

ING Canada posts strong first quarter results

ING Canada Inc. (TSX: IIC.LV) reported net income of \$185.9 million for the quarter ended March 31, 2006, up 17.3% from \$158.5 million the first quarter of 2005. Revenue also increased to \$1,133.8 million, up 3.2% from \$1,098.8 million in the corresponding quarter of 2005.

Earnings per share for the first quarter of 2006 amounted to \$1.39, compared to \$1.19 for the corresponding period in 2005.

ING Canada also declared a quarterly dividend of 25.0 cents per share on its outstanding common shares, payable on June 30, 2006 to shareholders of record on June 15, 2006.

Claude Dussault, President and CEO said: "We continued to achieve good results in the first quarter. Our investment results improved significantly over last year due to favourable fixed income and equity market gains. Our underwriting results benefited from improvements in claims frequency and severity and although prior year claims development was less favourable compared to last year, it was once again strongly positive in the quarter. In addition, our total number of insured risks continued to increase, mitigating the impact of reductions in insurance rates."

Current Outlook

- Top line growth for the property and casualty insurance industry is expected to remain below historical levels this year. Underwriting performance is expected to fall below the favourable levels witnessed in 2005 but to exceed historical averages.
- Automobile insurance reforms adopted by various provinces continue to contain costs, and product affordability and availability have been restored. Sustainability of these reforms, claims frequency levels and any further rate reductions will continue to be key performance drivers in 2006.
- Commercial insurance continues to be competitive and while prices are softening, returns are expected to remain above historical levels.

Financial Summary

	<u>2006</u> <u>Q1</u>	<u>2005</u> <u>Q1</u>	<u>Change</u>
Direct Premiums Written (\$ million)	812.5	821.9	(1.1%)
Underwriting Income (\$ million)	79.9	114.9	(30.5%)
Net income (\$ million)	185.9	158.5	17.3%
Earnings per share (in dollars)			
Basic and diluted	1.39	1.19	16.8%
Return on equity, for the last 12 months	30.1%	38.9%	(8.8)
Return on equity for Q1 annualized	25.0%	28.9%	(3.9)
Combined ratio	91.5%	88.1%	3.4

Financial Highlights

- Revenue for the first quarter increased by \$35.0 million or 3.2% to \$1,133.8 million from \$1,098.8 million in the first quarter of 2005. Net premiums earned decreased by \$31.1 million as a result of overall average rate reductions of 3.3%. However, investment income from insurance subsidiaries remained stable, increasing by \$0.2 million to \$68.3 million, while realized investment and other gains increased by \$64.9 million to \$107.6 million. The improvement resulted from a repositioning of the fixed income portfolio as well as higher gains in equities due to favourable market conditions.

- Total income before income taxes for the quarter increased 17.4% to \$268.4 million from \$228.6 in the first quarter of 2005. Net income for the quarter amounted to \$185.9 million, an increase of \$27.4 million or 17.3% from the \$158.5 million earned for the three months ended March 31, 2005.
- Shareholders' equity increased during the quarter by 5.3% to reach \$3,046.0 million on March 31, 2006. Our debt to total capital ratio remained low at 4.0%.

Business Highlights

- Excluding the transfer of AGR commercial lines to Allianz Global Risk US Insurance Company in 2005, direct premiums written during the first quarter increased by \$5.7 million over last year and totalled \$812.5 million. The increase occurred despite a 5% average reduction in automobile insurance premiums. The increase is due to a 1.9% rise in the total number of insured risks, a key non-GAAP measure of growth.
- The combined ratio in the first quarter was 91.5%, up 3.4 percentage points from 88.1% for the same period last year. The expense ratio increased from 29.5% to 32.0%, due in large part to a non-recurring one-time adjustment in commissions and in expenses related to employee incentive plans. On a year-over-year basis, the claims ratio increased by 0.9 percentage point to 59.5%. While frequency and severity of claims improved, prior year claims development during the quarter was below the unusually high level recorded last year, by \$31.4 million. Total underwriting income for the quarter amounted to \$79.9 million, down \$35.0 million from the corresponding period of 2005.
- Personal lines direct premiums written increased by \$15.2 million or 2.8% over the same period last year. Underwriting income from personal lines during the quarter amounted to \$40.0 million, a decrease of \$40.4 million compared to the first quarter of 2005. The total number of personal lines risks insured increased by 2.4%.
- Commercial lines direct premiums written decreased by 3.5% after the transfer in 2005 of commercial lines to AGR. Underwriting income increased by \$5.5 million to \$40.0 million on a 2.3% decrease in the combined ratio to 85.9%, owing largely to lower frequency and severity of losses in non-auto commercial risks.

Corporate developments

- On April 1, 2006, ING acquired Grey Power Insurance Brokers Inc. (GPIBI) of Stouffville, Ontario. GPIBI is the largest member of the Grey Power broker network, accounting for approximately \$68 million in annual premiums and 50% of the network's business volume.
- On April 1, 2006, Allianz Insurance Company of Canada and The Nordic Insurance Company of Canada, both insurance subsidiaries of ING Canada, amalgamated under the name of The Nordic Insurance Company of Canada. The companies had previously announced their intention to amalgamate on February 20, 2006.

Conference Call

ING Canada will host a conference call to review its earnings results today at 10:00 am EDT. 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".

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 1:00 pm EDT on May 11 through 5:00 pm EDT on May 18. To listen to the replay, call 617-801-6888 or 1-888-286-8010 (toll free in North America). The passcode is 68623645. 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.

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