

ING Canada Reports Third Quarter Results

ING Canada Inc. (TSX: IIC) reported net income of \$92.0 million for the quarter ended September 30, 2007, compared to \$156.8 million in the same quarter last year. On a per share basis, net income amounted to \$0.74 down from \$1.17. Growth remained solid during the quarter with direct premiums written amounting to \$1,081.2 million, a 3.0% increase after excluding industry pools.

For the first nine months of the year, net income amounted to \$412.6 million or \$3.24 per share compared to \$548.7 million or \$4.10 per share for the same period last year while direct premiums written reached \$3,140.3 million, a 3.6% increase after excluding industry pools.

CEO's comments

Claude Dussault, President and CEO, commented:

"While organic growth remained solid during the quarter our overall financial performance was down significantly as a result of lower underwriting income, reflecting the continuing decline in industry conditions, and losses on invested assets.

"Underwriting income decreased during the quarter as a result of a deterioration of our automobile insurance results and higher property losses resulting mainly from an increase in storm activity in Western Canada. Lower favourable prior year claims development also impacted our underwriting results. While our investment activities generated higher interest and dividend income, disappointing capital market conditions resulted in a loss on debt securities and reduced our overall profitability.

"Despite this difficult environment, our profitability continues to remain higher than the historical industry average with a 16.0% return on equity."

Dividend

ING Canada declared a quarterly dividend of 27.0 cents per share on its outstanding common shares. The dividend will be payable on December 31 to shareholders of record on December 14.

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 continue to trend back towards historical levels.

Sustainability of cost containment measures in automobile insurance will continue to be a key performance driver. Automobile insurance reforms adopted over the years have been effective; however, accident benefit and bodily injury claims in Ontario are increasing and indicate some inflation in these areas. Increases in frequency and/or severity may lead to higher premiums. Increases in water-related damage caused by weather conditions and in construction cost are contributing to higher loss ratios in personal property insurance.

Commercial insurance continues to be competitive and construction costs, particularly in Western Canada, are putting pressure on underwriting margins. We remain disciplined in pricing and underwriting and committed to superior service.

Financial Highlights

	2007	2006	Change	2007	2006	Change
	Q3	Q3		YTD	YTD	
Direct Premiums Written (\$ millions)						
Including pools	1,081.2	1,038.1	4.2%	3,140.3	3,026.8	3.7%
Excluding pools	1,091.2	1,059.1	3.0%	3,147.3	3,038.0	3.6%
Net Premiums Earned (\$ millions)						
Net Premiums Earned (\$ millions)	994.0	954.5	4.1%	2,927.4	2,847.0	2.8%
Underwriting Income (\$ millions)	28.7	95.9	(70.1)%	161.4	341.5	(52.7)%
Net Income (\$ millions)	92.0	156.8	(41.3)%	412.6	548.7	(24.8)%

Earnings Per Share (\$)

Basic and Diluted	0.74	1.17	(36.8)%	3.24	4.10	(21.0)%
Return on Equity - last 12 months	16.0%	24.6%	(8.6) pts			
Combined Ratio	97.1%	89.9%	7.2 pts	94.5%	88.0%	6.5 pts

Financial Summary

• **Net income** for the third quarter of 2007 was \$92.0 million, a 41.3% decrease from the same quarter in 2006. The decrease was primarily driven by lower underwriting income and a loss on invested assets. Higher current and prior year claims in personal auto insurance was the most significant factor impacting underwriting income. An increase in property claims severity and lower favourable prior year claims development in commercial insurance other than automobile also contributed to the decline in underwriting income.

For the first nine months of the year net income amounted to \$412.6 million, down 24.8% from the same period of last year, as a result of a combination of lower underwriting income and a decline in net gains on invested assets.

• **Direct premiums written** amounted to \$1,081.2 million during the quarter, compared to \$1,038.1 million in the same quarter of last year. The growth in direct premiums written remained strong driven by personal insurance which increased by 5.4%, excluding pools. For the first nine months, direct premiums written amounted to \$3,140.3 up from \$3,026.8 million.

• **Underwriting income** for the quarter amounted to \$28.7 million down 70.1% from the corresponding quarter of last year. The decline was driven mainly by higher claims in personal automobile insurance and increased property claims severity in Western Canada. Overall the combined ratio increased by 7.2 percentage points to reach 97.1%. For the first nine months of the year underwriting income fell 52.7% to \$161.4 million with a 94.5% combined ratio.

In personal insurance, automobile insurance underwriting income fell 64.0% to \$26.3 million driven by rate decreases, higher frequency and lower favourable development for prior year claims mainly caused by higher accident benefits and bodily injury in Ontario. Property insurance activities registered a loss of \$20.7 million during the quarter compared to a loss of \$14.4 million last year due to increased seasonal storm activity and construction cost inflation, mainly in Western Canada. Overall personal insurance underwriting income amounted to \$5.6 million during the quarter and \$92.7 million since the beginning of the year. Combined ratios for the quarter and the first nine months were respectively 99.2% and 95.6%.

Commercial insurance underwriting income fell by 38.2% during the period to \$23.1 million as a result of an increase in property severity and less favourable prior year claims development. For the first nine months, commercial insurance underwriting income amounted to \$68.8 million down from \$141.5 million last year. The combined ratio for commercial lines during the quarter and year-to-date was 91.6%.

• **Interest and dividend income, net of expenses** increased 6.3% to reach \$84.7 million during the quarter and 10.3% for the first nine months of the year. These results were driven by an increase in both fixed income and equity securities as well as higher yields.

• **Net losses on invested assets** amounted to \$2.8 million, down from a gain of \$35.8 million as a result of net losses on debt securities. These losses are due to a \$27.9 million impairment of capital notes and a \$11.9 million loss on derivatives, both associated with asset-backed securities that were adversely impacted by unfavourable capital market conditions. Similarly, net gains on invested assets for the first nine months of the year were also down due to losses on fixed income securities and a decrease in gains on equities.

• **Net operating income**, which is defined as net income excluding net gains on invested assets and other gains after tax, declined to \$95.2 million or \$0.77 per share from \$132.3 million or \$0.99 per share. Net operating income per share declined by 10.3% during the first nine months of the year.

• **Shareholders' equity** decreased 6.5% since the beginning of the year as a result of the completion of the \$500.0 million Substantial Issuer Bid on March 30.

Analyst estimates

Earnings per share for the quarter amounted to \$0.74 compared to an average estimate of \$1.05 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 416-915-5762 or 1-800-588-4490 (toll-free in North America). Please call ten minutes before the start of the call.

A replay of the call will be available at 12:30 p.m. ET today through 11:59 p.m. ET on November 15. To listen to the replay, call 416-640-1917 or 1-877-289-8525 (toll-free in North America). The passcode is 21251375#. 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/2007-11-07-ING-Canada-Reports-Third-Quarter-Results>