This prospectus has been filed under procedures in each of the provinces and territories of Canada that permit certain information about these securities to be determined after the prospectus has become final and that permit the omission of that information from this prospectus. The procedures require the delivery to purchasers of a supplemented PREP prospectus containing the omitted information within a specified period of time after agreeing to purchase any of these securities, and such information shall be deemed to be incorporated by reference into this prospectus as of the date of the supplemented prospectus.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and, subject to certain exceptions, may not be offered or sold within the United States. See "Plan of Distribution". No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

FINAL BASE PREP PROSPECTUS

Initial Public Offering

December 9, 2004

ING Canada Inc.

$ ●

34,880,000 Common Shares

This offering (the "Offering") consists of an initial public offering of 34,880,000 common shares ("Common Shares") of ING Canada Inc. ("ING Canada"). The offering price of the Common Shares has been determined through negotiation between us and the underwriters of the Offering, being Merrill Lynch Canada Inc. ("Merrill Lynch"), CIBC World Markets Inc. ("CIBC World Markets"), BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., UBS Securities Canada Inc., National Bank Financial Inc. and HSBC Securities (Canada) Inc. (collectively, the "Underwriters"). Persons participating in the Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Shares. **In certain circumstances, the Underwriters may decrease and further change the price at which the Common Shares are sold to purchasers. For a description of those activities, see "Plan of Distribution".**

There is currently no market through which these Common Shares may be sold and purchasers may not be able to resell Common Shares purchased under this prospectus. The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Common Shares under the symbol "IIC.LV", subject to us fulfilling all of the requirements of the TSX on or before February 2, 2005, including distribution of the Common Shares to a minimum number of public shareholders.

Investing in the Common Shares involves risk. Prospective investors should consider the risk factors described under "Risk Factors" before purchasing the Common Shares.

Price: $ ● per Common Share

	Price to Public	Underwriters' Fee	Net Proceeds to Us[1]
Per Common Share	$ ●	$ ●	$ ●
Total[2]	$ ●	$ ●	$ ●

(1) Before deducting expenses of the Offering, estimated to be $ ● , which we will pay together with the Underwriters' fee out of the proceeds of the Offering. See "Plan of Distribution".

(2) We have granted to the Underwriters an option (the "Over-Allotment Option") to purchase up to an additional 5,232,000 Common Shares at the offering price within 30 days from the date of the closing of the Offering solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to us, before deducting expenses of the Offering, will be $ ● , $ ● and $ ● , respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

RBC Dominion Securities Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank (the "Bank"). The Bank is a lender to us. A portion of the net proceeds of the Offering will be used to repay indebtedness owed to the Bank under an unsecured acquisition bridge facility. As a result, we may be considered to be a "connected issuer" of RBC Dominion Securities Inc. for purposes of Canadian securities legislation. See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued and sold by us and delivered to and accepted by the Underwriters, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Fasken Martineau DuMoulin LLP, on our behalf, and by Torys LLP, as to matters of Canadian law, and Skadden, Arps, Slate, Meagher & Flom LLP, as to matters of U.S. law, on behalf of the Underwriters.

In the opinion of such counsel, the Common Shares offered hereunder will not be precluded as investments under certain statutes. See "Eligibility for Investment".

Subscriptions for Common Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. A book entry certificate representing the Common Shares distributed under this prospectus will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the date of closing of the Offering, which is expected to be on or about December 15, 2004, but in any event not later than January 20, 2005. We understand that a purchaser of Common Shares will receive a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Common Shares are purchased.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only, regardless of the time of delivery of this prospectus or of any sale of the Common Shares. Certain information contained in this prospectus concerning companies other than us and our subsidiaries has been derived from publicly available sources. No representation is made with respect to the accuracy of this information.

This prospectus contains terms that are specific to the insurance industry and that are technical in nature. These terms are described in the ''Glossary of Selected Insurance Terms'' in this prospectus. **Unless the context indicates otherwise, as used in this prospectus, references to "we", "us", "our" and the "Company" refer to ING Canada Inc. and its subsidiaries and, unless the context otherwise requires, references to ING Canada Inc. and to the number of Common Shares outstanding before and after the Offering in this prospectus give effect to the various transactions described under "Reorganization", including the amalgamation of ING Canada Inc. and ING Canada Holdings Inc. (the "Reorganization").**

Unless otherwise indicated, all dollar amounts in this prospectus are in Canadian dollars. All financial statement data in this prospectus has been prepared using Canadian generally accepted accounting principles (''GAAP''). All references to ''$'' or ''dollars'' in this prospectus are to Canadian dollars, unless indicated otherwise. Certain totals, subtotals and percentages throughout this prospectus may not reconcile due to rounding. **Unless otherwise indicated, the information in this prospectus assumes that the Over-Allotment Option granted to the Underwriters is not exercised.**

FORWARD-LOOKING STATEMENTS

Statements under ''Prospectus Summary'', ''ING Canada Inc.'', ''Our Business'', ''Risk Factors'', ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and ''Dividend Policy'' and elsewhere in this prospectus 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, which are discussed in greater detail in the ''Risk Factors'' section of this prospectus:

- 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 of Canada, Inc. (''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 N.V. (''ING Groep'');
- our participation in the Facility Association;
- 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 lack of a trading history of, and the current absence of a liquid market for, our Common Shares;
- the volatility of the stock market and other factors affecting our share price; and
- future sales of a substantial number of 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.

MARKET AND INDUSTRY DATA

This prospectus includes market share and industry data and other statistical information that we have obtained from independent industry publications, government publications, market research reports and other published independent sources, including Canadian Underwriter, a monthly industry publication, and the Insurance Bureau of Canada (''IBC''), an organization representing the private Canadian property and casualty insurance industry. Some data are also based on our good faith estimates, which are derived from our internal surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe these industry publications to be reliable, we have not independently verified any of the data contained therein, nor have we ascertained the underlying economic or other assumptions relied upon by these sources, and cannot provide any assurance as to the accuracy or completeness of the information.

Unless otherwise indicated, all market share and industry data contained in this prospectus relates to the private Canadian property and casualty (''P&C'') insurance industry and does not include data relating to government-owned insurance companies.

WHERE YOU CAN FIND MORE INFORMATION

Following completion of the Offering, we will be required to file reports and other information with the securities commissions in all provinces and territories of Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the provincial and territorial securities commissions at their public reference rooms. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval (''SEDAR'') (www.sedar.com).

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to us, and Torys LLP, counsel to the Underwriters, the Common Shares offered by this prospectus would, if issued on the date hereof, be eligible investments, without resort to the so-called ''basket provisions'', as at such date, under, or their purchase would not be prohibited by, the statutes listed below (and, where applicable, the regulations or guidelines thereunder), in each case subject to the general investment provisions thereof and, in certain cases, subject to the reasonable and prudent investor requirements relating to investment or lending policies, standards, procedures or goals:

- *Insurance Companies Act* (Canada)
- *Pension Benefits Standards Act, 1985* (Canada)
- *Trust and Loan Companies Act* (Canada)
- *Supplemental Pension Plans Act* (Quebec)
- *An Act respecting insurance* (Quebec) (in respect of insurers, as defined therein, constituted under the laws of the province of Quebec, other than a guarantee fund)
- *An Act respecting trust companies and savings companies* (Quebec) (for a trust company, investing its own funds and deposits it receives and for a savings company, investing its own funds)
- *Loan and Trust Corporations Act* (Ontario)
- *Pension Benefits Act* (Ontario)
- *Insurance Act* (Ontario)
- *Loan and Trust Corporations Act* (Alberta)
- *Employment Pension Plans Act* (Alberta)
- *Insurance Act* (Alberta)
- *Alberta Heritage Savings Trust Fund Act* (Alberta)
- *Financial Institutions Act* (British Columbia)
- *Pension Benefits Standards Act* (British Columbia)
- *The Insurance Act* (Manitoba)
- *The Pension Benefits Act* (Manitoba)
- *The Trustee Act* (Manitoba)
- *Pension Benefits Act* (Nova Scotia)
- *Trust and Loan Companies Act* (Nova Scotia)
- *Pension Benefits Act* (New Brunswick)
- *Pension Benefits Act, 1997* (Newfoundland and Labrador)

In the opinion of such legal counsel, the Common Shares, if issued on the date hereof, would, if listed on the TSX, be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans. In addition, in the opinion of such counsel, based upon information provided by us, the Common Shares, if issued on the date hereof, would not constitute ''foreign property'' for the purposes of the *Income Tax Act* (Canada) for persons subject to tax under Part XI of the *Income Tax Act* (Canada).

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering, does not purport to be complete, should be read together with the full text of this prospectus and is qualified in its entirety by the more detailed information and financial data and statements contained elsewhere in this prospectus.

ING Canada Inc.

We are a corporation incorporated pursuant to the *Canada Business Corporations Act* and serve as a holding company for our operating subsidiaries. We conduct business in all provinces and territories of Canada through four principal subsidiaries: ING Insurance Company of Canada, ING Novex Insurance Company of Canada, The Nordic Insurance Company of Canada and Belair Insurance Company Inc. (''BELAIR'').

Our Business

Overview

We are the largest provider of P&C insurance in Canada with a market share of 10.6%, based on 2003 direct premiums written. Our business is organized into two product lines: personal and commercial insurance. Our principal insurance products are automobile, property and liability insurance, which we provide to individuals and small to medium-sized businesses across Canada. We distribute our products through two channels: brokers and direct distribution. In addition to our insurance operations, we have an investment management operation which provides investment management services with respect to approximately $5.7 billion of assets under management (based on fair value) (''AUM'') as at September 30, 2004, which includes invested assets of our P&C insurance subsidiaries of $5.1 billion.

Our Industry

Industry Overview

The P&C insurance industry provides insurance to both individuals and businesses covering automobile, personal and commercial property, general liability and other business lines of P&C insurance. In 2003, the P&C insurance industry recorded approximately $32.6 billion of direct premiums written and made total claims payments and provisions for claims of approximately $22.8 billion.

Automobile insurance is the largest business line of the P&C insurance industry, accounting for approximately $16.4 billion in direct premiums written, representing approximately 50.3% of the P&C insurance industry's direct premiums written for 2003. Property insurance is the second largest business line of the P&C insurance industry with approximately $9.9 billion of direct premiums written in 2003.

Distribution Channels

The three primary distribution channels for the P&C insurance industry are brokers, direct distribution and captive agents. Brokers act as intermediaries with a number of P&C insurance companies on behalf of customers who wish to purchase P&C insurance. In 2003, the broker channel accounted for approximately 80% of the P&C insurance industry's personal and commercial insurance premiums. The direct distribution channel is a method by which P&C insurance companies sell their insurance policies directly to customers without the use of an intermediary, primarily through the Internet and call centres. P&C insurers that use a captive agent distribution strategy employ a proprietary sales force that markets P&C insurance products exclusively for that insurer.

Industry Performance

The financial performance of the P&C insurance industry is determined by two principal factors: (i) the level of premiums collected in relation to claims and operating costs paid; and (ii) the returns generated by investment portfolios held by insurers.

The P&C insurance industry is a mature market. From 1993 to 2000, the compound annual growth rate (''CAGR'') of the P&C insurance industry's direct premiums written was 4.4%. In 2001, 2002 and 2003, the P&C

insurance industry's direct premiums written grew by 12.7%, 17.6% and 16.0%, respectively, resulting in a CAGR of 7.6% for the period from 1993 to 2003.

We believe that the P&C insurance industry's premium growth rates in 2001, 2002 and 2003 were unusually high. The industry is likely to experience little or no premium growth in the short-term as the market adjusts to recent rate increases and growth rates are likely to return to historical norms in the medium to long-term.

A key performance measure of the P&C insurance industry is the combined ratio. The combined ratio is the sum of the claims ratio and the expense ratio. The claims ratio is the sum of claims and claims adjustment expenses incurred, net of reinsurance, expressed as a percentage of net premiums earned. The expense ratio is the sum of expenses including commissions, premium taxes and general and administrative expenses incurred, expressed as a percentage of net premiums earned.

In the ten years preceding 2003, the P&C insurance industry's combined ratios remained above 100%. From 1997 through 2001, increases in the P&C insurance industry's combined ratios were primarily caused by rising losses which were not offset by price increases in the same period. Recently, the P&C insurance industry's combined ratios have improved significantly, reflecting regulatory changes and a shift toward increased prices, improved underwriting discipline, claims frequency, claims management and a focus on expense management. As a result, the P&C insurance industry's 2002 combined ratio improved to 105.8% from 111.0% in 2001, and further improved to 98.7% in 2003.

The P&C insurance industry's returns on investment portfolios were severely impacted as interest rates fell to historic lows in recent years and equity markets declined from 2000 to 2002. However, as a result of a better combined ratio in 2003, the P&C insurance industry improved its performance, posting a return on equity (''ROE'') of 11.3% for the year ended December 31, 2003.

Our Strategy

Our strategic objective is to deliver a superior ROE, leveraging our position as a consistently profitable market leader and cost-effective provider of P&C insurance in Canada. Our business has delivered strong operating returns and low combined ratios compared to the P&C insurance industry as a result of performance-based management and a disciplined underwriting and claims management culture. We have outperformed the P&C insurance industry in terms of combined ratio. In order to continue to achieve our strategic objective, we intend to:

- focus on core product lines and markets while maintaining strong underwriting discipline;
- continue to pursue acquisitions;
- control and reduce operating costs;
- emphasize our customer-oriented focus;
- manage broker relationships;
- capitalize on our brand names;
- continue to invest in technology; and
- continue to manage capital efficiently.

Our Competitive Advantages

We believe that we are well positioned to outperform the P&C insurance industry for the following reasons:

- we have a leading market share;
- we emphasize a disciplined and performance-based underwriting approach;
- we are a financially sound company;
- we have a proven acquisition and integration record;
- we benefit from a national presence with a regional focus;

- we distribute our products and services through brokers and direct distribution; and
- we have an experienced management team.

Our Products and Services

We have two business lines for our insurance products: personal insurance and commercial insurance.

Personal Insurance

We are the largest personal insurance provider in Canada with $2.3 billion of direct premiums written in 2003. Over the last twelve months ended September 30, 2004, our personal insurance business accounted for 68.1% of our direct premiums written. Our primary coverages in personal insurance are personal automobile and property insurance. Our personal automobile insurance business, with $1.7 billion of direct premiums written over the last twelve months ended September 30, 2004 and approximately 1.3 million insurance policies in force, provides coverage to our customers for liability, personal injury (or accident benefits) and damage to their vehicles. Liability insurance covers the payment of damages by insured persons who have caused bodily injury or property damage to third parties as a result of an accident. Our personal property insurance business, with $680.3 million of direct premiums written over the last twelve months ended September 30, 2004 and approximately 1.3 million insurance policies in force, covers individuals for fire, theft, vandalism and other damages to both residences and their contents as well as personal liability coverage.

Commercial Insurance

We are one of the largest commercial insurance providers in Canada with $1.1 billion of direct premiums written in 2003. Over the last twelve months ended September 30, 2004, our commercial insurance business accounted for 31.9% of our direct premiums written. Our commercial insurance products are marketed to small to medium-sized businesses and farms. The primary coverages provided by us in commercial lines are automobile, property, liability and specialty insurance. Our commercial automobile insurance business, with $298.2 million of direct premiums written over the last twelve months ended September 30, 2004 and approximately 68,000 insurance policies in force, provides the same coverage as private passenger automobile insurance but for different types of risks. Commercial automobile insurance covers commercial vehicles, public vehicles, garage risks, fleets of private passenger vehicles and light trucks. Our commercial insurance business, which includes commercial property liability and other commercial insurance, with $832.3 million of direct premiums written over the last twelve months ended September 30, 2004 and approximately 219,000 insurance policies in force, provides coverage to businesses for fire and related lines, commercial liability, surety, inland marine, multiple peril risks, premises liability and liability for products and operations as well as niche products.

Distribution and Marketing

We distribute our products through two channels: brokers and direct distribution. Brokers are our primary distribution channel, which accounted for 91% of our direct premiums written in 2003. We conduct business with approximately 2,800 brokers across Canada. Our direct distribution channel caters to customers who prefer to deal directly with us, without an intermediary, through call centres and the Internet.

Reinsurance

We purchase reinsurance in order to control our exposure to losses and liability arising from the insurance risks that we write and to protect our capital resources. We cede a portion of our gross premiums to reinsurers in exchange for the reinsurer's agreement to share a portion of the covered losses. The purpose of reinsurance is to improve risk diversification and to allow us to write more business.

All of our non-affiliate reinsurers were rated "A-" or higher by A.M. Best, a leading international insurance rating agency, at the time of entering into the reinsurance arrangements. Reinsurance recoverables related to our non-rated reinsurers, including our affiliate reinsurers, are substantially secured in the form of cash, letters of credit and/or assets held in trust accounts.

Investment Management

Substantially all of our investment portfolio is managed by our wholly-owned subsidiary, ING Investment Management Inc. (''IIM''). IIM also provides investment management services to our employee pension plans and our mutual funds. As at September 30, 2004, IIM had aggregate AUM of approximately $5.7 billion of which $5.1 billion was managed on behalf of our P&C insurance subsidiaries. Of the aggregate AUM, IIM managed $3.3 billion, $1.3 billion and $1.1 billion in fixed income, common equity and preferred equity, respectively.

IIM has two primary investment teams, which focus on fixed income securities and equity securities (including preferred shares), respectively. Although the fixed income and equity teams are focused on these two primary markets, our investment process encourages sharing of insights on issuers, communication about market trends and building investment outlooks founded on a common economic outlook. In all cases, our investment process is oriented towards providing incremental returns through active portfolio management. The performance of our investment teams is measured against total return benchmarks.

Recent Developments

Acquisition of Allianz Canada

Consistent with our growth strategy, on December 8, 2004 we acquired all of the issued and outstanding shares and certain debt of Allianz Canada (the ''Acquisition'') for a purchase price of approximately $370.0 million pursuant to an agreement dated October 7, 2004 with Allianz AG and Allianz of America, Inc. (the ''Allianz Agreement''). We expect the Acquisition to provide us with an increased presence in our core business of personal and small to medium-sized commercial insurance.

See ''Our Business — Recent Developments — Acquisition of Allianz Canada''.

Summary Financial Data

The summary financial data set forth in the following tables have been prepared in accordance with GAAP and have been derived from our audited consolidated financial statements as at and for the years ended December 31, 2003, 2002 and 2001, and from our unaudited interim consolidated financial statements as at and for the nine months ended September 30, 2004 and 2003 and our unaudited consolidated financial statements for the years ended December 31, 2000 and 1999. These statements and related notes (other than for the years ended December 31, 2000 and 1999) appear in this prospectus beginning at page F-1. In the opinion of our management, our unaudited interim consolidated financial statements for the nine months ended September 30, 2004 and 2003 include all adjustments necessary to present fairly the financial information for such periods. The tables below should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and the financial statements and the notes thereto included in this prospectus.

The following pro forma financial information as at and for the nine months ended September 30, 2004, for the nine months ended September 30, 2003 and for the year ended December 31, 2003 has been prepared as if the Acquisition had occurred on January 1, 2003 for purposes of the statements of income and September 30, 2004 for purposes of the balance sheet. The summary pro forma financial information below should be read in conjunction with the unaudited pro forma financial statements, the related notes and other financial information included in this prospectus.

	Pro Forma Nine Months Ended September 30, 2004	Nine Months Ended September 30,		Pro Forma Year Ended December 31, 2003	Years Ended December 31,				
		2004	2003		2003	2002	2001	2000	1999
		(in $millions except for per share data)							
Income Statement Data:									
Direct premiums written	$ 3,152.6	$ 2,692.9	$2,592.2	$ 4,116.1	$ 3,443.8	$3,107.0	$2,191.8	$2,063.0	$1,886.5
Total revenue	3,292.7	2,776.2	2,207.3	3,704.9	3,015.4	2,559.1	2,319.7	2,195.2	1,940.1
Total expenses	2,625.0	2,150.1	2,028.1	3,469.3	2,788.4	2,527.9	2,168.3	2,062.4	1,878.3
Income before income taxes, non-controlling interest and goodwill amortization	667.7	626.0	179.2	235.6	227.0	31.2	151.5	132.9	61.8
Net income	475.1	451.1	125.8	157.8	150.5	29.3	86.9	81.2	89.8
Earnings per share Basic and diluted[1]	$3,355.93	$3,186.28	$ 888.29	$1,114.48	$1,062.99	$ 206.79	$ 613.89	$ 573.66	$ 634.05
Earnings per share as adjusted Basic and diluted[1],[2]	$ 3.70	$ 3.51	$ 0.98	$ 1.23	$ 1.17	$ 0.23	$ 0.68	$ 0.63	$ 0.70

(1) There were no outstanding dilutive instruments during the period. Accordingly, basic and diluted earnings per share are identical.

(2) As adjusted to give effect to the Offering and the Reorganization.

	Pro Forma as Adjusted[1] as at September 30, 2004	Pro Forma as at September 30, 2004	As at September 30, 2004	As at December 31, 2003	As at December 31, 2002
		(in $millions)			
Balance Sheet Data:					
Cash and cash equivalents	$ ●	$ 88.7	$ 278.4	$ 104.7	$ 64.1
Investments	●	6,087.5	5,034.1	3,861.5	3,297.1
Total assets	●	8,941.6	7,522.5	6,893.5	6,257.1
Unpaid claims and LAE (gross)	●	3,787.3	2,994.7	2,942.0	2,745.4
Unearned premiums (gross)	●	2,336.6	2,028.7	1,914.3	1,727.3
Debt outstanding	●	661.9	461.1	483.1	502.5
Total shareholders' equity	●	1,440.2	1,440.2	989.1	838.6

(1) Reflects the completion of the Acquisition and the Reorganization and is adjusted to give effect to the Offering and the application of the estimated net proceeds of the Offering as described in ''Use of Proceeds''.

	Pro Forma		
	Nine Months Ended September 30,		Year Ended December 31,
	2004	2003	2003
	(in $millions)		
Summary Pro Forma Income Statement Data:			
Direct premiums written	$3,152.6	$3,086.3	$4,116.1
Total revenue	3,292.7	2,717.0	3,704.9
Total expenses	2,625.0	2,542.9	3,469.3
Income before income taxes, non-controlling interest and goodwill amortization	667.7	174.1	235.6
Net income	475.1	120.6	157.8
After-tax realized investment and other gains (losses)	66.1	1.7	6.5

The following table shows our selected financial ratios and ROE data. These ratios as well as ROE are defined in the ''Glossary of Selected Insurance Terms''.

	Pro Forma Nine Months Ended September 30,	Nine Months Ended September 30,		Pro Forma Year Ended December 31,	Years Ended December 31,		
	2004	2004	2003	2003	2003	2002	2001
Selected Financial Ratios and ROE Data:							
Claims ratio	58.5%	56.8%	66.3%	69.4%	68.1%	73.8%	73.7%
Expense ratio	29.0%	29.0%	30.5%	30.0%	30.0%	27.3%	29.1%
Combined ratio	87.5%	85.8%	96.8%	99.4%	98.1%	101.2%	102.7%
ROE[1]	42.1%	39.6%	6.0%	17.2%	16.5%	3.0%	7.9%
ROE of our P&C insurance subsidiaries[2]	31.4%	33.6%	8.1%	14.0%	15.5%	4.5%	11.3%

(1) 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.

(2) Represents net income for the twelve months ended on the date indicated of our P&C insurance subsidiaries divided by the average shareholders' equity for our P&C insurance subsidiaries over the same twelve month period. Our P&C insurance subsidiaries consist of BELAIR, ING Insurance Company of Canada, ING Novex Insurance Company of Canada, The Nordic Insurance Company of Canada and Wellington Warranty Company Inc. After giving effect to the Acquisition, our P&C insurance subsidiaries consist of those subsidiaries as well as Allianz Insurance Company of Canada and Trafalgar Insurance Company of Canada.

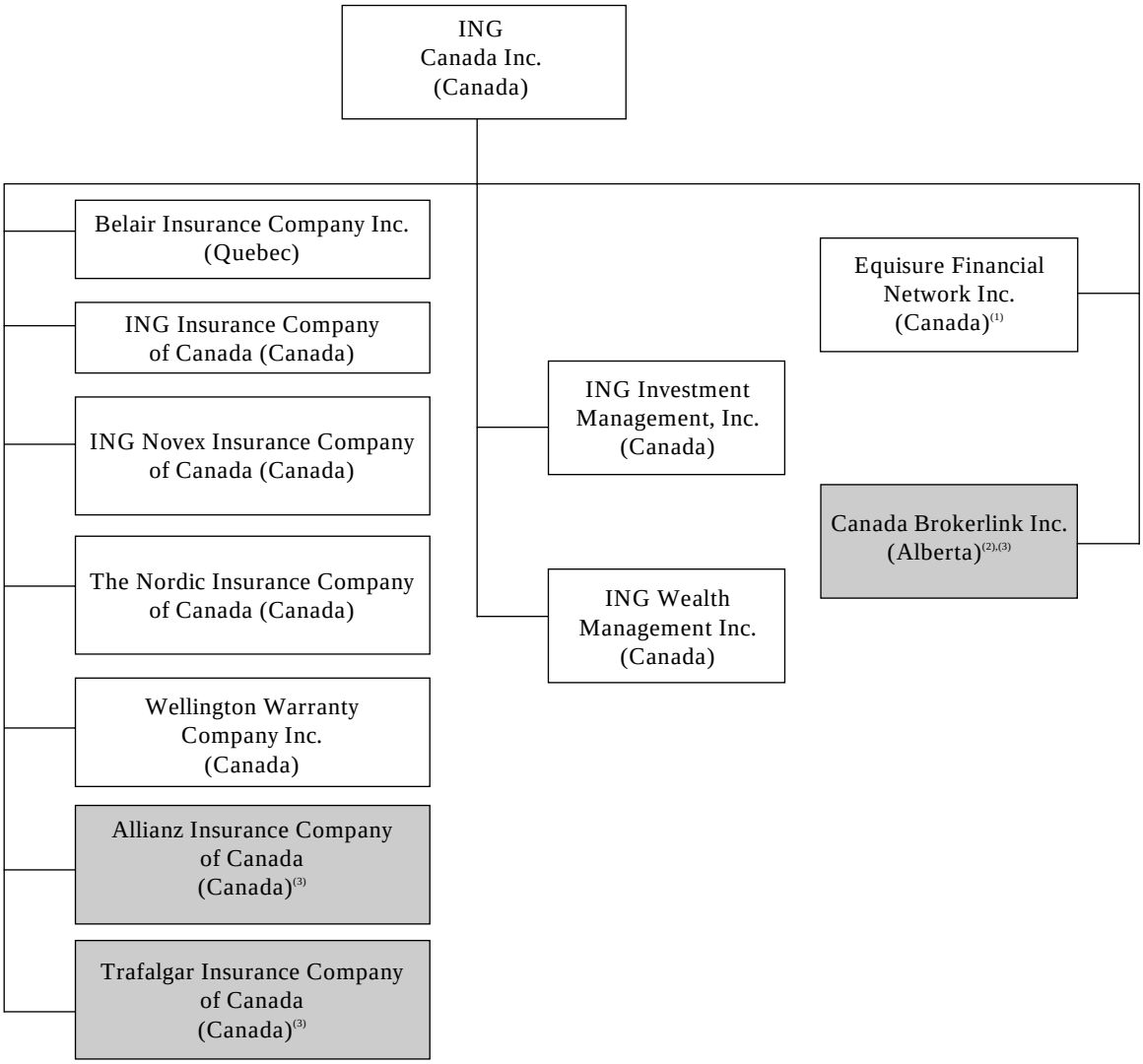
The Offering

Offering	34,880,000 Common Shares
Price to the Public	$ ● per Common Share
Common Shares to be Outstanding after the Offering	128,500,000 Common Shares
Over-Allotment Option	5,232,000 Common Shares
Use of Proceeds	The net proceeds to us from the Offering are estimated to be approximately $ ● , after deducting fees payable to the Underwriters and estimated Offering expenses payable by us. We intend to use $300.0 million of the net proceeds to fund the Acquisition (including $200.0 million to repay bank debt used to fund the Acquisition) and for general corporate purposes. The remaining net proceeds to us will be used to pay promissory notes held by ING Insurance International B.V. (''ING International''). See ''Consolidated Capitalization'' and ''Use of Proceeds''.
Dividend Policy	Our board of directors intends to establish a policy of declaring quarterly cash dividends on the Common Shares beginning in 2005. We expect that our first quarterly dividend will be declared and paid in the second quarter of 2005. We currently intend to pay our first quarterly dividend at an annual rate equal to approximately 2.0% to 2.5% of the offering price of the Common Shares. See ''Dividend Policy''.
TSX Symbol	''IIC.LV''
ING Groep Ownership	ING Groep has advised us that its present intention is to continue to hold a significant controlling interest in us following completion of the Offering. ING Groep does not have plans at this time to further reduce this control position.

ING CANADA INC.

We are a corporation incorporated under the *Canada Business Corporations Act* and serve as a holding company for our operating subsidiaries through which we conduct our business which we describe under ''Our Business''. Our registered and principal business office is located at 181 University Avenue, Suite 700, Toronto, Ontario M5H 3M7, Telephone: (416) 941-5151.

The following chart illustrates our corporate structure immediately after closing of the Offering, together with the jurisdiction of incorporation of each of our material operating companies. Unless otherwise noted, all of our subsidiaries are wholly-owned. The material operating companies acquired pursuant to the Acquisition are shaded.



(1) We own 49% of the common shares of Equisure Financial Network Inc. (''Equisure'') and 100% of its preferred shares. The remaining 51% of its common shares are held by a broker. A shareholder agreement provides us with the right in certain circumstances to acquire the common shares of Equisure not owned by us. Equisure generally owns a direct 50% interest in its P&C insurance brokerages; in Quebec, Equisure indirectly owns up to 20% of P&C insurance brokerages.

(2) We own or have the right to acquire all of the issued and outstanding shares of Canada Brokerlink Inc.

(3) Held directly or indirectly through Allianz Canada.

OUR BUSINESS

Overview

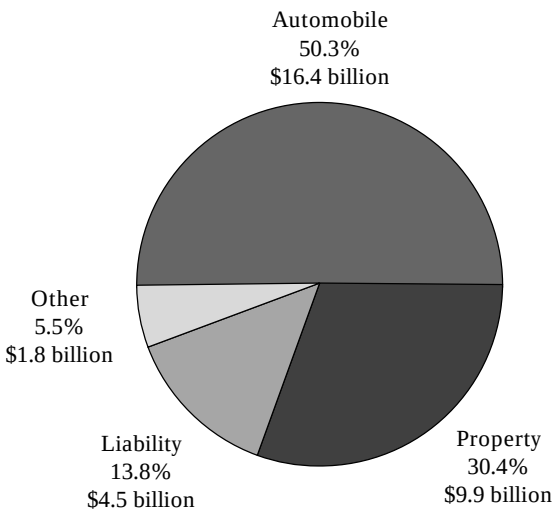
We are the largest provider of P&C insurance in Canada with a market share of 10.6%, based on 2003 direct premiums written. Our business is organized into two product lines: personal and commercial insurance. Our principal insurance products are automobile, property and liability insurance, which we provide to individuals and small to medium-sized businesses across Canada. Based on direct premiums written in 2003, we are the largest P&C insurer in Quebec, Alberta, Nova Scotia and British Columbia and the second largest in Ontario. We distribute our products through two channels: brokers and direct distribution. Our personal insurance business, representing 68.1% of our direct premiums written over the last twelve months ended September 30, 2004, consists of automobile and property insurance sold to individuals. Our commercial insurance business consists of automobile, property, liability, surety, marine and specialty coverage sold to small and medium-sized commercial clients. In addition to our P&C insurance operations, we have an investment management operation which provides investment management services with respect to approximately $5.7 billion of AUM as at September 30, 2004, which includes invested assets of our P&C insurance subsidiaries of $5.1 billion.

Our Industry

Industry Overview

The P&C insurance industry provides insurance to both individuals and businesses covering automobile, personal and commercial property, general liability and other business lines of P&C insurance. In 2003, the P&C insurance industry recorded approximately $32.6 billion of direct premiums written and made total claims payments and provisions for claims of approximately $22.8 billion. The P&C insurance industry's principal lines of business with the respective shares of direct premiums written in 2003 are set out in the chart below.

P&C Insurance Industry
2003 Direct Premiums Written by Line of Business



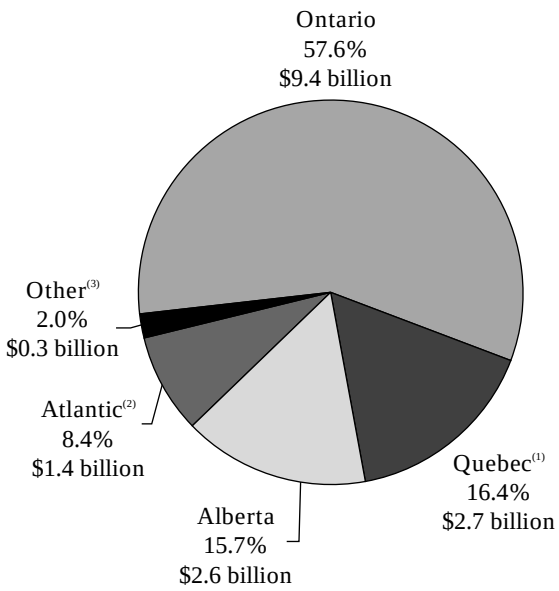
Source: Canadian Underwriter 2004 Statistical Issue.

Automobile Insurance. Automobile insurance is the largest business line of the P&C insurance industry by direct premiums written and provides coverage for individuals and businesses against losses incurred from personal bodily injury, bodily injury to third parties, property damage to an insured's vehicle and property damage to other vehicles and other property resulting from the ownership, maintenance or use of automobiles and trucks.

Canada's automobile insurance markets vary significantly across regions because of differing regulatory regimes that govern the industry in each province and territory. British Columbia, Saskatchewan and Manitoba each has a government-owned insurance company as the primary provider of automobile insurance to the public. In Quebec, a government-owned insurer provides the bodily-injury portion of automobile insurance while private insurers provide the other portions of automobile insurance. The remaining provinces and territories rely primarily on the private sector to supply the market with automobile insurance. See ''Regulatory Matters''.

In terms of market size, Ontario, Quebec and Alberta represent most of the Canadian private automobile insurance market with 89.7% of 2003 direct premiums written generated in these three provinces. The following chart displays the geographic distribution of the P&C insurance industry's 2003 automobile direct premiums written.

P&C Insurance Industry
2003 Automobile Direct Premiums Written by Region



Source: Canadian Underwriter 2004 Statistical Issue.

(1) The bodily-injury portion of automobile insurance in Quebec is provided by a government-owned insurer.
(2) Consisting of Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island.
(3) Consisting of British Columbia, Saskatchewan, Manitoba, the Yukon Territory, the Northwest Territories and Nunavut. Government-owned insurance companies are the primary providers of automobile insurance to the public in British Columbia, Saskatchewan and Manitoba.

Canadian P&C insurers have faced a difficult environment recently as the private automobile insurance business line experienced claims ratios of 90.0%, 89.0% and 83.0% in 2001, 2002 and 2003, respectively. Industry performance was affected most in Ontario where the 2003 automobile insurance claims ratio was 92.0%. Claims costs in Ontario have been driven in large part by rising health care costs and rapid personal injury claims growth, especially with respect to soft tissue injuries.

Property Insurance. Property insurance is the second largest business line of the P&C insurance industry by direct premiums written and provides coverage for loss or damage to buildings, contents, inventory and equipment.

The property insurance market has experienced lower claims ratios than the automobile insurance market, with industry property insurance claims ratios in 2001, 2002 and 2003 of 74.6%, 63.5% and 56.3%, respectively.

General Liability Insurance. General liability insurance provides coverage for liability exposures including bodily injury and property damage arising from products sold and general business operations. Specialized

liability policies may also include coverage for directors' and officers' liability insurance, fiduciary liability for trustees and sponsors of pension, health and welfare, and other employee benefit plans, errors and omissions insurance for employees, agents, professionals and others arising from acts or failures to act under specified circumstances, as well as umbrella and excess insurance. Claims ratios for industry general liability insurance in 2001, 2002 and 2003 were 73.2%, 77.1% and 72.8%, respectively.

Other. Other insurance lines include fidelity insurance, which protects an insured for loss due to embezzlement or misappropriation of funds by an employee; surety insurance, which is a three-party agreement whereby the insurer agrees to pay a second party or make complete an obligation in response to the default, acts or omissions of a third party; and other speciality lines including boiler and machinery insurance, marine insurance and aircraft insurance.

Distribution Channels

The three distribution channels for the P&C insurance industry are brokers, direct distribution and captive agents. Brokers act as intermediaries with a number of P&C insurance companies on behalf of customers who wish to purchase P&C insurance. The direct distribution channel is a method by which P&C insurance companies sell their insurance policies directly to customers without the use of an intermediary. The direct distribution channel's primary means to conduct business with customers are through the Internet and call centres. P&C insurers that use a captive agent distribution strategy employ a proprietary sales force that markets P&C insurance products exclusively for that insurer.

Within Canada, brokers are the largest distribution channel for P&C insurance products. The Insurance Brokers Association of Canada estimates that in 2003 the broker distribution channel accounted for 80% of the P&C insurance industry's personal and commercial insurance premiums.

In the P&C insurance industry, brokers are paid commissions by insurance companies as compensation for the services they provide. There are two types of commissions:

- Basic commissions vary by type of insurance and are paid on a policy-by-policy basis when policies are written. For example, commissions are typically paid at a rate of 12.5% (for automobile insurance) and 20.0% (for property and liability insurance) of earned premiums. The commission level is required to be included in rate filings with regulatory authorities where such rate filings are mandated.
- Contingent commissions are paid to brokers on an annual basis based on previous years' business. The criteria used in determining the amount of these commissions are primarily the profitability (sometimes based on claims ratios over specified rate periods) of the aggregate policies for a given insurance company (the ''Portfolio'') and may also include volume, concentration of business written with one insurance company, renewal ratios and the year-over-year premium growth of the Portfolio. The quantum of contingent commissions varies from one insurance company to another and between regions, but generally represents approximately 2% of the premiums earned in relation to a Portfolio. Contingent commissions reflect the profitability of the Portfolio and may also reflect the savings in operating costs of renewals and the economies of scale to the insurance company generated by larger Portfolios. Aggregate contingent commissions paid are disclosed in filings with regulatory authorities made by each insurance company on an annual basis.

In October 2004, the Canadian Council of Insurance Regulators, an inter-jurisdictional association of regulators of insurance, and the Canadian Insurance Services Regulatory Organizations, an inter-jurisdictional association of regulators of insurance intermediaries across Canada, announced that they have established a committee to ensure a co-ordinated national approach to regulators' review of insurance practices regarding the relationship between insurance companies, brokers and other intermediaries. In addition, the Ontario government announced that it had reached an agreement in principle with the P&C insurance industry, whereby P&C insurers and brokers in Ontario will voluntarily improve disclosure of both basic and contingent commission payments.

On November 12, 2004, the IBC revealed details of a plan to provide enhanced clarity and access to information regarding P&C insurance sales and service in Ontario. The components of the plan, which are expected to be in full effect by January 1, 2005, are:

- The creation and distribution of a Code of Consumer Rights and Responsibilities that outlines all P&C insurance consumer rights and responsibilities, which will be posted on all P&C insurance company websites and will be included with new policies and renewal offers for all lines of P&C insurance.
- The commitment of P&C insurance companies to disclose their financial and compensation arrangements with intermediaries on their websites, including whether intermediaries are paid a salary or commission, the range of basic commissions paid, and the range of any contingent commissions. P&C insurance companies will also post information on the kinds of financing and ownership links they may have with brokers and agents.
- The introduction of the new Point of Sale Protocol for Disclosure of Broker Commissions. The Protocol outlines information that brokers are to include in disclosure statements they give to their clients. They will include the basic commission range for P&C insurers they represent, and will identify which P&C insurers recognize sales performance through contingent commissions.

P&C insurance industry operating policies and practices may be impacted by these developments, as well as recent developments in the United States. See ''Our Business — Distribution and Marketing'' and ''Risk Factors — Our business is subject to risks related to litigation and regulatory actions''.

Affinity group insurance is an important component of the P&C insurance market. Affinity groups are professional and alumni associations and employer-sponsored groups. With the endorsement of associations and employer-sponsored groups, P&C insurance products are marketed to association members and employees. In some cases, an employer sponsor may collect insurance premiums from participating employees through payroll deduction. Affinity insurance is sold primarily through direct distribution and captive agent channels and less frequently, is distributed through P&C insurance brokers.

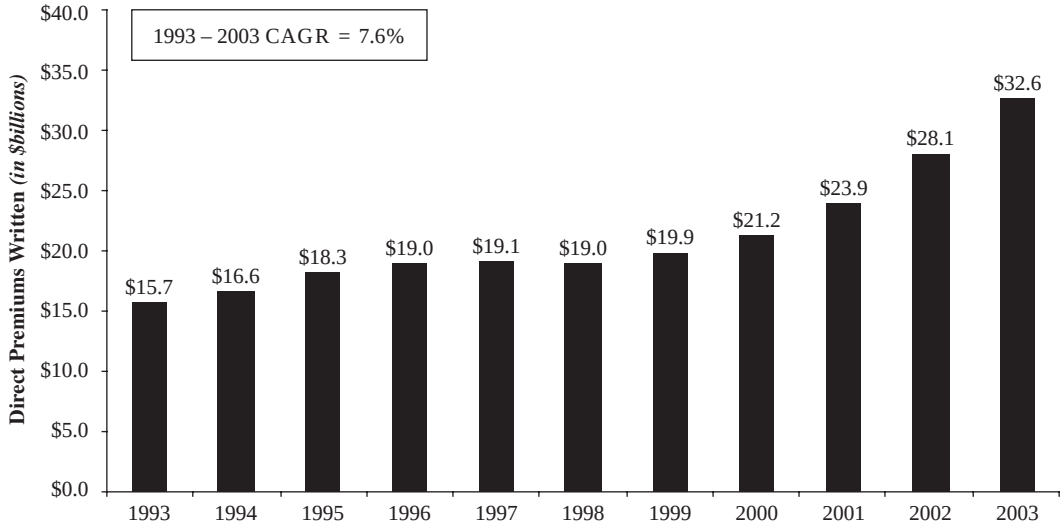
Industry Performance

The financial performance of the P&C insurance industry is determined by two principal factors: (i) the level of premiums collected in relation to claims and operating costs paid; and (ii) the returns generated by investment portfolios held by insurers. Recent industry performance has been characterized by an improvement in the commercial insurance claims ratio and by regulatory changes which have lowered costs related to injuries suffered in automobile accidents as well as policy rate increases from prior periods being earned in the current period. Investment returns have benefited from an improved market environment. Premiums collected by P&C insurers are ultimately used to pay claims and operating costs. However, there is a time lag between the collection of premiums and the payment of claims and operating costs. This allows insurers to invest premiums collected and earn an investment return until such time as claims and operating costs are paid.

The P&C insurance industry is a mature market. From 1993 to 2000, the CAGR of the P&C insurance industry's direct premiums written was 4.4%. In 2001, 2002 and 2003, the P&C insurance industry's direct premiums written grew by 12.7%, 17.6% and 16.0%, respectively, resulting in a CAGR of 7.6% for the period from 1993 to 2003. We do not expect that growth in automobile insurance premiums experienced over the last three years will continue and in fact, automobile insurance premiums began to decline in certain regions in late 2003.

The following table sets out the direct premiums written by the P&C insurance industry from 1993 to 2003.

P&C Insurance Industry
Direct Premiums Written



Source: Canadian Underwriter.

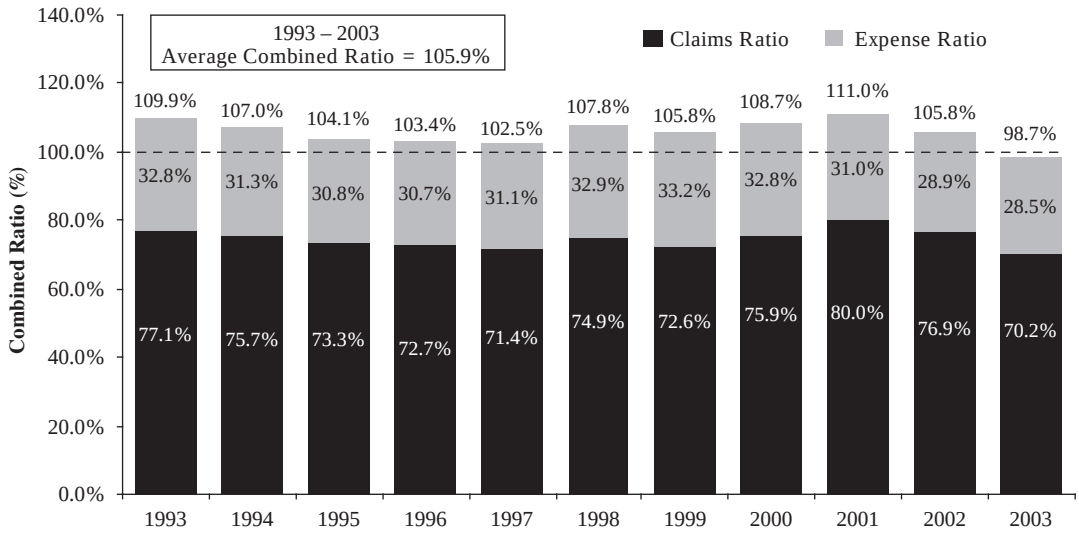
Recent P&C insurance industry direct premiums written growth rates have been unusually high as a result of a number of factors including:

- rate increases in response to rapid escalation in personal injury claims costs in several private automobile insurance markets;
- an industry-wide return to more disciplined pricing and underwriting, after significant underwriting losses in the preceding years;
- declines in the equity markets and low interest rates, which refocused insurers on pricing based on more conservative investment return assumptions; and
- increases in P&C insurance pricing and reinsurance rates resulting from the reassessment of risks following the events of September 11, 2001.

We believe that the P&C insurance industry's premium growth rates in 2001, 2002 and 2003 were unusually high. The industry is likely to experience little or no premium growth in the short-term as the market adjusts to recent rate increases and growth rates are likely to return to historical norms in the medium to long-term.

A key performance measure of the P&C insurance industry is the combined ratio. The combined ratio is the sum of the claims ratio and the expense ratio. The claims ratio is the sum of claims and claims adjustment expenses incurred, net of reinsurance, expressed as a percentage of net premiums earned. The expense ratio is the sum of expenses including commissions, premium taxes and general and administrative expenses incurred, expressed as a percentage of net premiums earned. A combined ratio of 100% implies that claims and operating expenses equal premium income. A combined ratio of greater than 100% implies that the underlying business recorded an underwriting loss before investment income from investment assets. A combined ratio of less than 100% implies that the underlying business recorded an underwriting profit before investment income on investment assets. The chart below illustrates the P&C insurance industry's combined ratios for 1993 to 2003.

P&C Insurance Industry
Combined Ratios

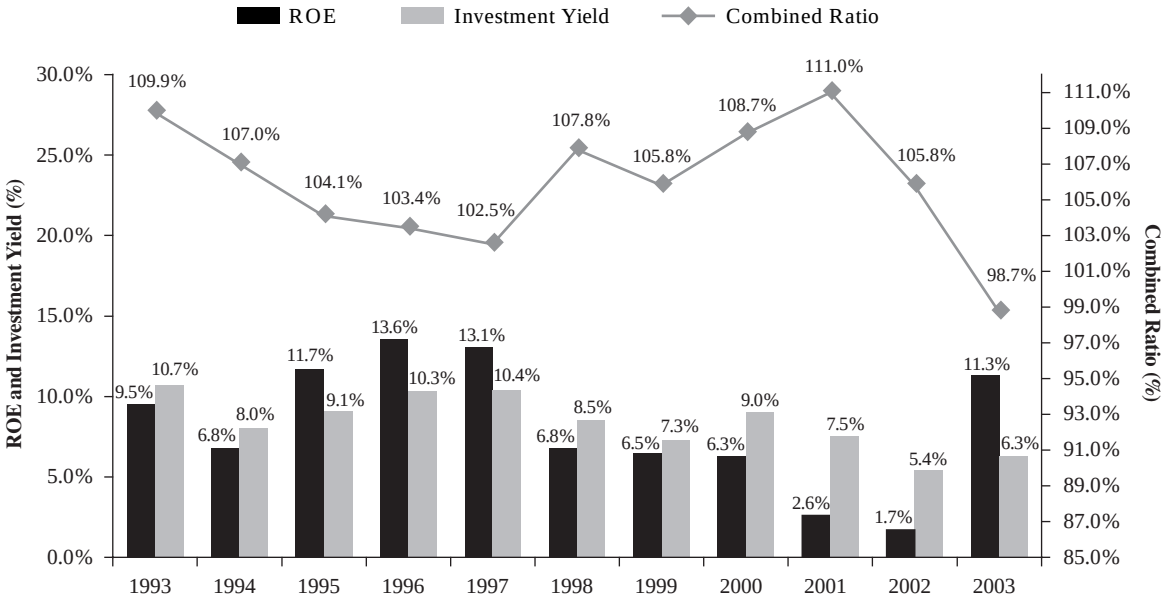


Source: IBC.

In the ten years preceding 2003, the P&C insurance industry's combined ratios remained above 100%. From 1997 through 2001, increases in the P&C insurance industry's combined ratios were primarily caused by rising losses which were not offset by price increases in the same period. Recently, the P&C insurance industry's combined ratios have improved significantly, reflecting regulatory changes and a shift toward increased prices, improved underwriting discipline, claims frequency, claims management and a focus on expense management. As a result, the P&C insurance industry's 2002 combined ratio improved to 105.8% from 111.0% in 2001, and further improved to 98.7% in 2003.

The P&C insurance industry's returns on investment portfolios were severely impacted as interest rates fell to historic lows in recent years and equity markets declined from 2000 to 2002. The P&C insurance industry's ROE fell to its lowest level in decades in 2001 and 2002. This historically low ROE was the result of combined ratios in excess of 100%, low interest rates and equity market declines during that period. However, as a result of an improved combined ratio in 2003, the P&C insurance industry improved its performance, posting an ROE of 11.3% for the year ended December 31, 2003. The chart below illustrates the P&C insurance industry's combined ratio and investment yield and the resulting impact on ROE.

P&C Insurance Industry
Combined Ratios, Investment Yield and ROE



Source: IBC.

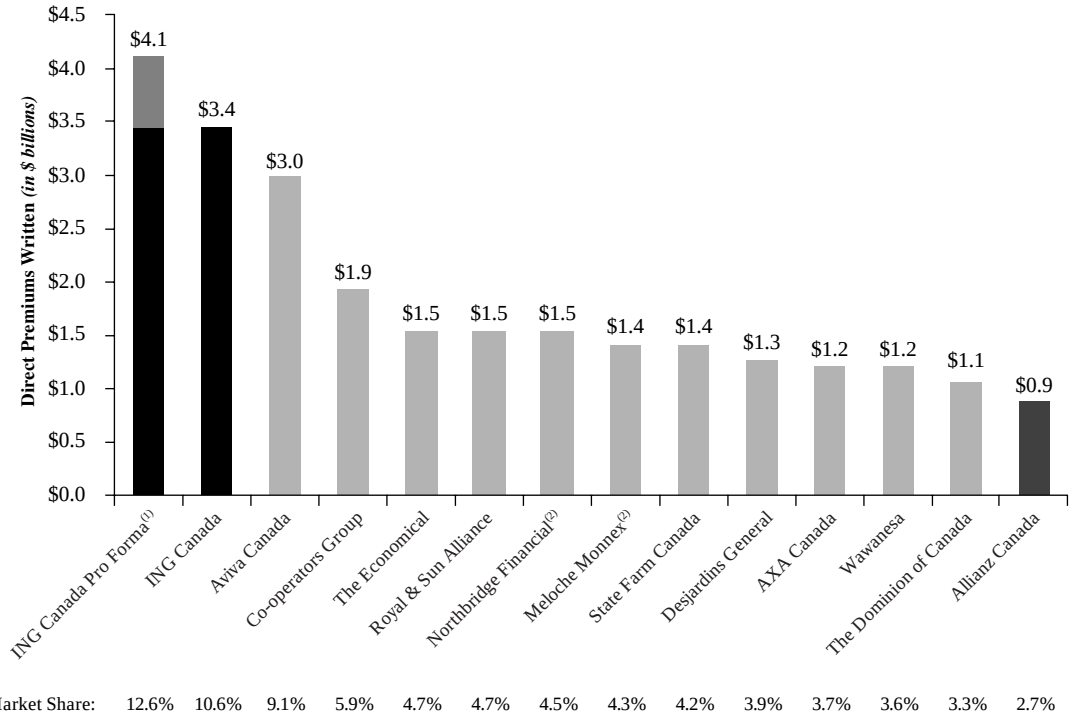
Insurance Fraud

The P&C insurance industry recognizes the severity of insurance fraud and the challenges it poses, principally related to automobile insurance. IBC has expanded its investigation units nationally and is focusing on organized crime groups involved in injury fraud and automobile theft in key regions. IBC has also entered into agreements with many police agencies across the country and has strengthened its ties with the National Insurance Crime Bureau in the United States and the North American Export Committee. In addition, international agreements with other countries are making it easier to recover stolen vehicles.

Industry Dynamics and Trends

The P&C insurance industry is highly fragmented and competitive. There are approximately 115 private and government-owned insurance groups currently competing for premiums. In 2003, the top five private P&C insurers accounted for approximately 34.9% of the industry's private direct premiums written.

P&C Insurance Industry
2003 Direct Premiums Written by Insurer



Source: Canadian Underwriter 2004 Statistical Issue, except as noted below.

(1) Includes $672 million of direct premiums written of the Acquired Business of Allianz Canada. See ''Our Business — Recent Developments — Acquisition of Allianz Canada''.
(2) Includes their P&C insurance subsidiaries or related entities.

Given the fragmented nature of the P&C insurance industry and our expectation that premium growth will return to historical norms from the levels seen in 2001, 2002 and 2003, we believe that the pace of consolidation activity will accelerate. We expect that consolidation activity will be driven by the following factors, among others:

- availability of capital for large insurers to grow through acquisition;
- cost savings resulting from combination transactions to grow earnings; and
- ability of acquirers to enhance the underwriting profitability of the businesses they acquire.

Regulatory Changes in Automobile Insurance

Given the large contribution of the automobile insurance industry to premium volume of the P&C insurance industry, regulatory changes to automobile insurance are expected to continue to be a significant factor in the performance of the P&C insurance industry in aggregate. In recognition of recent automobile insurance industry trends and claims costs and to address consumer concerns over recent rate increases and reduced product availability, provincial governments in Ontario, Alberta and the Atlantic provinces have introduced legislation to reduce claims costs related to automobile insurance, which is expected to continue to lower premium costs to consumers and stabilize the operating environment for insurers. The P&C insurance industry continues to work with provincial governments in these matters.

These reforms intend to address consumers' concern over rate increases and reduced product availability during the last few years. The significant increase in awards for pain and suffering on minor injuries and the rapid growth in medical and rehabilitation claims costs have been the principal reasons for premium increases. Regulatory reform has also focused on the high cost of providing automobile insurance for young drivers which has led to seek specific solutions for this segment of the population.

In Ontario, measures were introduced in 2003 and 2004 to deter fraud in medical and rehabilitation claims. The Ontario government intends that the savings resulting from these reforms will be translated into lower premiums. We expect further required product modifications to result in lower premiums.

In Alberta, a reform package became effective in October 2004. These reforms introduced limits on pain and suffering awards for minor injuries and imposed a rate freeze at 95% of current rates. Rate levels will increase over a three year period at the rate at which costs are expected to increase. The reforms also introduced maximum premium limits applicable to all drivers. Finally, a risk sharing pool and risk selection restriction rules have been implemented to enhance insurance availability for consumers.

In 2003, reforms were introduced in New Brunswick and Nova Scotia to impose limits on pain and suffering awards for minor injuries. The savings resulting from these reforms are expected to translate into lower premiums. In New Brunswick, a voluntary approach was adopted, while a rate reduction followed by a rate freeze was implemented in Nova Scotia to ensure that all the savings were passed on to consumers. Governments in both provinces are also in the process of eliminating age and marital status as pricing variables. In addition, a discount for young drivers will become effective in New Brunswick on November 1, 2004. As a result, a risk sharing pool and risk selection restriction rules have been introduced to enhance insurance availability for consumers.

Our History

Our business was founded in 1809 with the incorporation of our first predecessor company, The Halifax Insurance Company. Our business has been operated as an indirect wholly-owned subsidiary of ING Groep or its predecessors since 1959. Between 1988 and 2001, we successfully acquired and integrated ten P&C insurance businesses. As a result of both our acquisitions and organic growth, we have grown in terms of direct premiums written from the eighteenth largest P&C insurer in Canada in 1988 to the largest P&C insurer in Canada in 2003. The chart below sets out each of our acquisitions since 1988 and the size of each acquisition in terms of direct premiums written.

Our Acquisitions from 1988 to 2004

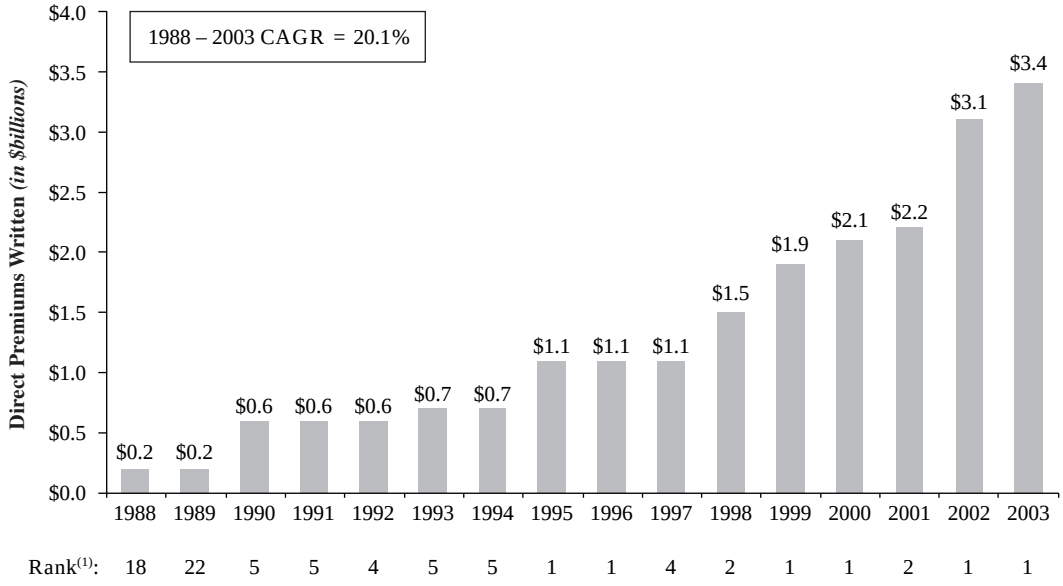
Acquisition	Year of Acquisition	Size of Acquisition (By Direct Premiums Written)[1]
		(in $millions)
Western Union	1988	$ 60
Commerce Group/BELAIR	1989	290
Metropolitan General	1991	10
Constitution	1992	30
St. Maurice	1994	30
Wellington	1995	370
Canadian Surety Personal Lines (Selected Provinces)	1997	30
Guardian	1998	630
Pafco (Niche Products)	1999	40
Zurich (Personal and Small Commercial Lines)	2001	510
Allianz Canada (Acquired Business)	2004	672

Source: Company data and Canadian Underwriter.

(1) Approximate direct premiums written related to the applicable acquired business for the calendar year prior to the acquisition.

After each acquisition is completed, it is our practice to identify profitable business for retention and to attempt to gradually reduce business that is not profitable and the costs required to support the acquired business. Through this selection process, we are able to turn unprofitable portfolios into attractive business for us.

Our Direct Premiums Written and Rank[(1)] for 1988 to 2003



Source: Company data and Canadian Underwriter.

(1) Our rank according to direct premiums written.

Our Historical Operating Performance

Historically, our operating performance has generally exceeded that of the P&C insurance industry. We have consistently produced higher growth, lower combined ratios and superior ROE performance. The following chart sets out the direct premiums written and CAGR for us compared to the P&C insurance industry from 1993 to 2003.

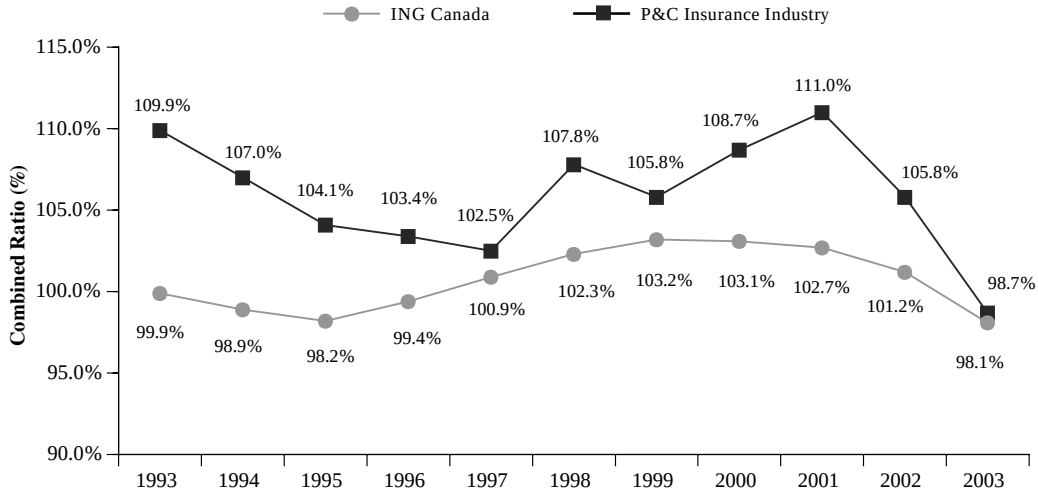
1993 to 2003 Direct Premiums Written Growth

	1993 Direct Premiums Written	2003 Direct Premiums Written	1993 to 2003 CAGR
	(in $millions)		
P&C Insurance Industry	$15,723	$32,642	7.6%
ING Canada	663	3,444	17.9%

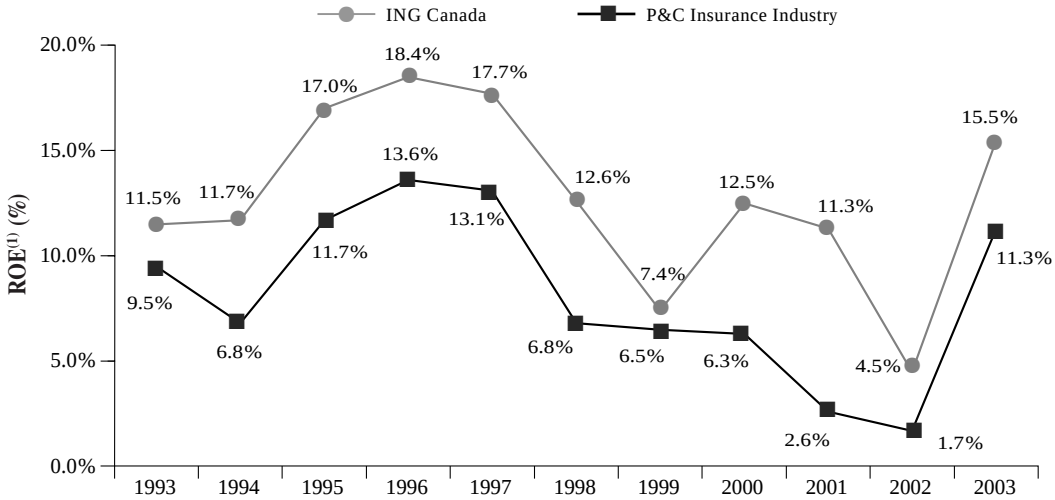
Source: Company data and Canadian Underwriter.

The following graphs depict the combined ratio and ROE of our insurance subsidiaries compared to the P&C insurance industry from 1993 to 2003.

Combined Ratio of our Insurance Subsidiaries Compared to the P&C Insurance Industry



ROE[(1)] Performance of our Insurance Subsidiaries Compared to the P&C Insurance Industry



Source: Company data and IBC.

(1) Excludes ROE of our non-insurance subsidiaries.

Our Strategy

Our strategic objective is to deliver a superior ROE, leveraging our position as a consistently profitable market leader and cost-effective provider of P&C insurance in Canada. Our business has delivered strong operating returns and low combined ratios compared to the P&C insurance industry as a result of performance-based management and a culture of disciplined underwriting and claims management. We have outperformed

the P&C insurance industry in terms of combined ratio. In order to continue to achieve our strategic objective, we intend to:

- *Focus on Core Product Lines and Markets while Maintaining Strong Underwriting Discipline.* We focus our business on personal insurance and small to medium-sized commercial insurance. By selecting our risks carefully, and by maintaining a disciplined pricing approach, we emphasize a profit-oriented approach to pricing and underwriting.
- *Pursue Acquisitions.* We intend to continue to grow our business by acquisition where our market presence, strong balance sheet and cash flow, together with management's demonstrated experience in acquiring and integrating P&C insurance businesses, create an effective platform for successful participation in further P&C insurance industry consolidation.
- *Control and Reduce Operating Costs.* We emphasize cost control throughout our organization by, among other things, benchmarking and budget analysis. We leverage our industry leading scale by supporting our regional operations with shared services including finance, actuarial, human resources, information technology, legal and compliance, which are valuable tools in expense management. In addition, the integration of acquisitions has afforded us the advantages of scale and realized synergies.
- *Emphasize Our Customer-Oriented Focus.* We evaluate our customers' and brokers' needs and intend to provide new products and services within our core product lines and markets to foster closer relationships with our customers and brokers. In our broker distribution channel, we foster point-of-sale transactions by shifting decision-making authority, within defined parameters, to field underwriting offices and representatives who interact directly with brokers. In our direct distribution channel, we enhance customer relations by providing timely and responsive pricing quotes and claims services.
- *Manage Broker Relationships.* We conduct business with approximately 2,800 brokers across Canada. Our business success is predicated on continuing to ensure competitive rates and products for our target customers and to improve and further automate processes in order to deliver consistently high levels of broker service. See ''Our Business — Distribution and Marketing''.
- *Capitalize on our Brand Names.* ING Groep's international reputation for financial services expertise is well recognized in Canada. As a result, we are well positioned to attract a significant percentage of business handled by established brokerages. In addition, in the direct channel, BELAIR has developed a strong reputation among consumers in Quebec and Ontario.
- *Continue to Invest in Technology.* We selectively invest in technology where we identify opportunities to enhance our proprietary hosting technology for brokers and web-based service and call centre platforms in the direct distribution channel. Our technology provides brokers with access to quotes and policy issuance information which interfaces with our underwriting and rating systems. For direct distribution, we integrate web and call centre technology to create a seamless customer service platform.
- *Continue to Manage Capital Efficiently.* We manage our capital efficiently relative to our risk exposure to maximize profitability and long-term growth in shareholder value. We do this through disciplined risk management practices, which includes managing our investment portfolio to maximize returns with a view to optimizing required regulatory capital levels. In addition, we manage our business lines with the appropriate level of capital required to maintain the financial strength ratings necessary to operate in our markets.

Our Competitive Advantages

We believe that we are well positioned to outperform the P&C insurance industry for the following reasons:

- *Leading Market Share.* We are the largest P&C insurance company in Canada based on 2003 direct premiums written. Because of our size, we maintain a prominent position with insurance brokers resulting in many opportunities to grow our business and extend our product offerings. Our size also provides us with economies of scale.

- *Disciplined and Performance-Based Underwriting Approach.* We have developed underwriting and pricing policies that have been demonstrated to be effective over time. Our approach to writing business is built upon significant underwriting, claims, and actuarial experience. Specialized knowledge about various customer segments and risk exposures allows us to analyze risk and customer characteristics and determine pricing parameters. This approach enables us to select acceptable risks and to tailor our products, pricing and services to specific customer needs.
- *Financial Strength and Scale.* We are a financially sound company with an efficient capital structure that has delivered consistent returns. We have a strong balance sheet with approximately $1.4 billion of shareholders' equity, $7.5 billion in total assets and $461.1 million of debt outstanding as at September 30, 2004. As a result of our financial strength, we believe we are able to retain, grow and attract profitable business.
- *Proven Acquisition and Integration Record.* Since 1988, we have successfully acquired and integrated ten businesses (not including Allianz Canada, which we acquired on December 8, 2004), realized synergies and enhanced our operational efficiency and underwriting expertise. We believe that our strong position relative to our competitors will allow us to successfully participate in the expected further consolidation of the P&C insurance industry in Canada.
- *National Presence with Regional Focus.* We conduct our business in all provinces and territories of Canada and have approximately 2.9 million P&C insurance policies and over three million customers as of September 30, 2004. Our business is managed regionally with shared services and operations support performed on a national basis. Our national presence allows us to maintain superior underwriting results by assessing the underwriting environment in each region with a view to expanding our business in regions where conditions are favourable and contracting our business in regions that are unfavourable.
- *Multi-Channel Distribution.* We distribute our products and services through P&C insurance brokers and direct distribution. Our multi-channel approach provides our customers with flexibility and choice in determining how to obtain our products and use our services, while increasing the number of points of contact we have with customers.
- *Experienced Management Team.* Our senior management team has an average of over 15 years in the P&C insurance industry and has been with us for an average of ten years. We also have proven teams of knowledgeable and experienced underwriting and claims professionals with successful track records in the P&C insurance business.

Our Products and Services

We have two business lines for our insurance products: personal insurance and commercial insurance. The following tables show the breakdown of our direct premiums written by line of business for the last five years.

	Nine Months Ended September 30,		Years Ended December 31				
	2004	2003	2003	2002	2001	2000	1999
				(in $millions)			
Personal Insurance							
Automobile	$1,333.8	$1,324.0	$1,724.0	$1,568.4	$ 995.3	$ 951.7	$ 886.5
Property	527.3	471.2	624.1	604.6	426.0	415.4	387.3
Total	$1,861.1	$1,795.2	$2,348.1	$2,173.0	$1,421.2	$1,367.1	$1,273.8
Commercial Insurance							
Automobile	$ 219.5	$ 212.3	$ 291.0	$ 248.1	$ 216.8	$ 199.4	$ 177.1
Other	612.3	584.7	804.7	685.9	553.7	496.5	435.6
Total	$ 831.8	$ 797.0	$1,095.7	$ 933.9	$ 770.6	$ 695.8	$ 612.7
Total Direct Premiums Written	**$2,692.9**	**$2,592.2**	**$3,443.8**	**$3,107.0**	**$2,191.8**	**$2,063.0**	**$1,886.5**

Personal Insurance

We are the largest personal insurance provider in Canada with $2.3 billion of direct premiums written in 2003. Over the last twelve months ended September 30, 2004, our personal insurance business accounted for 68.1% of our direct premiums written. Our primary coverages in personal insurance are personal automobile and property insurance.

Personal Automobile and Liability Insurance. Our personal automobile insurance business, with $1.7 billion of direct premiums written over the last twelve months ended September 30, 2004 and approximately 1.3 million insurance policies in force, provides coverage to our customers for liability, personal injury (or accident benefits) and damage to their vehicles. Liability insurance covers the payment of damages by insured persons who have caused bodily injury or property damage to third parties as a result of an accident. Personal injury insurance covers impaired earnings, medical, rehabilitation and attendant care resulting from injury, illness or death sustained by an insured person as a result of an automobile accident. Property (collision and comprehensive) insurance covers losses suffered by insured persons because of damage to, or loss of, their automobiles. Our coverage is also available for motor homes, recreational vehicles, snowmobiles and antique and classic cars.

Claims costs in automobile insurance are primarily a function of the frequency of accidents, the cost of medical care, the cost of automobile repair and replacement, and any cost of litigation associated with claims.

Personal Property and Liability Insurance. Our personal property insurance business, with $680.3 million of direct premiums written over the last twelve months ended September 30, 2004 and approximately 1.3 million insurance policies in force, covers individuals for fire, theft, vandalism and other damages to both residences and their contents as well as personal liability coverage. Most home policies in force in Canada are on a guaranteed replacement cost basis. Coverages are adjusted to specific segments of the market. The home market is segmented into standard homes, high-value homes and non-standard homes. The home market also includes coverage for tenants, condominium owners, non-owner occupied residences and seasonal residences.

Claims costs in property insurance are primarily a function of the frequency and severity of claims. The severity itself is highly influenced by inflation in building supplies, labour costs and household possessions. Most homeowners' policies offer, but do not require, automatic increases in coverage to reflect growth in replacement costs and property values.

The profitability and pricing of homeowners' insurance is also affected by the incidence of natural disasters, particularly severe winter storms, wind and hail, earthquakes and hurricanes. We use reinsurance to reduce our exposure to natural disasters.

Commercial Insurance

We are one of the largest commercial insurance providers in Canada with $1.1 billion of direct premiums written in 2003. Over the last twelve months ended September 30, 2004, our commercial insurance business accounted for 31.9% of our direct premiums written. Our commercial insurance products are marketed to small to medium-sized businesses and farms.

Commercial Automobile Insurance. Our commercial automobile insurance business, with $298.2 million of direct premiums written over the last twelve months ended September 30, 2004 and approximately 68,000 insurance policies in force, provides the same coverage as private passenger automobile insurance but for different types of risks. Commercial automobile insurance covers commercial vehicles, public vehicles, garage risks, fleets of private passenger vehicles and light trucks. Most of the vehicles insured by us are cars and light trucks.

Commercial Other Insurance. Our commercial insurance business also provides coverage to businesses for fire and related lines, commercial liability, surety, inland marine, multiple peril risks, premises liability and liability for products and operations as well as niche products (jewellers' block, furriers' block, hospitality risks and warranty coverages) and had $832.3 million of direct premiums written over the last twelve months ended September 30, 2004 with approximately 219,000 insurance policies in force. We have traditionally offered commercial property, liability and other insurance to a diversified group of small and medium-sized commercial clients. These clients are typically small businesses, commercial landlords, manufacturers and contractors.

Distribution and Marketing

We distribute our products through two channels: brokers and direct distribution. Brokers are our primary distribution channel, which accounted for 91% of our direct premiums written in 2003.

- *Brokers.* We conduct business with approximately 2,800 brokers across Canada. We believe that for these brokers, who act on behalf of the customer, the priorities are competitive pricing and responsive customer service for their clients. Our business success is predicated on continuing to provide competitive rates and products that are best suited for our target customers and to deliver consistently high levels of service to brokers. For certain brokers, we provide a technology platform that allows them to transact business with us, education on our products and may engage in co-operative marketing. We may also assist brokers in providing a broader range of wealth management products. In 2000, ING acquired a network of P&C brokerages called Equisure. We subsequently sold approximately half of our equity interest in each of these brokerages in order to ensure that locally based, customer-focused entrepreneurs direct these brokerages' activities. We believe that our commission structure for brokers has been consistent with standard practices in the P&C insurance industry. In 2003, we incurred total commissions of $510.2 million of which $412.5 million (approximately 14.9% of net premiums earned) represented basic commissions, $69.9 million represented contingent commissions (approximately 2.5% of net premiums earned) with the remainder representing the non-recurring commissions related to a previous acquisition and non-insurance commissions. In addition, we have provided loans to certain brokers, including Equisure brokerages, to support the growth strategy of these brokerages or their succession planning requirements.

  In October 2004, the Canadian Council of Insurance Regulators, an inter-jurisdictional association of regulators of insurance, and the Canadian Insurance Services Regulatory Organizations, an inter-jurisdictional association of regulators of insurance intermediaries across Canada, announced that they have established a committee to ensure a co-ordinated national approach to regulators' review of insurance practices regarding the relationship between insurance companies, brokers and other intermediaries. In addition, the Ontario government announced that it had reached an agreement in principle with the P&C insurance industry, whereby P&C insurers and brokers in Ontario will voluntarily improve disclosure of both basic and contingent commission payments. On November 12, 2004, the IBC revealed details of a plan to provide enhanced clarity and access to information regarding P&C insurance sales and services in Ontario. We continue to review our commission structure, financing arrangements with brokers and related matters, including disclosure, and intend to work with insurance regulators in Canada and industry participants with respect to these developments. See ''Our Business — Our Industry — Distribution Channels'' and ''Risk Factors — Our business is subject to risks related to litigation and regulatory actions''.

- *Direct Distribution.* Our direct distribution channel caters to customers who prefer to deal directly with us, without an intermediary. BELAIR is known for its state-of-the-art call centre technology and has been conducting business directly through the Internet with consumers in Quebec and Ontario since 1995, offering free quotes and online purchasing for automobile and home insurance. We market insurance directly to customers through BELAIR by contacting customers through mass media, telemarketing and direct mail campaigns. Products are marketed and sold mainly through the Internet and by phone through our call centres in Quebec and Ontario.

Affinity groups, such as employers and associations, are also a part of our customer base representing approximately 4.7% of our personal insurance direct premiums written for the year ended December 31, 2003. We handle sales and services for these programs either through a sponsoring broker or through our call centre operations. A number of corporations market our product offerings to their employees. In addition, we have relationships with automobile associations and other affinity groups including alumni and professional associations across Canada that market our products to their members.

Pricing and Underwriting

Personal Insurance. We believe that pricing and underwriting are inextricably linked. The sophistication of pricing segmentation has a direct influence on the quality of risks that we will assume. Similarly, the

sophistication of the risk selection process has a direct impact on the experience that is reflected in our pricing database and hence on our ability to segment and be competitive.

We enhance our competitive pricing position through disciplined claims and expense management. Over the last ten years, we have maintained a detailed proprietary database of our personal insurance business that is consistent across the provinces and territories. As a result of our size, this database allows us to have greater insight in the forecasting of expected claims severity and frequency. Our pricing is derived from frequency of claims, severity of claims, expenses associated with writing business, claims administration and settlement costs and costs of distribution channels through which the business is written.

The selection or underwriting process attempts to quantify the potential risks associated with a customer to determine the eligibility of that customer and the appropriate price that should be charged. This process is highly automated in order that brokers and underwriters can apply our underwriting guidelines as consistently as possible. We have developed sophisticated models to identify the relative profitability at the risk or policy level in order to provide brokers with additional guidelines to encourage business with the highest expected profitability.

Commercial Insurance. As in personal insurance, product pricing in commercial insurance is generally developed to provide for expected claims frequency and severity in the period when the rates will be in effect. Product pricing takes into account the expenses associated with writing business as well as claims administration and settlement expenses. Our pricing strategy also incorporates the cost of capital required to support the business being written.

We have a disciplined approach to underwriting and risk management in commercial insurance with an emphasis on profitability. Our focus on small and medium-sized businesses has allowed us to standardize our underwriting criteria and pricing based on industry classifications.

Claims Management

Our claims management objective is to provide efficient, high quality claims service to our customers while controlling claims administration costs and reducing the incidence of fraud. We believe that this can best be achieved by our internal claims staff who are trained to apply our claims management practices.

In 2003, 95% of our claims were handled to completion by our internal claims personnel, without the involvement of an external claims adjuster. We believe this results in the desired effect of consistent application of our claims policies and procedures, as well as lower aggregate claims costs and related claims administration costs.

In order to benchmark and evaluate our performance, we seek feedback from claimants annually with respect to satisfaction of our claims handling procedures. Based on this feedback for 2003, over 90% of claimants responding to the survey were satisfied with the claims process and the payments that they received. We believe that the results of this survey are representative of the satisfaction of our claimants. Our staff recognizes that timely resolution of claims is a service valued by our clients and contributes to our success and reputation. In 2003, to demonstrate our commitment to efficiency, we launched a claim service guarantee initiative, whereby we promise a response within 30 minutes after a claim is reported. If we fail to respond within 30 minutes, we pay the customer an amount up to $1,000 (not to exceed the annual premium paid by the customer).

General claims handling is administered by our approximately 1,500 claims professionals located across Canada. The claims handling process includes receipt of notice of loss, coverage verification, reserving for the ultimate potential loss, investigation of circumstances surrounding the claim, assessment of damages, settlement or refusal of settlement as appropriate, payment, completing salvage operations and recuperating under subrogation or reinsurance where applicable. The key elements of our management process are our comprehensive claims handbooks, our numerous technical training programs and our quality review processes. We have designed systems and processes that ensure on-going monitoring, measurement and control of all aspects of the claims resolution process, from the time we receive the notice of loss to the final claim settlement.

We also have a national claims operation which:

- establishes our strategic direction with respect to claims and policies on issues that are common to all regions and distribution channels; and
- further develops our core competencies and best practices in claims.

The national claims operation negotiates suppliers' agreements, establishes training courses, updates claims manuals, establishes and monitors a consistent reserving approach, conducts operational audits, champions system development and enhancements and establishes strategies to control loss costs, including internal and external adjustment expenses.

Most of our claims professionals are regionally based. Their role is to manage the day-to-day operations relating to claims. We believe that this allows us to respond to the customer in a timely manner when a claim situation arises. All of our adjusters have authority limits — magnitudes of claims that they are qualified to process — commensurate with the adjusters' respective level of experience. These authority levels are reviewed on a regular basis and adjusted if warranted.

We manage a large number of claims in the normal course of business. A number of outstanding claims present common issues faced by the P&C insurance industry as a whole, such as total loss deductible, after-market parts, ice storm and environmental contamination claims. These insurance claims are managed by the claims department on a day-to-day basis. Reserves are established and adjusted by the claims department and reviewed by our internal and external auditors and our actuarial, legal and finance departments. If these claims are derived from insurance policies that are covered by reinsurance treaties, the risk to us is limited to the net retention of the insurance risks and the credit rating of the reinsurer.

Insurance Fraud

Insurance fraud is an ongoing concern in the P&C insurance industry. See ''Our Business — Our Industry''. We have procedures in place for the prevention and early detection of fraudulent activities. Suspected cases of fraudulent claims are reported to our special investigative unit. Our investigation policy ensures that investigations are conducted in an objective, confidential and professional manner by specifying how the investigation of incidents is to be initiated, the powers and authority of investigators, the minimum standards that apply for documenting a file and the manner in which the incident is to be settled.

In addition to investigating specific situations, programs have been developed to limit fraudulent claims activity and to pursue appropriate subrogation and recovery opportunities.

Claims Related Legal Proceedings

We follow and assess new claims developments and take them into account in setting our reserves. Current issues include the following:

- lawsuits in a number of Canadian provinces relating to the use of after-market automobile parts, rather than original automobile parts;
- lawsuits relating to total loss deductibles whereby insureds claim that they should not pay deductibles when the insurer pays the total loss of a car to the insured, and recuperates such car for resale;
- lawsuits relating to subsistence costs during the ice storm of 1998;
- lawsuits relating to site contamination that are accepted by tribunals even if such claims are presented beyond the usual limitation periods;
- sexual harassment cases; and
- class action lawsuits against tobacco companies.

Facility Association

As a condition of providing automobile insurance in Canada, our insurance subsidiaries are required to participate in the Facility Association in all provinces and territories except Quebec. The Facility Association consists of mandatory pooling arrangements with all industry participants and provides automobile insurance coverage to individuals or businesses that are otherwise unable to purchase coverage from private insurers. The policies written in the Facility Association are processed and managed by a small number of insurance carriers which receive expense reimbursement for administering the policies. We are one of several carriers that manage the Facility Association's policies. All underwriting results and investment income resulting from the business processed by these carriers are then pooled and assumed by all industry participants according to their automobile insurance market share.

The size of the Facility Association across jurisdictions varies over time in relation to the profitability of automobile insurance markets as well as the capital available to private insurers. As profitability has been poor in automobile insurance across most jurisdictions (except Quebec) in the last three years, the Facility Association's premiums have grown to an unprecedented level, exceeding $1 billion in direct premiums written in 2003.

As the Facility Association was unable to increase price levels as fast as claims costs increased, it suffered losses exceeding $500 million in 2003, largely as a result of claims in Ontario. Previously described regulatory reforms and significant rate increases in 2003 and 2004 are expected to help reduce the number of risks placed into the Facility Association as well as the financial losses associated with the Facility Association.

Reinsurance

We purchase reinsurance in order to control our exposure to losses and liability arising from the insurance risks that we write and to protect our capital resources. We cede a portion of our gross premiums to reinsurers in exchange for the reinsurer's agreement to share a portion of the covered losses. The purpose of reinsurance is to improve risk diversification and to allow us to write more business. Reinsurance involves credit risk and is generally subject to aggregate loss limits. In addition to using traditional reinsurance for risk transfers, we have used reinsurance to facilitate acquisitions. Reinsurers are selected based on their financial strength ratings, business practices and the price of their product offerings. All of our non-affiliate reinsurers were rated ''A-'' or higher by A.M. Best at the time of entering into the reinsurance arrangements. Although the reinsurer is liable to us to the extent of the reinsurance ceded, we remain liable as the direct insurer on all risks reinsured. We also hold collateral, including escrow funds and letters of credit, under reinsurance agreements. We monitor the financial condition of reinsurers on an ongoing basis and review our reinsurance arrangements periodically.

The use of reinsurance in the P&C insurance industry results in companies having recoverables from reinsurers with whom they do business. Reinsurance recoverables in effect reflect the claims and unearned premium reserves for the portion of the business reinsured. Reinsurance recoverables related to our non-rated reinsurers, including our affiliate reinsurers, are substantially secured in the form of cash, letters of credit and/or assets held in trust accounts.

As at December 31, 2003, approximately 79% of our net reinsurance recoverables were from a quota-share treaty entered into in relation to a previous acquisition as described below under ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Factors Affecting Results — Significant Transactions — Zurich''. The sole reinsurer of that treaty is ING Re (Netherlands) N.V. (''ING Re'') which is one of our affiliates and is an unlicensed and unrated reinsurer in Canada. See ''Interest of Management and Others in Material Transactions — Reinsurance Arrangements'', ''Relationship with ING Groep'' and Notes 8 and 9 to our audited consolidated financial statements included in this prospectus.

In addition to the reinsurance described above, we have put in place an internal reinsurance participation agreement among our insurance subsidiaries. This arrangement permits us to better manage the capital needs of our subsidiaries. The effect of this arrangement is that underwriting results (including premiums, expenses, paid losses, loss reserves and unearned premium reserves) are aggregated and redistributed to each of the insurance subsidiaries according to a pre-determined allocation.

Reserves for Unpaid Losses and Loss Adjustment Expenses

We establish loss reserves to provide for future amounts required to pay claims related to insured events that have occurred and been reported but have not yet been settled, and to events that have occurred but have not yet been reported to the insurer. We also establish reserves for loss adjustment expenses (''LAE''), which represent the estimated expenses of adjusting claims, including legal and other fees, and general expenses associated with administering the claims settlement process.

The process of estimating loss reserves is imprecise and is affected by both external and internal events such as changes in inflation, judicial trends, legislation and claims handling procedures. We refine our reserve estimates in a systematic ongoing process as historical loss experience develops and additional claims are reported and settled. We reflect adjustments to reserves in the results of operations in the periods in which the estimates are changed. In establishing reserves, we take into account estimated recoveries for reinsurance, salvage and subrogation.

The provision for unpaid claims and adjustment expenses is discounted to take into account the time value of money. It also includes a provision for adverse deviation, as required by accepted Canadian actuarial practice.

After a claim is reported, where appropriate, our claims personnel establish a ''case reserve'' for the estimated amount of the ultimate loss payment. The estimate reflects the informed judgment of claims personnel based on reserving practices and their experience and knowledge regarding the nature and value of the specific type of claim. Claims personnel review and update their estimates as additional information becomes available and claims proceed towards resolution. In addition, reserves are established on an aggregate basis for losses incurred but not reported to the insurer and for potential further loss development on reported claims, including LAE.

We derive estimates for unreported claims and development on reported claims principally from actuarial analyses of historical patterns of loss development by accident year for each type of exposure and market segment. Similarly, we derive estimates of unpaid LAE principally from actuarial analyses of historical development patterns of the relationship of LAE to losses.

Our actuarial department estimates the reserves of all our insurance subsidiaries on a quarterly basis. The appointed actuary conducts an annual review and certification of the reserves established for each subsidiary.

For further discussion of our reserving methods and underlying assumptions, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Claims Liabilities''.

Risk Management

We have established comprehensive risk management and internal control procedures designed to manage and monitor various risks in order to protect our business, clients and shareholders. Our risk management efforts aim to avoid risks that could materially impair our financial position, accept risks that contribute to sustainable earnings and growth and disclose these risks in a full and complete manner. Our board of directors is responsible for overseeing our risk-taking activities and risk management programs.

Our board of directors has established the following committees to ensure that risks are being properly measured, monitored and reported:

- *Audit and Risk Review Committee:* This committee is composed of a majority of independent members of our board of directors and chaired by an independent director. In addition to its audit committee functions, which include the review of the financial information and the monitoring of the internal controls, this committee reviews trends and key risk positions and exposures, risk management programs, practices and internal controls and compliance with key operational risk policies and limits.
- *Conduct Review and Corporate Governance Committee:* This committee is composed of a majority of independent members of our board of directors and chaired by an independent director. This committee reviews, approves or makes recommendations to our board of directors with respect to related party transactions, compliance and market conduct programs and policies, including the resolution of conflicts of interests, and restrictions on use of confidential information.
- *Risk Management Committee:* This committee is composed of six of our senior officers and is chaired by a senior officer designated by our board of directors. It meets monthly and oversees and endorses our

global risk management priorities, assesses the effectiveness of risk management programs, policies and actions of each key critical function of our business and reports on an ongoing basis to the Chief Executive Officer, quarterly to the audit committee, and at a minimum annually to our board of directors. The committee evaluates our overall risk profile, aiming for a balance between risk, return, and capital, and determines policies concerning security and information technology risk, compliance, regulatory, legal and litigation issues, crisis and business continuity risks and reputational risk as well as management information systems. The committee is mandated to: (i) identify risks that could materially affect our business; (ii) measure risks and their financial and other impact, such as reputational; (iii) monitor risks; and (iv) avoid risks if they are not in line with the risk tolerance level determined by our board of directors.

This committee uses a number of tools and processes to identify and assess the risks that could affect us. The main tools are the R&CSR (Risks and Control Self-Assessment Report), through which the risk profile of a specific business unit is established and then measured, and the key risk indicators which are a strategic tool for proactive and continuous monitoring of identified risks.

In addition, the Chief Executive Officer is directly accountable to our board of directors for all of our risk-taking activities and risk management programs and is supported by the Chief Financial Officer and the Senior Vice-President, Corporate and Legal Services, who act as Co-Chief Risk Officers, as well as the senior management committee which reviews findings of the risk management committee and takes action accordingly.

The following sets out the principal risks we have identified and the strategies adopted to manage them:

- *Strategic Risks:* We face many strategic challenges, including ongoing management and development of our products, services and relationships with our distribution networks and insureds. We manage these risks through formal processes and approvals which include:
  - obtaining our board of directors' final approval of the medium term plan, which provides for strategic planning and capital allocation, and includes risk management analysis;
  - reviewing of the financial and operational reports by the audit and risk review committee and our board of directors on a quarterly basis;
  - having each of our business units develop detailed business plans, which are then executed by local management;
  - having each significant acquisition reviewed by our board of directors and the majority shareholder; and
  - developing and maintaining high standards of conduct through distribution of our Code of Conduct, and ING Business Values to all new employees and periodical reminders of same to all employees, together with training sessions.
- *Operational Risks:* Operational risks are the risks of loss resulting from inadequate or failed internal processes, systems failures or human performance failures. The main operational risks relate to our inability to design and price our products properly, retain our distribution networks, manage our information properly and recuperate amounts due by our reinsurers.
- *Investment Risks:* Our investment risks are derived from three main sources: (i) investment risks that result from price volatility, interest rate changes, default, deterioration of credit rating or creditworthiness, adverse movements in foreign currency rates and from not having access to sufficient funds to meet both expected liabilities and unexpected cash demands; (ii) we bear the credit risk of our reinsurers in case they become unable to meet their financial obligations; and (iii) the risk of loss due to inability or unwillingness of our brokers to whom we lend money to repay amounts due.

  To alleviate such risks, we have adopted an investment philosophy aimed at preserving capital and investment policies that set investment limits in each category of acceptable investments and that fix minimum ratings for each type of investment. These investment policies and guidelines are applied by IIM and are closely monitored by an investment committee that reports to our board of directors at each of its regular meetings. See ''Our Business — Investment Management — Investment Philosophy and Strategies''.

Reinsurers are selected based on their financial strength ratings, business practices and the price of their product offerings. All non-related reinsurers must be rated ''A-'' or higher by A.M. Best at the time of entering into reinsurance agreements with us, in addition to providing collateral under reinsurance agreements if they are not licensed in Canada. Reinsurance agreements and reinsurers are closely monitored on a continuing basis. See ''Our Business — Reinsurance''.

Broker loans are managed by officers in each of the three main regions: they negotiate the loans and equity participation with selected brokerages to which we lend money or in which we take a co-ownership position. Standard agreements are used for this purpose and contain general security and supervision clauses. These officers monitor the financial situation of these brokerages.

- *Market Conduct Risks:* We are subject to numerous laws and regulations in all the jurisdictions in which we operate. Failure to respect all laws and regulations, or failure to identify such laws and regulations and their impact on our relationship with customers could negatively affect our financial results and reputation.

  In this regard, we are supported by a team of lawyers and staff, and by outside counsel when deemed necessary, in addition to being an active member of the major industry associations. Also, we recently created a government relations function to ensure contact with the governments of the various provinces in which we operate, and to be proactive in situations that could affect our business.

- *External Risks:* Our operations are exposed to a large number of diversified external factors over which we have no or limited control. These include natural events, general economic and geo-political conditions, and adverse legislative and judicial developments.

  Identification, monitoring and mitigating or avoidance of such risks is supported by the risk management effort at all levels of our organization, which includes prudent actuarial reserves, controlled risk appetite and limited risk tolerance and control of the binding authorization limits in operations, credit, acquisitions or disposals.

Ratings

Our insurance subsidiaries maintain individual ratings from A.M. Best. These ratings provide industry participants and consumers with a means of assessing the financial strength and quality of insurers. These ratings are relevant to policyholders and are not directed towards the protection of shareholders. Accordingly, these ratings represent independent opinions of financial strength and ability to meet policyholder obligations and are neither a rating of nor directly applicable to the Common Shares being offered by this prospectus.

Our insurance subsidiaries have each received a financial strength rating of ''A + (Superior)'' (the second highest of fifteen rating categories) from A.M. Best. According to A.M. Best, companies rated ''A + (Superior)'' are considered to have a superior ability to meet their ongoing obligations to policyholders. On October 13, 2004, A.M. Best confirmed these ratings.

Investment Management

Substantially all of our investment portfolio is managed by IIM. IIM also provides investment management services to our employee pension plans and our mutual funds.

As at September 30, 2004, IIM had aggregate AUM of approximately $5.7 billion of which $5.1 billion was managed on behalf of our P&C insurance subsidiaries. Of the aggregate AUM, IIM managed $3.3 billion, $1.3 billion and $1.1 billion in fixed income, common equity and preferred equity, respectively.

Investment Philosophy and Strategies

Our overall investment philosophy stresses preservation of capital, management of market liquidity, diversification of investment strategy and market risks, capital optimization and taxation effects in order to provide long-term value. Absolute and relative value of investments is taken into account in the formation of our investment strategies and portfolios. All public securities portfolios are managed against total return benchmarks. We seek to leverage our core investment capabilities in the management of a range of asset portfolios. In addition, we seek to leverage strong local knowledge of capital markets opportunities and enhance these skills with global resources and perspective provided by ING Groep. See ''Relationship with ING Groep''.

Investment strategies are evaluated based on the relative attractiveness of a given asset category after taking into account tax, regulatory capital, risk expectations, and other material influences. The strategic asset allocation targets are established based on the availability of certain asset types, portfolio management expertise available to manage these assets, the long-term risk and return characteristics of sectors and the interaction of the overall investment portfolio with the liability characteristics.

IIM has two primary investment teams, which focus on fixed income securities and equity securities (including preferred shares), respectively. Within the equity team, smaller groups focus on different investment strategies. Although the fixed income and equity teams are focused on the two primary markets, our investment process encourages sharing of insights on issuers, communication about market trends and building investment outlooks founded on a common economic outlook. In all cases, our investment process is oriented towards providing incremental returns through active portfolio management. The performance of our investment teams is measured against total return benchmarks.

Fixed Income Securities. It is our objective to maintain a well diversified fixed income portfolio. Our internal guidelines govern the amount of credit risk we accept in the portfolio. Generally, the aggregate rating of the fixed income portfolio is maintained at ''A+'' or higher by S&P. For the investments made in money market instruments, the lowest permitted rating is ''R-1'' (low) or ''AA'' by S&P. With investments in government bonds, provincial securities, corporate bonds, assets backed securities, including mortgage securities, and selected private placements and secured commercial mortgages, credit risk is spread across a broad range of issuers, structures and industries. Fixed income securities are selected based on fundamental value in the context of the general economic outlook, new issuance expectations, and overall market supply and demand forces for specific securities. Relative value between yield curve exposure, credit ratings diversification and aggregate rating composition along with sector allocation are factors we take into account in the management of the portfolios.

Equity Securities. Within the broad equity category, we pursue a range of different strategies. We use the ''Growth at a Reasonable Price'' methodology as the base philosophy underlying our equity investment processes. This strategy seeks to balance growth opportunities and fundamental value oriented focus. We believe in a fundamental-driven investment strategy where macro economic events and developments provide the framework for security-specific implementation. We focus on equity characteristics, variables and ratios we believe will identify stocks positioned to outperform in the near and medium-term. We then focus our analysis and research on specific equities that meet our preferred profile.

For the assets supporting the P&C insurance business, the major strategies include, as at September 30, 2004, a preferred share portfolio of $1.1 billion, a dividend rollover portfolio (''DROP'') of $737.5 million and a market neutral program of $46.8 million — long exposure. The preferred shares portfolio seeks to provide an attractive after-tax return on a capital and risk adjusted basis. We consider our exposure to preferred shares to be a mix of both fixed income and equity market exposure. We seek to diversify our exposure across industries and companies. The average quality of the portfolio is maintained at ''P2'' or higher by S&P. Investments are made in retractable (callable), fixed/reset, floating and perpetual securities. We seek to employ rigorous, bottom-up fundamental analysis in constructing our preferred share portfolio as we do in our other equity portfolios. We also strive to optimize the tax implications of owning these investments. The DROP focuses on high-dividend and special dividend paying stocks and seeks to capture favourable after-tax income from these shares. The market neutral program is a long/short equity strategy. The expectation is to provide an attractive absolute level of total return irrespective of market conditions. Daily monitoring of all constraints and predetermined stress tests occurs in this portfolio.

Benchmarks and Performance

Our investment benchmarks are representative of the risk/return profile considered appropriate to support our liability profile. Although we emphasize the total return of the investment portfolio, a variety of business variables affect the ongoing management of the assets. The overall benchmark for the P&C insurance subsidiaries portfolio is a blend of the underlying benchmarks for each asset sector. The benchmarks for the preferred shares and DROP portfolios are constructed to meet the quality, diversity and liquidity needs of the business. Performance figures for our P&C insurance subsidiaries' portfolios are measured on an after-tax total

return basis. For the P&C insurance subsidiaries and pension portfolios, the investment performance is as follows:

	Annual Returns	
	2003	Last Three Years
Our P&C Insurance Subsidiaries[1]		
Total	**5.95%**	**6.73%**
Fixed Income	3.05%	4.67%
Canadian Preferred Equity	6.00%	7.34%
Canadian Common Equity	16.98%	13.45%
Our Employee Pension Plans		
Total	**13.36%**	**10.77%**
Fixed Income	5.12%	7.62%
Canadian Common Equity	24.18%	18.99%
U.S. Common Equity	15.97%	N/A[2]
International Common Equity	12.66%	(3.18)%

(1) Excludes commercial mortgages and privately placed securities. Returns are after-tax.

(2) U.S. Common Equity has not been part of the investment portfolio of our P&C insurance subsidiaries over the entire duration of this period.

For a detailed discussion of the performance of our investment portfolio, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments''.

Our Mutual Funds

We also manage a range of fixed income and equity mutual funds. Of total mutual fund assets of $360.4 million as at September 30, 2004, $243.2 million was managed by IIM and $117.2 million was sub-advised by affiliates of IIM. Each fund is managed in accordance with its investment objective and strategies and investment restrictions and practices prescribed by Canadian securities regulatory authorities.

Wealth Management

ING Wealth Management Inc. (''ING Wealth''), one of our wholly-owned subsidiaries, is a mutual fund dealer registered with the securities regulatory authorities in various Canadian provinces. It sponsors the licences of mutual fund representatives who offer and sell mutual funds of various mutual fund companies, including our mutual funds. ING Wealth is responsible for compliance of the representatives with applicable regulatory requirements. See ''Regulatory Matters — Mutual Funds''.

Competition

The P&C insurance industry is highly competitive. In each business line, the market is highly fragmented and there are typically numerous industry participants competing. Our competitors include both foreign and domestic insurers as well as large national insurers, government automobile insurers, smaller local insurers and mutual and co-operative insurers. In 2003, the top five insurers accounted for only 34.9% of the direct premiums written for the private P&C insurance industry. We believe that the P&C insurance industry will remain highly competitive in the foreseeable future. We believe that competition in our business lines is based on price, service, distribution channels, commission structure, product features, financial strength and scale, ability to pay claims, ratings, reputation and name or brand recognition. The regional competitive landscape varies slightly from the national picture.

Employees

As at September 30, 2004, we had approximately 5,300 full-time equivalent employees. Based on periodic surveys, we believe that our employee relations are good. None of our employees are subject to collective bargaining agreements. We also obtain periodic reports and surveys to compare our polices and practices regarding compensation and benefits. We periodically adjust the working conditions of our employees to remain

competitive in the industry and to remain an employer of choice in Canada. In this regard, we focus on variable compensation to reward our best performing employees and also focus on providing employee benefits, training and opportunities for advancement.

Facilities

Our head and registered office is located at 181 University Avenue, Toronto, Ontario. We lease additional properties for office space and call centres. In addition, we own certain of our facilities. We believe that our facilities are adequate for our current operations and that our material leases are in good standing. The following table sets out information on our material leased and owned premises.

Location	Approximate Square Footage	Lease Expiry/Owned	Annual Rent Payments/ Operating Costs
			(in $millions)
200 University Avenue . . . . . Toronto, Ontario	106,300	November 30, 2005	$4.8
181 University Avenue . . . . . Toronto, Ontario	55,200	June 30, 2006	2.5
321 6th Avenue S.W. . . . . Calgary, Alberta	81,700	June 30, 2009	2.4
75 Eglinton Avenue . . . . . Toronto, Ontario	71,700	Owned	1.7
1611 Boulevard Crémazie Est . . . . . Montreal, Quebec	65,000	March 31, 2015	1.5
6733 Mississauga Road . . . . . Mississauga, Ontario	36,000	January 31, 2008	1.4
7101 Rue Jean-Talon Est. . . . . Anjou, Quebec	67,600	July 31, 2009	1.4
5775 Yonge Street . . . . . Toronto, Ontario	39,000	December 31, 2005	1.2
1 Eglinton Avenue . . . . . Toronto, Ontario	29,500	July 31, 2005	1.0
2450 Girouard Street West . . . . . St. Hyacinthe, Quebec	87,000	Owned	0.8
455 St. Joseph Avenue . . . . . St. Hyacinthe, Quebec	29,500	Owned	0.6

Recent Developments

Acquisition of Allianz Canada

Consistent with our growth strategy, on December 8, 2004 we acquired all of the issued and outstanding shares and certain debt of Allianz Canada for a purchase price of approximately $370.0 million pursuant to the Allianz Agreement. Allianz Canada is the sole shareholder of two federal insurance companies: Allianz Insurance Company of Canada (''AICC'') and Trafalgar Insurance Company of Canada (collectively, the ''Allianz Insurance Subsidiaries''). As well, Allianz Canada owns or has the right to acquire all of the issued and outstanding shares of Canada Brokerlink Inc. (''CBL''), which holds the shares of a number of brokerages.

AICC also provides insurance coverage of industrial risks for large Canadian companies and multi-national clients of Allianz AG. This business is described by Allianz AG as Allianz Global Risks (the ''AGR Business''). The Allianz Agreement provides that the AGR Business and certain other specified lines of business (the ''Excluded Business'') will be transferred to an affiliate of Allianz AG. As of the date of the closing of the Acquisition, the economic benefit and risk associated with the Excluded Business has been assumed by Allianz

Group. See ''The Restructuring'' below. We refer to the business that we acquired upon completion of the Acquisition as the ''Acquired Business''.

Allianz Insurance Subsidiaries

Allianz Canada is the thirteenth largest P&C insurance company in Canada. The following table sets out, for the year ended December 31, 2003, the direct premiums written of Allianz Canada, the Excluded Business, the direct premiums written we acquired upon completion of the Acquisition, our direct premiums written and our direct premiums written giving effect to the Acquisition.

	Year Ended December 31, 2003				
	Allianz Canada	Excluded Business	Acquired Business	ING Canada	ING Canada Pro Forma
			(in $millions)		
Personal Insurance					
Automobile	$446.3	$ —	$446.3	$1,724.0	$2,170.3
Property	82.5	—	82.5	624.1	706.6
Total	$528.8	$ —	$528.8	$2,348.1	$2,876.9
Commercial Insurance					
Automobile	$ 52.5	$ 12.3	$ 40.2	$ 291.0	$ 331.2
Other	299.2	195.9	103.3	804.7	908.0
Total	$351.7	$208.2	$143.5	$1,095.7	$1,239.2
Total Direct Premiums Written	$880.5	$208.2	$672.3	$3,443.8	$4,116.1

Allianz Canada had a market share of approximately 2.7% based on 2003 direct premiums written of $880.5 million. As at September 30, 2004, the Acquired Business had approximately 449,000 insurance policies in force. The principal products of the Acquired Business are automobile and property insurance that it provides to individuals and businesses in all provinces and territories in Canada, with a primary focus on the Alberta and Ontario markets. In 2003, the personal insurance business of the Acquired Business accounted for 78.7% of its total direct premiums written. The personal insurance business of the Acquired Business, with $528.8 million of direct premiums written in 2003 and approximately 415,000 insurance policies in force as at September 30, 2004, consists of automobile and property insurance. Personal automobile insurance accounted for approximately 84.4% of its personal insurance business direct premiums written in 2003. Its commercial insurance business, with $143.5 million of direct premiums written in 2003 and approximately 34,000 insurance policies in force as at September 30, 2004, consists primarily of automobile, property, boiler and machinery, liability and surety insurance. The Acquired Business distributes its products exclusively through brokers including a network of brokers branded as ''Grey Power™'' which targets individual customers over the age of 50. The Acquired Business had aggregate invested assets of $1.0 billion as of September 30, 2004. The Acquired Business' invested assets will be managed by IIM. As of September 30, 2004, the Acquired Business had approximately 1,280 full time equivalent employees.

We will integrate the Acquired Business into our operations and implement our pricing and underwriting policies as well as our claims management practices going forward. Based on our significant experience of successfully integrating acquisitions, we expect that the integration of the Acquired Business will generate synergies and will take approximately 12 to 18 months following the closing of the Acquisition to complete.

Assuming the Acquisition had occurred on January 1, 2003, our personal insurance business would have accounted for 69.9% of direct premiums written in 2003. Personal automobile insurance would have accounted for 75.4% of our personal insurance direct premiums written. Our commercial insurance business would have accounted for 30.1% of our direct premiums written for 2003.

Assuming the Acquisition had occurred January 1, 2003, brokers would have accounted for 92.6% of our 2003 direct premiums written with direct distribution accounting for the remainder.

With the integration of the Acquired Business' investment portfolio, our invested assets would have been $6.1 billion as of September 30, 2004. Furthermore, our full-time equivalent employees would have grown to approximately 6,580.

Brokerage Subsidiaries

CBL has approximately 150,000 clients and over 500 employees in 50 branches located in Ontario and Alberta. The insurance brokerages owned by CBL sell the products of P&C insurance companies to individuals and small to medium-sized businesses. The principal P&C insurance products sold by CBL's brokerages are automobile, property and liability. We believe that CBL is paid commissions consistent with standard practices in the P&C insurance industry.

Acquisition Rationale

We believe that the Acquisition is consistent with our strategy to pursue acquisitions and to grow our business. See ''Our Business — Our Strategy''. We expect the Acquisition to provide us with an increased presence in our core business of personal and small to medium-sized commercial insurance. We also expect that the Acquisition will expand our national presence such that we will rank first or second with respect to direct premiums written in the provinces with the largest P&C insurance markets in Canada, namely Ontario, Quebec and Alberta. Our rationale for the Acquisition is predicated in part on realizing cost savings as we believe that increasing the size of our core business will lead to improved and sustained profitability over the long-term.

Through CBL, we expect the Acquisition to increase our presence in the insurance brokerage business, which strengthens our position in one of our principal distribution channels.

Terms of the Allianz Agreement

The Allianz Agreement contains customary provisions, including representations and warranties regarding Allianz Canada, the Allianz Insurance Subsidiaries and the Brokerage Subsidiaries. As well, the Allianz Agreement contains covenants regarding the conduct of the business of Allianz Canada, the Allianz Insurance Subsidiaries and the Brokerage Subsidiaries during the period between the execution of the Allianz Agreement and the closing of the Acquisition.

The parties to the Allianz Agreement have agreed to indemnify each other for losses resulting from misrepresentations or breaches of warranty, covenants or obligations. The maximum amount either party may recover is subject to a limit, except with respect to the Excluded Business and certain taxes paid or payable in connection with the Restructuring (defined below).

The Restructuring

Pursuant to the Allianz Agreement, AICC agreed to enter into a series of transactions described below (the ''Restructuring'') to transfer the Excluded Business to the Canadian branch of Allianz Global Risks U.S. Insurance Company (''AGR''), a subsidiary of Allianz AG. Pursuant to these transactions, (i) AICC has ceased to write and AGR has begun to write certain lines of business associated with the Excluded Business and AGR has offered employment to certain employees of Allianz Canada; (ii) all assets related to the Excluded Business have been transferred to AGR and AGR has assumed all liabilities associated with the Excluded Business; (iii) various insurance and administrative services will be provided among AICC, Allianz Canada and AGR with technology services being provided by Allianz Canada to AGR. The services will be provided until no later than September 30, 2005 except for the technology services which will be provided until no later than December 31, 2005; (iv) Allianz Global Risks Rückversicherungs AG (''AGRR'') will be responsible for the results of operations of the Excluded Business during the period between the closing of the Acquisition and the effective date of the transfer of the Excluded Business to AGR; and (v) certain leases have been assigned by AICC to AGR.

The Allianz Agreement provides that any after-tax profit and after-tax loss from the Excluded Business will result in an adjustment to the purchase price for the shares of Allianz Canada. The agreement further provides that we will be indemnified by Allianz AG and Allianz of America, Inc. for any loss and liability of any nature with respect to the Excluded Business during the period from the closing of the Acquisition to the transfer and assumption of the Excluded Business. If the agreement providing for the transfer of the Excluded Business from

AICC to AGR is not executed, this indemnity will continue in force until the expiry of all liabilities of the Excluded Business in AICC.

IPC Financial Network Inc.

On May 10, 2004, we sold our interest in IPC Financial Network Inc. (''IPC''), a financial securities product distribution company, to Investors Group Inc. and received proceeds of approximately $26.7 million, resulting in an after-tax gain of $19.9 million. We used the equity method to account for our investment in IPC which resulted in losses of $3.4 million, $2.0 million and $2.2 million for 2003, 2002 and 2001, respectively.

RELATIONSHIP WITH ING GROEP

Effective on the closing of Offering, we will enter into a number of agreements with ING Groep that will govern our ongoing relationship: a co-operation agreement (the ''Co-Operation Agreement''), a trade-mark licence agreement (the ''Trade-Mark Licence Agreement''), a non-competition agreement (the ''Non-Competition Agreement'') and a registration rights agreement (the ''Registration Rights Agreement''). The following is a summary of the principal terms of the agreements, which will be electronically available from SEDAR. In the summary, we use the phrase ''beneficially own'' and variations thereof with respect to the ownership of Common Shares by ING Groep or one of its wholly-owned subsidiaries. This phrase is defined in the agreements to mean Common Shares owned by ING Groep and its subsidiaries (other than us and our subsidiaries) (collectively, the ''Group'') and, when describing the terms attaching to the Special Share (as defined below), the phrase means Common Shares owned by the holder of the Special Share and its affiliates. After giving effect to the Reorganization as described under ''Reorganization'' and the Offering, ING Groep will beneficially own 93,620,000 Common Shares representing 72.9% of the issued and outstanding Common Shares or approximately 70.0% if the Over-Allotment Option is exercised in full. ING Groep will also beneficially own the one issued and outstanding special share (the ''Special Share'') that will be created in connection with the Reorganization.

Co-Operation Agreement

The Co-Operation Agreement will govern the principal terms of our ongoing relationship with ING Groep following the closing of the Offering.

ING Groep Corporate Governance Rights

Special Approval Rights of ING Groep

For so long as ING Groep beneficially owns not less than one-third of the outstanding Common Shares, we will be required to seek the prior written consent of ING Groep (the ''Approval Right'') to take any of the following actions, whether directly or indirectly through a subsidiary:

(a) consolidate or merge into or with another entity or enter into any other similar business combination, other than a consolidation, merger, or other similar business combination of any of our wholly-owned subsidiaries into or with us or into or with another one of our wholly-owned subsidiaries;

(b) liquidate, dissolve or wind up us or any of our operating subsidiaries;

(c) acquire any assets, business or operations (in a single transaction or a series of related transactions) in the aggregate with a value of more than the greater of (i) $100 million and (ii) the dollar amount, as determined by ING Groep from time to time in accordance with its administrative policies and procedures, at which ING Groep's other subsidiaries are required to obtain the approval of ING Groep for such transactions, provided that the Approval Right will not apply to any acquisition made by us or one of our subsidiaries on the exercise of our right of first refusal provided in the Non-Competition Agreement (see ''Relationship with ING Groep — Non-Competition Agreement'');

(d) sell, transfer, lease, pledge or otherwise dispose of any of our assets, business or operations or any of our subsidiaries' assets, business or operations (in a single transaction or a series of related transactions) in the aggregate with a value of more than the greater of (i) $100 million and (ii) the dollar amount, as determined by ING Groep from time to time in accordance with its administrative

policies and procedures, at which ING Groep's other subsidiaries are required to obtain the approval of ING Groep for such transactions; or

(e) change our policy with respect to the declaration and payment of any dividends on the Common Shares.

Up until the date that ING Groep first ceases to beneficially own at least one-half of the outstanding Common Shares, we will be required to seek the prior written consent of ING Groep to approve any annual business plan of us and our subsidiaries on a consolidated basis and any amendments to, or any material departure from, such business plan. On and after the date that ING Groep first ceases to beneficially own less than one-half of the outstanding Common Shares and until the date that ING Groep first ceases to beneficially own at least one third of our Common Shares, we will be required to consult with ING Groep with respect to the preparation of our annual consolidated business plan and any amendments to, or any material departure from, such business plan; however, ING Groep will no longer have the right to approve any such business plan or any amendments to or material departures from any such business plan.

Special Share Rights

As part of the Reorganization, our articles will be amended to create the Special Share. The Special Share terms will provide that only one such share may be authorized for issuance and, pursuant to the Co-Operation Agreement, it will be issued to ING Groep or one of its wholly-owned subsidiaries. The Special Share will provide additional rights to ING Groep with respect to our corporate governance, as described below.

(i) ING Groep Nominees

The attributes of the Special Share will provide, among other things, that ING Groep, as the beneficial owner of the Special Share, will be entitled to nominate and elect a certain number of directors to our board, as determined by the number of Common Shares that the holder of the Special Share beneficially owns from time to time. Accordingly, for so long as the holder of the Special Share beneficially owns a specified number of Common Shares, the holder of the Special Share, being ING Groep or one of its wholly-owned subsidiaries, will be entitled to nominate and elect a specified proportion of our directors (disregarding any fractional number of directors) to hold office until the next annual meeting of our shareholders or until their successors are elected or appointed, as set out in the table below.

Common Share Ownership	**Proportion of Total Number of Directors**
Not less than 33⅓%	5/12
Less than 33⅓% but not less than 30%	1/3
Less than 30% but not less than 25%	1/4
Less than 25% but not less than 20%	1/6
Less than 20% but not less than 10%	1/12

The Co-Operation Agreement and the terms of the Special Share will provide that the rights of the holder of the Special Share to elect a specified number of our directors will be subject to our obligation to comply with applicable director independence rules, including those of the TSX, applicable securities regulators and insurance regulators, including any insurance regulatory rules that apply to any of our subsidiaries as if such rules applied to us. The rights of the holder of the Special Share to nominate and elect directors will not apply for so long as ING Groep, or any of its affiliates, or any combination thereof, competes with us as described under ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights — Loss of Special Share Rights''.

The Co-Operation Agreement will also provide that during such time as ING Groep beneficially owns the Special Share, it will not take any action as a shareholder that would result in there being nominees of ING Groep in numbers greater than those to which it is entitled under the terms of the Special Share and the Co-Operation Agreement. Further, for so long as ING Groep is entitled to nominate and elect directors

pursuant to the Special Share, ING Groep will agree to vote its Common Shares in favour of all nominees for our board set forth in any management proxy circular to be elected by holders of our Common Shares.

(ii) Appointment of Chief Executive Officer

The Special Share will provide that until the date that the holder of the Special Share, being ING Groep or one of its wholly-owned subsidiaries, first ceases to beneficially own at least one-half of the outstanding Common Shares, our Chief Executive Officer will be appointed by our board of directors on an annual basis, or sooner in the event such officer resigns or otherwise ceases to hold office prior to such time, from among the directors elected by ING Groep, as the beneficial owner of the Special Share. The Co-Operation Agreement will provide that on and after the date that ING Groep first ceases to beneficially own at least one-half of the outstanding Common Shares and until the date that it first ceases to beneficially own at least one-third of the outstanding Common Shares and provided that it beneficially owns the Special Share, we will be required to consult with ING Groep with respect to the selection of our Chief Executive Officer. However, any decision concerning the appointment of our Chief Executive Officer will be made by our board of directors. The rights of the holder of the Special Share with respect to the appointment of our Chief Executive Officer will not apply for so long as ING Groep, or any of its affiliates, or any combination thereof, competes with us as described under ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights — Loss of Special Share Rights''.

(iii) Automatic Conversion of Special Share

The Special Share will be automatically converted into one Common Share concurrently with (i) any transfer to a non-wholly-owned subsidiary of ING Groep, (ii) the time that any wholly-owned subsidiary of ING Groep who, at the relevant time, holds the Special Share is no longer a wholly-owned subsidiary of ING Groep, (iii) the time that the holder of the Special Share first ceases to beneficially own at least 10% of the outstanding Common Shares, or (iv) in the event that the Co-Operation Agreement is terminated in certain circumstances.

(iv) Loss of Special Share Rights

The Co-Operation Agreement and the terms of the Special Share will provide that the rights of the holder of the Special Share, including its rights with respect to the nomination and election of directors and the appointment of the Chief Executive Officer, will not apply for as long as ING Groep or any of its affiliates, or any combination thereof, competes with us in a Business (as defined below) in the ING Canada Territory (as defined below).

(v) Other Attributes of the Special Share

See ''Description of Share Capital'' for further information concerning the rights, privileges, restrictions and conditions attaching to the Special Share.

Maintenance Right in Favour of ING Groep

ING Groep will have the right (the ''Maintenance Right''), subject to applicable law, exercisable until the date that ING Groep first ceases to beneficially own at least one-third of the outstanding Common Shares, to participate in future offerings and other issuances of Common Shares or securities convertible into Common Shares (subject to certain exceptions, including any grant of incentive options, the issue of Common Shares on the exercise of such options and Common Shares issuable in a rights offering) by purchasing that number of securities in the offering necessary for ING Groep to maintain its relative beneficial ownership interest of Common Shares (on a fully diluted basis in the case of an offering of convertible securities). In respect of each exercise of the Maintenance Right for any issuance, ING Groep will acquire its securities on the same terms and conditions, including with respect to the price per security, subject to any requirements of stock exchange rules or applicable securities regulators, as is provided in the issuance in respect of which the Maintenance Right is exercised. ING Groep will not be entitled to exercise the Maintenance Right in respect of any offering in which it exercises its rights under the Registration Rights Agreement.

Other Services and Rights Provided in Co-Operation Agreement

The Co-Operation Agreement will also include terms and conditions to govern the ongoing relationship between us and ING Groep with respect to our business.

Information Sharing

As ING Groep intends to account for its investment in us using the consolidation or equity method of accounting, for so long as it beneficially owns not less than one-third of the outstanding Common Shares, we will agree to provide to ING Groep certain financial and other information to assist ING Groep to satisfy its ongoing financial reporting and other obligations and internal risk management procedures. During this period, we will also co-ordinate with ING Groep with respect to public disclosure of information.

Other Services and Associated Costs

The Co-Operation Agreement will provide that we will negotiate in good faith with ING Groep to reach mutual agreement on services that we provide to each other and other arrangements and practices between us and which are not explicitly addressed in the Co-Operation Agreement. The Co-Operation Agreement will also include provisions specifically addressing, for so long as ING Groep beneficially owns not less than one-third of the outstanding Common Shares, (i) the continuance of directors' and officers' insurance and catastrophe re-insurance for our benefit and that of our subsidiaries (provided in each case that ING Groep maintains such coverage for the benefit of members of the Group generally), and (ii) our continued participation in existing vendor purchasing arrangements, to the extent permitted by the applicable underlying contract (including a covenant by ING Groep to ensure our continued involvement in the event of any renewal, provided that ING Groep will not be prevented from terminating arrangements with vendors and suppliers in the ordinary course of its business). In the event that ING Groep beneficially owns less than one-half of the outstanding Common Shares, we will be required to reimburse ING Groep for any additional cost of including us and our subsidiaries in the arrangements referred to in (i) and (ii) above which is attributable to ING Groep no longer holding at least one-half of the outstanding Common Shares. In addition to the foregoing, for so long as ING Groep beneficially owns not less than one-half of the outstanding Common Shares, we will be obligated to first seek any necessary borrowing under ING Groep's credit facilities in effect from time to time, except that we may borrow from other sources if ING Groep is unwilling or unable to provide such financing under ING Groep's credit facilities.

Until the last day in the fiscal quarter in which ING Groep first ceases to beneficially own at least one-third of the outstanding Common Shares (the ''Trigger Date''), subject to a 24 month transition period following such date, the Group, on the one hand, and we and our subsidiaries, on the other hand, are to continue to provide each other with any and all administrative and other services (unless otherwise specifically agreed in writing) which have been, consistent with past practices, provided to each other. The provider of such services is to be reimbursed by the user of such services for all costs, fees and expenses incurred and such costs, fees and expenses will not exceed the rates for such services established between us for 2004, subject only to reasonable increases to account for inflation. In addition, any new services to be provided will bear a cost to be agreed between us and ING Groep. Following the Trigger Date, we are to enter into one or more agreements with ING Groep on commercially reasonable terms to govern the provision of such services during the transition period.

Other Contractual Provisions

Indemnification

We and ING Groep will be required to indemnify each other and our respective subsidiaries (including the officers, directors, employees and agents of each) against specified losses suffered by the other as a result of a breach by the indemnifying party of the Co-Operation Agreement. In addition, we are to indemnify ING Groep against losses suffered by the Group (including the officers, directors, employees and agents of each) as a result of any misrepresentation or omission contained in any public filing made by any member of the Group, but only with respect to information, if any, provided by us or any of our subsidiaries in writing to any member of the Group on or after the date of the Co-Operation Agreement and relating to information, facts or circumstances arising on or after the date of the Co-Operation Agreement expressly for use in such filing and which is, or would be required to be, included in any public filing by us or any of our subsidiaries.

Termination

On the date that ING Groep first ceases to beneficially own at least one-half of the outstanding Common Shares, the right of ING Groep to approve any of our annual consolidated business plans and any amendments to, or any material departure from, such business plans, will terminate. On the date that ING Groep first ceases to beneficially own at least one-third of the outstanding Common Shares, the Approval Right, the Maintenance Right and the consultation rights with respect to the preparation of our consolidated business plan and the appointment of our Chief Executive Officer will terminate. The Co-Operation Agreement itself will terminate on the date on which ING Groep first ceases to beneficially own at least 10% of the outstanding Common Shares, provided that certain specified provisions concerning indemnification, access to historical records, dispute resolution and confidentiality are to survive in accordance with their terms.

Obligations Subject to Applicable Law

The Co-Operation Agreement will provide that nothing therein will require us or any of our subsidiaries to take or omit to take any action that would cause us or any of our subsidiaries to be in breach of any laws or regulations applicable to us or any of our subsidiaries.

Trade-Mark Licence Agreement

Concurrently with the execution and delivery of the Co-Operation Agreement, we will enter into the Trade-Mark Licence Agreement. Under the Trade-Mark Licence Agreement, ING Groep will grant to us a non-exclusive licence to use the ING brand, which includes the ING trade-marks, trade names, graphics, logos and domain names of ING Groep. We will also be entitled to sub-licence the use of such marks to the members of our distribution channel on such terms and conditions as ING Groep may determine from time to time. The licence will terminate, subject to a 12 month transition period (or such longer period as may be agreed to between us and ING Groep), upon the earlier of the date that (i) we notify ING Groep that we and all sublicensees intend to cease using the ING brand with no intention of resuming use, (ii) ING Groep notifies us to cease using the ING brand, or (iii) ING Groep ceases to beneficially own at least one-half of the outstanding Common Shares. In addition to the foregoing, either party may terminate the Trade-Mark Licence Agreement at any time on written notice to the other party in the event of a material breach of the licence provisions by the other party which has not been cured to the reasonable satisfaction of the non-breaching party within 120 days of the written notice. The Trade-Mark Licence Agreement will also terminate in the event of our insolvency or bankruptcy.

Non-Competition Agreement

Concurrently with the execution and delivery of the Co-Operation Agreement, we will enter into the Non-Competition Agreement to prohibit competition between us and ING Groep with respect to the operation, directly or indirectly, of a property and casualty insurance business in certain geographic areas during the Restricted Period (as defined below). Pursuant to the terms of the Non-Competition Agreement, ING Groep will not, directly or indirectly, compete with us or our subsidiaries in Canada and any other jurisdiction in which we carry on a Business and in which ING Groep has agreed not to compete with us (the ''ING Canada Territory'') in the direct or indirect operation of a property and casualty insurance business and any ancillary business, including manufacturing and distribution (the ''Business'') during the period commencing on the date of the Non-Competition Agreement and terminating two years after the date that ING Groep first ceases to beneficially own at least one-third of the outstanding Common Shares (such period being referred to as the ''Restricted Period''). In addition to the foregoing, ING Groep will not, during the Restricted Period, directly or indirectly solicit our clients to provide them with competing products, nor will it solicit certain of our senior employees or members of our distribution channel.

We will agree that we will not during the Restricted Period, directly or indirectly, compete with ING Groep with respect to the Business carried on by ING Groep, directly or indirectly, in those jurisdictions (other than the ING Canada Territory) in which such Business is carried on by ING Groep from time to time.

Except in certain specific circumstances, during the Restricted Period neither ING Groep nor any of its affiliates (other than us and our subsidiaries) will be permitted to acquire, directly or indirectly, any business that

carries on a Business in the ING Canada Territory (such Business referred to herein as a ''Competing Business''). ING Groep will only be permitted to make such an acquisition in the context of a larger acquisition and only if (i) the Competing Business comprises less than 15% of the total assets and revenues, respectively, of the aggregate assets and revenues, respectively, of the business to be acquired by ING Groep, and (ii) we are given a right of first refusal to acquire the Competing Business, on the terms and conditions set out in the Non-Competition Agreement. If we do not exercise our right or we are unable to come to terms on such acquisition, then ING Groep will be permitted, in certain circumstances, to acquire the Competing Business, provided that ING Groep will be required to divest the Competing Business within two years and will not at any time be permitted to use the ING brand in connection with such Competing Business. In addition, until the Competing Business is divested from the Group, the rights to which ING Groep, as beneficial owner of the Special Share, would otherwise be entitled under the Special Share will not apply and ING Groep will be required to cause its nominees on our board to resign. Further, ING Groep will be required to take all appropriate steps to ensure that none of its nominees on our board serve on the board of, or participate in, the Competing Business. ING Groep will also be prohibited from using any information about us, other than information that we publicly disclose, in connection with the ownership and operation of the Competing Business.

Registration Rights Agreement

Concurrently with the execution and delivery of the Co-Operation Agreement, we will enter into the Registration Rights Agreement, which will provide ING Groep with the right to require us to qualify by prospectus Common Shares beneficially owned by ING Groep for distribution to the public in Canada.

During such time as we are a reporting issuer in Canada and until such time that ING Groep first ceases to beneficially own at least one-third of the outstanding Common Shares, ING Groep will be entitled to participate in any future prospectus offering of Common Shares that we initiate, provided that the Common Shares that ING Groep desires to sell in any such offering are not to exceed 15% of the total number of Common Shares (including Common Shares issuable upon exercise of any over-allotment option) that are subject to the offering. ING Groep will not be entitled to exercise its rights under the Registration Rights Agreement in respect of any offering in which it exercises its Maintenance Right under the Co-Operation Agreement.

In addition to the foregoing, during such time that ING Groep is unable to sell all or any of its Common Shares without such sale being considered a ''control distribution'', requiring that we, absent an exemption from such requirement, file a prospectus and obtain a receipt therefor, ING Groep may demand once each calendar year, commencing 180 days after the closing of the Offering, that we file a prospectus and obtain a receipt therefor provided such demand relates to all of the Common Shares that it beneficially owns or, alternatively, such demand will result in a minimum offering size of $100.0 million. We will be entitled to defer any such demand in certain circumstances for a limited period.

In any completed offering in which ING Groep participates, the parties will bear their expenses in proportion to the number of Common Shares sold by each in the offering, provided that if a party initiates an offering that is not completed, other than as a result of an act or omission by the other party, the initiating party must bear all expenses of or incidental to matters in connection with the distribution.

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this prospectus before investing in Common Shares, including the financial statements and accompanying notes. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In all these cases, the trading price of the Common Shares could decline, and you could lose all or part of your investment.

If we are unable to implement our strategy or operate our business as we currently expect, our results may be adversely affected.

In order to seek profitable growth and maximize shareholder returns, we intend to invest significant resources in expanding our core businesses and implementing our strategies which we describe under ''Our Business — Our Strategy''. We cannot assure you that we will continue to succeed in implementing our strategies. We may experience difficulty in executing our strategies because of, among other things, increased competition, difficulty in developing and introducing new products, adverse economic conditions and changes in regulatory requirements. Any of the above could have a material adverse effect on the success of our strategies.

If actual claims payments exceed our reserves for losses and loss adjustment expenses, we may be required to establish additional reserves which may adversely affect our financial condition and results of operations.

Our success depends upon our ability to accurately assess the risks associated with the insurance policies that we write. We establish reserves to cover our estimated liability for the payment of all losses and loss adjustment expenses incurred with respect to premiums earned on the insurance policies that we write. Reserves do not represent an exact calculation of liability. Rather, reserves are our estimates of what we expect to be the ultimate cost of resolution and administration of claims. These estimates are based upon various factors, including:

- actuarial projections of the cost of settlement and administration of claims reflecting facts and circumstances then known;
- estimates of future trends in claims severity and frequency;
- judicial theories of liability;
- variables in claims handling procedures;
- economic factors (such as inflation);
- judicial and legislative trends, and actions such as class action lawsuits and judicial interpretation of coverages or policy exclusions; and
- the level of insurance fraud.

Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our ability to accurately assess the risks of the policies that we write. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer and additional lags between the time of reporting and final settlement of claims.

We continually refine our reserve estimates in an ongoing process as claims are reported and settled. Establishing an appropriate level of reserves is an inherently uncertain process. The following factors may have a substantial impact on our future actual losses and loss adjustment expenses experience:

- the amounts of claims payments;
- the expenses that we incur in resolving claims;
- legislative and judicial developments; and
- changes in economic conditions, including inflation.

Actual losses and loss adjustment expenses we incur under insurance policies that we write may be different from the amount of reserves we establish. To the extent that actual losses and loss adjustment expenses exceed our expectations and the reserves reflected on our financial statements, we will be required to reflect those changes by increasing our reserves. In addition, government regulators could require that we increase our reserves if they determine that our reserves were understated in the past. When we increase reserves, our pre-tax income for the period in which we do so will decrease by a corresponding amount. In addition, increasing or ''strengthening'' reserves causes a reduction in our insurance subsidiaries' surplus and could cause a

downgrading of the ratings of our insurance subsidiaries. Any such downgrade could, in turn, adversely affect our ability to sell insurance policies.

Our investment performance may suffer as a result of adverse capital market developments or other factors, which could in turn adversely affect our business, financial condition and results of operations.

We depend on income from our investment portfolio for a substantial portion of our earnings. In 2003 and 2002, net investment income and net realized investment and other gains accounted for approximately 8.1% and 7.3%, respectively, of our consolidated revenue. A significant decline in yields in our investment portfolio or a significant reduction in the value of the securities that we own could have a material adverse effect on our business, results of operations and financial condition. In addition, due to fluctuations in the yields on fixed income securities, we face reinvestment risk as these securities mature because the funds may be reinvested at rates lower than the maturing securities.

Our ability to achieve our investment objectives is affected by general economic conditions that are beyond our control. General economic conditions can adversely affect the markets for interest-rate-sensitive securities, including the extent and timing of investor participation in such markets, the level and volatility of interest rates and, consequently, the value of fixed income securities. In addition, changing economic conditions can result in increased defaults by the issuers of securities that we own. Interest rates are highly sensitive to many factors, including monetary policies, domestic and international economic and political conditions and other factors beyond our control. In addition, the equity portion of our invested assets is subject to the risk, among others, that the financial condition of issuers in which we invest may become impaired or that the general condition of the stock market deteriorates.

General economic conditions, stock market conditions and many other factors can also adversely affect the securities markets and, consequently, the value of the securities we own. We may not be able to realize our investment objectives, which could reduce our net income significantly. We may alter our investment policy at an inopportune time which could result in a material underperformance of the investment portfolio as compared to historic results.

The P&C insurance industry is cyclical, and we expect to experience periods with excess underwriting capacity and unfavourable pricing.

Historically, the results of companies in the P&C insurance industry have been subject to significant fluctuations and uncertainties. The industry's profitability can be affected significantly by:

- competition;
- availability of capital to support the assumption of new business;
- rising levels of actual costs that are not foreseen by companies at the time they price their products;
- volatile and unpredictable developments, including unnatural, weather-related and other natural catastrophes or terrorist attacks;
- changes in loss reserves resulting from the general claims and legal environments as different types of claims arise and judicial interpretations relating to the scope of insurers' liability develop;
- changes in insurance and tax laws and regulation as well as new legislative initiatives;
- general economic conditions, such as fluctuations in interest rates, inflation and other changes in the investment environment, which affect returns on invested capital and may impact the ultimate payout of loss amounts; and
- general industry practices.

In addition, the profitability of automobile insurers can be affected significantly by many factors, including:

- regulatory regimes which limit their ability to detect and defend against fraudulent claims and fraud rings;

- developing trends in tort and class action litigation;
- changes in laws which could limit the use of used or like kind and quality after-market parts or compel compensation for alleged diminution in value notwithstanding repair of the vehicle;
- changes in other laws or regulations, including the adoption of consumer initiatives regarding rates charged for automobile or other insurance coverage or claims handling procedures; and
- privacy and consumer protection laws that prevent insurers from assessing risks or factors that have a high correlation with risks considered, such as credit scoring.

The financial performance of the P&C insurance industry has historically tended to fluctuate in cyclical patterns of ''soft'' markets characterized generally by increased competition resulting in lower premium rates and underwriting standards followed by ''hard'' markets characterized generally by lessening competition, stricter underwriting standards and increasing premiums rates. Our profitability tends to follow this cyclical market pattern with profitability generally increasing in hard markets and decreasing in soft markets. These fluctuations in demand and competition could produce underwriting results that would have a negative impact on our results of operations and financial condition.

Our business is heavily regulated and changes in regulation may reduce our profitability and limit our growth.

As an insurance company, we are subject to numerous laws and regulations in various jurisdictions. These laws and regulations delegate regulatory, supervisory and administrative powers to federal, provincial and territorial insurance commissioners and agencies. Such regulation generally is designed to protect policyholders rather than shareholders, and is related to matters including:

- rate setting;
- risk-based capital and solvency standards;
- restrictions on types of investments;
- the maintenance of adequate reserves for unearned premiums and unpaid claims;
- the examination of insurance companies by regulatory authorities, including periodic financial and market conduct examinations;
- the licensing of insurers, agents and brokers;
- limitations on dividends and transactions with affiliates; and
- regulatory actions.

In addition, these laws and regulations typically require us to periodically file financial statements and annual reports, prepared on a statutory accounting basis, and other information with insurance regulatory authorities, including information concerning our capital structure, ownership, financial condition including, on an annual basis, the aggregate amount of contingent commissions paid and general business operations. We could be subject to regulatory actions, sanctions and fines if a regulatory authority believed we had failed to comply with any applicable law or regulation.

Any such failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business or significant penalties, which could adversely affect our results of operations and financial condition. In addition, any changes in laws and regulations, including the adoption of consumer or other initiatives regarding contingent and other commissions, rates charged for automobile or claims handling procedures, could materially adversely affect our business, results of operations and financial condition.

Our business is subject to risks related to litigation and regulatory actions.

In addition to the occasional employment-related litigation to which all businesses are subject, we are a defendant in a number of claims relating to our insurance and other related business operations. We may from

time to time be subject to a variety of legal and regulatory actions relating to our current and past business operations, including, but not limited to:

- disputes over coverage or claims adjudication;
- disputes regarding sales practices, disclosures, premium refunds, licensing, regulatory compliance and compensation arrangements;
- disputes with our agents, producers or network providers over compensation and termination of contracts and related claims;
- disputes relating to customers regarding the ratio of premiums to benefits in our various business lines;
- disputes with taxing authorities regarding our tax liabilities; and
- disputes relating to certain businesses acquired or disposed of by us.

In addition, plaintiffs continue to bring new types of legal claims against insurance and related companies. Current and future court decisions and legislative activity may increase our exposure to these types of claims. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. The loss of even one of these claims, if it resulted in a significant damage award or a judicial ruling that was otherwise detrimental, could have a material adverse effect on our results of operations and financial condition. This risk of potential liability may make reasonable settlements of claims more difficult to obtain. We cannot determine with any certainty what new theories of recovery may evolve or what their impact may be on our businesses.

We may be subject to governmental or administrative investigations and proceedings in the context of our highly regulated sectors of activity. For example, the New York State Attorney General recently filed a lawsuit accusing one of the United States' largest insurance brokers of fraudulent behaviour, including alleged participation in bid-rigging schemes and acceptance of improper payments from insurance carriers in exchange for agreeing not to seek competitors for their customers. A number of property and casualty insurance companies are also being investigated by the New York and other states' Attorneys General and state insurance regulators for their alleged participation in these schemes or agreements, and these investigations have expanded to include life and health insurance companies as well. Public statements by governmental authorities in the United States indicate that the scope of the investigations may be further expanded to other areas of the insurance industry. Other activities being investigated include participation in contingent commission structures and other arrangements under which brokers receive additional commissions based upon the volume and/or profitability of business placed with an insurer. On October 19, 2004, a U.S. affiliate of ING Groep received a subpoena from the office of the New York State Attorney General, which was a general request for information and did not contain any allegations against such affiliate. Such affiliate is fully co-operating with the New York State Attorney General.

In addition, the negative publicity associated with this lawsuit and investigation has resulted in increased litigation in the United States and has precipitated volatility in the prices of securities issued by certain companies in the global insurance industry.

In October 2004, the Canadian Council of Insurance Regulators, an inter-jurisdictional association of regulators of insurance, and the Canadian Insurance Services Regulatory Organizations, an inter-jurisdictional association of regulators of insurance intermediaries across Canada, announced that they have established a committee to ensure a co-ordinated national approach to regulators' review of insurance practices regarding the relationship between insurance companies, brokers and other intermediaries. In addition, the Ontario government announced that it had reached an agreement in principle with the P&C insurance industry, whereby P&C insurers and brokers in Ontario will voluntarily improve disclosure of both basic and contingent commission payments. P&C industry operating policies and practices may be impacted by these developments. On November 12, 2004, the IBC revealed details of a plan to provide enhanced clarity and access to information regarding P&C insurance sales and services in Ontario. We continue to review our commission structure, financing arrangements with brokers and related matters, including disclosure, and intend to work with insurance regulators in Canada and industry participants with respect to these developments. See ''Our Business — Our Industry — Distribution Channels'' and ''Our Business — Distribution and Marketing''.

We cannot predict the outcome of these investigations, proceedings and reviews, and cannot assure you that such investigations, proceedings or reviews or related litigation or changes in operating policies and practices would not materially adversely affect our results of operations and financial condition. In addition, if we were to experience difficulties with our relationship with a regulatory body in a given jurisdiction, it could have a material adverse effect on our ability to do business in that jurisdiction and the price of the Common Shares.

The insurance and related businesses in which we operate may be subject to periodic negative publicity, which may negatively impact our financial results.

Our products and services are ultimately distributed to individual consumers. From time to time, consumer advocacy groups or the media may focus attention on our products and services, thereby subjecting our industries to periodic negative publicity. We also may be negatively impacted if another one of our industries engages in practices resulting in increased public attention to our businesses. Negative publicity, including publicity resulting from the recent developments in the United States described above, may also result in increased regulation and legislative scrutiny of practices in the P&C insurance industry as well as increased litigation, which may further increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, requiring us to change our products or services or increasing the regulatory burdens under which we operate.

Intense competition for our products could harm our ability to maintain or increase our profitability and premium volume.

The P&C insurance industry is highly competitive, and we believe that it will remain highly competitive in the foreseeable future. We believe that competition in our business lines is based on price, service, commission structure, product features, financial strength and scale, ability to pay claims, ratings, reputation and name or brand recognition. We compete with a large number of domestic and foreign insurers. These companies sell through various distribution channels, including brokers and agents who sell products exclusively for one insurer and directly to the consumer. We compete not only for business and individual customers, employers and other group customers but also for brokers, other distributors of investment and insurance products.

In addition, we may not be aware of other companies that may be planning to enter the insurance market or existing insurers that may be planning to raise additional capital. Any new, proposed or potential legislative or industry developments could further increase competition in our markets. We cannot assure you that we will be able to achieve or maintain any particular level of direct premiums written in this competitive environment.

Brokers that sell our products sell insurance products of our competitors. Such brokers may choose not to sell our products.

We distribute our products primarily through a network of brokers. These brokers sell our competitors' products and may stop selling our products altogether. Strong competition exists among insurers for brokers with demonstrated ability to sell insurance products. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of brokers that choose to sell our products. In addition, our strategy of distributing through the direct channel may adversely impact our relationship with brokers who distribute our products.

We may be unable to successfully pursue our acquisition strategy.

In executing our growth strategy, we intend to continue to expand our operations and business in part by acquiring additional P&C insurance businesses. We cannot assure you that we will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses into our operations. Furthermore, acquisitions, including the Acquisition, may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on our business, results of operations and financial condition. We cannot assure you that acquired businesses will achieve the anticipated revenues, income and synergies. Acquisitions could also result in potentially dilutive issuances of equity securities. Failure on our

part to manage our acquisition strategy successfully could have a material adverse effect on our business, results of operations and financial condition.

If we experience difficulties in integrating Allianz Canada's business with our existing businesses, our results may be adversely affected.

Achieving the anticipated benefits of the Acquisition will depend in part upon whether we can integrate Allianz Canada's business in an efficient and effective manner. The Acquisition involves the integration of two companies that have previously operated independently of each other, and the successful integration of Allianz Canada's business may result in a diversion of management's attention for a period of time. We may not accomplish the Acquisition integration process promptly or successfully. If we are unable to promptly and successfully integrate Allianz Canada's operations, the anticipated benefits of the Acquisition may not be realized.

Our results may be adversely affected if we fail to achieve the cost savings anticipated from the Acquisition.

Our rationale for the Acquisition is, in part, predicated on our ability to realize cost savings. Achieving these cost savings is dependent upon a number of factors, many of which are beyond our control. An inability to realize the full extent of these cost savings, or any of the other anticipated benefits of the Acquisition, as well as any delays and business interruptions encountered in the transition process, could have an adverse effect upon our revenues, level of expenses, operating results and financial condition.

Uncertainties associated with the Acquisition or our role as the new owner of Allianz Canada may cause Allianz Canada to lose customers or employees, and could adversely affect our business and financial results.

Customers may, in response to the Acquisition, delay or defer decisions concerning their purchase or renewal of Allianz Canada's products or services because of uncertainties related to the Acquisition or because Allianz Canada will no longer be associated with Allianz AG. In addition, the success of the integration of Allianz Canada's business will depend in part upon our ability to retain key employees of Allianz Canada. Competition for qualified personnel can be very intense. Key employees of Allianz Canada may depart or choose not to sell its products because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company. Any of these matters could have an adverse effect on our business, results of operations or financial condition.

ING Groep will substantially influence our direction and operations and may have interests that differ from those of our other shareholders.

Immediately upon completion of the Offering, ING Groep will directly or indirectly own approximately 72.9% of the outstanding Common Shares, or approximately 70.0% if the Over-Allotment Option is exercised in full. Consequently, ING Groep will be in a position to determine the outcome of corporate actions requiring shareholder approval, including: electing certain members of our board of directors; adopting amendments to our constating documents; and approving a merger or consolidation, liquidation or sale of all or substantially all of our assets. ING Groep will also be in a position to prohibit us from carrying on business in jurisdictions outside of Canada. On the closing of the Offering we will enter into the Co-Operation Agreement which provides, among other things, that for so long as ING Groep holds not less than one-third of our outstanding Common Shares, we may not carry out certain corporate acts, including entering into business combinations with unaffiliated third parties or making acquisitions or dispositions above certain monetary thresholds, without the prior written approval of ING Groep. In addition, ING Groep will on closing of the Offering be issued the Special Share, which will entitle ING Groep to elect a specified number of directors to our board, which initially will comprise five of our 12 directors, one of whom must be appointed our Chief Executive Officer. Accordingly, ING Groep will have significant influence over our ongoing business and operations, both as a shareholder and as a party to the Co-Operation Agreement, even after it ceases to own or control a majority of our Common Shares. See ''Relationship with ING Groep''.

In addition, ING Groep has provided us, and after completion of the Offering will continue to provide us, with certain services. The terms of these arrangements have been negotiated between us and ING Groep and may not necessarily reflect terms that we or ING Groep would agree to with an independent third party. Certain of these arrangements may be disadvantageous to us. See ''Relationship with ING Groep'' Certain of our directors are also directors or officers of ING Groep or certain of its subsidiaries. Conflicts of interest could arise between us and ING Groep or one of its subsidiaries, and any such conflict may not be resolved in a manner that favours us.

ING Groep has advised us that it intends to retain control of us and does not currently intend to pursue any action that would cause its holding of Common Shares to be reduced such that it would not retain such control. In order to retain control, ING Groep may decide not to enter into a transaction in which our shareholders would receive consideration for their Common Shares that is much higher than the cost of their investment in Common Shares or the then market price of the Common Shares. We do not have any control over any decision that ING Groep may make in the future regarding its continued ownership of Common Shares.

Our profitability and ability to grow may be adversely affected by our mandatory participation in the Facility Association in Canada's automobile insurance markets.

As a condition to the ability to conduct business in Canada's automobile insurance markets, our insurance subsidiaries are required to participate in the Facility Association that covers most of the provinces and territories. See ''Our Business — Facility Association''. Facility Association losses, an increase in the number of policyholders captured in the Facility Association, or changes in the pooling arrangement could reduce the profitability of our insurance subsidiaries in any given period or limit the ability of our insurance subsidiaries to profitably grow the business.

Terrorist attacks and ensuing events could have an adverse effect on our financial results and financial condition.

We may have exposure to losses resulting from acts of terrorism and political instability. These risks are inherently unpredictable, although recent events may lead to increased frequency and severity. It is difficult to predict the occurrence of such events with statistical certainty or to estimate the amount of loss per occurrence they will generate.

In addition, any future acts of terrorism would significantly adversely affect general economic, market and political conditions, potentially increasing some of the other risks to our business discussed in this section.

The occurrence of severe catastrophic events may have a material adverse effect on our financial results and financial condition.

Our insurance operations expose us to claims arising out of catastrophes. We have experienced, and expect in the future to experience, catastrophic losses that may materially reduce our profitability or harm our financial condition.

Catastrophes can be caused by various natural and unnatural events. Natural catastrophic events include hurricanes, windstorms, earthquakes, hailstorms, explosions, severe winter weather and fires. Unnatural catastrophic events include hostilities, terrorist acts, riots, crashes and derailments. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, windstorms and earthquakes may produce significant damage in large, heavily populated areas. Catastrophes can cause losses in a variety of P&C insurance lines. For example, the ice storm in Eastern Canada in 1998 caused P&C insurance losses in several lines of business, including business interruption, personal property, automobile and commercial property.

Claims resulting from natural or unnatural catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business also could be affected.

We may experience an abrupt interruption of activities caused by unforeseeable and/or catastrophic events. Our operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions and also to key personnel. If our business continuity plans cannot be put into action or do not take such events into account, losses may further increase.

If we are unable to maintain our current financial strength ratings, our ability to write insurance and compete with other insurance companies may be adversely impacted.

Independent third party rating agencies assess and rate the financial strength of insurers based upon criteria established by the rating agencies. Periodically the rating agencies evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. The ratings assigned by rating agencies to insurance companies represent independent opinions of financial strength and ability to meet policyholder obligations, and are not directed toward the protection of investors. Ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any security and are not applicable to the securities being offered by this prospectus. Financial strength ratings are used by insurers and insurance brokers as an important means of assessing the financial strength and quality of insurers. We may not maintain our financial strength ratings from the rating agencies. See ''Our Business — Ratings''.

Any rating downgrade could result in a reduction in the number of insurance contracts we write and in a significant loss of business, as such business could move to other competitors with higher ratings, thus causing premiums and earnings to decrease.

We may not be able to successfully alleviate risk through reinsurance arrangements, which could cause us to reduce our premiums written in certain lines or could result in losses.

We use reinsurance to help manage our exposure to insurance risks. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect our premium volume and profitability. Many reinsurance companies exclude certain coverages from, or alter terms in, the policies that we purchase from them. For example, following the terrorist attacks of September 11, 2001, certain reinsurers excluded coverage for terrorist acts or priced such coverage at prohibitively high rates. These gaps in reinsurance protection expose us to greater risk and greater potential losses and could adversely affect our ability to write future business.

We bear credit risk with respect to our reinsurers and we purchase a significant portion of our reinsurance from an unrated and unlicensed reinsurer.

Our reinsurance arrangements are with a limited number of reinsurers and, as of September 30, 2004, approximately 26.4% of our ceded policy liabilities were to ING Re, one of our affiliates, which is not rated by A.M. Best, Moody's or S&P and is not licensed in Canada. This increases a potential adverse effect on our results of operations if one or more of our reinsurers is unable to meet its financial obligations. Although all of our non-affiliate reinsurers were rated ''A-'' or higher by A.M. Best at the time of entering into the reinsurance arrangements, these ratings are subject to change and may be lowered.

Although reinsurance makes the assuming reinsurer liable to us to the extent of the risk ceded, we are not relieved of our primary liability to our insureds as the direct insurer. As a result, we bear credit risk with respect to our reinsurers. We cannot ensure that our reinsurers will pay all reinsurance claims on a timely basis or at all. We evaluate each reinsurance claim based on the facts of the case, historical experience with the reinsurer on similar claims and existing law and include in our reserve for uncollectible reinsurance any amounts deemed uncollectible.

The inability to collect amounts due to us under reinsurance arrangements would reduce our net income and cash flow, and the ability of our insurance subsidiaries to pay dividends or make other distributions to us.

We rely on our information technology and telecommunication systems, and the failure of these systems could materially and adversely affect our business.

Our businesses are increasingly dependent on computer and Internet-enabled technology. Although we have implemented and periodically test various disaster recovery plans, a sustained shutdown of one or more of our facilities, or a failure of one or more of our information technology, telecommunications or other business

systems, could significantly impair our ability to perform our normal functions on a timely basis. In addition, because our information technology and telecommunications systems interface with and depend on third party systems, we could experience service interruptions if demand for such service exceeds capacity or third party systems fail or experience interruptions. If sustained or repeated, such a business interruption, systems failure or service denial as well as our failure to maintain and update these systems could result in a deterioration of our ability to write and process new or renewal business, provide customer service, pay claims in a timely manner or perform other necessary corporate functions. This could materially and adversely affect our results of operations and future customer relations.

In addition, a security breach of our computer systems could damage our reputation or result in liability. We retain confidential information regarding our business dealings in our computer systems. We may be required to divert significant capital and other resources to protect against security breaches or to alleviate problems caused by such breaches. Any well-publicized compromise of security could deter people from conducting transactions that involve transmitting confidential information to our systems. Despite the implementation of security measures, this infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. In addition, we could be subject to liability if hackers were to penetrate our network security or otherwise misappropriate confidential information.

Because we are dependent on key employees, the loss of any of these employees or our inability to retain other key personnel could adversely affect our business.

We are substantially dependent on a number of key employees. Our success has been, and will continue to be, dependent on our ability to retain the services of our existing key employees and to attract and retain additional qualified personnel in the future. The loss of the services of any of our key employees, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the quality and profitability of our business operations.

General economic, financial market and political conditions may adversely affect our business and profitability.

Our businesses and profitability may be materially adversely affected from time to time by general economic, financial market and political conditions such as those occurring after the September 11, 2001 terrorist attacks as discussed above. In periods of economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, individuals and businesses may choose not to purchase insurance products, may permit existing policies to lapse, or may choose to reduce the amount of coverage purchased. In addition to the demand for our insurance products being adversely affected, our reserves and provisions would likely increase resulting in lower earnings. General inflationary pressures may affect the costs of medical care, automobile parts and repair, construction and other items, increasing the costs of paying claims.

As a holding company, we are dependent on the results of operations of our subsidiaries to meet our obligations and pay future dividends.

We are a holding company and a legal entity separate and distinct from our subsidiaries. As a holding company without significant operations or assets of our own, our principal sources of funds are dividends and other distributions as well as loans from our subsidiaries. Canadian insurance laws limit the ability of our insurance subsidiaries to pay dividends and require our insurance subsidiaries to maintain specified levels of statutory capital and surplus. In addition, for competitive reasons, our insurance subsidiaries need to maintain financial strength ratings which requires us to sustain capital levels in our insurance subsidiaries. These restrictions affect the ability of our insurance subsidiaries to pay dividends and use their capital in other ways. The inability of our subsidiaries to pay dividends to us could have a material adverse effect on our business and financial condition.

The Common Shares have never been publicly traded before and the Offering may not result in an active or liquid market for the Common Shares.

Prior to the Offering, there has been no public market for the Common Shares, which creates uncertainty about future market prices for the Common Shares. We cannot assure you that a significant public market will develop for the Common Shares or be sustained after the Offering. In addition, if you purchase Common Shares in the Offering, you will pay a price that was not established in a competitive market. Rather, you will pay a price that was determined by negotiations with the Underwriters based upon an assessment of the valuation of our Common Shares and a book-building process. The public market may not agree with this valuation, in which case the Common Shares may trade in the public market subsequent to the Offering below the Offering price.

The price of our Common Shares may be volatile and may be affected by market conditions beyond our control.

Our share price is likely to fluctuate in the future because of the volatility of the stock market in general and a variety of factors, many of which are beyond our control, including:

- quarterly variations in actual or anticipated results of our operations;
- changes in financial estimates by securities analysts;
- actions or announcements by our competitors;
- regulatory actions;
- changes in the market outlook for the insurance industry;
- departure of our key personnel; and
- future sales of our Common Shares.

The stock market experiences price and volume fluctuations. The market prices of securities of insurance and financial services companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of these companies. These market fluctuations could result in volatility in the price of shares of our Common Shares, which could cause a decline in the value of your investment. Price volatility may be greater if the public float and trading volume of our Common Shares is low.

Future sales by shareholders of substantial numbers of Common Shares in the market following the Offering could adversely affect market prices.

After completion of the Offering, ING Groep will hold, directly or indirectly, 93,620,000 Common Shares representing 72.9% of the issued and outstanding Common Shares (or 70.0% if the Over-Allotment Option is fully exercised). ING Groep may sell its Common Shares, subject to applicable securities laws and its agreement that it will not sell any Common Shares it holds for a period of 180 days following the closing of the Offering without the prior written consent of Merrill Lynch and CIBC World Markets.

Sales of substantial numbers of Common Shares in the public market by ING Groep, its affiliates or our other shareholders, or the possibility or perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares. If such sales reduce the market price of the Common Shares, our ability to raise additional capital in the equity markets may be adversely affected.

REGULATORY MATTERS

Insurance

Our insurance subsidiaries are subject to regulation and supervision by insurance regulatory authorities of the jurisdictions in which they are incorporated and licensed to conduct business. That regulation and supervision is designed to protect policyholders and creditors rather than investors. We believe that our insurance subsidiaries are in material compliance with all applicable regulatory requirements. It is not possible to predict the future impact of changing federal, provincial and territorial regulations on our operations, and we cannot assure you that laws and regulations enacted in the future will not be more restrictive than existing laws.

The following is a brief description of certain regulatory and supervisory matters applicable to our insurance operations.

General

Each of ING Insurance Company of Canada (''ING Insurance''), ING Novex Insurance Company of Canada (''ING Novex'') and The Nordic Insurance Company of Canada (''Nordic'') is federally incorporated under the *Insurance Companies Act* (Canada) (''ICA''). BELAIR is incorporated under *An Act respecting insurance* (Quebec) (''IAQ''). All of our insurance subsidiaries are licensed under insurance legislation in each of the Canadian provinces and territories in which they conduct business.

The ICA and provincial and territorial insurance legislation require the filing by our insurance subsidiaries of annual and other reports on their financial condition, and set out requirements governing margins for actuarial liabilities and the safekeeping of assets and other matters. The ICA prohibits certain transactions and imposes restrictions on other transactions among related parties. We are a related party of ING Insurance, ING Novex and Nordic under the ICA. The IAQ also imposes restrictions on transactions with restricted parties and associates of directors or officers. We are a restricted party of BELAIR under the IAQ.

The ICA is administered by, and the activities of our federal insurance subsidiaries are supervised by, the Office of the Superintendent of Financial Institutions (''OSFI''). The Superintendent of Financial Institutions (Canada) (the ''Superintendent'') is responsible to the Minister of Finance (Canada) (the ''Minister'') for the supervision of federal insurance companies and other federal financial institutions. The Superintendent must, at least once a year, examine the business and financial condition of our federal insurance subsidiaries for the purpose of determining whether they are in sound financial condition, and report to the Minister. Where the Superintendent is concerned about an unsafe course of conduct or an unsound practice in conducting the business of a federal insurance company, the Superintendent may direct the company to refrain from a course of action or to perform acts necessary to remedy the situation. The Superintendent may, in certain circumstances, take control of the assets of a company or take control of the company.

The IAQ is administered by the Autorité des marchés financiers (currently the Agence nationale d'encadrement du secteur financier) (''AMF'') in Quebec, which is responsible for the supervision of insurance companies and other financial institutions conducting business in Quebec. The AMF has powers similar to OSFI and may conduct or commission an inspection of the internal affairs and activities of any insurer conducting business in Quebec.

Investment Powers

Under the ICA, the directors of our federal insurance companies must establish prudent investment and lending policies, standards and procedures, and our insurance companies must maintain a prudent portfolio of investments and loans, subject to overall portfolio limits on the amounts they may invest in certain classes of investments, such as consumer and commercial loans, real property and equities. Under the IAQ, BELAIR must adhere to sound and prudent management and investment practices and, in that respect, must maintain an adequate capital base and liquid assets and adopt an investment policy which includes, in particular, the matching of the maturities of its investments with its financial commitments, the diversification of investments and a description of the type of investments that may be in the form of hypothecary loans, including the limits applicable thereto. The IAQ requires that Quebec-incorporated insurance companies control assets of a value at least equal to the value of their liabilities to insureds in Canada, at least two-thirds of which must be invested in Canada.

The ICA provides broad powers to invest in securities, but limits the acquisition of control or substantial investments in other entities. A federal insurance company will have a substantial investment in an entity if it has direct or indirect beneficial ownership of voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of a body corporate, shares representing more than 25% of the shareholders' equity of a body corporate, or more than 25% of the ownership interests in an unincorporated entity.

Federal insurance companies may make controlling and, in certain circumstances, non-controlling substantial investments in Canadian banks and their holding companies, trust and loan companies, insurance

companies and their holding companies, cooperative credit societies, entities primarily engaged in dealing in securities, and in foreign entities that are primarily engaged outside Canada in a business that if carried on in Canada would be the business of banking, the business of a cooperative credit society, the business of insurance, the business of providing fiduciary services or the business of dealing in securities. Permitted investments include entities that engage in financial agent activities, real property management and brokerage activities, mutual fund and mutual fund distribution activities, and entities that provide certain information technology and processing services, and investment counselling and portfolio management services. In some cases, these investments require regulatory approval.

A federal insurance company and certain of its subsidiaries may not make commercial or consumer loans where the aggregate value of those loans would exceed 5% of the total assets of the company. A federal insurance company and certain of its subsidiaries may hold real property interests so long as the aggregate value of those interests and improvements to those interests would not exceed 10% of the total assets of the company. A federal insurance company and certain of its subsidiaries may not hold a substantial investment in participating shares in a body corporate or ownership interests in an unincorporated entity, other than a permitted entity, if their aggregate value would exceed 25% of the total assets of the company. In addition, on an aggregate basis, a federal insurance company may not acquire a substantial investment in shares or ownership interests in entities or interests in real property if the aggregate value of those investments would exceed 35% of its total assets. The Superintendent has the authority to make a divestment order if an insurance company contravenes the investment restrictions.

Pursuant to the IAQ, BELAIR is also subject to certain restrictions on the types and scope of investments it may make in other entities. Generally, a Quebec-incorporated insurance company may not acquire directly or indirectly more than 30% of the assets or voting rights attached to the shares of an entity, or more than 30% of the assets or voting rights attached to the shares of a cooperative or a similar entity whose head office is situated outside Quebec. The voting rights may not enable the insurance company to elect more than one-third of the directors of the entity. Nevertheless, an insurance company may acquire all or a portion of the shares of an entity that carries on activities similar to those that the insurer is authorized to carry on so long as the company controls the entity. Unless the subsidiary carries on certain regulated activities, it must provide an undertaking to, among other things, provide financial statements to the AMF, observe certain investment restrictions and permit examinations by the AMF.

Capital Requirements for Insurance Companies

P&C insurance companies in Canada must meet a minimum capital test (‘‘MCT’’) based on a guideline approved by the Canadian Council of Insurance Regulators. The MCT assesses the insurer’s capital available to capital required. OSFI and the AMF have published guidelines to assist insurers in the valuation of the adequacy of their capital base. Canadian regulators expect insurers to establish a target capital level and maintain ongoing capital at no less than the supervisory target of 150% MCT at all times. On a case-by-case basis, regulators may establish, in consultation with an insurance company, an alternate supervisory target based upon the company’s risk profile. According to OSFI, the weighted average internal target MCT of P&C insurance companies in 2003 was 172%. As at September 30, 2004, the weighted average MCT of our P&C insurance subsidiaries was 187.7% and on a pro forma basis giving effect to the Acquisition, prior to completion of the Offering, would be 192.5%.

P&C insurance companies are required to maintain a minimum amount of capital calculated by reference to, and varying with, the risk characteristics of each category of on- and off-balance sheet assets held by the companies, policy liabilities and reinsurance receivables and recoverables. This MCT calculation typically requires the application of quantitative factors to assets as well as to certain off-balance sheet items based on a number of prescribed risk components. The capital factor for policy liabilities takes into account the risk associated with variations in claims provisions, the possible inadequacy of provisions for unearned premiums and the occurrence of catastrophes. The capital factor for recoverables from reinsurers takes into account the credit risk that the reinsurers may fail to pay what is owned and the actuarial risk associated with assessing the amount of the required provision.

If minimum capital requirements are not met or maintained in compliance with the MCT, directors of companies may not declare dividends. The ICA provides the Superintendent with various remedies if the minimum capital requirements are not met, including directing companies to increase their capital or assets or to provide additional liquidity, requiring that they enter into prudential agreements, suspending or removing directors or senior officers, and taking control of companies or the assets of companies, if necessary, to protect the interests of policyholders or creditors. The IAQ provides the AMF may give instructions to an insurance company concerning the adequacy and composition of its capital base and the adequacy of its assets. The AMF may order a company to cease a course of action or to implement specified measures, and may suspend or cancel an insurance company's licence if, among other things, the company's assets are insufficient to protect insureds, the company does not adhere to sound and prudent management practices, or it contravenes an order of the AMF. The AMF may apply to a court for an injunction in respect of any matter under the IAQ or for the cancellation of a transaction entered into by an insurer contrary to the IAQ. The AMF may also assume the provisional administration of a Québec-incorporated insurance company and wind-up the company in certain circumstances.

Dynamic Capital Adequacy Testing

We periodically examine, as required, our capital adequacy by conducting dynamic capital adequacy testing (''DCAT'') which examines the effect of various plausible adverse scenarios on the insurer's forecasted capital adequacy. It is our actuaries' primary tool for the investigation of an insurer's financial condition.

The purpose of DCAT is to identify plausible threats to satisfactory financial condition, actions which lessen the likelihood of those threats and actions which would mitigate a threat if it materialized. DCAT is defensive in that it addresses threats to financial condition rather than the exploitation of opportunity.

The insurer's financial condition is satisfactory if throughout the forecast period it is able to meet all of its future obligations under the base scenario and all plausible adverse scenarios, and if under the base scenario it meets the minimum regulatory capital requirement. The base scenario is a realistic set of assumptions used to forecast the insurer's financial position over the forecast period. Normally, the base scenario is consistent with the insurer's business plan. A plausible adverse scenario is a scenario of adverse, but plausible, assumptions about matters to which the insurer's financial condition is sensitive. Plausible adverse scenarios vary among insurers and may vary over time for a particular insurer.

For P&C insurers, the actuaries would consider threats to capital adequacy under plausible adverse scenarios that include but are not limited to the following risk categories: frequency and severity; pricing; misestimation of policy liabilities; inflation; interest rates; premium volume; expenses; reinsurance; deterioration of asset values; government and political action; and off balance sheet items such as structured settlements in the P&C insurance business.

The appointed actuary reports DCAT results annually to our board of directors. In order to give management an opportunity to comment on the findings of the report, the appointed actuary would normally discuss the report with the insurer's senior management in advance of its submission to our board of directors.

Restrictions on Dividends and Capital Transactions

Our federal insurance subsidiaries require regulatory approval prior to withdrawal of capital and, in certain circumstances, prior to the payment of dividends. The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing a company is, or the payment of the dividend would cause the company to be, in contravention of its requirements to maintain adequate capital, liquidity and assets. The ICA also prohibits the declaration or payment of a dividend in any financial year without Superintendent approval if, at the time the dividend is declared, the total of all dividends declared by the company in that year would exceed the aggregate of the company's net income up to that time in that year and its retained net income for the preceding two financial years. The ICA also requires an insurance company to notify the Superintendent of the declaration of a dividend at least ten days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company is, or the payment would cause the company to be, in

contravention of its requirements to maintain adequate capital, liquidity and assets. Share cancellation or redemption would also require the prior approval of the Superintendent.

The IAQ prohibits the declaration of a dividend if payment of the dividend would cause the company to cease to meet the MCT and also prohibits the reduction of capital. No other restrictions apply to the declaration of dividends, the purchase for cancellation of shares issued by an insurer or other similar transactions, except that the insurer must maintain an adequate capital base consistent with sound and prudent practices.

Constraints on the Transfer of Shares or Assets

The ICA contains certain restrictions on the purchase or other acquisition, issue, transfer and voting of any shares of an insurance company. No person is permitted to acquire shares of any of our federal insurance subsidiaries, or to acquire control of an entity that holds such an interest, if the acquisition would cause the person to have a ''significant interest'' in any class of shares of the company or acquire control of the company, unless the prior written approval of the Minister is obtained. A person has a significant interest in a class of shares of a federal insurance company where the aggregate of any shares of that class beneficially owned by that person, or an entity controlled by that person and by any person associated or acting jointly or in concert with that person, exceeds 10% of all outstanding shares of that class of shares of the company. In addition, a federal insurance company is not permitted to record any transfer or issue of shares to a person if the transfer or issue would cause the person to have or increase a significant interest in the company unless regulatory approval has been obtained.

If a person contravenes any of these ownership restrictions, the person may not exercise any voting rights attached to the shares of the federal insurance company owned by the person or any entity controlled by the person. Moreover, the Minister may, by order, direct that person to dispose of all or any portion of those shares.

The provisions of the IAQ are substantially similar to those of the ICA regarding constraints on shares. The written authorization of the Quebec Minister of Finance is required if a Quebec-incorporated insurance company is to issue its voting shares or to register a transfer of its voting shares to a person and its associates who would (a) directly or indirectly hold 10% or more of the voting rights attached to the shares if they do not already control the insurance company; (b) directly or indirectly increase their voting rights attached to shares already held by them to at least 10% or at least a multiple of 10% if they do not already control the company; or (c) give them the control of the company. Authorization is not required if the shares are publicly traded and the transfer would not give control of the company to a person or its associates. Where shares are issued or transferred without authorization when so required, the person to or in favour of whom shares were issued or transferred ceases to be entitled to exercise the voting rights attached to those shares of the insurance company unlawfully issued or transferred. Where shares of a holding company of a Quebec-incorporated insurance company which are not publicly traded, are transferred to a person such that the transfer has an effect described in (a), (b) or (c) above, the holding company ceases to be entitled to exercise the voting rights attached to the shares of the insurance company, unless it obtains written authorization from the Quebec Minister of Finance.

Under the ICA, the approval of the Minister is required for a federal insurance company to transfer all or substantially all of its assets to another person, or transfer or reinsure its policies, other than reinsurance in the ordinary course of its business. Superintendent approval is generally required by a federal insurance company to acquire assets from, or transfer assets to, a person if the total value of the assets and all other assets acquired from or transferred to the person by the company and its subsidiaries in the twelve months preceding the transfer is greater than 10% of the total value of the assets of the company. Under the IAQ, an insurer must give 45 days' notice to the AMF if the insurer sells more than 5% of its assets in the course of a twelve-month period. The AMF may give notice within the 45 day period (or an extension thereof) of non-objection to the sale, or may prohibit or impose conditions on the transaction.

Provincial Insurance Regulation

Each of our insurance subsidiaries is subject to provincial and territorial regulation and supervision in each of the provinces and territories of Canada in which they conduct business. Provincial insurance regulations deal primarily with the form of insurance contracts and the sale and marketing of insurance products, including licensing and supervision of insurance distributors.

The provinces of British Columbia, Manitoba and Saskatchewan operate public automobile insurance systems; in these jurisdictions, the government and private insurers compete for optional and excess coverage. In Quebec, a public automobile insurance system operates in respect of bodily injury, and a private sector automobile insurance system operates in respect of property damage. In other Canadian provinces and territories, private sector automobile insurance systems operate. In the provinces of Alberta, Ontario, New Brunswick, Nova Scotia and Newfoundland, premium rates for automobile insurance are regulated by public authorities. Insurers must submit proposed rates to a regulatory body and have them approved before use. The approval process also may involve a hearing.

With respect to insurance policies, provincial legislation and regulation automatically deem different insurance contracts to include certain terms, which cannot be changed without the approval of the relevant regulatory authority.

Many provinces have legislated ''no-fault'' insurance policies whereby accident victims, regardless of fault, must claim compensation from their own insurers for injuries. These government policies range from *pure no-fault* legislation in Quebec and Manitoba to *threshold no-fault* in Ontario, *modified pure no-fault* in Saskatchewan and more basic plans elsewhere in Canada.

Generally speaking, the higher the legislated no-fault threshold, the less the involvement of the judicial system. No-fault thresholds can be based upon specific dollar amount thresholds, such as a threshold on the amount of insured medical expenses or based upon specific descriptions, such as a debilitating injury. Should these thresholds be exceeded lawsuits may be permitted. For example, in Ontario seriously injured claimants may sue for pain and suffering provided the threshold is met.

In recognition of recent automobile insurance industry trends and claims costs and to address consumer concerns over recent rate increases and reduced product availability, several provinces have recently introduced legislation to reduce claims costs related to automobile insurance. See ''Our Business — Our Industry — Industry Dynamics and Trends''.

P&C Insurance Compensation Corporation

The Canadian P&C insurance industry created the P&C Insurance Compensation Corporation (''PACICC'') to provide Canadian P&C insurance policyholders with protection, within limits, against the loss of policy benefits in the event of the insolvency of their insurance company. PACICC is funded by its member insurance companies, including our P&C insurance subsidiaries. Member companies are assessed primarily on an after-the-fact basis using a formula largely based on Canadian premium income from covered policies. Draws levied in respect of a member company's assessment may not in the normal course exceed 0.75% of the member's premium income for the member's premium income for the member's preceding fiscal year. Our P&C insurance subsidiaries are current with all PACICC assessments.

Financial Consumer Agency of Canada

Under the *Financial Consumer Agency of Canada Act* (''FCAC Act''), the Financial Consumer Agency of Canada (the ''FCAC'') enforces consumer-related provisions in federal statutes that govern financial institutions. ''Consumer provisions'' include ICA provisions dealing with customer confidentiality, complaint-handling procedures and cost of borrowing disclosure.

The Commissioner of the FCAC (the ''Commissioner'') has the duty to supervise federal insurance companies to determine whether they are in compliance with consumer provisions that apply to them. The Commissioner has the power to issue notices of violation and to compel the disclosure of personal information necessary to ensure compliance. In addition, the Commissioner may carry on any activity in furtherance of consumer awareness of financial institution obligations under applicable consumer provisions.

The Commissioner must report to the Minister on all matters connected with the administration of the FCAC Act and the consumer provisions of federal financial institutions statutes, including the ICA.

Mutual Funds

Each of the regulatory authorities in the provinces and territories of Canada has supervisory and regulatory authority over the business that is conducted by advisors within its jurisdiction and generally has broad enforcement powers to censure, fine, issue cease trading orders, or suspend or expel from the industry a registered dealer or adviser or any of its directors, officers or employees who contravene applicable laws or regulatory requirements.

Mutual funds are managed and administered under a regulatory framework that imposes restrictions on the types of investments that can be made by retail mutual funds and regulates, among other things, conflicts of interest, advertising, custodial arrangements for portfolio assets and changes to the structure and operations of mutual funds.

Mutual funds must offer their securities for sale to retail investors in accordance with the prospectus requirements of Canadian securities legislation. Securities of mutual funds are offered for sale pursuant to a simplified prospectus and annual information form (collectively, the ''Fund Prospectus Documents'') which are filed with the securities regulatory authorities. If the Fund Prospectus Documents contain a misrepresentation, a mutual fund management company such as IIM could become the subject of a statutory claim for rescission or damages.

Equisure

The brokerages of Equisure are licensed brokers under distribution laws and regulations in each province in which they operate.

CONSOLIDATED CAPITALIZATION

The table below shows our actual consolidated capitalization as at September 30, 2004. The ''Pro Forma as Adjusted'' column reflects our consolidated capitalization at the same date after giving effect to the sale by us of 34,880,000 Common Shares pursuant to the Offering, after deducting the Underwriters' fee and estimated Offering expenses payable by us and after giving effect to the Acquisition.

As at September 30, 2004, after giving effect to the completion of the Acquisition, the Reorganization and the Offering, we will have $ ● in debt and no preferred shares outstanding.

The following table which should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'', our consolidated financial statements and pro forma financial statements and respective related notes appearing elsewhere in this prospectus, present our consolidated share and loan capitalization as at September 30, 2004, on an actual basis, and after giving effect to the Offering and the Acquisition.

	As at September 30, 2004	Pro Forma as Adjusted[1] as at September 30, 2004
	(in $millions)	
Debt outstanding[2]	$ 461.1	$ ●
Shareholders' equity:		
Capital stock[2]	605.9	●
(Authorized — unlimited)	(141,569 Common Shares)	(128,500,000 Common Shares)
Contributed surplus	83.4	●
Retained earnings	750.9	●
Total shareholders' equity	$1,440.2	$ ●
Total capitalization[2]	$1,901.3	$ ●

(1) Assumes the Over-Allotment Option is not exercised and gives effect to the completion of the Acquisition described under ''Our Business — Recent Developments — The Acquisition'' and the Reorganization described under ''Reorganization''.

(2) The net proceeds to us from the Offering are estimated to be $ ● . We intend to use $300.0 million of the net proceeds to fund the Acquisition (including $200.0 million to repay bank debt used to fund the Acquisition) and for general corporate purposes. In addition, $259.1 million will be used to pay promissory notes that have been issued to redeem all of the issued and outstanding preferred shares of ING Holdings held by ING International (see Note 16(b) to the audited consolidated financial statements of ING Canada Holdings Inc. as at December 31, 2003 and 2002). The remaining net proceeds to us will be used to pay promissory notes held by ING International that arise from the redemption of capital stock of ING Holdings Inc. (the ''Redemption Notes''). The amount of the Redemption Notes will be set at the date that the Offering is priced and will equal the estimated net proceeds of the Offering to us, assuming full exercise of the Over-Allotment Option, less $559.1 million. In the event that the Over-Allotment Option is not exercised in full, the difference between the net proceeds from the full Over-Allotment Option of $ ● and the net proceeds from the partial exercise of the Over-Allotment Option, if any, will remain outstanding as Redemption Notes.

SELECTED FINANCIAL DATA

The following selected financial data should be read with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and the financial statements and accompanying notes that are included in this prospectus.

The summary financial data set forth in the following tables have been prepared in accordance with GAAP and have been derived from our audited consolidated financial statements as at and for the years ended December 31, 2003, 2002 and 2001, and from our unaudited interim consolidated financial statements as at and for the nine months ended September 30, 2004 and 2003 and our unaudited consolidated financial statements for the years ended December 31, 2000 and 1999. These statements and related notes (other than for the years ended December 31, 2000 and 1999) appear in this prospectus beginning at page F-1. In the opinion of our management, our unaudited interim consolidated financial statements for the nine months ended September 30, 2004 and 2003 include all adjustments necessary to present fairly the financial information for such periods. The tables below should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and the financial statements and the notes thereto included in this prospectus.

The following pro forma financial information as at and for the nine months ended September 30, 2004, the nine months ended September 30, 2003 and the year ended December 31, 2003 as if the acquisition of Allianz Canada had occurred on January 1, 2003 for purposes of the statements of income and September 30, 2004 for purposes of the balance sheet. The summary pro forma information below should be read in conjunction with the unaudited pro forma financial statements, the related notes and other financial information included in this prospectus.

	Pro Forma Nine Months Ended September 30, 2004	Nine Months Ended September 30,		Pro Forma Year Ended December 31,	Years Ended December 31,				
		2004	2003	2003	2003	2002	2001	2000	1999
	(in $millions except for per share data)								
Income Statement:									
Direct premiums written	$ 3,152.6	$ 2,692.9	$ 2,592.2	$ 4,116.1	$ 3,443.8	$ 3,107.0	$ 2,191.8	$ 2,063.0	$ 1,886.5
Net premiums written	3,181.6	2,742.2	2,235.5	3,604.3	2,966.6	2,593.1	1,890.2	1,993.9	1,833.9
Net premiums earned	2,933.3	2,476.4	2,029.1	3,376.8	2,760.9	2,337.1	2,019.2	1,903.0	1,801.6
Investment income	220.7	191.7	156.7	252.4	214.0	183.7	194.5	170.1	142.1
Realized investment and other gains (losses)	96.1	96.1	15.8	32.1	32.1	2.5	34.2	51.3	(6.4)
Commission and advisory fees	42.7	12.0	5.7	43.6	8.4	35.8	71.9	70.8	2.9
Total revenue	**$ 3,292.7**	**$ 2,776.2**	**$ 2,207.3**	**$ 3,704.9**	**$ 3,015.4**	**$ 2,559.1**	**$ 2,319.7**	**$ 2,195.2**	**$ 1,940.1**
Claims and loss adjustment expenses	1,717.4	1,407.4	1,344.4	2,342.1	1,880.8	1,725.6	1,487.2	1,419.0	1,290.5
Commissions	511.4	443.8	393.4	606.7	510.2	437.5	319.8	287.3	290.8
Premium taxes	101.0	86.2	72.2	124.6	103.3	83.9	71.1	67.8	62.3
General expenses	281.7	204.2	208.7	376.6	281.6	266.8	274.6	274.0	220.1
Interest on debt outstanding	13.6	8.6	9.5	19.3	12.6	14.2	15.6	14.2	14.6
Total expenses	**$ 2,625.0**	**$ 2,150.1**	**$ 2,028.1**	**$ 3,469.3**	**$ 2,788.4**	**$ 2,527.9**	**$ 2,168.3**	**$ 2,062.4**	**$ 1,878.3**
Income before income taxes, goodwill amortization, non-controlling interest and discontinued operations	667.7	626.0	179.2	235.6	227.0	31.2	151.5	132.9	61.8
Income taxes	192.6	175.0	53.4	77.8	76.5	1.9	35.2	23.4	0.2
Income before the following	475.1	451.1	125.8	157.8	150.5	29.3	116.3	109.5	61.6
Goodwill amortization	—	—	—	—	—	—	(29.4)	(28.4)	(26.5)
Non-controlling interest	—	—	—	—	—	—	—	0.2	—
Discontinued operations	—	—	—	—	—	—	—	—	54.7
Net income	**$ 475.1**	**$ 451.1**	**$ 125.8**	**$ 157.8**	**$ 150.5**	**$ 29.3**	**$ 86.9**	**$ 81.2**	**$ 89.8**
Earnings per share Basic and diluted[(1)]	$3,355.93	$3,186.28	$ 888.29	$1,114.48	$1,062.99	$ 206.79	$ 613.89	$ 573.66	$ 634.05
Earnings per share as adjusted Basic and diluted[(1),(2)]	$ 3.70	$ 3.51	$ 0.98	$ 1.23	$ 1.17	$ 0.23	$ 0.68	$ 0.63	$ 0.70

(1) There were no outstanding dilutive instruments during the period. Accordingly, basic and diluted earnings per share are identical.

(2) As adjusted to give effect to the Offering and the Reorganization.

	Pro Forma as Adjusted[1] as at September 30, 2004	Pro Forma as at September 30, 2004	As at September 30, 2004	As at December 31, 2003	As at December 31, 2002
			(in $millions)		
Balance Sheet Data:					
Cash and cash equivalents	$ ●	$ 88.7	$ 278.4	$ 104.7	$ 64.1
Investments	●	6,087.5	5,034.1	3,861.5	3,297.1
Total assets	●	8,941.6	7,522.5	6,893.5	6,257.1
Unpaid claims and LAE (gross)	●	3,787.3	2,994.7	2,942.0	2,745.4
Unearned premiums (gross)	●	2,336.6	2,028.7	1,914.3	1,727.3
Debt outstanding	●	661.9	461.1	483.1	502.5
Total shareholders' equity	●	1,440.2	1,440.2	989.1	838.6

(1) Reflects the completion of the Acquisition and the Reorganization and is adjusted to give effect to the Offering and the application of the estimated net proceeds of the Offering as described in ''Use of Proceeds''.

	Pro Forma		
	Nine Months Ended September 30,		Year Ended December 31,
	2004	2003	2003
		(in $millions)	
Summary Pro Forma Income Statement Data:			
Direct premiums written	$ 3,152.6	$ 3,086.3	$4,116.1
Total revenue	3,292.7	2,717.0	3,704.9
Total expenses	2,625.0	2,542.9	3,469.3
Income before income taxes, non-controlling interest and goodwill amortization	667.7	174.1	235.6
Net income	475.1	120.6	157.8
After-tax realized investment and other gains (losses)	66.1	1.7	6.5

The following table shows our selected financial ratios and ROE data. These ratios as well as ROE are defined in the ''Glossary of Selected Insurance Terms''.

	Pro Forma Nine Months Ended September 30, 2004	Nine Months Ended September 30,		Pro Forma Year Ended December 31, 2003	Years Ended December 31,		
		2004	2003		2003	2002	2001
Selected Financial Ratios and ROE Data:							
Claims ratio	58.5%	56.8%	66.3%	69.4%	68.1%	73.8%	73.7%
Expense ratio	29.0%	29.0%	30.5%	30.0%	30.0%	27.3%	29.1%
Combined ratio	87.5%	85.8%	96.8%	99.4%	98.1%	101.2%	102.7%
ROE[1]	42.1%	39.6%	6.0%	17.2%	16.5%	3.0%	7.9%
ROE of our P&C insurance subsidiaries[2]	31.4%	33.6%	8.1%	14.0%	15.5%	4.5%	11.3%

(1) 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.

(2) Represents net income for the twelve months ended on the date indicated of our P&C insurance subsidiaries divided by the average shareholders' equity for our P&C insurance subsidiaries over the same twelve month period. Our P&C insurance subsidiaries consist of BELAIR, ING Insurance Company of Canada, ING Novex Insurance Company of Canada, The Nordic Insurance Company of Canada and Wellington Warranty Company Inc. After giving effect to the Acquisition, our P&C insurance subsidiaries consist of those subsidiaries as well as Allianz Insurance Company of Canada and Trafalgar Insurance Company of Canada.

The table below sets out a breakdown of our expenses for our P&C subsidiaries based on claims and loss adjustment expenses, commissions, premium taxes and general expenses.

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Claims and loss adjustment expenses	$1,407.4	$1,344.4	$1,880.8	$1,725.6	$1,487.2
Commissions	439.1	368.3	482.3	354.1	319.5
Premium taxes	86.2	72.2	103.3	83.9	71.1
General expenses	192.0	179.2	242.8	200.9	196.0
Total	**$2,124.7**	**$1,964.0**	**$2,709.2**	**$2,364.4**	**$2,073.8**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes which appear elsewhere in this prospectus. It contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the headings "Risk Factors" and "Forward-Looking Statements".

General

Our financial performance is determined by two main factors: (i) the level of premiums collected in relation to claims and operating expenses; and (ii) the returns generated from our investment portfolio. Premiums we collect are ultimately used to pay claims and operating expenses. However, there is a time lapse between the collection of premiums and the payment of claims and certain operating expenses. This allows us to invest premiums collected and earn an investment return until claims and operating expenses are paid. We also earn an investment return on invested capital.

We report our underwriting results through two operating segments of our P&C insurance business: personal insurance and commercial insurance. Products in the personal insurance segment include automobile and property insurance. Our commercial insurance segment includes automobile and commercial property and liability insurance, as well as products that are targeted toward limited markets which require specialized underwriting and claims settlement such as surety, warranty and marine insurance.

We report the investment results of our P&C insurance subsidiaries through a third operating segment. Investment income is shown net of investment expenses.

In addition to these operating segments, our results include our non-operating segments, namely corporate and other activities, and realized investment and other gains (losses). Corporate and other activities include miscellaneous sources of income and expense such as:

- advisory fees and commissions and related expenses from our owned P&C insurance brokers and our mutual fund operations;
- interest income and expense;
- our share of the net income from entities we do not consolidate; and
- expenses related to non-recurring items such as acquisitions and divestitures, the effects of which are not allocated to any other segment.

Net realized investment and other gains (losses) are shown separately because they are inherently difficult to predict. Our investment professionals do not trade securities based on a pre-conceived plan but rather make the determination of when to realize a gain or loss based on prevailing market conditions as well as information specific to a particular security.

Critical Factors Affecting Results

Our profitability depends on the adequacy of our product pricing and underwriting, the accuracy of our methodology for the establishment of reserves for future policyholder claims, our returns on invested assets and our ability to effectively manage our expenses.

Revenue

Approximately 90% of our total revenue consists of earned premiums from the sale of P&C insurance policies. Premiums written represent sales of insurance policies which are recognized in revenue as premiums earned based on the expired portion of time for which a policy has been in effect. Direct premiums written are the total premiums in respect of insurance underwritten, including premiums allocated from the Facility Association during a specified period. Net premiums written are direct premiums written for a specified period less premiums ceded to reinsurers plus premiums assumed through reinsurance arrangements during such period. The effect of reinsurance is reflected in our revenue and results of our operating segments.

Our revenue from earned premiums is supplemented by revenue from our investment portfolio, which constitutes approximately 7% of our total revenue in 2003. In our investment portfolio, we recognize revenue from interest, dividends and realized capital gains on our investment assets. Market fluctuations in interest rates affect our returns on, and the market value of, fixed income and short-term investments. The fair market value of our exposure to preferred shares and common equities fluctuates as a result of changes in the overall level of equity markets. We seek to decrease our exposure to overall fluctuations in the equity markets by investing primarily in issuers that are expected to pay dividends. We believe that this income component serves to reduce the volatility, of and enhance investment returns on, our preferred share and common equity portfolios.

Expenses

Our expenses primarily consist of claims and loss adjustment expenses, commissions paid to brokers, premium taxes and general expenses. Claims, which are also referred to as losses, are the amounts payable under insurance policies relating to insured events. Loss adjustment expenses, which are also referred to as claim expenses, are the expenses of settling claims, including allocated loss adjustment expenses and unallocated loss adjustment expenses. Accurately predicting claims and the costs of settling them can significantly impact our results. Achieving profitable results depends on our ability to manage future claims and other costs through innovative product design, strict underwriting criteria and efficient claims management.

Commissions are the amounts paid to P&C insurance brokers for selling P&C insurance policies. The amount of a commission is generally a percentage of the premium of the P&C insurance policy sold by the broker. Contingent commissions are paid to brokers on an annual basis based on previous years' business. Premium taxes are taxes paid by us to provincial governments calculated as a percentage of direct premiums written. General expenses are the selling, underwriting and administrative expenses incurred to support our business. Our direct channel incurs expenses such as advertising and marketing costs for acquiring business but does not incur commission expenses as P&C insurance brokers are not used. Overall, other than the volume of business written, expenses are affected primarily by the rate of general inflation, employee compensation rates and the number of employees we have at any time. A significant portion of our expenses are employee compensation and benefits, with the result that changes in compensation and benefit rates and in the volume of business requiring more or less employees impact the level of general expenses.

Regulation

Legislation or other regulatory initiatives that increase the regulatory requirements imposed on us or that change the way we are able to do business may significantly affect our business and results of operations. See ''Regulatory Matters'' and ''Risk Factors''.

Significant Transactions

Our results of operations during the last three fiscal years were affected by the following transactions:

Zurich

On December 17, 2001, we entered into an agreement with Zurich Insurance Company to acquire its personal and small and medium size commercial lines business, and in turn sell our large size commercial lines business to it (the ''2001 Portfolio Purchase''). We assumed policies in force with policy liabilities of $723.1 million as at December 31, 2001. Approximately 1,000 employees were transferred to us. As part of our funding of the 2001 Portfolio Purchase, we ceded $608.4 million of net policy liabilities acquired under two quota share treaties, with 60% ceded to one of our affiliated companies and 40% ceded to an independent reinsurer. As of July 1, 2002, the quota share treaty with the independent reinsurer was transferred to our affiliated company and continued until the treaty was commuted on January 1, 2004. As at January 1, 2004, we commuted the inter-company quota share treaty related to the 2001 Portfolio Purchase. Consequently, net policy liabilities previously ceded of $665.0 million were reassumed by us and investment assets in approximately an equivalent amount were received from the reinsurers. There was no significant impact on our current year's results from commuting the treaty.

The following table sets out certain non-recurring costs and the amortization schedule related to the 2001 Portfolio Purchase.

	Non-recurring Costs Related to the 2001 Portfolio Purchase to be Amortized	Amortization Schedule				
		Nine Months Ended September 30,		Years Ended December 31,		
		2004	2003	2004	2003	2002
		(in $millions)				
Commission expenses	$ 89.6	$6.1	$23.8	$6.1	$25.8	$57.7
Acquisition expenses	56.0	—	12.0	—	16.0	40.0
Total	**$145.6**	**$6.1**	**$35.8**	**$6.1**	**$41.8**	**$97.7**
After-tax total	**$ 92.4**	**$4.2**	**$23.3**	**$4.2**	**$27.2**	**$61.0**

Equisure

We completed the acquisition of Equisure, including its network of full-service P&C insurance brokers, in December 2000 for $168.0 million in cash. In late 2001, we initiated a strategy of partnering with the brokers within the network whereby 50% of the ownership of most of these brokers would be sold. Brokers within the network which did not fit the strategy were completely divested. Divestitures occurred in both 2002 and 2003 resulting in realized after-tax losses of $12.4 million and $1.8 million, respectively. With respect to these divestitures, we had as of December 31, 2003, $56.6 million of loans outstanding to brokers purchasers to facilitate the acquisition of the brokers. We received $76.6 million in pre-tax proceeds from the sales of our interests in these brokers, but these proceeds and loans outstanding may be reduced by as much as $10.4 million if the broker purchasers choose to attain pre-determined target levels of premiums with our P&C insurance subsidiaries.

Critical Accounting Estimates and Assumptions

Our significant accounting policies are disclosed in Note 3 to our audited consolidated financial statements which appear elsewhere in this prospectus. The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements. These estimates and assumptions principally relate to the establishment of reserves for claims and expenses, impairments of investment securities, amounts recoverable from our reinsurers and certain other assets. As more information becomes known, these estimates and assumptions could change and impact future results. The most significant estimates and assumptions we make in preparing our financial statements are described below.

Policy Liabilities

Policy liabilities consist of provisions for claim liabilities and premium liabilities.

Claim liabilities are maintained to cover our estimated ultimate liability for losses and loss adjustment expenses with respect to reported and unreported claims incurred as of the end of each accounting period. The provision for unpaid claims and adjustment expenses is first determined on a case-by-case basis as claims are reported and then reassessed as additional information becomes known. The provision also accounts for the future development of these claims including claims incurred but not reported. Reserves do not represent an exact calculation of liability, but instead represent estimates developed using projection techniques in accordance with Canadian accepted actuarial practice. These reserve estimates are expectations of the ultimate cost of settlement and administration of claims based on our assessment of facts and circumstances then known, our review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

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

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

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

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

Investments

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

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

There are inherent risks and uncertainties involved in making these judgments. Changes in circumstances and critical assumptions such as a weak economy, a pronounced economic downturn or unforeseen events which affect one or more companies or industry sectors could result in additional writedowns in future periods for impairments that are deemed to be other than temporary. See also Note 3 to our audited consolidated financial statements included elsewhere in this prospectus for a description of our impairment policies.

Reinsurance

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

Goodwill

Pursuant to GAAP, goodwill represents the excess of the purchase price of acquisitions over the fair value of the underlying net assets. Prior to January 1, 2002, goodwill was amortized and charged to income over its estimated useful life. On January 1, 2002, we adopted the new accounting standards for Business Combinations and Goodwill and Other Intangibles, as prescribed by GAAP. In accordance with these requirements, we reviewed each of the business combinations completed by us before July 1, 2002 to determine whether there were intangibles that met the criteria of GAAP for recognition as identifiable intangibles other than goodwill. Based on our review, we did not identify any intangible assets.

Under GAAP, goodwill is no longer amortized but is tested annually for impairment of value on a reporting unit basis. Management's judgement is required to identify reporting units with similar economic characteristics and to select an appropriate valuation model. In the P&C insurance brokerage industry and the P&C insurance industry, it is common for companies to be acquired at a multiple of revenue or book value, adjusted for net assets other than intangibles. A range of values used to evaluate the multiple is developed using discounted cash

flow valuation techniques. Accordingly, we assess the carrying value of our net assets on this basis. Any impairment identified through this assessment is charged to income as a result of a reduction in the carrying value of the goodwill, except for transitional impairment.

We performed our transitional impairment testing and identified $336.5 million in goodwill impairments in 2002. In accordance with the transitional rules, this amount was recorded as an adjustment to retained earnings. This impairment is non-cash in nature and does not affect our liquidity or ability to discharge our liabilities. The impairments resulted from a significant change in the market in 2002 as compared to the period when the acquisitions were effected in 1998 and 2000. The impairments relate to the acquisitions of insurance companies and a brokerage company. The purchase prices reflected higher values for the businesses than would be expected in the market at the time we effected the impairments due to increases in automobile claims costs which led to relatively lower prospects for automobile insurance and therefore caused the value of P&C insurance operations and brokers to deteriorate. In addition, retention of the business acquired fell below anticipated levels and we exited the large commercial business which was acquired pursuant to one of the acquisitions.

Income Taxes

We use the liability method whereby income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of financial statement assets and liabilities compared with their respective tax bases. Accordingly, a future tax asset or liability is determined for each temporary difference based on the income tax rates that are expected to be in effect when the underlying items of revenue and expenses are expected to be realized.

Future income taxes accumulated as a result of temporary differences are included in the consolidated balance sheet. In addition, the consolidated statement of income contains items that are non-taxable or non-deductible for income tax purposes, which cause the income tax provision to differ from what it would be if based on statutory rates.

Results of Operations

Segmented Information

The following table presents selected information on our three operating segments, as well as corporate and other and realized investment and other gains (losses).

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Revenue					
P&C insurance					
Net premiums earned					
Personal insurance	$1,721.3	$1,343.6	$1,828.7	$1,563.9	$1,344.8
Commercial insurance	755.1	685.5	932.2	773.2	674.4
Total net premiums earned	$2,476.4	$2,029.1	$2,760.9	$2,337.1	$2,019.2
Investments	183.4	154.0	208.8	181.7	182.9
Total P&C insurance	**$2,659.8**	**$2,183.1**	**$2,969.7**	**$2,518.8**	**$2,202.1**
Corporate and other	20.3	8.4	13.6	37.8	83.5
Realized investment and other gains (losses)	96.1	15.8	32.1	2.5	34.2
Total Revenue	**$2,776.2**	**$2,207.3**	**$3,015.4**	**$2,559.1**	**$2,319.7**

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Income (loss) before income taxes, goodwill amortization and non-controlling interest					
P&C insurance					
Underwriting income (loss)					
Personal insurance	$ 217.5	$ (8.7)	$ (35.5)	$ (63.5)	$ (64.6)
Commercial insurance	134.2	73.7	87.2	36.2	10.0
Total underwriting income (loss)	$ 351.7	$ 65.0	$ 51.7	$ (27.3)	$ (54.6)
Investments	175.9	147.3	200.5	173.9	177.5
Total P&C insurance	**$ 527.6**	**$ 212.3**	**$ 252.2**	**$ 146.5**	**$ 122.9**
Corporate and other	2.3	(48.9)	(57.4)	(117.9)	(5.6)
Realized investment and other gains (losses)	96.1	15.8	32.1	2.5	34.2
Total income (loss) before income taxes, goodwill amortization and non-controlling interest	**$ 626.0**	**$ 179.2**	**$ 227.0**	**$ 31.2**	**$ 151.5**

The following tables set forth the direct premiums written and underwriting results for our P&C insurance operating segments.

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Personal insurance					
Direct premiums written					
Personal automobile	$1,333.8	$1,324.0	$1,724.0	$1,568.4	$ 995.3
Personal property	527.3	471.2	624.1	604.6	426.0
Total	**$1,861.1**	**$1,795.2**	**$2,348.1**	**$2,173.0**	**$1,421.2**
Net premiums earned	1,721.3	1,343.6	1,828.7	1,563.9	1,344.8
Expenses:					
Claims	1,050.0	958.8	1,342.8	1,229.2	1,041.3
Commissions	270.9	221.1	299.8	198.2	187.9
Premium taxes	59.4	46.9	69.2	55.4	46.9
General expenses	123.5	125.5	152.4	144.6	133.4
Total expenses	$1,503.8	$1,352.3	$1,864.2	$1,627.4	$1,409.5
Underwriting income (loss)	**$ 217.5**	**$ (8.7)**	**$ (35.5)**	**$ (63.5)**	**$ (64.6)**
Ratios:					
Claims ratio	61.0%	71.4%	73.4%	78.6%	77.4%
Commissions ratio	15.7%	16.5%	16.4%	12.7%	14.0%
Premium taxes ratio	3.4%	3.5%	3.8%	3.5%	3.5%
General expenses ratio	7.2%	9.3%	8.3%	9.2%	9.9%
Combined ratio	**87.4%**	**100.6%**	**101.9%**	**104.1%**	**104.8%**

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Commercial insurance					
Direct premiums written					
Commercial automobile	$219.5	$212.3	$ 291.0	$248.1	$216.8
Commercial other	612.3	584.7	804.7	685.8	553.7
Total	**$831.8**	**$797.0**	**$1,095.7**	**$933.9**	**$770.6**
Net premiums earned	755.1	685.5	932.2	773.2	674.4
Expenses:					
Claims	357.4	385.6	538.1	496.4	445.9
Commissions	168.2	147.2	182.5	155.8	131.6
Premium taxes	26.8	25.3	34.0	28.5	24.2
General expenses	68.5	53.7	90.4	56.3	62.7
Total expenses	$620.9	$611.8	$ 845.0	$737.0	$664.4
Underwriting income (loss)	**$134.2**	**$ 73.7**	**$ 87.2**	**$ 36.2**	**$ 10.0**
Ratios:					
Claims ratio	47.3%	56.2%	57.7%	64.2%	66.1%
Commissions ratio	22.3%	21.5%	19.6%	20.2%	19.5%
Premium taxes ratio	3.5%	3.7%	3.6%	3.7%	3.6%
General expenses ratio	9.1%	7.8%	9.7%	7.3%	9.3%
Combined ratio	**82.2%**	**89.2%**	**90.6%**	**95.3%**	**98.5%**

The following tables show revenues and income (loss) before income taxes for our investments segment and our corporate and other segment.

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Investments					
Revenue					
Interest	$111.3	$ 79.5	$ 109.1	$ 98.0	$ 93.0
Dividends	71.3	66.8	94.5	86.0	84.4
Other	0.8	7.7	5.2	(2.3)	5.5
Total	**$183.4**	**$ 154.0**	**$ 208.8**	**$ 181.7**	**$182.9**
Expenses	7.5	6.7	8.3	7.8	5.4
Income (loss) before income taxes, goodwill amortization and non-controlling interest	**$175.9**	**$ 147.3**	**$ 200.5**	**$ 173.9**	**$177.5**

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Corporate and other					
Revenue					
Commissions and advisory fees	$12.0	$ 5.7	$ 8.4	$ 35.8	$71.9
Equity earnings	5.4	1.3	3.5	1.1	(1.6)
Interest	1.3	1.0	1.5	1.2	1.6
Other	1.6	0.4	0.1	(0.3)	11.6
Total	**$20.3**	**$ 8.4**	**$ 13.5**	**$ 37.8**	**$83.5**
Expenses					
Commissions	4.7	25.1	$ 27.9	83.4	0.3
General expenses	4.7	22.7	30.5	58.1	73.1
Interest on debt	8.6	9.5	12.6	14.2	15.6
Total	**$18.0**	**$ 57.3**	**$ 70.9**	**$ 155.7**	**$89.0**
Income (loss) before income taxes, goodwill amortization and non-controlling interest	**$ 2.3**	**$(48.9)**	**$(57.4)**	**$(117.9)**	**$ (5.6)**

Realized investment and other gains (losses) include gains in fixed income securities, preferred shares, common shares and the sale of subsidiaries as shown in the following table:

	Nine Months Ended September 30,		Years Ended December 31,		
	2004	2003	2003	2002	2001
			(in $millions)		
Realized investment and other gains (losses)					
Fixed income securities	$25.8	$ 30.8	$ 36.2	$ 18.0	$31.3
Preferred shares	(2.7)	17.4	24.4	(13.4)	(3.6)
Common shares	69.4	(27.2)	(3.2)	10.2	6.5
Sale of subsidiaries	3.6	(5.2)	(25.3)	(12.4)	—
Total	**$96.1**	**$ 15.8**	**$ 32.1**	**$ 2.5**	**$34.2**
After-tax total	**$66.1**	**$ 1.7**	**$ 6.5**	**$ (8.4)**	**$21.1**

Nine Months Ended September 30, 2004 compared to Nine Months Ended September 30, 2003

Premiums

Direct premiums written increased by $100.7 million, or 3.9%, to $2,692.9 million for the nine months ended September 30, 2004 compared to $2,592.2 million for the comparative period in 2003. Net premiums written increased by $506.7 million, or 22.7%, to $2,742.2 million in 2004 compared to $2,235.5 million in 2003. The impact of the quota share treaty related to the 2001 Portfolio Purchase which was commuted as of January 1, 2004 accounted for $(185.3) million compared to $242.5 million in 2003 and reduces the increase in net premiums written to 2.9%.

Personal insurance direct premiums written increased by $65.9 million or 3.7% to $1,861.1 million in 2004 compared to $1,795.2 million in 2003. Growth in personal automobile insurance direct premiums of 0.7% in 2004 compared to 2003 was not as strong due to rate decreases in the Atlantic provinces and Ontario automobile insurance which resulted from reforms to automobile insurance products in those provinces. Growth in personal property insurance was favourable at 11.9% in 2004 compared to 2003.

Commercial insurance direct premiums written increased by $34.8 million, or 4.4%, to $831.8 million in 2004 compared to $797.0 million in 2003. Commercial, other direct premiums written increased by $27.6 million, or 4.7%, in 2004 compared to 2003, and commercial automobile insurance direct premiums written increased by $7.2 million, or 3.4%, in 2004 compared to 2003 as a result of rate increases.

We believe that our premium growth rates in 2001, 2002 and 2003 were unusually high. We are likely to experience little or no premium growth in the short-term as the market adjusts to recent rate increases and growth rates are likely to return to historical norms in the medium to long-term.

Revenue

Revenue increased by $568.9 million, or 25.8%, to $2,776.2 million for the nine months ended September 30, 2004 compared to $2,207.3 million for the comparative period in 2003 due to an increase in net premiums earned, realized investments and other gains (losses) and investment income.

Net premiums earned increased by $447.3 million, or 22.0%, to $2,476.4 million in 2004 compared to $2,029.1 million in 2003. The 2003 non-recurring ceded premiums of $272.9 million related to the 2001 Portfolio Purchase quota share treaty, which reduced the growth in net premiums earned to 7.6%.

Investment income increased by $35.1 million, or 22.4%, to $191.8 million in 2004 compared to $156.7 million in 2003, which was largely due to the growth in invested assets that resulted from increased profits due to favourable underwriting results and the growth in our premium base. Most of our investment income is earned by the investment portfolios of our insurance subsidiaries. Investment income for those subsidiaries increased by $29.4 million, or 19.1%, to $183.4 million in 2004 from $154.1 million in 2003 due to growth in invested assets. The amount of interest and dividends earned during 2004 reflected a $1,172.6 million increase in the investment portfolio in 2004, due to positive cash flows from our insurance subsidiaries plus the transfer of investments of $665.0 million from reinsurers related to the intercompany quota-share treaty commuted as at January 1, 2004.

The average yield of all our investments, excluding unrealized investment gains and losses, was 5.7% and 6.2% for the nine months ended September 30, 2004 and 2003, respectively.

Realized investment and other gains increased by $80.3 million to $96.1 million in 2004 compared to $15.8 million in 2003. The significant increase resulted primarily from the sale of invested assets consisting of bonds of $25.7 million (2003 — $30.8 million), preferred shares of $(2.6) million (2003 — $17.4 million) and common shares of $69.4 million (2003 — ($27.2) million). Included in these realized investment and other gains (losses) for the nine months ended September 30, 2004 was $0.8 million, (2003 — $24.5 million) of losses on the other than temporary write-down of certain equities, including the write-down of mutual fund seed capital invested in our own mutual funds of $0.8 million in 2004 (2003 — $15.6 million). In addition, we experienced gains in 2004 of $3.6 million related to the sale of all or a portion of subsidiaries, compared to $5.2 million of losses in 2003.

Commissions and advisory fees, which are commissions earned by our wholly-owned P&C insurance brokers and our broker/dealers, together with fees earned by our mutual fund manager, increased by $6.3 million to $12.0 million in 2004 compared to $5.7 million in 2003.

The income from investments in our P&C insurance brokerage subsidiaries (accounted for using the equity method) is included in investment income and was $5.4 million and $1.3 million for 2004 and 2003, respectively.

Income (Loss) Before Income Taxes, Goodwill Amortization and Non-Controlling Interest

For our P&C insurance operations, income (loss) before income taxes, goodwill amortization and non-controlling interest is driven by our underwriting income (loss) and our investment income. Underwriting results reflect the revenues from net premiums earned discussed above, claims and claims adjustment expenses (the claims ratio) and commissions, premium taxes and general expenses (the expense ratio). Underwriting profitability reached record levels in 2004, reflecting strong market conditions and a favourable claims environment and particularly reduced frequency.

The majority of expenses, $2,124.7 million or 99.2% of the total expenses of $2,141.5 million for the nine months ended September 30, 2004, were part of our P&C insurance operations with the remainder comprising our P&C insurance brokers, investment operations, mutual funds and non-recurring charges related to the 2001

Portfolio Purchase. For the nine months ended September 30, 2003, $1,964.0 million or 97.3% of the total expenses of $2,018.6 million were part of the P&C insurance operations. Non-P&C insurance expenses decreased by $37.8 million from $54.6 million in 2003 to $16.9 million in 2004 due to non-recurring expenses related to the 2001 Portfolio Purchase of $29.6 million in 2003 with the balance of the decrease due to lower expenses in our P&C insurance brokers and mutual funds in 2004.

Our claims ratio of 56.8% in 2004 was a significant improvement over the claims ratio of 66.3% for 2003. The frequency of claims in 2004 decreased substantially compared to 2003. Our personal automobile business experienced the most significant improvement with its claims ratio decreasing to 61.6% in 2004 compared to 75.9% in 2003.

Underwriting income (loss) from personal insurance in 2004 was $217.5 million, an improvement of $226.2 million compared to a loss of $8.7 million in 2003. This improvement was attributable to a decrease in the claims ratio to 61.0% in 2004 from 71.4% in 2003 that resulted from rate increases, particularly in personal automobile insurance, including Facility Association business, and reduced frequency.

During 2004, direct premiums written assigned to us from the Facility Association totalled $68.3 million compared to $87.7 million in 2003, but generated higher net premiums earned of $84.0 million compared to $63.4 million in 2003 and a lower underwriting loss of $4.6 million compared to $31.4 million in 2003. The combined ratio improved from 149.5% in 2003 to 105.5% in 2004.

In addition to the pro rata share of the underwriting loss of the Facility Association as noted above, our personal insurance operations acts as one of the servicing carriers for the Facility Association and receives fees to offset expenses of administering policies on behalf of the Facility Association. The expenses of administering these policies are included in the loss adjustment and general expenses of our personal insurance operations. Due to the increased premium base of the Facility Association, these fees increased $21.1 million to $57.0 million in 2004 compared to 2003.

Underwriting income (loss) from commercial insurance in 2004 was $134.2 million, an increase of $60.5 million compared to $73.7 million in 2003. This increase was primarily due to an improvement in the claims ratio to 47.3% in 2004 from 56.2% in 2003, which was largely attributable to an increase in rates and favourable frequency.

Our expense ratio decreased to 29.0% for 2004 compared to 30.5% for 2003 due to a decrease of 1.0% in the general expense ratio and decreases of 0.5% in the commission and premium taxes ratios.

For our P&C insurance operations, claims and loss adjustment expenses increased by $63.0 million, or 4.7%, to $1,407.4 million in 2004 compared to $1,344.4 million in 2003, due to increased premium volume.

Commissions increased by $70.8 million, or 19.2%, to $439.1 million in 2004 compared to $368.3 million in 2003 as net premiums earned grew by 22.0% with a corresponding increase in commissions. In addition, our Facility Association business, which incurs a higher commission percentage than the business we write directly, decreased by 44.3% in 2004 compared to 2003. We also incurred higher contingent commissions as a result of the positive underwriting performance of business.

Premium taxes increased $14.0 million, or 19.4%, to $86.2 million in 2004 compared to $72.2 million in 2003 due to the increase in net premiums earned during the period.

General expenses increased by $12.8 million, or 7.1%, to $192.0 million in 2004 compared to $179.2 million in 2003.

For our non-P&C insurance operations, losses from corporate and other were lower in 2004 than 2003 due mainly to a reduction in expenses related to the Zurich acquisition which totalled $6.0 million in 2004 (2003 — $35.7 million) and consisted of commission expenses of $6.0 million for 2004 (2003 — $23.7 million) and general expenses of nil for 2004 (2003 — $12.0 million).

General expenses of our non-P&C insurance operations for 2004 were lower by $6.0 million due to lower expenses in our P&C insurance brokers and mutual funds.

Net Income

Net income increased by $325.3 million, or 258.6%, to $451.1 million for the nine months ended September 30, 2004 compared to $125.8 million for the comparative period in 2003 as a result of improved

underwriting results, higher investment income and realized investment and other gains and a lower charge for non-recurring expenses relating to the 2001 Portfolio Purchase.

The provision for income taxes for 2004 was $175.0 million compared to $53.4 million for 2003. This reflected higher pre-tax income as a result of increased underwriting profits for the P&C insurance subsidiaries. Note 4 to our unaudited interim consolidated financial statements included elsewhere in this prospectus summarizes the income tax rate reconciliation.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Premiums

Direct premiums written increased by $336.8 million, or 10.8%, to $3,443.8 million in 2003 compared to $3,107.0 million in 2002. Net premiums written increased by $373.5 million, or 14.4%, to $2,966.6 million in 2003 compared to $2,593.1 million in 2002. Growth was driven by (i) commercial insurance, where direct premiums written grew by 17.3% for both automobile and property insurance as a result of increased rates for both lines of commercial insurance, (ii) increased rates for personal automobile insurance, and (iii) higher amounts of premiums assumed from the Facility Association.

Personal insurance direct premiums written increased $175.1 million, or 8.1%, to $2,348.1 million in 2003 compared to $2,173.0 million in 2002. The majority of this growth was in automobile insurance with a $155.6 million or 9.9% increase in 2003 over 2002, due primarily to rate increases and higher amounts of Facility Association premiums.

Commercial insurance direct premiums written increased by $161.7 million, or 17.3%, to $1,095.7 million in 2003 compared to $933.9 million in 2002. Commercial, other direct premiums written increased $118.9 million or 17.3% in 2003 compared to 2002, and commercial automobile insurance increased by $42.9 million, or 17.3%, in 2003 compared to 2002. This growth was attributable principally to increased rates in both lines of business.

Revenue

Revenue increased by $456.3 million, or 17.8%, to $3,015.3 million in 2003 compared to $2,559.1 million for 2002. This increase resulted mainly from the addition of the business from the 2001 Portfolio Purchase which significantly increased net premiums earned and reflected the strong growth in direct premiums written in 2002. Revenue growth was offset in this period somewhat by a decrease in commissions from our P&C insurance brokers and advisory fees.

Net premiums earned increased by $423.8 million, or 18.1%, to $2,760.9 million in 2003 compared to $2,337.1 million in 2002, primarily due to the large increase in both direct premiums written and net premiums written in 2002 as a result of the Zurich transaction. To a lesser extent growth resulted from improved rates in personal automobile insurance and commercial automobile and property insurance.

Investment income increased by $30.2 million, or 16.5%, to $213.9 million in 2003 compared to $183.7 million in 2002, which was largely due to the growth in invested assets that resulted from the growth in our premium base and the corresponding increase in our invested assets. Most of our investment income is earned by the investment portfolios of our insurance subsidiaries. Investment income for those subsidiaries increased by $27.1 million, or 14.9%, to $208.8 million in 2003 from $181.7 million in 2002 due to growth in invested assets. The amount of interest and dividends earned during 2003 reflected a $564.4 million increase in the investment portfolio in 2003, due to positive cash flows from our P&C insurance subsidiaries with significant premium growth and positive results from operations.

The average yield of all our investments excluding unrealized investment gains and losses was 5.9% and 6.0% for the years ended December 31, 2003 and 2002, respectively.

Realized investment and other gains increased by $29.7 million to $32.1 million in 2003 compared to $2.5 million in 2002. The significant increase was primarily from the sale of invested assets of $57.4 million (2003 — $14.8 million), offsetting losses related to the sale of all or a portion of subsidiaries of $25.3 million (2002 — $12.3 million). The sale of invested assets consisted of bonds of $36.2 million (2002 — $18.0 million), common shares of $(3.2) million (2003 — $10.2 million) and preferred shares of $24.4 million (2002 — $(13.4) million). Included in these net realized investment and other gains for the year ended December 31, 2003 was $29.7 million (2002 — $36.2 million) of losses on the other than temporary write-down of certain equities,

including the write-down of mutual fund seed capital invested in our own mutual funds of $18.0 million in 2003 (2002 — $18.0 million).

Commissions and advisory fees are commissions earned by our wholly-owned P&C insurance brokers and, to a lesser extent, our broker/dealers, and fees earned by our mutual fund manager. Commissions and advisory fees decreased by $27.4 million, or 76.7%, to $8.4 million in 2003 compared to $35.8 million in 2002. The decrease was primarily due to lower commissions from our P&C insurance brokerage subsidiaries. Because we sold our position (between 50% and 100%) in several brokers in late 2002 and early 2003 (as described above under ''Critical Factors Affecting Results — Significant Transactions — Equisure'') we no longer account for these brokers on a consolidated basis and thus the commissions and expenses of these brokers are not included in those accounts. Revenue includes commissions from those P&C insurance brokers which we consolidate of $3.9 million and $32.0 million for 2003 and 2002, respectively.

The income from investments in our P&C insurance brokerage subsidiaries (accounted for using the equity method) is included in investment income and was $6.9 million and $3.1 million for 2003 and 2002, respectively.

Income (Loss) Before Income Taxes, Goodwill Amortization and Non-Controlling Interest

We returned to underwriting profitability in 2003, reflecting strong market conditions and a return to rate adequacy in most of our regions.

The majority of expenses, $2,709.2 million or 97.6%, of the total expenses of $2,775.8 million in 2003 were part of our P&C insurance operations with the remainder comprising our P&C insurance brokers, investment operations, mutual funds and non-recurring charges related to the 2001 Portfolio Purchase. For 2002, $2,364.4 million, or 94.1%, of the total expenses of $2,513.7 million were part of the P&C insurance operations. Non-P&C insurance expenses decreased by $82.7 million from $149.3 million in 2002 to $66.6 million in 2003 due primarily to reduced expenses related to the 2001 Portfolio Purchase of $55.8 million and to lower expenses in our P&C insurance brokers of $24.9 million, as brokers were sold in 2002 and we incurred higher expenses related to mutual funds of $3.2 million.

Our overall claims ratio of 68.1% in 2003 was a significant improvement over the claims ratio of 73.8% for 2002. The frequency of claims in 2003 decreased substantially compared to 2002. Our personal automobile business experienced the most significant improvement with its claims ratio decreasing to 80.4% in 2003 compared to 85.7% in 2002.

Hurricane Juan in the Atlantic provinces and the British Columbia forest fires were significant claims catastrophes in 2003 with direct claims totalling approximately $47.3 million. As a result of reinsurance, the impact to us of these losses was $9.1 million.

Underwriting loss from personal insurance in 2003 was $35.5 million, an improvement of $28.0 million or 44.0% compared to a loss of $63.5 million in 2002. This improvement was attributable to the decrease in the claims ratio to 73.4% in 2003 from 78.6% in 2002 that resulted from rate increases, particularly in personal automobile insurance, and reduced frequency.

During 2003, direct premiums written assigned to us from the Facility Association totalled $146.6 million compared to $48.4 million in 2002. This growth, which occurred primarily in Ontario and the Atlantic provinces, generated net premiums earned of $101.0 million and an underwriting loss of $66.1 million and largely resulted from rate inadequacy in these markets.

In addition to the pro rata share of the underwriting loss of the Facility Association as noted above, our personal insurance operations acts as one of the servicing carriers for the Facility Association and receives fees to offset expenses of administering policies on behalf of the Facility Association. The expenses of administering these policies are included in the loss adjustment and general expenses of our personal insurance operations. Due to the increased premium base of the Facility Association, these fees increased $21.5 million to $42.5 million in 2003 compared to 2002.

Underwriting income (loss) from commercial insurance in 2003 was $87.2 million, an increase of $51.0 million (or 141.0%) compared to $36.2 million in 2002. This increase was primarily due to an improvement in the claims ratio to 57.7% in 2003 from 64.2% in 2002, which was largely attributable to a general increase in rates.

Our expense ratio increased to 30.0% for 2003 compared to 27.3% for 2002. Commission expense accounted for a significant part of this increase, as it grew by $128.2 million, or 36.2%, in 2003 compared to 2002, due primarily to an increase in contingent commissions to brokers who achieved targeted claims ratios on their portfolios. In addition, the commission percentage on assigned Facility Association business is higher than on the business we write directly and thus increased the commission ratio because the Facility Association business was a larger portion of total premiums in 2003 compared to 2002. The commission ratio in 2002 was unusually low because, as we anticipated a premium deficiency in the UPR acquired in the 2001 Portfolio Purchase, we had $24.0 million less of commissions to amortize during the year. The increase in premium taxes and general expenses grew at approximately the same rate as the premiums earned increased.

For our P&C insurance operations, claims and loss adjustment expenses increased $155.2 million, or 9.0%, to $1,880.8 million in 2003 compared to $1,725.6 million in 2002 due to increased premium volume.

Commissions increased by $128.2 million, or 36.2%, to $482.3 million in 2003 compared to $354.0 million in 2002 as a result of an increase in net premiums earned of 18.1% and an increase of 16.4% in the commission rate on the Facility Association. We also paid higher contingent commissions as a result of the positive underwriting performance of business. Finally, the reduced amortization of commissions in 2002 described above was also a contributing factor.

Premium taxes increased $19.4 million, or 23.1%, to $103.3 million in 2003 compared to $83.9 million in 2002 due to the increase in net premiums earned during the year.

General expenses increased $42.0 million, or 20.9%, to $242.8 million in 2003 compared to $200.9 million in 2002. The increase was attributable primarily to increases in net premiums earned which required higher expenses to process the business, including increased volume from the Facility Association from the carrier operations. We also made higher incentive compensation payouts to employees because we exceeded planned profit levels.

For our non-P&C insurance operations, losses from corporate and other were lower in 2003 than 2002 due mainly to a reduction in expenses related to the 2001 Portfolio Purchase which totalled $41.8 million in 2003 (compared to $97.6 million in 2002) consisting of commission expenses of $25.8 million for 2003 (2002 — $81.6 million) and general expenses of $16.0 million for 2003 (2002 — $16.0 million).

As part of the 2001 Portfolio Purchase, personal insurance policies in force and the policy liabilities in respect of those policies were transferred to us on a renewal basis, as at March 31, 2002, under a transfer and assumption agreement. The commercial lines transaction took effect on a renewal basis commencing February 1, 2002. In consideration for the transfer of both personal and commercial lines, we paid commissions of $112.0 million, and received commissions of $22.4 million, all of which were deferred and amortized to expense as follows: 2002 — $57.7 million, 2003 — $25.8 million and 2004 — $6.1 million.

In addition, we incurred acquisition expenses in the 2001 Portfolio Purchase of $32.0 million and a purchase price adjustment for commissions paid of $24.0 million as follows: 2002 — $40.0 million and 2003 — $16.0 million. Acquisition expenses included severance, rent for redundant space, the cost of converting acquired policies to our processes and professional and other reorganization costs.

General expenses of our non-P&C insurance operations for 2003 and 2002 consisted of Equisure expenses of $2.5 million and $27.4 million, wealth management expenses of $1.4 million and $1.1 million and investment expenses of $9.3 million and $12.5 million, respectively. This decrease was primarily due to the sale of a significant number of P&C insurance brokers and the resulting decrease in both expenses and revenues derived therefrom.

Net Income

Net income increased by $121.2 million, or 413.6%, to $150.5 million in 2003 compared to $29.3 million in 2002 as a result of improved underwriting results, higher investment income and realized gains and a lower charge for non-recurring expenses relating to the 2001 Portfolio Purchase.

The provision for income taxes for 2003 was $76.5 million compared to $1.9 million for 2002. This reflected higher pre-tax income as a result of increased underwriting profits for the P&C insurance subsidiaries. Note 10 to our audited consolidated financial statements included elsewhere in this prospectus summarizes the income tax rate reconciliation.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums

Direct premiums written increased by $915.2 million, or 41.8%, to $3,107.0 million in 2002 compared to $2,191.8 million in 2001. Growth was driven by the addition of business from the 2001 Portfolio Purchase and rate increases for commercial automobile and property insurance as well as for personal automobile insurance. Net premiums written increased by $702.9 million, or 37.2%, to $2,593.1 million in 2002 compared to $1,890.2 million in 2001.

Personal insurance direct premiums written increased $751.8 million, or 52.9%, to $2,173.0 million in 2002 compared to $1,421.2 million in 2001. The primary growth was in automobile insurance, with a $573.1 million or 57.6% increase in 2002 over 2001 while property insurance increased $178.7 million or 41.9% in 2002 compared to 2001. The primary driver for the growth was the addition of business from the 2001 Portfolio Purchase, with rate increases also contributing to the growth to a lesser extent.

Commercial insurance direct premiums written increased by $163.4 million, or 21.2%, to $933.9 million in 2002 compared to $770.6 million in 2001. Of this total, commercial, other insurance direct premiums written increased by $132.0 million, or 23.8%, in 2002 compared to 2001, and commercial automobile insurance direct premiums written increased by $31.3 million, or 14.4%, in 2002 compared to 2001. Our commercial insurance direct premiums written grew mainly due to increases achieved in a hardening commercial market in most regions across Canada and, to a lesser extent, the addition of the business from the 2001 Portfolio Purchase.

Revenue

Revenue increased by $239.4 million, or 10.3%, to $2,559.1 million for 2002 compared to $2,319.7 million in 2001 due to a $317.9 million, or 15.7%, increase in net premiums earned reflecting rate increases and volume from the 2001 Portfolio Purchase. This growth was offset by decreases in investment income, lower gains due to poor equity markets, and large drops in realized investment and other gains and commissions and advisory fees compared to 2001, as brokers of Equisure were no longer fully consolidated following our disposition of ownership interests in several brokers during 2002.

Net premiums earned increased by $317.9 million, or 15.7%, to $2,337.1 million in 2002 compared to $2,019.2 million in 2001, reflecting increased volume from the 2001 Portfolio Purchase and improved pricing.

Investment income decreased by $10.7 million, or 5.5%, to $183.7 million in 2002 compared to $194.5 million in 2001. This decrease reflected a drop in the amount of invested assets as the quota share treaty on the Zurich business, which was initiated on December 31, 2001, and resulted in $620.0 million of invested assets being put into a trust account (which is separate from our results) to support the liabilities reinsured.

Realized investment and other gains for 2002 decreased by $31.7 million, or 92.8%, to $2.5 million compared to $34.2 million in 2001. The provision for impairment losses and write-downs was $36.2 million in 2002, of which $18.0 million related to the write-downs of seed capital in our mutual fund operations.

Commissions and advisory fees decreased by $36.1 million, or 50.2%, to $35.8 million in 2002 compared to $71.9 million in 2001. Revenue included commissions from our consolidated P&C insurance brokers of $32.0 million and $70.7 million and expenses of $27.4 million and $62.7 million for the years ended December 31, 2002 and 2001, respectively. The decrease was primarily due to the sale of 20 P&C insurance brokers during 2002.

The income from investments in our equity-accounted P&C insurance brokerage subsidiaries is included in investment income and was $1.0 million and $(1.6) million for 2002 and 2001, respectively.

Income (Loss) Before Income Taxes, Goodwill Amortization and Non-Controlling Interest

Our P&C insurance operations constituted $2,364.4 million, or 94.1%, of the total expenses of $2,513.7 million in 2002 with the remainder being part of our P&C insurance brokers, investment operations, mutual funds and non-recurring charges related to the 2001 Portfolio Purchase. For 2001, $2,073.8 million, or 96.3%, of the total expenses of $2,152.7 million were derived from our P&C insurance operations. Non-P&C insurance expenses increased by $70.4 million from $78.9 million in 2001 to $149.3 million in 2002 due primarily to Zurich expenses of $97.7 million and to lower expenses in our P&C insurance brokers of $35.2 million, as brokers were sold in 2002 and we incurred higher expenses related to mutual funds of $3.6 million.

The claims ratio was essentially unchanged at 73.8% for 2002 compared to 73.7% for 2001.

The expense ratio decreased to 27.3% for 2002 from 29.1% for 2001, attributable mainly to declining commercial insurance commission expenses and general expenses and, to a lesser extent, to personal insurance general expenses. The commission ratio in 2002 was unusually low because, as we anticipated a premium deficiency in the UPR of the 2001 Portfolio Purchase, we had $24.0 million less of commissions to amortize during the year.

Underwriting income (loss) from personal insurance slightly improved by $1.1 million, or 1.7%, to a loss of $63.5 million compared to a loss of $64.6 million in 2001. The claims ratio deteriorated 1.2% from 77.4% to 78.6% in 2002 due to the automobile insurance segment in which we experienced a deterioration in the claims ratio of 2.3% from 2001 to 2002.

Underwriting income (loss) from commercial insurance improved by $26.2 million, or 260.3%, to an underwriting profit of $36.2 million compared to $10.0 million in 2001. We improved our claims ratio by 1.9% and the general expense ratio by 2.0% which offset an increase in the commission expense ratio of 0.7%. The improvements were attributable principally to a general increase in rates.

For our P&C insurance operations, claims and loss adjustment expenses increased by $238.4 million, or 16.0%, to $1,725.6 million in 2002 compared to $1,487.2 million in 2001, due in part to increased premium volume. As part of the 2001 Portfolio Purchase, certain guarantees were provided which reduced the loss ratio in 2002 on the transferred business.

Commissions increased by $34.5 million, or 10.8%, to $354.0 million in 2002 compared to $319.5 million in 2001, as net premiums earned grew by 15.7% with a corresponding increase in commissions offset to some extent by a lower commission rate on the Zurich unearned premiums received in the Zurich transaction noted above.

Premium taxes increased by $12.7 million, or 18.0%, to $83.8 million in 2002 compared to $71.1 million in 2001 due to increased premium volume.

General expenses increased by $4.8 million, or 2.5%, to $200.9 million in 2002 compared to $196.0 million in 2001. The modest increase reflected our maintenance of vacant positions during the early part of 2002 until the integration of employees from the 2001 Portfolio Purchase. We also only allowed minor increases in our shared services units' costs despite an increase in volumes due to the Zurich transaction.

Losses from the corporate and other segment were $117.9 million in 2002 compared to $5.6 million in 2001 primarily due to expenses related to the 2001 Portfolio Purchase of $97.7 million in 2002.

As previously described, in consideration for the transfer of personal and commercial lines business from the 2001 Portfolio Purchase, we paid and received commissions, all of which were deferred and amortized to expense with $97.7 million included in our 2002 results consisting of commission expenses of $57.7 million and acquisition expenses of $40.0 million.

In addition, we incurred acquisition expenses related to the 2001 Portfolio Purchase of $32.0 million and a reduction to the deferred policy acquisition costs of $24.0 million, of which $40.0 million was included in our 2002 results. Acquisition expenses included severance payments, rent for redundant space, the cost of converting acquired policies to our processes and professional and other reorganization costs.

General expenses of our non-P&C insurance operations for 2002 and 2001 consisted of Equisure expenses of $27.4 million and $62.3 million, wealth management expenses of $1.1 million and $0.2 million and investment expenses of $12.5 million and $9.7 million, respectively.

Net Income

Net income decreased by $57.6 million, or 66.3%, to $29.3 million in 2002 from $86.9 million in 2001 due to lower realized gains and a charge for non-recurring costs related to the 2001 Portfolio Purchase.

The provision for income taxes was $1.9 million in 2002 compared to $35.2 million in 2001. This reflected lower pre-tax income in 2002, due to a decrease of $31.7 million in realized investment and other gains in 2002 compared to 2001, and $97.7 million of expenses related to the 2001 Portfolio Purchase business. The income tax provision was also lower due to the favourable impact of the greater proportion of dividend income earned during 2002 compared to 2001, as dividends are generally not subject to income taxes. Note 10 to our audited consolidated financial statements included elsewhere in this prospectus summarizes the income tax rate reconciliation.

Balance Sheet Analysis — Premiums and Other Receivables

Premiums written are either billed to brokers or directly to policyholders. For 2003, 37% of billing distribution was attributable to brokers and 63% was attributable to policyholders. Brokers' accounts for a particular month are due two months later. Policyholders' accounts are either due on receipt or in instalments over the policy term. Premium receivables from brokers and policyholders were $126.9 million and $1,005.6 million, respectively, as of September 30, 2004 and $130.8 million and $920.1 million, respectively, for December 31, 2003.

Other receivables consist of amounts due from the Facility Association and other pools, other insurers and other which were $146.0 million, $131.8 million and $15.6 million, respectively, as of September 30, 2004 and $139.0 million, $238.4 million and $19.2 million, respectively, as of December 31, 2003.

Investments

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

Our investment portfolio is managed on a total return basis which views realized gains and losses as important and recurring components of the return on investments and consequently of income, although the timing of realizing gains or losses may be unpredictable. Changes in the overall levels of fixed income or equity markets will generally result in corresponding changes in realized gains or losses.

To assess impairments, management has reviewed available current information on investments with fair value more than 25% below their carrying amounts and ascertained that the carrying amounts are expected to be recovered. For investments in common and preferred shares, management has ensured that expectations have not changed such that the fair value of these securities is adversely affected other than on a temporary basis. For loans, management has assessed the expected future cash flows and, where necessary, the net realizable amounts of assets provided as collateral.

The following table sets forth our cash and invested assets as at September 30, 2004 and December 31, 2003.

	As at September 30, 2004			As at December 31, 2003		
	Carrying Value ("CV")	% of CV	Fair Value	CV	% of CV	Fair Value
	(in $millions)					
Cash and cash equivalents	$ 278.4	5.2%	$ 278.4	$ 104.6	2.6%	$ 104.6
Fixed income securities[1]	2,809.0	52.9%	2,846.6	1,660.4	41.9%	1,690.3
Commercial mortgages	82.7	1.6%	86.7	113.1	2.8%	118.0
Preferred shares	1,054.0	19.8%	1,101.1	1,096.8	27.7%	1,152.1
Common shares[1]	900.7	17.0%	931.6	782.4	19.7%	846.1
Other investments	187.6	3.5%	187.6	208.9	5.3%	208.9
Total investments & cash	**$5,312.4**	**100.0%**	**$5,432.0**	**$3,966.2**	**100.0%**	**$4,120.0**

(1) Includes seed capital investment in affiliated mutual funds, carrying value as at September 30, 2004 — $156.3 million (December 31, 2003 — $157.1 million).

Our portfolio construction methodology takes into account the availability and liquidity of potential investments. We also set constraints by economic sector and by investment strategy to provide diversification across industries. We believe this diversification of exposure across a range of business sectors provides positive investment benefits. At the same time, economic difficulties concentrated in a select business sector are dampened.

Due to potential tax ramifications of these strategies, specific focus is placed on the management of the portfolio to optimize the after-tax total return.

The following table sets forth our exposure to the ten largest industrial sectors for our combined fixed income securities and preferred and common share portfolios as at September 30, 2004 and December 31, 2003.

	As at September 30, 2004			As at December 31, 2003		
	CV	% of CV	Fair Value	CV	% of CV	Fair Value
			(in $millions)			
Diversified financial services	$ 929.5	18.5%	$ 964.8	$ 746.5	19.3%	$ 780.5
Banks	582.5	11.6%	600.8	530.2	13.7%	559.2
Utilities	362.3	7.2%	371.8	268.4	6.9%	284.7
Insurance	245.2	4.9%	257.3	169.7	4.4%	178.7
Telecommunication services	229.3	4.6%	227.9	213.2	5.5%	216.7
Oil and gas	165.4	3.3%	167.5	108.3	2.8%	110.0
Special purpose	101.6	2.0%	103.4	46.8	1.2%	48.7
Real estate	99.2	2.0%	104.7	127.7	3.3%	133.3
Media	80.5	1.6%	82.9	75.2	1.9%	77.6
Capital goods — non-aerospace	51.5	1.0%	46.3	55.5	1.4%	61.5
Total top ten sectors	**$2,847.0**	**56.6%**	**$2,927.4**	**$2,341.5**	**60.6%**	**$2,450.9**
Government	1,653.8	32.9%	1,675.3	960.7	24.9%	974.8
Other	533.2	10.5%	550.9	559.5	14.5%	589.6
Total investment assets	**$5,034.0**	**100.0%**	**$5,153.6**	**$3,861.6**	**100.0%**	**$4,015.4**

Fixed Income Securities

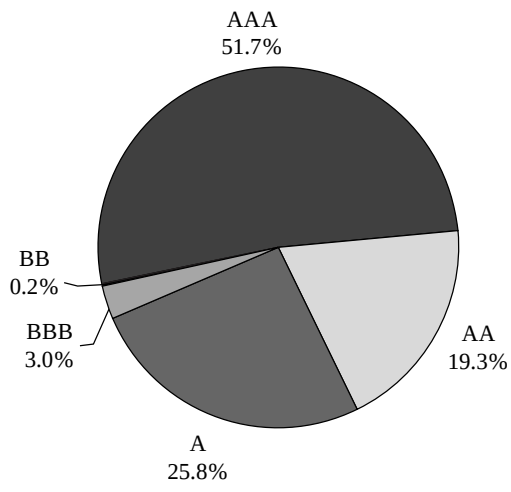
We determine our fixed income exposure using a variety of factors affecting asset allocation. We seek an optimal balance between the relative attractiveness of the fixed income sector of assets, measured in the context of the regulatory capital required to be held against the different assets in the sector, and the expected return and risk profile. Additionally, the availability of the desired fixed income assets impacts our allocation to this sector. Our relative exposure to fixed income securities has increased recently as the availability of economically attractive alternative investments has diminished somewhat.

By incurring exposure to a variety of targeted sectors within the fixed income market, we seek to contribute positively to the overall protection of capital desired for our portfolio.

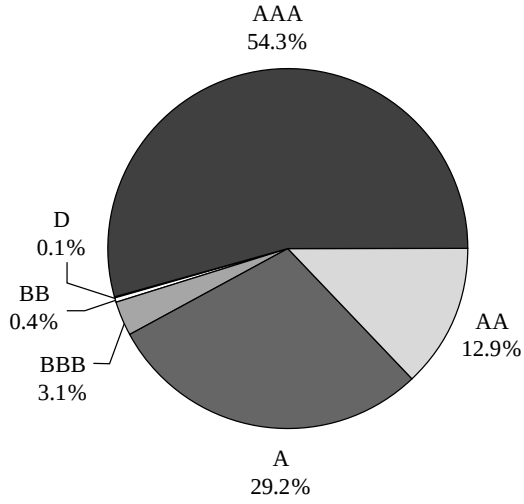
The aggregate rating of our fixed income portfolio is maintained at "A+" or higher based on S&P ratings. Additional constraints by rating category govern the issuer specific exposure. The weighted average quality ratings of our fixed income portfolio as at September 30, 2004 was "AA−" by S&P. Included in the fixed income portfolio at that date was approximately $89.1 million of securities with a rating below investment grade. The average duration of our publicly traded fixed income portfolio was 6.0 years at that date.

The following graphs set forth our fixed income portfolio by credit quality according to S&P as at September 30, 2004 and December 31, 2003.

Fixed Income by Credit Quality as at September 30, 2004 Carrying Value

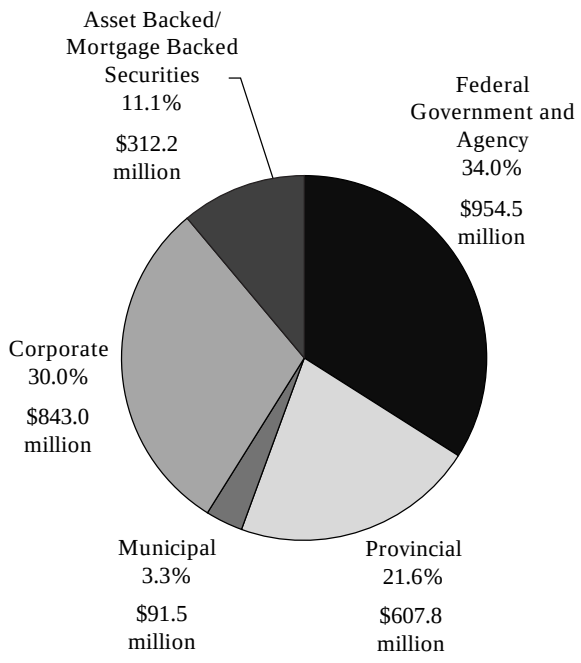


Fixed Income by Credit Quality as at December 31, 2003 Carrying Value



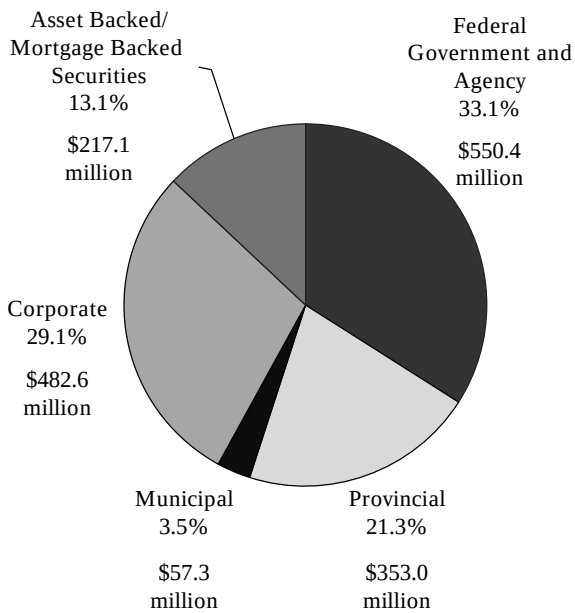
We seek to maintain a well diversified fixed income portfolio. With investments in government bonds, provincial securities, corporate bonds, asset backed securities, including mortgage securities, and selected private placements and secured commercial mortgages, the various credit and liquidity risks inherent in these sectors are spread across a broad range of issuers, structures and industries, as shown below.

Composition of Fixed Income Portfolio as at September 30, 2004



Total portfolio $2,809.0 million

Composition of Fixed Income Portfolio as at December 31, 2003



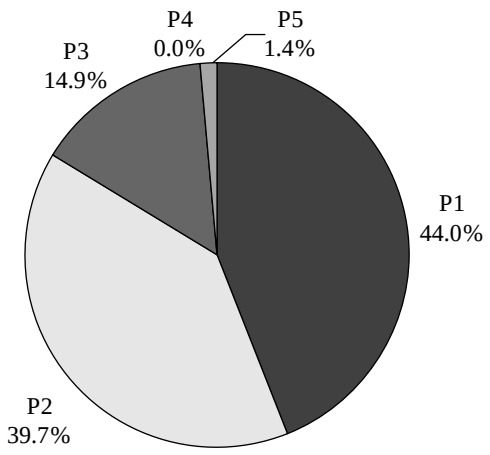
Total portfolio $1,660.4 million

Our exposure to debt private placements and secured commercial mortgages remains relatively minor. Within our commercial mortgage portfolio, we seek diversification across property type and geographic location.

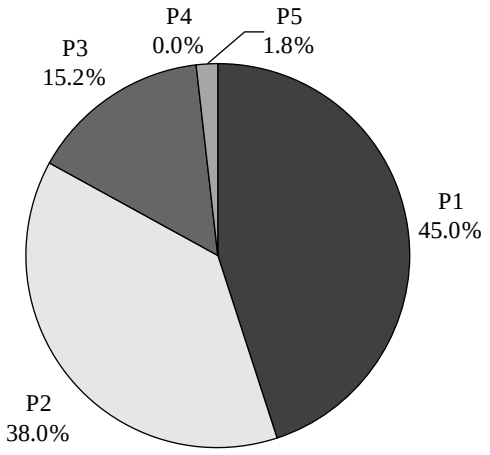
Preferred Shares

Exposure to the preferred share asset class contributes positively to the overall after-tax return of the investment portfolio. Our positive earnings position facilitates material exposure to preferred shares in our investment portfolio. With an emphasis on after-tax earnings, we are able to capture the incremental value offered by these securities. The following charts set forth our preferred share portfolio by credit quality according to S&P as at September 30, 2004 and as at December 31, 2003.

Preferred Shares by Credit Quality as at September 30, 2004 Carrying Value



Preferred Shares by Credit Quality as at December 31, 2003 Carrying Value



Preferred shares have historically provided incremental total return to the portfolio. The market value of preferred shares is affected by a wide range of economic factors. Trends in credit spreads, fluctuations in equity market levels, and changing interest rates can individually or collectively affect our return on these investments.

From a structural standpoint, we favour retractable/callable preferred shares. Fixed/reset, floating and perpetual preferred shares are included in the portfolio when the relative benefit appears positive. The preferred shares bring additional incremental exposure to the issuing entities as compared to similar fixed income securities issued by the same issuers. Market liquidity and the availability of attractively priced, well structured investments are significant market variables affecting our ongoing investment in this asset class.

Common Equity

We allocate our common equity exposure by weighing the relative after-tax attractiveness of all available investment strategies. Absolute and relative return profiles and the related regulatory capital required to support investment strategies are considered in the strategic allocation to the various asset classes.

Common equity exposure focuses primarily on high dividend paying equities. We seek to capture incremental return by identifying and investing in shares likely to increase their dividends or pay a special one-time dividend. We undertake intensive analysis of investment opportunities to identify special dividend candidates. Similar evaluations are conducted to assess investment candidates most likely to increase dividends paid. We also manage the equity portfolios to capture additional dividend payouts. Through active management, we seek to capture incremental dividend income versus a static portfolio.

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

Other investments consist of loans to brokers with carrying value of $161.5 million as of September 30, 2004 (December 31, 2003 — $165.5 million), equity investments in brokers with carrying value of $16.4 million as of September 30, 2004 (December 31, 2003 — $14.3 million) and other commercial loans with carrying value of $9.7 million as of September 30, 2004 (December 31, 2003 — $29.1 million).

Claims Liabilities

Provision for claims consists of the gross amount of individual case reserves established by us and management's estimate of claims incurred but not reported (''IBNR'') based on the volume of business currently in force and historical claims experience. To ensure that our provision for claims (often called ''reserves'') is, to the extent possible, adequate, management has established procedures to ensure that the provision for claims at our insurance operations is subject to multiple reviews, including those by independent actuaries. We strive to establish adequate provisions at the original valuation date. It is our objective to have favourable development relative to past estimates.

We estimate our reserves on a quarterly basis. Every quarter, for each line of business, we compare actual and expected claims development. To the extent that the actual results differ from expected development, assumptions are re-evaluated and new estimates are derived.

The table below shows the development of the provision for claims reserve including LAE as at December 31 in each year of the ten year period ended December 31, 2003, with the estimated amount of each year-end reserve development shown for the subsequent ten years up to September 30, 2004. The initial reserves set up at the end of the year are re-evaluated over time to determine their redundancy or deficiency. This is based on actual payments in full or partial settlement of claims, as well as current estimates of the reserves required for claims still open or claims still unreported. We have experienced favourable development for year ends 2003, 1999, 1998, 1997, 1996, 1995 and 1994, and unfavourable development for year ends 2002, 2001 and 2000. In those years in which unfavourable development occurred, the overall P&C insurance industry had similar adverse development caused by unexpected change in claims patterns, in particular relating to automobile insurance in Ontario. During the last ten years our reserves have been redundant by an average of 3.9% per year.

	Years Ended December 31,									
	2003	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**
					(in $millions)					
Reserve originally estimated	$2,245.9	$2,011.2	$1,742.1	$1,580.4	$1,452.3	$1,369.6	$1,263.1	$1,117.4	$1,073.5	$949.3
Cumulative amounts paid[1]										
One year later	75.2	619.0	588.6	506.7	448.3	414.7	329.6	349.9	363.0	305.7
Two years later		559.3	909.2	805.1	682.5	626.8	521.4	506.6	501.1	465.0
Three years later			886.3	1,075.4	892.7	778.7	671.1	648.1	612.7	563.7
Four years later				994.7	1,075.0	911.7	770.4	749.2	708.8	645.1
Five years later					991.2	1,026.8	851.6	810.9	778.5	712.7
Six years later						946.5	929.4	860.7	815.0	756.3
Seven years later							870.1	915.9	847.5	781.2
Eight years later								862.0	888.2	802.8
Nine years later									850.9	835.0
Ten years later										804.6
Reserve re-estimated as of[1]										
One year later	2,161.7	2,061.2	1,887.9	1,593.5	1,421.0	1,309.9	1,167.9	1,065.8	986.9	929.0
Two years later		2,031.2	1,928.3	1,677.9	1,434.1	1,284.9	1,131.8	1,094.0	981.5	882.1
Three years later			1,905.5	1,704.4	1,477.8	1,270.8	1,105.7	1,074.6	1,015.5	895.0
Four years later				1,678.0	1,488.6	1,285.1	1,096.2	1,034.0	992.4	923.5
Five years later					1,444.5	1,290.3	1,095.9	1,024.2	961.6	901.9
Six years later						1,260.7	1,099.7	1,024.9	953.4	884.7
Seven years later							1,077.7	1,023.3	955.9	875.2
Eight years later								1,005.2	968.5	873.4
Nine years later									956.4	881.7
Ten years later										875.6
Cumulative deficiency (redundancy)	(84.2)	20.0	163.5	97.6	(7.8)	(108.9)	(185.3)	(112.2)	(117.0)	(73.6)
	(3.7%)	1.0%	9.4%	6.2%	(0.5%)	(7.9%)	(14.7%)	(10.0%)	(10.9%)	(7.8%)

(1) The last diagonal is estimated as at September 30, 2004.

If our reserves prove to be deficient in the future, we will have to increase our reserves by the amount of such deficiency and incur a charge to earnings in the period in which such reserves are increased. The uncertainties regarding our reserves could result in a liability exceeding the reserves by an amount that would be

material to our financial condition or results of operations in a future period. Future development could be significantly different from the past due to many unknown factors. See ''Risk Factors''.

Reinsurance

Our primary reinsurer is ING Re (which is not rated and not licensed in Canada) representing 26% and 84% of our reinsurers' share of policy liabilities as at September 30, 2004 and December 31, 2003, respectively. In addition, we have reinsurance treaties with several unaffiliated reinsurers, all of whom meet our financial strength rating requirements, which are described below. Excluding our affiliated reinsurer, ING Re, each of our third party reinsurers has immaterial amounts of reinsurance payable to us.

We purchase reinsurance to reduce our exposure to the insurance risks that we assume in writing business. Generally our maximum net retention on a single risk, whether property or liability, is $2.5 million. In a number of cases, such as special classes of business or types of risks, the retention is lower through specific treaties or by using facultative reinsurance. It is not our practice to assume reinsurance outside of our group of companies.

In 2004, for multi-risk events or catastrophes, our retention is $5.0 million with a limit of $1.2 billion. For 2004, we have also retained 10% of the exposure from $12.5 million to $600 million.

We strive to minimize the credit risk related to purchasing reinsurance through adherence to our internal reinsurance guidelines. We evaluate the financial condition of our reinsurers and monitor concentrations of credit risk to minimize our exposure to losses resulting from reinsurers' insolvencies. We require a minimum A.M. Best financial strength rating for our unaffiliated licensed reinsurers of ''A-'' at inception of a treaty. We work closely with our reinsurers and have maintained working relationships with our key reinsurers for many years. Management concluded that no provision was necessary for uncollectible reinsurance as at December 31, 2003.

In accordance with industry practice, our reinsurance recoverables with licensed Canadian reinsurers are generally unsecured, because Canadian regulations require these reinsurers to maintain minimum asset and capital balances in Canada to meet their Canadian obligations. However, policy liabilities rank in priority to any subordinate creditors a reinsurer may have. For reinsurance recoverables with non-licensed reinsurers, we maintain security against reinsurance recoverables in the form of cash, letters of credit and/or assets held in trust accounts. At September 30, 2004, we were the assigned beneficiary of such trust accounts totalling $56.5 million (December 31, 2003 — $923.9 million) in guarantees from unlicensed reinsurers. These amounts included $55.3 million as at September 30, 2004 (December 31, 2003 — $922.6 million) from an affiliated reinsurer. Trust accounts were held in support of policy liabilities of $48.2 million as at September 30, 2004 (December 31, 2003 — $761.3 million) and can be accessed if these reinsurers are unable to meet their obligations. The majority of the change in the trust accounts amount from December 31, 2003 to September 30, 2004 relates to the commutation of the reinsurance arrangements related to the 2001 Portfolio Purchase. See ''Management's Discussion and Analysis of Financial Condition and Results of Operation — Critical Factors Affecting Results — Significant Transactions — Zurich''.

Liquidity and Capital Resources

The purpose of liquidity management is to ensure there is sufficient cash to meet all of our financial commitments and obligations as they fall due. We believe we have the flexibility to obtain, from internal sources, the funds needed to fulfill our cash requirements during the current financial year and to satisfy regulatory capital requirements. However, such funds may not provide sufficient capital to enable us to pursue additional market opportunities.

Our cash flow needs primarily include shareholder dividends and debt service. We are a holding company and, as such, have limited direct operations of our own. Our principal assets are the shares of our insurance and brokerage subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends and other statutorily permissible distributions from our insurance subsidiaries. The ability to pay such dividends and to make such other distributions is limited by applicable laws and regulations of the jurisdictions in which our insurance subsidiaries are domiciled, which subject our insurance subsidiaries to significant regulatory

restrictions. These laws and regulations require, among other things, that our insurance subsidiaries maintain minimum solvency requirements and also limit the amount of dividends that our insurance subsidiaries can pay to us. Solvency regulations, capital requirements and rating agency standards are some of the factors used in determining the amount of capital used for dividends. OSFI maintains minimum capital requirements for P&C insurance companies to identify companies that merit further regulatory action. The payment of dividends by insurance subsidiaries is also subject to limitations imposed by the laws of the incorporating jurisdiction of each subsidiary, principally Canadian federal and provincial laws. Based on the dividend restrictions imposed by applicable insurance laws, the total amount of dividends available for payment from our subsidiaries during 2004 is $466.9 million. For a discussion of the various restrictions on our ability and the ability of our subsidiaries to pay dividends, see ''Relationship with ING Groep'', ''Regulatory Matters — Restrictions on Dividends and Capital Transactions'' and ''Description of Share Capital''.

The liquidity requirements of our P&C insurance subsidiaries have historically been met primarily by funds generated from operations, asset maturities and income and other returns received on investments. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and operating expenses. Catastrophe claims, the timing and amount of which are inherently unpredictable, may create increased liquidity requirements. Additional sources of cash flow include the sale of invested assets and financing activities. As long as we continue to grow and remain profitable, cash flows should continue to be available for investment. Net cash provided from operations was $572.0 million in 2003 and $405.7 million in 2002. We believe that our future liquidity needs will be met from all of the above sources.

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

We recently repaid a $22.0 million credit facility with a Canadian chartered bank which was fully drawn. Subsequent to September 30, 2004, we also repaid a $75.0 million loan from an affiliate. See Note 16 to our audited consolidated financial statements included elsewhere in this prospectus.

On August 27, 1998, we obtained an unsecured loan of $127.0 million from an affiliate with a maturity date of February 27, 2006 and at an annual interest rate of 6.27%. The interest is payable in arrears semi-annually.

Other than in respect of the Acquisition, we are not currently planning to make any significant capital expenditures in 2004 or 2005.

Transactions with Related Parties

We enter into transactions with related parties. These transactions consist principally of management and advisory services rendered by ING Groep and affiliated companies, reinsurance by an affiliated company and financing by ING Groep. We also render advisory and administrative services to our affiliated companies. These transactions are carried out in the normal course of operations. Accordingly, they are measured at cost, which approximates fair value. See ''Relationship with ING Groep'' and ''Interest of Management and Others in Material Transactions''.

Disclosure about Market Risk

As a provider of insurance products, effective risk management is fundamental to our ability to protect the interests of both our customers and our shareholders. We are exposed to potential loss from various market risks, including interest rate and equity market fluctuation risk, credit risk, liquidity risk, and to a lesser extent foreign currency risk and derivative risk.

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below

is a discussion of our primary market risk exposures and how those exposures are currently managed. Our market risk sensitive instruments, including derivatives, are primarily entered into for purposes of mitigating risk.

The primary market risk to the investment portfolio is interest rate risk associated with investments in fixed income securities. Our exposure to foreign exchange risk is not significant. We have no direct commodity risk.

For our investment portfolio, there were no significant changes in our primary market risk exposures or in how those exposures are managed compared to the year ended December 31, 2003. We do not currently anticipate significant changes in our primary market risk exposures or in how those exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

Interest Rate and Equity Market Fluctuations

Movements in short-term and long-term interest rates, as well as fluctuations in the value of equity securities, affect the level and timing of recognition of gains and losses on securities we hold, and cause changes in realized and unrealized gains and losses. Generally, our investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates. During periods of rising interest rates, the market value of our existing fixed income securities will generally decrease and our realized gains on fixed income securities will likely be reduced. Realized losses will be incurred following significant increases in interest rates.

Generally, declining interest rates result in unrealized gains in the value of fixed income securities we continue to hold, as well as realized gains to the extent the relevant securities are sold. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and, consequently, the value of the equity securities we own.

Credit Risk

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

Our risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer. We attempt to limit our credit exposure by imposing fixed income portfolio limits on individual corporate issuers based upon credit quality. Currently our fixed income portfolio limits are 3% for issuers rated ‘‘AA-’’ and above, 2% for issuers rated ‘‘A-’’ to ‘‘A+’’, 1% for issuers rated ‘‘BBB-’’ to ‘‘BBB+’’, 0.34% for issuers rated ‘‘BB-’’ to ‘‘BB+’’ and 0.19% for insurers rated ‘‘B-’’ to ‘‘B+’’. We use the lower of Dominion Bond Rating Service Limited or S&P ratings to determine an issuer’s rating. These constraints may be revised from time to time as we deem appropriate.

Foreign Exchange Risk

Foreign exchange risk is the possibility that changes in exchange rates produce an unintended effect on earnings and equity when measured in domestic currency. This risk is largest when assets backing liabilities are payable in one currency and are invested in financial instruments of another currency.

We are exposed to some foreign exchange risk arising from the investment in some of our U.S. dollar-denominated assets. Total invested assets denominated in U.S. dollars were less than 1.3% of our total invested assets at September 30, 2004. Our general policy is to minimize foreign currency exposure.

We mitigate foreign exchange rate risk by buying or selling successive monthly foreign exchange forward contracts. Foreign exchange forward contracts are commitments to buy or sell foreign currencies for delivery at a specified date in the future at a fixed rate. Forward contracts are transacted in over-the-counter markets. The

notional amount of these forward contracts approximates the market value of the foreign denominated investments covered by these contracts.

Derivatives

Our use of derivatives exposes us to a number of risks including cash flow risk and replacement cost risks. However, we do not use a significant quantity of derivatives.

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

The notional amount of these swaps approximates the nominal value of the foreign denominated investments covered by these swaps. According to GAAP, these swaps are considered as effective hedges of cash flow risk.

The replacement cost of exchange-traded derivative financial instruments is based on quoted market rates. The replacement cost of over-the-counter derivative financial instruments is an estimate and is determined using valuation models that incorporate prevailing foreign exchange rates, interest rates, market rates and prices on underlying instruments with similar maturities and characteristics.

The replacement cost reflects the estimated amount that we would have received or might have had to pay to terminate the instruments as at December 31, 2003. See Note 6 to our audited consolidated financial statements which appear elsewhere in this prospectus.

Current Outlook

We believe that several factors will affect the P&C insurance industry in the next 12 to 24 months. Given the large contribution of automobile insurance to premium volume of the P&C insurance industry, regulatory changes to automobile insurance are expected to continue to impact the performance of the P&C insurance industry, which will result in lower premiums. Furthermore, as a result of favourable experience in commercial insurance in the last three years and strengthening of the P&C insurance industry's capital position, we expect competition in commercial insurance will accelerate. Consequently, we believe the industry growth rates are likely to be below historical norms.

We expect that favourable underwriting results observed in 2004 resulting from the early impact of provincial regulatory reforms as well as a decline in claims frequency will likely not remain at such favourable levels in the coming 12 to 24 months.

DIVIDEND POLICY

Our board of directors intends to establish a policy of declaring quarterly cash dividends on the Common Shares beginning in 2005. We expect that our first quarterly dividend will be declared and paid in the second quarter of 2005. The declaration and payment of dividends are subject to the discretion of our board of directors and depend on, among other things, our financial condition, general business conditions, restrictions regarding the payment of dividends to us by our P&C insurance subsidiaries and other factors that our board may in the future consider to be relevant. In addition, pursuant to the Co-Operation Agreement, ING Groep must approve any change in our policy with respect to the declaration and payment of dividends. See ''Relationship with ING Groep''. We currently intend to pay our first quarterly dividend at an annual rate equal to approximately 2.0% to 2.5% of the offering price of the Common Shares.

As a holding company with no direct operations, we rely on cash dividends and other permitted payments from our insurance subsidiaries and our own cash balances to pay dividends to our shareholders. The amount of dividends payable by our subsidiaries without the prior approval of the applicable insurance regulatory authorities is limited by applicable insurance law. See ''Regulatory Matters — Insurance — Restrictions on Dividends and Capital Transactions''.

REORGANIZATION

ING Canada is currently a wholly-owned subsidiary of ING Canada Holdings Inc. (''ING Holdings''), which is in turn a wholly-owned subsidiary of ING International. Prior to the closing of the Offering, the outstanding share capital of ING Holdings will be reorganized, a portion of capital stock will be redeemed in exchange for promissory notes payable to ING International and all of the issued and outstanding preferred shares of ING Holdings that are held by ING International will be redeemed in exchange for promissory notes in the aggregate principal amount of $ ● . Following the redemption of the preferred shares and prior to the closing of the Offering, ING Holdings and ING Canada will amalgamate under the *Canada Business Corporations Act* with the amalgamated corporation to be called ''ING Canada Inc.''. The authorized share capital of the amalgamated corporation will be as described under ''Description of Share Capital''. After giving effect to the amalgamation, but prior to the closing of the Offering, the authorized and issued capital of ING Canada will consist of (i) an unlimited number of Common Shares of which 93,620,000 will be issued and outstanding as fully paid and non-assessable (the 141,569 Common Shares that are currently issued and outstanding are converted into 93,620,000 Common Shares); (ii) an unlimited number of class A shares issuable in series, of which none will be issued and outstanding as of the closing of the Offering; and (iii) one of a class of shares designated as Special Shares, of which one will be issued and outstanding as fully paid and non-assessable. See ''Description of Share Capital'' and ''Consolidated Capitalization''.

USE OF PROCEEDS

We will receive net proceeds from the Offering of approximately $ ● , after deducting fees payable to the Underwriters and estimated Offering expenses payable by us. If the Over-Allotment Option is exercised in full, we estimate that the net proceeds from the Offering will be approximately $ ● .

We intend to use $300.0 million of the net proceeds from the Offering to fund the Acquisition (including $200.0 million to repay bank debt used to fund the Acquisition) and for general corporate purposes. The remaining net proceeds to us will be used to pay promissory notes held by ING International. Until we use the net proceeds from the Offering, we intend to invest the net proceeds in Canadian and government agency obligations and investment grade corporate debt securities. See ''Consolidated Capitalization''.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of our directors and executive officers, the person's name, municipality of residence, positions with us, principal occupation and, if a director, the date on which the person became a director. Each of the directors has been elected to serve until our first annual meeting of shareholders following completion of the Offering or until his successor is duly appointed.

Name and Municipality of Residence	Position with ING Canada	Principal Occupation	Director of ING Canada or Predecessors Since
Claude Dussault . . . . . Toronto, Ontario	Director, President and Chief Executive Officer	President and Chief Executive Officer, ING Canada	March 28, 2000
Yves Brouillette . . . . . Marietta, Georgia, USA	Chairman	Chief Executive Officer, ING Latin America	October 10, 1989
Michael W. Cunningham[(1)] . . Toronto, Ontario	Director, Senior Vice-President and Chief Financial Officer	Senior Vice-President and Chief Financial Officer, ING Canada	June 28, 2002
Claude Désilets . . . . . Sainte-Julie, Quebec	Senior Vice-President and Chief Actuary	Senior Vice-President and Chief Actuary, ING Canada	—
Françoise Guénette . . . . . Toronto, Ontario	Senior Vice-President, Corporate and Legal Services, and Secretary	Senior Vice-President, Corporate and Legal Services, and Secretary, ING Canada	—
Charles Brindamour . . . . . Toronto, Ontario	Executive Vice-President	Executive Vice-President, ING Canada	—

Name and Municipality of Residence	Position with ING Canada	Principal Occupation	Director of ING Canada or Predecessors Since
Derek A. Iles Toronto, Ontario	Executive Vice-President	Executive Vice-President, ING Canada	—
Donald K. Lough Unionville, Ontario	Executive Vice-President	Executive Vice-President, ING Canada	—
Jacques Valotaire Longueuil, Quebec	Executive Vice-President	Executive Vice-President, ING Canada	—
Marcel Côté Montreal, Quebec	Director	Senior Partner, Secor	—(2)
Robert Crispin Atlanta, Georgia, USA	Director	Chairman and Chief Executive Officer, ING Investment Management LLC	October 26, 2004
Michael Mackenzie(3) Cobourg, Ontario	Director	Executive in residence, Schulich School of Business, York University	—(2)
Eileen Mercier(3) Toronto, Ontario	Director	Corporate Director	—(2)
Robert Normand(3) Rosemère, Quebec	Director	Corporate Director	—(2)
Louise Roy Montreal, Quebec	Director	Associate Fellow, Center for Interuniversity Research and Analysis on Organizations	—(2)
Carol Stephenson Manotick, Ontario	Director	Dean, Richard Ivey School of Business, University of Western Ontario	—(2)
Mark A. Tullis Atlanta, Georgia, USA	Director	President, Institutional Businesses, ING U.S. Financial Services	August 15, 2000
David Wheat Atlanta, Georgia, USA	Director	Executive Vice-President and Chief Financial Officer, ING Insurance Americas	August 19, 2004
J. Gordon Wicijowski Regina, Saskatchewan	Director	Corporate Director	—(2)

(1) Mr. Cunningham intends to resign from our board of directors prior to the closing of the Offering.

(2) Mr. Côté, Mr. Mackenzie, Ms. Mercier, Mr. Normand, Ms. Roy, Ms. Stephenson and Mr. Wicijowski will be appointed to our board of directors on or prior to the closing of the Offering.

(3) Mr. Mackenzie, Ms. Mercier and Mr. Normand will be appointed to our Audit and Risk Review Committee and Mr. Mackenzie will be appointed chair.

None of our directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over any Common Shares. Organizations that employ certain of our directors or affiliates of these organizations beneficially own, directly or indirectly, or exercise control or direction over all of the Common Shares.

Background of Directors and Executive Officers

Additional biographical information regarding our directors and executive officers for the past five years is provided as follows:

Claude Dussault, Director, President and Chief Executive Officer. Mr. Dussault is a member of ING Group's Management Council and has been our President and Chief Executive Officer since 2001. Prior to that time, he

was President and Chief Executive Officer of ING Canada Brokerage Network. Over the last 19 years, Mr. Dussault has occupied several executive positions within the ING group of companies in Canada. Mr. Dussault is a Fellow of the Canadian Institute of Actuaries and the Casualty Actuarial Society. Mr. Dussault graduated from l'Université Laval (Quebec) with a Bachelor of Actuarial Science degree and has completed the Advanced Executive Education Program from the Wharton School of Business.

Yves Brouillette, Chairman. Mr. Brouillette has been, since April 2002, the Chief Executive Officer of ING Latin America. Prior to that time, Mr. Brouillette was General Manager of ING Mexico and Chairman of the Executive Committee of ING Comercial América since 2001. Over the last 30 years, Mr. Brouillette has occupied several senior and executive positions within the ING group of companies and is currently a member of the board of a number of ING companies operating in Canada. Mr. Brouillette is an Actuarial Science graduate of l'Université Laval (Quebec), a graduate of the Advanced Management Program of Harvard Business School and is a Fellow of the Canadian Institute of Actuaries and of the Casualty Actuarial Society.

Michael W. Cunningham, Senior Vice-President and Chief Financial Officer. Prior to his current appointment in January 2002, Mr. Cunningham was the Chief Financial Officer of ING U.S. Worksite Financial Services serving the defined contribution qualified retirement market where he was responsible for all finance functions. Over the last 13 years, Mr. Cunningham has occupied several executive positions within the ING group of companies in North America. Mr. Cunningham received his Bachelor of Science degree in 1970 and his Masters of Business Administration degree in 1973. He has completed the Advanced Executive Education Program from the Wharton School of Business.

Claude Désilets, Senior Vice-President and Chief Actuary. Mr. Désilets joined the ING group of companies in November 1989 and has occupied his current position at ING Canada since January 1993. Before joining ING, he occupied various actuarial functions for two Canadian Property and Casualty Insurance companies. From 1992 to 1997, Mr. Désilets also taught actuarial science at l'Université de Montréal. Mr. Désilets graduated from l'Université Laval (Quebec) in 1982 with a Bachelor of Actuarial Sciences degree and is a Fellow of both the Casualty Actuarial Society and Canadian Institute of Actuaries.

Françoise Guénette, Senior Vice-President, Corporate and Legal Services, and Secretary. Ms. Guénette has held her current positions with us since joining in 1997. Her current functions also include compliance and she is chair of our risk management committee. Prior to joining us, Ms. Guénette was the Chief General Counsel and Head of Corporate Services for a number of different corporations, including a large bank and a financial group in Canada. She also taught Insurance at l'Université de Montréal. She was Governor of l'Université du Québec from 1988 to 1992 and held various positions at the Conservation and Environmental Board of the Province of Quebec between 1988 and 1993, including being Chairman from 1992 to 1993. Ms. Guénette has a law degree from McGill University, and is a member of the Quebec Bar and the Law Society of Upper Canada.

Charles Brindamour, Executive Vice-President. Mr. Brindamour has been in charge of our personal lines, commercial lines and claims divisions in addition to planning and corporate development since May 2004. Prior to that time, he held the positions of Senior Vice-President, Personal Lines from October 2001 to May 2004 and Vice President, Finance for ING Canada from September 1999 to October 2001. Over the last 12 years, Mr. Brindamour has occupied several senior and executive positions within the ING group of companies. Mr. Brindamour received his Bachelor of Actuarial Science in 1992 from l'Université Laval (Quebec) and is an Associate of the Casualty Actuarial Society since 1995.

Derek A. Iles, Executive Vice-President. Mr. Iles has been in charge of our operations in Ontario and in the Western provinces since May 2004. Prior to his current position, Mr. Iles was President, Central/Atlantic Region from 2001, and previously was President and Chief Operating Officer of ING Western Union Insurance Company located in Calgary, Alberta. He has over 25 years of experience in the P&C insurance industry, including branch management. Mr. Iles earned his FCII through the Chartered Insurance Institute in Great Britain and completed the University of Calgary Executive Program in 1987. He has completed the Advanced Executive Education Program from the Wharton School of Business.

Donald K. Lough, Executive Vice-President. Mr. Lough is Executive Vice-President in charge of information technology, human resources, wealth management, marketing, communications and government relations. Prior to his current position, Mr. Lough was President and Chief Executive Officer of ING Halifax Insurance Company from 1990 to 2001. Mr. Lough has over 30 years of experience in the insurance industry including experience in underwriting, marketing and branch management. Mr. Lough has a Bachelor of Commerce degree from

Concordia University and has completed the Advanced Executive Education Program from the Wharton School of Business.

Jacques Valotaire, Executive Vice-President. Mr. Valotaire has been our Executive Vice-President in charge of Quebec, the Atlantic provinces and BELAIR since May 2004. Over the last 13 years, Mr. Valotaire has held several executive positions within the ING Canada group of companies. Mr Valotaire has been in charge of our operations in Quebec since 2001. From 1999 to 2001, Mr. Valotaire was President and Chief Executive Officer of ING Commerce Group and from 1992 until 1999, he was President and General Manager of BELAIR. He is currently president of the IBC — Quebec Region, and Deputy Chairman of the Board of the Groupement des Assureurs automobiles du Québec. Mr. Valotaire is a Fellow of the Order of Chartered Accountants and is a graduate of l'Université Laval (Quebec). He has also completed the Advanced Executive Education Program from the Wharton School of Business.

Marcel Côté, Director. Mr. Côté is a senior partner of Secor, a Montreal-based consulting firm specializing in business strategy which he founded in 1975. In 1989 and 1990, he was Director of Strategic Planning and Communication for the Office of the Prime Minister of Canada. From 1986 to 1988, he worked as an economic advisor to the Premier of Quebec. Mr. Côté was appointed a member of our Advisory Board in 1999, and was previously a member of our board of directors from 1997 to 1999. Mr. Côté holds a Masters in Science from the Graduate School of Industrial Administration of Carnegie Mellon University in Pittsburg, Pennsylvania. He is also a Fellow of the Center for International Affairs of Harvard University. Mr. Côté has also taught at l'Université de Sherbrooke and l'Université du Québec à Montréal.

Robert W. Crispin, Director. Mr. Crispin is the chairman and chief executive officer of ING Investment Management LLC and a member of the ING Insurance Americas Committee, which is responsible for all of ING's insurance and investment management activities in the Americas. He has held these positions since 2001. Over the past 33 years, Mr. Crispin has held senior positions with a number of major insurance and financial service companies. He has led a variety of units including investments, finance, distribution, reinsurance, international operations and technology. Mr. Crispin has a Masters of Business Administration degree and is a Chartered Financial Analyst.

Michael Mackenzie, Director. Mr. Mackenzie is an Executive-in-Residence at the Schulich School of Business, York University, Toronto. From 1987 to 1994, Mr. Mackenzie was the Superintendent of Financial Institutions, Canada where he was responsible for the regulation and supervision of banks, trust companies and insurance companies. During this period, he was also a director of the Canadian Deposit Insurance Corporation. From 1957 to 1987, Mr. Mackenzie was a partner at Clarkson Gordon (now Ernst & Young LLP) in Toronto and Montreal, practicing in the areas of auditing and advisory services. Mr. Mackenzie was appointed a member of our Advisory Board in 1999, and was previously a member of our board of directors from 1996 to 1999. Mr. Mackenzie has been a director of our P&C insurance subsidiaries since 2002 and of IIM since 2001. Mr. Mackenzie has a Bachelor of Arts from the University of Toronto (Honours History), an MBA from Harvard University (Baker Scholar) and is a Fellow of the Institute of Chartered Accountants, Ontario.

Eileen Mercier, Director. Ms. Mercier's career encompasses 34 years of general management experience in the forest products, financial services, integrated oil and communication industries. From 1995 to 2002, Ms. Mercier headed her own management consulting firm, Finvoy Management Inc., specializing in financial strategy, restructuring and corporate governance issues. Prior to that time, she was Senior Vice-President and Chief Financial Officer of Abitibi-Price Inc. Ms. Mercier was appointed a member of our Advisory Board in 1999. Ms. Mercier is a member of the board of directors of several business and charitable associations and holds an MBA from York University and a Masters degree from the University of Alberta.

Robert Normand, Director. Mr. Normand is currently a director of a number of publicly traded and private companies, in various sectors including financial services and investment funds. In performing his directors' duties, he has served on various audit, investment, pension fund, and environmental committees and has also served as chairman. Mr. Normand has been a director of our P&C insurance subsidiaries since 2002 and of IIM since 2001. From 1972 to 1997, he held several positions at Gaz Métropolitain Inc., a natural gas distributor, retiring as Chief Financial Officer in 1997. Mr. Normand is a member of the Canadian Institute of Chartered Accountants, the Corporate Directors' Institute and the Financial Executive Institute. Mr. Normand graduated in 1966 from the University of Montreal (École des Hautes Études Commerciales). He has been a member of the Canadian Institute of Chartered Accountants since 1966.

Louise Roy, Director. Since 2003, Ms. Roy has been an Associate Fellow of the Center for Interuniversity Research and Analysis on Organizations, chairing the Forum on Leadership for Tomorrow, bringing together enterprises and universities on management and leadership topics. She is also an international consultant and a corporate director on several boards of directors. Ms. Roy was appointed a member of our Advisory Board in 2001. Between 2000 and 2003, Ms. Roy was Senior Vice-President, Marketing and Commercial Services of the International Air Transport Association (IATA). Ms. Roy graduated from the University of Montreal in 1971 with a Bachelor of Science in sociology. She obtained a Masters of Science in 1972 from the University of Wisconsin and completed her Ph.D. studies in sociology in 1974.

Carol Stephenson, Director. Ms. Stephenson has been the Dean of the Richard Ivey School of Business at the University of Western Ontario since July 1, 2003. Prior to this appointment, she worked for more than 30 years in the telecommunications and technology industries, most recently as President and Chief Executive Officer of Lucent Technologies Canada. Ms. Stephenson serves on a number of boards of directors, government committees and task forces. Ms. Stephenson was appointed a member of our Advisory Board in 1999 and was previously a member of our board of directors in 1999. She has also been a director of our P&C insurance subsidiaries since 2002. Ms. Stephenson is a graduate of the University of Toronto. She has also successfully completed the Executive Program at the Graduate School of Business Administration, University of California at Berkeley, and the Advanced Management Program at Harvard University. In 2000, she was awarded an honorary doctorate in engineering from Ryerson Polytechnic University.

Mark A. Tullis, Director. Mr. Tullis is the President of Institutional Businesses of ING Americas and has held several other senior executive positions since joining ING Americas in September 1999. Prior to joining the ING group of companies, Mr. Tullis was Executive Vice-President and Chief Actuary with Primerica, a subsidiary of Citigroup, from 1994 to 1999, where he was responsible for financial reporting, actuarial functions and reinsurance functions in connection with various Primerica companies. Mr. Tullis has more than 27 years experience in senior positions within the insurance industry. Mr. Tullis holds a Bachelor of Mathematical Sciences degree.

David A. Wheat, Director. Mr. Wheat has been the Executive Vice-President and Chief Financial Officer of ING Insurance Americas since August 2004. Beginning in April 2003, he was Chief Financial Officer of ING U.S. Financial Services. Prior to that time, he served as Controller of ING Americas from July 2001 to March 2003. Mr. Wheat was previously a partner for eight years with Ernst & Young LLP where he held several senior and executive positions, including that of Managing Partner for the practice in Fort Wayne, Indiana. Mr. Wheat has a Bachelor of Science in Business Administration, Accounting degree and is a certified public accountant.

J. Gordon Wicijowski, Director. Mr. Wicijowski has over 40 years experience providing accounting, auditing and advisory services. He has been a director of a number of companies in various sectors, including financial services and mutual funds. Mr. Wicijowski was appointed a member of our Advisory Board in 1999 and was previously a member of our board of directors from 1998 to 1999. He has been a director of our P&C insurance subsidiaries since 2002 and of IIM since 2001. He has been a Governor of the Law Foundation of Saskatchewan since 1973, and is a member of the Canadian Institute of Chartered Accountants and a Fellow of the Institute of Chartered Accountants of Saskatchewan. Mr. Wicijowski was the managing partner of the Saskatchewan practice of Ernst & Young from 1975 to 1993. Mr. Wicijowski obtained a Bachelor of Commerce degree from the University of Saskatchewan. He received the first Distinguished Service Award of the Institute of Chartered Accountants of Saskatchewan and holds an honorary Doctor of Laws degree from the University of Regina.

Committees of our Board of Directors

Our board of directors has established six committees which are described below. Our board of directors and the boards of directors of our P&C insurance subsidiaries ensure that the composition of their committees meets applicable statutory independence requirements as well as any other applicable legal and regulatory requirements. The board of directors of BELAIR has also established an ethics committee as mandated by the *Insurance Act* (Quebec). Our audit and risk review committee, our conduct review and corporate governance committee and our human resources committee perform the same functions for our federal insurance subsidiaries except for BELAIR that has its own audit committee and ethics committee.

Audit and Risk Review Committee

Our audit committee oversees our financial reporting process and the audits of our financial statements. The responsibility of the committee includes oversight of the quality and integrity of our internal controls and procedures; reviewing annual and quarterly financial statements and related management discussion and analysis, and meeting with our auditor and actuaries to discuss the annual statement and return; monitoring compliance with legal and regulatory requirements related to financial reporting; engaging the independent auditor; approving independent audit fees; reviewing the qualifications, performance and independence of our auditor; considering the recommendations of our auditor; monitoring significant changes in accounting practices; reviewing investments and transactions that could adversely affect the well-being of the Company; evaluating reports of actual or threatened litigation; and examining improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting. In addition, the audit and risk review committee reviews trends and key risk positions and exposure, risk management programs, practices and internal controls and ensures compliance with operational risk policies and limits. The audit and risk review committee has the authority to retain outside counsel or experts to assist it in performing its functions.

Conduct Review and Corporate Governance Committee

Our conduct review and corporate governance committee ensures that management has established procedures to ensure that permitted transactions with ''related persons'' are on terms and conditions at least as favourable as market. The committee's responsibilities include reviewing applicable procedures and their effectiveness as well as our practices to ensure that related party transactions that may have a material effect on our stability or solvency are identified. The conduct review and corporate governance committee also reviews our compliance programs that cover market conduct, ombudsman office, privacy office, conflict of interest, relationships with clients and brokerages and relationships with regulatory authorities. This committee reports to our board of directors on related party transactions and other matters. The committee monitors ongoing developments regarding corporate governance and seeks expert advice when appropriate.

Human Resources Committee

Our human resources committee reviews and makes recommendations to the directors regarding nominations of our directors and the appointment of our chief executive officer, employee compensation matters including in respect of pension funds, any equity or other compensation plan for our officers and succession planning. This committee is also responsible for reviewing annually the performance of our chief executive officer and evaluating his total compensation in relation to his performance against established goals and strategies. The committee also periodically assesses the performance of our board of directors and its committees.

Other Committees

Our board of directors has also established three other committees composed of members of senior management (and, in the case of the investment committee, of directors) that report to our board of directors or one of its committees. These management committees are the risk management committee (see ''Our Business — Risk Management''), the investment committee (see ''Our Business — Investment Strategy''), and the pension funds committee which makes recommendations to the human resources committee in respect of pension funds benefits and also monitors the investments of the pension funds.

EXECUTIVE COMPENSATION

Remuneration of Executive Officers

We have designed our executive compensation programs with a view to aligning the interests of our management with those of our shareholders. A major portion of the compensation for senior officers and vice-presidents is linked to the performance of our Common Shares relative to the shares of a group of peer companies in the financial services industry.

The following table sets forth compensation paid by us for the year ended December 31, 2003 to our Chief Executive Officer, Chief Financial Officer and our other three highest paid executive officers (collectively, the ''named executive officers'').

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Current Position	Year	Salary (in $'000s)	Bonus (in $'000s)[1]	Other Annual Compensation (in $'000s)[2]	Options Granted in 2003[3] (#)	Restricted Shares or Restricted Share Units Granted in 2003 (#)	Value of Options and RPUs Granted (in $'000s)	All Other Compensation ($)
Claude Dussault . . . . . President and Chief Executive Officer	2003	440.0	293.1	—	31,000	11,300	704.0	—
Michael W. Cunningham[4] . . . Senior Vice-President and Chief Financial Officer	2003	375.3	203.8	60.0	6,400	2,600	131.4	—
Derek Iles . . . . . Executive Vice-President	2003	300.0	140.3	—	9,000	3,600	225.0	—
Don Lough . . . . . Executive Vice-President	2003	294.0	144.8	—	8,900	3,600	220.5	—
Jacques Valotaire . . . . . Executive Vice-President	2003	285.0	144.5	—	8,600	3,500	213.8	—

(1) Bonuses shown are those paid in 2003 as a result of performance in 2002.

(2) Perquisites and other personal benefits, securities or property are only included in the ''Other Annual Compensation'' column where items in the aggregate exceed the lesser of $50,000 or 10% of salary and bonus.

(3) For the year ended December 31, 2003, the executive officers named above were granted options in ING Groep, which options will continue to be held following completion of the Offering.

(4) Mr. Cunningham works exclusively for ING Canada, but further to an arrangement with ING Americas, 50% of his remuneration is paid by ING Americas and the remaining 50% by ING Canada. The dollar amounts shown above represent Mr. Cunningham's total remuneration package and are converted from U.S. dollars at the 2003 year-end exchange rate of Cdn.$1.2942 = U.S.$1.00. In addition, because Mr. Cunningham is an expatriate, he receives an assignment allowance equivalent to 10% of his base salary and a business allowance of 6% of salary. These assignment amounts are shown under ''Other Annual Compensation'' above and have also been converted at an exchange rate of Cdn.$1.2942 = U.S.$1.00.

Long-term Incentive Plan

In 2003, our annual equity compensation plans for senior officers were comprised of two elements: (i) options to purchase common stock in ING Groep pursuant to the ING Groep stock option program (''GSOP''); and (ii) restricted performance units of ING Groep pursuant to the ING Groep restricted performance unit program (''RPUP''). Grants are made pursuant to these plans according to ING Groep's evaluation of participants' contributions to performance.

Options granted under the GSOP vest equally on the first, second and third anniversaries of the date of grant. Options are priced based on ING Groep's stock price on the date of grant and are exercisable for ten years. In the event of voluntary or involuntary termination of the executive's employment with ING Groep, unvested options lapse immediately and vested options have to be exercised within 90 days of the day of termination of employment.

Under the RPUP, an annual contingent grant of notional shares is made to participating executives at the beginning of each three-year performance cycle. The actual number of notional shares granted is determined at the end of these cycles according to performance against total shareholder return targets established for employees in the ING Americas region, which includes ING Canada. On allocation of the grant, the notional

shares vest and are deferred into a notional share account, whose value tracks the performance of the ING Groep stock price.

Since January 2004, the GSOP and the RPUP have been combined into a long-term equity ownership program (''LEO'') which is available to all of our senior officers. The value of awards granted under the LEO is allocated equally between share options and performance shares. The terms of the share options are similar to those granted under the GSOP except that options under the LEO vest on the third anniversary of the date of grant. As with the RPUP, the performance shares under the LEO are granted on a contingent basis but the value of the award is determined by the relative performance of the ING Groep stock price against a portfolio of international financial services companies.

Subsequent to the closing of the Offering, we intend to establish a long-term equity ownership program for our employees at the level of vice-president and above which will provide contingent performance shares based on our performance compared to relevant Canadian competitors.

Pension Plans

Our executives at the level of vice-president and above benefit from two pension plans: a base plan, with pensionable earnings to the annual limits allowed by CRA; and a supplementary executive retirement plan (''SERP'') for the difference between CRA limits established by CRA and the executive's pensionable earnings. The SERP is a retention tool for executives and vests when the executive has completed five years of service with the Company and attained the age of 55. For certain senior executives, pensionable earnings comprise both base salary and 50% of short-term bonus targets.

The following table illustrates the annual retirement benefits available effective January 1, 2000 to certain of our executives depending on their years of service. The pension benefits indicated are payable at normal retirement age. This table describes the retirement benefits under the current base plan and SERP combined.

Pension Plan Entitlements based on Years of Service
(in $ per year)

	Years of Service[2]					
Final Average Earnings[1]	**15**	**20**	**25**	**30**	**35**	**40**
$ 125,000	$ 37,500	$ 50,000	$ 62,500	$ 75,000	$ 87,500	$ 100,000
150,000	45,000	60,000	75,000	90,000	105,000	120,000
175,000	52,500	70,000	87,500	105,000	122,500	140,000
200,000	60,000	80,000	100,000	120,000	140,000	160,000
225,000	67,500	90,000	112,500	135,000	157,500	180,000
250,000	75,000	100,000	125,000	150,000	175,000	200,000
275,000	82,500	110,000	137,500	165,000	192,500	220,000
300,000	90,000	120,000	150,000	180,000	210,000	240,000
400,000	120,000	160,000	200,000	240,000	280,000	320,000
500,000	150,000	200,000	250,000	300,000	350,000	400,000
600,000	180,000	240,000	300,000	360,000	420,000	480,000
700,000	210,000	280,000	350,000	420,000	490,000	560,000
800,000	240,000	320,000	400,000	480,000	560,000	640,000
900,000	270,000	360,000	450,000	540,000	630,000	720,000
1,000,000	300,000	400,000	500,000	600,000	700,000	800,000
1,100,000	330,000	440,000	550,000	660,000	770,000	880,000
1,200,000	360,000	480,000	600,000	720,000	840,000	960,000
1,300,000	390,000	520,000	650,000	780,000	910,000	1,040,000
1,400,000	420,000	560,000	700,000	840,000	980,000	1,120,000
1,500,000	450,000	600,000	750,000	900,000	1,050,000	1,200,000

(1) Pensionable earnings are calculated by adding base salary and 50% of target short-term bonus entitlement for the named executive officers except Mr. Cunningham.

(2) Prior to January 1, 2000, pension entitlement was slightly lower than shown in the above table, being based on 1.3% per year of service up to the annual CRA maximum and 2% per year of service for pensionable earnings above that maximum.

The following table sets out the years of credited service of our named executive officers, other than Mr. Cunningham who participates in pension plans with ING Americas, as at November 19, 2004.

	Years of Credited Service
Claude Dussault	18
Derek Iles	10
Don Lough	14
Jacques Valotaire	22[1]

(1) Mr. Valotaire has 22 years of credited service with respect to the base plan and 13 years of credited service with respect to the SERP.

Compensation of Directors

Each of our independent directors will be compensated annually in the amount of $25,000, plus $1,500 per board meeting attended and will be reimbursed for his or her meeting expenses. Each member of a committee of the board will receive $1,500 per committee meeting attended if held separately from the board meeting. A chair of a committee will also receive an annual retainer of $4,000 per year. In addition, each independent director will receive annual awards of cash, or deferred share units or any combination thereof having an aggregate value of approximately $10,000, with any such units vesting on a pre-determined deferred basis.

PRINCIPAL SHAREHOLDER

The following table sets forth information with respect to the beneficial ownership of our securities, as of the date hereof by holders of securities who owned of record or who, to our knowledge, owned beneficially (directly or indirectly) more than 10% of our Common Shares, being the only class or series of our voting shares, other than the Special Share, which will be beneficially owned by ING Groep.

			Percentage of Total Common Shares	
Shareholder	Type of Ownership	Number of Common Shares	Before Giving Effect to this Offering[1]	After Giving Effect to this Offering[2]
ING Groep[3]	Direct/Beneficial	93,620,000	100%	72.9%

(1) Common Shares on a fully-diluted basis.

(2) Common Shares on a fully-diluted basis before giving effect to the exercise of the Over-Allotment Option. Assuming full exercise of the Over-Allotment Option, ING Groep would own 70.0% of the issued and outstanding Common Shares.

(3) The Common Shares beneficially owned by ING Groep are registered in the name of ING International, a wholly-owned subsidiary of ING Groep.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated December 9, 2004 (the ''Underwriting Agreement'') between us and the Underwriters, we have agreed to issue and sell 34,880,000 Common Shares and the Underwriters have agreed to purchase on the date of closing of the Offering, which is expected to be on or about December 15, 2004 or any other date as may be agreed upon by us and the Underwriters, but in any event not later than January 20, 2005, subject to the conditions stipulated in the Underwriting Agreement, all but not less than all such Common Shares at a price of $ ● per Common Share, payable in cash against delivery of share certificates evidencing the Common Shares. The Common Shares are being offered to the public in all of the provinces and territories of Canada and in the United States in an offering to qualified institutional buyers exempt from the registration and prospectus requirements of the United States *Securities Act of 1933*, as amended (the ''1933 Act''), pursuant to Rule 144A thereunder. The offering price of the Common Shares was

determined by negotiations between us and the Underwriters. The Underwriting Agreement provides that we will pay to the Underwriters, in consideration for their services in connection with the Offering, a fee of $ ● per Common Share.

We expect our expenses for the Offering, not including the Underwriters' fee, to be approximately $3,000,000, net of certain offering expenses to be reimbursed to us by the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all Common Shares if they purchase any of the Common Shares under the Underwriting Agreement.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

We have granted to the Underwriters an Over-Allotment Option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to an aggregate of 5,232,000 additional Common Shares, at a price of $ ● per Common Share, payable in cash against delivery of such additional shares. The Over-Allotment Option is exercisable in whole or in part only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to us before deducting other expenses of the Offering, will be $ ● , $ ● and $ ● , respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issued and sold upon exercise of the Over-Allotment Option.

The Underwriters propose to offer the Common Shares initially at the public offering price on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Common Shares offered by this prospectus at the price specified herein, the Offering price may be decreased, and further changed from time to time, and the compensation realized by the Underwriters will accordingly also be reduced. In such event, the net proceeds to us will not be affected.

The Common Shares have not been and will not be registered under the 1933 Act, or any state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act. The Underwriting Agreement, however, permits the Underwriters to reoffer and resell Common Shares purchased by them pursuant to that agreement to certain qualified institutional buyers (as defined in Rule 144A under the 1933 Act) in the United States, provided such reoffers and sales are made in accordance with Rule 144A under the 1933 Act. In addition, until 40 days after the closing date, an offer or sale of Common Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if that offer or sale is made otherwise than in accordance with Rule 144A. All offers and sales of Common Shares in the United States will be made by U.S. registered broker-dealers which are affiliates of the Underwriters. The Underwriting Agreement provides further that the Underwriters will not take any actions that would make the safe harbour provided under Regulation S under the 1933 Act unavailable in connection with the offering and sale of the Common Shares; such regulation provides an exemption from registration requirements under such law in connection with the initial offer and sale of such shares outside the United States.

Pursuant to policy statements of the Ontario Securities Commission and the AMF, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc. TSX relating to market stabilization and passive market making activities and bids or purchases made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

RBC Dominion Securities Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank (the ''Bank'') that is the lender to us under an unsecured acquisition bridge facility used to fund the Acquisition (the ''Acquisition Bridge Facility''). The total amount available under the Acquisition Bridge Facility is $200.0 million. We are in compliance with the terms of the Acquisition Bridge Facility. The decision of RBC Dominion Securities Inc. to purchase Common Shares pursuant to the terms of the Underwriting Agreement was made independently of the Bank, and the Bank had no influence as to the determination of the terms of the Offering. In addition, RBC Dominion Securities Inc. will not receive any benefit from the Offering, other than its respective portion of the Underwriters' fee payable by us. The Acquisition Bridge Facility must be repaid out of the net proceeds of the Offering or, in the event the Offering is not completed, otherwise prior to March 9, 2005. As of December 9, 2004, we had drawn down the full amount available under the Acquisition Bridge Facility. A portion of the net proceeds of the Offering will be used to repay all of the indebtedness owed to the Bank under the Acquisition Bridge Facility. As a result, we may be considered to be a ''connected issuer'' of RBC Dominion Securities Inc. for purposes of Canadian securities legislation.

We have agreed that we will not issue or announce the issuance of any Common Shares or securities convertible into or exchangeable for Common Shares for a period of 180 days following the closing of the Offering without the prior written consent of Merrill Lynch and CIBC World Markets, such consent not to be unreasonably withheld, conditioned or delayed, except for: (i) options and Common Shares issued pursuant to any of our share compensation arrangements (including stock option and share purchase plans); or (ii) Common Shares or securities convertible into or exchangeable for Common Shares issued as part of an arm's length acquisition by us. In addition, ING Groep and each of our directors and executive officers have agreed that they will not sell any Common Shares that they hold, directly or indirectly, for a period of 180 days following the closing of the Offering without the prior written consent of Merrill Lynch and CIBC World Markets.

This prospectus has been filed under procedures in each of the provinces and territories of Canada that permit certain information about the Common Shares to be determined after the prospectus has become final and that permit the omission of that information from this prospectus. The procedures require the delivery to purchasers of a supplemented PREP prospectus containing the omitted information within a specified time after agreeing to purchase any of the Common Shares. All disclosure contained in a supplemented PREP prospectus that is not contained in the base PREP prospectus will be incorporated by reference into the base PREP prospectus as of the date of the supplemented PREP prospectus.

DESCRIPTION OF SHARE CAPITAL

Immediately following the closing of the Offering, our authorized share capital will consist of an unlimited number of Common Shares, an unlimited number of class A shares, issuable in series, the rights and preferences of which may be established from time to time by our board of directors, and the Special Share. Immediately following the closing of the Offering, 128,500,000 Common Shares (133,732,000 Common Shares, in the event the Over-Allotment Option is exercised in full), no class A shares and one Special Share will be issued and outstanding.

Common Shares

Holders of Common Shares are entitled to receive dividends as and when declared by our board of directors and, unless otherwise provided by legislation, are entitled to one vote per Common Share on all matters to be voted on at all meetings of shareholders. Upon our voluntary or involuntary liquidation, dissolution or winding-up, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

Class A Shares

The class A shares will be issuable from time to time in one or more series. Our board of directors will be authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the class A shares of each series, which may include voting rights. The class A shares of each series will rank on par with the class A shares of every other series and will be entitled to preference over the Common Shares and any assets in the event of liquidation, dissolution or our winding up. If any cumulative

dividends or amounts payable on a return of capital are not paid in full, the class A shares of all series will participate rateably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

Special Share

The authorized number of Special Shares will be limited to one. The holder of the Special Share will be entitled to receive notice of, to attend and speak at any meeting of our shareholders; however, the holder of the Special Share will not be entitled either to vote at any shareholder meeting or to sign a resolution in writing, other than (i) in respect of the nominee rights described under the heading ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights — ING Groep Nominees'', and (ii) as a separate class (A) pursuant to applicable law and (B) upon any proposed change to the maximum or minimum number of directors. The Special Share will also provide for certain rights with respect to the appointment of our Chief Executive Officer as described under ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights — Appointment of Chief Executive Officer''. The rights attaching to the Special Share will not apply for so long as ING Groep, or any of its affiliates, or any combination thereof, competes with us as described under ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights — Loss of Special Share Rights''.

The Special Share will be automatically converted into one Common Share in the circumstances described under the heading ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights — Automatic Conversion of Special Share''.

No dividends will be declared or paid by us on the Special Share. In the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holder of the Special Share will be entitled to receive $1.00 for the Special Share before any distribution of any part of our assets among the holders of our Common Shares, but after any such distribution among the holders of any series of class A shares.

For further information concerning the attributes of the Special Share, see ''Relationship with ING Groep — Co-Operation Agreement — ING Groep Corporate Governance Rights — Special Share Rights''.

BOOK ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Common Shares will be made through a book entry system administered by CDS. On or about the closing date, expected on December 15, 2004 but no later than January 20, 2005, we will deliver to CDS certificates evidencing the total number of Common Shares subscribed for under the Offering. Common Shares must be purchased and transferred through a CDS participant. All rights of an owner of Common Shares must be exercised through, and all payments or other property to which the owner is entitled will be made or delivered by, CDS or the CDS participant through which the owner holds the Common Shares. Upon purchase of any Common Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Common Shares means, unless the context otherwise requires, the owner of the beneficial interest in those shares.

The ability of a beneficial owner of Common Shares to pledge Common Shares or otherwise take action with respect to the owner's interest in such Common Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

We have the option to terminate registration of our Common Shares through the book entry system, in which case certificates for the Common Shares in fully registered form will be issued to beneficial owners of those Common Shares or their nominees.

LEGAL PROCEEDINGS

In the normal course of carrying on our business, we become the subject of claims and are involved in various legal proceedings. We are not currently involved in any material legal proceedings, nor are we aware of any pending or threatened proceedings, that we believe would have a material adverse effect upon our financial condition or results of operations. We believe we have established adequate reserves in respect of legal proceedings to which we are a party.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

ING Groep and some of its affiliates have engaged in certain transactions, and are parties to certain arrangements, with us. Some of these transactions and arrangements are material and are expected to continue after the completion of this Offering. Prior to giving effect to the Offering, all of our Common Shares were owned, directly or indirectly, by ING Groep. See ''Principal Shareholder'' and ''Relationship with ING Groep''.

We and our operating subsidiaries have numerous reinsurance agreements in effect, some of which include ING Re as a party. These agreements provide us with reinsurance coverage in the normal course of business and on normal market terms. See Note 8 to our audited consolidated financial statements, ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Factors Affecting Results — Significant Transactions — Zurich'' and ''Relationship with ING Groep''.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Our auditor is Ernst & Young LLP, Ernst & Young Tower, P.O. Box 251, 222 Bay Street, Toronto-Dominion Centre, Toronto, Ontario M5K 1J7.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., at its principal offices in Vancouver, Calgary, Toronto and Montreal.

MATERIAL CONTRACTS

Other than the Underwriting Agreement relating to the sale of the Common Shares and referred to under ''Plan of Distribution'', the Acquisition Agreement relating to the acquisition of Allianz Canada and referred to under ''Our Business — Recent Developments — Acquisition of Allianz Canada'', and the Co-Operation Agreement, the Trade-Mark Licence Agreement, the Non-Competition Agreement and the Registration Rights Agreement referred to under ''Relationship with ING Groep'', we have not entered into any material contracts during the two year period prior to the date of this prospectus, other than contracts entered into in the ordinary course of business.

LEGAL MATTERS

The validity of the issuance of the Common Shares to be sold in the Offering and other legal matters related to the Offering will be passed upon for us by Fasken Martineau DuMoulin LLP. Legal matters in connection with the Offering will be passed upon for the Underwriters by Torys LLP, as to matters of Canadian law, and Skadden, Arps, Slate, Meagher & Flom LLP, as to matters of U.S. law. As of the date of this prospectus, partners and associates of each of Fasken Martineau DuMoulin LLP and Torys LLP do not own any of the Common Shares and, in the aggregate, less than 1% of the shares of any of our affiliates or associates.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENTS

To the Board of Directors of ING Canada Inc.:

We have read the prospectus of ING Canada Inc. (the ''Company'') dated December 9, 2004 relating to the initial public offering of the common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the consolidated balance sheets of the Company as at December 31, 2003 and 2002 and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2003. Our report is dated January 30, 2004 (except as to Note 23, which is dated December 9, 2004).

Toronto, Ontario
December 9, 2004

(Signed) ERNST & YOUNG LLP
Chartered Accountants

To the Board of Directors of Allianz of Canada, Inc.:

We have read the prospectus of ING Canada Inc. (the ''Company'') dated December 9, 2004 relating to the initial public offering of the common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of Allianz of Canada, Inc. on the consolidated balance sheets of Allianz of Canada, Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for each of the two years ended December 31, 2003. Our report is dated January 29, 2004 (except as to Note 21, which is as of December 8, 2004).

Toronto, Ontario
December 9, 2004

(Signed) KPMG LLP
Chartered Accountants

GLOSSARY OF SELECTED INSURANCE TERMS

Accident year	The annual accounting period in which loss events occurred, regardless of when the losses are actually reported, recorded or paid.
Actuarial analyses	Evaluation of risks in order to attempt to assure that premiums and loss reserves adequately reflect expected future loss experience and claims payments; in evaluating risks, mathematical models are used to predict future loss experience and claims payments based on past claims ratios and loss development patterns and other relevant data and assumptions.
Adverse development	Losses for which estimations of ultimate incurred losses and allocated LAE are proven inadequate. Increases in incurred losses as a result of adverse development are recognized in financial statements in the period of the change.
Agent	An intermediary appointed by an insurer to procure applications for insurance, receiving a commission from the insurer for policies written.
Allocated loss adjustment expenses (ALAE)	The expenses of settling claims that are charged to a particular file, including legal and other fees. The salary of the insurer's claims adjuster is not included in ''allocated loss adjustment expenses''. ALAE are also referred to as allocated claim expenses.
Assume	To accept from the primary insurer or reinsurer all or a portion of the liability underwritten by such primary insurer or reinsurer.
Assumed reinsurance	The acceptance of a portion of the liability underwritten by a primary insurer.
Broker	A person or firm who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered, between (1) a policy holder and a primary insurer, on behalf of the insured party, (2) a primary insurer and reinsurer, on behalf of the primary insurer, or (3) a reinsurer and a retrocessionaire, on behalf of the reinsurer.
Capacity	Maximum amount of insurance or reinsurance available to cover risks for a company or for an entire market. An insurer's capacity generally depends on its share capital and reserves, and on its premium income.
Case reserves	The liability established to reflect the estimated cost of reported but unpaid claims and claims expenses that the insurer will ultimately be required to pay.
Casualty insurance	Insurance which is primarily concerned with the losses caused by injuries to third persons (in other words, persons other than the policyholder) and the legal liability imposed on the insured resulting therefrom.
Cede; ceding company	When a party reinsures its liability with another, it ''cedes'' business and is referred to as the ''ceding company''.
Claim	The amount demanded under a policy of insurance or reinsurance arising from the loss relating to an insured event. A claim is also referred to as a loss.
Claim expenses	The expenses of settling claims, including allocated loss adjustment expenses and unallocated loss adjustment expenses. Claim expenses are also referred to as loss adjustment expenses (LAE).
Claim reserves	The total of case reserves and IBNR.
Claims incurred	The total claim reserves and claim expenses at the end of an accounting period plus all claims paid during that period, minus the total claim reserves

	at the beginning of the period. Claims incurred are also referred to as losses incurred.
Claims ratio	Claims and claim expenses incurred, net of reinsurance, expressed as a percentage of net premiums earned. Loss ratio is also referred to as claims ratio.
Combined ratio	The sum of the claims ratio and the expense ratio, determined in accordance with GAAP. A combined ratio below 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result.
Commissions ratio	Commissions incurred in operating the business during a defined period and expressed as a percentage of net earned premiums for the same period.
Deferred policy acquisition costs (DPAC)	Certain costs, consisting of brokers' commissions and premium taxes of acquiring insurance premiums are deferred, to the extent that they are considered recoverable, and charged to income as the premiums are earned.
Direct premiums written	The total premiums from the primary insured in respect of insurance underwritten by an insurer during a specified period.
Earned premiums	Amount of premium (calculated on a risk exposure or time apportion basis) corresponding to the expired portion of risk or time for which the reinsured policy(ies) was/were in effect.
Excess Insurance	Additional casualty coverage above a specified layer of insurance exposure.
Expense ratio	Expenses including commissions, premium taxes and all general and administrative expenses, incurred in operating the business during a defined period and expressed as a percentage of net earned premiums for the same period.
Facility Association	A mandatory pooling arrangement among all industry participants that provides automobile insurance coverage to individuals or businesses that are otherwise unable to purchase that coverage from private insurers.
General expenses ratio	General and administrative expenses incurred in operating a business during a defined period and expressed as a percentage of net earned premiums for the same period.
General liability insurance	Insurance which is primarily concerned with losses caused by negligent acts and/or omissions of the insured in the conduct of its business resulting in bodily injury and/or property damage to third parties, injury resulting from the use of a product manufactured or distributed by a business, or injury occurring in the general operation of a business.
Gross premiums written	Total premiums for insurance written, including assumed reinsurance, during a given period.
Incurred but not reported (IBNR) reserve	A combination of reserves for estimated losses that have been incurred but not yet reported and a reserve for future developments on losses which have been reported.
Inland marine	A broad type of insurance generally covering moveable property and consisting of articles that may be transported from one place to another, as well as bridges, tunnels and other instrumentalities of transportation. It includes goods in transit (generally other than transoceanic) and may include policies for movable objects such as personal effects, personal property, jewellery, furs, fine arts and others.

Loss	Event that triggers insurance cover. An event or series of events arising from a particular cause which gives rise to an insured or reinsured loss. Depending on the wording of the reinsurance agreement, such ''event'' may also include continuous exposure to conditions giving rise to losses, which may be generated under certain forms of Casualty insurance coverage. For coverage purposes, particularly under Catastrophe Excess agreements, the definition of occurrence may be restricted or expanded to include claims within a certain period of time (e.g., 72 hours) as one occurrence.
Loss adjustment expenses (LAE)	The expenses of settling claims, including allocated loss adjustment expenses and unallocated loss adjustment expenses. LAE are also referred to as claim expenses.
Loss ratio	See claims ratio.
Minimum Capital Test (MCT)	A financial ratio calculated by the Office of the Superintendent of Financial Institutions to assist in monitoring the financial condition of property and casualty insurance companies.
Net premiums earned	The portion of premiums written that is recognized for accounting purposes as revenue during a period, i.e., the portion of premiums written allocable to the expired portion of policies after the assumption and cession of reinsurance.
Net premiums written	Gross premiums written for a given period less premiums ceded to reinsurers and retrocessionaires during such period.
Premium tax	A tax paid by insurance companies to provincial governments calculated as a percentage of gross premiums written.
Premium taxes ratio	Premium taxes incurred in operating the business during a defined period and expressed as a percentage of net earned premiums for the same period.
Property insurance	Insurance that provides coverage to a person with an insurable interest in tangible property for that person's property loss, damage or loss of use.
Provision for adverse deviation	An amount added to loss reserves to provide for adverse deviation from loss reserve estimates including a provision covering the claim development variability, the risk associated with reinsurance recoveries and the interest rate risk.
Rates	Amounts charged per unit of insurance.
Redundancy (deficiency)	Claims reserves are re-evaluated at different points in time. An increase from the initial estimate indicates a deficiency and a decrease indicates a redundancy.
Reinsurance	An arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies.
Retention	The amount or portion of risk that an insurer retains for its own account.
Return on Equity (ROE)	After-tax net income taken as a percentage of shareholders' equity over the last twelve months from the date indicated.
Salvage	The amount of money an insurer recovers through the sale of property transferred to the insurer as a result of a loss payment.

Subrogation	A principle of law incorporated in insurance policies, which enables an insurance company, after paying a loss to its insured, to claim the right to recover the amount of the loss from another who is legally liable for it.
Tail	The period of time that elapses between either the writing of the applicable insurance or reinsurance policy or the loss event (or the insurer's or reinsurer's knowledge of the loss event) and the payment in respect thereof. A ''short-tail'' product is one where ultimate losses are known comparatively quickly; ultimate losses under a ''long-tail'' product are sometimes not known for many years.
Unallocated loss adjustment expenses (ULAE)	The expenses of settling claims that are not directly related to any particular claim, including salaries and other overhead costs of the insurer's claims department. ULAE are also referred to as unallocated claim expenses.
Underwriter	An individual who examines, accepts or rejects risks and classifies accepted risks in order to charge an appropriate premium for each accepted risk. The underwriter is expected to select business that will produce an average risk of loss no greater than that anticipated for the class of business.
Underwriting	The insurer's or reinsurer's process of reviewing applications submitted for insurance coverage, deciding whether to accept all or part of the coverage requested and determining the applicable premiums; also refers to the acceptance of such coverage.
Underwriting capacity	The maximum exposure that an insurance company can underwrite. The limit is generally determined by the company's retained earnings and investment capital. Reinsurance serves to increase a company's underwriting capacity by reducing its exposure from particular risks.
Underwriting profit	The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and all general and administrative expenses.
Unearned premium reserves (UPR)	The net premiums written of an insurer relating to that portion of the term of its insurance policies which fall within subsequent periods and which is deferred to such subsequent periods.

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ING CANADA INC.

Unaudited Pro Forma Consolidated Balance Sheet
As at September 30, 2004

Unaudited Pro Forma Consolidated Statements of Income
for the year ended December 31, 2003 and for the nine months ended September 30, 2004

COMPILATION REPORT

To the Board of Directors of ING Canada Inc. :

We have read the accompanying unaudited pro forma consolidated balance sheet of ING Canada Inc. (the ''Company'') as at September 30, 2004 and the unaudited pro forma consolidated income statements for the nine months then ended and for the year ended December 31, 2003, and we have performed the following procedures:

1. Compared the figures in the columns captioned ''ING Canada'' to the unaudited interim consolidated financial statements of the Company as at and for the nine months ended September 30, 2004 and the audited consolidated financial statements of the Company for the year ended December 31, 2003, respectively, and found them to be in agreement.

2. Compared the figures in the columns captioned ''Allianz Canada'' to the unaudited consolidated financial statements of Allianz of Canada, Inc. (''Allianz Canada'') as at and for the nine months ended September 30, 2004 and the audited consolidated financial statements of Allianz Canada for the year ended December 31, 2003, respectively, and found them to be in agreement.

3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the pro forma financial statements comply as to form in all material respects with relevant Canadian securities regulatory requirements.

   The officials:

   (c) described to us the basis for determination of the pro forma adjustments; and

   (d) stated that the pro forma statements comply as to form in all material respects with relevant Canadian securities regulatory requirements.

4. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned ''ING Canada'' and ''Allianz Canada'' as at and for the nine months ended September 30, 2004, and for the year ended December 31, 2003, and found the amounts in the column captioned ''Pro Forma Consolidated'' to be arithmetically correct.

The unaudited pro forma consolidated financial statements are based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Toronto, Canada
December 9, 2004

(Signed) ERNST & YOUNG LLP
Chartered Accountants

ING CANADA INC.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As at September 30, 2004
(in thousands of dollars)

	ING Canada	Allianz Canada	Pro Forma Adjustments	Reference	Pro Forma Consolidated
ASSETS					
Cash and cash equivalents	$ 278,424	$ 0	$(189,713)	2(a);3(a)	$ 88,711
Investments	5,034,137	1,027,011	26,381	3(f)	6,087,529
Accrued investment income	44,830	9,993	—		54,823
Due from affiliated companies	10,192	132,551	(132,551)	3(a),(j)	10,192
Premium and other receivables	1,425,891	205,056	(7,650)	3(a)	1,623,297
Reinsurers' share of unpaid claims and adjustment expenses	154,241	504,084	(433,860)	3(a)	224,465
Reinsurers' share of unearned premiums	17,835	64,547	(62,837)	3(a)	19,545
Deferred acquistion costs	344,905	59,810	(6,250)	3(a)	398,465
Other assets	94,975	67,077	(27,008)	3(k)	135,044
Long-term investments	48,160	—	—		48,160
Future income taxes	24,564	26,451	39,047	3(f),(g),(h),(i),(k)	90,062
Goodwill & other intangible assets	44,362	69,216	47,714	2(b);3(d),(e)	161,292
	$7,522,516	$2,165,796	$(746,727)		$8,941,585
LIABILITIES					
Accounts payable and other liabilities	$ 480,891	$ 74,071	$ 42,630	3(a),(c),(h),(i)	$ 597,592
Due to affiliated companies	1,328	223,098	(223,098)	3(a),(j)	1,328
Income taxes payable	111,856	550	—		112,406
Unpaid claims and adjustment expenses	2,994,700	1,175,229	(382,617)	3(a),(g)	3,787,312
Unearned premiums	2,028,712	378,023	(70,099)	3(a)	2,336,636
Unearned reinsurance commission	3,796	5,768	(5,302)	3(a)	4,262
Debt outstanding	461,082	816	200,000	2(a)	661,898
	$6,082,365	$1,857,555	$(438,486)		$7,501,434
SHAREHOLDER'S EQUITY					
Capital stock	605,905	264,160	(264,160)	3(b)	605,905
Contributed surplus	83,336	18,069	(18,069)	3(b)	83,336
Retained earnings	750,910	26,012	(26,012)	3(b)	750,910
	1,440,151	308,241	(308,241)		1,440,151
	$7,522,516	$2,165,796	$(746,727)		$8,941,585

See accompanying notes

ING CANADA INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2003
(in thousands of dollars, except for earnings per share)

	ING Canada	Allianz Canada	Pro Forma Adjustments	Reference	Pro Forma Consolidated
Direct premiums written	$3,443,765	$880,494	$(208,191)	3(a)	$4,116,068
Net premiums written	2,966,609	650,769	(13,110)	3(a)	3,604,268
REVENUE					
Net premiums earned	2,760,897	627,817	(11,959)	3(a)	3,376,755
Investment income	213,973	43,797	(5,328)	3(a)	252,442
Realized investment and other gains	32,134	8,937	(8,937)	3(a),(f)	32,134
Commission and advisory fees	8,355	35,243	—		43,598
	$3,015,359	$715,794	$ (26,224)		$3,704,929
EXPENSES					
Claims and loss adjustment expenses	1,880,825	482,217	(20,920)	3(a)	2,342,122
Commissions	510,174	70,480	26,045	3(a)	606,699
Premium taxes	103,261	27,691	(6,318)	3(a)	124,634
General expenses	281,584	103,521	(8,510)	3(a),(d),(e),(k)	376,595
	$2,775,844	$683,909	$ (9,703)		$3,450,050
Interest on debt outstanding	12,550	4,384	2,328	2(a)	19,262
INCOME BEFORE INCOME TAXES	$ 226,965	$ 27,501	$ (18,849)		$ 235,617
INCOME TAXES	76,478	6,940	(5,577)	2(a);3(a),(d),(e),(k)	77,841
NET INCOME	$ 150,487	$ 20,561	$ (13,272)		$ 157,776
Earnings per share					
Basic and fully diluted					$ 1,114.28

See accompanying notes

ING CANADA INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

For the nine months ended September 30, 2004
(in thousands of dollars, except for earnings per share)

	ING Canada	Allianz Canada	Pro Forma Adjustments	Reference	Pro Forma Consolidated
Direct premiums written	$2,692,890	$610,061	$(150,376)	3(a)	$3,152,575
Net premiums written	2,742,151	455,725	(16,283)	3(a)	3,181,593
REVENUE					
Net premiums earned	2,476,348	471,438	(14,477)	3(a)	2,933,309
Investment income	191,749	33,371	(4,454)	3(a)	220,666
Realized investment and other gains	96,086	10,938	(10,938)	3(a),(f)	96,086
Commission and advisory fees	11,986	30,676	—		42,662
	$2,776,169	$546,423	$ (29,869)		$3,292,723
EXPENSES					
Claims and loss adjustment expenses	1,407,403	314,223	(4,244)	3(a)	1,717,382
Commissions	443,796	53,104	14,464	3(a)	511,364
Premium taxes	86,161	19,217	(4,370)	3(a)	101,008
General expenses	204,165	84,320	(6,832)	3(a),(d),(e),(k)	281,653
	$2,141,525	$470,864	$ (982)		$2,611,407
Interest on debt outstanding	8,607	3,734	1,266	2(a)	13,607
INCOME BEFORE INCOME TAXES	$ 626,037	$ 71,825	$ (30,153)		$ 667,709
INCOME TAXES	174,958	27,356	(9,700)	2(a);3(a),(d),(e),(k)	192,614
NET INCOME	$ 451,079	$ 44,469	$ (20,453)		$ 475,095
Earnings per share					
Basic and fully diluted					$ 3,355.93

See accompanying notes

ING CANADA INC.
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in thousands of dollars)

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements (which we refer to in this document as pro forma financial statements) only give effect to the acquisition of Allianz of Canada, Inc. (''Allianz Canada'') by ING Canada Inc. (''ING Canada'' or the ''Company'') as if it had occurred (i) as at September 30, 2004 for purposes of the pro forma consolidated balance sheet and (ii) as at January 1, 2003 for purposes of the pro forma consolidated statements of income for the nine months ended September 30, 2004 and for the year ended December 31, 2003. The pro forma financial statements have been prepared by ING Canada's management and are based on Allianz Canada's consolidated financial statements and ING Canada's consolidated financial statements.

The unaudited pro forma consolidated balance sheet as at September 30, 2004 and the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2004 and for the year ended December 31, 2003 have been prepared using the following information:

(a) Audited consolidated financial statements of ING Canada for the year ended December 31, 2003, which are presented elsewhere herein.

(b) Unaudited interim consolidated financial statements of ING Canada for the nine months ended September 30, 2004, which are presented elsewhere herein.

(c) Audited consolidated financial statements of Allianz Canada for the year ended December 31, 2003, which are presented elsewhere herein.

(d) Unaudited interim consolidated financial statements of Alllianz Canada for the nine months ended September 30, 2004, which are presented elsewhere herein.

(e) Such other supplementary information as was considered necessary to reflect the acquisition in the pro forma financial statements.

The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position that would have actually resulted had the acquisition been effected on the dates indicated or the results which may be obtained in the future. The pro forma financial statements should be read in conjunction with the other sections of this prospectus.

The pro forma adjustments reflecting the acquisition of Allianz Canada under the purchase method of accounting are based on certain estimates and assumptions. The actual adjustments of ING Canada's consolidated financial statements upon completion of the Transaction and the allocation of the purchase price of Allianz Canada will depend on a number of factors, including additional financial information available at such time, changes in value and changes in Allianz Canada's operating results between the date of preparation of these pro forma financial statements and the completion of the Transaction. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the differences may be material. ING Canada's management believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the acquisition contemplated and that the pro forma adjustments give appropriate effect to those adjustments and are properly applied in the pro forma financial statements.

The excess of the purchase price over the estimated fair value of the net assets acquired, including identifiable intangible assets, has been allocated to goodwill. The pro forma financial statements do not include the anticipated financial benefits from such items as cost savings and revenue synergies arising from the Transaction.

Certain elements of the Allianz Canada consolidated financial statements have been reclassified to conform with the presentation used by ING Canada.

2. PRO FORMA ASSUMPTIONS

ING Canada entered into a share and loan purchase agreement dated October 7, 2004 with Allianz AG and Allianz of America, Inc. (the ''Transaction''). The Transaction was completed on December 8, 2004 and:

i. ING Canada acquired all of the issued and outstanding shares of Allianz Canada.

ii. ING Canada purchased certain debt of Allianz Canada.

iii. a series of restructuring transactions (the ''Restructuring'') requiring Allianz Canada to transfer a portion of its business (the ''AGR Business'') to the Canadian branch of an affiliate, Allianz Global Risks US Insurance Company (''AGR''), will be completed. Consequently, Allianz Canada will transfer all the assets and all the past, present and future liabilities relating to the AGR Business, together with certain other assets and liabilities to AGR with effect from December 8, 2004.

2. PRO FORMA ASSUMPTIONS (Continued)

For the purposes of these unaudited pro forma financial statements, the financial position and the results of operations of ING Canada and Allianz Canada have been consolidated to give effect to the Transaction, as follows:

(a) ING Canada completed the Transaction for cash consideration of $370,000. The funding of this purchase price was as follows:

i. $170,000 from existing investments.

ii. $200,000 loan from a Canadian chartered bank.

(b) The Transaction is accounted for using the purchase method of accounting, as follows.

Purchase equation	
Purchase price	$ 370,000
Less: cash consideration for loan purchased	(91,062)
Cash consideration for shares	$ 278,938
Add: Estimated Transaction costs — Note 3(c)	4,500
	$ 283,438
Net balance sheet assets acquired	
Less: Fair value of net tangible assets acquired	(166,508)
Excess	$ 116,930
Fair value of the net tangible assets	
Book value of Allianz Canada	$ 308,241
Less: AGR Business	—
	$ 308,241
Less: Fair value adjustments	(135,080)
Less: Integration costs — Note 3(i)	(45,700)
Add: Future income taxes on the foregoing	39,047
Fair value of net tangible assets acquired	$ 166,508
Allocation of excess	
Intangible assets	$ 36,480
Goodwill	80,450
Net intangible assets and goodwill	$ 116,930

The intangible assets of $36,480 will be amortized on a straight-line basis based on their estimated lives, being a period of ten years. Using the balances estimated in these pro forma financial statements, the amortization of the intangible assets would be $3,648 annually. The income tax rate used to calculate the future tax liability for these intangibles is 35.0%. Goodwill will not be amortized but will be subject to an annual impairment assessment.

(c) Purchase accounting requires that the assets and liabilities purchased be recorded at fair value as at their date of acquisition. The fair value adjustments have been determined on the basis of information available at the current time. The tax rates used to calculate the deferred income taxes on the fair value adjustments is 35.0%. These fair value adjustments have been described in Notes 3(d), (f), (g), (h), (k).

(d) Estimated transition costs to be incurred by ING Canada are $27,500, after income taxes. These costs will be recorded as an expense in the consolidated statement of income of ING Canada following the completion of the Transaction. The impact of this charge is excluded from the pro forma consolidated statement of income.

3. PRO FORMA ADJUSTMENTS

The pro forma adjustments contained in these unaudited pro forma financial statements are based on estimates and assumptions by management of ING Canada based on available information. The adjustments for the actual Transaction may differ as a result of changes arising from the evaluation of the fair value of Allianz Canada's net assets by ING Canada between October 7, 2004 and the

3. PRO FORMA ADJUSTMENTS (Continued)

completion of the Transaction. These changes may affect the value of the assets, liabilities, intangible assets or goodwill and any such adjustments may be material.

The following pro forma adjustments have been made to reflect the Transaction:

(a) Elimination of policyholder and other liabilities in the approximate amount of $550,000 with an equivalent amount of assets and the corresponding income statement impact relating to the AGR Business.

(b) Elimination of the share capital, contributed surplus and deficit of Allianz Canada to reflect the acquisition by the Company.

(c) Recognition of liability for investment banker and professional fees and other transaction costs of $4,500. These fees are included in the estimated Transaction costs included in the purchase price.

(d) Elimination of book value of intangible assets previously recorded by Allianz Canada due to revaluation of intangibles as described in Note 3(e).

(e) Recognition of the estimated fair value of acquired identifiable intangible assets of $36,480 representing customer lists and right to offer renewal.

(f) Fair valuation of investments reflect the difference between the carrying value of acquired invested assets and their related fair value determined using published bid prices or bid quotations received from securities dealers for bonds and debentures and quoted market prices for common and preferred shares.

(g) Fair valuation of claims liabilities reflect the harmonization of methodologies and the review of assumptions resulting from internal and external acturial analysis.

(h) Fair valuation of other liabilities represents the future cost of assumed contractual servicing obligations.

(i) Based on preliminary plans, the combined company expects to incur $45,700 of integration costs related to the operations of Allianz Canada which, on an after-tax basis would be $29,705. Upon completion of the Transaction, management will refine its integration plans, which may result in an adjustment of the accrued costs capitalized as part of the pro forma net tangible assets acquired.

(j) Elimination of related party loans and receivables.

(k) Fair valuation of capital assets are presented at their expected recoverable amounts based on their estimated useful life.

4. ADJUSTED PRO FORMA EARNINGS PER SHARE

Pursuant to an underwriting agreement dated December 9, 2004, the Company filed a prospectus to qualify the issuance of 34,880,000 common shares. Prior to closing of the prospectus offering, ING Canada will amalgamate with ING Canada Holdings Inc., continuing as ING Canada. Consequently, the adjusted pro forma earnings per share gives effect to the offering and the amalgamation and has been determined to be $3.70 for the nine months ended September 30, 2004 and $1.23 for the year ended December 31, 2003.

ING CANADA HOLDINGS INC.

Unaudited Interim Consolidated Financial Statements
As at September 30, 2004 and December 31, 2003 and
for the nine months ended September 30, 2004 and September 30, 2003

ING CANADA HOLDINGS INC.

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As at September 30, 2004 and December 31, 2003
(all amounts in thousands of dollars)

	2004	2003
ASSETS		
Cash and cash equivalents	$ 278,424	$ 104,659
Investments (Note 2)	5,034,137	3,861,546
Accrued investment income	44,830	24,672
Due from affiliated companies	10,192	—
Premium and other receivables	1,425,891	1,447,590
Reinsurer's share of unpaid claims and adjustment expenses	154,241	696,123
Reinsurer's share of unearned premiums	17,835	206,649
Deferred acquisition costs	344,905	324,860
Other assets	94,975	98,117
Long-term investments (Note 5)	48,160	48,517
Future income taxes (Note 4)	24,564	36,372
Goodwill	44,362	44,362
	$7,522,516	$6,893,467
LIABILITIES		
Accounts payable and accrued liabilities	$ 457,663	$ 390,615
Due to affiliated companies	1,328	19,054
Income taxes payable	111,856	65,335
Other taxes payable	23,228	38,262
Unpaid claims and adjustment expenses	2,994,700	2,941,978
Unearned premiums	2,028,712	1,914,342
Unearned reinsurance commissions	3,796	51,727
Debt outstanding	461,082	483,082
	$6,082,365	$5,904,395
SHAREHOLDER'S EQUITY		
Capital stock (authorized — unlimited; issued — 141,569 common shares)	605,905	605,905
Contributed surplus	83,336	83,336
Retained earnings	750,910	299,831
	$1,440,151	$ 989,072
	$7,522,516	$6,893,467

See accompanying notes

ING CANADA HOLDINGS INC.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended September 30
(all amounts in thousands of dollars except for earnings per share)

	2004	2003
Direct premiums written	$2,692,890	$2,592,195
Net premiums written	2,742,151	2,235,464
REVENUE		
Net premiums earned	2,476,348	2,029,043
Investment income	191,749	156,700
Realized investments and other gains	96,086	15,834
Commission and advisory fees	11,986	5,766
	$2,776,169	$2,207,343
EXPENSES		
Claims and loss adjustment expenses	1,407,403	1,344,404
Commissions	443,796	393,374
Premium taxes	86,161	72,182
General expenses	204,165	208,671
	$2,141,525	$2,018,631
Interest on debt outstanding	8,607	9,504
INCOME BEFORE INCOME TAXES	$ 626,037	$ 179,208
Non-controlling interest	—	16
Income taxes	174,958	53,438
NET INCOME	$ 451,079	$ 125,754
Earnings per share		
Basic and diluted	$ 3,186.28	$ 888.29
Pro forma earnings per share (Note 8(c))		
Basic and diluted	$ 3.51	$ 0.98

See accompanying notes

ING CANADA HOLDINGS INC.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the Nine Months Ended September 30
(all amounts in thousands of dollars)

	2004	2003
Common shares		
Balance, beginning and end of period	$ 605,905	$605,905
Contributed surplus		
Balance, beginning and end of period	83,336	83,336
Retained earnings		
Balance, beginning of period	299,831	149,344
Net income	451,079	125,754
Balance, end of period	$ 750,910	$275,098
TOTAL SHAREHOLDER'S EQUITY	$1,440,151	$964,339

See accompanying notes

ING CANADA HOLDINGS INC.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30
(all amounts in thousands of dollars)

	2004	2003
OPERATING ACTIVITIES		
Net Income	$ 451,079	$ 125,754
Adjustments to convert net income to a cash basis:		
Amortization of property and equipment	9,103	10,217
Amortization of discounts and premiums on investments	14,351	9,351
Net income from long-term investments	(5,411)	(1,271)
Gain on sale of investments	(96,086)	(15,834)
Gain on sale of property	562	—
Receivables, payables, other assets and other liabilities	70,789	(87,413)
Deferred acquisition costs, net	(67,976)	(31,794)
Future income taxes, net	11,808	(1,438)
Unpaid claims and adjustment expenses, net	594,604	154,096
Non-controlling interest	—	16
Unearned premiums, net	303,184	206,426
Cash flows provided by operating activities	$ 1,286,007	$ 357,510
INVESTING ACTIVITIES		
Sale of investments	7,582,110	5,471,150
Purchase of investments	(8,692,846)	(5,789,258)
Purchase of property and equipment, net	(6,626)	(7,976)
Disposal proceeds from long-term investments and assets held for resale, net	24,999	37,442
Dividends received	2,121	2,496
Cash flows used in investing activities	$(1,090,242)	$ (286,146)
FINANCING ACTIVITIES		
Debt repayment	(22,000)	—
Cash flows (used in) provided by financing activities	$ (22,000)	$ —
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 173,765	$ 81,964
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	104,659	64,054
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 278,424	$ 146,018
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid (recovered)	$ 118,029	$ (6,382)
Interest paid on debt outstanding	11,417	10,970

See accompanying notes

1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as were used for ING Canada Holdings Inc.'s (the ''Company'') consolidated financial statements for the year ended December 31, 2003 except as follows. The Company adopted effective January 1, 2004 on a prospective basis the recommendations of the CICA Emerging Issues Committee relating to derivatives (EIC-128 ''Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments'') which generally requires that freestanding derivative financial instruments that do not qualify for hedge accounting be recognized in the consolidated balance sheet and measured at fair value. This change does not have any significant effect. These financial statements do not conform in all respects with disclosures required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2003. The preparation of 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 date of the consolidated financial statements, the reported amounts of revenue and expenses for the year, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates are subject to uncertainty. Changes in estimates are recorded in the accounting period in which they are determined.

2. INVESTMENT INFORMATION

Tables 2.1 and 2.2 reflect the Company's fixed income securities and preferred shares classified by issuer and investment grade.

	As at September 30, 2004			
Table 2.1	**Book value**	**Fair value**	**Gross unrealized gains**	**Gross unrealized losses**
Fixed income securities (a)	**$2,809,020**	**$2,846,600**	**$ 39,418**	**$ 1,838**
Investment grade				
Government and government guaranteed	1,653,757	1,675,303		
Corporate	753,983	766,524		
Asset-backed	312,249	315,933		
Below investment grade	89,031	88,840		
Mortgage loans	**82,716**	**86,678**	**3,962**	
Preferred shares	**1,054,031**	**1,101,117**	**52,711**	**5,625**
Investment grade	882,089	915,755		
Below investment grade	171,942	185,362		
Common shares (b)	**900,748**	**931,673**	**55,786**	**24,861**
Other investments (c)	**187,622**	**187,622**		
	$5,034,137	**$5,153,690**	**$151,877**	**$32,324**

	As at December 31, 2003			
Table 2.2	**Book value**	**Fair value**	**Gross unrealized gains**	**Gross unrealized losses**
Fixed income securities (a)	**$1,660,408**	**$1,690,317**	**$ 31,829**	**$ 1,920**
Investment grade				
Government and government guaranteed	960,680	974,841		
Corporate	430,081	441,635		
Asset-backed	217,125	221,071		
Below investment grade	52,522	52,770		
Mortgage loans	**113,052**	**117,949**	**4,897**	
Preferred shares	**1,096,835**	**1,152,060**	**59,423**	**4,198**
Investment grade	911,051	948,443		
Below investment grade	185,784	203,617		
Common shares (b)	**782,369**	**846,137**	**75,177**	**11,409**
Other investments (c)	**208,882**	**208,882**		
	$3,861,546	**$4,015,345**	**$171,326**	**$17,527**

(a) Fixed income securities include $38,985 in private placements (December 31, 2003 — $45,240) and $16,318 in fixed income mutual fund units of ING Funds (December 31, 2003 — $16,319).

(b) Common shares include $139,942 in equity mutual fund units of ING Funds (December 31, 2003 — $140,776).

(c) Other investments include loans and strategic investments.

2. INVESTMENT INFORMATION (Continued)

Impairments for nine months ended September 30, 2004 were $834 (nine months ended September 30, 2003 — $24,496).

As at September 30, 2004, the Company had invested $46,128 in long positions (December 31, 2003 — $24,414) and $45,223 in short positions (December 31, 2003 — $25,693) under a market neutral strategy and provided $45,892 (December 31, 2003 — $25,057) as collateral.

3. DERIVATIVE FINANCIAL INSTRUMENTS INFORMATION

Table 3.1	As at September 30, 2004			
	Notional amount	Replacement cost	Positive replacement cost	Negative replacement cost
Foreign exchange risk				
Forwards sold	$49,832	$ 252	$ 252	$ —
Forwards bought	2,746	(14)	—	(14)
Cash flow risk				
Interest rate swap	75,000	(771)	—	(771)
Foreign exchange swaps	15,186	1,528	1,528	—

Table 3.2	As at December 31, 2003			
	Notional amount	Replacement Cost	Positive replacement cost	Negative replacement Cost
Foreign exchange risk				
Forwards sold	$47,889	$ (236)	$ —	$ (236)
Forwards bought	2,759	14	14	—
Cash flow risk				
Interest rate swap	75,000	(1,096)	—	(1,096)
Foreign exchange swaps	18,985	1,206	1,206	—

As at September 30, 2004, the positive replacement cost of these derivative instruments was $1,780 (December 31, 2003 — $1,220).

Table 3.3 provides a summary of the carrying value of the investments hedged by derivatives and the remaining terms to maturity of these derivatives.

Table 3.3	As at September 30, 2004				As at December 31, 2003			
	Carrying value of investments hedged	Term to maturity (notional amount)			Carrying value of investments hedged	Term to maturity (notional amount)		
		One year or less	One year to five years	Over five years		One year or less	One year to five years	Over five years
Forwards	$59,739	$52,578	$ —	$ —	$ 51,620	$ 50,648	$ —	$ —
Interest rate swap	75,000	75,000	—	—	75,000	75,000	—	—
Other swaps	15,243	—	4,320	10,867	19,071	972	4,320	13,693

4. INCOME TAXES

(a) Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rates to consolidated income before taxes for the following reasons:

Table 4.1	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Income tax expense calculated at statutory rates	34.2%	35.1%
Increase (decrease) resulting from:		
Non taxable dividends and portion of capital gains	(4.5)%	(11.3)%
Tax on large corporations	—	1.3%
Non-deductible accounting write-down	—	2.9%
Other (net)	(1.7)%	0.2%
Income tax expense	28.0%	28.2%

5. LONG-TERM INVESTMENTS

The Company disposed of its investment in IPC Financial Network Inc. in May, 2004 for proceeds of approximately $26,700 for an after-tax gain of $19,900.

6. PENSION PLAN INFORMATION

The Company recorded a pension benefit of $1,216 for the nine months ended September 30, 2004 (2003 — $3,424).

7. SEGMENTED INFORMATION

Table 7.1	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Revenues		
Property and casualty insurance		
Personal insurance	$1,721,305	$1,343,565
Commercial insurance	755,043	685,478
Investment	183,431	154,054
Total property and casualty insurance	$2,659,779	$2,183,097
Corporate and other	20,304	8,412
Realized investment and other gains	96,086	15,834
Total revenues	$2,776,169	$2,207,343
Income (loss) before taxes		
Property and casualty insurance		
Personal insurance	217,493	(8,702)
Commercial insurance	134,186	73,728
Investment	175,925	147,244
Total property and casualty insurance	$ 527,604	$ 212,270
Corporate and other	2,347	(48,896)
Realized investment and other gains	96,086	15,834
Total income before taxes	$ 626,037	$ 179,208

	As at September 30, 2004	As at December 31, 2003
Assets		
Property and casualty insurance	$7,140,868	$6,455,997
Corporate and other	381,648	248,570
Total assets	$7,522,516	$6,704,567

8. SUBSEQUENT EVENTS

(a) **Acquistion of Allianz Canada**

ING entered into a share and loan purchase agreement dated October 7, 2004 with Allianz AG and Allianz of America, Inc. (the ''Transaction''). The Transaction was completed on December 8, 2004 and:

(i) ING acquired all of the issued and outstanding shares of Allianz.

(ii) ING purchased certain debt of Allianz of $91 million.

(iii) ING completed the Transaction for cash consideration for shares of $279 million. The funding of this purchase price was from existing investments and a bridge loan from a Canadian chartered bank.

(iv) A series of restructuring transactions (the ''Restrucuring'') requiring Allianz to transfer a portion of its business (the ''AGR Business'') to the Canadian branch of an affiliate, Allianz Global Risks US Insurance Company (''AGR''), will be completed. Consequently, Allianz will transfer all the assets and all the past, present and future liabilities relating to the AGR Business together with certain other assets and liabilities to AGR with effect from closing date of transaction.

(v) The following table presents the allocation of the purchase price based on information as of September 30, 2004 and will be adjusted upon closing.

Purchase equation	
Purchase price	$ 370,000
Less: Cash consideration for loan purchased	(91,062)
Cash consideration for shares	$ 278,938
Add: Estimated Transaction costs	4,500
	$ 283,438
Net balance sheet assets acquired	
Less: Fair value of net tangible assets acquired	(166,508)
Excess	$ 116,930
Fair value of the net tangible assets	
Book value of Allianz Canada	$ 308,241
Less: AGR Business	—
	$ 308,241
Less: Fair value adjustments	(135,080)
Less: Integration costs	(45,700)
Add: Future income taxes on the foregoing	39,047
Fair value of net tangible assets acquired	$ 166,508
Allocation of excess	
Intangible assets — Customer lists and right to offer renewal	36,480
Goodwill	80,450
Net intangible assets and goodwill	$ 116,930

(b) **Amalgamation**

Prior to completion of the offering, ING Canada Holdings Inc. and ING Canada Inc. will amalgamate, and the resulting entity will be named ING Canada Inc. This amalgamation will be presented on a continuity of interests basis as if the historical operating results and financial positions of the amalgamating companies had always been amalgamated. Consequently, this reorganization will not have a significant impact on the financial position of the Company.

(c) **Initial public offering of common shares**

Pursuant to an underwriting agreement dated December 9, 2004, the Company filed a prospectus dated December 9, 2004 to qualify the issuance of 34,880,000 common shares. The pro forma earnings per share give effect to the offering and the reorganization.

ING CANADA HOLDINGS INC.

Audited Consolidated Financial Statements
As at December 31, 2003 and 2002 and
for the years ended December 31, 2003, 2002 and 2001

ING CANADA HOLDINGS INC.
AUDITOR'S REPORT

To: The Board of Directors of ING Canada Holdings Inc.

We have audited the consolidated balance sheets of ING Canada Holdings Inc. (the ''Company'') as at December 31, 2003 and 2002 and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
January 30, 2004 (except as to note 23,
which is as of December 9, 2004)

(Signed) ERNST & YOUNG LLP
Chartered Accountants

ING CANADA HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

As at December 31
(all amounts in thousands of dollars)

	2003	2002
ASSETS		
Cash and cash equivalents (Note 4)	$ 104,659	$ 64,053
Investments (Note 5)	3,861,546	3,297,144
Accrued investment income	24,672	19,245
Premium and other receivables	1,447,590	1,286,868
Reinsurer's share of unpaid claims and adjustment expenses (Notes 7 and 8)	696,123	734,143
Reinsurer's share of unearned premiums (Notes 7 and 8)	206,649	225,324
Deferred acquisition costs	324,860	300,614
Income taxes receivable	—	25,092
Other assets (Notes 12 and 13)	96,001	128,897
Assets held for resale	2,116	2,144
Long-term investments (Note 14)	48,517	88,465
Future income taxes (Note 10)	36,372	38,670
Goodwill (Note 11)	44,362	46,438
	$6,893,467	$6,257,097
LIABILITIES		
Accounts payable and accrued liabilities	$ 390,615	$ 273,955
Due to affiliated companies (Note 9)	19,054	66,409
Income taxes payable	65,335	—
Other taxes payable	38,262	42,059
Unpaid claims and adjustment expenses (Note 7)	2,941,978	2,745,354
Unearned premiums (Note 7)	1,914,342	1,727,306
Unearned reinsurance commissions	51,727	59,574
Debt outstanding (Note 16)	483,082	502,482
	$5,904,395	$5,417,139
Non-controlling interest	—	1,373
SHAREHOLDER'S EQUITY		
Capital stock (Note 17)	605,905	605,905
Contributed surplus	83,336	83,336
Retained earnings	299,831	149,344
	$ 989,072	$ 838,585
	$6,893,467	$6,257,097

See accompanying notes

ING CANADA HOLDINGS INC.

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31
(all amounts in thousands of dollars except for earnings per share)

	2003	2002	2001
Direct premiums written	$3,443,765	$3,106,959	$2,191,782
Net premiums written	2,966,609	2,593,107	1,890,195
REVENUE			
Net premiums earned	2,760,897	2,337,098	2,019,246
Investment income (Note 14)	213,973	183,746	194,468
Realized investments and other gains	32,134	2,475	34,161
Commission and advisory fees	8,355	35,783	71,866
	$3,015,359	$2,559,102	$2,319,741
EXPENSES			
Claims and loss adjustment expenses	1,880,825	1,725,605	1,487,199
Commissions	510,174	437,471	319,840
Premium taxes	103,261	83,867	71,097
General expenses	281,584	266,770	274,581
	$2,775,844	$2,513,713	$2,152,717
Interest on debt outstanding	12,550	14,232	15,551
INCOME BEFORE INCOME TAXES, GOODWILL AMORTIZATION AND NON-CONTROLLING INTEREST	226,965	31,157	151,473
INCOME TAXES			
Current	74,129	5,410	39,700
Future	2,349	(3,534)	(4,499)
	$ 76,478	$ 1,876	$ 35,201
INCOME BEFORE THE FOLLOWING	150,487	29,281	116,272
Goodwill amortization	—	—	29,353
Non-controlling interest	—	6	11
NET INCOME	$ 150,487	$ 29,275	$ 86,908
Earnings per share			
Basic and diluted	$ 1,062.99	$ 206.79	$ 613.89
Pro forma earnings per share (Note 23(d))			
Basic and diluted	$ 1.17	$ 0.23	$ 0.68

See accompanying notes

ING CANADA HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the Years Ended December 31
(all amounts in thousands of dollars)

	2003	2002	2001
Common shares			
Balance, beginning and end of year	$605,905	$605,905	$ 605,905
Contributed surplus			
Balance, end of year	83,336	83,336	83,336
Retained earnings			
Balance, beginning of year	149,344	456,611	369,703
Net income	150,487	29,275	86,908
Change in accounting policy (Note 11)	—	(336,542)	—
Balance, end of year	$299,831	$149,344	$ 456,611
TOTAL SHAREHOLDER'S EQUITY	$989,072	$838,585	$1,145,852

See accompanying notes

ING CANADA HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31
(all amounts in thousands of dollars)

	2003	2002	2001
OPERATING ACTIVITIES			
Net Income	$ 150,487	$ 29,275	$ 86,908
Adjustments to convert net income to a cash basis:			
Amortization of property and equipment	14,332	12,308	10,100
Amortization of goodwill	—	—	29,353
Amortization of discounts and premiums on investments	19,318	8,150	2,845
Net income from long-term investments	(3,528)	(1,076)	1,594
Gain on sale of investments	(32,134)	(2,475)	(34,161)
Gain on sale of property	(1,679)	—	—
Increase in loan provision	3,415	(1,102)	—
Receivables, payables, other assets and other liabilities	17,862	(108,742)	(431,003)
Deferred acquisition costs, net	(32,093)	(42,916)	(9,346)
Future income taxes, net	(4,330)	(8,706)	(6,056)
Unpaid claims and adjustment expenses, net	234,644	257,978	164,236
Unearned premiums, net	205,711	263,018	126,247
Non-controlling interest	—	6	(168)
Cash flows provided by (used in) operating activities	$ 572,005	$ 405,718	$ (59,451)
INVESTING ACTIVITIES			
Sale of investments	7,270,313	4,856,160	3,935,632
Purchase of investments	(7,819,206)	(5,311,632)	(3,970,176)
Purchase of property and equipment, net	(8,024)	(18,016)	(16,553)
Disposal proceeds from (purchase of) long-term investments and assets held for resale, net	40,833	24,996	(265)
Cash flows used in investing activities	$ (516,084)	$ (448,492)	$ (51,362)
FINANCING ACTIVITIES			
Dividends received	4,085	1,158	—
Debt advances (repayment)	(19,400)	—	111,482
Surplus contributions	—	—	80
Cash flows (used in) provided by financing activities	$ (15,315)	$ 1,158	$ 111,562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 40,606	$ (41,616)	$ 749
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,053	105,669	104,920
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 104,659	$ 64,053	$ 105,669
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid (recovered)	$ (15,916)	$ (1,204)	$ 52,994
Interest paid on debt outstanding	11,769	14,232	15,551

See accompanying notes

1. STATUS OF THE COMPANY

ING Canada Holdings Inc. (the ''Company'') was incorporated under the *Canada Business Corporations Act* (the ''Act'').

The Company has investments in subsidiaries whose business is primarily property and casualty (P&C) insurance. Significant P&C subsidiaries are ING Insurance Company of Canada, The Nordic Insurance Company of Canada, ING Novex Insurance Company of Canada and Belair Insurance Company Inc. (''BELAIR''). These subsidiaries are primarily involved in the sale of personal insurance, representing 68% of premiums written.

2. REPORTING RESPONSIBILITIES

The consolidated financial statements and accompanying notes are the responsibility of management.

Pursuant to the Act, the external auditors are appointed by the shareholder to conduct an independent and objective audit of the consolidated financial statements of the Company, in accordance with Canadian generally accepted auditing standards and to report thereon to the shareholder. In carrying out the audits of the P&C subsidiaries, the auditors make use of the work of the Actuary and the Actuary's reports on the subsidiaries' policy liabilities. The auditors' report outlines the scope of their audit and their opinion on the Company's consolidated financial statements.

The Actuary is appointed by the Boards of Directors of the federal P&C subsidiaries pursuant to the Insurance Companies Act of Canada and by the Board of Directors of BELAIR pursuant to Part IA of the Companies Act (Quebec). The actuary is responsible for ensuring that the assumptions and methods used for the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives. The Actuary is also required to provide an opinion on the appropriateness of the policy liabilities at the consolidated balance sheet date to meet all policyholder obligations of the P&C subsidiaries and BELAIR. The work to form that opinion includes an examination of the sufficiency and reliability of policy data and an analysis of the ability of the assets to support the policy liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, (''GAAP''). The preparation of 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 date of the consolidated financial statements, the reported amounts of revenue and expenses for the year, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Significant estimates include the determination of impairment (notes 5 and 11), policy liabilities (note 7), income taxes (note 10), the accrued pension benefit (note 13) and contingencies (note 19). These estimates are subject to uncertainty. Changes in estimates are recorded in the accounting period in which they are determined.

Further, the accounting policies used to prepare the consolidated financial statements of the Company's regulated insurance subsidiaries must also comply with the accounting requirements of their respective regulators. The significant accounting policies used in preparing these consolidated financial statements, including those specified by the insurance regulators are, in all material respects, in accordance with Canadian GAAP and are summarized below. These policies have been consistently applied, except as described in note 3(m).

(a) **Basis of consolidation**

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

(b) **Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments that have a term to maturity of three months or less at the consolidated balance sheet date. They are carried at amortized cost, which approximates fair market value.

(c) **Investments and investment income**

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

The carrying value of an investment is written down and the write down is charged to income when there is evidence of an ''other-than-temporary'' decline in the value of an investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(d) **Foreign currency translation**

An asset, liability, revenue and expense arising from a foreign currency transaction is translated into Canadian dollars using the exchange rate prevailing at the date of the transaction, unless it is effectively hedged against a foreign exchange exposure. Items that are effectively hedged are translated at the hedge rate.

Monetary items denominated in a foreign currency are adjusted to reflect the exchange rate at December 31, unless they are effectively hedged against a foreign exchange exposure, and the foreign currency adjustment is reflected in income. Monetary items that are effectively hedged continue to be recorded at the hedge rate.

Realized gains and losses on foreign exchange transactions are recognized in the consolidated statement of income at the transaction date.

(e) **Financial instruments**

Derivative financial instruments used are forward and future contracts and swap agreements.

Proceeds paid or received upon the settlement of derivatives that are effective in hedging fair value exposures are recorded as deferred losses or gains and are presented in the consolidated balance sheet as other receivables or accrued liabilities; deferred gains or losses are recognized in the consolidated statement of income when gains and losses on the hedged assets are realized.

Foreign denominated investments whose principal and interest cash flows are effectively hedged by derivative financial instruments are recorded in the consolidated balance sheet at the hedge rate. Interest income on these investments is recorded in the consolidated statement of income, also at the hedge rate.

Gains and losses on derivatives that are not effective hedges are recognized in the consolidated statement of income monthly upon settlement.

When investments that are effectively hedged by derivatives for fair value exposures are disposed of, previously deferred gains or losses in relation to those derivatives are recognized in the consolidated statement of income as gains or losses in proportion to the investments sold.

Preferred shares have been classified as debt outstanding rather than an equity instrument due to a contractual obligation of the issuer either to deliver cash or another financial asset to the holder or to exchange another financial instrument with the holder under conditions that may be potentially unfavourable to the issuer. Dividends paid on such preferred shares, if any, are charged to income.

(f) **Revenue recognition**

Premiums written or assumed are deferred as unearned premiums and recognized as revenue on a pro rata basis over the terms of the underlying policies. Commission income and advisory fees are recorded on an accrued basis.

(g) **Policy liabilities**

Policy liabilities consist of unearned premiums and the provision for unpaid claims and adjustment expenses. Unearned premiums are calculated as the unexpired portion of the premiums written on a pro rata basis. The provision for unpaid claims and adjustment expenses is first determined on a case-by-case basis as claims are reported and then reassessed, as additional information becomes known. It incorporates an additional provision to account for the future development of these claims including claims incurred but not reported. The provision for unpaid claims and adjustment expenses is discounted to take into account the time value of money. It also includes a provision for adverse deviation, as required by Canadian accepted actuarial practice.

The Actuary, using appropriate actuarial techniques, evaluates the adequacy of policy liabilities.

(h) **Deferred acquisition costs**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commissions paid to brokers and dealers on the sale of mutual fund securities are deferred and amortized on a straight-line basis over six years starting on the date when the sale transaction was recorded.

(i) **Reinsurance**

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

(j) **Property and equipment**

Property and equipment are carried at cost less accumulated amortization. Amortization rates are established to write off the cost of the assets over their estimated useful lives. Buildings are amortized at rates between 3% to 8% per year. Computer equipment is amortized on a straight-line basis over periods of 30 to 36 months. Furniture and equipment are amortized on a straight-line basis at the rate of 20% per year. Leasehold improvements are amortized on a straight-line basis over the terms of the leases.

(k) **Employee future benefits**

The Company maintains defined benefit pension plans for its employees. Under these plans, the accrued benefit obligations, net of the fair values of plan assets and unamortized items, are accrued. Unamortized items are the past service costs, the transitional asset, the transitional valuation allowance and net actuarial gains or losses. To match costs and services, these items are amortized on a straight-line basis over the expected active remaining service life of employees (''EARSL''). Changes in the valuation allowance are not deferred or amortized.

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

(i) The cost of pension benefits earned by employees is actuarially determined using the projected benefit method based on services provided by employees and management's best estimates.

(ii) For the purpose of calculating the expected return on plan assets, plan assets are valued at fair value.

(iii) Only gains or losses in excess of 10% of the greater of the accrued benefit obligation or the fair value of plan assets are amortized.

(l) **Income taxes**

The Company uses the liability method whereby income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of financial statement assets and liabilities compared with their respective tax bases. Accordingly, a future tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of revenue and expenses are expected to be realized.

Future income taxes accumulated as a result of temporary differences are included in the consolidated balance sheet. In addition, the consolidated statement of income contains items that are non-taxable or non-deductible for income tax purposes, which cause the income tax provision to differ from what it would be if based on statutory rates.

(m) **Goodwill and intangible assets**

For acquisitions completed subsequent to July 1, 2001, the excess of the purchase price over the fair value of the underlying net assets is initially allocated to intangible assets, as appropriate, and the residual to goodwill. An intangible asset is recognized apart from goodwill when it results from contractual or other legal rights or it is capable of being separated or divided from the acquired enterprise and sold, transferred, licensed, rented, or exchanged. Finite life intangible assets are amortized to income over their useful life whereas infinite life intangible assets and goodwill are not subject to amortization. Goodwill is tested annually for impairment of value on a reporting unit basis. Judgement is required to identify reporting units with similar economic characteristics, and to select a valuation model. In the insurance industry, it is common for companies to be acquired at a price determined as a multiple of the premium revenue, adjusted for net assets other than intangibles. Accordingly, the Company assesses the carrying value of its net assets on this basis. Impairment, if any, identified through this assessment is charged to income as a result of a reduction in the carrying value of the goodwill.

Prior to January 1, 2002, goodwill representing the excess of the purchase price of acquisitions over the fair value of the underlying net assets was amortized to income over its estimated useful life. On January 1, 2002, the Company adopted the new accounting recommendations for Business Combinations and Goodwill and Other Intangibles as set out in CICA Handbook Sections 1581

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and 3062. In accordance with these requirements, the Company reviewed each of the business combinations completed prior to July 1, 2001 to determine whether there were intangibles that met the criteria in CICA Handbook Section 1581 for recognition apart from goodwill. As a result, the Company did not identify any intangible assets. Further, an initial impairment analysis was performed and any impairment pursuant to transition requirements was charged to retained earnings.

4. CASH AND CASH EQUIVALENTS

For the purpose of meeting short-term cash commitments, the Company maintains short-term investments in highly liquid money market securities maturing in 90 days or less, referred to as cash equivalents. At December 31, 2003, the Company had $213,232 in cash equivalents (2002 — $161,151). Cash equivalents are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Consequently, their fair value is assumed to approximate their carrying amount. Cash and cash equivalents in the consolidated balance sheet are presented net of bank overdrafts.

5. INVESTMENTS

Table 5.1	As at December 31, 2003			
	Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Fixed income securities (i)	**$1,660,408**	**$1,690,317**	**$ 31,829**	**$ 1,920**
Investment grade				
Government and government guaranteed	960,680	974,841		
Corporate	430,081	441,635		
Asset-backed	217,125	221,071		
Below investment grade	52,522	52,770		
Mortgage loans	**113,052**	**117,949**	**4,897**	
Preferred shares	**1,096,835**	**1,152,060**	**59,423**	**4,198**
Investment grade	911,051	948,443		
Below investment grade	185,784	203,617		
Common shares (ii)	**782,369**	**846,137**	**75,177**	**11,409**
Other investments (iii)	208,882	208,882		
	$3,861,546	$4,015,345	$171,326	$17,527

Table 5.2	As at December 31, 2002			
	Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Fixed income securities (i)	**$1,032,697**	**$1,069,538**	**$ 36,986**	**$ 145**
Investment grade				
Government and government guaranteed	607,865	624,615		
Corporate	268,550	280,902		
Asset-backed	96,110	99,734		
Below investment grade	60,172	64,287		
Mortgage loans	**135,283**	**138,907**	**3,636**	**12**
Preferred shares	**1,002,613**	**1,020,887**	**43,353**	**25,079**
Investment grade	827,289	845,673		
Below investment grade	175,324	175,214		
Common shares (ii)	**919,385**	**845,006**	**21,951**	**96,330**
Other investments (iii)	**207,166**	**207,166**		
	$3,297,144	$3,281,504	$105,926	$121,566

(i) Fixed income securities include $45,240 in private placements (2002 — $43,064) and $16,319 in fixed income mutual fund units of ING Funds (2002 — $16,709).

(ii) Common shares include $140,776 in equity mutual fund units of ING Funds (2002 — $155,638).

(iii) Other investments include loans and strategic investments.

5. INVESTMENTS (Continued)

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

To assess impairments, management has reviewed available current information on investments with fair values below their carrying amounts and ascertained that the carrying amounts are expected to be recovered. For investments in common and preferred shares, management has ensured that expectations have not changed such that the fair value of these securities is adversely affected other than on a temporary basis. For loans, management has assessed the expected future cash flows and, where necessary, the net realizable amounts of assets provided as collateral. Impairments for the year were $29,673 (2002 — $36,235, 2001 — $6,199).

The Company has invested in some common shares and income trust units pursuant to a market neutral strategy so as to maximize value added from active management. This strategy consists of having both long and short equity positions. These positions are not held for short-term investing purposes, but may nevertheless be changed in anticipation of, or in response to, better market opportunities. Long and short positions are accounted for at cost. Short positions are presented in the consolidated balance sheet as other liabilities. Lenders of the shorted securities hold collateral in the form of high quality government bonds and debentures. The amount of collateral provided is established as a percentage of the fair value of the shares and varies based on criteria set by the lenders.

As at December 31, 2003, the Company had invested $24,414 in long positions (2002 — $42,815) and $25,693 in short positions (2002 — $39,263) under this strategy and provided $25,057 (2002 — $41,075) as collateral.

(a) **Credit risk**

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

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

Tables 5.1 and 5.2 reflect the Company's fixed income securities and preferred shares classified by issuer and investment grade.

(b) **Liquidity risk**

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

5. INVESTMENTS (Continued)

Tables 5.3 and 5.4 summarize maturities by type of investment.

Investment maturities

Table 5.3	As at December 31, 2003				
	One year or less	One year to five years	Over five years	No specific maturity	Total
Fixed income securities	$ 5,583	$ 754,940	$ 883,566	$ 16,319	$1,660,408
Mortgage loans	29,059	29,001	54,992	—	113,052
Preferred shares	43,728	187,257	293,042	572,808	1,096,835
Common shares	—	—	—	782,369	782,369
Other investments	36,705	86,697	68,924	16,556	208,882
	$115,075	$1,057,895	$1,300,524	$1,388,052	$3,861,546

Table 5.4	As at December 31, 2002				
	One year or less	One year to five years	Over five years	No specific maturity	Total
Fixed income securities	$ 3,052	$417,536	$ 595,400	$ 16,709	$1,032,697
Mortgage loans	22,672	26,978	85,633	—	135,283
Preferred shares	95,532	224,843	199,635	482,603	1,002,613
Common shares	—	—	—	919,385	919,385
Other investments	2,744	60,828	128,383	15,211	207,166
	$124,000	$730,185	$1,009,051	$1,433,908	$3,297,144

Tables 5.3 and 5.4 have been prepared on the basis of the scheduled maturities of the underlying instruments.

(c) **Interest rate risk**

Interest rate risk is the risk that a movement in interest rates will have an adverse effect on the financial condition of the Company.

The weighted interest rate based on amortized book values as at December 31, 2003 was 5.50% (2002 — 6.15%, 2001 — 6.25%) for fixed income securities, 7.09% (2002 — 7.33%, 2001 — 7.29%) for mortgage loans and 5.33% (2002 — 5.85%, 2001 — 5.92%) for preferred shares with a maturity date.

(d) **Securities lending**

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage financial risks arising from fluctuations in foreign exchange rates, markets and cash flows. The Company's policy is to not utilize derivative financial instruments for trading or speculative purposes.

(a) **Foreign exchange rate risk**

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

6. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company mitigates some market exposures by selling exchange-traded index futures. Futures are commitments to purchase or deliver a financial instrument on a specified future date at a specified price and are traded in standardized amounts on organized exchanges and are subject to daily cash margining. The Company discontinued the use of these futures during 2003.

The Company also uses bond and equity-linked swaps as part of an investment strategy aimed at taking advantage of the favourable tax treatment of holding equity instruments, while retaining the market exposure of a bond portfolio. The Company transacts these swaps in the over-the-counter markets. The use of these swaps creates an obligation for the Company to sell future equity returns based on an index benchmark in exchange for future bond returns based on an index benchmark, at pre-determined rates. The Company discontinued the use of this strategy during 2003.

(c) **Cash flow risk**

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

The notional amount of these swaps approximates the nominal value of the foreign denominated investments covered by these swaps. These swaps are considered as effective hedges of cash flow risk for accounting purposes.

The Company has also entered into an interest-rate swap with a financial institution, whereby it receives variable interest cash inflows in exchange for fixed interest cash outflows. The variable interest cash inflows received are subsequently paid as interest on the Company's loan payable to an affiliate, which carries a variable interest rate.

(d) **Replacement cost**

The replacement cost of exchange-traded derivative financial instruments is based on quoted market rates. The replacement cost of over-the-counter derivative financial instruments is an estimate and is determined using valuation models that incorporate prevailing foreign exchange rates, interest rates, market rates and prices on underlying instruments with similar maturities and characteristics.

The replacement cost reflects the estimated amount that the Company would receive or might have to pay to terminate the contracts as at December 31.

(e) **Credit risk**

The credit risk for derivative financial instruments is limited to their positive replacement cost, which is substantially lower than their notional amount. The Company mitigates credit risk by diversifying exposure to any single counter party. The counter parties are federally regulated financial institutions. As at December 31, 2003, the positive replacement cost of these derivative instruments was $1,220 (2002 — $3,861).

6. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Tables 6.1 and 6.2 summarize the derivatives used by the Company, their notional amount and their replacement cost.

Table 6.1	As at December 31, 2003			
	Notional amount	Replacement cost	Positive replacement cost	Negative replacement cost
Foreign exchange risk				
Forwards sold	$47,889	$ (236)	$ —	$ (236)
Forwards bought	2,759	14	14	—
Cash flow risk				
Interest rate swap	75,000	(1,096)	—	(1,096)
Foreign exchange swaps	18,985	1,206	1,206	—

Table 6.2	As at December 31, 2002			
	Notional amount	Replacement cost	Positive replacement cost	Negative replacement cost
Foreign exchange risk				
Forwards sold	$118,867	$(1,151)	$ —	$(1,151)
Forwards bought	—	—	—	—
Market risk				
Futures	139,343	(1,280)	—	(1,280)
Bond swaps	149,759	2,642	2,642	—
Equity swaps	157,908	(1,254)	—	(1,254)
Cash flow risk				
Interest rate swap	75,000	(475)	—	(475)
Foreign exchange swaps	54,321	(6,264)	1,219	(7,483)

Table 6.3 provides a summary of the carrying value of the investments hedged by derivatives and the remaining terms to maturity of these derivatives.

Table 6.3	As at December 31, 2003				As at December 31, 2002			
		Term to maturity (notional amount)				Term to maturity (notional amount)		
	Carrying value of investments hedged	One year or less	One year to five years	Over five years	Carrying value of investments hedged	One year or less	One year to five years	Over five years
Forwards	$51,620	$50,648	$ —	$ —	$106,869	$118,867	$ —	$ —
Futures	—	—	—	—	165,201	139,343	—	—
Bond and equity swaps	—	—	—	—	307,667	—	307,667	—
Interest rate swap	75,000	75,000	—	—	75,000	75,000	—	—
Other swaps	19,071	972	4,320	13,693	40,610	4,275	17,150	32,896

7. POLICY LIABILITIES

Provisions for 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 date, 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.

7. POLICY LIABILITIES (Continued)

Provision for unpaid claims and adjustment expenses

Table 7.1	As at December 31, 2003 Direct	2003 Ceded	2002 Direct	2002 Ceded
Auto: liability	$1,376,562	$290,154	$1,297,200	$337,160
Auto: personal accident	622,975	173,461	554,893	214,606
Auto: other	103,611	75,385	92,341	23,170
Property	295,225	75,050	258,988	59,439
Liability	535,691	80,606	525,165	98,753
Other	7,914	1,467	16,767	1,015
	$2,941,978	$696,123	$2,745,354	$734,143

The provision for unpaid claims and adjustment expenses is first determined on a case-by-case basis as claims are reported and then reassessed, as additional information becomes known. It incorporates an additional provision to account for the future development of these claims including claims incurred but not reported. In estimating the provision for unpaid claims and 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 claim frequency, future rates of claim 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.

The provision for unpaid claims and adjustment expenses is reduced by $229,841 (2002 — $217,411) on a net basis to take into account the time value of money using a rate of 5.35% (2002 — 5.24%) on underlying claim settlement patterns. It also includes a provision for adverse deviation, as required by Canadian accepted actuarial practice. The aggregate impact of the provision for adverse deviation is to increase the provision for unpaid claims and adjustment expenses on a net basis by $235,768 (2002 — $191,228). The Company considers that the fair value of unpaid claims and adjustment expenses approximates their carrying amount.

Provision for unearned premiums

Table 7.2	As at December 31, 2003 Direct	2003 Ceded	2002 Direct	2002 Ceded
Auto: liability	$ 510,620	$ 63,974	$ 453,703	$ 67,580
Auto: personal accident	181,837	35,526	145,990	39,855
Auto: other	461,776	44,396	439,068	50,119
Property	608,261	49,727	558,042	56,081
Liability	128,331	5,147	110,719	4,442
Other	23,517	7,879	19,784	7,247
	$1,914,342	$206,649	$1,727,306	$225,324

The provision for unearned premiums is calculated on a pro rata basis, from the unexpired portion of the premiums written and is validated through standard actuarial techniques to ensure that it is sufficient to cover the estimated future costs of servicing these policies and related claims. In estimating these future costs, the Company uses discounting techniques and adds a provision for adverse deviation to the discounted amount. There was no premium deficiency at the consolidated balance sheet date. The Company considers that the fair value of unearned premiums approximates their carrying amount.

Interest rate sensitivity

Since the time value of money is considered when determining the provision for unpaid claims and adjustment expenses, an increase or decrease in the discount rate would result in a decrease or increase in unpaid claims and adjustment expenses respectively. Consequently, a 1% change in the discount rate would have an impact of $34,196 (2002 — $36,041) on the fair value of unpaid claims and adjustment expenses.

7. POLICY LIABILITIES (Continued)

Structured settlements

The Company enters into annuity agreements with various Canadian life insurance companies to provide for fixed and recurring payments to claimants. Under such arrangements, the Company's liability to its claimants is substantially transferred, although the Company remains exposed to credit risk to the extent to which any of the life insurers fails to fulfil its obligations. This risk is managed by acquiring annuities from highly rated Canadian life insurance companies. At December 31, 2003, none of the life insurers from which the Company had purchased annuities was in default and no provision for credit risk was required. A measure of the credit risk exposure is the original purchase price $151,072 (2002 — $129,424) of the annuities.

8. REINSURANCE

In the ordinary course of business, the Company reinsures certain risks with other reinsurers to limit its maximum loss in the event of catastrophes or other major losses. Net retention on a single property or liability is generally $2,000 (2002 — $1,000, 2001 — $1,000) and $2,500 (2002 — $2,500, 2001 — $2,500) respectively; in a number of cases, like special classes of business or types of risks, the retention would be lower through specific treaties or the use of facultative reinsurance. For multi-risk events or catastrophes, retention is $2,500 (2002 — $2,500, 2001 — $2,500) with a limit of $1,300,000 (2002 — $1,000,000, 2001 — $850,000). The Company retains 10% of the exposure from $12,500 to $600,000 for 2003, from $12,500 to $450,000 for 2002 and from $7,500 to $450,000 for 2001.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company.

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurers' insolvencies. The Company requires a minimum credit rating for reinsurers of A(-) at inception of the treaty. Management has concluded that the Company is not exposed to significant loss from reinsurers for potentially uncollectible reinsurance as at the consolidated balance sheet date.

Furthermore, the Company is the assigned beneficiary of trust accounts holding cash deposits, bonds and letters of credit totaling $923,857 (2002 — $908,202) in guarantee from unlicensed reinsurers. These amounts include $922,623 (2002 — $907,108) from an affiliated reinsurer. Trust accounts are held in support of policy liabilities of $761,264 (2002 — $806,953) and could be used should these reinsurers be unable to meet their obligations.

Table 8.1 presents the impact of reinsurance on the consolidated statement of income.

	Years Ended December 31,					
	2003		2002		2001	
	Ceded		Ceded		Ceded	
Table 8.1	**To affiliates**	**Total**	**To affiliates**	**Total**	**To affiliates**	**Total**
Premiums earned	$(402,787)	$(495,839)	$(453,038)	$(529,078)	$(25,827)	$(75,246)
Claims and loss adjustment expenses	298,630	311,099	387,043	405,447	27,364	48,612
Commissions	54,783	68,946	52,531	78,280	—	7,692
Premium taxes	11,360	11,360	12,125	12,125	—	—
General expense	23,426	23,426	26,836	26,836	—	—
(Loss) income before income taxes	$ (14,588)	$ (81,008)	$ 25,497	$ (6,390)	$ 1,537	$(18,942)

9. RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties. These transactions consist principally of management and advisory expenses rendered by the parent and affiliated companies, reinsurance by an affiliated Company (see note 8), financing by the parent Company, advisory fees from affiliated asset management funds and commission income of brokerage companies which is also an expense of the insurance subsidiaries. These transactions are carried out in the normal course of operations. Accordingly, they are measured at the exchange amount, which approximates fair value. Any amount due from/to the Company resulting from these transactions is subject to settlement on a regular basis.

In 2003, the Company incurred $14,626 (2002 — $11,006, 2001 — $13,074) in expenses, $10,383 (2002 — $7,962, 2001 — $8,482) in interest and received advisory fees of $2,970 (2002 — $2,593, 2001 — $912) and commissions of $924 (2002 — $8,324, 2001 — $17,365).

9. RELATED PARTY TRANSACTIONS (Continued)

At December 31, 2003, significant intercompany balances were $15,638 (2002 — $62,442) in amounts payable to an affiliated reinsurer, $3,110 (2002 — $2,654) in interest payable, and $306 (2002 — $1,313) in other accounts payable.

In 2000, a subsidiary of the Company launched a series of mutual funds under the ING brand name. Other subsidiaries of the Company have invested in these mutual funds. The fair value of these investments is $164,785 (2002 — $139,845) which represent 54.8% (2002 — 65.3%) of the funds' total fair value.

10. INCOME TAXES

(a) Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rates to consolidated income before taxes for the following reasons:

Table 10.1	Years Ended December 31, 2003	2002	2001
Income tax expense calculated at statutory rates	35.2%	37.5%	39.7%
Increase (decrease) resulting from:			
Non taxable dividends	(14.2)	(95.8)	(29.0)
Tax on large corporations	1.8	10.7	2.4
Non-deductible accounting write-down	1.3	23.4	—
Losses for which a tax asset is not recognized	3.9	7.7	4.3
Change in future tax expense rate	—	2.9	4.6
Non-deductible expense	4.8	2.3	6.3
Accounting loss on disposal	—	7.7	—
Other (net)	(1.0)	0.2	1.1
Non-taxable income (loss) from subsidiaries	(1.0)	9.4	(0.6)
Valuation allowance	2.9	—	—
Income tax expense	33.7%	6.0%	28.8%

(b) The most significant components of the future tax balances are as follows:

Table 10.2	As at December 31, 2003	2002
Future tax assets		
Difference between accounting loss reserves and tax loss reserves	$ 44,414	$ 51,947
Losses available for carryforward	959	52,680
Difference between the market value and book value of investments	39,574	—
Post-employment benefits	1,636	1,601
Premises and equipment	4,799	4,502
Deferred expenses for tax purposes	30,571	22,958
Total future tax assets	$121,953	$133,688
Future tax liabilities		
Deferred income for tax purposes	42,400	58,934
Deferred gains on disposition of specified debt obligations	23,222	15,856
Pension liability	15,562	13,477
Difference between the market value and book value of investments	—	1,626
Other	4,397	5,125
Total future tax liabilities	$ 85,581	$ 95,018
Net future tax assets	$ 36,372	$ 38,670

The Company has recorded cumulative impairments in its investments in ING Mutual Funds for which a tax asset of $5,000 (2002 — $3,000) has not been recognized as at December 31, 2003.

10. INCOME TAXES (Continued)

The Company has non-capital losses of $48,961 (2002 — $25,084), which had not been recognized as a future tax asset as at December 31, 2003. These losses may be used to reduce future taxable income and expire as follows:

Table 10.3

Year	Amount
2006	$ 4,448
2007	6,039
2008	16,054
2009	14,722
2010	7,698

The Company has allowable capital losses of approximately $24,500 (2002 — $24,500), which had not been recognized as a future tax asset as at December 31, 2003. These losses may be used to reduce future years' taxable capital gains.

11. GOODWILL

The Company performed its impairment testing and identified no impairment in 2003 and transitional impairment in 2002 of $336,542. The impairment in 2002 is reflected in these financial statements in accordance with the transitional rules; consequently, it was recorded as an adjustment to opening retained earnings. This impairment is non-cash in nature and does not affect the Company's liquidity or ability to discharge its liabilities.

12. OTHER ASSETS

The table below summarizes the major components of other assets.

Table 12.1	As at December 31, 2003	2002
Accrued pension benefit, net of valuation allowance (Note 13)	$46,539	$ 37,048
Prepaid commissions	4,794	42,204
Property and equipment, net (Table 12.2)	42,428	47,257
Other assets	2,240	2,388
	$96,001	$128,897

Property and equipment are detailed in table 12.2.

Table 12.2	As at December 31, 2003 Cost	2003 Accumulated amortization	2003 Book value	2002 Cost	2002 Accumulated amortization	2002 Book value
Land	$ 3,355	$ —	$ 3,355	$ 3,362	$ —	$ 3,362
Buildings	21,991	(12,101)	9,890	24,087	(13,244)	10,843
Computer equipment	47,540	(38,144)	9,396	42,323	(31,392)	10,931
Furniture and equipment	44,438	(30,316)	14,122	41,068	(26,449)	14,619
Leasehold improvements	13,187	(7,522)	5,665	12,929	(5,427)	7,502
	$130,511	$(88,083)	$42,428	$123,769	$(76,512)	$47,257

13. PENSION PLANS

The Company has registered and unregistered defined benefit final pay pension plans for its employees. The latest actuarial valuation for these plans was performed as of December 31, 2002. The measurement date is December 31.

13. PENSION PLANS (Continued)

Table 13.1 presents the financial position of the Company's pension plans at December 31.

Table 13.1	As at December 31, 2003 Registered plans: Plans in surplus	2003 Registered plans: Other	2003 Unregistered plans: Other	As at December 31, 2002 Registered plans: Plans in surplus	2002 Registered plans: Other	2002 Unregistered plans: Other
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$(219,182)	$(48,774)	$(12,550)	$(207,250)	$(42,314)	$(11,652)
Current service cost	(7,683)	(4,339)	(645)	(6,723)	(4,324)	(565)
Interest cost	(14,650)	(3,517)	(843)	(13,709)	(3,041)	(779)
Employees' contributions	(2,457)	(1,099)	—	(2,761)	(601)	—
Benefits paid	10,076	579	456	11,436	1,331	446
Actuarial (losses) gains	(4,557)	(7,772)	853	—	—	—
Transfers	—	—	—	(175)	175	—
Projected benefit obligation at end of year	$(238,453)	$(64,922)	$(12,729)	$(219,182)	$(48,774)	$(12,550)
Change in plan assets						
Plan assets at beginning of year	284,677	42,218	2,762	300,733	45,787	3,106
Actual return on plan assets	56,969	7,109	28	(7,556)	(2,664)	32
Employees' contributions	2,457	1,099	—	2,761	601	—
Employer's contributions	—	4,842	82	—	—	70
Benefits paid	(10,076)	(579)	(456)	(11,436)	(1,331)	(446)
Transfers	—	—	—	175	(175)	—
Plan assets at end of year	$ 334,027	$ 54,689	$ 2,416	$ 284,677	$ 42,218	$ 2,762
Plan surplus (deficit)	$ 95,574	$(10,233)	$(10,313)	$ 65,495	$ (6,556)	$ (9,788)

Table 13.2 reconciles the plans' surpluses (deficits) and accrued pension benefits (liabilities).

Table 13.2	As at December 31, 2003 Registered plans: Plans in surplus	2003 Registered plans: Other	2003 Unregistered plans: Other	As at December 31, 2002 Registered plans: Plans in surplus	2002 Registered plans: Other	2002 Unregistered plans: Other
Plan surplus (deficit)	$ 95,574	$(10,233)	$(10,313)	$ 65,495	$(6,556)	$(9,788)
Add (deduct) unamortized balances:						
Transitional asset	(75,403)	(6,881)	(1,923)	(84,828)	(7,741)	(2,163)
Prior service cost	401	109	—	445	121	—
Net actuarial losses	40,910	15,419	1,116	75,476	11,846	1,963
Valuation allowance	(2,237)	—	—	(7,222)	—	—
Accrued pension benefit (liability)	$ 59,245	$ (1,586)	$(11,120)	$ 49,366	$(2,330)	$(9,988)

13. PENSION PLANS (Continued)

Tables 13.3, 13.4 and 13.5 provide details of the components of the pension plans' (benefit) cost.

Table 13.3	Year Ended December 31, 2003		
	Registered plans		Unregistered plans
	Plans in surplus	Other	Other
Service cost	$ 7,683	$ 4,339	$ 645
Interest cost	14,650	3,517	843
Expected return on plan assets	(21,857)	(3,491)	(100)
Amortization of prior service cost	44	12	—
Amortization of transitional asset	(9,425)	(860)	(240)
Amortization of net actuarial losses	4,011	581	66
Amortization of valuation allowance	(279)	—	—
Change in valuation allowance	(4,706)	—	—
Pension (benefit) cost	$ (9,879)	$ 4,098	$1,214

Table 13.4	Year Ended December 31, 2002		
	Registered plans		Unregistered plans
	Plans in surplus	Other	Other
Service cost	$ 6,723	$ 4,324	$ 565
Interest cost	13,709	3,041	779
Expected return on plan assets	(23,730)	(3,652)	(117)
Amortization of prior service cost	44	12	—
Amortization of transitional asset	(9,425)	(860)	(240)
Amortization of net actuarial losses	1,284	87	91
Amortization of valuation allowance	(279)	—	—
Change in valuation allowance	1,108	—	—
Pension (benefit) cost	$(10,566)	$ 2,952	$1,078

Table 13.5	Year Ended December 31, 2001		
	Registered plans		Unregistered plans
	Plans in surplus	Other	Other
Service cost	$ 5,786	$ 1,552	$ 229
Interest cost	12,841	1,330	697
Expected return on plan assets	(24,654)	(2,076)	(137)
Amortization of prior service cost	44	12	—
Amortization of transitional asset	(9,425)	(860)	(240)
Amortization of net actuarial losses	(11)	(5)	—
Amortization of valuation allowance	(279)	—	—
Change in valuation allowance	2,809	—	—
Pension (benefit) cost	$(12,889)	$ (47)	$ 549

13. PENSION PLANS (Continued)

In estimating the pension cost (benefit), the Company uses long-term actuarial assumptions, which are consistent with the long-term nature of pension plans. Table 13.6 summarizes the weighted average assumptions used to determine the net pension cost (benefit).

Table 13.6	Years Ended December 31, 2003	2002	2001
Discount rate	6.5%	6.5%	6.5%
Expected rate of return on plan assets	7.75%	8.0%	8.0%
Rate of compensation increase	4.0%	4.0%	4.0%
Estimated average remaining service life of employees (EARSL)	12 years	12 years	12 years

14. LONG-TERM INVESTMENTS

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

	2003				
Table 14.1	Opening balance	Additional investment	Income (loss)	Dividends	Closing balance
Other	$10,478	$ —	$(3,392)	$ —	$ 7,086
P&C Insurance Brokerages	77,987	(39,391)	6,920	(4,085)	41,431
	$88,465	$(39,391)	$ 3,528	$(4,085)	$48,517

	2002				
Table 14.2	Opening balance	Additional investment	Income (loss)	Dividends	Closing balance
Other	$12,618	$ (18)	$(1,997)	$ (125)	$10,478
P&C Insurance Brokerages	13,693	62,254	3,073	(1,033)	77,987
	$26,311	$62,236	$ 1,076	$(1,158)	$88,465

15. ASSETS HELD FOR RESALE

The following table provides details of the assets held for resale.

Table 15.1	Year Ended December 31, 2003	2002
Land	$ 516	$ 516
Building, net of accumulated amortization	1,586	1,586
Equipment, net of accumulated amortization	14	42
	$2,116	$2,144

16. DEBT OUTSTANDING

Table 16.1 summarizes the Company's loans and lines of credit.

Table 16.1

Issuer	Maturity		Rate	As at December 31, 2003	As at December 31, 2002
ING Verzekeringen, N.V.	February 27, 2006		6.27%	$127,000	$127,000
ING Verzekeringen, N.V.	January 23, 2004	(a)	LIBOR + 8 Bp.	75,000	—
ING Insurance International, N.V.		(b)		259,082	259,082
Royal Bank of Canada	January 23, 2006	(c)	(e)	22,000	41,400
Royal Bank of Canada	January 31, 2003	(d)	6.82%	—	75,000
				$483,082	$502,482

(a) Renewable for successive periods of three months for an undetermined period of time.

(b) Preferred shares are non-voting, have no par value and are redeemable at the option of the holder at the issued value and retractable at the option of the Company. Preferred shareholders are entitled to receive non-cumulative cash dividends in priority to common shareholders. No dividends were paid on these shares during the three year period ended December 31, 2003.

(c) $22,000 revolving credit facility with renewal for successive periods of three months until January 23, 2006

(d) $75,000 revolving credit facility; fully paid out and cancelled on January 31, 2003.

(e) Based on bankers' acceptance rate.

17. CAPITAL STOCK

Table 17.1 summarizes the Company's capital stock.

Table 17.1

Classes of shares	As at December 31, 2003 Authorized (shares)	2003 Issued and outstanding (shares)	2003 Amount $	As at December 31, 2002 Authorized (shares)	2002 Issued and outstanding (shares)	2002 Amount $
Voting						
Common, no par value	Unlimited	141,569	$605,905	Unlimited	141,569	$605,905

18. ACQUISITIONS AND DIVESTITURES

On December 17, 2001, we entered into an agreement with Zurich Insurance Company (''Zurich'') to acquire the personal and small to medium size commercial lines business of Zurich, and in turn sell our large size commercial lines business to Zurich. We assumed Zurich policies in force with net policy liabilities of $685,800 as at December 31, 2001. Approximately 1,000 employees were transferred to us. As part of our funding of the Zurich transaction, $608,400 of the Zurich net policy liabilities acquired were ceded by us under two quota share treaties with 60% ceded to one of our affiliated companies and 40% to an independent reinsurer. As of July 1, 2002, the quota share treaty with the independent reinsurer was transferred to our affiliated Company and continued until the treaty was commuted on January 1, 2004.

Under the terms of the agreement Zurich has provided certain guarantees with respect to the policy liabilities acquired by us as of December 31, 2001. Amounts recoverable are due from Zurich, including interest, as of April 30, 2007 with payments in 2004 and 2005. Management estimates that these recoverables are in the magnitude of $100,000.

19. CONTINGENCIES

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

20. COMMITMENTS AND GUARANTEES

Future minimum payments under long-term leases for space and equipment are presented in Table 20.1.

Table 20.1

Year	Amount
2004	$ 39,500
2005	30,733
2006	17,865
2007	15,566
2008	11,506
Thereafter	23,394
	$138,564

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

21. SEGMENTED INFORMATION

The Company's core business activity is property and casualty insurance. Property and casualty 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 as a whole. Investment income is shown net of investment expenses. Non property and casualty segments include the corporate and other activities, as well as realized investment gains. The corporate and other activities include miscellaneous sources of income such as commissions and advisory fees and related expenses, the Company's share of the net income from long-term investments and expenses related to non-recurring items such as acquisitions whose

21. SEGMENTED INFORMATION (Continued)

effects are not allocated to any other segment. The segment realized investment and other gains and the segment corporate and other are shown separately due to the inherent difficulty they pose for forecasting.

Table 21.1	Years Ended December 31, 2003	2002	2001
Revenues			
Property and casualty insurance			
Personal insurance	$1,828,682	$1,563,871	$1,344,843
Commercial insurance	932,215	773,227	674,403
Investment	208,786	181,714	182,878
Total property and casualty insurance	$2,969,683	$2,518,812	$2,202,124
Corporate and other	13,542	37,815	83,456
Realized investment and other gains	32,134	2,475	34,161
Total revenues	$3,015,359	$2,559,102	$2,319,741
Income (loss) before taxes, goodwill amortization and non-controlling interest			
Property and casualty insurance			
Personal insurance	(35,556)	(63,508)	(64,637)
Commercial insurance	87,241	36,196	10,045
Investment	200,500	173,912	177,478
Total property and casualty insurance	$ 252,185	$ 146,600	$ 122,886
Corporate and other	(57,354)	(117,918)	(5,574)
Realized investment and other gains	32,134	2,475	34,161
Total income before taxes	$ 226,965	$ 31,157	$ 151,473

	As at December 31, 2003	2002	2001
Assets			
Property and casualty insurance	$6,681,390	$5,968,627	$5,143,850
Corporate and other	212,077	288,470	794,641
Total assets	$6,893,467	$6,257,097	$5,938,491

22. FAIR VALUE DISCLOSURE

The fair values of financial assets and liabilities, other than investments (note 5), derivative financial instruments (note 6) and policy liabilities (note 7) approximate their carrying values due to their short-term nature.

23. SUBSEQUENT EVENTS

(a) **Disposal of IPC Financial Network Inc.**

The Company disposed of its investment in IPC Financial Network Inc. in May 2004 for proceeds of approximately $26,700 for an after-tax gain of $19,900.

(b) **Acquistion of Allianz Canada**

ING entered into a share and loan purchase agreement dated October 7, 2004 with Allianz AG and Allianz of America, Inc. (the ''Transaction''). The Transaction was completed on December 8, 2004 and:

(i) ING acquired all of the issued and outstanding shares of Allianz.

23. SUBSEQUENT EVENTS (Continued)

(ii) ING purchased certain debt of Allianz of $91 million.

(iii) ING completed the Transaction for cash consideration for shares of $279 million. The funding of this purchase price was from existing investments and a bridge loan from a Canadian chartered bank.

(iv) A series of restructuring transactions (the ''Restrucuring'') requiring Allianz to transfer a portion of its business (the ''AGR Business'') to the Canadian branch of an affiliate, Allianz Global Risks US Insurance Company (''AGR''), will be completed. Consequently, Allianz will transfer all the assets and all the past, present and future liabilities relating to the AGR Business together with certain other assets and liabilities to AGR with effect from closing date of transaction.

(v) The following table presents the allocation of the purchase price based on information as of September 30, 2004 and will be adjusted upon closing.

Purchase equation	
Purchase price	$ 370,000
Less: Cash consideration for loan purchased	(91,062)
Cash consideration for shares	$ 278,938
Add: Estimated Transaction costs	4,500
	$ 283,438
Net balance sheet assets acquired	
Less: Fair value of net tangible assets acquired	(166,508)
Excess	$ 116,930
Fair value of the net tangible assets	
Book value of Allianz Canada	$ 308,241
Less: AGR Business	—
	$ 308,241
Less: Fair value adjustments	(135,080)
Less: Integration costs	(45,700)
Add: Future income taxes on the foregoing	39,047
Fair value of net tangible assets acquired	$ 166,508
Allocation of excess	
Intangible assets — Customer lists and right to offer renewal	36,480
Goodwill	80,450
Net intangible assets and goodwill	$ 116,930

(c) **Amalgamation**

Immediately prior to completion of the offering, ING Canada Holdings Inc. and ING Canada Inc. will amalgamate, and the resulting entity will be named ING Canada Inc. This amalgamation will be presented on a continuity of interests basis as if the historical operating results and financial positions of the amalgamating companies had always been amalgamated. Consequently, this reorganization will not have a significant impact on the financial position of the Company.

(d) **Initial public offering of common shares**

Pursuant to an underwriting agreement dated December 9, 2004, the Company filed a prospectus dated December 9, 2004 to qualify the issuance of 34,880,000 common shares. The pro forma earnings per share give effect to the offering and the reorganization.

ALLIANZ OF CANADA, INC.

Unaudited Interim Consolidated Financial Statements
As at September 30, 2004 and December 31, 2003
and for the nine months ended September 30, 2004 and September 30, 2003

ALLIANZ OF CANADA, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS

September 30, 2004 and December 31, 2003
(all amounts in thousands of dollars)

	2004	2003
Assets		
Cash	$ —	$ 15,769
Accrued investment income	9,993	8,399
Investments:		
Short-term securities	—	—
Bonds and debentures	959,832	831,995
Common and preferred shares	65,945	65,945
Others	1,234	943
Due from brokers	26,304	34,037
Instalment premiums receivable	107,603	108,401
Due from Facility Association and the P.R.R.	71,149	65,965
Due from related parties	132,551	136,447
Recoverable from reinsurers		
Unearned premiums	64,547	57,979
Unpaid claims and adjustment expenses	504,084	488,691
Deferred policy acquisition costs	59,810	60,435
Income tax receivable	45	44
Future income taxes	26,451	51,985
Goodwill	68,687	69,056
Other intangible assets	529	280
Capital assets	21,782	25,913
Other assets	45,250	41,134
	$2,165,796	$2,063,418
Liabilities and Shareholders' Equity		
Liabilities:		
Bank overdraft	$ 1,188	$ —
Unpaid claims and adjustment expenses	1,175,229	1,107,595
Unearned premiums	378,023	387,169
Unearned reinsurance commissions	5,768	5,474
Due to related parties	223,098	223,153
Long-term debt	816	1,372
Income taxes payable	550	605
Other liabilities	72,883	74,278
	$1,857,555	$1,799,646
Shareholders' equity:		
Share capital	264,160	264,160
Contributed surplus	18,069	18,069
Retained earnings (deficit)	26,012	(18,457)
	$ 308,241	$ 263,772
	$2,165,796	$2,063,418

See accompanying notes

ALLIANZ OF CANADA, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Nine months ended September 30, 2004 and 2003
(all amounts in thousands of dollars except for earnings per share)

	2004	2003
Gross premiums written	$ 621,033	$ 659,423
Net premiums written	$ 455,725	$ 480,661
Revenue:		
Net premiums earned	$ 471,438	$ 465,271
Commission from brokerage operations	30,676	26,586
Investment income	33,371	31,475
Gain on sale of investments	10,938	8,656
Other income	—	—
	$ 546,423	$ 531,988
Expenses:		
Claims incurred	314,223	362,605
Commissions	53,104	49,936
Premium taxes	19,217	20,079
Investment expenses	430	295
Interest on long-term loans	3,734	3,327
General and administrative	79,480	73,176
Amortization of other intangible assets	120	103
Other	4,290	7,253
	$ 474,598	$ 516,774
Income before income taxes	71,825	15,214
Income taxes:		
Current	1,822	1,511
Future	25,534	4,832
	$ 27,356	$ 6,343
Net income	$ 44,469	$ 8,871
Deficit, beginning of period	(18,457)	(39,018)
Retained earnings (deficit), end of period	$ 26,012	$ (30,147)
Basic earnings per share	$13,682.77	$2,729.54

See accompanying notes

ALLIANZ OF CANADA, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30, 2004 and 2003
(all amounts in thousands of dollars)

	2004	2003
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 44,469	$ 8,871
Items not affecting cash:		
Gain on sale of investments	(10,938)	(8,656)
Amortization of bond premiums and discounts	2,605	1,915
Amortization of capital assets	4,924	5,971
Amortization of other intangible assets	120	103
Write-off of capital assets	2,476	—
Write-down of other investments	151	1
Future income taxes	25,534	4,832
Change in non-cash operating items:		
Deferred policy acquisition costs, net of unearned reinsurance commissions	920	(218)
Unpaid claims and adjustment expenses, net of recoverable from reinsurers	52,241	51,782
Unearned premiums, net of recoverable from reinsurers	(15,714)	15,390
Other	4,256	(11,786)
	$ 111,044	$ 68,205
Financing activities:		
Principal repayments of long-term debt	(557)	(628)
Investing activities:		
Investment purchases:		
Short-term securities	(636,668)	(655,713)
Bonds and debentures	(721,360)	(493,035)
Common and preferred shares	—	(648)
Others	(452)	—
Net cash paid on acquisition of corporations	(4,228)	(1,996)
Acquisition of capital assets	(3,269)	(4,306)
Proceeds from investment disposals:		
Short-term securities	636,668	703,078
Bonds and debentures	601,791	382,899
Common and preferred shares	64	1,850
Others	10	12
	$(127,444)	$ (67,859)
Decrease in cash	(16,957)	(282)
Cash, beginning of period	15,769	8,127
Cash, end of period	$ (1,188)	$ 7,845
Supplemental cash flow information:		
Interest paid	$ 4,413	$ 4,150
Income taxes paid	1,877	1,006

See accompanying notes

ALLIANZ OF CANADA, INC.

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2004
(all amounts in thousands of dollars)

1. BASIS OF PRESENTATION:

These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2003 as set out beginning on page F-51 of this offering document. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies as were used for the Company's consolidated financial statements for the year ended December 31, 2003.

2. INVESTMENTS:

The carrying amounts and fair values of investments are summarized as follows:

	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
Short-term securities	$ —	$ —	$ 5,300	$ 5,300
Bonds and debentures	959,832	976,786	803,430	833,951
Common and preferred shares	65,945	75,372	74,673	73,293
Others	1,234	1,234	585	585
	$1,027,011	$1,053,392	$883,988	$913,129

3. SEGMENTED INFORMATION:

The Company provides property and casualty insurance and other insurance related services in four reportable segments, personal insurance, commercial insurance, Allianz Global Risks (insurance of special commercial risks, also referred to as "AGR") and insurance brokerage. Results for the Company's operating segments are based on the Company's internal financial reporting systems and are consistent with those followed in the preparation of the consolidated financial statements.

Substantially all revenues are derived from Canadian customers, and no single customer provides 10% or more of revenue. There are no capital assets or goodwill in foreign countries.

3. SEGMENTED INFORMATION: (Continued)

The segmented information for the nine months ended September 30, 2004 is summarized as follows:

	Personal Insurance	Commercial Insurance	Allianz Global Risks	Insurance Brokerage	Total
Gross premiums written	$333,930	$132,636	$154,467	$ —	$ 621,033
Net premiums earned	347,316	113,998	10,124	—	471,438
Brokerage commissions	—	—	—	30,676	30,676
	$347,316	$113,998	$ 10,124	$30,676	$ 502,114
Claims incurred	242,747	67,705	3,771	—	314,223
Commissions	54,821	22,292	(15,375)	(8,634)	53,104
Premium taxes	10,830	4,017	4,370	—	19,217
General and administrative	33,087	10,251	5,517	30,625	79,480
	$341,485	$104,265	$ (1,717)	$21,991	$ 466,024
Underwriting income	$ 5,831	$ 9,733	$ 11,841	$ 8,685	$ 36,090
Net investment income					32,941
Gain on sale of investments					10,938
Other expenses					(4,410)
Interest on long-term loans					(3,734)
Income before income taxes					$ 71,825
Income taxes					27,356
Net income					$ 44,469
Information regarding segment assets:					
Goodwill assets	$ 10,600	$ 3,462	$ —	$54,625	$ 68,687
Insurance liabilities:					
Unpaid claims and adjustment expenses	537,070	188,518	449,641	—	1,175,229
Unearned premiums	233,725	75,668	68,630	—	378,023
Total assets of brokerage operations				86,979	86,979
Total assets					$2,165,796

3. SEGMENTED INFORMATION: (Continued)

The segmented information for the nine months ended September 30, 2003 is summarized as follows:

	Personal Insurance	Commercial Insurance	Allianz Global Risks	Insurance Brokerage	Total
Gross premiums written	$394,755	$102,910	$161,758	$ —	$ 659,423
Net premiums earned	366,826	90,676	7,769	—	465,271
Brokerage commissions	—	—	—	26,586	26,586
	$366,826	$ 90,676	$ 7,769	$26,586	$ 491,857
Claims incurred	294,687	54,633	13,285	—	362,605
Commissions	60,915	18,759	(21,498)	(8,240)	49,936
Premium taxes	12,243	3,231	4,605	—	20,079
General and administrative	31,885	9,177	4,965	27,149	73,176
	$399,730	$ 85,800	$ 1,357	$18,909	$ 505,796
Underwriting income (loss)	$ (32,904)	$ 4,876	$ 6,412	$ 7,677	$ (13,939)
Net investment income					31,180
Gain on sale of investments					8,656
Other expenses					(7,356)
Interest on long-term loans					(3,327)
Income before income taxes					$ 15,214
Income taxes					6,343
Net income					$ 8,871
Information regarding segment assets:					
Goodwill assets	$ 10,600	$ 3,462	$ —	$54,838	$ 68,900
Insurance liabilities:					
Unpaid claims and adjustment expenses	488,919	186,767	431,369	—	1,107,055
Unearned premiums	258,396	59,645	66,337	—	384,378
Total assets of brokerage operations				88,979	88,979
Total assets					$2,058,300

ALLIANZ OF CANADA, INC.

Audited Consolidated Financial Statements
as at and for the years ended December 31, 2003 and 2002

ALLIANZ OF CANADA, INC.
AUDITOR'S REPORT

Auditors' report to the Directors

We have audited the consolidated balance sheets of Allianz of Canada, Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
January 29, 2004 (except as to note 21,
which is as of December 8, 2004)

(Signed) KPMG LLP
Chartered Accountants

ALLIANZ OF CANADA, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2003, with comparative figures for 2002
(all amounts in thousands of dollars)

	2003	2002
ASSETS		
Cash	$ 15,769	$ 8,127
Accrued investment income	8,399	8,436
Investments (note 6):		
Short-term securities	—	52,665
Bonds and debentures	831,995	687,847
Common and preferred shares	65,945	74,581
Others	943	598
Due from brokers	34,037	42,464
Instalment premiums receivable	108,401	113,401
Due from Facility Association and the P.R.R.	65,965	30,489
Due from related parties (note 12)	136,447	176,709
Recoverable from reinsurers (notes 10 and 11):		
Unearned premiums	57,979	56,018
Unpaid claims and adjustment expenses	488,691	384,045
Deferred policy acquisition costs	60,435	59,848
Income tax receivable	44	247
Future income taxes (note 16)	51,985	57,319
Goodwill (note 8)	69,056	66,904
Other intangible assets (note 8)	280	417
Capital assets (note 7)	25,913	27,966
Other assets	41,134	45,312
	$2,063,418	$1,893,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid claims and adjustment expenses (notes 10 and 11)	$1,107,595	$ 940,727
Unearned premiums (note 11)	387,169	362,256
Unearned reinsurance commissions	5,474	5,140
Due to related parties (note 12)	223,153	266,563
Long-term debt (note 9)	1,372	2,232
Income taxes payable	605	416
Other liabilities	74,278	72,848
	$1,799,646	$1,650,182
Shareholders' equity:		
Share capital (note 13)	264,160	264,160
Contributed surplus	18,069	18,069
Deficit	(18,457)	(39,018)
	$ 263,772	$ 243,211
Commitments and contingent liabilities (notes 17 and 18)	$2,063,418	$1,893,393

See accompanying notes

ALLIANZ OF CANADA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Year ended December 31, 2003, with comparative figures for 2002
(all amounts in thousands of dollars except for earnings (loss) per share)

	2003	2002
Gross premiums written	$ 897,723	$ 813,889
Net premiums written	$ 650,769	$ 614,686
Revenue:		
Net premiums earned (note 11)	$ 627,817	$ 595,124
Commission from brokerage operations	35,243	29,836
Investment income	43,797	42,905
Gain on sale of investments	8,937	7,475
Other income	—	21
	$ 715,794	$ 675,361
Expenses:		
Claims incurred	482,217	496,955
Commissions	70,480	68,343
Premium taxes	27,691	24,011
Investment expenses	436	508
Interest on long-term loans	4,384	4,684
General and administrative	102,394	97,618
Amortization of other intangible assets	137	137
Other	554	969
	$ 688,293	$ 693,225
Income (loss) before income taxes	27,501	(17,864)
Income taxes (recovery) (note 16):		
Current	1,606	388
Future	5,334	(4,977)
	$ 6,940	$ (4,589)
Net income (loss)	$ 20,561	$ (13,275)
Deficit, beginning of year (note 4)	(39,018)	(25,743)
Deficit, end of year	$ (18,457)	$ (39,018)
Basic earnings (loss) per share	$6,326.46	$(4,084.62)

See accompanying notes

ALLIANZ OF CANADA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2003, with comparative figures for 2002
(all amounts in thousands of dollars)

	2003	2002
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 20,561	$ (13,275)
Items not affecting cash:		
Gain on sale of investments	(8,937)	(7,548)
Amortization of bond premiums and discounts	2,696	1,973
Amortization of capital assets	8,254	7,442
Amortization of other intangible assets	137	137
Future income taxes	5,334	(4,977)
Change in non-cash operating items:		
Deferred policy acquisition costs, net of unearned reinsurance commissions	(253)	(2,300)
Unpaid claims and adjustment expenses, net of recoverable from reinsurers	62,222	32,472
Unearned premiums, net of recoverable from reinsurers	22,952	19,562
Other	(19,161)	(35,037)
	$ 93,805	$ (1,551)
Financing activities:		
Principal repayments of long-term debt	(859)	(1,276)
Investing activities:		
Investment purchases:		
Short-term securities	(805,897)	(325,848)
Bonds and debentures	(573,162)	(464,778)
Common and preferred shares	(647)	—
Others	(362)	—
Other intangible assets	(109)	—
Net cash paid on acquisition of corporations	(2,043)	(864)
Acquisition of capital assets	(6,201)	(5,532)
Proceeds from investment disposals:		
Short-term securities	858,562	273,183
Bonds and debentures	434,594	488,070
Common and preferred shares	9,944	37,938
Others	17	51
	$ (85,304)	$ 2,220
Increase (decrease) in cash	7,642	(607)
Cash, beginning of year	8,127	8,734
Cash, end of year	$ 15,769	$ 8,127
Supplemental cash flow information:		
Interest paid	$ 3,389	$ 8,762
Income taxes paid (received)	1,259	(816)

See accompanying notes

ALLIANZ OF CANADA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2003
(all amounts in thousands of dollars)

Allianz of Canada, Inc. (the ''Company'') was incorporated under the Ontario Business Corporations Act on June 28, 1993. The Company is a financial services holding company which through its subsidiaries is engaged primarily in property and casualty insurance. The Company is 40% owned by Allianz of America Inc. (United States) and 60% owned by Allianz AG (Germany).

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Acquisitions are accounted for by the purchase method, whereby the results of the acquired companies are included only from the date of acquisition. Assets and liabilities of the acquired companies are included in the financial statements at their fair values at the date of acquisition.

The following is a list of the Company's material subsidiaries, all of which are 100% owned, directly or indirectly:

Subsidiary	Jurisdiction of incorporation
Allianz Insurance Company of Canada	Canada
Trafalgar Insurance Company of Canada	Canada
Canada Brokerlink Inc. and its subsidiaries	Alberta

The Company's insurance subsidiaries, Allianz Insurance Company of Canada and Trafalgar Insurance Company of Canada, are subject to the Insurance Companies Act (the ''Act'') and are licensed to write property and casualty business in all provinces and territories in Canada. Also, these subsidiaries are subject to regulation by the Office of the Superintendent of Financial Institutions Canada (''OSFI'') and the Provincial Superintendents of Financial Institutions/Insurance.

Canada Brokerlink operates primarily as an insurance broker.

2. USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates and changes in estimates are recorded in the accounting period in which they are determined.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) **Investments:**

Investments are accounted for on the following bases:

(i) *General:*

Gains and losses are determined on a completed transaction basis.

(ii) *Bonds and debentures:*

Investments in bonds and debentures are carried at amortized cost.

(iii) *Common and preferred shares:*

Investments in common and preferred shares are carried at cost.

(b) **Provisions for declines in asset values:**

The Company makes specific write-downs of assets where there has been an other than temporary decline in the underlying value of an asset. These write-downs are deducted from the carrying value of the respective assets.

The Company ceases to accrue interest on non-performing bonds and debentures which are 90 days or more in arrears, as well as those which are less than 90 days in arrears but are deemed by management to be impaired. Once invested assets are classified as non-performing, any accrued but uncollected interest is reversed.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) **Premiums earned and deferred policy acquisition costs:**

Insurance premiums are earned on a pro rata basis over the life of the policies. The Company follows the practice of providing for the amount of unearned premiums using the 365ths basis.

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs are composed of commissions and premium taxes.

Policy acquisition costs related to unearned premiums are only deferred to the extent that they can be expected to be recovered from the unearned premiums, and are amortized into income over the periods in which the premiums are earned. If the unearned premiums are not sufficient to pay expected claims and expenses (including policy maintenance expenses and unamortized policy acquisition costs), a premium deficiency is said to exist. Anticipated investment income is considered in determining whether a premium deficiency exists. Premium deficiencies are recognized by first writing down the deferred policy acquisition cost asset.

(d) **Commission revenue recognition:**

Commission revenue relating to direct and agency billings from the Company's insurance broker subsidiaries is recognized in its entirety as of the later of the effective date of the insurance policy or the transaction date. Subsequent commission adjustments, such as policy endorsements or cancellations, are recognized upon notification from the insurance company. Producer commissions are accrued when the related commission revenue is recognized. Producer commissions are commissions earned by member and managed brokers.

(e) **Unpaid claims and adjustment expenses:**

The provision for unpaid claims represents the amounts needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred on or before each balance sheet date. The provision for adjustment expenses represents the estimated ultimate expected costs of investigating, resolving and processing these claims. Estimated recoveries of these costs from reinsurance ceded is included in assets. The computation of these provisions takes into account the time value of money using discount rates based on projected investment income from the assets supporting the provisions.

The process of determining the provision for unpaid claims and adjustment expenses necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development and recoverability of reinsurance balances.

All provisions are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the current year.

(f) **Reinsurance ceded:**

Premiums, claims and administrative expenses are recorded net of amounts ceded to, and recoverable from, reinsurers. Estimates of amounts recoverable from reinsurers on unearned premiums and unpaid claims and adjustment expenses are recorded separately from estimated amounts payable to policyholders, and are estimated in a manner consistent with their corresponding liabilities.

(g) **Income taxes:**

The Company follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

(h) **Structured settlements:**

The Company periodically purchases annuity contracts from various life insurance companies to settle claims currently (structured settlements). The present value of such annuities, where the Company remains primarily liable, is recorded in the financial statements as both an asset and liability under ''Other assets'' and ''Other liabilities.''

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) **Transactions with related parties:**

Transactions with related parties are measured at the carrying value of the goods or services being exchanged, unless such transactions are determined to be in the normal course of operations, or, if a significant portion of the transaction is with an arm's-length third party. These latter transactions are recorded at the agreed upon exchange amount.

Any difference between the consideration paid or received and the carrying amount, together with any tax amounts related to the items transferred, is included as a charge or credit to earned surplus.

(j) **Capital assets:**

Capital assets are recorded at cost less accumulated amortization, which is calculated using the following methods and annual rates:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Computer software	Declining balance	30% - 100%
Office equipment	Declining balance	20%
Signs	Declining balance	20%
Leasehold improvements	Straight line	Term of lease

(k) **Goodwill and other intangible assets:**

(i) *Goodwill:*

Goodwill represents excess of costs over the fair value of identifiable net assets acquired. Effective January 1, 2002, the Company adopted The Canadian Institute of Chartered Accountants' Handbook Section 3062 on goodwill and other intangible assets and, as a result, all goodwill amortization was discontinued. The Company assesses goodwill at least annually for impairment. Impairment exists when the carrying amount of goodwill exceeds its fair value and would result in writing the goodwill down to its fair value. An impairment write-down will not be reversed if the fair value subsequently increases.

(ii) *Other intangible assets:*

Other intangible assets are stated at cost less accumulated amortization and principally represent purchased customer accounts and non-competition agreements. Purchased customer accounts, which represent records and books of insurance that contain information on insurance policies and the related insured parties that is essential to policy renewals, are being amortized on a straight-line basis over their estimated useful lives, which range from 15 to 40 years. Non-competition agreements are being amortized on a straight-line basis over the life of the non-competition agreement.

The carrying value of intangible assets is periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. In the insurance brokerage and agency industry, it is common for agencies or customer accounts to be acquired at a price determined as a multiple of the corresponding revenue. Accordingly, the Company assesses the carrying value of its intangible assets by comparison to a reasonable multiple applied to corresponding revenue and considers the operating cash flow generated by the corresponding agency division. Any impairment identified through this assessment may require that the carrying value of related intangible assets be adjusted.

(l) **Employee future benefits:**

The Company has pension plans covering substantially all of its employees. The Company measures the costs of its obligation based on its best estimate.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension benefits. The Company has adopted the following policies:

(i) The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages.

(ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

(iii) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

4. CHANGE IN ACCOUNTING POLICY:

During 2003, the Company changed its accounting policy for the provision for unpaid claims and adjustment expenses to recognize the time value of money and to include explicit margins for adverse deviation, as a result of a change in the accounting requirements of the Superintendent of Financial Institutions Canada. This change has been applied retroactively and has increased amounts previously reported in 2002 for claims expense by $5,155 and increased future tax recovery by $1,985, resulting in an increase in net loss of $3,170, and decreased the provision for unpaid claims and adjustment expenses by $6,032 and decreased future tax assets by $2,010 as of December 31, 2002. Retained earnings increased by $7,192 as at December 31, 2001 and by $4,022 as at December 31, 2002. There was no significant effect on net income for 2003.

5. ROLE OF THE ACTUARY AND AUDITOR:

An actuary has been appointed pursuant to the Act for each of the Company's insurance subsidiaries. With respect to preparation of financial statements, the actuary is required to carry out a valuation of the subsidiaries' policy liabilities and report thereon to the shareholder. Policy liabilities consist of the provisions for, and reinsurance recovery of unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuations are made in accordance with accepted actuarial practice, as well as any other matter specified in any direction that may be made by regulatory authorities. In performing the valuations of the subsidiaries' liabilities, which are by their nature inherently variable, assumptions are made as to the future loss ratios, trends, rates of claims frequency and severity, inflation, reinsurance recoveries, investment rates of return, and both internal and external adjustment expenses, taking into consideration the circumstances of the Company's insurance subsidiaries and the nature of the insurance policies in force. The actuary's reports are included in the separate financial statements of the insurance subsidiaries.

The external auditors have been appointed by the shareholder to conduct an independent and objective audit of the financial statements of the Company in accordance with Canadian generally accepted auditing standards and report thereon to the shareholder. In carrying out their audit, the auditors also make use of the work of the actuary and his reports on the policy liabilities of the Company's insurance subsidiaries. The auditors' report outlines the scope of their audit and their opinion.

6. INVESTMENTS:

The Company limits its investment concentration in any one investee or related group of investees to 2% of the Company's portfolio market value.

The carrying amounts and fair values of investments are summarized as follows:

	2003		2002	
	Carrying amount	Fair value	Carrying amount	Fair value
Short-term securities	$ —	$ —	$ 52,665	$ 52,756
Bonds and debentures	831,995	859,252	687,847	713,194
Common and preferred shares	65,945	72,066	74,581	67,178
Others	943	943	598	598
	$898,883	$932,261	$815,691	$833,726

The fair value of bonds and debentures is estimated based on published bid prices or bid quotations received from securities dealers for those or similar investments.

The fair value of common and preferred shares is based on quoted market prices, normally the current bid price, less estimated broker fees, for those or similar investments.

Details of significant terms and conditions, exposures to interest rate and credit risks on investments are as follows:

(a) **Short-term securities:**

These investments have an aggregate principal amount of nil (2002 — $52,665), which were comprised of discount notes with an effective interest rate of approximately 2.8%.

6. INVESTMENTS: (Continued)

(b) **Bonds and debentures — interest rate risk:**

	2003		2002	
	Effective rates	Coupon rates	Effective rates	Coupon rates
Government of Canada	4.3% - 5.1%	4.1% - 6.2%	4.4% - 6.0%	5.0% - 8.8%
Canadian provincial, municipal and public authorities	4.0% - 6.9%	3.9% - 11.0%	3.4% - 6.9%	3.4% - 11.0%
Canadian corporate	3.3% - 12.5%	2.9% - 10.4%	4.2% - 12.5%	0.0% - 11.0%
Other	8.9%	9.7%	5.8% - 8.9%	7.8% - 9.7%

Interest is receivable on a semi-annual basis for most categories of bonds and debentures. Of the Company's fixed rate investments ((c) below), $42,583 will mature in one year or less after year end. The annualized impact on investment income of a 1% change in reinvestment rates on these investments is $426.

(c) **Bonds and debentures — principal amount and carrying amount:**

The principal amount and carrying amount are shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2003		2002	
Term to maturity	Principal amount	Carrying amount	Principal amount	Carrying amount
Government of Canada:				
Due in one year or less	$ 100	$ 100	$ —	$ —
More than one to five years	204,250	208,044	166,250	171,091
More than five years	80,950	86,105	16,080	16,902
Canadian provincial, municipal and public authorities:				
Due in one year or less	—	—	1,000	1,005
More than one to five years	25,305	25,279	51,107	52,312
More than five years	74,573	78,075	97,306	99,762
Canadian corporate:				
Due in one year or less	42,483	42,465	71,340	69,551
More than one to five years	276,217	276,108	152,057	148,724
More than five years	111,430	114,933	121,251	122,738
Other:				
Due in one year or less	—	—	4,000	4,022
More than one to five years	—	—	850	850
More than five years	850	886	850	890
	$816,158	$831,995	$682,091	$687,847

(d) **Common and preferred shares:**

Shares, comprising $65,945 common shares (2002 — $74,180) and nil preferred shares (2002 — $401), have no fixed maturity dates and are generally not directly exposed to rate risk. Dividends are generally declared on a quarterly basis.

(e) **Other investments:**

Other investments consist of the following:

	2003	2002
Investment in brokerages	$538	$538
Derivatives and hedges	373	11
Note receivable, repayable in monthly instalments of $2, including interest at 7.25% per annum	32	49
	$943	$598

6. INVESTMENTS: (Continued)

The Company has investments in three brokerages and owns 20% of two of the brokerages. It also has financing and strategic business agreements with these two brokerages.

The derivatives and hedges are issued by the parent company as part of the Allianz group executive compensation plan.

7. CAPITAL ASSETS:

	Cost	Accumulated amortization	2003 Net book value	2002 Net book value
Computer equipment	$25,553	$19,096	$ 6,457	$ 6,729
Computer software	34,833	20,185	14,648	15,827
Office equipment	12,828	9,934	2,894	3,275
Signs	131	69	62	64
Leasehold improvements	6,793	4,941	1,852	2,071
	$80,138	$54,225	$25,913	$27,966

8. GOODWILL AND OTHER INTANGIBLE ASSETS:

	Cost	Accumulated amortization	2003 Net book value	2002 Net book value
Goodwill (note 3(k)(i))	$83,977	$14,921	$69,056	$66,904
Other intangible assets	975	695	280	417
	$84,952	$15,616	$69,336	$67,321

9. LONG-TERM DEBT:

	2003	2002
Promissory notes, secured by specific books of broker's insurance files, repayable in monthly instalments of $125, bearing interest at rates ranging from 5% to 7.5% per annum payable monthly	$1,371	$2,205
Bank term loans, repayable in monthly instalments of $14 principal plus interest at the bank's prime rate plus 1.0% per annum payable monthly, and secured by a general security agreement covering all of the assets of one of the subsidiaries	—	23
Capital leases, repayable in monthly instalments of $0.3, bearing interest at an interest rate of 13% per annum and secured by certain specific assets of one of the subsidiaries	1	4
	$1,372	$2,232

The Company is required to make the following annual principal repayments:

	Long-term debt	Capital leases	Total
2004	$ 745	$1	$ 746
2005	597	—	597
2006	29	—	29
	$1,371	$1	$1,372

10. UNPAID CLAIMS AND ADJUSTMENT EXPENSES:

(a) Nature of unpaid claims and adjustment expenses:

The establishment of the provision for unpaid claims and adjustment expenses is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claim payment patterns, claim payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns, such as those caused by natural disasters, illnesses, or accidents. Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claims departments' personnel and independent adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices, including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions, economic conditions and public attitudes. The provisions do not include estimates for extraordinary future emergence of either new classes of claims or claims categories not sufficiently recognized in the management information provided by the Company to the actuary. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general liability. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

(b) Discounting of the provision for unpaid claims and adjustment expenses and related reinsurance recoveries:

The provision for unpaid claims and adjustment expenses and related reinsurance recoveries is discounted using rates based on the projected investment income from the assets supporting the provisions, and reflecting the estimated timing of payments and recoveries. The discount rates used are as follows:

Cash flow period	2003	2002
All periods	5.0%	5.5%

Due to the additional uncertainty introduced as a result of discounting, provisions for adverse deviation (''PFAD'') have been established to reflect the uncertainty regarding:

(i) the nominal value estimates of unpaid claims and adjustment expenses;

(ii) the future collectibility of reinsurance; and

(iii) projected future investment rates.

10. UNPAID CLAIMS AND ADJUSTMENT EXPENSES: (Continued)

(c) Activity in the provision for unpaid claims and adjustment expenses, by line of business, is summarized as follows:

	Property	Automobile	Liability	Other	2003 Total	2002 Total
Provision for unpaid claims and adjustment expenses, beginning of year:						
Direct	$ 215,265	$478,549	$ 172,992	$ 43,112	$ 909,918	$ 864,155
Reinsurance:						
Assumed	12,283	—	2,926	15,600	30,809	38,721
Ceded	(189,234)	(56,254)	(84,884)	(53,673)	(384,045)	(378,666)
Net provision, beginning of year	$ 38,314	$422,295	$ 91,034	$ 5,039	$ 556,682	$ 524,210
Net incurred claims and adjustment expenses:						
Current year	$ 72,335	$347,535	$ 20,898	$ 1,485	$ 442,253	$ 450,561
Prior years	(2,776)	35,362	2,498	4,880	39,964	46,394
Total net incurred	$ 69,559	$382,897	$ 23,396	$ 6,365	$ 482,217	$ 496,955
Net payments attributable to:						
Current year	$ 43,589	$156,035	$ 2,957	$ 773	$ 203,354	$ 222,782
Prior years	25,746	159,774	21,764	9,357	216,641	241,701
Total net payments	$ 69,335	$315,809	$ 24,721	$ 10,130	$ 419,995	$ 464,483
Provision for unpaid claims and adjustment expenses, end of year:						
Direct	$ 317,055	$537,832	$ 190,460	$ 48,259	$1,093,606	$ 909,918
Reinsurance:						
Assumed	4,372	—	48	9,569	13,989	30,809
Ceded	(282,889)	(48,449)	(100,799)	(56,554)	(488,691)	(384,045)
Net provision, end of year	$ 38,538	$489,383	$ 89,709	$ 1,274	$ 618,904	$ 556,682

(d) Other than the change in accounting policy effective this year (note 4), the Company believes that its overall practices have been consistently applied over many years, and that its provisions have resulted in reasonable approximations of the ultimate costs of claims incurred.

The fair values of unpaid claims and adjustment expenses, gross and recoverable from reinsurers have not been disclosed because it is not practical to determine fair values with sufficient reliability.

11. UNDERWRITING POLICY AND REINSURANCE CEDED:

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

The Company follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limits the net exposure of the Company to a maximum amount on any one loss of $1,000 in the event of a property or liability claim. In addition, the Company has obtained catastrophe reinsurance having an upper limit of $300,000, which limits the Company's liability to $10,000 in the event of a series of claims arising out of a single occurrence.

11. UNDERWRITING POLICY AND REINSURANCE CEDED: (Continued)

The figures shown in the statement of operations are net of the following amounts relating to reinsurance ceded to other companies:

	2003	2002
Amounts reduced:		
Net premiums earned	$244,993	$192,497
Claims incurred	228,059	163,820
Commissions, premium taxes and administrative expenses	43,289	34,932

The impact of reinsurance on liabilities is outlined below:

	2003	2002
Outstanding claims		
Direct provision	$1,093,606	$ 909,918
Reinsurance assumed:		
Unrelated parties	443	5,470
Related parties:		
Fireman's Fund Insurance Company	10,597	22,215
Allianz Global Risks US Insurance Company (formerly Allianz Insurance Company)	1,184	1,143
Allianz Aktiengesellschaft	781	1,062
Allianz Via Assurances	715	—
Allianz Nederland	262	—
Allianz RAS Seguros Y Reaseguros SA	7	14
AGF IART	—	852
Allianz Hungaria Biztosito	—	36
Allianz Versicherungs AG	—	11
Allianz Cornhill Insurance PLC	—	6
	$1,107,595	$ 940,727
Reinsurance ceded:		
Unrelated parties	$ (217,615)	$(209,084)
Related parties:		
Allianz Aktiengesellschaft	(227,281)	(116,642)
AGF IART	(13,911)	(18,557)
Fireman's Fund Insurance Company	(8,758)	(12,493)
Allianz Global Risk	(6,695)	(591)
Allianz Versicherungs AG	(4,010)	(18,208)
Allianz Cornhill Insurance PLC	(3,541)	(4,460)
Allianz Global Risks US Insurance Company (formerly Allianz Insurance Company)	(3,118)	(2,798)
Elvia Reiseversicherungs	(1,643)	—
AGF (Westminster) W.A.I.G.	(1,444)	(958)
Allianz Life Insurance Company of North America	(338)	(158)
Allianz France	(323)	(85)
Allianz Hungaria Biztosito	(11)	(11)
Allianz Marine and Aviation	(3)	—
	$ (488,691)	$(384,045)

11. UNDERWRITING POLICY AND REINSURANCE CEDED: (Continued)

	2003	2002
Unearned premiums		
Direct provision	$ 381,864	$ 357,757
Reinsurance assumed:		
Unrelated parties	352	1,170
Related parties:		
Allianz Global Risks US Insurance Company (formerly Allianz Insurance Company)	3,138	2,121
Allianz Versicherungs AG	573	333
Allianz Cornhill Insurance PLC	495	275
Allianz Versicherungs (Schweiz) AG	120	42
Allianz Elementar Versicherungs AG	110	87
Stanislas Haine	106	86
AGF IART	103	97
Fireman's Fund Insurance Company	71	—
Riunione Adriatica di Sicurta	59	17
Allianz Aktiengesellschaft	44	200
Companhia de Seguros Allianz Portugal	36	—
Forsikrings Aktieselskabet	35	6
Allianz RAS Seguros Y Reaseguros SA	24	10
Allianz Australia Ltd. Holding	19	46
Allianz Hungaria Biztosito	11	4
Allianz Corporate Ireland	6	5
Allianz Pojistovna	3	—
	$ 387,169	$ 362,256
Reinsurance ceded:		
Unrelated parties	$ (3,897)	$ (5,546)
Related parties:		
Allianz Global Risk	(29,992)	(33,065)
Allianz Aktiengesellschaft	(9,440)	(4,947)
Fireman's Fund Insurance Company	(6,359)	(3,249)
Allianz Global Risks US Insurance Company (formerly Allianz Insurance Company)	(5,438)	(4,586)
Allianz Cornhill Insurance PLC	(1,420)	(593)
Allianz Versicherungs AG	(710)	(1,093)
AGF IART	(697)	(2,278)
Allianz France	(21)	(11)
Allianz Marine and Aviation	(5)	—
AGF (Westminster) W.A.I.G.	—	(620)
Allianz Life Insurance Company of North America	—	(30)
	$ (57,979)	$ (56,018)

12. RELATED PARTY TRANSACTIONS:

Pursuant to the Act, the Board of Directors of the subsidiaries Allianz Insurance Company of Canada and Trafalgar Insurance Company of Canada has established a Conduct Review Committee, the majority of which consists of directors who are not affiliated with the Company, to review and monitor procedures established by management for the identification and review of all proposed and permitted transactions with related parties.

Governing legislation requires the above insurance subsidiaries to report annually to OSFI on the proceedings of the Committee. Related party transactions that have been reviewed include the following:

(a) The Company has a promissory note receivable of $129,232 (2002 — $158,003) from Allianz Aktiengesellschaft, bearing interest at 5.32% payable semi-annually and a promissory note payable of $129,232 (2002 — $158,003) to Fireman's Fund Insurance

12. RELATED PARTY TRANSACTIONS: (Continued)

Company, bearing interest at 5.19% payable semi-annually. Both the note receivable and the note payable are denominated in U.S. funds in the amount of U.S. $100,000. The notes are due in September 2006.

(b) The Company has long-term loans payable to Allianz of America Inc. as follows:

	2003	2002
Loans, bearing interest at rates ranging from 3.3% to 4.415%, with interest only, payable quarterly, loan maturing December 31, 2006	$50,000	$50,000
Loan, bearing interest at 6.8% (2002 — 6.8%), payable semi-annually with the principal repayable in 10 equal semi-annual instalments starting October 2005	41,064	41,064
	$91,064	$91,064

(c) The Company is party to various reinsurance agreements, substantially all of which are fronting and quota share agreements, whereby premiums net of commissions and claims are ceded to other commonly controlled enterprises (note 10).

(d) The Company has contracted with a shareholder to be its Investment Manager and paid them a fee for services rendered of $318 (2002 — $360).

(e) The Company has paid a wholly owned subsidiary of a shareholder a fee for management services rendered to $810 (2002 — $715).

12. RELATED PARTY TRANSACTIONS: (Continued)

(f) At the end of the year, the amounts due to and from related parties are as follows:

	2003	2002
Amounts due to:		
Fireman's Fund Insurance Company — promissory note	$129,232	$158,003
Allianz of America Inc. — long-term loans	91,064	91,064
Allianz Global Risk	2,119	13,183
Allianz Versicherungs AG	297	1,630
Allianz Aktiengeselischaft	254	—
Allianz Global Risks US Insurance Company (formerly Allianz Insurance Company)	148	2,025
Allianz Compania De Seguros SA	38	—
Allianz Hungaria Biztosito	1	—
Allianz Cornhill Insurance PLC	—	658
	$223,153	$266,563
Amounts due from:		
Allianz Aktiengeselischaft — promissory note	$129,232	$158,003
Westminster Aviation	3,166	1,208
Inova Insurance Brokers Inc.	896	1,337
Fireman's Fund Insurance Company	818	884
AGF IART	741	347
Allianz Cornhill Insurance PLC	415	—
Allianz RAS Seguros Y Reaseguros SA	286	67
Allianz Versicherungs (Schweiz) AG	247	—
Stanislas Haine	195	—
Allianz Elementar Versicherungs AG	151	—
AGF International	68	68
Forsikrings Aktieselskabet	67	—
Companhia de Seguros Allianz Portugal	66	—
AGF France	28	—
Allianz Corporate Ireland	25	—
T.U. Allianz Polska SA	20	—
AFA	14	6,984
Allianz Australia Ltd. Holding	10	—
Grey Power (Canada)	2	2
Allianz Aktiengesellschaft	—	7,809
	$136,447	$176,709

The above companies, except for Inova Insurance Brokers Inc., are all companies under the ultimate control of Allianz Aktiengesellschaft, or the latter company itself.

These balances are settled on the same basis as those with unrelated parties and have arisen from the reinsurance transactions and provision of services referred to above.

13. SHARE CAPITAL:

The authorized share capital of the Company consists of an unlimited number of common shares, of which 3,250 (2002 — 3,250) shares are issued.

14. ACQUISITION OF A CORPORATION:

Effective February 1, 2003, the Company, through subsidiary Canada Brokerlink Inc., acquired all of the outstanding shares of Grey Power Insurance Brokers (SA) Inc. The acquisition was accounted for using the purchase method of accounting and the results of operations included from the date of acquisition.

Net assets acquired:	
Non-cash operating working capital	$ (28)
Goodwill	2,071
Net non-cash assets	2,043
Cash	13
Net assets acquired	$2,056
Consideration paid:	
Cash	$2,056

15. EMPLOYEE FUTURE BENEFITS:

The Company has pension plans covering substantially all of its employees. Certain of these plans include both defined benefit and defined contribution elements, and no further defined benefits are being earned by employees as a result of amendments to the plans effective January 1, 2000. The Company also provides other post-employment benefits to eligible employees.

Information about the Company's pension plans in aggregate, is as follows:

	Pension benefit plans		Other benefits	
	2003	2002	2003	2002
Accrued benefit obligation:				
Balance, beginning of year	$24,259	$22,090	$ 11,574	$ 10,414
Interest cost	1,632	742	268	394
Current service cost	—	—	816	766
Benefits, settlements and termination paid	(2,138)	(2,698)	—	—
Contributions received	2,908	2,649	—	—
Actuarial gains	1,060	1,477	—	—
Balance, end of year	$27,721	$24,260	$ 12,658	$ 11,574
Defined contribution component of accrued benefits obligations	$16,737	$13,689	$ —	$ —
Plan assets				
Fair value, beginning of year	$21,997	$22,896	$ —	$ —
Annual return on plan assets	2,467	(1,225)	—	—
Employer contributions	2,596	2,285	—	—
Employees' contribution	756	740	—	—
Benefits, settlements and termination paid	(2,138)	(2,698)	—	—
Fair value, end of year	$25,678	$21,998	$ —	$ —
Funded status — deficit	$(2,043)	$(2,262)	$(12,658)	$(11,574)
Unamortized net actuarial loss	(2,043)	(2,262)	—	—
Accrued benefit asset (liability), (included in ''Other liabilities'')	$ —	$ —	$(12,658)	$(11,574)

15. EMPLOYEE FUTURE BENEFITS: (Continued)

The significant actuarial assumptions adopted in measuring the Company's accrued defined benefit obligations are as follows (weighted average assumptions as of December 31):

	2003	2002
Discount rate — pension benefit plans	6.0%	6.0%
Discount rate — other benefits	6.5%	6.5%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase	5.0%	5.0%
Health care cost trend rate — 13% in year one, grading down 1% per year to 5%		
Dental care cost trend rate	4%	4%

The Company's net benefit plan expense is as follows:

	2003	2002
Employer contributions, being net pension benefit plan expense for the year	$2,596	$2,285
Other post-retirement benefits	1,084	1,160
Net benefit plan expense	$3,680	$3,445

16. INCOME TAXES:

(a) The components of future income tax balances are as follows:

	2003	2002
Future income tax assets:		
Non-capital losses	$34,562	$42,708
Net unpaid losses and loss adjustment expenses	10,970	8,809
Capital assets	4,268	4,765
Provision for post-retirement benefits	4,898	3,777
Other	1,956	2,642
	56,654	62,701
Future income tax liabilities:		
Deferred gain on bonds	4,669	5,382
Net future income tax assets	$51,985	$57,319

(b) Income taxes (recovery) differ from the amount that would be computed by applying the combined federal and provincial statutory tax rates to income (loss) before income taxes for the following reasons:

	2003	2002
Combined federal and provincial statutory income tax rate	36.62 %	38.83 %
Increase (decrease) in rate due to:		
Effect on future income taxes of reduction in tax rates:		
Decrease in opening future income tax asset	(11.73)%	(4.90)%
Provision related to current year's loss	(1.00)%	(5.56)%
Capital taxes	3.60 %	(5.85)%
Tax-exempt income from securities	(2.63)%	4.25 %
Non-taxable portion of capital gains	0.13 %	(2.97)%
Non-deductible expenses and other	0.25 %	1.89 %
Effective income tax rate	25.24 %	25.69 %

17. OPERATING LEASE COMMITMENTS:

The Company has contractual obligations in respect of amounts payable on leased premises, equipment and vehicles as follows:

Year ended December 31:	
2004	$12,551
2005	12,982
2006	10,947
2007	9,361
2008	4,773
Thereafter	9,895
	$60,509

18. CONTINGENT LIABILITIES:

From time to time, the Company is named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, such actions have generally been resolved with minimal damages or expense in excess of amounts provided and the Company does not believe that it will incur any significant additional loss or expense in connection with such actions.

As mentioned in note 3(h), the Company periodically purchases annuity contracts from various life insurance companies to settle claims currently (structured settlements). The present value of such annuities, where the Company remains primarily liable, is recorded in the financial statements as both an asset and liability under ''Other assets'' and ''Other liabilities.'' The Company has also paid approximately $52,669 (2002 — $48,311), on a cumulative basis, to fund structured settlements where the Company is not primarily liable and has no recourse to the funds. The business is placed with several reputable life insurance companies. No default has occurred and the Company considers the possibility to be remote.

19. SEGMENTED INFORMATION:

The Company provides property and casualty insurance and other insurance related services in four reportable segments, personal insurance, commercial insurance, Allianz Global Risks (insurance of special commercial risks) and insurance brokerage. Results for the Company's operating segments are based on the Company's internal financial reporting systems and are consistent with those followed in the preparation of the consolidated financial statements.

Substantially all revenues are derived from Canadian customers, and no single customer provides 10% or more of revenue. There are no capital assets or goodwill in foreign countries.

19. SEGMENTED INFORMATION: (Continued)

The segmented information for the year ended December 31, 2003 is summarized as follows:

	Personal Insurance	Commercial Insurance	Allianz Global Risks	Insurance Brokerage	Total
Gross premiums written	$528,786	$150,319	$218,618	$ —	$ 897,723
Net premiums earned	494,278	125,735	7,804	—	627,817
Brokerage commissions	—	—	—	35,243	35,243
	$494,278	$125,735	$ 7,804	$35,243	$ 663,060
Claims incurred	392,913	69,526	19,778	—	482,217
Commissions	81,792	27,043	(27,311)	(11,044)	70,480
Premium taxes	16,861	4,512	6,318	—	27,691
General and administrative	45,440	12,558	6,679	37,717	102,394
	$537,006	$113,639	$ 5,464	$26,673	$ 682,782
Underwriting income (loss)	$(42,728)	$ 12,096	$ 2,340	$ 8,570	$ (19,722)
Net investment income					43,361
Gain on sale of investments					8,937
Other expenses					(691)
Interest on long-term loans					(4,384)
Income before income taxes					$ 27,501
Income taxes					6,940
Net income					$ 20,561
Information regarding segment assets:					
Goodwill assets	$ 10,600	$ 3,462	$ —	$54,994	$ 69,056
Insurance liabilities					
Unpaid claims and adjustment expenses	497,030	175,411	435,154	—	1,107,595
Unearned premiums	259,134	66,821	61,214	—	387,169
Total assets of brokerage operations				91,257	91,257
Total assets					$2,063,418

19. SEGMENTED INFORMATION: (Continued)

The segmented information for the year ended December 31, 2002 is summarized as follows:

	Personal Insurance	Commercial Insurance	Allianz Global Risks	Insurance Brokerage	Total
Gross premiums written	$500,315	$131,876	$181,698	$ —	$ 813,889
Net premiums earned	461,960	120,239	12,925	—	595,124
Brokerage commissions	—	—	—	29,836	29,836
	$461,960	$120,239	$ 12,925	$ 29,836	$ 624,960
Claims incurred	398,761	87,418	10,776	—	496,955
Commissions	75,401	24,132	(21,014)	(10,176)	68,343
Premium taxes	15,069	4,311	4,631	—	24,011
General and administrative	$ 44,480	$ 12,373	$ 5,778	$ 34,987	$ 97,618
	$533,420	$128,253	$ 171	$ 24,811	$ 686,927
Underwriting income (loss)	(71,460)	(8,014)	12,754	(5,025)	(61,967)
Net investment income					42,397
Gain on sale of investments					7,475
Other expenses					(1,085)
Interest on long-term loans					(4,684)
Income (loss) before income taxes					$ (17,864)
Income taxes (recovery)					(4,589)
Net income (loss)					$ (13,275)
Information regarding segment assets:					
Goodwill assets	$ 10,600	$ 3,462	$ —	$ 52,842	$ 66,904
Insurance liabilities					
Unpaid claims and adjustment expenses	444,135	197,321	299,271	—	940,727
Unearned premiums	246,231	57,273	58,752	—	362,256
Total assets of brokerage operations				90,028	90,028
Total assets					$1,893,393

20. FAIR VALUE DISCLOSURE:

The fair values of financial assets and liabilities, other than investments (note 6) and unpaid claims and adjustment expenses (note 10), approximate their carrying amounts due to the imminent or short-term maturity of these financial instruments.

21. SUBSEQUENT EVENT:

The Company's shareholders entered into a share loan purchase agreement dated October 7, 2004 to sell 100% of their shares in the Company to ING Canada Inc., with the closing of the transaction having occured on December 8, 2004. The purchase agreement provides that the AGR business and certain other specified lines of business (the ''Excluded Business'') will be transferred to an affiliate of Allianz AG, and that as of the date of the closing of the transaction, the economic benefit and risk associated with the Excluded Business will be assumed by Allianz AG.

CERTIFICATE OF ING CANADA INC.

Dated: December 9, 2004

This prospectus, together with the documents and information incorporated herein by reference, will, as of the date of the supplemented prospectus providing the information permitted to be omitted from this prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon), by section 27 of the *Securities Act* (Northwest Territories) and by section 27 of the *Securities Act* (Nunavut) and by the respective regulations thereunder. For the purpose of the Province of Quebec, this prospectus will, as of the date of the supplemented prospectus, contain no misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

By: (Signed) CLAUDE DUSSAULT
Chief Executive Officer

By: (Signed) MICHAEL W. CUNNINGHAM
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) YVES BROUILLETTE
Director

By: (Signed) MARK A. TULLIS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 9, 2004

To the best of our knowledge, information and belief, this prospectus, together with the documents incorporated herein by reference, will, as of the date of the supplemented prospectus providing the information permitted to be omitted from this prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon), by section 27 of the *Securities Act* (Northwest Territories) and by section 27 of the *Securities Act* (Nunavut) and by the respective regulations thereunder. For the purpose of the Province of Quebec, to our knowledge, this prospectus will, as of the date of the supplemented prospectus, contain no misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

MERRILL LYNCH CANADA INC.

By: (Signed) M. MARIANNE HARRIS

CIBC WORLD MARKETS INC.

By: (Signed) DONALD A. FOX

BMO NESBITT BURNS INC.

By: (Signed) A. THOMAS LITTLE

RBC DOMINION SECURITIES INC.

By: (Signed) BARRY W. NOWOSELSKI

SCOTIA CAPITAL INC.

By: (Signed) DARCY DOHERTY

TD SECURITIES INC.

By: (Signed) MICHAEL WOOLHOUSE

UBS SECURITIES CANADA INC.

By: (Signed) JAMES E. KOFMAN

NATIONAL BANK FINANCIAL INC.

By: (Signed) MICHAEL D. SHUH

HSBC SECURITIES (CANADA) INC.

By: (Signed) CATHERINE J. CODE

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