

Interim consolidated financial statements (unaudited)

ING Canada Inc.
September 30, 2006

ING Canada Inc.

CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands of dollars)

	As at	
	September 30 2006	December 31 2005
Assets		
Cash and cash equivalents	\$ 12,806	\$ 341,138
Investments (note 2)	7,263,812	6,720,965
Accrued investment income	49,643	50,100
Due from affiliated companies (note 5)	6,456	230
Premium and other receivables	1,648,727	1,518,511
Reinsurers' share of unpaid claims and loss adjustment expenses (note 4)	274,054	330,519
Reinsurers' share of unearned premiums (note 4)	18,349	17,279
Deferred acquisition costs	399,721	381,992
Income taxes receivable	81,419	55,684
Other assets	197,517	182,119
Long-term investments	44,265	41,587
Future income tax assets	85,904	141,101
Intangible assets (note 7)	59,728	36,948
Goodwill (note 7)	138,472	108,362
	<u>\$ 10,280,873</u>	<u>\$ 9,926,535</u>
Liabilities		
Payables and other liabilities	\$ 801,054	\$ 815,674
Due to affiliated companies (note 5)	-	2,968
Income taxes payable	34,247	67,705
Unpaid claims and loss adjustment expenses (note 4)	3,793,918	3,821,609
Unearned premiums (note 4)	2,303,173	2,194,837
Unearned reinsurance commissions	4,452	4,129
Debt outstanding	-	127,000
	<u>6,936,844</u>	<u>7,033,922</u>
Shareholders' equity		
133,732,000 common shares and 1 Special Share	1,183,846	1,183,846
Contributed surplus	92,751	89,713
Retained earnings	2,067,432	1,619,054
	<u>3,344,029</u>	<u>2,892,613</u>
	<u>\$ 10,280,873</u>	<u>\$ 9,926,535</u>

See accompanying notes to interim consolidated financial statements

ING Canada Inc.

INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in thousands of dollars except for per share amounts)

	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Direct premiums written	\$ 1,038,132	\$ 1,006,522	\$ 3,026,781	\$ 2,999,883
Net premiums written	\$ 1,013,701	\$ 983,753	\$ 2,954,311	\$ 2,879,582
Revenue				
Net premiums earned	\$ 954,453	\$ 955,021	\$ 2,847,046	\$ 2,878,858
Investment income	86,391	88,103	257,633	259,967
Net realized investment and other gains	35,757	66,811	178,219	156,307
Commissions and advisory fees	3,641	13,399	27,734	39,387
	1,080,242	1,123,334	3,310,632	3,334,519
Expenses				
Claims and loss adjustment expenses	576,521	561,965	1,631,854	1,622,462
Commissions (note 5)	139,200	156,418	457,439	488,204
Premium taxes	33,894	33,474	99,162	100,961
General expenses	110,580	100,123	334,036	295,272
	860,195	851,980	2,522,491	2,506,899
Interest on debt outstanding	1,328	1,991	5,309	5,972
Income before income taxes	218,719	269,363	782,832	821,648
Income taxes (note 6)	61,884	66,565	234,155	236,747
Net income	\$ 156,835	\$ 202,798	\$ 548,677	\$ 584,901
Basic and diluted earnings per share	\$ 1.17	\$ 1.52	\$ 4.10	\$ 4.38
Basic and diluted average number of common shares (in thousands)	133,732	133,732	133,732	133,483

See accompanying notes to interim consolidated financial statements

ING Canada Inc.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

(in thousands of dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Share capital				
Balance, beginning of period	\$ 1,183,846	\$ 1,183,846	\$ 1,183,846	\$ 1,052,290
Common shares issued	-	-	-	136,032
Share issuance costs, net of income taxes	-	-	-	(4,476)
Balance, end of period	1,183,846	1,183,846	1,183,846	1,183,846
Contributed surplus				
Balance, beginning of period	91,623	84,074	89,713	83,336
Stock-based compensation (note 9)	1,128	369	3,038	1,107
Balance, end of period	92,751	84,443	92,751	84,443
Retained earnings				
Balance, beginning of period	1,944,030	1,262,837	1,619,054	923,983
Net income	156,835	202,798	548,677	584,901
Dividends paid	(33,433)	(21,731)	(100,299)	(65,194)
Other	-	-	-	214
Balance, end of period	2,067,432	1,443,904	2,067,432	1,443,904
Total shareholders' equity	\$ 3,344,029	\$ 2,712,193	\$ 3,344,029	\$ 2,712,193

See accompanying notes to interim consolidated financial statements

ING Canada Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands of dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Operating activities				
Net income	\$ 156,835	\$ 202,798	\$ 548,677	\$ 584,901
Adjustments to determine cash provided by operating activities:				
Unearned premiums and unpaid claims and loss adjustment expenses, net	105,674	44,288	136,040	2,267
Net realized investment and other gains	(35,757)	(66,811)	(178,219)	(156,307)
Deferred acquisition costs, net	(10,857)	(6,647)	(17,406)	(7,937)
Future income taxes	(10,863)	(4,811)	47,770	17,763
Amortization	369	9,967	7,903	26,475
Increase (decrease) in loan provision	92	(4,500)	146	(4,500)
Other, net	814	(135)	876	(943)
Changes in other operating assets and liabilities	(10,263)	1,265	(218,819)	(10,542)
Cash provided by operating activities	196,044	175,414	326,968	451,177
Investing activities				
Proceeds from sale of investments (note 11)	4,283,491	2,743,505	13,991,732	8,451,826
Purchase of investments (note 11)	(4,460,971)	(2,574,138)	(14,354,253)	(8,436,064)
Purchase of brokerages and books of business, net	(14,477)	(21)	(49,677)	(12,391)
Proceeds from sale and leaseback of properties	174	-	29,977	-
Purchase of property and equipment and other, net	(16,634)	(7,986)	(45,780)	(27,214)
Cash (used in) provided by investing activities	(208,417)	161,360	(428,001)	(23,843)
Financing activities				
Dividends paid	(33,433)	(21,731)	(100,299)	(65,194)
Proceeds from capital issuance	-	-	-	136,032
Debt repayment	(127,000)	-	(127,000)	(129,230)
Share issuance costs	-	-	-	(6,802)
Cash used in financing activities	(160,433)	(21,731)	(227,299)	(65,194)
Net (decrease) increase in cash and cash equivalents	(172,806)	315,043	(328,332)	362,140
Cash and cash equivalents, beginning of period	185,612	129,570	341,138	82,473
Cash and cash equivalents, end of period	\$ 12,806	\$ 444,613	\$ 12,806	\$ 444,613

Supplemental cash flow information:

Income taxes paid	\$ 65,316	\$ 67,534	\$ 245,668	\$ 317,620
Interest paid on debt outstanding	3,982	3,982	7,963	7,963

See accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

1. Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements and do not include all the information required for complete financial statements. Except as described below, these interim consolidated financial statements use the same accounting policies as were used for the Company’s consolidated financial statements for the year ended December 31, 2005 and should be read in conjunction with the Company’s annual consolidated financial statements for the year then ended.

Accounting policy for derivative financial instruments

The usage of derivative financial instruments was expanded in 2006. Derivative financial instruments are used for risk management (non-trading) purposes and for trading purposes. Currency swaps and forwards, and total return swaps are held for non-trading purposes to mitigate foreign exchange and market risks. Interest rate futures, options and swaps and total return swaps are held for trading purposes.

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

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

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

1. Basis of presentation (continued)

Use of estimates

The preparation of interim 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 these interim consolidated financial statements, the reported amounts of revenue and expenses for the periods, as well as the disclosure of contingent assets and liabilities. These estimates are subject to uncertainty. Changes in estimates are recorded in the accounting period in which these changes are determined.

2. Investments

Tables 2.1 and 2.2 reflect the Company's investments. Fixed income securities and preferred shares are classified by investment grade and type of issuer.

Table 2.1	As at September 30, 2006			
	Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Short-term notes	\$ 763,477	\$ 763,477	\$ -	\$ -
Fixed income securities ^(a)				
Investment grade				
Government and government-guaranteed	2,000,896	2,026,316	26,324	904
Corporate	952,662	965,561	15,690	2,791
Asset-backed	303,293	303,336	1,185	1,142
Below investment grade	3,771	2,686	-	1,085
Total fixed income securities	3,260,622	3,297,899	43,199	5,922
Mortgage loans	60,261	62,282	2,021	-
Preferred shares				
Investment grade	1,362,444	1,405,695	53,416	10,165
Below investment grade	33,109	33,570	1,808	1,347
Total preferred shares	1,395,553	1,439,265	55,224	11,512
Common shares	1,612,166	1,664,736	117,982	65,412
Other investments	171,733	171,733	-	-
	\$ 7,263,812	\$ 7,399,392	\$ 218,426	\$ 82,846

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of dollars)

2. Investments (continued)

Table 2.2	As at December 31, 2005			
	Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Short-term notes	\$ 440,435	\$ 440,435	\$ -	\$ -
Fixed income securities ^(a)				
Investment grade				
Government and government-guaranteed	2,043,548	2,091,519	52,545	4,574
Corporate	1,147,059	1,173,535	29,565	3,089
Asset-backed	326,174	327,780	2,910	1,304
Below investment grade	3,983	2,950	-	1,033
Total fixed income securities	3,520,764	3,595,784	85,020	10,000
Mortgage loans	70,347	73,108	2,761	-
Preferred shares				
Investment grade	1,245,117	1,304,977	65,306	5,446
Below investment grade	12,149	14,905	2,796	40
Total preferred shares	1,257,266	1,319,882	68,102	5,486
Common shares	1,266,550	1,430,440	183,641	19,751
Other investments	165,603	165,603	-	-
	\$ 6,720,965	\$ 7,025,252	\$ 339,524	\$ 35,237

(a) Fixed income securities include private placements with a book value of \$97,090 at September 30, 2006 (December 31, 2005 - \$31,618) and a fair value of \$94,527 at September 30, 2006 (December 31, 2005 - \$30,081).

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

Table 2.3 summarizes the Company's long and short positions pursuant to the market neutral strategy.

Table 2.3	As at September 30, 2006		As at December 31, 2005	
	Book value	Fair value	Book value	Fair value
Long positions	\$ 74,157	\$ 72,222	\$ 30,401	\$ 34,180
Short positions	73,245	71,968	30,233	34,220

The Company provides collateral for securities borrowed and delivered pursuant to the sale of short securities. At September 30, 2006, the book value of the collateral was \$68,837 (December 31, 2005 - \$32,041).

To assess impairment, management reviews available current information for investments with fair values below their book values to ascertain whether the book values are expected to be recovered. The impairment losses recorded for the three and nine month periods ended September 30, 2006 were \$3,848 and \$13,457, respectively (\$6,049 and \$6,111, respectively, in 2005).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

3. Derivative financial instruments

Table 3.1 summarizes the fair value of the derivative financial instruments used by the Company.

Table 3.1	As at September 30, 2006			As at December 31, 2005		
	Positive fair value	Negative fair value	Net	Positive fair value	Negative fair value	Net
Held for non-trading purposes						
Where hedge accounting is applied						
Currency swaps	\$ 1,424	\$ -	\$ 1,424	\$ -	\$ -	\$ -
Where hedge accounting is not applied						
Foreign exchange contracts						
Currency forwards purchased	15	-	15	-	18	(18)
Currency forwards sold	-	33	(33)	86	-	86
Currency swaps	2,297	-	2,297	3,003	-	3,003
Total return swaps	967	64	903	-	-	-
Held for trading purposes						
Interest rate contracts						
Options purchased	267	-	267	-	-	-
Options written	-	85	(85)	-	-	-
Swaps	117	168	(51)	-	-	-
Total return swaps	10	-	10	-	-	-
	\$ 5,097	\$ 350	\$ 4,747	\$ 3,089	\$ 18	\$ 3,071

Tables 3.2 and 3.3 summarize the notional amount of the derivative financial instruments used by the Company by term of maturity.

Table 3.2	As at September 30, 2006			
	One year or less	One year to five years	Over five years	Total
Held for non-trading purposes				
Where hedge accounting is applied				
Currency swaps	\$ -	\$ -	\$ 51,391	\$ 51,391
Where hedge accounting is not applied				
Foreign exchange contracts				
Currency forwards purchased	10,807	-	-	10,807
Currency forwards sold	24,256	-	-	24,256
Currency swaps	4,320	1,504	3,771	9,595
Total return swaps	406,449	-	-	406,449
Held for trading purposes				
Interest rate contracts				
Options purchased	60,993	-	-	60,993
Options written	22,766	-	-	22,766
Swaps	55,900	525,788	-	581,688
Futures bought	274,532	-	-	274,532
Futures sold	130,783	-	-	130,783
Total return swaps	-	27,950	-	27,950
	\$ 990,806	\$ 555,242	\$ 55,162	\$ 1,601,210

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

3. Derivative financial instruments (continued)

Table 3.3	As at December 31, 2005			
	One year or less	One year to five years	Over five years	Total
Held for non-trading purposes				
Where hedge accounting is applied				
Currency swaps	\$ -	\$ -	\$ -	\$ -
Where hedge accounting is not applied				
Foreign exchange contracts				
Currency forwards purchased	5,922	-	-	5,922
Currency forwards sold	28,605	-	-	28,605
Currency swaps	4,320	1,718	8,504	14,542
Total return swaps	-	-	-	-
Held for trading purposes				
Interest rate contracts				
Options purchased	-	-	-	-
Options written	-	-	-	-
Swaps	-	-	-	-
Futures bought	-	-	-	-
Futures sold	-	-	-	-
Total return swaps	-	-	-	-
	\$ 38,847	\$ 1,718	\$ 8,504	\$ 49,069

4. Policy liabilities

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

Table 4.1 presents unpaid claims and loss adjustment expenses.

Table 4.1	As at September 30, 2006		As at December 31, 2005	
	Direct	Ceded	Direct	Ceded
Auto: liability	\$ 1,741,741	\$ 33,446	\$ 1,754,126	\$ 42,401
Auto: personal accident	723,164	24,734	717,743	29,557
Auto: other	83,941	238	86,594	1,124
Property	489,090	99,314	504,521	136,948
Liability	750,047	115,424	754,257	119,636
Other	5,935	898	4,368	853
	\$ 3,793,918	\$ 274,054	\$ 3,821,609	\$ 330,519

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

4. Policy liabilities (continued)

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

Table 4.2 presents the unearned premiums.

Table 4.2	As at September 30, 2006		As at December 31, 2005	
	Direct	Ceded	Direct	Ceded
Auto: liability	\$ 612,959	\$ 687	\$ 572,700	\$ 647
Auto: personal accident	199,792	68	186,665	60
Auto: other	557,390	24	520,354	7
Property	756,510	3,482	730,386	3,680
Liability	153,203	4,095	158,876	3,238
Other	23,319	9,993	25,856	9,647
	\$ 2,303,173	\$ 18,349	\$ 2,194,837	\$ 17,279

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. In estimating these costs, the Company uses discounting techniques to take into account the time value of money and a provision for adverse deviations is added to the discounted amount.

There was no premium deficiency at the consolidated balance sheet dates.

5. Related party transactions

The Company enters into transactions with the controlling shareholder, ING Groep, and entities that are subject to common control or 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.

Table 5.1 summarizes the impact of reinsurance ceded to entities that are subject to common control or management on the interim consolidated statements of income.

Table 5.1	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Ceded premiums earned	\$ 4,997	\$ 12,222	\$ 13,115	\$ 36,930
Ceded claims and loss adjustment expenses	4,119	47,446	6,909	71,838
Loss (income) before income taxes	\$ 878	\$ (35,224)	\$ 6,206	\$ (34,908)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(in thousands of dollars)

5. Related party transactions (continued)

Table 5.2 summarizes the other types of transactions with entities that are subject to common control or management.

Table 5.2	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Advisory fee income	\$ 182	\$ 994	\$ 540	\$ 5,822
Management and advisory expenses	4,416	4,348	13,169	13,277
Interest expense	1,328	1,991	5,309	5,972

Table 5.3 summarizes the Company's balances with entities that are subject to common control or management.

Table 5.3	As at September 30, 2006	As at December 31, 2005
Reinsurance receivable	\$ 6,456	\$ 230
Interest and other payables	-	2,968
	\$ 6,456	\$ (2,738)

The Company enters into transactions with investees presented as long-term investments. Significant balances and transactions with these investees consist of loans, which are classified as investments, of \$61,200 as at September 30, 2006 (\$63,386 as at December 31, 2005) and commission expense of \$6,873 and \$23,495 for the three and nine month periods ended September 30, 2006, respectively (\$5,558 and \$20,576, respectively, in 2005).

6. Income taxes

Table 6.1 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 6.1	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
	%	%	%	%
Income tax expense calculated at statutory tax rates	34.5	34.5	34.5	34.5
Increase (decrease) in income tax rates resulting from:				
Non-taxable dividend income	(4.8)	(3.8)	(3.9)	(3.3)
Non-deductible expenses	0.3	0.4	0.3	0.4
Tax-asset recovery not previously recorded	-	(3.6)	-	(1.5)
Non-taxable portion of capital gains	(0.4)	(2.9)	(0.4)	(1.3)
Other (net)	(1.3)	0.1	(0.6)	-
Effective income tax rate	28.3	24.7	29.9	28.8

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

7. Acquisitions and divestitures

On April 1, 2006, the Company acquired 100% of the outstanding shares of Grey Power Insurance Brokers Inc. (GPIB), an enterprise operating in the corporate and other segment, for an approximate cash consideration of \$32,686. The results of GPIB, since the acquisition date, have been included in the Company's interim consolidated statements of income for the three and nine month periods ended September 30, 2006. The purchase price has been allocated substantially to intangible assets (customer relationships), future income tax liabilities and goodwill for amounts of \$18,320, \$6,007 and \$20,288, respectively.

As a result of other acquisitions and divestitures made by subsidiaries of the Company during the first nine months of 2006 and amounting to a net cash consideration of \$16,991, intangible assets (customer relationships and contracts) and goodwill have increased by \$8,682 and \$9,822, respectively.

8. Employee future benefits

The Company recorded defined benefit pension expense of \$59 and \$179 for the three and nine month periods ended September 30, 2006, respectively (income of \$751 and \$2,059, respectively, in 2005). For the defined contribution plans, the expense and the employer contributions were \$472 and \$1,203 for the three and nine month periods ended September 30, 2006, respectively (\$534 and \$1,480, respectively, in 2005).

For other retirement plans offering life insurance and health benefits to retirees, which are closed to active employees, the Company recorded an expense of \$179 and \$533 for the three and nine month periods ended September 30, 2006, respectively (\$218 and \$649, respectively, in 2005).

9. Stock-based compensation

A long-term incentive plan (LTIP) was implemented for certain employees commencing 2005. Under this plan, these employees are awarded performance units as a portion of their compensation. Each award vests and pays out at the end of a three-year performance cycle. The actual award varies based on a performance target by comparing the Company's three-year average return on equity relative to that of the Canadian property and casualty insurance industry. The actual award may only be in common shares restricted for transfer. Accordingly, this type of compensation is recognized as an expense with a corresponding increase to contributed surplus. The Company re-estimates the number of performance units that are expected to vest at each reporting period. As at September 30, 2006, the estimate is 199,731 units for the 2006-2008 performance cycle with a per unit fair value at grant date of 36 dollars and 79 cents and 347,030 units for the 2005-2007 performance cycle with a per unit fair value at grant date of 26 dollars and 30 cents. At the time of the payout, the Company intends to purchase common shares in the market in an amount equal to the number of vested units.

Since July 1, 2006, employees who are not eligible for the LTIP are entitled to make contributions in accordance with a voluntary employee share purchase plan (ESPP). Under the ESPP, eligible employees can contribute up to 10% of their base earnings through payroll deduction. As an incentive for participation in the plan, the Company will contribute an amount corresponding to 50% of the employee contribution. The common shares are bought on the market by an independent broker each month and are held by a custodian on behalf of the employees. The common shares bought with the Company's contributions vest upon continued employment for a period of twelve months. During the quarter, 32,208 common shares were purchased by the independent broker on behalf of the employees under the ESPP. From those shares, 10,718 are unvested on September 30, 2006.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

9. Stock-based compensation (continued)

The amount charged to compensation expense for these plans was \$1,378 and \$3,038 for the three and nine month periods ended September 30, 2006, respectively (\$386 and \$1,159, respectively, in 2005). 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 unvested common shares.

10. Segmented information

The Company's core business activity is property and casualty ("P&C") insurance. P&C operations include two manufacturing segments and the investment segment. The manufacturing segments are personal lines and commercial lines. Classes in the personal lines segment include automobile and property. Classes in the commercial lines segment encompass commercial property and liability, automobile, surety, marine, as well as niche products that are targeted towards limited markets requiring specialized underwriting and claim settlement. The effect of reinsurance is reflected in the revenue and results of the manufacturing segments. The investment activities consist of managing the investment portfolio for the Company's P&C insurance subsidiaries. Investment income is shown net of investment expenses. Non P&C segments include corporate and other activities, as well as realized investment and other gains. Corporate and other activities include the results of the Company brokerage operations including related long-term investments, the Company's investment management company and intercompany eliminations consisting primarily of commissions and general expenses with the Company's P&C operations as well as non-recurring items such as acquisitions whose effects are not allocated to any other segment.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands of dollars)

10. Segmented information (continued)

Table 10.1 presents figures per segment.

Table 10.1	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Revenue				
Net premiums earned				
Personal insurance	\$ 672,464	\$ 668,587	\$ 1,997,658	\$ 2,009,789
Commercial insurance	281,989	286,434	849,388	869,069
Investments	77,834	84,661	232,708	249,294
Total P&C insurance	1,032,287	1,039,682	3,079,754	3,128,152
Corporate and other	12,198	16,841	52,659	50,060
Realized investment and other gains	35,757	66,811	178,219	156,307
Total revenue	\$ 1,080,242	\$ 1,123,334	\$ 3,310,632	\$ 3,334,519
Income before income taxes				
Underwriting income				
Personal insurance	\$ 58,563	\$ 73,526	\$ 199,992	\$ 268,830
Commercial insurance	37,367	43,193	141,523	142,631
Investments	73,986	79,040	217,174	232,392
Total P&C insurance	169,916	195,759	558,689	643,853
Corporate and other	13,046	6,793	45,924	21,488
Realized investment and other gains	35,757	66,811	178,219	156,307
Total income before income taxes	\$ 218,719	\$ 269,363	\$ 782,832	\$ 821,648
As at				
			September 30, 2006	December 31, 2005
Assets				
P&C insurance ^(a)			\$ 9,307,553	\$ 9,066,267
Corporate and other ^(b)			973,320	860,268
Total assets			\$ 10,280,873	\$ 9,926,535
Increase of goodwill				
P&C insurance		\$ -	\$ -	\$ -
Corporate and other		9,569	30,110	17,246
Total increase of goodwill		\$ 9,569	\$ 30,110	\$ 17,246

(a) Includes goodwill of \$74,411 at September 30, 2006 and at December 31, 2005

(b) Includes goodwill of \$64,061 at September 30, 2006 (\$33,951 at December 31, 2005)

11. Comparative figures

In 2005, the Company changed its definition of cash equivalents. As at September 30, 2005, such change resulted in a reclassification of \$270,766 between cash equivalents and investments. Interim consolidated statements of cash flows for the three and nine month periods ended September 30, 2005 were changed accordingly by a decrease of amortization of net premiums on fixed income securities of \$1,522 and \$4,256, respectively, and by an increase of proceeds from sale of investments and of purchase of investments respectively of \$645,502 and \$652,342 for the three months ended September 30, 2005 and of \$2,018,186 and \$2,009,956 for the nine months ended September 30, 2005.

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