

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 11, 2006

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim consolidated financial statements (unaudited) and accompanying notes at the end of this report, as well as the management's discussion and analysis and the consolidated financial statements in the Company's 2005 Annual Report to Shareholders.

The Company uses both generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other companies. ING Canada analyzes performance based on underwriting ratios such as combined, expense and loss ratios. These terms are defined in the glossary of terms found on the Investor Relations section of our web site at www.ingcanada.com and appear with a footnote description whenever the term first appears in the management's discussion and analysis.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed below or in our Annual Information Form. 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.

Current Outlook

Several key factors will affect the property and casualty ("P&C") insurance industry in 2006.

- **Lower industry growth rates but still strong underwriting profits:** We expect the industry's top-line growth rate for 2006 to be below historical levels, and for the industry, underwriting results to fall short of the favourable level experienced in 2005. That said, underwriting results for the year 2006 should exceed historical returns.
- **Stable claims costs in automobile insurance:** Automobile insurance reforms adopted by various provinces over the last two to three years have continued to be effective at containing and stabilizing claims costs. Furthermore, automobile claims frequency remains low and we believe frequency will either increase or continued low frequency will lead to premium reductions in 2006. Sustainability of the cost containment measures, as well as potential rate reductions, will continue to be key performance drivers throughout 2006.
- **Commercial insurance competition:** Commercial insurance continues to be competitive: prices are softening but continue to yield returns above historical levels. We remain disciplined in pricing and underwriting and committed to superior service to our brokers and commercial customers.
- **Non-residential construction cost increases:** Non-residential construction cost increases are putting pressure on commercial insurance underwriting margins. We continue working with our brokers to ensure that our commercial customers retain sufficient coverage.

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

Overall Performance

Net Income

Net income for the three months ended March 31, 2006, was \$185.9 million, an increase of \$27.4 million, or 17.3%, from \$158.5 million for the three months ended March 31, 2005.

These results were driven by continued favourable claims experience and strong investment gains.

- Our combined ratio was 91.5%, a good result in what has historically been a challenging quarter. Current accident year claims frequency and severity remain below last year's level. Prior year claims development remained positive at \$37.1 million, although \$31.4 million below last year's extraordinary level. Total expenses (including commissions) increased \$13.3 million, including an additional commission expense for prior year profit-sharing commissions.
- Pre-tax realized investment and other gains were \$107.6 million in the quarter, up from \$42.7 million in Q1 05. These gains consist primarily of \$27.2 million fixed income and \$75.5 million equity gains, and are explained further under "Revenue" below.

Pre-tax income increased to \$268.4 million in Q1 06 from \$228.6 million in Q1 05. The following table presents the major changes in pre-tax income.

(in millions of dollars)	Three months ended March 31	
2005 Pre-tax Income		\$ 228.6
Prior year claims development	(31.4)	
Current accident year *	7.3	
Industry pools	(5.2)	
Catastrophes	<u>(5.7)</u>	
Underwriting income		(35.0)
Realized investment and other gains		64.9
Other		<u>9.9</u>
2006 Pre-tax income		<u>\$ 268.4</u>

* excludes industry pools and catastrophes

Shareholders' Equity

Shareholders' equity increased by \$153.4 million, or 5.3%, to \$3,046.0 million at March 31, 2006. This increase reflects net income of \$185.9 million less \$33.4 million in dividends (\$0.25 per share) paid during the quarter plus \$0.9 million provision for stock-based compensation.

Summary of Results

The financial data in the following tables was prepared using Canadian generally accepted accounting principles (GAAP) and is taken from our interim consolidated financial statements (unaudited) for the three months ended March 31, 2006 and 2005.

(in millions of dollars, except per share data)	Three months ended	
	March 31	
	2006	2005
Direct premiums written	\$ 812.5	\$ 821.9
Total revenue	1,133.8	1,098.8
Underwriting income	79.9	114.9
Net income	185.9	158.5
Earnings per share (in dollars)		
Basic and diluted	1.39	1.19
	As at March 31	As at December 31
	2006	2005
Cash and cash equivalents	\$ 577.6	\$ 341.1
Investments	6,466.1	6,721.0
Total assets	9,782.3	9,926.5
Debt outstanding	127.0	127.0
Total shareholders' equity	3,046.0	2,892.6

The following table shows selected non-GAAP financial ratios and return on equity (ROE) data.

	Three months ended	
	March 31	
	2006	2005
Claims ratio ⁽¹⁾	59.5%	58.6%
Expense ratio ⁽²⁾	<u>32.0%</u>	<u>29.5%</u>
Combined ratio ⁽³⁾	91.5%	88.1%
ROE ⁽⁴⁾	30.1%	38.9%
ROE of our P&C insurance subsidiaries ⁽⁵⁾	35.5%	36.8%

- (1) Claims and loss adjustment expenses incurred, net of reinsurance, during a defined period and expressed as a percentage of net premiums earned for the same period. The financial numbers are determined in accordance with GAAP but the ratio is a non-GAAP measure.
- (2) Expense 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 earned premiums 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. The financial numbers used to determine these ratios are determined in accordance with GAAP but the ratio is a non-GAAP measure.
- (3) The sum of the claims ratio and the expense ratio. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable result. The financial numbers that comprise the ratio are determined in accordance with GAAP but the ratio is a non-GAAP measure.
- (4) Return on equity is a non-GAAP measure which represents our net income for the twelve months ended on the date indicated divided by the average shareholders' equity over the same twelve-month period. Net income and shareholders' equity are determined in accordance with GAAP.
- (5) Return on equity of our P&C insurance subsidiaries is a non-GAAP measure which represents net income of our P&C insurance subsidiaries for the twelve months ended on the date indicated divided by the average shareholders' equity of our P&C insurance subsidiaries over the same twelve-month period. Net income and shareholders' equity are determined in accordance with GAAP. Our P&C insurance subsidiaries consist of Belair Insurance Company Inc., ING Insurance Company of Canada, ING Novex Insurance Company of Canada, The Nordic Insurance Company of Canada, Allianz Insurance Company of Canada, Trafalgar Insurance Company of Canada, along with our warranty company, Wellington Warranty Company Inc.

Direct Premiums Written

For the three months ended March 31, 2006, direct premiums written totalled \$812.5 million, an increase of \$5.7 million from Q1 05 primarily from industry pools after excluding the AGR premiums of \$15.1 million for Q1 05. The "AGR business", related to insurance coverage of industrial risks for large Canadian companies and multi-national clients of Allianz AG, was not part of the Allianz acquisition as it was subject to a 100% quota share agreement with Allianz Global Risks R uchversicherungs AG pending the re-transfer of this business to the Canadian branch of Allianz Global Risks US Insurance Company in September 2005.

A key non-GAAP measure of our growth is written insured risks, defined as 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. The number of written insured risks increased 1.9% in Q1 06 over Q1 05.

Premium growth was lower than the growth in insured risks given lower average premiums largely due to written premium rate reductions in personal automobile insurance averaging 5.0%.

Revenue

Revenue increased by \$35.0 million, or 3.2%, to \$1,133.8 million in the quarter compared to \$1,098.8 million in Q1 05.

The following table presents the major changes in revenue between Q1 05 and Q1 06.

(in millions of dollars)	Three months ended March 31
Net premiums earned	\$ (31.1)
Investment segment income	0.3
Realized investment and other gains	64.9
Corporate and other revenue	<u>0.9</u>
Increase in revenue	<u>\$ 35.0</u>

Net premiums earned dropped \$31.1 million, or 3.2%, from Q1 05 despite a 2.1% increase in earned premiums attributable to changes in business mix and increased coverage levels.

This decrease was caused by:

- a 3.3% overall average earned rate reduction. Rate reductions are due to reduced costs primarily attributable to automobile insurance reforms; and
- a \$20.0 million decrease in earned premiums received from industry pools.

Pre-tax realized investment and other gains were \$107.6 million in the quarter, up from \$42.7 million in Q1 05 primarily due to gains on fixed income and equities.

- Fixed income gains were \$27.2 million, compared to \$10.8 million in Q1 05. These gains resulted from the repositioning of our fixed-income portfolio to lower the duration of our assets as explained in the Balance Sheet Analysis below, under "Investments". This repositioning is now complete.
- Equity gains were \$75.5 million for the quarter, up from \$30.9 million in Q1 05. These gains were a result of strong Canadian equity markets, our investment strategy which requires regular trading activities in our high dividend yield common share portfolio and an increase in equity exposure as discussed below under "Realized Investment and Other Gains".

Net unrealized gains of \$208.3 million at March 31, 2006 were \$96.0 million less than at December 31, 2005.

Underwriting Income

Underwriting income (the difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and general expenses) was \$79.9 million in Q1 06, down \$35.0 million from Q1 05, yielding a claims ratio of 59.5% which is a 0.9 percentage point higher than in Q1 05. The expense ratio increased from 29.5% to 32.0%, resulting in a combined ratio of 91.5% for Q1 06, up from 88.1% in Q1 05.

The major changes in underwriting income were shown previously in the table under “Overall Performance”.

Prior year claims development was \$31.4 million less than Q1 05 which included positive development in the amount of \$16.0 million related to class action suits.

Current accident year underwriting income, excluding industry pools and catastrophes, improved by \$7.3 million. This increase is the result of a number of factors:

- Current year frequency and severity (excluding pools and catastrophes) improved over Q1 05. Frequency was down 4.0%, and severity was down 3.2%.
- Commission expense was up \$3.5 million, with the commission ratio rising year-over-year from 17.7% to 18.7%. This increase is due to higher profit-sharing commissions, an element of broker compensation tied to profitability. At year-end, we estimate the amount payable and book it as an expense although the actual calculation is dependent upon the final underwriting results for the year. We typically make an adjustment in the first quarter when the actual amount payable becomes known; we booked such an adjusting amount of \$9.1 million in Q1 06 for 2005 profit-sharing commission. Total profit-sharing commissions, including this adjustment, were \$42.3 million in Q1 06.
- The expense ratio was up 1.5 percentage points from Q1 05, with the dollar amount of expenses up \$11.6 million. This increase over last year can be attributed to a number of factors, including: (i) increase in employee incentive compensation of \$3.0 million, with most of this year-over-year increase due to low accruals of this type in Q1 05, (ii) shift in acquisition expense from commission to general expense of \$4.0 million due to business mix, and (iii) timing of a \$3.0 million expense which was recorded last year in Q2.

Industry pools consist of the so-called “residual market”, as well as risk-sharing pools (RSP), in Alberta, Ontario, Quebec and New Brunswick. These pools are managed by the Facility Association except for the Quebec RSP. Transfers in and out of these pools, on balance, resulted in a higher underwriting loss for the current accident year from pools that was \$5.2 million greater in Q1 06 than in Q1 05. This loss is due to the difference in the earned premium estimate provided by the Alberta RSP at December 31, 2005 for the months of November and December which was higher than the actual earned premiums subsequently reported in 2006.

A catastrophe (defined as an event resulting in net claims incurred of at least \$5.0 million) occurred in Q1 06. It consisted of a winter storm in Quebec which resulted in \$5.7 million of losses, primarily impacting personal insurance.

Summary of Quarterly Results

(in millions of dollars, except per share data)	2006	2005				2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Direct premiums written	\$ 812.5	\$ 905.0	\$1,006.5	\$1,171.4	\$ 821.9	\$ 883.0	\$921.6	\$1,043.4	\$727.8
Total revenues	1,133.8	1,111.6	1,123.3	1,112.3	1,098.8	1,004.7	919.7	900.9	955.6
Underwriting income	79.9	126.3	116.7	179.8	114.9	118.4	133.7	174.5	43.4
Income before income taxes	268.4	269.3	269.3	323.6	228.6	229.7	217.1	238.6	170.4
Net income	185.9	196.9	202.8	223.6	158.5	173.1	163.6	172.3	115.1
Combined ratio	91.5	86.9	87.7	81.2	88.1	86.7	83.9	78.9	94.7
Earnings per share									
Basic	1.39	1.47	1.52	1.67	1.19	1.69	1.75	1.84	1.23
Diluted	1.39	1.47	1.52	1.67	1.19	1.67	1.75	1.84	1.23
Earnings per adjusted share ⁽¹⁾									
Basic pro-forma	1.39	1.47	1.52	1.67	1.19	1.35	1.27	1.34	0.90
Diluted pro-forma	1.39	1.47	1.52	1.67	1.19	1.29	1.22	1.29	0.86

(1) To facilitate comparison of performance between quarters, management has calculated basic earnings per adjusted share, a non-GAAP measure, on a pro-forma basis as if the 128.5 million common shares outstanding after our reorganization and completion of the initial public offering were outstanding at the beginning of each of the quarters prior to 2005. Diluted earnings per adjusted share, another non-GAAP measure, is calculated as if the 133.7 million common shares, the difference being the shares issued in January 2005 as part of the over-allotment granted to the underwriters, had been outstanding during each of the quarters prior to 2005. Net income used for the pro-forma earnings per adjusted share calculations has not been adjusted for interest income and expense that would have been realized by the Company from investing the net proceeds of the initial public offering and reducing the debt outstanding.

Seasonal Indicator	2005	2004	2003	3-year average
Q1	1.02	1.10	1.06	1.06
Q2	0.94	0.92	0.95	0.94
Q3	1.02	0.98	0.96	0.98
Q4	1.01	1.01	1.04	1.02

The seasonal indicator is a non-GAAP measure which represents the ratio of the quarterly combined ratio to the annual combined ratio. Historically, the seasonal indicator pattern shows that Q2 is the lowest loss quarter and Q1 is the highest loss quarter.

Segmented Information

We report our results on the basis of five segments comprised of: the three segments of our property and casualty insurance business (personal insurance, commercial insurance and the investment results of our P&C insurance subsidiaries), corporate and other, and realized investment and other gains.

The following table presents selected information on our business segments.

(in millions of dollars)	Three months ended	
	March 31	
	2006	2005
Revenue		
Net premiums earned		
Personal insurance	\$ 654.3	\$ 675.8
Commercial insurance	<u>282.6</u>	<u>292.2</u>
Total net premiums earned	936.9	968.0
Investments	<u>74.1</u>	<u>73.8</u>
Total P&C insurance	<u>\$1,011.0</u>	<u>\$1,041.8</u>
Corporate and other	15.2	14.3
Realized investment and other gains	<u>107.6</u>	<u>42.7</u>
Total revenue	<u>\$1,133.8</u>	<u>\$1,098.8</u>
Income before income taxes		
Underwriting income		
Personal insurance	\$ 40.0	\$ 80.4
Commercial insurance	<u>39.9</u>	<u>34.5</u>
Total underwriting income	79.9	114.9
Investments	<u>68.3</u>	<u>68.1</u>
Total P&C insurance	<u>\$ 148.2</u>	<u>\$ 183.0</u>
Corporate and other	12.6	2.8
Realized investment and other gains	<u>107.6</u>	<u>42.7</u>
Total income before income taxes	<u>\$ 268.4</u>	<u>\$ 228.5</u>

Personal Insurance

The following table presents the direct premiums written and underwriting income of our personal insurance segment.

(in millions of dollars)	Three months ended	
	March 31	
	2006	2005
Direct premiums written		
Personal automobile	\$395.6	\$387.9
Personal property	<u>154.7</u>	<u>147.2</u>
Total direct premiums written	<u>\$550.3</u>	<u>\$535.1</u>
Net premiums earned	\$654.3	\$675.8
Expenses		
Claims and loss adjustment expenses	415.0	406.3
Commissions	113.3	111.4
Premium taxes	22.0	23.1
General expenses	<u>64.0</u>	<u>54.6</u>
Total expenses	<u>614.3</u>	<u>595.4</u>
Underwriting income	<u>\$ 40.0</u>	<u>\$ 80.4</u>
Ratios		
Claims ratio	63.4%	60.1%
Commissions ratio	17.3%	16.5%
Premium taxes ratio	3.4%	3.4%
General expense ratio	<u>9.8%</u>	<u>8.1%</u>
Combined ratio	<u>93.9%</u>	<u>88.1%</u>

Direct Premiums Written

Direct premiums written increased by \$15.2 million, or 2.8%, in Q1 06 over Q1 05. This includes written premiums from industry automobile pools which increased by \$5.7 million in Q1 06 over Q1 05.

The number of written insured risks for personal property increased by 2.0% while the number of written insured risks for personal auto increased by 2.7% in Q1 06. The total number of written insured risks in personal insurance increased by 2.4% in Q1 06.

Net Premiums Earned

Net premiums earned decreased by \$21.5 million, or 3.2%, in Q1 06. This reflects lower year-over-year earned premiums from industry automobile pools which reduced premiums by \$20.0 million in Q1 06 relative to Q1 05. Premium rate reductions for personal automobile also impacted net premiums earned for the quarter by 6.3%.

Underwriting Income

Underwriting income from personal automobile and property in total decreased by \$40.4 million in the first quarter as the combined ratio increased by 5.8 percentage points. The change in prior year claims development is the primary reason for the year-over-year decrease in personal insurance underwriting income. Favourable prior year claims development, although still historically high at 3.8%, was down from 8.1% in Q1 05 (5.7% before class action development).

Underwriting income from personal property decreased by \$3.5 million in Q1 06 on an increase in the combined ratio of 2.1 percentage points. Underwriting income from personal automobile decreased by \$36.9 million in the first quarter on an increase in the combined ratio of 7.2 percentage points despite lower frequency for the quarter compared to Q1 05. The decrease in underwriting income is mainly due to lower prior year claims development in the quarter compared to Q1 2005 which included positive claims development of personal auto class actions in the amount of \$16.0 million as discussed above.

The current accident year loss ratio in personal insurance for Q1 06, excluding catastrophes (defined as claims and loss adjustment expenses incurred for only the current year excluding all other claims and loss adjustment expenses incurred during the calendar year expressed as a percentage of net premium earned) for Q1 06 is 1.7% lower than that of Q1 05.

Our personal insurance expense ratio was 30.5% in Q1 06 compared to 28.0% in Q1 05. The commission ratio was 17.3% in Q1 06, an increase of 0.8 percentage point. The general expense ratio increased by 1.7 percentage points to 9.8% in Q1 06.

Commercial Insurance

The following table presents the direct premiums written and underwriting income of our commercial insurance segment.

(in millions of dollars)	Three months ended	
	March 31	
	2006	2005
Direct premiums written		
Commercial automobile	\$ 68.2	\$ 70.6
Commercial other	<u>194.0</u>	<u>216.2</u>
Total direct premiums written	<u>\$262.2</u>	<u>\$286.8</u>
Net premiums earned	\$282.6	\$292.2
Expenses		
Claims and loss adjustment expenses	142.5	160.6
Commissions	62.0	60.5
Premium taxes	10.0	10.7
General expenses	<u>28.1</u>	<u>25.9</u>
Total expenses	<u>242.6</u>	<u>257.7</u>
Underwriting income	<u>\$ 40.0</u>	<u>\$ 34.5</u>
Ratios		
Claims ratio	50.4%	54.9%
Commissions ratio	21.9%	20.7%
Premium taxes ratio	3.6%	3.7%
General expense ratio	<u>10.0%</u>	<u>8.9%</u>
Combined ratio	<u>85.9%</u>	<u>88.2%</u>

Direct Premiums Written

Direct premiums written decreased by \$9.5 million, or 3.5%, for the quarter after excluding the AGR business of \$15.1 million. The number of insured risks dropped 1.8% from Q1 05.

Net Premiums Earned

Net premiums earned decreased by \$9.6 million, or 3.3%, from Q1 05.

Underwriting Income

Underwriting income from commercial insurance increased \$5.5 million in Q1 06 as a result of 2.3 percentage points improvement in the combined ratio. The current accident year loss ratio for Q1 06 is

5.2% lower than that of Q1 05 due primarily to commercial other, which experienced both lower frequency and severity compared to Q1 05.

Our commercial insurance expense ratio was 35.5% in Q1 06 compared to 33.3% in Q1 05 and the commission ratio increased to 21.9% in Q1 06 from 20.7% in Q1 05.

Personal and Commercial Insurance

For convenience, the following table presents the direct premiums written and underwriting income of both the personal and commercial insurance segment.

(in millions of dollars)	Three months ended	
	March 31	
	2006	2005
Direct premiums written		
Automobile	\$463.8	\$458.5
Personal property and commercial other	<u>348.7</u>	<u>363.4</u>
Total direct premiums written	<u>\$812.5</u>	<u>\$821.9</u>
Net premiums earned	\$936.9	\$968.0
Expenses		
Claims and loss adjustment expenses	557.5	566.9
Commissions	175.3	171.9
Premium taxes	32.1	33.8
General expenses	<u>92.1</u>	<u>80.5</u>
Total expenses	<u>857.0</u>	<u>853.1</u>
Underwriting income	<u>\$ 79.9</u>	<u>\$ 114.9</u>
Ratios		
Claims ratio	59.5%	58.6%
Commissions ratio	18.7%	17.7%
Premium taxes ratio	3.5%	3.5%
General expense ratio	<u>9.8%</u>	<u>8.3%</u>
Combined ratio	<u>91.5%</u>	<u>88.1%</u>

Investment Income

The following table presents the results of our investment segment.

(in millions of dollars)	Three months ended March 31	
	2006	2005
Interest income	\$42.9	\$49.0
Dividend income	33.0	25.7
Other	<u>(1.8)</u>	<u>(0.9)</u>
Investment income from P&C subsidiaries	<u>\$74.1</u>	<u>\$73.8</u>
Investment expenses	(5.8)	(5.7)
Investment income from P&C subsidiaries after investment expenses	<u>\$68.3</u>	<u>\$68.1</u>

Investment income is essentially flat in Q1 06 compared to Q1 05.

Average pre-tax yield on invested assets was 4.8% for Q1 06, the same as Q1 05. The yield for the quarter was helped by higher dividend income from our common and preferred share portfolios. Commencing in 2006, these comparative investment yield calculations include only investment assets and cash equivalents, and exclude bank overdraft balances and miscellaneous income.

Investment expenses totalled \$5.8 million in Q1 06, up slightly from Q1 05. These expenses are primarily asset management charges paid to our in-house investment operations, with an equivalent amount reported as a negative expense in the corporate and other segment; both entries are eliminated on consolidation of the financial statements.

Our investment income segment and the above analysis only includes income on investments in our P&C subsidiaries. Income on investments at the holding company is included in the corporate and other segment.

Corporate and Other

The following table presents the results of our corporate and other segment including the results of our brokerage operations (Canada Brokerlink and Equisure), our investment management company and inter-company eliminations, primarily commissions and general expenses.

(in millions of dollars)	Three months ended	
	March 31	
	2006	2005
Investment income	\$ 7.0	\$ 2.7
Commission and advisory fees	<u>8.2</u>	<u>11.6</u>
Revenue	<u>15.2</u>	<u>14.3</u>
Commissions	(12.0)	(3.4)
General expenses	12.6	12.9
Interest on debt	<u>2.0</u>	<u>2.0</u>
Expenses	<u>2.6</u>	<u>11.5</u>
Income before income taxes	<u>\$12.6</u>	<u>\$ 2.8</u>

Corporate and other revenue increased \$0.9 million in Q1 06 over Q1 05, due to increased investment income of \$4.3 million resulting primarily from higher interest income on larger cash balances in the holding company, offset by lower mutual fund advisory fees.

Commissions expense is negative due to the inter-company eliminations of commissions paid by our insurance companies to our brokerage companies.

Realized Investment and Other Gains

The following table presents realized investment and other gains.

(in millions of dollars)	Three months ended	
	March 31	
	2006	2005
Realized investment and other gains		
Fixed income	\$ 27.2	\$ 10.8
Equities	75.5	30.9
Other	<u>4.9</u>	<u>1.0</u>
Total	<u>\$107.6</u>	<u>\$ 42.7</u>
After-tax total	<u>\$ 72.0</u>	<u>\$ 29.9</u>

Realized investment and other gains increased \$64.9 million Q1 06 over Q1 05. The fixed income gains were primarily a result of repositioning the fixed income portfolio to reduce the duration as explained below under "Investments". The equity gains were a result of more favourable markets and larger equity portfolios. Total common equity exposure increased 4.0 percentage points from 17.7% at Q1 05 to 21.7% at Q1 06, including an increase in the high dividend common share portfolio from 13.8% to 20.5%.

Balance Sheet Analysis

Premiums and Other Receivables

Premiums written are either billed to brokers or billed to policyholders directly. As at March 31, 2006, premium receivables from brokers stood at \$93.8 million and \$1,038.1 million from policyholders. As at December 31, 2005, premium receivables from brokers stood at \$129.0 million and \$1,120.0 million from policyholders. Premium receivables are lower at March 31, 2006 than at December 31, 2005 due to the seasonality of written premiums.

Other receivables comprised \$200.8 million (December 31, 2005: \$195.0 million) from the Facility Association and other industry pools, \$43.5 million (December 31, 2005: \$31.3 million) from other insurers and \$34.3 million (December 31, 2005: \$43.2 million) from other.

Investments

The book value of cash and cash equivalents and investments decreased by \$18.5 million, or 0.3%, to \$7.0 billion during Q1 06. This decrease is primarily due to the payment of profit-sharing commissions to brokers and bonuses to employees in relation to the Company's performance in 2005.

The following table presents our cash and invested assets as at March 31, 2006 and December 31, 2005.

(in millions of dollars)	As at March 31, 2006			As at December 31, 2005		
	Book value (BV)	% of BV	Fair value	BV	% of BV	Fair value
Cash and cash equivalents	\$ 577.6	8.2%	\$ 577.6	\$ 341.1	4.8%	\$ 341.1
Short-term notes	229.3	3.2%	229.3	440.4	6.2%	440.4
Fixed income securities	3,160.8	44.9%	3,162.2	3,520.8	49.9%	3,595.8
Commercial mortgages	69.3	1.0%	71.4	70.4	1.0%	73.1
Preferred shares	1,307.4	18.6%	1,360.9	1,257.3	17.8%	1,319.9
Common shares	1,531.9	21.7%	1,683.3	1,266.5	17.9%	1,430.4
Other investments	167.3	2.4%	167.3	165.6	2.4%	165.6
Total investments and cash	<u>\$7,043.6</u>	<u>100%</u>	<u>\$7,252.0</u>	<u>\$7,062.1</u>	<u>100%</u>	<u>\$7,366.3</u>

Our investment objectives remain generally consistent with the objectives presented in the 2005 Annual Information Form. Beginning in 2006, we broadened our investment strategy by expanding our equity portfolio, entering into equity linked swap transactions, investing in investment grade international bonds and using derivatives to support the management of our fixed-income portfolio. As a result of the repositioning in the fixed-income portfolio and the use of derivatives, the duration of our fixed-income portfolio has decreased from 6.3 years at December 31, 2005 to 4.2 years at March 31, 2006. The repositioning of the fixed-income portfolio resulted in increased trading and is a significant component of the \$27.2 million of realized fixed-income gains. During the remainder of the year, this repositioning should result in lower turnover of the portfolio.

As at March 31, 2006, the weighted average rating of our fixed-income portfolio was AA and the weighted average rating of our preferred share portfolio was P2 (ratings are by Standard & Poor's ("S&P") or Dominion Bond Rating Services). Approximately \$47.1 million of securities with a rating below investment grade were included in the fixed income and preferred share portfolios at March 31, 2006, compared to \$16.1 million as at December 31, 2005.

Other investments consisted of loans to brokers with a book value of \$152.0 million as at March 31, 2006 (\$151.4 million as at December 31, 2005), and investments in brokerages with a book value of \$15.3 million as at March 31, 2006 (\$14.2 million as at December 31, 2005).

Unpaid Claims and Adjustment Expenses

Unpaid claims and loss adjustment expenses, net of reinsurers' share ("claim liabilities") decreased by \$5.8 million to \$3,485.3 million in Q1 06.

Claim liabilities, which are measured using accepted actuarial practice, take into account the time value of money and provisions for adverse deviation. Changes in these estimates will affect the valuation of the claim liabilities. Discount rates are consistent with those used at year-end 2005. The provisions for adverse deviation were also set on a basis consistent with those used at year-end 2005.

The claim liabilities used in the tables below are taken from the financial statements, are discounted and include a provision for adverse deviation. The cumulative payments are not discounted and do not include a provision for adverse deviation. The net effect of the discount rates and the provision for adverse deviation is that booked claim liabilities are slightly higher than undiscounted best estimates (by approximately 2.0% at year-end 2005).

We have taken the positive claims development for both the current and prior accident years into account in arriving at our best estimate of claim liabilities. The favourable claims development largely results from cost containment associated with the automobile reforms which appear to be sustainable, and continued low frequency of claims. Both factors have been more favourable than previously anticipated.

Claims Development

The favourable claims development of all prior accident years during Q1 06 was \$37.1 million, or 1.1%, (\$68.5 million in Q1 05), with every accident year being favourable. This development came mainly from automobile insurance in the amount of \$35.6 million, including \$2.5 million from assumed pools. It includes favourable development on known cases as well as the favourable impact resulting from the quarterly reserve analysis. The remaining favourable development came from commercial other in the amount of \$12.6 million. Conversely, we experienced \$11.2 million of unfavourable development in personal property.

The following table shows the development of the claim liabilities for the 10 most recent accident years with subsequent development estimated for each accident year up to March 31, 2006. While we previously showed the development of Allianz separate from the rest of ING Canada, the table below reflects development for all our insurance companies, consistent with our basis of presentation going forward. The original reserve estimates are re-evaluated over time for redundancy or deficiency. This re-evaluation is based on actual payments in full or partial settlement of claims as well as on current estimates of claim liabilities for claims still open or claims still unreported.

(in millions of dollars)	Accident year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996 & prior-
Reserve originally estimated	\$1,118.8	\$1,117.7	\$973.2	\$838.6	\$729.0	\$655.5	\$587.0	\$548.1	\$557.2	\$1,121.2
Reserve re-estimated as of *										
One year later	\$1,109.7	\$ 977.2	\$908.4	\$848.3	\$790.4	\$655.4	\$580.6	\$524.5	\$433.9	\$1,069.6
Two years later		966.3	818.3	848.2	804.2	696.2	607.9	525.7	417.1	1,097.8
Three years later			815.4	834.7	803.2	712.0	637.2	521.1	431.5	1,078.5
Four years later				830.5	791.5	705.1	642.8	535.6	431.9	1,037.9
Five years later					788.9	694.7	644.3	537.0	430.9	1,028.0
Six years later						691.4	630.1	534.4	436.3	1,028.7
Seven years later							628.6	541.3	434.6	1,027.2
Eight years later								541.1	433.5	1,032.4
Nine years later									432.3	1,029.5
Ten years later										1,028.4
Cumulative deficiency										
(redundancy)	(9.0)	(151.4)	(157.9)	(8.1)	59.9	35.9	41.6	(7.0)	(124.9)	(92.8)
	(0.8)%	(13.5)%	(16.2)%	(1.0)%	8.2%	5.5%	7.1%	(1.3)%	(22.4)%	(8.3)%
Development during Q1 of										
\$(37.1) million	\$(9.0)	\$(10.8)	\$(2.9)	\$(4.2)	\$(2.6)	\$(3.3)	\$(1.6)	\$(0.2)	\$(1.2)	\$(1.1)
	(0.8)%	(1.0)%	(0.3)%	(0.5)%	(0.4)%	(0.5)%	(0.3)%	0.0%	(0.2)%	(0.1)%
*last diagonal as of March										
2006										

Cumulatively, we have experienced favourable development for accident years 2005, 2004, 2003, 2002, 1998, 1997, 1996 and prior years and unfavourable development for accident years 2001, 2000 and 1999.

In the years in which unfavourable development occurred, the overall P&C insurance industry had similarly poor development. This negative development was mainly caused by unexpected changes in claim patterns, in particular in automobile insurance claims in Ontario.

Reinsurance

Policy liabilities ceded to reinsurers were \$321.9 million at March 31, 2006 and \$347.8 million at December 31, 2005. Policy liabilities include unearned premiums and unpaid claims and adjustment expenses. At March 31, 2006, 15.6% (December 31, 2005: 17.7%) of the reinsured policy liabilities were to ING Re, an affiliate. We also have reinsurance treaties with a number of unaffiliated reinsurers of which substantially all meet our financial strength rating requirements.

In 2006, for multi-risk events or catastrophes, our retention is \$25.0 million with a reinsurance coverage limit of \$1.25 billion. We retain 20.25% of the exposure between \$25.0 million and \$50.0 million, 10% of the exposure between \$50.0 million and \$100.0 million, and 9.5% of the exposure between \$100.0 million and \$600.0 million. For 2005, our retention was \$17.5 million with a coverage limit of \$1.2 billion and 10% retention of the exposure between \$25.0 million and \$600.0 million.

Following industry practice, our reinsurance recoverables with licensed Canadian reinsurers (March 31, 2006: \$248.2 million; December 31, 2005: \$264.5 million) are generally unsecured because Canadian regulations require these reinsurers to maintain minimum asset and capital balances in Canada to meet their Canadian obligations, and policy liabilities take priority over a reinsurer's subordinate creditors.

Reinsurance recoverables with non-licensed reinsurers are secured with cash, letters of credit and/or assets held in trust accounts. The Company was the assigned beneficiary of such trust accounts from unlicensed reinsurers totalling \$98.0 million at March 31, 2006 (December 31, 2005: \$98.4 million) in support of policy liabilities of \$73.8 million at this same date (December 31, 2005: \$83.3 million). At March 31, 2006, these amounts included \$73.2 million (December 31, 2005: \$74.3 million) from an affiliated reinsurer which related to policy liabilities of \$50.3 million (December 31, 2005: \$61.6 million). We can use these trust accounts if the reinsurers are unable to meet their obligations.

Share Capital

As of May 11, 2006, there were 133.7 million common shares and one Special Share issued and outstanding. The Special Share is convertible into one common share. ING Groep N.V. (ING Groep) holds 70% of the issued and outstanding common shares and the Special Share.

A Long-Term Incentive Plan 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 at the end of a three-year performance cycle. The actual award varies based on a performance target driven 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. 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.

The estimate at March 31, 2006 was 176,866 units for the 2006-2008 performance cycle with a per unit fair value at grant date of 36 dollars and 79 cents and 363,700 units for the 2005-2007 performance cycle with a per unit fair value at grant date of 26 dollars and 30 cents. At the time of the actual award, the Company intends to purchase shares in the market in an amount equal to the number of vested shares.

Liquidity and Capital Resources

We continue to enjoy high liquidity and a strong capital base.

Liquidity

Net cash used in operations was \$101.1 million in Q1 06 compared to \$125.8 million in Q1 05. Our total cash and cash equivalents were \$577.6 million at March 31, 2006. The company entered into an agreement during the quarter to sell certain office buildings and to lease back these buildings for a term of 20 years. The proceeds of this transaction increased cash by \$29.8 million.

No significant capital expenditures are currently planned.

We have an uncommitted revolving credit facility of \$50.0 million with the Royal Bank of Canada, which was undrawn at March 31, 2006.

Our outstanding debt of \$127.0 million, owed to an affiliate, matures in August 2006.

Capital

The Company has sufficient capital to support business growth with our insurance subsidiaries having capital of \$650.9 million in excess of the minimum supervisory target of 150%, as calculated under the Minimum Capital Test (MCT) at March 31, 2006 (December 31, 2005: \$718.0 million). The decrease in the MCT is primarily due to the decrease in net unrealized gains. Because we manage our companies as a group, we report our combined capital position but we also ensure that each insurance company meets all regulatory requirements including the MCT. Our insurance companies are parties to a participation agreement which combines the underwriting results of all the companies with the outcome that each company has a proportion of underwriting results, and the loss ratio and expense ratio are the same for each company.

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

MINIMUM CAPITAL TEST (MCT) – P&C COMPANIES								
(in millions of dollars)		ING Insurance	Nordic Insurance	ING Novex Ins	Belair Insurance	Allianz Insurance	Trafalgar Insurance	Total
At March 2006								
Total capital available	[a]	999.7	646.7	43.5	243.3	329.3	53.1	2,315.6
Total capital required	[b]	556.2	268.1	13.5	78.7	175.3	18.0	1,109.8
Excess capital	[a] – [b]	443.5	378.6	30.0	164.6	154.0	35.1	1,205.8
MCT %	[a] / [b]	179.7%	241.2%	323.6%	309.3%	187.9%	294.5%	208.7%
Excess at 150%		165.4	244.5	23.3	125.2	66.4	26.1	650.9
At December 2005								
Total capital available	[a]	1,028.7	654.9	43.0	233.4	342.1	51.9	2,354.0
Total capital required	[b]	546.6	248.2	14.2	82.6	181.6	17.4	1,090.6
Excess capital	[a] – [b]	482.1	406.7	28.7	150.8	160.5	34.5	1,263.3
MCT %	[a] / [b]	188.2%	263.9%	302.2%	282.6%	188.4%	298.5%	215.8%
Excess at 150%		208.8	282.6	21.6	109.5	69.7	25.8	718.0

The total amount of dividends available for payment from our subsidiaries during 2006 is \$405.3 million plus any 2006 earnings. This amount is calculated based on dividend restrictions under applicable insurance laws but is subject to MCT limitations.

The Board of Directors of the Company declared quarterly cash dividends of 25 cents per common share for a total amount of \$33.4 million, which was paid on March 31, 2006 to shareholders of record on March 15, 2006.

In September 2005, ING Canada filed a short-form base shelf prospectus allowing the Company to offer a total of up to \$1.0 billion in any combination of debt, preferred or common shares securities over a 25-month period. No debt, preferred, or common shares have been issued under this prospectus.

ING Canada's insurance subsidiaries have a financial strength and long-term counterparty credit rating of A+ from Standard & Poor's. The ING Canada group of companies enjoy a financial strength rating of A+ from A.M. Best and ING Canada Inc. holds a senior unsecured debt rating of A (low) from Dominion Bond Rating Service.

Transactions with Related Parties

We have ongoing transactions with related parties. These transactions consist mostly of (1) management and advisory services provided by ING Groep and affiliated companies, (2) reinsurance by an affiliated company and (3) financing by ING Groep. These transactions are carried out in the normal course of operations and are measured at the amount of consideration paid or received as established and agreed by the related parties. We believe that such exchange amounts approximate fair value.

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

Note 5 to the accompanying interim consolidated financial statements (unaudited) provide additional information on related party transactions.

Risk Management

As a provider of insurance products, risk management is necessary to protect the interests of both our customers and our shareholders. We are exposed to potential loss from various market risks, including interest rate risk, equity market fluctuation risk, credit risk, liquidity risk, and to a lesser extent, foreign currency risk and derivative risk. We described these risks on pages 36 to 38 of our 2005 Annual Report. These risks remain the same in 2006.

Critical Accounting Estimates and Assumptions

Our critical accounting estimates and assumptions were disclosed on pages 38 to 40 of our 2005 Annual Report. There are no new critical accounting estimates or assumptions. These estimates and assumptions are mainly about (1) reserves for claims and expenses, (2) impairments of investment securities, (3) amounts recoverable from our reinsurers, (4) goodwill and (5) income taxes. The above noted estimates and assumptions (1), (3) and (4) will impact the personal insurance and commercial insurance segments, (2) will impact the realized investment and other gains and (4) will also impact the corporate and other segment.

These estimates and assumptions may be updated based on new information and could therefore change and affect future results.

Accounting Policies Update

Derivative financial instruments are used for risk management purposes. Their usage was expanded in 2006. The Company uses currency swaps and forwards, and total return swaps. These are held to mitigate foreign exchange and market risks. Interest rate futures and options are also now held for trading purposes.

Going forward, the Company is now applying hedge accounting, for certain new hedging instruments, when requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Accounting Guideline 13 "Hedging Relationship" are met.

Where hedge accounting is used, the following applies:

(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) 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.

(iii) 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.

When hedge accounting cannot be used, derivative financial instruments are recognized at their fair value, with changes in the fair value reflected in the consolidated statements of income during the period in which they arise.

The fair value of derivative financial instruments is based on the quoted market value at the 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.

Recent Developments

On April 1, 2006, ING Canada acquired Grey Power Insurance Brokers Inc. (GPIBI) of Stouffville, Ontario. With approximately \$68.0 million in annual premiums, GPIBI is the largest member in the Grey Power network, accounting for about 50% of its business volume. The Grey Power network is dedicated to serving the home, automobile and travel insurance needs of those 50 years of age and older. The Grey Power network consists of eight separate brokerages with a total of 14 offices in Alberta, Ontario and Nova Scotia. Grey Power insurance products are underwritten by the Trafalgar Insurance Company of Canada, which ING Canada acquired as part of its acquisition of Allianz Canada in 2004. With its acquisition of GPIBI, ING Canada now owns four of the eight Grey Power brokerages.

On April 1, 2006, Allianz Insurance Company of Canada and The Nordic Insurance Company of Canada, both insurance subsidiaries of ING Canada, amalgamated under the name of The Nordic Insurance Company of Canada. The companies had previously announced their intention to amalgamate on February 20, 2006.

The amalgamation of the two companies is part of ING Canada's integration of Allianz Canada and it is not expected to impact customers or brokers. Since the acquisition, customers of Allianz Insurance Company of Canada have been offered insurance and have had their claims serviced by ING Canada's insurance companies, and this will continue to be the case.

Cautionary Note Regarding Forward-Looking Statements

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

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