

Q4-2011 Review of performance



Charles Brindamour

Chief Executive Officer



Q4-2011 Key points

Fourth quarter highlights

- Net operating income per share of \$1.14, 61% higher than Q4-2010
- Combined ratio of 92.7%, reflecting strong underwriting results across the company
- Premium growth of nearly 50%, bolstered by the addition of AXA Canada and a rebound in organic growth
- Operating ROE of 15.3% with a 12% increase in book value per share in 2011
- Quarterly dividend increased for the seventh consecutive year; up 8% to \$0.40 per share

Important notes:

- All references to direct premiums written (DPW) in this presentation exclude industry pools, unless otherwise noted
- All references to “excess capital” in this presentation include excess capital in the P&C subsidiaries at 170% minimum capital test plus liquid assets in the holding company, unless otherwise noted.
- Catastrophe claims are any one claim, or group of claims, equal to or greater than \$5 million, related to a single event.
- Except if noted otherwise, all underwriting results and related ratios exclude the MYA but include our share of the results of our jointly held insurance operation.



Industry outlook for 2012

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

Premium growth

- Industry premiums are likely to increase at a similar rate as in 2011:
 - Mid single digit growth in personal auto (driven by Ontario)
 - Upper single digit growth in personal property (reflecting the impact of weather-related losses)
 - Low single digit growth in commercial lines
- Overall, low yields and firming reinsurance conditions likely to offset downward pressure from potential improvement in Ontario auto

Underwriting

- After nine months, the industry is tracking to a 102% combined ratio
- We anticipate some improvement in personal lines, resulting from auto reforms in Ontario and continued premium increases in property
- Commercial lines will likely remain relatively steady
- Overall, we expect an industry combined ratio of ~100% in 2012

Return on equity

- We do not expect material improvement in industry ROEs in the near term (~7% after three quarters):
 - Low yields could offset potential combined ratio improvement
- We strongly believe we are likely to outperform the industry's ROE by at least 500 basis points in 2012.



Conclusion

- A strong end to a solid year:
 - Combined ratio of 92.7% in Q4 and 94.4% in 2011
 - Net operating income per share up 61% in Q4 and up 12% in 2011
 - Successful progress with AXA Canada integration

Given the quality of our operational platforms, the flexibility provided by our strong financial position, and the synergistic combination with AXA Canada, we believe we will continue to outperform the industry and strengthen our leadership position.



Mark Tullis

Chief Financial Officer



Financial highlights

	Q4-2011	Q4-2010	Change	FY 2011	FY 2010	Change
Direct premiums written	1,576	1,060	49%	5,099	4,498	13%
Net underwriting income	118	21	462%	273	193	41%
Combined ratio	92.7%	98.0%	(5.3) pts	94.4%	95.4%	(1.0) pts
Net operating income to common shareholders per share	\$1.14	\$0.71	61%	\$3.91	\$3.49	12%
Earnings to common shareholders per share	\$0.62	\$0.95	(35)%	\$3.96	\$4.32	(8)%
Adjusted earnings to common shareholders per share - basic and diluted	\$1.14	\$0.96	19%	\$4.82	\$4.38	10%
Operating return on common shareholders equity for the last 12 months	15.3%	15.1%	0.2 pts			

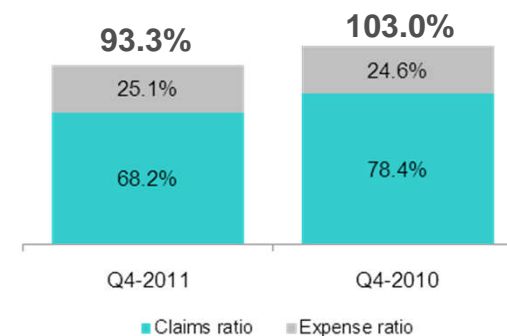
- Underwriting performance was excellent with a combined ratio of 92.7%, 5.3 points improved versus Q4-2010, due to a significant 9.7 point improvement in personal auto
- Operating ROE of 15.3% (adjusted ROE of 17.4%) with a 12% increase in book value per share to \$29.73
- Growth in direct premiums written at 49% year-over-year; we estimate that 45 points was attributable to AXA Canada

Significantly improved results in personal lines

(in \$ millions, except as otherwise noted)

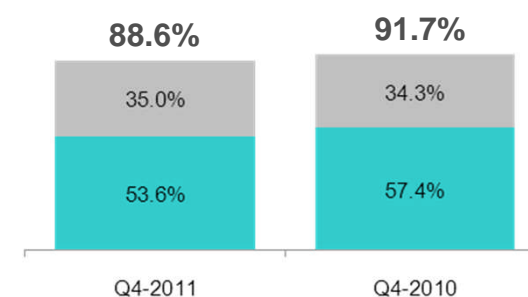
Personal Auto	Q4-2011	Q4-2010	Change
Direct premiums written	664	494	34%
Underwriting income	52	(18)	389%
Combined ratio	93.3%	103.0%	(9.7) pts

Combined ratios



- DPW growth mainly from the addition of AXA Canada and a recovery in our organic growth
- Significant improvement in combined ratio reflecting benefits from ON auto reforms, our anti-fraud measures and relatively mild winter conditions

Personal Property	Q4-2011	Q4-2010	Change
Direct premiums written	363	257	41%
Underwriting income (loss)	41	21	95%
Combined ratio	88.6%	91.7%	(3.1) pts



- DPW growth reflects the addition of AXA Canada and a slight upturn in underlying unit growth
- Strong combined ratio of 88.6% resulting from mild winter conditions and a continued focus on improving the results in this line of business

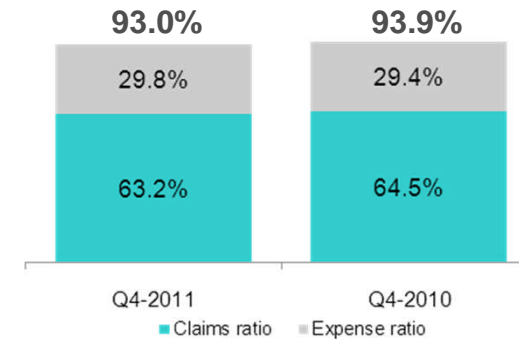


Commercial lines growth solid

(in \$ millions, except as otherwise noted)

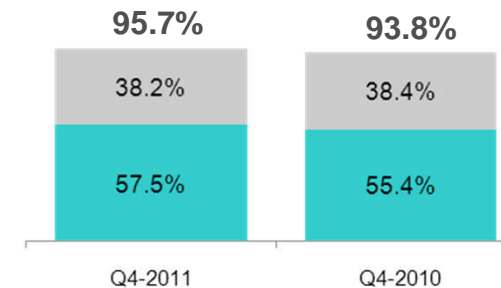
Commercial auto	Q4-2011	Q4-2010	Change
Direct premiums written	130	85	53%
Underwriting income	10	6	67%
Combined ratio	93.0%	93.9%	(0.9) pts

Combined ratios



- Growth reached 53% versus Q4-2010 primarily reflecting the addition of AXA Canada

Commercial P&C	Q4-2011	Q4-2010	Change
Direct premiums written	419	224	87%
Underwriting income	15	12	25%
Combined ratio	95.7%	93.8%	1.9 pts



- Combined ratio up on lower favourable prior year claims development



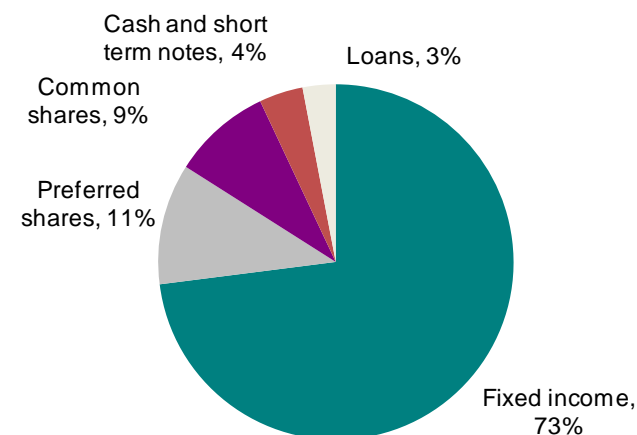
High quality investment portfolio

Net investment gains (losses)

(in \$ millions, except as otherwise noted)

	Q4 -11	Q4 -10	Change
Debt Securities			
Gains (losses) on fixed income securities & related derivatives	(7)	12	(19)
Equity securities			
Gains on equity securities, net of stand alone derivatives	37	55	(18)
Impairment losses	(30)	(6)	(24)
Gains (losses) on embedded derivatives	(6)	(11)	5
Gains on equity securities & related derivatives	1	38	(37)
Total gains excl. FVTPL debt securities	(6)	50	(56)
Gains on FVTPL debt securities	(1)	(37)	36
Total net gains, before income taxes	(7)	13	(20)

\$11.8 billion in investments



Note: Investment mix is net of hedging positions.

Healthy investment portfolio

- 98.2% of bonds are rated A or better
- 84.5% of preferred shares are rated 'P1' or 'P2'
- Minimal U.S. or European exposure
- No leveraged investments



Financial position remains solid

- Our financial position remains solid with \$435 million in excess capital and book value per share of \$29.73, 12% higher than a year ago.
- We believe our capital levels are appropriate given potential headwinds from volatility in equity markets and interest rates.
- Debt to total capital ratio above our target level:
 - We intend to allocate most of the \$300 million proceeds from the life sale to reduce debt levels.
 - Ratio back in line with our target of 20% in early 2012.





Realizing the benefits of the acquisition

- AXA Canada policies are now being written on IFC systems.
- We continue to target \$100 million in annual after-tax synergies by end of 2013.
 - \$18 million run-rate at the end of 2011
 - Targeting \$50 million run-rate by the end of 2012
- Recorded \$42 million of restructuring and integration expenses in Q4, bringing the full year 2011 level to \$71 million.
 - Nearly half of ultimate level of such costs were recorded in 2011
 - Majority of future expenses expected to occur in 2012
- We have increased our CAT reinsurance coverage to bring the combined entity's coverage back up to our standard.
 - We continue to expect short term supply chain benefits to offset the AXA-related incremental reinsurance costs
- We expect the AXA Canada acquisition to be accretive to net operating income per share in 2012, and by 15% in the mid term.



Strategic, operational and financial strength



- Largest P&C insurance company in Canada
- Solid financial position
- Excellent long-term earnings power
- Organic growth platforms easily expandable

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





Forward-looking statement disclaimer

Certain of the statements included in this presentation about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the Company's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that the Company writes; unfavourable capital market developments or other factors which may affect the Company's investments and funding obligations under its pension plans; the cyclical nature of the P&C insurance industry; management's ability to accurately predict future claims frequency; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the Company's reliance on brokers and third parties to sell its products to clients; the Company's ability to successfully pursue its acquisition strategy; the Company's ability to execute its business strategy; synergies arising from, and the Company's integration plans relating to the AXA Canada acquisition; management's estimates and expectations in relation to resulting accretion, internal rate of return and debt to capital ratio after closing of the AXA Canada acquisition; various other actions to be taken or requirements to be met in connection with the AXA Canada acquisition and integrating the Company and AXA Canada as well as the sale of AXA Canada's life insurance business to SSQ, Life Insurance Company Inc.; the Company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools; terrorist attacks and ensuing events; the occurrence of catastrophic events; the Company's ability to maintain its financial strength and issuer credit ratings; the Company's ability to alleviate risk through reinsurance; the Company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); the Company's reliance on information technology and telecommunications systems; the Company's dependence on key employees; general economic, financial and political conditions; the Company's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the Company's share price; and future sales of a substantial number of its common shares. All of the forward-looking statements included in this presentation are qualified by these cautionary statements and those made in the "Risk Management" section of our MD&A for the year ended December 31, 2011. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.



Q1-2012 Earnings conference call
Wednesday May 2, 2012

