



ING Canada Inc.

An Overview of the Canadian P&C Industry

Analyst Meeting

Toronto Hilton, April 5, 2005



Forward-Looking Statement Disclaimer

Certain of the statements contained in this presentation about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute 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 comparable words or phrases, are intended to identify forward looking statements. Forward looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances. Many factors could cause our actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward looking statements, including, without limitation, the following factors: our ability to implement our strategy or operate our business as we currently expect; our ability to accurately assess the risks associated with the insurance policies that we write; adverse capital market developments or other factors which may affect our investments; the cyclical nature of the P&C insurance industry; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; our reliance on brokers and third parties to sell our products; our ability to successfully pursue our acquisition strategy; our ability to integrate the business of Allianz Canada; our ability to achieve cost savings anticipated from the acquisition of Allianz Canada; uncertainties associated with our acquisition of Allianz Canada; the substantial influence of ING Groep; our participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; our ability to maintain our financial strength ratings; our ability to alleviate risk through reinsurance; our ability to successfully manage credit risk; our reliance on information technology and telecommunications systems; our dependence on key employees; general economic, financial and political conditions; our dependency on the results of operations of our subsidiaries; the volatility of the stock market and other factors affecting our share price; and future sales of a substantial number of our common shares. These factors should be considered carefully, and readers should not place undue reliance on our forward looking statements.

We have no intention and undertake no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Agenda

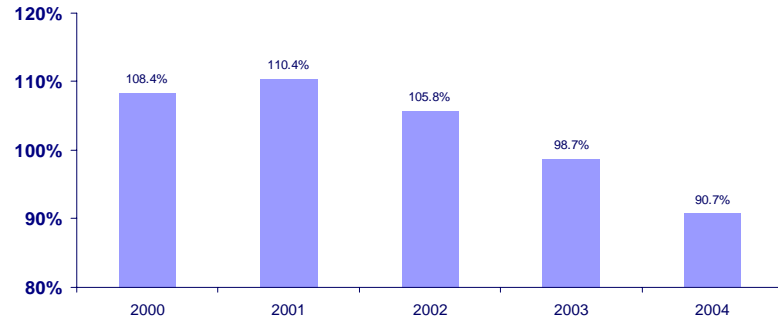
- ✓ **Welcome**
Brian Lynch
Investor Relations Consultant
- ✓ **Perspective on 2004 Results**
Charles Brindamour
Executive Vice President
- ✓ **Personal Lines Insurance Overview**
Martin Beaulieu
Senior Vice President – Personal Lines
- ✓ **Commercial Lines Insurance Overview**
Pete Weightman
Senior Vice President – Commercial Lines
Odile Goyer
VP Actuarial – Commercial Lines
- ✓ **2005 Outlook**
Charles Brindamour
- ✓ **Questions & Answers**
All
- ✓ **Wrap-up**
Brian Lynch



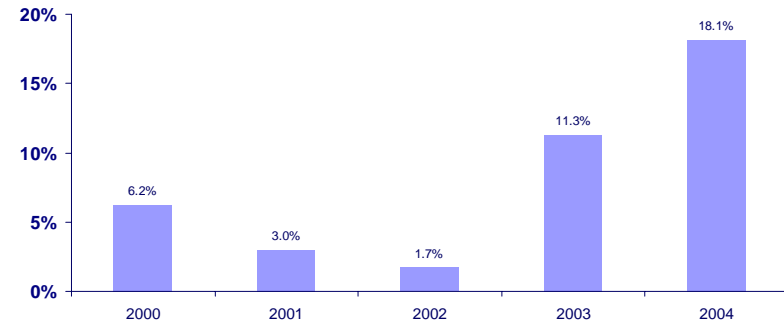
Perspective on 2004 Industry Results

2004 – Strong Industry Results

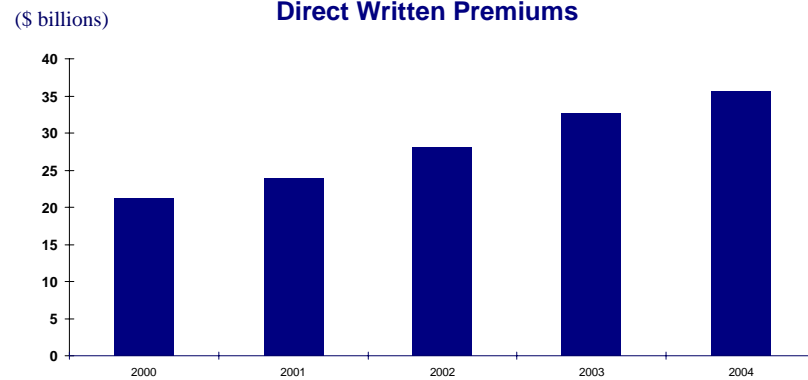
Combined Ratio



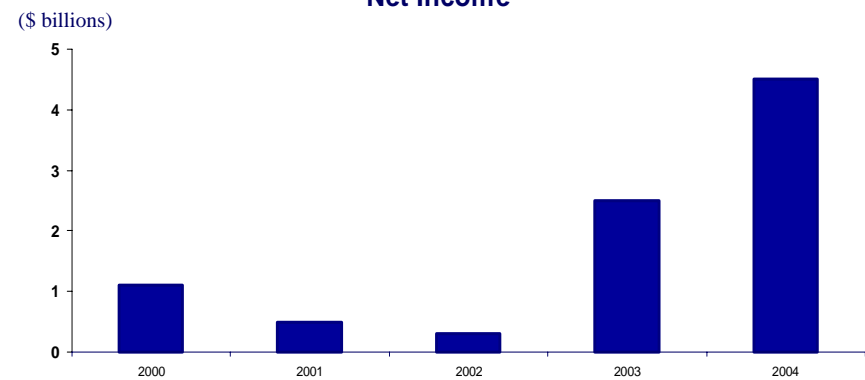
Return on Equity



Direct Written Premiums



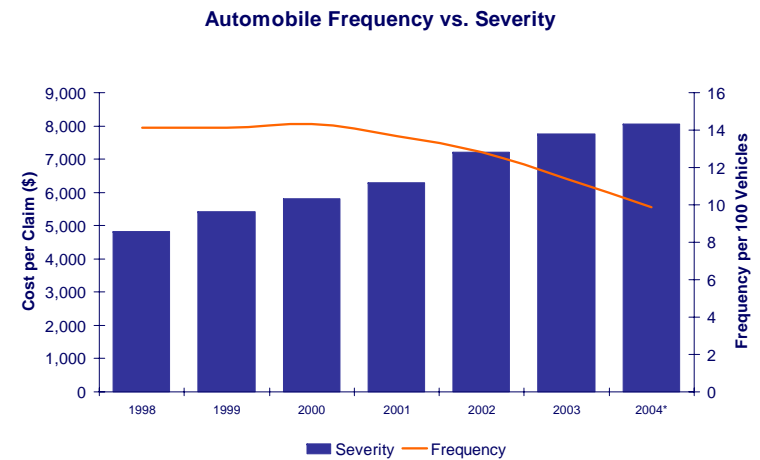
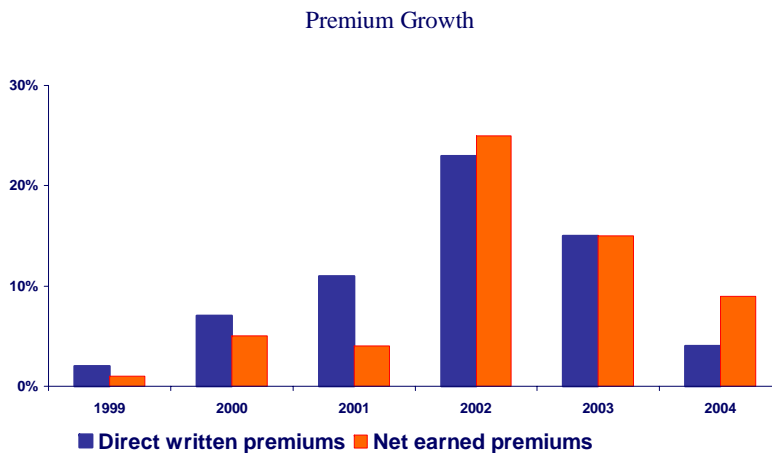
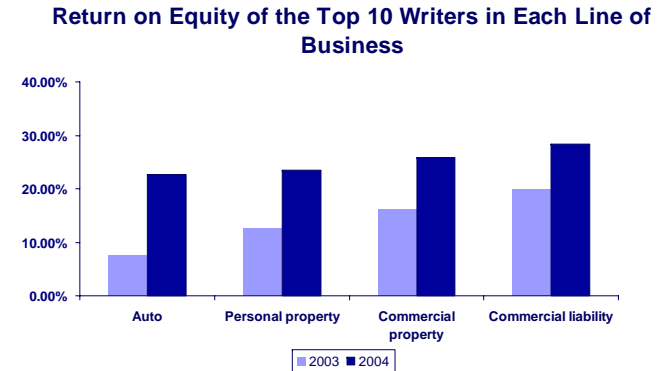
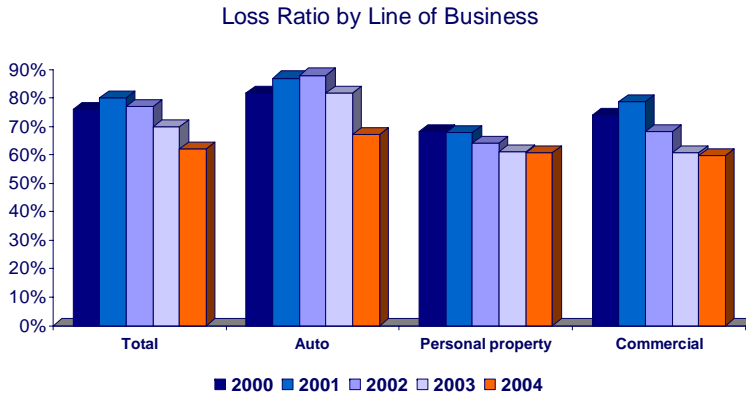
Net Income



Source: IBC

2004 Industry Results : Key Drivers

- Automobile insurance drives underwriting improvement



* : Estimate

Source: IBC and OSFI

www.ingcanada.com



Personal Lines Insurance Overview

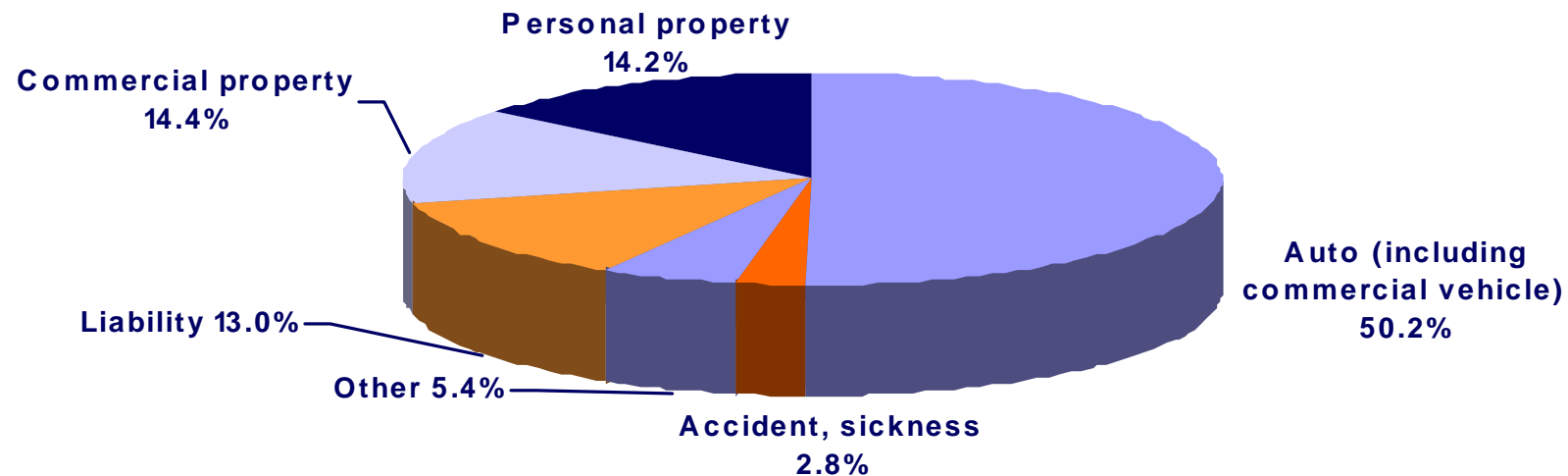
Agenda

- **Marketplace**
 - An Overview
 - Residual Market
 - Regulatory Environment
- **Trends**
 - Reforms
 - Pressure Points
 - Frequency
- **Opportunities**
 - Underwriting Discipline
 - Leverage size

Marketplace – An Overview

Distribution by line of business

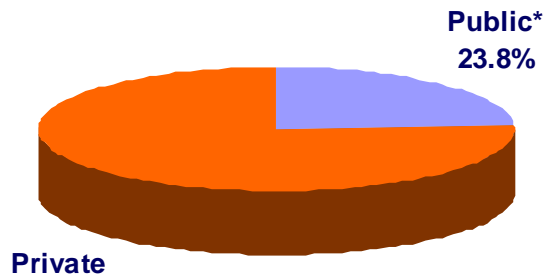
(2003 Direct written premiums)



Source: IBC

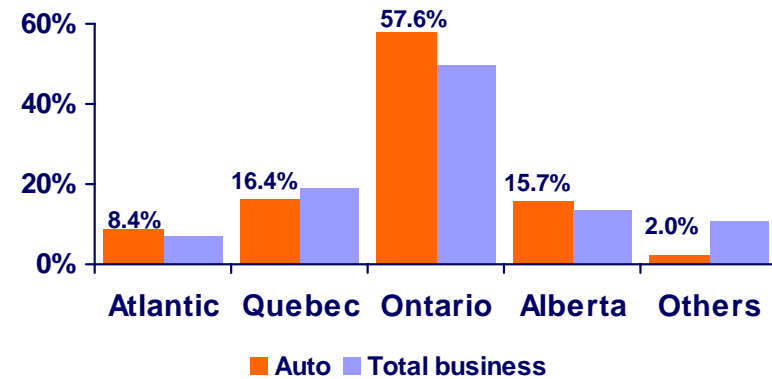
Marketplace – An Overview (Automobile)

Distribution by Insurer
(2003 Direct written premiums)



*: Insurers owned by provincial governments in B.C., Man., Sask., Qc.
Source: Insurance Bureau of Canada

Distribution by Province
(2003 Direct written premiums)



Source: Canadian Underwriter

- **Automobile insurance is compulsory in Canada**
- **Insurers owned by provincial governments:**
 - British Columbia
 - Manitoba
 - Saskatchewan
 - Quebec (Bodily injury coverage only)

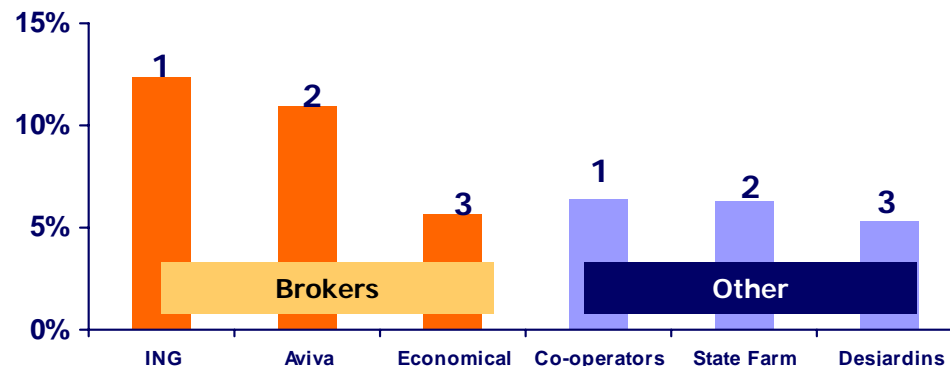
Marketplace – An Overview (Automobile)

By Insurer
(2003 Direct written premiums)



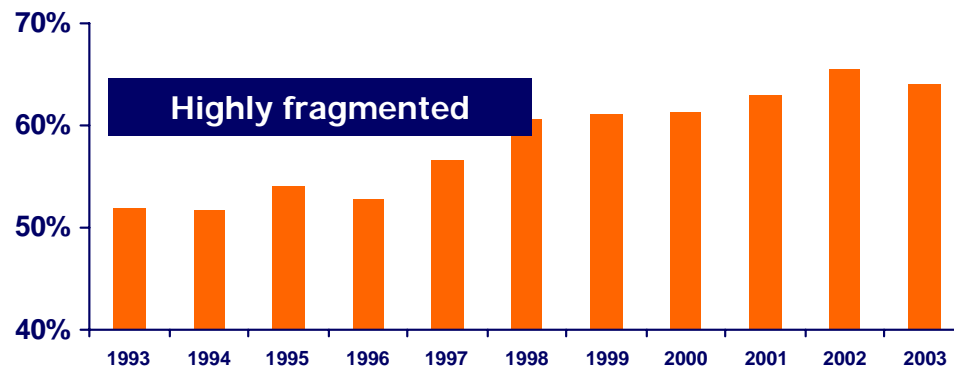
Source: Canadian Underwriter

Top 3 Insurers
(2003 Direct written premiums)



Source: Canadian Underwriter

Top 10 Insurers - Market Share
(Net written premiums)



Source: Canadian Underwriter

Three types of distribution channels:

- Brokers
- Captive Agents
- Direct

Marketplace – The Product

- **Physical damage vs. Bodily injury**
 - Physical damage - Mostly optional coverage
 - Third party liability : Only mandatory coverage that covers damage to others belongings
 - All perils: Covers damage to the car from any perils subject to exclusions
 - Collision : Covers damage to the car as a result of an impact with another vehicle, object, or from a rollover
 - Comprehensive : Covers damage caused by most perils other than collision
 - Direct compensation on physical damage (DCPD)
 - Bodily injury – mostly mandatory and falls under two regimes in Canada. Tort (above a limit, the victim can sue) or No-fault (the victim can't sue the person responsible).
 - Third-party liability : Covers damage done to another person
 - Accident Benefits insurance : Covers damage done to the insured and passengers

Marketplace – Residual Market (Automobile)

	Facility Association	Risk Sharing Pool	Grey Market
Definition	Mandatory mechanism that identifies and describes what risks are eligible to be written by Facility Association Servicing Carriers.	Voluntary mechanism for risks that do not fall within the description of the Facility. The purpose of creating a risk sharing pool was to depopulate the Facility Association.	Insurers that specialize in providing non-standard or higher-risk automobile insurance products (e.g. Kingsway).
Province/Territory	Alta., Ont., N.S., P.E.I., N.B., Nfld, Yukon, N.W.T. and Nunavut	Alberta, Ontario, New Brunswick, Québec	Canada
Effect on premiums	The FA flows through its own premiums to the FA carriers.	Business is written as regular business by the writing company and issued at normal rates. The writing company has the option of keeping such business for their own account or transferring it.	Business is written as regular business by the writing company.
Market Share (in DWP 2004)	4.7%	1.0 %	2.3%
Transparent to consumers	Yes	No	Yes

Source: Canadian Underwriter and Facility Association

Marketplace – Regulatory Environment (Automobile)

Rate Filing

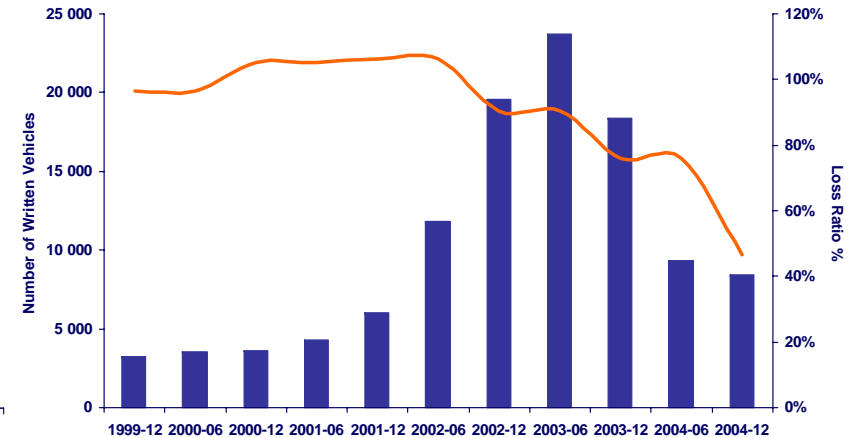
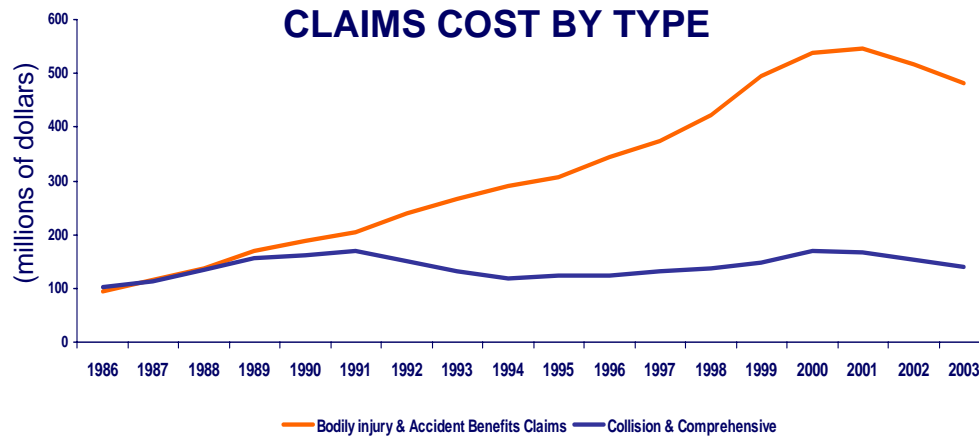
Role of the Regulator:

- **Affordability** : Buying automobile insurance required by law. Regulators control the rating in several provinces by having insurance company report it through a rate filing.
- **Availability** : Automobile insurance is mandatory in Canada. Regulators had to create a mechanism to access products such as the Facility Association and risk sharing pools.
- **Fairness** : Unlike the price of most goods and services, insurance premiums are calculated before the costs are known. Regulations ensure fairness in the level of premium charged.

	Definition	Territory
File and Use	Rates have to be filed with the regulator before being used by the insurer	Alberta New Brunswick
Use and File	Rates can be used before being provided to the regulator	Quebec
File and approval	Rates have to be filed and approved by the regulator before being used by the insurer	Ontario Nova Scotia Prince Edward Island Newfoundland
Open competition	No rules are defined in this category	Yukon Northwest Territories Nunavut Only for private insurers in : British Columbia, Saskatchewan and Manitoba

Trends – Reforms in Atlantic (Automobile)

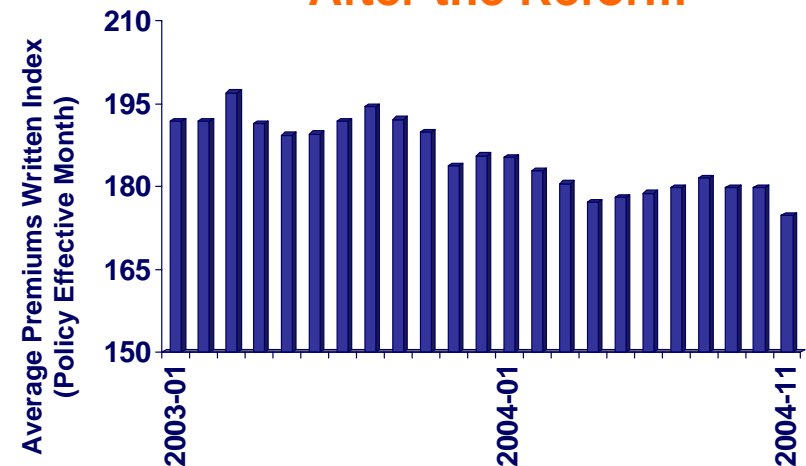
Before the Reform



The Reform

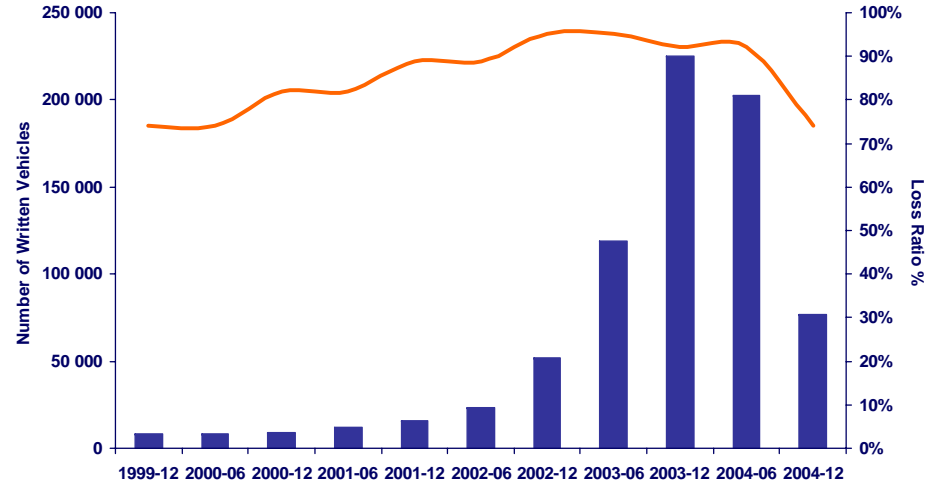
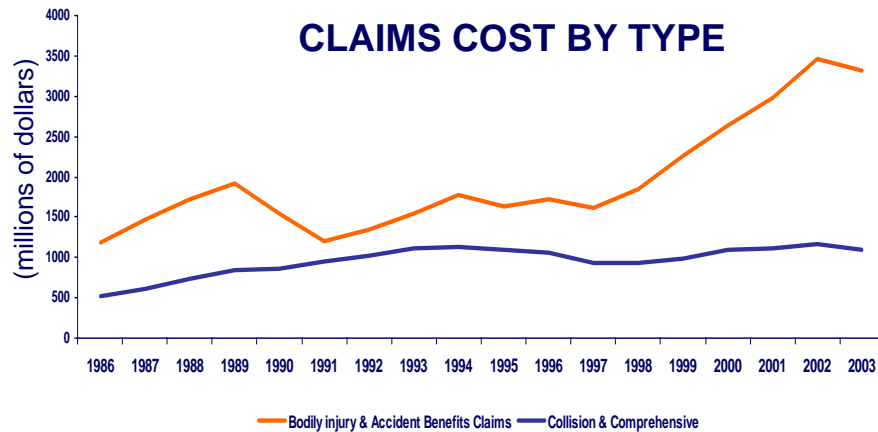
- Nova Scotia has now enjoyed two years of premium reductions in auto insurance, amounting to a 21% decrease.
- In New Brunswick, consumers have also benefited from a 26% premium reduction over the past two years.
- Newfoundland and Labrador drivers saw an average 15% reduction in auto insurance premiums in 2004.
- Similarly, in Prince Edward Island consumers paid 12% less for auto insurance in 2004.
- These reductions amount to savings of nearly \$270 million for Atlantic Canadian drivers.

After the Reform



Trends – Reforms in Ontario (Automobile)

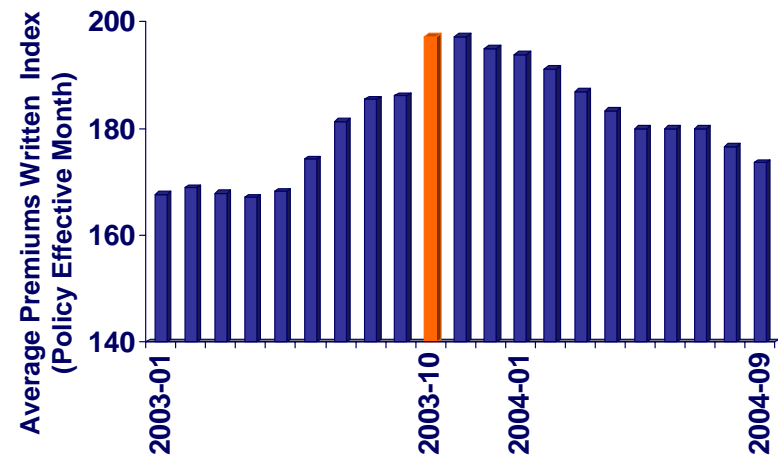
Before the Reform



The Reform

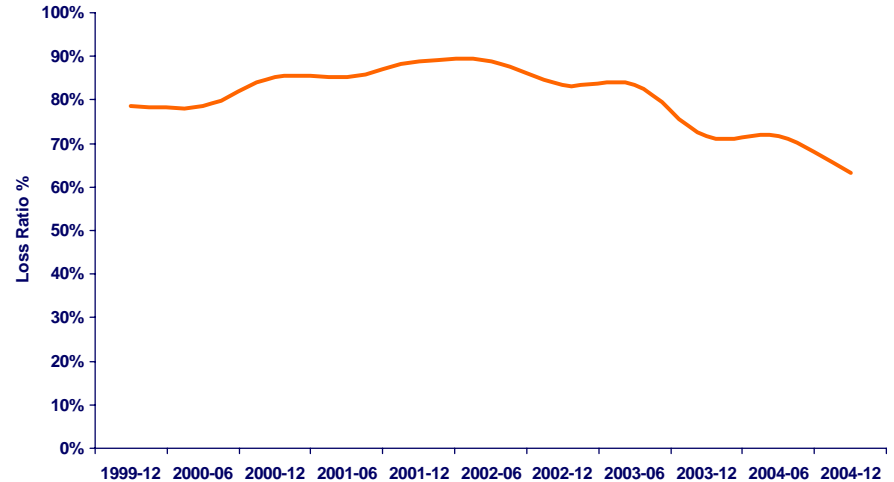
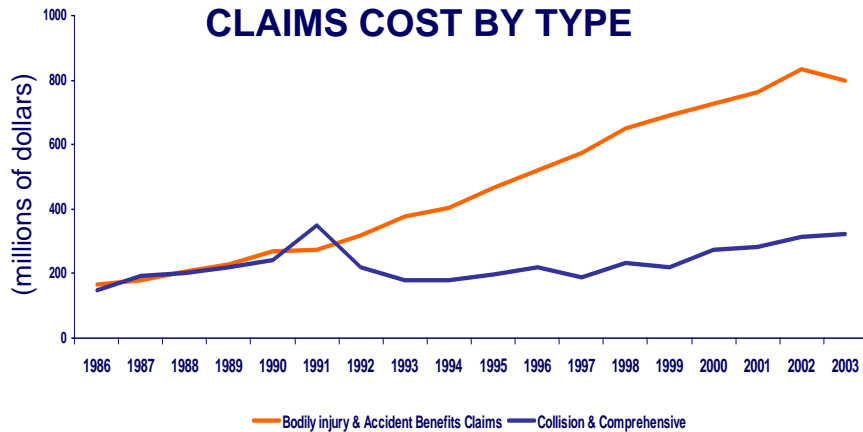
- The combination of government reforms, financially stronger companies and increased competition has driven average auto insurance premiums down by 12% since November 2003.
- That means that Ontario drivers will see savings of \$900 million in 2005.

After the Reform



Trends – Reforms in Alberta (Automobile)

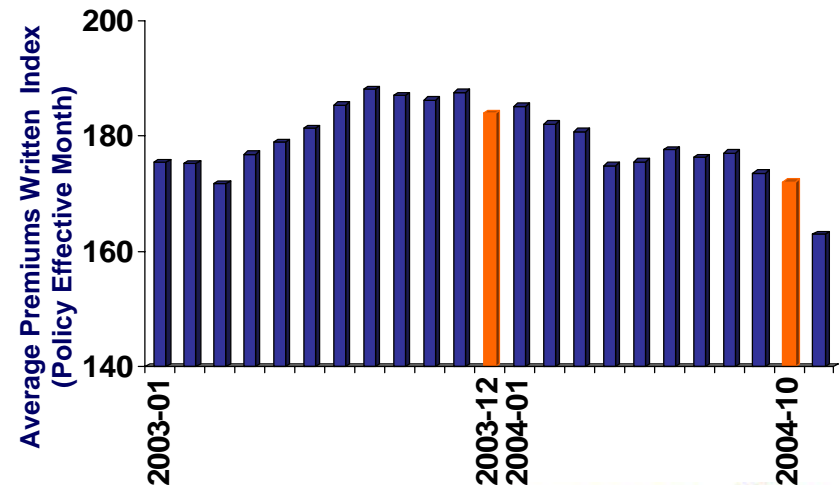
Before the Reform



The Reform

- Introduction of a premium grid that sets maximum premiums for the 20% of new and inexperienced drivers and those with poor driving records for mandatory coverage.
- In Alberta, all drivers have benefited from a minimum 5% reduction in mandatory auto premiums.
- Premium freeze extended until September 30, 2005.
- Young drivers in particular have benefited from reforms, with an average reduction of between 30% and 40%.
- In all, Alberta drivers have benefited from over \$200 million in savings.

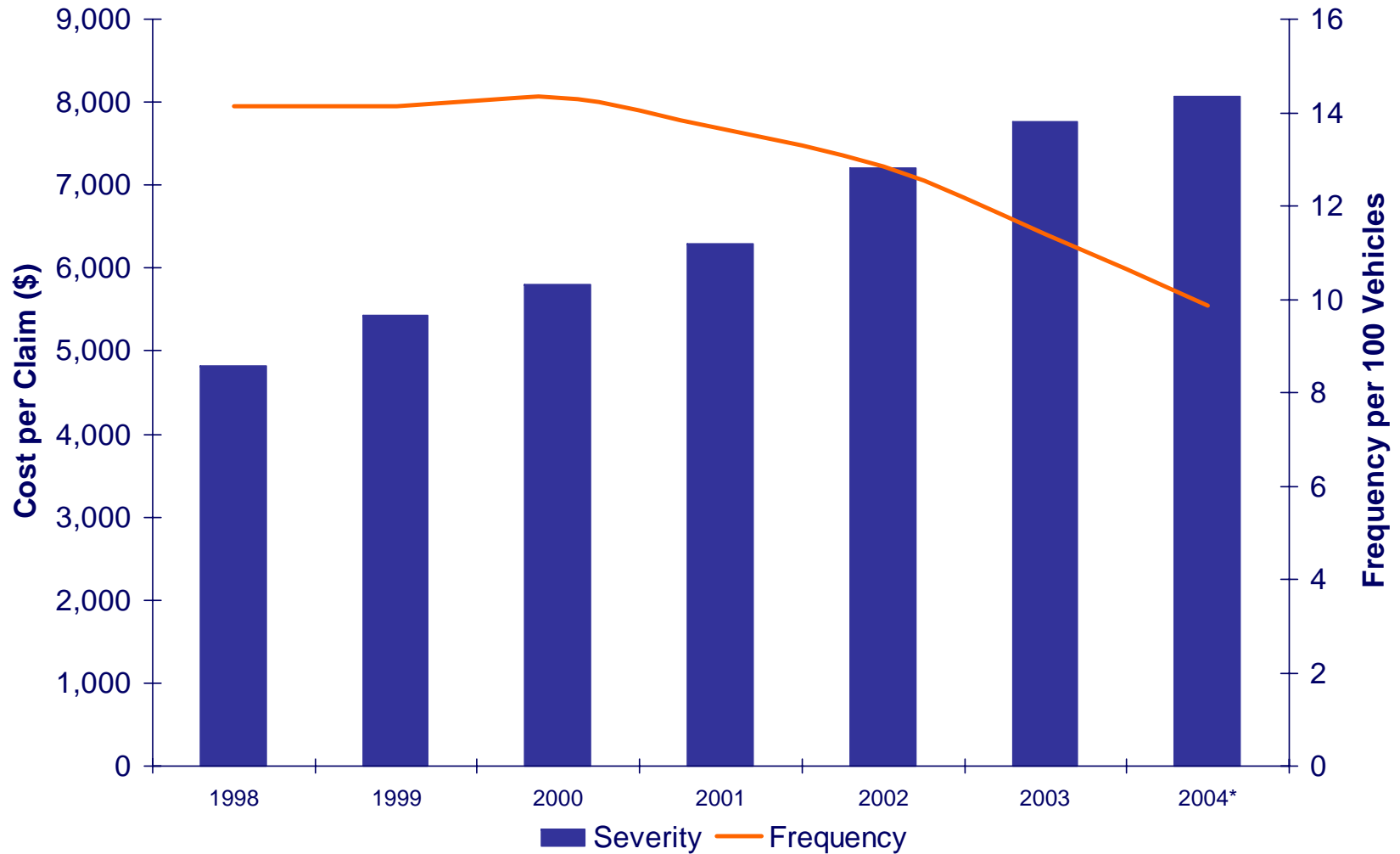
After the Reform



Trends – Pressure Points (Automobile)

- **Favourable results of the industry could lead to further rate reductions**
- **Some pricing and underwriting variables under scrutiny**
- **Take all comers rule and fair practices**

Trends – Frequency (Automobile)



* estimate for 2004

Trends – Frequency (Automobile)

- **External factors**
 - Price of gas
 - Precipitation (rain & snow)
 - Unemployment rate
 - Reforms
- **Internal factors**
 - Deductibles
- **Demographic (consumer profiles)**
 - Age of drivers
 - Age of cars
 - Fear to claim

Winning in Personal Lines

- Risk based pricing
- Underwriting discipline in risk selection
- Segmentation
- Leverage size
 - large database
 - relationships with claims service providers
 - operational efficiencies



Commercial Lines Insurance Overview

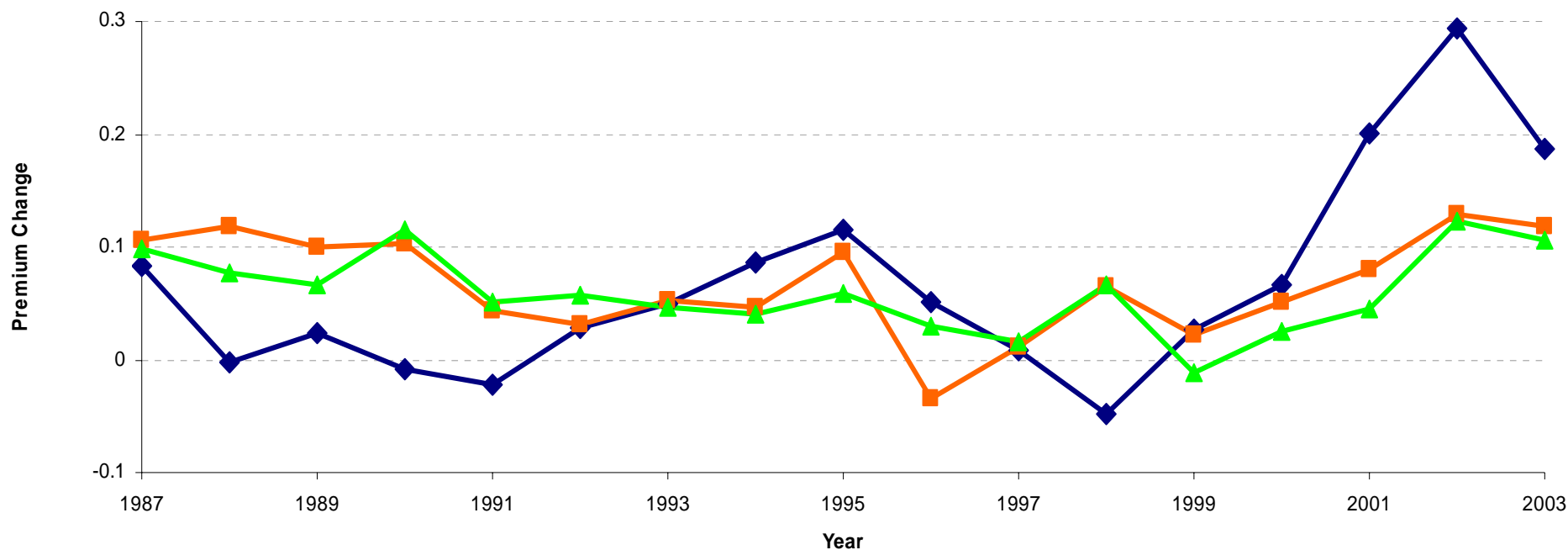
Agenda

- Marketplace
 - An Overview
 - Client Profile
 - Insurers
- Issues & Trends
 - Risk Management
 - Results
 - Frequency, Inflation, Rates
- Opportunities
 - 'Stick to your knitting'
 - Profitable Growth
 - Measure to Manage

Marketplace – An Overview

Compound annual growth rate in Commercial Non Auto of 9.4% over ten years compared to 5.7% for Auto and 4.9% for Personal Property over that same period

Commercial Property and Liability Combined - Net Premium Growth



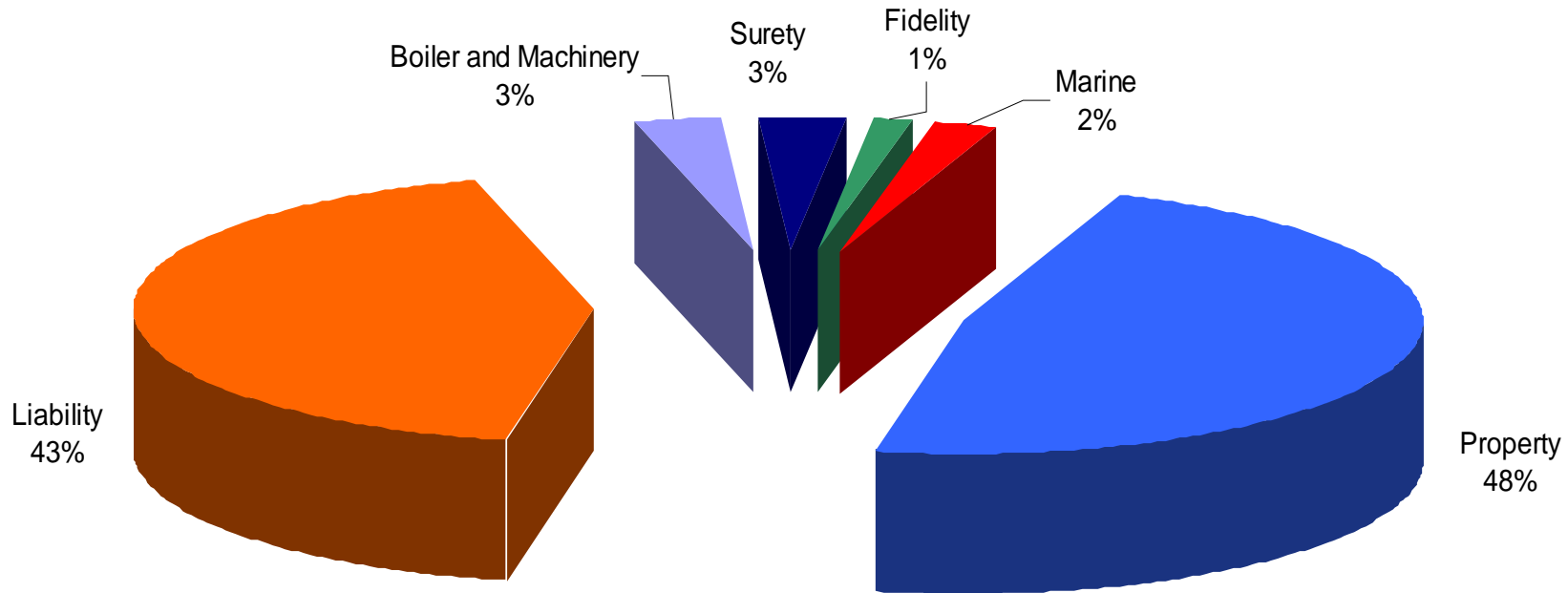
Source: Canadian Insurance
1991-2004 Annual Statistical Review

Commercial Non Auto Automobile Personal Property

Marketplace – An Overview

Although the statistics for property and liability are reported separately, these coverages are generally provided under a single policy

2003 Commercial Lines Net Written Premium Distribution by Line

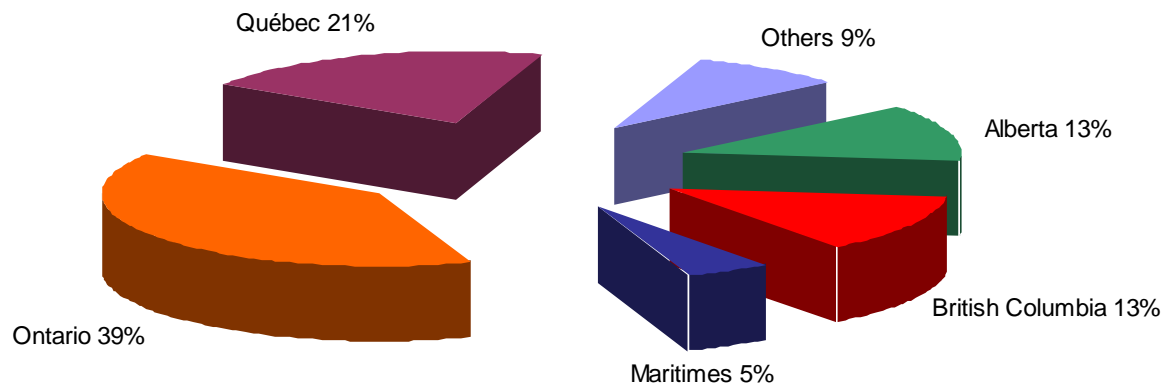


Source: Canadian Insurance
2004 Annual Statistical Review

Marketplace – An Overview

Commercial Non Auto is more provincially diversified than Auto and Personal Property with 60% share in Ontario and Quebec compared to share of 74% and 65% respectively for Auto and Personal Property

2003 Commercial Property and Liability Lines
Direct Written Premiums
Distribution by Province

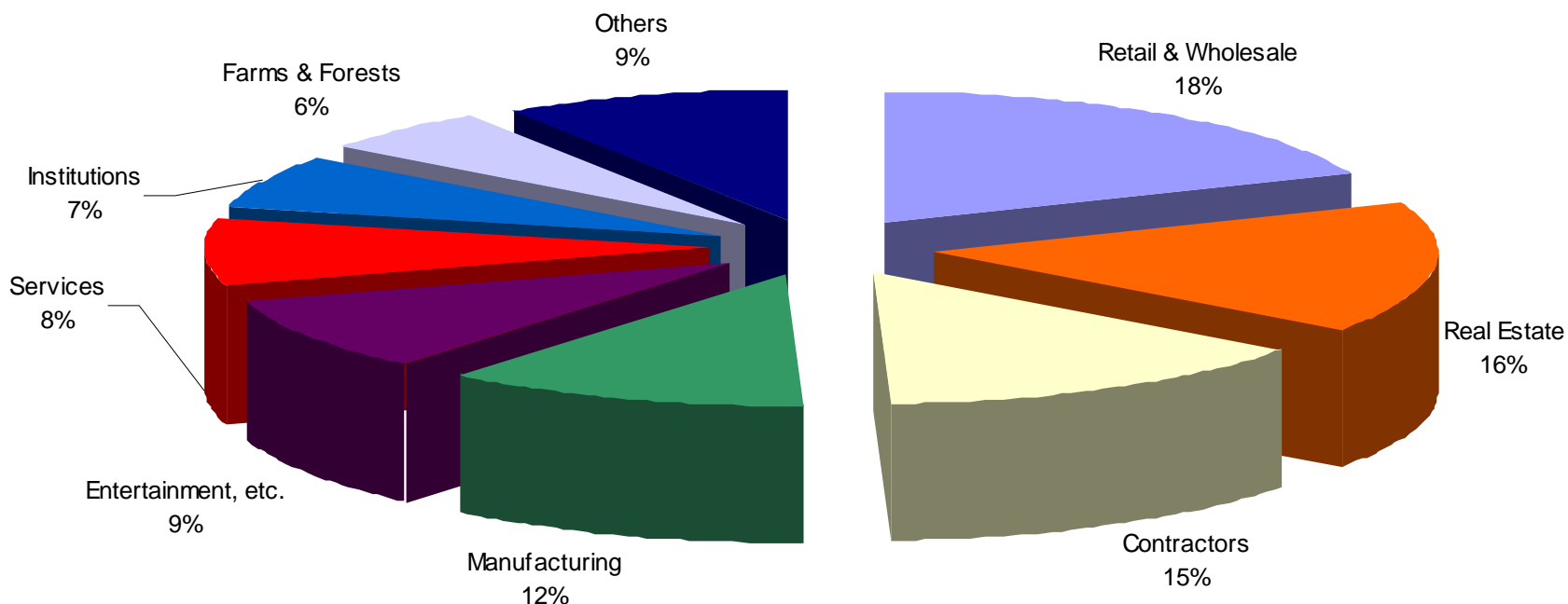


Source: TRAC
A.M. Best Co., Best's Financial Suite - Canada,
2004

Marketplace – An Overview

Retail, Wholesale, Real Estate, Contractors and Manufacturing represent about 60% of a typical Commercial Non Auto Portfolio

Commercial Lines Premium Distribution by Class



Source: ING Canada - Internal Data

Marketplace – Client Profile

- Commercial database in Canada lacking in both size and quality, which leads to market driven pricing
- Those with scale can develop proprietary databases and rating models

Business Type	Small	Medium	Large
Definition*	Less than 99 employees; between \$30K & \$5 million in revenue	Between 100 and 500 employees; less than \$50 million in revenue	Over 500 employees; more than \$50 million in revenue
% of GDP*	43%		57%
% of Active Employers*	98.8%	1.2%	
Product	Package products with standard coverage extensions; limited U.S. exposure	Package products with standard coverage extensions; some 'negotiated' coverages; moderate U.S and international exposure	'Negotiated coverages'; risk manager; significant U.S. and international exposure
Pricing	Insurance Advisory Organization (IAO) suggested rating with deviations; proprietary rating models	Proprietary rating models; 'market pricing'	Proprietary rating models; 'market pricing'
Distribution	Primarily 'main street' brokers; some tier-two	Tier-two brokers; alphabet houses (AON, Marsh)	Alphabet houses (AON, Marsh)

*Source: Statistics Canada

Marketplace – Insurers

- With about \$300 million in Commercial Auto, ING is the #1 commercial lines writer in Canada
- Marine leaders are Royal and Lloyds with about 14% market share each
- Surety leaders are St Paul and Guarantee with about 19% market share each
- Boiler & Machinery leaders are St Paul and Factory Mutual with 20% and 15% M.S.

Canada Wide - Commercial Property and Liability Combined			
Rank	Company	Market Share 2003	Target Market
1	LOMBARD	9.7%	Medium to large
2	AMERICAN INTERNATIONAL	9.4%	Medium to large
3	ING CANADA	7.9%	Small to medium
4	LLOYD'S NON-MARINE	6.5%	Medium to large
5	ZURICH CANADA	6.1%	Medium to large
6	AVIVA	5.8%	Small to medium
7	CO-OPERATORS	4.7%	Small to medium
8	CHUBB INS CO OF CANADA	3.6%	Medium to large
9	AXA/BOREAL	3.5%	Small to medium
10	ECO / FEDER / HARTFORD	3.4%	Small to medium
	Total (1 to 10)	60.6%	
	Total Industry	100.0%	

Source: TRAC

A.M. Best Co., Best's Financial Suite - Canada, 2004

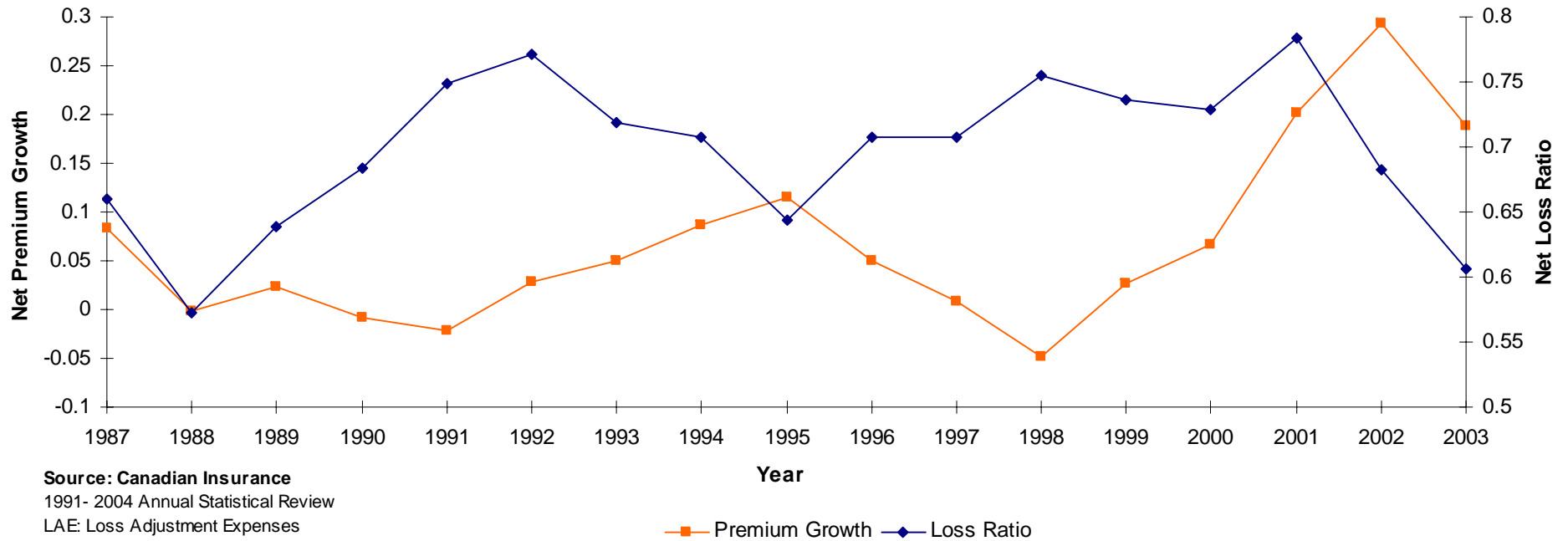
Issues – Risk Management

- **Regulatory Environment**
 - Commercial lines not subject to the same rate filing requirements as personal lines; means more pricing flexibility
 - Some concern among regulators regarding ‘availability’, particularly in non-profit / volunteer sector
- **Legal Environment**
 - Class Actions
 - Directors & Officers related to securities litigation the primary culprit
 - Silica Liability
 - Not considered material in Canada as claims have fallen under provincially-run workers’ compensation programs
- **Coverage**
 - Earthquake
 - British Columbia – reinsurance coverage for 1 in 500 year event by 2022 (OSFI)
 - Addition of Commercial General Liability Premises and Operations Aggregate
 - 2005 Q4 introduction; no material impact

Issues - Results

- Growth varies with results; and, in general, prices are market driven and highly subjective compared to personal lines
- Cycle also impacted by the availability of capital and the number of new entrants

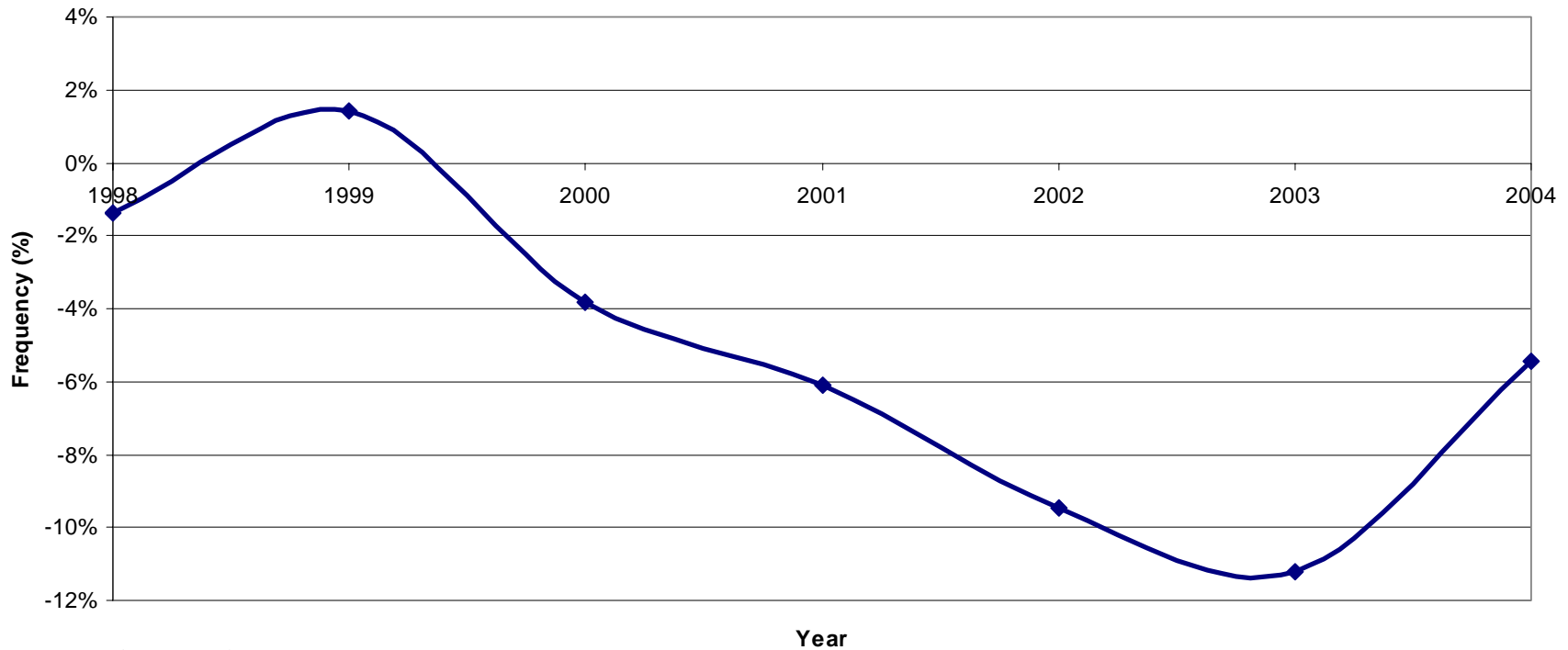
Commercial Property and Liability Combined - Net Premium Growth and Net Loss & LAE Ratio



Trends - Frequency

The reduction in frequency has been a key contributor to the favourable results; although the trend has begun to slow

Commercial Lines Frequency Change

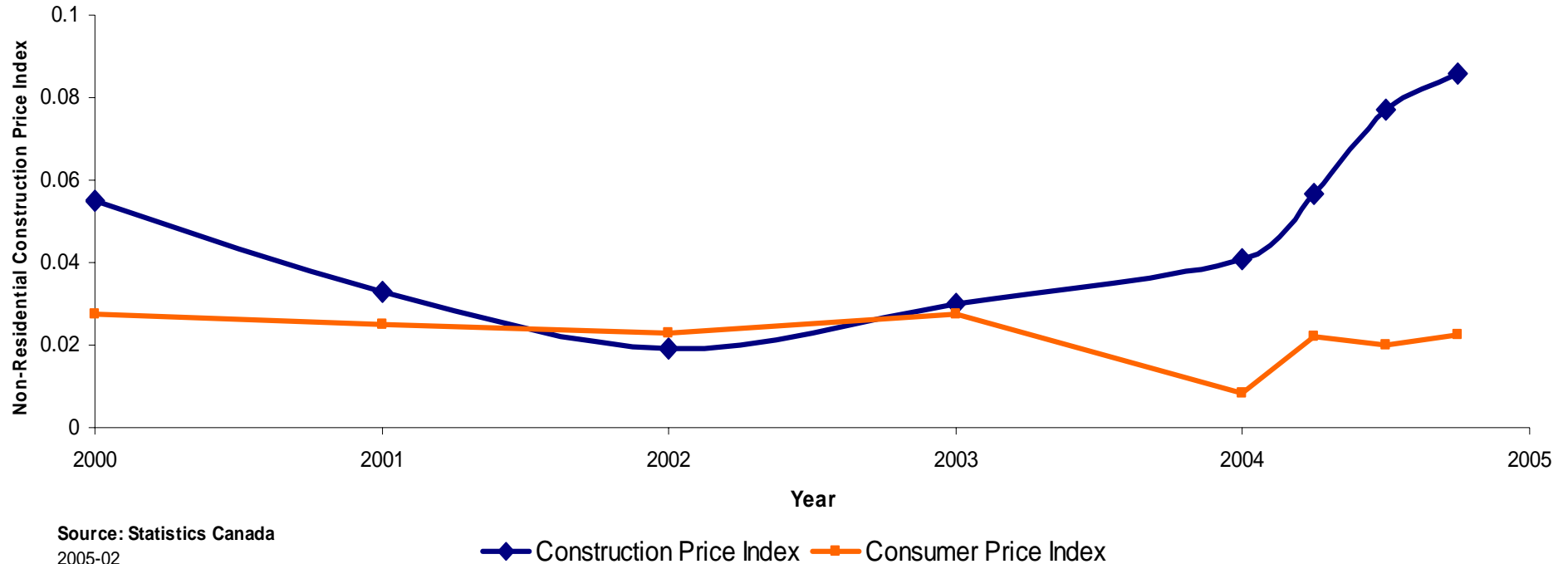


Source: ING Canada - Internal Data

Trends – Inflation in Construction Costs

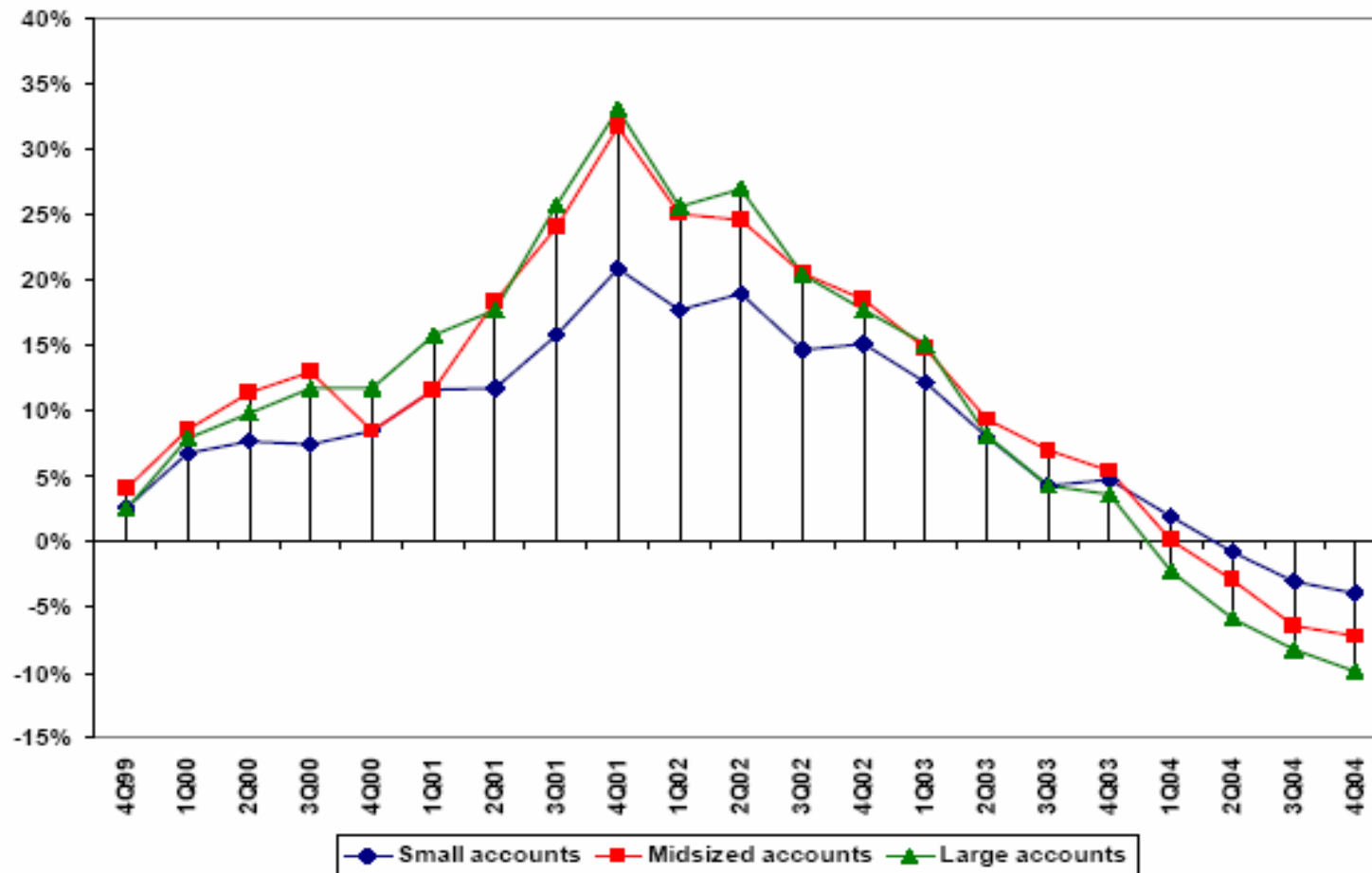
Construction costs have increased by more than 8% in 2004 which is 6 points above average inflation

Price Index 12 Months Rolling Growth



Softening in Commercial Lines

Average Commercial Premium Rate Changes by Account Size (U.S.)



Source: Council of Insurance Agents and Brokers

Winning in Commercial Lines

- ‘Stick to your knitting’
 - Scale
 - Control underwriting, pricing and claims
 - Broker Role
- Measure to Manage
 - Focus on return on capital
 - Emphasis on unit count growth
 - Actively manage/monitor pricing deviations



2005 Outlook

2005 Outlook

- **Capital is flowing back into the market place**
 - MCT reaches 235% in 2004
 - More than \$5 billion of capital in excess of 170%
- **All major lines of business performing above cost of capital**
- **Automobile**
 - Reforms are stabilising accident benefit and bodily injury costs
 - Sustainability of recent drops in frequency uncertain
 - Price pressure expected
- **Commercial: Further price pressure expected**
- **Industry growth likely to be below historical levels**
- **Industry results likely to return to historical level within 36 months**



Questions and Answers

