

ING Canada Reports 2008 Second Quarter Results

Sound operating performance despite the impact of severe spring storms

ING Canada Inc. (TSX: IIC) reported net operating income of \$109.5 million or \$0.89 per share for the quarter ended June 30, 2008 down from \$132.5 million or \$1.06 per share recorded in the same quarter of last year as the severe June storms and the effects of an extended winter impacted the underwriting results. Direct premiums written increased marginally in the quarter to \$1,216.7 million, excluding industry pools, as the company remains committed to its disciplined approach to risk selection and pricing.

Net income declined to \$112.0 million or \$0.91 per share down from \$194.3 million or \$1.56 per share last year due mainly to the equity markets weakness over the last year, which resulted in a significant reduction in investment gains.

CEO's comments

Charles Brindamour, President and CEO, commented:

"Despite the impact of the weather conditions, our operating performance during the quarter was sound with three of our four lines of business achieving combined ratios below 90%. Excluding the effects of the severe storms, operating profitability before taxes improved year-over-year.

"The June 10th hail storm that hit the Montreal South Shore alone resulted in \$26 million in damages bringing total claims losses for the three most severe storms during the quarter to more than \$40 million. Our home insurance operation incurred a significant loss in the quarter as it continued to be seriously impacted by the severe weather conditions, including hail, rain, heavier precipitation and more intense windstorms. We continue to adapt our pricing strategy to these new realities and to improve our capabilities to better respond to the needs of our clients.

"Our investment activities continued to generate substantial interest and dividend income but equity markets conditions resulted in minimal realized investment gains. Our capital position remains strong and we are actively proceeding with our share buyback program."

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 September 30 to shareholders of record on September 15. Since announcing its normal course issuer bid earlier this year, the company has acquired for cancellation as of July 31, 3.2 million shares for \$120.0 million. These purchases are equivalent to more than half of the planned buyback of 6.2 million shares.

Recent event

During the quarter, Moody's Investors Services initiated coverage of the company and on July 16, it assigned a long-term issuer rating of A3 to ING Canada and an insurance financial strength rating of Aa3 to its insurance subsidiaries.

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 move 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 will likely 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	2008	2007	Change	2008	2007	Change
	Q2	Q2		YTD	YTD	
Direct Premiums Written	1,216.7	1,209.8	0.6%	2,077.0	2,056.1	1.0%
Underwriting Income ¹	43.4	53.2	(18.4)%	44.2	91.8	(51.9)%
Net Operating Income ²	109.5	132.5	(17.4)%	179.6	245.2	(26.8)%
Net Income	112.0	194.3	(42.4)%	135.0	320.5	(57.9)%
Earnings Per Share (\$)						
Basic and Diluted	0.91	1.56	(41.7)%	1.09	2.49	(56.2)%
Return on Equity - last 12 months	10.3%	18.3%	(8.0) pts			
Combined Ratio (excluding MYA)	95.6%	94.6%	1.0 pt	97.8%	95.3%	2.5 pts

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

2 Net operating income is defined as the sum of underwriting income, interest and dividend income and corporate income after tax

Operating Highlights

- **Direct premiums written** reached \$1,216.7 million during the quarter, a 0.6% increase over the same quarter of last year. In home and auto insurance, higher average amounts insured and higher rates for home and auto insurance largely compensated for the decline in the number of risks insured. Competitive pressures in commercial insurance resulted in a 1.5% decline in premiums despite a 3.0% increase in the number of risks insured.

For the first six months of the year, direct premium written increased by 1.0% as a result of rate increases to reflect the increased cost of claims in auto and home insurance.

- **Underwriting income**, excluding MYA, for the quarter amounted to \$43.4 million down from \$53.2 million from the corresponding quarter of last year. The decline is the direct result of three severe storms that resulted in \$40.9 million in claims. The weather conditions were also the major contributor to an underwriting loss of \$45.7 million in personal property. Auto insurance results improved slightly during the quarter as well as those in commercial insurance with combined ratios below 90%. Overall the combined ratio increased by 1.0 percentage point during the quarter to reach 95.6%.

Underwriting income does not include a positive market yield adjustment of \$31.5 million resulting from lower interest rates used to discount claims liabilities. This adjustment, which reflects the market yield during the quarter, was largely offset by losses on debt securities held for trading.

For the first six months of the year, underwriting income declined to \$44.2 million due to the major storms that took place both during the winter and spring months. Overall, there were five storms during the first six months that resulted in claims expenses of more than \$5 million each for a total of \$66.9 million compared to two storms during 2007 for a total of \$14.9 million.

- **Interest and dividend income, net of expenses** decreased slightly to \$81.7 million as a result of the share buyback program. For the first six months of the year, interest and dividend income amounted to \$167.2 million compared to \$173.6 million the year before.
- **Net operating income**, which is defined as the sum of underwriting income, interest and dividend income and corporate income after tax, decreased to \$109.5 million during the quarter and to \$179.6 for the first six months mainly as a result of the impact of the severe winter and spring storms.

Investments

- **Net gains on invested assets** declined significantly during the quarter and the first six months of the year as a result of the equity market conditions. Net gains for the quarter, excluding held-for-trading debt securities, totalled to \$0.6 million during the quarter, down from \$95.1 million last year. For the year to date, we recorded a loss of \$60.2 million compared to a gain of \$123 million during the corresponding period of last year.

Analyst Estimates

The average estimate of earnings per share and operating earnings per share for the second quarter among the analysts that follow the company were \$1.05 and \$0.92 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 416 644-3424 or 1-800-594-3615 (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 August 20. To listen to the replay, call 416 640-1917 or 1-877-289-8525 (toll-free in North America). The passcode is 21279004#. 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.

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