

Turning promises into Actions





Corporate Profile

ING Canada is the largest provider of property and casualty insurance in Canada, through the ING Novex, Nordic, Trafalgar, Belair and ING Insurance companies. We provide automobile, property and liability insurance to individuals and small to medium-sized businesses across Canada. An investment management subsidiary manages the invested assets of our insurance subsidiaries.

We enjoy leading positions in all markets where we operate including Ontario, Québec and Alberta, our three largest markets.

Personal automobile insurance accounts for approximately 50% of our business while personal property comprises roughly 20% and commercial insurance about 30%.

Our Goals

To create a sustainable, superior performance gap, as measured by return on equity, relative to the Canadian property and casualty industry of not less than 500 basis points (5%) and to achieve annual organic growth on average 300 basis points (3%) higher-than-market over the long term.

Contents

1	Financial Highlights	48	Financial Statements
2	Chairman's Message	51	Notes to Financial Statements
3	President and CEO's Message	78	Board of Directors
6	Accelerating the Pace of Organic Growth	79	Senior Management
		80	Corporate Information
13	Management's Discussion and Analysis	81	Shareholder Information

Our Strategy

We intend to leverage the advantages of scale to achieve sophisticated pricing, consistently profitable underwriting and cost-effective and timely claims management.

Fundamental to our strategy is a customer-centric commitment to product innovation, multi-channel access and ease of doing business for policyholders and brokers alike.

Asset management will continue as an internal core competency focused on achieving superior after-tax returns.

Our Priorities

Our priorities are to:

- introduce improved technologies and services to make doing business easier and less costly;
- reduce claims costs and improve the quality of our service through greater use of preferred providers in settling auto, property and health care claims;
- make accretive domestic acquisitions, as opportunity permits, where our operating strengths can be applied quickly to familiar product lines and geographies.

Front Cover

Madeleine Daigneault, owner and founder of Andrée Chocolats, master chocolatiers since 1940 and a long term ING commercial insurance client.

Except as otherwise indicated, all trademarks referred to herein are owned or licensed by the ING Canada companies.

◀ On October 18, 2006, ING Canada celebrated its head office consolidation and relocation to 700 University Avenue in downtown Toronto, bringing together over 1,300 employees from across the city. Our new premises comprise more than six floors totalling over 380,000 square feet.

Financial Highlights

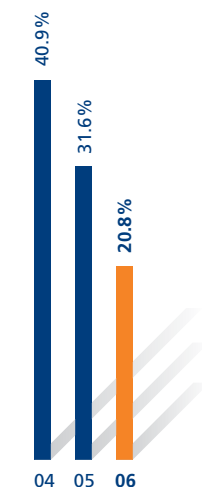
Combined Ratio*



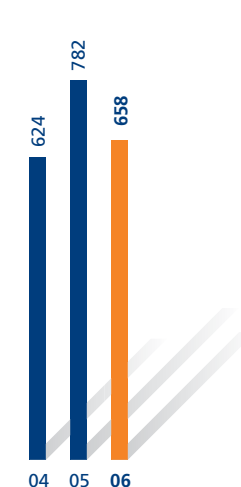
Direct Premiums Written (\$ millions)



Return on Equity



Net Income (\$ millions)



(in millions of dollars)	2006	2005	2004
Direct premiums written	\$ 3,990	\$ 3,905	\$ 3,576
Net premiums earned	\$ 3,827	\$ 3,840	\$ 3,365
Total revenue	\$ 4,406	\$ 4,446	\$ 3,781
Net income	\$ 658	\$ 782	\$ 624
Total shareholders' equity	\$ 3,421	\$ 2,893	\$ 2,060
Debt outstanding	\$ 0	\$ 127	\$ 256
Debt to capital	0.0%	4.2%	11.1%
Claims ratio	59.1%	56.3%	56.6%
Expense ratio	30.3%	29.7%	29.4%
Combined ratio	89.4%	86.0%	86.0%
Return on equity	20.8%	31.6%	40.9%

* For property and casualty insurance subsidiaries. The combined ratio is the sum of claims, claims expenses, commissions, premium taxes and general expenses divided by net premiums earned.

Reputation

Actions to improve our

Chairman's Message

In 2006, a year of great activity and considerable competition within the Canadian property and casualty insurance industry, ING Canada once again delivered solid financial results. The Board of Directors continued to play an active and significant part in their complementary roles of representing shareholders and advising and supporting the management team on issues related to the company's performance and long term growth strategy.

The company's overall success, however, is a direct reflection of the excellent job that the management team did in effectively executing the business strategy. They were instrumental in proactively fostering the conditions necessary for growth and further enhancing the ING brand. Key to our results this year was our continued focus on improving the

overall customer experience, as evidenced by the launch of a new loyalty program, several major new service initiatives and the introduction of unique value-added insurance products. Although the year was not without its challenges, as Chairman of the Board, I am pleased to report that the company again generated strong earnings and delivered outstanding value for its shareholders.

A lot has happened in the two short years since ING Canada became a public company. The business environment is much more complex as a result of emerging trends and continually evolving rules and regulatory issues. Insurance markets have become more heavily regulated as a result of increased government intervention. At the same time, investors have become more sophisticated and expect much more from corporate leaders in their role as overseers of company performance. And shareholders have progressively become more active and vocal in their demands to boards for increased levels of accountability, responsibility, compliance and corporate governance.

Directly, and through effective use of its committees, the Board began incorporating best practices of good corporate governance long before it became fashionable or necessary for companies to do so. The Board has been equally vigilant of its ability to assess risk and deal with conflict of interest and product suitability issues to maintain shareholder confidence. We take a great deal of pride not only in creating and overseeing rules and policies regarding disclosure, openness and transparency but also in establishing a culture of honesty, fairness and ethical business practices that resonates through senior management to the entire organization. In essence, good corporate governance is the fabric that holds the company together and provides a framework for the Board in our guidance of management and our responsibility to create value for our shareholders.

The Board's strict adherence at all times to principles of good corporate governance is also at the very foundation



of the company. As a member of ING Group, one of the world's largest and most respected public financial services companies, ING Canada has a long history of meeting best practices in corporate governance that were in force long before we became a public company, including compliance, risk management and disclosure. As a result of ING Groep's current 70% ownership of ING Canada, we have inherited and expanded upon many of the principles that best guide the Board in its principal role of enhancing shareholder value.

At the heart of our approach to corporate governance and strong oversight is the independence and composition of the outstanding group of distinguished professionals that make up the Board. Equally important are the rich and diverse backgrounds and experience they bring from senior management positions within and outside the financial services industry. Their different perspectives have proven invaluable throughout the year in evaluating every decision based on helping the company grow and the best long term interests of all our shareholders.

I would like to thank my fellow Board members for their dedication, hard work and outstanding service to shareholders throughout the year. Their contributions have been inestimable and I look forward to their guidance and expert advice throughout 2007. On behalf of all Board members, I want to thank the management team at ING Canada and all 6,500 employees across Canada for their outstanding work and extend our sincere appreciation for their contribution to our solid financial results and commitment to outperformance.



Yves Brouillette
Chairman

President and CEO's Message

ING Canada experienced another solid year of growth and profitability in 2006 thanks to our ongoing emphasis on meeting customers' needs and leveraging our core competencies of disciplined underwriting and pricing. The company continued to demonstrate its ability to provide outstanding value to shareholders, achieving net income of \$658.1 million and a return on equity (ROE) of 20.8%.

Our solid growth in a competitive market is a reflection of our strong brand attributes and the enhanced value proposition provided by a number of innovative new products and services. Our insurance businesses continue to perform well, benefiting from our scale advantage in claims management and strong investment performance. We believe our ongoing efforts to make ING Canada a bottom-up company driven by client needs will continue to deliver superior results and further solidify our position as Canada's leading property and casualty (P&C) insurance provider.

Both the pricing and regulatory environment remained relatively stable in 2006. We achieved organic growth evidenced by an increase in the number of written insured risks in personal lines, both in auto and property. Personal lines were also positively influenced by stable claims costs. Commercial lines continued to perform well despite a more competitive market, as volumes declined by only 1% while our combined ratio improved and remained at historically low levels.

Creating a sustainable, superior ROE gap relative to the industry is one of our key goals; it provides the means to reinvest in the growth of our customer base and, by extension, maximize value for our shareholders. A second major objective is the strengthening of our market position by exceeding the annual organic growth rate of the Canadian P&C insurance industry by at least 300 basis points (3%) over

Relationships

Our reputation establishes strong

the long term. Furthermore, we intend to generate additional growth by leveraging our expertise in making and integrating value-creating acquisitions.

In 2006, we completed the relocation of over 1,300 ING Canada employees to our new head office in downtown Toronto. As a result of this consolidation, we now have the space to acquire the talent necessary to support our growth objectives and secure the future of our company. We have also created an exciting and dynamic environment that makes it easier for our staff to work together, exchange ideas and build on one another's successes to meet or exceed the expectations of our customers.

2007 will see a continuation of our efforts to make customer-centricity not just a way of doing business but a deeply rooted, long term mindset that permeates every aspect

of our business. Not only does this make good business sense but it is also a prerequisite to generating higher earnings and increased returns for our shareholders. We believe that the interests of shareholders and customers are closely aligned, and that shareholders' interests are best served when customers are at the core of a company's culture.

Our intent is to provide customers with a unique value-added experience that sets us apart from our competitors, which can be seen in the innovative products and services we launched during the year. Each new offering such as "Zero Deductible," "We'll Take Your Word For It," identity theft protection and our new client statement have at their core one or more of our key brand attributes of treating customers fairly, delivering on our promises, and making it easier to do business with us. They are an integral part of building meaningful long term relationships and promoting greater loyalty among our customers. It was in this spirit that we launched our Aeroplan program in September, rewarding customers for their loyalty.

ING Canada continues to invest heavily in the broker channel to help brokers grow their business and better serve their customers. In 2007, we will further develop our partnership through the continued rollout of QUEST, an enhanced package of value-added services including technology, marketing, sales training and financing that can be customized to help brokers get more out of their relationship with us. We believe that providing this additional value to brokers will be instrumental in helping us to achieve our growth objectives while also reflecting our continued commitment to their success and the development of this important distribution channel.

Focusing on customers also means providing them with choices as to how they deal with us. In addition to those who seek the advice of a trusted independent insurance broker, our direct insurance distributor **belairdirect** provides a self-serve option to customers who prefer the convenience of making purchases directly by telephone or over the Internet.



We also offer personal and commercial insurance products and services to individuals and businesses through our own Affiliated Distribution Network, which includes Canada Brokerlink, Grey Power and Equisure.

Our continued success has provided us with the opportunity to improve the quality of life in the communities in which we operate. The ING Foundation, through its Chances for Children programs, continued to support causes and charitable organizations throughout 2006 that inspire inventiveness and independence in Canada's youth, and empower young people to achieve their full potential. ING Canada also supports communities through sponsorship of events and organizations that we feel best reflect our culture, values and spirit of innovation such as the ING Canada Ottawa Marathon and our role as a Premier Partner of Canada's National Speed Skating team.

To be successful, it is essential to have a corporate culture that promotes our shared vision. Once again ING Canada employees have risen to the challenge and demonstrated the ability and desire to offer our customers a unique and exceptional experience. I would like to thank all our employees for their dedication and contributions throughout the year. I would also like to acknowledge the outstanding work of our broker-partners and thank them for their continued support.

On behalf of ING Canada, I would like to offer a special thanks and warm wishes to Don Lough and Jacques Valotaire, who are retiring after many years of outstanding service and huge contributions to the development of the company. I would also like to congratulate Charles Brindamour and Derek Iles on their recent appointments, Charles to the newly created position of Chief Operating Officer and Derek as President, ING Insurance. Charles will be responsible for our insurance operations across the country, and will use his considerable talents and knowledge of the industry to execute our core strategy. Derek brings a successful track record in broker relations to his expanded responsibilities in

managing the sale of insurance products and services through independent brokers across the country.

We expect industry top-line growth in 2007 will continue to remain below historical levels, but that underwriting results should continue to exceed historical returns. Existing automobile insurance systems have been effective at containing and stabilizing claims costs, and current low claims frequency will either increase or lead to premium reductions. Sustainability of the cost containment measures as well as potential rate reductions will continue to be critical to our performance. Commercial insurance markets remain competitive and, although prices are continuing to soften, returns are expected to be above historical levels.

We continue to work closely with governments to adopt a more risk-based approach to insurance regulation and to promote a more open, market-driven environment, which we believe will encourage more competition, greater innovation and result in better outcomes for customers.

Our ongoing commitment to disciplined underwriting and pricing together with significant scale advantages and a track record of growth, profitability and outperformance enhances our ability to withstand industry cycles and achieve our targeted returns.

To our shareholders, we appreciate your confidence and will continue with our efforts to provide you with superior industry returns year after year. Our strong financial condition and history of profitable growth position us well for continued success in 2007.



Claude Dussault
President & CEO

Strong relationships foster Growth

Accelerating the Pace of Organic Growth

ING Canada has grown almost twice as fast as the Canadian property and casualty (P&C) industry over the past 10 years in the course of extending a successful track record of acquiring and integrating companies.

And while acquisitions are expected to play a significant role in generating growth in the years ahead, as the fragmented P&C industry further consolidates, we also continue to recognize the ongoing importance of having a sustainable platform for growth independent of acquisitions.

We are more focused than ever on serving new and existing customers and providing clients with value-added and innovative products.

In fact, we have set out to exceed the Canadian P&C industry's annual organic growth rate in direct premiums written by at least 300 basis points (3%) on average, per year, over the long term. We say "over the long term" given the vagaries and pressures of the market from year to year and the need to continually exercise financial discipline even if doing so limits growth in the short term.

Integral to our goal of achieving superior growth through multiple distribution channels is a commitment to finding new and innovative means of providing clients greater value for products and services they want and a superior claims experience in the event of misfortune.

Innovation = Customer Value

Consumers insure their cars and homes to protect their assets and for the peace of mind protection brings. Businesses do the same to protect themselves from the risks they face.

But all products – and insurance companies, aren't the same.

We continually ask customers what they want and actively listen to what they have to say. In response, we regularly seek to create new products and services designed to address both identified concerns as well as opportunities to give clients greater value for their money.

For example, many direct insurance buyers shop around for coverage, and more would likely do so if the job was a bit easier. We heard you. Shoppers can now, upon obtaining a car insurance quote online from **belairdirect** at belairdirect.com, choose to compare it with up to five quotes of the competition, within seconds.

But wait, there's more! We've highlighted on the following pages some additional new products and services that give customers what they actually want and are prepared to pay for.

The screenshot shows the 'Your Car Insurance Quote' page on the belairdirect website. It features a sidebar with navigation options: 'Secure Transaction', 'Quote Progress', 'Get Started', 'Register', 'Add Car(s)', 'Add Driver(s)', 'Car Usage', 'Driver Info', and 'Car Insurance'. The main content area displays a quote for \$1,711.00 for 1 year, including a 5% internet savings. Below this is a table comparing quotes from various companies, with columns for 'Quote reference number', 'Company', 'Features', 'Premium', and 'Interest?'. The table lists several quotes with their respective features and premium amounts.

Quote reference number	Company	Features	Premium	Interest?
1000-0000	belairdirect	Must be new. C100, L400, A80 (closed). Permy member (closed) (closed) (closed). A or A/L, B60, 0000. Permy member (closed) (closed) (closed). A or A/L, B60, 0000.	\$ 1,800 Per month \$21.00 \$21.00	belairdirect
1000-0000	belairdirect	Must be new. C100, L400, A80 (closed). Permy member (closed) (closed) (closed). A or A/L, B60, 0000.	\$ 1,800 Per month \$21.00 \$21.00	belairdirect
1000-0000	belairdirect	Must be new. C100, L400, A80 (closed). Permy member (closed) (closed) (closed). A or A/L, B60, 0000.	\$ 1,700 Per month \$19.00 \$19.00	belairdirect
1000-0000	belairdirect	Must be new. C100, L400, A80 (closed). Permy member (closed) (closed) (closed). A or A/L, B60, 0000.	\$ 1,800 Per month \$21.00 \$21.00	belairdirect
1000-0000	belairdirect	Must be new. C100, L400, A80 (closed). Permy member (closed) (closed) (closed). A or A/L, B60, 0000.	\$ 1,800 Per month \$21.00 \$21.00	belairdirect

belairdirect.



Maurice Pagé is a good driver who had a bad day, and an at-fault car accident. Lucky for him, he was covered under **belairdirect's** Crash-Proof Policy and \$0 Deductible Offer so his good driver insurance rates and driving record will remain intact. And he just picked up his car and not his wallet, as a deductible payment wasn't required. By having his vehicle repaired at Garage M & E Richard Inc., an Auto Rely Network member, Mr. Pagé was able to get back on the road quickly with the added satisfaction of knowing we stand behind and guarantee his repairs. He's shown here with David Richard (left) and David's father, Marcel Richard (right). Marcel and David are the second and third generation members of the family business, established in 1950.

Growth provides industry Advantages

For Drivers

For good drivers who have a bad day, coverage under our *Responsible Driver Guarantee* or *Crash-Proof Policy* will preserve their good driving record. The first at-fault accident has no impact on any claims-free discount in effect; should a client of ours have a second accident, it's the first in our eyes. And, best of all, this coverage comes at no cost for accident-free customers who have been with us for five years or longer.

For drivers who don't want to dip into their pockets to "pay again" on top of their premium when having to file a claim, we now offer a no deductible policy.

For Individuals

A proliferation of credit cards, PINS and passwords together with widespread use of increasingly sophisticated technology puts many of us at greater risk of identity theft. Our *myname Identity Theft Assistance Plus* product provides a total solution to the problem, including 24/7 assistance, access to experienced lawyers and up to \$25,000 in reimbursement of expenses incurred in setting things right, with no deductible.

For Aeroplan Members

And for those fortunate customers who may have received nothing more in return for their premium than a good night's sleep, and for practically everyone who pays a personal insurance premium, we now offer Aeroplan Miles on home and auto policy purchases and renewals.

THE CRASH-PROOF POLICY

THE \$0 DEDUCTIBLE OFFER

my name

IDENTITY THEFT ASSISTANCE PLUS



©Aeroplan is a Registered Trademark of Aeroplan Limited Partnership.



It's a good day for RESPONSIBLE drivers!



Alain Bellerose and Carole Robitaille had just about completed meticulous renovations to their circa 1870 heritage home that has been in Mr. Bellerose's family since 1920, when it was substantially damaged by fire and subsequent water damage. ING promptly dispatched Property Rely Network member Construction Mario Rainville Inc. to the site to make emergency repairs. This initial work went so well, the homeowners readily agreed to have our contractor carry out the extensive and complete restoration of their property. Ms. Robitaille and Mr. Bellerose are shown here in their new kitchen with ING field claims adjuster André Moquin (left) and Mr. Rainville (right).

Value

Advantages increase shareholder

Serving Customers Better

In reality, we are ultimately in the business of getting things fixed and back to normal in the event our customers need to make a claim. We believe that the timeliness, ease and fairness with which this takes place are what truly define the insurance promise and set companies apart.

Our *24/7 Claims Service Guarantee* means we will get started on a claim right away. If a claimant isn't speaking to a representative who can immediately help them within 30 minutes of calling us to report a new claim, we will write a cheque for the policyholder's annual premium, up to \$1,000.

Canada's largest claims team of over 1,750 individuals across the country allows us to offer this Guarantee and provide faster service to our insureds.

We understand convenience and speed are important to our customers. That's why we launched our *Duoline* service. It provides for a smooth three-way conference between the customer, the ING Canada adjuster and the broker when dealing with a claim.

And we believe our customers, no hassles, no kidding. With *We'll Take Your Word For It*, we'll pay collision claims based on the client's version of events with deductibles and claim details confirmed on the spot.

Use of our *Rely Network* of carefully selected auto collision shops and property restoration contractors means fast, priority service and ING Canada guarantees the repairs!

For Commercial Insurance Customers

We are one of the country's largest underwriters of commercial insurance with an emphasis on serving small to medium-sized businesses across Canada.

We offer a full suite of *ING Edge* product solutions for businesses across a variety of industries, and importantly, we have stepped up our efforts to help clients prevent and mitigate losses. More than 30 ING Canada loss control representatives made approximately 9,500 client visits during 2006, helping to keep costs and premiums down.

Our claims advantage is enjoyed as well by commercial customers who also have access to *Duoline* and our *Rely Network* of auto body and property professionals.



The support you need.
30 MINUTES. GUARANTEED.

We'll take your word for it.

® duoline

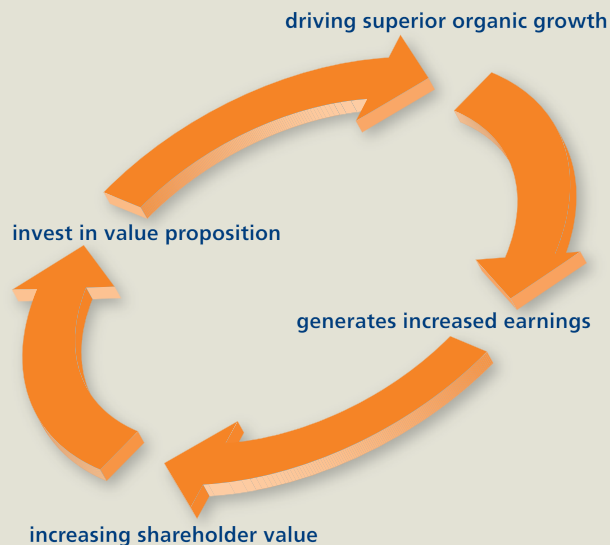


Madeleine Daigneault or "Madame Andrée" as she's known locally, is the owner and founder of Andrée Chocolats, a purveyor of fine handmade chocolates since 1940. She's shown here with Michel Hadd, the *confiseur* who prepares the various chocolate fillings for hand dipping. Andrée Chocolats is one of many small businesses across Canada that we insure reflecting our emphasis on small to medium-sized commercial insurance clients.

Value is reflected in our Promises

A Virtuous Cycle

We believe a commitment to innovative, value-added products represents an important link in a virtuous cycle by which profitable companies create the means to invest in product innovation, driving superior organic growth in satisfied customers, generating increased earnings and shareholder value in turn, which results in the continuing ability to invest in the value proposition.



ING Canada in the Community

Our business of caring about and for customers extends to the greater community at large in which we conduct business.

Through the ING Foundation, we continued in 2006 to support sustainable programs and activities that improve the quality of life and unlock the potential of Canadian youth. We contributed financially to the organizations that our employees support or in which they volunteer their time.

Youth in Motion's "Top 20 Under 20", which was launched with the help of the ING Foundation, once again celebrated and rewarded the inspirational leadership and achievements of 20 individuals aged 10 to 19. Our support of this program enhances the personal and professional development of these young people through a leadership summit and a unique mentoring program.

We continued to support innovative, therapeutic programs for sick children such as *Dr. Clown*.

Our annual United Way efforts paid off again in 2006, enabling us to make a donation of \$1 million to their network of agencies and programs thanks to the generosity of our employees and corporate contributions.

We also partnered with UNICEF Canada to support the *ING Chances for Children* initiative and contribute to achieving the goal of giving 50,000 children in developing countries access to education by the end of 2007.

Our main sponsorship activity, the ING Ottawa Marathon, continued to grow this year. Nearly 30,000 participants took part in a variety of events, a 50% increase since we became a partner in this event three years ago. Thanks to the *ING Run for Something Better*, running clubs across Canada were able to open their doors to underprivileged kids.

And we became a proud Premier Partner of Canada's National Speed Skating team in 2006, a team which won a dozen Olympic medals in Turin, Italy that year.

Management's Discussion and Analysis



Charles Brindamour
Chief Operating
Officer

March 2, 2007

The following Management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and accompanying notes at the end of this document.

The Company uses both generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. ING Canada analyzes performance based on underwriting ratios such as combined, expense and claims ratios. These terms are defined in section 1.4 of this document and in the Annual Information Form.

This document contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed below or in our Annual Information Form. Please read the cautionary note in section 6.2 of this document. Certain totals, subtotals and percentages may not agree due to rounding. Additional information about ING Canada, including the Annual Information Form, may be found online on SEDAR at www.sedar.com.

Table of Contents

Overview	14	Section 4 – Accounting and Disclosure Matters	
Recent Developments	15	4.1 Disclosure Controls and Procedures	35
Section 1 – Corporate Information		4.2 Internal Control over Financial Reporting	35
1.1 Who is ING Canada?	15	4.3 Critical Accounting Estimates and Assumptions	35
1.2 Goals and Strategies	15	4.4 Impact of New Accounting Standards	38
1.3 Industry Outlook	16	Section 5 – Risk Management	
1.4 Key Performance Indicators	17	5.1 Risk Management Principles and Responsibilities	40
Section 2 – 2006 Performance Review		5.2 Operational Risk Management	42
2.1 Results from Operations	18	5.3 Corporate Governance and Compliance	42
2.2 Performance by Operating Groups	21	5.4 Industry Standards	43
2.3 Summary of Quarterly Results	23	Section 6 – Other Matters	
2.4 Selected Annual Information	24	6.1 Related Party Transactions	44
2.5 Fourth Quarter 2006 Overview	24	6.2 Cautionary Note Regarding Forward-Looking Statements	45
Section 3 – Financial Condition			
3.1 Balance Sheet Analysis	25		
3.2 Liquidity and Capital Resources	31		
3.3 Contractual Obligations	34		
3.4 Off Balance Sheet Arrangements	34		

Overview

Return on equity for the year was 20.8% and the book value per share increased 18.3% to \$25.58 from \$21.63

Personal lines, both auto and property, finished the year strongly with direct premiums written growing 5.8% versus 2005 after excluding pools

Net income for the year ended December 31, 2006 was \$658.1 million, down 15.8% from the exceptional performance of 2005. The drop in net income was driven by lower underwriting income and lower realized investment gains. Return on equity for the year was 20.8% and the book value per share increased 18.3% to \$25.58 from \$21.63 a year ago. Direct premiums written gained momentum in the second half of the year, resulting in 2.7% growth year over year after excluding pools and AGR (defined in Section 2.1).

- The 2.7% increase in direct premiums written was driven by a 3.3% increase in the number of written insured risks. Personal lines, both auto and property, finished the year strongly with direct premiums written growing 5.8% versus 2005 after excluding pools.
- Underwriting results were driven by a combined ratio of 89.4% for the year, 3.4 points higher than in 2005, due primarily to lower favourable prior year claims development. Also impacting underwriting results were lower losses from catastrophes in 2006, in both commercial and personal lines. Current accident year results were lower due partly to the impact of lower automobile rates on earned premiums and higher general expenses.
- Pre-tax realized investment and other gains totalled \$193.5 million, down from \$223.5 million in 2005 due primarily to lower net gains on bonds caused by lower turnover levels and market conditions during much of the year.

The following table presents the major changes in income before income taxes.

Table 1

(in millions of dollars)

2005 Income before income taxes		1,090.9
Favourable prior year claims development	(107.7)	
Current accident year:		
Catastrophes	20.5	
Facility Association	(4.5)	
Other	(42.2)	
Net underwriting income		(133.9)
Net realized investment and other gains		(30.0)
Other		25.0
2006 Income before income taxes		952.0

Recent Developments

The Company announced its intention to repurchase up to \$500 million of its common shares

- On February 15, 2007, the Company announced its intention to repurchase for cancellation up to \$500 million of its common shares through a substantial issuer bid, by way of a modified Dutch auction (the Offer). ING Groep, N.V. (ING Groep), ING Canada's majority shareholder, has informed ING Canada of its intent to submit common shares sufficient to maintain its holding at 70%. Under a modified Dutch auction, shareholders who choose to accept the bid will have an opportunity to tender their shares at a price they select within a price range established by the Company. This range has been set at a share price not less than \$51.00 and not more than \$59.00. Alternatively, shareholders may submit a proportionate tender enabling them to maintain their current proportionate share ownership following completion of the auction. The purchase price payable by ING Canada for shares purchased will be the lowest price within the range that will allow it to purchase shares up to the auction limit determined in accordance with the terms of the bid. A circular containing the full details of the issuer bid and procedures for tendering shares has been filed with the appropriate Canadian securities regulators on SEDAR at www.sedar.com.
- On February 15, 2007, the Company also announced an increase in its quarterly dividend of 2.0 cents to 27.0 cents per share on its outstanding common shares.
- On February 16, 2007, the Autorité des marchés financiers ("AMF"), the regulatory and oversight body for Québec's financial sector, announced that Equisure Financial Network Inc. ("Equisure"), a subsidiary of the Company, has complied with all commitments undertaken by the Company under an agreement reached in December 2005. The AMF and Equisure have further agreed on the improvements that need to be made to the corporate structures of the property and casualty (P&C) brokerages covered by the agreement; these structures meet the AMF's requirement and comply with current legislation.

Section 1 – Corporate Information

1.1 Who is ING Canada?

ING Canada is the country's leading provider of property and casualty insurance. We offer automobile, property and liability insurance to individuals and businesses through a number of insurance subsidiaries. Consumers may purchase our products through a national network of independent brokers, affiliated brokers and directly, over the Internet or through call centres. ING Canada's common shares are listed on the Toronto Stock Exchange (TSX: IIC).

ING Canada's main subsidiaries include ING Insurance Company of Canada, Belair Insurance Company Inc., The Nordic Insurance Company of Canada, ING Novex Insurance Company of Canada, Trafalgar Insurance Company of Canada (hereinafter P&C companies or subsidiaries), ING Investment Management, Inc., Equisure Financial Network Inc., Canada Brokerlink Inc. and Grey Power Insurance Brokers Inc.

1.2 Goals and Strategies

Our strategy continues to be to leverage our scale and core competencies in underwriting, pricing and claims and to provide our distributors and policyholders with a superior service and product proposition, leading to sustainable industry outperformance in organic growth and return on equity. Acquisitions enabling us to increase our market share in existing product lines within existing geographies are an important aspect of our strategy. Asset management will continue as a core competency focused on achieving superior after-tax returns.

Long-term goals	To create a sustainable, superior performance gap, as measured by return on equity, relative to the Canadian property and casualty industry of not less than 500 basis points (5%).	To exceed the annual organic growth rate in direct premiums written of the Canadian property and casualty industry by at least 300 basis points (3%) over the long term.
Key strategies	<p>Leverage our size and scale:</p> <p>Pricing and underwriting</p> <ul style="list-style-type: none"> • Enhance sophisticated pricing strategies based on a large proprietary experience database • Focus on economic value drivers and proprietary tools to exploit market inefficiencies • Maintain a disciplined risk selection process • Provide improved data access and training to underwriting staff <p>Expense management</p> <ul style="list-style-type: none"> • Implement world class supply chain management and increase the use of technology in claims management • Improve efficiencies through common processes throughout the Company • Maintain strong in-house claims expertise to deliver efficiency and cost savings • Increase use of preferred provider networks 	<p>Strengthen our market position through organic growth:</p> <p>Strengthen our relationship with brokers</p> <ul style="list-style-type: none"> • Make it easier to do business with us • Assist brokers in growing their business through marketing, training and acquisitions support <p>Offer increased value to customers</p> <ul style="list-style-type: none"> • Introduce new, innovative products that improve our value proposition <p>Expand multi-channel distribution network</p> <ul style="list-style-type: none"> • Independent brokers • Affiliated Distribution Network • Direct sales in Ontario and Québec

Achievement of our strategy is not feasible without the active participation of our employees. To be successful, it is essential to have a winning performance culture that promotes our shared vision. In this respect, ING Canada's strategy includes the attraction, retention and development of employees who are able to rise to the challenge and demonstrate an ability and desire to offer our customers a unique and exceptional experience. The Company's past and future success is dependent on their dedication and contributions throughout the years.

1.3 Industry Outlook

Several key factors will affect the P&C insurance industry over the coming 12 months.

Underwriting results should exceed historical returns

- **Industry growth and underwriting income:** We expect the industry's top-line growth rate to be below historical levels, and underwriting results should exceed historical returns.
- **Claims costs in automobile insurance:** The existing automobile insurance systems have been effective at containing and stabilizing claims costs. Furthermore, automobile claims frequency remains low and we believe frequency will either increase or continued low frequency will lead to premium reductions. Sustainability of the cost containment measures, as well as potential rate reductions, will continue to be key performance drivers.
- **Commercial insurance competition:** Commercial insurance continues to be competitive; prices are softening but continue to yield returns above historical levels. We remain disciplined in pricing and underwriting and committed to superior service to our brokers and commercial customers.

- **Non-residential construction cost:** Non-residential construction cost increases are putting pressure on commercial insurance underwriting margins. We continue to work with our brokers to ensure our commercial customers retain sufficient coverage.

ING Canada, with its scale advantage, underwriting discipline and pricing sophistication, is well positioned to capitalize on the above conditions and continue to outperform the industry’s return on equity for the foreseeable future. Our distinct product and service proposition delivered through a multi-channel distribution network will be a key driver in fuelling organic growth.

1.4 Key Performance Indicators

The financial numbers used to determine the indicators below are determined in accordance with GAAP but the ratios are considered non-GAAP measures. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. Technical terms are defined below and in the Annual Information Form.

<p><i>Growth</i></p> <p>Direct premiums written: The total premiums from the primary insured in respect of insurance underwritten by an insurer during a specified period.</p> <p>Written insured risks: The number of vehicles in automobile insurance, the number of premises in personal property insurance and the number of policies in commercial insurance (excluding commercial auto insurance).</p>	<p><i>Profitability</i></p> <p>Net underwriting income: The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and general expenses; a key profitability measure.</p> <p>Average pre-tax yield: This yield is calculated using the investment income of the P&C companies for the period excluding realized gains and losses divided by the average invested assets of the P&C companies calculated monthly including cash equivalents but excluding cash balances.</p>
<p><i>Performance and execution</i></p> <p>Claims ratio: Claims and loss adjustment expenses incurred, net of reinsurance, during a defined period and expressed as a percentage of net premiums earned for the same period.</p> <p>Expense ratio: Underwriting expenses including commissions, premium taxes and all general and administrative expenses, incurred in operating the business during a defined period and expressed as a percentage of net premiums earned for the same period. Components of the expense ratio (commissions, premium taxes and general expenses) are individual ratios expressed as a percentage of net premiums earned.</p> <p>Combined ratio: The sum of the claims ratio and the expense ratio. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable result.</p>	<p><i>Capital management</i></p> <p>Return on equity (ROE): Represents our net income for the 12 months ended on the date indicated divided by the average shareholders’ equity over the same 12 month period. Net income and shareholders’ equity are determined in accordance with GAAP. We compare our ROE against that of the industry, when available, as reported by the Office of the Superintendent of Financial Institutions.</p> <p>Book value per share: Represents shareholders’ equity at the end of the year divided by the number of outstanding common shares at the same date.</p>

Section 2 – 2006 Performance Review

2.1 Results from Operations

Written insured risks (thousands)



The number of written insured risks grew, driven by solid growth in the second half of the year

	Year ending December 31		Increase
	2006	2005	(decrease)
Written insured risks (thousands)	4,565.1	4,417.9	3.3 %
Direct premiums written	3,990.4	3,904.9	2.2 %
Underwriting:			
Net premiums earned	3,826.6	3,840.2	(0.4)%
Net incurred losses and general expenses	3,422.8	3,302.5	3.6 %
Net underwriting income	403.8	537.7	(24.9)%
<i>Combined ratio</i>	89.4%	86.0%	3.4 pts
Investment income	294.8	300.7	(2.0)%
Net realized investment and other gains	193.5	223.5	(13.4)%
Corporate and distribution	59.9	29.0	106.6 %
Income before income taxes	952.0	1,090.9	(12.7)%
Income taxes	293.9	309.1	(4.9)%
<i>Effective income tax rate</i>	30.9%	28.3%	2.6 pts
Net income	658.1	781.8	(15.8)%
EPS – basic and diluted (dollars)	4.92	5.85	(15.9)%
Return on equity	20.8%	31.6%	(10.8)pts
Book value per share (dollars)	25.58	21.63	18.3 %

The number of **written insured risks** grew 3.3% during the year, driven by solid growth in the second half of the year. Personal lines, particularly auto insurance, drove this growth while the number of commercial lines risks was slightly down year over year.

Direct premiums written after excluding pools, increased 2.2% compared to 2005, and 2.7% if we also exclude premiums related to the AGR business, which initially formed part of the Allianz acquisition and was re-transferred to the vendor effective September 30, 2005. Written premium rate reductions averaged 2.4% for the year.

Net premiums earned lagged the growth in direct premiums written as the recent growth in written premiums has not yet fully impacted net premiums earned. Net premium rate reductions averaged 2.9% for the year.

Net Incurred Losses and General Expenses

	Year ending December 31		Increase
	2006	2005	(decrease)
Net incurred losses:			
Favourable prior year claims development	(169.9)	(277.6)	(38.8)%
Catastrophes	59.2	79.7	(25.7)%
Current year claims	2,371.9	2,359.6	0.5 %
Total	2,261.2	2,161.7	4.6 %
Commissions, net	674.5	674.2	–
Premium taxes, net	132.3	133.7	(1.0)%
General expenses, net	354.8	332.9	6.6 %
Total	3,422.8	3,302.5	3.6 %
Combined ratio	89.4%	86.0%	3.4pts

Net Incurred Losses

Prior year claims development for the year remained favourable by \$169.9 million (4.9% of opening reserves) compared to \$277.6 million (7.9% of opening reserves) in 2005. The 2006 favourable development came mainly from automobile in the amount of \$167.8 million (including \$19.8 million from pools) which is \$90.6 million less favourable than the prior year. The remaining favourable development came from commercial other in the amount of \$25.9 million, which is \$11.9 million less favourable than 2005. Conversely, we experienced \$23.8 million of unfavourable development in personal property, compared to \$18.6 million in 2005.

Table 4

<i>Losses from catastrophes</i> (in millions of dollars)	Year ending December 31		Increase (decrease)
	2006	2005	
Personal line of business	49.5	131.8	(82.3)
Commercial line of business	9.7	40.9	(31.2)
Total direct claims	59.2	172.7	(113.5)
Ceded, net of reinstatement premium	–	(93.0)	93.0
Total	59.2	79.7	(20.5)

Losses from
catastrophes were
\$20.5 million
lower in 2006 as
compared to 2005

Catastrophes are defined as individual events resulting in net claims incurred which are expected to be \$5 million or more. In 2006, catastrophes consisted mainly of personal property damage due to ice and wind storms which hit most of the country. There were no reinsurance claims made for catastrophes incurred in 2006 as all losses were within our retention limits. In 2005, the Company incurred several storm-related catastrophe claims that were ceded to reinsurers and a large commercial loss was incurred in Québec which resulted in a substantial reinsurance claim. Notwithstanding, losses from catastrophes were \$20.5 million lower in 2006 as compared to 2005.

Current year claims for the year were reasonably stable compared to 2005. Although weather conditions were generally mild in our main markets, there were several ice and wind storms which did not qualify as catastrophes but still caused significant damage.

General Expenses

Commissions and **premium taxes** were stable.

General expenses increased during the year due to higher marketing expenses and lower fees from the service carrier operated on behalf of the Facility Association.

Industry pools consist of the so-called residual market as well as risk-sharing pools (RSP) in Alberta, Ontario, Québec and New Brunswick. These pools are managed by the Facility Association except the Québec RSP. Transfers in and out of these pools on balance had no significant impact on underwriting income for the current accident year.

Investment Income

(in millions of dollars, except as otherwise noted)	Year ending December 31		Increase (decrease)
	2006	2005	
Interest income	170.4	203.6	(16.3)%
Dividend income	147.0	117.0	25.6 %
Investment expenses and other	(22.6)	(19.9)	13.6 %
Total	294.8	300.7	(2.0)%

The main source of **interest income** is bonds. While there was no significant change in the yield year over year, a portion of the portfolio was sold and reinvested in equities. As a result, interest income on bonds decreased for the year. Also, the Company received a non-recurring interest payment in 2005 of \$14.5 million.

Dividend income increased in 2006 consistent with the higher level of equity investments.

Average pre-tax yield on invested assets was 4.9% for 2006 and 4.8% in 2005.

Net Realized Investment and Other Gains

Table 6 (in millions of dollars, except as otherwise noted)	Year ending December 31		Increase (decrease)
	2006	2005	
Realized gains on the sale of:			
Fixed income securities	23.8	87.9	(72.9)%
Equities	193.4	137.2	41.0 %
Impairments	(20.4)	(10.5)	94.3 %
Losses on derivatives	(14.5)	–	n/a
Realized gains on the sale of other assets	11.2	8.9	25.8 %
Total before income taxes	193.5	223.5	(13.4)%
After income taxes	127.5	169.4	(25.0)%
Unrealized gains at end of period	201.3	304.2	n/a
Change in unrealized gains in the year	(102.9)	62.0	n/a

During the year, total net realized investment and other gains decreased due to the following developments:

- Net gains on bonds were lower due to lower turnover levels and market conditions during much of the year.
- Gains on the sale of common shares were higher because of favourable market conditions and an increased amount of equity investments.
- Impairments increased as the Company wrote down a higher number of investments in 2006 due to market performance.
- Derivative financial instruments are marked to market for accounting purposes whereas investments are generally carried at cost, including the investments that are related to some derivatives (“related investments”). For the year, the related investments generated gains of \$4.2 million and unrealized gains increased by \$11.3 million, whereas the derivatives associated with these investments had losses of \$16.3 million included in the \$14.5 million loss on derivatives shown in the table above.
- Other assets sold in the year include various properties which generated most of the gain in 2006. In 2005, the Company transferred and sold its mutual fund business for a gain of \$2.5 million in a non-recurring transaction.

Interest Expense

Interest expense substantially decreased in 2006 as the Company fully repaid its debt during Q3 06.

Income Taxes

The tax rate was higher in 2006 than in 2005 primarily because of the impact of future tax rate changes, and a 2005 tax recovery from losses not previously recorded.

The Company fully repaid its debt in 2006

Net Income and Earnings per Share

These items are down primarily due to lower underwriting income, which is mostly attributable to lower favourable prior year claims development.

Return on Equity

Return on equity was 20.8% in 2006 compared to 31.6% in 2005 due to a combination of lower earnings and an increasing equity base.

2.2 Performance by Operating Groups

The Company's core business activity is P&C insurance underwriting which is further divided in two lines of business: personal and commercial lines. Investment income is generated on the investment portfolio held by the Company's P&C subsidiaries and has been reviewed earlier. Net realized investment and other gains have also been reviewed earlier. Finally, the corporate and distribution group includes the results of the Company's distribution operations, investment income at the holding company as well as other items not allocated to any other group.

Underwriting –
Personal Insurance
Direct premiums
written



Underwriting – Personal Insurance

Table 7 (in millions of dollars, except as otherwise noted)	Year ending December 31		Increase (decrease)
	2006	2005	
Written insured risks (thousands):			
Automobile	2,440.1	2,335.9	4.5 %
Property	1,637.5	1,591.5	2.9 %
Total	4,077.6	3,927.4	3.8 %
Direct premiums written:			
Automobile	1,966.0	1,877.0	4.7 %
Property	841.5	779.9	7.9 %
Total	2,807.5	2,656.9	5.7 %
Net premiums earned:			
Automobile	1,911.2	1,946.9	(1.8)%
Property	785.4	733.8	7.0 %
Total	2,696.6	2,680.7	0.6 %
Net underwriting income (loss):			
Automobile	242.5	411.5	(41.1)%
Property	(0.3)	(29.4)	(99.0)%
Total	242.2	382.1	(36.6)%
Ratios			
Claims ratio	62.5%	57.8%	4.7pts
Commissions ratio	16.3%	16.2%	0.1pt
Premium taxes ratio	3.4%	3.4%	–
General expense ratio	8.9%	8.3%	0.6pt
Combined ratio	91.1%	85.7%	5.3pts

Direct premiums written in both automobile and personal property showed solid growth for the year, driven by increases in the number of written insured risks and the average amount insured. Rates on average increased slightly in personal property while they decreased in automobile. Pools had no significant impact on annual growth rates.

The net underwriting loss in personal property was substantially eliminated through an increase in insured amounts and other corrective measures

Underwriting – Commercial Insurance Combined ratio



The combined ratio in commercial lines improved slightly because of lower overall net incurred losses

Net premiums earned in total were unchanged from 2005, despite overall growth in written premiums. In automobile, this is due to lower rates as well as assumed premiums from pools which were well below those of 2005, while in personal property the difference is due to lower reinsurance premiums.

The **net underwriting loss** in personal property was substantially eliminated through an increase in insured amounts and other corrective measures. Lower loss frequency and higher net premiums earned resulted in diminished losses. In personal auto, net underwriting income was down from 2005 due to lower favourable prior year claims development and the effect of rate decreases.

Underwriting – Commercial Insurance

Table 8 (in millions of dollars, except as otherwise noted)	Year ending December 31		Increase (decrease)
	2006	2005	
Written insured risks (thousands):			
Automobile	253.6	254.1	(0.2)%
Other	233.9	236.5	(1.1)%
Total	487.5	490.6	(0.6)%
Direct premiums written:			
Automobile	327.5	330.4	(0.9)%
Other	855.5	917.6	(6.7)%
Total	1,183.0	1,248.0	(5.2)%
Net premiums earned:			
Automobile	326.8	334.4	(2.3)%
Other	803.1	825.1	(2.7)%
Total	1,129.9	1,159.5	(2.6)%
Net underwriting income:			
Automobile	43.0	43.6	(1.4)%
Other	118.7	112.0	6.0 %
Total	161.7	155.6	3.9 %
Ratios			
Claims ratio	51.0%	52.7%	(1.7)pts
Commissions ratio	20.9%	20.8%	0.1 pt
Premium taxes ratio	3.6%	3.6%	–
General expense ratio	10.2%	9.5%	0.7 pt
Combined ratio	85.7%	86.6%	(0.9)pt

For commercial lines, **written insured risks** were slightly down from 2005 because of a very competitive market.

Direct premiums written after adjusting for AGR business declined by 3.7% in both lines of business and 4.7% in commercial other. A shift to smaller accounts has negatively impacted average premium amounts, more so in commercial other.

Net premiums earned showed declines consistent with those of written premiums in non-auto but increased in auto.

Net underwriting income was stable in commercial auto, while in commercial non-auto, net underwriting income increased due to lower net incurred losses.

Overall, the **combined ratio** in commercial lines improved slightly because of lower overall net incurred losses in the year.

Corporate and Distribution

Our corporate and distribution group primarily includes the results of our brokerage operations (Canada Brokerlink, Grey Power and Equisure) and other expenses.

Table 9 (in millions of dollars, except as otherwise noted)	Year ending December 31		Increase (decrease)
	2006	2005	
Investment income	28.3	6.8	316.2 %
Distribution income	100.0	74.3	34.6 %
Advisory fees and other income	7.5	11.0	(31.8)%
Total revenues	135.8	92.1	47.4 %
Distribution expenses	71.1	54.7	30.0 %
Interest on debt	5.3	8.0	(33.8)%
Other	(0.5)	0.4	n/a
Income before income taxes	59.9	29.0	106.6 %

Investment income increased primarily from higher interest income on larger cash balances in the holding company. Advisory fees are lower as the Company sold its mutual fund business in 2005. Distribution income and expenses have increased along with growth in the distribution network.

2.3 Summary of Quarterly Results

Table 10 (in millions of dollars, except as otherwise noted)	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Written insured								
risks (thousands)	1,051.1	1,242.9	1,356.1	914.9	1,012.7	1,195.2	1,312.1	897.9
Direct premiums written	963.6	1,038.1	1,176.2	812.5	905.0	1,006.5	1,171.4	821.9
Total revenue	1,095.8	1,080.2	1,096.7	1,133.8	1,111.6	1,123.3	1,112.3	1,098.8
Underwriting income	62.3	95.9	165.6	79.9	126.3	116.7	179.8	114.9
Net income	109.4	156.8	205.9	185.9	196.9	202.8	223.6	158.5
Combined ratio (%)	93.6	89.9	82.7	91.5	86.9	87.7	81.2	88.1
EPS – basic/ diluted (dollars)	0.82	1.17	1.54	1.39	1.47	1.52	1.67	1.19
Favourable prior year claims development	(24.3)	(69.1)	(39.5)	(37.0)	(49.0)	(93.6)	(66.6)	(68.4)

In general, the Company's underwriting revenues are stable quarter to quarter but net incurred losses tend to be higher in the first and last quarters of the year, consistent with Canadian weather conditions. Consequently, underwriting income will normally be higher in Q2 and Q3 and lower in the other quarters.

Table 11 <i>Seasonal Indicator</i>	2006	2005	2004	2003	Four-year average
Q1	1.02	1.02	1.10	1.06	1.05
Q2	0.93	0.94	0.92	0.95	0.93
Q3	1.01	1.02	0.98	0.96	0.99
Q4	1.05	1.01	1.01	1.04	1.03

The seasonal indicator is a non-GAAP measure which represents the ratio of the quarterly combined ratio to the annual combined ratio.

2.4 Selected Annual Information

Table 12 (in millions of dollars, except as otherwise noted)	Year ending December 31		
	2006	2005	2004
Total revenue	4,406.4	4,446.1	3,780.9
Net underwriting income	403.8	537.7	470.0
Net income	658.1	781.8	624.2
EPS – basic (dollars)	4.92	5.85	6.51
diluted (dollars)	4.92	5.85	6.49
Annual dividends per common share (dollars)	1.00	0.65	–
Investments	7,241.9	6,721.0	6,285.1
Total assets	10,377.3	9,926.5	9,663.1
Debt outstanding	–	127.0	256.2
Total shareholders' equity	3,420.8	2,892.6	2,059.6

Variations between 2006 and 2005 are analyzed in detail in this document. Variations between 2005 and 2004 were driven by: (1) strong underwriting income, particularly in personal automobile, despite the impact of increased catastrophe claims, most notably in personal property, (2) actual claims experience less than previously reserved for, creating redundant reserves to the benefit of earnings and (3) robust investment results.

2.5 Fourth Quarter 2006 Overview

Net income for the fourth quarter of 2006 was \$109.4 million, down 44.4% from Q4 05's exceptional performance. The drop in net income was driven by lower underwriting income, lower realized investment gains and higher income taxes. Direct premiums written totalled \$963.6 million in the quarter, an increase of 4.6% over Q4 05 after excluding industry pools.

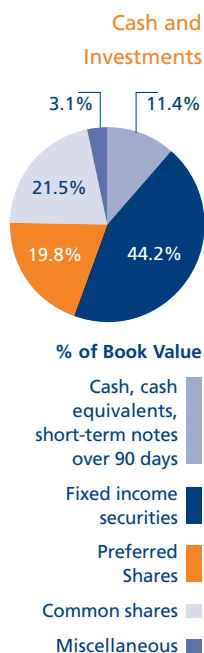
- The 4.6% increase in direct premiums was driven by a 3.8% increase in the number of written insured risks. Personal lines experienced very strong direct premiums written growth of 9.2% for Q4 06 over Q4 05, excluding pools, with good growth in both automobile and property lines.
- Underwriting results were driven by a combined ratio of 93.6% for the quarter, 6.7 points higher than the same quarter of 2005. Catastrophe losses of \$26.4 million compare to no catastrophes in Q4 05. Personal property experienced higher non-catastrophe severity, particularly in Ontario. Lower favourable prior year claims development from automobile pools resulted in lower underwriting results for personal auto. Despite an average rate reduction of 4.6%, the current year loss ratio for personal auto improved slightly, driven by a slight improvement in frequency. Commercial lines performed well in a softening market with an improved combined ratio of 92.8%, 2.6 points below the previous year.
- Pre-tax realized investment and other gains totalled \$15.3 million in the quarter, down from \$67.2 million in Q4 05 due mostly to lower trading volumes. Unrealized gains on investments increased \$65.7 million in the quarter to \$201.3 million.
- The Q4 06 tax expense includes a number of adjustments that had the effect of increasing the effective tax rate by 3.0%, or \$5.1 million; Q4 06 to Q4 05 comparisons are also affected by \$8.4 million of adjustments that improved results in Q4 05.

A complete analysis of the fourth quarter results is available in the press release issued on February 15, 2007 in the section Review of Q4 Performance.

Section 3 – Financial Condition

3.1 Balance Sheet Analysis

Table 13 (in millions of dollars)	Book values As at December 31		Comments on change
	2006	2005	
Cash and cash equivalents	125.9	341.1	Cash was invested in securities with terms exceeding 90 days to improve returns
Investments	7,241.9	6,720.9	See below
Premiums and other receivables	1,643.9	1,518.5	Premiums written are either billed to brokers or billed to policyholders directly. The increase was due to volume increases during Q4 06
Reinsurers' share of claims liabilities and unearned premiums	288.1	347.8	Lower amount of claims ceded to reinsurers in 2006
Deferred acquisition costs	393.1	382.0	Increased revenues in Q4 06
Income taxes receivable	54.1	55.7	No significant changes
Other assets	302.9	274.2	The increase was mostly related to pension plan related assets
Future income tax asset	112.2	141.1	Lower future tax rates have reduced the value of tax assets
Intangible assets and goodwill	215.2	145.2	Acquisitions of brokers during 2006 generated an increase in goodwill and intangible assets
Total assets	10,377.3	9,926.5	
Payables and other liabilities	840.4	815.7	Generally due to timing and increased volume in Q4 06
Unpaid claims and loss adjustment expenses	3,823.6	3,821.6	See below
Unearned premiums	2,264.1	2,194.8	Due to increased volume in Q4 06
Other liabilities	28.4	74.8	
Debt outstanding	–	127.0	Debt was fully repaid during Q3 06
Total liabilities	6,956.5	7,033.9	
Shareholders' equity	3,420.8	2,892.6	The increase was due primarily to net earnings less dividends paid
Total liabilities and shareholders' equity	10,377.3	9,926.5	



The Company transferred approximately \$200 million from its fixed income portfolio to common and preferred share portfolios in accordance with changes in investment policy

Our investment portfolio is managed on a total return basis

Cash and Investments

(in millions of dollars, except as otherwise noted)	As at December 31, 2006			As at December 31, 2005		
	Book value (BV)	% of BV	Fair value (FV)	BV	% of BV	FV
Cash and cash equivalents	125.9	1.7%	125.9	341.1	4.8%	341.1
Short-term notes over 90 days	713.5	9.7%	713.5	440.4	6.2%	440.4
Fixed income securities	3,258.8	44.2%	3,281.6	3,520.8	49.9%	3,595.8
Commercial mortgages	57.2	0.8%	59.0	70.4	1.0%	73.1
Preferred shares	1,460.1	19.8%	1,517.1	1,257.3	17.8%	1,319.9
Common shares	1,580.7	21.5%	1,700.4	1,266.5	17.9%	1,430.4
Other investments:						
Loans to brokers	156.9	2.1%	156.9	151.4	2.2%	151.4
Equity investments	14.7	0.2%	14.7	14.2	0.2%	14.2
Total investments and cash	7,367.8	100.0%	7,569.1	7,062.1	100.0%	7,366.3
Unrealized gains (FV - BV)			201.3			304.2

The increase in total investments and cash resulted from cash provided by operating activities of \$431 million less dividend payments, debt repayment and acquisitions of brokerages and equipment.

During the year, the Company transferred approximately \$200 million from its fixed income portfolio to common and preferred share portfolios in accordance with changes in investment policy. Increases in loans to brokers and equity investments are related to expansion of the Company's distribution network.

We have an investment policy that seeks to provide an attractive risk-return profile over the medium to long term. In developing our investment policy, we take into account the current and expected condition of capital markets, the historic return profiles of various asset classes and the variability of those returns over time, the availability of assets, diversification needs and benefits, regulatory capital required to support the various asset types, security ratings and other material variables likely to affect the overall performance of our investment portfolio. The overall risk profile of our investment portfolio is designed to balance the investment return needs of our liabilities while optimizing the investment opportunities available in the marketplace. Management monitors and enforces compliance with our investment policy. The majority of our investment portfolio is invested in well established, active and liquid markets. Fair value for most investments is determined by reference to quoted market prices. In cases where an active market does not exist, fair value is estimated by reference to recent transactions or current market prices for similar investments.

Our investment portfolio is managed on a total return basis. As such, realized gains and losses are important and recurring components of the return on investments and of income but the timing of their realization is unpredictable. Our portfolio construction methodology takes into account the availability and liquidity of potential investments. We also set constraints by economic sector and by investment strategy to provide diversification across industries. We believe this diversification of exposure across a range of business sectors provides positive investment benefits. At the same time, economic difficulties concentrated in a specific business sector are dampened.

Specific focus is placed on the management of the portfolio to optimize after-tax total return

The following table sets forth our exposure to the ten largest industrial sectors for our combined fixed income securities and preferred and common share portfolios as at December 31, 2006 and 2005. Specific focus is placed on the management of the portfolio to optimize after-tax total return.

Table 15

(in millions of dollars, except as otherwise noted)

	As at December 31, 2006			As at December 31, 2005		
	BV	% of BV	FV	BV	% of BV	FV
Banks	1,563.9	21.6%	1,643.1	827.8	12.3%	895.2
Diversified financial services	765.2	10.6%	789.3	701.2	10.4%	734.3
Insurance	458.7	6.3%	492.1	361.2	5.4%	392.3
Utilities	428.9	5.9%	454.5	449.7	6.7%	482.1
Oil and gas	345.8	4.8%	331.7	274.1	4.1%	300.4
Telecommunication services	313.1	4.3%	313.8	286.9	4.3%	284.7
Special purpose	231.8	3.2%	232.6	252.3	3.8%	257.8
Real estate	225.3	3.1%	244.3	248.8	3.7%	274.2
Media	136.2	1.9%	141.4	121.6	1.8%	121.3
Metals and mining	95.2	1.3%	94.1	70.1	1.0%	79.2
Total top ten sectors	4,564.1	63.0%	4,736.9	3,593.7	53.5%	3,821.4
Government	1,999.6	27.6%	2,011.3	2,043.5	30.4%	2,091.5
Other	678.2	9.4%	695.0	1,083.8	16.1%	1,112.3
Total investment assets	7,241.9	100.0%	7,443.2	6,721.0	100.0%	7,025.2

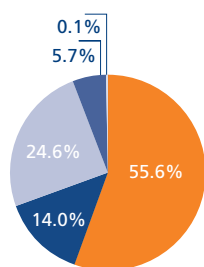
The Company uses derivative financial instruments for hedging purposes and to modify the risk profile of the investment portfolio as long as the resulting exposures are within investment policy guidelines.

Beginning in 2006, we expanded our investment options to include investment grade international bonds

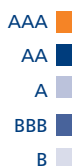
Beginning in 2006, we expanded our investment options to include investment grade international bonds and the use of derivatives to support the management of the duration of our fixed income portfolio. The duration of the bond portfolio moved from 6.3 years at December 31, 2005 to 4.5 years at December 31, 2006. This reduction more closely aligns our investment duration with the duration of our liabilities.

As at December 31, 2006, the weighted average rating of our fixed income portfolio was AA and the weighted average rating of our preferred share portfolio was P2 (ratings are by Standard & Poor's (S&P) or Dominion Bond Rating Services). Approximately \$35.8 million of securities with a rating below investment grade were included in the fixed income and preferred share portfolios at December 31, 2006, compared to \$16.1 million as at December 31, 2005.

Fixed Income
Securities



% of Book Value



Exposure to preferred shares contributes positively to the overall after-tax return of the investment portfolio

The following table sets forth our fixed income portfolio by credit quality as at December 31, 2006 and 2005.

Table 16

(in millions of dollars, except as otherwise noted)

	As at December 31, 2006			As at December 31, 2005		
	BV	% of BV	FV	BV	% of BV	FV
Fixed income securities						
AAA	1,812.9	55.6%	1,815.7	1,588.6	45.1%	1,595.2
AA	457.0	14.0%	466.1	788.7	22.4%	820.0
A	801.0	24.6%	811.2	988.7	28.1%	1,027.4
BBB	184.5	5.7%	186.1	150.8	4.3%	150.3
B	3.4	0.1%	2.5	4.0	0.1%	2.9
Total	3,258.8	100.0%	3,281.6	3,520.8	100.0%	3,595.8

Exposure to preferred shares contributes positively to the overall after-tax return of the investment portfolio. Our continuing profitability allows for material exposure to preferred shares in our investment portfolio and enables us to realize the benefit of receiving preferred share dividends on a tax-free basis. The following table sets forth our preferred share portfolio by credit quality as at December 31, 2006 and 2005.

Table 17

(in millions of dollars, except as otherwise noted)

	As at December 31, 2006			As at December 31, 2005		
	BV	% of BV	FV	BV	% of BV	FV
Preferred shares						
P1	719.4	49.3%	749.5	574.8	45.7%	604.7
P2	566.0	38.8%	584.5	508.6	40.5%	528.2
P3	142.2	9.7%	149.2	161.8	12.9%	172.1
P4	21.4	1.4%	19.9	0.4	–	0.4
P5	11.1	0.8%	14.0	11.7	0.9%	14.5
Total	1,460.1	100.0%	1,517.1	1,257.3	100.0%	1,319.9

Common equity exposure focuses primarily on high-dividend equities. We seek enhanced returns by identifying and investing in shares likely to pay increased dividends or special dividends. We undertake extensive analysis of investment opportunities to identify special dividend candidates. Similar evaluations are conducted to assess investments most likely to increase dividends. We also manage the equity portfolios to achieve additional dividend payments. Through active management, we seek incremental dividend income versus a static portfolio.

The results of our common equity strategies generally depend on overall equity market trends. Accordingly, many factors outside of our control affect the aggregate increases or decreases in the equity portfolios. We seek to select investments that will provide incremental value in excess of our benchmarks. Unforeseen events affecting specific companies, industries or sectors can have significant detrimental impact on the return profile of the equity investments.

Unpaid Claims and Loss Adjustment Expenses

Claims liabilities, which are measured using accepted actuarial practice, take into account the time value of money and provisions for adverse deviation. Changes in these estimates will affect the valuation of the claims liabilities. Discount rates were consistent with those used at year-end 2005 (2006: 4.64%; 2005: 4.63%). The provisions for adverse deviation were also set on a consistent basis with those used at year-end 2005. The claims liabilities used in the table below are taken from the financial statements, are discounted and include a provision for adverse deviation. The cumulative payments are not discounted and do not include a provision for adverse deviation. The net effect of the discount rates and the provisions for adverse deviation is that booked claims liabilities are slightly higher than undiscounted best estimates (by approximately 2.4% at year-end 2006 and 2.0% at year-end 2005). We have taken the positive claims development for both the current and prior accident years into account in arriving at our best estimate of claims liabilities.

The following table shows the development of the claims liabilities for the 10 most recent accident years, with subsequent development during the periods. The original reserve estimates are re-evaluated quarterly for redundancy or deficiency. This re-evaluation is based on actual payments in full or partial settlement of claims as well as on current estimates of claims liabilities for claims still open or claims still unreported.

Table 18

(in millions of dollars, except as otherwise noted)	Accident Year										1996 & –
	Total	2005	2004	2003	2002	2001	2000	1999	1998	1997	
Original reserve	1,118.8	1,117.7	973.2	838.6	729.0	655.5	587.0	548.1	557.2	1,121.2	
Development during Q4 06	(24.3)	(10.0)	(2.9)	(3.2)	(6.0)	(4.3)	1.5	0.1	1.0	(0.8)	0.1
As a % of original reserve		(0.9)%	(0.3)%	(0.3)%	(0.7)%	(0.6)%	0.2%	0.0%	0.2%	(0.1)%	0.0%
Development during 2006	(169.9)	(57.9)	(50.5)	(19.6)	(14.4)	(13.5)	(2.8)	(3.6)	(1.5)	(4.6)	(1.5)
As a % of original reserve		(5.2)%	(4.5)%	(2.0)%	(1.7)%	(1.9)%	(0.4)%	(0.6)%	(0.3)%	(0.8)%	(0.1)%
Cumulative development	(546.9)	(57.9)	(191.1)	(174.6)	(18.3)	49.0	36.4	39.6	(8.4)	(128.4)	(93.2)
As a % of original reserve		(5.2)%	(17.1)%	(17.9)%	(2.2)%	6.7%	5.6%	6.7%	(1.5)%	(23.0)%	(8.3)%

In general, the Company has experienced favourable claims development for most accident years. In the years in which unfavourable claims development occurred, the overall P&C insurance industry had poor claims development due to unexpected changes in automobile claim patterns, particularly in Ontario.

Reinsurance

ING Canada's goals related to ceded reinsurance are:

1. capital protection;
2. reduction in the volatility of results;
3. increase in underwriting capacity;
4. access to expertise of reinsurers.

At December 31, 2006, 13.2% (2005: 17.7%) of the reinsured claims liabilities were ceded to ING Re, an affiliate. We also have reinsurance treaties with a number of unaffiliated reinsurers of which substantially all meet our financial strength rating requirements. The reinsurers chosen to participate in our program have a minimum rating of A- from A.M. Best. The Standard & Poor's rating and the financial analysis performed by our specialized reinsurance brokers are also considered. The treaties have a security review clause allowing ING Canada to change a reinsurer during the term of the agreement if its rating falls below the minimum required. Diversification of reinsurers is analyzed and implemented to avoid too much concentration in a specific reinsurance group.

The placement of ceded reinsurance is done almost exclusively on an excess of loss basis (per event or per risk) as per practice, actuarial norms and regulatory guidelines. Under such programs, we consider that in order for a contract to reduce exposure to risk, it must be structured to ensure that the reinsurer assumes significant insurance risk related to the underlying reinsured policies and it is reasonably possible that the reinsurer may realize a significant loss from the reinsurance. A measure of transfer of risk is the variability of the potential negative impact of the reinsured losses on the reinsurer's underwriting results. Further, our reinsurance treaties call for timely reimbursement of ceded losses.

In 2006, for multi-risk events or catastrophes, our retention was \$25 million plus an average of 10% retention of the exposure between \$25 million and \$600 million with a reinsurance coverage limit of \$1.25 billion

In 2006, for multi-risk events or catastrophes, our retention was \$25 million plus an average of 10% retention of the exposure between \$25 million and \$600 million with a reinsurance coverage limit of \$1.25 billion. The retention of all our treaties (including co-insurance and reinstatement premiums) is chosen such that a single loss or event could not significantly impact our annual loss ratio.

Although we attempt to limit the likelihood of a very large loss to a single reinsurer by spreading coverage across many reinsurers, a single catastrophic event could generate a large loss for them. An earthquake, for example, which reached our \$1.25 billion reinsurance limit would result in a collective loss net of reinstatement premiums of \$1.1 billion to our reinsurers.

Following industry practice, our reinsurance recoverables with licensed Canadian reinsurers (December 31, 2006: \$229.3 million; December 31, 2005: \$264.5 million) are generally unsecured because Canadian regulations require these reinsurers to maintain minimum asset and capital balances in Canada to meet their Canadian obligations, and claims liabilities take priority over the reinsurer's subordinated creditors. Reinsurance recoverables with non-licensed reinsurers are secured with cash, letters of credit and/or assets held in trust accounts.

Share Capital

As of March 2, 2007, there were 133.7 million common shares and one Special Share issued and outstanding. The Special Share is convertible into one common share. ING Groep holds 70% of the issued and outstanding common shares and the Special Share.

Under the Company's long-term incentive plan, certain employees were awarded performance units (one performance unit equals one common share) as part of their compensation. The number of performance units that will eventually vest at the end of the three-year performance cycle depends on the Company's three-year average return on equity compared with that of the Canadian P&C insurance industry. At the time of payout, the Company intends to purchase shares in the market in an amount equal to the number of vested shares. The Company re-estimates the number of performance units that are expected to vest at each reporting period. The estimated total number of performance units was 545,274 units as at December 31, 2006.

3.2 Liquidity and Capital Resources

Liquidity Management

The purpose of liquidity management is to ensure there is sufficient cash to meet all of our financial commitments and obligations as they fall due. We believe we have the flexibility to obtain, from internal sources, the funds needed to fulfill our cash requirements during the current financial year and to satisfy regulatory capital requirements.

The liquidity requirements of our P&C insurance subsidiaries have historically been met primarily by funds generated from operations, asset maturities and income and other returns received on investments. Cash provided from these sources is used primarily for claims and loss adjustment expense payments and operating expenses. Catastrophe claims, the timing and amount of which are inherently unpredictable, may create increased liquidity requirements. Additional sources of cash flow include the sale of invested assets and financing activities. As long as we continue to grow and remain profitable, cash flows should continue to be available for investment. We believe that our future liquidity needs will be met from all of the above sources.

Net cash flows are generally invested in marketable securities. We closely monitor the duration of these investments, and investment purchases and sales may be executed with the objective of having adequate funds available to satisfy our maturing liabilities if needed. As our investment strategy focuses on asset and liability durations, and not specific cash flows, asset sales may be required to satisfy obligations and/or rebalance asset portfolios.

Cash Flows and Liquidities

Table 19 (in millions of dollars, except as otherwise noted)	Year ending December 31		Increase (decrease)
	2006	2005	
Inflows (Outflows)			
Cash provided by operating activities	430.9	637.4	(32.4)%
Investing activities:			
Business acquisitions	(65.2)	(14.6)	346.6 %
Purchases of equipment	(40.4)	(45.7)	(11.6)%
Investments	(279.8)	(231.6)	20.8 %
Financing activities:			
Dividends paid	(133.7)	(86.9)	53.9 %
Debt repayment	(127.0)	(129.2)	(1.7)%
Capital issuance	–	129.2	n/a
Cash at the beginning of the year	341.1	82.5	n/a
Cash at the end of the year	125.9	341.1	(63.1)%

The Company has the ability to generate significant cash flows from its operations based on its high level of profitability and low capital expenditure requirements. Cash provided by operating activities was lower in 2006 as a result of lower net income. Business acquisitions consumed more cash as the Company expanded its distribution network through the acquisition of brokerages and books of business. The increased cash outflow related to other investments reflects the increase in invested assets between 2005 and 2006. Dividends paid in 2006 were higher than in 2005 resulting in a higher cash outflow in 2006. In 2007, cash flows will be impacted by the repurchase of shares described earlier and the increased dividend rate.

Capital Management

The Company has ample capital to support business growth with our insurance subsidiaries having capital of \$695.5 million in excess of the minimum supervisory target

The Company has ample capital to support business growth with our insurance subsidiaries having capital of \$695.5 million in excess of the minimum supervisory target of 150%, as calculated under the Minimum Capital Test (MCT) at December 31, 2006 (2005: \$718.0 million). Because we manage our companies as a group, we report our combined capital position although we also ensure that each insurance company meets all regulatory requirements including the MCT. Our insurance companies are parties to a participation agreement which combines the underwriting results of all the companies with the outcome that each company has a proportion of underwriting results and the claims ratio and expense ratio are the same for each company.

The following table presents the minimum capital test of our insurance subsidiaries with a total for all companies.

		ING Insurance	Nordic Insurance	ING Novex Ins	Belair Insurance	Allianz Insurance	Trafalgar Insurance	Total
At December 31, 2006								
Total capital available	[a]	1,073.7	966.8	49.3	282.0	–	61.7	2,433.5
Total capital required	[b]	554.5	466.8	14.4	104.8	–	18.2	1,158.7
Excess capital	[a] – [b]	519.2	500.0	34.9	177.2	–	43.5	1,274.8
MCT %	[a] / [b]	193.6%	207.1%	341.2%	269.0%	–	338.8%	210.0%
Excess at 150%		242.0	266.7	27.6	124.8	–	34.4	695.5
At December 31, 2005								
Total capital available	[a]	1,028.7	654.9	43.0	233.4	342.1	51.9	2,354.0
Total capital required	[b]	546.6	248.2	14.2	82.6	181.6	17.4	1,090.6
Excess capital	[a] – [b]	482.1	406.7	28.7	150.8	160.5	34.5	1,263.3
MCT %	[a] / [b]	188.2%	263.9%	302.2%	282.6%	188.4%	298.5%	215.8%
Excess at 150%		208.8	282.6	21.6	109.5	69.7	25.8	718.0
At December 31, 2004								
Total capital available	[a]	1,054.5	449.1	33.1	168.1	267.5	33.7	2,006.1
Total capital required	[b]	595.6	215.3	14.4	74.7	144.9	17.7	1,062.7
Excess capital	[a] – [b]	458.9	233.8	18.7	93.4	122.6	16.0	943.4
MCT %	[a] / [b]	177.1%	208.6%	230.1%	224.9%	184.6%	190.2%	188.8%
Excess at 150%		161.1	126.1	11.5	56.0	50.2	7.1	412.1

The total amount of dividends available for payment from our subsidiaries during 2007 is \$272.7 million plus any 2007 earnings. This amount is calculated based on dividend restrictions under applicable insurance laws but is subject to MCT limitations.

The Company increased its quarterly dividend by 2 cents

In 2006, the Board of Directors of the Company declared quarterly cash dividends of 25.0 cents per common share for a total annual amount of \$133.7 million. These dividends were paid on March 31, June 30, September 29, and December 29, 2006. On February 13, 2007, the Board of Directors increased the Company's quarterly dividend by 2.0 cents to 27.0 cents, an 8.0% increase. A quarterly cash dividend of 27.0 cents per common share has been declared payable on March 30, 2007 to shareholders of record on March 15, 2007.

As previously mentioned, the Company announced its intention to repurchase for cancellation up to \$500 million of its common shares through a substantial issuer bid. The Company plans to use existing liquid assets to pay for the shares, without affecting its ability to meet other cash requirements. ING Canada is offering to purchase shares because we believe that the purchase of shares represents an appropriate use of available cash on hand. The Offer represents an opportunity for us to return up to \$500 million of capital to shareholders who elect to tender, while at the same time increasing the proportionate share ownership of shareholders who elect not to tender. Readers should read the issue bid circular for more details on the reasons supporting the Company's decision.

On September 20, 2005, ING Canada filed a short-form base shelf prospectus and received final receipt from Canadian securities regulators the following day. This filing allows the Company to offer a total of up to \$1 billion in any combination of debt, preferred or common shares securities over a 25-month period.

Financing

The nature, size and timing of any financings will depend on ING Canada's assessment of its credit requirements and general market conditions. If any securities covered by the base shelf prospectus are offered for sale, a prospectus supplement containing specific information about the terms of these securities will be provided.

S&P affirmed the financial strength and long term counterparty credit rating of A+ for our P&C subsidiaries in 2006, while A.M. Best similarly affirmed our financial strength rating of A+.

Dominion Bond Rating Service assigned an A (low) rating to the long term senior unsecured debt of the Company in 2006.

We have an uncommitted revolving credit facility of \$50 million with The Royal Bank of Canada, which was undrawn at December 31, 2006.

3.3 Contractual Obligations

(in millions of dollars)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases	308.0	63.2	88.4	55.7	100.7
Other long-term obligations	100.4	32.8	30.7	16.9	20.0
Total contractual obligations	408.4	96.0	119.1	72.6	120.7

3.4 Off Balance Sheet Arrangements

The Company does not have any significant off balance sheet arrangements not otherwise reported.

Section 4 – Accounting and Disclosure Matters

4.1 Disclosure Controls and Procedures

ING Canada is committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. The Company's management is responsible for establishing and maintaining the Company's disclosure controls and procedures to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. The Company continues to evolve and enhance its system of controls and procedures.

Management at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures. The evaluation was conducted in accordance with the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators. This evaluation confirmed, subject to the inherent limitations noted above, the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2006. The Company's management can therefore provide reasonable assurance that material information relating to the Company and its subsidiaries is reported to it on a timely basis so that it may provide investors with complete and reliable information.

4.2 Internal Control over Financial Reporting

Management has designed and is responsible for maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

No changes were made or occurred in the Company's internal control over financial reporting during the year ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

4.3 Critical Accounting Estimates and Assumptions

Our significant accounting policies are disclosed in Note 2 to our audited consolidated financial statements. The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements. These estimates and assumptions principally relate to the establishment of reserves for policy liabilities, impairment of investment securities, goodwill, income taxes and pensions and other post-employment benefits. As more information becomes known, these estimates and assumptions could change and impact future results. The above noted estimates and assumptions regarding reserves for policy liabilities will impact our underwriting results; goodwill will impact our underwriting and corporate and distribution groups; impairment of securities will impact our net realized investment and other gains. The most significant estimates and assumptions we make in preparing our financial statements are described below. There were no significant changes made to our assumptions over the past two years.

Policy Liabilities

Policy liabilities consist of provisions for claims liabilities and premium liabilities, net of reinsurance. The provision for policy liabilities is discounted to take into account the time value of money. It also includes a provision for adverse deviation, as required by Canadian accepted actuarial practice. The appointed actuary of our P&C insurance subsidiaries, using appropriate actuarial techniques, evaluates the adequacy of our policy liabilities.

Claims liabilities are maintained to cover our estimated ultimate amount to settle i) insured losses with respect to reported and unreported claims incurred as of the end of each accounting period and ii) claims expenses. The provision for claims liabilities is first determined on a case-by-case basis as claims are reported and then reassessed as additional information becomes known. The provision also considers future possible development of claims. Such reserves do not represent an exact calculation of liability, but instead represent estimates developed using projection techniques in accordance with Canadian accepted actuarial practice. The estimates used are related to 1) expectations of the ultimate cost of settlement and administration of claims based on our assessment of facts and circumstances then known, 2) our review of historical settlement patterns, 3) estimates of trends in claims severity and frequency and 4) legal theories of liability and other factors.

Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer. Reserve estimates are refined in a systematic ongoing process as historical loss experience develops and additional claims are reported and settled. Because the establishment of reserves is an inherently uncertain process involving estimates, current provisions may not be sufficient. Adjustments to reserves, both positive and negative, are reflected in the statement of income of the period in which such estimates are updated.

Premium liabilities are considered adequate when the unearned premiums reserve (after deducting any deferred acquisition cost asset) is at least equal to the present value, at the balance sheet date, of cash flows of the claims, expenses and taxes to be incurred after that date on account of the policies in force at that date or at an earlier date. Deferred acquisition costs comprise commissions, premium taxes and expenses directly related to the acquisition of premiums. They are deferred to the extent that they are recoverable from unearned premiums, after considering the related anticipated claims, expenses and investment income in respect of these premiums. Deferred acquisition costs are amortized on the same basis as the premiums are recognized in income.

A premium deficiency would be recognized immediately by a charge to the statement of income as a reduction of deferred acquisition costs to the extent that the unearned premiums reserve, plus anticipated investment income, is not adequate to recover all deferred acquisition costs and related claims and expenses. If the premium deficiency was greater than unamortized deferred acquisition costs, a liability would be accrued for the excess deficiency.

Reinsurance recoverables include amounts for expected recoveries related to claims liabilities as well as the portion of the reinsurance premium which has not yet been earned. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies. Amounts recoverable from reinsurers are estimated in a manner consistent with claims and loss adjustment expense reserves and are reported in our audited consolidated balance sheet. The ceding of insurance does not discharge our primary liability to our insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions.

Impairment of Invested Assets

We obtain values for actively traded securities from external pricing services. For private placements, commercial mortgages and a small number of infrequently traded securities, quotes from brokers are obtained or values are estimated using internally developed pricing models. These models are based on common valuation techniques and require us to make assumptions regarding credit quality, liquidity and other factors that affect estimated values.

Impairment of investment securities results in a charge to earnings when a market decline in the value of an investment to below cost is other-than-temporary. Our methodology to identify potential impairments requires professional judgment and places particular emphasis on those securities with unrealized losses of 25% or greater of the book value where that unrealized loss has been outstanding for more than six months. Members of our investment and accounting departments meet quarterly to assess impairments and report quarterly to the Investment Committee on important investments that are included on a “watch list”. Management assesses which of these securities are other-than-temporarily impaired. Assessment factors include, but are not limited to, the financial condition and rating of the issuer of the security, any collateral held and the length of time the market value of the security has been below cost. Any impairment is recognized when the assessment concludes that there is objective evidence of impairment. Each quarter, any security with an unrealized loss that is determined to have been other-than-temporarily impaired is written down to its expected recoverable amount, with the amount of the write-down reflected in our statement of income for that quarter. Previously impaired securities continue to be monitored quarterly, with additional write-downs taken quarterly, if necessary. In 2006, we recorded \$20.4 million of impairments to recognize other-than-temporary declines in value.

There are inherent risks and uncertainties involved in making these judgments. Changes in circumstances and critical assumptions such as a weak economy, a pronounced economic downturn or unforeseen events which affect one or more companies or industry sectors could result in additional write-downs in future periods for impairments that are deemed to be other-than-temporary.

Goodwill

Under GAAP, goodwill is not amortized but is tested annually for impairment of value on a reporting unit basis. Management’s judgment is required to identify reporting units with similar economic characteristics and to select an appropriate valuation model. In the P&C insurance industry and the P&C insurance brokerage industry, it is common for companies to be acquired at a multiple of revenue or book value, adjusted for net assets other than intangibles. A range of values used to evaluate the multiple is developed using discounted cash flow valuation techniques. When the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. When the carrying value of the reporting unit exceeds its fair value, the fair value of the goodwill is compared with its carrying value to determine the amount of impairment, if any. When the carrying value of goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in the consolidated statements of income in an amount equal to the excess.

Income Taxes

Management exercises judgment in estimating the provision for income taxes. The Company is subject to income tax laws in various jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes represents management's interpretation of the relevant tax laws and its estimate of current and future tax implications of the transactions and events during the period. A future income tax asset or liability is determined for each timing difference based on the future tax rates that are expected to be in effect and management's assumptions regarding the expected timing of the reversal of such temporary differences.

Pensions and Other Post-Employment Benefits

We sponsor a number of defined benefits and defined contribution plans providing pension and other benefits to eligible employees after retirement. The pension plans provide benefits based on years of service, contributions and average earnings at retirement. Due to the long-term nature of these plans, the calculation of benefit expenses and obligations depends on various assumptions such as discount rates, expected rates of return on assets, projected salary increases, retirement age, mortality and termination rates. All assumptions are determined by management and are reviewed annually by the actuaries. Actual experience that differs from the actuarial assumptions will affect the amounts of benefit obligation and expense. The weighted average assumptions used and the sensitivity of key assumptions are presented in Note 12 to our consolidated financial statements.

4.4 Impact of New Accounting Standards

Initial Adoption

The Company expanded the usage of derivatives in 2006 and consequently it now applies hedge accounting for certain new hedging instruments as described in Note 2 to the consolidated financial statements.

Financial Instruments, Comprehensive Income and Hedges

Effective January 1, 2007, we will apply the new provisions of the CICA handbook on accounting for financial instruments, including sections 3855 "*Financial Instruments – Recognition and Measurement*", 3865 "*Hedges*" and 1530 "*Comprehensive income*".

The new provisions will affect our accounting for financial instruments and hedges and will introduce a new statement of comprehensive income and a new component of accumulated other comprehensive income within shareholders' equity. The comprehensive income will be composed of net income and the unrealized gains and losses on available for sale securities, net of income taxes.

The standards require that all our financial assets and liabilities be classified as trading, available for sale, held to maturity, or loans and receivables.

- For assets classified as available for sale, the unrealized changes in market value will be reflected in other comprehensive income until the financial asset is disposed of, or becomes impaired. A portion of unrealized net gains as at January 1, 2007 will be accounted for as an opening adjustment to accumulated other comprehensive income.

- We will classify a portion of our investments that is supporting net claims liabilities, as held for trading, under which the unrealized gains and losses are recognized in income. Such classification will reduce income statement volatility related to the changes in fair value of claims liabilities as described below. Other financial assets and liabilities, including all derivatives and embedded derivatives, will also be classified as held for trading according to the new standards. Unrealized net gains related to investments designated as held for trading as at January 1, 2007 will be accounted for as an adjustment to retained earnings.
- The net claims liabilities will be discounted using a market rate instead of a book rate and an adjustment to the amount of net claims liabilities as at January 1, 2007 will be recorded to retained earnings following the change.
- Certain instruments will be classified as loans and receivables or as held to maturity. We do not expect that these classifications will have any significant impact since these investments will continue to be carried at amortized cost.
- For our insurance subsidiaries, the Office of the Superintendent of Financial Institutions has imposed certain restrictions under guideline D-10, on the classification of assets as held for trading and we will meet these requirements.

Accounting Changes

Effective January 1, 2007, we will apply the revised provisions of the CICA handbook section 1506 “*Accounting changes*”. Accordingly, voluntary changes in accounting policies will be made only if they result in reliable and more relevant information.

Variability in Variable Interest Entities

Effective January 1, 2007, we will apply the Emerging Issues Committee (EIC) Abstract No. 163, “*Determining the Variability to be Considered in Applying AcG15*”. This EIC provides additional clarification on how to analyze and consolidate variable interest entities. The impact is not expected to be significant on our consolidated financial statements.

Harmonization of Canadian GAAP to International Financial Reporting Standards

In 2005, the Accounting Standards Board finalized its strategic plan for financial reporting in Canada whereby Canadian GAAP will converge with International Financial Reporting Standards over a five-year period. After this transitional period, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting. The Company will continue to monitor the changes resulting from this transition.

Section 5 – Risk Management

5.1 Risk Management Principles and Responsibilities

Effective risk management rests on identifying, understanding and communicating all risks the Company is exposed to in the course of its operations. In order to make sound decisions, both strategically and operationally, management must have continual, direct access to the most timely and accurate information possible. Either directly or through its committees, the Board of Directors ensures that Company management has put appropriate risk management programs in place. The Board, directly and in particular through the Audit and Risk Review Committee (“Audit Committee”), oversees such risk management programs, procedures and controls and in this regard, receives periodic reports from among others, the Risk Management Department, the Chief Actuary, the internal auditors and the independent auditors. A summary of the risks the Company is exposed to and the process for managing them is outlined below.

Product Design and Pricing Risk

Product design and pricing risk is the risk that the established price is or becomes insufficient to ensure an adequate return for shareholders as compared to the Company’s profitability objectives. This risk may be due to an inadequate assessment of market needs, a poor estimate of the future experience of several factors, as well as the introduction of new products that could adversely impact the future behaviour of policyholders. The risk is primarily managed by regularly analyzing the pricing adequacy of company products as compared to recent experience. The pricing assumptions are revised as needed and/or the various options offered by the reinsurance market are utilized.

Underwriting Risk

Underwriting risk is the risk of financial loss resulting from the selection of risks to be insured and management of contract clauses. Unfavourable results in these areas can lead to deviations from the estimates based on the actuarial assumptions. The Company has adopted policies which specify the Company’s retention limits. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

Insolvency Risk

Insolvency risk is the risk that the Company will not be able to meet the demands of future claims as they arise. The regulatory authorities closely monitor the solvency of insurance companies by requiring them to comply with strict solvency standards based on the risk assumed by each company with respect to asset composition, liability composition, and the matching between these two components. The Company is required to submit regular reports to the regulatory authorities regarding its solvency, and publish its solvency ratio every quarter. The minimum solvency ratio targeted by the Company is 175%, which is much higher than the regulatory authorities’ requirement. To measure the degree to which the Company is able to meet regulatory solvency requirements, the appointed actuary must present an annual report to the Audit Committee and management on the Company’s current and future solvency.

Reinsurance Risk

Even though the Company relies on reinsurance to manage the underwriting risk, reinsurance does not release the Company from its primary commitments to its policyholders. Therefore, the Company is exposed to the credit risk associated with the amounts ceded to reinsurers. The Company assesses the financial soundness of the reinsurers before signing any reinsurance treaties and monitors their situation on a regular basis.

Interest Rate and Equity Market Fluctuations

Movements in short-term and long-term interest rates, as well as fluctuations in the value of equity securities, affect the level and timing of recognition of gains and losses on securities we hold, and cause changes in realized and unrealized gains and losses. Generally, our investment income will be reduced during sustained periods of lower interest rates and will likely result in unrealized gains in the value of fixed income securities we continue to hold, as well as realized gains to the extent the relevant securities are sold. During periods of rising interest rates, the market value of our existing fixed income securities will generally decrease and our realized gains on fixed income securities will likely be reduced or result in realized losses.

General economic conditions, political conditions and many other factors can also adversely affect the stock markets and, consequently, the value of the equity securities we own.

Credit Risk

Credit risk is the possibility that counterparties may not be able to meet payment obligations when they become due. A counterparty is any person or entity from which cash or other forms of consideration are expected to extinguish a liability or obligation to us. Our credit risk exposure is concentrated primarily in our fixed income and preferred share investment portfolios and, to a lesser extent, in our reinsurance recoverables.

Our risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer by imposing fixed income portfolio limits on individual corporate issuers based upon credit quality.

Foreign Exchange Risk

Foreign exchange risk is the possibility that changes in exchange rates produce an unintended effect on earnings and equity when measured in domestic currency. This risk is largest when assets backing liabilities are payable in one currency and are invested in financial instruments of another currency. Although we are exposed to some foreign exchange risk arising from investment in some U.S. dollar denominated assets, our general policy is to minimize foreign currency exposure. We mitigate foreign exchange rate risk by buying or selling successive monthly foreign exchange forward contracts.

Derivatives

We use certain derivatives to mitigate certain of the above mentioned risks and we use other derivatives for trading purposes. Our use of derivatives exposes us to a number of risks, including replacement cost (credit) risk and interest rate and equity market fluctuations. The replacement cost risk for any derivative transaction is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to us. Therefore, replacement cost risk related to derivatives is represented by the positive fair value of the instruments and is normally a small fraction of the contract's notional amount. Trading derivatives exposes us to additional interest rate and equity market fluctuations. We manage replacement cost risk and interest rate and equity market fluctuation related to derivatives in accordance with our risk management policies specified above.

5.2 Operational Risk Management

We believe that managing operational risks related to our business activities significantly reduces losses resulting from failed processes, procedures or controls, inadequate systems, human errors, fraud or external events such as natural disasters. To manage this risk, we follow a specific framework that is composed of four major steps: identification, measurement, monitoring and mitigation. The scope of operational risk management covers the security of people, assets and information as well as the continuity of our operations and recovery of our technology during a crisis.

For early detection and clear insight of our key operational risks, we periodically perform Risk & Control Self-Assessments of our critical functions

For early detection and clear insight of our key operational risks, we periodically perform Risk & Control Self-Assessments of our critical functions with the collaboration of management. We also monitor and measure our risks on an ongoing basis through key risk indicators which enable management to proactively initiate effective actions. ING Canada has also developed clear incident reporting channels within the organization to systematically report, manage and monitor operational incidents leading to financial losses or reputation damage. Ongoing training and exercises provided to all employees also contribute to increase the operational risk awareness culture within the organization and minimize the occurrence of incidents.

In order to maintain the integrity and continuity of our operations in the event of a crisis, ING Canada has developed personalized alert and mobilization procedures as well as communication protocols. For example, emergency action plans, business continuity plans, business recovery plans, major health crisis plans, building evacuation plans and crisis communication plans have all been defined and are tested on an ongoing basis.

The implementation of the overall operational risk management program relies on management. In addition, the Operational Risk Management department assists in monitoring the operational risk processes and ensuring that appropriate actions are taken when necessary. The Operational Risk Management department reports to the Risk Management Committee which is composed of executive members appointed by the Board of Directors. It is the Committee that has the oversight responsibility for operational risk management and governance within the organization. Finally, to ensure transparency, the Committee provides regular updates of its operations to the Senior Management Committee, the Audit Committee and the Board of Directors.

5.3 Corporate Governance and Compliance

ING Canada believes that good corporate governance and compliance with all legal and regulatory requirements are essential for maintaining investor confidence

ING Canada believes that good corporate governance and compliance with all legal and regulatory requirements are essential for maintaining investor confidence. Legal and regulatory compliance risk arises from non-compliance with the laws, regulations or guidelines applicable to the Company as well as the risk of loss resulting from non-fulfilment of a contract. ING Canada is subject to strict regulatory requirements and detailed monitoring of its operations in all provinces or territories where it conducts business, either directly or through its subsidiaries. ING Canada's corporate governance and compliance program is built on the following foundations:

- a) ING Canada's Board of Directors and its Committees are structured in accordance with sound corporate governance standards. Directors are presented with significant information in all areas of the Company's operations to enable them to effectively supervise the Company's management, business objectives and risks.
- b) Disclosure controls and processes have been put into place so that relevant information is obtained and communicated to senior management and directors of the Board to ensure that the Company meets its disclosure obligations and to protect the confidentiality of information. A decision making process is also in place to facilitate timely and accurate public disclosure.

- c) Effective corporate governance is dependent on strong corporate compliance structures and processes. To this end, ING Canada has established an enterprise-wide Compliance Policy and framework including procedures and policies necessary to ensure adherence to laws, regulations and related obligations. Compliance activities include identification, mitigation and monitoring of compliance/reputation risks, as well as communication, education, and activities to promote a culture of compliance and ethical business conduct.
- d) The Board of Directors and the Audit Committee of ING Canada, as well as that of its subsidiaries, periodically receives reports on all lawsuits, whether they be in the normal course of business, where the contesting of certain claims appears normal, or outside the normal course of business. To manage this risk, the Company has specialized resources in its Legal Department as well as experts outside the Company, and provisions are taken when deemed necessary.

While senior management has ultimate responsibility for compliance, compliance is a responsibility that each individual employee shares. This responsibility is clearly set out in ING Canada's Business Principles and Code of Conduct.

5.4 Industry Standards

ING Canada is committed to maintaining its reputation as a corporation with integrity and ethical business conduct that extends to how we treat our customers. In this regard, ING Canada is currently working with the Insurance Bureau of Canada (IBC) in reviewing the principles set out in IBC's Standards of Sound Marketplace Practice (Standards), which includes concepts such as information disclosure, timely and fair settlement of claims, adequate systems of complaint handling, and knowledgeable intermediaries.

ING Canada has subscribed to the underlying principles of the Standards for many years and already has practices in place to ensure appropriate levels of consumer service. Operational and compliance teams are reviewing the Standards to see what gaps, if any, exist and how ING Canada can enhance its practices. This self-regulation effort is in addition to the Code of Consumer Rights and Responsibilities already adopted by ING Canada.

An additional best practices initiative is the CCIR/CISRO's (our regulators) three principle-based recommendations designed to promote customer confidence in the insurance industry (i.e. priority of client's interest, disclosure of conflicts or potential conflicts of interest, and product suitability). ING Canada is working with the insurance industry to determine best practices.

Section 6 – Other Matters

6.1 Related Party Transactions

We have ongoing transactions with related parties, consisting mostly of:

- (1) management and advisory services;
- (2) ING Groep and affiliated companies;
- (3) reinsurance by an affiliated company; and
- (4) financing.

These transactions are carried out in the normal course of operations and are measured at the amount of consideration paid or received as established and agreed by the related parties. We believe that such exchange amounts approximate fair value.

In addition, we have related party transactions with investees accounted for as long-term investments. These transactions consist primarily of loans and commission expenses.

Notes 1 and 8 to the accompanying consolidated financial statements provide additional information on related party transactions.

6.2 Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments are forward-looking statements. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “anticipates”, “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other similar words or phrases identify such forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by us based on our experience and view of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances. Many factors could cause our actual results, performance or achievements or future events or developments to differ materially from the forward-looking statements. These factors include, without limitation, the following: our ability to implement our strategy or operate our business as we expect; our ability to accurately assess the risks associated with the insurance policies that we write; unfavourable capital market developments or other factors which could affect our investments; the cyclical nature of the P&C insurance industry; our ability to accurately predict future claims frequency; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; our reliance on brokers and third parties to sell our products; our ability to successfully pursue our acquisition strategy; the significant influence of ING Groep; our participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; our ability to maintain our financial strength ratings; our ability to alleviate risk through reinsurance; our ability to successfully manage credit risk; our reliance on information technology and telecommunications systems; our dependence on key employees; general economic, financial and political conditions; our dependence on the results of operations of our subsidiaries; the limited trading history of our common shares; the accuracy of analyst earnings estimates or the consensus figure based upon such estimates; the volatility of the stock market and other factors affecting our share price; and future sales of a substantial number of our common shares. These factors should be considered carefully, and readers should not place undue reliance on our forward-looking statements. We have no intention and accept no responsibility to update or revise any forward-looking statements as a result of new information, future events or otherwise, except as required by law.

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the consolidated financial statements of ING Canada Inc. and its subsidiaries, collectively known as "the Company". This responsibility includes selecting appropriate accounting policies and making estimates and informed judgments based on the anticipated impact of current transactions, events and trends, consistent with Canadian generally accepted accounting principles.

In meeting its responsibility for the reliability of consolidated financial statements, the Company maintains and relies on a comprehensive system of internal control comprising organizational procedural controls and internal accounting controls. The Company's system of internal control includes the communication of policies and of the Company's Code of Conduct, comprehensive business planning, proper segregation of duties, delegation of authority for transactions and personal accountability, selection and training of personnel, safeguarding of assets and maintenance of records. The Company's internal auditors review and evaluate the system of internal control.

The Company's Board of Directors, acting through the Audit and Risk Review Committee, which is composed entirely of Directors, who are neither officers nor employees of the Company, oversees management's responsibility for the design and operation of effective financial reporting and internal control systems, the preparation and presentation of financial information and the management of risk areas.

The Audit and Risk Review Committee conducts such review and inquiry of management and the internal and external auditors as it deems necessary to establish that the Company employs an appropriate system of internal control, adheres to legislative and regulatory requirements and applies the Company's Code of Conduct. The internal and external auditors, as well as the Actuary, have full and unrestricted access to the Audit and Risk Review Committee, with and without the presence of management.

Pursuant to the Insurance Companies Act of Canada or to the Insurance Act ("Québec") ("the Acts"), the Actuary, who is a member of management, is appointed by the Board of Directors. The Actuary is responsible for discharging the various actuarial responsibilities required by the Acts and conducts a valuation of policy liabilities, in accordance with Canadian generally accepted actuarial standards, reporting his results to management and the Audit and Risk Review Committee.

The Office of the Superintendent of Financial Institutions Canada for the federally regulated property and casualty ("P&C") subsidiaries and l' Autorité des marchés financiers for the Québec regulated P&C subsidiary make such examinations and inquiries into the affairs of the P&C subsidiaries as deemed necessary.

The Company's external auditors, Ernst & Young LLP, Chartered Accountants, are appointed by the shareholders to conduct an independent audit of the consolidated financial statements of the Company and meet separately with both management and the Audit and Risk Review Committee to discuss the results of their audit, financial reporting and related matters. The auditors' report to shareholders appears on page 47.

February 13, 2007



Claude Dussault
President and Chief Executive Officer



Mark A. Tullis
Chief Financial Officer

Auditors' Report

To: the Shareholders of ING Canada Inc.

We have audited the consolidated balance sheets of ING Canada Inc. (the "Company") as at December 31, 2006 and 2005 and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst & Young LLP
Chartered Accountants

Toronto, Canada
February 13, 2007

Consolidated Balance Sheets

(in thousands of dollars)	As at December 31	
	2006	2005
Assets		
Cash and cash equivalents (note 3)	\$ 125,954	\$ 341,138
Investments (note 4)	7,241,938	6,720,965
Accrued investment income	51,068	50,100
Premium and other receivables	1,643,933	1,518,511
Due from affiliated companies (note 8)	4,252	230
Reinsurers' share of unpaid claims and loss adjustment expenses (notes 6 and 7)	270,369	330,519
Reinsurers' share of unearned premiums (notes 6 and 7)	17,683	17,279
Deferred acquisition costs	393,137	381,992
Income taxes receivable	54,134	55,684
Other assets (note 11)	203,176	182,119
Long-term investments (note 13)	44,401	41,587
Future income tax asset (note 9)	112,187	141,101
Intangible assets (note 10)	66,294	36,948
Goodwill (note 10)	148,743	108,362
	\$ 10,377,269	\$ 9,926,535
Liabilities		
Payables and other liabilities	\$ 840,410	\$ 815,674
Due to affiliated companies (note 8)	–	2,968
Income taxes payable	23,984	67,705
Unpaid claims and loss adjustment expenses (note 6)	3,823,539	3,821,609
Unearned premiums (note 6)	2,264,118	2,194,837
Unearned reinsurance commissions	4,463	4,129
Debt outstanding (note 14)	–	127,000
	6,956,514	7,033,922
Shareholders' equity		
Share capital (note 15)	1,183,846	1,183,846
Contributed surplus	93,534	89,713
Retained earnings	2,143,375	1,619,054
	3,420,755	2,892,613
	\$ 10,377,269	\$ 9,926,535

See accompanying notes to consolidated financial statements

On behalf of the Board:



Claude Dussault

Director



Ivan Duvar

Director

Consolidated Statements of Income

	For the years ended December 31	
(in thousands of dollars except for per share amounts)	2006	2005
Direct premiums written	\$ 3,990,419	\$ 3,904,901
Net premiums written	\$ 3,895,493	\$ 3,754,937
Revenue		
Net premiums earned	\$ 3,826,614	\$ 3,840,176
Investment income (note 13)	351,186	338,493
Net realized investment and other gains	193,532	223,471
Commissions and advisory fees	35,044	43,928
	4,406,376	4,446,068
Expenses		
Claims and loss adjustment expenses	2,261,169	2,161,755
Commissions (note 8)	612,331	646,344
Premium taxes	132,335	133,704
General expenses	443,225	405,349
	3,449,060	3,347,152
Interest	5,309	7,963
Income before income taxes	952,007	1,090,953
Income taxes (note 9)	293,954	309,170
Net income	\$ 658,053	\$ 781,783
Earnings per share, basic and diluted	\$ 4.92	\$ 5.85
Basic and diluted average number of common shares (in thousands)	133,732	133,546

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

	For the years ended December 31	
(in thousands of dollars)	2006	2005
Share capital		
Balance, beginning of year	\$ 1,183,846	\$ 1,052,290
Common shares issued (note 15)	–	136,032
Share issuance costs, net of income taxes	–	(4,476)
Balance, end of year	1,183,846	1,183,846
Contributed surplus		
Balance, beginning of year	89,713	83,336
Stock-based compensation (note 15)	3,821	6,377
Balance, end of year	93,534	89,713
Retained earnings		
Balance, beginning of year	1,619,054	923,983
Net income	658,053	781,783
Dividends paid	(133,732)	(86,926)
Other	–	214
Balance, end of year	2,143,375	1,619,054
Total shareholders' equity	\$ 3,420,755	\$ 2,892,613

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(in thousands of dollars)	For the years ended December 31	
	2006	2005
Operating activities		
Net income	\$ 658,053	\$ 781,783
Adjustments to determine cash provided by operating activities:		
Unearned premiums and unpaid claims and loss adjustment expenses, net	130,957	(129,910)
Net realized investment and other gains	(193,532)	(223,471)
Deferred acquisition costs, net	(10,811)	(669)
Future income taxes	19,869	9,572
Amortization	8,577	38,249
Decrease in loan provision	(457)	(5,660)
Other	1,455	4,659
Changes in other operating assets and liabilities	(183,173)	162,893
Cash provided by operating activities (note 16)	430,938	637,446
Investing activities		
Proceeds from sale of investments	16,581,242	12,509,278
Purchase of investments	(16,891,010)	(12,740,836)
Purchase of brokerages and books of business, net (note 17)	(65,152)	(14,646)
Proceeds from sale and leaseback of properties	29,977	–
Purchase of property and equipment and other	(40,447)	(45,651)
Cash used in investing activities	(385,390)	(291,855)
Financing activities		
Dividends paid	(133,732)	(86,926)
Proceeds from common shares issuance	–	136,032
Debt repayment (note 14)	(127,000)	(129,230)
Share issuance costs	–	(6,802)
Cash used in financing activities	(260,732)	(86,926)
Net (decrease) increase in cash and cash equivalents	(215,184)	258,665
Cash and cash equivalents, beginning of year	341,138	82,473
Cash and cash equivalents, end of year	\$ 125,954	\$ 341,138

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

(in thousands of dollars)

1. Status of the Company

ING Canada Inc. (the “Company”) was incorporated under the *Canada Business Corporations Act*. The Company has investments in wholly-owned subsidiaries which operate principally in the Canadian property and casualty (“P&C”) insurance market. The Company’s significant subsidiaries are ING Insurance Company of Canada, Belair Insurance Company Inc., The Nordic Insurance Company of Canada (as amalgamated with Allianz Insurance Company of Canada on April 1, 2006), ING Novex Insurance Company of Canada, Trafalgar Insurance Company of Canada, Equisure Financial Network Inc., Canada Brokerlink Inc. and Grey Power Insurance Inc.

ING Groep N.V. (“ING Groep”) both as the owner of 70% of the Company’s outstanding common shares and the Special Share (note 15) and as a party to the Co-Operation Agreement (the “Agreement”) has substantial influence over the ongoing business and operation of the Company. The Agreement provides, among other things, that for so long as ING Groep holds not less than one-third of the Company’s outstanding common shares, the Company may not carry out certain corporate acts, including entering into business combinations with unaffiliated third parties or making acquisitions or dispositions above certain monetary thresholds or changing the dividend policy without the prior written approval of ING Groep.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities at the dates of the consolidated financial statements, the reported amounts of revenue and expenses for the years presented, as well as the disclosure of contingent assets and liabilities. These estimates are subject to uncertainty. Significant estimates include the determination of impairment losses (notes 10 and 16), policy liabilities (note 6), income taxes (note 9), employee future benefits (note 12), stock-based compensation (note 15), the allocation of the purchase price (note 17) and contingencies (note 19). Changes in estimates are recorded in the accounting period in which these changes are determined.

Further, the accounting policies used to prepare the financial statements of the Company’s regulated insurance subsidiaries must also comply with the accounting requirements of their respective regulators. The significant accounting policies used in preparing these consolidated financial statements, including those specified by the insurance regulators, are, in all material respects, in accordance with Canadian GAAP and are summarized below. These policies have been consistently applied.

(a) Significant accounting changes

Stock-based compensation

In 2005, as a result of the adoption of a long-term incentive plan for certain employees and a deferred share unit plan for independent directors (note 15), the Company adopted the recommendations of the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook Section 3870, “*Stock-Based Compensation and Other Stock-Based*

Payments”, which requires that stock-based compensation awards to non-employees, direct awards of stock, awards that call for settlement in cash or other assets or stock appreciation right awards to employees be recognized on a fair value basis as an expense. Under this policy, the fair value of the earned or awarded amounts is estimated on the grant date and such amount is recorded as a compensation expense over the related vesting period, or the period between the grant date to the date the employee becomes eligible to retire if shorter, with a corresponding increase to contributed surplus for those awards granted to employees and to liabilities for directors.

Rate regulation

In 2005, the Company implemented the disclosure and presentation requirements contained in the CICA’s Accounting Guideline 19 “*Disclosures by Entities Subject to Rate Regulation*”. The objective of this guideline is to ensure that users of the financial statements of entities providing services or products for which customer rates are established, or subject to approval, by a regulator or a governing body empowered by statute or contract to set rates, are better informed about the existence, nature and effects of all forms of rate regulation. The guideline requires companies to disclose general information useful to an understanding of the nature and economic effects of rate regulation (note 18) and, if applicable, specific information when rate regulation has affected the accounting for a transaction or event.

Cash and cash equivalents

In 2005, the Company changed its definition of cash equivalents in order to align itself with prevailing disclosure practices. The Company now defines cash equivalents as highly liquid investments that are readily convertible into a known amount of cash, are subject to an insignificant risk of changes in value and have a maturity date of three months or less from the date of acquisition. Previously, cash equivalents were defined in reference to a maturity date of three months or less from the consolidated balance sheet dates. The change had no impact on the Company’s consolidated statements of income but resulted in a reclassification of \$274,740 between cash equivalents and investments in the 2005 opening balances. Cash equivalents are carried at amortized cost, which approximates fair value.

(b) Basis of consolidation

The Company consolidates the financial statements of all subsidiary companies and eliminates on consolidation all significant inter-company balances and transactions. The equity method is used to account for investments over which the Company exerts significant influence. Gains and losses on sales of these investments are included in income when recognized, while expected losses on “other-than-temporary” impairments are recognized immediately.

(c) Investments and investment income

Short-term notes with a maturity of more than three months from the date of acquisition are carried at amortized cost which approximates fair value and are amortized on an effective yield basis.

Fixed income securities are recorded at amortized cost, providing for the amortization of premiums and discounts in the consolidated statements of income on an effective yield basis. Shares and trust units are recorded at cost. Loans are presented net of an allowance for loan losses.

The book value of an investment is written down and the write down is reflected in the consolidated statements of income when there is evidence of an “other-than-temporary” decline in the value of an investment. To assess impairments, management reviews available current information for investments with fair values below their book values to ascertain whether the book values are expected to be recovered. For investments in equity and

fixed income securities, management evaluates whether the decline in fair value of these securities is other than temporary. For mortgage loans and other loans, management assesses expected future cash flows and, where necessary, the net realizable amounts of assets provided as collateral.

Interest income is recognized as earned and dividends are recognized on the ex-dividend date. Gains and losses on disposition are recorded in the consolidated statements of income when investments are sold and are calculated based on average cost.

(d) Derivative financial instruments

Derivative financial instruments are used for risk management (“non-trading”) purposes and for trading purposes. Currency swaps and forwards, and certain total return swaps are held for non-trading purposes to mitigate foreign exchange and market risks. Interest rate futures, options and swaps and certain total return swaps are held for trading purposes.

The Company applies hedge accounting, for certain new hedging instruments, when requirements of the CICA Handbook Accounting Guideline AcG-13 “Hedging Relationship” are met.

For derivative financial instruments held for non-trading purposes where hedge accounting is applied, the accounting policy is as follows:

- (i) The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking its hedge transactions. The Company also formally assesses, both at inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.
- (ii) Hedge accounting is discontinued prospectively when the derivative financial instrument no longer qualifies as an effective hedge or the derivative is terminated or sold. The fair value of the derivative financial instrument is then accounted for and the related gain or loss is deferred to be included in the consolidated statements of income during the periods in which the hedged item affects earnings. Should the hedged item cease to exist, the gains or losses deferred until then are immediately charged to income.
- (iii) Currency swaps used to manage exchange risk related to certain investments in U.S. dollars are accounted for using hedge accounting. These derivative financial instruments are recognized at cost and foreign exchange gains and losses related to the hedged items are not recognized until they are settled.

For derivative financial instruments held for non-trading purposes where hedge accounting is not applied and for derivative financial instruments held for trading purposes, the instruments are recognized at their fair value, with changes in the fair value reflected in the consolidated statements of income during the period in which they arise.

The fair value of derivative financial instruments is based on the quoted market value at the consolidated balance sheet closing dates. In the absence of this information for a given instrument, different valuation models recognized by financial markets are used to estimate such fair value.

(e) Revenue recognition

Premiums written are deferred as unearned premiums and recognized as revenue, net of reinsurance, on a pro rata basis over the terms of the underlying policies, usually twelve months and no longer than twenty-four months. Commissions and advisory fees are recorded on an accrued basis.

(f) Foreign currency translation

Assets, liabilities, revenue and expenses arising from a foreign currency transaction are translated into Canadian dollars using the exchange rate prevailing at the date of the transaction. Monetary items denominated in a foreign currency are adjusted to reflect the exchange rate at December 31 and the foreign currency adjustments are reflected in the consolidated statements of income. Realized gains and losses on foreign currency transactions are recognized in the consolidated statements of income at the transaction date.

(g) Policy liabilities

Policy liabilities consist of unearned premiums and unpaid claims and loss adjustment expenses. The appointed actuary, using appropriate actuarial techniques, evaluates the adequacy of policy liabilities.

Unpaid claims and loss adjustment expenses are first determined on a case-by-case basis as claims are reported and then reassessed as additional information becomes known. Included in unpaid claims and loss adjustment expenses is a provision to account for the future development of these claims, including claims incurred but not reported, as well as a provision for adverse deviations, as required by accepted actuarial practice in Canada. Unpaid claims and loss adjustment expenses are discounted to take into account the time value of money.

In estimating unpaid claims and loss adjustment expenses, standard actuarial techniques are used. These techniques are based on historical loss development factors and payment patterns. They require the use of assumptions such as loss and payment development factors, future rates of claims frequency and severity, inflation, reinsurance recoveries, expenses, changes in the legal environment, changes in the regulatory environment and other matters, taking into consideration the circumstances of the Company and the nature of the insurance policies.

Unearned premiums are calculated on a pro rata basis, from the unexpired portion of the premiums written. The unearned premiums estimate is validated through standard actuarial techniques to ensure that these premiums are sufficient to cover the estimated future costs of servicing these policies and related claims.

(h) Deferred acquisition costs

Deferred acquisition costs comprise commissions, premium taxes and expenses directly related to the acquisition of premiums. They are deferred to the extent that they are recoverable from unearned premiums, after considering the related anticipated claims, expenses and investment income in respect of these premiums. They are amortized on the same basis as the premiums are recognized in the consolidated statements of income.

(i) Reinsurance

The Company presents third party reinsurance balances in the consolidated balance sheets on a gross basis to indicate the extent of credit risk related to third party reinsurance and its obligations to policyholders and on a net basis in the consolidated statements of income. The estimates for the reinsurers' share of unpaid claims and loss adjustment expenses are presented as an asset and are determined on a basis consistent with the related unpaid claims and loss adjustment expenses.

(j) Property and equipment

Property and equipment are carried at cost less accumulated amortization. Amortization rates are established to depreciate the cost of the assets over their estimated useful lives. Amortization methods and rates are shown below.

	Method	Rate or term
Buildings	Declining balance	3% – 8%
Computer equipment	Straight-line	30 – 36 months
Furniture and equipment	Declining balance and straight-line	20% 60 months
Leasehold improvements	Straight-line	Terms of related leases

(k) Employee future benefits

For defined benefit pension and other retirement plans, the accrued benefit obligations, net of the fair value of plan assets and unamortized items, are accrued. The unamortized items are the past service costs, the transitional asset/obligation, the transitional valuation allowance and the net actuarial gains or losses. To match costs and services, these items are amortized on a straight-line basis over the expected average remaining service lifetime (“EARSL”) of active members expected to receive benefits under the plans. Changes in the valuation allowance are not deferred.

For each plan, the Company has adopted the following policies:

- (i) The actuarial determination of the accrued obligations for pensions and other retirement benefits uses the projected benefit method based on services provided by employees and management’s best estimate assumptions.
- (ii) For the purpose of calculating the expected return on plan assets, plan assets are valued at fair value.
- (iii) Only gains or losses in excess of 10% of the greater of the accrued benefit obligations or the fair value of plan assets are amortized over the EARSL.
- (iv) Past service costs arising from plan amendments are amortized on a straight-line basis over the EARSL.
- (v) The Company amortizes the transitional asset/obligation arising from the adoption on January 1, 2000 of the CICA Handbook Section 3461 using the prospective application method on a straight-line basis over the EARSL as of January 1, 2000.
- (vi) When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(l) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, the income tax expense is calculated based on income tax laws and rates substantively enacted as at the consolidated balance sheet dates. The income tax expense is comprised of two components: current income taxes and future income taxes. Current income taxes are amounts expected to be payable or recoverable as a result of operations in the current year. Future income taxes arise from changes during the year in cumulative temporary differences between the accounting book values of assets and liabilities and their respective tax bases. A future income tax asset is recognized to the extent that future realization of the tax benefit is more likely than not.

(m) Goodwill and intangible assets

The excess of the purchase price over the fair value of the underlying net tangible assets is initially allocated to intangible assets, as appropriate, and the residual to goodwill. An intangible asset is recognized apart from goodwill when it results from contractual or other legal rights or when it is capable of being separated or divided from the acquired enterprise and sold, transferred, licensed, rented, or exchanged. Finite life intangible assets are amortized to the consolidated statements of income over their useful lives whereas infinite life intangible assets and goodwill are not subject to amortization. Goodwill is tested annually for impairment of value on a reporting unit basis. Judgment is required to identify reporting units with similar economic characteristics and to select a valuation model. Accordingly, the Company assesses the book value of its net assets on this basis. Impairment, if any, identified through this assessment is charged to the consolidated statements of income as a result of a reduction in the book value of the goodwill.

(n) Earnings per share

Earnings per share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if the holders of securities or contracts entitling them to obtain common shares in exchange for their securities or contracts exercised their right to obtain common shares.

(o) Future accounting changes

i) Financial instruments, comprehensive income and hedges

Effective January 1, 2007, the Company will apply, on a retrospective basis without restatement, the new provisions of the CICA handbook on accounting for financial instruments, including sections 3855 "*Financial Instruments – Recognition and Measurement*", 3865 "*Hedges*" and 1530 "*Comprehensive income*".

The new provisions will affect the accounting for financial instruments and hedges and will introduce a new consolidated statement of comprehensive income and a new component of accumulated other comprehensive income within shareholders' equity. The comprehensive income will be composed of the net income and the unrealized gains and losses on available for sale securities, net of income taxes.

The standards require that all the financial assets and liabilities be classified as available for sale, held for trading, held to maturity or loans and receivables.

- For assets classified as available for sale, the unrealized changes in market value will be reflected in other comprehensive income until the financial asset is disposed of, or has become impaired. Unrealized net gains related to assets designated as available for sale as at January 1, 2007, will be accounted for as an adjustment in accumulated other comprehensive income.

- To reduce consolidated income statements volatility, the Company intends to classify a portion of its investments that is supporting net claims liabilities, as held for trading, under which the unrealized gains and losses are recognized in income. Other financial assets and liabilities, including all derivatives and embedded derivatives, will also be classified as held for trading according to the new standards. Unrealized net gains related to assets and liabilities designated as held for trading as at January 1, 2007, will be accounted for as an adjustment to retained earnings. For the Company's insurance subsidiaries, the Superintendent of Financial Institutions, Canada ("OSFI") has imposed certain restrictions, as per OSFI guideline D-10, on the classification of assets and liabilities as held for trading. The classification as held for trading for the insurance subsidiaries' assets and liabilities will meet OSFI requirements.
- Most of the financial assets will be classified as available for sale or held for trading. These financial assets were previously recorded at cost. Consequently, the net claims liabilities will be discounted using a market rate instead of a book rate. An amount of net claims liabilities as at January 1, 2007, will be accounted for as an adjustment to retained earnings following the change in discounting rate.
- Certain investments will be classified as loans and receivables or as held to maturity. The Company does not expect that these classifications will have any significant impact on the consolidated financial statements since the assets will continue to be carried at amortized cost.

The Company is determining the tax consequences, if any, and the impact on the consolidated financial statements once these changes are adopted.

ii) Accounting changes

Effective January 1, 2007, the Company will apply the revised provisions of the CICA handbook section 1506 "*Accounting changes*". Accordingly, voluntary changes in accounting policies will be made only if they result in reliable and more relevant information.

iii) Variability in variable interest entities

Effective January 1, 2007, the Company will apply the Emerging Issues Committee ("EIC") Abstract No. 163, "*Determining the Variability to be Considered in Applying AcG-15*". This EIC provides additional clarification on how to analyze and consolidate variable interest entities. The impact is not expected to be significant on the Company's consolidated financial statements.

3. Cash and cash equivalents

At December 31, 2006, a portion of cash and cash equivalents was cash equivalents for an amount of \$145,419 (2005 – \$492,207). Cash and cash equivalents are presented net of bank overdrafts in the consolidated balance sheets.

4. Investments

The Company has an investment policy and applies the prudent person approach to investment management. Management monitors compliance with that policy. The majority of the investment portfolio is invested in well-established, active and liquid markets. For most investments, fair value is determined by reference to quoted market prices. In cases where an active market does not exist, fair value is estimated by reference to recent transactions or current market prices for similar investments.

Tables 4.1 and 4.2 summarize the Company's investments. Fixed income securities and preferred shares are classified by investment grade and type of issuer.

		2006			
		Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Short-term notes		\$ 713,475	\$ 713,475	\$ –	\$ –
Fixed income securities ^(a)					
Investment grade ^(b)					
Government and government-guaranteed		1,953,220	1,964,995	15,837	4,062
Corporate		993,104	1,004,933	13,812	1,983
Asset-backed		309,054	309,190	990	854
Below investment grade ^(b)		3,390	2,517	–	873
Total fixed income securities		3,258,768	3,281,635	30,639	7,772
Mortgage loans		57,218	58,956	1,738	–
Preferred shares ^(c)					
Investment grade		1,427,654	1,483,127	64,671	9,198
Below investment grade		32,454	34,005	2,996	1,445
Total preferred shares		1,460,108	1,517,132	67,667	10,643
Common shares ^(d)		1,580,740	1,700,438	170,629	50,931
Other investments ^(e)		171,629	171,629	–	–
		\$ 7,241,938	\$ 7,443,265	\$ 270,673	\$ 69,346

		2005			
		Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Short-term notes		\$ 440,435	\$ 440,435	\$ –	\$ –
Fixed income securities ^(a)					
Investment grade ^(b)					
Government and government-guaranteed		2,043,548	2,091,519	52,545	4,574
Corporate		1,147,059	1,173,535	29,565	3,089
Asset-backed		326,174	327,780	2,910	1,304
Below investment grade ^(b)		3,983	2,950	–	1,033
Total fixed income securities		3,520,764	3,595,784	85,020	10,000
Mortgage loans		70,347	73,108	2,761	–
Preferred shares ^(c)					
Investment grade		1,245,117	1,304,977	65,306	5,446
Below investment grade		12,149	14,905	2,796	40
Total preferred shares		1,257,266	1,319,882	68,102	5,486
Common shares ^(d)		1,266,550	1,430,440	183,641	19,751
Other investments ^(e)		165,603	165,603	–	–
		\$ 6,720,965	\$ 7,025,252	\$ 339,524	\$ 35,237

(a) Fixed income securities include private placements. The book value of the private placements was \$92,194 at December 31, 2006 (2005 – \$31,618) and their fair value was \$92,818 at December 31, 2006 (2005 - \$30,081).

(b) The Company uses Dominion Bond Rating Services (“DBRS”) and Standard & Poor’s (“S&P”) to rate fixed income securities. Fixed income securities with a rating equal to or above BBB- are classified as investment grade and other rated fixed income securities are classified as below investment grade.

- (c) The Company uses DBRS and S&P to rate preferred shares. Preferred shares with a rating equal to or above P3 low are classified as investment grade and other rated preferred shares are classified as below investment grade.
- (d) The common shares category includes common shares as well as mutual fund and income trust units.
- (e) Other investments include loans and strategic investments.

The Company has investments in certain common shares and income trust units pursuant to a market neutral strategy. The objective of this strategy, which consists of having both long and short equity positions, is to maximize the value added from active portfolio management. Long and short positions are accounted for at cost. Long positions are included in investments. Short positions are presented as other liabilities.

Table 4.3 summarizes the Company's long and short positions pursuant to the market neutral strategy.

Table 4.3	2006		2005	
	Book value	Fair value	Book value	Fair value
Long positions	\$ 55,254	\$ 62,332	\$ 30,401	\$ 34,180
Short positions	57,093	62,289	30,233	34,220

The Company provides collateral for securities borrowed and delivered pursuant to the sale of short securities. At December 31, 2006, the book value of the collateral was \$60,878 (2005 – \$32,041).

Tables 4.4 and 4.5 have been prepared on the basis of the scheduled maturities of the underlying instruments.

Table 4.4	2006					Total
	One year or less	One year to five years	Over five years	No specific maturity		
Short-term notes	\$ 713,475	\$ –	\$ –	\$ –	\$ 713,475	
Fixed income securities	371,943	1,485,490	1,401,335	–	3,258,768	
Mortgage loans	–	53,208	4,010	–	57,218	
Preferred shares	15,841	164,576	262,199	1,017,492	1,460,108	
Common shares	–	–	–	1,580,740	1,580,740	
Other investments	17,858	80,453	42,290	31,028	171,629	
	\$ 1,119,117	\$ 1,783,727	\$ 1,709,834	\$ 2,629,260	\$ 7,241,938	

Table 4.5	2005					Total
	One year or less	One year to five years	Over five years	No specific maturity		
Short-term notes	\$ 440,435	\$ –	\$ –	\$ –	\$ 440,435	
Fixed income securities	164,476	1,161,040	2,195,248	–	3,520,764	
Mortgage loans	2,673	63,465	4,209	–	70,347	
Preferred shares	11,672	136,032	265,068	844,494	1,257,266	
Common shares	–	–	–	1,266,550	1,266,550	
Other investments	17,147	76,508	49,343	22,605	165,603	
	\$ 636,403	\$ 1,437,045	\$ 2,513,868	\$ 2,133,649	\$ 6,720,965	

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Credit risk mostly arises from investments in fixed income securities and preferred shares.

The Company's investment policy requires that, at the time of the investment, fixed income securities have a minimum credit rating of BBB and preferred shares have a minimum credit rating of P3. Management monitors subsequent credit rating changes on a regular basis. Investments in any entity or group of related entities are limited to 5% of the Company's assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. To manage its cash flow requirements, the Company maintains a portion of its invested assets in liquid securities.

Interest rate risk

Interest rate risk is the risk that a movement in interest rates will have an adverse effect on the financial condition of the Company, which happens when interest rates increase on the market.

The weighted average interest rate based on book values as at December 31, 2006 was 4.62% (2005 – 4.87%) for fixed income securities, 7.41% (2005 – 7.28%) for mortgage loans and 5.19% (2005 – 5.08%) for preferred shares with a maturity date.

Securities lending

The Company participates in a securities lending program managed by the Company's custodian, a major Canadian financial institution, whereby the Company lends securities it owns to other financial institutions to allow them to meet delivery commitments. Government securities with an estimated fair value of 105% of the fair value of the securities loaned are received as collateral from the Canadian financial institution.

5. Derivative financial instruments

Table 5.1 summarizes the fair value of the derivative financial instruments used by the Company. Positive fair values are recorded as other assets (note 11) and negative fair values are recorded as other liabilities.

Table 5.1	2006			2005		
	Positive fair value	Negative fair value	Net	Positive fair value	Negative fair value	Net
Held for non-trading purposes						
Where hedge accounting is applied						
Currency swaps	\$ -	\$ 824	\$ (824)	\$ -	\$ -	\$ -
Where hedge accounting is not applied						
Foreign exchange contracts						
Currency forwards purchased	11	-	11	-	18	(18)
Currency forwards sold	-	33	(33)	86	-	86
Currency swaps	1,057	-	1,057	3,003	-	3,003
Total return swaps	-	2,964	(2,964)	-	-	-
Held for trading purposes						
Interest rate contracts						
Options purchased	284	-	284	-	-	-
Options written	-	69	(69)	-	-	-
Swaps	116	456	(340)	-	-	-
Total return swaps	117	-	117	-	-	-
	\$ 1,585	\$ 4,346	\$ (2,761)	\$ 3,089	\$ 18	\$ 3,071

Tables 5.2 and 5.3 summarize the notional amounts of the derivative financial instruments used by the Company by term of maturity.

Table 5.2		2006			
	One year or less	One year to five years	Over five years	Total	
Held for non-trading purposes					
Where hedge accounting is applied					
Currency swaps	\$ —	\$ —	\$ 51,391	\$ 51,391	
Where hedge accounting is not applied					
Foreign exchange contracts					
Currency forwards purchased	8,837	—	—	8,837	
Currency forwards sold	25,348	—	—	25,348	
Currency swaps	—	1,289	3,771	5,060	
Total return swaps	422,936	—	—	422,936	
Held for trading purposes					
Interest rate contracts					
Options purchased	442,280	—	—	442,280	
Options written	360,081	—	—	360,081	
Swaps	58,295	159,500	—	217,795	
Futures bought	43,517	—	—	43,517	
Futures sold	219,087	—	—	219,087	
Total return swaps	23,318	60,044	—	83,362	
	\$ 1,603,699	\$ 220,833	\$ 55,162	\$ 1,879,694	

Table 5.3		2005			
	One year or less	One year to five years	Over five years	Total	
Held for non-trading purposes					
Where hedge accounting is applied					
Currency swaps	\$ —	\$ —	\$ —	\$ —	
Where hedge accounting is not applied					
Foreign exchange contracts					
Currency forwards purchased	5,922	—	—	5,922	
Currency forwards sold	28,605	—	—	28,605	
Currency swaps	4,320	1,718	8,504	14,542	
Total return swaps	—	—	—	—	
Held for trading purposes					
Interest rate contracts					
Options purchased	—	—	—	—	
Options written	—	—	—	—	
Swaps	—	—	—	—	
Futures bought	—	—	—	—	
Futures sold	—	—	—	—	
Total return swaps	—	—	—	—	
	\$ 38,847	\$ 1,718	\$ 8,504	\$ 49,069	

Foreign exchange rate risk

Foreign exchange rate risk is the risk that the value of a foreign-denominated financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company mitigates foreign exchange rate risk by buying or selling successive monthly foreign exchange forward contracts. Foreign exchange forward contracts are commitments to buy or sell foreign currencies for delivery at a specified date in the future at a fixed rate. Forwards are transacted in over-the-counter markets.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Company mitigates cash flow risk by entering into foreign exchange swaps, whereby foreign-denominated principal and fixed interest receipts are sold in exchange for Canadian dollars. These swaps are transacted in over-the-counter markets.

Credit risk

The credit risk for derivative financial instruments is limited to their positive fair value, which is substantially lower than their notional amount. The Company mitigates credit risk by diversifying exposure to any single counterparty.

Market risk

Market risk is the risk of losses arising from movements in market prices. The Company mitigates market risk by entering into total return swaps, whereby the return of a basket of securities is sold in exchange for interest receipts. These total return swaps are transacted in over-the-counter markets.

6. Policy liabilities

Policy liabilities are established to reflect the estimate of the full amount of all liabilities associated with the insurance policies at the consolidated balance sheet dates, including claims incurred but not reported. The ultimate cost of these liabilities will vary from the best estimate made for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred. Table 6.1 presents the unpaid claims and loss adjustment expenses.

Table 6.1	2006		2005	
	Direct ^(a)	Ceded ^(b)	Direct ^(a)	Ceded ^(b)
Unpaid claims and loss adjustment expenses				
Auto: liability	\$ 1,638,439	\$ 29,579	\$ 1,754,126	\$ 42,401
Auto: personal accident	703,729	21,334	717,743	29,557
Auto: other	107,669	208	86,594	1,124
Property	582,583	87,710	504,521	136,948
Liability	786,325	130,344	754,257	119,636
Other	4,794	1,194	4,368	853
	\$ 3,823,539	\$ 270,369	\$ 3,821,609	\$ 330,519

^(a) Direct unpaid claims and loss adjustment expenses is shown as unpaid claims and loss adjustment expenses in the consolidated balance sheets.

^(b) Ceded unpaid claims are referred to as reinsurers' share of unpaid claims and loss adjustment expenses in the consolidated balance sheets.

Unpaid claims and loss adjustment expenses were reduced, on a net basis, by \$341,981 at December 31, 2006 (2005 – \$336,760) to take into account the time value of money using a rate of 4.64% (2005 – 4.63%) on underlying claims settlement patterns. The provision for adverse deviations increased unpaid claims and loss adjustment expenses, on a net basis, by \$426,286 at December 31, 2006 (2005 – \$407,933).

Table 6.2 presents the unearned premiums.

Table 6.2	2006		2005	
	Direct ^(c)	Ceded ^(d)	Direct ^(c)	Ceded ^(d)
Unearned premiums				
Auto: liability	\$ 597,583	\$ 713	\$ 572,700	\$ 647
Auto: personal accident	194,266	59	186,665	60
Auto: other	538,738	35	520,354	7
Property	757,825	3,631	730,386	3,680
Liability	152,861	3,024	158,876	3,238
Other	22,845	10,221	25,856	9,647
	\$ 2,264,118	\$ 17,683	\$ 2,194,837	\$ 17,279

^(c) Direct unearned premiums is shown as unearned premiums in the consolidated balance sheets.

^(d) Ceded unearned premiums are referred to as reinsurers' share of unearned premiums in the consolidated balance sheets.

There was no premium deficiency at the consolidated balance sheet dates. The Company estimates that the fair value of unpaid claims and loss adjustment expenses, as well as the fair value of unearned premiums, approximate their book values.

Interest rate sensitivity

Since the time value of money is considered when determining the unpaid claims and loss adjustment expenses estimate, an increase or decrease in the discount rate would result in a decrease or increase in unpaid claims and loss adjustment expenses, respectively. Consequently, a 1% change in the discount rate would have an impact of \$77,750 on the fair value of unpaid claims and loss adjustment expenses at December 31, 2006 (2005 – \$67,535).

Structured settlements

The Company enters into annuity agreements with various Canadian life insurance companies to provide for fixed and recurring payments to claimants. Under such arrangements, the Company's liability to its claimants is substantially transferred, although the Company remains exposed to credit risk to the extent to which the life insurers fail to fulfil their obligations. This risk is managed by acquiring annuities from highly rated Canadian life insurance companies. At December 31, 2006, none of the life insurers from which the Company had purchased annuities was in default and no provision for credit risk was required. A measure of the credit risk exposure is the unrecorded original purchase price of \$323,909 (2005 – \$290,966) for the annuities.

7. Reinsurance

In the ordinary course of business, the Company reinsures certain risks with other reinsurers to limit its maximum loss in the event of catastrophes or other major losses. For single risk events, net retention for property and liability in 2006 was generally \$5,000 (2005 – \$2,500) and \$7,000 (2005 – \$2,500), respectively; in a number of cases, like special classes of business or types of risks, the retention would be lower through specific treaties or the use of facultative reinsurance. In 2006, for multi-risk events or catastrophes, retention is \$25,000 with a reinsurance coverage limit of \$1,250,000. The Company retains overall 10% of the exposure between \$25,000 and \$600,000. For 2005, retention was \$17,500 with a coverage limit of \$1,200,000 and an average of 10% retention of the exposure between \$25,000 and \$600,000.

Reinsurance contracts do not relieve the Company from its obligations towards policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. Thus, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurers' insolvencies. Substantially, all reinsurers are required to have a minimum credit rating of A- at inception of the treaty. Rating agencies used are A.M. Best and S&P. The Company also requires that most of its treaties have a security review clause allowing the Company to replace a reinsurer during the treaty period should the reinsurer's credit rating fall below the level acceptable to the Company. Management concluded that the Company was not exposed to significant loss from reinsurers for potentially uncollectible reinsurance as at the consolidated balance sheet dates.

Furthermore, the Company is the assigned beneficiary of collateral consisting of cash, trust accounts and letters of credit totaling \$79,163 at December 31, 2006 (2005 – \$98,376) as guarantee from unlicensed reinsurers. These amounts include \$54,103 (2005 – \$74,252) from an affiliated reinsurer. This collateral is held in support of policy liabilities of \$58,768 at December 31, 2006 (2005 – \$83,289) and could be used should these reinsurers be unable to meet their obligations.

Table 7.1 presents the impact of reinsurance on the consolidated statements of income.

Table 7.1	2006		2005	
	To affiliates	Ceded Total	To affiliates	Ceded Total
Premiums earned	\$ 17,654	\$ 94,521	\$ 48,707	\$ 210,962
Claims and loss adjustment expenses	7,384	15,037	80,641	264,926
Commissions expense	–	13,492	–	24,169
Loss (income) before income taxes	\$ 10,270	\$ 65,992	\$ (31,934)	\$ (78,133)

8. Related party transactions

The Company enters into related party transactions with the controlling shareholder, ING Groep, and with entities that are subject to common control or are the managed parties of a common managing party ("common management"). These transactions consist of reinsurance, management and advisory expenses, financing charges, as well as advisory fees income. These transactions are carried out in the normal course of operations. Accordingly, they are measured at the amount of consideration paid or received, as established and agreed to by the related parties and are settled on a regular basis.

The impact of reinsurance ceded to entities that are subject to common control or management on the consolidated statements of income is shown in table 7.1 above.

Table 8.1 summarizes the other types of transactions with entities that are subject to common control or management for the years ended December 31, 2006 and 2005.

Table 8.1	2006	2005
Advisory fees income	\$ 629	\$ 5,992
Management and advisory expenses	16,557	17,885
Interest expense	5,309	7,963

Table 8.2 summarizes the Company's balances with entities that are subject to common control or management.

Table 8.2	2006	2005
Reinsurance receivable	\$ 4,252	\$ 230
Interest and other payables	–	2,968

The Company enters into transactions with investees presented as long-term investments. Significant balances and transactions with these investees consist of loans, which are classified as investments, of \$62,985 as at December 31, 2006 (2005 – \$63,386) and commissions expense of \$31,594 for the year ended December 31, 2006 (2005 – \$27,860).

9. Income taxes

Table 9.1 presents the income tax expense.

Table 9.1	2006	2005
Current	\$ 274,085	\$ 300,883
Future	19,869	8,287
Income tax expense	\$ 293,954	\$ 309,170

Table 9.2 explains the difference, expressed in percentage terms, between the income tax expense and the amount that would have been computed if the federal and provincial statutory tax rates had been applied to income before income taxes.

Table 9.2	2006	2005
	%	%
Income tax expense calculated at statutory tax rates	34.5	34.5
Increase (decrease) in income tax rates resulting from:		
Non-taxable dividend income	(4.3)	(3.6)
Non-deductible expenses	0.3	0.4
Non-taxable portion of capital gains	(0.2)	(1.1)
Impact of tax rate changes	0.6	(0.2)
Other	–	(1.7)
Effective income tax rate	30.9	28.3

The consolidated statements of income contain items that are non-taxable or non-deductible for income tax purposes, which cause the income tax expense to differ from what it would have been if based on statutory tax rates.

The most significant components of the future income tax balances are the following:

Table 9.3	2006	2005
Future income tax asset		
Difference between accounting loss reserves and tax loss reserves	\$ 58,593	\$ 61,043
Difference between the market value and book value of investments	68,082	71,641
Losses available for carryforward	5,502	7,520
Property and equipment	8,164	13,988
Deferred expenses for tax purposes	60,352	70,047
Total future income tax asset	\$ 200,693	\$ 224,239
Future income tax liability		
Deferred gains and losses on specified debt obligations	57,159	63,745
Pension and other retirement benefits	16,438	11,291
Other	14,909	8,102
Total future income tax liability	88,506	83,138
Net future income tax asset	\$ 112,187	\$ 141,101

In 2005, the Company fully recognized a tax recovery on losses realized from the sale of investments in ING mutual fund units.

The Company recognized a future tax asset for all of its unused non-capital losses as at December 31, 2006 and 2005.

At December 31, 2006, the Company had allowable capital losses of \$33,018 (2005 – \$33,510), which had not been recognized when computing the future tax asset. These losses, which have no expiry date, can be used to reduce future taxable capital gains.

10. Goodwill and intangible assets

Table 10.1 shows the change in goodwill during the year.

Table 10.1	2006	2005
Goodwill arising from former long-term investments		
now consolidated (note 13)	\$ –	\$ 5,471
Goodwill purchased (note 17)	41,122	12,023
Goodwill disposed (note 17)	741	248
Increase in goodwill during the year	\$ 40,381	\$ 17,246

Table 10.2 shows the components of intangible assets.

Table 10.2	2006	2005
Cost	\$ 76,493	\$ 41,107
Accumulated amortization	(10,199)	(4,159)
Book value	\$ 66,294	\$ 36,948

The Company performs an annual impairment testing of goodwill. No impairment was identified in either 2006 or 2005. Impairments are non-cash in nature and they do not affect the Company's liquidity or ability to discharge its liabilities.

The intangible assets represent customer relationships and the rights to offer renewals. They are amortized on a straight-line basis over ten years.

11. Other assets

Table 11.1 summarizes the major components of other assets.

Table 11.1	2006		2005	
Property and equipment (table 11.2)	\$	94,268	\$	92,847
Prepaid pension asset (note 12)		92,966		80,801
Prepays		11,321		3,352
Other		4,621		5,119
	\$	203,176	\$	182,119

Table 11.2 shows the major categories of the Company's property and equipment.

Table 11.2	2006			2005		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
Land	\$ 316	\$ -	\$ 316	\$ 4,940	\$ -	\$ 4,940
Buildings	699	(352)	347	37,183	(13,357)	23,826
Computer equipment	109,257	(57,941)	51,316	86,417	(51,493)	34,924
Furniture and equipment	50,524	(27,854)	22,670	43,380	(24,647)	18,733
Leasehold improvements	28,258	(8,639)	19,619	18,228	(7,804)	10,424
	\$189,054	\$(94,786)	\$94,268	\$190,148	\$(97,301)	\$92,847

12. Employee future benefits

The Company has several defined benefit pension plans, as well as a number of defined contribution pension plans resulting from the acquisition of Allianz. For the defined benefit plans, the measurement date is December 31 and the latest actuarial valuations were performed as of December 31, 2005. The next actuarial valuations will be performed as of December 31, 2008.

The Company has several other retirement plans offering life insurance and health benefits to retirees, which are closed to active employees.

Table 12.1 presents the changes in the benefit obligation and the fair values of plan assets and reconciles the plans' funded status with the net prepaid asset (accrued liability).

Table 12.1	2006	2005	2006	2005
	Pension plans		Other plans	
Change in benefit obligation				
Benefit obligation at beginning of year	\$ (435,674)	\$ (352,523)	\$ (15,967)	(22,408)
Current service cost	(20,856)	(16,060)	–	–
Interest cost on benefit obligation	(22,655)	(21,993)	(761)	(814)
Past service cost	–	(273)	–	6,370
Employee contributions	(4,785)	(4,290)	–	–
Actuarial losses	(49,836)	(54,750)	(94)	(1,798)
Benefits paid	18,667	16,190	973	708
Transfer	–	(1,975)	–	1,975
Benefit obligation at end of year	\$ (515,139)	\$ (435,674)	\$ (15,849)	(15,967)
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	\$ 496,058	\$ 440,496	\$ –	–
Actual return on plan assets	63,941	60,604	–	–
Employer contributions	11,794	6,858	973	708
Employee contributions	4,785	4,290	–	–
Benefits paid	(18,667)	(16,190)	(973)	(708)
Fair value of plan assets at end of year	\$ 557,911	\$ 496,058	\$ –	–
Funded status				
Excess (deficit) of fair value of plan assets over benefit obligation at end of year	\$ 42,772	\$ 60,384	\$ (15,849)	(15,967)
Unrecognized transitional (asset) obligation	(52,632)	(63,157)	901	1,009
Unrecognized past service costs	1,732	1,983	(5,520)	(5,945)
Unrecognized net actuarial losses	83,387	63,807	4,130	4,303
Valuation allowance	(1,568)	(1,879)	–	–
Net prepaid asset (accrued liability) at end of year	\$ 73,691	\$ 61,138	\$ (16,338)	(16,600)
Presented as				
Other assets (note 11)	\$ 92,966	\$ 80,801	\$ –	–
Other liabilities	(19,275)	(19,663)	(16,338)	(16,600)
Net prepaid asset (accrued liability) at end of year	\$ 73,691	\$ 61,138	\$ (16,338)	(16,600)

Included in the benefit obligation and fair value of plan assets are the following amounts in respect of plans that are not fully funded.

Table 12.2	2006	2005	2006	2005
	Pension plans		Other plans	
Benefit obligation	\$ (189,875)	\$ (149,855)	\$ (15,849)	(15,967)
Fair value of plan assets	138,900	107,406	–	–
Deficit	\$ (50,975)	\$ (42,449)	\$ (15,849)	(15,967)

At December 31, 2006, 40.6% (2005 – 53%) of the defined benefit pension plans' assets were held in equity securities, 57.9% (2005 – 45%) in fixed income securities and 1.5% (2005 – 2%) in other investments.

Table 12.3 provides details of the components of the accrued benefit expense (income) before adjustments to recognize the long-term nature of employee future benefit costs, as well as reconciliation with the accrued benefit expense (income).

Table 12.3	2006		2005	
	Pension plans		Other plans	
Accrued benefit (income) expense				
Current service cost	\$ 20,856	\$ 16,060	\$ –	\$ –
Interest cost on benefit obligation	22,655	21,993	761	814
Past service costs	–	273	–	(6,370)
Actual return on plan assets	(63,941)	(60,604)	–	–
Net actuarial losses	49,836	54,750	94	1,798
Accrued benefit (income) expense before adjustments to recognize the long-term nature of employee future benefit costs	\$ 29,406	\$ 32,472	\$ 855	\$ (3,758)
Excess of actual return over expected return on plan assets for the year	28,016	28,846	–	–
Amortization of past service cost	251	251	(425)	(425)
Amortization of transitional (asset) obligation	(10,525)	(10,525)	108	108
Amortization of net actuarial losses	2,240	824	267	161
Past service costs arising during the year	–	(273)	–	6,370
Net actuarial losses arising during the year (table 12.4)	(49,836)	(54,750)	(94)	(1,798)
Amortization of valuation allowance	(279)	(279)	–	–
Change in valuation allowance	(32)	200	–	–
Accrued benefit (income) expense	\$ (759)	\$ (3,234)	\$ 711	\$ 658

Table 12.4 lists the components of the net actuarial losses arising from pension and other plans.

Table 12.4	2006		2005	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial gains (losses) arising from the:				
Decrease in the discount rate used to measure the benefit obligation	\$ –	\$ –	(64,735)	(1,460)
Experience	(30,236)	–	–	–
Decrease in the rate of compensation increase used to measure the benefit obligation	–	–	9,985	–
Increase in the health care cost trend rate used to measure the benefit obligation	–	(94)	–	(338)
Change in mortality table	(8,600)	–	–	–
Change in withdrawal/retirement	(11,000)	–	–	–
	\$ (49,836)	\$ (94)	(54,750)	(1,798)

The cost recognized for the defined contribution plans, as well as the employer contributions, were \$1,600 in 2006 (2005 – \$2,202).

Table 12.5 summarizes the key weighted average assumptions used for the measurement of the benefit obligations and benefit expense (income).

Table 12.5	2006		2005	2006		2005
	Defined benefit plans			Other plans		
To determine benefit obligations at end of year						
Discount rate	5.0%	5.0%		5.0%	5.0%	5.0%
Rate of increase in future compensation	3.5%	3.5%		n/a	n/a	n/a
To determine benefit expense (income) for the year						
Discount rate	5.0%	6.0%		5.0%	6.0%	6.0%
Rate of increase in future compensation	3.5%	4.0%		n/a	n/a	n/a
Expected long-term rate of return on plan assets	7.25%	7.25%		n/a	n/a	n/a

The weighted average of the assumed health care cost trend rate for 2007 used to measure the expected cost of benefits covered by the plans is 9%, declining by 1% per year for each of the next four years.

Table 12.6 shows the impact of a 1% increase and decrease in the health care cost trend rate on the other plans' benefit obligation and on the service and interest cost.

Table 12.6	2006				2005	
	1% increase		1% decrease		1% increase	1% decrease
Increase (decrease) in benefit obligation	\$	1,411	\$	(1,628)	\$	1,391
Increase (decrease) in the service and interest cost		66		(78)		71
						(82)

13. Long-term investments

The Company has investments in companies in which it has significant influence. These investments are referred to as long-term investments and are recorded using the equity method. Under this method, the Company records its share in the net income of long-term investments, computed by the consolidation method. Net income from long-term investments is included in investment income in the consolidated statements of income.

Table 13.1	2006					
	Opening balance	Increase (decrease)	Income	Dividends	Closing balance	
P&C insurance brokerages	\$	41,587	\$	357	\$	8,831
						(6,374)
						44,401

Table 13.2	2005					
	Opening balance	Increase (decrease) ^(a)	Income	Dividends	Closing balance	
P&C insurance brokerages	\$	48,108	\$	(8,239)	\$	8,428
						(6,710)
						41,587

^(a) In 2005, the Company acquired a controlling interest in several P&C insurance brokerages in which it previously had significant influence. As a result of these acquisitions, the investments in P&C insurance brokerages, which were previously classified as long-term investments, are now consolidated.

14. Debt outstanding

The Company has an uncommitted revolving credit facility in the amount of \$50,000, which may be drawn as primary loans at the prime rate or as bankers' acceptances at the bankers' acceptance rate. In 2005, the Company had an outstanding loan of \$127,000 with ING Verzekeringen, N.V., which was bearing interest at a rate of 6.27%. This loan was repaid fully in 2006.

15. Share capital

Table 15.1 summarizes the Company's share capital.

Classes of shares	2006			2005		
	Authorized (shares)	Issued and outstanding (shares)	Amount	Authorized (shares)	Issued and outstanding (shares)	Amount
Common	Unlimited	133,732,000	\$ 1,183,846	Unlimited	133,732,000	\$ 1,183,846
Class A ^(a)	Unlimited	–	–	Unlimited	–	–
Special ^(b)	One	1	–	One	1	–
			\$ 1,183,846			\$ 1,183,846

^(a) Issued and outstanding Class A shares would rank both with regards to dividends and return on capital in priority to the common shares.

^(b) The Special Share is convertible into one common share. The beneficial owner of the Special Share is entitled to nominate and elect a certain number of directors to the Board and request the Board to appoint the Chief Executive Officer, as determined by the number of common shares that the holder of the Special Share beneficially owns.

In January 2005, pursuant to the underwriters' agreement in relation to the initial public offering, the underwriters exercised the over-allotment option granted to them. The option called for the purchase of up to 5,232,000 additional common shares at the offering price within thirty days from the date of the IPO and was exercised in full in January 2005, generating net proceeds of \$129,230 and increasing share capital by \$131,556 after tax.

Stock-based compensation

A long-term incentive plan (LTIP) was implemented for certain employees commencing in 2005. Under this plan, these employees are awarded performance units as a portion of their compensation. Each award vests and pays out at the end of a three-year performance cycle. The actual award varies based on a performance target by comparing the Company's three-year average return on equity relative to that of the Canadian property and casualty insurance industry. The actual award may only be in common shares restricted for transfer. Accordingly, this type of compensation is recognized as an expense with a corresponding increase to contributed surplus. The Company re-estimates the number of performance units that are expected to vest at each reporting period. As at December 31, 2006, the estimate is 181,574 units for the 2006-2008 performance cycle with a per unit fair value at grant date of 36 dollars and 79 cents and 363,700 units for the 2005-2007 performance cycle with a per unit fair value at grant date of 26 dollars and 30 cents. At the time of the payout, the Company intends to purchase common shares in the market in an amount equal to the number of vested units.

Since July 1, 2006, employees who are not eligible for the LTIP are entitled to make contributions in accordance with a voluntary employee share purchase plan (ESPP). Under the ESPP, eligible employees can contribute up to 10% of their base earnings through payroll deduction. As an incentive for participation in the plan, the Company will contribute an amount corresponding to 50% of the employee contribution. The common shares are bought on the market by an independent broker each month and are held by a custodian on behalf of the employees. The common shares bought with the Company's contributions vest upon continued employment for a period of twelve months. During the year, 68,405 common shares were purchased by the independent broker on behalf of the employees under the ESPP. From those shares, 22,892 are unvested on December 31, 2006.

Members of the Company's Board of Directors who are not officers or employees of the Company or its affiliates receive part of their annual retainer in the form of deferred share units ("DSU") and may elect to receive the balance of their retainer in the form of DSU or cash. A DSU represents an amount owed by the Company to the directors and has the same value as one share of the Company at the date of the grant. These DSU may not be paid out until such time that the director leaves the Board. Payment may be in cash or common shares of the Company, at the option of the directors. Accordingly, director compensation is recognized both as an expense and a liability.

The amount charged to compensation expense for these plans was \$4,146 for the year ended December 31, 2006, (2005 – \$6,447). The expense for the LTIP and DSU is based on the fair value of the awards at the dates of the grants and represents management's estimate of the payout by reference to the achievement of an expected performance target. The Company's contributions under the ESPP are accrued when payable and are expensed over the vesting period of the unvested common shares.

16. Supplemental cash flow information

Table 16.1 presents supplemental cash flow information.

Table 16.1	2006	2005
Income taxes paid	\$ 316,369	\$ 385,956
Interest paid on debt outstanding	7,963	7,963
Amortization of:		
Property and equipment	19,556	18,121
Intangible assets	6,039	3,854
Net premiums on fixed income securities	(17,018)	16,274
Investment impairment	20,437	10,470
Increase (decrease) in cash and cash equivalents		
due to changes in other operating assets and liabilities:		
Premium and other receivables	(129,040)	100,513
Income taxes	(42,284)	(86,160)
Other assets	(19,607)	3,514
Payables and other liabilities	7,758	145,026

17. Acquisitions and divestitures

Acquisitions of businesses are accounted for using the purchase method. This involves allocating the purchase price paid for a business to the assets acquired, including identifiable intangible assets and the liabilities assumed, based on their fair values at the date of acquisition. Any excess is then recorded as goodwill.

On April 1, 2006 and October 31, 2006, respectively, the Company acquired 100% of the outstanding shares of Grey Power Insurance Brokers Inc. (GPIB) and West & Associates Insurance Group Ltd. (West). These enterprises operate in the corporate and distribution segment.

The Company's subsidiaries by way of share or asset purchases, acquired or increased the ownership and disposed of certain other businesses.

The results of the acquired companies since their respective acquisition date are included in the Company's consolidated statements of income.

The allocation of the purchase price was established as follows:

Table 17.1		GPIB		West		Other		Total 2006		2005
Goodwill	\$	20,288	\$	8,378	\$	11,715	\$	40,381	\$	11,775
Intangible assets		18,320		3,981		13,073		35,374		3,858
Future income taxes		(6,007)		(1,279)		(1,759)		(9,045)		(1,285)
Net tangible assets (liabilities)		85		(923)		(720)		(1,558)		298
Net cash consideration paid	\$	32,686	\$	10,157	\$	22,309	\$	65,152	\$	14,646

The goodwill acquired is non deductible for tax purposes.

In 2006, the Company paid \$14,884 (2005 – \$13,962) of accrued integration cost primarily related to discontinuance of information systems, redundant lease space and involuntary employee terminations. Furthermore, the provision for redundant lease space was increased by \$5,100 (2005 – nil) with a corresponding charge in the current income.

18. Disclosures on rate regulation

The Company's insurance subsidiaries are licensed under insurance legislation in each of the provinces and territories in which they conduct business. Automobile insurance is a compulsory product and is subject to different regulations across the provinces and territories in Canada, including those with respect to rate setting. Rate setting mechanisms vary across the provinces and territories in Canada, but they generally fall under three categories: "use and file", "file and use" and "file and approve". Under "use and file", rates are filed following use. Under "file and use", insurers file their rates with the relevant authorities and wait for a prescribed period of time and then implement the proposed rates. Under "file and approve", insurers must wait for specific approval of filed rates before they may be used.

Table 18.1 lists the provincial authorities which regulate automobile insurance rates. Automobile direct written premiums in these provinces totaled \$2,253,362 in 2006 (2005 – \$2,166,541) and represented approximately 98.3% (2005 – 98.2%) of direct automobile premiums written.

Table 18.1

Province	Rate filing	Regulatory authority
Alberta	File and approve or file and use	Alberta Automobile Insurance Rate Board
Ontario	File and approve	Financial Services Commission of Ontario
Québec	Use and file	L'Autorité des marchés financiers
Nova Scotia	File and approve	Nova Scotia Insurance Review Board
New Brunswick	File and approve	New Brunswick Insurance Board
Prince Edward Island	File and approve	Island Regulatory Appeals Commission
Newfoundland	File and approve	Board of Commissioners of Public Utilities

Relevant regulatory authorities may, in some circumstances, require retroactive rate adjustments, which could result in a regulatory asset or liability. At December 31, 2006 and 2005, the Company had no significant regulatory asset or liability.

19. Contingencies

In the normal course of operations, various claims and legal proceedings are instituted against the Company. Legal proceedings are often subject to numerous uncertainties and it is not possible to predict the outcome of individual cases. In management's opinion, the Company has made adequate provision for, or has adequate insurance to cover all claims and legal proceedings. Consequently, any settlements reached should not have a material adverse effect on the Company's consolidated future operating results and financial position.

20. Commitments and guarantees

Table 20.1 presents future minimum payments under long-term leases for premises and equipment.

Table 20.1

Year	Amount
2007	\$ 63,232
2008	50,550
2009	37,817
2010	29,561
2011	26,191
Thereafter	100,696
	\$ 308,047

In the normal course of operations, the Company provides indemnification agreements to directors and officers, to the extent permitted by law, against certain claims made against them as a result of their services to the Company. The Company has insurance coverage for these agreements.

21. Segmented information

The Company's core business activity is P&C insurance. P&C insurance segment includes two lines of business: personal lines and commercial lines. Classes in personal lines include automobile and property. Classes in commercial lines encompass primarily property, liability and automobile. The investment income consists of managing the investment portfolio for the Company's P&C insurance subsidiaries. Investment income is shown net of investment expenses. Corporate and distribution segment includes the results of the Company's broker operations and long-term investments, non P&C investment income, intercompany eliminations consisting primarily of commissions and general expenses with the Company's P&C operations, as well as non-recurring items, such as acquisitions, whose effects are not allocated to any other segment.

Table 21.1	2006	2005
Revenue		
Net premiums earned		
Personal insurance	\$ 2,696,709	\$ 2,680,698
Commercial insurance	1,129,905	1,159,478
Investment income	314,111	323,255
Total P&C insurance	4,140,725	4,163,431
Realized investment and other gains	193,532	223,471
Corporate and distribution	72,119	59,166
Total revenue	\$ 4,406,376	\$ 4,446,068
Income before income taxes		
Underwriting income		
Personal insurance	242,155	382,120
Commercial insurance	161,678	155,592
Investment income	294,806	300,732
Total P&C insurance	698,639	838,444
Net realized investment and other gains	193,532	223,471
Corporate and distribution	59,836	29,038
Total income before income taxes	952,007	1,090,953
	As at December 31	
Assets	2006	2005
P&C insurance ^(a)	9,265,754	9,066,267
Corporate and distribution ^(b)	1,111,515	860,268
Total assets	\$ 10,377,269	\$ 9,926,535
Increase of goodwill		
	2006	2005
P&C insurance	\$ -	\$ -
Corporate and distribution	40,381	17,246
Total increase in goodwill	\$ 40,381	\$ 17,246

^(a) Includes goodwill of \$74,411 at December 31, 2006 and 2005.

^(b) Includes goodwill of \$74,332 at December 31, 2006 (2005 – \$33,951).

22. Fair value disclosure

The fair value of investments and short securities, derivative financial instruments, policy liabilities and debt outstanding are disclosed in notes 4, 5, 6 and 14, respectively. The fair value of other financial assets and liabilities approximates their book value due to their short-term nature.

23. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

24. Subsequent event

On February 13, 2007, the Board of Directors approved a plan to repurchase for cancellation up to \$500,000 of the Company's common shares. The repurchase will be through a substantial issuer bid, by way of a modified Dutch auction. ING Groep, the Company's majority shareholder, has informed the Company of its intent to submit common shares sufficient to maintain its holding at 70%.

Committed to Leadership



ING Canada Board of Directors

Board of Directors

1. Yves Brouillette (2), (3)
Chairman of the Board

2. Claude Dussault (4)
President and Chief Executive
Officer of ING Canada

3. Carol Stephenson (3)
Dean, Richard Ivey School
of Business

4. Robert Normand (1)
Professional Director

5. Marcel Côté (2), (3)
President, SECOR Conseil

6. Kathleen Murphy (4)
Chief Executive Officer
of US Wealth Management
ING Insurance Americas

7. Ivan E.H. Duvar (1), (2)
President and Chief Executive
Officer of MIJAC Inc.

8. Eileen Mercier (1), (2)
Management Consultant

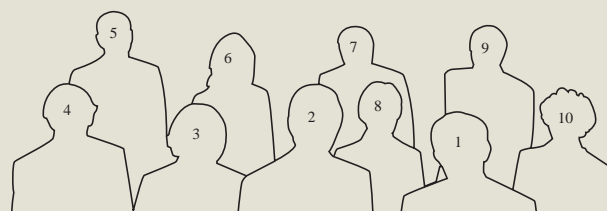
9. Paul Cantor (1), (3)
Chairman of Public Sector
Pension Investment Board

10. Louise Roy (3)
International Consultant

Robert W. Crispin (4)
Chairman and Chief
Executive Officer of ING
Investment Management LLC

David A. Wheat (4)
Executive Vice-President
and Chief Financial Officer
of ING Americas

(1) Audit and Risk Review Committee (2) Conduct Review and Corporate Governance Committee
(3) Human Resources Committee (4) Investment Committee



Messrs. Crispin and Wheat not pictured

Senior Management

Claude Dussault
President and
Chief Executive Officer

Charles Brindamour
Chief Operating Officer

Claude Désilets
Chief Risk Officer

Mark Tullis
Chief Financial Officer

Françoise Guénette
Sr. Vice President
Corporate and Legal
Services, and Secretary

Derek Iles
President
ING Insurance

Debbie Coull-Cicchini
Sr. Vice President
Ontario

Jetse de Vries
Sr. Vice President
Western Canada

Louis Gagnon
Sr. Vice President
Québec

Alan Blair
Sr. Vice President
Atlantic Canada

Martin Beaulieu
Sr. Vice President
Personal Lines

Peter Weightman
Sr. Vice President
Commercial Lines

Denis Guertin
Sr. Vice President
belairdirect

Roger Randall
Sr. Vice President
Affiliated Distribution
Networks

Louis Héroux
Sr. Vice President
Claims

Marc Pontbriand
Sr. Vice President and Chief
Information Officer

Rhonda Lawson
Sr. Vice President
Corporate Human Resources

Alister Campbell
Sr. Vice President
Planning and
Communications

Gilles Roy
Sr. Vice President
Risk Management
and Surety

Lilia Sham
Sr. Vice President
and Treasurer

Marc Provost
Sr. Vice President,
Managing Director and
Chief Investment Officer
ING Investment
Management

David Lincoln
Sr. Vice President
Corporate Audit Services

For biographies of our Board of Directors and Executive Officers, please visit the Investor Relations section of the www.ingcanada.com web site.

Corporate Information

ING Canada Inc.

A holding company

ING Insurance Company of Canada

Provides personal and commercial insurance products across Canada

Trafalgar Insurance Company of Canada

Specializes in serving the personal insurance needs of those aged 50 plus in Alberta, Ontario and the Atlantic provinces under the Grey Power banner

Equisure Financial Network Inc.

A holding company having an interest in a network of independent brokers

ING Novex Insurance Company of Canada

Provides personal auto and property protection to employee groups, associations and affinity groups

The Nordic Insurance Company of Canada

Provides personal auto and home insurance in Ontario and services clients of the Alberta and Ontario Facility Associations

700 University Avenue
Toronto, Ontario M5G 0A1
Tel: 416-341-1464

Belair Insurance Company Inc.

A direct distributor of personal auto and home insurance

300-7101 Jean Talon Street East
Anjou, Québec H1M 3T6
Tel: 514-270-1700

Canada Brokerlink Inc.

A wholly-owned insurance broker serving Ontario and Alberta

1300-321 6th Avenue SW
Calgary, Alberta T2P 4W7
Tel: 403-269-7961

ING Investment Management, Inc.

An investment counsel and portfolio management company

700 University Avenue
Toronto, Ontario M5G 0A1
Tel: 416-341-1464

ING Wealth Management Inc.

A mutual fund dealer

700 University Avenue
Toronto, Ontario M5G 0A1
Tel: 416-217-7217



Shareholder Information

Financial Strength Rating (Insurance subsidiaries)

A.M Best A+
Standard & Poor's A+

Long-term Senior Debt (ING Canada Inc.)

Dominion Bond Rating Service A (low)

Toronto Stock Exchange Listing

Ticker Symbol: IIC

Annual Meeting

The Annual Meeting will be held on:

Date: May 16, 2007
Time: 2:00 p.m. ET
Place: Juliette-Lassonde Arts Center
1705 Saint-Antoine Street
Saint-Hyacinthe, Québec J2S 9E2

Institutional investors, security analysts and others who may want additional financial information can visit the Investor Relations section of the www.ingcanada.com web site, call 1-866-778-0774 or contact:

Brian Lynch

Director, Investor Relations
416-941-5181
brian.lynch@ingcanada.com

For media inquiries, please contact:

Gilles Gratton

Director, Corporate Communications
416-217-7206
gilles.gratton@ingcanada.com

Version française

Il existe une version française du présent rapport annuel à la section Relations investisseurs de notre site Web ingcanada.com. Les intéressés peuvent obtenir une version imprimée en appelant au 1 866 778-0774 ou en envoyant un courriel à ir@ingcanada.com.

Transfer Agent and Registrar

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
1-800-564-6253

Earnings Release Dates

February 15, 2007
May 16, 2007
August 8, 2007
November 7, 2007

Dividend Payment Dates

(Subject to approval by the Board of Directors)
March 30, 2007
June 29, 2007
September 28, 2007
December 31, 2007

Dividend Record Dates

(Subject to approval by the Board of Directors)
March 15, 2007
June 15, 2007
September 14, 2007
December 14, 2007

Dividend Reinvestment

Shareholders can reinvest their cash dividends in common shares of ING Canada Inc. on a commission-free basis either through their broker, subject to eligibility as determined by the broker, or through Canadian ShareOwner Investments Inc. Full details can be obtained by visiting the Investor Relations section of the www.ingcanada.com web site.

Auditors

Ernst & Young LLP

Helping people Succeed



ING Insurance and ING Direct teamed up in 2006 to become a Premier Partner of Canada's National Speed Skating team, which brought home no fewer than 12 Olympic medals from Turin that year. ING's \$2 million, six-year sponsorship is helping elite Canadian skaters like Denny Morrison, a 2006 World Championship medallist, make Canada the top speed skating nation in the world. With a track record of excellent customer service and high-value products, ING is committed to matching the outstanding dedication, high level of performance and great achievements of our skaters.

ING Canada Inc.

