Denny Morrison, Olympic silver medalist

Driven to lead

ING CANADA INC.

2007 ANNUAL REPORT

Performance against our business goals

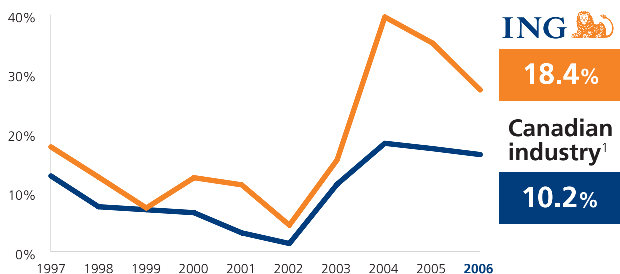
Historically, we have consistently exceeded the Canadian property and casualty industry growth rate and return on equity through superior underwriting and investment management.

	Business goals	10-year performance[1] (1997–2006)	2007 performance[1]
Return on equity	Exceed the Canadian P&C industry by at least **500 basis points** (bps) annually	ING Canada: **18.4%** Industry: **10.2%** Superior gap: **820 bps**	ING Canada's return on equity was **15.4%** in 2007
Organic growth	Exceed the annual growth rate of the Canadian P&C industry by at least **300 bps** over time, as measured by direct premiums written	ING Canada: **13.8%** Industry: **7.6%** Superior gap: **620 bps**	ING Canada's direct premiums written grew **2.9%** in 2007

[1] Industry data for the full year of 2007 was not available as of the date of this report.

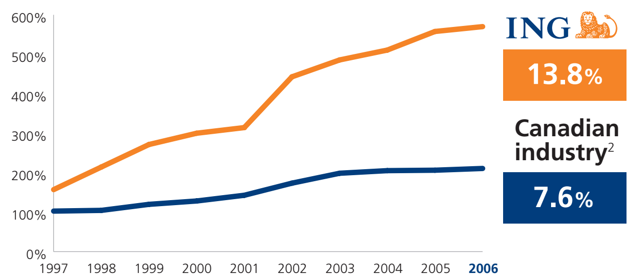
See Management's Discussion and Analysis for further discussion of our financial performance.

ROE performance of our insurance subsidiaries compared to Canadian P&C insurance industry
(10-year average, 1997–2006)



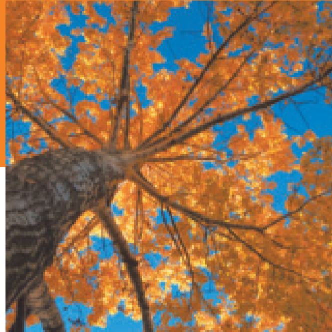
[1] Based on most recent industry data (2006)
Source: MSA Research Software. P&C industry statistics include reinsurers and exclude Lloyd's and the Insurance Corporation of British Columbia (ICBC)

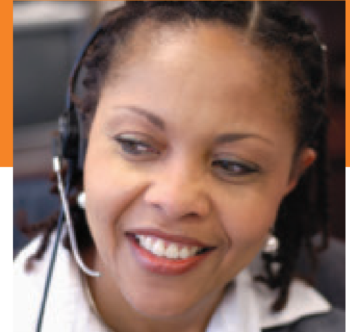
ING Canada premium[1] growth vs. industry
(10-year CAGR, 1997–2006)



[1] Based on direct premiums written
[2] *Source:* MSA Research Software. P&C industry statistics include reinsurers and exclude Insurance Corporation of British Columbia (ICBC). Most recent industry data available (2006)

ING Canada Inc. provides automobile, property and liability insurance to more than four
market share, we are the largest private sector provider of property and casualty (P&C) in
We also manage our own investment portfolio with more than $7.2 billion in assets.





What drives our success

Our consistently superior performance has been driven by several critical advantages: scale, underwriting discipline, in-house claims expertise, innovative products, a diverse business portfolio, proven acquisition and integration capabilities, and investment management expertise.

Significant scale advantage

ING Canada is one-third larger than the second largest P&C insurer in Canada and almost double the size of the number three insurer. The key benefit of scale is a uniquely comprehensive database of customer data and claims intelligence that allows us to more accurately model the risk of each policy. Scale also allows us to negotiate preferred terms with suppliers, priority service on repairs, quality guarantees and lower material costs.

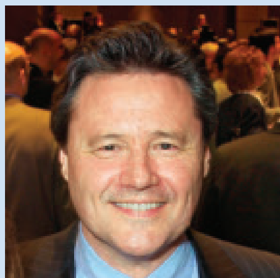
Discipline in underwriting and pricing

Our scale makes it possible to more accurately assess individual risks to create a pricing edge and continue to increase the sophistication of our pricing models. Whether writing a policy for an 18-year-old sports car driver, a florist shop, a condominium or a commercial building, we set premiums that are intended to attract and retain business without compromising target returns in our portfolio.

In-house claims expertise

We handle more than 95% of claims in-house. In-house claims management is more cost-effective and it allows us to process claims faster, retain better control over claims management, and provide a consistent customer experience that reflects our brand attributes. In 2007, we had a 95% customer claims satisfaction rate.

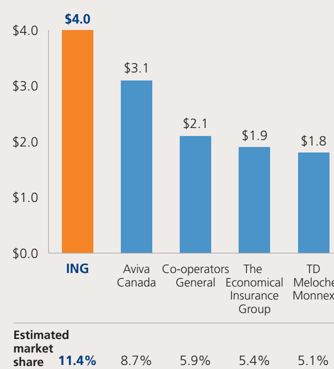
Becoming the "first choice" partner for brokers



John Collaton
Independent broker, Ontario

"ING Insurance recognizes the value of the broker channel and is a big supporter of entrepreneurial brokers who want to grow their businesses. The tools and services they provide through QUEST, such as financing, marketing and technological solutions, help us focus on what's important: the client."

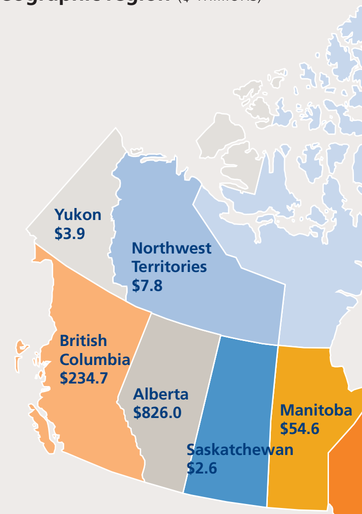
Direct premiums written[1]
($ billions)



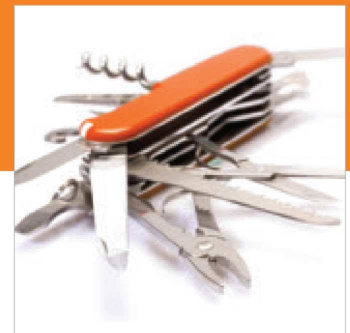
	ING	Aviva Canada	Co-operators General	The Economical Insurance Group	TD Meloche Monnex
Direct premiums written ($ billions)	$4.0	$3.1	$2.1	$1.9	$1.8
Estimated market share	11.4%	8.7%	5.9%	5.4%	5.1%

[1] Based on most recent industry data (2006)
Source: MSA Research Software. P&C industry statistics include reinsurers and exclude Lloyd's and the Insurance Corporation of British Columbia (ICBC)

2007 direct premiums written by geographic region ($ millions)



million individuals and businesses across Canada. With an estimated 11%
surance in Québec, Alberta and Nova Scotia and the second largest in Ontario.



Innovative products

We are constantly developing new products that cater to the evolving needs of our customers. Our *Responsible Driver Guarantee*, for example, is available to new customers in Ontario and New Brunswick as a premium policy feature, but is free to customers who have been with us for five years or more. In commercial lines, we have worked aggressively to expand our loss prevention services. Our staff of more than 40 loss prevention specialists conducted more than 9,500 site visits in 2007 and over 4,000 building appraisals.

Proven acquisition strategy

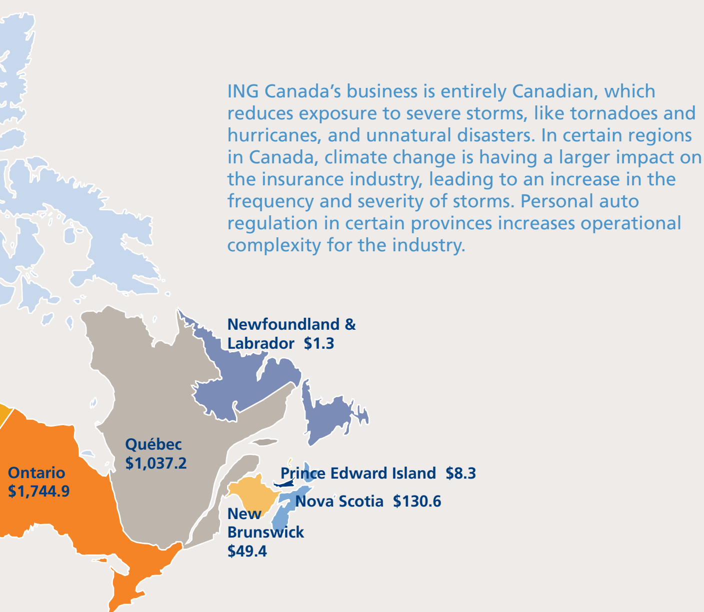
The Canadian P&C insurance industry is fragmented. The top five companies make up only 35% of the market, which creates opportunities for consolidation. ING Canada has been one of the most active in the industry's transformation with more than 11 acquisitions in 19 years. Growth through acquisition has enabled us to rapidly gain a scale advantage in the market.

Investment management expertise

We actively manage our investment portfolio to generate solid after-tax returns while balancing capital preservation and diversification of risk. Our portfolio is comprised primarily of Canadian securities, including high-quality fixed income securities, common shares of large-cap companies and preferred shares. We've chosen to manage our portfolio in-house to ensure commitment to our investment philosophy and business goals.

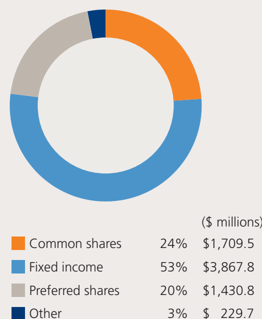
Diverse business portfolio

The diversity in our business portfolio is derived from our multi-channel distribution strategy as well as our business mix and geographic distribution. Our diversity provides some insulation from cyclical movements and creates greater opportunities for growth.



ING Canada's business is entirely Canadian, which reduces exposure to severe storms, like tornadoes and hurricanes, and unnatural disasters. In certain regions in Canada, climate change is having a larger impact on the insurance industry, leading to an increase in the frequency and severity of storms. Personal auto regulation in certain provinces increases operational complexity for the industry.

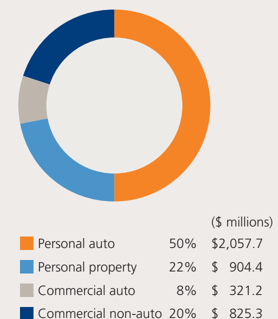
2007 investment asset mix[1] (%)



		($ millions)
Common shares	24%	$1,709.5
Fixed income	53%	$3,867.8
Preferred shares	20%	$1,430.8
Other	3%	$ 229.7

[1] Fair value, as at December 31, 2007
The company has a zero cash policy

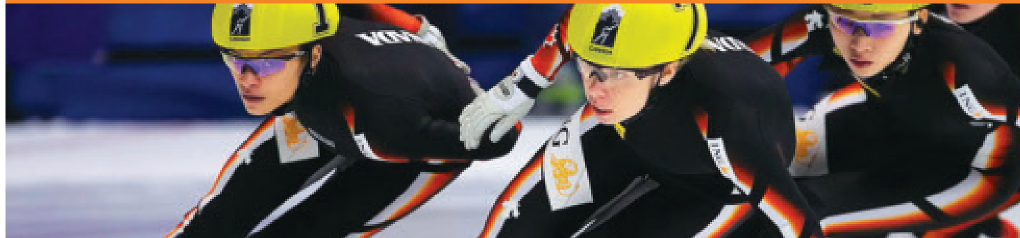
2007 direct premiums written by business line (excluding pools) (%)



		($ millions)
Personal auto	50%	$2,057.7
Personal property	22%	$ 904.4
Commercial auto	8%	$ 321.2
Commercial non-auto	20%	$ 825.3

Personal insurance makes up the largest segment of ING Canada's underwriting business with more than 70% of direct premiums written. Though commercial insurance represents only 30% of our annual premiums, we are the largest competitor in our target segment of small- to medium-size businesses. Smaller commercial accounts are easier to underwrite and less susceptible to cyclical pricing vagaries.

We are **driven to lead** the Canadian property and casualty insurance market. As the largest competitor, we combine the advantages inherent in our scale with critical strengths in pricing, underwriting, claims and distribution. This allows us to offer competitively priced products and outstanding service to our customers and brokers and, in turn, achieve superior financial results.



MESSAGE FROM THE PAST CHAIRMAN 2 MESSAGE FROM THE CHAIRMAN 3 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER 4 DRIVING LEADERSHIP PERFORMANCE 6 MANAGING INDUSTRY CYCLICALITY, SEASONALITY & REGULATION 8 FINANCIAL HIGHLIGHTS 10 CORPORATE RESPONSIBILITY 11 EXECUTIVE MANAGEMENT TEAM 12 MANAGEMENT'S DISCUSSION AND ANALYSIS 13 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES 53 FIVE-YEAR ANNUAL REVIEW 92 TWO-YEAR QUARTERLY REVIEW 93 GLOSSARY 94 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT 96 SHAREHOLDER AND CORPORATE INFORMATION INSIDE BACK COVER

Message from the Past Chairman

Yves Brouillette

As stewards of the organization, the Board continues to represent the best interests of shareholders through a strong focus on corporate governance.

In 2007, ING Canada employees continued to prove the strength of our business model and strategies with industry-leading performance.

Building our leaders As key advisors to management in the development of the organization's strategy, it is critical that the Board regularly reviews and assesses its own strengths against the organization's evolving needs. As a result, in 2007, the Board launched the use of our own competency grids that outline the desired complement of directors' skills and characteristics that reflect ING Canada's current and anticipated needs.

> **"Renewal and succession are not only important from a Board perspective, but ensuring we attract, retain and develop high-performing executive management is also a critical function of the Board. With this in mind, I was very pleased with the appointment of Charles Brindamour as our new Chief Executive Officer."**

The Board has been able to observe first-hand Charles' excellent track record here at ING where he has demonstrated strong leadership abilities. He has led a wide range of our operations here in Canada and abroad and was instrumental in the development and execution of the vision and strategy. We have full confidence that he will put his own successful mark on the strategic course set by his predecessor.

A word of thanks Claude Dussault retired after a long and distinguished career, which included 22 years of dedicated service to ING Canada. As Chief Executive Officer for the past six of those years, Claude has been the main architect of our growth strategy, and under his leadership the company acquired and integrated two large insurance companies and launched one of the largest and most successful initial public offerings, making ING Canada one of the top 100 companies in Canada. He has demonstrated a great intellect and outstanding business acumen and we are privileged to continue benefiting from his experience and advice as our new Chairman of the Board.

In addition, I would like to take this opportunity to thank David Wheat, who stepped down from the Board at the end of 2007, in recognition of his service to shareholders.

For the past six years, I have had the honour and privilege of chairing the Board of Directors of ING Canada. I am proud of our accomplishments and I want to thank both my colleagues on the Board and the talented ING Canada staff for their hard work and dedication. I look forward to continuing to play a role by remaining a director of this leading organization.

Yves Brouillette

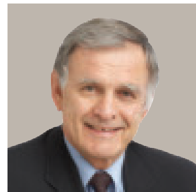
Yves Brouillette
Past Chairman

Board of Directors

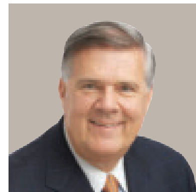
Charles Brindamour [4]

Yves Brouillette [3,5]

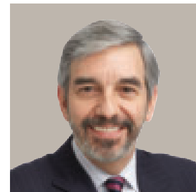
Paul Cantor [1,2,5]



Marcel Côté [1,3,5*]



Robert W. Crispin [4*]



Claude Dussault [3,4]

[1] Independent board member [2] Audit & Risk Review Committee [3] Conduct Review and Corporate Governance Committee [4] Investment Committee [5] Human Resources Committee * Committee Chair

Message from the Chairman

Claude Dussault

I am honoured to continue being associated with ING Canada's success and serving as your Chair.

2007 was a year of great activity and considerable competition within the Canadian property and casualty insurance industry. Despite a challenging year, ING Canada's organic growth remained solid and our profitability continued to outpace the industry.

Your Board of Directors continued to make an important contribution in its complementary role of representing shareholders and advising and supporting the management team on issues related to the company's performance and strategy. We believe the foremost purpose of the Board is to create an environment for management that fosters integrity and promotes long-term shareholder value.

Committed to good governance Good corporate governance mitigates risks, fosters a performance culture and provides a solid platform to deliver leading financial returns. For these reasons, we are committed to continuously improving our governance.

For example, in 2007, ING Canada adopted the Insurance Bureau of Canada's *Standards of Sound Marketplace Practice*. The primary objective of the IBC Standards is to encourage the adoption of a more risk-based model for the insurance regulatory environment and improve corporate governance to better protect consumers' interests.

"At ING Canada, we believe that the best way to approach compliance is not to simply see it as a means of managing risk, but to approach it from the same perspective as we do everything else in our organization, from the perspective of our customers. This customer focus can also be seen in the Board's commitment and ongoing support of our robust enterprise risk management framework."

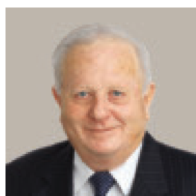
We also aligned the Board's interests more closely with those of our shareholders through increased share ownership requirements for our directors and guidelines regarding serving on other boards, which will help us avoid any conflicts of interest.

Many challenges await the industry in 2008, with each holding the potential for further success. On behalf of the Board of Directors, I would like to take this opportunity to thank all of our employees across the country for their contribution to ING Canada's performance over the past year. I would also like to take this opportunity to thank my predecessor, Yves Brouillette, for his many years of leadership to the Board.

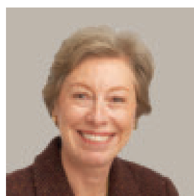
I am honoured to continue being associated with ING Canada's success and to serve as your Chair. Your Board looks forward to continuing to provide counsel and support to ING Canada's outstanding management team, as they implement the next phase of the organization's exciting growth strategy.

Claude Dussault
Chairman

Please refer to the corporate governance section of ING Canada's web site at www.ingcanada.com for more information on Board and committee mandates, director independence, director compensation, executive compensation and the company's Code of Business Conduct. Biographies of each of the directors of the Board are also available.



Ivan E.H. Duvar [1,2*,3]



Eileen Mercier [1,2,3*]

Kathleen Murphy [4]

Robert Normand [1,2,4]

Louise Roy [1,5]

Carol Stephenson [1,5]

Charles Brindamour

One of the greatest challenges for any industry leader is sustaining the top position.

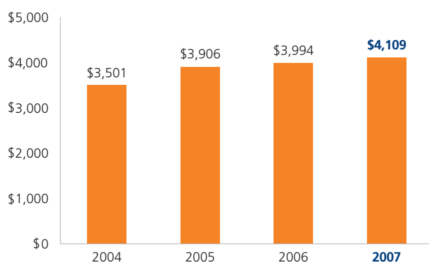
"With $4.1 billion in annual premiums, we are the largest property and casualty insurer in Canada by a wide margin and the most active in the industry's consolidation over the last 10 years."

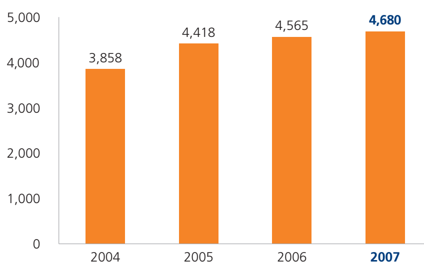
But our goal is not to be the biggest P&C company in Canada; we're driven to be the *best*. We want to deliver industry-leading rates of return and grow at a faster rate than our competition in Canada by offering a superior suite of products and services to our brokers and customers. We've set aggressive targets to keep us on track to outperform—exceed the industry return on equity by five percentage points per year and grow by three percentage points more than the industry over time. This is not an easy task, but I firmly believe that we have several key advantages to help us get there: scale, underwriting sophistication, actuarial talent, strong broker relationships, and a team of experienced senior leaders and employees who are passionate about our business. If we continue to build upon these strengths and stay focused on meeting the evolving needs of our customers and brokers, I am confident that we will continue to lead the market and achieve the high performance standards that we've set for ourselves.

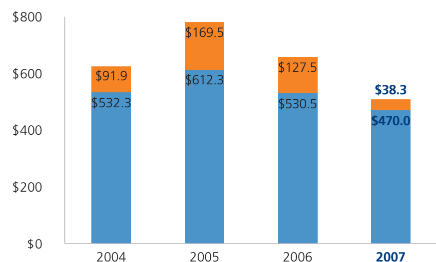
Key accomplishments in 2007 We made considerable progress on a number of fronts to position our business for sustainable growth and profitability. In pricing, we continued to refine our risk selection criteria and enhanced the sophistication of our underwriting models. These proprietary tools help us to assess the lifetime value of a customer relationship and are used as the basis of our pricing and product strategies. On the claims side, we expanded our preferred supplier relationships and looked for opportunities to negotiate national pricing contracts for auto parts and building materials which we buy in high volume. Beyond pricing and claims, the relationships that we have with our brokers are critically important to our long-term strategy so we continued to focus on ways to improve the service that we offer to them. Major technological enhancements to speed up data exchange, improved workflows, and better communication through our regional representatives and underwriters have made it easier for brokers to do business with us. A strong focus on customer needs is the emphasis of our strategy for belairdirect and Grey Power as well. At belairdirect, we implemented several technology and service-based improvements on the web and in the call centres to position belairdirect as the leading web insurer in Canada. Grey Power also made an impressive transformation last year in terms of operational efficiency, setting the stage for continued profitable growth in the future. To support all of our businesses, we made advancements in talent management, including succession planning and workplace diversity.

Our financial performance in 2007 Overall, we delivered solid operating results in 2007. Premiums continued to grow at a good pace in personal lines and we maintained our commercial pricing discipline in the midst of stiff competition. Underwriting results were challenged by certain industry-wide cost factors, but our business remained very profitable, picking up speed toward the end of the year. On the investment side, the severity of the capital market events in 2007 resulted in lower investment results than we expected, even though our portfolio is mainly comprised of very high-quality Canadian securities. In total, we delivered strong financial performance with a return on equity of 15.4%, which is well above the industry long-term average.

Industry performance and outlook Over the past few years, consumers have enjoyed very favourable rates across all lines of business. At the same time, industry returns have been very healthy, reaching peak levels in 2004–2005. Solid performance continued into 2007, but came down from historical highs due to an increase in claims costs and more aggressive pricing in the commercial segment. In claims, changes in weather patterns, higher labour rates and material costs have all put pressure on underwriting results across the industry. In addition, medical claims have started to creep up in Ontario, indicating potential erosion in the provincial reforms. In Alberta, the regulatory cap on pain and suffering awards for minor injuries was lifted in early 2008, a decision which is being appealed by the Alberta government. To support ongoing favourable conditions for consumers, we anticipate that industry participants will modify their value propositions to reflect emerging trends. Regulators are equally sensitive to these trends and will likely take steps to ensure the product evolves to address the changing dynamic of the marketplace.







We expect to see some rate strengthening in personal lines across the industry reflecting an increase in costs as well as continued price pressure on commercial accounts. In our view, profitability and premium growth will continue moving in the direction of industry long-term averages. If capital market volatility persists through 2008, it could also affect total returns over the coming year.

Increasing our performance advantage In order to accelerate our growth and beat industry results over time, we have developed a long-term strategy to deliver an unrivalled product and service offering for our customers and brokers. Our strategy is focused on four main pillars described on the following pages: 1) *Invest in people*; 2) *Excel at the fundamentals*; 3) *Focus on the customer*; and 4) *Strong distribution*. For 2008, we will focus on advancing these core strategies and stay sharp, disciplined and ready to pursue acquisition opportunities that fit within our core businesses and are priced right.

Becoming the "first choice" partner for brokers We fundamentally believe that customers value the benefits offered by insurance brokers, including community presence, personal advice and advocacy. So we have made *Strong distribution* a cornerstone of our strategy to ensure that we never lose sight of the importance of a strong service proposition to our brokers. In 2008, we will continue to invest meaningfully in our broker channel through comprehensive training for customer service representatives, shared marketing campaigns, best-in-class technology and financing options to enable entrepreneurial brokers to expand. With a large demographic segment of Canadian consumers and businesses relying more heavily on brokers for advice as their physical assets grow, brokers who are committed to building on their strengths will be well-positioned to succeed.

Leadership in our communities ING Canada is committed to improving the quality of life in the communities in which we live and operate. The ING Foundation, through its Chances for Children programs, continued to support causes and charitable organizations that inspire leadership and independence in Canadian youth and empower them to achieve their full potential. In addition, we provide sponsorships to organizations that best reflect our values, such as our role as a Premier Partner of Canada's National Speed Skating team and our multi-year sponsorships of the Edmonton and Ottawa Marathons to promote healthy living for Canadians.

For the coming year Our focus is to build upon the positive momentum in our businesses while continuing to seek out further acquisition opportunities in Canada. We also plan to utilize some of our excess capital through a higher dividend and a normal course issuer bid to buy back up to 6.2 million shares, both of which we announced in February 2008. Our strong capital base provides the flexibility to return capital to our investors while retaining our strategic flexibility.

And finally, I would like to recognize the members of our Board for their guidance and stewardship of our organization as we set the course for future growth at ING Canada. Specifically, I would like to thank my predecessor Claude Dussault for his leadership and tremendous support over the years. We are very fortunate to benefit from the wealth of his experience as Chairman of our company.

I would also like to highlight the tremendous efforts of our 6,500 employees and 1,800 brokers across Canada. It is through their unabated commitment that we are able to turn our actions into achievements and make our mark as one of the top-performing companies in Canada.

Charles Brindamour
Chief Executive Officer

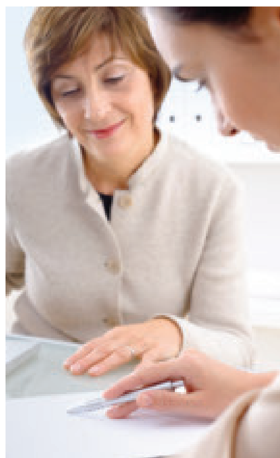
Driving leadership performance

Effective risk pricing and efficient claims management are table stakes for a top-performing P&C insurer. Strong capital and investment management capabilities are also essential skills for sustainable results in this industry. These are our strengths and we will continue to focus on them to maintain our high level of execution excellence, but we never stop innovating and looking for ways to enhance our competitive edge. Our four-pillar strategy is designed to reinforce our core strengths and reflect our hallmark performance culture:

Invest in people	Excel at the fundamentals	Focus on the customer	Strong distribution
Focus on attracting, developing and retaining top talent, and providing them with the tools, environment and rewards that inspire best-in-class performance and customer-centricity.	Leverage our size and experience in pricing and claims to operate more efficiently, reduce claims costs, identify market trends earlier while also optimizing our capital and investment management skills.	Offer products and services that reflect our brand attributes: "easy to deal with," "treats me fairly," and "delivers on promises." We will do this by leveraging technology, identifying growing consumer segments and tailoring new products to their evolving needs.	Support entrepreneurial brokers in growing their businesses and make it even easier for them to do business with us because we believe that in order to be successful we need to help our brokers to be successful. Offer additional channels of distribution to let our customers decide how they would like to do business with us.

Offering choices to customers

Our distribution strategy is ready to meet the challenges of an evolving marketplace and is aimed at maximizing growth while catering to the needs of a broader consumer demographic. We market our distribution channels through the following brands:

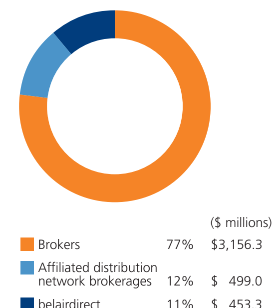


ING Insurance In an age of ever-changing, high-tech communications, many customers maintain there is no substitute for the personal, community-based service that brokers provide, which puts our ING Insurance brokers at the heart of our distribution strategy. With over 1,800 broker relationships in 3,300 locations across the country, ING Insurance has continued to grow and thrive because of its commitment to help brokers across the country build their businesses and deliver the best products and services to their customers.

ING Insurance is our largest distribution channel and makes up roughly 77% of our annual direct premiums written.

belairdirect For consumers who prefer making purchases by telephone or over the Internet, belairdirect has been providing complete home and auto insurance solutions directly to consumers in Ontario and Québec for over 50 years. With belairdirect, consumers have the option of buying coverage over the phone, via the Internet, or in person. belairdirect is the most recognized direct-to-consumer insurance brand in its markets.

2007 direct premiums written by distribution channel (%)



	%	($ millions)
Brokers	77%	$3,156.3
Affiliated distribution network brokerages	12%	$ 499.0
belairdirect	11%	$ 453.3

Grey Power Specializing in the insurance needs of the 50+ market since 1993, Grey Power offers carefully selected products and services that recognize years of experience and safe driving and operate under the belief that consumers should reap the rewards of maturity through better rates.

Canada Brokerlink Canada Brokerlink (CBL) is the fourth largest and fastest growing brokerage in Canada. A wholly owned subsidiary of ING Canada, CBL offers consumers products and services from a number of insurance companies, including ING Insurance.

Consolidator in a fragmented market

Time and time again we have demonstrated that we can successfully take advantage of the consolidation of the Canadian P&C market by buying and fully integrating acquired businesses efficiently, effectively and profitably.

Our acquisition strategy is based on buying underperforming books of business that fit within our core business lines. To create value, we use our scale and skills in underwriting to price each policy fairly and reduce claims costs while retaining a high percentage of policies on renewal. Our objective is to reduce the loss ratio and increase the overall margin from the same book of business.

In a marketplace that is still highly fragmented, with the top five players making up only 35% of the market, we believe there are many opportunities for further consolidation in Canada.

Acquisition history	Year of acquisition	Approximate size of acquisition (DPW)[1] ($ millions)
Allianz Canada (Personal and small to medium commercial lines)	2004	600
Zurich (Personal and small commercial lines)	2001	510
Pafco (Niche products)	1999	40
Guardian	1998	630
Canadian Surety (Personal lines, selected provinces)	1997	30
Wellington	1995	370
St. Maurice	1994	30
Constitution	1992	30
Metropolitan General	1991	10
Commerce Group/Belair	1989	290
Western Union	1988	60

[1] Direct premiums written

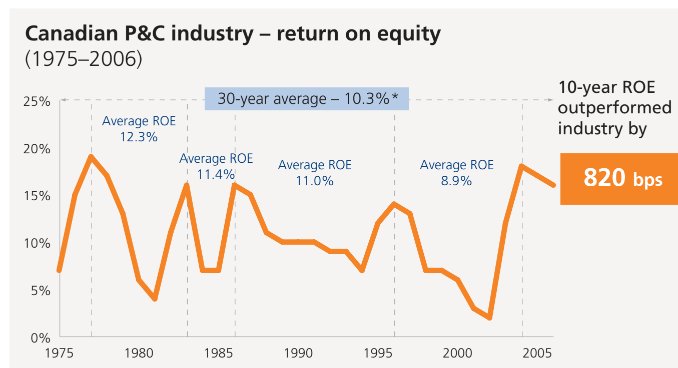
Managing industry cyclicality, seasonality & regulation

Industry cyclicality, seasonality and regulation add operational complexity to the P&C industry in Canada. However, with ING Canada's scale and other distinctive strengths, we can more successfully manage these external factors and differentiate ourselves as a leader in the market.

Cyclicality

Over the past 30 years, returns in the property and casualty insurance industry have fluctuated substantially with an average return on equity of roughly 10% over that period. Cyclicality is driven by a combination of factors including capital management, time lags, and industry regulation which are described in the following table. We are able to manage the cycle pattern to our advantage by identifying unexploited profit pockets in the market.

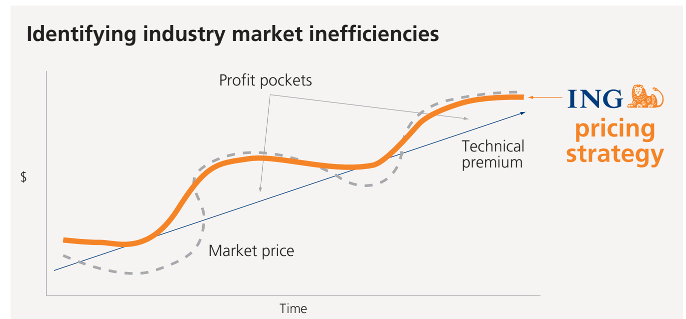
Canadian P&C industry – return on equity
(1975–2006)



* Based on most recent industry data (up to 2006)
Source: IBC and MSA

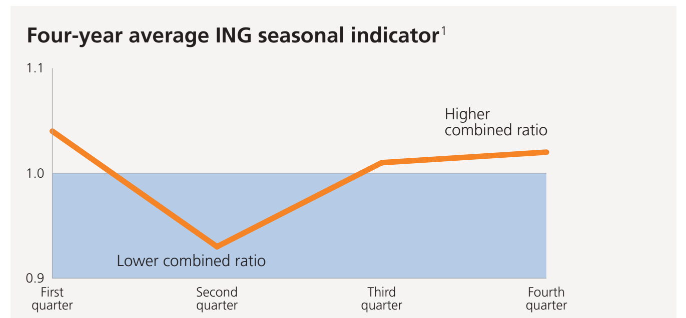
Inefficient industry capital management	Time lag	Regulatory/political process	Decentralized decision-making
– Performance in the insurance industry is driven by supply, not demand – When capital in the industry is plentiful, some companies will under-price business to gain market share rapidly. Inadequate pricing squeezes underwriting margins. Ultimately prices need to rise again to recover the losses, repeating the cycle pattern – This is more prevalent in commercial insurance than in personal insurance	– There can be several years between the time a policy is priced and the full cost of a claim is known (e.g., personal auto claims can have a longer duration due to medical costs included) – Pricing is based on actual experience over the previous three to five years, with adjustments typically made after trends develop – Premiums are recognized over the term of the policy	– In provinces where rates are regulated, approvals can take several weeks due to the complexity of the regulatory process	– In some cases, individual underwriters and brokers have the ability to negotiate premiums—particularly with large commercial clients—in order to capture business

Even in a soft cycle, there are market segments that are priced more attractively than others. By pursuing the most profitable segments and not under-pricing existing business, we can increase the superior gap between our performance and that of the industry.



Seasonality

Underwriting performance is also subject to seasonal fluctuations, related primarily to automobile claims patterns and winter driving conditions. Typically, claims are higher in the first and fourth quarters due to slippery roads and poor visibility. Severe winter weather storms, such as the 1998 ice storm, as well as rain, wind and hail can affect property insurance results. Areas with inadequate sewer systems are particularly vulnerable to more water-related property damages. As the largest P&C insurer, we quickly identify and react to new weather trends because we have access to the largest database of customer claims data upon which we base our statistical modelling. Our preferred supplier networks help speed up the cycle time of each claim which reduces costs and increases customer satisfaction.



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

Industry auto regulation in Canada

Automobile insurance rates are regulated in certain provinces, including Ontario and Alberta, which are the largest private insurance markets in Canada. While the rate approval process and timing varies by province, in Ontario and Alberta, insurers must file for rate adjustments before they can be effected. In addition, several provinces have instituted certain automobile insurance reforms to ensure the affordability and accessibility of insurance coverage. These reforms have been largely effective at stabilizing costs, supporting lower annual premiums for consumers, but the reform benefits tend to lose their effectiveness over time. To address this issue, automobile insurance regulators are focused on responding to the concerns of all stakeholders and are taking positive steps to stay abreast of developments in the claims environment.

2007 performance

$4.1 billion
Direct premiums written (excluding pools)

4.7 million
Written insured risks

$508.3 million
Net income

15.4%
Return on equity

($ millions, except where noted)	2007	2006	2005	2004
Consolidated performance				
Written insured risks (thousands)	**4,679.9**	4,565.1	4,417.9	3,857.6
Direct premiums written (excluding pools)	**4,108.6**	3,993.6	3,905.9	3,501.4
Net premiums earned	**3,932.0**	3,826.6	3,840.2	3,364.6
Net claims and general expenses	**3,723.1**	3,422.8	3,302.5	2,894.6
Prior year claims reserve development (favourable)	**(115.9)**	(169.9)	(277.6)	(74.2)
Combined ratio	**94.7%**	89.4%	86.0%	86.0%
Interest and dividend income, net of expenses	**344.8**	321.3	307.5	249.1
Net gains on invested assets and other gains	**73.6**	193.5	223.5	132.4
Corporate and distribution income	**44.3**	33.4	22.3	4.3
Income before income taxes	**671.6**	952.0	1,091.0	855.8
Effective tax rate (%)	**24.3**	30.9	28.3	27.1
Net operating income (excludes investment gains)	**470.0**	530.5	612.3	532.3
Net income	**508.3**	658.1	781.8	624.2
Earnings per share ($)	**4.01**	4.92	5.85	6.51
Total number of average shares outstanding	**126.7**	133.7	133.5	95.8
Book value per share ($)	**25.48**	25.58	21.63	15.40
Return on equity (%)	**15.4**	20.8	31.6	40.9
Personal lines				
Written insured risks	**4,190.5**	4,077.6	3,927.4	3,397.1
Direct premiums written (excluding pools)	**2,962.1**	2,810.7	2,657.1	2,339.2
Combined ratio	**96.3%**	91.0%	85.7%	85.5%
Net underwriting income	**105.3**	242.2	382.1	339.2
Commercial lines				
Written insured risks	**489.3**	487.5	490.6	460.5
Direct premiums written (excluding pools)	**1,146.5**	1,182.9	1,248.9	1,162.2
Combined ratio	**90.5%**	85.7%	86.6%	87.2%
Net underwriting income	**103.4**	161.7	155.6	130.8
Corporate and distribution				
Distribution income	**102.9**	100.0	76.8	20.8
Distribution expenses	**85.3**	71.1	54.7	5.1
Other income	**26.7**	9.7	8.1	0.3
Interest on debt	**–**	5.3	8.0	11.7
Income before income taxes	**44.3**	33.4	22.3	4.3

See Management's Discussion and Analysis for further discussion of our financial performance.

At ING Canada, we are deeply respectful of each other, our customers, our partners and the environment in which we operate. This commitment is demonstrated by the following activities in five key areas:

Community

– The ING Foundation supports organizations that empower Canada's next generation of leaders, such as *Youth in Motion's Top 20 Under 20* award and the *kids.now* mentoring program.

– Support employee giving and volunteerism through our Employee Community Giving Program.

– Matched the ING Canada employee donations to the United Way dollar for dollar, resulting in an annual total of almost $1 million.

– Premier Partner of Canada's national speed skating teams and support of local community initiatives to help develop the sport among youth.

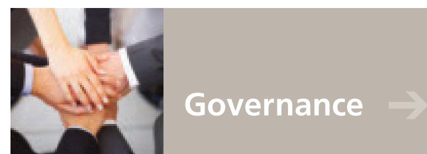
Employees

– Conducted our annual employee satisfaction survey and communicated results and related action items to employees.

– Established a Diversity Council in 2006 with an initial focus on gender diversity. To date, the council has supported two programs, mentoring and formal flexible work arrangements. In addition we have increased representation of women in our succession pool.

– Introduced our Employee Share Purchase Plan in 2006. Employee enrolment has reached over 35%.

– All permanent, full-time and part-time employees have access to our short-term incentive plan based on personal and company performance.



Governance

– ING Canada employees review our Code of Business Conduct annually.

– Anonymous whistle-blower hotline is available to all employees.

– Aligned the Board's interests more closely with those of our shareholders through increased share ownership requirements for our directors and guidelines regarding serving on other boards, which will help avoid any conflicts of interest.

Further information on ING Canada's corporate governance is provided in the Company's Management Proxy Circular which is available on the System for Electric Document Analysis and Retrieval at www.sedar.com, or in the investor relations section of ING Canada's web site at **www.ingcanada.com**.

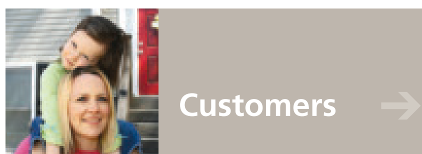
Environment

– Report internally and participate in ING Group's Carbon Disclosure Project submission and carbon neutral commitment.

– In 2007, ING Canada began phasing out paper pay stubs and moved to an on-line system. Over 56% of ING Canada's 6,500 employees are enrolled and all new ING Canada employees are enrolled automatically.

– Launched belairdirect's e-docs initiative, giving customers the ability to view, print and save their automobile insurance documents on-line.

– Collaborated with BASF Canada to promote the use of waterborne auto paint among the Rely Network of preferred repair shops.



Customers

– Adopted the Insurance Bureau of Canada's *Standards of Sound Marketplace Practice* to better protect consumers' interests.

– Conduct ongoing customer satisfaction surveys to measure the quality of our claims service.

– Developed a new user-friendly billing statement that is easier for our customers to read and understand.

– 24/7 Claims Service Guarantee ensures when a policy holder has a claim emergency they are transferred to an ING adjustor immediately, or that an ING representative will call them back within 30 minutes of their first call.

– We'll take your word for it – At ING Insurance, when a customer files an auto claim, we pay collision claims based on their version of events.

ING's global green initiatives

For the second year in a row, ING Group has been named a "best in class" company in the Carbon Disclosure Project's Climate Leadership Index.

ING Group has also committed to becoming carbon neutral through increased energy efficiency, purchasing green energy wherever possible and compensating for all remaining CO_2 emissions through reforestation.

One of the cornerstones of our long-term strategy is "invest in people." We place great importance on attracting, developing and retaining talented senior leaders.

Martin Beaulieu
Senior Vice President,
Personal Lines

Alan Blair
Senior Vice President,
Atlantic Canada

Charles Brindamour
President and
Chief Executive Officer

Debbie Coull-Cicchini
Senior Vice President,
Ontario

Jetse de Vries
Senior Vice President,
Western Canada

Claude Désilets
Chief Risk Officer

Louis Gagnon
Senior Vice President,
Québec

Françoise Guénette
Senior Vice President,
Corporate and Legal
Services, and Secretary

Denis Guertin
Senior Vice President,
belairdirect

Louis Héroux
Senior Vice President,
Claims

Derek Iles
President,
ING Insurance

Jack Ott
Senior Vice President
and Chief Information
Officer

Marc Pontbriand
Executive
Vice President

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

Roger Randall
Senior Vice President,
Affiliated Distribution
Networks

Mark Tullis
Chief Financial Officer

Peter Weightman
Senior Vice President,
Commercial Lines

For biographies on our executive management team go to www.ingcanada.com.

Management's Discussion and Analysis

February 19, 2008

The following Management's Discussion and Analysis ("MD&A"), which was approved by the Board of Directors for the quarter and year ended December 31, 2007, should be read in conjunction with the company's Audited Consolidated Financial Statements and accompanying notes.

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, general expenses and claims ratios as well as other performance measures. These measures are defined in the company's glossary on page 94 of the 2007 Annual Report. The glossary is also posted on the ING Canada web site at www.ingcanada.com. Click on "Investor Relations" and "Glossary" on the left navigation bar.

"ING," "ING Canada" and "the company" are terms used throughout the document to refer to ING Canada Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS This document contains forward-looking statements that involve risks and uncertainties. The company's actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed below or in the company's Annual Information Form. Please read the cautionary note in section 10.2 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.

A change column has been provided for convenience showing the percentage variation between the current period and the prior period. Not applicable ("n/a") is used to indicate that the current and prior year figures are not comparable or if the percentage change exceeds 1,000%. Not material ("n/m") is used when figures are not significant.

TABLE OF CONTENTS

14 **Performance highlights**

Section 1 – ING Canada

15 1.1 Overview of the business
16 1.2 Critical capabilities
17 1.3 Key performance indicators

Section 2 – Canadian property and casualty industry outlook

Section 3 – Overview of consolidated performance

19 3.1 Financial results
19 3.2 Explanation of financial results
21 3.3 Recent events
22 3.4 Underwriting
23 3.5 Interest and dividend income, net of expenses
24 3.6 Net (losses) gains on invested assets and other gains
25 3.7 Net operating income
25 3.8 Selected quarterly information
26 3.9 Selected annual information

Section 4 – Personal lines

26 4.1 Financial results
27 4.2 Explanation of financial results

Section 5 – Commercial lines

28 5.1 Financial results
29 5.2 Explanation of financial results

Section 6 – Corporate and distribution

30 6.1 Financial results
30 6.2 Explanation of financial results

Section 7 – Financial condition

31 7.1 Balance sheet highlights
32 7.2 Portfolio of invested assets
35 7.3 Claims liabilities
36 7.4 Reinsurance
38 7.5 Liquidity and capital resources
39 7.6 Contractual obligations
39 7.7 Off-balance sheet arrangement

Section 8 – Accounting and disclosure matters

39 8.1 Disclosure controls and procedures
39 8.2 Internal controls over financial reporting
40 8.3 Critical accounting estimates and assumptions
42 8.4 Impact of new accounting standards

Section 9 – Risk management

44 9.1 Risk management principles and responsibilities
46 9.2 Operational risk management
47 9.3 Corporate governance and compliance
47 9.4 Industry standards

Section 10 – Other matters

48 10.1 Related party transactions
48 10.2 Cautionary note regarding forward-looking statements

Section 11 – Additional information

Performance highlights

Notes: All references to "direct premiums written" in this MD&A exclude pools, unless otherwise noted. All references to "investment portfolio" refer to the company's portfolio of invested assets.

TABLE 1

	Q4 2007	Q4 2006	Change	**2007**	2006	Change
Written insured risks (thousands)	**1,056.7**	1,051.1	0.5%	**4,679.9**	4,565.1	2.5%
Direct premiums written (excluding pools)	**961.3**	955.6	0.6%	**4,108.6**	3,993.6	2.9%
Net underwriting income	**47.5**	62.3	(23.8)%	**208.9**	403.8	(48.3)%
Combined ratio	**95.3%**	93.6%	1.7 pts	**94.7%**	89.4%	5.3 pts
Net (losses) gains on invested assets and other gains (table 8)	**(3.3)**	15.3	(121.6)%	**73.6**	193.5	(62.0)%
Effective income tax rate	**27.8%**	35.4%	(7.6) pts	**24.3%**	30.9%	(6.6) pts
Net income	**95.8**	109.4	(12.4)%	**508.3**	658.1	(22.8)%
EPS – basic and diluted (dollars)	**0.77**	0.82	(6.1)%	**4.01**	4.92	(18.5)%
ROE for the last 12 months	**15.4%**	20.8%	(5.4) pts			
Book value per share	**25.48**	25.58	(0.4)%			

Fourth quarter 2007

Underwriting income was $47.5 million in the fourth quarter, down by $14.8 million compared to the same period in 2006. Excluding the impact of a $20.7 million market yield adjustment to claims liabilities, underwriting income increased year-over-year. Solid operating performance reflected higher personal property and commercial non-auto underwriting results versus the fourth quarter last year. Personal auto underwriting income decreased due to higher severity and frequency of claims.

Direct premiums written were relatively flat as personal lines growth was offset by a decrease in premiums in commercial lines, reflecting a shift in the portfolio mix toward smaller accounts that are less price-sensitive. In the fourth quarter, written premium rates in personal lines rose slightly for the first time since 2003. Rates are being adjusted upward in certain geographic regions in both personal auto and personal property to take into account cost inflation.

Net income decreased in the fourth quarter due to debt and equity asset impairments which led to a small net loss on invested assets compared to a gain in the fourth quarter of 2006 (shown in table 8). The impact of the market yield adjustment on underwriting income was offset by gains on held-for-trading invested assets, resulting in a minimal net impact to net income.

SECTION 1 – ING Canada

1.1 Overview of the business

ING Canada is the largest provider of property and casualty ("P&C") insurance in Canada offering automobile, property and liability insurance to more than four million individuals and small- and medium-sized businesses across Canada. Overall, the company has an approximate 11.0% market share and is the leading private sector P&C insurer in Québec, Alberta and Nova Scotia, and the second largest in Ontario. ING Canada distributes insurance through brokers under the ING Insurance and Grey Power brands, and direct-to-consumers through belairdirect. The investment management subsidiary manages the invested assets of ING Canada Inc. and its insurance subsidiaries.

Personal insurance

ING Canada is the largest personal auto and property insurer in Canada. The market as a whole is very fragmented – the top five P&C insurers represent less than 40.0% of annual premiums in Canada. In automobile, the company is 30.0% larger than the second largest insurer and 58.0% larger than the third, based on the most recently reported industry data. In property, the gap is even larger – ING Canada is approximately 45.0% larger than the second largest insurer and 80.0% larger than the number three insurer in the market. Though the company holds the number one position in both segments of personal insurance, its estimated market share is only 14.0% in automobile and 15.0% in property, demonstrating the potential to continue to grow this segment of the business. Over the last 10 years, ING Canada has sustained a superior claims ratio gap of 600 basis points below the industry average in automobile insurance. In personal property, the company incurred higher claims due to heavier seasonal storm activity than was expected and consequently has underperformed the industry in terms of claims ratio. The company has initiated a focused strategy to better manage water loss exposures by: 1) adjusting pricing models and insured amounts to reflect current reconstruction cost factors; and, 2) taking advantage of claims management expertise to reduce claims costs. These actions should enable the company to gain a claims ratio advantage in that segment in the future.

Commercial insurance

ING Canada is also one of the largest players in commercial insurance with a significant share of the small- to medium-size commercial segment, which makes up approximately 90.0% of the company's commercial premiums. Over the last 10 years, the company's claims ratio in commercial lines has outperformed the industry average claims ratio by more than 500 basis points annually and the positive gap has been widening in more recent years. Though commercial insurance can be subject to significant market pricing volatility, mainly due to excess capital in the industry, ING Canada's strategy is to remain disciplined in pricing and grow by targeting sub-segments of the market that are priced attractively through the P&C cycle.

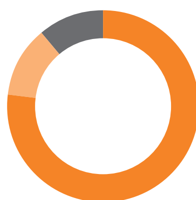
Investment management

ING Canada actively manages its portfolio of invested assets to generate superior after-tax returns while balancing capital preservation and risk. The portfolio strategy is more heavily concentrated in equities compared to the average Canadian insurer to maximize dividend income. ING Canada's return on invested assets was 170 basis points higher than its benchmark of Canadian P&C insurers over the last five years of reported industry data ending in 2006. See section 7.2 for more information on the quality, asset mix, and performance of the company's portfolio of invested assets.

2007 direct premiums written by business line (excluding pools) (%)

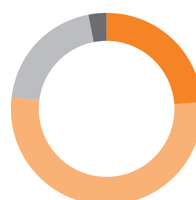
		($ millions)
Personal auto	50%	$2,057.7
Personal property	22%	$ 904.4
Commercial auto	8%	$ 321.2
Commercial non-auto	20%	$ 825.3

2007 direct premiums written by distribution channel (%)



		($ millions)
Brokers	77%	$3,156.3
Affiliated distribution network brokerages	12%	$ 499.0
belairdirect	11%	$ 453.3

2007 investment asset mix[1] (%)



		($ millions)
Common shares	24%	$1,709.5
Fixed income	53%	$3,867.8
Preferred shares	20%	$1,430.8
Other	3%	$ 229.7

[1] Fair value, as at December 31, 2007
The company has a zero cash policy

1.2 Critical capabilities

ING Canada has several critical capabilities which enable it to sustain its strong performance in the Canadian P&C industry. These critical capabilities are described in the table below.

Significant scale advantage	The key benefit of scale is a uniquely comprehensive database of customer and claims information that allows the company to more accurately model the risk of each policy. The company also uses its scale to negotiate preferred terms with suppliers, priority service on repairs, quality guarantees on workmanship and lower material costs.
Underwriting discipline/ pricing sophistication	Through underwriting and pricing expertise, the company is constantly refining and enhancing its proprietary risk scoring models. In addition, scale enables the company to identify market opportunities that haven't been exploited by other insurers. The company's objective is to establish pricing that 1) will continue to attract new business, 2) is fair for the customer; and, 3) is profitable.
Expertise in claims management	More than 95.0% of ING's claims are handled in-house. By managing claims in-house, claims are settled faster and less expensively, and a more consistent service experience is created for the customer. In 2007, the company achieved a 95.0% customer claims satisfaction rate.
Product innovation	ING Canada is constantly developing new products to attract customers and retain existing business at renewal time. Product features such as Responsible Driver Guarantee are available to new customers as a premium policy feature, but are provided for free to customers of five or more years. The company also offers one Aeroplan Mile® for every $2 paid in premiums. In the commercial lines segment, ING has worked aggressively to expand its customer loss prevention services. With more than 40 loss prevention specialists, ING conducted more than 9,500 site visits in 2007 and more than 4,000 building appraisals.
Proven acquisition strategy	ING Canada has been the most active in the industry's consolidation with 11 successful acquisitions in 19 years. ING's strategy is three-fold: – acquire businesses that fit existing business lines – integrate those businesses into the company's technology infrastructure – increase the profitability of the acquired book of business through underwriting expertise and the use of proprietary pricing models
Solid investment returns	ING's investment strategy is to generate solid after-tax returns while preserving capital and diversifying risk. The company's $7.2 billion portfolio is comprised primarily of Canadian securities, including high-quality fixed income securities as well as common shares of large-cap companies and preferred shares that pay dividends. Over the last five years, the company's portfolio of invested assets generated a market yield of 5.1%.
Diverse business portfolio	The company benefits from diversity in its geographic mix, product mix and multi-channel distribution. The diversity of the portfolio provides some insulation from the cyclicality of the industry.

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1.3 Key performance indicators

ING Canada's key performance indicators are defined in the table below. The following key performance indicators are considered non-GAAP measures. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures used by other companies in the P&C industry.

Category	Indicator
Growth	**Direct premiums written** The total premiums from the primary insured in respect of insurance underwritten by an insurer during a specified period.
	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).
Profitability	**Net underwriting income** The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and general expenses.
	Market-based yield This yield is calculated using the interest and dividend income for the period excluding realized gains and losses divided by the average invested assets calculated monthly including cash equivalents but excluding cash balances.
Performance and execution	**Claims ratio** Claims incurred, net of reinsurance, during a defined period and expressed as a percentage of net premiums earned for the same period.
	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.
	Combined ratio The sum of the claims ratio and the expense ratio. A combined ratio below 100.0% indicates a profitable underwriting result. A combined ratio over 100.0% indicates an unprofitable result.
Capital management	**Return on equity ("ROE")** Represents 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. The average shareholders' equity is the mean of shareholders' equity at the beginning and end of the period. Shareholders' equity includes accumulated other comprehensive income ("AOCI"). The company compares its ROE against that of the industry, when available.
	Book value per share Represents the shareholders' equity at the end of the year divided by the number of outstanding common shares at the same date.

SECTION 2 – Canadian property and casualty industry outlook

Management expects that several key factors will affect the Canadian property and casualty insurance industry over the coming 12 months.

Industry growth and underwriting income	We expect underwriting ratios and industry premium growth to trend toward historical averages.
Automobile insurance	The automobile insurance product has been favourable over the last 36 months both from a consumer and a competitive point of view. The stable cost environment and the reforms adopted by various provinces have been effective at containing and stabilizing claims and making auto insurance products more affordable and available to consumers. Accident benefit and bodily injury claims have risen in Ontario. In addition, the $4,000 cap on pain and suffering awards on minor injuries in Alberta is being challenged. Industry participants will need to assess the potential impact on claims costs and premiums. These developments will likely lead to premium increases.
Personal property insurance	Increases in water-related property damages caused by seasonal storm activity as well as construction cost inflation have contributed to higher claims ratios in the personal property segment. Construction cost inflation and rate activity could drive increases in industry premiums in the property segment.
Commercial insurance	Commercial insurance continues to be competitive. Rates on large commercial accounts are under more pressure than small and medium commercial accounts. The company remains disciplined in pricing and underwriting and committed to superior service to brokers and commercial customers.
	Material and labour cost inflation could put pressure on underwriting margins in property lines. The company is working with brokers and customers to ensure that policies include sufficient coverage for current replacement costs of insured properties and adjusting pricing models accordingly, to reflect the elevated cost environment.

As discussed in section 1.2, ING Canada has several significant critical capabilities that enable the company to produce superior returns to many other insurers in the industry.

SECTION 3 – Overview of consolidated performance

3.1 Financial results

TABLE 2
(Key performance indicators are bolded in the table below)

	Q4 2007	Q4 2006	Change	**2007**	2006	Change
Written insured risks (thousands)	**1,056.7**	1,051.1	0.5%	**4,679.9**	4,565.1	2.5%
Direct premiums written (including pools)	**959.7**	963.6	(0.4)%	**4,100.0**	3,990.4	2.7%
Direct premiums written (excluding pools)	**961.3**	955.6	0.6%	**4,108.6**	3,993.6	2.9%
Underwriting:						
Net premiums earned	**1,004.7**	979.6	2.6%	**3,932.0**	3,826.6	2.8%
Net claims and general expenses (table 4)	**957.2**	917.3	4.3%	**3,723.1**	3,422.8	8.8%
Net underwriting income	**47.5**	62.3	(23.8)%	**208.9**	403.8	(48.3)%
Combined ratio	**95.3%**	93.6%	1.7 pts	**94.7%**	89.4%	5.3 pts
Claims ratio	**66.9%**	64.2%	2.7 pts	**65.7%**	59.1%	6.6 pts
Expense ratio	**28.4%**	29.4%	(1.0) pts	**29.0%**	30.3%	(1.3) pts
Interest and dividend income, net of expenses (table 6)	**86.5**	87.1	(0.7)%	**344.8**	321.3	7.3%
Market-based yield	**5.1%**	4.8%	0.3 pts	**5.1%**	4.8%	0.3 pts
Net (losses) gains on invested assets and other gains (table 8)	**(3.3)**	15.3	(121.6)%	**73.6**	193.5	(62.0)%
Corporate and distribution (table 14)	**1.9**	4.5	(57.8)%	**44.3**	33.4	32.6%
Income before income taxes	**132.6**	169.2	(21.6)%	**671.6**	952.0	(29.5)%
Income taxes	**36.8**	59.8	(38.5)%	**163.3**	293.9	(44.4)%
Effective income tax rate	**27.8%**	35.4%	(7.6) pts	**24.3%**	30.9%	(6.6) pts
Net income	**95.8**	109.4	(12.4)%	**508.3**	658.1	(22.8)%
EPS – basic and diluted (dollars)	**0.77**	0.82	(6.1)%	**4.01**	4.92	(18.5)%
ROE for the last 12 months	**15.4%**	20.8%	(5.4) pts			
Book value per share (dollars)	**25.48**	25.58	(0.4)%			

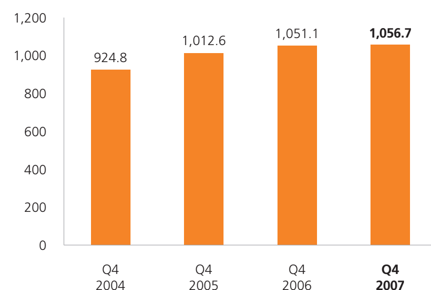
3.2 Explanation of financial results

Fourth quarter 2007

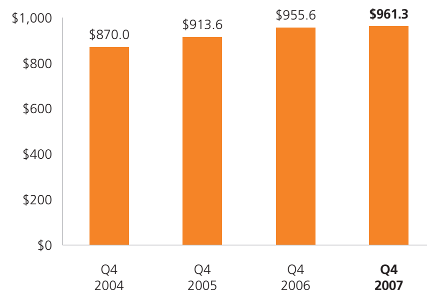
Direct premiums written were up slightly as personal lines growth of 2.3% was partly offset by a 3.1% decrease in premiums in commercial lines. Lower premiums in commercial lines reflect our pricing discipline which led to a shift in the portfolio mix toward smaller accounts, as well as moderate rate decreases.

Underwriting income was down by $14.8 million in the fourth quarter, but increased year-over-year excluding the impact of a $20.7 million market yield adjustment to net claims liabilities. The impact of the market yield adjustment on underwriting income was offset by gains on held-for-trading invested assets, which resulted in a minimal net impact to net income. See section 7.3, *Claims liabilities*.

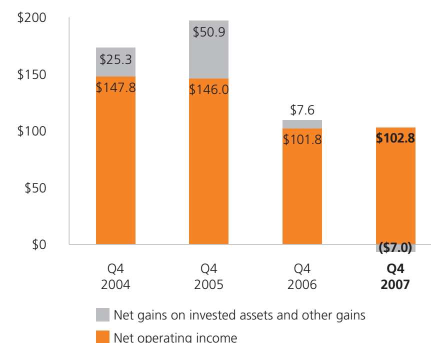
Written insured risks
(thousands)



Direct premiums written (excluding pools)
($ millions)



Net income
($ millions)



Increases in underwriting income in personal property and commercial non-auto offset lower underwriting income in auto lines. The main factors that contributed to improved results in personal property and commercial non-auto included more favourable prior year claims development and lower catastrophe claims in personal property. In personal auto, underwriting income decreased due to higher claims severity and frequency.

Net income decreased in the fourth quarter due to debt and equity asset impairments which led to a small net loss on invested assets compared to a gain in the fourth quarter of 2006. Equity and debt impairments were partly offset by gains on derivatives and embedded derivatives (see table 8).

The following table reflects major changes in income before income taxes.

TABLE 3

	Q4 2007	2007
As reported in 2006	**169.2**	**952.0**
Higher (lower) favourable prior year claims development	**21.1**	**(54.0)**
Current accident year:		
Lower losses from catastrophes	**16.8**	**18.1**
Lower results from Facility Association	**(14.7)**	**(17.1)**
Lower current accident year underwriting income	**(38.0)**	**(141.4)**
Change in net underwriting income	**(14.8)**	**(195.0)**
Lower net gains on invested assets and other gains	**(18.6)**	**(120.0)**
(Lower) higher interest and dividend income, net of expenses	**(0.6)**	**23.5**
Corporate and distribution	**(2.6)**	**11.1**
As reported in 2007	**132.6**	**671.6**

Full year 2007

Direct premiums written rose 2.9% due to increases in written insured risks and amounts insured in personal lines. In commercial lines, lower direct premiums written reflect continued pricing discipline which led to a shift in the portfolio toward smaller accounts and slower growth in written insured risks.

Net income was down by 22.8% due to a combination of lower underwriting income and a decrease in net gains on invested assets, compared to relatively high net gains in 2006. Net gains on invested assets were $119.9 million lower in 2007 due to a combination of investment impairments and lower realized gains on invested assets. A lower effective tax rate, higher interest and dividend income and an increase in corporate and distribution income positively contributed to net income in 2007. The effective income tax rate decreased mainly because non-taxable dividend income was higher relative to underwriting income.

Higher current and prior year claims in personal auto were the largest factors that caused the decrease in underwriting income in 2007. Increases in current year property claims also contributed significantly to the underwriting shortfall versus 2006, partly offset by lower catastrophe claims in 2007. In addition, underwriting income was positively impacted by a $19.8 million market yield adjustment.

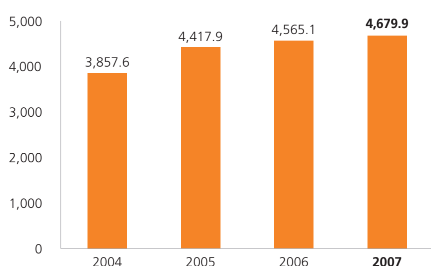
Return on equity

Return on equity ("ROE") for the 12-month period ending December 31, 2007 was 15.4% compared to 20.8% in 2006.

Book value per share

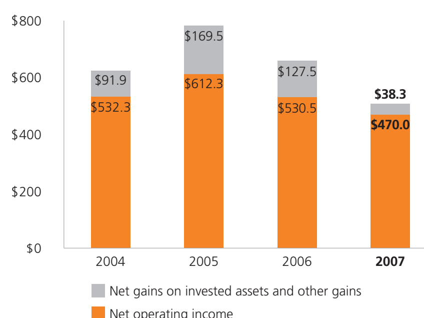
The book value per share was flat in the fourth quarter reflecting the impact of the share buyback in early 2007 which reduced share capital and retained earnings.

Written insured risks
(thousands)



Direct premiums written (excluding pools)
($ millions)

Net income
($ millions)



3.3 Recent events

Alberta cap on pain and suffering awards on minor injuries

In 2004, the Government of Alberta introduced auto insurance reforms to make insurance more affordable and accessible for all Albertans. The reforms included numerous initiatives such as the introduction of a premium grid, premium rollbacks, a diagnostic and treatment process designed to provide injured individuals prompt diagnosis and treatment and Minor Injury Regulation ("MIR") that capped awards for pain and suffering for minor injuries at $4,000.

On February 8, 2008, a decision was rendered by the Court of Queen's bench in Alberta which basically results in the lifting of the $4,000 cap on pain and suffering awards for minor injuries in the province. The decision has been appealed by the Alberta government but uncertainty remains over the ultimate outcome of the court's decision. The December 31, 2007 financial statements include a provision for this item. Management continues to assess the potential impact on claims costs and premiums and as more information is available, will react appropriately. If the changing situation results in a reassessment of the provision, any changes would be recorded in future quarters.

ING Canada normal course issuer bid

On February 19, 2008, the Board of Directors approved a recommendation by management to proceed with a normal course issuer bid to purchase for cancellation during the next 12 months up to 6,223,638 common shares, representing 5.0% of the currently outstanding common shares of the company. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by ING Canada. ING Groep, ING Canada's majority shareholder, has advised ING Canada of its intention to participate on a proportionate basis in the program to maintain its ownership in the company at 70.0%. Purchases from minority shareholders will be made on the open market through the facilities of the Toronto Stock Exchange at market prices and in accordance with the rules of the TSX applicable to normal course issuer bids.

The company's strong capital base enables it to return capital to shareholders through a share buyback while retaining sufficient financial resources to pursue its acquisition strategy. The normal course issuer bid constitutes a flexible way of distributing some excess capital to shareholders while increasing shareholder value over the long term.

Refer to the news release posted on the company's web site at www.ingcanada.com for more information on the normal course issuer bid.

3.4 Underwriting

Written insured risks

The number of written insured risks grew 0.5% during the fourth quarter and by 2.5% in 2007, driven by growth in personal lines. The rate of unit growth in personal lines slowed in the fourth quarter reflecting the near-term effect of premium rate increases in certain geographic regions in late 2007. In commercial lines, the number of insured risks was up slightly in the fourth quarter and flat in 2007 overall, reflecting pricing discipline in a highly competitive marketplace.

Direct premiums written (excluding pools)

Direct premiums written increased 0.6% in the fourth quarter driven by higher premiums in personal lines. Overall in 2007, direct written premiums rose 2.9% reflecting increases in written insured risks and average amounts insured in personal lines. In commercial lines, direct premiums written decreased 3.1% in the fourth quarter and also for the full year, compared to the same periods in 2006.

TABLE 4

	Q4 2007	Q4 2006	Change	**2007**	2006	Change
Net claims:						
(Favourable) prior year claims development	**(45.4)**	(24.3)	86.8%	**(115.9)**	(169.9)	(31.8)%
Current year catastrophes	**9.7**	26.4	(63.3)%	**41.1**	59.2	(30.6)%
Current year claims	**707.4**	627.2	12.8%	**2,659.0**	2,371.9	12.1%
Total	**671.7**	629.3	6.7%	**2,584.2**	2,261.2	14.3%
Commissions, net	**146.3**	154.7	(5.4)%	**583.1**	611.7	(4.7)%
Premium taxes, net	**35.0**	33.2	5.4%	**136.9**	132.3	3.5%
General expenses, net	**104.2**	100.1	4.1%	**418.9**	417.6	0.3%
Total	**957.2**	917.3	4.3%	**3,723.1**	3,422.8	8.8%
Combined ratio	**95.3%**	93.6%	1.7 pts	**94.7%**	89.4%	5.3 pts

Prior year claims development

Favourable prior year claims development increased by $21.1 million in the fourth quarter. For the full year, favourable prior year claims development decreased by $54.0 million compared to 2006. The decrease in 2007 was primarily due to higher accident benefit and bodily injury claims in personal and commercial auto in Ontario. For the fourth quarter, the market yield adjustment had a $17.1 million negative impact on prior year claims development and $3.6 million on current accident year results for a total of $20.7 million. For the year, the market yield adjustment had a $13.6 million positive impact on prior year claims development. See section 7.3, *Claims liabilities*.

The following table shows the annualized rate of favourable prior year claims development by quarter.

TABLE 5

(Annualized rate)	**2007**				2006			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Favourable prior year claims development as a % of opening reserves	**5.1%**	**2.3%**	**4.2%**	**1.4%**	2.8%	7.9%	4.5%	4.2%

Catastrophes

Catastrophe claims were down by $16.7 million and $18.1 million in the fourth quarter and in 2007, respectively, compared to the same periods last year. Rain and hail in Western Canada in the spring and summer were the primary causes of catastrophe claims in 2007. Catastrophe claims are defined as a single event resulting in $5.0 million or more in aggregate claims.

Current accident year claims

Current accident year claims were up by $80.2 million in the fourth quarter and $287.1 million for the full year mainly due to higher auto and property claims severity in both periods. Refer to sections 4 and 5 for more detailed information on current accident year claims.

Commissions

Variable commissions were down in the fourth quarter and for the full year of 2007 due to lower underwriting results.

Industry pools

Industry pools consist of the "residual market" as well as risk-sharing pools ("RSP") in Alberta, Ontario, Québec, New Brunswick and Nova Scotia. These pools are managed by the Facility Association except the Québec RSP. In the fourth quarter and for the full year of 2007, the net effect of transfers in and out of these pools resulted in lower year-over-year underwriting income by $3.8 million and $6.5 million, respectively.

3.5 Interest and dividend income, net of expenses

TABLE 6

	Q4 2007	Q4 2006	Change	**2007**	2006	Change
Interest income	**50.9**	52.1	(2.3)%	**197.7**	195.4	1.2%
Dividend income	**40.4**	39.2	3.1%	**166.5**	147.0	13.3%
Interest and dividend income, before expenses	**91.3**	91.3	–	**364.2**	342.4	6.4%
Expenses	**(4.8)**	(4.2)	14.3%	**(19.4)**	(21.1)	(8.1)%
Interest and dividend income, net of expenses	**86.5**	87.1	(0.7)%	**344.8**	321.3	7.3%

Interest and dividend income

Interest and dividend income decreased slightly in the fourth quarter but increased overall in 2007 reflecting an increase in invested assets and higher yields. The company introduced a zero cash policy in early 2007, increasing its investments in fixed income securities.

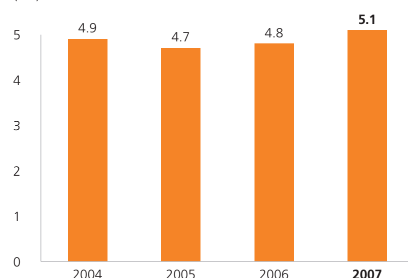
Market-based yield

The market-based yield is a non-GAAP measure that represents the total interest and dividend income (before expenses) divided by the average fair values of equity and debt securities held during the reporting period. The market-based yield was 5.1% in the fourth quarter compared to 4.8% from the same quarter of last year.

TABLE 7

Percentage (%)	**2007**			
	Q4	**Q3**	**Q2**	**Q1**
Market-based yield	**5.1**	**5.1**	**5.1**	**5.0**

Market-based yield
(%)



3.6 Net (losses) gains on invested assets and other gains

TABLE 8

	Q4 2007	Q4 2006	Change	2007	2006	Change
Debt securities						
Realized gains (losses)	**0.9**	6.8	(86.8)%	**(16.5)**	23.8	(169.3)%
Unrealized gains (losses) on held-for-trading debt securities	**17.7**	–	n/a	**(6.4)**	–	n/a
Impairments	**(8.1)**	–	n/a	**(37.3)**	–	n/a
Gains (losses) on derivatives	**(8.0)**	(1.3)	515.4%	**(4.0)**	2.3	(273.9)%
Net gains (losses) on debt securities	**2.5**	5.5	(54.5)%	**(64.2)**	26.1	(346.0)%
Equity securities						
Realized gains	**7.8**	29.1	(73.2)%	**151.9**	193.4	(21.5)%
Unrealized losses on held-for-trading equity securities	**(11.6)**	–	n/a	**(13.7)**	–	n/a
Impairments	**(34.7)**	(7.0)	395.7%	**(47.7)**	(20.4)	133.8%
Gains (losses) on derivatives	**14.2**	(18.6)	(176.3)%	**11.5**	(15.8)	(172.8)%
Gains on embedded derivatives	**19.6**	–	n/a	**38.1**	–	n/a
Net gains (losses) on equity securities	**(4.7)**	3.5	(234.3)%	**140.1**	157.2	(10.9)%
Other	**(1.1)**	6.3	(117.5)%	**(2.3)**	10.2	(122.5)%
Total gains (losses) before income taxes	**(3.3)**	15.3	(121.6)%	**73.6**	193.5	(62.0)%
Total gains (losses) after income taxes	**(7.0)**	7.6	(192.1)%	**38.3**	127.6	(70.0)%

Fourth quarter and full year 2007

In the fourth quarter, the company recorded a small pre-tax loss on invested assets due to asset impairments which were partly offset by gains on derivatives and embedded derivatives. These factors are described in more detail below.

Capital notes and total return swaps associated with SIVs

In the fourth quarter, the company incurred losses of $6.1 million in leveraged capital notes and $3.9 million in total return swaps associated with specific asset-backed securities (structured investment vehicles, or SIVs). The company incurred $49.8 million in losses associated with these SIVs during the year, including $34.0 million in capital notes and $15.8 million in total return swaps. As of the end of the year, the company had a remaining total SIV exposure of $19.8 million.

Common and preferred shares

The company recorded in the fourth quarter of 2007, impairments of $20.0 million on common shares and $14.7 million on preferred shares. The impairments were related to factors specific to certain securities as well as the large scale impact of the credit market events. Management generally impairs a security if the market value is unlikely to recover in the near- to mid-term future based on an assessment of information available at the time. Furthermore, common shares are generally impaired when the security is in a significant unrealized loss position for a period exceeding six months.

Preferred shares make up 19.8% of the company's portfolio of invested assets as part of its objective to maximize after-tax returns while balancing risk and capital preservation. The preferred shares in the portfolio are mainly stable, large-cap Canadian securities that pay dividends, which are generally deductible in the calculation of taxable income. The value of the company's preferred share portfolio generally declined under current market conditions. As a result, some preferred shares were impaired through the company's asset impairment process, described above. The company generally holds the preferred shares for the long term or until maturity, so fluctuations in the market value of preferred shares have little or no impact on the economic value of the assets as long as it continues to receive dividends from the issuers.

Overall in 2007, the company recorded $47.7 million in impairments related to common and preferred shares, most of which occurred in the last half of the year for the reasons noted above.

Gains on derivatives and embedded derivatives

The company also recorded gains on derivatives and call options embedded in perpetual preferred shares. The gains on embedded derivatives were associated with the decline in market values of the preferred shares. The gains on embedded derivatives flow through the income statement while changes in the fair values of preferred shares flow through other comprehensive income.

Under accounting rules introduced in 2007, the value of preferred shares and embedded derivatives (if any) are recorded separately. For example, call options embedded in preferred shares are recorded as liabilities and the preferred shares are recorded as assets. If the market value of a preferred share declines, the call option is less likely to be exercised by the issuer. The liability associated with the call option is eliminated and an offsetting gain is recorded. In 2007, the value of certain of the company's callable preferred shares declined in general and a gain was recorded for the embedded call options. For more information see section 8.4, *Impact of new accounting standards* introduced on January 1, 2007 as well as section 8.3, *Critical accounting estimates and assumptions*.

3.7 Net operating income

TABLE 9

	Q4 2007	Q4 2006	Change	**2007**	2006	Change
Net income	**95.8**	109.4	(12.4)%	**508.3**	658.1	(22.8)%
Less: Net (losses) gains on invested assets and other gains, after income taxes (table 8)	**(7.0)**	7.6	(192.1)%	**38.3**	127.6	(70.0)%
Net operating income	**102.8**	101.8	1.0%	**470.0**	530.5	(11.4)%
Average outstanding shares (millions)	**124.5**	133.7	(6.9)%	**126.7**	133.7	(5.2)%
Net operating income per share (dollars)	**0.83**	0.76	9.2%	**3.71**	3.97	(6.5)%

Net operating income and net operating income per share are non-GAAP measures. Net operating income is equal to net income less net gains on invested assets and other gains, after tax. Net operating income per share is equal to net operating income for the period divided by the average outstanding number of shares for the same period. These measures may not be comparable to similar measures used by other companies; however, they are commonly used by investors to assess the company's performance.

Other comprehensive income

Other comprehensive income ("OCI") was introduced with accounting standards which became effective in January 2007. OCI includes the changes in fair values of invested assets classified as available for sale. Available for sale assets sold during the period are reflected in income and are no longer included in OCI. Unrealized gains on available for sale assets are tax-affected.

Unrealized losses on available for sale securities and dispositions of available for sale securities resulted in negative OCI of $227.4 million in 2007. Lower market values of the company's fixed income assets, some of which are classified as available for sale, reflect less favourable bond market conditions in 2007.

3.8 Selected quarterly information

TABLE 10

	2007				2006			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Written insured risks (thousands)	**1,056.7**	**1,273.1**	**1,399.7**	**950.4**	1,051.1	1,242.9	1,356.1	914.9
Direct premiums written (excluding pools)	**961.3**	**1,091.2**	**1,209.8**	**846.3**	955.6	1,059.1	1,166.4	812.5
Total revenues	**1,096.8**	**1,091.3**	**1,152.2**	**1,099.6**	1,095.8	1,080.2	1,096.7	1,133.8
Net underwriting income	**47.5**	**28.7**	**92.3**	**40.3**	62.3	95.9	165.6	79.9
Net income	**95.8**	**92.0**	**194.3**	**126.2**	109.4	156.8	205.9	185.9
Combined ratio (%)	**95.3**	**97.1**	**90.6**	**95.8**	93.6	89.9	82.7	91.5
EPS-basic/diluted (dollars)	**0.77**	**0.74**	**1.56**	**0.95**	0.82	1.17	1.54	1.39
(Favourable) prior year claims development	**(45.4)**	**(20.7)**	**(37.6)**	**(12.2)**	(24.3)	(69.1)	(39.5)	(37.0)

3.9 Selected annual information

TABLE 11

	2007	2006	2005
Total revenue	**4,439.9**	4,406.4	4,446.1
Net underwriting income	**208.9**	403.8	537.7
Net income	**508.3**	658.1	781.8
EPS – basic and diluted (dollars)	**4.01**	4.92	5.85
Annual dividends per common share	**1.08**	1.00	0.65
Invested assets	**7,237.8**	7,241.9	6,721.0
Total assets	**10,389.7**	10,377.3	9,926.5
Debt outstanding	**–**	–	127.0
Total shareholders' equity	**3,172.1**	3,420.8	2,892.6

Financial performance between 2007 and 2006 is analyzed in detail in this document. In 2005, net income was higher than in 2006 due to the following factors (1) stronger underwriting income, particularly in personal automobile (2) more favourable prior year claims development; and, (3) robust results from the company's investment portfolio.

ING Canada has two segments: 1) P&C insurance; and, 2) Corporate and distribution. P&C insurance is divided into two lines of business, personal and commercial lines. Corporate and distribution includes income from investments in brokerages as well as other corporate items.

SECTION 4 – Personal lines

4.1 Financial results

TABLE 12

	Q4 2007	Q4 2006	Change	2007	2006	Change
Written insured risks (thousands)						
Automobile	**541.5**	541.5	–	**2,514.4**	2,440.1	3.0%
Property	**394.6**	390.4	1.1%	**1,676.1**	1,637.5	2.4%
Total	**936.1**	931.9	0.5%	**4,190.5**	4,077.6	2.8%
Direct premiums written (excluding pools)						
Automobile	**453.1**	449.6	0.8%	**2,057.7**	1,969.2	4.5%
Property	**215.3**	203.6	5.7%	**904.4**	841.5	7.5%
Total	**668.4**	653.2	2.3%	**2,962.1**	2,810.7	5.4%
Net premiums earned						
Automobile	**515.2**	495.7	3.9%	**2,008.0**	1,911.2	5.1%
Property	**217.6**	203.4	7.0%	**837.0**	785.4	6.6%
Total	**732.8**	699.1	4.8%	**2,845.0**	2,696.6	5.5%
Net underwriting income (loss)						
Automobile	**9.1**	60.9	(85.1)%	**123.1**	242.5	(49.2)%
Property	**3.7**	(18.7)	(119.8)%	**(17.8)**	(0.3)	n/a
Total	**12.8**	42.2	(69.7)%	**105.3**	242.2	(56.5)%
Ratios						
Claims ratio	**71.7%**	66.9%	4.8 pts	**69.0%**	62.5%	6.5 pts
Commissions ratio	**15.0%**	16.1%	(1.1) pts	**15.0%**	16.3%	(1.3) pts
Premium taxes ratio	**3.4%**	3.3%	0.1 pts	**3.4%**	3.4%	–
General expenses ratio	**8.2%**	7.7%	0.5 pts	**8.9%**	8.9%	–
Combined ratio	**98.3%**	94.0%	4.3 pts	**96.3%**	91.1%	5.2 pts

4.2 Explanation of financial results

Fourth quarter 2007

Direct premiums written grew by 2.3% in personal lines, driven by higher average amounts insured. Direct written premium rates in personal lines also increased slightly for the first time since 2003.

In personal auto, direct premiums written grew by 0.8% reflecting higher average amounts insured. Overall, direct written premium rates in personal auto were flat but increased in Ontario. Underwriting income in personal auto decreased year-over-year due to higher severity and frequency of current year claims.

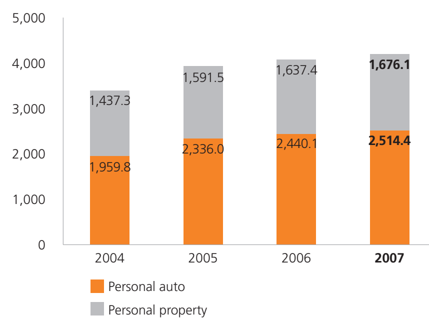
In personal property, direct premiums written were up 5.7%, reflecting higher insured amounts and a 1.1% increase in written insured risks. Underwriting income in personal property increased due to lower catastrophe claims and more favourable prior year claims development. Current year claims in personal property were up moderately, caused by an increase in severity. Building cost inflation factors, such as material costs and labour rates, have put pressure on underwriting margins in 2007, particularly in Western Canada.

Full year 2007

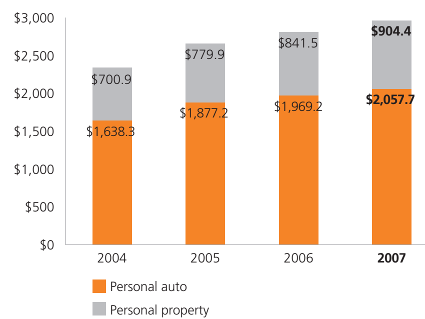
Direct premiums written rose 5.4% in personal lines, driven by a 2.8% increase in the number of written insured risks and an increase in average amounts insured. In personal property, insured amounts are increasing to reflect higher reconstruction costs, particularly in Western Canada. The company's pricing models are also being adjusted for regions that are most susceptible to seasonal storm activity and sewer back-up.

Underwriting income declined in 2007 due to a combination of higher current and prior year claims in personal auto, as well as an increase in personal property claims. As mentioned in the fourth quarter commentary, increases in both frequency and severity in personal auto contributed to a decline in underwriting results versus 2006. Increases in seasonal rain, wind and hail storms in certain zones, cost inflation and some larger losses caused a meaningful increase in personal property claims severity in 2007. Overall, frequency of claims in personal property decreased.

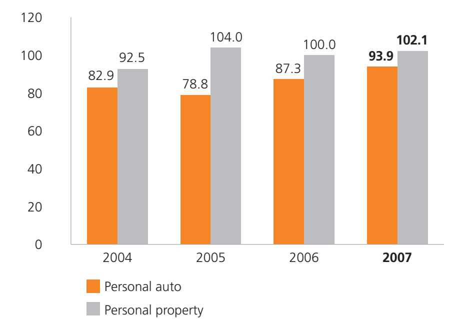
Personal lines – written insured risks
(thousands)



Personal lines – direct premiums written (excluding pools) ($ millions)



Personal lines – combined ratio
(%)



SECTION 5 – Commercial lines

5.1 Financial results

TABLE 13

	Q4 2007	Q4 2006	Change	2007	2006	Change
Written insured risks (thousands)						
Automobile	**62.8**	61.8	1.6%	**255.8**	253.6	0.9%
Non-auto	**57.7**	57.4	0.5%	**233.5**	233.9	(0.2)%
Total	**120.5**	119.2	1.1%	**489.3**	487.5	0.4%
Direct premiums written (excluding pools)						
Automobile	**81.7**	81.9	(0.2)%	**321.2**	327.5	(1.9)%
Non-auto	**211.3**	220.6	(4.2)%	**825.3**	855.5	(3.5)%
Total	**293.0**	302.5	(3.1)%	**1,146.5**	1,183.0	(3.1)%
Net premiums earned						
Automobile	**80.7**	82.2	(1.8)%	**320.2**	326.8	(2.0)%
Non-auto	**191.1**	198.3	(3.6)%	**766.9**	803.1	(4.5)%
Total	**271.8**	280.5	(3.1)%	**1,087.1**	1,129.9	(3.8)%
Net underwriting income (loss)						
Automobile	**(1.8)**	11.4	(115.8)%	**22.0**	43.0	(48.8)%
Non-auto	**36.6**	8.7	320.7%	**81.4**	118.7	(31.4)%
Total	**34.8**	20.1	73.1%	**103.4**	161.7	(36.1)%
Ratios						
Claims ratio	**53.9%**	57.7%	(3.8) pts	**57.2%**	51.0%	6.2 pts
Commissions ratio	**20.2%**	21.0%	(0.8) pts	**19.8%**	20.9%	(1.1) pts
Premium taxes ratio	**3.6%**	3.5%	0.1 pts	**3.6%**	3.6%	–
General expenses ratio	**9.5%**	10.6%	(1.1) pts	**9.9%**	10.2%	(0.3) pts
Combined ratio	**87.2%**	92.8%	(5.6) pts	**90.5%**	85.7%	4.8 pts

5.2 Explanation of financial results

Fourth quarter 2007

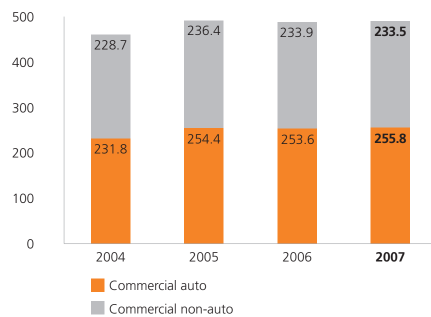
Direct premiums written decreased by 3.1% in commercial lines. The decline reflects a shift in the mix of the portfolio to smaller commercial accounts with lower annual premiums and moderate rate reductions. Written insured risks were up modestly, indicating the competitiveness of the commercial market in 2007. The company's commercial business is focused on small- to medium-sized accounts which are less price-sensitive, providing some insulation in a more aggressive pricing environment.

Underwriting income and the combined ratio in commercial lines improved markedly in the fourth quarter due to more favourable prior year claims development and slightly lower current year claims.

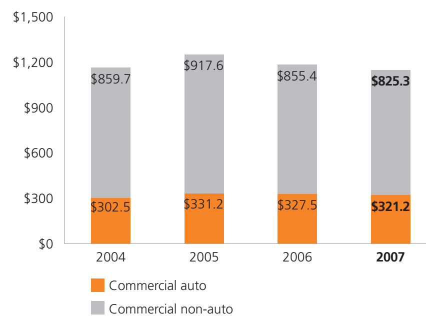
Full year 2007

Direct premiums written were down 3.1% in 2007 primarily due to price competition in the marketplace, moderate rate decreases and a change in portfolio mix toward smaller accounts, referred to in the fourth quarter discussion. The number of written insured risks increased slightly. Underwriting income decreased significantly during the year, principally due to an increase in current year claims severity in commercial non-auto caused by weather-related events and an increase in large losses. In commercial auto, underwriting income declined due to less favourable prior year claims development in 2007. Current year claims only increased slightly in commercial auto.

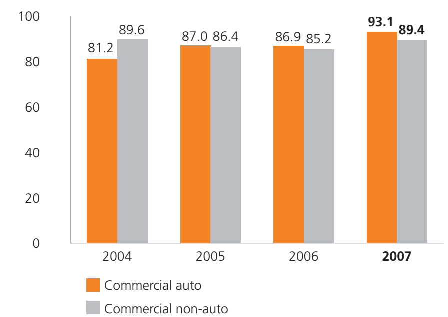
Commercial lines – written insured risks
(thousands)



Commercial lines – direct premiums written ($ millions)



Commercial lines – combined ratio
(%)



SECTION 6 – Corporate and distribution

6.1 Financial results

Our corporate and distribution segment primarily includes the results of the company's brokerage operations (Canada Brokerlink, Grey Power and Equisure) and other activities.

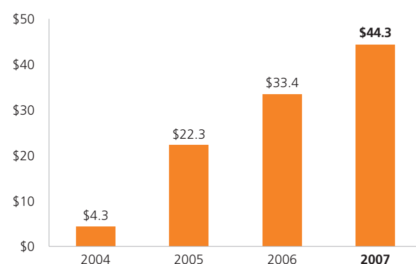
TABLE 14

	Q4 2007	Q4 2006	Change	2007	2006	Change
Distribution income	**26.9**	25.0	7.6%	**102.9**	100.0	2.9%
Distribution expenses	**21.4**	19.7	8.6%	**85.3**	71.0	20.1%
Distribution earnings	**5.5**	5.3	3.8%	**17.6**	29.0	(39.3)%
Other income (loss), net	**(3.6)**	(0.8)	350.0%	**26.7**	9.7	175.3%
Interest on debt	**–**	–	n/a	**–**	5.3	n/m
Income before income taxes	**1.9**	4.5	(57.8)%	**44.3**	33.4	32.6%

6.2 Explanation of financial results

Other income in 2007 included a reduction to a provision established for a prior year divestiture that became redundant. The total reduction was $28.0 million in 2007, which was recorded in the first and second quarters.

Corporate and distribution – income before income taxes
($ millions)



7.1 Balance sheet highlights

The table below shows the balance sheets as reported on December 31, 2006, January 1, 2007 (after adopting the new accounting standards) and December 31, 2007. All comparisons in this section are made to January 1, 2007 figures which were restated from December 31, 2006 in accordance with accounting standards adopted at the beginning of 2007. See section 8.4 for the impact of the adoption of the new accounting standards.

TABLE 15

	As at		
	Dec. 31, 2007	Jan. 1, 2007	Dec. 31, 2006
Cash and cash equivalents	**8.1**	126.0	126.0
Invested assets	**7,237.8**	7,503.9	7,241.9
Premiums receivables	**1,440.8**	1,366.9	1,366.9
Accrued interest and dividend income	**46.2**	51.1	51.1
Other receivables	**264.8**	282.8	282.8
Deferred acquisition costs	**379.6**	372.8	372.8
Reinsurance assets	**273.5**	290.1	288.1
Other assets	**280.1**	246.0	246.0
Income taxes receivable	**168.4**	54.1	54.1
Future income tax asset	**68.7**	55.5	119.2
Intangible assets and goodwill	**221.7**	228.4	228.4
Total assets	**10,389.7**	10,577.6	10,377.3
Claims liabilities	**3,989.0**	3,841.4	3,823.5
Unearned premiums	**2,333.5**	2,264.1	2,264.1
Other liabilities	**862.6**	922.5	844.9
Income taxes payable	**32.5**	24.0	24.0
Total liabilities	**7,217.6**	7,052.0	6,956.5
Share capital	**1,101.9**	1,183.9	1,183.9
Contributed surplus	**97.2**	93.5	93.5
Retained earnings	**2,091.3**	2,139.1	2,143.4
AOCI	**(118.3)**	109.1	–
Total shareholders' equity	**3,172.1**	3,525.6	3,420.8
Total liabilities and shareholders' equity	**10,389.7**	10,577.6	10,377.3
Book value per share (dollars)	**25.48**	26.40	25.58

Invested assets, including cash and cash equivalents, decreased by $384.0 million notwithstanding cash flows generated from operations of $620.3 million due to the share buyback of $501.2 million in the first quarter of 2007 and to the decline in the fair values by $310.6 million in 2007 compared to 2006 following the general decline in capital market conditions. This decline is reflected in the December 31, 2007 AOCI position.

Premium receivables, **deferred acquisition costs** and **unearned premiums** are higher consistent with increases in direct written premiums. A portion of deferred acquisition costs related to prior acquisitions were reclassified to goodwill during the second quarter; comparative numbers have been adjusted accordingly.

Income taxes receivable are higher due to the company's invested assets unrealized losses in 2007, which are deductible on a fair value basis, compared to unrealized gains in 2006.

Claims liabilities and **unearned premiums** are slightly higher when compared to last year due to a greater number of policies in force. Note 6 to the Audited Consolidated Financial Statements provides a reconciliation of the changes in claims liabilities and unearned premiums.

Other liabilities decreased when compared to January 1, 2007 mainly because of the decrease in the fair value of the derivatives embedded in the company's preferred shares, which are now accounted for separately and presented with other liabilities according to the new accounting standards introduced in January 2007.

Shareholders' equity was reduced significantly as a result of the share buyback. The total cost of the purchase was $501.2 million, including expenses net of income taxes. An amount of $82.0 million was deducted from share capital and the remainder from retained earnings.

7.2 Portfolio of invested assets

The company's portfolio of invested assets is managed by ING Investment Management Inc. ("IIM"), which is a wholly owned subsidiary of ING Canada. Each insurance subsidiary's assets are managed by IIM in accordance with the company's investment policy.

ING Canada has an investment policy that seeks to provide an attractive risk-return profile over the medium to long term. The investment policy takes into account the current and expected condition of capital markets, the historical 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 the company's portfolio of invested assets. The overall risk profile of the portfolio is designed to balance the investment portfolio return needed to satisfy the company's liabilities while optimizing the investment opportunities available in the marketplace. Management monitors and enforces compliance with the investment policy.

Mix of investment portfolio

TABLE 16

	As at December 31, 2007		As at December 31, 2006	
	Fair value ("FV")	% of FV	FV	% of FV
Cash and cash equivalents	8.1	0.1%	126.0	1.7%
Short-term notes	18.9	0.3%	713.5	9.4%
Fixed income securities	3,867.8	53.4%	3,281.6	43.3%
Preferred shares	1,430.8	19.7%	1,517.1	20.0%
Common shares	1,709.5	23.6%	1,700.4	22.5%
Commercial mortgages[1]	–	–	59.0	0.8%
Loans to brokers	188.2	2.6%	156.9	2.1%
Equity investments	22.6	0.3%	14.7	0.2%
Total invested assets and cash	7,245.9	100.0%	7,569.2	100.0%

[1] In 2007, the commercial mortgages portfolio was sold and the proceeds were reinvested in other types of assets.

The majority of the company's portfolio is invested in mainly high quality Canadian securities that are actively traded. The fair value for most invested assets is based on quoted bid prices. In cases where an active market does not exist, the estimated fair values are based on recent transactions or current market prices for similar securities. In 2007, the amount of invested assets declined reflecting the cash and short-term notes used to buyback shares in the first quarter.

Fixed income securities

The company invests in highly-rated fixed income securities mainly including corporate bonds and government bonds, as well as asset-backed securities ("ABS"), Canadian residential mortgage-backed securities and private placements. The fixed income portfolio is mostly Canadian with 18.7% foreign content. The ABS portfolio includes credit card loans, auto finance loans and commercial mortgage-backed securities. In addition, the company owns a small portion of Canadian government-guaranteed residential mortgage-backed securities which make up less than 0.5% of the fixed income portfolio. The company did not have any direct investments in asset-backed commercial paper, collateralized debt obligations, hedge funds, monolines or U.S. mortgage loans as at the end of 2007. The company has a remaining SIV exposure of $19.8 million, including $10.7 million in capital notes and $9.1 million in total return swaps, which represents less than 0.3% of the company's $7.2 billion investment portfolio.

Common shares

Common equity exposure is focused primarily on high dividend-paying Canadian equities. The company seeks enhanced returns by identifying and investing in shares that are likely to pay increased dividends or pay special dividends. Management undertakes intensive analysis of investment opportunities to identify special dividend candidates. Similar evaluations are conducted to assess securities most likely to increase dividends. In addition, the equity portfolios are also actively managed to achieve additional dividend payments to maximize dividend income throughout the year.

Preferred shares

The company's investment portfolio includes a large percentage of preferred shares to achieve its objective of maximizing dividend income, which is generally deductible in the calculation of taxable income. The preferred share portfolio is not actively managed and preferred shares are generally held until they are called. Consequently, the company's results are impacted only when preferred shares are impaired, or when the shares are called or sold. The preferred share portfolio is 100.0% Canadian.

Derivatives

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

Cash and cash equivalents

In the first half of 2007, management adopted a zero cash strategy under which cash and short-term notes are maintained at their minimum level and the excess assets are now invested in fixed income securities.

Credit ratings

As at December 31, 2007, the weighted average rating of the company's fixed income portfolio was AA and the weighted average rating of its preferred share portfolio was P2 (ratings are by Standard & Poor's ("S&P") or Dominion Bond Rating Services). Approximately $36.8 million of securities with a rating below investment grade were included in the fixed income and preferred share portfolios at December 31, 2007, compared to $35.8 million as at December 31, 2006.

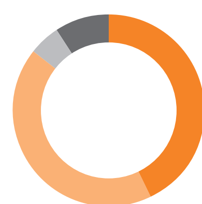
Sector exposures

The following table sets forth the company's exposure to the largest industrial sectors.

TABLE 17

	As at December 31, 2007		As at December 31, 2006	
	FV	**% of FV**	FV	% of FV
Banks, insurance and diversified financial services	**3,112.3**	**43.0%**	2,917.7	39.2%
Government	**3,097.8**	**42.8%**	3,580.2	48.1%
Utilities	**369.1**	**5.1%**	357.3	4.8%
Other	**658.6**	**9.1%**	588.0	7.9%
Total invested assets	**7,237.8**	**100.0%**	7,443.2	100.0%

Sector exposures
(% of FV)



Banks, insurance and diversified financial services	43.0%
Government	42.8%
Utilities	5.1%
Other	9.1%

The company has higher exposure to banks, insurance companies and diversified financial services companies than its benchmark of P&C insurers reflecting ING Canada's strategy to maximize non-taxable dividend income through investments in preferred shares and active management of its common share portfolio. Though the company's preferred share strategy continued to generate significant incremental dividend income in 2007, the widening of credit spreads late in the year resulted in a general decline in the value of the preferred share portfolio.

Investment portfolio credit quality

The following table includes the credit quality of the fixed income portfolio as at December 31, 2007 and 2006.

TABLE 18

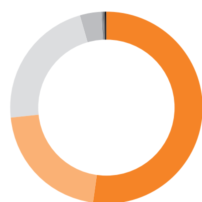
	As at December 31, 2007		As at December 31, 2006	
	FV	**% of FV**	FV	% of FV
Fixed income securities				
AAA	**2,025.8**	**52.4%**	1,815.7	55.3%
AA	**821.7**	**21.2%**	466.1	14.2%
A	**851.9**	**22.0%**	811.2	24.7%
BBB	**148.7**	**3.8%**	186.1	5.7%
BB	**5.8**	**0.2%**	–	–
B	**–**	**–**	2.5	0.1%
<B	**10.9**	**0.3%**	–	–
Not rated	**3.0**	**0.1%**	–	–
Total	**3,867.8**	**100.0%**	3,281.6	100.0%

The following table includes the credit quality of the preferred share portfolio as at December 31, 2007 and 2006.

TABLE 19

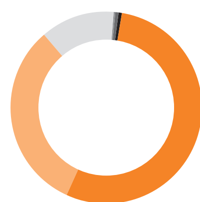
	As at December 31, 2007		As at December 31, 2006	
	FV	**% of FV**	FV	% of FV
Preferred shares				
P1	**778.2**	**54.4%**	749.5	49.4%
P2	**456.5**	**31.9%**	584.5	38.5%
P3	**177.5**	**12.4%**	149.2	9.8%
P4	**–**	**–**	19.9	1.3%
P5	**4.2**	**0.3%**	14.0	1.0%
Not rated	**8.2**	**0.6%**	–	–
D	**6.2**	**0.4%**	–	–
Total	**1,430.8**	**100.0%**	1,517.1	100.0%

Credit quality of fixed income securities (% of FV)



AAA	52.4%
AA	21.2%
A	22.0%
BBB	3.8%
BB	0.2%
<B	0.3%
Not rated	0.1%

Credit quality of preferred shares (% of FV)



P1	54.4%
P2	31.9%
P3	12.4%
P5	0.3%
Not rated	0.6%
D	0.4%

7.3 Claims liabilities

Assessing claims reserve adequacy

Effectively assessing claims reserve adequacy is a critical skill required to effectively manage any property and casualty insurance business and a strong determinant of the long-term viability of the organization. The objective of the claims reserve is to make a best estimate of the future total cost of incurred claims, which are a liability to the company. The total claims reserve is made up of two main elements: 1) case reserves; and 2) claims that are incurred but not reported ("IBNR"). IBNR reserves supplement the case reserves by taking into account:

– possible claims that have been incurred but not yet reported to the company;

– expected over/under estimation in case reserves based on historical patterns; and,

– other adjustment expenses not included in the initial case reserve.

Case reserves and IBNR should be sufficient to cover all expected claims liabilities for events that have already occurred, whether reported or not, taking into account a provision for adverse deviation ("PfAD") and a discount for the time value of money (see "Market yield adjustment" below). The discount is applied to the total claims reserve and adjusted on a regular basis based on changes in market yields. If market yields rise, the discount would increase and reduce total claims liabilities and therefore, positively impact underwriting income in that period, all else being equal. If market yields decline, it would have the opposite effect. IBNR and the PfAD are reviewed and adjusted periodically. Total claims reserves are also reviewed by the company's auditors.

Historically, ING's claims liabilities have had a three to four percent redundancy per year. This is commonly referred to as favourable prior year claims development. The rate of favourable prior year claims development was unusually high in 2005 and 2006 and does not represent a normal or expected level of reserve redundancy in a typical year.

TABLE 20

	2007	2006	2005	2004
Favourable prior year claims development as a % of opening reserves	**3.2%**	4.9%	7.9%	3.3%
Long-term average		3%–4%		

Market yield adjustment

Prior to 2007, claims liabilities were discounted using book rates which were generally adjusted annually. Claims liabilities are now discounted at current market interest rates, following the adoption of accounting standards introduced in January 2007. A significant increase in interest rates, primarily in the second quarter, resulted in a $19.8 million reduction of claims liabilities which had a positive impact on underwriting income and net operating income in 2007. Of the $19.8 million from the 2007 fiscal year, $13.6 million affected prior year claims development. The adjustment to claims liabilities was offset by an adjustment to specific invested assets classified as held-for-trading, resulting in a minimal net impact to net income.

The following table shows the development of claims liabilities for the 10 most recent accident years, with subsequent developments during the periods. The original reserve estimates are evaluated quarterly for redundancy or deficiency. The 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 21

		Accident year									
	Total	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997 & –
Original reserve		1,178.0	1,118.8	1,117.7	973.2	838.6	729.0	655.5	587.0	548.1	1,276.9
(Favourable) unfavourable development during Q4 2007	**(45.4)**	(15.7)	(10.0)	(6.9)	(0.9)	(1.1)	(2.8)	(0.7)	(6.2)	(0.6)	(0.4)
As a % of original reserve		(1.3)%	(0.9)%	(0.6)%	(0.1)%	(0.1)%	(0.4)%	(0.1)%	(1.1)%	(0.1)%	(0.0)%
(Favourable) unfavourable development during YTD 2007	**(115.9)**	(9.3)	(35.2)	(36.2)	(4.8)	(0.1)	(8.8)	(1.7)	(2.6)	(6.8)	(10.4)
As a % of original reserve		(0.8)%	(3.1)%	(3.2)%	(0.5)%	(0.0)%	(1.2)%	(0.3)%	(0.4)%	(1.2)%	(0.8)%
Cumulative development		(9.3)	(93.1)	(227.3)	(179.4)	(18.4)	40.2	34.8	37.0	(15.2)	(180.4)
As a % of original reserve		(0.8)%	(8.3)%	(20.3)%	(18.4)%	(2.2)%	5.5%	5.3%	6.3%	(2.8)%	(14.1)%

The $17.9 million decrease in direct claims liabilities related to the transition to accounting standards introduced in 2007 was added to the opening claims liabilities but is reflected in the table above only for the portion ($4.9 million) that relates to the 2006 accident year. Other original reserve amounts have not been restated in this table.

7.4 Reinsurance

At December 31, 2007, the company had reinsurance treaties with a number of unaffiliated reinsurance substantially all of which meet the company's financial strength rating requirements. Most of the company's reinsured claims are ceded to these unaffiliated reinsurers with the exception of 12.3% which is ceded to ING Re, an affiliate.

ING Canada's goals related to ceded reinsurance are:

(1) capital protection;

(2) reduction of the results' volatility;

(3) increase of underwriting capacity;

(4) access to the expertise of reinsurers.

The reinsurers chosen to participate in the program have a minimum rating of A- from A.M. Best. The S&P's rating and the financial analysis performed by the company's 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, management considers 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. Furthermore, the reinsurance treaties call for timely reimbursement of ceded losses.

For single risk events, net retention for property and liability for both 2007 and 2006 was generally $5.0 million and $7.0 million, 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 2007 and 2006, for multi-risk events or catastrophes, retention is $25.0 million with a reinsurance coverage limit of $1.25 billion. For 2007, the company retains 10.0% of the overall exposure between $25.0 million and $750.0 million and for 2006 it was between $25.0 million and $600.0 million.

Reinsurance coverage is spread across many reinsurers to minimize risk to the company in the event of a very large loss. A single catastrophic event such as an earthquake could be devastating to a reinsurer, so distribution of risk is a key reinsurance strategy for ING Canada.

Following industry practice, the company's reinsurance recoverables with licensed Canadian reinsurers (December 31, 2007: $215.3 million; December 31, 2006: $229.3 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 February 20, 2008, there were 124,472,761 common shares and one Special Share issued and outstanding. The Special Share is convertible into one common share. ING Groep holds 70.0% of the issued and outstanding common shares and the Special Share. Refer to ING Canada's Annual Information Form for more detailed information on the rights of common shareholders and the owner of the Special Share.

Under the company's long-term incentive plan ("LTIP"), certain employees were awarded performance units as part of their compensation. At the end of the performance cycle, the performance units will ultimately be converted to a certain number of restricted common shares determined by the company's three-year average return on equity compared to the Canadian P&C industry average. In 2008, the company intends to purchase shares in an amount equal to that required under the Plan, which was estimated at 616,115 as at December 31, 2007 for the three performance cycles of 2005–2007, 2006–2008 and 2007–2009.

Shareholders' equity was reduced as a result of the share buyback in the first quarter of 2007. The total cost of the purchase was $501.2 million, including expenses net of income taxes. An amount of $82.0 million was deducted from share capital and the remainder from retained earnings. The statements of changes in shareholders' equity provide a complete reconciliation of the changes that occurred during the quarter. There were 124,472,761 outstanding common shares on December 31, 2007.

Accumulated other comprehensive income (loss) is a component of shareholders' equity. It reflects the unrealized gains or losses related to available for sale assets.

TABLE 22

		2007	
	Pre-tax	Taxes	After-tax
Unrealized gains as reported on December 31, 2006	201.3	n/a	n/a
Items not included in AOCI	(2.8)	n/a	n/a
Reduction to recognize fair values at the bid/ask price	(9.2)	n/a	n/a
Transfers to retained earnings for held-for-trading instruments	(14.8)	n/a	n/a
Opening AOCI balance on January 1, 2007	**174.5**	**(65.4)**	**109.1**
Changes in fair values during the year	**(296.3)**	**95.9**	**(200.4)**
Realized gains reclassified to income during the year	**(54.5)**	**27.5**	**(27.0)**
AOCI as at December 31, 2007	**(176.3)**	**58.0**	**(118.3)**

The table above shows how unrealized gains reported as at December 31, 2006 have been treated at the transition date and subsequently during the year. On transition, the fair values were adjusted downwards to reflect bid/ask prices rather than closing prices. Unrealized gains on held-for-trading instruments were transferred to retained earnings on January 1, 2007 consistent with the new accounting standards. These unrealized gains will not flow through the income statement in the future.

Unrealized gains on available for sale assets were $174.5 million after transition on January 1, 2007. During the year, the company sold available for sale assets resulting in realized net gains of $54.5 million. These were transferred to net gains on invested assets and other gains in the income statement. Available for sale assets lost value during the year due to unfavourable capital market conditions, representing a reduction of $296.3 million in AOCI.

7.5 Liquidity and capital resources

Cash flows and liquidities

TABLE 23 – **SELECTED INFLOWS AND (OUTFLOWS)**

	Q4 2007	Q4 2006	Change	**2007**	2006	Change
Operating activities:						
Cash provided by operating activities	**216.5**	104.0	108.2%	**620.3**	431.0	43.9%
Investing activities:						
Proceeds from the sale of invested assets, net of (purchases)	**(146.2)**	52.7	377.4%	**(42.7)**	(309.8)	86.2%
Financing activities:						
Dividends paid	**(33.6)**	(33.4)	0.6%	**(136.9)**	(133.7)	2.4%
Redemption of common shares for cancellation	**–**	–	–	**(501.2)**	–	n/a
Cash at the end of the period	**8.1**	126.0	(93.6)%	**8.1**	126.0	(93.6)%

Cash generated from operating activities has been used for the share buyback and for dividends paid to shareholders in 2007. The remaining cash generated from operating activities was invested in debt and equity securities.

Capital and cash management

Based on the 150.0% Minimum Capital Test ("MCT"), the company had approximately $453.7 million in excess capital in its insurance subsidiaries and $487.5 million at the holding company level at the end of 2007. In addition, the company had no long-term debt. The company has a prudent capital management program in place to ensure that its capital is employed effectively. The following includes a list of capital and cash management initiatives undertaken in 2007:

– $500.0 million share buyback in the first quarter carried out through a Dutch Auction at $54.0 per reducing the number of outstanding shares by 9,259,239

– Adopted a zero cash strategy in the first half of 2007 whereby cash and short-term notes are maintained at a minimum level and the assets were reinvested in fixed income securities to capture a higher investment yield

– Renewed the company's short form base shelf prospectus with Canadian securities regulators allowing ING Canada to issue up to $1.0 billion in debt securities, Class A shares or common shares over a 25-month period.

The company's significant excess capital could be used to: 1) support organic growth and/or growth through acquisitions as part of ING Canada's market consolidation strategy; 2) buy back shares in the future; or, 3) increase dividends.

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

TABLE 24 – **MCT – P&C COMPANIES**

	ING Insurance	Belair Insurance	Nordic Insurance	ING Novex Insurance	Trafalgar Insurance	Total
At December 31, 2007						
Total capital available	**940.4**	**196.0**	**814.1**	**159.2**	**140.7**	**2,250.4**
Total capital required	**525.0**	**96.7**	**439.9**	**72.4**	**63.7**	**1,197.7**
Excess capital	**415.4**	**99.3**	**374.2**	**86.8**	**77.0**	**1,052.7**
MCT %	**179.1%**	**202.8%**	**185.0%**	**219.8%**	**220.9%**	**187.9%**
Excess at 150%	**152.8**	**51.0**	**154.1**	**50.6**	**45.2**	**453.7**
At December 31, 2006						
Total capital available	1,073.7	282.0	966.8	49.3	61.7	2,433.5
Total capital required	554.5	104.8	466.8	14.4	18.2	1,158.7
Excess capital	519.2	177.2	500.0	34.9	43.5	1,274.8
MCT %	193.6%	269.0%	207.1%	341.2%	338.8%	210.0%
Excess at 150%	242.0	124.8	266.7	27.6	34.4	695.5

On February 13, 2007, the Board of Directors increased the company's quarterly dividend by $0.02 to $0.27, an 8.0% increase. A quarterly cash dividend of $0.27 per common share was paid on March 30, 2007, June 29, 2007, September 28, 2007 and December 28, 2007.

Credit ratings

ING Canada Group has an A+ (Superior) rating from A.M. Best, which was reaffirmed on July 3, 2007. The company's primary insurance subsidiaries are rated A+ by Standard & Poor's, which was reaffirmed on October 31, 2007. Although the company does not have any senior unsecured debt, DBRS has assigned a rating of A (low).

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.

The company has an uncommitted revolving credit facility of $100.0 million with the Royal Bank of Canada, which was undrawn at December 31, 2007.

7.6 Contractual obligations

TABLE 25

		Payments due by period			
	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Operating leases	**279.7**	57.1	81.0	60.8	80.8
Other long-term obligations	**88.8**	28.9	27.5	15.4	17.0
Total contractual obligations	**368.5**	86.0	108.5	76.2	97.8

7.7 Off-balance sheet arrangement

The company has an agreement with a major Canadian bank under which they borrow the Company's shares for some of their short sells. As collateral for these borrowed shares, the bank provides the company with sufficient assets as a guarantee.

SECTION 8 – Accounting and disclosure matters

8.1 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, 2007. 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.

8.2 Internal controls 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 to the company's internal controls over financial reporting during the year ended December 31, 2007 that had, or is reasonably likely to have, a negative material effect on the company's internal controls over financial reporting.

8.3 Critical accounting estimates and assumptions

Our significant accounting policies are disclosed in Note 2 to the company's Audited Consolidated Financial Statements. The preparation of the company's financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in its financial statements. These estimates and assumptions principally relate to the establishment of the fair value of financial instruments, impairment losses, policy liabilities, income taxes, employee future benefits, stock-based compensation, the allocation of the purchase price and goodwill and contingencies. As more information becomes known, these estimates and assumptions could change and impact future results. The most significant estimates and assumptions management makes in preparing the company's financial statements are described below. There were no significant changes made to the company's assumptions over the past two years, except for the fair value of financial instruments, as disclosed below.

Fair value of financial instruments

When they are initially recognized, all financial assets and liabilities, including derivative financial instruments, are recorded at fair value in the consolidated balance sheet. In subsequent periods, they are measured at fair value, except for items that are classified as loans and receivables and financial liabilities not held for trading purposes, which are measured at amortized cost. A more complete description of the accounting treatment for financial instruments is presented in Note 2 to the Audited Consolidated Financial Statements.

The fair value of a financial instrument is the amount at which a financial instrument could be exchanged, in an arm's length transaction, between knowledgeable, willing parties who are under no compulsion to act.

The existence of published price quotations in an active market is the best evidence of fair value and, when they exist, management uses them to measure the financial instruments. A financial instrument is regarded as quoted in an active market when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or pricing service and those prices reflect actual and regularly occurring market transactions on an arm's length basis. The fair value of a financial asset traded in an active market generally reflects the bid price and, that of a financial liability traded in an active market, the asking price. If a financial instrument's market is not active, its fair value is established using valuation techniques that make maximum use of observable market inputs. These valuation techniques include using available information concerning recent market transactions, discounted cash flow analysis, valuation models, and other valuation methods commonly used by market participants where it has been demonstrated that the technique provides reliable estimates.

In cases where the fair value is established using valuation models, management makes assumptions about the amount, the timing of estimated future cash flows and the discount rates used. These assumptions are based primarily on factors observable in external markets, such as interest rate yield curves, volatility factors and credit risk.

Establishing fair value is a critical accounting estimate and has an impact on held-for-trading securities, available for sale financial assets and liabilities and loans and receivables in the consolidated balance sheet. This estimate also has an impact on *Interest income* and *Other income* in the consolidated statement of income and *Other comprehensive income* in the consolidated statement of comprehensive income.

Impairment losses

The company obtains values for actively traded securities from external pricing services. For private placements 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 management to make assumptions regarding credit quality, liquidity and other factors that affect estimated values.

Impairment of securities results in a charge to earnings when a market decline in the value of a security to below cost is other-than-temporary. The company's methodology to identify potential impairments requires professional judgment and places particular emphasis on those securities with unrealized losses of 25.0% or greater of the book value where that unrealized loss has been outstanding for more than six months. Members of the company's investment and accounting departments meet quarterly to assess impairments. Management assesses which of these securities are other-than-temporarily ("OTT") 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 the company's statement of income for that quarter. Previously impaired securities continue to be monitored quarterly, with additional write-downs taken quarterly, if necessary. 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.

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 the company's P&C insurance subsidiaries, using appropriate actuarial techniques, evaluates the adequacy of its claims liabilities.

Claims liabilities are maintained to cover the company's 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 management's assessment of facts and circumstances then known, 2) its review of historical settlement patterns, 3) estimates of trends in claims severity and frequency, 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, 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. See table 6.4 in the Audited Consolidated Financial Statements.

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 invested assets 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 invested assets 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 liabilities and are reported in the company's consolidated balance sheet. The ceding of insurance does not discharge the company's primary liability to its 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.

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 income 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.

Employee future 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 11 to the company's Audited Consolidated Financial Statements.

Stock-based compensation

As previously discussed, a LTIP was implemented for certain employees. Because of its long term nature, the company must re-estimate the number of restricted shares that are expected to vest at each reporting period. The actual number of restricted shares to be issued will only be known at the end of each performance cycle of the plan.

Allocation of the purchase price and 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. The company performed its annual impairment test of goodwill for years ended December 31, 2007 and 2006 and no impairment was identified.

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. 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.

8.4 Impact of new accounting standards

Financial instruments, comprehensive income and hedges

Effective January 1, 2007, the company applied the new provisions of the CICA handbook on accounting for financial instruments, including sections 3855, "*Financial Instruments – Recognition and Measurement*", 3861, "*Financial Instruments – Disclosure and Presentation*", 3865, "*Hedges*" and 1530, "*Comprehensive income*", as well as Emerging Issues Committee ("EIC") Abstract No 164, "*Convertible and Other Debt Instruments with Embedded Derivatives*" and Abstract No 166 "*Accounting Policy Choice for Transaction Costs*".

The new provisions affected the company's accounting for financial instruments and hedges and resulted in a new statement of comprehensive income and a new component of accumulated other comprehensive income within the company's shareholders' equity. The comprehensive income is composed of the company's net income and the unrealized gains and losses on available for sale securities, net of income taxes.

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

– Available for sale ("AFS") financial assets are carried at fair value on the consolidated balance sheet starting on the trade date and the changes in fair values are recorded, net of income taxes, in other comprehensive income (loss) ("OCI") until the financial asset is disposed of, or has become OTT impaired. As long as an AFS asset is held and not OTT impaired, the gains and losses are not recognized in the consolidated statement of income. A portion of unrealized gains as at January 1, 2007, was accounted for as an opening adjustment to accumulated other comprehensive income.

- We classified a portion of the company's invested assets 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 values of claims liabilities as described below. Other financial assets and liabilities, including all derivatives and embedded derivatives, were also classified as held-for-trading according to the new standards. Unrealized net gains related to securities designated as held-for-trading as at January 1, 2007, was accounted for as an adjustment to retained earnings.
- The net claims liabilities was 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, was recorded to retained earnings following the change.
- Certain financial assets were designated as loans and receivables. These financial assets are accounted for at amortized cost using the effective interest rate method. As long as a loan or receivable is held and not impaired, the gains and losses are not recognized in the consolidated statement of income.
- For the company's insurance subsidiaries, the Superintendent of Financial Institutions, Canada has imposed certain restrictions under guideline D-10, on the classification of assets as held-for-trading and the company met those requirements.

Impact of the adoption of accounting standards introduced on January 1, 2007

The adoption of new accounting standards on January 1, 2007 increased net assets by $104.8 million as follows:

- Invested assets increased by $262.0 million to reflect the difference between their book values and fair values on December 31, 2006. Also included is the value of derivatives embedded in preferred shares which was not previously recognized for $71.6 million, as well as a $9.2 million reduction of fair values to reflect bid/ask prices rather than closing prices in the valuation of invested assets. Historically, fair values of invested assets were based on closing prices.
- Claims liabilities increased by $17.9 million to reflect discounting at rates based on market conditions rather than book rates. The adjustment also affects reinsurance assets as the reinsurers' share of the claims liabilities has increased by $2.0 million for the same reasons.
- Other liabilities increased by $77.6 million to reflect the difference between the book values and fair values of short securities and the value of the embedded derivatives discussed above of $71.6 million.
- The changes above were all tax-effected and as a result, the future income tax asset was reduced by $63.7 million.

The impact of the above changes is reflected in different accounts of shareholders' equity depending on whether they are classified as held-for-trading or available for sale. In summary:

- Retained earnings were reduced by $4.3 million, due to the changes which relate to instruments classified or designated as held-for-trading and net claims liabilities.
- AOCI, a new component of shareholders' equity, increased by $109.1 million due to the impact of assets classified as available for sale (see table 22).

Accounting changes

Effective January 1, 2007, the company applied the revised provisions of the CICA handbook section 1506, "*Accounting changes*". Accordingly, voluntary changes in accounting policies were made only if they resulted in reliable and more relevant information. No such changes were made in 2007.

Variability in variable interest entities

Effective January 1, 2007, the company applied the EIC Abstract No. 163, "*Determining the Variability to be Considered in Applying AcG15*". This abstract provides additional clarification on how to analyze and consolidate variable interest entities. The impact was not significant on the company's Audited Consolidated Financial Statements.

Future accounting changes not yet applied

The company is analyzing the impact of the following new standards on the Audited Consolidated Financial Statements once adopted:

Financial instruments and capital

Effective January 1, 2008, the company will apply the new CICA handbook sections 3862, "*Financial Instruments – Disclosure*", 3863, "*Financial Instruments – Presentation*" and 1535, "*Capital Disclosures*" revising and enhancing actual disclosure requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the company manages those risks and require the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the company's objectives, policies and processes for managing capital. The adoption of these new CICA sections will not have any significant impact on the company's results or financial condition.

IFRS

The Accounting Standards Board has a strategic plan for financial reporting in Canada whereby Canadian GAAP will converge with International Financial Reporting Standards ("IFRS") over the period ending December 31, 2010. After this transitional period, the company will cease to use Canadian GAAP and will adopt IFRS. The company monitors this transition to IFRS and is analyzing the impact that the adoption of the IFRS will have on the Audited Consolidated Financial Statements.

SECTION 9 – Risk management

9.1 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 though its Audit and Risk Review Committee ("Audit Committee"), oversees the company's risk management programs, procedures and controls and, in this regard, receives periodic reports from, among others, the risk management department, Chief Risk Officer, 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.

New products are reviewed by senior management and 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 and risk tolerance. 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 160.0%, which is much higher than the regulatory MCT requirement of 150.0%. 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. This report indicates a number of mitigating measures.

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. In addition, the company has minimum rating requirements for its reinsurers.

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 the company holds, and cause changes in realized and unrealized gains and losses. Generally, the company's interest and dividend 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 the company continues 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 the company's existing fixed income securities will generally decrease and its 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 the company owns.

To mitigate these risks, the company establishes an investment policy which is approved by the investment committee. The policy sets forth limits for each type of investment and compliance with the policy is closely monitored. The company manages market risk through asset class diversification and in some cases, the use of total return swaps whereby the return of a basket of securities is sold in exchange for interest receipts.

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. The company's credit risk exposure is concentrated primarily in its fixed income and preferred share portfolios and, to a lesser extent, in its reinsurance recoverables.

The company's 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 larger when assets backing liabilities are payable in one currency and are invested in financial instruments of another currency. Although the company is exposed to some foreign exchange risk arising from securities in some of its U.S. dollar-denominated assets, the general policy is to minimize foreign currency exposure.

The company mitigates foreign exchange rate risk by buying or selling successive monthly foreign exchange forward contracts.

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.

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.

Derivatives

The company uses certain derivatives to mitigate certain of the above mentioned risks and it uses other derivatives for trading purposes. The company's use of derivative exposes it to a number of risks, including credit risk and interest rate and equity market fluctuations. The credit 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 the company. Therefore, credit 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.

Netting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of master agreements. The master netting agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default. Trading derivatives also exposes the company to additional interest rate and equity market fluctuations. The company manages those additional risks in accordance with the risk management policies specified above.

Human resources risk

Human resources risk is the risk relating to attracting, and retaining skilled resources.

The company has developed a focused recruiting strategy to aggressively market careers and opportunities at ING Canada, this includes updated web site, focused external recruiting, campaigns, rebranding with the use of employee value proposition and targeted advertising. This also includes partnering with four universities on graduate recruiting plus commercial and personal lines trainee program recruiting.

Talent identification, management training in talent development programming and practice have been implemented to retain and grow existing talent. We have ingrained succession planning and development leaders in the organization through a competency based assessment and leadership development programs. Integrated thinking on talent management includes total rewards planning and development of programs that are competitive with market.

Distribution risk

Distribution risk is the risk relating to distribution of the company P&C products. It includes inherent risk of dealing with independent distributors, the risk related to new entrants, it also includes the risk related to the multiple distribution channel strategy which is in place.

The company has established and is maintaining very close relationships with its independent distributors and has invested through equity, loans, technology, training, etc, to strengthen its position. It monitors closely pricing gaps between its various channels and manages the different channels under different brand names.

9.2 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. It includes events like unauthorized activity, internal and external criminal activity, information security failure, etc.

We believe that managing operational risks related to the company's 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, the company follows 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 the company's operations and recovery of its technology during a crisis.

For early detection and clear insight of the company's key operational risks, it periodically performs Risk & Control Self-Assessments of the company's critical functions with the collaboration of management. Management also monitors and measures the company's 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 the company's 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 is there to assist them in monitoring the operational risk processes and ensuring that appropriate actions are taken when necessary. The operational risk department reports to the Risk Management Committee, which is comprised of executive members appointed by the Board of Directors. The Committee has the oversight responsibility for all enterprise risks 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.

9.3 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. 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 states 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 receive reports on all important litigation, 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 and employees are asked to sign annually that they have reviewed and complied with them.

9.4 Industry standards

ING Canada is committed to maintaining its reputation as a corporation with integrity and ethical business conduct that extends to how the company treats its customers. In this light, 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 (industry 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 supports this initiative and is working with the insurance industry to determine best practices.

SECTION 10 – Other matters

10.1 Related party transactions

The company has ongoing transactions with related parties consisting mostly of:

(1) management and advisory services to ING Groep and affiliated companies;

(2) reinsurance by an affiliated company; and

(3) financing.

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

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. Management believes that such exchange amounts approximate fair value.

Notes 1 and 7 to the accompanying Audited Consolidated Financial Statements provide additional information on related party transactions.

10.2 Cautionary note regarding forward-looking statements

Certain statements in this report about the company's 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 management based on management's experience and view of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the company's 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: the company's ability to implement its strategy or operate its business as management expects; its ability to accurately assess the risks associated with the insurance policies that the company writes; unfavourable capital market developments or other factors which could affect the company's invested assets; the cyclical nature of the P&C insurance industry; its ability to accurately predict future claims frequency; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the company's reliance on brokers and third parties to sell its products; the company's ability to successfully pursue its acquisition strategy; the significant influence of ING Groep; the company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; the company's ability to maintain its financial strength ratings; the company's ability to alleviate risk through reinsurance; the company's ability to successfully manage credit risk; the company's reliance on information technology and telecommunications systems; the company's dependence on key employees; general economic, financial and political conditions; the company's dependence on the results of operations of its subsidiaries; the limited trading history of its 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 the company's share price; and future sales of a substantial number of its common shares. These factors should be considered carefully, and readers should not place undue reliance on the company's forward-looking statements. Management has 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.

SECTION 11 – Additional information

The following tables present the income and comprehensive income information, the shareholders' equity and the cash flows.

TABLE 26

	For the quarter ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Revenues				
Premiums written				
Direct	**959.7**	963.6	**4,100.0**	3,990.4
Ceded	**25.3**	22.4	**97.6**	94.9
Net	**934.4**	941.2	**4,002.4**	3,895.5
Changes in net unearned premiums	**70.3**	38.4	**(70.4)**	(68.9)
Net premiums earned	**1,004.7**	979.6	**3,932.0**	3,826.6
Interest and dividend income	**91.3**	91.3	**364.3**	342.4
Net gains on invested assets and other gains	**(3.3)**	15.3	**73.6**	193.5
Distribution and other	**4.0**	9.5	**70.0**	43.8
	1,096.7	1,095.7	**4,439.9**	4,406.3
Expenses				
Underwriting				
Claims	**671.7**	629.3	**2,584.3**	2,261.2
Commissions	**146.3**	154.7	**583.1**	611.7
Premium taxes	**35.0**	33.2	**136.9**	132.3
General expenses	**104.2**	100.1	**418.9**	417.6
	957.2	917.3	**3,723.2**	3,422.8
Distribution and other	**6.9**	9.2	**45.1**	26.2
Interest	**–**	–	**–**	5.3
	964.1	926.5	**3,768.3**	3,454.3
Income before income taxes	**132.6**	169.2	**671.6**	952.0
Income taxes	**36.8**	59.8	**163.3**	293.9
Net income	**95.8**	109.4	**508.3**	658.1
Earnings per share, basic and diluted (dollars)	**0.77**	0.82	**4.01**	4.92
Dividends per share (dollars)	**0.27**	0.25	**1.08**	1.00
Basic and diluted average number of common shares (in millions)	**124.5**	133.7	**126.7**	133.7

TABLE 27

	For the quarter ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Net income	**95.8**	109.4	**508.3**	658.1
Unrealized losses on available for sale securities				
Increase during the period	**(198.6)**	–	**(296.3)**	–
Income taxes	**62.3**	–	**95.9**	–
	(136.3)	–	**(200.4)**	–
Reclassified to income				
From available for sale securities	**68.2**	–	**(54.5)**	–
Income taxes	**(19.2)**	–	**27.5**	–
	49.0	–	**(27.0)**	–
Other comprehensive loss	**(87.3)**	–	**(227.4)**	–
Comprehensive income	**8.5**	–	**280.9**	–

TABLE 28

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2006	**1,183.9**	**93.5**	**2,143.4**	**–**	**3,420.8**
Transition adjustments	**–**	**–**	**(4.3)**	**109.1**	**104.8**
Comprehensive income	**–**	**–**	**508.3**	**(227.4)**	**280.9**
Common shares purchased for cancellation	**(82.0)**	**–**	**(419.2)**	**–**	**(501.2)**
Dividends paid	**–**	**–**	**(136.9)**	**–**	**(136.9)**
Stock-based compensation	**–**	**3.7**	**–**	**–**	**3.7**
Balance as at December 31, 2007	**1,101.9**	**97.2**	**2,091.3**	**(118.3)**	**3,172.1**
Balance as at December 31, 2005	1,183.9	89.7	1,619.0	–	2,892.6
Net income	–	–	658.1	–	658.1
Dividends paid	–	–	(133.7)	–	(133.7)
Stock-based compensation	–	3.8	–	–	3.8
Balance as at December 31, 2006	1,183.9	93.5	2,143.4	–	3,420.8

TABLE 29

	For the quarter ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Operating activities				
Net income	**95.8**	109.4	**508.3**	658.1
Adjustments for non-cash items	**(111.1)**	(74.4)	**14.6**	(106.0)
Changes in net claims liabilities	**4.6**	33.3	**163.0**	62.1
Changes in other operating assets and liabilities	**227.2**	35.7	**(65.6)**	(183.2)
Cash provided by operating activities	**216.5**	104.0	**620.3**	431.0
Investing activities				
Proceeds from sale of invested assets	**1,337.7**	2,589.5	**10,802.9**	16,581.2
Purchase of invested assets	**(1,483.9)**	(2,536.8)	**(10,845.6)**	(16,891.0)
Purchase of brokerages and books of business, net	**(0.3)**	(15.4)	**(10.0)**	(65.2)
Proceeds from sale and leaseback of properties	**–**	–	**–**	30.0
Purchase of property and equipment and other	**(29.7)**	5.3	**(47.4)**	(40.4)
Cash (used in) provided by investing activities	**(176.2)**	42.6	**(100.1)**	(385.4)
Financing activities				
Purchase of common shares for cancellation	**–**	–	**(501.2)**	–
Dividends paid	**(33.6)**	(33.4)	**(136.9)**	(133.7)
Debt repayment	**–**	–	**–**	(127.0)
Cash used in financing activities	**(33.6)**	(33.4)	**(638.1)**	(260.7)
Net increase (decrease) in cash and cash equivalents	**6.7**	113.2	**(117.9)**	(215.1)
Cash and cash equivalents, beginning of period	**1.4**	12.8	**126.0**	341.1
Cash and cash equivalents, end of period	**8.1**	126.0	**8.1**	126.0

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.

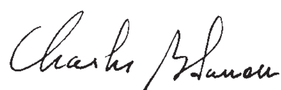
The Audit and Risk Review Committee conducts such review and inquiry of management and the internal and external auditors as it deems necessary to establish that the Company employs an appropriate system of internal control, adheres to legislative and regulatory requirements and applies the Company's 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 52.

February 18, 2008



Charles Brindamour
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, 2007 and 2006 and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended and the consolidated statement of comprehensive income for the year ended December 31, 2007. 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 18, 2008

Chartered Accountants
Licensed Public Accountants

TABLE OF CONTENTS

Consolidated financial statements

54 Consolidated balance sheets
55 Consolidated statements of income
55 Consolidated statement of comprehensive income
56 Consolidated statements of changes in shareholders' equity
56 Consolidated statements of cash flows

Notes to consolidated financial statements

57 Note 1 Status of the Company
57 Note 2 Summary of significant accounting policies
66 Note 3 Invested assets
69 Note 4 Derivative financial instruments
72 Note 5 Additional disclosures on financial instruments
76 Note 6 Policy liabilities
78 Note 7 Related party transactions
79 Note 8 Income taxes
80 Note 9 Goodwill and intangible assets
81 Note 10 Other assets
82 Note 11 Employee future benefits
85 Note 12 Debt outstanding
86 Note 13 Share capital
88 Note 14 Additional information on the statements of cash flows
88 Note 15 Acquisitions and divestitures
89 Note 16 Disclosures on rate regulation
90 Note 17 Contingencies, commitments and guarantees
90 Note 18 Segmented information
91 Note 19 Subsequent events

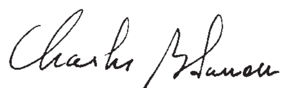
Consolidated balance sheets

(in millions of dollars)

As at December 31	**2007**	2006
Assets		
Cash and cash equivalents	**8.1**	126.0
Invested assets (notes 2 and 3)		
Debt securities	**3,886.7**	3,972.3
Equity securities	**3,140.3**	3,040.8
Loans and equity investments	**210.8**	228.8
	7,237.8	7,241.9
Premium receivables	**1,440.8**	1,366.9
Accrued interest and dividend income	**46.2**	51.1
Other receivables	**264.8**	282.8
Deferred acquisition costs	**379.6**	372.8
Reinsurance assets (note 6)	**273.5**	288.1
Other assets (note 10)	**280.1**	246.0
Income taxes receivable	**168.4**	54.1
Future income tax asset (note 8)	**68.7**	119.2
Intangible assets (note 9)	**61.8**	66.3
Goodwill (note 9)	**159.9**	162.1
	10,389.7	10,377.3
Liabilities		
Claims liabilities (note 6)	**3,989.0**	3,823.5
Unearned premiums (note 6)	**2,333.5**	2,264.1
Other liabilities	**862.6**	844.9
Income taxes payable	**32.5**	24.0
	7,217.6	6,956.5
Contingencies, commitments and guarantees (note 17)		
Shareholders' equity		
Share capital (note 13)	**1,101.9**	1,183.9
Contributed surplus	**97.2**	93.5
Retained earnings	**2,091.3**	2,143.4
Accumulated other comprehensive loss	**(118.3)**	–
	3,172.1	3,420.8
	10,389.7	10,377.3

See accompanying notes to consolidated financial statements

On behalf of the Board:



Charles Brindamour
Director

Ivan E.H. Duvar
Director

Consolidated statements of income

(in millions of dollars except for per share amounts)

For the years ended December 31	**2007**	2006
Revenues		
Premiums written		
Direct	**4,100.0**	3,990.4
Ceded	**97.6**	94.9
Net	**4,002.4**	3,895.5
Changes in net unearned premiums	**(70.4)**	(68.9)
Net premiums earned	**3,932.0**	3,826.6
Interest and dividend income (note 5)	**364.3**	342.4
Net gains on invested assets and other gains	**73.6**	193.5
Distribution and other	**70.0**	43.8
	4,439.9	4,406.3
Expenses		
Underwriting		
Claims	**2,584.3**	2,261.2
Commissions (note 7)	**583.1**	611.7
Premium taxes	**136.9**	132.3
General expenses	**418.9**	417.6
	3,723.2	3,422.8
Distribution and other	**45.1**	26.2
Interest	**–**	5.3
	3,768.3	3,454.3
Income before income taxes	**671.6**	952.0
Income taxes (note 8)	**163.3**	293.9
Net income	**508.3**	658.1
Earnings per share, basic and diluted (dollars)	**4.01**	4.92
Dividends per share (dollars)	**1.08**	1.00
Basic and diluted average number of common shares (in millions)	**126.7**	133.7

See accompanying notes to consolidated financial statements

Consolidated statement of comprehensive income

(in millions of dollars)

For the year ended December 31	**2007**
Net income	**508.3**
Unrealized losses on available for sale securities	
Increase during the year	**(296.3)**
Income taxes	**95.9**
	(200.4)
Reclassified to income	
From available for sale securities	**(54.5)**
Income taxes	**27.5**
	(27.0)
Other comprehensive loss	**(227.4)**
Comprehensive income	**280.9**

See accompanying notes to consolidated financial statements

Consolidated statements of changes in shareholders' equity

(in millions of dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2006	**1,183.9**	**93.5**	**2,143.4**	**–**	**3,420.8**
Transition adjustments (note 2)	**–**	**–**	**(4.3)**	**109.1**	**104.8**
Comprehensive income	**–**	**–**	**508.3**	**(227.4)**	**280.9**
Common shares purchased for cancellation (note 13)	**(82.0)**	**–**	**(419.2)**	**–**	**(501.2)**
Dividends paid	**–**	**–**	**(136.9)**	**–**	**(136.9)**
Stock-based compensation	**–**	**3.7**	**–**	**–**	**3.7**
Balance as at December 31, 2007	**1,101.9**	**97.2**	**2,091.3**	**(118.3)**	**3,172.1**
Balance as at December 31, 2005	1,183.9	89.7	1,619.0	–	2,892.6
Net income	–	–	658.1	–	658.1
Dividends paid	–	–	(133.7)	–	(133.7)
Stock-based compensation	–	3.8	–	–	3.8
Balance as at December 31, 2006	1,183.9	93.5	2,143.4	–	3,420.8

See accompanying notes to consolidated financial statements

Consolidated statements of cash flows

(in millions of dollars)

For the years ended December 31	2007	2006
Cash flows from (used in) operating activities		
Net income	**508.3**	658.1
Adjustments for non-cash items (note 14)	**14.6**	(106.0)
Changes in net claims liabilities	**163.0**	62.1
Changes in other operating assets and liabilities (note 14)	**(65.6)**	(183.2)
Cash provided by operating activities	**620.3**	431.0
Cash flows from (used in) investing activities		
Proceeds from sale of invested assets	**10,802.9**	16,581.2
Purchase of invested assets	**(10,845.6)**	(16,891.0)
Purchase of brokerages and books of business, net (note 15)	**(10.0)**	(65.2)
Proceeds from sale and leaseback of properties	**–**	30.0
Purchase of property and equipment and other	**(47.4)**	(40.4)
Cash used in investing activities	**(100.1)**	(385.4)
Cash flows from (used in) financing activities		
Purchase of common shares for cancellation	**(501.2)**	–
Dividends paid	**(136.9)**	(133.7)
Debt repayment	**–**	(127.0)
Cash used in financing activities	**(638.1)**	(260.7)
Net decrease in cash and cash equivalents	**(117.9)**	(215.1)
Cash and cash equivalents, beginning of year	**126.0**	341.1
Cash and cash equivalents, end of year (note 14)	**8.1**	126.0

See accompanying notes to consolidated financial statements

NOTE 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, 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 of the Netherlands ("ING Groep") both as the owner of 70% of the Company's outstanding common shares and the Special Share (note 13) 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.

NOTE 2 – Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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 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 fair value of financial instruments (note 5), determination of impairment losses (notes 5 and 9), policy liabilities (note 6), income taxes (note 8), employee future benefits (note 11), stock-based compensation (note 13), the allocation of the purchase price (note 15) and contingencies (note 17). Changes in estimates are recorded in the accounting period in which these changes are determined.

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 except as described in the significant accounting changes section below.

(a) Significant accounting changes

Financial instruments, comprehensive income and hedges

The Company adopted on January 1, 2007, the new provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook on accounting for financial instruments, including sections 3855 "*Financial Instruments – Recognition and Measurement*", 3861 "*Financial Instruments – Disclosure and Presentation*", 3865 "Hedges" and 1530 "*Comprehensive Income*" as well as Emerging Issues Committee ("EIC") abstracts No 164 "*Convertible and Other Debt Instruments with Embedded Derivatives*" and No 166 "*Accounting Policy Choice for Transaction Costs*".

The impact of these changes, as explained in detail below, was significant on the Company's annual consolidated balance sheet and note disclosures. The impact was however not significant on the Company's annual consolidated statement of income except for the recognition of unrealized gains and losses on held-for-trading securities and embedded derivatives (see table 5.6). The Company also changed some groupings and descriptions in its consolidated financial statements to better disclose its financial position and results.

(i) Transition adjustments

The new standards were applied on January 1, 2007 on a retroactive basis without prior period restatement, in accordance with the applicable transitional provisions. The significant changes were:

(a) Classification or designation of all financial assets and liabilities in one of these three categories:

– available for sale ("AFS")

– held-for-trading ("HFT")

– loans and receivables

(b) Revaluation of most of the AFS assets and all the HFT assets and liabilities at their fair values and these, under the new standards, are determined based on the bid or ask price, respectively. The Company was previously disclosing fair values based on the closing price. The differences between the book values at December 31, 2006 and the fair values at January 1, 2007 were recorded either in opening retained earnings or opening accumulated other comprehensive income (loss) ("AOCI"), according to the classification or designation of the specific asset or liability.

(c) As a consequential effect of the changes above, the claims liabilities, net of reinsurance ("net claims liabilities") were recalculated at January 1, 2007 using an investment yield rate reflecting fair value instead of book value. The difference between the amount of net claims at December 31, 2006 and at January 1, 2007 was recorded as a transitional adjustment in opening retained earnings.

TABLE 2.1 – **TRANSITION ADJUSTMENTS FOR EACH BALANCE SHEET ITEM**

	December 31, 2006	Transition adjustments	**January 1, 2007**
Assets			
Invested assets			
Debt securities	3,972.3	21.7	**3,994.0**
Equity securities	3,040.8	240.3	**3,281.1**
Loans and equity investments			
Broker loans and equity investments	171.6	–	**171.6**
Mortgage loans	57.2	–	**57.2**
	7,241.9	262.0	**7,503.9**
Reinsurance assets	270.4	2.0	**272.4**
Future income tax asset	119.2	(63.7)	**55.5**
		200.3	
Liabilities			
Other liabilities			
Short securities	57.1	5.1	**62.2**
Derivative financial instruments	3.5	0.9	**4.4**
Embedded derivatives	–	71.6	**71.6**
Claims liabilities	3,823.5	17.9	**3,841.4**
		95.5	
Shareholders' equity			
Retained earnings	2,143.4	(4.3)	**2,139.1**
Accumulated other comprehensive income (loss)	–	109.1	**109.1**
		104.8	
		200.3	

TABLE 2.2 – **CLASSIFICATION AND DESIGNATION AT JANUARY 1, 2007**

	AFS	Classified as HFT	Designated as HFT	Loans	Total
Debt securities					
Short-term notes	713.5	–	–	–	**713.5**
Fixed income securities	1,248.2	–	2,032.3	–	**3,280.5**
Equity securities					
Preferred shares	1,583.6	–	–	–	**1,583.6**
Common shares	1,407.1	73.9	216.5	–	**1,697.5**
Loans and equity investments					
Broker loans and equity investments	14.7	–	–	156.9	**171.6**
Mortgage loans	–	–	–	57.2	**57.2**
Short securities, derivative financial instruments and embedded derivatives	–	(138.2)	–	–	**(138.2)**
Total	4,967.1	(64.3)	2,248.8	214.1	**7,365.7**

TABLE 2.3 – **TRANSITION ADJUSTMENTS AT JANUARY 1, 2007 (NET OF INCOME TAXES) PER CLASSIFICATION AND DESIGNATION**

	AFS	Classified as HFT	Designated as HFT	Net claims liabilities	Total
Retained earnings	0.7	1.1	4.6	(10.7)	**(4.3)**
Accumulated other comprehensive income (loss)	109.1	–	–	–	**109.1**
	109.8	1.1	4.6	(10.7)	**104.8**

(ii) Accounting policies now applied

As per the new accounting standards, the Company classified or designated all its financial assets and liabilities as AFS, HFT or loans and receivables as at January 1, 2007 (see current designation in table 3.1). Each of these categories involves different accounting treatments.

The principal changes and consequential changes in the accounting due to the adoption of these accounting standards are described below.

Accounting for financial instruments as per their classification

AFS financial assets

AFS financial assets are carried at fair value on the consolidated balance sheet starting on the trade date and the changes in fair values are recorded, net of income taxes, in other comprehensive income (loss) ("OCI") until the financial asset is disposed of, or has become other than temporarily ("OTT") impaired. As long as an AFS asset is held and not OTT impaired, the gains and losses are not recognized in the consolidated statement of income (see current unrecognized gains and losses in table 3.2). When the asset is disposed of, or has become OTT impaired, the gain or loss is recognized in the consolidated statement of income as net gains on invested assets and other gains and, accordingly, the amount is deducted from OCI. Gains and losses on the sale of AFS fixed income and equity securities are calculated on a first in, first out basis and on an average cost basis, respectively.

HFT financial assets and liabilities

HFT financial assets and liabilities are carried at fair value on the consolidated balance sheet starting on the trade date and the changes in fair values are recorded in the consolidated statement of income as net gains on invested assets and other gains.

HFT financial assets and liabilities are purchased or incurred with the intention of generating profits in the near term ("classified as HFT") or are voluntarily so designated by the Company ("designated as HFT").

The Company designated a portion of its fixed income securities that are supporting net claims liabilities as HFT. This designation will reduce the volatility of the consolidated statement of income related to the fluctuations in fair values of underlying net claims liabilities. To comply with insurance regulators guidelines, the Company ensures that the duration weighted amount of the fixed income securities designated as HFT and the net claims liabilities are approximately the same. Common shares used in a specific strategy were also designated as HFT to offset the fluctuations in fair values of their underlying derivative financial instruments.

Other financial assets and liabilities, including all derivative financial instruments and embedded derivatives (see below), were classified as HFT according to the new standards.

Loans and receivables

Certain financial assets were designated as loans and receivables. These financial assets are accounted for at amortized cost using the effective interest rate method. As long as a loan or receivable is held and not impaired, the gains and losses are not recognized in the consolidated statement of income (see current unrecognized gains and losses in table 3.2). These designations are consistent with the accounting policies under the prior standards.

Net claims liabilities

Net claims liabilities were previously discounted using the book yield of their supporting invested assets, which was consistent with the accounting treatment of these assets carried at amortized cost. Under the new accounting standards, these supporting assets are now carried at their fair value. As a consequential change of the adoption of the new accounting standards, the discount rate now used for net claims liabilities reflects the market yield of the supporting assets, which is consistent with the new accounting treatment of these assets.

Derivative financial instruments and hedge accounting

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, credit derivatives and certain total return swaps are held for trading purposes.

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 and the method to be used to measure its effectiveness. 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 financial instrument is terminated or sold. Under the previous standards, the fair value of the derivative financial instrument was then accounted for and the related gain or loss was deferred to be included in the consolidated statement of income during the periods in which the hedged item affected earnings. Should the hedged item cease to exist; the gains or losses deferred until then are immediately charged to income. Under the new standards, the cumulative adjustment to the carrying amount of the hedged item is amortized to the consolidated statement of income based on a recalculated effective interest rate over the residual period to maturity; unless the hedged item has been derecognized in which case it is released to the consolidated statement of income as net gains on invested assets and other gains immediately.

(iii) The Company uses hedge accounting only for certain currency swaps used to manage foreign exchange risk related to certain private placements in U.S. dollars. Under the previous standards, these derivative financial instruments were recognized at cost and foreign exchange gains and losses related to the hedged items were not recognized until they were settled. Under the new standards, the derivative financial instruments are carried at fair value in the consolidated balance sheet and changes in their fair value are recorded in the consolidated statement of income. The hedged assets are carried at fair value in the consolidated balance sheet and the changes in their fair value attributable to the hedged risk, according to the accounting treatment of the hedging instrument, are recognized also in the consolidated statement of income and the changes in the fair value attributable to other risks are recognized in OCI. Any gain or loss in fair value relating to the ineffective portion of the hedging relationship is recognized immediately in the consolidated statement of income.

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 statement of income as net gains on invested assets and other gains during the period in which they arise.

These changes in accounting policies for derivative financial instruments and hedge accounting had no significant impact on the Company's consolidated financial statements.

Embedded derivatives

A derivative instrument may be embedded in another financial instrument (the "host instrument"). Prior to the adoption of the new standards, such embedded derivatives were not accounted for separately from the host instrument. Under the new standards, embedded derivatives are treated as separate derivative financial instruments when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivatives are the same as those of a stand-alone derivative financial instrument, and the combined contract is not designated or classified as HFT. These embedded derivatives are accounted for as other HFT financial assets and liabilities (see table 5.6).

As a result of this new accounting standard for embedded derivatives, the Company now accounts for the redemption options embedded in some perpetual preferred shares separately from the host instrument.

Comprehensive income

The consolidated statement of comprehensive income is a new financial statement. This new statement reflects the net income as adjusted, net of income taxes, for the AFS asset changes in fair values during the period less the amount recognized in the consolidated statement of income during the period. Such an adjustment is called OCI and is not included in the earnings per share calculations.

Accumulated other comprehensive income (loss)

The accumulated OCI ("AOCI") is a new component of shareholders' equity and represents the accumulated changes in fair values, net of income taxes, of AFS assets that are not yet recognized in the consolidated statement of income.

Revenue and expense recognition

Under previous standards, transaction costs were capitalized on initial recognition. Under the new standards, the transaction costs are now expensed as incurred for financial instruments classified or designated as HFT. For other financial instruments, transaction costs are still capitalized on initial recognition.

The effective interest method of amortization is used for any transaction cost capitalized on initial recognition and for the premiums or discounts earned or incurred for loans and AFS securities.

Determination of fair value

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values are determined based on available information:

– When a quoted active market exists, the fair values of financial assets are based on bid prices and the fair values of financial liabilities, namely short securities and some derivative financial instruments, are based on ask prices. Where bid or ask price is unavailable, the closing price of the most recent transaction of the instrument subject to liquidation adjustments is used.
– In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles or the fair values are determined by using valuation techniques commonly used by market participants, which refer to observable market data. Valuation techniques commonly used by market participants includes as well comparisons with similar instruments where market observable prices exist, discounted cash flow analysis and option pricing models.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the external readily observable market inputs are primarily looked at, including factors such as interest rate yield curves, currency rates, and price and rate volatilities, as applicable. In limited circumstances, the Company uses input parameters that are not based on observable market data with an adjustment to reflect the uncertainty and to ensure that financial instruments are reported at fair values. Based on management's assessment, using possible alternative assumptions to fair value such financial instruments will not result in significantly different fair values.

Liquidity adjustments are calculated when market prices are not observable due to insufficient trading volume or a lack of recent trades in a less active or inactive market. Liquidity adjustments are also calculated to reflect the cost of unwinding a larger than normal market size risk position.

If the fair value of a financial asset measured at fair value becomes negative, it is recorded as a financial liability until its fair value becomes positive at which time it is recorded as a financial asset, or it is extinguished. These changes in classifications occur mainly to derivative financial instruments (see current classification in the consolidated balance sheet of derivative financial instruments in table 4.1). Derivative financial instruments with positive fair values are recorded as other receivables and those with negative fair values are recorded as other liabilities.

Other changes in accounting policies

Effective January 1, 2007, the Company applied the revised provisions of the CICA handbook section 1506 "*Accounting Changes*". Accordingly, voluntary changes in accounting policies are made only if they result in reliable and more relevant information. No voluntary changes were made in 2007.

The Company also applied the EIC Abstract No. 163 "*Determining the Variability to be Considered in Applying AcG-15*". This abstract provides additional clarification on how to analyze and consolidate variable interest entities. The impact was not significant on the Company's consolidated financial statements.

Comparative figures

During the year, the Company reclassified retroactively to goodwill certain deferred acquisition costs, net of income taxes. The reclassification had no significant impact on the consolidated statement of income or the financial position of the Company.

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

(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) 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 12 months and no longer than 24 months. Other revenues, mainly commissions and advisory fees, are recorded on an accrual basis.

(d) 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.

(e) 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.

(f) Policy liabilities

Policy liabilities consist of unearned premiums and claims liabilities, net of the reinsurers' share. The appointed actuary, using appropriate actuarial techniques, evaluates the adequacy of policy liabilities.

Claims liabilities are first determined on a case-by-case basis as claims are reported and then reassessed as additional information becomes known. Included in claims liabilities 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. Claims liabilities are discounted to take into account the time value of money.

In estimating claims liabilities, 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.

(g) Reinsurance

Reinsurance assets include reinsurers' share of claims liabilities and unearned premiums. 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 claims liabilities are presented as an asset and are determined on a basis consistent with the related claims liabilities.

(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 interest and dividend 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) 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.

(j) Cash equivalents

Cash equivalents consist of highly liquid invested assets that are readily convertible into a known amount of cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less from the date of acquisition.

(k) 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
Computer equipment	Straight-line	30–36 months
Furniture and equipment	Declining balance and straight-line	20% and 60 months, respectively
Leasehold improvements	Straight-line	Terms of related leases
Buildings	Declining balance	3%–8%

(l) 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.

(m) 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 pension plans and over the expected average lifetime of the retirees receiving benefits under the other retirement 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 for pension plans and over the expected average lifetime of the retirees receiving benefits under the other retirement plans.

(iv) Past service costs arising from plan amendments are amortized on a straight-line basis over the EARSL for pension plans and over the expected average lifetime of the retirees receiving benefits under the other retirement plans.

(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.

(n) Stock-based compensation

Stock option 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 are measured based on the fair value of the options at the grant date and a compensation expense is recognized 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 in contributed surplus for those awards granted to employees and to liabilities for directors.

(o) Future accounting changes not yet applied

Financial Instruments and Capital

Effective January 1, 2008, the Company will apply the new CICA Handbook sections 3862 "*Financial Instruments – Disclosure*", 3863 "*Financial Instruments – Presentation*" and 1535 "*Capital Disclosures*" revising and enhancing disclosure requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks and require the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. Effective March 15, 2008, the Company will also apply the new EIC abstract No 169 "*Determining Whether a Contract is Routinely Denominated in a Single Currency*", which deals with multicurrency contracts and provides further guidance for section 3855 "*Financial Instruments – Recognition and Measurement*". The adoption of these new CICA sections and abstract will not have any significant impact on the Company's results or financial condition.

IFRS

The Accounting Standards Board has a strategic plan for financial reporting in Canada whereby Canadian GAAP will converge with International Financial Reporting Standards ("IFRS") over the period ending December 31, 2010. After this transitional period, the Company will cease to use Canadian GAAP and will adopt IFRS on January 1, 2011. The Company monitors this transition to IFRS and is analyzing the impact that the adoption of the IFRS will have on its consolidated financial statements.

NOTE 3 – Invested assets

Invested assets by designation

TABLE 3.1

As at December 31, 2007	AFS	Classified as HFT	Designated as HFT	Loans	Total
Debt securities					
Short-term notes	**18.9**	–	–	–	**18.9**
Fixed income securities					
Investment grade					
Government and government-guaranteed	**932.7**	–	**775.9**	–	**1,708.6**
Corporate	**820.1**	–	**928.1**	–	**1,748.2**
Private placements	**32.5**	–	–	–	**32.5**
Asset-backed	**358.8**	–	–	–	**358.8**
Below investment grade	**16.7**	–	–	–	**16.7**
Not rated	**2.0**	–	**1.0**	–	**3.0**
Total fixed income securities	**2,162.8**	–	**1,705.0**	–	**3,867.8**
Equity securities					
Preferred shares					
Investment grade	**1,412.2**	–	–	–	**1,412.2**
Below investment grade	**18.6**	–	–	–	**18.6**
Total preferred shares	**1,430.8**	–	–	–	**1,430.8**
Common shares	**1,427.6**	**72.9**	**209.0**	–	**1,709.5**
Loans and equity investments					
Broker loans and equity investments	**22.6**	–	–	**188.2**	**210.8**
Mortgage loans	–	–	–	–	–
	5,062.7	**72.9**	**1,914.0**	**188.2**	**7,237.8**

Fair value and unrealized gains and losses

The following tables summarize the Company's invested assets. Fixed income securities and preferred shares are classified by investment grade and type of issuer.

TABLE 3.2

		Other invested assets			
As at December 31, 2007	HFT invested assets at fair value	Unamortized cost	Unrealized gains	Unrealized losses	Total at fair value
Debt securities					
Short-term notes	–	**18.9**	–	–	**18.9**
Fixed income securities					
Investment grade					
Government and government-guaranteed	**775.9**	**919.9**	**14.3**	**1.5**	**1,708.6**
Corporate	**928.1**	**826.2**	**5.0**	**11.1**	**1,748.2**
Private placements	–	**34.8**	**0.5**	**2.8**	**32.5**
Asset-backed	–	**364.2**	**0.3**	**5.7**	**358.8**
Below investment grade or not rated					
Corporate	**1.0**	**7.7**	**0.1**	–	**8.8**
Private placements	–	**10.9**	–	–	**10.9**
Total fixed income securities	**1,705.0**	**2,163.7**	**20.2**	**21.1**	**3,867.8**
Equity securities					
Preferred shares					
Investment grade	–	**1,553.6**	**8.4**	**149.8**	**1,412.2**
Below investment grade	–	**18.2**	**0.4**	–	**18.6**
Total preferred shares	–	**1,571.8**	**8.8**	**149.8**	**1,430.8**
Common shares	**281.9**	**1,464.5**	**74.3**	**111.2**	**1,709.5**
Loans and equity investments					
Broker loans and equity investments	–	**211.7**	–	**0.9**	**210.8**
Mortgage loans	–	–	–	–	–
	1,986.9	**5,430.6**	**103.3**	**283.0**	**7,237.8**

TABLE 3.3

As at December 31, 2006	Book value	Unrealized gains	Unrealized losses	Fair value
Debt securities				
Short-term notes	713.5	–	–	713.5
Fixed income securities				
Investment grade				
Government and government-guaranteed	1,953.2	15.8	4.0	1,965.0
Corporate	900.9	12.1	0.9	912.1
Private placements	92.2	1.7	1.1	92.8
Asset-backed	309.1	1.0	0.9	309.2
Below investment grade				
Corporate	3.4	–	0.9	2.5
Private placements	–	–	–	–
Total fixed income securities	3,258.8	30.6	7.8	3,281.6
Equity securities				
Preferred shares				
Investment grade	1,427.7	64.7	9.2	1,483.2
Below investment grade	32.4	3.0	1.4	34.0
Total preferred shares	1,460.1	67.7	10.6	1,517.2
Common shares	1,580.7	170.6	50.9	1,700.4
Loans and equity investments				
Broker loans and equity investments	171.6	–	–	171.6
Mortgage loans	57.2	1.7	–	58.9
	7,241.9	270.6	69.3	7,443.2

The Company presents its mutual funds and income trust units along with its common shares. The private placements include some leveraged capital notes in structured investment vehicles ("SIV") associated with asset-backed securities for which the market ceased to be active. To fair value these SIV capital notes, management used the leverage ratio and applied a reasonable liquidity discount to the underlying investment grade assets. The Company's remaining exposure to these SIV capital notes, directly and through the use of total return swap derivatives (note 4), amounts to $19.8 compared to an original exposure of $69.6.

The Company uses Dominion Bond Rating Services ("DBRS") and Standard & Poor's ("S&P") to rate fixed income securities and preferred shares. 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. 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.

Equities sold short

The Company has assets invested 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 positions are included in invested assets. Short positions are presented as other liabilities.

The following table summarizes the Company's long and short positions pursuant to the market neutral strategy.

TABLE 3.4

	2007		2006	
	Book value	**Fair value**	Book value	Fair value
Long positions	**61.0**	**62.1**	55.3	62.3
Short positions	**62.9**	**62.0**	57.1	62.3

Fixed income securities totaling $63.7 (2006 – carrying value and fair value of $60.9) are pledged as collateral for the short securities.

Maturity of invested assets

TABLE 3.5

As at December 31, 2007	One year or less	One year to five years	Over five years	No specific maturity	Total
Short-term notes	**18.9**	**–**	**–**	**–**	**18.9**
Fixed income securities	**236.6**	**2,130.4**	**1,500.8**	**–**	**3,867.8**
Preferred shares	**46.3**	**134.2**	**256.3**	**994.0**	**1,430.8**
Common shares	**–**	**–**	**–**	**1,709.5**	**1,709.5**
Loans and equity investments					
Broker loans and equity investments	**23.4**	**90.3**	**60.0**	**37.1**	**210.8**
Mortgage loans	**–**	**–**	**–**	**–**	**–**
	325.2	**2,354.9**	**1,817.1**	**2,740.6**	**7,237.8**

TABLE 3.6

As at December 31, 2006	One year or less	One year to five years	Over five years	No specific maturity	Total
Short-term notes	713.5	–	–	–	713.5
Fixed income securities	372.0	1,485.5	1,401.3	–	3,258.8
Preferred shares	15.8	164.5	262.2	1,017.6	1,460.1
Common shares	–	–	–	1,580.7	1,580.7
Loans and equity investments					
Broker loans and equity investments	17.8	80.5	42.3	31.0	171.6
Mortgage loans	–	53.2	4.0	–	57.2
	1,119.1	1,783.7	1,709.8	2,629.3	7,241.9

NOTE 4 – Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index.

Types of derivatives

Forwards and futures

Forward contracts are effectively tailor-made agreements that are transacted between counterparties in the over-the-counter market, whereas futures are standardized contracts with respect to amounts and settlement dates, and are traded on regular future exchanges.

Interest rate forwards and futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.

Currency forwards and futures are contractual obligations to exchange one currency for another at a specified price for settlement at a predetermined future date.

Swaps

Swaps are over-the-counter contracts in which two counterparties exchange a series of cash flows based on agreed upon rates to a notional amount. The various swap agreements that the Company enters into are as follows:

Currency swaps include single currency, cross currency and cross currency interest rate swaps. Single currency swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and principal amounts in two different currencies.

Total return swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of an equity index, a basket of stocks or a single stock.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) an interest rate at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right.

Credit derivatives

Credit derivatives are over-the-counter contracts that transfer credit risk related to an underlying financial instrument (referenced asset) from one counterparty to another. Some total return swaps include as well some credit derivative features.

Fair value of derivatives

Positive fair values are recorded as other receivable and negative fair values are recorded as other liabilities.

TABLE 4.1

	2007			2006		
	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	**2.4**	**–**	**2.4**	–	0.8	(0.8)
Where hedge accounting is not applied						
Foreign exchange contracts						
Currency forwards purchased	**–**	**–**	**–**	–	–	–
Currency forwards sold	**–**	**–**	**–**	–	–	–
Currency swaps	**0.3**	**–**	**0.3**	1.1	–	1.1
Total return swaps	**3.7**	**0.1**	**3.6**	–	3.0	(3.0)
Held for trading purposes						
Interest rate contracts						
Options purchased	**–**	**–**	**–**	0.3	–	0.3
Options written	**–**	**–**	**–**	–	0.1	(0.1)
Swaps	**–**	**1.7**	**(1.7)**	0.1	0.5	(0.4)
Total return swaps	**–**	**16.2**	**(16.2)**	0.1	–	0.1
Credit derivatives	**0.7**	**0.4**	**0.3**	–	–	–
	7.1	**18.4**	**(11.3)**	1.6	4.4	(2.8)

Notional amounts of derivatives by terms of maturity

TABLE 4.2

As at December 31, 2007	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	**–**	**22.9**	**–**	**22.9**
Where hedge accounting is not applied				
Foreign exchange contracts				
Currency forwards purchased	**–**	**–**	**–**	**–**
Currency forwards sold	**25.6**	**–**	**–**	**25.6**
Currency swaps	**–**	**0.9**	**–**	**0.9**
Total return swaps	**438.3**	**–**	**–**	**438.3**
Held for trading purposes				
Interest rate contracts				
Options purchased	**0.9**	**–**	**–**	**0.9**
Swaps	**–**	**103.0**	**–**	**103.0**
Futures bought	**811.1**	**–**	**–**	**811.1**
Futures sold	**377.6**	**–**	**–**	**377.6**
Total return swaps	**19.7**	**24.7**	**–**	**44.4**
Credit derivatives	**–**	**49.3**	**–**	**49.3**
	1,673.2	**200.8**	**–**	**1,874.0**

TABLE 4.3

As at December 31, 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	–	–	51.4	51.4
Where hedge accounting is not applied				
Foreign exchange contracts				
Currency forwards purchased	8.8	–	–	8.8
Currency forwards sold	25.3	–	–	25.3
Currency swaps	–	1.3	3.8	5.1
Total return swaps	422.9	–	–	422.9
Held for trading purposes				
Interest rate contracts				
Options purchased	442.3	–	–	442.3
Options written	360.1	–	–	360.1
Swaps	58.3	159.5	–	217.8
Futures bought	43.5	–	–	43.5
Futures sold	219.1	–	–	219.1
Total return swaps	23.4	60.0	–	83.4
Credit derivatives	–	–	–	–
	1,603.7	220.8	55.2	1,879.7

NOTE 5 – Additional disclosures on financial instruments

Risk management

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 invested assets portfolio is invested in well-established, active and liquid markets.

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 assets invested in fixed income securities and preferred shares.

The Company's investment policy requires that, at the time of the investment, substantially all 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. Assets invested in any entity or group of related entities are limited to 5% of the Company's assets.

Derivative-related credit risk

Credit risk from derivative transactions 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 the Company. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

The Company subjects its derivative-related credit risk to the same credit approval, limit and monitoring standards that it uses for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits on a continual basis and is subject to a standard exception reporting process.

Netting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of master netting agreements. The master netting agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default. However, credit risk is reduced only to the extent that the financial obligations to the same counterparty can be set off against obligations of the counterparty to us. The Company maximizes the use of master netting agreements to reduce derivative-related credit exposure. The overall exposure to credit risk that is reduced through master netting agreements may change substantially following the reporting date as the exposure is affected by each transaction subject to the agreement as well as by changes in underlying market rates.

The use of collateral is another significant credit mitigation technique for managing derivative-related counterparty credit risk. Marked-to-market provisions in the Company's agreements with some counterparties provide the Company with the right to request that the counterparty pay down or collateralize the current market value of its derivatives positions when the value passes a specified threshold amount.

Replacement cost represents the total fair value of all outstanding contracts in a gain position, before factoring in the master netting agreements. The amounts in the table below exclude fair value relating to exchange-traded instruments as they are subject to daily margining and are deemed to have no credit risk.

The credit equivalent amount is defined as the sum of the replacement cost plus an add-on amount for potential future credit exposure as defined by the Office of the Superintendent of Financial Institutions Canada ("OSFI").

The risk-adjusted amount is determined by applying the standard OSFI-defined measures of counterparty risk to the credit equivalent amount.

TABLE 5.1

As at December 31, 2007	Replacement cost	Credit equivalent amount	Risk adjusted balance
Currency swaps – hedge accounting	**2.4**	**3.5**	**–**
Currency swaps – non hedge accounting	**0.3**	**0.3**	**–**
Currency forwards	**–**	**0.3**	**–**
Interest rate swaps	**–**	**0.5**	**–**
Total return swaps	**3.7**	**43.5**	**0.2**
Credit derivatives	**0.7**	**6.6**	**0.1**
Total derivatives financial instruments	**7.1**	**54.7**	**0.3**
Less: Impact of master netting agreements	**(0.9)**	**–**	**–**
Total derivatives after netting agreements	**6.2**	**54.7**	**0.3**

TABLE 5.2

As at December 31, 2006	Replacement cost	Credit equivalent amount	Risk adjusted balance
Currency swaps – hedge accounting	–	2.6	–
Currency swaps – non hedge accounting	1.1	1.3	–
Currency forwards	–	0.4	–
Interest rate swaps	0.1	0.9	–
Total return swaps	–	38.9	0.2
Credit derivatives	0.1	9.6	0.1
Total derivatives financial instruments	1.3	53.7	0.3
Less: Impact of master netting agreements	(1.1)	–	–
Total derivatives after netting agreements	0.2	53.7	0.3

Concentration of credit risk

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. The Company's invested assets could be sensitive to changing conditions in particular geographic regions or specific industry.

TABLE 5.3 – **DEBT SECURITIES AND LOANS**

	2007	2006
By country		
Canada	**81.3%**	92.0%
Foreign	**18.7%**	8.0%
Total	**100.0%**	100.0%
By industry		
Banks, insurance and diversified financial services	**43.0%**	39.2%
Government	**42.8%**	48.1%
Utilities	**5.1%**	4.8%
Other	**9.1%**	7.9%
Total	**100.0%**	100.0%

Interest rate risk

The following table details our exposure to interest rate risk. On- and off-balance sheet financial instruments are reported based on the earlier of their contractual repricing date or maturity date. Effective interest rates have been disclosed where applicable. The effective rates shown represent historical rates for fixed-rate instruments carried at amortized cost and current market rates for floating-rate instruments or instruments carried at fair value. The following table does not incorporate management's expectation of future events where expected repricing or maturity dates differ significantly from the contractual dates.

TABLE 5.4

As at December 31, 2007	Floating rates	Under 12 months	Over 1 to 5 years	Over 5 years	Non-rate sensitive	Total
Assets						
Cash and cash equivalents	**8.1**	**–**	**–**	**–**	**–**	**8.1**
Short-term notes	**–**	**18.9**	**–**	**–**	**–**	**18.9**
Effective interest rate		**3.83%**				
Fixed income securities	**–**	**236.6**	**2,130.4**	**1,500.8**	**–**	**3,867.8**
Effective interest rate		**4.35%**	**4.62%**	**4.89%**		
Preferred shares	**122.0**	**46.4**	**240.4**	**257.1**	**764.9**	**1,430.8**
Effective interest rate		**4.68%**	**5.19%**	**5.00%**		
Common shares	**–**	**–**	**–**	**–**	**1,709.5**	**1,709.5**
Loans and equity investments	**–**	**23.4**	**90.3**	**76.5**	**20.6**	**210.8**
Effective interest rate		**6.48%**	**6.44%**	**6.28%**		
Reinsurance assets	**–**	**84.5**	**129.7**	**42.7**	**16.6**	**273.5**
Effective interest rate		**4.67%**	**4.67%**	**4.67%**		
Other assets	**0.2**	**–**	**–**	**–**	**2,870.1**	**2,870.3**
Total assets	**130.3**	**409.8**	**2,590.8**	**1,877.1**	**5,381.7**	**10,389.7**
Liabilities and shareholders' equity						
Claims liabilities	**–**	**1,312.4**	**2,014.4**	**662.2**	**–**	**3,989.0**
Effective interest rate		**4.67%**	**4.67%**	**4.67%**		
Other liabilities	**2.1**	**–**	**–**	**–**	**3,226.5**	**3,228.6**
Shareholders' equity	**–**	**–**	**–**	**–**	**3,172.1**	**3,172.1**
Total liabilities and shareholders' equity	**2.1**	**1,312.4**	**2,014.4**	**662.2**	**6,398.6**	**10,389.7**
Assets less liabilities and shareholders' equity	**128.2**	**(902.6)**	**576.4**	**1,214.9**	**(1,016.9)**	**–**

TABLE 5.5

As at December 31, 2006	Floating rates	Under 12 months	Over 1 to 5 years	Over 5 years	Non-rate sensitive	Total
Assets	271.9	1,226.8	2,002.9	1,811.7	5,064.0	10,377.3
Effective interest rate		4.32%	4.81%	4.83%		
Liabilities and shareholders' equity	1.1	1,257.9	1,930.9	634.7	6,552.7	10,377.3
Effective interest rate		4.64%	4.64%	4.64%		
Assets less liabilities and shareholders' equity	270.8	(31.1)	72.0	1,177.0	(1,488.7)	–

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.

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.

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. The Company is not significantly exposed to foreign exchange rate risk.

Market risk

Market risk is the risk of losses arising from movements in market places. The Company manages most of its market risk through asset class diversification and some of its market risk through the use of total return swaps, whereby the return of a basket of securities is sold in exchange for interest receipts.

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 and amount to $1,580.2 at December 31, 2007 (2006 – $933.6).

Fair value disclosure

The fair value of invested assets and short securities, derivative financial instruments and policy liabilities are disclosed in notes 3, 4 and 6 respectively. The fair value of other financial assets and liabilities approximates their book value due to their short-term nature.

Consolidated statements of income amounts related to financial instruments

TABLE 5.6

	2007	2006
Income from HFT financial instruments		
Interest	**76.1**	–
Dividends	**11.2**	–
Realized gains (losses)		
Classified as HFT	**4.5**	–
Designated as HFT	**(6.5)**	–
Unrealized gains (losses)		
Classified as HFT	**1.1**	–
Designated as HFT	**(21.1)**	–
Derivative financial instruments (with comparative number for 2006)	**7.4**	(13.7)
Embedded derivatives	**38.1**	–
Income from AFS financial instruments (from all invested assets in 2006)		
Interest	**117.7**	195.4
Dividends	**155.3**	147.0
Realized gains	**137.4**	218.1
Impairments	**(84.9)**	(20.4)

NOTE 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.

Movements

TABLE 6.1

	2007		2006	
	Claims liabilities	**Reinsurers' share**	Claims liabilities	Reinsurers' share
Balance, beginning of year	**3,823.5**	**270.4**	3,821.6	330.5
Transition adjustment (note 2)	**18.0**	**–**	–	–
Claims incurred	**2,710.9**	**10.8**	2,444.1	13.0
Prior year favorable claims development	**(107.9)**	**8.0**	(167.9)	2.1
Claims paid	**(2,455.5)**	**(32.3)**	(2,274.3)	(75.2)
Balance, end of year	**3,989.0**	**256.9**	3,823.5	270.4

Amounts by line of business

TABLE 6.2 – **CLAIMS LIABILITIES**

	2007		2006	
	Claims liabilities	**Reinsurers' share**	Claims liabilities	Reinsurers' share
Auto: liability	**1,730.6**	**29.0**	1,638.4	29.6
Auto: personal accident	**747.5**	**31.2**	703.7	21.3
Auto: other	**110.0**	**0.2**	107.7	0.2
Property	**601.8**	**77.9**	582.6	87.7
Liability	**794.8**	**117.8**	786.3	130.4
Other	**4.3**	**0.8**	4.8	1.2
	3,989.0	**256.9**	3,823.5	270.4

TABLE 6.3 – **UNEARNED PREMIUMS**

	2007		2006	
	Unearned premiums	**Reinsurers' share**	Unearned premiums	Reinsurers' share
Auto: liability	**612.5**	**0.5**	597.6	0.7
Auto: personal accident	**200.7**	**0.1**	194.3	0.1
Auto: other	**553.9**	**–**	538.7	–
Property	**793.5**	**3.7**	757.8	3.6
Liability	**148.8**	**1.7**	152.9	3.0
Other	**24.1**	**10.6**	22.8	10.3
	2,333.5	**16.6**	2,264.1	17.7

Fair value of net claims liabilities

The Company estimates that the fair value of net claims liabilities approximate their book values. There was no premium deficiency at the consolidated balance sheet dates.

TABLE 6.4

	2007		2006	
	Claims liabilities	**Reinsurers' share**	Claims liabilities	Reinsurers' share
Undiscounted value	**3,938.4**	**256.0**	3,747.2	279.1
Effect of time value of money using a rate of 4.67% (2006 – 4.64%)	**(401.1)**	**(33.7)**	(381.0)	(39.7)
Provision for adverse deviation	**451.7**	**34.6**	457.3	31.0
Book value	**3,989.0**	**256.9**	3,823.5	270.4

Since the time value of money is considered when determining the claims liabilities estimate, an increase or decrease in the discount rate would result in a decrease or increase in claims liabilities, respectively. Consequently, a 1% change in the discount rate would have an impact of $82.1 on the fair value of claims liabilities at December 31, 2007 (2006 – $77.8).

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 fulfill their obligations. This risk is managed by acquiring annuities from highly rated Canadian life insurance companies. At December 31, 2007, 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 $354.2 (2006 – $323.9) for the annuities.

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 for both 2007 and 2006 was generally $5.0 and $7.0, 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 2007 and 2006, for multi-risk events or catastrophes, retention is $25.0 with a reinsurance coverage limit of $1,250.0. For 2007, the Company retains overall 10% of the exposure between $25.0 and $750.0. For 2006, the Company retained overall 10% of the exposure between $25.0 and $600.0.

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 $78.7 at December 31, 2007 (2006 – $79.2) as guarantee from unlicensed reinsurers. These amounts include $54.2 (2006 – $54.1) from an affiliated reinsurer. This collateral is held in support of policy liabilities of $58.2 at December 31, 2007 (2006 – $58.8) and could be used should these reinsurers be unable to meet their obligations.

Table 6.5 presents the impact of reinsurance on the consolidated statements of income.

TABLE 6.5

	2007	2006
Premiums written	**97.6**	94.9
Premiums earned	**98.6**	94.5
Claims	**18.8**	15.0
Commissions expense	**16.4**	13.5
Loss before income taxes	**63.4**	66.0

NOTE 7 – 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 fee 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.

Revenues and expenses with related parties

TABLE 7.1

	2007	2006
Reinsurance ceded to related entities		
Ceded premiums earned	**21.0**	17.7
Ceded claims expenses	**4.5**	7.4
Expenses		
Commissions	**37.3**	31.6
General expenses	**18.2**	16.6
Interest expense	**–**	5.3

Balance sheet amounts with related parties

TABLE 7.2

	2007	2006
Reinsurance receivable	**2.4**	4.3
Loans	**90.4**	63.0

NOTE 8 – Income taxes

Income tax expense

TABLE 8.1 – CONSOLIDATED STATEMENTS OF INCOME

	2007	2006
Current	**169.4**	274.0
Future	**(6.1)**	19.9
Income tax expense	**163.3**	293.9

TABLE 8.2 – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2007	2006
Current	**(116.3)**	–
Future	**(7.1)**	–
Total	**(123.4)**	–

Effective income tax rate

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 following table 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 8.3

	2007	2006
	%	%
Income tax expense calculated at statutory tax rates	**34.2**	34.5
Increase (decrease) in income tax rates resulting from:		
Non-taxable dividend income	**(7.5)**	(4.3)
Non-taxable other income	**(1.7)**	–
Non-deductible (non-taxable) portion of capital losses (gains)	**1.4**	(0.2)
Impact of tax rate changes	**0.4**	0.6
Other	**(2.5)**	0.3
Effective income tax rate	**24.3**	30.9

Components of net future income tax asset

TABLE 8.4

	2007	2006
Future income tax asset		
Net claims liabilities	**56.8**	58.6
Invested assets	**29.1**	68.0
Expenses deferred for tax purposes	**40.7**	67.4
Property and equipment	**7.4**	8.2
Losses available for carry-forward	**7.6**	5.5
Total future income tax asset	**141.6**	207.7
Future income tax liability		
Deferred gains and losses on specified debt obligations	**45.1**	57.2
Pension and post retirement benefit plans	**13.7**	16.4
Other	**14.1**	14.9
Total future income tax liability	**72.9**	88.5
Net future income tax asset	**68.7**	119.2

The Company recognized a future tax asset for all of its unused non-capital losses as at December 31, 2007 and 2006.

At December 31, 2007 the Company had allowable capital losses of $33.4 (2006 – $33.0), 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.

NOTE 9 – Goodwill and intangible assets

Goodwill

TABLE 9.1

	2007	2006
Balance, beginning of year	**162.1**	121.7
Goodwill purchased (note 15)	**5.8**	41.1
Goodwill disposed (note 15)	**8.0**	0.7
Balance, end of year	**159.9**	162.1

The Company performs an annual impairment test of goodwill. No impairment was identified in either 2007 or 2006. Impairments are non-cash in nature and they do not affect the Company's liquidity or ability to discharge its liabilities.

Intangible assets

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

TABLE 9.2

	2007	2006
Cost	**80.0**	76.5
Accumulated amortization	**18.2**	10.2
Book value	**61.8**	66.3

NOTE 10 – Other assets

Components of other assets

TABLE 10.1

	2007	2006
Property and equipment (table 10.2)	**111.3**	94.3
Prepaid pension asset (note 11)	**98.9**	93.0
Long-term investments (table 10.3)	**51.1**	44.4
Prepaids	**17.3**	12.6
Other	**1.5**	1.7
	280.1	246.0

Property and equipment

TABLE 10.2

	2007			2006		
	Cost	**Accumulated amortization**	**Book value**	Cost	Accumulated amortization	Book value
Computer equipment	**144.0**	**72.4**	**71.6**	109.3	57.9	51.4
Furniture and equipment	**53.3**	**32.3**	**21.0**	50.5	27.9	22.6
Leasehold improvements	**30.8**	**12.2**	**18.6**	28.3	8.7	19.6
Land and buildings	**0.1**	**–**	**0.1**	1.0	0.3	0.7
	228.2	**116.9**	**111.3**	189.1	94.8	94.3

Long-term investments

The Company has investments in companies operating in the corporate and distribution segment that 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 interest and dividend income in the consolidated statements of income. The following table presents the changes in the long-term investments during the year.

TABLE 10.3

	2007	2006
Balance, beginning of year	**44.4**	41.6
Net acquisitions	**4.0**	0.4
Income	**9.5**	8.8
Dividends	**(6.8)**	(6.4)
Balance, end of year	**51.1**	44.4

NOTE 11 – Employee future benefits

The Company has several final earnings defined benefit pension plans. For these plans, the measurement date is December 31 and the latest actuarial valuations were performed as of December 31, 2005 or later. The next actuarial valuations will be performed as of December 31, 2008. During the year, the Company terminated its defined contribution pension plans acquired in the purchase of Allianz.

The Company has several employer paid post retirement benefit ("PRB") plans offering life insurance and health benefits to certain retirees, which are closed to active employees. The post retirement benefits are unfunded. The measurement date for post retirement benefits is December 31 and the latest actuarial valuations were performed as of December 31, 2005.

Pension plan movements

TABLE 11.1

	Benefit obligation	Plan assets	Unrecognized amounts	Total net assets (liabilities)	Expenses (revenue)
Balance as at December 31, 2006	**(515.1)**	**557.9**	**30.9**	**73.7**	
Employer current service cost	**(26.0)**			**(26.0)**	**26.0**
Interest costs on benefit obligation	**(26.9)**			**(26.9)**	**26.9**
Actuarial assumptions movements					
Actuarial gains or losses	**1.4**		**(1.4)**		
Actual return on assets		**33.1**	**(33.1)**		
Expected return on assets			**39.0**	**39.0**	**(39.0)**
Past service cost	**(2.9)**		**2.9**		
Change in valuation allowance			**0.1**	**0.1**	**(0.1)**
Amortization			**4.0**	**4.0**	**(4.0)**
Cash movements					
Employees contributions	**(5.6)**	**5.6**			
Employer contributions		**13.4**		**13.4**	
Benefits paid	**21.9**	**(21.9)**			
Settlements		**(1.7)**	**1.7**		
Balance as at December 31, 2007	**(553.2)**	**586.4**	**44.1**	**77.3**	**9.8**

TABLE 11.2

	Benefit obligation	Plan assets	Unrecognized amounts	Total net assets (liabilities)	Expenses (revenue)
Balance as at December 31, 2005	(435.7)	496.1	0.7	61.1	
Employer current service cost	(20.8)			(20.8)	20.8
Interest costs on benefit obligation	(22.7)			(22.7)	22.7
Actuarial assumptions movements					
Actuarial gains or losses	(49.8)		49.8		
Actual return on assets		63.9	(63.9)		
Expected return on assets			35.9	35.9	(35.9)
Past service cost					
Change in valuation allowance					
Amortization			8.4	8.4	(8.4)
Cash movements					
Employees contributions	(4.8)	4.8			
Employer contributions		11.8		11.8	
Benefits paid	18.7	(18.7)			
Settlements					
Balance as at December 31, 2006	(515.1)	557.9	30.9	73.7	(0.8)

Pension plan funding status

TABLE 11.3

	2007	2006	2007	2006
	Pension plans		Post retirement benefits	
Benefit obligation	**(553.2)**	(515.1)	**(15.8)**	(15.8)
Fair value of plan assets	**586.4**	557.9	**–**	–
Surplus (deficit)	**33.2**	42.8	**(15.8)**	(15.8)
Unrecognized amounts:				
Actuarial gains	**84.3**	83.4	**4.1**	4.1
Past service costs	**3.1**	1.7	**(5.1)**	(5.5)
Transition (asset) obligation	**(42.1)**	(52.6)	**0.8**	0.9
Valuation allowance	**(1.2)**	(1.6)	**–**	–
Net prepaid asset (accrued liability) at the end of the year	**77.3**	73.7	**(16.0)**	(16.3)
Presented as:				
Other assets (note 10)	**98.9**	93.0	**–**	–
Other liabilities	**21.6**	19.3	**16.0**	16.3

Some of the Company's pension plans are not fully funded. For these plans, the aggregate amount of benefit obligation is $335.9 in 2007 ($189.9 in 2006), and the fair value of plan assets is $278.8 in 2007 ($138.9 in 2006), which results in a net deficit of $57.1 in 2007 ($51.0 in 2006).

Post retirement benefits plan movements

TABLE 11.4

	Benefit obligation	Plan assets	Unrecognized amounts	Total net assets (liabilities)	Expense (revenue)
Balance as at December 31, 2006	**(15.8)**	**–**	**(0.5)**	**(16.3)**	
Interest costs on benefit obligation	**(0.8)**			**(0.8)**	**0.8**
Actuarial gains or losses	**(0.2)**		**0.2**		
Amortization			**0.1**	**0.1**	**(0.1)**
Cash movements					
Employer contributions		**1.0**		**1.0**	
Benefits paid	**1.0**	**(1.0)**			
Balance as at December 31, 2007	**(15.8)**	**–**	**(0.2)**	**(16.0)**	**0.7**

TABLE 11.5

	Benefit obligation	Plan assets	Unrecognized amounts	Total net assets (liabilities)	Expense (revenue)
Balance as at December 31, 2005	(16.0)	–	(0.6)	(16.6)	
Interest costs on benefit obligation	(0.8)			(0.8)	0.8
Actuarial gains or losses					
Amortization			0.1	0.1	(0.1)
Cash movements					
Employer contributions		1.0		1.0	
Benefits paid	1.0	(1.0)			
Balance as at December 31, 2006	(15.8)	–	(0.5)	(16.3)	0.7

Composition of pension plan assets

TABLE 11.6

	2007	2006
Equity securities	**52.3%**	40.6%
Debt securities	**46.3%**	57.9%
Other invested assets	**1.4%**	1.5%

The pension plan assets composition does not take into account the impact of the pension plans' derivatives and short securities.

Components of the expense (revenue)

TABLE 11.7

	2007	2006	2007	2006
	Pension plans		Post retirement benefits	
Current service cost	**26.0**	20.8	**–**	–
Interest cost on benefit obligation	**26.9**	22.7	**0.8**	0.8
Past service costs	**2.9**	–	**–**	–
Actual return on plan assets	**(33.1)**	(63.9)	**–**	–
Net actuarial (gains) losses	**(1.4)**	49.8	**0.2**	0.1
Accrued benefit expense before adjustments to recognize the long-term nature of employee future benefit costs	**21.3**	29.4	**1.0**	0.9
Excess of actual return over expected return on plan assets for the year	**(5.9)**	28.0	**–**	–
Net actuarial gains (losses) arising during the year (table 11.8)	**1.4**	(49.8)	**(0.2)**	(0.1)
Past service costs	**(2.9)**	–	**–**	–
Change in valuation allowance	**(0.1)**	–	**–**	–
Amortization of past service cost	**3.2**	0.2	**(0.4)**	(0.4)
Amortization of transitional (asset) obligation	**(10.5)**	(10.5)	**0.1**	0.1
Amortization of net actuarial losses	**3.6**	2.2	**0.2**	0.2
Amortization of valuation allowance	**(0.3)**	(0.3)	**–**	–
Total	**9.8**	(0.8)	**0.7**	0.7

Components of net actuarial gains or losses arising during the year

TABLE 11.8

	2007	2006	2007	2006
	Pension plans		Post retirement benefits	
Actuarial gains (losses) arising from the:				
Change in the discount rate used to measure the benefit obligation	**20.5**	–	**0.3**	(0.1)
Experience	**(1.5)**	(30.2)	**–**	–
Change in mortality table	**(17.6)**	(8.6)	**(0.5)**	–
Change in withdrawal/retirement	**–**	(11.0)	**–**	–
Total	**1.4**	(49.8)	**(0.2)**	(0.1)

Assumptions used

The following table summarizes the key weighted average assumptions used for the measurement of the benefit obligations and benefit expense (revenue).

TABLE 11.9

	2007	2006	2007	2006
	Pension plans		Post retirement benefits	
To determine benefit obligation at end of year				
Discount rate	**5.2%**	5.0%	**5.2%**	5.0%
Rate of increase in future compensation	**3.5%**	3.5%	**n/a**	n/a
Health care cost trend rate	**n/a**	n/a	**10.0%**	9.0%
Dental care cost trend rate	**n/a**	n/a	**5.0%**	5.0%
To determine benefit expense (revenue) for the year				
Discount rate	**5.0%**	5.0%	**5.0%**	5.0%
Rate of increase in future compensation	**3.5%**	3.5%	**n/a**	n/a
Expected long-term rate of return on plan assets	**7.0%**	7.25%	**n/a**	n/a
Health care cost trend rate	**n/a**	n/a	**9.0%**	10.0%
Dental care cost trend rate	**n/a**	n/a	**5.0%**	5.0%

The impact of a 1% increase or decrease in the health care and dental care cost trend rate would not be significant on the Company's results or financial position.

NOTE 12 – Debt outstanding

The Company has an uncommitted revolving credit facility in the amount of $100.0 (2006 – $50.0), which may be drawn as prime loans at the prime rate or as bankers' acceptances at the bankers' acceptance rate.

NOTE 13 – Share capital

Issued and outstanding

The Company completed a substantial issuer bid under which it purchased for cancellation, on March 30, 2007, 9,259,239 of its common shares at $54.00 per share for a total consideration of $500.0 plus fees of $1.2 net of income taxes. Total cost paid, including fees, was first charged to share capital to the extent of the average carrying value of the common shares purchased for cancellation and the excess of $419.2 was charged to retained earnings.

TABLE 13.1 – **CLASSES OF SHARES**

	2007			2006		
	Authorized (shares)	**Issued and outstanding (shares)**	**Amount**	Authorized (shares)	Issued and outstanding (shares)	Amount
Common	**Unlimited**	**124,472,761**	**1,101.9**	Unlimited	133,732,000	1,183.9
Class A	**Unlimited**	**–**	**–**	Unlimited	–	–
Special	**One**	**1**	**–**	One	1	–

Authorized

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

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 the Chief Executive Officer is appointed by the board from among the directors elected by the holder of the special share, as determined by the number of common shares that the holder of the Special Share beneficially owns.

Capital management

Common shareholders' equity consists of common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss). Capital management contributes to the Company's profitability, as capital is allocated to key activities for which precise profitability objectives and criteria have been established. The Company strives to maintain an optimal level of capital to support its activities while generating an attractive and competitive return for its shareholders, in relation to industry standards and the Company's risk profile.

Regulatory capital

The P&C insurance subsidiaries of the Company are subject to the regulatory capital requirements defined by OSFI and the Insurance Companies Act ("ICA"). OSFI has established a Minimum Capital Test guideline ("MCT") which sets out 100% as the minimum and 150% as the supervisory target MCT standards for P&C insurance companies. Notwithstanding that a company may meet the supervisory target standard; OSFI may direct a company to increase its capital under the Insurance Companies Act. As at December 31, 2007 the Company's P&C insurance subsidiaries average MCT ratio was 188% (2006 – 210%); which was in compliance with both OSFI and ICA requirements.

Stock-based compensation

Certain employees are entitled to a long-term incentive plan ("LTIP"). 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 P&C 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. 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.

TABLE 13.2

As at December 31, 2007	Number of units	Per unit fair value at grant date (in $)	Amount
2005–2007 performance cycle	**341,279**	**26.30**	**9.0**
2006–2008 performance cycle	**151,706**	**36.79**	**5.6**
2007–2009 performance cycle	**123,130**	**44.27**	**5.5**
Total	**616,115**	**32.47**	**20.1**

TABLE 13.3

As at December 31, 2006	Number of units	Per unit fair value at grant date (in $)	Amount
2005–2007 performance cycle	363,700	26.30	9.6
2006–2008 performance cycle	181,574	36.79	6.7
Total	545,274	29.79	16.3

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 at the end of 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 12 months.

The amount charged to compensation expense for these plans was $6.2 for the year ended December 31, 2007, (2006 – $4.1). The expense for the LTIP 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 restricted common shares.

TABLE 13.4

	2007	2006
Long-term incentive plan (units)		
Outstanding, beginning of year	**545,274**	363,700
Awarded during the year	**140,720**	181,574
Change in estimate during the year	**(69,879)**	–
Outstanding, end of year	**616,115**	545,274
Employee share purchase plan (restricted common shares)		
Outstanding, beginning of year	**22,892**	–
Awarded during the year	**63,146**	22,892
Vested during the year	**(19,810)**	–
Outstanding, end of year	**66,228**	22,892

NOTE 14 – Additional information on the statements of cash flows

TABLE 14.1

	2007	2006
Adjustment for non-cash items:		
Unearned premiums	**70.4**	68.9
Net gains on invested assets and other gains	**(73.6)**	(193.5)
Deferred acquisition costs, net	**(6.8)**	(10.8)
Future income taxes	**(6.1)**	19.9
Amortization of:		
Property and equipment	**24.9**	19.6
Intangible assets	**8.0**	6.0
Net premiums on fixed income securities	**(4.0)**	(17.0)
Increase (decrease) in broker loan provision	**0.3**	(0.5)
Other	**1.5**	1.4
Total	**14.6**	(106.0)
Increase (decrease) in cash and cash equivalents due to changes in other operating assets and liabilities:		
Premium and other receivables	**(42.3)**	(129.1)
Income taxes	**(105.7)**	(42.3)
Other assets	**(8.8)**	(19.6)
Payables and other liabilities	**91.2**	7.8
Total	**(65.6)**	(183.2)
Income taxes paid	**158.8**	316.4
Interest paid on debt outstanding	**–**	8.0
Composition of cash and cash equivalents (as at December 31):		
Cash, net of bank overdrafts	**1.8**	(19.4)
Cash equivalents	**6.3**	145.4
Total	**8.1**	126.0

NOTE 15 – 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 net purchase price was established as follows:

TABLE 15.1

	2007	GPIB	West	Other	Total 2006
Goodwill	**(2.2)**	20.3	8.4	11.7	40.4
Intangible assets	**3.5**	18.3	4.0	13.1	35.4
Future income taxes	**(0.6)**	(6.0)	(1.3)	(1.8)	(9.1)
Net tangible assets (liabilities)	**9.3**	0.1	(0.9)	(0.7)	(1.5)
Net cash consideration paid	**10.0**	32.7	10.2	22.3	65.2

The net goodwill acquired is non deductible for tax purposes.

In 2007, the Company paid $4.8 (2006 – $14.9) 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 $1.6 (2006 – $5.1) with a corresponding charge in the current income.

NOTE 16 – 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 16.1 lists the provincial authorities which regulate automobile insurance rates. Automobile direct written premiums in these provinces totaled $2,335.2 in 2007 (2006 – $2,253.4) and represented approximately 98.5% (2006 – 98.3%) of direct automobile premiums written.

TABLE 16.1

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, 2007 and 2006, the Company had no significant regulatory asset or liability.

NOTE 17 – Contingencies, commitments and guarantees

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.

– 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.

The following table presents future minimum payments under long-term leases for premises and equipment.

TABLE 17.1

Year	Amount
2008	57.1
2009	45.6
2010	35.4
2011	32.1
2012	28.7
Thereafter	80.8
	279.7

NOTE 18 – Segmented information

The Company has two reportable segments, the underwriting segment and the corporate and distribution segment.

The Company's core business activity is P&C insurance underwriting. Underwriting 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 automobile and other, primarily property and liability.

Corporate and distribution segment includes the results of the Company's broker operations and the results of other operations.

(a) Results of the Company's reportable segments and their assets

TABLE 18.1

For the year ended December 31, 2007	Underwriting	Corporate and distribution	Inter-segment eliminations	Total
Revenues	**3,932.0**	**136.6**	**(66.6)**	**4,002.0**
Expenses	**3,723.2**	**86.0**	**(60.3)**	**3,748.9**
Subtotal	**208.8**	**50.6**	**(6.3)**	**253.1**
Interest and dividend income				**364.3**
Invested assets management expenses				**(19.4)**
Net gains on invested assets and other gains				**73.6**
Total income before income taxes				**671.6**

TABLE 18.2

For the year ended December 31, 2006	Underwriting	Corporate and distribution	Inter-segment eliminations	Total
Revenues	3,826.6	107.6	(63.8)	3,870.4
Expenses	3,422.8	74.2	(63.8)	3,433.2
Subtotal	403.8	33.4	–	437.2
Interest and dividend income				342.4
Invested assets management expenses				(21.1)
Net gains on invested assets and other gains				193.5
Total income before income taxes				952.0

TABLE 18.3

As at December 31, 2007	Underwriting	Corporate and distribution	Inter-segment eliminations	Total
Goodwill	**74.4**	**85.5**	**–**	**159.9**
Invested assets	**6,737.1**	**501.9**	**(1.2)**	**7,237.8**
Other	**2,714.7**	**290.6**	**(13.3)**	**2,992.0**
Total assets	**9,526.2**	**878.0**	**(14.5)**	**10,389.7**

TABLE 18.4

As at December 31, 2006	Underwriting	Corporate and distribution	Inter-segment eliminations	Total
Goodwill	74.4	87.7	–	162.1
Invested assets	6,570.0	688.8	(16.9)	7,241.9
Other	2,621.3	369.3	(17.3)	2,973.3
Total assets	9,265.7	1,145.8	(34.2)	10,377.3

(b) Results by line of business

TABLE 18.5

	2007	2006
Direct premiums written		
Personal	**2,952.7**	2,807.5
Commercial	**1,147.3**	1,182.9
Underwriting income		
Personal	**105.3**	242.2
Commercial	**103.5**	161.6

NOTE 19 – Subsequent events

On February 19, 2008, the Board of Directors approved a plan to proceed with a normal course issuer bid to purchase for cancellation during the next 12 months up to 6,223,638 common shares. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company. Under the terms of the normal course issuer bid, ING Canada's majority shareholder, ING Groep, will be permitted to participate in order to maintain its proportionate share ownership at 70%. ING Canada has been advised that ING Groep intends to participate on a proportionate basis.

Five-year annual review

($ millions, except where noted)

	2007	2006	2005	2004	2003
Consolidated performance					
Written insured risks (thousands)	**4,679.9**	4,565.1	4,417.9	3,857.6	3,624.4
Direct premiums written (excluding pools)	**4,108.6**	3,993.6	3,905.9	3,501.4	3,292.7
Net premiums earned	**3,932.0**	3,826.6	3,840.2	3,364.6	2,760.9
Net claims and general expenses	**3,723.1**	3,422.8	3,302.5	2,894.6	2,709.2
Prior year claims reserve development (favourable)	**(115.9)**	(169.9)	(277.6)	(74.2)	(50.0)
Net underwriting income	**208.9**	403.8	537.7	470.0	51.7
Combined ratio	**94.7%**	89.4%	86.0%	86.0%	98.1%
Interest and dividend income, net of expenses	**344.8**	321.3	307.5	249.1	202.1
Net gains on invested assets and other gains	**73.6**	193.5	223.5	132.4	32.1
Corporate and distribution income	**44.3**	33.4	22.3	4.3	(59.0)
Income before income taxes	**671.6**	952.0	1,091.0	855.8	226.9
Effective tax rate	**24.3%**	30.9%	28.3%	27.1%	33.7%
Net operating income (excludes investment gains)	**470.0**	530.5	612.3	532.3	144.0
Net income	**508.3**	658.1	781.8	624.2	150.4
Earnings per share (dollars)	**4.01**	4.92	5.85	6.51	1.61
Average number of shares outstanding[1]	**126.7**	133.7	133.5	95.8	93.6
Return on equity	**15.4%**	20.8%	31.6%	40.9%	16.5%
Personal lines – total					
Written insured risks (thousands)	**4,190.5**	4,077.6	3,927.4	3,397.1	3,255.0
Direct premiums written (excluding pools)	**2,962.1**	2,810.7	2,657.1	2,339.2	2,196.1
Net premiums earned	**2,845.0**	2,696.7	2,680.7	2,343.5	1,828.7
Net underwriting income	**105.3**	242.2	382.1	339.2	(35.5)
Combined ratio	**96.3%**	91.0%	85.7%	85.5%	101.9%
Personal auto					
Written insured risks (thousands)	**2,514.4**	2,440.1	2,336.0	1,959.8	1,875.7
Direct premiums written (excluding pools)	**2,057.7**	1,969.2	1,877.2	1,638.3	1,572.0
Net premiums earned	**2,008.0**	1,911.2	1,946.9	1,712.1	1,337.8
Net underwriting income	**123.1**	242.5	411.5	292.0	(78.3)
Combined ratio	**93.9%**	87.3%	78.8%	82.9%	105.9%
Personal property					
Written insured risks (thousands)	**1,676.1**	1,637.4	1,591.5	1,437.3	1,379.3
Direct premiums written	**904.4**	841.5	779.9	700.9	624.1
Net premiums earned	**837.0**	785.5	733.8	631.4	490.9
Net underwriting income	**(17.8)**	(0.3)	(29.4)	47.2	42.8
Combined ratio	**102.1%**	100.0%	104.0%	92.5%	91.3%
Commercial lines – total					
Written insured risks (thousands)	**489.3**	487.5	490.6	460.5	369.4
Direct premiums written (excluding pools)	**1,146.5**	1,182.9	1,248.9	1,162.2	1,096.8
Net premiums earned	**1,087.1**	1,129.9	1,159.5	1,021.1	932.2
Net underwriting income	**103.4**	161.7	155.6	130.8	87.2
Combined ratio	**90.5%**	85.7%	86.6%	87.2%	90.6%
Commercial auto					
Written insured risks (thousands)	**255.8**	253.6	254.4	231.8	220.1
Direct premiums written (excluding pools)	**321.2**	327.5	331.2	302.5	292.1
Net premiums earned	**320.2**	326.8	334.4	290.5	266.0
Net underwriting income	**22.0**	43.0	43.6	54.7	23.7
Combined ratio	**93.1%**	86.9%	87.0%	81.2%	91.1%
Commercial non-auto					
Written insured risks (thousands)	**233.5**	233.9	236.4	228.7	149.3
Direct premiums written	**825.3**	855.4	917.6	859.7	804.7
Net premiums earned	**766.9**	803.1	825.1	730.6	666.2
Net underwriting income	**81.4**	118.7	112.0	76.1	63.5
Combined ratio	**89.4%**	85.2%	86.4%	89.6%	90.5%
Corporate and distribution					
Distribution income	**102.9**	100.0	76.8	20.8	10.8
Distribution expenses	**85.3**	71.1	54.7	5.1	2.5
Other income	**26.7**	9.7	8.1	0.3	(54.8)
Interest on debt	**–**	5.3	8.0	11.7	12.5
Income before income taxes	**44.3**	33.4	22.3	4.3	(59.0)
Financial condition					
Excess capital at holding company 160%	**333.9**	579.6	609.0	305.8	226.7
Debt to shareholders' equity	**0.0%**	0.0%	4.2%	11.1%	32.8%
Book value per share (dollars)	**25.48**	25.58	21.63	15.40	7.40
Invested assets					
Investment yield					
Cost-based investment yield	**5.1%**	4.9%	4.8%	5.3%	5.9%
Market-based investment yield	**5.1%**	4.8%	4.7%	4.9%	5.2%
Investment portfolio mix					
Cash and short-term investments	**27.0**	839.4	781.5	357.2	104.6
Fixed income securities	**3,867.8**	3,258.8	3,520.8	3,685.1	1,660.4
Common shares	**1,709.5**	1,580.7	1,266.5	997.7	782.4
Preferred shares	**1,430.8**	1,460.1	1,257.3	1,069.6	1,096.8
Other	**210.8**	228.8	236.0	258.0	322.0
Total invested assets and cash	**7,245.9**	7,367.8	7,062.1	6,367.6	3,966.2

[1] ING Groep NV owns 70% of the outstanding shares.

Two-year quarterly review

($ millions, except where noted)

	2007				2006			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Consolidated performance								
Written insured risks (thousands)	**1,056.7**	**1,273.1**	**1,399.7**	**950.4**	1,051.1	1,242.9	1,356.2	915.0
Direct premiums written (excluding pools)	**961.3**	**1,091.2**	**1,209.8**	**846.3**	955.6	1,059.1	1,166.4	812.5
Net premiums earned	**1,004.7**	**994.0**	**976.7**	**956.7**	979.6	954.5	955.7	936.9
Net claims and general expenses	**957.2**	**965.3**	**884.4**	**916.4**	917.3	858.6	790.1	857.0
Prior year claims reserve development (favourable)	**(45.4)**	**(20.7)**	**(37.6)**	**(12.2)**	(24.3)	(69.1)	(39.5)	(37.0)
Net underwriting income	**47.6**	**28.7**	**92.2**	**40.3**	62.3	96.0	165.7	80.0
Combined ratio	**95.3%**	**97.1%**	**90.6%**	**95.8%**	93.6%	89.9%	82.7%	91.5%
Interest and dividend income, net of expenses	**86.5**	**84.7**	**86.9**	**86.7**	87.1	79.7	81.5	73.2
Net gains on invested assets and other gains	**(3.3)**	**(2.8)**	**53.6**	**26.1**	15.3	35.8	34.8	107.7
Corporate and distribution income	**1.9**	**6.2**	**18.0**	**18.3**	4.5	7.4	13.8	7.7
Income before income taxes	**132.6**	**116.8**	**250.8**	**171.4**	169.2	218.8	295.7	268.5
Effective tax rate	**27.8%**	**23.1%**	**22.5%**	**26.4%**	35.4%	28.3%	30.4%	30.8%
Net operating income (excludes investment gains)	**102.7**	**95.2**	**158.2**	**113.9**	101.8	132.3	182.6	113.9
Net income	**95.8**	**92.0**	**194.3**	**126.2**	109.4	156.9	206.0	186.0
Earnings per share (dollars)	**0.77**	**0.74**	**1.56**	**0.95**	0.82	1.17	1.54	1.39
Average number of shares outstanding[1]	**124.5**	**124.5**	**124.5**	**133.5**	133.7	133.7	133.7	133.7
Return on equity	**15.4%**	**16.0%**	**18.3%**	**19.4%**	20.8%	24.6%	27.5%	30.1%
Personal lines – total								
Written insured risks (thousands)	**936.1**	**1,157.8**	**1,253.9**	**842.6**	931.9	1,128.0	1,210.1	807.6
Direct premiums written (excluding pools)	**668.3**	**824.4**	**879.3**	**590.2**	653.2	781.9	825.4	550.3
Net premiums earned	**732.8**	**719.4**	**706.3**	**686.5**	699.0	672.4	670.9	654.3
Net underwriting income	**12.8**	**5.6**	**49.9**	**37.0**	42.2	58.6	101.5	40.0
Combined ratio	**98.3%**	**99.2%**	**92.9%**	**94.6%**	94.0%	91.2%	84.9%	93.9%
Personal auto								
Written insured risks (thousands)	**541.5**	**681.1**	**771.2**	**520.5**	541.5	660.4	741.8	496.4
Direct premiums written (excluding pools)	**453.1**	**565.6**	**617.1**	**421.9**	449.6	540.3	583.7	395.6
Net premiums earned	**515.2**	**505.9**	**500.6**	**486.3**	495.7	475.1	476.0	464.4
Net underwriting income	**9.1**	**26.3**	**73.8**	**13.9**	60.9	73.0	78.3	30.4
Combined ratio	**98.2%**	**94.8%**	**85.3%**	**97.1%**	87.7%	84.6%	83.6%	93.5%
Personal property								
Written insured risks (thousands)	**394.6**	**476.7**	**482.7**	**322.1**	390.4	467.6	468.3	311.1
Direct premiums written	**215.3**	**258.7**	**262.2**	**168.3**	203.6	241.5	241.7	154.7
Net premiums earned	**217.6**	**213.5**	**205.7**	**200.2**	203.3	197.3	194.9	189.9
Net underwriting income	**3.7**	**(20.7)**	**(23.9)**	**23.1**	(18.7)	(14.4)	23.2	9.6
Combined ratio	**98.3%**	**109.7%**	**111.6%**	**88.4%**	109.2%	107.3%	88.1%	94.9%
Commercial lines – total								
Written insured risks (thousands)	**120.5**	**115.3**	**145.7**	**107.8**	119.2	115.0	146.0	107.4
Direct premiums written (excluding pools)	**293.0**	**266.8**	**330.5**	**256.2**	302.5	277.3	341.0	262.2
Net premiums earned	**271.8**	**274.7**	**270.4**	**270.2**	280.5	281.9	284.8	282.6
Net underwriting income	**34.8**	**23.1**	**42.3**	**3.3**	20.1	37.4	64.2	40.0
Combined ratio	**87.2%**	**91.6%**	**84.3%**	**98.8%**	92.8%	86.7%	77.5%	85.9%
Commercial auto								
Written insured risks (thousands)	**62.8**	**58.8**	**79.2**	**55.0**	61.8	57.9	79.3	54.6
Direct premiums written (excluding pools)	**81.7**	**72.5**	**98.3**	**68.7**	81.9	74.9	102.5	68.2
Net premiums earned	**80.7**	**80.4**	**79.9**	**79.2**	82.2	81.9	82.0	80.7
Net underwriting income (loss)	**(1.8)**	**9.3**	**10.4**	**4.1**	11.4	9.9	15.4	6.3
Combined ratio	**102.2%**	**88.4%**	**87.0%**	**94.8%**	86.1%	88.0%	81.2%	92.2%
Commercial non-auto								
Written insured risks (thousands)	**57.7**	**56.5**	**66.5**	**52.8**	57.4	57.0	66.7	52.8
Direct premiums written	**211.3**	**194.3**	**232.2**	**187.5**	220.6	202.3	238.6	193.9
Net premiums earned	**191.1**	**194.3**	**190.5**	**191.0**	198.3	200.0	202.8	201.9
Net underwriting income (loss)	**36.6**	**13.8**	**31.9**	**(0.8)**	8.7	27.5	48.8	33.7
Combined ratio	**80.9%**	**92.9%**	**83.2%**	**100.4%**	95.6%	86.3%	75.9%	83.3%
Corporate and distribution								
Distribution income	**26.9**	**25.9**	**32.6**	**23.7**	25.0	25.7	30.3	18.9
Distribution expenses	**21.4**	**21.3**	**21.3**	**21.3**	19.8	19.0	17.6	14.7
Other income	**(3.6)**	**1.6**	**6.7**	**15.8**	(0.8)	2.0	3.1	5.4
Interest on debt	**–**	**–**	**–**	**–**	–	1.3	2.0	2.0
Income before income taxes	**1.9**	**6.2**	**18.0**	**18.3**	4.5	7.4	13.8	7.7
Financial condition								
Excess capital at holding company 160%	**333.9**	**338.6**	**335.7**	**398.9**	579.6	555.8	436.8	540.0
Debt to shareholders' equity	**0.0%**	**0.0%**	**0.0%**	**0.0%**	0.0%	0.0%	3.8%	4.0%
Book value per share (dollars)	**25.48**	**25.70**	**25.55**	**25.05**	25.58	25.01	24.07	22.78
Invested assets								
Investment yield								
Cost-based investment yield	**5.0%**	**5.0%**	**5.2%**	**5.1%**	5.0%	4.9%	4.9%	4.8%
Market-based investment yield	**5.1%**	**5.1%**	**5.1%**	**5.0%**	4.8%	4.8%	4.9%	4.5%
Investment portfolio mix								
Cash and short-term investments	**27.0**	**1.4**	**8.6**	**307.1**	839.4	776.3	954.8	806.9
Fixed income securities	**3,867.8**	**3,760.8**	**3,503.9**	**3,124.9**	3,258.8	3,260.6	3,114.2	3,160.8
Common shares	**1,709.5**	**1,772.6**	**1,733.5**	**1,692.3**	1,580.7	1,612.2	1,565.3	1,531.9
Preferred shares	**1,430.8**	**1,528.9**	**1,578.7**	**1,658.4**	1,460.1	1,395.5	1,344.0	1,307.4
Other	**210.8**	**204.4**	**240.4**	**242.2**	228.8	232.0	237.2	236.6
Total invested assets and cash	**7,245.9**	**7,268.1**	**7,065.1**	**7,024.9**	7,367.8	7,276.6	7,215.5	7,043.6

[1] ING Groep NV owns 70% of the outstanding shares.

Asset-backed security A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.

Book value per share Represents shareholders' equity at the end of the period divided by the number of outstanding common shares on the same date.

Case reserves The liability established to reflect the estimated cost of unpaid claims that have been reported and claims expenses that the insurer will ultimately be required to pay.

Cash flow risk Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate.

Catastrophe A catastrophe is defined as one event leading to aggregate damages of $5.0 million or more.

Claims expenses The direct and indirect expenses of settling claims.

Claims ratio Claims and claims expenses incurred during a defined period, net of reinsurance, expressed as a percentage of net premiums earned for the same period.

Claims reserve estimate or claims liabilities The total claims liabilities is made up of two main elements: 1) case reserves and 2) claims that are incurred but not reported (IBNR). Case reserves and IBNR should be sufficient to cover all expected claims liabilities for events that have already occurred, whether reported or not, taking into account a provision for adverse deviation ("PfAD") and discounting for the time value of money.

Combined ratio The sum of the claims ratio and the expenses ratio. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable result.

Corporate sustainability Corporate sustainability represents the way a company achieves enhanced ethical standards and a balance of economic, environmental and social imperatives addressing the concerns and expectations of its stakeholders.

Cost-based yield Yield calculated using the interest and dividend income for the period divided by the unamortized cost of the invested assets calculated monthly including cash equivalents but excluding cash balances.

Credit derivatives Credit derivatives are over-the-counter contracts that transfer credit risk related to an underlying financial instrument (referenced asset) from one counterparty to another. Some total return swaps are also credit derivatives.

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 assets invested in fixed income securities and preferred shares.

Derivative-related credit risk Credit risk from derivative transactions 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 the company. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

Direct premiums written The total amount of premiums for new and renewal policies billed (written) during a specific reporting period from the primary insured.

Expense ratio Underwriting expenses including commissions, premium taxes and all general and administrative expenses, incurred in operating the underwriting business during a defined period and expressed as a percentage of net premiums earned for the same period.

Facility Association The Facility Association is an entity established by the automobile insurance industry to ensure that automobile insurance is available to all owners and licensed drivers of motor vehicles where such owners or drivers are unable to obtain automobile insurance through the private insurance market. The Facility Association serves the following provinces and territories: Alberta, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon.

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.

Forwards and futures derivatives Forward contracts are effectively tailor-made agreements that are transacted between counterparties in the over-the-counter market, whereas futures are standardized contracts with respect to amounts and settlement dates, and are traded on regular future exchanges.

Interest rate forwards and futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.

Currency forwards and futures are contractual obligations to exchange one currency for another at a specified price for settlement at a predetermined future date.

Frequency (of claims) Total number of claims reported in a specific period.

Incurred but not reported (IBNR) claims reserve Reserves for estimated claims that have been incurred but not yet reported and a reserve for future developments on claims which have been reported.

Industry pools Industry pools consist of the "residual market" as well as risk-sharing pools ("RSP") in Alberta, Ontario, Québec, New Brunswick and Nova Scotia. These pools are managed by the Facility Association except for the Québec RSP.

Invested assets or investment portfolio Financial assets owned by the company including debt and equity securities and loans.

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.

Minimum capital test ("MCT") Federally regulated property and casualty insurers, including our Canadian insurance subsidiaries, must meet a minimum capital test ("MCT") that assesses the insurer's available capital in relation to its required capital and requires that available capital equal at least the minimum capital requirement. OSFI expects insurers to establish a target capital level above the minimum requirement, and maintain ongoing capital, at no less than the supervisory target of 150% of required capital under MCT.

Market-based yield Yield calculated using the interest and dividend income for the period divided by the average fair value of invested assets calculated monthly including cash equivalents but excluding cash balances.

Net operating income After-tax net income less net gains on invested assets and other gains. This is a key profitability measure.

Net premiums earned The portion of premiums written that is recognized for accounting purposes as revenue during a period.

Net premiums written Direct premiums written for a given period less premiums ceded to reinsurers and retrocessionaries during such period.

Net underwriting income The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and general expenses. This is a key profitability measure.

Notional amount The contract amount used as a reference point to calculate payments for derivatives.

Normal course issuer bid A program for the repurchase of our own common shares, for cancellation through a stock exchange, that is subject to the various rules of the relevant stock exchange and securities commission.

Options Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) an interest rate at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right.

Prior year claims development Prior year claims development is the change in total claims liabilities in a given period. A reduction to claims liabilities is called favourable prior year claims development. An increase in claims liabilities is called unfavourable prior year claims development.

Provision for adverse deviation An amount added to undiscounted case reserves and IBNR to account for adverse deviation from claims reserve estimates.

Reinsurer An insurance company that agreed to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance or reinsurance risks underwritten by the ceding company, under one or more policies.

Return on equity (ROE) Net income for the last 12 months divided by the average equity for the same period. The average is calculated by adding the beginning balance and the ending balance and dividing by two. The equity includes accumulated other comprehensive income.

Severity (of claims) Average cost of a claim calculated by dividing the total cost of claims by the total number of claims.

Shareholders' equity Capital invested by the shareholders plus retained earnings.

Swaps Over-the-counter contracts in which two counterparties exchange a series of cash flows based on agreed upon rates to a notional amount.

Currency swaps Currency swaps include single currency, cross currency and cross currency interest rate swaps. Single currency swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Cross currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency. Cross currency interest rate swaps involve the exchange of both interest and principal amounts in two different currencies.

Total return swaps Total return swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of an equity index, a basket of stocks or a single stock.

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).

Board of directors

Charles Brindamour [4]
President and Chief Executive Officer of ING Canada Inc.

Yves Brouillette [3,5]
Director

Paul Cantor [1,2,5]
Chairman of Public Sector Pension Investment Board

Marcel Côté [1,3,5*]
Partner, Secor Conseil

Robert W. Crispin [4*]
Director

Claude Dussault [3,4]
Chairman of the Board

Ivan E.H. Duvar [1,2*,3]
President and Chief Executive Officer of MIJAC Inc.

Eileen Mercier [1,2,3*]
Management Consultant

Kathleen Murphy [4]
Chief Executive Officer of ING's U.S. Wealth Management

Robert Normand [1,2,4]
Professional Director

Louise Roy [1,5]
International Consultant

Carol Stephenson [1,5]
Dean, Richard Ivey School of Business

[1] Independent board member
[2] Audit & Risk Review Committee
[3] Conduct Review & Corporate Governance Committee
[4] Investment Committee
[5] Human Resources Committee
[*] Committee Chair

Executive management

Charles Brindamour
President and Chief Executive Officer of ING Canada Inc.

Martin Beaulieu
Senior Vice President, Personal Lines

Alan Blair
Senior Vice President, Atlantic Canada

Debbie Coull-Cicchini
Senior Vice President, Ontario

Jetse De Vries
Senior Vice President, Western Canada

Claude Désilets
Chief Risk Officer

Louis Gagnon
Senior Vice President, Québec

Françoise Guénette
Senior Vice President, Corporate and Legal Services, and Secretary

Denis Guertin
Senior Vice President, belairdirect

Louis Héroux
Senior Vice President, Claims

Derek Iles
President, ING Insurance

Jack Ott
Senior Vice President and Chief Information Officer

Marc Pontbriand
Executive Vice President

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

Roger Randall
Senior Vice President, Affiliated Distribution Networks

Mark Tullis
Chief Financial Officer

Peter Weightman
Senior Vice President, Commercial Lines

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Shareholder and corporate 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 of Shareholders
Date: May 14, 2008
Time: 2:00 p.m. MT
Place: Calgary Telus Convention Centre
120, 9th Avenue SE
Calgary, Alberta T2G 0P3

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

2008 earnings release dates
Q1—May 14, 2008
Q2—August 13, 2008
Q3—November 12, 2008
Q4—February 18, 2009

2008 dividend record dates and payment dates
(Subject to approval by the Board of Directors)

Record date	Payment date
March 14	March 31
June 16	June 30
September 15	September 30
December 15	December 31

For media inquiries, please contact:

Gilles Gratton
Vice President, Corporate Communications
416-217-7206
gilles.gratton@ingcanada.com

Investor Relations
We're here to help investors, analysts and others who want additional financial information. Call us at 1-866-778-0774, visit our web site at www.ingcanada.com or contact:

Michelle Dodokin
Vice President, Investor Relations
416-344-8044
michelle.dodokin@ingcanada.com

ING Canada Inc.
700 University Avenue
Toronto, Ontario M5G 0A1

Dividend reinvestment
Shareholders can reinvest their cash dividends in common shares of ING Canada Inc. on a commission-free basis either through a 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.

Eligible dividend designation
For purposes of the enhanced dividend tax credit rules contained in the Income Tax Act (Canada) and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by ING Canada to Canadian residents on our common shares after December 31, 2005, are designated as eligible dividends. Unless stated otherwise, all dividends (and deemed dividends) paid by the company hereafter are designated as eligible dividends for the purposes of such rules.

Information for shareholders outside of Canada
Dividends paid to residents in countries with which Canada has bilateral tax treaties are generally subject to the 15% Canadian non-resident withholding tax. There is no Canadian tax on gains from the sale of shares (assuming ownership of less than 25%) or debt instruments of the company owned by non-residents not carrying on business in Canada. No government in Canada levies estate taxes or succession duties.

Auditors
Ernst & Young LLP

Common share prices and volume
(Canadian dollars except volume)

	Toronto Stock Exchange			
	High	Low	Close	Volume
2007				
Q1	$ 53.92	$ 50.01	$ 51.77	11,005,907
Q2	$ 52.18	$ 45.08	$ 47.43	9,371,843
Q3	$ 49.78	$ 41.52	$ 44.64	8,415,281
Q4	$ 47.00	$ 35.74	$ 39.62	10,520,403
Year 2007	**$ 53.92**	**$ 35.74**	**$ 39.62**	**39,313,434**
2006				
Q1	$ 61.30	$ 50.66	$ 55.21	11,232,951
Q2	$ 60.67	$ 50.65	$ 56.50	10,764,329
Q3	$ 57.45	$ 51.54	$ 55.74	6,160,482
Q4	$ 59.70	$ 51.25	$ 52.42	7,119,361
Year 2006	$ 61.30	$ 50.65	$ 52.42	35,277,123
2005				
Q1	$ 35.40	$ 28.97	$ 34.36	19,248,907
Q2	$ 35.09	$ 32.39	$ 33.39	13,942,949
Q3	$ 45.89	$ 33.55	$ 43.52	11,647,662
Q4	$ 53.35	$ 43.50	$ 51.25	7,889,004
Year 2005	$ 53.35	$ 28.97	$ 51.25	52,728,522

Dividend history

Record date	Payable date	Amount
March 14, 2008	March 31, 2008	$ 0.31
December 14, 2007	December 31, 2007	$ 0.27
September 14, 2007	September 28, 2007	$ 0.27
June 15, 2007	June 29, 2007	$ 0.27
March 15, 2007	March 30, 2007	$ 0.27
December 15, 2006	December 29, 2006	$ 0.25
September 15, 2006	September 29, 2006	$ 0.25
June 15, 2006	June 30, 2006	$ 0.25
March 15, 2006	March 31, 2006	$ 0.25
December 15, 2005	December 30, 2005	$ 0.1625
September 20, 2005	September 30, 2005	$ 0.1625
June 20, 2005	June 30, 2005	$ 0.1625
March 21, 2005	March 31, 2005	$ 0.1625

If you're looking for more information on ING Canada, a good place to start is our corporate web site **www.ingcanada.com**. The following information can be found there:

- annual and quarterly reports
- investor presentations and webcasts
- news releases
- calendar of upcoming investor events
- share price information
- dividend history
- board and executive biographies
- corporate governance information
- glossary of terms
- e-mail alerts
- community involvement
- careers at ING

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On the cover

Denny Morrison followed his Olympic silver medal performance in Torino with a breakout World Cup season and represents a new generation of emerging speed skating stars delivering podium performances in the years leading toward Canada's Games.

ING Canada is a proud sponsor of the Canadian Speed Skating Team.

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