2011	At fair value	cost	gains	losses	unrealized	At carrying
					gains (losses)	value
Cash and cash equivalents	-	173	-	-	-	173
Debt securities						
Short-term notes	50	14	-	-	-	64
Fixed income						
Investment grade						
Government	2,274	2,179	66	-	66	4,519
Corporate	1,626	1,162	23	-	23	2,811
Asset-backed	127	134	2	-	2	263
Total debt securities	4,077	3,489	91	-	91	7,657
Preferred shares						
Investment grade						
Retractable	52	215	3	(3)	-	267
Fixed rate perpetual	103	260	82	-	82	445
Other perpetual	129	735	82	(8)	74	938
Non rated	1	4	-	-	-	5
Total preferred shares	285	1,214	167	(11)	156	1,655
Common shares	949	1,031	51	(94)	(43)	1,937
Loans	-	405	-	-	-	405
Total investments	5,311	6,312	309	(105)	204	11,827
As at December 31, 2010						
Cash and cash equivalents	-	138	-	-	-	138
Debt securities						
Short-term notes	-	363	-	-	-	363
Fixed income						
Investment grade						
Government	1,591	1,320	26	(1)	25	2,936
Corporate	832	627	12	(1)	11	1,470
Asset-backed	-	51	1	-	1	52
Total debt securities	2,423	2,361	39	(2)	37	4,821
Preferred shares						
Investment grade						
Retractable	25	239	6	(4)	2	266
Fixed rate perpetual	75	418	147	-	147	640
Other perpetual	85	396	110	-	110	591
Non rated	-	3	3	-	3	6
Total preferred shares	185	1,056	266	(4)	262	1,503
Common shares	856	882	150	(11)	139	1,877
Loans	-	314	-	-	-	314
Total investments	3,464	4,751	455	(17)	438	8,653
As at January 1, 2010						
Cash and cash equivalents	-	60	-	-	-	60
Debt securities						
Short-term notes	-	211	-	-	-	211
Fixed income						
Investment grade						
Government	1,631	1,625	13	(10)	3	3,259
Corporate	689	506	16	-	16	1,211
Asset-backed	-	100	3	-	3	103
Total debt securities	2,320	2,442	32	(10)	22	4,784
Preferred shares						
Investment grade						
Retractable	17	307	10	(13)	(3)	321
Fixed rate perpetual	45	609	168	-	168	822
Other perpetual	48	310	81	-	81	439
Total preferred shares	110	1,226	259	(13)	246	1,582
Common shares	585	650	80	(3)	77	1,312
Loans	-	319	-	-	-	319
Total investments	3,015	4,697	371	(26)	345	8,057

¹ Fair value through profit or loss.

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As at September 30, 2011, asset-backed securities consisted of auto loan receivables, credit card receivables and asset-backed commercial paper. All of these asset-backed securities are AAA rated as of September 30, 2011 and December 31, 2010.

As at September 30, 2011, the fair value of the loans was \$431 (December 31, 2010 - \$330). The fair value was established using valuation techniques that used both input parameters based on observable market data and input parameters not based on observable market data.

The Company uses Dominion Bond Rating Services ("DBRS") and Standard & Poor's ("S&P") to rate debt securities and preferred shares. Debt securities with a rating equal to or above BBB- are classified as investment grade. Preferred shares with a rating equal to or above P3 low are classified as investment grade.

6.1 Equities sold short

Among the Company's various investment strategies is a market neutral equity investment strategy. The objective of this strategy, which consists of having both long and short equity positions, is to maximize the value added from active equity portfolio management while at the same time using short positions to mitigate overall equity market volatility. Long positions are reported in Common shares and short positions are reported in Financial liabilities related to investments on the unaudited interim Consolidated balance sheet.

The Company has secured its short positions by pledging government debt securities as collateral.

Table 6.3 - Long and short positions

	As at September 30, 2011		As at December 31, 2010		As at January 1, 2010	
	Fair value	Debt securities pledged as collateral	Fair value	Debt securities pledged as collateral	Fair value	Debt securities pledged as collateral
Long positions	368	-	398	-	184	-
Short positions	(375)	367	(397)	407	(183)	183

The following table details the Company's financial liabilities related to investments.

Table 6.4 - Details of the Company's financial liabilities related to investments

As at	September 30, 2011	December 31, 2010	January 1, 2010
Accounts payable to investment brokers on unsettled trades	45	10	13
Equities sold short positions (Table 6.3)	375	397	183
Derivative liabilities (Table 6.6)	14	16	16
Embedded derivatives	59	67	67
Net asset value attributable to third party unit holders	363	225	127
Total financial liabilities related to investments	856	715	406

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The following table provides additional details about the items reported in Net investment income and Net investment gains (losses).

Table 6.5 - Details of the Company's net investment income and net investment gains (losses)

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
Amounts reported in Net investment income				
Interest income from:				
Financial instruments at FVTPL	24	23	74	71
Available-for-sale financial instruments	22	20	58	58
Loans and receivables	4	5	14	15
Total interest income	50	48	146	144
Dividend income (expense) from:				
Dividends paid on equities sold short	(3)	(2)	(8)	(6)
Financial instruments at FVTPL, net	9	7	23	19
Available-for-sale financial instruments	24	26	79	79
Dividends from long term investments, at cost	-	-	1	2
Total dividend income	30	31	95	94
Expenses	(6)	(5)	(18)	(15)
Net investment income	74	74	223	223
Amounts reported in Net investment gains (losses)				
Net realized gains (losses) from:				
Financial instruments classified as FVTPL	(8)	3	(15)	(7)
Financial instruments designated as FVTPL	(9)	59	14	65
Derivative financial instruments	46	(29)	19	(18)
Available-for-sale financial instruments	61	46	225	134
Embedded derivatives	16	(13)	4	3
Impairment losses on:				
Common shares	(16)	-	(22)	(8)
Retractable preferred shares	(13)	-	(13)	-
Other net gains (losses)	1	-	(1)	-
Net investment gains (losses)	78	66	211	169

Table 6.6 - Fair values and notional amounts of derivatives

As at September 30, 2011	Fair value		Notional amount
	positive	negative	
Held for non-trading purposes			
Foreign currency exposure			
Forwards	-	11	374
Swaps	2	-	23
Interest rate exposure			
Futures	-	-	311
Swaps	4	-	130
Options	-	2	412
Equity exposure			
Total return swaps	32	-	525
Options	-	-	11
Credit default swaps	-	1	11
Inflation exposure			
Swaptions	-	-	264
Total	38	14	
As at December 31, 2010			
Held for non-trading purposes			
Foreign currency exposure			
Forwards	-	-	32
Swaps	4	-	27
Interest rate exposure			
Futures	-	-	75
Equity exposure			
Total return swaps	-	15	412
Options	-	-	13
Credit default swaps	-	1	50
Total	4	16	

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Note 7 - Claims liabilities

7.1 Movement of claims liabilities

Claims liabilities are established to reflect the estimate of the full amount of all liabilities associated with the insurance contracts at the balance sheet date, including insurance claims incurred but not reported. The ultimate cost of these liabilities will vary from the best estimate made for a variety of reasons, including additional information with respect to the facts and circumstances of the insurance claims incurred.

The following table presents the movement of the Company's net claims liabilities during the period.

Table 7.1 - Movement of the net claims liabilities

	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities
For the three months ended September 30, 2011			
Balance, beginning of period	4,541	290	4,251
Current period claims	784	4	780
Prior year (favourable) unfavourable claims development	(27)	4	(31)
Total claims incurred	757	8	749
Increase (decrease) due to changes in discount rate	70	3	67
Claims paid	(703)	(18)	(685)
Business combination (Note 4)	2,193	106	2,087
Balance, end of period	6,858	389	6,469
For the three months ended September 30, 2010			
Balance, beginning of period	4,270	200	4,070
Current period claims	787	38	749
Prior year (favourable) unfavourable claims development	(26)	-	(26)
Total claims incurred	761	38	723
Increase (decrease) due to changes in discount rate	39	2	37
Claims paid	(647)	(13)	(634)
Balance, end of period	4,423	227	4,196
For the nine months ended September 30, 2011			
Balance, beginning of period	4,379	216	4,163
Current period claims	2,418	98	2,320
Prior year (favourable) unfavourable claims development	(174)	11	(185)
Total claims incurred	2,244	109	2,135
Increase (decrease) due to changes in discount rate	85	4	81
Claims paid	(2,043)	(46)	(1,997)
Business combination (Note 4)	2,193	106	2,087
Balance, end of period	6,858	389	6,469
For the nine months ended September 30, 2010			
Balance, beginning of period	4,270	243	4,027
Current period claims	2,200	41	2,159
Prior year (favourable) unfavourable claims development	(143)	(4)	(139)
Total claims incurred	2,057	37	2,020
Increase (decrease) due to changes in discount rate	69	4	65
Claims paid	(1,973)	(57)	(1,916)
Balance, end of period	4,423	227	4,196

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Note 8 - Revenue

Table 8.1 - Total revenue

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
Net premium earned	1,158	1,066	3,301	3,140
Interest income (Table 6.5)	50	48	146	144
Dividend income (Table 6.5)	30	31	95	94
Net investment gains (losses)	78	66	211	169
Share of profit from investments in associates and joint ventures	3	3	12	13
Other revenues	10	11	38	34
Total revenue for the periods	1,329	1,225	3,803	3,594

Table 8.2 - Premiums written and earned

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
Premiums written				
Direct	1,256	1,186	3,553	3,423
Ceded	(33)	(40)	(111)	(92)
Net	1,223	1,146	3,442	3,331
Changes in unearned premiums	(65)	(80)	(141)	(191)
Net premiums earned	1,158	1,066	3,301	3,140

Note 9 - Income taxes

9.1 Income tax expense (benefit)

The following table shows the major components of income tax expense (benefit) for the periods ended September 30, 2011 and 2010.

Table 9.1 - Unaudited interim Consolidated statement of comprehensive income

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
Current tax expense (benefit)				
Current year	(9)	10	91	113
Prior year adjustment	(2)	(2)	(2)	(5)
	(11)	8	89	108
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	28	20	8	2
	28	20	8	2
Income tax expense (benefit)	17	28	97	110
Income tax recorded in OCI				
Net actuarial gains (losses) on employee future benefits	(20)	(3)	(31)	(19)
Net changes in unrealized gains (losses) on derivatives designated as cash flow hedges	(4)	-	(4)	-
Net changes in unrealized gains (losses) on available-for-sale instruments	(28)	52	(10)	51
Reclassification to income of net (gains) losses on available-for-sale instruments	(6)	(14)	(49)	(33)
Total income tax expense (benefit) recorded in OCI	(58)	35	(94)	(1)

Intact Financial Corporation
Notes to the unaudited interim Consolidated financial statements
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Table 9.2 - Effective tax rate reconciliation

	Three months		Nine months	
	2011	2010	2011	2010
For the periods ended September 30,	%	%	%	%
Income tax expense calculated at statutory tax rates	28.0	30.2	28.0	30.2
Increase (decrease) in income tax rates resulting from:				
Non-taxable dividend income	(8.0)	(7.0)	(6.1)	(5.8)
Other	(5.0)	(2.9)	(1.5)	(2.4)
Effective income tax rate	15.0	20.3	20.4	22.0

9.2 Components of deferred tax assets and liabilities

Table 9.3 - Components of deferred income tax assets and liabilities

	Unaudited interim Consolidated balance sheet			Unaudited interim Consolidated statement of comprehensive income			
	As at			Three months		Nine months	
	September 30, 2011	December 31, 2010	January 1, 2010	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Deferred tax assets							
Net claims liabilities	82	56	58	(1)	1	(1)	1
Investments	2	-	3	3	-	3	-
Deferred expenses for tax purposes	61	35	36	15	1	12	2
Property and equipment	6	3	4	-	-	-	-
Losses available for carry forward	11	16	15	6	-	(5)	(1)
Post employment benefit plans	86	10	3	24	2	37	19
Other	12	1	1	8	(5)	11	(3)
Total deferred tax assets	260	121	120	55	(1)	57	18
Deferred tax liabilities							
Deferred income for tax purposes	34	77	42	12	54	(42)	22
Deferred gains and losses on specified debt obligations	22	23	28	(1)	(1)	(2)	(3)
Investments	-	2	-	(3)	2	-	1
Property and equipment	10	8	6	-	-	-	-
Intangible assets	141	10	9	-	-	-	-
Other	4	-	-	3	(1)	1	(1)
Total deferred tax liabilities	211	120	85	11	54	(43)	19
Reported in:							
Deferred tax assets	198	29	56				
Deferred tax liabilities	149	28	21				
Income tax expense (benefit) reported to Net income (loss) attributable to shareholders				28	20	8	2
Income tax expense (benefit) reported in OCI				(58)	35	(94)	(1)

The Company recognized a deferred tax asset for all of its unused non-capital losses as at September 30, 2011, December 31, 2010 and January 1, 2010. A deferred tax liability has not been recognized in respect of the investments in associates and joint ventures.

As at September 30, 2011, the Company had allowable capital losses of \$44 (December 31, 2010 – \$56), which had not been recognized when computing the deferred tax asset. These losses, which have no expiry date, can be used to reduce future taxable capital gains.

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Note 10 - Other assets and other liabilities

10.1 Components of other assets

Table 10.1 - Components of other assets

As at	September 30, 2011	December 31, 2010	January 1, 2010
Other receivables	318	248	245
Employee future benefit assets (Note 11)	19	56	60
Long-term investments, at cost	15	19	21
Prepays	16	9	8
Other	10	3	2
Total other assets	378	335	336

During the three-month and nine-month periods ended September 30, 2011, there were no events or changes in circumstances that indicated that the carrying values of the long-term investments may not be recoverable.

10.2 Components of other liabilities

Table 10.2 - Components of other liabilities

As at	September 30, 2011	December 31, 2010	January 1, 2010
Premium and sale taxes payable	126	104	93
Commissions payable	249	170	119
Industry pools payable	215	216	229
Employee future benefit liabilities (Note 11)	329	96	71
Other payables ^(a)	371	238	221
Total other liabilities	1,290	824	733

^(a)As at September 30, 2011, the other payables include a provision for restructuring costs of \$8. This provision has been established based on the decisions communicated as at September 30, 2011 and is expected to be fully paid before the end of 2011. The corresponding expense of \$8 is included on line "Integration and restructuring costs" in the unaudited interim Consolidated statement of comprehensive income.

Following the announcement of the acquisition of AXA Canada, the Company established an integration plan directed at integrating the acquired business with its own business and capturing cost synergies across the combined entities, including shared services and corporate functions. The related costs are recognised as incurred as integration costs. They are primarily related to consulting, branding and technology-related expenses. These costs of \$21 are included on line "Integration and restructuring costs" in the unaudited interim Consolidated statement of comprehensive income.

Note 11 - Employee future benefits

The Company has several defined benefit pension plans. For these plans, the measurement date is December 31 and the latest actuarial valuations were performed as at the Company's transition date to IFRS (January 1, 2010).

Following the acquisition of AXA Canada, the Company has now several defined contribution plans. The amount recognized as an expense for these plans is nil for the period of nine months ended September 30, 2011.

The Company offers employer paid post retirement benefit ("PRB") plans providing life insurance and health and dental benefits to certain retirees, which are closed to active employees. The Company also offers post employment benefit plans that provide health, dental, disability and life insurance coverage. The post retirement and post employment benefit plans are unfunded. The measurement date for post retirement and post employment benefits is December 31 and the latest actuarial valuations were performed as at the Company's transition date to IFRS (January 1, 2010).

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11.1 Pension plan movements

Table 11.1 - Pension plan movements

	Expenses (revenue)	Net actuarial gains (losses) recognized in OCI	Present value of benefit obligation	Fair value of plan assets
For the three months ended September 30, 2011				
Balance as at June 30, 2011		(41)	(773)	711
Current service cost	8	-	(8)	-
Interest costs on benefit obligation	10	-	(10)	-
Expected return on assets	(11)	-	-	11
Expense recognized on the unaudited interim Consolidated statement of comprehensive income	7			
Net actuarial gains (losses) recognized in OCI		(79)	(74)	(5)
Employees contributions		-	(2)	2
Employer contributions		-	-	8
Benefit payments		-	6	(6)
Business combination (Note 4)		-	(455)	333
Balance as at September 30, 2011		(120)	(1,316)	1,054
For the three months ended September 30, 2010				
Balance as at June 30, 2010		(62)	(646)	596
Current service cost	7	-	(7)	-
Interest costs on benefit obligation	9	-	(9)	-
Expected return on assets	(9)	-	-	9
Expense recognized on the unaudited interim Consolidated statement of comprehensive income	7			
Net actuarial gains (losses) recognized in OCI		(13)	(55)	42
Employees contributions		-	(2)	2
Employer contributions		-	-	8
Benefit payments		-	5	(5)
Balance as at September 30, 2010		(75)	(714)	652
For the nine months ended September 30, 2011				
Balance as at January 1, 2011		-	(705)	682
Current service cost	24	-	(24)	-
Interest costs on benefit obligation	29	-	(29)	-
Expected return on assets	(32)	-	-	32
Expense recognized on the unaudited interim Consolidated statement of comprehensive income	21			
Net actuarial gains (losses) recognized in OCI		(120)	(115)	(5)
Employees contributions		-	(6)	6
Employer contributions		-	-	24
Benefit payments		-	18	(18)
Business combination (Note 4)		-	(455)	333
Balance as at September 30, 2011		(120)	(1,316)	1,054
For the nine months ended September 30, 2010				
Balance as at January 1, 2010		-	(566)	570
Current service cost	19	-	(19)	-
Interest costs on benefit obligation	27	-	(27)	-
Expected return on assets	(29)	-	-	29
Expense recognized on the unaudited interim Consolidated statement of comprehensive income	17			
Net actuarial gains (losses) recognized in OCI		(75)	(112)	37
Employees contributions		-	(5)	5
Employer contributions		-	-	26
Benefit payments		-	15	(15)
Balance as at September 30, 2010		(75)	(714)	652

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11.2 Funding status

The following table shows the aggregate funding status of the Company's pension, post retirement and post employment benefit plans as well as the split of the net pension surplus (deficit) as reported in Other assets and Other liabilities.

Table 11.2 - Funding status

As at	Pension plans			Post retirement and post employment benefit plans		
	September 30, 2011	December 31, 2010	January 1, 2010	September 30, 2011	December 31, 2010	January 1, 2010
Present value of benefit obligation	(1,316)	(705)	(566)	(48)	(17)	(15)
Fair value of plan assets	1,054	682	570	-	-	-
Surplus (deficit)	(262)	(23)	4	(48)	(17)	(15)
Reported on the unaudited interim Consolidated balance sheet in:						
Other assets	19	56	60	-	-	-
Other liabilities	(281)	(79)	(56)	(48)	(17)	(15)

Based on the latest actuarial valuations of all its plans, total cash contributions by the Company to the pension plans are expected to be approximately \$43 in 2011. All of the Company's contributions are expected to be in the form of cash.

11.3 Composition of pension plan assets

The following table shows the composition of the Company's pension plan assets, at fair value.

Table 11.3 - Composition of pension plan assets

As at	September 30, 2011	December 31, 2010	January 1, 2010
Equity securities	44.1%	40.3%	50.3%
Debt securities	54.7%	58.5%	45.1%
Other investments	1.2%	1.2%	4.6%

The pension plan assets composition does not take into account the impact of derivatives and short securities held in the pension plans' investment portfolios.

11.4 Assumptions used

The following table summarizes the key weighted average assumptions used for the measurement of the Company's pension, post retirement and post employment benefit plans and related expenses.

Table 11.4 - Assumptions

	Pension plans			Post retirement and post employment benefit plans		
	September 30, 2011	December 31, 2010	January 1, 2010	September 30, 2011	December 31, 2010	January 1, 2010
To determine benefit obligation, end of period						
Discount rate	4.6%	5.3%	6.1%	4.9%	4.9%	5.6%
Rate of increase in future compensation	3.5%	3.5%	3.5%	n/a	n/a	n/a
Health care cost trend rate	n/a	n/a	n/a	9.0%	9.0%	8.5%
Dental care cost trend rate	n/a	n/a	n/a	4.5%	4.5%	4.5%
To determine benefit expense for the period						
Discount rate	5.3%	6.1%	6.7%	5.6%	5.6%	6.0%
Rate of increase in future compensation	3.5%	3.5%	3.5%	n/a	n/a	n/a
Expected long-term rate of return on plan assets	6.3%	6.8%	7.0%	n/a	n/a	n/a
Health care cost trend rate	n/a	n/a	n/a	8.5%	8.5%	9.0%
Dental care cost trend rate	n/a	n/a	n/a	4.5%	4.5%	4.5%

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The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. The expected long-term rate of return is determined based on expected future performance for each asset class and is weighted based on the current and expected asset portfolio mix. Consideration is given to historical performance, the premium return generated from an actively managed portfolio, economic developments, inflation rates and administrative expenses.

11.5 Effect of a change in the health and dental care cost trend

The impact of a 1% increase or decrease in the health care and dental care cost trend rate would not be significant on the Company's results or financial position as at the balance sheet date.

Note 12 - Debt outstanding

12.1 Term notes

On July 8, 2011, as part of the AXA Canada acquisition financing, by way of a private placement in Canada, the Company issued \$100 principal amount of unsecured 50-Year term notes (the "Series 3" notes) due July 8, 2061. These notes bear interest at a fixed annual rate of 6.20%, payable in equal semi-annual instalments which will commence on January 8, 2012.

On August 18, 2011, also as part of the AXA Canada acquisition financing, the Company completed an offering of \$300 principal amount of unsecured medium term notes (the "Series 4" notes). These notes bear interest at a fixed annual rate of 4.70% until maturity on August 18, 2021, payable in equal semi-annual instalments which will commence on February 18, 2012. In relation with this offering, the Company entered into future contracts to manage the interest risk on a portion of the notes for the period from the announcement to the offering closing. These futures were designated as a cash flow hedge and terminated on August 12, 2011.

Table 12.1 - Term notes outstanding terms

	Series 1	Series 2	Series 3	Series 4
Date issued	August 31, 2009	November 23, 2009	July 8, 2011	August 18, 2011
Date of supplemental issue		March 23, 2010		
Maturity date	September 3, 2019	November 23, 2039	July 8, 2061	August 18, 2021
Principal amount outstanding	\$250	\$250	\$100	\$300
Fixed annual rate	5.41%	6.40%	6.20%	4.70%
Semi-annual coupon payment due each year on:	March 3, September 3	May 23, November 23	January 8, July 8	February 18, August 18

12.2 Credit facilities

On September 23, 2011, to fund a portion of the purchase price for the acquisition of AXA Canada, the Company obtained a loan of \$100 from a two-year term loan facility (the "Tranche A Facility") and obtained a loan of \$300 from a three-year term loan facility (the "Tranche B Facility"). Both loans bear interest at the prime rate plus a margin or at the bankers' acceptance rate plus a margin.

Effective September 23, 2011, the Company obtained a four year unsecured revolving term facility of \$250 which matures on September 23, 2015 in replacement of a previous revolving term facility of \$250 that was expected to mature on December 20, 2013. This credit facility may be drawn as prime loans at the prime rate plus a margin or as bankers' acceptances at the bankers' acceptance rate plus a margin. As at September 30, 2011, the Company had not drawn down under this facility (December 31, 2010 - nil).

As part of the covenants of the loans under the credit facilities, the Company is required to maintain certain financial ratios which were fully met as at September 30, 2011.

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The following table present details of debt outstanding:

Table 12.2 - Fair value and carrying value of debt outstanding

	As at September 30, 2011		As at December 31, 2010		As at January 1, 2010	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Term notes, series 1	249	273	249	265	249	253
Term notes, series 2	247	270	247	269	149	147
Term notes, series 3	99	105	-	-	-	-
Term notes, series 4	298	305	-	-	-	-
Tranche A Facility	100	100	-	-	-	-
Tranche B Facility	300	300	-	-	-	-
Total debt outstanding	1,293	1,353	496	534	398	400

The term notes and loans under the credit facilities are accounted for at amortized cost which equals the carrying value as shown in the table above. The term notes may be redeemed at the option of the issuer, in whole or in part at any time, at a redemption price equal to the greater of Government of Canada Yield at the date of redemption plus a margin or their par value. The loans under the credit facilities may be reimbursed and cancelled by the Company at any time.

Interest expense on term notes and credit facilities are presented as Finance costs on the unaudited interim Consolidated statement of comprehensive income.

Note 13 - Common shares and preferred shares

13.1 Authorized

The authorized share capital consists of an unlimited number of common shares and Class A shares.

13.2 Issued and outstanding

Table 13.1 - Issued and outstanding shares

Classes of shares	As at September 30, 2011			As at December 31, 2010			As at January 1, 2010		
	Number of shares	Amount	Dividends declared per share \$	Number of shares	Amount	Dividends declared per share \$	Number of shares	Amount	Dividends declared per share \$
Common	129,553,665	1,890	0.37	112,179,565	993	0.34	119,906,567	1,061	0.34
Class A									
Series 1 Preferred	10,000,000	244	0.23	-	-	-	-	-	-
Series 3 Preferred	10,000,000	245	0.12	-	-	-	-	-	-
		489							

Common

On the date of the acquisition of AXA Canada, the Company converted its 20,125,000 subscription receipts ("receipts") into 20,125,000 common shares. The Company had completed its offering of the 20,125,000 receipts on June 9, 2011 at \$47.80 per receipt for gross proceeds of \$962. For this offering, the Company incurred \$41 in share issuance costs, net of \$10 of taxes, which were accounted for as a reduction in common shares on the unaudited interim Consolidated balance sheet.

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Class A

Issued and outstanding Class A shares would rank both with regards to dividends and return of capital in priority to the common shares.

Series 1 Preferred

On July 12, 2011, the Company issued and sold 10,000,000 non-cumulative rate reset Class A shares Series 1 (the "Series 1 Preferred Shares"), at a price of \$25.00 per share, for aggregate gross proceeds of \$250. For this offering, the Company incurred \$6 in share issuance costs, net of \$2 of taxes, which were accounted for as a reduction in preferred shares on the unaudited interim Consolidated balance sheet.

The holders of these shares are entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors of the Company, on a quarterly basis for the initial fixed rate period ending on December 31, 2017, based on an annual rate of 4.20%. The dividend rate will be reset on December 31, 2017 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 1.72%. Subject to certain conditions, on December 31, 2017 and on December 31 every five years thereafter, the holders of Series 1 Preferred Shares will have the right to convert their shares into Non-cumulative Floating Rate Class A Shares Series 2 (the "Series 2 Preferred Shares"). In addition, the Company has the option to redeem the Series 1 and Series 2 Preferred Shares on the same dates.

Series 3 Preferred

On August 18, 2011, the Company completed a Series 3 offering of preferred shares by issuing and selling 10,000,000 non-cumulative rate reset Class A shares Series 3 (the "Series 3 Preferred Shares"), at a price of \$25.00 per share, for aggregate gross proceeds of \$250. For this offering, the Company incurred \$5 in share issuance costs, net of \$2 of taxes, which were accounted for as a reduction in preferred shares on the unaudited interim Consolidated balance sheet.

The holders of these shares are entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors of the Company, on a quarterly basis, for the initial fixed rate period ending on September 30, 2016, based on an annual rate of 4.20%. The dividend rate will be reset on September 30, 2016 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 2.66%. Subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter, holders of Series 3 Preferred Shares will have the right to convert their shares into Non-cumulative Floating Rate Class A Shares Series 4 (the "Series 4 Preferred Shares"). In addition, the Company has the option to redeem the Series 3 and Series 4 Preferred Shares on the same dates.

Table 13.2 - Reconciliation of number of common shares outstanding

	Three months		Nine months	
	2011 (in shares)	2010 (in shares)	2011 (in shares)	2010 (in shares)
For the periods ended September 30,				
Balance, beginning of the period	109,428,665	114,356,383	112,179,565	119,906,567
Common shares repurchased for cancellation	-	1,402,118	2,750,900	6,952,302
Common shares issued	20,125,000	-	20,125,000	-
Balance, end of the period	129,553,665	112,954,265	129,553,665	112,954,265

Table 13.3 - Reconciliation of number of Class A shares outstanding

	Three months		Nine months	
	2011 (in shares)	2010 (in shares)	2011 (in shares)	2010 (in shares)
For the periods ended September 30,				
Balance, beginning of the period	-	-	-	-
Series 1 Preferred shares issued	10,000,000	-	10,000,000	-
Series 3 Preferred shares issued	10,000,000	-	10,000,000	-
Balance, end of the period	20,000,000	-	20,000,000	-

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13.3 Normal course issuer bid

On February 22, 2010, the Company commenced a normal course issuer bid ("NCIB") to purchase during the next twelve months ending February 21, 2011, up to 5% of its public float. On August 5, 2010, the Company announced an increase in the maximum number of shares it could repurchase under the NCIB from 5% to 10% of its public float. On February 9, 2011 the Company announced that it would renew its NCIB program to repurchase approximately 5% of its outstanding shares. The new program began on February 22, 2011 for a twelve-month period. The Company has suspended the NCIB following the announcement of the acquisition of AXA Canada and there has been no repurchase during the period of three months ended September 30, 2011.

As at September 30, 2011, 2.8 million (September 30, 2010 – 7.0 million) of common shares have been repurchased for cancellation under the NCIB at an average price of \$47.03 per share (September 30, 2010 - \$43.64 per share) for a total consideration of \$129 (September 30, 2010 - \$304). Total cost paid, including fees, was first charged to share capital to the extent of the average carrying value of the common shares purchased for cancellation and the excess of \$105 (September 30, 2010 - \$242) was charged to retained earnings.

Table 13.4 - Normal course issuer bid reconciliation

	Maximum shares to be purchased	Nine-month period ended September 30, 2011	From inception to September 30, 2011
February 22, 2010 to February 21, 2011 Program	11,955,826	1,979,500	9,706,502
Number of common shares repurchased for cancellation		46.69	44.61
Weighted-average price per share (in dollars)		91	433
Total consideration paid (in millions)			
February 22, 2011 to February 21, 2012 Program	5,523,548		
Number of common shares repurchased for cancellation		771,400	771,400
Weighted-average price per share (in dollars)		47.89	47.89
Total consideration paid (in millions)		38	38
Total for the period			
Number of common shares repurchased for cancellation		2,750,900	n/a
Weighted-average price per share (in dollars)		47.03	n/a
Total consideration paid (in millions)		129	n/a

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Note 14 - Share-based payments

14.1 Long-term incentive plans

The following table shows the movement in the Long-term incentive plans ("LTIP") share units during the period.

Table 14.1 - Movement in LTIP

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
LTIP (share equivalents)				
Outstanding, beginning of period	879,805	414,557	629,637	163,060
Net change in estimate during the period	114,798	177,201	364,966	428,698
Outstanding, end of period	994,603	591,758	994,603	591,758
LTIP (restricted common shares)				
Outstanding, end of period	50,719	53,495	50,719	53,495

The amount charged to compensation expense for LTIP was \$13 (September 30, 2010 - \$5) for the three-month period ended September 30, 2011 and \$20 (September 30, 2010 - \$8) for the nine-month period ended September 30, 2011.

14.2 Employee share purchase plan

The following table shows the movement in the Employee share purchase plan ("ESPP") restricted common shares during the period.

Table 14.2 - Movement in ESPP

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
ESPP (restricted common shares)				
Outstanding, beginning of period	113,170	108,757	107,562	108,546
Awarded during the period	28,386	27,485	81,187	76,053
Vested or forfeited during the period	(27,294)	(28,433)	(74,487)	(76,790)
Outstanding, end of period	114,262	107,809	114,262	107,809

The amount charged to compensation expense for the ESPP was \$1 (September 30, 2010 - \$1) for the three-month period ended September 30, 2011 and \$4 (September 30, 2010 - \$3) for the nine-month period ended September 30, 2011.

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Note 15 - Additional information on the unaudited interim Consolidated statement of cash flows

The following table provides additional details on the items included in net cash flows from operating activities.

Table 15.1 - Additional information on the unaudited interim Consolidated statement of cash flows

For the periods ended September 30,	Nine months	
	2011	2010
Adjustments for non-cash items		
Net investment gains (losses)	(211)	(169)
Deferred income tax expense (benefit)	8	2
Depreciation of property and equipment	10	11
Amortization of intangible assets	26	24
Net premiums on debt securities classified as available-for-sale	9	8
Other	5	1
Total as reported on the unaudited interim Consolidated statement of cash flows	(153)	(123)
Changes in other operating assets and liabilities		
Unearned premiums, net	138	192
Deferred acquisition costs, net	(29)	(29)
Premium and other receivables	(173)	(224)
Income taxes payable, net	(51)	(27)
Other operating assets	(14)	(16)
Other operating liabilities	117	94
Total as reported on the unaudited interim Consolidated statement of cash flows	(12)	(10)
Composition of cash and cash equivalents		
Cash, net of bank overdrafts	49	35
Cash equivalents	124	212
Total cash and cash equivalents	173	247
Other relevant cash flow disclosures		
Interest paid	22	22
Interest received	130	126
Dividends received	96	96
Income taxes paid (recovered)	138	135

Note 16 - Related party transactions

The Company enters into transactions with associated and joint ventures in the normal course of business. Transactions with related parties are at normal market prices and mostly comprise of commissions for insurance policies and interest and principal payments on loans.

Table 16.1 - Revenues and expenses with related parties

For the periods ended September 30,	Three months		Nine months	
	2011	2010	2011	2010
Reported in:				
Income				
Net investment income	1	1	3	3
Expenses				
Underwriting expenses	14	22	86	77

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Table 16.2 - Unaudited interim Consolidated balance sheet amounts with related parties

As at	September 30, 2011	December 31, 2010
Reported in:		
Assets		
Loans	134	70
Liabilities		
Other liabilities	44	41

Note 17 - First-time adoption of IFRS

17.1 Accounting policies – basis of preparation

The unaudited interim Consolidated financial statements represent the third unaudited interim financial statements of the Company prepared in accordance with IFRS, as issued by the IASB. Prior to 2011, the Company prepared its Consolidated financial statements in accordance with Canadian GAAP. The 2010 comparative statements have been restated to conform with IFRS.

The Company adopted IFRS in accordance with IFRS 1 - *First-time adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was at the Company's transition date, January 1, 2010. The Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all IFRS standards effective as of December 31, 2011, as required; and
- applied the optional exemptions and mandatory exceptions as applicable for first-time IFRS adopters.

IFRS 1 grants limited exemptions from these requirements in specified areas where the cost of complying with the standards would likely exceed the benefits to users of financial statements. IFRS 1 also prohibits retrospective application of IFRS in some areas, particularly where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known. Below are the details of the Company's optional and mandatory exemptions.

17.2 IFRS optional exemptions

The Company has applied the following applicable optional exemptions:

a) Business combinations

IFRS 1 provides the option to apply IFRS 3 - *Business combinations*, retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations have not been restated. As a result of applying this exemption, any goodwill and intangible assets arising from such business combinations before the transition date have not been adjusted from the carrying value previously determined under Canadian GAAP.

b) Employee benefits

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19 - *Employee benefits*, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in the opening retained earnings at the transition date. The Company elected to recognize all cumulative gains and losses at the transition date in the opening retained earnings for all of its employee benefit plans.

c) Property and equipment

IFRS 1 provides the option to retrospectively apply IAS 16 - *Property, plant, and equipment*, for the determination of the cost at the date of transition or to use the property and equipment's fair value as its deemed cost upon transition to IFRS. The Company elected to retrospectively apply IAS 16 at the transition date and this resulted in no accounting difference.

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d) Designation of financial assets and financial liabilities

IFRS 1 permits an entity to irrevocably re-designate certain financial instruments. On transition date, the Company elected not to change the classification or designation of its financial assets or liabilities from previous Canadian GAAP.

17.3 IFRS mandatory exceptions

The Company has applied the following applicable mandatory exceptions:

a) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 – *Financial instruments: recognition and measurement* at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of transition date are recognized as hedges in the Company's results under IFRS.

Upon the transition date, the Company discontinued the hedge relationship as the hedge accounting criteria required by IFRS were not satisfied. The hedging and hedged instruments within this former hedging relationship are accounted for at their fair value and the change in the fair value is recognized on the unaudited interim Consolidated statement of comprehensive income under IFRS. This change resulted in no accounting difference as the change in the fair value of the hedged instrument is reported to profit or loss under IFRS, not to OCI as per Canadian GAAP.

b) Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

17.4 On-transition changes in accounting policies

In addition to the exemptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS accounting policies applied by the Company.

a) Employee future benefits

Actuarial gains and losses

Under Canadian GAAP, actuarial gains and losses that arose in calculating the present value of the defined benefit obligation and the fair value of plan assets were recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. The "corridor" was established as 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. This excess of 10% was amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10% corridor were deferred.

Under IFRS, entities have the choice of recognizing ongoing actuarial gains and losses in the statement of comprehensive income over time similar to the Canadian GAAP "corridor" approach, or alternatively, immediately recognizing actuarial gains and losses in OCI in the period in which they occur. The Company has elected to recognize all actuarial gains and losses immediately in OCI. On January 1, 2010, cumulative unrecognized actuarial losses were fully recognized in retained earnings. Subsequent actuarial gains and losses are recognized in OCI and are not reclassified to Net income (loss) attributable to shareholders. The present value of the accrued benefit obligations, net of the fair value of plan assets, is recognized on the unaudited interim Consolidated balance sheet.

b) Financial instruments

Under Canadian GAAP, available-for-sale equity instruments were measured at fair value with changes in fair value reported, net of taxes, to OCI until the asset was disposed of or had become other-than-temporarily impaired. At the end of each balance sheet date a quantitative assessment was made to identify available-for-sale equity instruments which had a significant or prolonged decline in fair value. Management then applied judgment based on each issuer's financial condition to determine if the decline was "other-than-temporary" and if objective evidence of impairment existed.

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Under IFRS, the Company still determines, at each balance sheet date, whether there is objective evidence that available-for-sale equity instruments are impaired. Objective evidence for an available-for-sale equity instrument includes also a significant or prolonged decline in fair value of the instrument below its cost. However, the impairment assessment is less judgmental as determination whether an available-for-sale equity instruments decline is “other-than-temporary” is not required. Therefore, impairment losses under IFRS will likely be recognized earlier than under Canadian GAAP. In addition, under IFRS, perpetual preferred shares are assessed for impairment using the equity impairment rules, whereas under Canadian GAAP debt impairment rules were appropriate.

At the transition date to IFRS, retrospective application of these rules was required. This resulted in reclassification from OCI to opening retained earnings for impairments which would have occurred prior to January 1, 2010 under IFRS rules. This reclassification has no overall impact on the Company’s shareholders’ equity. Net investment gains (losses) reported under Canadian GAAP for the financial year 2010 were restated under IFRS as these prior period IFRS impairments impact the measurement of realized gains and losses in 2010 under IFRS.

c) Income taxes

Income tax effect on reconciling differences between Canadian GAAP and IFRS

Differences for income taxes include the effect of recording, where applicable, the deferred tax effect on differences between Canadian GAAP and IFRS.

17.5 Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company’s first-time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted for the unaudited interim Consolidated shareholders’ equity and unaudited interim Consolidated statement of comprehensive income.

Table 17.1 - Legend to tables below

Reference in tables below	Reference to
a.	Note 17.4 a) – <i>Employee future benefits</i>
b.	Note 17.4 b) – <i>Financial instruments</i>
c.	Note 17.4 c) – <i>Income taxes</i>

Table 17.2 - Reconciliation of the unaudited interim Consolidated shareholders’ equity as at December 31, 2010, September 30, 2010 and January 1, 2010

As at	December 31, 2010	September 30, 2010	January 1, 2010
Shareholders’ equity under Canadian GAAP	3,070	3,017	2,982
Differences increasing (decreasing) reported shareholders’ equity:			
a) Employee future benefits	(136)	(168)	(88)
b) Financial instruments	-	-	-
c) Income taxes	35	42	23
Shareholders’ equity under IFRS	2,969	2,891	2,917

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Table 17.3 - Reconciliation of the unaudited interim Consolidated statement of comprehensive income for the three months ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS reclass adjustments	Subtotal	IFRS measurement adjustments	IFRS balance	IFRS accounts
				<i>Ref.</i>		
Revenues						
Premiums written						
Direct	\$ 1,186	-	1,186	-	\$ 1,186	Direct premiums written
Ceded	(40)	40	-	-	-	
Net	1,146	(1,146)	-	-	-	
Changes in unearned premiums	(80)	80	-	-	-	
Net premiums earned	1,066	-	1,066	-	1,066	Net premiums earned
	-	(723)	(723)	-	(723)	Net claims incurred
	-	(307)	(307)	-	(307)	Underwriting expenses
	1,066	(1,030)	36	-	36	
	-	(37)	(37)	-	(37)	Impact of change in net claims discount rate
	1,066	(1,067)	(1)	-	(1)	Underwriting income (loss)
Interest income	45	29	74	-	74	Net investment income
Dividend income	34	(34)	-	-	-	
Net investment gains	26	-	26	(b) 40	66	Net investment gains (losses)
	-	3	3	-	3	Share of profit from investments in associates
Distribution income and other	15	(4)	11	-	11	Other revenues
Expenses						
Underwriting						
Claims	(760)	760	-	-	-	
Commissions, premium taxes and general expenses	(308)	308	-	-	-	
Distribution expenses and other	(8)	-	(8)	(a) (1)	(9)	Other expenses
Investment expenses	(5)	5	-	-	-	
Interest on debt outstanding	(7)	-	(7)	-	(7)	Finance costs
	98	-	98	39	137	Net income (loss) before income tax expense (benefit)
Income before income taxes	16	-	16	(c) 12	28	Income tax expense (benefit)
Income tax expense (benefit)						Net income (loss) attributable to shareholders
Net income	\$ 82	-	82	27	\$ 109	
Earnings per share, basic and diluted (dollars)	0.72				0.96	Earnings per share, basic and diluted (dollars)
	-	-	-	(a) (13)	(13)	Net actuarial gains (losses) on employee future benefits
						Available-for-sale securities:
Net decrease (increase) in unrealized losses on available-for-sale securities	190	-	190	-	190	Changes in net unrealized gains
Income taxes	(51)	51	-	-	-	
Reclassification to income of net (gains) losses on available-for-sale securities	(4)	-	(4)	(b) (40)	(44)	Reclassification to income of net (gains) losses
Income taxes	1	(51)	(50)	(c) 15	(35)	Income tax benefit (expense)
Other comprehensive income (loss)	136	-	136	(38)	98	Other comprehensive income (loss)
Comprehensive income (loss)	\$ 218	-	218	(11)	\$ 207	Total comprehensive income (loss) attributable to shareholders

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Table 17.4 - Reconciliation of the unaudited interim Consolidated statement of comprehensive income for the nine months ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS reclass adjustments	Subtotal	IFRS measurement adjustments	IFRS balance	IFRS accounts
				<i>Ref.</i>		
Revenues						
Premiums written						
Direct	\$ 3,423	-	3,423	-	\$ 3,423	Direct premiums written
Ceded	(91)	91	-	-	-	
Net	3,332	(3,332)	-	-	-	
Changes in unearned premiums	(192)	192	-	-	-	
Net premiums earned	3,140		3,140	-	3,140	Net premiums earned
	-	(2,020)	(2,020)	-	(2,020)	Net claims incurred
	-	(948)	(948)	-	(948)	Underwriting expenses
	3,140	(2,968)	172	-	172	
	-	(65)	(65)	-	(65)	Impact of change in net claims discount rate
	3,140	(3,033)	107	-	107	Underwriting income (loss)
Interest income	137	86	223	-	223	Net investment income
Dividend income	100	(100)	-	-	-	
Net investment gains	65	-	65	(b) 104	169	Net investment gains (losses)
	-	13	13	-	13	Share of profit from investments in associates
Distribution income and other	48	(14)	34	-	34	Other revenues
Expenses						
Underwriting						
Claims	(2,085)	2,085	-	-	-	
Commissions, premium taxes and general expenses	(948)	948	-	-	-	
Distribution expenses and other	(20)	-	(20)	(a) (4)	(24)	Other expenses
Investment expenses	(15)	15	-	-	-	
Interest on debt outstanding	(21)	-	(21)	-	(21)	Finance costs
	401	-	401	100	501	Net income (loss) before income tax expense (benefit)
Income before income taxes	79	-	79	(c) 31	110	Income tax expense (benefit)
Income tax expense (benefit)						Net income (loss) attributable to shareholders
Net income	\$ 322	-	322	69	\$ 391	
Earnings per share, basic and diluted (dollars)	2.78				3.37	Earnings per share, basic and diluted (dollars)
	-	-	-	(a) (75)	(75)	Net actuarial gains (losses) on employee future benefits
						Available-for-sale securities:
Net decrease (increase) in unrealized losses on available-for-sale securities	187	-	187	-	187	Changes in net unrealized gains
Income taxes	(51)	51	-	-	-	
Reclassification to income of net (gains) losses on available-for-sale securities	(13)	-	(13)	(b) (104)	(117)	Reclassification to income of net (gains) losses
Income taxes	1	(51)	(50)	(c) 51	1	Income tax benefit (expense)
Other comprehensive income (loss)	124	-	124	(128)	(4)	Other comprehensive income (loss)
Comprehensive income (loss)	\$ 446	-	446	(59)	\$ 387	Total comprehensive income (loss) attributable to shareholders