

ING Canada reports Q4 and 2004 results

ING Canada Inc. (TSX: IIC.LV) reported net income of \$173.1 million for the quarter ended December 31, 2004, up from \$24.7 million in the same period of the preceding year. Revenues for the fourth quarter also increased to \$1,005 million from \$808 million in the corresponding quarter of 2003.

For the year 2004, net income amounted to \$624.2 million up from \$150.5 million the previous year, on revenues of \$3,781 million, an increase of 25% from the \$3,015 million in revenues recorded in 2003. The results for both the quarter and the year were driven by improved underwriting results, strong realized investment gains and higher investment income.

Earnings per adjusted share reached \$4.67 for 2004 versus \$1.13 in 2003. Earnings per adjusted share for the quarter amounted to \$1.29 compared to \$0.18 in the corresponding period of 2003. The earnings per adjusted share figures were retroactively determined as if the 133,732,000 shares issued as a result of the IPO were outstanding throughout 2003 and 2004. Under Canadian generally accepted accounting principles, the earnings per share for 2004, taking into account the lower number of shares outstanding in 2004 before the IPO, would be \$6.51 (basic) and \$6.49 (diluted) versus \$1.61 (basic) and \$1.61 (diluted) for 2003.

ING Canada also announced that it has declared a quarterly dividend of 16.25 cents per share on its outstanding common shares, payable on March 31st to shareholders of record on March 21st.

Claude Dussault, president and CEO said: "Results for the year 2004 have been strong and reflect an improvement in our claims experience in all lines of business across all jurisdictions, as well as increased efficiencies. The improvement, most noticeable in personal automobile insurance, was driven by a significant reduction in claims frequencies as well as governmental initiatives aimed at better controlling the cost of automobile insurance. This has led us to reduce our auto rates from 8% to 25% depending on the jurisdiction which implemented product reforms."

Mr. Dussault also highlighted the large percentage of income derived from investment activities. "While we are proud of our underwriting results, we also benefited from strong gains on the sale of investments, which contributed \$132.4 million of our total income before income taxes."

"During the quarter, we continued to pursue our growth strategy by acquiring Allianz Canada and completing an initial public offering. While the acquisition of Allianz will allow us to increase our revenues substantially in 2005, being a public company gives us increased flexibility to pursue additional growth opportunities in the future.", said Mr. Dussault.

Current Outlook

We believe that several key factors will affect the P&C insurance industry in the next 12 to 24 months.

- Given the large contribution of automobile insurance to premium volume of the P&C insurance industry, regulatory changes to automobile insurance are expected to continue to impact the performance of the P&C insurance industry. Furthermore, the lower automobile claim frequencies observed in 2004 will either return to normal levels or lead to premium reductions in the coming 24 months.
- Favourable experience in commercial insurance in the last three years and strengthening of the P&C insurance industry's capital position will likely accelerate competition in commercial insurance.
- Consequently, the industry's growth rates for the next 12 to 24 months are likely to be below historical levels. We also expect that the underwriting results will not remain at such favourable levels.

Financial Summary

	2004	2003	2004	2003
	Q4	Q4	12-month	12-month
Direct Premiums Written (\$ million)	883.0	851.6	3,575.9	3,443.8
Underwriting Income (\$ million)	118.4	(13.3)	470.0	51.7
Net income (\$ million)	173.1	24.7	624.2	150.5
Earnings per adjusted share (in dollars)(x)	1.29	0.18	4.67	1.13

Basic earnings per share (in dollars)(xx)	1.69	0.26	6.51	1.61
Diluted earnings per share (in dollars)(xx)	1.67	0.26	6.49	1.61
Return on equity	40.9%	16.5%	40.9%	16.5%
Combined ratio	86.7%	101.8%	86.0%	98.1%

(x) The earnings per adjusted share were retroactively determined as if the 133,732,000 shares were issued and outstanding throughout 2003 and 2004. However, these figures have not been adjusted to reflect the potential effect of the use of proceeds on the investment income for 2003 and 2004.

(xx) Earnings per share figures were determined under Canadian generally accepted accounting principles, taking into account the lower number of shares outstanding in 2004 prior to the IPO.

Financial Highlights

- Revenues for the fourth quarter increased to \$1,005 million from \$808 million in the corresponding quarter of the previous year. Revenues for the year increased by \$766 million or 25.4% to \$3,781 million. Net premiums earned increased by \$604 million mainly as a result of the commutation of a reinsurance agreement. Investment income increased by \$53 million as a result of the growth in invested assets. Realized gains on the sale of investments increased by \$100.3 million as a result of favourable equity market conditions and the success of our investment strategy.
- Total income before income taxes for the quarter increased to \$229.7 million from \$47.8 million in the fourth quarter of 2003. Total income before income taxes increased to \$855.8 million for the year, up from \$227.0 million in 2003. The increase mainly reflects improvements in underwriting income (+ \$418.3 million), as well as a strong investment performance.
- Net income for the quarter amounted to \$173.1 million compared to \$24.7 million in the corresponding quarter in 2003. For the year 2004, net income amounted to \$624.2 million, up from \$150.5 million in 2003.

Business Highlights

- Direct written premiums increased by 3.8% during the year to reach \$3,576 million. The slower growth of premiums is mainly attributable to significant decreases in automobile insurance rates in the Atlantic provinces, Ontario and Alberta as a result of government initiatives aimed at better controlling the cost of claims. Personal lines insurance premiums increased by 2.9% to \$2,415 million while commercial insurance premiums grew by 5.9% to reach \$1,161 million.
- Improved claims experience in all our business lines in 2004, driven mainly by the adoption of new product definitions in automobile insurance and a reduction in claims frequency, resulted in a reduction in our claims ratio, which reached a record low of 56.6% compared to 68.1% the preceding year. Improvements in the share of the results of the Facility Association also contributed to the reduction of our claims ratio. As a result of the favourable claims experience and rigorous expense management, the combined ratio for the year amounted to 86.0%, a 12.1 percentage point improvement over the previous year.
- The improvement was most evident in personal lines, where we recorded an underwriting gain of \$339.2 million. This was the first underwriting gain in many years. In 2004, our combined ratio for personal lines dropped to 85.5% from 101.9% in the previous year, despite substantial rate reductions in automobile insurance in most jurisdictions during 2004.
- Our commercial lines continued to improve with underwriting income of \$130.8 million. Our combined ratio also improved by 3.4 percentage points to reach 87.2%.

Corporate developments

- During the fourth quarter, the company continued to pursue its acquisition strategy by completing the purchase of Allianz Canada at a cash consideration of \$370 million.
- During the last quarter of 2004, ING Canada also launched an initial public offering of its shares which resulted in gross proceeds of \$907 million. Following the exercise of the over-allotment option in January 2005 by the underwriters, the total gross proceeds amounted to \$1,043 million.
- During the year, our assets increased by 40% to \$9,663 million while shareholders' equity more than doubled to \$2,060 million as a result of the acquisition of Allianz, the proceeds of the IPO, as well as our solid earnings performance. Furthermore, our debt decreased from \$483 million to \$256 million.

Conference Call

ING Canada will host a conference call to review its earnings results today at 8:30 am EST. To listen to the call via live audio webcast and to view the presentation slides, visit our website at www.ingcanada.com. Click on "Investor Relations" and then

"Quarterly Reports" The conference call is also available by dialing 617-614-3474 or 1-800-706-7749 (toll free in North America). The passcode is 51957322. Please call ten minutes before the start of the call.

A playback of the call will be available starting at 5:00 pm EST on February 17 through 5:00 pm EST on February 24. To listen to the replay, call 617-801-6888 or 1-888-286-8010 (toll free in North America). The passcode is 59037592. A transcript of the call will also be available on ING Canada's website.

About ING Canada

ING Canada is the largest provider of property and casualty insurance in Canada. ING Canada's principal insurance products are automobile, property and liability insurance, which it provides primarily to individuals and small to medium sized businesses through its insurance subsidiaries across Canada.

[Click here](#) for the complete earnings release, including the Management Discussion & Analysis and Consolidated Financial Statements

<https://newsroom.intactfc.com/2005-02-17-ING-Canada-reports-Q4-and-2004-results>