



TORONTO, February 8, 2012

**INTACT FINANCIAL CORPORATION REPORTS
FOURTH QUARTER AND YEAR-END RESULTS**

- **Premium growth of nearly 50% in the fourth quarter, bolstered by the acquisition of AXA Canada and a rebound in organic growth**
- **Net operating income per share up 61% to \$1.14 in the fourth quarter, leading to an operating ROE of 15.3%**
- **Strong performance across all lines of business leading to a combined ratio of 92.7% in the fourth quarter**
- **Book value per share increased 12% in 2011**
- **Quarterly dividend raised 8% to \$0.40 per share**
- **AXA Canada integration on-track**

Intact Financial Corporation (TSX: IFC) today reported net operating income for the quarter ended December 31, 2011 of \$152 million, up \$72 million from the same quarter of last year. On a per share basis, net operating income increased 61% to \$1.14. The increase was driven by excellent underwriting results and higher investment income. Net income was \$84 million, or \$0.62 per share, compared to \$107 million, or \$0.95 per share, for the same period last year. The decrease reflects \$42 million of integration costs and a \$41 million provision for the contingent consideration to be paid for the acquisition of AXA Canada. Direct premiums written increased 49% over the same quarter a year ago to reach \$1.6 billion, reflecting the contribution of AXA Canada and a rebound in organic growth.

Net operating income for the year was \$460 million, up \$58 million from the previous year. On a per share basis, net operating income increased 12% to \$3.91. Net income was \$465 million, or \$3.96 per share, compared to \$498 million, or \$4.32 per share in 2010. The decrease was related to integration costs and an increase in the fair value of the contingent consideration. The combined ratio improved by one percentage point to 94.4% compared to last year. Direct premiums written for the year increased 13% versus 2010 to reach \$5.1 billion. The book value per share was up 12% during the year to \$29.73.

CEO's Comments

"Our excellent fourth quarter results rounded off a strong year for our company as we recorded our best underwriting performance in the past five years," said Charles Brindamour, Chief Executive Officer of Intact Financial Corporation. "Despite another challenging year for the industry, we demonstrated our strength and resilience and executed on our growth strategy."

“With the acquisition of AXA Canada now complete, we are beginning to reap the positive benefits of our enhanced leadership position. We look forward to continuing to outperform the industry and pursuing our efforts towards building one of the best P&C insurers in the world.”

“As we enter 2012, our solid financial position and the quality of our operating earnings enabled us to increase our dividend, for the seventh consecutive year.”

Dividends

The Board of Directors increased the company’s quarterly dividend by 8%, or 3 cents, to 40 cents per share on its outstanding common shares. The Board also declared a quarterly dividend of 26.25 cents per share on the Company’s Class A Series 1 and Class A Series 3 shares. All dividends are payable on March 30, 2012 to shareholders of record on March 15, 2012.

Current Outlook

Industry premiums are likely to increase in the next 12 months at a pace similar to last year. It is expected that growth in personal auto will be in the mid-single digit range, driven by Ontario. Growth is expected to be in the upper single digits in personal property, due to the impact of water-related losses and more frequent and severe storms. Commercial line premiums are expected to grow at a low single digit rate. The low interest rate environment and reinsurance market conditions should support firmer industry premium levels.

At an industry level, while the combined ratio might improve modestly as a result of the better pricing environment and Ontario auto reforms, the industry’s ROE is unlikely to improve materially in the near term as the low interest rate environment will continue to put pressure on investment income.

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

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q4-2011	Q4-2010	Change	2011	2010	Change
Direct premiums written (excluding pools)	1,576	1,060	49%	5,099	4,498	13%
Underwriting income ¹	118	21	462%	273	193	41%
Net operating income ²	152	80	90%	460	402	14%
Net income	84	107	(21)%	465	498	(7)%
Earnings per share						
Basic and diluted (dollars)	0.62	0.95	(35)%	3.96	4.32	(8)%
Adjusted earnings per share						
Basic and diluted (dollars) ²	1.14	0.96	19%	4.82	4.38	10%
Net operating income per share (dollars)	1.14	0.71	61%	3.91	3.49	12%
ROE for the last 12 months ^{2,3}	14.3%	16.9%	(2.6) pts			
Adjusted ROE for the last 12 months ^{2,3}	17.4%	17.2%	0.2 pts			
Operating ROE for the last 12 months ^{2,3}	15.3%	15.1%	0.2 pts			
Combined ratio (excluding MYA)	92.7%	98.0%	(5.3) pts	94.4%	95.4%	(1.0) pt
Book value per share (dollars)	29.73	26.47	12%			

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

² For key performance indicator definitions, please see pages five and six of the [Management's Discussion and Analysis](#) for the year ended December 31, 2011.

³ For ROE, adjusted ROE and Operating ROE in Q4-2011, the average equity calculation has been adjusted on a pro rata basis to account for the \$921 million of common shares issued as at September 23, 2011.

Operating Highlights

- **Net operating income** for the quarter was \$152 million, up \$72 million from the same quarter in 2010. The 90% increase is attributable to improved underwriting results and higher investment income. The operating ROE for the last 12 months was 15.3%.

Net operating income for the year was \$460 million up 14% from \$402 million recorded in 2010.

- **Direct premiums written** increased 49% in the fourth quarter to \$1.6 billion, as a result of the acquisition of AXA Canada and a rebound in organic growth from 2% in the third quarter to an estimated 4% in the last three months of the year. The organic growth benefited from the much improved sales performance of the company's direct auto business in Ontario.

For the year, total direct premiums written increased by 13% to \$5.1 billion.

- **Underwriting income** in the quarter increased by \$97 million to \$118 million compared to the same period a year ago. The combined ratio improved by 5.3 percentage points to 92.7% driven by a significant improvement in personal auto. The underlying performance of our portfolio, which excludes catastrophes and prior year claims development, improved 8.3 percentage points year-over-year.

Personal auto underwriting income amounted to \$52 million up from a loss of \$18 million recorded in the fourth quarter of 2010. The combined ratio improved 9.7 percentage points to 93.3% primarily as a result of an improvement in Ontario.

Personal property underwriting income reached \$41 million up from \$21 million recorded in the corresponding period last year, as a result of our home improvement action plan and relatively mild winter conditions. The very strong combined ratio of 88.6% improved 3.1 percentage points from the fourth quarter of 2010. Excluding the impact of the catastrophes and prior year claims development, the loss ratio for home insurance improved by 5.3 percentage points year-over-year.

Commercial auto underwriting income results increased to \$10 million from the \$6 million recorded in the fourth quarter of 2010. The 93.0% combined ratio improved slightly from last year's 93.9% due to better current accident year results.

Commercial P&C underwriting income improved to \$15 million from \$12 million recorded in the last three months of 2010. The combined ratio in commercial P&C insurance increased by 1.9 percentage points to 95.7%, as a result of lower favourable prior year claims development and higher catastrophe losses.

For the year, total underwriting income was up 41% to \$273 million despite a \$113 million increase in catastrophe losses resulting from the Slave Lake wildfires, Tropical Storm Irene and a number of other severe storms.

- **Investment income** of \$103 million was up 45% from the same period in 2010 as a result of an increase in assets. The market-based yield declined 20 basis points to 3.9% due to the low yield environment.

For the year, total investment income was up 11% to \$326 million from the previous year and the market-based yield was 4.0%.

Investment Gains

Net investment losses, excluding fair-value-through-profit-or-loss bonds, were \$6 million in the fourth quarter compared to a gain of \$50 million a year ago due to equity impairment losses. In 2011, the company had investment gains of \$140 million compared to \$161 million in 2010. Cash and investments amounted to \$11.8 billion at the end of the year, up \$3.2 billion from a year ago as a result of the acquisition of AXA Canada.

Capital Management

The company's financial position at the end of 2011 remained solid with a minimum capital test of 197% and \$435 million in excess capital. The company's book value per share was \$29.73 at the end of the year, 12% higher compared to 12 months ago.

AXA Canada Acquisition

The integration of AXA Canada activities is on track and it is anticipated to be completed within 18 months of the closing of the transaction. The company remains confident that it will progressively reach its \$100 million in after-tax synergies by the second half of 2013. The acquisition is expected to be accretive to net operating income per share in 2012 and to provide up to 15% accretion in the mid-term.

Integration expenses amounted to \$42 million in the fourth quarter and \$71 million for the year. The company estimates that nearly half of its total integration costs were recorded in 2011 and expects the majority of future expenses to occur in 2012. The purchase agreement entails a performance-based contingent consideration of up to \$100 million based on the development of AXA Canada's consolidated reserves. At the end of 2011, the fair value of this contingent consideration was \$89 million.

To ensure the company continues to offer an outstanding customer experience and top-notch service to brokers, most of AXA Canada's products and services were integrated into Intact's offering and nearly all of its front-line employees joined Intact.

On January 1, 2012, the company completed the sale of AXA Canada's life insurance business to SSQ Life Insurance Company Inc. for proceeds of \$300 million.

Analysts' Estimates

Net operating income per share for the fourth quarter amounted to \$1.14 compared to the consensus analyst estimate of \$1.10. Earnings per share of \$0.62 and adjusted earnings per share of \$1.14 compare to the average analyst estimate of \$1.01, which is a blend of both earnings per share and adjusted earnings per share estimates.

Conference Call

Intact Financial Corporation will host a conference call to review its earnings results later today at 11:00 a.m. ET. To listen to the call via live audio webcast and to view the company's Financial Statements, Management's Discussion & Analysis, presentation slides, the statistical supplement and other information not included in this press release, visit our website at www.intactfc.com and link to "Investor Relations." All of these documents are available on our website.

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

A replay of the call will be available later today at 2:00 p.m. ET through 11:59 p.m. ET on Wednesday, February 15. To listen to the replay, call 1 (855) 859-2056, passcode 42475261. A transcript of the call will also be available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation (www.intactfc.com) is the largest provider of property and casualty insurance in Canada. Intact offers home, auto and business insurance through Intact Insurance, Novex Group Insurance, belairdirect, GP Car and Home and BrokerLink.

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Forward Looking Statements

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