



## *News Release*

**TORONTO, CANADA, October 27, 2005**

**THIRD QUARTER FINANCIAL RESULTS,  
DIVIDEND DECLARATION AND  
RETIREMENT ANNOUNCEMENT**

*(Note: All dollar amounts in this news release are expressed in Canadian dollars)*

Northbridge Financial Corporation (TSX:NB) today announced net earnings for the third quarter of 2005 of \$43.3 million (\$0.85 per share), an increase of 12.1% over net earnings of \$38.5 million (\$0.76 per share) for the third quarter of 2004. Underwriting profit for the third quarter declined 47.4% year-over-year to \$17.4 million from \$33.0 million, resulting in a combined ratio<sup>1</sup> of 94.1% compared to 89.4% in the same period last year. Underwriting profit and net earnings for the third quarter of 2005 reflect the adverse impact of \$67.7 million in net, pre-tax combined losses from Hurricane Katrina, Hurricane Rita and the August thunderstorms in Southern Ontario. Third quarter results in 2004 included the adverse impact of \$32.6 million in net, pre-tax combined losses from hurricanes in the U.S. Southeast, floods in Peterborough, Ontario and hailstorms in Western Canada. Total investment income was \$47.6 million in the third quarter of 2005 compared to \$30.5 million in the third quarter of 2004, and included net realized gains on sales of portfolio investments of \$30.7 million compared to \$13.0 million in 2004.

For the first nine months of 2005, earnings grew 47.6% to \$168.5 million (\$3.31 per share) from \$114.1 million (\$2.24 per share) in the first nine months of 2004. Underwriting profit for the first nine months of 2005 was \$76.6 million, a 6.5% decline from underwriting profit of \$82.0 million achieved in the first nine months of 2004, resulting in a combined ratio of 91.3% compared to 90.9% in the same period last year. Total investment income in the first nine months of 2005 was \$173.0 million compared to \$99.9 million in the first nine months of 2004, and included \$110.9 million in net realized gains on sales of portfolio investments, compared to \$41.6 million in 2004.

Northbridge also announced that its Board of Directors has declared a dividend of \$0.165 per share on its outstanding common shares, payable on December 30, 2005 to shareholders of record on November 30, 2005.

The following table presents a summary of the third quarter financial results:

For The Periods Ended September 30 (\$ millions except per share amounts and percentages)	Third Quarter		Nine Months	
	2005	2004	2005	2004
Total revenue	<b>341.6</b>	343.0	<b>1,049.0</b>	999.4
Underwriting profit	<b>17.4</b>	33.0	<b>76.6</b>	82.0
Combined ratio <sup>1</sup>	<b>94.1%</b>	89.4%	<b>91.3%</b>	90.9%
Net earnings	<b>43.3</b>	38.5	<b>168.5</b>	114.1
Net earnings per share	<b>\$0.85</b>	\$0.76	<b>\$3.31</b>	\$2.24

<sup>1</sup> The combined ratio is the sum of two components: the loss ratio, which represents claims and loss adjustment expenses (“LAE”) incurred, net of reinsurance, expressed as a percentage of net premiums earned, and the expense ratio, which represents expenses including commissions, premium taxes and all general and administrative expenses incurred in operating the business during a period, expressed as a percentage of net premiums earned during that period. A combined ratio below 100% indicates profitable underwriting, while a combined ratio over 100% indicates unprofitable underwriting. The combined ratio does not include consideration of investment income. The underwriting ratios (the loss and expense ratios and the combined ratio) are all non-GAAP measures and do not have standard meanings prescribed by GAAP. They may not be comparable to similar measures used by other companies.

Northbridge also announced that Byron G. Messier, President and Chief Executive Officer, will be retiring by December 31, 2005 and Mark J. Ram, current President and Chief Executive Officer of Northbridge subsidiary Markel Insurance Company of Canada, will be assuming the position of President and Chief Executive Officer of Northbridge.

Mr. Messier is retiring after a successful 39 year career in the Canadian property and casualty insurance industry. Mr. Prem Watsa, Chairman of Northbridge, said, “Since our acquisition of Lombard in 1994, Byron has been instrumental in the outstanding success of Lombard and, since 2003, Northbridge. Byron was also key to the establishment of Falcon and ICICI Lombard. We thank Byron for his significant accomplishments and wish him well in his coming retirement.”

Mr. Ram, who has been heavily involved with Northbridge since its inception and initial public offering in 2003, has served as President and Chief Executive Officer of Markel since 1994. “Mark has built Markel into one of the country’s most respected insurers and we look forward to the results Mark and his team will achieve over the coming years,” said Mr. Watsa.

As previously announced, Northbridge will hold a conference call and webcast at 9:30 am EDT on Friday, October 28, 2005 to discuss its third quarter results. The call, consisting of a presentation by management of the Company followed by a question period, will be broadcast live on the internet through the Company’s website at [www.northbridgefinancial.com](http://www.northbridgefinancial.com) or may be accessed by telephone at (416) 695-6622 or (877) 888-4210. Presentation materials will be posted on the Company’s website under “Financial Information” prior to the call. A replay will be available following the call on the same website or via telephone at (416) 695-5275 or (866) 518-1010 until midnight on Friday, November 11, 2005.

Northbridge’s third quarter report may be accessed on its website under “Financial Information” on Thursday, October 27, 2005.

Northbridge, which through its subsidiaries provides property and casualty insurance products primarily in the Canadian market as well as in selected U.S. and international markets, is one of the largest commercial property and casualty insurers in Canada. Northbridge common shares are listed and traded under the symbol NB on the Toronto Stock Exchange. Visit Northbridge's website at [www.northbridgefinancial.com](http://www.northbridgefinancial.com) for more information.

### **Forward-Looking Information**

Statements in this release about future plans, intentions, results, levels of activity, performance, goals, achievements or other future events constitute forward-looking statements. In some cases forward-looking statements may be identified by the use of words such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts" or "potential" or the negative or other variations of these words, or other comparable words or phrases. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements or other future events. Readers should not place undue reliance on forward-looking statements as they involve known and unknown risks, uncertainties and other factors about the Company, the economy and the insurance industry generally that may cause actual results or events to differ materially from those expressed, implied or anticipated in such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the risk factors described in our filings with Canadian securities regulators which may be accessed on [www.sedar.com](http://www.sedar.com). We are under no obligation and have no intention to update or alter any of our forward-looking statements as a result of new information, future events or otherwise, except as required by law.

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