

ING Canada Reports 2008 First Quarter Results

ING Canada Inc. (TSX: IIC) reported net operating income of \$70.2 million or \$0.56 per share for the quarter ended March 31, 2008 down from \$112.8 million or \$0.84 per share recorded in the same quarter of last year as a result of the severe storms that hit Central Canada over the winter months. Net income declined to \$23.0 million or \$0.19 per share down from \$126.2 million or \$0.95 per share last year as a result of lower operating income and declines in equity markets. Direct premiums written increased in the quarter to \$860.3 million, a 1.7% improvement after adjusting for industry pools. Return on equity for the last twelve months was 13.0%.

CEO's comments

Charles Brindamour, President and CEO, commented:

"The harsh winter conditions during the first three months of the year adversely impacted an otherwise solid operating performance. Our commercial insurance profitability improved significantly and our current year automobile insurance results remained stable despite the difficult driving conditions resulting from the weather conditions in Quebec and Ontario. However, numerous storms and near-record snow falls in Central Canada resulted in a loss on our home insurance activities. While the industry's loss ratios are usually higher during the first quarter, this year's weather conditions had a more severe impact than usual."

"We continue to remain disciplined in our underwriting approach and the recent rate increases in home and auto insurance combined with higher average amounts insured contributed to the overall growth of our premiums during the quarter."

"Our diversified and high quality investment portfolio generated a market yield in excess of five percent. However, the decline in equity markets in the quarter caused a higher level of recognized investment losses. Our capital position remains strong and we are confident that our investment strategy of managing for total after-tax return will provide superior long term value to shareholders."

Dividend and share buyback

ING Canada declared a quarterly dividend of 31 cents per share on its outstanding common shares. The dividend will be payable on June 30 to shareholders of record on June 16. Since announcing its normal course issuer bid on February 20, the company has acquired for cancellation as of April 30, 1.065 million shares for \$40.0 million. These purchases are equivalent to 17.1% of the planned buyback of 6.2 million shares.

"By actively pursuing our capital management initiatives, such as our share buyback program, we intend to more effectively deploy our excess capital and increase shareholder value", said Brindamour.

Current Outlook

Management's outlook for the industry for the next twelve months remains unchanged.

- Both top-line growth and underwriting profitability of the property and casualty insurance industry will continue to trend back towards historical levels.
- The automobile insurance environment has been favourable for more than three years both from a consumer and a competitive point of view. The stable cost environment and the reforms adopted over the years have been effective in making auto insurance more affordable and available to consumers. However, accident benefit and bodily injury claims in Ontario have risen and the cap on pain and suffering awards for minor automobile accident injuries has been challenged in Alberta. These developments will likely lead to premium increases.
- Increases in water-related damages caused by weather conditions and construction costs inflation could drive increases in industry premiums in personal property insurance.
- Commercial insurance continues to be very competitive and increases in construction costs could put additional pressure on underwriting margins. We remain disciplined in pricing and underwriting and committed to superior service.

Consolidated Highlights

In millions of dollars, except as otherwise noted	Q1 2008	Q1 2007	Change
Direct Premiums Written	\$60.3	\$46.3	1.7%
Underwriting Income (excluding MYA) ¹	0.8	\$38.7	(97.9)%
Net Operating Income ²	70.2	112.8	(37.8)%
Net Income	23.0	126.2	(81.8)%
Earnings Per Share (\$)			
Basic and Diluted	0.19	0.95	(80.0)%
Net Operating Income Per Share (\$)	0.56	0.84	(33.3)%
Return on Equity (last twelve months)	13.0%	19.4%	(6.4) pts
Combined Ratio (excluding MYA)	99.9%	96.0%	3.9 pts

¹ Underwriting income is defined as underwriting income excluding market yield adjustment (MYA)

² Net operating income is defined as net income excluding MYA and net gains on invested assets and other gains, after tax

Operating Highlights

- **Direct premiums written** reached \$860.3 million during the quarter, a 1.7% increase over the same quarter of last year, driven by higher average amounts insured and higher rates for home and auto insurance. The number of commercial insurance risks insured grew during the quarter and premiums revenues remained stable.
- **Underwriting income**, excluding MYA, for the quarter amounted to \$0.8 million down from \$38.7 million from the corresponding quarter of last year. Significant improvements in underwriting income in commercial insurance were largely offset by an underwriting loss in home insurance resulting from winter storms and snow accumulation in Central Canada. Overall the combined ratio increased by 3.9 percentage points during the quarter to reach 99.9%.

Commercial insurance underwriting income improved markedly, increasing to \$20.6 million up nearly 10-fold from last year as a result of favourable prior year developments.

Despite severe winter conditions, personal automobile insurance results for the current accident year were comparable to last year. However, unfavourable prior year claims developments resulted in a loss of \$4.6 million.

Personal property insurance activities registered a loss of \$15.3 million during the quarter compared to a gain of \$23.0 million last year. The combined impact of the severe weather conditions in Central Canada and construction cost inflation, notably in Western Canada, have put pressure on the underwriting margin during the quarter.

Underwriting income excludes the impact of a \$41.5 million market yield adjustment resulting from lower interest rates used to discount claims liabilities. This adjustment, which reflects prevailing market rates during the quarter, was largely offset by gains on debt securities held for trading.

- **Interest and dividend income, net of expenses** remained healthy at \$85.6 million with an overall market-based yield of 5.1%.
- **Net operating income**, which is defined as the sum of underwriting income, interest and dividend income and corporate income after tax, decreased 37.8% to \$70.2 million or \$0.56 per share from \$112.8 million or \$0.84 per share, reflecting the decline in underwriting income.

Investments

- **Net losses on invested assets** amounted to \$25.8 million during the quarter, down from a gain of \$26.1 million from the

corresponding period of last year as a result of realized losses mostly on the equity portfolio. The net losses on invested assets include a \$35.1 million gain on debt securities held for trading. Those losses reflect the decline of the Canadian equity market during the quarter, the unrealized loss position of the portfolio at the beginning of the quarter and our investment strategy of actively trading our high yield dividend paying common share portfolio.

Analyst Estimates

The average estimate of earnings per share and operating earnings per share for the first quarter among the analysts that follow the company were \$0.83 and \$0.76 respectively.

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 416-644-3419 or 1-800-731-5774 (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 May 21. To listen to the replay, call 416-640-1917 or 1-877-289-8525 (toll-free in North America). The passcode is 21270574#. 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 with more than \$4 billion in direct written premiums. ING Canada offers automobile, property and liability insurance to individuals and businesses through its insurance subsidiaries. The company's investment subsidiary manages a portfolio of more than \$7 billion, comprised mainly of high quality Canadian securities.

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

<https://newsroom.intactfc.com/2008-05-14-ING-Canada-Reports-2008-First-Quarter-Results>