

## ING Canada Shares Tumble

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Canada's largest home insurance provider has been hit by a fire sale, as hard-pressed Dutch financial-services conglomerate ING Group surrenders its majority interest in ING Canada Inc. at a steep discount.

ING Canada shares fell as much as 15 per cent this morning after the news.

Trading had been halted yesterday afternoon with ING Canada stock at \$33.79 before ING Group announced it was selling at least \$1.75 billion worth of its holding in the Canadian insurance subsidiary at prices far below the market.

ING Group said a minimum of \$850 million of its ING Canada shares are going to unnamed institutional investors in a private placement at \$25.00 per share.

It also is selling at least \$900 million of ING Canada shares to the public through a bought deal offering in which the underwriters pay \$26.35 per share. The underwriters have an option to buy an additional \$135 million worth of stock at the same price.

The deals will cut ING Group's ownership of ING Canada from 70 per cent to 13.2 per cent, or to 8.9 per cent if the overallotment option is fully exercised.

ING Canada shares fell as low as \$28.50 when trading resumed today and were at \$29.76 near midday on the TSX, down \$4.03 or 12 per cent. The stock hit a 52-week high of \$43.04 in September and touched a low of \$26.03 in November.

ING Canada president Charles Brindamour proclaimed that the transactions mean that "for the first time in recent history, a Canadian-listed and -controlled company will assume the leadership position in the Canadian home, auto and business insurance industry."

ING Canada, with 6,700 employees, is "in a very strong position operationally and strategically," stated Brindamour, who is still in his 30s but has been with ING since 1992 and became CEO at the start of last year.

He added that although all the proceeds of the share sales go to the Dutch parent, "our financial position is strong with significant excess capital and no debt."

The transactions do not affect ING Bank of Canada, a separate subsidiary of the Dutch company that operates as ING Direct with its "Save your money" advertising.

ING Group's sale of ING Canada shares follows the Dutch company's disclosure early last week that "several business units have been identified for divestment" while it

plans to cut 7,000 jobs worldwide this year and expects to report a loss of about one billion euros for 2008.

The discount on ING Canada was extreme, "but I think everyone will gain in the end, in the sense that you've made it a much more liquid holding" with the end of ING's dominance, said analyst Mark Rosen of **Accountability Research Corp.**

He expects the stock price to recover, and said ING Canada's management now has "a better chance to be more reactive, to be able to move in the direction that they want, rather than having ING Group putting in their two cents' all the time."

Rosen added that while ING Canada has "grown from nothing to the biggest P&C insurer in Canada through acquisitions," the sector remains fragmented and more takeovers – possibly of ING Canada itself – are in prospect.

ING Canada provides vehicle, property and liability insurance to more than four million clients, giving it an estimated 11 per cent share of the property and casualty market after its rapid growth through consolidation in the past decade. In addition to ING Insurance, its brands include Nordic, Belairdirect and Trafalgar.

It earned \$128.2 million in 2008, down 75 per cent from 2007 after a fourth-quarter loss of \$64.1 million which included a \$185.8-million writedown of stock investments. Operating profit for 2008 was \$360.7 million, down 21 per cent.

The parent ING Group will report its full results on Feb. 16, but estimated on Jan. 26 that it lost 3.3 billion euros in the fourth quarter – "the worst quarter for equity and credit markets in over half a century."

It is "taking measures to counter the implications of the persistently challenging economic and market conditions," and intends to focus on its core savings and investment business.

The Dutch government stepped in to back up 27.7 billion euros of shaky mortgages held by ING Group, mostly in the United States, and ING Group said its top executives and directors will receive no bonuses.