



> 2005 REVIEW



- > Lombard General Insurance Company of Canada
- > Lombard Insurance Company
- > Zenith Insurance Company

> LOMBARD COMPANY EXECUTIVES



> FRONT ROW (LEFT TO RIGHT):

Robert T. Coughlin (SVP, Claims)

Richard N. Patina (President & CEO)

> BACK ROW (LEFT TO RIGHT):

Kim H. Tan (SVP, Corporate & Business Development)

Katharine M. Allan (SVP & Chief Underwriting Officer)

M. Jane Gardner (SVP & Chief Financial Officer)

William J. Dunlop (SVP, General Counsel & Human Resources)

Anne-Marie Vanier (SVP & Chief Actuary)

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> MISSION STATEMENT

We are committed to running Lombard for the long-term benefit of our customers, business partners, shareholders and employees through innovative and progressive insurance solutions, quality products, and reliable personal and automated system services, resulting in a prosperous environment and high returns on shareholders' equity.

> VALUES

- > Honesty and integrity in all our relationships.
- > Results-oriented teamwork, working in an open and trusting environment.
- > Personal quality of life at work.
- > Professionalism in business practices and business conduct.
- > Encouragement, development and implementation of entrepreneurial ideas and strategies.
- > Effective and efficient customer focus based on customer strategies.
- > Investment in our employees and business associates through continuous training and development.
- > Continuing our tradition of excellence in state-of-the-art processes, technology and products.

> ABOUT LOMBARD CANADA

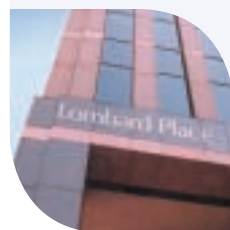
Lombard Canada Ltd. is one of the oldest property and casualty insurance operations in Canada, the successor to a company which was granted a charter in 1782 and began underwriting policies in Halifax, Nova Scotia in 1804. Today Lombard Canada comprises of more than 750 highly trained professionals in partnership with a network of more than 200 independent brokers. Lombard is a multi-line insurer licensed to sell insurance in all provinces and territories across Canada. Lombard Canada is known as one of the pre-eminent property and casualty (P&C) insurers in Canada.

Lombard Canada Ltd. is the holding company for Lombard General Insurance Company of Canada, Lombard Insurance Company and Zenith Insurance Company. Lombard Canada Ltd. is responsible for the management of these three companies, of which Lombard General Insurance Company of Canada is the largest. Through strict underwriting guidelines, disciplined claims services and centralized controlling of expenses, Lombard Canada Ltd. is able to ensure that each company remains profitable. Lombard Insurance Company (Retail) and Zenith Insurance Company (Direct) provides personal home and automobile coverages to protect the assets of Canadian families.

In addition, Lombard Canada Ltd. provides chief agency and management services to Tokio Marine & Nichido Fire Insurance Co., Ltd. The partnership has spanned over 50 years, and we are proud of our commitment to and relationship with this internationally respected company.

Lombard Canada Ltd. is the largest subsidiary of Northbridge Financial Corporation, one of the largest commercial property and casualty insurance groups in Canada, based on gross premiums written of \$976.9 million in 2005. Northbridge operates primarily in Canada, selectively in the United States and internationally, with consolidated net premiums written totaling \$1.19 billion and total shareholders' equity of \$1.03 billion. Northbridge is currently listed on the TSX (NB).

In 2005, A.M. Best Company affirmed its A- (Excellent) rating of all Lombard's insurance subsidiaries.



> MESSAGE FROM THE CEO

Despite industry trends of a softening market and increased competition, Lombard Canada produced an outstanding combined ratio of 90.5 percent on a management basis.

Our philosophy is that first, last and always, we must have excellent underwriting skills. We believe it is through underwriting excellence that outstanding economic results can be achieved regardless of industry conditions.

Over the past four years, Lombard Canada has consistently out performed the industry. As a result, we are one of the top performing P&C companies in Canada. Our strategy, disciplined underwriting, investment in technology and employee training contributed greatly to our outstanding performance in 2005 as well as our continuous success.

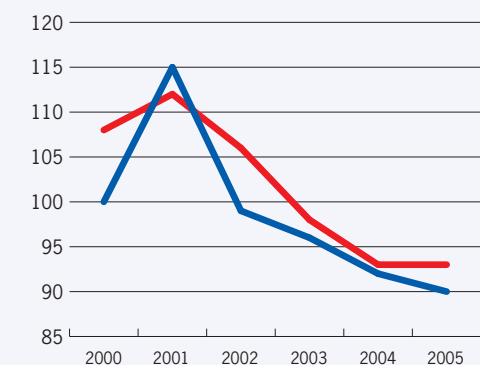
In 2005, Gross Written Premium (GWP) totaled \$976.9 million and Net written premium (NWP) were \$691.6 million.

> COMMERCIAL LINES

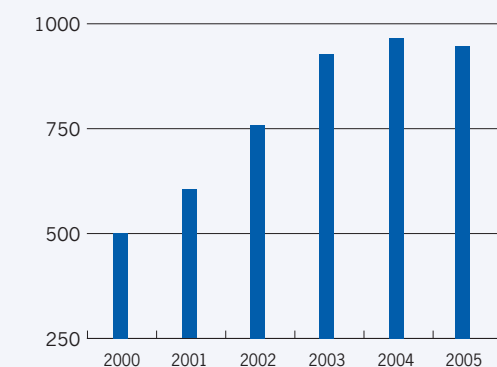
Commercial Lines finished the year with an impressive 92.3 percent combined ratio. A great deal of this success can be attributed to our underwriting practices as well as two innovative technologies Lombard has created to simplify policy issuance and assist our underwriters in making the right decisions.

LINCQ® is Lombard's proprietary Web-based software that provides full commercial multi-line processing capability to our insurance brokers. Most commercial insurance transactions are processed by our brokers, enabling Lombard to focus our resources on developing underwriting expertise.

COMBINED RATIO COMPARISON
Combined Ratio in comparison to the Industry
> Lombard > Canadian industry



GROWTH
Direct Written Premium*
> DWP \$ millions



* Direct Written Premium (Facility excluded).

Before affiliated reinsurance, the 2005 combined ratio was 90.5 percent compared to 91.4 percent in 2004.



Lombard's Commercial Lines Information

Processing System (CLIPS) technology platform enables our underwriters to develop a deep and thorough knowledge of our book of business, pricing, claims trends, industry competition, distribution networks and risk management.

Our Commercial Lines is composed of four distinct strategic units:

Business Choice provides our customers with comprehensive insurance coverage designed to meet the needs of all varying individuals' commercial risks.

Custom Marketing targets commercial groups and associations, providing customized insurance to groups. Lombard currently writes more than 350 commercial groups and associations.

Special Operations offers unique programs and lines of business requiring specialized underwriting, such as crop hail, agri-business and municipalities insurance.

Risk Solutions specializes in insurance fronting arrangements, warranty business, errors & omissions, directors & officers and specialized insurance products focused on the automobile and residential development industries.

> **PERSONAL LINES**

Our Personal Lines business showed tremendous improvement in 2005 and we finished with a combined ratio of 85.3 percent. Our Personal Lines consists of two niche personal lines divisions.

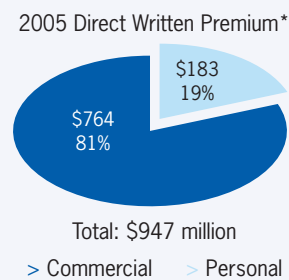
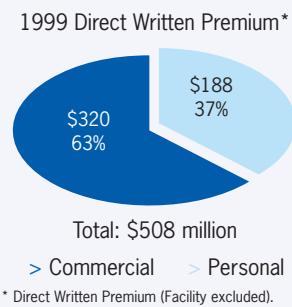
Retail is our independent broker channel unit that focuses on mature customers within territories exclusively assigned to each broker, primarily in Ontario and British Columbia. We work with a select number of brokers who are business-oriented, community-based and committed to effectively servicing their clientele.

Direct Call Centre is Lombard's direct distribution channel that distributes business directly to our "over 50" customers. This is done through strategic business relationships involving such associations and groups as the Royal Canadian Legion and Canada's Association for the Fifty-Plus.

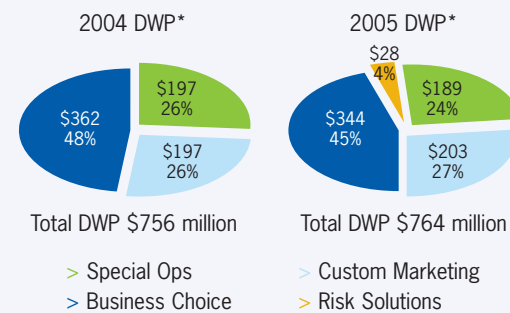


Richard N. Patina
President & Chief Executive Officer

OUR COMMERCIAL/PERSONAL MIX

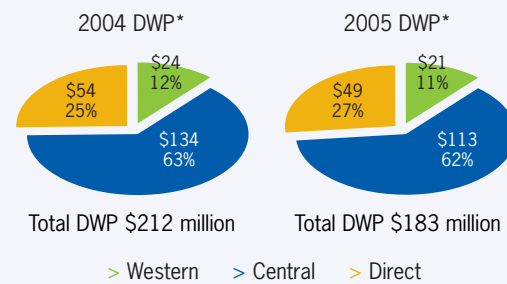


OUR COMMERCIAL MIX



* Direct Written Premium (Facility excluded).

OUR PERSONAL MIX



* Direct Written Premium (Facility excluded).

> **CONSOLIDATED INCOME STATEMENT**

> Fiscal Years Ended December 31
> Canadian \$ in thousands

	2005	2004	2003	2002	2001
Gross Premiums Written	976,944	1,021,767	965,770	770,942	615,075
Net Premiums Written	691,622	715,254	702,473	518,024	420,448
Revenues:					
Net Premiums Earned	688,105	705,524	621,261	469,122	388,720
Net Investment Income	90,234	57,843	66,327	25,964	26,415
Total Revenues	778,339	763,367	687,588	495,086	415,135
Expenses:					
Claims and Adjustment Expenses	423,231	423,435	393,449	327,879	319,004
Commissions	80,198	96,717	88,577	56,934	66,158
Premium Taxes	32,122	32,972	28,934	22,777	18,774
Income Taxes	46,284	61,144	37,477	8,517	(21,147)
Other Expenses	75,858	76,542	76,739	64,928	61,795
Total Expenses:	657,693	690,810	625,176	481,035	444,584
Net Income (Loss) After Taxes	120,646	72,557	62,412	14,051	(29,449)

> **CONSOLIDATED BALANCE SHEET**

> Fiscal Years Ended December 31
> Canadian \$ in thousands

	2005	2004	2003	2002	2001
Assets:					
Cash and Short-Term Investments	341,189	283,375	174,950	86,343	109,896
Stocks, Bonds and Real Estate	1,085,538	869,474	670,934	479,771	356,911
Premium Receivable	236,484	279,137	259,452	212,991	147,066
Future Income Taxes	29,827	24,595	19,591	15,028	5,205
Reserves Recoverable from Reinsurers	562,731	519,072	472,357	442,274	385,679
Other Receivables and other Assets	191,366	165,540	157,056	130,767	106,121
Total Assets	2,447,135	2,141,193	1,754,340	1,367,174	1,110,878
Liabilities:					
Unpaid Claims and Claim Expenses	1,201,280	1,014,496	812,036	692,306	636,145
Unearned Premium Reserve	471,601	467,330	455,548	367,465	291,645
Other Liabilities	272,813	259,647	146,493	117,528	58,769
Total Liabilities	1,945,694	1,741,473	1,414,077	1,177,299	986,559
Shareholder's Equity	501,441	399,720	340,263	189,875	124,319
Total Liabilities and Shareholder's Equity	2,447,135	2,141,193	1,754,340	1,367,174	1,110,878

Note:

> All reinsurance is reflected in these financial statements.
> The effects of discounting Unpaid Claims and Adjustment Expenses are not reflected in these financial statements.

Lombard's expense ratio improved to 27.0 percent in 2005 from 29.0 percent last year.



> COMMUNITY SERVICE

Lombard Canada focuses on supporting national medical research programs that specifically concentrate on illnesses relating to children. Lombard also supports many other children's charities, such as, REACH for the Rainbow, and the DAREarts foundation. Although we are often called upon to support other various charitable organizations, and do so whenever possible, our primary focus is on children's charities.

As each year passes, an increasing number of Lombard employees are becoming involved in charitable donations and volunteer work.

Lombard supports the efforts of its employees with a donation-matching program, which matches the donations raised by employees to a maximum of \$1,000 per person, per year.

> SICK KIDS FOUNDATION – \$2,000,000

Lombard has made a gift of \$2 million to endow, in perpetuity, the Lombard Insurance Chair in Paediatric Research at the Hospital for Sick Children in Toronto. Sick Children's hospital is one of the world's leading hospitals devoted to children's health. Lombard's gift will help ensure ongoing research into the health of children and will also provide a platform to communicate the importance of long-term research funding to those who work outside the laboratory. The contribution will facilitate the department of Paediatrics, which consists of multifaceted programs of national and international significance.

> DAREarts FOUNDATION

DAREarts which stands for Discipline, Action, and Responsibility in Education, was founded to help Canadian children find positive alternatives to negative influences in their communities, through a five-year arts education program that complements Canadian elementary schools. They strive to empower all children to achieve their potential by using the arts to motivate a lifelong pursuit of personal excellence. Lombard Insurance has been one of DAREarts primary contributors funding two of their national programs, 1) DAREarts 'All-The-Arts' Education Program and 2) DAREarts 'Children for Peace' program.



> WICC (Women in Insurance Cancer Crusade)

WICC's role is twofold: to help find a cure by raising funds for cancer research, and to raise awareness about this disease among family, friends, and colleagues. Since its inception in 1996, WICC has raised over \$1,200,000 in the fight against cancer. Lombard Insurance is a platinum sponsor for WICC.

> THE DUKE OF EDINBURGH AWARD

The Duke of Edinburgh's Award is a registered, voluntary, non-competitive charity program of activities for young Canadians aged 14-25. It is a balanced, non-competitive programme of voluntary activities which encourages: personal discovery and growth, self-reliance, perseverance, responsibility, and service to the community. There are three levels of the award: Bronze, Silver and Gold, each requiring an increasing degree of commitment. The award is amongst the highest accolades a young Canadian can receive. Approximately 70,000 volunteers share their skills, enthusiasm and time to help guide the participants through their Awards, learning new skills and making friends themselves along the way. Lombard is a Founding Partner of their Charter for Business and is also a primary sponsor.

Other notable charities Lombard participates with are:

> THE UNITED WAY/SHARELIFE CAMPAIGN

United Way is an incorporated non-profit charity focused on improving the long-term health of our community. They run Canada's largest annual fundraising campaign in support of 200 social and health service agencies, providing a vital network of support.

> THE STARLIGHT FOUNDATION

The Starlight Children's Foundation is a non-profit organization dedicated to brightening the lives of seriously ill children and their families by providing a broad array of both in-hospital and out patient programs designed to enhance their ability to cope with the stress of illness.

> DRIVE WISE

Beginning in 2002, Drive Wise is a free OPP (Ontario Provincial Police) delivered seminar that introduces a number of succinct tips, suggestions and driving strategies, which are preventative measures against the most likely causes of collisions and mishaps faced by mature Canadians on the road. This program is primarily directed toward mature members of society, as drivers 50 years of age and over have become the fastest growing demographic on the roads.

> REACH FOR THE RAINBOW

REACH for the Rainbow (RFTR) is a registered charity serving children and young adults with developmental and physical disabilities from across Ontario.

Please visit www.Lombard.ca for more information on these and other various charities that Lombard Canada supports.

Lombard reported an underwriting profit of \$79.4 million.

> COMPANY EXECUTIVES

RICHARD N. PATINA

President & Chief Executive Officer

M. JANE GARDNER

Senior Vice-President & Chief Financial Officer

ROBERT T. COUGHLIN

Senior Vice-President, Claims

KIM H. TAN

Senior Vice-President, Corporate & Business Development

WILLIAM J. DUNLOP

Senior Vice-President, General Counsel & Human Resources

ANNE-MARIE VANIER

Senior Vice-President & Chief Actuary

KATHERINE M. ALLAN

Senior Vice-President & Chief Underwriting Officer

PETER SILK

Vice-President, Business Choice

DEAN MORRISSEY

Vice-President, Sales & Custom Marketing

BOB RYAN

Vice-President, Special Operations

M. ANTHONY O'BRIEN

Vice-President, Risk Solutions

> REGIONAL EXECUTIVES

STAN KEEPING

Vice-President, Atlantic Region

RICHARD LAPIERRE

Vice-President, Quebec Region

MARK LEBLANC

Vice-President, Central Region

STEVE CADE

Vice-President, Western Region



> LOCATIONS

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CENTRAL REGION

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WESTERN REGION

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Fax: 604-631-6896

WESTERN REGION

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Fax: 403-288-3040

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ZENITH INSURANCE SERVICES INC.

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Tel: 416-246-6000

CROP HAIL

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Tel: 306-242-1415
Fax: 306-664-4492

AGRI-BUSINESS

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1575 Bishop St. North,
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Tel: 519-740-8828
Fax: 519-740-6474

Lombard reported a net profit after tax of \$120.6 million in 2005 compared to a net profit after tax of \$72.6 million in 2004.

