

Economical Mutual Rejects VC & Co. Attempt to Bypass Court Decision

- **Board Continues to Recommend Members Vote Only the BLUE Proxy to Reject the Dissident Proposal – Discard the Yellow Proxy.**

WATERLOO, ON, April 15, 2011 – Economical Mutual Insurance Company announced today that it has rejected an attempt by VC & Co. Advisory Limited to circumvent the decision of the Ontario Superior Court of Justice. Despite the Court's clear decision, VC & Co. has asked the Company to change its established voting practices at the Annual and Special Meeting on May 26, 2011.

"We will continue to obey the law. Our intention is to implement all normal procedures for the Company's Meeting as ordered by the Court, and to proceed with our meeting as scheduled," said Gerry Hooper, Chair of the Board of Directors of Economical. "The judge unequivocally dismissed the dissidents' cross-application asking for replacement of the chair of the meeting, a secret ballot, and that Economical provide the dissidents with private information about mutual policyholders. It is completely inappropriate for VC & Co. to ask the Company to disregard the court ruling."

Economical rejects the dissidents' claim that any mutual policyholder should fear "possible retribution" for voting as they wish at the Meeting.

"We fully respect the views of all our mutual policyholders and encourage them to vote as they see fit," Mr. Hooper said. "It is ludicrous and offensive to suggest there could be retribution by our Board or management against anyone who votes their conscience. It is contrary to everything we stand for and to our commitment to an open and fair process leading to demutualization. The only consequences of voting in favour of VC & Co. can be found in our proxy circular under 'Reasons to Reject the Dissident Proposal'."

Mr. Hooper also noted that, although it was not required to do so, Economical has already facilitated the distribution of the dissident proxy circular to mutual policyholders, while maintaining the privacy of its members. Economical voluntarily distributed the circular on behalf of VC & Co. and, consistent with the court order, did not provide the dissidents with personal information about mutual policyholders.

The Board of Directors of Economical continues to recommend that mutual policyholders use the BLUE proxy included in the mailing to vote:

- FOR Resolution 1 - the election of the Company's nominees to the Board of Directors;
- FOR Resolution 2 - the appointment of the auditors, Ernst & Young LLP, and;
- AGAINST Resolution 3 - the Dissident Proposal to replace the Board of Directors with Nominees selected by VC & Co Advisory Limited, the Toronto firm that organized the dissident mutual policyholders.

Mutual Policyholders with questions or who require assistance in completing and returning the BLUE form of proxy can call Georgeson, the Company engaged by Economical to assist in proxy solicitation toll-free at 1-866- 909 6468.

About The Economical Insurance Group

Founded in 1871, The Economical Insurance Group (TEIG) is one of Canada's leading property and casualty insurers, with over \$4.6 billion in assets and policyholders' equity of approximately \$1.3 billion. Canadian-owned and operated, TEIG provides a wide range of insurance products throughout North America. TEIG Member Companies include Economical Mutual Insurance Company (including Western General Farm Division), Waterloo Insurance Company, Perth Insurance Company, The Missisquoi Insurance Company, Federation Insurance Company of Canada, Family Insurance Solutions and The Mattei Companies.

A mutual insurance company since it was founded, The Economical Insurance Group, announced its intention to demutualize in December, 2010, making it the first to take this step under current Canadian legislation. It is currently developing a demutualization plan for approval by regulators and the Group's mutual policyholders.

For Further Information:

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