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OPERATOR: Good afternoon. My name is Steve and I will be your conference operator today. At this time I would like to welcome everyone to the Intact Financial Corporation conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during that time, simply press * then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

Mr. Dennis Westfall, you may begin your conference.

DENNIS WESTFALL (Director, IR, Intact Financial Corp.): Thank you, Steve, and good afternoon, everyone.

Background information for the call is posted on our website at www.intactfc.com under the Investor Relations tab.

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Before we start today's call, I'd like to advise the participants on this call that this presentation does not constitute or form any for sale solicitation of any offer to buy or subscribe to securities, nor shall it or any part of it form the basis of or be relied on in connection with or is any inducement to enter into any contract or commitment whatsoever.

For purposes of inclusion and completeness, I'd also refer you to the detailed disclaimer legends contained in the front of our investor presentation with respect to certain additional matters. In addition to the foregoing matters, I'd also like to reference the forward-looking statement legend contained in our press release of today's date, and the forward-looking legend and disclaimer contained in our presentation materials, which will apply to any forward-looking information we may discuss today as part of the call.

Finally, I'd like to point out that we are currently in a period of distribution under applicable Canadian securities laws. And accordingly, we may be limited in terms of what we can say during this call and how we may respond to questions. We know that you will understand if we indicate that we cannot respond to a particular question or provide further information or comment.

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With that, I'll turn it over to Charles Brindamour, our Chief Executive Officer, who will be followed by Mark Tullis, our Chief Financial Officer. Charles?

CHARLES BRINDAMOUR (Chief Executive Officer, Intact Financial Corp.): Thanks, Dennis.

I'm happy to speak with everyone to discuss this unique opportunity to combine two of the top performing P&C insurance franchises in the country. Less than an hour ago we announced an agreement to purchase AXA Canada for a total consideration of $2.6 billion. This is the right deal for IFC shareholders as it provides a very strong strategic fit and is financially compelling.

From a strategic point of view, we have been very transparent that we wanted to grow through acquisition in areas where we have strong expertise, and on a scale that really moves the needle. We further expressed a desire to grow our presence in commercial lines, as well as in distribution. I believe the acquisition of AXA Canada clearly helps us advance on all these fronts.

The 40-per-cent growth in direct premiums will further help us bolster our risk selection and claims management capabilities, while accelerating

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our growth profile with industry-leading underwriting performance. More importantly, the acquisition also allows us to team up with one of the best and smartest teams in the industry, led by Jean-François Blais, a team that shares many of our values, and definitely our passion for out-performance. I'm really looking forward to start working with these folks and building one of the best P&C business in the world.

The financials of this combination are quite compelling. We estimate an IRR from the acquisition, which is our primary metric when measuring potential targets, of 20 per cent. We also expect the deal to be accretive to operating earnings per share in 2012, net of integration costs, and more importantly, to provide at least 15-per-cent accretion annually in the mid-term. Annual synergies, amounting to a minimum of $100 million after tax, are expected from a combination of systems-related cost savings, loss-adjustment expense reduction, and operational and claims efficiencies.

As is evident in slide 4, combining Intact Financial with AXA clearly solidifies our leadership position, and consequently enhances our segmentation and claims management capabilities. Further, we've stated in the past that consolidation of the Canadian P&C insurance industry should lead to improved ROEs for all players.

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A key benchmark to which we measure our success is our out-performance gap with the industry. We have a long-held target of out-performing the Canadian P&C insurance industry by at least 500 basis points on an ROE basis every year. We expect the acquisition of AXA Canada will improve our ability to do this. Slide 5 illustrates what our advantage would have looked like in 2010 on a pro forma basis. Quite compelling.

You might recall that the team of last November's Investor Day was 'Accelerating our growth, solidifying our advantage.' I think you'll agree that this transaction clearly does that.

Before handing it off to Mark who'll walk you through a number of elements of the transaction, I'd like to say that I look forward to meeting each of the 2,300 employees responsible for building the solid franchise that is AXA Canada. I think I speak for all of my colleagues at Intact Financial by saying we're excited to join forces with them to continue our journey towards building a world-class Canadian P&C insurer.

With that, I'll now turn the call over to our CFO, Mark Tullis.

MARK TULLIS (Chief Financial Officer, Intact Financial Corp.): Thanks, Charles.

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Let me start on slide 6 and discuss why this is a financially compelling transaction. As Charles mentioned, we have agreed to purchase AXA Canada for a total cash consideration of $2.6 billion. The agreement also includes for the potential of a performance-based contingent consideration, which could reach up to $100 million over a five-year period. The $2.6 billion purchase price reflects the values of AXA's P&C insurance business, its P&C distribution, as well as a small but profitable life and health business.

The economics of the transaction are strong. We estimate a 20-per-cent IRR for this acquisition, well above our minimum stated objective of 15 per cent. The deal is also accretive to our net operating earnings per share in 2012, and more importantly, by 15 per cent annually in the mid-term.

Our strong financial position allows us to utilize about $0.5 billion of our excess capital and still remain well capitalized at an MCT of 200 per cent. Our relatively low leverage prior to the transaction allows us to use debt to help fund the acquisition, thereby minimizing the dilutive impact on our common shareholders. From an equity perspective, we intend to raise about $800 million in net proceeds.

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This transaction is subject to all customary regulatory approvals and is expected to close this fall.

The rationale behind the acquisition is clear to us: we are combining two of the best P&C insurance operators in the country to form a world-class, Canadian-based organization.

AXA Canada brings significant expertise in commercial insurance, particularly in the mid-market segment. The company also has a strong presence in areas where we are currently under-represented, primarily Quebec, B.C. and Atlantic Canada.

From a performance perspective, it would be difficult to find a P&C insurer with a track record of growth and profitability that AXA Canada has delivered. The acquisition brings $2 billion of direct premiums written, a business with attractive ROEs, and a five-year combined ratio of 92 per cent. We expect the combination of the two franchises to result in greater earnings stability due to the diversification benefits. The increased exposure to commercial lines accomplishes an important strategic objective: to double our commercial mid-market presence in the mid-term. The blended business lines also result in less reliance on personal automobile insurance.

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Finally, as I referred to, our geographic footprint is now more rounded.

We expect the acquisition to generate after-tax operational synergies in excess of $100 million annually. The bulk of the $100 million will come in the form of system-related cost savings, external loss adjustment expense reduction, and operational and claims efficiencies. Beyond the $100 million, we believe there to be additional synergies possible relating to actuarial and supply chain benefits.

I touched on the level of accretion to operating earnings, but I would also add that we expect the book value per share accretion of 6 per cent, and for our ROE out-performance versus the Canadian P&C industry to be improved.

CIBC has provided committed acquisition financing of $1.3 billion, which, together with the excess capital and equity issuance I referred to, results in a required $2.6 billion funding. Page 11 of the deck provides a breakdown of how we anticipate the temporary acquisition financing to be replaced, including a $300 million term loan, approximately $500 million in senior debt, and another $500 million in preferred shares. We expect the

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strong cash generation of the business to bring our debt-to-capital level to the optimal level of 20 per cent within two years of closing.

In summary, we believe the acquisition of AXA Canada accelerates our journey towards building a world-class Canadian P&C insurer. AXA Canada is a strong fit from a strategic perspective, combining sophisticated underwriting and claims management while enhancing our multi-channel distribution. This transaction capitalizes on a unique opportunity to combine two best-in-class operators in a financially compelling manner.

With that, I'll turn it back to Dennis.

DENNIS WESTFALL: Thanks, Mark. Steve, we are now ready to start the question-and-answer session. I'll remind participants of my earlier disclaimers.

OPERATOR: At this time I would like to remind everyone if you would like to ask a question, you may do so by pressing * then the number 1 on your telephone keypad. Again, that's * then the number 1 if you'd like to ask a question. We'll pause for a moment to compile the Q&A.

And your first question comes from the line of André Hardy with RBC Capital Markets. Your line is now open.

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ANDRÉ HARDY: Thank you. Just two questions to kick off the Q&A period. The first is on the synergies. Can you talk about the timing of getting those synergies and the one-time costs that you'd expect associated with those?

And secondly, in terms of the process that culminated into this announcement, was there an auction for AXA Canada?

CHARLES BRINDAMOUR: André, your first question, we've talked about the speed at which we integrate businesses; so I would say 24 months is sort of the timeline here in terms of getting to fully those synergies. And on the second question, I'd rather not comment.

ANDRÉ HARDY: I understand that. Can you talk about the costs related to getting those synergies, that rule of thumb of maybe 1.5 times annual synergy? Is it something that we should think of or something less than that?

MARK TULLIS: That number has not been disclosed in the prospectus or our web site at this time, rather not comment on that.

ANDRÉ HARDY: Okay. But you did say, when you say it's going to be accretive to 2012, that's including integration costs?

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CHARLES BRINDAMOUR: We expect it to be inclusive in 2012 all out, to be accretive. So we expect the 2012 number all in to be somewhat accretive, yes.

ANDRÉ HARDY: Okay. Thank you.

OPERATOR: Your next question comes from the line of Mario Mendonca from Canaccord Genuity. Your line is now open.

MARIO MENDONCA: Good afternoon. In referring to the $100 million in synergies, just some back of the envelope and I'm just doing this really quickly, it only amounts to about 1.5 per cent of the total expenses and claims of the combined entity. Could you talk about whether that includes any gains from applying Intact's preferred provider networks in both home and auto, and what that number was all in once you had done the Allianz deal? What were you actually able to pull out of both claims and expenses for the combined firm?

CHARLES BRINDAMOUR: Yes. So Mario, the $100 million number does not really include a lot of supply chain initiatives. I mean, these are benefits that we expect to gain as we integrate the business, as we manage claims. But the $100 million after-tax synergy is related, in large

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part, to external loss-adjustment expenses, as well as how we manage the claims operation.

As we show on page 10 of the presentation, we expect further potential synergies as a result of actuarial segmentation as well as supply chain benefits, which would include preferred provider networks.

And the reason why I'm being cautious with this is that this is a very strong performing company with a very strong loss ratio. And I want to concentrate on the operational synergies in terms of talking about what to expect in the coming period. But we'll clearly work on getting actuarial synergies that is better segmentation, as well as supply chain benefits.

MARIO MENDONCA: So as a percentage of, call it, claims and expenses for Allianz when it was finally said and done, including the benefits of the supply chain, the preferred provider network, what would you say was taken out of the business?

CHARLES BRINDAMOUR: Well...

MARIO MENDONCA: And I appreciate that this is not apples to apples because this is a better run company.

CHARLES BRINDAMOUR: Yes, exactly. I think if I go back to Allianz, the combination of running the claims operation, as well as putting

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it on our platform from a pricing point of view brought really significant loss ratio benefits because their loss ratio was materially higher than ours.

In this case, this is not the case. That's why we're being cautious at this point in time in terms of communicating what we expect beyond the $100 million. But clearly that scenario where we'll invest a lot of time in terms of getting benefits from supply chain.

MARIO MENDONCA: So you think it's best then because this is a significantly better company than the prior acquisition that we think of this more in the context of expenses and not so much claims?

CHARLES BRINDAMOUR: Well, I think that it's claims management, Mario, as well as system, as well as, for instance, managing the legal expenses differently in the claims settlement process, using less external adjustors, more internal adjustors are the sort of hard benefits that we have a clear visibility within a short period of time.

MARIO MENDONCA: It just feels like you're cautioning us against applying the same sort of rules of thumb, and thinking that we would extract from the Allianz deal. It sounds like you want to caution us against doing that. Is that fair?

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CHARLES BRINDAMOUR: That's fair, Mario. And it's not to say that we won't invest a lot of time to get supply chain benefits and actuarial segmentation benefits, but I'm saying I want us to be cautious because it's a very strong business we're buying.

MARIO MENDONCA: I get it. And now the debt to capital, you say you get to 20 per cent in the next 24 months. Where is it, pro forma, the debt raised from CIBC?

MARK TULLIS: Yes, we're at about 25 after issuance of the pref shares.

MARIO MENDONCA: But that's not… historically that's not been an outsized number for Intact, is that fair?

MARK TULLIS: Well, we've always said we would go to that level in the event of an acquisition. And I'd say it's relatively conservative in the North America P&C space.

CHARLES BRINDAMOUR: Yes. So I think our long-term objective, Mario, is 20. We're now at 15. We'll get to 20 within 24 months, and once the deal closes we'll be closer to 25 per cent.

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MARIO MENDONCA: Okay. Then the 15-per-cent accretion you referred to, what is the medium term or the midterm? What is that? It's not 2012 presumably. So is it 2013?

CHARLES BRINDAMOUR: It's post integration, and I've talked about 24 months. That's the best way to think about this.

MARIO MENDONCA: Twenty-four months post integration or 24 months post-closing?

CHARLES BRINDAMOUR: That's it.

MARIO MENDONCA: Which one? Post-closing?

CHARLES BRINDAMOUR: Yes, post-closing.

MARIO MENDONCA: Thank you.

OPERATOR: Your next question comes from the line of Tom Mackinnon from BMO Capital. Your line is open.

TOM MACKINNON: Yes, thanks very much. A couple of questions here. The first is: what's the MCT look like after this? And what would it look like with the… I guess, the proposed MCT changes that OSFI's discussing?

MARK TULLIS: Yes. So Tom, we'll go to 200 after the transaction. If we…

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TOM MACKINNON: You're like 236 something now, right?

MARK TULLIS: Correct.

TOM MACKINNON: So you're going to go to 200. What's AXA at?

MARK TULLIS: 190. 195.

CHARLES BRINDAMOUR: Closer to 200.

TOM MACKINNON: Okay. So you go to 200. And then with the new changes?

MARK TULLIS: Yes, the first year of the change I think we've publicly stated we don't see a significant effect for us.

TOM MACKINNON: Us, meaning this new combined entity now?

MARK TULLIS: Well, we've publicly stated it as being Intact, but I would say nothing significant for the combined entity.

TOM MACKINNON: Okay. Second, now with respect to the synergies, I seem to recall years ago you guys had discussed that you would bring the – now correct me if I'm wrong, but I think it would have been the expense ratio of the target – you wanted to bring that down to a level that was 2 percentage points lower than your current expense ratio. Am I thinking… is that something that you guys used to talk about years ago?

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CHARLES BRINDAMOUR: That's exactly right, Tom.

TOM MACKINNON: So now what is the earned premium at AXA? Is it…

CHARLES BRINDAMOUR: It's about 1.8.

TOM MACKINNON: Okay. So in that case then if we're going to be talking about that, that's almost 8 per cent of net premiums earned of AXA, and that… if they're almost 33, and you guys are, I don't know, 28 to 30, that probably accounts for probably close to two thirds of the synergies. Am I thinking of that right here? You follow where I'm going here?

CHARLES BRINDAMOUR: Yes, yes. I follow what you're saying, Tom. I think that when you compare our expense ratio with their expense ratio, you have to bear in mind that our expense ratio has a direct business in there. So I think one needs to compare both brokerage operations. And indeed what we're trying to achieve on the general expense side of things is to bring 2 points below our level. Now the general expenses is where the systems-related costs comes in, a number of operational efficiencies come in. The difference in the $100 million after-tax number that we've communicated is external-loss adjustment expenses, as I've talked about

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earlier, as well as a number of claims efficiencies in terms of how we run our claims operation.

TOM MACKINNON: So…

CHARLES BRINDAMOUR: And these two last elements, Tom, would be loss-ratio driven, therefore beyond and above the 2 per cent that we've talked about before.

TOM MACKINNON: Oh, okay. All right. So we're going to get two thirds say from the improvement on the expense portion, and then one third from improvement on the claims portion, which would really be LAE and a couple and some other stuff. Now, is that correct? Does that… have I summarized that?

CHARLES BRINDAMOUR: Yes. I won't comment on the two third/one third. But overall, directionally your understanding us right.

Did you have another question, Tom?

OPERATOR: The line of Jean Sievert from Putnam Investments is open.

JEAN SIEVERT: Yes, thank you. Can you hear me?

CHARLES BRINDAMOUR: Yes.

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JEAN SIEVERT: Great. Thanks. I just had a quick question. I'm looking at the press release from AXA actually, and they indicate – and I guess as you do in passing – that there's a small life and savings component to this transaction?

CHARLES BRINDAMOUR: There is indeed.

JEAN SIEVERT: Would you specifically address – it's obviously small – but what your intentions are with respect to that business?

CHARLES BRINDAMOUR: Yes. So it is… in terms of premiums, it's about 5 per cent of the whole thing. Clearly that operation will benefit from our strength in the short term, financial strength. But we are P&C operators, so to make sure that we provide the best customer experience there we'll work to find a strategic partner on that front.

JEAN SIEVERT: Great. Thanks.

OPERATOR: You have a follow-up from Tom Mackinnon from BMO. Your line is open.

CHARLES BRINDAMOUR: Hi, Tom.

TOM MACKINNON: Hey. Sorry about that, Charles.

CHARLES BRINDAMOUR: No problem.

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TOM MACKINNON: I have a question on slide 8. It says net income. Is that operating income?

CHARLES BRINDAMOUR: No.

TOM MACKINNON: But you talk about… So we can't figure out the accretion on operating income because we don't know the operating income. Or can you tell us what the operating income…?

CHARLES BRINDAMOUR: Well, you know our operating income.

TOM MACKINNON: Yes? But what's… Yes, but we don't know… I guess if we're going to look at accretion on operating income, I assume we're adding operating income from AXA with operating income from you guys.

CHARLES BRINDAMOUR: Yes, I think the difference is not significant, but I think you got to... to look at the accretion, you got to start from our own operating income, look at the size of AXA, their loss and expense ratio, investment income potential, and then deal with the synergies in the exercise.

TOM MACKINNON: Is there a sizeable difference between 2010 in operating and net income for AXA?

CHARLES BRINDAMOUR: Yes, not sizeable.

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TOM MACKINNON: Okay.

OPERATOR: Again, if you'd like to ask a question, please press * then 1 on your telephone keypad.

And your next question comes from the line of Mario Mendonca from Canaccord Genuity. Your line is open.

MARIO MENDONCA: Hi. I just want to clarify one final thing. It's clear that the book-value-per-share increases on this deal because of the stock that's issued. I think you say it's something like 6 per cent. Is that right?

CHARLES BRINDAMOUR: Yes.

MARIO MENDONCA: And I just want to be clear on this next point because it certainly seems to be the case from reading your material that at no point do you envision this deal actually lowering the company's ROE, not in 2012, and certainly not beyond. Is that fair as well?

CHARLES BRINDAMOUR: It is fair. It is fair. I think the… there'll be amortization of intangibles that will be an accounting drag, but despite that we don't think it'll be dilutive from an ROE point of view. And if you exclude that it'll be definitely accretive.

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MARIO MENDONCA: Yes, I think most people would be comfortable with doing that.

So the decision on how to finance this deal, I'm not suggesting that it was overly aggressive, but it's probably on… it does seem like a little bit more leverage than I would have expected. What was the rationale? If you could you just… if it's at all… if you're in a position to discuss the decision to finance it in the way you did, was it all ROE driven? Was there some other consideration?

MARK TULLIS: I think we've been consistent that our goal was long-term 20 per cent debt-to-total capital, and I think we've been consistent that in the event of a transaction we'd go to 25 and skinny it down. And we've been pretty consistent. We intend to distribute pref shares. So I think it's right in line with what we've been saying for years about how to… how to finance an acquisition.

MARIO MENDONCA: So ultimately it's just your excess capital allowed you to do this? It's the same story we've heard now for a few years now.

CHARLES BRINDAMOUR: Yes.

MARIO MENDONCA: Thank you.

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OPERATOR: Your next question comes from the line of James Keating from McLean Budden. Your line is open.

JAMES KEATING: You may kill me, Charles. Did Mario say book value accretive? I didn't hear that part. Or what was the 6-per-cent reference to, is my first question?

CHARLES BRINDAMOUR: Yes. Yes, book value.

JAMES KEATING: Thank you. The other question is you mentioned 5 per cent of combined is the insurance component. Or sorry, 5 per cent of, was it AXA or of combined was the insurance, the life insurance?

CHARLES BRINDAMOUR: Of the acquired company, of AXA.

JAMES KEATING: Five per cent of the acquired. Perfect. Thank you, Charles.

CHARLES BRINDAMOUR: Okay.

OPERATOR: There are no further questions at this time. I'll turn it back to the presenters.

DENNIS WESTFALL: Thank you, everyone, for joining us. Have a great day.

OPERATOR: Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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