

ING Canada Reports Second Quarter Results

Earnings per share up to \$1.56

Strong investment results offset decline in underwriting income

ING Canada Inc. (TSX: IIC) reported net income of \$194.3 million for the quarter ended June 30, 2007, compared to \$206.0 million in the same quarter last year. On a per share basis, net income increased to \$1.56 from \$1.54 as a result of a share buyback completed earlier this year. The growth in direct premiums written remained strong during the quarter despite overall rate reductions, and amounted to \$1,205.1 million, a 3.7% increase excluding industry pools.

For the first six months of the year, net income amounted to \$320.5 million or \$2.49 per share compared to \$391.8 million or \$2.93 per share while direct premiums written reached \$2,059.2 million, a 3.9% increase excluding industry pools.

CEO's comments

Claude Dussault, President and CEO, commented:

"The strong performance of our investment activities, which resulted in higher interest and dividend income and increased gains on the sale of invested assets, softened the impact of a reduced contribution of our underwriting activities to our overall profitability. Underwriting income declined during the quarter as a result of an increase in the severity of property losses and higher damages resulting from seasonal storm activities in some regions.

"The effective deployment of our capital through a share buyback completed earlier this year allowed us to continue creating value for our shareholders with an increase in earnings per share during the quarter and a return on equity of 18.3% over the last twelve months."

Dividend

ING Canada declared a quarterly dividend of 27.0 cents per share on its outstanding common shares. The dividend will be payable on September 28 to shareholders of record on September 14.

Current Outlook

Management expects several key factors to affect the property and casualty insurance industry over the coming twelve months. Both top-line growth and underwriting ratios for the property and casualty insurance industry will trend back towards historical levels. The cost containment measures in automobile insurance adopted over the years will continue to be a key performance driver. While automobile claims frequency continues to remain low, increases in frequency or severity of claims may lead to rate increases. Commercial insurance markets remain competitive and prices continue to soften. Furthermore, non-residential construction costs increases are also exerting pressure on commercial insurance underwriting margins.

Financial Highlights

	2007	2006	Change	2007	2006	Change
	Q2	Q2		YTD	YTD	
Direct Premiums Written (\$ millions)	1,205.1	1,176.1	2.5%	2,059.2	1,988.6	3.6%
Net Premiums Earned (\$ millions)	976.7	955.7	2.2%	1,933.3	1,892.6	2.2%
Underwriting Income (\$ millions)	92.3	165.6	(44.3)%	132.6	245.6	(46.0)%
Net Income (\$ millions)	194.3	206.0	(5.7)%	320.5	391.8	(18.2)%
Earnings Per Share (\$)						
Basic and Diluted	1.56	1.54	1.3%	2.49	2.93	(15.0)%
Return on Equity - last 12 months	18.3%	27.5%	(9.2) pts			
Combined Ratio	90.6%	82.7%	7.9 pts	93.1%	87.0%	6.1 pts

Financial Summary

• **Net income** for the second quarter of 2007 was \$194.3 million, a 5.7% decrease from the same quarter in 2006. The decrease was primarily driven by higher property claims due to increased severity and weather-related damage in both personal and commercial property. Higher gains on invested assets and dividend income, greater contribution from the corporate and distribution segment as well as lower taxes partially offset the lower underwriting income.

For the first six months of the year, net income amounted to \$320.5 million down 18.2% from the corresponding period of last year. The decline in both underwriting income and in net gains on invested assets was partly offset by higher interest and dividend income, corporate and distribution income as well as lower taxes.

• **Direct premiums written** amounted to \$1,205.1 million during the quarter, compared to \$1,176.1 million in the same quarter of last year, a 3.7% increase excluding industry pools. The growth in direct premiums written remained strong driven by personal insurance which grew by 6.5%, excluding pools. Overall, the number of written risks also increased by 3.2%. While the increased number of risks insured had a positive impact on the direct premiums written, the growth rate was constrained by a 1.9% average rate reduction fuelled mainly by lower automobile insurance rates.

For the first six months of the year, direct premiums written increased by 3.9% excluding pools. The growth occurred exclusively in personal insurance.

• **Net premiums earned** during the quarter amounted to \$976.7 million, up 2.2% compared to the same period last year. For the first six months of the year, net premiums earned also increased at the same rate.

• **Underwriting income** for the quarter amounted to \$92.3 million down 44.3% from the corresponding quarter of last year. The decline reflects mainly higher severity in property and the increased cost of weather-related claims that occurred during the quarter. Underwriting income benefited from a reduction in claims liabilities due to higher market interest rates used to discount them. Overall the combined ratio increased by 7.9 points to reach 90.6%. For the first six months of the year underwriting income fell 46.0% to \$132.6 million with a 93.1% combined ratio.

In personal insurance, property insurance underwriting registered a loss of \$23.9 million during the quarter while automobile insurance underwriting income fell 5.7% to \$73.8 million. Automobile insurance results remain healthy but continue to be negatively impacted by past rate reductions. Overall personal insurance underwriting income is down 38.5% to \$87.0 million for the first six months of the year.

Commercial insurance underwriting income fell by 34.1% during the period to \$42.3 million as a result of increased severity. For the first six months, commercial insurance underwriting income amounted to \$45.6 million down from \$104.2 million last year.

• **Interest and dividend income, net of expenses** increased 6.6% to reach \$86.9 million during the quarter and were up 12.3% for the first six months of the year. These increases were driven by higher dividend income as a result of increased equity holdings and higher dividend yields.

• **Net gains on invested assets** amounted to \$53.6 million, a 54.0% increase driven mainly by more favourable equity market conditions. For the first six months of the year, net gains on invested assets declined from the unusually high level of 2006, when the portfolio of debt securities was realigned.

• **Corporate and distribution income** also increased both in the quarter and the first six months of the year.

• **Net operating income**, which is defined as net income excluding net gains on invested assets and other gains after tax, declined to \$158.7 million or \$1.27 per share from \$182.6 million or \$1.37 per share. Net operating income also declined during the first six months of the year.

• **Shareholders' equity** decreased 7.0% mainly as a result of the completion of the \$500 million Substantial Issuer Bid on March 30.

Analyst estimates

Earnings per share for the quarter amounted to \$1.56 compared to an average estimate of \$1.30 among the analysts that follow the company.

Conference Call

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

The conference call is also available by dialling 416-644-3418 or 1-800-731-5319 (toll-free in North America). Please call ten minutes before the start of the call.

A replay of the call will be available starting at 12:30 p.m. ET today through 11:59 p.m. ET on August 16. To listen to the replay,

call 416-640-1917 or 1-877-289-8525 (toll-free in North America). The passcode is 21240895. 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.

Media enquiries:

Gilles Gratton

Vice President - Corporate Communications

416-217-7206

Email: gilles.gratton@ingcanada.com

Investor enquiries:

Michelle Dodokin

Vice President – Investor Relations

416-344-8044

Email: michelle.dodokin@ingcanada.com

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

<https://newsroom.intactfc.com/2007-08-08-ING-Canada-Reports-Second-Quarter-Results>