

ING Canada Reports Strong 2005 Fourth Quarter and Full Year Results

ING Canada Inc. (TSX: IIC.LV) reported net income of \$196.9 million for the quarter ended December 31, 2005, up 13.7% from \$173.1 million in the same period of the preceding year. Revenues for the fourth quarter also increased to \$1.1 billion, a 10.6% increase from \$1.0 billion in the corresponding quarter of 2004.

For the year 2005, net income amounted to \$781.8 million, up 25.2% from \$624.2 million in the previous year, on increased revenues of \$4.4 billion, up 17.6% from the \$3.8 billion recorded in 2004. The results were driven by continued strength in underwriting profit and investment results.

Claude Dussault, president and CEO commented: "The fourth quarter capped another year of exceptional results for ING Canada. Revenue growth resulting from our acquisition of Allianz Canada combined with excellent underwriting and investment performance allowed us to achieve our best year on record."

"Despite increases in the severity of both personal property and commercial insurance claims, reductions in automobile insurance premiums and a softer pricing environment in commercial insurance, we continued to have strong underwriting results. Our numerous initiatives to improve our value to customers and brokers and build long-term, sustainable growth resulted in an increase in the number of risks we insure, which is a key measure of organic growth."

Basic and diluted pro-forma earnings per adjusted share for the fourth quarter amounted to \$1.47 compared to \$1.35 (basic) and \$1.29 (diluted) in the corresponding period of 2004. Earnings per adjusted share reached \$5.85 for 2005 versus \$4.86 (basic) and \$4.66 (diluted) in 2004. The earnings per adjusted share figures were retroactively determined as if the shares issued as a result of the December 2004 initial public offering ("IPO") had been outstanding throughout 2004. Under Canadian generally accepted accounting principles, the earnings per share for the fourth quarter amount to \$1.47 compared to \$1.69 (basic) and \$1.67 (diluted) for the corresponding period of 2004. In 2005, earnings per share were \$5.85 compared to \$6.51 (basic) and \$6.49 (diluted) in 2004. The reduction in earnings per share reflects the higher number of shares outstanding in 2005 following the 2004 IPO.

ING Canada also announced that it has declared a quarterly dividend of 25.0 cents per share on its outstanding common shares, payable on March 31 to shareholders of record on March 15.

Current Outlook

Industry returns in automobile insurance are expected to continue to exceed historical levels in 2006. Provincial reforms implemented over the last two years have stabilized claims costs while restoring availability and affordability. The sustainability of these cost containment measures and any further rate reductions will be key drivers of performance. Automobile claims frequency remains low and we believe it will either increase in 2006 or lead to additional premium reductions.

Prices are softening in commercial insurance but are still yielding returns above historical levels. Non-residential construction cost increases continue to put pressure on commercial underwriting margins. We are maintaining pricing and underwriting discipline and working with brokers to ensure commercial customers retain sufficient coverage.

We expect the industry's top-line growth rate for the next 12 months to be below historical levels and for the industry, underwriting results to fall short of the favourable level experienced in 2005. That said, underwriting results in 2006 should exceed historical returns. Our distinct product and service proposition delivered through a multi-channel distribution network will be a key driver in fuelling organic growth.

Financial Summary

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
	<u>Q4</u>	<u>Q4</u>		<u>12-month</u>	<u>12-month</u>	
Direct Premiums Written (in millions)	\$905.0	\$883.0	2.5%	\$3,904.9	\$3,575.9	9.2%
Underwriting Income (in millions)	126.3	118.4	6.7%	537.7	470.0	14.4%
Net income (in millions)	196.9	173.1	13.7%	781.8	624.2	25.2%

Earnings per share (in dollars)*	1.47	1.69	(13.0)%	5.85	6.51	(10.1)%
Basic	1.47	1.67	(12.0)%	5.85	6.49	(9.9)%
Diluted						
Earnings per adjusted share (in dollars)**	1.47	1.35	8.9%	5.85	4.86	20.4%
Basic pro-forma						
Earnings per adjusted share (in dollars)**	1.47	1.29	14.0%	5.85	4.66	25.5%
Diluted pro-forma						
Return on equity - last 12 months				31.6%	40.9%	(9.3)
Return on equity – Q4 annualized				28.1%	39.6%	(11.5)
Combined ratio	86.9%	86.7%	0.2	86.0%	86.0%	0.0

* 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 December IPO.

**Each of the basic and diluted earnings per adjusted share are calculated on a pro-forma basis as if the 128.5 million and 133.7 million shares issued following the December 2004 IPO and the January 2005 exercise of the over-allotment option, respectively, were outstanding during the periods prior to 2005. However, these figures have not been adjusted to reflect the potential effect of the use of proceeds on the investment income in 2004.

Financial Highlights

- Net income for the fourth quarter was \$196.9 million, an increase of \$23.8 million or 13.7% compared to the fourth quarter of 2004. Total net income for 2005 was \$781.8 million, an increase of \$157.6 million or 25.2% from the \$624.2 million of the previous year.
- Revenues for the fourth quarter of 2005 increased 10.6% to \$1.1 billion from \$1.0 billion in the corresponding quarter of the previous year. Net premiums earned increased by \$73.1 million or 8.2 % to reach \$961.3 million from \$888.2 million in the fourth quarter of 2004. Allianz accounted for most of the revenue increase, which was offset by lower premiums from industry pools and the impact of automobile insurance rate reductions. During the quarter, investment income increased by 4.3% to reach \$78.5 million as a result of the growth in invested assets. Realized gains on the sale of investments increased from \$36.3 million to \$67.2 million, mainly due to gains in the fixed income portfolios. Total income before taxes for the quarter increased from \$229.7 million in 2004 to \$269.3 million.
- For 2005, revenues increased 17.6% over 2004 to \$4.5 billion. Net premiums earned increased by 14.1% to \$3.8 billion. Investment income increased 26.8% to reach \$338.5 million while realized gains on the sale of investments increased from \$132.4 million to \$223.5 million. Total income before taxes in 2005 increased to \$1.1 billion, up from \$855.8 million in 2004. Growth in net premiums and investment income during the year was driven by the acquisition of Allianz.
- Shareholders' equity increased by \$833.0 million or 40.4% in 2005 to \$2.9 billion as a result of increased profits since the beginning of the year and the exercise of the IPO over-allotment option in January. Our debt to total capital ratio continued to decline during the quarter and currently stands at 4.2%.

Business Highlights

- For the fourth quarter, direct written premiums increased 2.5% or \$22 million over 2004 to \$905 million. In 2005, total direct written premiums increased 9.2% to reach \$3.9 billion. The increase, for the quarter and the whole year, was mainly attributable to the acquisition of Allianz Canada. The slower growth during the quarter reflects the fact that Allianz results for December of 2004 were included in our 2004 earnings statements. Through 2005, the increase in the growth of total direct written premiums was constrained by rate reductions in personal automobile insurance and lower premiums from industry pools, as well as a softening of pricing conditions in commercial insurance. However, we had an overall increase of 14.5% in the total number of risks we insure.
- Underwriting results were strong throughout 2005, despite significant personal property losses. Underwriting income in the fourth quarter was \$126.2 million, an increase of \$7.9 million over the same period in 2004. The combined ratio for the quarter

rose by 0.2% to 86.9%. Total underwriting income for 2005 increased \$67.7 million from 2004 to \$537.7 million due to favourable claims developments, which amounted to \$277.7 million.

- Investment income increased by \$71.5 million or 26.8% to \$338.5 million in 2005. Total realized investment and other gains increased \$91.1 million or 68.8% in 2005 to \$223.5 million.
- Integration of the operations of Allianz Canada, acquired in December of 2004, has gone well. It is expected the integration will be completed in the first quarter of 2006.

Corporate Developments

In the fourth quarter the Quebec financial services sector regulator, the Autorité des marchés financiers (AMF), concluded its investigation initiated in March 2005 in relation to the business practices of the P&C industry, including ING Canada affiliates in Quebec. The AMF investigation did not find that any fraudulent act was committed, nor that any customers of the brokerages represented by Equisure Financial Network Inc. (Equisure) suffered harm or damages. However, Equisure agreed to improve its disclosure practices regarding brokerage ownership and portfolio transfers and agreed to review its corporate structures. Equisure also agreed to pay a sum of \$800,000, which included the investigation costs incurred by the regulator.

Conference Call

ING Canada will host a conference call to review its earnings results today at 10:00 am EST. To listen to the call via live audio webcast and to view the presentation slides, visit our website at www.ingcanada.com and click on "Investor Relations".

The conference call is also available by dialling 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 12:00 p.m. EST today through 5:00 p.m. EST on February 23. To listen to the replay, call 617-801-6888 or 1-888-286-8010 (toll free in North America). The passcode is 18783073. 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 the country, offering automobile, property and liability insurance to individuals and businesses through its insurance subsidiaries.

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

<https://newsroom.intactfc.com/2006-02-16-ING-Canada-Reports-Strong-2005-Fourth-Quarter-and-Full-Year-Results>