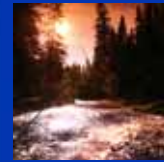




Innovative Insurance Solutions



INNOVATIVE

PROGRESSIVE

RESPONSIBLE

2007 ANNUAL REVIEW

Lombard General Insurance Company of Canada
Lombard Insurance Company
Zenith Insurance Company

LOMBARD COMPANY EXECUTIVES

Richard N. Patina

President & Chief Executive Officer

M. Jane Gardner

Senior Vice-President & Chief Financial Officer

Kim H. Tan

Senior Vice-President, Corporate & Business Development

Katharine M. Allan

Senior Vice-President & Chief Underwriting Officer

William J. Dunlop

Senior Vice-President, General Counsel & Human Resources

Peter Aumonier

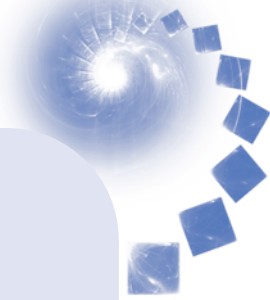
Senior Vice-President, Claims

Peter Silk

Senior Vice-President, Commercial Business Process and Delivery

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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
- High 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

In 2007, Lombard was upgraded to an A (excellent) from an A- (excellent) rating from A.M. Best, North America's leading financial rating agency for insurance companies.

ABOUT LOMBARD CANADA

What's in the name?

The name Lombard itself, is deeply rooted in insurance tradition, signifying stability and strength. The London Underwriting Centre, the Institute of London Underwriters and the Lloyd's building, grew to prominence on Lombard Street, the same street where most of London's commercial insurance business is transacted.

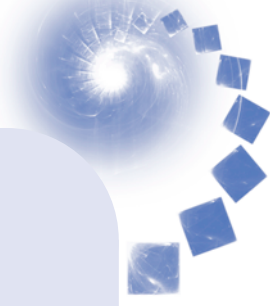
Of particular significance to our own history, the Phoenix Assurance Company established its office at 19 Lombard Street in 1782. The Dominion Insurance Corporation (now Lombard Insurance Company) acquired the assets and liabilities of the Phoenix Assurance Company of Canada in 1989.

Today, Lombard has stretched far and wide and continues to grow. Lombard is one of the oldest and most stable property and casualty insurance operations in Canada, with a network of over 200 independent brokers, supported by more than 750 highly trained professionals working in partnership. Lombard is a fully licensed multi-line insurer which does business in all provinces and territories.

Lombard Canada Ltd. is the holding organization for three companies: Lombard General Insurance Company of Canada, specializing in writing commercial lines business; Lombard Insurance Company, specializing in writing personal lines business through the broker network; and Zenith Insurance Company, writing personal lines business to the "over 50" demographic.

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

Lombard Canada Ltd., with gross written premiums over \$1 billion in 2007, is the largest subsidiary of Northbridge Financial Corporation, one of the largest commercial property and casualty insurance groups in Canada. Northbridge operates primarily in Canada, selectively in the United States and internationally, with consolidated gross written premiums totaling \$1.65 billion and total shareholders' equity of \$1.42 billion. Northbridge is currently listed on the TSX (NB).



MESSAGE FROM THE CEO

2007 was the fifth year in a row that Lombard has generated a significant underwriting profit. In spite of continued price softening in the insurance market throughout 2007, Lombard finished the year with a very profitable Combined Ratio of 93.7 percent, and Gross Written Premiums over \$1 billion.

Although our 2007 Gross Written Premiums increased over the \$989.4 million we wrote in 2006, our 2007 Combined Ratio deteriorated slightly from the 90.1 percent we achieved in 2006. We have always regarded the combined ratio as the primary indicator of our performance. Overall, we are very pleased with our results for 2007. However, at the same time, we are addressing some initiatives that have not performed up to our standards.

Throughout 2008, we will continue to maintain our focus on underwriting quality, as well as, continuing to enhance and refine our pricing tools. We also have an ongoing commitment to employee development and training. In 2007, we celebrated our seventh year of Lombard's Underwriting and Claims Trainee Program. To date, we have put 64 young, talented university graduates through this program and they have become valuable contributing employees. In addition to current employee training programs, we conduct a number of training and educational programs for our insurance brokers. These programs run the spectrum from basic introductory insurance courses to advanced sales and sales management courses. This investment in both employee and broker training continues to pay dividends in the long-term success of our company.

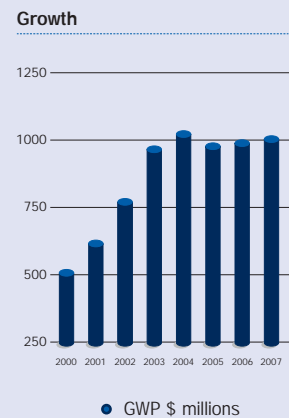
In 2007, we also saw significant changes in our Claims Operations with the introduction of our Virtual Information Processing system. The result is an almost paperless environment with enhanced workflows, productivity and service.

2007 also saw the continued consolidation of insurance brokers through direct acquisition by insurance companies, other broker consolidators and private equity firms. Lombard's focus remains on supporting and assisting strong independent brokers to grow and remain independent.

The insurance industry has seen claims frequency increasing throughout 2007. Combined with the continued pressures of pricing and the normal increase on claims costs due to inflation, the result has been a deterioration in profitability for the insurance industry. Although we expect these same factors to influence 2008, we believe Lombard is well positioned to continue outperforming the market.

I would like to thank our employees, our insurance brokers and business partners for their support and enthusiasm.

Richard N. Patina
President & Chief Executive Officer



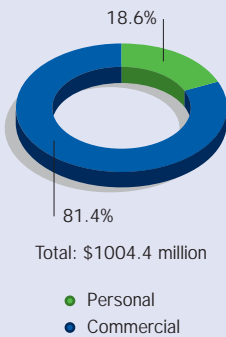
INNOVATIVE PROGRESSIVE RESPONSIBLE

THE LOMBARD ADVANTAGE

Lombard's philosophy is that first, last and always, we must have excellent underwriting skills and integrity. It is through underwriting excellence that outstanding economic results can be achieved whether we are in a hard or soft industry cycle.

Our continuing success is the result of integrating all our business practices, maintaining a consistent approach and at all times focusing on underwriting excellence.

Our Commercial/Personal Mix
2007 Gross Written Premium



STRATEGIC BUSINESS UNITS

Commercial Lines

Over the years, our commercial book of business has performed exceptionally well. Much of this success is attributed to our underwriting practices, innovative technologies, and our focus on our strategic units.

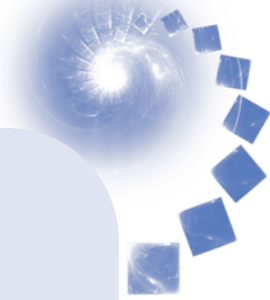
Our commercial lines division is composed of four distinct strategic units:

Business Choice[®] provides our customers with comprehensive insurance coverage designed to meet the needs of all types of commercial risks.

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

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

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



Personal Lines

Our personal lines book of business continues to be excellent, despite the highly competitive market and an industry trend of aggressive pricing.

Our personal lines business consists of two divisions:

Retail is our independent broker channel 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 is Lombard's direct distribution channel. It services business directly to our "over 50" customers through strategic partnerships, such as Canada's Association for the Fifty-Plus (CARP).

TECHNOLOGY

Through our focus on technology, we have automated our underwriting and customer billing functions to enhance the caliber of our business processes, making it simpler for our brokers to conduct business with us.

Lombard's proprietary web-based software provides full commercial multi-line processing capability to our brokers. Furthermore, we have an on-line system that gives our brokers the ability to process all personal lines business.

Our commercial lines platform enables our underwriters to have a deep and thorough knowledge of our book of business, pricing, claims trends, market competition, distribution network and risk management. In addition, our personal lines software allows individual personal lines underwriters to thoroughly review and monitor extensive volumes of individual policies and conduct portfolio reviews.

*Lombard reported
an underwriting profit
of \$43.9 million.*

OUR BROKERS & LOMBARD

We work with a select number of brokers who are also committed to underwriting excellence, growth and service. With a network of over 200 independent brokers, Lombard is uniquely positioned for success in both today's insurance marketplace as well as in the future.

COMMUNITY AND LOMBARD

SOCIAL RESPONSIBILITY

Understanding that we are part of the community, Lombard Canada supports it through conservation and charitable donations. By working towards a paperless environment, reducing power use during off peak times and the development of a disaster recovery system, Lombard's commitment to responsible sustainability of the environment, its customers and the community are realized through Lombard's innovation and progressiveness.

CHARITABLE ORGANIZATIONS

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

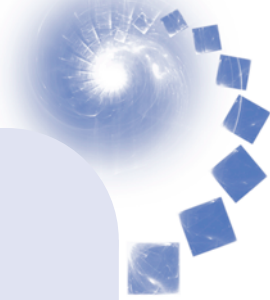
Lombard supports the efforts of its employees with a donation-matching program, which matches the donations raised by employees to a maximum of \$1,000 per person, per year.

Our primary focus is on children's charities, although we support various other charitable organizations whenever possible.

SickKids

Did you know that Lombard funded one of the very first academic chairs at SickKids? A Chair is considered an honour within the medical and academic community, and acts as a key recruitment and retention tool in helping to bring (and keep) the best and brightest healthcare professionals to SickKids. Established with a gift of \$2 million in 1998, an endowment fund was established to provide a steady stream of income to the Chair holder to pursue research in his/her area of expertise. The Lombard Chair is held by the Chief of Research at SickKids currently Dr. Janet Rossant.

Approximately 10,000 people walk up and down the main hallway of SickKids everyday. There are over 9,000 employees of the Hospital and Research Institute; over 300,000 outpatient visits; 100,000 children seen at SickKids each year; and nearly 50,000 visits to the emergency room.



The Duke of Edinburgh's Award International Foundation

The Duke of Edinburgh's Award is an internationally recognized, registered, voluntary, non-competitive charity program of activities for young Canadians aged 14–25. It is a balanced, non-competitive program 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 along the way. Lombard is a Founding Partner of their Charter for Business and is also a primary sponsor.

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, specifically targeting children in their formative years from grades 4–8, to achieve their potential by using the arts to motivate a lifelong pursuit of personal excellence. Lombard Canada 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.

The George Hull Centre Foundation

The George Hull Centre Foundation was established in 1995 to receive and maintain funds to support the children's mental health activities of The George Hull Centre for Children and Families.

The George Hull Centre is one of Ontario's leading multidisciplinary, innovative children's mental health centres. The purpose of The George Hull Centre is to reduce suffering and to enhance the quality of life of children, youth and families. The George Hull Centre engages the community, its families and volunteers in a variety of partnerships to provide hope, solutions and positive outcomes.

St. Michael's Hospital

Lombard Canada donated \$1 million to St. Michael's Hospital to establish the Lombard Insurance Global Poverty Action Laboratory. This is an opportunity to make a difference across the world by supporting research that influences and changes global health policies to improve people's health and save lives in developing countries.

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Peter Aumonier

Senior Vice-President, Claims

Peter Silk

Senior Vice-President, Commercial Business Process And Delivery

Dean Morrissey

Vice-President, Sales & Custom Marketing

Bob Ryan

Vice-President, Special Operations

M. Anthony O'Brien

Vice-President, Risk Solutions

Stan Keeping

Vice-President, Atlantic Region

Richard Lapierre

Vice-President, Quebec Region

Mark LeBlanc

Vice-President, Central Region

Steve Cade

Vice-President, Western Region



CONSOLIDATED INCOME STATEMENT

- Fiscal Years Ended December 31
- (Canadian \$ in thousands)

	2007	2006	2005	2004	2003
Gross Premiums Written	\$ 1,004,373	\$ 989,432	\$ 976,944	\$ 1,021,767	\$ 965,770
Net Premiums Written	708,476	699,685	691,622	715,254	702,473
Revenues:					
Net Premiums Earned	695,277	689,900	688,105	705,524	621,261
Net Investment Income	203,414	127,315	90,234	57,843	66,327
Total Revenues	898,691	817,215	778,339	763,367	687,588
Expenses					
Claims and Adjustment Expenses	\$ 447,739	\$ 417,296	\$ 423,231	\$ 423,435	\$ 393,449
Commissions	93,196	96,190	80,198	96,717	88,577
Premium Taxes	31,979	32,122	32,122	32,972	28,934
Income Taxes	71,422	69,188	46,284	61,144	37,477
Other Expenses	81,787	79,128	75,858	76,542	76,739
Total Expenses	726,123	693,924	657,693	690,810	625,176
Net Income	172,568	123,291	120,646	72,557	62,412
Other Comprehensive Income (Loss)	(44,829)	-	-	-	-
Total Comprehensive Income	\$ 127,739	\$ 123,291	\$ 120,646	\$ 72,557	\$ 62,412

CONSOLIDATED BALANCE SHEET

- Fiscal Years Ended December 31
- (Canadian \$ in thousands)

	2007	2006	2005	2004	2003
Assets					
Cash and Short-Term Investments	\$ 412,749	\$ 373,832	\$ 341,189	\$ 283,375	\$ 174,950
Investments	1,485,182	1,253,330	1,085,538	869,474	670,934
Premiums Receivable	242,700	241,855	236,484	279,137	259,452
Future Income Taxes	23,329	24,670	29,827	24,595	19,591
Reserves Recoverable from Reinsurers	604,867	571,940	562,731	519,072	472,357
Other Receivable and Other Assets	190,247	201,018	191,366	165,540	157,056
Total Assets	\$ 2,959,074	\$ 2,666,645	\$ 2,447,135	\$ 2,141,193	\$ 1,754,340
Liabilities					
Unpaid Claims and Adjustment Expenses	1,450,844	1,317,075	1,201,280	1,014,496	812,036
Unearned Premium Reserve	508,704	488,107	471,601	467,330	455,548
Other Liabilities	295,176	291,306	272,813	259,647	146,493
Total Liabilities	2,254,724	2,096,488	1,945,694	1,741,473	1,414,077
Capital and Retained Earnings	683,371	570,157	501,441	399,720	340,263
Accumulated Other Comprehensive Income	20,979	-	-	-	-
Shareholders' Equity	704,350	570,157	501,441	399,720	340,263
Total Liabilities and Shareholders' Equity	\$ 2,959,074	\$ 2,666,645	\$ 2,447,135	\$ 2,141,193	\$ 1,754,340

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.

LOCATIONS

Head Office

Lombard Place
105 Adelaide St. West
Toronto, Ontario
M5H 1P9
Tel: 416-350-4400
Fax: 416-350-4412

Atlantic Region

Suite 800
1801 Hollis St.
Halifax, Nova Scotia
B3J 3N4
Tel: 902-422-1221
Fax: 902-423-8640

Quebec Region

Suite 1700
2001 University St.
Montréal, Québec
H3A 2A6
Tel: 514-843-1111
Fax: 514-284-8070

Quebec Region

Place de la Cité
– Tour Belle Cour
Suite 850
2590 Laurier Blvd.
Québec, Québec
G1V 4M6
Tel: 418-659-6300
Fax: 418-659-2543

Central Region

Lombard Place
105 Adelaide St. West
Toronto, Ontario
M5H 1P9
Tel: 416-350-4000
Fax: 416-350-4123

Central Region

216 Camelot St.
Thunder Bay, Ontario
P7A 4B1
Tel: 807-344-1410
Fax: 807-345-6479

Western Region

Suite 600
Two Bentall Centre
555 Burrard St.
Vancouver, British Columbia
V7X 1M8
Tel: 604-683-0255
Fax: 604-631-6896

Western Region

Suite 301
Northland Professional Centre
4600 Crowchild Trail NW
Calgary, Alberta
T3A 2L6
Tel: 403-289-2550
Fax: 403-288-3040

Zenith Insurance Services Inc.

P.O. Box 100, Station T
Toronto, Ontario
M6B 3Z9
Tel: 416-246-6000

Agri-Business

Suite 400
1575 Bishop St. North
Cambridge, Ontario
N1R 7J4
Tel: 519-740-8828
Fax: 519-740-6474